QWASI
Innovation Realized™

VELUX®

Loyalty Program Analysis

FORDHAM UNIVERSITY
THE JESUIT UNIVERSITY OF NEW YORK

MEET THE TEAM

QWASI
Innovation Realized™

Chenyi Li
| Managing Director

Lauren Quense
| Co-Managing Director
Client Contact

Anqi Zhu
| Data Analysis Manager

Chujun Yang
| Data Analysis Manager

Chenchen Shen
| Research Manager

Kaijie Liao
| Research Manager

Jinwen He
| Research Manager

C TABLE OF CONTENTS

FORDHAM UNIVERSITY
THE JESUIT UNIVERSITY OF NEW YORK

SECONDARY RESEARCH

VELUX is a Danish manufacturing company that specializes in roof windows and skylights. VELUX typically sells products through retail channels such as major home improvement and construction services stores.

In 2017, VKR Holding's revenue amounted to Euro **2.5 billion** and net profit for the year came to Euro **340 million.**

Velux has 17 manufacturing companies in **9 countries** and sales companies in **40 countries** with 10,200 employees.

Among EU, **27 countries** in the window market, Germany and France have the largest market volume, followed by Belgium.

The overall European window market growth average amounts to **2.6%** in quantity per year until 2019.

57% of members would like to engage with loyalty programs via mobile app.

73% of members are more likely to recommend brands with good loyalty programs.

FORDHAM UNIVERSITY
THE JESUIT UNIVERSITY OF NEW YORK

PROJECT OBJECTIVES

01 **Evaluate the performance of VELUX loyalty program**
- Analyze customer behaviors from different areas based on zip code distribution
- Look for patterns and differences from countries
- Conduct descriptive analysis to understand key metrics which include usage rate, attrition rate and customer activity metrics
- Develop regression analysis to predict future points

02 **Identify strengths and weaknesses of this loyalty program**
- Examine VELUX Reward Program blueprint and identify potential fail points

03 **Present recommendations for improvement**

METHODOLOGY

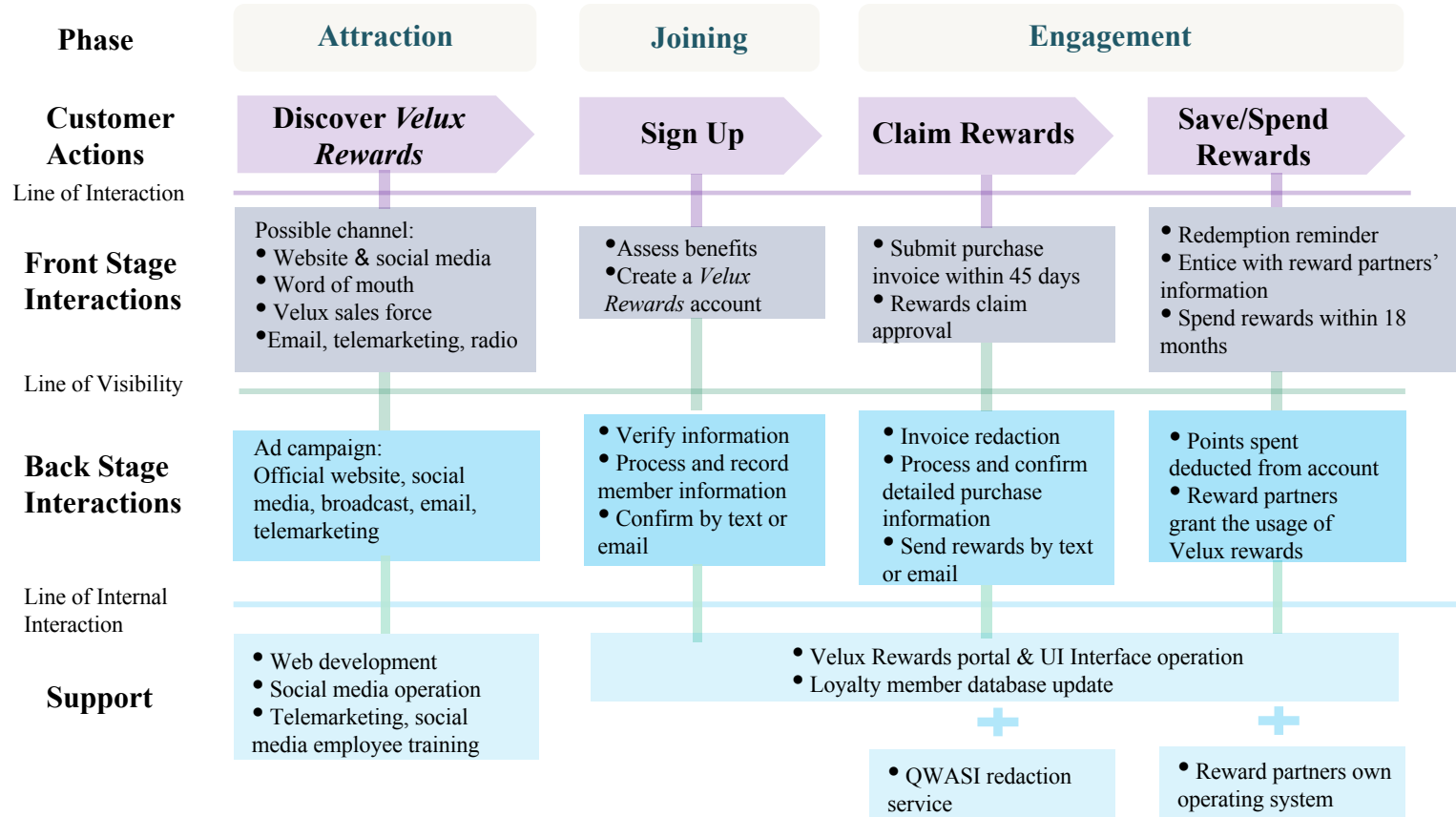Qualitative **VELUX®** Quantitative

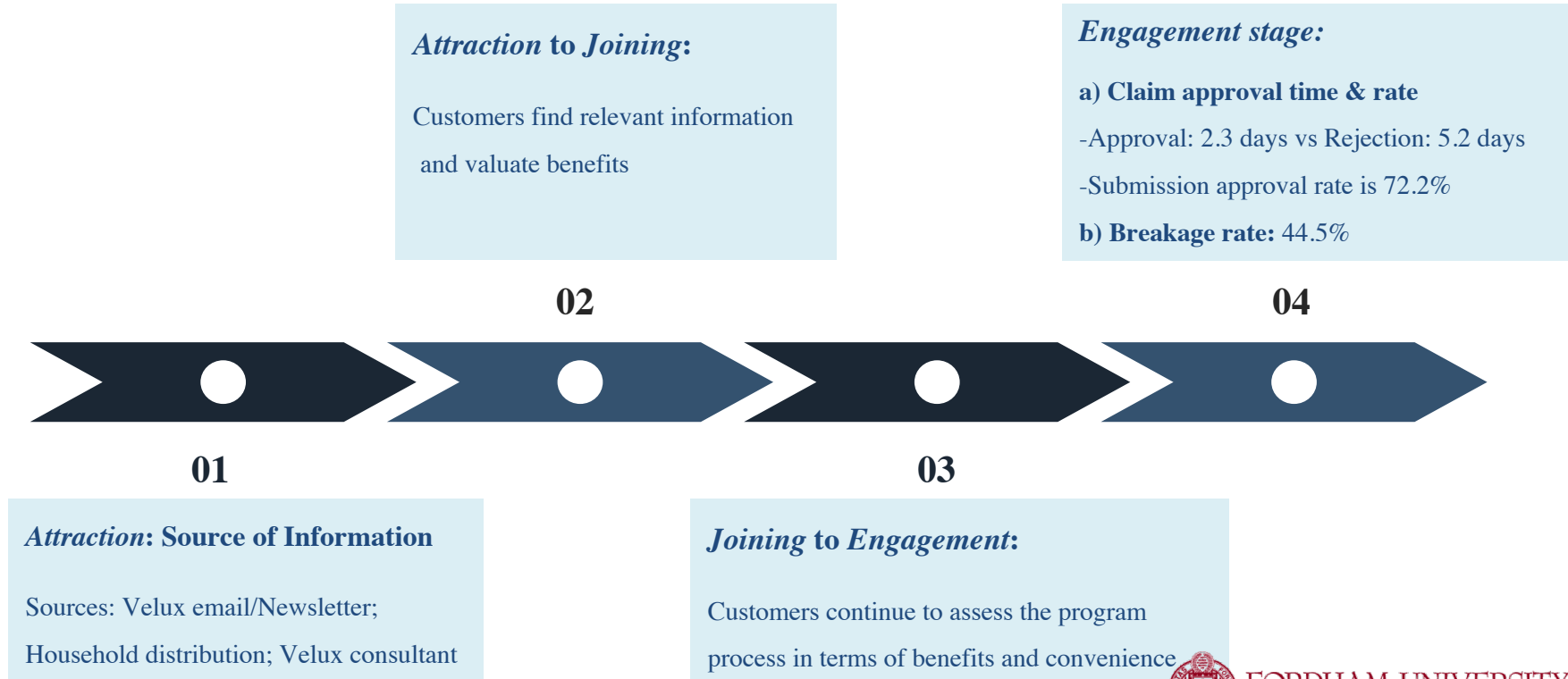- Secondary Research

- Service Blueprint

- Key Metrics for Rewards Program

- Geographic Analysis

- 80/20 Analysis

- Predictive Analysis

- Filtering & Advanced Excel Functions

Velux Rewards Blueprint

Phase	Attraction	Joining	Engagement	
Customer Actions	Discover *Velux Rewards*	Sign Up	Claim Rewards	Save/Spend Rewards

Line of Interaction

| **Front Stage Interactions** | Possible channel: • Website & social media • Word of mouth • Velux sales force • Email, telemarketing, radio | • Assess benefits • Create a *Velux Rewards* account | • Submit purchase invoice within 45 days • Rewards claim approval | • Redemption reminder • Entice with reward partners' information • Spend rewards within 18 months |

Line of Visibility

| **Back Stage Interactions** | Ad campaign: Official website, social media, broadcast, email, telemarketing | • Verify information • Process and record member information • Confirm by text or email | • Invoice redaction • Process and confirm detailed purchase information • Send rewards by text or email | • Points spent deducted from account • Reward partners grant the usage of Velux rewards |

Line of Internal Interaction

Support

• Web development
• Social media operation
• Telemarketing, social media employee training

• Velux Rewards portal & UI Interface operation
• Loyalty member database update

• QWASI redaction service

• Reward partners own operating system

7

The "Moments of Truth" and Potential Fail Points

Attraction to Joining:

Customers find relevant information and valuate benefits

Engagement stage:

a) Claim approval time & rate

-Approval: 2.3 days vs Rejection: 5.2 days

-Submission approval rate is 72.2%

b) Breakage rate: 44.5%

02

04

01

03

Attraction: Source of Information

Sources: Velux email/Newsletter;

Household distribution; Velux consultant

Joining to Engagement:

Customers continue to assess the program process in terms of benefits and convenience

RECOMMENDATIONS

Attraction Stage:

Increase awareness by focusing on email/newsletter promotion, household distribution and Velux consultant promotion.

Joining Stage:

- Conduct survey to learn about customer perception of the cost/benefit of the program.

Engagement Stage:

· Provide clear instruction on procedure (e.g. provide estimated approval time) and FAQ for rejection conditions.

· For new programs, control breakage rate by encouraging spending rewards.

FORDHAM UNIVERSITY
THE JESUIT UNIVERSITY OF NEW YORK

KEY REWARDS PROGRAM METRICS EVALUATION

	Calculation	Result	Implication
Engagement Metrics			
Activity Rate*	$\dfrac{\text{\# Active customers}}{\text{\# Customers signed up}}$	**67.2%**	Velux rewards program has good overall activity rate ☺
Redemption Rate**	$\dfrac{\text{\# Customers who redeemed}}{\text{\# Customer who earned points}}$	**61.6%**	Velux rewards program has good overall redemption rate ☺
Net Promoter Score (NPS)***	% Promoters - % Detractors	**-39.8**	Customer are not very motivated to tell people about Velux. ☹

*Activity rate was estimated based on assuming active customers are the one with at least 1 submission (total points >0).

**Redemption rate is calculated based on customers who redeemed (total points- current points >0) and customers who earned points (total points>0).

***Net Promoter Score is a metric developed by Bain & Co. and often used as proxy of gauging customer satisfaction and loyalty to the brand.

KEY METRICS COMPARISON BY COUNTRY

Activity Rate Comparison
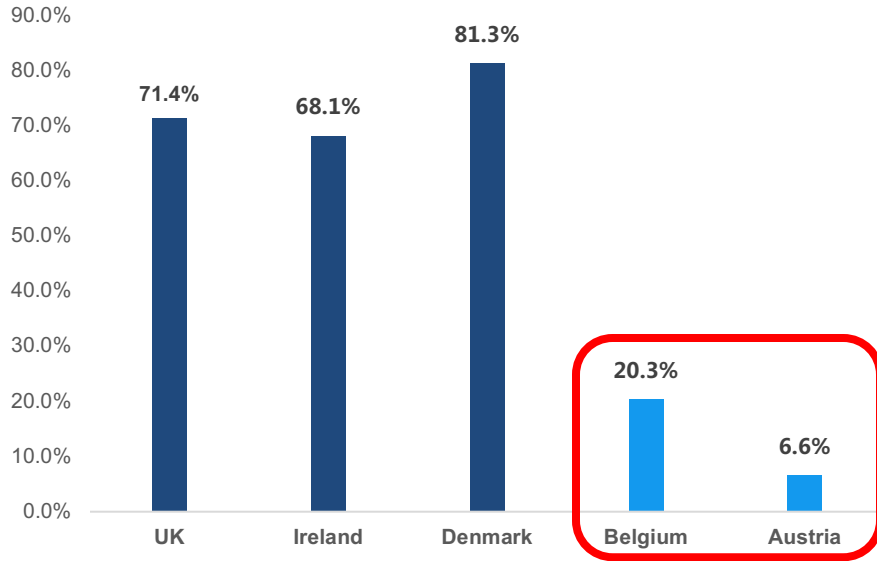
Redemption Rate Comparison

NPS BY COUNTRY

- **Austria:** **89.3%**
- **Belgium:** **87.5%**
- **Denmark:** **89.1%**
- **Ireland:** **-76.2%**
- **UK:** **-74.1%**

12
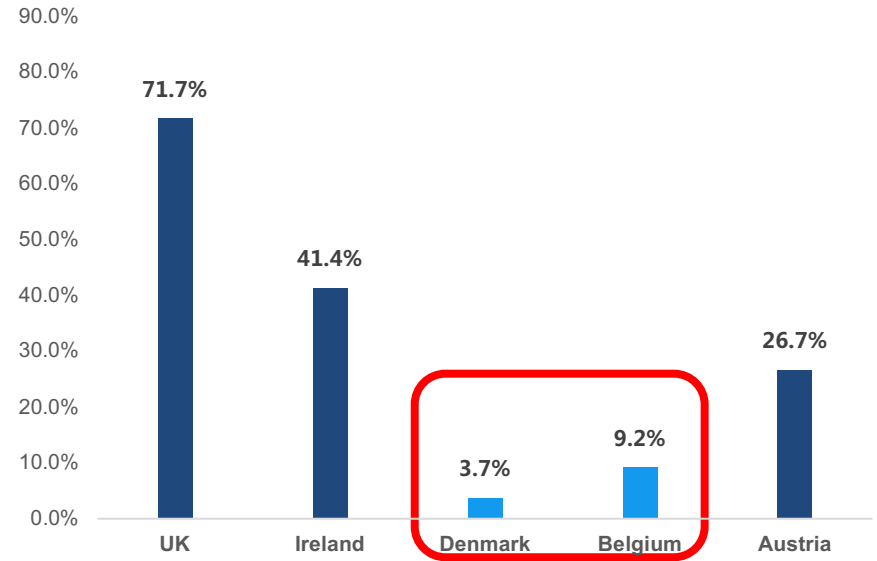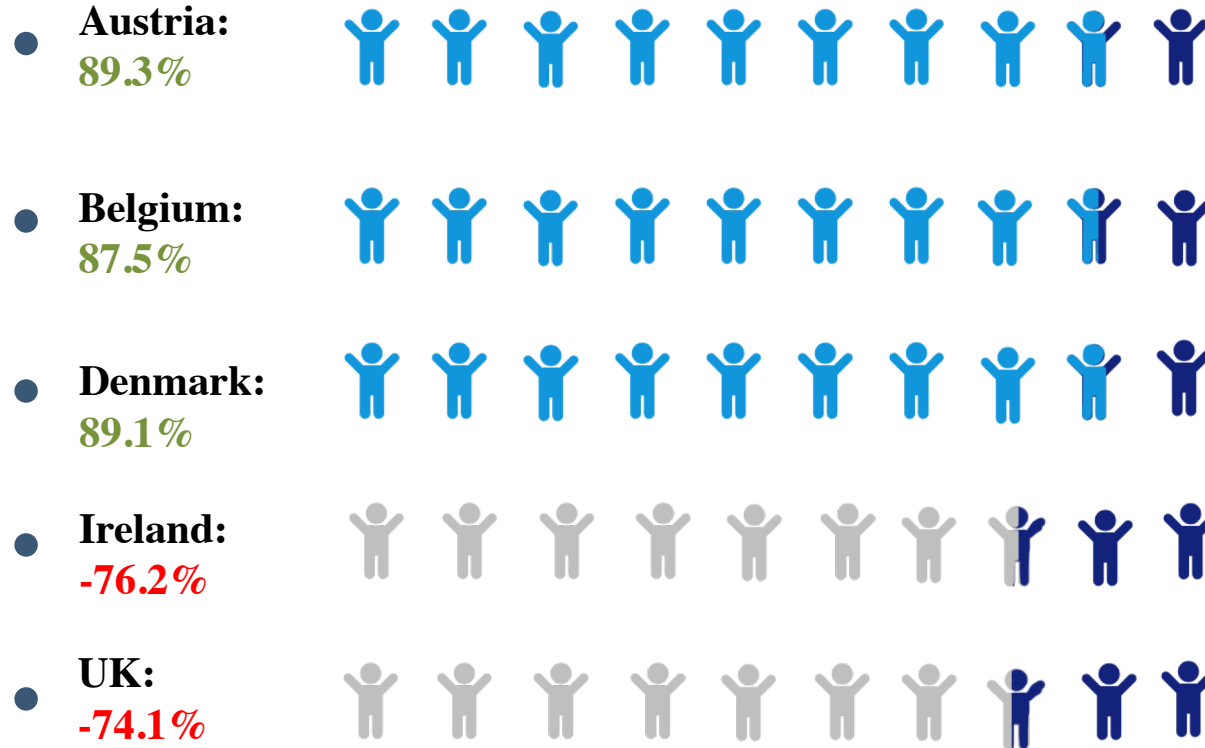
DEVICE

Overall

Breakdown by Country

QWASI Innovation Realized™

FORDHAM UNIVERSITY
THE JESUIT UNIVERSITY OF NEW YORK

13
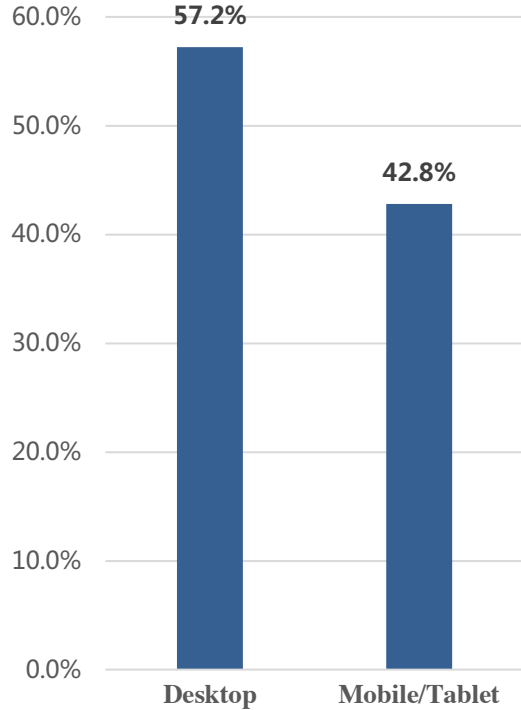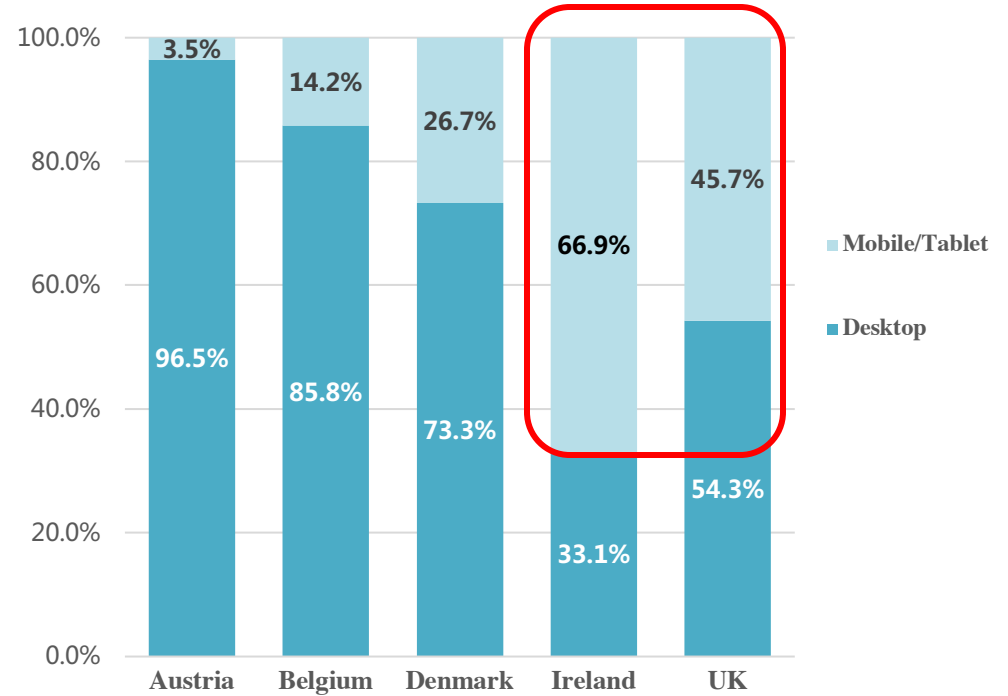
GEOGRAPHIC ANALYSIS

Median Point in UK and Ireland

Member Distribution in UK and Ireland
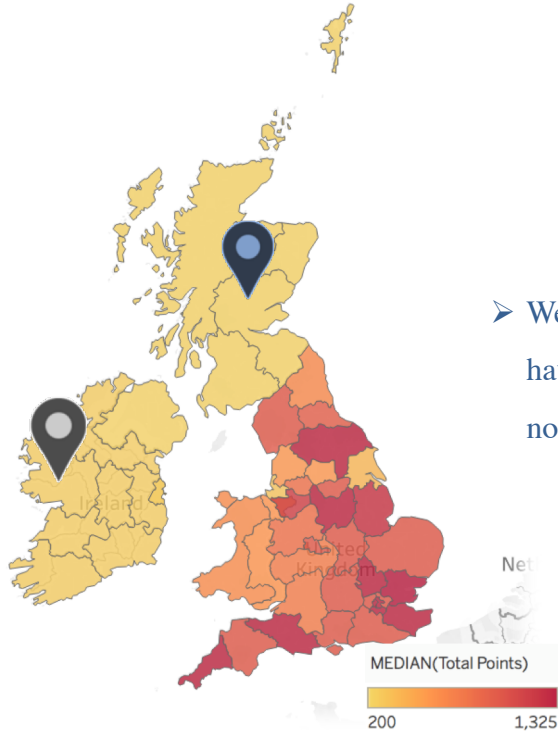
➢ West Ireland and Southern part of Scotland have high concentration of customers but not of high points collection.

GEOGRAPHIC ANALYSIS
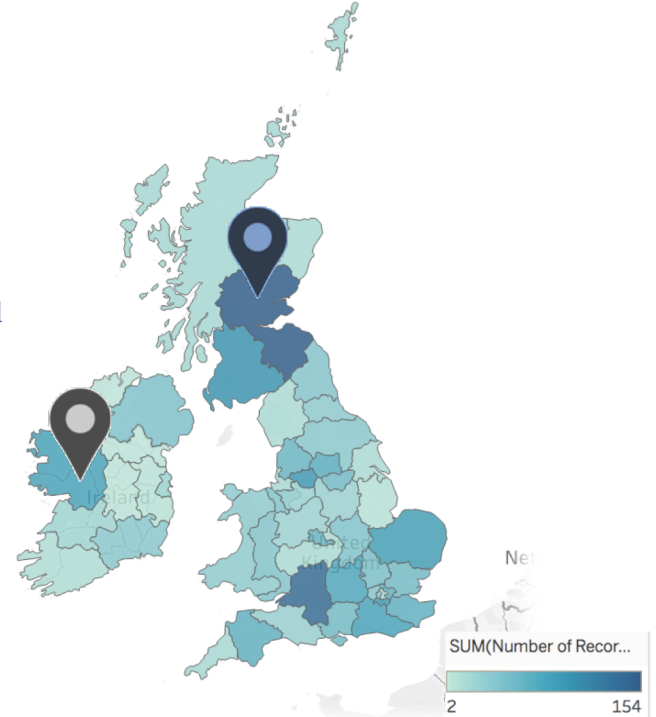
Median Point in Denmark, Belgium and Austria

Member distribution in Denmark, Belgium and Austria
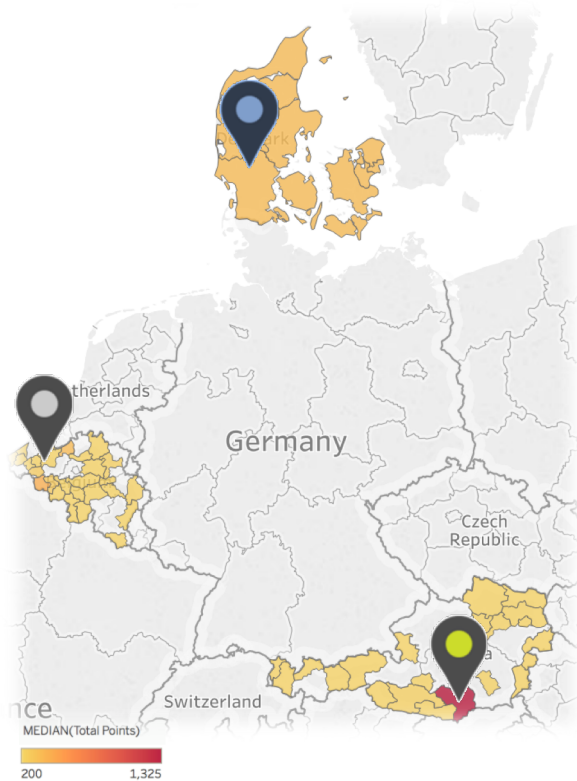
➢ In general, points distribution is relatively even in Denmark, Belgium and Austria

➢ Denmark members are most concentrated in Southern area

➢ Belgium members are most concentrated in Diksmuide and Gent area

MEDIAN(Total Points)
200   1,325

SUM(Number of Recor...
2   154

15

RECOMMENDATIONS

UK and Ireland:

- Improve NPS through brand equity building

- Device: Improve rewards program system mobile experience

- Key geographic targeting:

  - UK: valuable customers in Mid and Southern area; Activate customers in Southern part of Scotland

  - Ireland: Activate customers in west Ireland

Austria, Belgium and Denmark

- Device: Focus on computer-based website experience

- Improve activity (Austria and Belgium): create content to encourage submitting receipts and earn points

- Improve redemption (Belgium and Denmark): reminder message/Email, use interesting content to encourage redemption

- Key geographic targeting:

  - Belgium: Diksmuide and Gent area

  - Denmark: Southern area

16

HYPOTHESIS

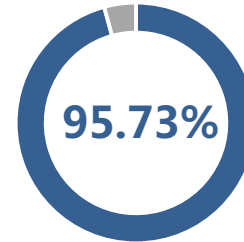**80%** of VELUX rewards points are earned by top **20%** of VELUX customers.

80/20 ANALYSIS
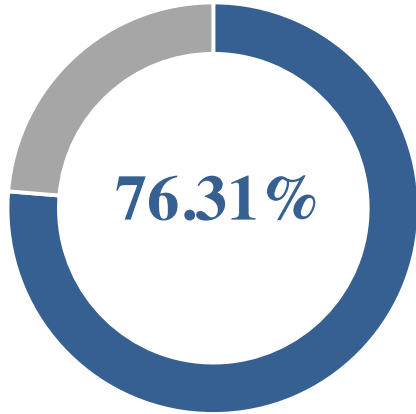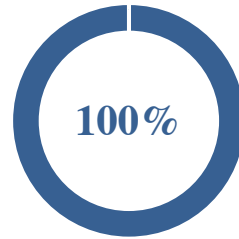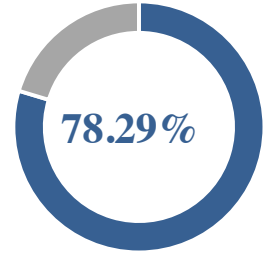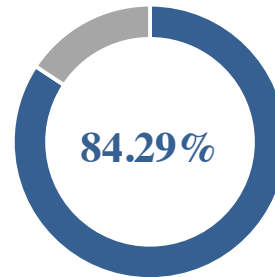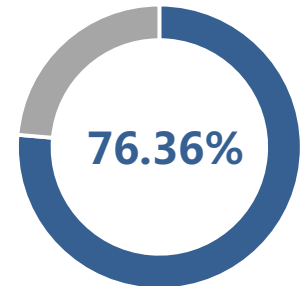
Geographic: Total Point distribution

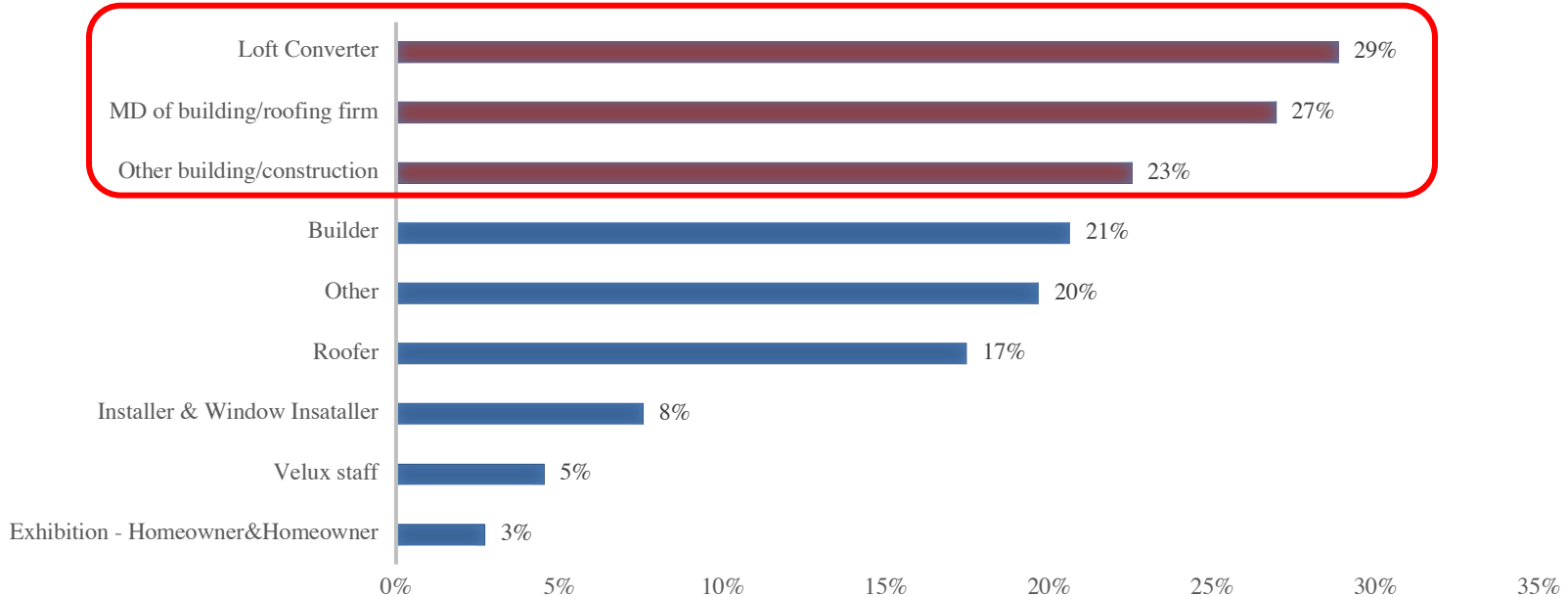SUM(Total Points)

200   160,330
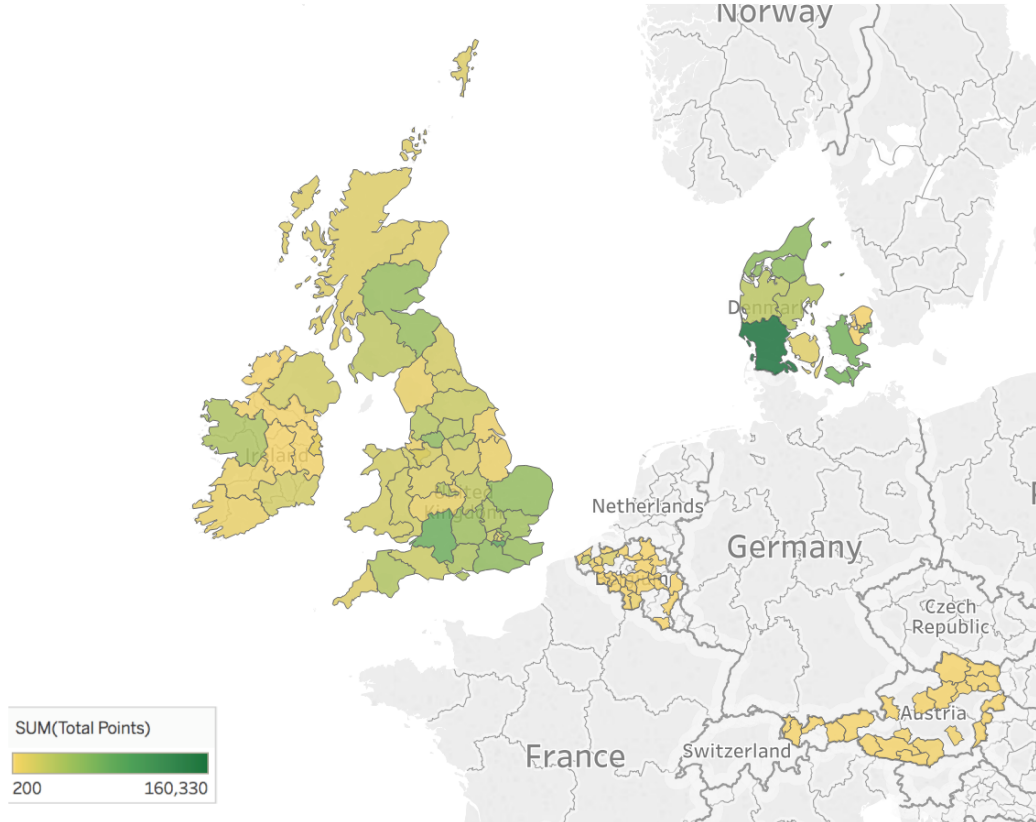
➢ Top 20% accounts are concentrated in west Ireland, south United Kingdom and Denmark

Key Account Analysis

Percentage of each customer type in top 20% accounts

Customer Type	Percentage
Loft Converter	29%
MD of building/roofing firm	27%
Other building/construction	23%
Builder	21%
Other	20%
Roofer	17%
Installer & Window Insataller	8%
Velux staff	5%
Exhibition - Homeowner&Homeowner	3%

➤ Almost 30% of loft converters are key accounts for Velux. MD of building/roof firm and other building/construction customers also consist high concentration of key accounts.

Key Account Analysis

NPS Comparison

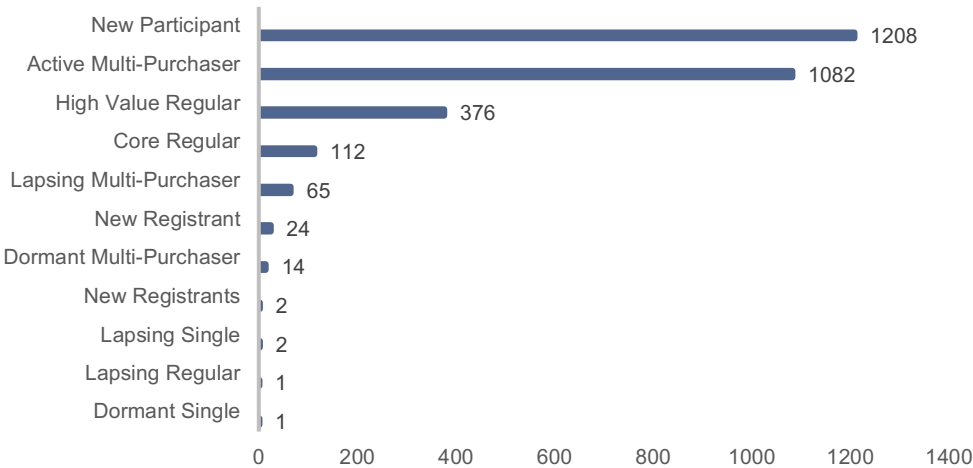| Country	NPS of top 20% accounts	NPS of all accounts
Denmark	90.3	89.1
Belgium	83.0	87.5
Austria	82.6	89.3
Ireland	-57.6	-76.2
United Kingdom	-65.4	-74.1
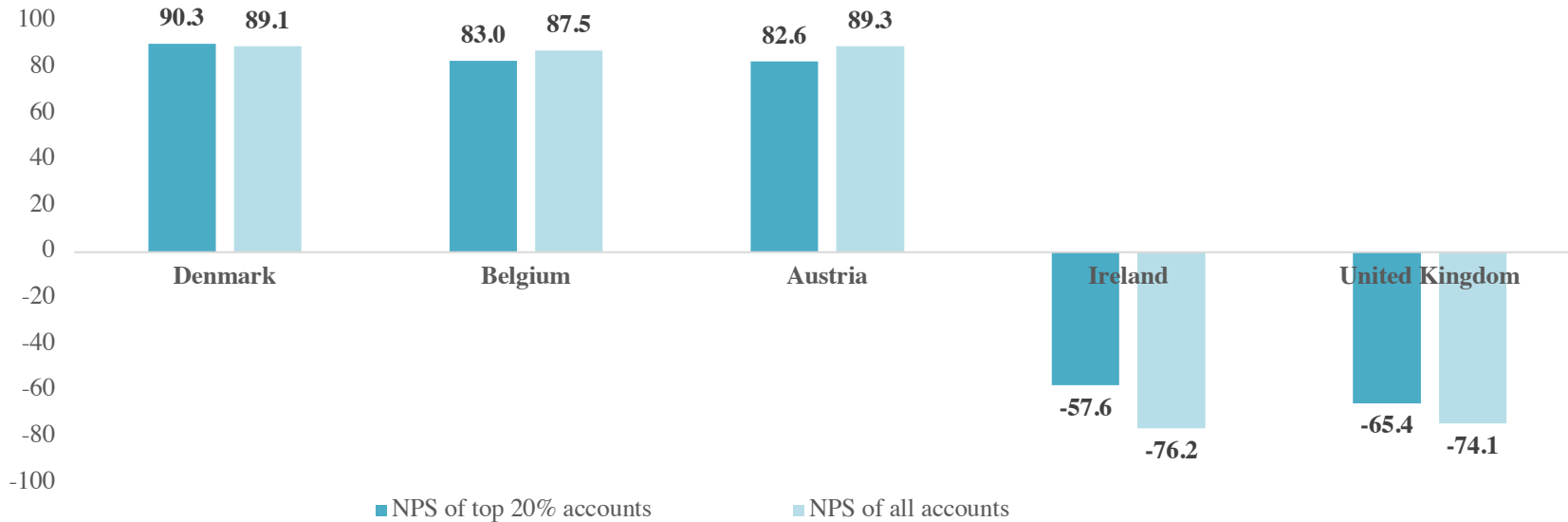
➤ NPS of UK and Ireland are significantly better in top 20%

➤ NPS of Denmark, Belgium and Austria perform well in top 20% accounts
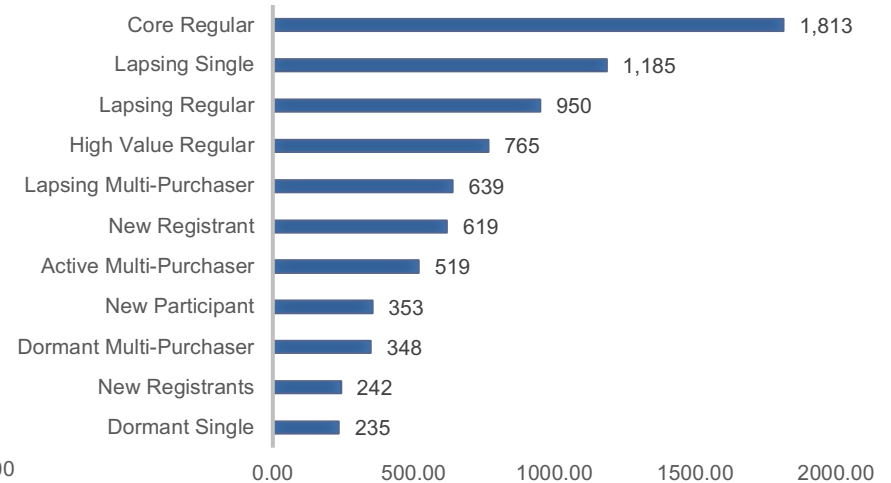
Key Account Analysis

Segment comparison for Top 20% Accounts

<u>Customer Count</u>

<u>Average Point</u>

> New participant is the biggest segment in top 20% accounts.

> Core regular customers has the highest points in top 20% accounts, followed by lapsing single and lapsing regular.

22

RECOMMENDATIONS

Focus on:

- Top 20% of accounts
- Customer type: "Loft Converter"
- Customer segment: "New Participant", "Core Regular"
- Geography: customers in west Ireland, south United Kingdom and Denmark
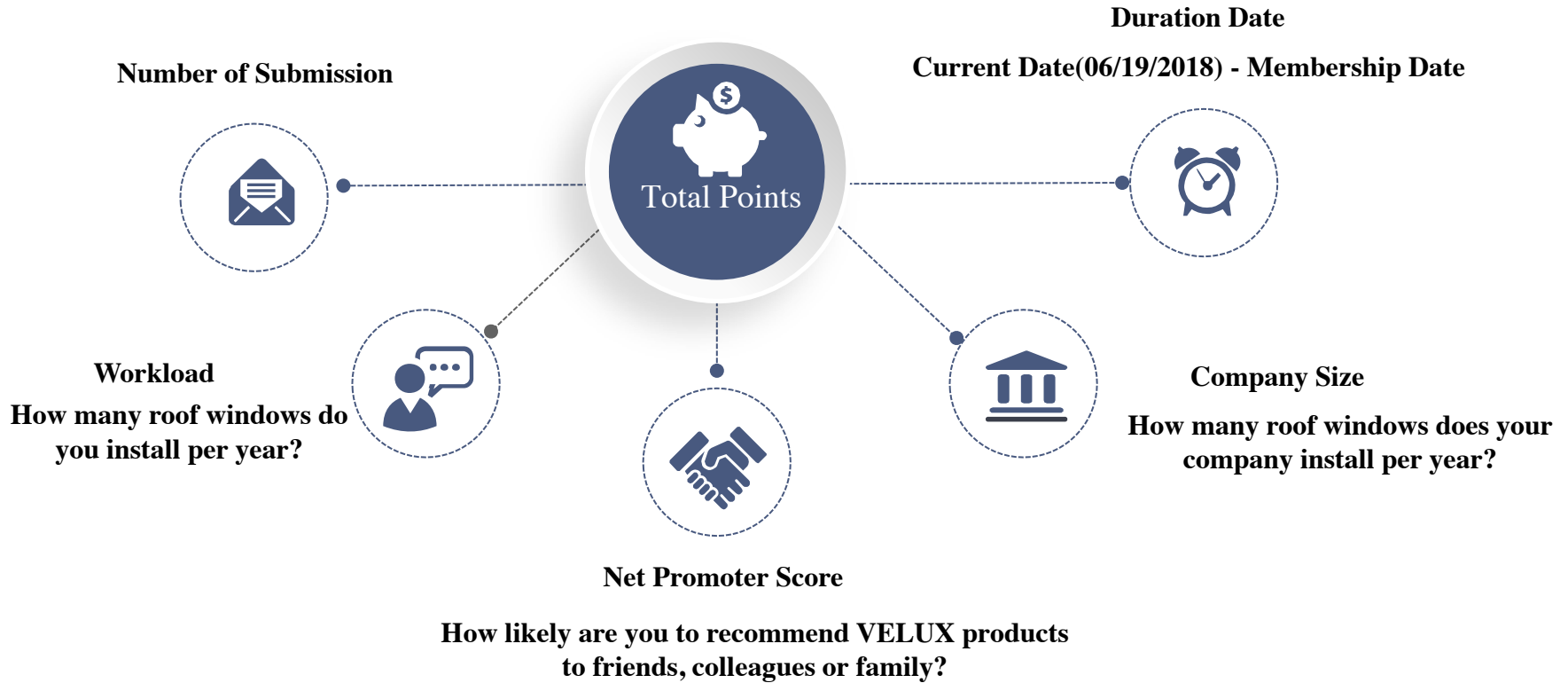
From NPS analysis:

- Improve Velux's brand image through PR activities, especially in UK and Ireland

HYPOTHESIS

We can use ***number of submissions, duration date of membership, net promoter score, workload and company size*** to accurately predict a customer's total points.

PREDICTIVE ANALYSIS

Number of Submission

Duration Date

Current Date(06/19/2018) - Membership Date

Total Points

Workload

How many roof windows do you install per year?

Company Size

How many roof windows does your company install per year?

Net Promoter Score

**How likely are you to recommend VELUX products to friends, colleagues or family?**

PREDICTIVE ANALYSIS

Approve the Hypothesis: There are significant prediction of total points of customers by their number of submission, duration date of membership, net promoter score, workload and company size.

Total Points — UK

Total Points — Ireland / Austria

Total Points — Denmark / Belgium
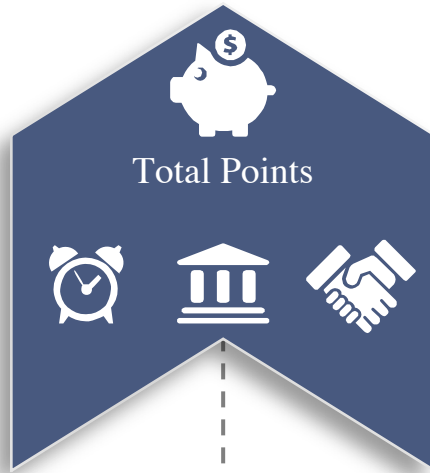
Total Points = 34.021 - 11.347Company_Size + 0.042 Duration_Date + 13.99NPS

Austria: Total Points = -11.282+ 185.735 * Number_of_Submission

Ireland: Total Points = 45.283+ 38.461 * Number_of_Submission

Denmark: Total Points = -239.048+ 315.899 *number of submission + 63.851company size

Belgium: Total Points = -31.738+ 59.321 *number of submission + 9.18company size

RECOMMENDATIONS

UK:
- Improve brand awareness through PR activities
- Focus on small size company

Ireland and Austria:

For customers who have point but forget to submit:

Remind them submit points in time through mail and text.

Denmark and Belgium:
- Focus on big size company
- Remind customers submit points in time

CONCLUSIONS & RECOMMENDATIONS

Specific Project	Key Conclusion/Recommendation
Blue Print	❑ Increase awareness by focusing on email/newsletter promotion, household distribution and Velux consultant promotion. ❑ Conduct survey to learn about how customers assess the cost/benefit of the program and whether the process of claiming and spending rewards is easy and clear. ❑ Clear instruction on procedure (e.g. provide estimated approval time) ❑ FAQ for rejection conditions and inform customers of rejection reasons ❑ For new programs, the breakage rate need to be controlled by encouraging spending rewards. (e.g. redemption reminder from email, phone call, text, etc)
Geographical Analysis	**UK and Ireland:** ❑ Improve NPS through brand equity building ❑ Device: Improve rewards program system mobile experience ❑ Key geographic targeting: UK: valuable customers in Mid and Southern area; Activate customers in Southern part of Scotland; Ireland: Activate customers in west Ireland **Austria, Belgium and Denmark** ❑ Device: Focus on computer-based website experience ❑ Improve activity (Austria and Belgium): create content to encourage submitting receipts and earn points ❑ Improve redemption (Belgium and Denmark): reminder message/Email, use interesting content to encourage redemption ❑ Key geographic targeting: Belgium: Diksmuide and Gent area; Denmark: Southern area
80/20 Rule	**Focus on:** ❑ Top 20% of accounts ❑ Customer type: "Loft Converter" ❑ Customer segment: "New Participant", "Core Regular" ❑ Geography: customers in west Ireland, south United Kingdom and southwest Denmark **From NPS analysis:** ❑ Improve Velux's brand image through PR activities
Predictive Analysis	**United Kingdom:** ❑ Improve brand awareness through PR activities ❑ Focus on small size company **Ireland and Austria:** ❑ For customers who have point but forget to submit: Remind them submit points in time through mail and text. **Denmark and Belgium:** ❑ Focus on big size company ❑ Remind customers submit points in time

APPENDIX

Velux Rewards Program Key statistics Overview

Item	Total Points	Number Of Submissions	Membership Duration	Number Of Products
Median	30.0	1.0	20.0	3.0

Residency	Median Total Points	Median Number Of Submissions	Median Membership Duration	Median Number Of Products	Number of Records
Austria	0	0	0	0	228
Belgium	0	0	1	0	1,265
Denmark	150	1	3	0	985
Ireland	7	0	24	4	1,160
Switzerland	96	1	8	7	1
UK	35	1	21	4	11,348

APPENDIX

Customer Satisfaction indicator: NPS

The Net Promoter Score is an index ranging from **-100 to 100** that measures the willingness of customers to recommend a company's products or services to others.

Overall Net Promoter Score   **= %Promoters - %Detractors**
                                       = 19.21-59.02
                                       = -39.8

This indicated that customers are not very willing to promote Velux to other people.

· Promoters (9-10 score): 2,223 responses. 19.21%
· Passive buyers (7-8 score): 2,520 responses. 21.77%
· Detractors (6 and less): 6,831 responses. 59.02%