A retailer improved sales in a high-theft category using Mastercard Test & Learn®

CASE STUDY

CONTEXT AND CHALLENGE

A North American retailer with 1,800 stores was concerned about declining sales in a high-shrink category. Traditionally, products in this category were kept behind the counter and customers needed to ask store associates to access the items. This asset protection strategy reduced shrink, but hurt sales. The retailer sought to understand the incremental net sales impact of switching to "keeper cases."

SOLUTION AND APPROACH

The retailer used Test & Learn to analyze the impact of keeper cases on both shrink and sales. Test & Learn helped the retailer answer the following questions:

- What is the overall impact of keeper cases on sales?
- In which types of stores do the keeper cases perform best?
- How can we target rollout to maximize profitability?

Control group methodology

Without Test & Learn, the retailer would have used a "group-to-group" control strategy, which can introduce bias and provide inaccurate measurements. Test & Learn created a custom control group for each test location, leading to a better test vs. control match and more accurate results. Test and control sites were matched based on store metrics and attributes including weekly sales, weekly transaction count, proximity to competitors, and median household income in the surrounding area, among other variables. By creating a custom control group for each test location, Test & Learn helped the retailer ensure results could be generalized to all stores in their network.

$4.6m
in incremental annual profit

Key insights

Using Test & Learn, the retailer found that the new shrink strategy resulted in an immediate 1.5% lift in sales, which was sustained throughout the test period. However, the cost of goods lost increased by $50 per store per week.

Category A Sales impact
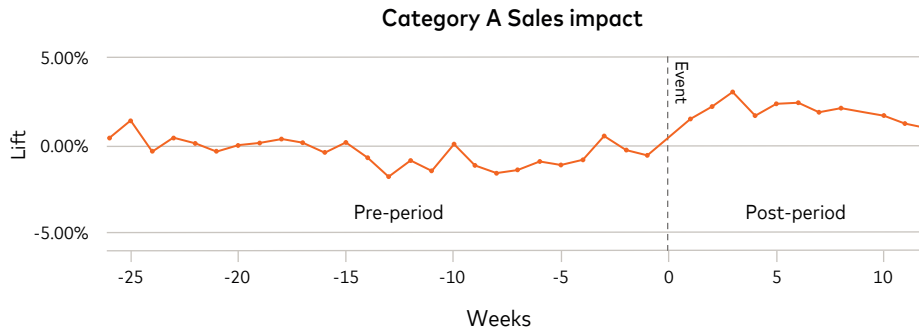
Test & Learn analyzed hundreds of attributes to identify the strongest drivers of performance and found that larger stores benefited most from the program. In addition, stores with the most competitors in a 5-mile radius and stores located in areas with the highest median household income experienced a greater sales impact. On the other hand, shrink decreased the least in high income areas.
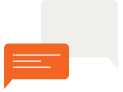
Category Sales Impact by Number of Competitors within 5 Miles
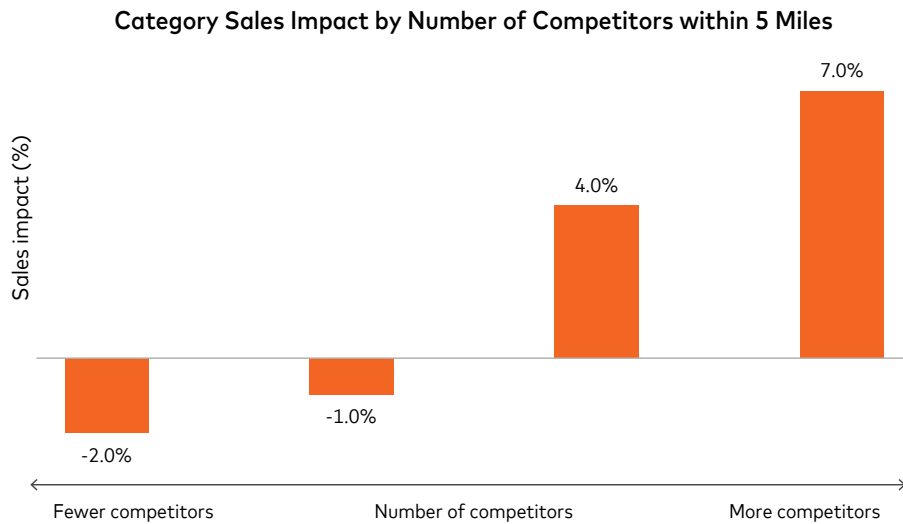
RESULTS

Test & Learn used these performance drivers to build a model on how to minimize shrink while maintaining sales. By rolling out the new strategy using this model, the retailer could drive $4.6MM in incremental annual profit.

$4.6m

in incremental annual profit

Visit **mastercardservices.com** or email **RJ.Wynn@mastercard.com** to learn more.