



Do You Know Which Consumers Can or Cannot Afford to Spend in Today's Economy

acxiom[®]



Multidimensional insights for unpredictable times

Better Connections. Better Results.

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Multidimensional insights for unpredictable times

After the worst recession since the Great Depression and fluctuating levels of recovery, is it surprising consumer behaviour is more unpredictable than ever?

In this climate of instability, it can only be expected that consumer decisions have become more complex, and the need to understand people's reasons for buying more vital than ever before.

Many consumers still feel uncertain about the future and are reluctant to spend. In this period of ever-changing financial conditions, businesses need to retain their best customers and target the most profitable prospects, without being exposed to bad debt or defaulters.

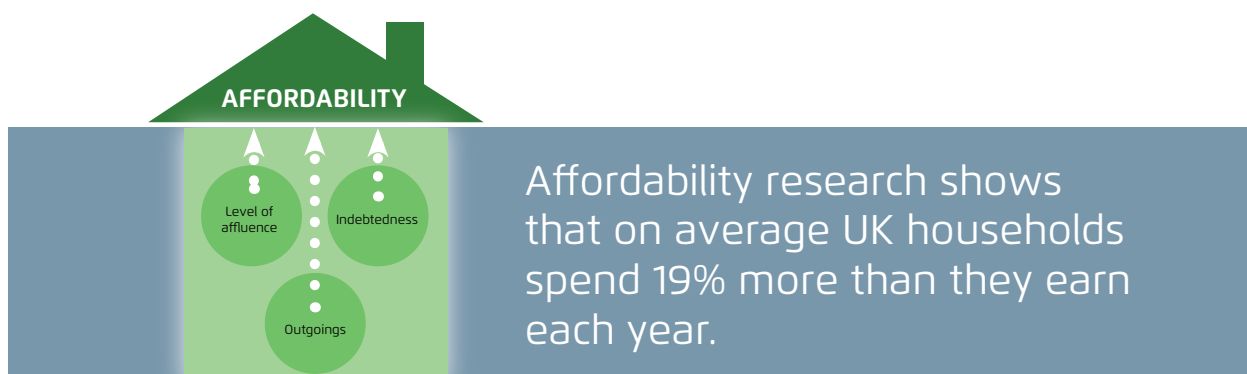
How companies view their customers influences their expected value to the business. One dimensional views, like the demographic 'who' or the behavioural 'what' are no longer enough. To uncover more relevant insight, organisations need to integrate multi-dimensional insights such as 'why' customers act the way they do and 'how' they may behave in the future.

Brands can now scrutinise and react to the effects of the economy on a household's overall expenditure and financial commitments and how this impacts on their interaction with products and services.

Acxiom's affordability data suite provides marketers with the right tools to make informed decisions.

Affordability comprises more than 100 variables ranging from expenditure; outgoings, credit and debt behaviour, to household income indicators including levels of discretionary income, gross income and, uniquely, equivalised income.

All of these key indicators of indebtedness and risk, wealth and disposable income, outgoings and overheads are combined to give unique and comprehensive Affordability rankings.



Creating deeper views from multidimensional insight

Linked to the largest and most accurate consumer database in the UK, InfoBase®, Affordability provides an immediate prospect universe of 28 million individuals and 17 million addresses. InfoBase offers a huge opportunity to target prospects, but also enables organisations to enrich their own customer marketing databases with Affordability insights that have enhancement rates regularly reaching 90% or more.

Affordability identifies consumer levels of economic commitment, from those who spend more than they earn and will continue to struggle, to customers and prospects who are not affected by fluctuations in the economy and are consistently able to maintain their standard of living.

This broad picture provides the detail necessary to manage your customers and prospects using detailed expenditure values to create 'what if' scenarios, helping you determine the effects of future economic pressures on every UK consumer.

Segmentation tools for business planning

Besides producing a suite of intuitive variables in the Affordability solution pack, Acxiom has developed an overarching Affordability segmentation solution. This offers marketers the benefit of predictive and descriptive power to understand key segments of customer and prospect bases. It is a valuable tool to assist in business planning, including developing acquisition and retention strategies.

Affordability profiles a consumer database and builds a portrait of the overall economic status of each household.

These portraits can then be applied back to a customer base to enhance the transactional data already available for every consumer. In addition, individual models can be derived to score consumers for retention, upsell or cross-sell activities. Affordability can help marketers prioritise existing customers into groups based on their degree of financial commitment, effectively identifying households who are living above their means, or conversely showing who can continue to afford products and services, regardless of falling interest rates or higher costs of consumable products:

The Affordability segmentation, along with the full variable suite, is updated quarterly, dynamically reflecting economic changes to geographic areas, down to individual households.



By applying these unique insights marketers can be certain their campaigns will drive strong ROI even in a changing and unpredictable economy.

Affordability will help consumer brands connect with the right customers at every stage of the customer lifecycle

Affordability optimises communication strategies throughout the customer lifecycle. It informs delivery of the best product at the most appropriate price point, with the most relevant message, through the right channel to the audience most suited for long-term, high-value customer sustainability and growth.

Optimise marketing investments with new levels of insight

- Segment customers according to their current levels of financial commitment and disposable income.
- Track changes over time to identify individual buying potential.
- Create meaningful customer groups based on purchase history activity and financial insight.
- Add more weight to transaction-based customer analysis.



Increase customer value with targeted cross-sell and upsell programmes

- Understand and calculate the potential of customers to buy more.
- Understand the key drivers in customers' changing spend patterns and subsequent value.
- Predict likely changes in customers' future spending behaviour in the long term.
- Ultimately develop effective marketing strategies to realise the potential value of customers i.e. cross-sell and upsell opportunities based on who can afford to increase expenditure and optimised price plans based on how price sensitive a household is.

Focus retention activity on the most profitable customers

- Understand the changing behaviour and priorities of the customer base.
- Identify 'low or no potential' customers for retirement, saving budget and resources for more profitable targets.
- Understand which customers are most likely to churn and those worth trying to keep.
- Identify those valued customers who are increasingly demanding value for money to offer them a more appropriate price plan or product.



Reduce the risks of acquisition by targeting the best prospects

- Prioritise households that can afford products, improve targeting and increase ROI.
- Rank households based on their ability to buy, mailing only to those likely to purchase, and reduce waste associated with mailing prospects who may not respond.
- Over time, recognise the changes in consumer purchasing behaviour and set realistic acquisition targets based on future spend.
- Align targeting strategies with economic changes to accurately allocate marketing campaign spend.

Acxiom's Affordability solution pinpoints which consumers can and cannot afford to spend in the current economy.

Equivalised income

Equivalised income is a method of adjusting household incomes so they can be looked at on a comparable basis in terms of economic wellbeing and standard of living.

This methodology takes into account both the greater income needs of larger households and the economies of scale achieved when people living together can share household resources. For example, a household income of £30k for one person may support a comfortable standard of living, but if that salary supports a married couple and four children it will not stretch as far.



Equivalised household size	$0.61+0.39+0.36+0.25=1.61$	$0.61+0.39=1$	0.61
Equivalised income	$£30,000/1.61=$		$£30,000/0.61=$
	£18,634	£30,000	£49,180

Equivalised Income — McClements Equivalence Scale

Cohabiting head of household	0.61	Cohabiting head of household	0.61	Child aged:	16-18	0.36	5-7	0.21
Partner/spouse	0.39	1st additional adult	0.46		13-15	0.27	2-4	0.1
1st additional adult	0.42	2nd additional adult	0.42		11-12	0.25	Under 2	0.09
Subsequent	0.36	Subsequent adults	0.36		8-10	0.23		

Equivalised Income:

- Provides marketers with the ability to prioritise based on relative wealth
- Indicates the economic resources available to each household based on household composition
- Is a truer indication of relative income from existing products.

The specific household variables can be used to select the most targeted campaign lists to increase response rates, reduce communications wastage and so improve ROI and revenue.

About Acxiom

Acxiom is an enterprise data, analytics and software as a service company that uniquely fuses trust, experience and scale to fuel data-driven results. Known worldwide for our marketing database and consumer data technologies, we power marketing insight for 47 of the Fortune 100 brands. Today we enable more than a trillion data transactions each week and are focused on innovating technologies that enable clients to extend this insight to their media investment and marketing partner ecosystem: advanced analytics, digital media platforms, and multichannel marketing integration.

For more information about Acxiom's InfoBase® Affordability solutions or how to put our insights to work for you, please contact us:

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www.acxiom.co.uk/affordability

AC-1527-18 9/18



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