Proving lifts in volume

A measure of Upside's impact on individual gas stations

Abstract

Upside helps fuel merchants increase their profitability. The two studies described below were designed to verify this assertion by determining the impact of Upside on (1) the number of gallons sold per station and (2) the net profit earned on each of those gallons. After measuring and comparing the performance of stations on and off the Upside platform, data showed that Upside drove up the number of gallons sold at participating locations by four to six percent only 9-18 months after launch, and did so profitably. For every one dollar spent to attract these additional transactions, Client A earned $1.48 and Client B earned $1.56. As merchants consider how to improve their business, the data supports a clear, positive return on investment with Upside.

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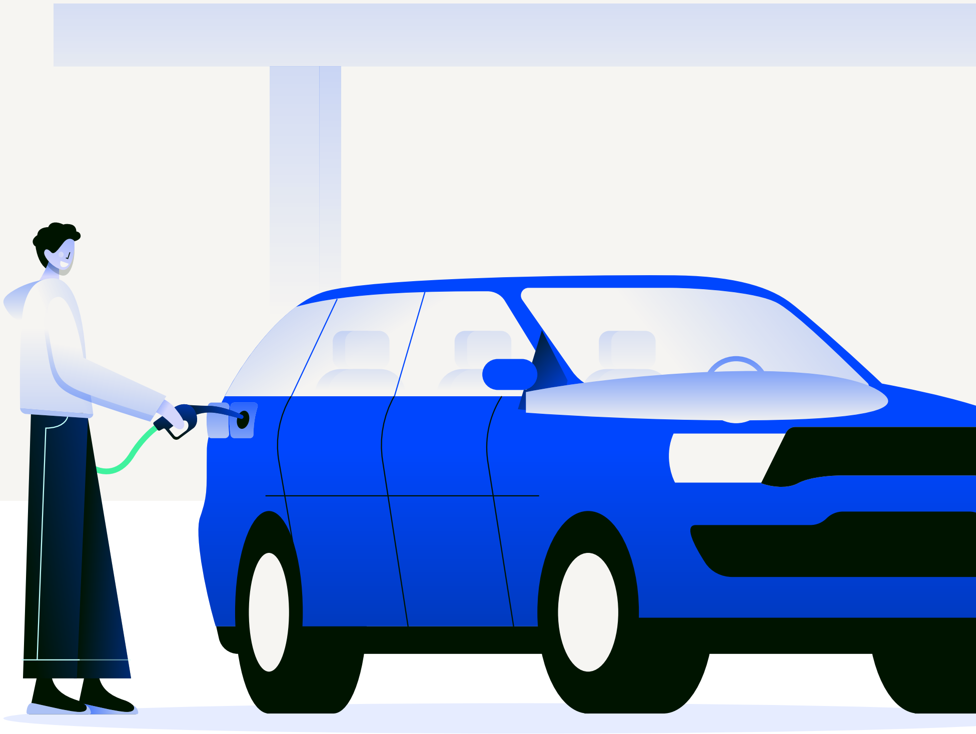


Client A

Client A owns 66 gas stations within a ten mile area in southern Florida. All 66 of those stations provide the same brand of fuel and have similar station operations. In April 2018, 34 of the 66 Client A locations were launched on the Upside app. Comparing the performance–the number of gallons sold per day, per station–of all 66 stations before and after the launch offered an opportunity to study the value added by using Upside's services.

Experimental design

In this study, the stations not placed on Upside served as the "control" group, and the stations that were placed on the app served as the "treatment" group. Therefore "treatment," in this case, refers to placing a station on the app.

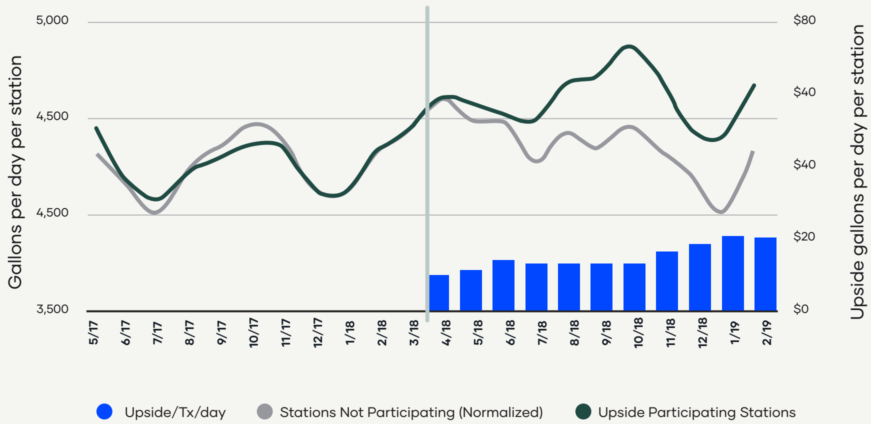
Before treatment, the stations in either group were not identical. Client A selected the 34 stations in the treatment group based on ease of rollout, so they differed in location, average number of transactions per day, and other factors. As a result, there was already a level difference between the two groups' performance. Having two groups that perform differently before implementing the treatment runs the risk of making an inaccurate comparison between them after treatment. However, because analysts were able to determine that the trends of both groups were identical– or parallel, as shown by the red and blue lines in the pre-period of Graphic 1– it was possible to accurately compare them moving forward. If there was any divergence in the trend between the two groups after one was treated, it would highlight the effect of Upside on businesses.

Why incrementality is important

Upside's effect on businesses is what we call incrementality. It is the portion of sales and profit at a given location that is actually attributable to Upside. "Gallons per day, per station" alone just says customers were coming to the station and taking advantage of their personalized promotions. It does not necessarily mean that those customers would not have visited and made purchases at those locations if the app did not exist. Comparing the orange and yellow lines in Graphic 1 before and after treatment allows us to see what growth Upside is responsible for.

Graphic 1:

Daily Transactions at Client A Stations



Client A results: gallons sold

Comparing the performances of stations on and off Upside, there was an observable difference in trend after the April 2018 launch date. Graphic 1 shows that stations on the app (the yellow line) trended upward after treatment while stations off the app (the orange line) trended downward. Meanwhile, the number of gallons sold at participating locations per day–represented by the blue bars–increased by 17 transactions per day. That number closely matched the number of transactions done through the Upside app. Together, this pointed to a six percent lift in sales at each

The yellow line would not have shifted up and away from the orange line if those blue transactions were not incremental, or attributable to Upside. If those were just customers that would have come anyway, there would not have been an increased difference in daily transactions between the two groups. The data showed Upside brought new customers to the 34 stations on the app and earned Client A more incremental profit per transaction.

Client A results: profit made

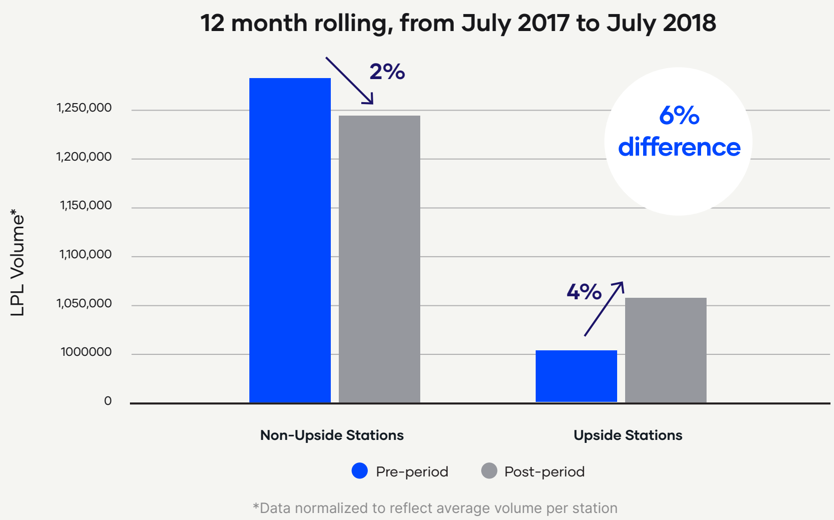
To determine if the increase in gallons sold was done profitably, analysts calculated margin on every transaction per grade. This was done by taking into account the brand rack price, terminal, transportation costs, credit card fees, and all taxes. Then the personalized promotions provided to users on each transaction were factored in. Data showed that for every dollar the merchant spent on Upside transactions in fees and personalized promotions, the merchant earned back $1.48. That is a 48 percent return on investment for the merchant. As the number of gallons sold per station increased, so did the profit earned.

Client B

Client B conducted a similarly designed study with their 51 stations in the Washington, D.C.- metro area.

Experimental design

After evaluating station quality, class of trade, location, pricing strategy, and station score, Client B selected 15 non-participating locations to make up the “control” group. Although there were substantially fewer stations off the app in this study, converting substantially fewer stations off the app than on (15 versus 36) in this study, the final L4L volumes were normalized into two comparable groups to reflect average volume per station.



Client B results: gallons sold

Analysts added up the total gallons sold in each group before and after the Upside launch. Over the 2017-2018 period, the Client B stations on the Upside app saw an increase in gallons sold by four percent, whereas sales at stations not on Upside decreased by two percent. That pointed to a six percent increase in gallons sold with Upside, which was consistent with the amount of receipts processed through the Upside app.

Client B results: profit made

As it was done with Client A, Client B also took measures to determine if the 6 percent increase in gallons sold was done profitably. Again, margin was calculated on every transaction per grade by taking into account the brand rack price, terminal, transportation costs, credit card fees, and all taxes. Then the personalized promotions provided to users on each transaction were factored in. Data showed that for every $1.00 the merchant spent on Upside transactions in fees and personalized promotions, the merchant earned $1.56 in incremental profit. That is a 56 percent return on investment for merchants.

Overall takeaway

In both cases, as the number of gallons sold per station increased, so did the profit earned. Stations on Upside saw a four to six percent increase in the number of gallons sold and incremental profit only 9 to 18 months after launch. As gas retailers know, it is difficult to come by that kind of growth.

After calculating margin and accounting for the personalized promotions provided to users on each transaction during that period, data pointed to a 48 percent return on investment for Client A, and a 56 percent return on investment for Client B.

Overall, the amount that Upside provides in promotions and charges in fees is substantially less than the gross profit that merchants receive. As merchants consider how to optimize their businesses, Upside offers a clear return on investment.