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The ultimate win-win

Targeting your offers more effectively can help your business thrive during the economic downturn—and please your customers as well



By Kevin Slatter

When cash flow is steady, prospecting for customers can be the cornerstone of a successful business growth strategy. But after an economic gold rush comes to an end, a more frugal approach could prove the best option. Catalogue owners are lucky enough to have sizeable databases to mine for value. What they must do now is find the most efficient way of unlocking that value to ensure that sales don't slide.

Marketers are placing renewed faith in measuring the effectiveness of their activity to justify how they use their limited budgets. After all, most marketing departments have a financial director or CEO to report to, and when budgets begin to be squeezed from the very first whiff of a recession, they will be as keen as anyone else in a company to prove that they are making the most of what they have to spend. We all know that even in the best of times, retention is cheaper than acquisition. So as budgets are being cut at the same time that it is growing more difficult to win new business, retention is becoming doubly significant. It's vital, too, to maximise the residual value within the existing client base.

Out the window are going many of the more traditional "broad sweep" marketing approaches. Think of the mailing that garners a response of less than 1 percent while provoking nearly as many applications to the Mailing Preference Service suppression tool and hundreds of crumpled pieces of paper in waste bins up and down the country.

Instead there is renewed interest in insight and data-led marketing techniques. These focus spend on specific consumer groups by offering messages, products and creative solutions that address the needs of these particular segments. If you can identify groups among your target audience, you can examine the data you have about them to discover exactly what they want from your marketing campaigns. For instance, understanding purchase behaviour

and the time lag between a product launch and a product purchase allows for different messaging to early adopters versus "laggards".

The feeling is mutual

If people who normally order items on a regular basis from a catalogue are trimming their budgets, they are likely to be far more discerning, if not hesitant, about the offers they respond to. Fiscal trouble leads to a transfer of "purchasing control" from marketer to consumer, with less disposable

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income available and higher opt-out rates. Added to this, the internet is allowing family and friends to review and recommend products as never before, which could have a negative effect on sales if your proposition isn't right. This combination of factors means that as a marketer you must establish mutually beneficial relationships with your target audience. You must recognise that unless the communications are relevant, they won't work and are just a waste of budget.

The beauty of "mutual marketing" is that, as the name suggests, both brand and consumer benefit. As mentioned earlier, analysing multichannel data—the customer information collected via all responsive touch points, from postal mail to online advertising—can provide vital insight into what various groups



and individuals prefer from a product, a service or a communication. If you use these data correctly, you can enhance a person's experience of your brand and begin to build an emotional connection between the individual and your company. Creating this engagement is key to driving purchases, and with each purchase the consumer's relationship with the brand grows stronger.

If you think of mutual marketing as a wheel, at the top would be the most-valuable individuals: the loyal customers. Not only are loyal customers likely to make repeat purchases or try different products from the same company or catalogue, but they are also more comfortable sharing their personal details with a provider of products and services that they trust—which boosts the capture of multichannel data and thus completes and strengthens the mutual-marketing circle.

Unfortunately too many marketers still do not understand the combined impact of disparate communications across multiple channels. They view each channel in isolation without considering the total number of touch points that can inform the interaction between channel activities and responses. A scattergun approach is likely to appear over the top to recipients and increase the "turn-off factor" that direct marketers have faced for some time.

The optimum mix of touch points and channels will change depending on the product, the offer, the timing, the audience and any number of other factors—which means you should keep on top of your data to get the best out of your campaigns.

Adding online research

The most successful direct marketers are combining online research with predictive analytics to define truly targeted campaigns. This brings consumer thought into direct activities without the need for the traditional—as well as expensive and time-consuming—testing and learning process. Bringing online research into the analytics process is relatively cheap and delivers rapid results.

Our company, for example, has access to an online panel of 30,000 UK consumers who can respond to research questions on a range of topics, in real-time. So if we were to ask, "Would this creative execution make you open the mailing?" we would be provided with a snapshot of attitudes in days rather than weeks. We could then break down this information by geodemographic, social and economic selections to better determine what would appeal to various groups and tweak the offer to ensure that it was closer to what would actually persuade people to open the mailing.

The beauty of using this insight to support creative work is that agencies do not need to take a punt on what they think might work based on a gut feeling or the whim of a marketing director. Subjectivity is removed, and advertising is based on what messages consumers actually want to receive. Using data to drive this immediate and objective view of campaigns is of vital importance at a time when businesses are keen to provoke maximum response from their marketing.

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Keeping what you've got

Predictive analytics can indicate which customers are more likely than others to churn, so that you can work to retain them. Lifetime value analysis can help you identify how much effort should be put into retaining these highlighted, "at risk" customers. Understanding both the current and the potential value of a customer allows you to build a budget focused on the audience segments with the greatest difference between actual and predicted value. In other words, retention marketing techniques can not only identify, unlock and drive value from your

marketing database, but they can also define the added and potential value that such activity will bring as a reward for your efforts.

Sometimes a simple data insight can lead to the most useful benefits. One of our clients ties customers to a 12-month contract. We identified that its customers who did not engage with the product in the first or second month after signing up were likely to churn at month 12. By now focusing marketing activities within its customers' first few months, the client has improved retention by more than 30 percent.—KS