

Is your data driving you?

by Mary Robbins
and Simon Pownall

Overboard?

Now's the time to jump ship and learn how to steer your marketing fate using the data tools available to you to look forward for guidance, rather than steer your corporate boat by its wake...

Like upgrading from a rowboat to a cruiser, or from using the stars as your map to employing navigational GPS, there's a wealth of ways to create clear pictures of who, what, where and how to sell to your markets that are truly cutting edge. It's not about a leap of faith, it's about a leap of statistically confident analysts and researchers who have created similar

"Eureka" style programmes from Oxford to Melbourne. Have a look into the future and see how you can take command of your data destiny...

Insights. That's what all of us want when we read a report, attend a conference, ask advice of colleagues, conduct research, interrogate our databases and so on. Insights that, when applied, get results. That's the career advancement we all seek.

So what's happening in the world now that's providing fresh, better insights? Insights that lead to ROI-based results and of course, career advancement? In a word, lots. Today we'll discuss how one trend –

the merging of research and database-driven direct marketing is evolving, the tools that are emerging, their applications and some case studies from around the world in both b-to-b and b-to-c.

And the results? Altogether new ways to look at your customers and prospects that are based on future behaviours, not past behaviours. New ways to segment your customers – not on current value but on future value. And new ways to determine ROI based on market potential and not market share.

Have a read and see if you're ready to jump ship to the future...

The trend

Last year, UK’s research magazine published an editorial bemoaning the fact that “market research teams form only part of the overall insight generation function. It is the research teams that are shrinking and the database teams that are growing.” This opinion piece was a cry for help to his fellow market researchers to reverse this situation, and in which he offered one solution: “we must recognise we are bedfellows with the database community.”

In Australia and NZ at least, some database marketers are beyond the flirtation stage with researchers - we are happily under the covers with our research counterparts. The children of this emerging trend have radically different personalities and looks. Some of the benefits of this union include:

- New ways to segment databases
- New methods to source and append missing customer data
- New ways to structure measures – ones that are statistically valid by even the most stringent of research yardsticks
- New ways to overlay common research findings (ie ‘value’ measures) onto large and hugely diverse databases
- New ways to build propensity models, with far higher predictive results
- New ways to fashion sales and

marketing communications, with measurably higher response rates

- And all with high confidence percentage factors (using research’s own yardstick)

So what does research bring to the union?

Simon Pownall, Director of Analytics and Integrated Marketing for Roy Morgan Research, based in Melbourne, notes that “the use of research as a tool to develop key customer insights that lead directly to sales is only just now being exploited, and only by a few and the brave.

“The advantage research brings is that most organisations can only ‘see’ what they have with a customer - they have no idea what’s over the horizon. Our research database however has the whole picture because we take considerable time and effort to get the whole picture of a consumer.”

He cites a financial business-to-consumer example:

“For a large wealth management company we melded their customer databases and the info they hold on each customer with Roy Morgan’s SingleSource data (obtained through years of questionnaires completed by thousands of consumers - so it is robust, thorough and has a high degree of confidence to its measures) - and looked to not only help determine

Market Research Strengths	Database Direct Marketing Strengths
Identifies brand relevancy	Identifies key individual traits
Identifies key perceptions ie value for money	Monitors spend (tracking value)
Monitors satisfaction	Pinpoints how/where you buy (channel)
Offers degree of confidence in results	Provides actual ROI
About who you are (Attitude)	About what you are (Demographics)

Fresh horizons in database direct marketing

1) What comes first – the prospect or the customer?

Some database marketers are now recommending merging your customer databases with your prospect database (which is often held separately, if even managed on an ongoing basis) so as to apply the same measures, modeling and information across all. Additionally, when a prospect becomes a customer, there’s not a huge internal scramble for ownership, and the information then held on that prospect is seamlessly merged into the billing and marketing databases.

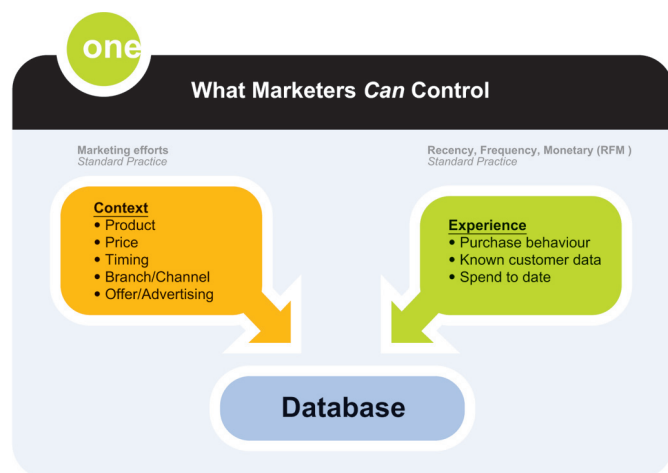
2) How many eggs in the basket?

By looking at your prospect/customer pool as one large source of revenue, you can then divide the sales opportunities by value (prospects), and then by share-of-wallet (customers). This overview helps marketing and sales to work more closely together on a number of areas.

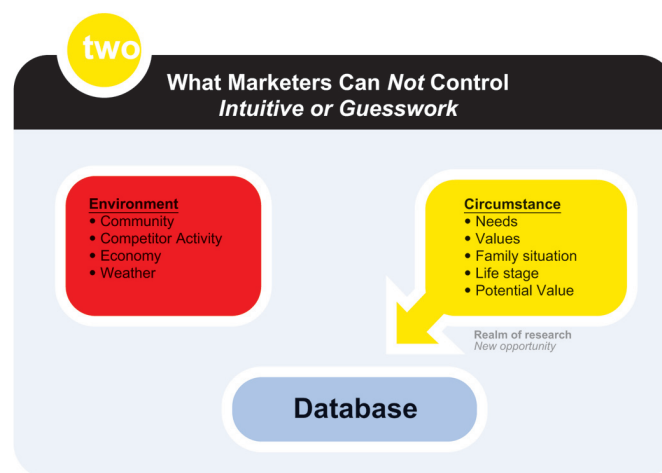
3) Slicing and dicing

Dell, for instance, employs a “RAD” view of their combined prospect/ customer database. Everyone on the database is either in the “acquisition” mode (clearly a prospect), “retention” mode (those with whom Dell has 80% or more possible business from) or “development” – those in 10-80% share-of-wallet or growth – mode. By looking at their total pool this way, Dell assigns different types of sales people to each mode – “door-knocker’s-down” for the acquisition phase and “farmers” for the development and retention phases.

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Sales and marketing teams plan one-to-one campaigns around what they know or control (ie product, price, sales offers) or information they have access to (customer data).



Now, relating an individual's *Circumstance*, that is their personal set of needs or values as it relates to a product or service, is possible. Thus making communication propositions, offers and messages even more highly tailored – and improving results tenfold. The next frontier? Accurately predicting the weather or our competitor's response!

potential sales still to be found within their existing customers and identify which segments hold the most value, but also lastly and perhaps most importantly - what insights we could glean from the research we had done over the years into why people buy investment vehicles.

“Using this info allowed us to not only determine who we should talk to (standard segmentation), but with a clear proposition and an expectation of result.” Simon concludes: “The unique insight the process provided was to identify the hidden wealth within the client’s database. The client’s data only shows them what they have - so, seemingly ‘small fry’ accounts could in fact be very large fish for someone else. Once you know that, you think quite differently about how to unlock this hidden wealth. “The results? Far surpassing the client’s expectations, and in huge excess of the predicted response and ROI that have been developed using ‘normal’ direct marketing techniques.

“We’re talking tens of millions of dollars here.”

Using ‘real-time’ research to drive communications

Another example of the merging of

research and database direct marketing comes from Gibraltar - and home of one of the world’s largest online gaming companies, PartyGaming with more than 17 million players in 200 countries. Director of Customer Value and Customer Retention, Dene Jones shares this example of how his team merged database DM with research to vastly improve results.

“We have a hugely rich data warehouse going back 6 years, and spanning all games. Our players are segmented by value and future value, and based on their lifecycle, we identify key ‘paths’. This then drives tailored communications. “For example, we track a new player from registration and monitor to see if they are going down the ‘lapsing path’. If so, we intervene and get them onto a preferred behaviour path. We track this daily - but are aiming to react within 5 minutes of their last play.

“This is, of course, what database marketing is all about.

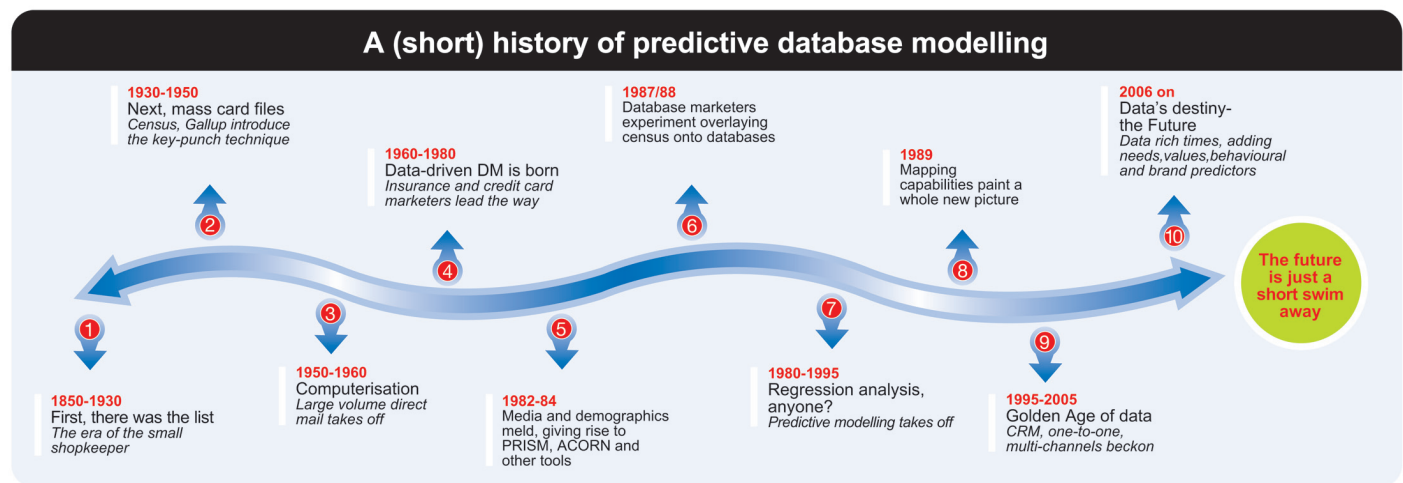
“In terms of market research, I utilised a number of quantitative and qualitative brand measures to map the key brand values in the marketplace as perceived by players. This allowed us to assess PartyGaming’s scores vs our competitors. “All of this has led to

real time market research at key points on the main player paths. In other words, serving up surveys as and when players change behaviour to answer the ‘why’ questions... and better tailor our response. Using both tools - research plus data-based predictive modeling - to create, guide and tailor our CRM programmes has hugely increased our retention levels, our customer values and customer satisfaction levels. So yes, there are huge incremental increases on all measurable fronts.”

Fertilising your data with research may grow hybrid results

Finally, citing a study from the UK of a gardening retailer, it’s obvious that when research theories and database marketing practice do merge, fascinating (and usable) results emerge.

Richard Cuthbertson and Steve Messenger, writing from the University of Oxford, have shown that by using the values of customers as revealed by research (ie what they most ‘value’ from a retailer - value for money vs price sensitivity etc) with behavioural data (their actual spend patterns, via what channel etc) that new patterns will emerge - and will change regularly with the same customer groups.



For instance, they showed that while research can pinpoint the true loyalty traits associated with specific, identifiable groups, database marketers traditionally use indicators such as ownership of a loyalty card - and that both groups then may make erroneous assumptions about their own results. Researchers may 'assume' that demographics are the best indicator for finding certain value traits, and database marketers may well assume that the most price-sensitive customers will be least loyal should a competitor make a 'hot' offer. Cuthbertson and Messenger show that considerations other than value or price sensitivity may well predicate response - it could be something as simple as living within walking distance of your store.

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In fact, in their study, they found that highly dissatisfied customers visited the gardening stores as often as highly satisfied customers.

They believe future direct marketers will put customer opinion at the heart of communication targeting, rather than simply transactional data. By doing so, they believe valuable insights into predictive modeling will be uncovered.

And how are database marketers rising to the occasion?

Only the few and the brave are dipping their toes in this merging of disciplines, but to great effect. Consider these 3 examples.

1. Appending marketplace data to your customer data

By using market research to give you the size of the market, most of us then determine what market share we have. That's current, accepted practice. Now, using quant and qual data about your customers or their like and comparing it to the actual behaviour of your customers (ie what they currently spend with you), you can now draw a definitive, high confidence level of what spend you could get from your current customer base. It's not about market share. It's about real dollar potential. That's a far better way to justify marketing investment and return.

2. Appending brand value information to your customer data

Your research probably indicates why

people buy from you - and you're using this info to guide your brand's advertising programmes. That's the norm. Now, by appending survey questionnaire results (providing they have the depth of say, SingleSource from Roy Morgan) you can colour in specific values - by segment. In other words, your most valuable customers may be a mix of young and old, male and female, country and suburbia. But now you can overlay how each segment sees your brand in juxtaposition to your competitors, and confidently tailor sales propositions. That's powerful - and is not based on guesswork.

One of the by-products of attaching brand value information is that it can dramatically reduce the amount of information that needs to be collected. For example, what does it matter how old a person is, or what gender they are if the brand value transcends demographics? (And why collect it - perhaps a simple agree/disagree with an attitudinal statement may reveal far more than the simple demography - and then you can do your customers a favour by avoiding having to ask sensitive questions!)

3. Matching sales force to customer profiles

The norm today in much business-to-business sales effort is to have a specific team dedicated to attracting

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new business. In some instances, as a prospect becomes a customer they may be turned over to a telemarketing or customer service 'retention' team. Now, by matching research's capabilities of colouring in an individual's personality values and needs with your customer profiles, you can (and should) assign sales teams to like profiles. In other words, match customers who are more conservative, or more flamboyant with staff who reflect those same traits.

It makes sense, but is now possible on a one to one basis with this unique market research/database melding. The result is a seamless process for your prospects to customers, a far longer retention rate - and a practice that makes sense: we are attracted to a new, shiny company or service for the same reasons (values!) that we'll continue to feel as we employ that company or service.

One interesting result of a better match between the sales force and prospects is a happier sales team. Most sales people are comfortable with certain segments over others - match them and they feel like they are talking to their mates - not simply prospects!

The future?

If we believe that predicting customer behaviour is at the heart of improving results of our communications programmes, then many of the keys for improved success are held by market researchers.

Database direct marketers have primarily built their models using experiential data: what has this customer done before? What

behaviour have they exhibited to date? What channel have they bought from? How much did they spend? How often?

Market researchers to date have added to advertising's effects by offering help in discerning motivation. Why did certain groups buy from us? And others did not? How do they perceive us today? Better than yesterday? Were they 'satisfied' with our service.

You can see how merging the two disciplines - in the ways employed by Roy Morgan and PartyGaming in Gibraltar - have and will lead to incrementally more robust, more layered and more successful marketing results.

What still lies beyond our collective grasp, however, is what we call environment. It's a mix of timing (was it raining on the day you had your sale?), community (is your competitor located just down the road from a pocket of customers and therefore more convenient?) and market (what did your competitor do the day before your new ad campaign hit the air?).

Today, effective one to one communications fall most logically in the hands of database-driven direct marketers, while effective brand communicators incorporate market research.

Tomorrow's market winners will learn how to meld both the discipline learnings and the tools they know. By doing so, they'll confidently steer their marketing boats looking towards the horizon, rather than gazing back at the wake left behind.

bio

Simon Pownall



Simon Pownall has even sold hydrographic navigational systems, so is an appropriate co-navigator of this article. He started mixing market research, census and customer databases as early as 1987 in his own company using GIS technology. As Director of Analytics and Integrated Marketing for Roy Morgan Research, Simon brings to them his considerable knowledge of database direct marketing and is actively helping Roy Morgan clients utilise the wealth of research and hard data this multinational research company has built over the last 25 years. When not sailing on a Swan 65 on the seven seas, you can locate Simon at **Simon. Pownall@roymorgan.com**.

bio

Mary Robbins



Mary Robbins does a great backstroke but is otherwise a poor seafarer. She has captained her own agency though, helping co-found Robbins Brandt Richter, now listed on the Australian Stock Exchange as a member of the Photon Group. RBR's expertise in effective communications stems from its own melding of database direct marketing, research and multi-channel multi-media marketing. RBR works with Roy Morgan, tailoring their Single Source database to the needs of clients both sides of the Tasman. Contact Mary at **mary@rbr.co.nz**.