Best Practice Information Trends - What Works?

2004 Australian Marketing Institute National Conference
Melbourne, Australia
October 21 & 22, 2004

Presented by
Michele Levine, Chief Executive
Simon Pownall, Director of Analytics & Integrated Marketing
Roy Morgan Research Pty Ltd
Melbourne, Australia

Best Practice Communication – Introduction

At Roy Morgan Research, we used to think, "information is our business". Now we know information is just part of the input into practices used to solve problems.

We are in an ideal position to see the changes in information practices across many industries. Because of our global view, we are also fortunate to be able to compare what we see in Australia with our overseas experience.

By its very nature, research is an extremely intensive diagnostic – we see diverse problems across many industries with CEOs struggling to come to terms with just how they cope with the changing marketing environment.

In very few professions do you get to see the inner working and problems that we as researchers get involved with. We work with employee satisfaction issues, marketing challenges, consumer perceptions, customer satisfaction and often at a very detailed level.

In addition, we work across just about every industry segment – and with well over 300 clients we are in a unique position to observe trends – but this uniqueness also brings with it the responsibility of confidentiality – so, if the presentation appears a little Roy Morgan "centric" then my apologies, but it's the best way we feel able to reveal the trends and respect our clients' privacy.

Today, I want to expose you to five of these trends, and to share some of the innovative solutions that, together with our clients, have produced Best Practice Information processes.

The five trends we are observing:

Media Fragmentation – there's a change in the way we are using media.

Metric Changes – we have to rethink how we measure some fundamentals – like customer satisfaction.

Frameworks for action, eg data modelling – making large data or information sets truly explanatory.

Data Integration – looking for relationships across disparate data sets – i.e. sales and research.
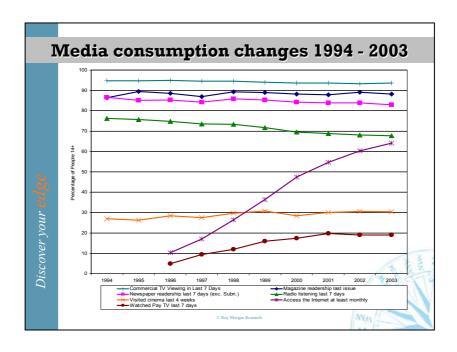
Global Calibration – how do our markets measure up against what's happened elsewhere?

Let me spend a few minutes explaining how we see "Best Information Practice" working in these five areas.

Media Fragmentation

Not so long ago, if you wanted to introduce a new product or brand into the marketplace, you could almost guarantee to reach 90% of Australians population by doing a Sunday Night "Road block" – that is, advertise on Channel 7, 9 and 10 at the same time during the Sunday night movie.

Then came the Internet, PAY-TV, DVDs, playstations, palm pilots, Ipods, etc…

This chart clearly illustrates the rise in the Internet as a new force in media consumption. It's interesting to note that with the advent of the Internet and PAY-TV as new alternatives, they have not had significant impact on the traditional mediums (except for radio, which was declining before these arrived).

Almost the same proportion of the population is still reading newspapers and magazines and still watching commercial television – but it's what is happening underneath these overall figures that is critical in "Best Practice Information Use" (refer: "Reading: looking into … logging onto")
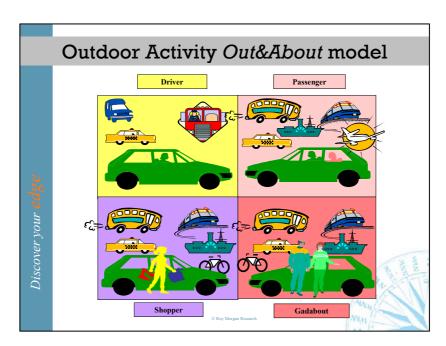
For instance, whilst newspapers have held ground in readership, the humble newspaper format has morphed into almost separate and discrete sections – lifestyle sections, food, fitness and magazines formats – driving page numbers and, in some cases, readers-per-copy, but raising the question "Does anyone still read the newspaper from cover to cover?"

Talking about magazine formats, even the supermarkets and television broadcasters are getting into the publishing business – together with FPC they publish some of the largest food readership titles – every month over one million Australians are reading food magazines - either Good Taste (Woolworths and FPC) Delicious (ABC and FPC) or Fresh (Woolworths and FPC).

And, as an interesting correlation, the other magazine that's growing with food – Weight Watchers!

What's not on this chart, but which we have begun to track, is another media channel integral to many marketers – outdoor advertising.

We recently built and released a process whereby we can measure the potential exposure one might receive to outdoor advertising by creating an activity index – that is, the relative difference between (if you like) "couch potatoes" and "gadabouts" – and there is a big difference in exposure levels.

This is close to a full 360-degree view of all media consumption patterns – a true best practice information base on which accurate and accountable media strategies can be built.

Without this you can't know who you are reaching, how many or how many times, how can you possibly determine just what works and what does not?

We are also in the process of benchmarking activity levels in one of the other media growth areas – direct marketing. This will go beyond the traditional catalogues to Internet (email) telemarketing, SMS, and whatever else evolves.

Metric Changes

Last week I gave a paper in Singapore and Hong Kong entitled "Are you going by the numbers? IF YES: Are they the right numbers?"

There is a sea change occurring in the measurement of many of the traditional metrics we were taught to hold dear – take customer satisfaction or loyalty. For years, information on customer satisfaction has been collected on the basis that it generated profits.

As Frederick F. Reichhield, director of consulting firm Bain & Co recently noted in his paper in the Harvard Business Review (Dec 2003):

*"Most customer satisfaction surveys aren't very useful. They tend to be long and complicated, yielding low response rates and ambiguous implications that are difficult for operating managers to act on. **Furthermore, they are rarely challenged or audited because most senior executives, board members, and investors don't take them very seriously. That's because their results don't correlate tightly with profits or growth**."*

"Our research indicates that satisfaction lacks a consistently demonstrable connection to actual customer behavior and growth. This finding is borne out by the short shrift that investors give to such reports as the American Consumer Satisfaction Index. The ACSI, published quarterly in the Wall Street Journal, reflects the customer satisfaction ratings of some 200 US companies. In general, it is difficult to discern a strong correlation between high customer satisfaction scores and outstanding sales growth. Indeed, in some cases, there is an inverse relationship."

Certainly, our experience in the financial services sector backs this up – customer satisfaction does not equal loyalty – nor does dissatisfaction equal defections.

This may seem counterintuitive and defying conventional wisdom but on closer inspection has a basis.

For example, the older practitioners in the funds management side of the industry have a term for it – it's called "hostage accounts" that is many customers simply cannot leave because of onerous fees and conditions associated with some investment products. So, you may have a substantial group of unsatisfied customers, but they simply cannot leave.

Or, take the supermarket shopper who only lives 500 meters away from the only Woolworths or Coles in his or her area – is dissatisfaction really going to make them travel all the way to another destination?
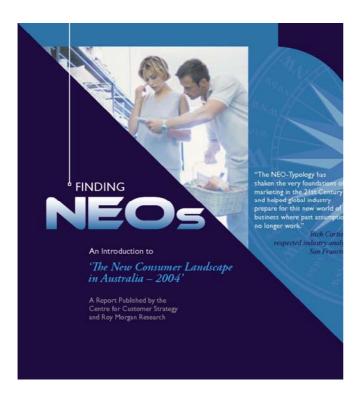
The point is, the "old metrics" are not helping - our customers are increasingly asking us develop "finer" antennas or measures of satisfaction because gross measures simply don't hold.
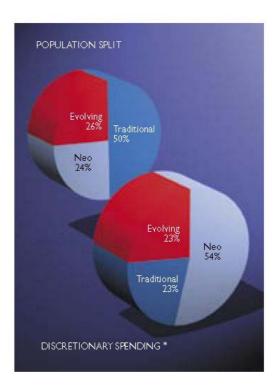
The other trend in best information practices we are seeing is the need and ability to create measurements to cope with the increasing complexity of consumer behavior yet deliver complexity in a simple manner – again this appears counterintuitive.

Consider one of the newest consumer segmentations systems developed by Ross Honeywill and Verity Byth called NEOs. Rich Cartiere, a respected industry analyst firm San Francisco, said: "*The NEO-Typology has shaken the very foundations of marketing in the 21st Century and helped the global industry prepare for this new world of business where past assumptions no longer work*".

This system only appears to have three segments: NEOs, Evolvers, and Traditionals.

However, its derivation was based on a huge number of trends, analyses and segments. But Ross and Verity strived for simplicity because they knew the success of the system depended upon being able to get around one of the stumbling blocks of "Best Information Practice" – the ability of the middle management (store manager, marketing manager) and "front line" staff to grasp a sophisticated and differentiated approach to customers.
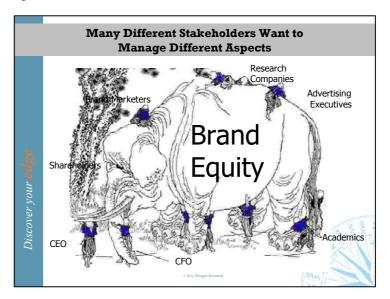

We recently had a luxury European Car Company who decided their target markets were "affluent progressives with a post materialistic mindset"

How, I ask you, are you going to explain what a 25 year old car salesman whose main interest is "Who's going to win the footy this weekend" to spot an "affluent progressive with a post materialistic mindset" in the showroom?

NEOs is an example of the ability to convey large amounts of complex consumer information into three easily communicated segments/typology.
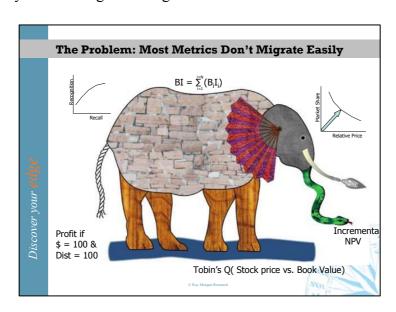
Frameworks for action, eg data modelling
(From theory to practice, academic research to practical application)

It was once easy to spout the mantra: Data = Information.

Many Different Stakeholders Want to Manage Different Aspects

Research Companies
Brand Marketers
Advertising Executives
Shareholders
Brand Equity
CEO
CFO
Academics
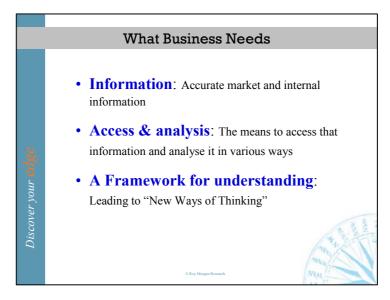© Roy Morgan Research

Discover your edge

Now that we have seen many of the data warehouse prospects "come on line" and the ease with which large data sets can be circulated there's another trend occurring.

It was not so long ago that one insurance and investment company we were dealing with had over 30 "legacy system" – each containing its own view on a customer – and each with varying degrees of difficulty in accessing and using the information.

The Problem: Most Metrics Don't Migrate Easily

$$BI = \sum_{i=1}^{i=N}(B_iI_i)$$

Recognition
Recall
Market Share
Relative Price
Profit if $ = 100 & Dist = 100
Incremental NPV
Tobin's Q(Stock price vs. Book Value)
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Discover your edge

Suddenly, after four years of work, all this data is available – in a single database – and all on one compact disc.

The only problem is which of the data is relevant, and how do we turn it into information? The software engineers have powerful analytical tools, but where's the direction, the framework or the insights?

This is where frameworks for development of "real world" models become critical. We recently offered the BEST (Brand Equity Segmentation Targeting) framework to the marketplace and have watched in astonishment as industries as diverse as the FMCG, Finance and Auto industries have embraced this process as a framework to drive their data modelling practice. This has made the concept of developing the right message to the right segment via a database modelling process became a total part of the "Best Information Practice"

The beauty of BEST like NEOs, rests with its ability to cope with the complexity of consumer behavior but with an elegant simplicity behind its fundamental tenet.

At its heart, it recognizes that not all customers are of equal value or add equally to brand equity. It also recognizes that most brands have either a core set of customers or a repertoire set – that is those who put all their business with one brand and those that actively spread their business around.

From this fundamental split, multiple segments can be tracked – those that may exhibit core behavior, but would change their brand if the right offer to switch – or conversely repertoire customers who are waiting to become "core" when the right offer at the right time is made (much less likely).

BEST© Identifies High-Value Customers

Dimensions				Segments
Medium and Heavy Category Purchasing/ Usage	Predominant Brand Purchasing	Consistent Behavior And Affect	"Our" Brand	Core Customers
			Competitive Brands	Core Competitors
		Inconsistent Behavior and Affect		Core Changeables
	Multiple Brand Purchasing	Brand In Repertoire		Repertoire Customers
		Brand Not In Repertoire		Repertoire Competitors
Light Category Purchasing/ Usage	High Brand Salience			Light Fair-Prospects
	Low Brand Salience			Light Poor-Prospects

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Discover your edge

BEST was developed with a global perspective making sure it can cope with different data and different research techniques and still keep its calibration process pristine. The development was done in conjunction with Josh McQueen (ex Director of International Research at Leo Burnett) and applied across several databases. Remarkably similar consumer behavior was observed between the different countries – thus giving confidence in the ability to use a consistent set of measurement frameworks for data modelling across different brands, stores or disparate data sets.

The other important feature about the development of BEST came from our customers. Many have had several (expensive) attempts at creating a segmentation/modelling process. In fact, we think just about every large corporate has had some expensive consultancy done in this regard, yet many projects failed to deliver to expectations.

With this in mind, our customers insisted we develop BEST with a view to allowing it to be modeled across their own databases – thereby it has to cope with varying levels of information.

They also insisted BEST be developed so it can be modeled onto other databases – for media buying, or customer satisfaction surveys – in other words a highly pragmatic and usable tool – not a perfect academic exercise that cannot be used outside the boardroom.

Data Integration

In the late eighties and early nineties we at Roy Morgan Research developed our own proprietary database management systems, as in those days we were attempting to cope with all the various ways we were collecting information – face-to-face, over the phone, paper-based diary processes and focus group formats – each with its own disparate format.

We found a way to do this for ourselves and in the last 3 years have found a similar need emerging in industry.

For example, we would typically get a client telling us how great our data was in providing insights into consumer behavior, but wanting to correlate (say) sales results with our research to see what's working and what's not. What started as a trickle of projects to integrate disparate data sets into our database program ASTEROID has become a torrent of daily requests – to the point where we now have a whole team working on providing solutions.

Because we want to encourage the use of data driven decisions, we support ASTEROID being used in as many user locations as a client sees fit for no additional charge – to ensure as many people as possible are working off the same base. We take the view that the more who understand data, the more value we add to our client's business.

What is interesting about this trend is that as soon as we provide a solution the next request comes – could you make this enterprise wide – our team has just completed the work on making the same simple database available over the Web.
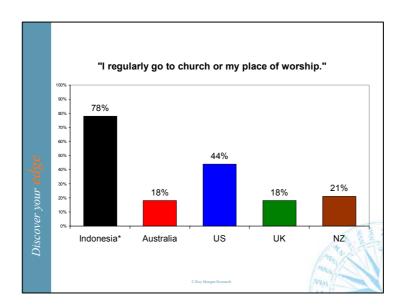
Global Calibration

With the increasing trend towards large multinational advertising agencies resulting in very few Australian owned large agencies anymore, the access to research and studies conducted outside Australia is increasing.

We are getting many requests for us to look at how we might utilize this research in the Australian market. Although we consider ourselves as leaders in many of the research and analytical processes, none the less, clients are often anxious to explore how they might utilise such other research – especially if "head office" has invested substantial money and resources.

Some of these appear sensible and applicable for the Australian market – others (such as the affluent progressives with a post-materialistic mindset are – well, not so applicable).

As a result, we are often asked to calibrate our domestic data sets to international results so the relative differences between markets can be explored. And, this often leads to many important distinctions (and it can help set "head offices" expectations for the Australian market)

Because we collect data in Australia, USA, UK, NZ and Indonesia using the same methodologies, we can make meaningful global comparisons. For example, if you were relying on research conducted in the USA to define how Australians might react to an overtly religious message then the following chart might be somewhat useful in explaining how well that kind of message might be received.
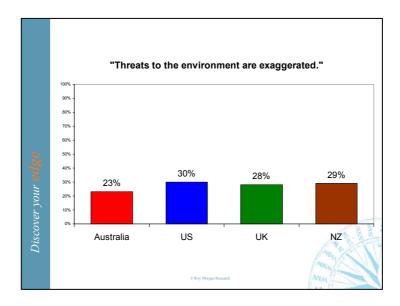

This might explain why George Bush is so clearly exploiting the "born again" movement in the USA election campaign.

Equally it might point to the lower engagement of Australians in active religion – something charities and governments might find useful.

Then look at the Indonesian results.

On the other hand, we are not so different to our American cousin in regard to "Threats to the environment are exaggerated".

This global calibration also allows us to make the astonishing claim that "More Americans watch Australian Rules Football than Australians".

Almost seven and a half million Americans (7,496,000) watch Australian Rules at least occasionally on television. This means Australian Rules is viewed by more Americans than Australians (7,004,000). More Democrats than Republicans watch Australian Rules and yes, they are more likely to drink Fosters.

Because we have this ability in the last six months we have built a global segmentation tool for an advertising agency, an archetypal segmentation system for an international company in the automotive industry and a financial institution.

Whilst most of our customers understand you cannot simply "transplant" overseas models into Australia, you can go a long way to making international comparisons provided the base calibrating data is available.

As a final observation, Australia is a small market, relatively speaking, and the classless nature of Australia means our population is more homogeneous – we don't have the large demographic gulfs/variations that exist in other countries. We don't see the large disparity between urban ghettos versus the Wall Street penthouse enclaves that exist in the US.

This means we often find we have developed more "granular" methods of research than our overseas colleagues have – and as a result we are exporting knowledge process as a by-product of our global expansion.

In Summary and Conclusion

It's an exciting time to be in our industry. The changes are coming across many areas and because of our collaborative approach with many different industries we have seen the same "Best Information Practices" emerge:

- The tracking of the changes in the Media landscape;

- The new metrics needed to accurately and simply communicate complexity;

- The advent of truly useable data modeling;

- The ability to integrate different data sets;

- Global comparisons for calibration purposes.

For further details contact:
Michele Levine, Chief Executive, Roy Morgan Research
Office - +61 (0)3 9224 5215   Facsimile - +61 (0)3 9629 1250   Mobile - +61 (0)411 129 093
E-mail: michele.levine@roymorgan.com
www.roymorgan.com