

# MASTERING QUANTITATIVE MARKETING

**“CREATING AND LEVERAGING INFORMATION TO  
IMPROVE MARKETING PERFORMANCE”**

**December 2004**

**MERKLE**

*Enabling Knowledge to Improve Marketing Results*

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## Introduction

Acquiring, retaining and maximizing profitable customers is as difficult as ever. Media fragmentation, organizational silos, data availability and usability, infrastructure constraints, analytical competencies and organizational culture continue to challenge marketers on a daily basis. The customer relationship management and technological revolutions of the 1990s heightened the focus on marketing and its role in understanding, managing and maximizing the customer lifecycle. These new customer management strategies, coupled with an ever-increasing amount of information and media choices, have made the marketing enterprise more complex than ever.

Marketing in the decades to come will be about information, facts and accountability. In order for the marketing enterprise to respond, it must master the science of quantitative marketing, the discipline of using fact-based information about prospects and customers to improve marketing performance. Although we believe quantitative marketing and database marketing are essentially the same thing, we use the term quantitative marketing to represent what we believe is “true” database marketing. The accepted usage of the term *database marketing* in the marketplace is actually referring to database-based marketing, which focuses on the simple fact that a database of customers or prospects is used in marketing efforts. Quantitative marketing or “true” database marketing requires a strong integration of database, content, analytic and strategic capabilities to measurably impact marketing performance.

The purpose of this paper is to explore the value of quantitative approaches within the marketing enterprise and illustrate how chief marketing officers (CMOs) and executives could master the use of quantitative marketing strategies to respond to the ever-increasing complexity of consumer marketing.

## Executive Summary

As the marketing enterprise becomes more complex, it becomes increasingly difficult to manage, especially those organizations that have relied exclusively on traditional “right” brain (qualitative) approaches. A qualitative approach is no longer adequate in today’s ultra competitive environment. However, when combined with a balancing and progressive “left” brain discipline (quantitative), dramatic improvements to marketing objectives can be achieved.

Marketing today is about information. Information about markets, information about prospects and customers, information about medias, information about channels, information about behaviors, information about value (current and future) and most importantly, information about return on marketing investment. It’s imperative that marketers have a framework for making sense out of all the information and connecting it directly to business results.

Chief executives are increasingly concentrating on measuring return on marketing investment (ROMI). According to James Speros, Chairman of the Association of National Advertising, “CEO’s are focused on tangible results, such as sales numbers, while CMO’s tend to use proxies such as brand awareness and purchase intent to measure their success. We have to learn the language of the CEO.”<sup>1</sup> Chief marketing officers continue to struggle with how to be effective in this new world, and knowledge of new technologies and media are now necessary to be effective in this new marketing landscape. Forrester Research believes that “quantitative, analytical skills are eclipsing media and creative talent to become the most important elements in the discipline of marketing.”<sup>2</sup> Coupled with the demand for accountability, this has led to an environment where information is king.

## What is Quantitative Marketing?

Marketing educator and advisor, Phillip Kotler, defines marketing as “a societal process by which individuals and groups obtain what they need and want through offerings, and freely exchanging products and services of value with others.”<sup>2</sup> While this definition addresses the traditional qualitative notion of marketing, it does not reflect the quantitative dimension of marketing that is rapidly growing in importance.

Quantitative marketing is about data, facts, information and knowledge. We define quantitative marketing as *the utilization of facts and knowledge to better understand the behaviors of consumers across the marketing enterprise to maximize marketing investment.* Quantitative marketing uses a combination of a specific set of strategies, processes and

competencies that are rooted in a measurable and analytical foundation. Quantitative marketing is about using facts to drive business decisions.

There are two basic kinds of facts that can be studied in the marketing enterprise that are associated with creating marketing results: observed and unobserved. Observed facts represent the “known” and create a critical direct linkage between a marketing effort (e.g., direct marketing campaign) and the desired outcome represented by actual consumer response or purchase behavior. Unobserved facts may not be directly observable based on action, but are “knowable” and represent an area of latent value in the overall marketing-database continuum. These facts require additional quantitative measurement strategies and methods to fully understand and leverage.<sup>3</sup> For example, knowing the “best” market segment-level pricing strategies for a new product launch may be currently unknown, but is imminently knowable with appropriate pre-launch customer research.

By combining both available sets of facts through quantitative marketing, marketing to the right customer is based on the cooperation between the right and left disciplines.

Bridging between what the customer actually wants and what the customer will actually buy covers the full continuum between “left-brain” and “right-brain” thinking and understanding. That is, understanding how to truly optimize marketing and subsequent database marketing results starts with understanding what the customer wants now and in the immediate future (based on the full set of available products), and then inferring what value these products will produce for both the customer and the corporation. Understanding whether the customer wants these products from this corporation remains an unanswered question and requires making further inferences about the brand, including product desirability and potential.

Examples of inferred facts include customer perceptions related to:

- Actual offer, pricing, product advertising, product improvements, competitive strengths, channel incentives

- Company related to customer service, tone or manner, culture, future direction (down or up?)

- Image advertising, customer service (friendly or distant?)

Creating the quantitatively-based bridge between the *known* and the *unknown, but knowable* realm of available facts enables even greater marketing results.

## Why Quantitative Marketing?

Quantitative marketing is rooted in the truth. The truth about marketing's impact on consumer behavior, the truth about customer value, the truth about media and channel cannibalization, and the truth about marketing return on investment. The current level of satisfaction with knowing less than the whole truth about marketing effectiveness is simply a holdover from a time when the actual truth was unknowable. That time has passed and so should the complacency about inferring effectiveness through yesterday's metrics. As the old saying goes "half of my marketing dollars are wasted, I just don't know which half." Today, this answer is substantially more "knowable" than just a decade ago. This is true for four reasons:

**Technology:** Technology is enabling massive amounts of data to be captured and stored throughout the marketing value chain and customer lifecycle. This has led to virtually every marketing organization having some type of marketing database. This has also led to an ever-increasing amount of data being stored. In the 1990s, the average consumer marketing database was measured in gigabytes, and now less than a decade later, in terabytes. The improved cost, availability and functionality of technology are constantly enabling the marketing landscape.

**Medias:** Due to technology and media fragmentation, virtually every form of media today is becoming more targetable, addressable, and measurable. This is generally good news for a skilled target marketer and not so for a typical mass marketer.

**Competencies:** As the marketing landscape continues to evolve, two core competencies must evolve along with it; technology and advanced analytics. Technology is becoming a key function inside the marketing enterprise in two core areas – infrastructure (databases, website, etc.) and media (TIVO, cookies, spiders, etc.). Analytic competencies connect business reality with marketing facts to create an actionable plan. This is both good and bad news for marketers. In a typical organization, the bad news is that these competencies are generally new and underdeveloped. The good news, however, is that these competencies are becoming more readily available in the marketplace everyday.

**Leadership:** Most chief marketing officers in the Fortune 1000 do not have a deep scientific, mathematical, statistical or technological orientation; therefore a quantitative approach to marketing is not

generally a primary focus. Whereas fact-based quantitative marketing will continue to prove successful, an ever-increasing number of marketing executives will realize the need to base leadership strategies on these competencies.

Utilizing a quantitative marketing approach allows marketers to understand the true impact of their marketing tactics, creating a foundation for improvement and learning. Quantitative marketing turns the “unknowable” into the “knowable,” and enables the allocation of marketing dollars with precision and control similar to other critical business processes such as manufacturing or product development.

### Primary Uses of Quantitative Marketing

Quantitative marketing’s primary role in the marketing enterprise revolves around five core areas: Targeting, Contact Management, Media Optimization, Content Management and Performance Management.

**Targeting:** Targeting the right offer to the right audience is critical to any successful marketing program. Using a quantitative approach to managing and understanding audience both today and over time is a substantial opportunity for most organizations, which have ineffective segmentation, poor targeting and underdeveloped decision processes.

**Contact Management:** Most direct-response marketers have no fact-based understanding of media contacts. As multi-media marketing increases in popularity, ensuring that a campaign reaches its intended audience at the right time is more important than ever. Understanding the timing, sequence and frequency of contacts is only possible using a quantitative approach. Effective contact management requires a strong level of testing and strategy tied to quantitative optimization.

**Media Optimization:** Understanding the performance of a single medium seems straightforward. However, in today’s world it is unlikely that a single medium would be in the marketplace and not be influenced by other media. Understanding the incremental impact of a medium or media is a critical opportunity and requires a combination of market-level and individual-level analytics.

**Content Management:** Content is data that is contained within an infrastructure and used for marketing. Accessing, evaluating and integrating the right content are absolutely critical in creating a high performing marketing program. Only content that is predictive,

descriptive or has business value should be included in the infrastructure. Quantitative marketing provides the value judgment on migrating data into content.

**Performance Management:** Performance management is the foundation of understanding and managing marketing investment. The ability to effectively test, plan, attribute and measure a marketing activity is rooted in a quantitative approach. For leading marketing organizations, the creation of an effective performance management capability to predict, measure and optimize the performance of all media and channels will become a strategic imperative in the future.

## The Challenge

If quantitative marketing makes such a big impact on marketing performance, why isn't more good quantitative marketing happening? The reason is simple: It's difficult and challenging. Implementing quantitative approaches to marketing requires a sound vision, well-crafted strategy and flawless execution, but it also requires a new set of competencies, processes, organizational design, culture and new measures of success that will allow it to be effective. There are three major issues limiting the ability of most organizations from implementing quantitative marketing.

### Issue #1

Quantitative marketing requires data. Not just any data, but the right content. This seems obvious to most marketers but generally doesn't get a lot of attention in the marketplace. Most marketers are under the impression that they need more "good" data, when in fact, that is not true at all. What marketers really need is more ability to use the data they have. Gartner calls this the "Knowledge Gap."<sup>4</sup>

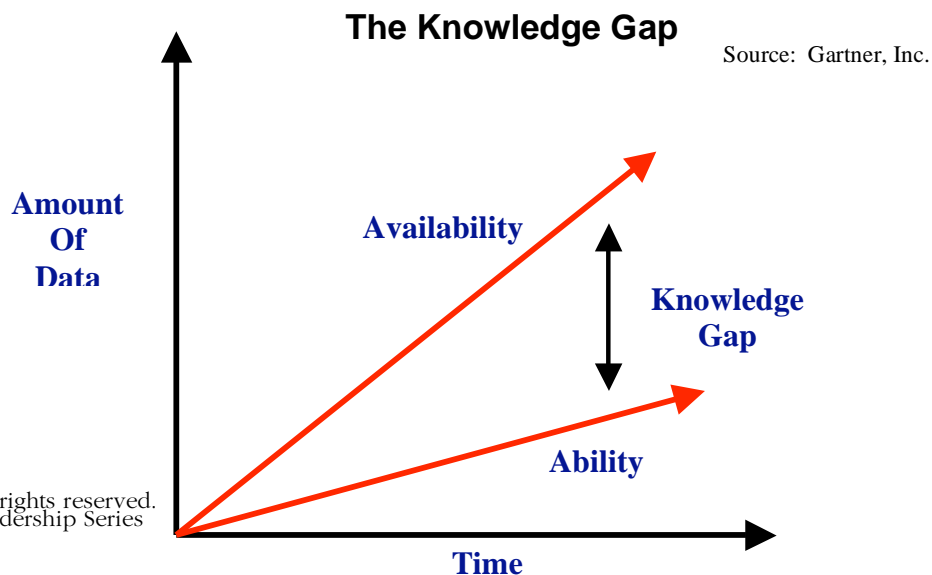


Figure 1

The Knowledge Gap is the gap between data availability and one’s ability to use it. Gartner argues that there is far more data available than anyone is actually able to use. To compound matters, the rate at which additional data is becoming available is greater than the rate of our ability to use it.

Data theoretically “enables” quantitative marketing activities. Although this is technically true, for the vast majority of marketing organizations, data is actually a constraint. This is true for several reasons, including a lack of understanding of the true value of data. This lack of understanding leads to capturing and storing the wrong data, building large and complex infrastructures to support that wrong data, and increases costs and cycle times. These decisions combine to reduce flexibility, capability and return on investment.

All quantitative marketers must first determine the true value of data to their marketing enterprise. This can be achieved by a rigorous, statistically driven process to identify the predictive, descriptive or business value of data.

**Issue #2**

The second major issue quantitative marketers face is the Quantitative Marketing Gap - the gap between ideas and implementation. Most marketing organizations do not lack ideas, but instead lack the ability to organize and efficiently implement the right ideas.

**Why Does The Gap Exist?**

- Lack of understanding (think they are already doing it)
- Lack of business intelligence (knowledge)
- Lack of infrastructure
- High cost of implementation
- Time associated with implementation
- Lack of clear ROI metrics
- Organizational silos



Figure 2

The Quantitative Marketing Gap exists for many reasons, including lack of understanding (they think they are already doing it), lack of knowledge (they don't know what they don't know), lack of infrastructure, lack of clear success metrics, lack of resources or, worst of all, risk aversion (they don't want to take the risk).

**Issue #3**

The third issue is functional complexity of marketing. Implementing quantitative marketing strategies is complicated and requires many competencies and processes to come together at the same time to be successful. At a minimum, these processes include Strategy, Data and Analytics, Infrastructure, Production and Organizational Management.

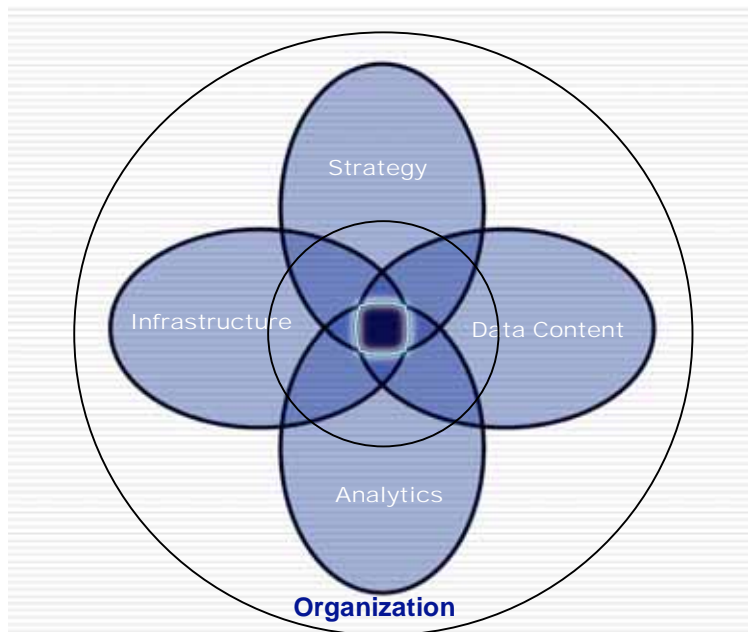


Figure 3

In order to master the functional complexity, it is important to have a clear understanding of how the functional groups work together. As complexity

increases there is a greater likelihood that decisions and initiatives start to focus on the *process and timelines* in order to meet production schedules. This is often in conflict with working on the “right” things that will actually have a direct impact on results. Culture, management and leadership play significant roles in helping organizations work on “the right things” versus “doing things right.”

The difficulty is integrating the functions and keeping them balanced. It’s too easy to push forward on one or two with diminishing returns caused by the others. Whichever function is the weakest link, or most lacking, tends to limit the whole process. For example, many database marketing organizations focus on infrastructure and pay relatively little attention to the content that is contained within that infrastructure. Loading, processing, and storing data that have no marketing value frustrates efforts to improve system performance and distracts marketers from accomplishing a key quantitative marketing task – integrating content that increases universe size and improves predictive power. Database marketers in this situation must focus on the right content to improve marketing return on investment.

## The Opportunity

### Moving From “Knowable to Doable”

The opportunity to apply quantitative tools and techniques to marketing is widespread. The vast majority of world-class organizations are still making poor use of data and facts within the marketing arena, costing the enterprise millions of dollars in opportunity. Merkle has shown that organizations that are rooted in a quantitative approach and can bridge the gap between ideas and implementation will emerge as market leaders. Typically, quantitative marketing initiatives that are executed in the marketplace yield huge return on investments and millions of dollars in incremental sales.

Kevin Rollins, COO of Dell Inc., was recently asked, “Do you ever worry that any of your competitors will figure out the secret of your business model?” Rollins responded, “I think that’s unlikely. The elements of our business model are not unknowable. They are just undoable. They’ve been working at figuring out how to do the Dell thing since 1992. So far they haven’t, and it’s pretty clear why not. It’s the same reason why Kmart has not become Wal-Mart. It’s very difficult to change an entire culture – an entire business model – and get good at doing something. They’re

not going to catch us.”<sup>5</sup> Dell has bridged the gap between “knowable” and “doable”. This concept of “knowable” vs. “doable” is readily applicable within the quantitative marketing arena as well.

Most marketers understand the dimensions and objectives of a quantitative approach to marketing. They conceptually understand audience definition and selection, offer arbitration, contact cadence, response attribution, customer value and incremental impact of media, to name a few. This knowledge and understanding is “knowable.”

If a fact-based understanding of true marketing performance is “knowable” then why is it still not “doable” for most marketers? The answer lies in a complex set of organizational dynamics – Vision, Culture, Strategy, Processes, Capabilities, Competencies and Desires. The marketplace in general speaks endlessly of vision around CRM, One to One marketing, Integrated Marketing, Database Marketing, and customer centric marketing, but very little is ever mentioned of true quantitative marketing.

At Merkle, we have created the necessary frameworks, tools and processes around quantitative marketing that allow an organization to move from “knowable” to “doable.”

### Quantitative Marketing Framework

Through our extensive research and thought leadership initiatives, Merkle has identified the framework necessary for conducting quantitative marketing strategies and initiatives within any organization. We call this our Quantitative Marketing Framework:

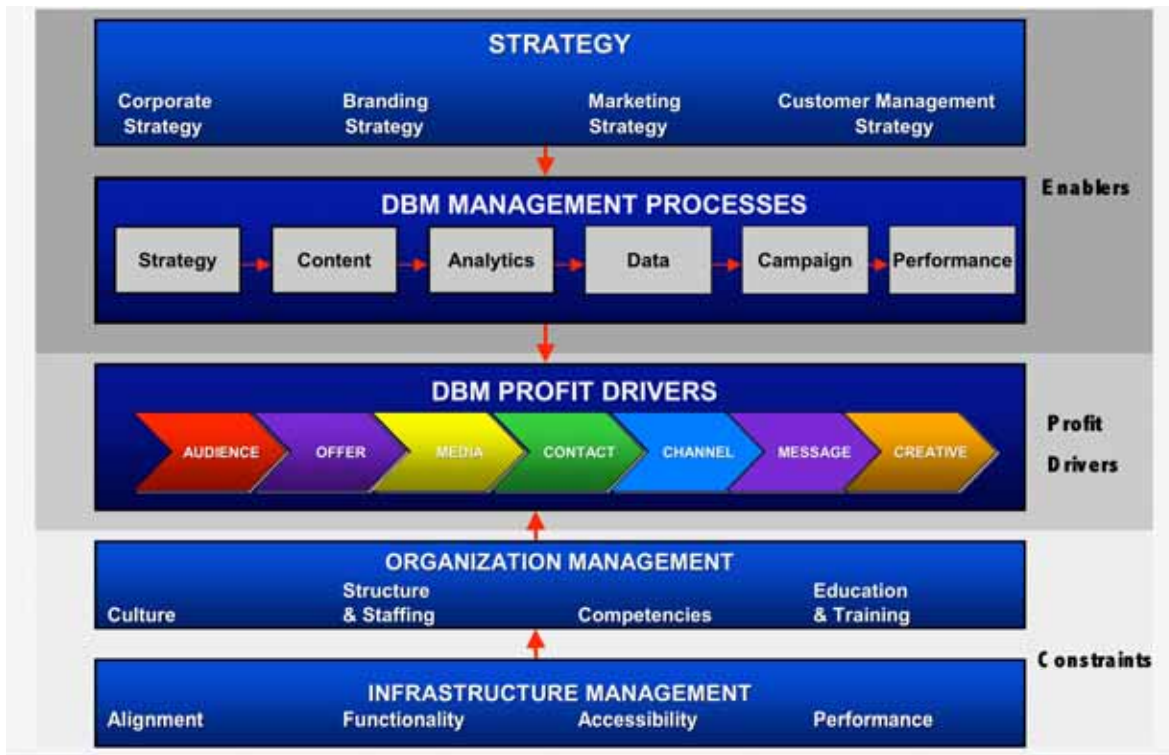


Figure 4

Mastering the use of quantitative marketing strategies requires several key critical functions within the marketing organization. Critical functions are viewed from the top as either being enablers or constraints. Strategy and processes tend to be key enablers while infrastructure and the organization itself tend to be constraints.

## Enablers

**Strategy:** Marketing strategy is getting more complex over time. Today, marketers have to deal with many dimensions of strategy as outlined below:



Figure 5

Corporate Strategy, Branding Strategy, Marketing Strategy and Customer Management Strategy all must work together to achieve maximum results. Corporate strategies generally feed branding strategies, which in turn feed marketing strategies that finally impact customer management strategies. Even after a decade of talk about customer relationship management, Customer Management is not only an afterthought; it is non-existent for most organizations. While they may have new customer acquisition goals and retention benchmarks, few companies have effective customer lifecycle management, segmentation and value management. Bridging these four dimensions of marketing strategy through the use of a quantitative marketing approach that seeks to know all the facts (known and unknown) unleashes the full power of database marketing results.

**Profit Drivers**

Profit drivers are only things that actually change marketing performance. Therefore, it is critical that all quantitative marketing activities can be linked back to a specific profit driver.



Figure 6

**Audience:** The group of households or individuals selected or targeted for a marketing campaign.

**Offer:** The value proposition presented to the audience.

**Contact:** The timing sequence and frequency of communications to the audience.

**Media:** Outbound vehicle used to communicate offers to the audience.

**Channel:** Inbound vehicles through which responders communicate with the organization.

**Message:** The tone in which offers are communicated to the audience including style, life stage and interests highlighting specific benefits of the offer.

**Creative:** The physical look and feel of the communication being delivered to the audience.

The impact that each profit driver has on return on investment is dependent on several factors including industry dynamics, product offering and the maturity of quantitative marketing practices within the organization. However, profit drivers have a distinct order on the overall impact on ROI:

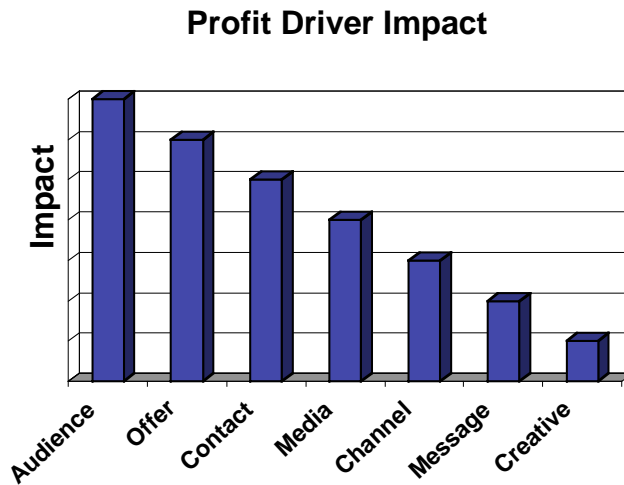


Figure 7

Therefore, it is important that the organization work on the things that have the most impact, not necessarily the things that are easy or best understood today.

### Constraints

**Critical Processes:** To do effective quantitative marketing, a profit driver must be directly affected. In order to do that, the critical processes that allow us to implement our strategies must be understood. These processes are:

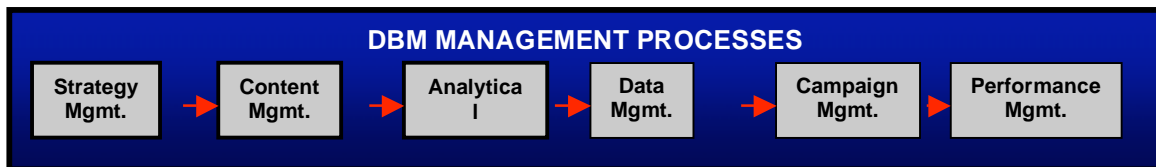


Figure 8

**Strategy Management:** The process of connecting and managing database marketing actions to corporate, brand marketing and customer strategies.

**Content Management:** The process that capitalizes on quantitative techniques to identify valuable marketing data. Valuable data is predictive, descriptive or meets a business rule.

**Analytical Management:** The process of managing analytical and statistical tools and techniques to improve marketing performance.

**Data Management:** The process by which data is captured, organized, cleaned, and integrated for the purpose of supporting database marketing strategies.

**Campaign Management:** The process by which marketing strategy is implemented to maximize the profit drivers at a specific point in time.

**Performance Management:** The process of testing, measuring, analyzing, and understanding the impact of marketing actions.

Lack of understanding of these critical processes is the single greatest constraint to implementing quantitative marketing strategies.

For example, an organization recently dedicated considerable time and resources to understanding and measuring the impact of each profit driver on performance of direct marketing initiatives. Statistically controlled tests showed that use of predictive models could increase response rates by as much as 54% to certain segments. Additionally, a study on timing and frequency of contacts showed a way to increase overall mail volume by up to 80% while maintaining current performance criteria. The complexity of the current campaign planning, management and creation processes, however, severely limited the ability to execute on these findings.

**Infrastructure Management:** Quantitative marketing strategies rely heavily on data, information and knowledge, and it is critical that an extremely robust, scaleable and flexible infrastructure exists to support it. Infrastructure is generally a significant constraint to most marketing organizations. Most organizations will choose to live with an existing, outdated infrastructure because the benefits of changing can't specifically be articulated.

Catalog marketers are a good example where infrastructure tends to be a constraint. While most catalogers have developed very complex data management processes over the past ten years, their ability to connect detailed analytically based intelligence to precise multi-channel actions is limited at best. In most cases, marketers are still making independent decisions on email and catalog

targeting, for example, primarily due to the lack of effective infrastructure and process.

The dimensions of Infrastructure Management are:



Figure 9

**Alignment:** How closely aligned the capabilities of the enabling infrastructure are with the requirements of the business.

**Functionality:** The functionality of the infrastructure and its ability to support core quantitative marketing initiatives. What can the infrastructure do?

**Accessibility:** The availability of the infrastructure to support quantitative marketing needs and processes, including multi-use availability.

**Performance:** The amount of time it takes to conduct inquiries, data pulls and analysis around quantitative needs.

**Organizational Management:** The culture, structure, competency and attitude of the organization continue to be a major obstacle to implementing quantitative marketing strategies. Most organizations conceptually understand the benefits of “knowing” the right answer, but lack the specific competencies and experience in getting to and using the right answer. Even in the most innovative cultures, organizations tend to work on what they know versus what is important. Organization silos and a decentralized approach to quantitative marketing contribute to the problem.

Organizational Management has four core dimensions:



Figure 10

**Culture:** Culture is the focus and behaviors of an organization that have an impact on the values of individuals and outcomes that are produced.

**Structure & Staffing:** The organizational design, control of resources, roles and responsibilities, and span of control.

**Competencies:** Competencies are the fundamental group and individual skill sets within the organization.

**Education & Training:** Knowledge management is the ability of the organization to create and manage information in a manner that creates results.

## APPLYING QUANTITATIVE MARKETING STRATEGIES

### Creating Strategic Alignment

As previously discussed, mastering the use of quantitative marketing strategies requires several key critical functions within the marketing organization. Most marketers lack a deep and specific understanding of how to move forward. Most start in the wrong place with the wrong questions. This leads to an organization that focuses on things it can understand and it typically provides initial satisfaction with apparent progress. However, it does not generally lead to long-term competitive advantage.

In order to create alignment and gain competitive advantage using quantitative marketing, an organization must have a clear vision and strategy on how it will achieve that vision. From there, they must identify the critical processes necessary to support the strategy, then the competency and infrastructure, to implement and manage the critical processes.

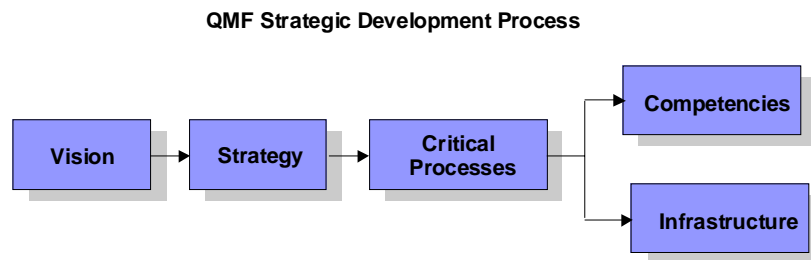
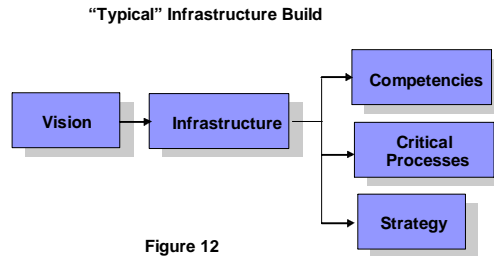


Figure 11

Most marketing organizations go about this all wrong. They start with a vision of creating a database and move towards developing the database to support the vision. For example, a vision might be: “We need to be more customer centric.” The organization then rallies around this vision and determines it needs a better infrastructure to support the vision. A database “RFP” is created and the organization begins to build the infrastructure with no clear strategies, processes or database marketing competencies.



The flow above illustrates a typical process that marketers undertake when developing an infrastructure. This approach ultimately causes the infrastructure to be delayed and sub-optimized. It is rare to see an organization that does this correctly by focusing on all critical success drivers – Vision, Strategy, Processes, Competencies and Infrastructure.

## Quantitative Marketing Roadmaps

Merkle has created a series of Database Marketing Roadmaps™ to address each area of the Quantitative Marketing Framework (Strategy, Infrastructure, Organization, DBM Management and Profit Drivers). Roadmaps are comprehensive tools used to assess and guide an enterprise within the quantitative marketing arena. Merkle has identified five different levels within each roadmap that scores an enterprise across the different areas of database marketing. Level one, represents a basic approach or capability and level five represents a more sophisticated best practice approach or capability. This is done for each dimension of the QMF as outlined below.

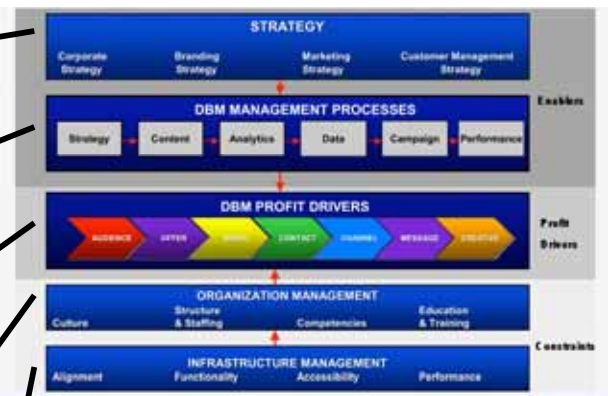


Figure 13

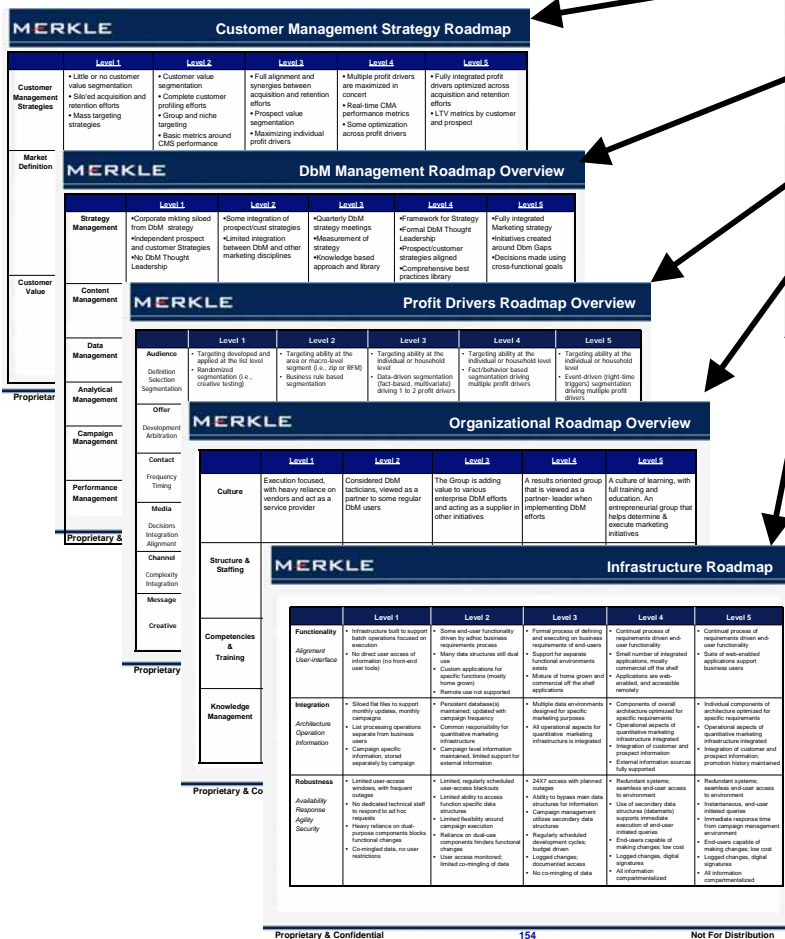


Figure 14

When developing strategies to support a specific vision or set of objectives, it is important to assess the current state. The roadmaps provide a framework to assess the readiness of the organization to deepen or broaden its quantitative approach. Each roadmap assessment identifies “lagging” capabilities that must be resolved to move forward. The example below illustrates how contact management is currently lagging other profit drivers.

**Profit Driver Roadmap Assessment**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 4</u>	<u>Level 5</u>
<b>Audience</b>			X		
<b>Offer</b>		X			
<b>Contact</b>	X				
<b>Media</b>		X			
<b>Channel</b>			X		
<b>Message</b>				X	
<b>Creative</b>					X

**Figure 15**

In this example, the organization is more than competent in selecting the proper audience for a particular offer and in maximizing creative treatments to that audience. However, the approach to contact strategy is far less developed, even though the potential impact of contact strategy is far greater than messaging or creative. This is likely to be true for three reasons: lack of an infrastructure to track and apply promotional history across customer and prospects; lack of performance management tools to understand media contacts over time; and lack of understanding of the relative importance of profit drivers on the bottom line. Obviously, this organization has a clear opportunity to focus on contact management, but most often, organizations will continue to focus on what is known and understood, which in this case is audience selection and creative.

For this organization to move from its current Level 1 state in contact to a more effective Level 2 state, it must use the roadmap to better understand what needs to be achieved.

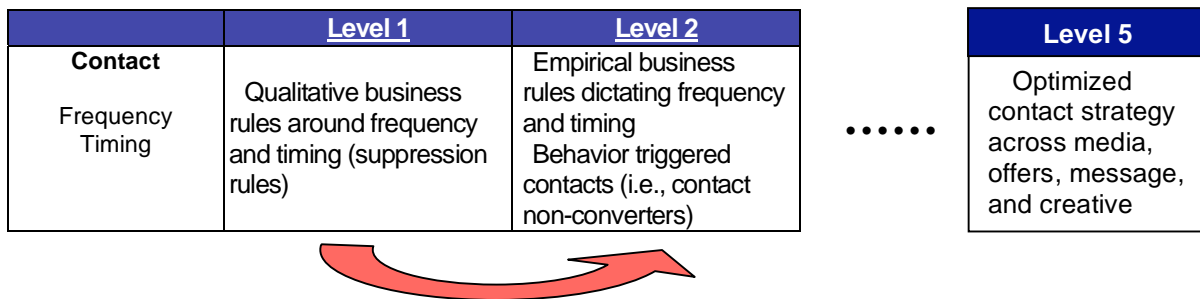


Figure 16

Taking a closer look at Contact Level 1 vs. Level 2, we now must determine how the other functional areas of the quantitative marketing framework (Processes, Organization, Infrastructure) must be developed in order to make the transition from Level 1 to Level 2 contact.

**Primary Initiatives that Need to Happen In Order to Move From Contact Level 1 to Contact Level 2**

Strategic Management	Integrate contact into existing communication and campaign selection strategies
Content Management	Evaluate the availability and value of contact information and then integrate if it is valuable
Data Management	Ensure quality and capture of promo history
Analytical Management	Interaction between predictive models and promotion history
Campaign Management	Campaign process that can select on frequency & history
Performance Management	Reports showing impact of frequency & timing on response Control groups & test design around contact
Infrastructure	Database must be capable of maintaining promo history for prospects and customers

Figure 17

Moving from Level 1 in contact to Level 2 is not an easy task. Many of the quantitative management processes need to change and improve.

Without this type of detailed understanding of all the critical functions affected when implementing a contact strategy, the odds of failure increase substantially. Understanding that the timing, frequency and sequence of media exposure can have a significant impact on marketing performance is easy to comprehend and therefore “knowable.” Developing and implementing an effective, sustainable contact management strategy is only doable when one deals with every dimension of the quantitative marketing framework, and without a detailed roadmap, that is easier said than done.

### Strategic Engagement Process

The Strategic Engagement Process (SEP) is a comprehensive process for managing quantitative marketing strategies and initiatives. The SEP takes many of the concepts and functions introduced in the QMF above and makes them applicable (or “doable”) within marketing programs.

Strategic Engagement Process

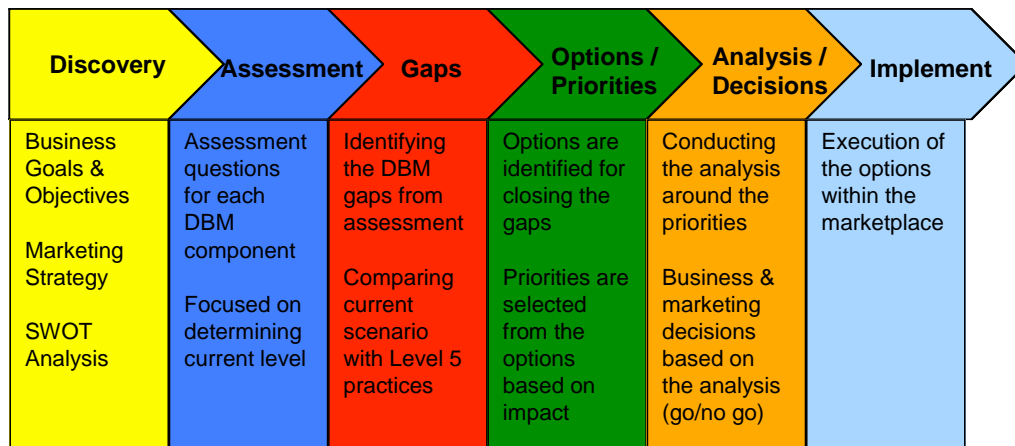


Figure 18

While utilizing a relatively basic approach and framework, the SEP is a critical process for implementing quantitative marketing methods. In this process, an organization’s current marketing practices are compared to industry best practices and various initiatives and options are generated to increase marketing performance. While the SEP is a continuous process, the outcome is a set of marketing priorities that will improve the effectiveness of the marketing programs. Various tools are used throughout this process to optimize the SEP outcomes.

During the discovery and assessment phases of the SEP, “strategic themes” are identified through the use of Strategy Maps. Strategic themes are areas of focus for an organization based on its current goals, objectives and needs. Examples of strategic themes include increase prospect universe, decrease marketing costs, increase customer value, customer retention, etc.

### Managing Strategy - Examples

To better illustrate how an organization manages strategy within a Quantitative Marketing Framework, we use various examples.

**Discovery and Assessment Phase** – During this phase, various tools are used to ensure proper alignment between the initiatives and the organization’s goals and strategies. An example strategy map is shown below:

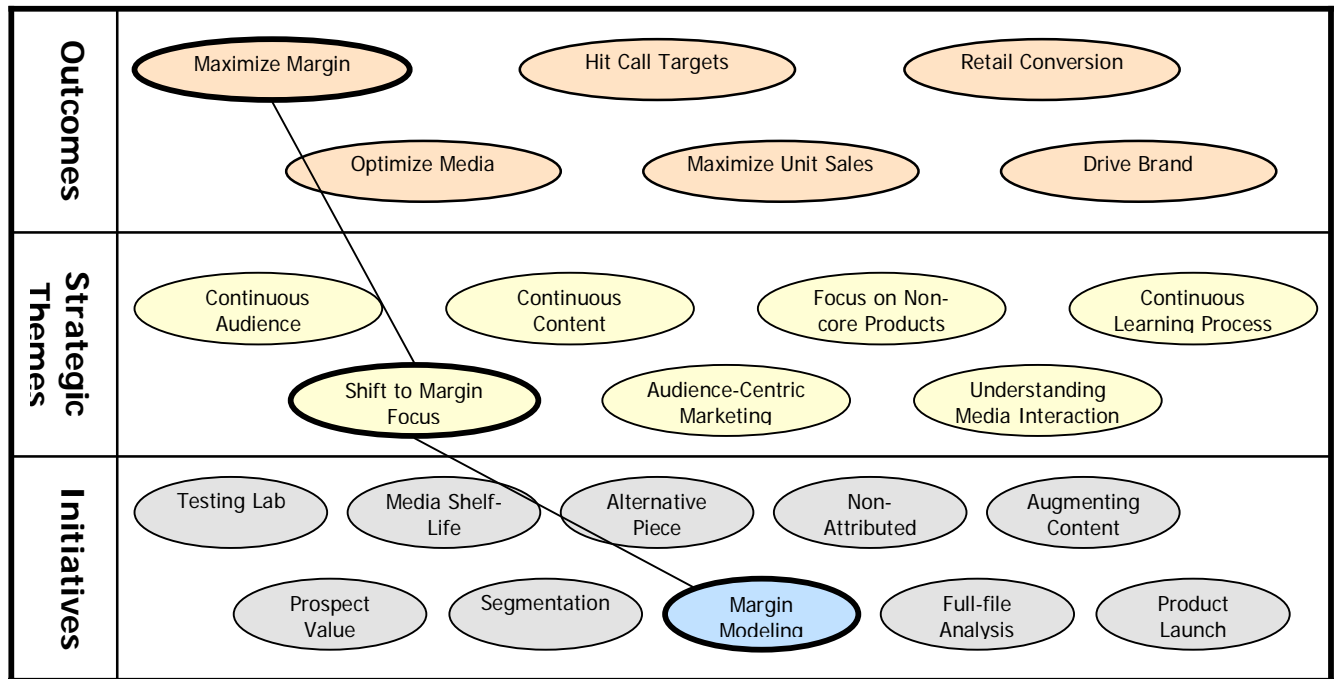


Figure 19

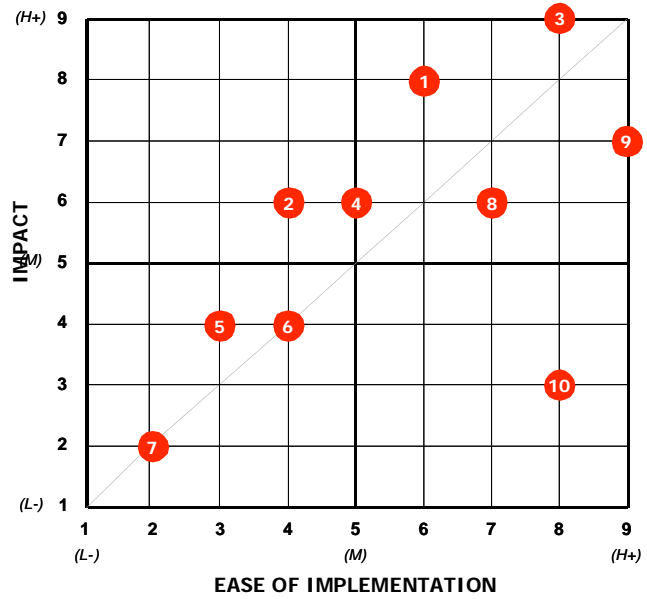
**Options and Priorities Phase** – During this phase, the different quantitative marketing options are revealed and priorities assigned based on connection to strategic themes, marketing impact and ease of implementation.

Rank	Initiatives	Strategic Themes							Estimate		Status
		Audience Selection Improvement	Shift to Margin Focus	Continuous Content Improvement	Audience-Centric Marketing	Non-Core	Media Interaction	Optimize Learning	Impact	Effort	
3	Testing Lab	X			X	X	X	X	9	8	Newly defined initiative
6	Prospect Value		X			X			4	6	Newly defined initiative
10	Media Shelf-life		X				X	X	3	8	Newly defined initiative
8	Segmentation	X	X		X	X			6	7	Previous initiative
2	Alternative Piece		X		X				6	4	Ongoing initiative
5	Margin Modeling		X						4	3	Previous initiative
7	Non-attributed Buyer	X		X					2	2	Previous initiative
9	Full-file	X	X	X	X	X	X	X	7	9	Ongoing initiative
4	Targeting	X			X	X			6	5	Previous initiative
1	Augmenting Content		X	X					8	7	Previous initiative

Figure 20

These initiatives are then plotted using a matrix plot of impact and ease of implementation:

Rank	Initiative
1	Augment TS w/ Data
2	Alternative Piece
3	Testing Lab
4	Product Targeting
5	Margin Modeling
6	Prospect Value
7	Non-Attributed Buyer
8	Segmentation
9	Full-File Analysis
10	Media Shelf-life



**Ongoing Updates** – The management of strategy is a continual process with key marketers and analysts coming together on a periodic basis (typically monthly) to discuss the learning and set priorities. Clear, concise information and knowledge needs to be available to both marketers and analysts on the status of each initiative and the results. Once the initiatives have been completed, implemented and tracked, new initiatives should be developed and prioritized based on the strategic themes and previous results. Below is an example of how the existing initiatives map to the strategic theme (of “increasing prospect mailings”) and the integration with the Quantitative Marketing Framework:

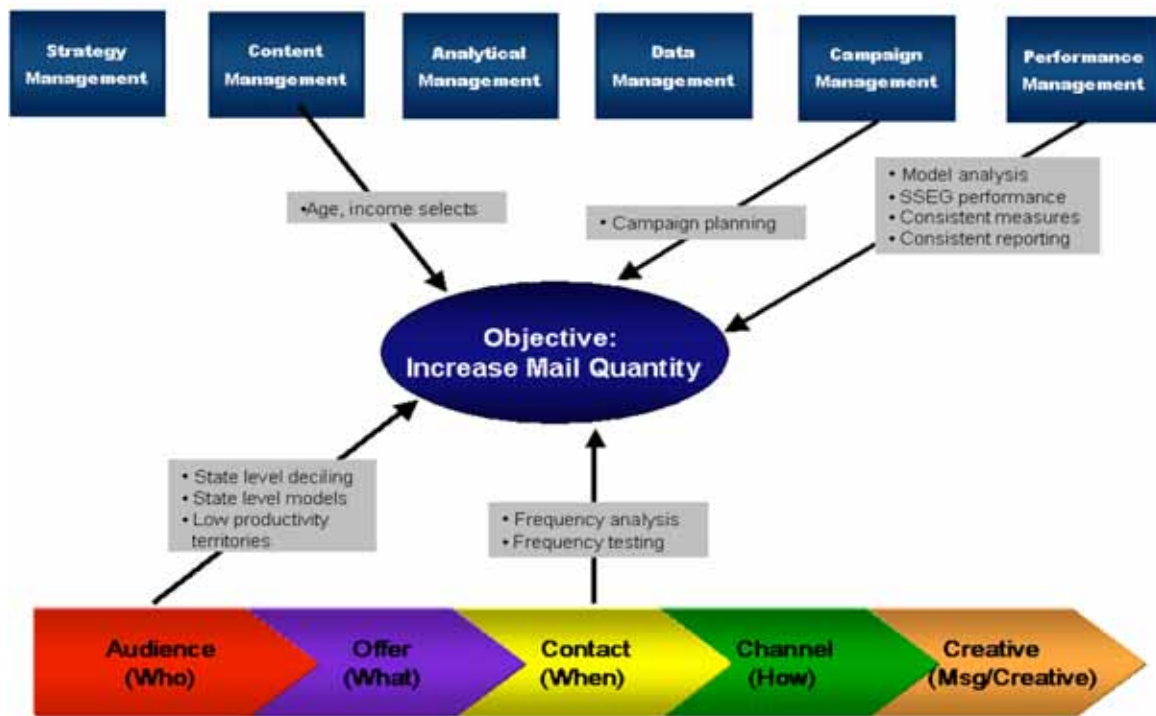


Figure 21

## Summary

Mastering the use of quantitative marketing strategies within the marketing enterprise is challenging and complex, but chief marketing officers will have little choice but to embrace this new paradigm. According to Eric Schmitt of Forrester Research, “Traditional marketing strategy – the application of great creative to large groups of anonymous people – is becoming less effective by the day. Marketing must adapt.”<sup>6</sup> Making the transition from knowable to doable requires a deep understanding of strategies, processes, competencies, organization and infrastructure to be successful.

Merkle’s strategic engagement process, quantitative marketing framework and quantitative Database Marketing Roadmaps provide the necessary context and tools to obtain the vast economic benefits of quantitative marketing. Merkle is one of the few organizations in the marketplace today that is entirely focused on quantitative marketing. Many advertising agencies and marketing service companies talk about database or quantitative marketing but few have a deep understanding of how to actually implement a quantitative approach. That’s not to say what agencies and marketing services provide don’t play a valuable role in the solution, because they do. But without the “balance” of a quantitative marketing partner, substantial improvements in marketing performance will be hard to come by.

Ultimately, marketing in the decades to come will be about truth, understanding and accountability in addition to brand, position, creative and big ideas. Those who embrace this new paradigm of marketing today will be at the forefront of that revolution.

## The Merkle Advantage

Merkle specializes in information-based marketing strategies and is one of the nation's leading database marketing firms. With a 35-year proven track record developing winning strategies based on information insight for large consumer-focused organizations, Merkle works with many of the nation's leading businesses. Merkle's clients include Procter & Gamble, Dell, Capital One, Geico and DIRECTV.

Merkle turns clients' data into actionable marketing opportunities by helping businesses acquire, retain and maximize their most profitable customers. This is accomplished with sophisticated database marketing tools, including predictive modeling, prospect segmentation, customer profiling and direct marketing program analysis.

Providing the necessary framework to aggressively apply information-based strategies to marketing programs, Merkle leverages a highly disciplined and organized approach that helps businesses close the gap between strategy and implementation. The result is significant time-to-market improvements, knowledge expansion and greater profitability.

Merkle focuses on service by providing a strategy tailored to each of its client's unique needs. Combining data analysis, analytics and creative, Merkle helps its clients build custom marketing knowledge centers leveraging technology that best meets the needs of each client. Merkle has over 75 statisticians and analysts who build and deploy over 700 models and analytical projects annually.

Providing accurate, integrated and accessible customer data, Merkle helps ensure results. With information, campaigns can be created and delivered across channels, content can be targeted at specific customers, sales can be measured across all channels and trends can be identified, enabling further campaign refinement.

Technology, primarily in the form of database marketing infrastructure, is a critical component of information-based marketing. Merkle has extensive experience building, maintaining and enhancing marketing systems. The Merkle Knowledge Center is specifically designed to give marketers a platform that directly enables their strategy, analytic and campaign activities.

Take your marketing efforts to a new level with Merkle. To begin your information-based marketing strategy, call 800-9-MERKLE or email Mike Savage at [msavage@merkleinc.com](mailto:msavage@merkleinc.com) for more information.

### Endnotes

<sup>1</sup> *Advertising Age*, September 27, 2004

<sup>2</sup> Database Marketers Gain Influence But Lack Enterprise Coordination." Forrester Research, September 27, 2004

<sup>3</sup> From the arena of Quantitative Market Research.

<sup>4</sup> Gartner Group research study of marketing practices

<sup>5</sup> Industry speech by Kevin Rollins, Dell

<sup>6</sup> "Left Brain Marketing", Eric Schmitt, Sr. Analyst, Forrester Research