

Engaging a Database Marketing Agency

Leveraging the Left Brain in a Right Brain World

MERKLE

A Database Marketing Agency

Introduction

As accountability continues to take center stage within the marketing enterprise, it is more important than ever to quantitatively understand the behavior of customers and prospects and the impact of media. Marketers cannot afford to sit back and wait for the next “big idea” for a major advertising campaign. According to a Forrester Research report written by Eric Schmitt, “quantitative, analytical skills are eclipsing media and creative talent to become the most important elements in the discipline of marketing.”* Marketers need to understand and address the implications of this shift across their entire marketing organization. ■

However, most marketing organizations today are ill equipped to deal with these new challenges, not because of a lack of leadership or desire, but because of lack of understanding, competencies, processes and infrastructure. For organizations to solve this problem, they must re-engineer their marketing organization, outsource their database marketing functions to an organization solely focused on database marketing, or do a combination of both.

Because of the scarcity of database competencies and general lack of experience in the marketplace, it’s not surprising that most organizations are looking to outsource the majority of their database marketing functions to companies that offer these specialized resources.

Most marketing organizations today are ill equipped to deal with these new challenges.

The focus of this paper will be to explain how database marketing strategies relate to direct response marketing. Although database marketing strategies are applicable across the entire marketing enterprise, our primary focus is direct response media and channels.

* “Database Marketers Gain Influence But Lack Enterprise Coordination,” Forrester Research Inc., September 27th, 2004

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What is Database Marketing?

Database marketing (DbM) is a discipline that utilizes information about customers and prospects to understand, describe, predict and measure behaviors to maximize marketing performance through more effective customer value management and media optimization.

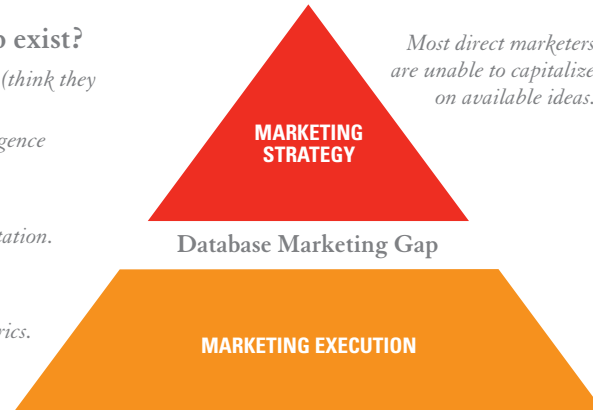
What is a Database Marketing Agency?

A database marketing agency is an organization primarily focused on marketing facts: facts about prospects, facts about customers, facts about media and channels and facts about marketing return on investment. Although most direct response organizations talk a good game around these subjects, most do not “truly” understand these subjects and therefore lack the ability to make the best possible decision. Rare is the company, big or small, who has both the answers they want and is using those answers to drive better results.

The reason this situation exists is that most companies that utilize direct marketing channels lack the ability to turn ideas into action. Conceptually, database marketing is knowable, meaning that people understand it. But for most, database marketing isn't doable, meaning people cannot or do not actually implement it. We call this the Database Marketing Gap, the gap between ideas and implementation.

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.*



The database marketing gap exists because most direct response marketers lack the ability to turn ideas into action.

The sole purpose of a database marketing agency is to close this gap. This is only achieved by obtaining a clear understanding or roadmap of how and where database marketing techniques can be applied to marketing programs and the capability to develop the necessary competencies, processes and infrastructure to implement these techniques over time.

The primary functional role of the database marketing agency is to provide the marketing organization with the necessary facts and information to maximize customer value over time. Database marketing works by effectively targeting offers to consumers through media, and measuring the impact of those communications on value.

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There are eight core areas of expertise that must exist in order to do database marketing and to truly maximize and optimize marketing performance. These areas include:

- 1. Strategy Management:** The process of connecting and managing database marketing actions to corporate, brand marketing and customer strategies.
- 2. Content Management:** The process that capitalizes on database techniques to identify valuable marketing data. Valuable data is predictive, descriptive or meets a business rule.
- 3. Analytical Management:** The process of managing analytical and statistical tools and techniques to improve marketing performance.
- 4. Data Management:** The process by which data is captured, organized, cleaned, and integrated for the purpose of supporting database marketing strategies.
- 5. Campaign Management:** The process by which marketing strategy is implemented to maximize the profit drivers at a specific point in time.
- 6. Performance Management:** The process of testing, measuring, analyzing, and understanding the impact of marketing actions.
- 7. Infrastructure Management:** Database marketing strategies rely heavily on data, information and knowledge; therefore, an extremely robust, scaleable and flexible infrastructure must be put in place to support it.
- 8. Organizational Management:** The culture, structure and attitude of an organization continue to be a major obstacle to implementing database marketing strategies.

There are other critical functional areas that also serve the marketing organization, and these include brand management, offer management, production management, creative management, and media and planning, to name a few. These functions are generally well served either through the marketing organization itself, its advertising agency or a marketing services partner. These functions, however, are not the focus of a database marketer.

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Constraints to Effective Marketing

Most organizations conceptually understand the benefits of “knowing” the right answer, but lack competencies and experience in getting to and using the right answer. Even the most innovative companies work on what is known vs. what is important.

Although most companies have a desire to manage at the customer value level, most do not have the right organizational structure, metrics, infrastructure or strategies to do so. Instead, their primary focus is to create, implement and measure the performance of individual campaigns, while judging the performance of marketing at both the campaign or project level and at some other higher aggregated level, such as marketing spend as a percent of sales.

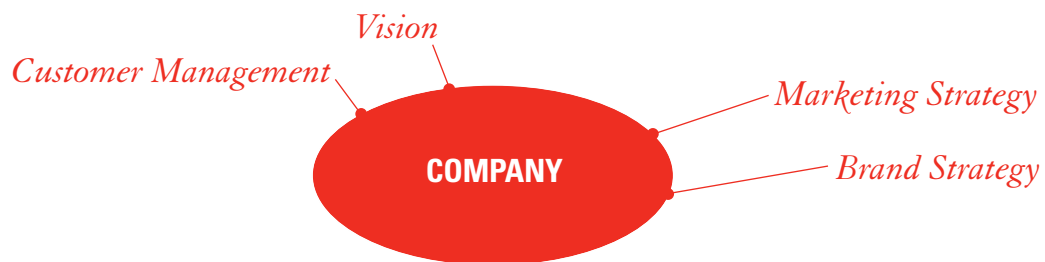
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Almost all organizations have some level of competency, experience and resources in the eight core areas of expertise, however, they generally do not have enough. Typically, they also lack a common framework to consistently apply these critical processes over time. Organization silos and a decentralized approach to database marketing also contribute to the problem.

Infrastructure is a significant constraint to most marketing organizations and the one that gets the most attention. However, without a sound strategy and deep understanding of the critical processes, most organizations will choose to live with an existing infrastructure because they cannot specifically articulate the benefits of changing, or worst of all, they make significant “improvements” that do not yield better results.

Roles of the Marketing Organization

Let us first discuss the role of the company’s marketing organization itself. Companies should focus on

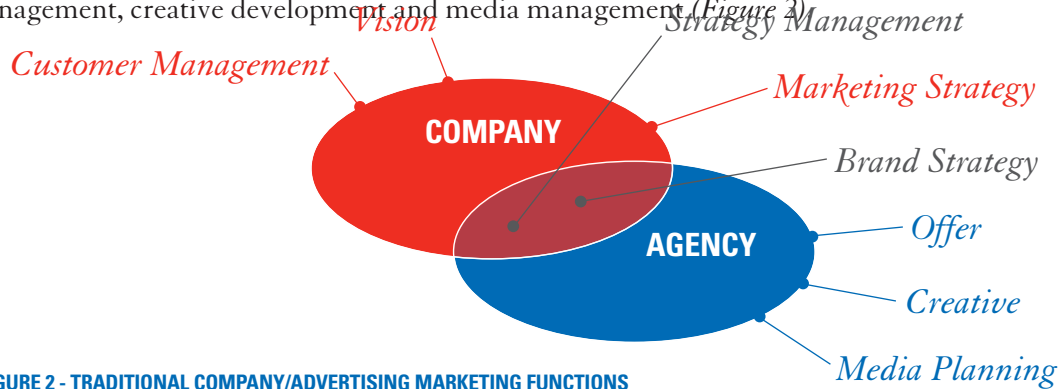


► FIGURE 1 - TRADITIONAL COMPANY MARKETING FUNCTIONS

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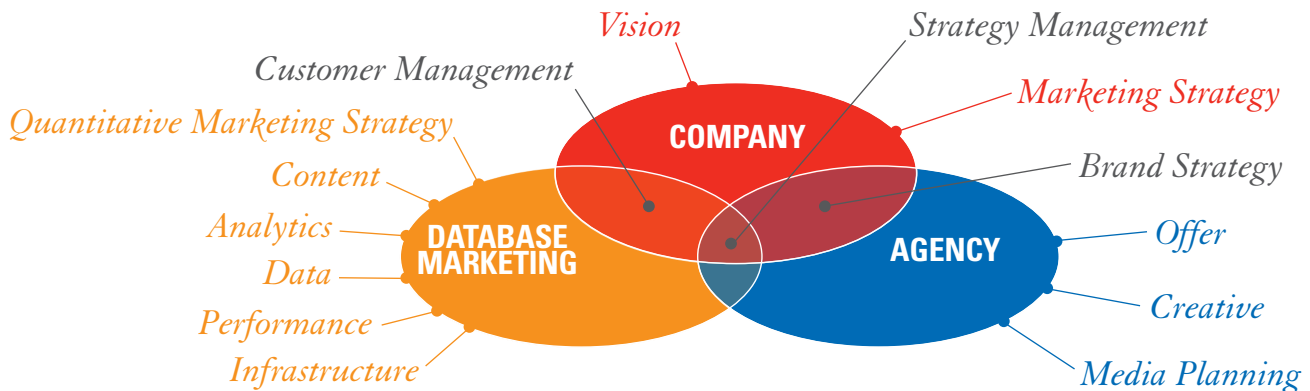
the global vision of marketing within the organization, marketing strategy (product, place, promotion, price), brand strategy and customer management strategy (Figure 1).

The advertising agency function (either internal or external) should primarily focus on offer management, creative development and media management (Figure 2).



► FIGURE 2 - TRADITIONAL COMPANY/ADVERTISING MARKETING FUNCTIONS

The database marketing organization should focus primarily on quantitative marketing strategy, content management, analytical management, data management, campaign management, performance

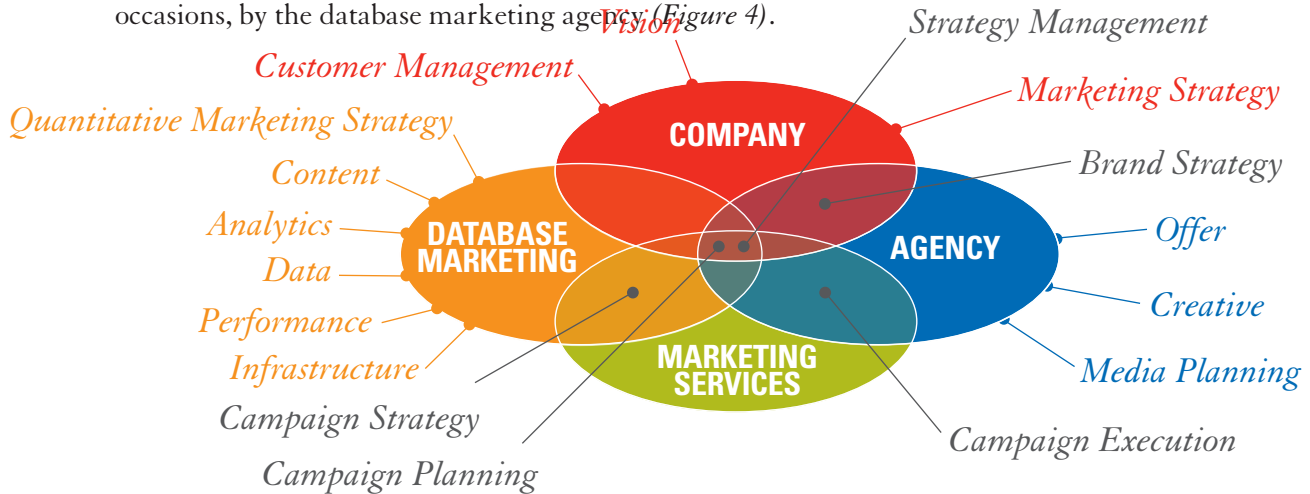


► FIGURE 3

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management and infrastructure management. This now creates a third dimension to the picture (Figure 3).

Execution should be the primary functional focus of marketing services, the final dimension. This function sometimes gets managed directly by the company through the advertising agency, and on some occasions, by the database marketing agency (Figure 4).



► FIGURE 4

The challenge in today's marketplace is that every entity wants more control over marketing spend.

At first glance, this seems overly complex, but to do “true” database marketing, it will take expertise in all of these critical areas. The challenge in today’s marketplace is that every entity wants more control over the marketing spend.

This leads to organizations “reaching” for a bigger piece of the pie when, in fact, they do not possess the core competencies to deliver on the mission.

Routinely, marketing services organizations want to provide “strategy,” yet all of the strategic recommendations seem to revolve around existing capabilities and products. In one situation, an advertising agency offered to provide analytics, but within its database marketing group had only one person with any statistical training!

How to Work With a Database Marketing Agency

Successfully working with a database marketing agency requires that an organization focus on three critical areas:

1. Clearly defined goals, objectives and metrics
2. Clearly defined roles, responsibilities and authority, and
3. Effective collaboration and communication using a common framework.

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The primary reason to inject a database marketing agency into an existing organizational structure is to gain access to critical competencies and capabilities that do not exist today. To utilize those competencies and capabilities, desired outcomes and responsibilities must be clearly defined. As previously stated, exceptional results will come only when all marketing competencies, processes and functional areas can work together. The critical areas on which to focus are those that overlap in Figure 4: strategy management, customer management, campaign strategy, campaign planning, campaign execution and brand strategy.

It is critical to clearly identify how the company, agency, database marketing agency and marketing service provider work together. This should be done through the identification of roles and responsibilities and leveraged in regularly scheduled planning, strategy and operational meetings.

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Summary

All marketing enterprises will have to significantly improve their database marketing capabilities in order to stay competitive. The most effective way to do this is to hire a database marketing agency to be accountable for four core areas within the marketing enterprise: quantitative marketing strategy, content management, analytical management and infrastructure. This approach will be a paradigm shift for most organizations, but ultimately will be necessary to truly maximize the value of database marketing.

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The Merkle Advantage

Merkle specializes in information-based marketing strategies and is one of the nation's leading database marketing firms¹. 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 for more information.

**Merkle has
been helping *the
nation's leading
consumer-focused
businesses for 35
years***



¹ Ranked as a market leader in 2006 by Forrester Research and as a top 20 marketing services agency by Advertising Age.