

Leveraging Information to Improve Marketing Performance

How Marketing Executives Are Delivering on Their Promises

MERKLE

A Database Marketing Agency

Introduction

The formerly manageable world of marketing has exploded into countless micro-channels. Familiar mass media have been sidelined by the rapid run-up of the web, search, email, blogs, satellite radio, chat, video-on-demand and interactive television. ■

Managing more media and channels means greater complexity, cost and risk. Add to this the increasing pressure for corporate accountability, and the result is a considerable challenge for the marketing executive. Yesterday's broadcast marketing efforts must be replaced with precision-targeted strategies and campaigns.

Fortunately, information-based marketing is helping consumer-oriented businesses strategically locate profitable customers and refine campaigns based on quantifiable facts rather than questionable hunches. Applying advanced analytical techniques commonly used outside the marketing world, this new strategy is bringing insight and knowledge to the marketing executive's battle plan.

This white paper will examine the challenges of fragmented media management and introduce the advantages of information-based marketing strategies.

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Trends Altering the Marketing Landscape

There are three primary factors driving marketing executives to reexamine their marketing plans: increasing pressure for accountability, the emergence of fragmented media and greater consumer control.

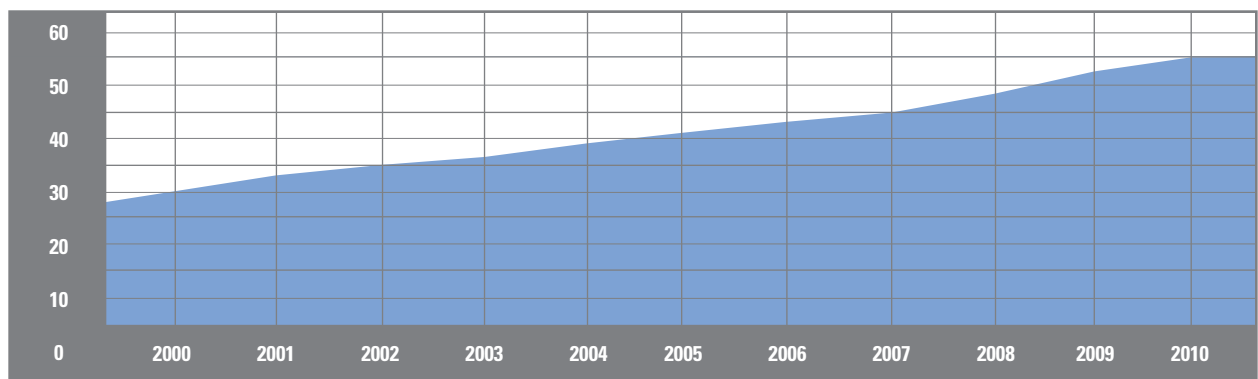
First, the marketing executive's job performance is more critical than ever. The average stay for chief marketing officers (CMOs) at the top 100 branded companies is a mere 23 months, and only 1 in 10 keep their jobs for more than 3 years, according to a SpencerStuart report. The report explained, "Just because a marketer was successful in the 1980s, where big image and even bigger advertising ruled, does not mean he or she will be a good fit today, when successful marketing requires a much more complete, integrated approach."

Marketing executives are turning to more measurable channels to better track and justify their spending.

Procter & Gamble CMO Jim Stengel said, "We must accept the fact that there is not 'mass' in 'mass media' anymore and leverage more targeted approaches." Given the short shelf life of CMOs, marketing executives must deliver quantifiable and rapid results to ensure job security.

The good news is that media is more addressable to specific audiences than ever before. Leveraging many two-way targeted media, such as email, point of sale, websites and ad-targeted cable television represents the future of marketing, according to Forrester Research. A Forrester report explains, "To find and reach the right audiences, marketers must know more about them... Firms with a rich and up-to-date understanding of their audience will enjoy competitive advantage." With the wide acceptance of newer two-way channels such as the web, marketing executives must tap this information-rich resource (see figure 1).

U.S. Households/Millions



► FIGURE 1: THE NUMBER OF U.S. HOUSEHOLDS THAT SHOP ONLINE WILL NEARLY DOUBLE BY THE YEAR 2010.

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Other market changes creating huge fallout are new technology and legislation that provide consumers the ability to screen, filter and avoid unwanted marketing messages. The days of captive audiences are history. A Forrester report stated, “The pace of technology change is driving rapid changes in consumer behavior... To survive, both the database marketing group and the enterprise at large must evolve.”

From the invention of the TV remote control to the national “Do not call” list and spam filters, consumers have gained amazing control. Consider the email channel. As a result of an inbox marketing message assault, a recent report found that consumers limit the number of companies among their inner circle of emails to only 11.

As marketing executives are increasingly held to account for their efforts, addressable media is providing them measurable results.

Challenges With Traditional Marketing

A number of challenges complicate the marketing executive’s job. Marketing products based on universal principles, managing many media sources and tracking marketing efforts to results are complex challenges.

Marketing based on universal consumer problems, making sense from many marketing channels and tying marketing endeavors to results create significant challenges for marketing professionals.

Product-centric Approaches

The traditional product-centric marketing approach begins by defining a clear value proposition for a product and finding an audience to sell it to. With this traditional form of marketing, marketers focus on universal consumer commonalities and problems. Product-centric marketing worked well until technology emerged that allowed dramatic audience segmentation and tracked consumer contact preferences. Because different people have different problems, needs, preferences and desires, a new customer-centric approach has emerged.

Customer-centric marketing starts with a clearly defined audience and matches products most appropriate to that audience. Because of the anonymous nature of mass media, businesses rooted in mass marketing typically have a limited view of their customer and must rely on marketing that will appeal to commonalities of the masses. “If the contact channel allows it, communications can—and generally should—be tailored to the segment, household or individual,” explained a Forrester report.

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Organizational division further complicates matters. When different product teams are responsible for marketing their products independently of other groups within the same company, the result is inconsistent and sometimes competing messages being broadcast to the masses. Ideally, marketing groups should collaborate to ensure a stronger message.

Fragmented Media

In the not-so-distant past, the number of television stations could be counted on two hands. Today, hundreds of TV and radio stations, thousands of magazines and millions of specialty websites dramatically complicate marketing efforts. Add newer channels, such as podcasting, RSS-feeds, satellite radio and blogs, and the possibilities are countless.

With the fragmentation of media into millions of smaller channels, consumers are scattering their precious time across multiple sources, making marketing even more challenging. Marketers must rely on comprehensive analytics to clearly identify and reach their audience.

Tracking Results

The complexity of a cross-channel marketing campaign and the vast quantities of data available from addressable media make it particularly difficult to understand the impact of individual channels and the incremental effect of cross-channel promotions. With different exposure over email, radio, search ads and television, for example, how can marketing effectively determine which channels influenced a purchase? Qualitative research, such as focus groups that examine brand recall rates, cannot map their findings back to actual sales.

Addressable media and channels are very measurable; however, data is complex and requires experienced analysts to determine impact. Most businesses measure little and rely on past experience. When metrics like market share are based on large time spans, such as quarters or years, a business has little time to adjust to market changes.

To successfully attribute results to efforts, marketing organizations need quantitative, fact-based insight that can be collected from multiple channels and analyzed over time.

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The Solution: Information-based Marketing

To target unique groups of consumers, manage the complexity of many media and channels, and measure overall marketing effectiveness, marketing executives are turning to information-based marketing strategies. Simply stated, an information-based marketing approach is the discipline of using facts to glean knowledge and to manage better marketing outcomes. Such a discipline strengthens right-brain creative efforts with left-brain quantitative facts. The end result is a philosophic shift to making smart and informed decisions that are reinforced with creative ideas.

Information-based marketing involves applying known information about consumer behavior to marketing plans for measurable and predictable results.

Combining data about markets, consumer behavior, campaigns, products and sales results, information-based marketing brings marketing and business-intelligence concepts to the executive boardroom. When data is properly leveraged, it provides insight into consumer behavior. Behavioral insight can be used to develop customer management strategies, branding, messaging and creative. Data can also be used to reliably predict behavior based on offers and contact strategies.

With information-based marketing, the customer is the top priority—more important than even the brand. The goal is to apply marketing to the unique interests of sets of customers rather than universal interests that all consumers share. By focusing on groups of consumers, businesses can target select products to select consumers based on measurable and proven interests and needs.

Marketing directly to targeted consumers is part of an information-based marketing strategy. “Because direct marketing is data-driven, responsive to change, and accountable for results, it has become the most effective form of advertising in the digital multi-channel universe—a great way to build and bond a total relationship with customers,” explains John Greco, president of the Direct Marketing Association. Historically, database marketing has been synonymous with direct mail. However, now it is relevant and applicable across all forms of media and marketing channels.

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There are five components to an information-based marketing approach:

Strategy	Involves the detailed assessment of the company's business model, target audiences and sources of information.
Marketing Programs	Includes establishing programs based on analytic results, testing and the rapid rollout of marketing plans based on information.
Analytics	Involves experienced analysts who determine what to examine, apply modeling and statistics, optimize strategies based on new marketing initiatives and perform predictive analyses.
Content	Includes all information that has proven marketing value. This involves a thorough assessment of all available data.
Technology	Includes working with the IT group and external experts to bring together information from many sources to better learn and execute plans.

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Benefits of Information-based Marketing

Information-based marketing provides marketing organizations many benefits, including:

- **Achieving customer-centric marketing:** By providing a clear understanding of consumers and how they react to marketing over time, information-based marketing helps identify customer groups and predict outcomes. With this information, customers can be acquired more efficiently and attrition is easier to manage.
- **Improving consumer relevancy:** By easily identifying types of customers, marketing can deliver highly targeted and relevant marketing messages to consumers, reducing the likelihood customers will ask to be removed from contact lists.
- **Aiding in fragmented media and channel management:** Via statistical techniques and control processes, marketing executives can measure and optimize multi-medium efforts that positively influence customer behavior. Even channels that do not provide addressable information, such as television, can be measured.
- **Improving marketing efforts:** Consumers can be targeted more effectively because marketing knows who they are, how they prefer to receive marketing messages, and can predict the likelihood they will respond.
- **Measuring the effectiveness of efforts:** Every marketing effort is tracked and connected to customers. Now marketing executives can determine whether the presence, absence or combination of marketing messages is affecting consumer behavior.
- **Improving accountability:** With fact-based evidence to support the decisions of marketing, marketing executives can validate decisions, provide reports that tie efforts to sales and establish budgets by proving the value of incremental marketing investments.
- **Helping balance mass and targeted marketing:** By creating, testing and measuring marketing programs, marketing can discover the best mix of mass and targeted promotions.
- **Improving business management:** Brand management, media optimization and measurement, content management, infrastructure management and loyalty program management can all be improved with information-based marketing.

Information-based marketing helps focus marketing on customer groups and improves the management of fragmented media.

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Considerations When Seeking an Information-based Marketing Partner

Applying an information-based strategy involves working with experts who can guide the entire process to ensure success. When seeking a marketing partner to help you implement such a strategy, the following key considerations should be taken into account:

Database marketing technology: The engine that drives information-based marketing is a well-managed and up-to-date database. Work with a company that has demonstrated database marketing leadership and has produced quantifiable results for companies similar to yours.

Proven Strategic Framework: Look for a systematic, well-defined engagement approach that includes proven processes. A good approach should begin with a comprehensive needs assessment, the identification of actions that can provide immediate benefits and the discovery of issues that could prevent the business from maximizing results.

Seek a partner that understands database marketing *and has worked with companies similar to yours.*

Experienced analysts: Seek a company that includes experienced analysts who can build marketing models, perform complex analytics and determine what actions should be taken on a continuous basis. Look for a company that can use strategy to drive better creative.

Multi-channel and media experience: Look for a company that has experience across multiple marketing channels and forms of media, including direct mail, email, call centers, retail, web, mass media, and that understands the interrelations across channels.

Ask for proof: The ideal partner should be able to demonstrate previous success based on case studies, testimonials and access to existing customers.

Continuous innovation: Work with a company that is constantly testing and improving new marketing methods. The right marketing partner will work with you collaboratively, providing ongoing strategic consultation.

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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.

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