

# A GUIDE TO IMPLEMENTING A ONE-TO-ONE MARKETING PROGRAMME

# C CONSUMER R RELATIONSHIP M MANAGEMENT STRICTLY CONFIDENTIAL



# INTRODUCTION

This guide introduces and explains a marketing strategy for managing the relationships we have with our consumers. This version is an initial draft and will be updated on the IBCC intranet site at [ibcc europe.unilever.com](http://ibcc europe.unilever.com). This site will be available from October 15th, 1999.

Unilever consumer relationship management (CRM) allows us to maximise consumer value through targeted marketing investments and generate incremental turnover and GP. Experience and results from countries already practising CRM demonstrate that it is a proven contributor to Unilever growth.

CRM strategy is driven by detailed consumer insights into actual purchasing behaviour. With this knowledge, we can devise marketing programmes that build and maintain loyal relationships with our most valuable consumers. We can measure precisely the results of each programme to assess our performance and measure ROI, enhancing our learning and deepening our knowledge of consumers.

## **How to use this workbook**

This workbook has been designed to provide you with the rationale and evidence to support the allocation of MDC budgets in order to develop a cross-category consumer database and implementing effective CRM programmes. The workbook is also a practical guide to help managers begin building CRM capability and competencies.

Part 1 explains the need for consumer relationship management and outlines the approach.

Part 2 contains a step by step guide to establishing and implementing effective CRM programmes.

This workbook represents the first step of a CRM approach. In the future, we envisage that our CRM capabilities will be strengthened by advances in IT and the effect of new direct to consumer media, such as the internet.

# ACKNOWLEDGMENTS

Across Europe, Unilever has many pioneers in Consumer Relationship Management. As we have sought the learnings from these CRM programmes, we have been inspired by the entrepreneurial drive and the personal conviction of the teams that we have met. We would like to thank everyone who has contributed their thoughts and learnings to develop a Unilever best practice across Europe and in particular, would like to thank the CRM teams in France and the UK for their invaluable help in the preparation of this guide.

We would especially like to thank the teams of Wunderman Cato Johnson France and Europe, without whose expertise this guide could not have been written.

Today, the role of the IBCC is to bring you this compendium of learnings. In the future, we will seek to take an active part in the implementation of CRM throughout Europe.

Christoph Michalski

IBCC Director

# TABLE OF CONTENTS

## Introduction

## Acknowledgments

## The need for closer Consumer Relationship Management (CRM)

Why there is a need for closer Consumer Relationship Management? .....	11
Towards Consumer Relationship Management .....	19
CRM in action .....	31

## Establishing an effective CRM programme – Step-by-step guide

<b>Section 1 - Undertaking A Consumer Audit .....</b>	<b>37</b>
Consumer panel partner selection .....	39
Undertaking a cross-category panel analysis .....	39
Unilever household consumption segmentation definition .....	40
Profile and differentiate heavy consumers from other consumers .....	41
Brand consumption patterns .....	42
<b>Section 2 - external Environmental Scanning.....</b>	<b>43</b>
<b>Section 3 - Building &amp; Managing a consumer database.....</b>	<b>45</b>
Purpose of the consumer database .....	45
Unilever consumer database.....	45
Building a consumer database .....	47
DBMS partner identification and selection.....	49
Role of the CRM team .....	49
Operational Interface.....	50
Functional specifications requirements.....	51
Populating a consumer database.....	51
Maintaining data quality .....	55
<b>Section 4: CRM implementation .....</b>	<b>57</b>
Brand planning implications .....	58
Promotional innovation .....	58
From brief to mail box .....	59
Magazine development .....	59
Personalised promotional tools .....	62

Magazine distribution .....	63
Improved mono-brand strategies .....	64
Win-win with channel partners .....	64
Legal considerations .....	65
<b>Section 5: Metrics .....</b>	<b>67</b>
Establishing a data control sample .....	67
Understanding the factors contributing to incremental turnover .....	69
Improving your database from actual purchasing behaviour .....	69
Role of consumer panel partner .....	69
Tracking studies .....	70
Qualitative research .....	70
<b>Section 6: Calculating CRM profit &amp; loss .....</b>	<b>71</b>
Cost calculations .....	72
Optimising your costs .....	72
<b>Section 7: the CRM Organisation.....</b>	<b>75</b>
<b>Appendix A: Checklist for selecting a</b>	
database management partner .....	81
The process.....	81
Commercial & financial information .....	82
Capabilities .....	82
Technology .....	82
Personnel .....	82
Data security.....	83
Costing.....	83
<b>Appendix B: database management - contractual considerations .....</b>	<b>85</b>
Database administration .....	85
Performance criteria.....	85
Database backup process .....	85
Contract termination .....	86
Data security.....	86
<b>Appendix C: Functional Specifications Requirement .....</b>	<b>87</b>
<b>Appendix D: legal considerations .....</b>	<b>89</b>
Advertising framework .....	89
Promotional framework.....	90
Personal rights.....	90
Intellectual property.....	90
Data Protection.....	91
<b>Glossary.....</b>	<b>93</b>

# **THE NEED FOR CLOSER CONSUMER RELATIONSHIP MANAGEMENT (CRM)**



# WHY IS THERE A NEED FOR CLOSER CONSUMER RELATIONSHIP MANAGEMENT?

## I. NOT ALL CONSUMERS ARE OF EQUAL VALUE

### **1) One in five consumers accounts for 50% of Unilever turnover**

This insight is the foundation of Unilever Consumer Relationship Management (CRM). Not all our consumers are of equal value and consequently they should be managed differently.

### **2) Breakthrough in consumer management**

Traditionally, we target and manage consumer relationships by segmenting according to socio-demographic or attitudinal variables. The breakthrough in consumer relationship management has come from an ability to understand and differentiate our consumers according to their current and potential value.

While these insights are not new, we now have the practical capability to exploit this knowledge profitably thanks to the availability of high quality consumer information and growth in direct to consumer media channels.



## THE NEED FOR CLOSER CONSUMER RELATIONSHIP MANAGEMENT (CRM)

### PERSIL/DETERGENTS CATEGORY IN IRELAND

% Persil turnover    % Total households    % Detergent turnover

Heavy	57%	20%	44%
Medium	29%	30%	34%
Light	14%	50%	22%

Source: Lever Ireland 1997, TNAGB 1998

**The above chart shows that 20% of detergent consumers in Ireland represent 44% of detergent turnover. At brand level, the rule is reinforced: 20% of consumers represent 57% of Persil turnover.**

### TEA CATEGORY IN THE UK

% volume    % Total households    Average spend/year

Heavy	50%	18%	£41
Medium	33%	26%	£18
Light	17%	44%	£5
Non users	0%	12%	£0

National average    £14

Source: TNAGB 1998

**The above chart demonstrates the same Pareto distribution pattern of consumption. It also shows that heavy tea consumers spend on average 8 times as much as light consumers and 3 times as much as the national average.**

### TOTAL UNILEVER FRANCE ACTIVITIES (1997)

Turnover    Total households    Annual expenditure on Unilever    Potential    Share of requirements

Heavy	46%	19%	FRF 869	FRF 3193	27%
Medium	31%	27%	FRF 422	FRF 2123	20%
Light	23%	54%	FRF 160	FRF 1290	13%
Non users	0%	0%	FRF 0	FRF 0	0%

National average    FRF 366    FRF 1877    20%

Source: AC Nielsen, 1998

**The above chart shows the Pareto rule holding true across all categories for Unilever France, i.e. 19% of consumers account for 46% of Unilever turnover.**

**In particular, the chart highlights the fact that the potential of heavy consumers is more than twice that of light consumers. Unilever fulfils only 27% of heavy consumer share of requirements. The remaining 73% is competitive brands including retailer own brands.**

**It is estimated that increasing heavy consumer purchasing by 11% will grow Unilever's share by 1%.**

Increased IT functionality and the continually reducing costs of data capture and storage now allows us to cost effectively analyse and interpret information from a variety of sources - enabling us to generate detailed and reliable knowledge on consumer purchasing behaviour.

Classifying consumers according to their expenditure on a brand or category, i.e. whether they are heavy, medium or light consumers, reveals that consumer contribution to turnover varies significantly. The Pareto distribution rule generally applies with the top 30% of consumers typically generating 70% of turnover and the top 20 % accounting for 50% of turnover.

This rule is validated at a brand, category and total Unilever level, as the examples on the left demonstrate.

### 3) A new tool to classify consumers: the consumer audit

The first stage in understanding this new marketing approach is to undertake an analysis of consumer contribution by value.

The consumer audit (described in part 2) is a new tool, specially developed to analyse consumer panel data, across all Unilever brands and categories.

The audit enables us to classify consumers by consumption value for existing brands, profile our MVCs and heavy consumers, and potentially locate other heavy users of competitive brands.

The insight obtained from this audit provides the foundation and benchmarks for:

- developing the appropriate consumer database structure
- populating and qualifying the database according to relevant segmentation criteria
- building and maintaining profitable relationships with the MVCs
- optimising MDC allocation - and ROI - according to the potential value of each consumer

### 4) From mass marketing to consumer relationship management

It is generally acknowledged that the relationship between brands, distribution channels and consumers has changed in recent years.

As marketplace power has shifted from being product/brand driven to consumer dominant, the traditional marketing approach has become less appropriate. Mass marketing techniques have failed to respond to the move from an undifferentiated to a direct / one-to-one relationship with consumers.

A mass marketing approach means that we are unable to take advantage of the difference in consumer potential that has emerged from our understanding of actual consumer behaviour.

For Unilever, this results in inefficient MDC allocation because our marketing expenditure is invested across undifferentiated consumer markets. For example:

- price promotions may unnecessarily subsidise hard-core loyal purchasers
- price reductions or free product promotions risk undermining loyalty among heavy consumers by encouraging them to purchase products only on promotion



## II. COMPETITIVE PRESSURE IS INCREASING

Our strong brands and our share of heavy consumers are under increasing competitive pressure as the fight for loyalty and profitability shifts from brands to consumer relationships.

Our competitors and channel partners are now actively pursuing direct and one-to-one marketing programmes - many aimed inevitably at **our** consumers.

European retailers in particular have exploited the power of their consumer data notably for category management. At present, however, the retail loyalty card market in Europe is diverse. Some markets have evolved to extreme sophistication - for example, 46% of all Dutch households have some form of Airmiles card. In other markets, government and personal attitudes towards privacy have limited the speed of growth in loyalty schemes. In Germany for example, there is strong resistance to the sharing of personal information and, as yet, there are no significant grocery retail loyalty schemes in operation.

Nonetheless, benchmark schemes such as the highly successful Tesco Clubcard in the UK are showing the way forward. In 1999, for instance, Tesco will be upgrading the card, based on their massive database of consumer purchasing knowledge, with a new series of tiered relationship programmes (Bronze/Silver/Gold), each offering tailored benefits to different groups of loyal consumers.

It is also probable that the wave of retailer consolidation that has begun across Europe will spur the development of such programmes. French retailing giant Carrefour has acquired pan-European retailer Promodes, to consolidate its position as the second largest global retailer. The world's largest retailer, Wal-Mart, has advanced its European market share by acquiring Asda in the UK. Analysts now predict a sharp rise in mergers on a level to match trends in the US and South America.

There is therefore a commercial imperative within Unilever to develop and implement strategic CRM.

Turnover increase (from period to period)	Oct 1997	Jan 1998	May 1998	Sept 1998
On promoted brands	+ 58%	+ 40%	+ 43%	+ 44%
On total Unilever	+ 23%	+ 33%	+ 23%	+ 26%

Source: Internal analysis (France)

In million Euro	1997	1998	1999 (Est.)
Publications sent (million)	1	3,7	5,3
Database structure			
Heavy	30%	30%	40%
Medium	30%	30%	40%
Light	40%	40%	20%
Incremental NPS	5,793	22,258	36,283
Incremental GP	2,744	10,062	16,007
Programme cost	1,220	4,573	6,250
Total couponing cost	1,174	3,506	4,269
Incremental PBO	0,457	1,982	5,488

Source: Internal analysis (France)

***Using a cross-sampling research method, we were able to isolate other influencing factors and measure the impact of the programme on incremental PBO.***

### III. CRM GENERATES INCREMENTAL TURNOVER

CRM involves identifying consumers by their current and predicted value and adapting communication and promotional efforts accordingly. This approach has been proved to generate incremental turnover across Unilever brands in several countries - see end for examples.

**Incremental turnover is the difference in purchasing consumption between consumers exposed to CRM programmes and control groups (twins) of similar consumers not exposed to the programmes.**

For instance, the CRM programme in France, begun in 1997, demonstrated a ROI of 24% in the first full year (1998). The programme featured a consumer magazine containing personalised promotional coupons, mailed to qualified households on the French consumer database.

The results from the first two years of the programme are shown on the left.

# TOWARDS CONSUMER RELATIONSHIP MANAGEMENT

## I. UNILEVER CRM STRATEGY

The main objective of a Unilever CRM programme is to generate incremental turnover.

The strategy aims to :

- increase the loyalty of heavy consumers and Most Valuable Consumers (MVCs)
- increase sales of Unilever brands by cross-selling and trial
- recruit new consumers

A commitment to CRM requires investment in new skill sets, marketing tools and, in particular, the development of consumer databases in each country.

In part 2 of this workbook, we describe how to build a consumer database, and establish and implement a CRM programme. We will also identify the capabilities and competencies required for successful CRM.

**The CRM strategy consists of three main axes:**

- the CRM programme
- the database
- metrics

### 1) Key success factors of a CRM programme

- *Cross-category CRM*

Experience and data from operational CRM programmes show the best strategy - and the one most likely to deliver a quick payback - is cross-category.

Cross-category CRM programmes focused on MVCs can boost loyalty and encourage cross-selling, resulting in incremental turnover.

In France, for example, incremental NPS (based on coupon redemption rates) was higher in a cross-category programme compared with a mono-brand promotion.

Experience from programmes in other countries further demonstrates that every Unilever brand can benefit from cross-category CRM, independent of their lifecycle stage. Cross-category programmes give us an added competitive edge thanks to our brand portfolio, but the CRM database can equally support profitable mono-brand activity.

The cross-category CRM approach also allows costs to be shared across companies (according to standard Unilever pro-rata NPS rules).

- *Driven by consumer insight*

The primary recommended tool in a cross-category CRM programme is a consumer magazine that is mailed to the MVC households on the database. Magazine size, format and editorial tone will be determined by local market conditions.

For example:

- in the UK and Ireland, an A4 magazine is published
- in France, A5 is preferred

The magazine is designed to build a personalised relationship with each MVC. It reflects a new relationship between brands and the MVCs; it is a new medium for dialogue with our consumers, being both cross-category and direct to the consumer.

A magazine also provides a means of delivering value-added brand information while complementing traditional brand advertising. To achieve consistency with established MDC programmes, therefore, requires close attention to brand promise and positioning.

## • *Balance between soft and hard sell*

The magazine must be sufficiently appealing to encourage MVCs to read it and be willing to receive it again. Achieving the balance between relevant content and targeted selling messages is crucial.

Content will typically include:

- articles with a wide variety of themes of common interest to readers
- advice, information and services offered by Unilever (e.g. call centres)
- personalised promotional tools (e.g. coupons, money-back refunds, sampling, competition) aimed at triggering purchasing behaviour.

Data from research into consumer perception of the magazines *Pour Tout Vous Dire* (France) and *Voila!* (UK) consistently demonstrate their ability to stimulate consumer interest and willingness to read and re-read - see examples on the left.

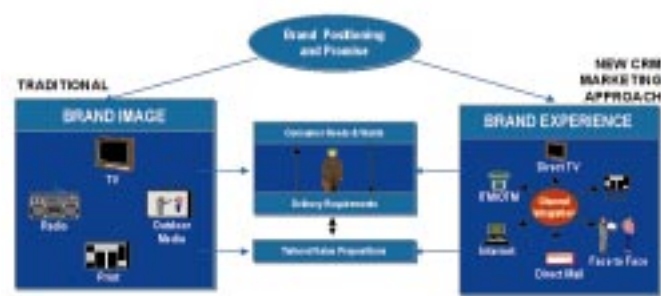
<i>Pour Tout Vous Dire</i>	France May 99 % agree	<i>Voilà!...</i>	UK April 99 % agree
Enjoyable to read Provides useful advice	94% 91%	Easy to read Interesting to read	80% 75%
Shows brands and products in an attractive way	93%	Provides me with special offers on products I am interested in	77%
Shows brands in an original way	75%	Likes to read about brand / products	72%
Puts brands forward in a convincing way	85%		

Source: IFOP tracking studies  
France 1999

Source: Telephone research  
Jigsaw UK 1999



# THE NEED FOR CLOSER CONSUMER RELATIONSHIP MANAGEMENT (CRM)



Each brand will play a different role in the magazine according to a defined CRM strategy. Therefore each company will have to integrate CRM into brand strategy accordingly.

- Pillar brands, for instance, can deliver high value-added benefits, reinforcing the brand promise and enhancing loyalty with, for example, sponsored articles offering health or lifestyle advice and information.
- New and growing brands offer different communication possibilities, for instance, for building awareness, generating trial (by couponing or sampling) and increasing penetration.
- Less well-known brands may experience an endorsement effect by 'proximity' to pillar brands.

By developing a relationship through personalised dialogue with heavy consumers, brands can deliver the value-added that consumers do not receive from mass media communications. The CRM programme should enhance brand commitment and improve loyalty by focusing on the complete brand experience. In the long-term, this will result in an increased share of requirements and incremental turnover.

## 2) A database to treat heavy consumers differently

- *At the heart of CRM*

The consumer database enables us to differentially segment our consumers according to a number of variables such as size of household, income and actual purchasing behaviour. It allows us to develop, nurture and continually refine our relationships with our consumers. It provides a foundation for CRM as other media develop, eg. the internet and interactive TV.

- *Value generation*

The value of a database is dependent on the quality of data qualification and on the ability of the CRM team to generate consumer insights from this information

The database contains detailed descriptive information about consumers and historical data on our previous contact history and responses with consumers.

Unlike a file, a consumer database is a dynamic tool and needs continuous management.

Using a database will enable us to do the following:

- understand precisely who and where our heavy consumers are
- establish guidelines to communicate with them
- design specific CRM and DM actions that will deliver:

**>the right message and offer,**

**>to the right consumer**

**>in the right direct medium**

**>at the right time**

- monitor the results of CRM and DM actions
- measure the real impact of changes in actual consumer behaviour through integration with consumer panel data

- *A long-term strategic commitment*

The creation and continuous maintenance of a database will represent a substantial investment.

It should be treated as such, with a secure investment programme over 3 to 5 years.

For budgeting purposes, there will be initial costs in specifying and establishing the database, locating data sources and populating the database with qualified data, followed by ongoing database management and maintenance costs.

- *A new skills base*

The building and management of the database is non-core to Unilever business.

**Unilever strongly recommends contracting an external database management systems (DBMS) company to host and manage the database operation.**

Database functionality must be related to the needs of the end-users, i.e. the team responsible for CRM programme strategy and implementation.

Preparation of a functional specifications requirement is therefore the first step. Key database issues to consider include:

- capacity to store and process consumer data across all Unilever categories and brands
- capability to segment and generate analytical outputs
- performance requirements (data retrieval, analyses, datacleaning, data de-duplication, updates and backup)
- integration with communications delivery systems (eg call centres & internet)
- scalability

The scope and size of the database project will entail an 'invitation to tender' (ITT) or 'request for proposal' (RFP) to selected suppliers.

Part 2 contains a comprehensive guide to establishing and managing the consumer database, including a checklist for supplier selection.

### 3) Metrics permit continuous learning

Every action in a CRM programme can be measured, meaning that we can demonstrate the economic impact (ROI) of CRM.

- *Analysing incremental turnover*

Collaboration with a consumer panel allows the identification of household segments exposed to the CRM programme and of 'twins' (control households demonstrating similar purchasing profiles but not exposed to the programme). This procedure enables us to calculate the incremental turnover generated by each household exposed to the programme. Extrapolating this figure to account for both the coverage ratio of the consumer panel and the number of households in the database, provides the total incremental turnover (and hence gross profit).

Both Nielsen and Europanel understand this procedure and have been briefed by the IBCC to provide this service in the countries in which they operate.

The consumer panel will also help you to understand the factors that have contributed to the increase in turnover e.g. increase in number of brands purchased, increase in loyalty, brands contributing to growth. Together with redemption information (made possible by the personalisation of coupons) this information will enable you to define a profit level per household and thus the value of each household to Unilever.

- *Measuring consumer satisfaction*

Quantitative tracking studies and qualitative research will provide diagnostic information to enable you to monitor the quality of your programme. This will help you identify the activities that generate the maximum consumer response and improve the quality of the relationship that you are developing with your consumer.

## II. CRM SKILLS AND COMPETENCIES

CRM is a long-term strategy that requires 'buy-in' from company chairmen and boards.

CRM requires leadership from an empowered CRM manager who has experience of the Unilever marketing culture. This manager will need input from database management experts and marketers skilled in direct-to-consumer communications, in addition to programme co-ordinators, market researchers, legal, commercial and IT personnel. Some of these functions will be found internally, others will be outsourced.

The development and implementation of the CRM programme will require specific skill sets and competencies, including some that are new to our business. Given our limited experience of CRM, it will be necessary, initially to seek external strategic partners who will provide the required knowledge base. Operating companies should however, identify the strategic areas where they derive competitive advantage and, as the programme evolves, progressively build the relevant competencies in-house.

See part 2 for a summary of skill requirements and roles.

Two agencies have demonstrated to the IBCC that they have relevant competencies in three areas: database management, direct marketing (DM) communications and programme co-ordination. Both Wunderman Cato Johnson and Ogilvy One have experience of large-scale DM programmes and working with Unilever and should be included in your potential partner list. If you have already identified another third party supplier, you may choose to continue with that partner.

The examples below show the structures already in place for managing CRM in two countries:

**France** - partnering with WCJ has allowed Unilever to manage the CRM programme with one full-time project manager plus an assistant during the last two years. The structure is now evolving with the addition of a data analyst with data mining expertise and a senior brand manager to integrate the DM programme with the CRM strategy and share the DM workload.

**UK** - the decision to form a CRM alliance with non-competing external partners allowed Unilever to achieve the critical mass to create Jigsaw, a consortium of companies, which is established as a separate business. This consortium maintains the strategic competencies outlined above in-house and has developed the know-how to outsource effectively any outstanding competences.

Both countries employ CRM managers to liaise with the brand teams and champion CRM (especially at board level).

Part 2 contains a matrix that summarises the key competencies required and designates the functional roles.

### III. STRATEGIC ALLIANCES AND PARTNERSHIPS

Each day, consumers are presented with a range of relationship programmes. Long-term loyalty to a programme will depend on the each programme's ability to retain consumers' interest - best achieved through comprehensive coverage of a wide variety of topics.

Despite our diversified portfolio, there are still sectors in which we do not operate (travel, financial services) or have incomplete coverage (eg. food).

The appeal of partnerships with non-competing external organisations has been demonstrated in the airline industry with frequent flyer programmes. From their initial focus on air travel, these programmes have evolved into alliances of airlines, hotel chains and car rental companies, increasing the overall attractiveness and relevance of each airline's offer.

For Unilever, working with partners is a cost-effective way to develop an advantage over our competitors (and retailers) through the joint ownership of consumer information - the database - and shared access to our MVCs.

## THE NEED FOR CLOSER CONSUMER RELATIONSHIP MANAGEMENT (CRM)

Partnering provides economies of scale but more importantly it greatly improves our consumer knowledge and our ability to build relevant relationships across a broad range of categories.

Partnering increases our capacity to target and predict purchasing behaviour and it helps optimise the delivery of communications (mailings, magazines, etc) into our MVCs' mailboxes, improving efficiency and enhancing the overall impact on consumers.

This approach has proved successful in the UK with the establishment of the Jigsaw consortium between Unilever, Kimberly-Clark and Cadbury.

Suitable partners will:

- share MVCs with Unilever
- not compete directly with Unilever
- have European-wide presence or potential

Suggested partners include:

- companies with whom we already collaborate, eg. Kimberly-Clark, Cadbury
- companies offering goods or services relevant to the needs of Unilever MVCs, eg. home appliances, travel agencies, financial services

In selecting a partner, it is important to be aware of the impact on existing data suppliers and any contractual obligations or expectations that they may expect from the partnership.

**NO AGREEMENTS SHOULD BE MADE  
WITH POTENTIAL PARTNERS  
WITHOUT FIRST CONTACTING THE  
IBCC**



## CRM IN ACTION

Several Unilever companies across Europe have implemented either a cross-Unilever approach to direct marketing or elements of a CRM approach.

Experience shows that providing relevant offers to high value, heavy consumers, on a frequent basis, stimulates loyalty and contributes to building profitable consumer relationships.

### **Ireland**

Lever Ireland was the first company to implement a comprehensive cross-category CRM programme with its publication *Living*. Initially a detergent specific print programme, *Living* was awarded both the Supreme Award for Excellence in Direct Marketing (IDMA 1996) and the Best of Europe Special Award for FMCG (FedEDMA 1997).

The development of a database of more than 350,000 addresses (approximately 30% of households in Ireland) has permitted *Living* to become a cross-category CRM programme, currently sent to 175,000 identified heavy consumers. The database is also used for supplementary mono-brand direct marketing activities.

In collaboration with the consumer panel partner, Lever Ireland has tracked the impact of CRM activities on Persil market share since 1995 and has observed that

consumers who received the magazine have increased their expenditure on the brand by approximately 10% (Taylor Nelson, August 1999).

### **Greece**

In 1995, the Unilever companies in Greece established a cross-category database that today contains 30% of Greek households, of which approximately 25% are qualified by a questionnaire that collects key socio-demographic and category usage information. The most intensive use of this database has been made by the Skip brand following the results of a consumer audit that showed that the brand's share of requirements among heavy users was significantly inferior to that of Ariel.

The Skip brand created a print magazine to target 390,000 heavy users. However, research indicated the need to widen the themes covered in the magazine beyond the brand's scope. Today, the magazine is still fully funded by Skip but is cross-category. The impact of the publication, including penetration and declarative purchase intent, is tracked by quantitative surveys.

### **France**

In 1997, Unilever France launched *Pour Tout Vous Dire*, a cross-category print programme, designed according to the findings of several research experiments conducted on brand specific, category specific and cross-Unilever publications.

The French database contains approximately 2 million addresses and *Pour Tout Vous Dire* is sent to approximately 700 000 identified heavy consumers three times a year. Tracking studies against the consumer panel demonstrate that magazine recipients have substantially increased their expenditure on Unilever brands. This has generated incremental turnover resulting in 24% ROI in the first full year (1998).

### UK

The UK Unilever companies, together with Kimberly-Clark and Cadbury (non-competing businesses), have created the Jigsaw Consortium, to explore jointly the potential for building cost-effective household CRM programmes. With the support of a third party supplier for address qualification and database hosting, this consortium currently has a database of more than 7 million addresses. The database was initially populated by pooling existing data supplied from each of the operating companies and supplemented with the results of 2 million questionnaires mailed to 13 million UK households.

The database is principally used to target *Voila!*, the consortium's CRM print programme, and a growing programme of mono-brand activities.

The sheer size of this programme offers considerable opportunities for database analysis and data mining. Brand specific activities, including media planning improvements, are intended. The programme is too new for tracking studies but qualitative research shows that consumers value the balance between the editorial quality and the branded messages.

### Belgium

In Belgium, a cross-category database was set up in collaboration with Consodata (Sopres), who provide socio-demographic information, and Sophie's Shopping Club, a local lifestyle megabase. The Unilever database contains the addresses of approximately one third of Belgian households, of which 45% are qualified through Sophie's Shopping Club. At present the database is used uniquely for brand specific activities.

### Netherlands

Unilever Netherlands has entered into an exclusive agreement with Claritas and has negotiated access to all the categories covered by Claritas. A Claritas analyst works

permanently on the Unilever site and the companies undertake extensive profiling and brand specific marketing activities.

The ICFE company has cross sampled information from the database with geo-demographic marketing tools and developed laptop based software that displays a consumer profile of store-specific catchment areas. This enables ICFE category managers to collaborate closely with retailers, especially in making assortment, merchandising and promotional decisions. A 15-store pilot was successfully conducted in 1998/99 and is now being extended.

### **Italy**

The CRM print programme in Italy is managed by Sagit (ICFE division) and is not a cross-category initiative. Sagit have created a database with over 2 million addresses, progressively qualified over time through questionnaires. A category specific print programme *Buone Idee*, sponsored by Findus and Algida, is sent out four times a year.

# **ESTABLISHING AN EFFECTIVE CRM PROGRAMME**

## **STEP-BY-STEP GUIDE**



# SECTION 1 - UNDERTAKING A CONSUMER AUDIT

## The consumer audit is a standard practice tool and a prerequisite for CRM.

The first stage in CRM is to conduct a consumer audit. This tool has been developed specifically for Unilever CRM purposes and will enable you to develop the framework and benchmarks for building and managing the consumer database, and developing and implementing CRM programmes.

The audit is a particular analysis undertaken on **consumer panel data**, across all Unilever brands and categories. The relevant consumer panel partner in each country conducts the data analyses according to a brief supplied by the Unilever CRM team.

**To assist this process, brand managers should request brand market share amongst heavy consumers, on a frequent basis.**

The analytical reports generated from the audit will provide a classification of the different consumer usage groups for existing brands, categories and at total Unilever level. This **classification** will allow you to **profile** all the Unilever MVCs and heavy consumers.

### Definition:

### CLASSIFICATION

( classification = description)

To classify is to assign to a class or category. In consumer markets, you can classify according to any number of socio-economic and demographic variables.

Examples of proprietary, standardised classifications are the geodemographic systems, such as Acorn (UK), and psychographic ((lifestyle, attitudes and beliefs) megabases, such as Claritas.

### Definition:

### PROFILE

A profile is a way to represent a consumer database by mapping the measured characteristics of those consumers and, by inference, comparing them to a much larger group, eg. the population of a country. Profiling can be according to any available variable.

Profiles may be scored for significance, eg. in lifestyle profiling, or used to recruit and qualify consumer data.

The knowledge and insights from the consumer audit enable you to:

- specify the appropriate consumer database structure
- establish guidelines for database building and management
- define segmentation criteria to populate the database with heavy consumers and MVCs
- qualify the data according to the profile and segmentation criteria
- design and implement programmes that create and maintain profitable relationships with MVCs
- optimise MDC allocation - and ROI



### Consumer panel partner selection

The Unilever panel partners are Nielsen and Europanel. Either or both may operate in your country.

IBCC has briefed both companies and arrived at preliminary agreements for conducting data analysis for CRM consumer audit purposes.

**We recommend working with one single company for CRM. Please select your panel partner accordingly.**

### Undertaking a cross-category panel analysis

- 1) Agree the **definition** of your market with the panel partner, bearing in mind the following:
  - all the categories may not be tracked in your country - in this case you may have to add these variables or accept their exclusion and weight the results accordingly
  - all the categories may not be tracked by the selected panel partner - in this case you may decide to add these variables or accept their exclusion and weight the results accordingly.
- 2) Within the selected categories, **identify all products** contributing to Unilever turnover.
- 3) Identify all Unilever brands with the help of local country brand teams:
  - list each **item** for which detailed information is required
  - an item is defined by **brand** and **category**, eg. Timotei (brand) shampoo (category); Timotei (brand) conditioner (category)
  - do not include brand variants where penetration is too low to provide statistically significant data from the sample

The definition of 'cross-sell' could be used to define the level of precision required. For example: a purchase of Timotei conditioner and shampoo is a cross-sell and the conditioner and shampoo are two different items in your list. However, a purchase of Timotei Orange shampoo and Timotei Herbs shampoo is not a cross-sell. Both variants are then aggregated into the item Timotei shampoo.

- Define the **aggregates**. For example:

**Total Brand Dove** = deodorant + toilet bar + shower gel + liquid soap + bath  
**Total Company Lever** = all Lever products across all categories and brands  
**Total Unilever** = all companies, categories and brands

- 4) Identify key **competitive brands** for benchmarking, including retailer own brands, applying the same rules as for Unilever definition.

**Unilever household consumption segmentation definition**

Unilever applies a standard methodology to segment household consumption, by value, across all brands and categories (see box on the left).

For each value group, the panel partner will provide reports showing:

- % households of total country households
- % of Unilever turnover (note that these might not be precisely 50%-30%-20%)
- Share of requirements
- Annual expenditure on Unilever brands
- Annual expenditure on the defined market (categories in which Unilever operates)
- Number of Unilever brands used.

Heavy Unilever Consumers (H)	account for 50% of Unilever turnover
Medium Unilever Consumers (M)	account for the next 30% of Unilever turnover
Light Unilever Consumers (L)	account for the remaining 20% of Unilever turnover
Non consumers	do not use any Unilever products
Total consumers	total of all Unilever consumers and non consumers

## Profile and differentiate heavy consumers from other consumers

At this stage in the audit, your aim is to:

- describe precisely the profile of heavy consumers **in order to**:
- define the most discriminating criteria to assist with database construction and management **and**
- predict behavioural changes resulting from CRM actions **and**
- enable you to develop and implement cost-effective, differentiated CRM programmes that maximise ROI

The consumer panel database contains a wealth of socio-economic and demographic information that will aid consumer profiling.

You should now brief your consumer panel partner to conduct multi-variable analyses against the (heavy/medium/light) households.

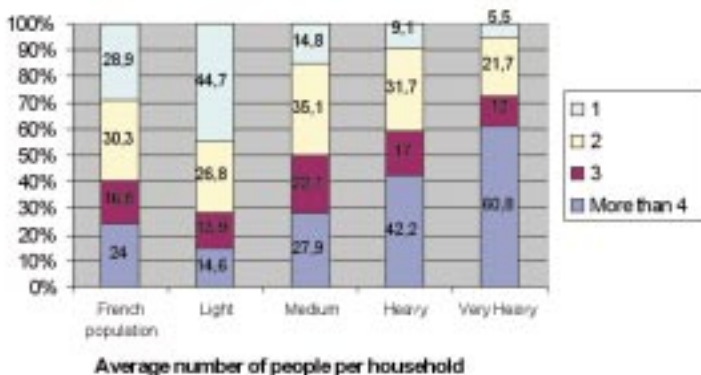
Typical variables include:

- number of people in the household
- age
- gender
- social grade
- income
- location
- brand consumption

Additional variables may be identified from consumer surveys conducted by questionnaires (eg. on pack or by call centre).

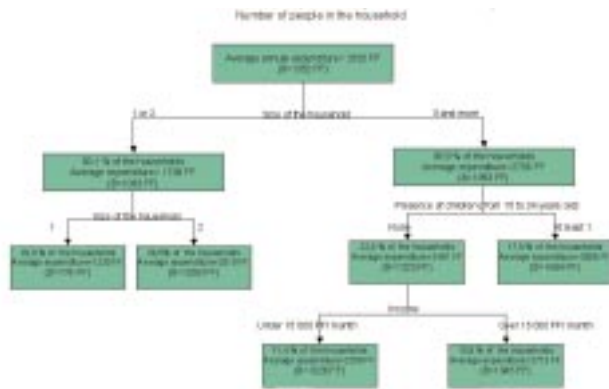
The chart on the left is an example of a demographic profile.

The chart shows a strong correlation between number of people in the household and heavy Unilever consumption (as you would expect).



Source: Cross-category demographic analysis, Nielsen (France 1997)

## ESTABLISHING AN EFFECTIVE CRM PROGRAMME STEP-BY-STEP GUIDE



Source: Binary decision tree, Nielsen (France 1997)

### ***Binary decision model used to profile Unilever heavy consumers***

***This model reveals that size of household appears  
to be one of the most discriminating variables  
of heavy consumers.***

Binary decision models can be used to identify the key discriminating variables for profiling consumers by applying a hierarchical decision tree - see example on the left.

CRM database modelling experience across Europe to date confirms that the most important discriminating variables are the following:

- number of people in the household
- number of shopping trips per week
- average weekly expenditure on grocery shopping
- monthly income
- any discriminating variable relevant to a specific brand, eg. possession of a dishwasher (SUN)

**The first four variables are designated the "Four Golden Questions" for market research and data qualification purposes.**

### **Brand consumption patterns**

Purchasing patterns in the data can be used to identify new methods of segmentation and targeting.

Experience suggests that it is often possible to predict the purchasing patterns of consumers in key Unilever categories based on their brand purchases in other categories. For example, a heavy consumer of detergents is likely to be a heavy consumer of some non-related categories (for example food).

In the UK, the Jigsaw consortium is exploring the use of affinity modelling on brand consumption data. For example, the profile of consumers across the range of different Dove variants (bar, bath and shower etc.) is very similar. With this modelling technique, you can investigate whether this is due to the umbrella effect of the brand. If it is not, you can identify consumers with similar profiles amongst the users of competitive brands and seek to attract them.

## SECTION 2 - EXTERNAL ENVIRONMENTAL SCANNING

External scanning will provide important information on competitive CRM activities in the marketplace. Therefore we recommend including the questions below into your regular scanning process:

- Which competitors have launched a CRM marketing programme?
- What channels and communications tools are they using to interact with Unilever heavy consumers?
- Has Unilever's heavy consumers group fallen as a result of competitor CRM?
- Data supply sources - who is buying and who is supplying?

If you are conducting market tracking studies, the following activities should be covered:

- Competitive programmes
- Direct mail activity
- Discount coupon activity per country
- Promotional mechanisms used (eg. sales promotions, trade operations, sweepstakes)

**We also recommend that you monitor penetration and usage of new media tools (eg. internet, call centre telemarketing) within competitive CRM programmes.**

## SECTION 3 - BUILDING & MANAGING A CONSUMER DATABASE

A database is a structured format for organising and maintaining information, designed to allow the user to easily retrieve, sort, analyse and use the assembled data.

### Purpose of the CRM consumer database

The consumer database is designed specifically to support your CRM strategy. The database will contain the data and related files necessary to help you develop, implement and measure the results of CRM programmes.

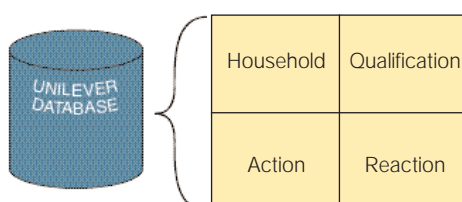
The database is a decision tool for:

- storing comprehensive data on consumers
- analysing consumer data to identify MVCs and heavy consumers, according to profiles defined by the consumer audit
- recording CRM and direct marketing (DM) actions
- measuring programme results

### Unilever consumer database

There are four components to the Unilever consumer database structure:

- Household - contains data on households
- Qualification - contains data on individuals within the household
- Action - contains records of CRM and DM actions targeted at households
- Reaction - contains records of household responses to actions



**All country database managers should respect this structure in order to harmonise databases across Europe.**

Specifically, the data will consist of:

**1) Individual consumer contact information:**

- name
- address (in local country postal format)
- telephone number, e-mail

**2) Household information:**

- number of people in the household
- number of children
- dates of birth (in a standardised format, eg. DD/MM/YYYY)
- socio-economic grade
- occupational grouping
- income
- relevant equipment owned (eg. washing machine, microwave, personal computer)

**3) Household qualification:**

- replies to questionnaires (to enable identification and selection of heavy consumers and MVCs)

**4) Shopping habits:**

- product purchases across categories
- category volume weekly frequency of purchases (claimed)
- brands purchased
- pack sizes purchased
- stores visited regularly
- weekly grocery spend
- category specific attitudinal data

**5) Leisure interests**

**6) CRM and DM actions:**

- mailing history
- reaction or responsiveness data (eg. coupon redemption)

All data records should include the date of recruitment and subsequent updates, in addition to the recruitment source.

### Building a consumer database

Building a consumer database for CRM is a long-term strategic commitment.

There are four aspects to consider:

1. Database hosting and management
  - database creation, data entry and warehousing, data mining (analyses), database maintenance and hardware hosting.
2. The role of the Unilever CRM team - in defining database strategy, developing, implementing and measuring CRM programmes.
3. The operational interface - facilitating the contact between database host and CRM team.
4. The Unilever IT interface - managing the relationship between database host and internal CRM and brand users, ie. who will be using the database.

Building and managing a consumer database requires initial and ongoing investment in the following areas:

#### 1) Database creation:

- preparation of the functional specifications requirement
- identification of potential database management systems (DBMS) suppliers
- preparation and issue of an invitation to tender (ITT) or request for proposal (RFP)
- selection of DBMS supplier (partner)
- populating the database (identification of data sources)
- data qualification from questionnaire responses



### 2) Database maintenance and management:

- new record entries
- ongoing data qualification from questionnaire responses
- data verification (eg. from postal address files)
- record updating
- de-duplication of records
- data cleaning
- staffing (eg. statisticians for data analyses)

### 3) Data analyses and CRM management information systems (MIS):

- statistical data processing and report generation (eg. multi-variable analyses or segmentation extracts for mailings)
- systems integration and interfacing with existing Unilever IT, MIS and legacy systems, campaign management systems, and communication delivery systems (eg. call centres, websites)

In countries where the size of the database may be relatively small (eg. Norway has under 2 million households compared with over 22 million in the UK), it may be preferable to share the fixed database costs with another country. (Please contact the IBCC to discuss.)

**Hardware hosting, systems integration and ongoing maintenance of the consumer database require dedicated computing and IT resources together with specialised capabilities in CRM and DM. You should therefore seek an external partner to host and manage your database.**

**However, while database management is not strategic to Unilever, the know-how and experience of purchasing and managing data collection and analyses are considered highly strategic competences.**

## DBMS partner identification and selection

There are three options:

- dedicated database management systems (DBMS) firm
- communications agency with DBMS or database marketing capabilities
- management consulting firm

Appendix A contains a checklist to help in determining supplier selection criteria.

Appendix B lists some contractual considerations.

Please contact the IBCC for further information on suppliers, and assistance with issuing ITT/RFPs, selecting partners and preparing contracts.

## Role of the CRM team

The first mission of the Unilever CRM team is to define the CRM database strategy. This covers:

- the data recruitment plan - defining data collection and entry guidelines based on household value and responsiveness to offers, bearing in mind the cost of recruitment per address and the cost of acquiring qualified data
- data qualification - establishing guidelines for screening new data and retaining old data in the database
- loyalty and retention strategy - building close and lasting relationships with the MVCs through CRM and DM activities (magazines, targeted offerings, etc)
- measurement tools - integrating the database with the consumer panel data to enable household profiling, calculating incremental turnover and GP generated by the CRM programme, qualitative & quantitative research, tracking studies

### **The CRM team must also involve the brand teams on the database strategy.**

It is essential, for instance, to establish guidelines on identifying relevant data sources to ensure that data collected from brand and category CRM, DM and promotional activities are consistent with the database strategy.

We recommend that you arrange for the CRM team to be supported by statisticians (employed either in-house or by partners) who are familiar with the database structure and data collection process.

### **Operational interface**

The role of the operational interface is to translate the technical language of the DBMS partner into marketing terminology for the CRM team and vice versa. This requires an understanding of the functional requirements of the database and how they impact on the technical capabilities of the database supplier and the Unilever CRM approach.

The CRM or DM agency working with the Unilever CRM team may perform this role, provided that strict confidentiality policies are in place. In larger countries, some in-house expertise in this area is recommended.

There are several tasks for the operational interface to perform, including:

- definition of the criteria to be used by the database host to analyse data as requested by the CRM team
- definition of all report extract specifications (eg. scope, structure, format)
- verification of consumer questionnaires to ensure consistency with the database structure
- validation of data collection to ensure consistency with the latest data collection policy
- control of all operational processes
- contact management between CRM team and database supplier

### Functional specifications requirements

A key responsibility of the Unilever CRM manager is to define the functional specifications requirement.

This formal document is an essential reference and benchmark for the CRM team and the supplier.

Appendix C contains a sample outline.

Please contact the IBCC for assistance in preparing this document.

### Populating a consumer database

A successful CRM programme depends on availability of accurate consumer information.

The objective of database population is to obtain the data from reliable sources, by the most cost-effective method. Only **qualified** data, ie. conforming as a minimum to the Unilever Four Golden Questions (defined earlier), can deliver the MVC datasets needed for your CRM programmes.

Ideally, therefore, data collection should be targeted towards MVCs. The number of MVCs on the database can be maximised from the returns. The criteria for data recruitment will be derived from the MVC profiles obtained by the audit of consumer panel data.

Be aware that the more data sources you use, the higher the rate of data duplication. In compensation however, your database will become more stable as the effect of source bias is reduced.

The minimum size for the database must be sufficient to allow you to establish CRM metrics.

### **Step 1: Identify all data sources within Unilever of relevant CRM information**

Sizeable amounts of data will have been captured over time by Unilever companies and is likely to be widely dispersed and in different formats. Nonetheless, this data provides a cost-effective way of initially populating your database.

Data may come from:

- promotional activity (coupon redemption, competitions)
- on-pack questionnaires
- market surveys
- call centres
- Unilever websites

**When collecting and storing any data on consumers, please ensure that you respect the prevailing data protection laws (local and EU).**

Please contact the IBCC or your local legal team to validate your method of collecting and storing data.

## Step 2: Identify all external data sources of relevant CRM information

Potential sources are:

**Megabases.** These are vast consumer databases (eg. Claritas) created through completion of extensive consumer psychographic (lifestyle, attitudes, etc) questionnaires. Megabases provide a cost-effective way to obtain large numbers of qualified addresses. However, they are not exclusive to Unilever and the same data will be used by competitors - giving rise to competition for household mailboxes. Megabases are also susceptible to population by 'promotion addicts' - it can be difficult to build loyalty with these consumers as they are usually more responsive to the promotion than the brand.

**Rented lists.** These range from lists from magazine subscription files to mail order lists of purchasers of related goods or services. The lists will contain groups of consumers who share a common profile. List quality will vary by country and should be checked for the reliability of the list owner and date of compilation.

**Geo-demographic classifications** (geo-marketing). These classifications are large-scale, proprietary databases originally populated from a wide variety of national census, socio-economic, demographic and lifestyle data. All share a basic methodology, ie. the use of cluster analysis to group neighbourhoods with similar characteristics and to differentiate them from neighbourhoods that are different. From your MVC profile, you will be able to identify neighbourhoods where potential MVCs are represented. These databases are valuable for category management.

**Internet.** Although the internet is rapidly developing, consumers lists collected via websites are of limited availability and data will not be qualified unless conforming to the Four Golden Questions. However,

please check with the webmasters of Unilever brand websites.

**External partners.** Collaborations between non-competing companies, such as the Jigsaw consortium in the UK between Unilever, Kimberly-Clark and Cadbury, can generate new, qualified data, very cost-effectively, from the syndication of data collection.

### Step 3: Evaluate the performance of data sources

You can 'calibrate' your database by regularly comparing how closely the information on your database matches the consumer panel. For example, by checking:

- the percentage of heavy/medium/light (HML) households
- over or under-penetration of your MVC households.

This will help in database management, eg. by highlighting:

- the datasets/groups that must be cleaned
- the best recruitment policy to reach the target consumer profile.

Although the objective is to populate the database with only potentially heavy consumers, it is important to ensure you have a balanced penetration of households according to market, category and brand. For instance, if you see that a brand is under-represented in your database you should deliberately seek to recruit new data from, say, brand promotions.

### Step 4: Rank all data sources

Internal and external data sources should be ranked for effectiveness, ie. by:

- profitability per address - by HML value scoring
- responsiveness - this measure determines whether consumers are still interested in the CRM programme or whether their address is valid.

Regular ranking is important because experience shows that heavy consumer responsiveness is correlated with the final profitability of consumers.

### **Step 5: Qualify the data**

Data qualification involves the collection of data that will help in profiling and recruiting MVCs. Such data includes:

- name and address
- socio-economic, demographic and attitudinal information
- shopping habits
- responsiveness to CRM, DM and other promotional programmes

Qualification is essential to:

- improve profiling
- improve MVC recruitment
- improve targeting - for making the right offer to the most potentially profitable consumer
- optimise CRM and DM actions - for maximum ROI

Qualification of existing data may be achieved through self-completed questionnaires, eg. on pack, although this is not a highly effective technique as response rates are typically low.

A recommended qualification method is to compare your database with a megabase, obtain a common sample and then purchase the missing qualification variables.

### **Maintaining data quality**

Consumer databases must be regularly maintained to ensure the integrity of the data.

Data has a limited life span. For example: 10% of consumers move house annually in France; purchase declaration statements are typically valid for no more than 1 year.



Data must be regularly **cleaned** to identify omissions, irregularities and errors - old data should always be replaced by new data.

HML household consumption scores may be used to eliminate addresses that have proved to have less value.

HML scoring should be carried out on all addresses after 1 year on the database - this may be used to eliminate addresses that have proved of no value, although this is likely to be an interactive process after testing several offers and creative approaches.

Do not erase old data completely however, as the information might be relevant in understanding and predicting attrition rates (for example). Nevertheless, the amount of data you choose to store will be determined by the costs of memory.

## SECTION 4: CRM IMPLEMENTATION

The experience and results from current CRM programmes show that cross-category CRM programmes are the most successful.

A consumer magazine mailed regularly to selected MVCs on the consumer database is the primary recommended CRM tool.

The magazine articulates the commitment which Unilever brands want to demonstrate to their MVCs. It can deliver value-added benefits not expressed in mass media communications. It is a new medium to interact with consumers, being both cross-category and direct to consumer.

To differentiate the magazine from mass media communications while maintaining consistency of branding, you should, therefore, carefully define:

- the positioning
- the promise
- the proof

The **promise** will reflect the Unilever promise to all its consumers: "to meet the everyday needs of people everywhere". It should therefore contain advice and information. The tone of voice together with the services offered contribute to the development of closer relationships. **Proof** might be, for example, the provision of high quality relevant editorial content sponsored by brands.

### Brand planning implications

The publication of a regular magazine (at least two issues and building to 3 - 4 per year) has implications for **annual brand planning**. We recommend that a specific CRM/brand planning team be established.

The magazine will become an element in the annual brand communication strategy. It also represents an opportunity for the brand teams to obtain feedback on the impact of brand creativity.

Brand marketing managers will have to determine how the magazine will best contribute to their objectives and complement brand activities during the year.

The CRM manager must ensure that the brand teams - and respective category managers - are fully aware of and involved in the magazine planning and production cycle.

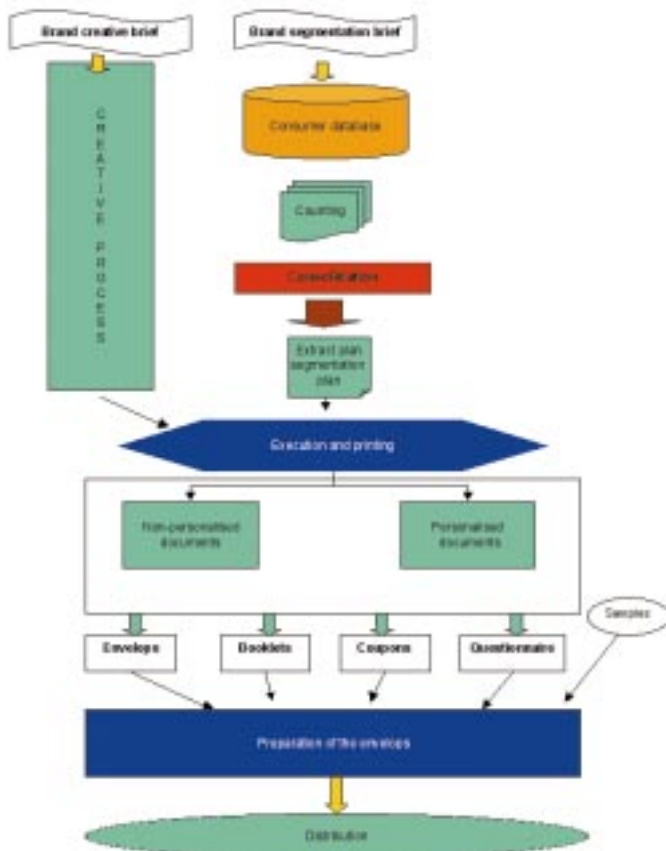
### Promotional innovation

The magazine provides a unique medium for targeting the appropriate call to action or offer to an accurately defined audience and testing promotional innovations.

Segmentation of the database is a crucial tool in this process. It will prevent undifferentiated mass couponing that might unnecessarily subsidise heavy consumers or undermine loyalty by encouraging MVCs to purchase brands only on promotion.

You will be able to test different creative approaches and incentives to identify the promotions that generate maximum incremental turnover. These experiments will increase knowledge and understanding of the motivation of MVCs and allow you to continuously evaluate CRM programme efficiency.

Every promotional tool should be personalised to track redemption and thereby improve the reliability and qualification of the database.



The main promotional tools proven to generate incremental turnover and encourage cross-selling are:

- coupons
- multi-brand collection schemes
- trial offers
- 'buy one, get one free' offers

## From brief to mail box

The flowchart on the left summarises the process of implementing a CRM cross-category magazine, from brief to delivery to the household's mailbox.

This process will normally be managed by an external agency, in close collaboration with the CRM team.

**You should allow at least 5 months for producing a cross - category magazine.**

The creative process - see graphs on the left.

## • Magazine development

### Step 1: Request brand briefs

The involvement of the brand teams at this stage is a prerequisite. Brand managers will be invited to brief the magazine's creative team on the articles 'sponsored' by their brands.

The brief will cover:

- brand market positioning
- brand promise
- brand description - history, image, personality, innovations, consumers, communication style and tone, etc
- details of new products to be introduced in the issue
- marketing objectives, eg. to inform consumers about a packaging change, support a launch, etc
- constraints - especially legal and cultural



**The key to a successful briefing is to encourage the brand and creative teams to step outside the mass advertising approach and focus on new ways to build a personalised relationship with MVCs.**

For instance, Persil could 'sponsor' an article on clothes care in which the brand would be positioned as a source of useful information and a friend in the laundry.

In France, for example, Timotei shampoo devised a quiz for Pour Tout Vous Dire in which the consumer had to discover the ingredients. The quiz enhanced the brand's 'nature' positioning.

### **Step 2: Define magazine contents and allocate pages to brands**

A role of the CRM team is to continually monitor the consumer environment, scanning externally for news and trends, and being receptive to internal consumer feedback (letters, telephone calls, e-mails, etc).

These insights may help the creative team to discover a theme that corresponds to the MVCs' needs and expectations. In France, for example, issues of Pour Tout Vous Dire reflect the changing seasons.

After receiving the brand briefs, the designated magazine editor (usually an external resource) defines the content and page allocation.

The editor's role is to:

- strike a balance between the brand 'selling' messages and editorial content
- decide the magazine's style and tone of voice
- manage the overlap between brands within Unilever, such as Sanogyl and Signal or Skip and Omo to maximise share of category
- determine picture, graphics and copy requirements

## Step 3: Brief journalists & the creative team

An external team including journalists, art director, editors and art buyers generally produces the magazine. Their objectives are to provide added value and guarantee a strong differentiation from conventional mass media.

Usually, the editor will commission freelance journalists for contributions to the magazine. Experience shows that the most effective articles are short but rich with information, advice and tips. Each journalist will be a specialist in the field of cooking, clothes care, fashion, beauty, and so on. Their reputation as experts enhances consumer trust.

The art director's responsibility is to check that all pictures are:

- sufficiently consistent with mass advertising imagery to evoke recall, brand familiarity and encourage the reader to participate
- appropriate to the brand context (eg. an exotic teapot is not suitable for Lipton but may be used for Tchae)

## Steps 4, 5 and 6: Creative workflow, approvals and final proof

The CRM team will be involved throughout this creative stage, approving copy, picture selection and overall look and feel of the magazine.

The approval process answers the following questions:

- Communication - does it meet the brief for a 'direct to consumer' style?
- Editorial content vs promotional offerings - is there the right balance between copy and brand offers to avoid appearing like a mass advertising campaign or book of coupons?
- Overall content - does it achieve cross-category as opposed to single brand objectives while avoiding conflict of interests between brands?

The creative team will produce the first 'paste-up' of the magazine which is sent to the Unilever CRM manager and brand managers for approval.

The final approval to print is given jointly by the CRM manager and respective marketing directors.

### • *Personalised promotional tools*

Embarking on a CRM programme requires brand and category managers to determine the promotional mix to apply to their MVCs.

Using the CRM consumer database, the brand managers can request segmentation analyses, then test and learn from the results of each targeted programme.

Please note that although it is technically feasible to segment to the level of the individual consumer, there are practical and economic limitations. To be effective, a segment must be:

- measurable, ie. it must be possible to measure the value and responsiveness of each segment
- sustainable, ie. the segment must be of sufficient size to justify the MDC investment
- accessible, ie. it must be easy to reach the constituents of each segment

### **Step 1: Receive brief from brand manager**

The brief should specify:

- brands (variants, etc) covered by the chosen marketing activities, eg. sampling, promotion, etc
- coupon value(s)
- period of validity
- promotional mechanism(s)
- targets - set according to segmentation criteria

## Step 2: Evaluate the segment size

Segment size has a direct impact on production costs. The segment must be sufficiently large or the promotion will not be cost-effective. For example, in France, ten thousand people represent the minimum number for a segment.

Segment size also affects your ability to conduct marketing analyses. If the segment is not sufficiently large, the results cannot be compared statistically with the panel.

This stage will involve both the database manager and the CRM/DM communication agency managing the programme. The operational interface will compile the segmentation requests from brands and submit them to the database manager, who will count the final number of different segments and evaluate their size.

Finally, the Unilever CRM manager will agree the segmentation plan - taking account of timing, costs and suppliers' capabilities and constraints.

## Magazine distribution

Generally in Europe, local country postal services offer the best distribution channel.

The CRM team must however, select a partner supplier to handle the fulfilment of the magazines, including evaluating their technological capability to:

- individually personalise promotional tools
- insert in personalised envelopes



### **Improved mono-brand strategies from CRM marketing**

The database is available for every brand, avoiding the necessity and costs of developing brand specific databases.

The knowledge acquired from the consumer audit, database and segmentation analyses will enhance overall brand strategies and the effectiveness of traditional mono-brand operations. Marketing activities driven by the consumer database will help reinforce the contacts we have with consumers.

The database can support all brand marketing activities. For example, brand managers can maximise the impact of sampling with information from the database combined with geo-marketing tools. Media planning and buying can be improved through detailed understanding of MVC media habits.

### **Win-win with channel partners**

Using the insights from the database, category managers can propose targeted trade operations to specific retailers that will build store traffic and deliver incremental turnover on Unilever brands.

The approach is to integrate the CRM database with information obtained from the standard geo-demographic (geo-marketing) databases available in each country.

Companies like Claritas will provide the validated geo-demographic information across all households and this can be used, for example, in conjunction with GIS (geographical information system) software to build a map of a store catchment area.

For instance, the category manager can identify MVCs by profiling a store catchment area and develop a targeted, co-branded DM mailing containing a personalised letter and

coupons. Relevant in-store merchandising and promotions can then be created to support the programme.

### **Legal considerations**

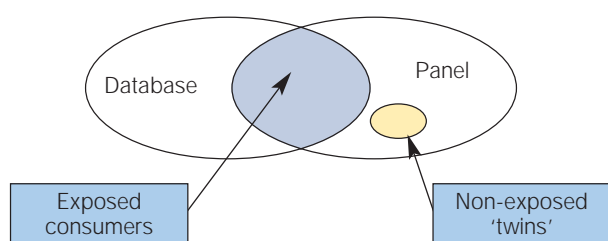
There is no single legal framework governing CRM and DM activities in Europe.

However, the European Commission is working on several **directives** that will affect marketing and especially CRM and DM communications policy and practice in the European Community countries.

We recommend that you liaise closely with your local legal advisor to ensure that your activities are within EU legislation, particularly concerning: consumer protection, data protection, the internet and other commercial communications.

Appendix C describes some of the legal aspects likely to affect the production and publication of a printed magazine aimed at consumers.

## SECTION 5 - METRICS



Metrics are essential to measure the results of your CRM programmes.

### Establishing a data control sample

This metric involves identifying control households (also known as 'twins') who will be excluded from the CRM programme but who have the same profile as the households exposed to the programme. See graphic on the left.

This allows you to calculate the incremental turnover and gross profit (GP) generated by each household exposed to the programme.

**Incremental turnover is the difference in purchasing consumption between consumers exposed to CRM programmes and control groups (twins) of similar consumers not exposed to the programmes.**

IBCC has briefed both Nielsen and Europanel on this procedure and will collaborate with you to provide this service.

### The steps are as follows:

- 1) Provide your panel partner with active names and addresses from your consumer database:
  - note that the size of the database must be sufficient to permit statistically significant cross sampling (in France this is 600 households)

Number of households:	1,500,000
% Incremental turnover at RSP level on promoted brands: + 43 %	
% Incremental turnover at RSP for total Unilever: + 23 %	
Incremental turnover: 57 MF	
Incremental NPS:	42 MF
Incremental GP:	19 MF
<b>Total cost:</b>	<b>(17 MF)</b>
of which programme cost:	(10 MF)
of which coupon redemption:	(6 MF)
of which coupon processing cost:	(1 MF)
<b>Incremental PBO:</b>	<b>2 MF</b>

Source: Pour Tout Vous Dire - France, Issue n°3 (May 1998)

- if you cannot achieve the desired significance level, you should wait until your database is sufficiently populated

2) The cross sample must be protected from the routine data cleaning process:

- request a file of relevant names and addresses from the panel partner and flag them in the Unilever consumer database
- do not remove them however, without informing the panel partner

3) The panel partner will next identify the control or twin households (using statistical techniques).

4) Brief the panel partner to provide you with analyses covering the period between two magazine issues:

- include a control period equal to the same period in front of the first issue
- compare the data - by penetration, repeat purchase, market share, share of requirements - for both samples (this may also be done at interim periods)
- note that the data will be more robust statistically at total Unilever level than at brand level

5) Calculate incremental turnover at household level:

- the panel partner will supply figures at household level - by brand, category and total Unilever
- use this to benchmark measure ongoing performance and any 'halo' effect for cross-category brands, for comparisons over time

6) Extrapolate this figure according to database size and add a weighting factor, to account for the coverage ratio of the panel to population, to generate the total incremental turnover figure.

On the left is an example showing how to calculate incremental turnover - and estimate PBO.

### **Understanding the factors contributing to incremental turnover**

The consumer panel data reports will enable you to understand the differential factors that have contributed to the increase in turnover, eg. increase in number of brands purchased, increase in loyalty of specific brands.

By combining this data with personalised coupon redemption information, you will be able to calculate a profit level per household and thus the value of each household to Unilever.

### **Improving your database from actual purchasing behaviour**

Integrating consumer panel data with the CRM database allows you to make decisions for future programmes based on analyses of actual changes in consumption patterns.

This integration provides two key outputs:

- the ability to define the profile of a MVC that can be used to screen new data entries as they are recruited to the database
- profitability scoring that allows you to extrapolate and predict profitability levels for each household in the database

### **Role of consumer panel partner**

You will appreciate from the above that your panel partner is not only a supplier of monthly market data but also plays a significant role in your CRM strategy. Maintaining confidentiality and trust throughout the working relationship between the CRM team and your panel partner (and equally with the DBMS partner) is essential.

### Tracking studies

Tracking studies will enable you to monitor the effectiveness of your CRM programmes. We recommend that you use the usual market research agencies in your country and we can advise you on any existing studies that may be suitable for benchmarking.

Key questions for tracking studies are:

- impact and overall appreciation of programme
- reasons for likes/dislikes
- level of involvement with the magazine (eg. 'read cover to cover' or 'part only', 'retained' or 'thrown')
- readership and appreciation of each brand sponsored article
- impact on brand perception
- purchase intention

The feedback will enable you to improve the quality of your communications (content and promotions) and track the progress of the magazine over time.

Please contact the IBCC for samples of questionnaires.

### Qualitative research

This can be helpful in the initial stages of a CRM programme in determining creative direction, magazine format, etc.

We also recommend undertaking diagnostic qualitative research on an annual basis to help in formulating quantitative surveys and to benchmark your programmes against competitors.

## SECTION 6:

# CALCULATING CRM PROFIT & LOSS

CRM is a new marketing approach and we recommend that you involve your commercial team in calculating P&L. The process also represents an opportunity for shared learning.

The key steps are:

- 1) Extrapolate consumer panel data to generate a national incremental turnover figure and GP, ie.:
  - extract panel data to provide turnover figures at a household level
  - scale up the figures according to the number of households in the database
  - apply an agreed weighting factor - the turnover figure will be significantly underestimated because consumer panels do not cover total consumer consumption - preferably at category rather than brand level.
- 2) Convert the incremental turnover figure from RSP into incremental NPS.
- 3) Calculate incremental GP by using the GP%:NPS ratio at brand or variant level - the incremental costs are all the programme costs including coupon redemption (face value and handling).

**Note that data accuracy will be statistically robust for total Unilever but only indicative at brand level.**

	Cost (million Euro)	Per Unit costs (Euro)
<b>Database</b>		
Size of database at year end	2 million addresses	
Number of booklets sent	5,3 million	
<b>Cost of booklets + Service</b>	<b>4,726</b>	
Booklets	4,467	0,8427
Of which postage	1,890	0,3566
Of which creation and printing	2,348	0,4429
Of which personalisation and routing	0,229	0,0431
Interactive offers	0,152	
Careline and mails	0,107	
<b>Database Costs</b>	<b>1,006</b>	
Hosting the database	0,076	
Imports, extracts, segmentation	0,0229	
Database management fees (WCJ)	0,0229	
Recruitment (1.3 households)	0,396	
Additional qualifying items	0,076	
<b>Surveys and data-mining</b>	<b>0,335</b>	
Consumer panel + tracking + groups	0,259	
Scoring development	0,076	

Source: Cost analysis of the French CRM programme (1998)

## Cost calculations

The chart on the left is a summary of the costs of the 1998 programme in France (in Euros) to give you an indication of the nature and magnitude of costs.

This information may not be directly comparable to your own country owing to differences in the costs of local services (postage etc) and economies of scale.

In 1998, in France, the average redemption rate for coupons was 10.7% with a maximum level of 20% for the most popular brands.

## Optimising your costs

Given the high level of investment required by a CRM programme, cost optimisation is key. The main issues are:

The value-added of the magazine to the consumer derives from both the relevance of its content and the coherence of the marketing mix. The magazine itself (ie. the quality of the printing and paper) should be consistent with its proposition. However, although you should always seek to produce an appealing magazine (that won't be confused with cheap junk mail), it is important to avoid unnecessary production costs.

We recommend that, after the initial database set-up, you only introduce an address that meets the minimum qualification level. As far as possible, within local data constraints, you should try to evaluate the result of different recruitment sources through to the level of incremental turnover.

The prime objective of a CRM programme is to build relationships with MVCs in order to increase their loyalty and generate incremental turnover. Data is dynamic and your database must be continually refined to improve your knowledge of and targeting to



Consumer Value	% households	Indexed increase in turnover
Heavy	30 %	184
Medium	30 %	145
Light	40 %	90
Total	100 %	100

Source: France 1998

Increase in turnover	% households	Indexed increase in turnover
High increase	17%	248
Medium increase	50%	100
Light Increase	33%	28
Total	100%	100

Source: France 1998

MVCs, while optimising the cost of data collection. Scoring techniques should be applied from the beginning to identify the consumers who deliver incremental turnover.

The charts on the left demonstrate how to use scoring techniques.

Chart 1 - shows the potential for incremental turnover, calculated by value group, France (1998)

Chart 2 - shows how scoring helps evaluate the incremental turnover of consumers exposed to a programme, France (1998)

## SECTION 7 - THE CRM ORGANISATION

As indicated in the first part of this workbook, the development and implementation of CRM programmes requires specific skill sets and competences, some of which are new to Unilever.

Some of these capabilities will be found internally, others will be outsourced.

The matrix over the page summarises the desired capabilities and the implied functional roles.

1 Internal competencies		
Department	Function	Role
CRM	CRM Manager	<ul style="list-style-type: none"> <li>• To lead and manage CRM activity across all brands and categories</li> <li>• To define database strategy</li> <li>• To ensure co-ordination CRM strategy and activities with brand and category managers &amp; teams</li> </ul>
Marketing	Brand & Category Manager	<ul style="list-style-type: none"> <li>• To liaise with CRM team and collaborate on CRM planning and implementation</li> <li>• To provide the CRM team with a precise brief concerning the brand and category</li> <li>• To liaise with the CRM team concerning segmentation of the database for brand promotional use</li> <li>• To liaise with the CRM concerning category management decisions</li> <li>• To monitor CRM communication involving the brand and category</li> </ul>
IT	IT Manager	<ul style="list-style-type: none"> <li>• To provide input into functional specifications requirement</li> <li>• To work with CRM team on selection of DBMS partner</li> <li>• To validate DBMS procedures and practice</li> <li>• To act as an 'internal consultant' to the CRM team as required</li> </ul>
Market Research	Market Research Manager	<ul style="list-style-type: none"> <li>• To contribute to consumer panel analysis and consumer audit methodology</li> <li>• To contribute to classification and profiling of consumer database</li> <li>• To collaborate with CRM on qualitative &amp; quantitative research and tracking studies</li> </ul>
Commercial	Management Accountant	<ul style="list-style-type: none"> <li>• To collaborate with CRM team on validation of incremental turnover generated from panel data</li> <li>• To collaborate with CRM team in calculating CRM P&amp;L</li> </ul>
Legal	Legal Advisor	<ul style="list-style-type: none"> <li>• To provide input in selection and contractual aspects of DBMS partner</li> <li>• To validate all CRM activities according to the prevailing legislation (local &amp; EU)</li> <li>• To provide CRM team with notification of impact of EU directives on data protection, consumer protection &amp; commercial communications</li> </ul>

## 2

## External competencies

Capability	Function	Strategic or non-strategic to Unilever	Role
<b>Database Partner (1)</b>	Database Management Systems (DBMS)	Non-strategic but data security is strategic	<ul style="list-style-type: none"> <li>• To build, host (data warehouse) and manage the Unilever consumer database</li> <li>• To handle data entry, data cleaning, updates and other maintenance as specified</li> <li>• To conduct data analyses and extract to reports as specified</li> <li>• To enable systems integration as required with Unilever IT and other systems as specified</li> <li>• To protect and ensure the security of the database</li> </ul>
<b>Database Partner (2)</b>	Data mining	Highly strategic (value-added)	<ul style="list-style-type: none"> <li>• To undertake statistical analyses on the database and integrate with consumer panel data for profiling MVCs</li> <li>• To undertake segmentation analyses for CRM, DM and other promotional programmes</li> <li>• NB: this role may initially be outsourced but must be progressively brought in-house</li> </ul>
<b>CRM/DM Partner (1)</b>	CRM Programme Implementation	Non-strategic	<ul style="list-style-type: none"> <li>• To collaborate with CRM team on CRM strategy and programme implementation</li> <li>• To collaborate with CRM team and DBMS partner on profiling and segmentation processes (see also Operational Interface)</li> <li>• To plan, project manage, implement and monitor the results of CRM/DM programmes</li> <li>• To manage the creation, production and distribution of consumer print magazines</li> </ul>

2 External competencies (cont.)			
Capability	Function	Strategic or non-strategic to Unilever	Role
<b>CRM/DM Partner (2)</b>	Operational Interface	Non-strategic (in-house or external)	<ul style="list-style-type: none"> <li>• To act as main contact between the CRM team and the DBMS partner</li> <li>• To translate the technical language of the DBMS partner into marketing terminology for the CRM team and vice versa</li> <li>• To contribute to the functional specifications requirement</li> <li>• To monitor data verification and validation processes</li> <li>• To control all operational processes (analyses requests &amp; reporting) between CRM team and DBMS</li> </ul>
<b>Consumer Panel Partner</b>	Consumer Audit & Database Integration	Strategic but non-core competence	<ul style="list-style-type: none"> <li>• To conduct a consumer audit on panel data as specified</li> <li>• To assist with profiling MVCs</li> <li>• To collaborate in generation of incremental turnover figures and other relevant metrics</li> <li>• To measure CRM effectiveness through analyses of changes in consumption</li> </ul>
<b>Data Recruitment &amp; Qualification</b>	Megabase Partner	Strategic but not an in-house competence	<ul style="list-style-type: none"> <li>• To provide consumer data for identifying MVCs against panel profiles</li> <li>• To provide consumer data for recruitment and qualification</li> <li>• To collaborate on geo-demographic (geo-marketing) projects</li> </ul>
<b>Creative team</b>	Production of CRM Programme Actions	Non-strategic	<ul style="list-style-type: none"> <li>• To define the editorial style and tone</li> <li>• To handle the production process, from creative concept to print, of CRM actions</li> <li>• To work with CRM and brand teams to ensure outputs meet the CRM and brand requirements</li> </ul>

## 2

## External competencies (cont.)

Capability	Function	Strategic or non-strategic to Unilever	Role
<b>Consumer Qualitative &amp; Quantitative Research Metrics</b>	Market Research (external agencies)	Non-strategic	<ul style="list-style-type: none"> <li>• To undertake qualitative research to help determine creative direction and provide competitive benchmarks</li> <li>• To undertake quantitative research into consumer responses to CRM programmes, eg. magazine impact</li> <li>• To undertake tracking studies to measure awareness, attitudes, etc</li> </ul>
<b>Other</b>	Printer & Fulfilment	Non-strategic	<ul style="list-style-type: none"> <li>• To print CRM outputs</li> <li>• To personalise CRM communications and promotional coupons etc (laser printing)</li> <li>• To insert into envelopes, mail sort and arrange distribution via postal services</li> </ul>

# APPENDIX A - CHECKLIST FOR SELECTING A DATABASE MANAGEMENT PARTNER

The choice of database management partner is critical to CRM.

We recommend that you create a cross-functional supplier selection team including internal personnel from Unilever IT and representatives from your CRM or DM agency.

## **The process**

1. Decide who should be on the supplier selection team.
2. Determine the selection criteria using the checklist below as a guide.
3. Identify potential suppliers and confirm their interest in the project using a short briefing document - do not issue an ITT until you receive confirmation of suitability and interest.
4. Obtain external information and references on the candidates.
5. Make site visits.
6. Rank the suppliers.
7. Issue the ITT/RFP, including the functional specifications requirement (contact IBCC for assistance).
8. Select the top candidate.

Below is a checklist of the key issues to be considered in determining the selection criteria. This list is not exhaustive and should be used as a discussion document with the supplier selection team.

### Commercial & financial information

- company structure
- turnover
- profitability
- liquidity
- major shareholders
- years in operation
- client list
- largest client
- competition conflicts (if any)

### Capabilities

- experience in database management systems (DBMS) integration - database design, data/information warehousing, data mining
- experience in marketing database management
- experience in developing CRM applications
- experience in developing direct marketing applications
- experience with clients similar to Unilever
- experience of our industries
- reference sites

### Technology

- non-proprietary software - experience in relevant packages for data warehousing building, data mining, campaign management, communications delivery (eg. mailing, call centre and internet interfaces)
- proprietary software (if any) - technical functionality and applicability to Unilever CRM
- hardware platforms

### Personnel

- number of staff, by function
- years of employment of key staff
- staff skills and competencies relevant to fmcg projects



- CV of database manager nominated for Unilever project
- CVs of database team nominated for Unilever project

### **Data security**

Although the database management is not strategic to Unilever, the information stored on the consumer database is extremely strategic to Unilever CRM.

The security of this data is paramount and you should ensure that your database partner meets standard industry best practice for storage, backup and access to the database and premises.

### **Costing**

Stipulation of fixed costs and variable costs is vital to avoid unplanned expenditure.

Ensure that you reach an agreement on the database development costs.

# APPENDIX B - DATABASE MANAGEMENT - CONTRACTUAL CONSIDERATIONS

This list is not exhaustive. We recommend that you consult your Unilever legal advisor and IT experts to ensure that all relevant issues are included in the contract with your database partner.

IBCC can offer advice on the key commercial considerations.

## **Database administration**

- organigramme - showing relationships, responsibilities and authority levels between Unilever CRM team and database partner
- provision of a technical and user database manual
- contact management procedures - reporting and meeting frequency

## **Performance criteria**

- data retrievals
- reports
- data updates
- backups
- penalties for non-performance

## **Database backup process**

- frequency of backup
- storage of backup copies offsite
- transfer of backup copy to Unilever offices

### Contract termination

- procedure
- notice period
- data transfer (to new host)

### Data security

- authorised users and access
- protection against unauthorised use

# APPENDIX C - FUNCTIONAL SPECIFICATIONS REQUIREMENT

Below is a suggested outline for the document.

## **1) Database scope:**

- description of the proposed CRM application and usage
- functional limitations

## **2) Database structure:**

- data population, ie. consumers and households
- source of data, ie. location and availability of data
- data entry standards, eg. date formats, addressing formats
- integration with consumer panel data
- integration with other metrics
- interfaces with existing Unilever IT and legacy systems
- integration and interface with communications delivery systems (call centres, websites)
- integration and interfaces with campaign management systems

## **3) Database users:**

- number
- location
- accessibility
- connectivity

## **4) Operational performance criteria:**

- how data is to be selected, counted, exported etc
- analytical functionality requirements (eg. cross tabulations)

- response times for data analyses and extracting to reports
- type and scope of data extract reports
- frequency of reports
- any ad hoc requirements

### **5) Security:**

- physical (premises)
- data storage (premises)

### **6) Backup policy:**

- frequency
- backup file storage

## APPENDIX D - LEGAL CONSIDERATIONS

There is no single legal framework in Europe that governs CRM and DM activities.

However, the European Commission is working on several directives that will affect marketing and especially CRM and DM communications policy and practice in the European Community countries.

We recommend that you liaise closely with your local legal advisor to ensure that your activities are within EU legislation, particularly concerning: consumer protection, data protection, the internet and other commercial communications.

**The following issues concern the publication and distribution of a magazine containing targeted, personalised promotions to your MVCs, based on information held on a database.**

### Advertising framework

A CRM magazine (as described in this guide) is legally considered 'advertising' and not as a traditional press publication.

**All content must be verified and substantiated with Unilever legal departments.**

### Promotional framework

1. The promotional offers are adapted to specific consumer segments only. Therefore, you need to check whether such discrimination between consumers is legally acceptable in your country.
2. The way that promotions are distributed can impact on fairness and legal validity. For instance, not all targeted consumers will receive your mailings on the same day. Therefore offering a prize to the first 200 respondents, for example, may be deemed unfair to those who receive the offer at a later date.

### Personal rights

A magazine has a wide-ranging editorial content. Take care not to infringe personal rights.

### Intellectual property

1. Do not use or mention names, brand names or logos without written consent from the owner or their legal representative.
2. Pay close attention to the use of visuals and to the payment of usage rights.
3. To facilitate the use of existing material, it is recommended to request brand managers and agencies include a specific clause for direct marketing usage in all agreements signed during advertising (or any other material) production. (Negotiating this afterwards always proves more difficult and more expensive.)
4. Contracts with models or photographers are usually negotiated on our behalf by advertising agencies. You should obtain a

written statement, prior to use, from these persons confirming our rights to use these materials.

5. The communication device used (eg. *Pour Tout Vous Dire* in France, *Vollà!* in the UK) should be seen as intellectual property and appropriate registration should be sought including potential use in new media. Discuss with your legal department any other parts of the magazine that might be considered proprietary. Be aware however, of third party copyright.

### Data Protection

- 1) CRM and DM make extensive use of information stored in a database. Compliance with the prevailing data protection laws (local and EU) is a priority.
- 2) Given that we will seek to re-use as much consumer data as possible (eg. from promotions, call centres, internet), it is vital to seek the appropriate consent of consumers to inclusion on the database.
- 3) In contracts with third parties providing data collection and database management services, appropriate liability clauses for compliance with legal requirements should be included. If data is purchased rather than licensed, the liability for compliance will be more complicated.
- 4) In contracts, it is important to stipulate:
  - who owns the data on termination of the contract (both name/address and qualification must be treated in the same way, otherwise you will not be able to track exactly what information you own)
  - that usage of the data and the right to update it (using other third parties if necessary) is granted upon termination of the contract
  - how Unilever can share the acquired data with potential partners during and post contract.



5) When renting data, obtain the right to use the data for a limited amount of time (or for a defined amount of usage). If an address yields a response, you will obtain ownership over it. As a rule, industry practice only considers the return of a questionnaire as a 'response'. You must then negotiate on the grounds that participation in a promotion (e.g. coupon redemption) be considered as such.

6) When acquiring or renting data, always try to negotiate to pay for only new data (after de-duplication). These are industry practices which seek to limit the extent to which discounts for duplication will be paid.

Contact the IBCC for advice on contractual negotiations for data collection.

# GLOSSARY

**Buone Idee.** Example of Unilever CRM magazine published in Italy.

**Consumer audit.** Standard practice tool developed specifically for CRM. Analysis is carried out on consumer panel data to classify consumer groups by purchasing behaviour according to Heavy, Medium, Light % value segmentation criteria.

**Consumer panel.** Representative and qualified anonymised sample of consumers whose purchases are tracked continuously or periodically over time.

**CRM.** Consumer Relationship Management. A marketing approach based on the insight that not all consumers are of equal value and should thus be treated differently. CRM uses knowledge of actual consumer purchasing behaviour to develop targeted, relevant direct to consumer offers and communication aimed at Unilever heavy consumers and MVCs.

**Data warehouse.** A central repository for all significant data collected on consumers and consumer behaviour.

**Data mining.** Mathematical analysis of data to look for comprehensive consumer information and insights. Undertaken on a sample of the database and generally enriched with information from the consumer panel to improve consumer knowledge on specific targets.

**De-duplication.** Data screening process to identify common data between new data entry and existing database records.

**Extract.** Report derived from database analysis according to segmentation requirements.

**Four Golden Questions.** Key discriminating variables used to profile heavy consumers and MVCs. These are: (1) number of people in household; (2) average weekly number of shopping trips; (3) average weekly expenditure on groceries; (4) monthly income.

**Incremental turnover.** Incremental turnover is the difference in purchasing consumption between consumers exposed to CRM programmes and control groups (twins) of similar consumers not exposed to the programmes.

**Living.** Example of Unilever CRM magazine published in Ireland.

**Megabase.** Large scale consumer databases built from the results of extensive psychographic (lifestyle, attitudes) surveys. Suppliers include Consodata and Claritas who can provide addresses with extensive qualification, eg. leisure activities, holidays taken, sport participation, car ownership etc.

**Metrics.** Measurement tools and techniques, such as incremental turnover, qualitative research and quantitative surveys, used to evaluate CRM programme performance.

**MVCs.** Most Valuable Consumers. Consumers identified from the consumer panel and database analyses as offering maximum current and potential value and contribution to Unilever profit and growth.

**Pour Tout Vous Dire.** Example of Unilever CRM magazine published in France.

**Share of requirements.** Unilever share of total consumer consumption of a category.

**Tracking studies.** Research involving the continuous monitoring of the impact of CRM activities over time, particularly awareness, image and consumer attitudes.

**Voilà!** Example of Unilever CRM magazine published in the UK.