

Data Functionality in Marketing

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Data is not a new thing. Successful businesses have been using it for decades. But data has a new kid on the block, and its name is 'Big Data'. It represents the overwhelming amount of information that has become available from new technologies. Big Data is so overwhelming that, quite often, it confuses marketers more than it helps them.

Marketing does not need Big Data; it needs 'Right Data'. The main purpose of this white paper is to discuss the functionality of data in marketing. Data in marketing can be used to:

- Perform existing customer assessments
- Describe and profile a target
- Improve future campaigns/offers and current products
- Measure Return On Investment (ROI)

Customer Assessments

Having the correct focus is essential to build a strategy that will enable your business to grow. In order for your business to thrive you need to be able to successfully manage your existing customer base. In order to do that you'll need to segment it for assessment and effective engagement of your customer base. Customer segmentation is done based on:

- Customer Turnover Risks
- Customer Profitability
- Customer Purchase Size and Frequency

Each one of the segments created above should drive the right marketing strategy. To illustrate, high turnover risk of profitable customers that buy a lot and often should drive a different strategy than low turnover risk customers that aren't profitable and buy little and not very often.

Bear in mind that depending on your type of business and market differences (B2B vs B2C) you might not have to create all segment possibilities mentioned above. E.g. a

profitable B2C retail customer segment might already imply that the segment purchase size is large. On the other hand, on a B2B model you might have customers that, although their purchase size is large, aren't profitable. In this particular case you might be interested in differentiating between profitability and purchase size in order to build a strategy that will turn the large buying but unprofitable customers into profitable ones. Also bear in mind that there are no strict rules in marketing and even though a non profitable low size purchase segment might suggest a strategy to ignore these type of customers, this is not always the case.

All these segments not only will drive the strategy but also the way you should invest your marketing money with each of your customers. Continuous customer profiling is needed to make sure you achieve the most relevant engagement possible.

A thorough and successful job with your existing customers will help with your new customer acquisition strategy; as you will learn who are your best customers and how to communicate with them successfully.

Target Description and Profiling

Marketers need to describe their target first. They also need to profile or classify their target's different individuals and companies (in the case of B2B) so they can be more relevant and personal when communicating with them. Marketers should describe their target based on what they know (who buys from me?) and profile it based on what they need to know (what information from my target will help me be more relevant and helpful?). Describing and profiling a target are critical tasks and at the heart of any successful direct marketing campaign.

1. Most marketers today describe their target by looking at the individuals that already buy from them. They will use analytics to do just that. What they are actually doing is learning what is working for them and therefore trying to identify individuals with similar characteristics to be targeted the same way. A proper description of a target takes a bit more work than just looking at who bought from you, as there will be individuals in your target group that did not buy because the marketer failed to communicate successfully with them. It is also true that the market is constantly changing; competitor values change, the economy changes as well as your company's unique selling points. These changes will alter your target description. If marketers

only analyze their historical data they risk describing a target that no longer exists. It is not just about cold data analytics, but also about participating as human beings in the data strategy. If marketers only look at the numbers without linking them to the real-world companies and people they represent, they increase the risk of missing the targets they are trying to hit. As a rule of thumb, start describing your target based on the value of what you sell and your unique selling points, then run some data analytics to learn more.

2. Marketers tend to build profiles based on what they know (big data) instead of what they need to know (right data). Marketers need to ask themselves a simple question: Based on what I sell and where I sell it, what do I need to know that will help me be more relevant and helpful when communicating with my target? Then profile based on that. Just because a marketer has information about an individual, does not mean that they have to profile that person based on what they know unless it is relevant to what they sell and where they sell it. The main purpose of profiling is to have the right information about your target so you can engage them successfully. Defining first what is important to know will provide focus and will make it easier and faster for marketers to get what they need to know earlier; either from data sources or from their market place itself. It is critical to build a data collection plan that proactively and constantly searches for what marketers need to know. Data will help profile your target and classify different individuals in different groups that share similar characteristics. Once this is done is much easier to come up with the appropriate message/offer, with the right design, the right number of touches, and the right channels.

Define what you need to know

There are two critical questions that marketers need to ask themselves to be able to gather the appropriate information to create strong profiles of their targets that can be implemented to create a more relevant and helpful engagement.

1. What do you need to know from your target based on what you sell and where you sell it that will help you better show the value of your products or services?
2. What do you need to know that will help you be more helpful outside of the products or services that you sell?

Good sales people do it instinctively during face-to-face visits. They want to know information about the customer that is relevant to what they sell, so they are able to demonstrate their product's unique value to their customer's personal needs and/or wants. At the same time they are also interested to know their customer's personal interests so they understand the context in which s/he operates. The first kind of information is used to sell the value of the product or service, while the second is to build relationship and interest. A very simple example could be the relevance of knowing your target's gender so you can better show the value of your product depending if you are engaging males or females.

In order to keep focus and build the right information and therefore profiles that relate to what you sell, I will break it into different categories:

- **Personal characteristics and lifestyle** (also called demographics, psychographics and behavioral profiles). The most typical profiles in this group are based on age, gender, income, education, activities, interest and opinions. What personal characteristics and interests make your customers or potential buyers different from each other? Most of the time, a simple profile based on age, gender and income will go a long way.
- **Product's different buying criteria.** Your customers buy for different reasons and therefore need to be profiled that way. Sometimes, buying criteria might be linked to your target's personal characteristics and interests. Simple demographic information about your target will often help you make low-risk assumptions about their buying criteria.
- **Shopping Style for when (frequency and timing), where (on and offline) and how much (purchase size) a customer or potential buyer will buy.** The same as the previous point, low risk assumptions can be made based on your target's demographic information.
- **Different products already owned by a customer or potential buyer that are relevant to what you sell.** Sales reps have been cross- and up-selling successfully for hundreds of years. Therefore, a proper profile based on purchase history is very relevant. A marketer should make recommendations to customers and potential buyers based on prior purchases. If this is done with sensitivity and respect,

suggestions can be perceived by customers as helpful instead of spam. This again speaks to relevance.

- **Sale Cycles.** Also profiling your customers based on sale cycles will be very helpful as you do not want to be trying to close customers when they are on the awareness stage; neither creating awareness when a customer is in the buying decision phase.

When gathering and collating information about your target's personal interests attempt to link it to products and/or incentives that you can provide. If I want to know what is my favorite customer's football team is because I have enough relevant content to share and/or be willing to provide incentives for someone interested in football.

It is also wise to analyse what you already know from your data sources so you can learn other relevant habits and/or behaviors that might contribute to shaping up your profiling even further.

Build a data collection strategy

Once marketers have defined the areas of information they require they are equipped to create a strategy that will enable them to retrieve relevant information from their targets. This will help marketers classify their targets in the appropriate profiles. There are customer interactions taking place every day with customer service, tech support, billing and other parts of the organization, including sales.

Marketers should be training and encouraging those people who have interactions with customers or prospects to be sensitive to data collection opportunities. Each time that someone contacts the company the customer service rep should clearly identify the reason for the call. There is usually an opportunity to gather information that will help profile a customer more effectively. Marketers should not overdo it, but if they can retrieve even one or two vital pieces of information, that will help their next interaction be more relevant.

Another way of building information is through websites. One effective method is to invite visitors to answer a simple online questionnaire. Not everyone will respond, but a 10% response rate out of 20,000 visitors will provide 2,000 data sheets to refine and

sharpen your data's focus. If you structure the information gathering correctly, it will facilitate future follow-up communications.

Websites should be organised by customer needs and not just products. When tracking a visitor online, information that relates to customer needs will give marketers more control and power than just knowing what products and/or services visitors might be interested in.

Another way to build information is through telemarketing and even promotional items. Historically, telemarketing and promotional items were used to create brand awareness and/or to close a sale. Why not use them to retrieve the right information from customers ?

Improving Future Campaigns and ROI

In order to improve future campaigns you will have to know what, when, how and why to test/track. You should track and measure for the 3 following reasons:

1. Know if your campaign was successful. Was the return bigger than the investment? Be careful here as some campaigns might not give a positive return on marketing investment right from the beginning. It doesn't mean that they were unsuccessful; sometimes it takes more than one campaign to start building positive ROI. Some campaigns only succeed because previous ones failed. Retrieving relevant information and improving results are good signs that you are on the right path.
2. know the cost of acquiring a new customer by dividing the investment by the number of new customers that were acquired. This will help you estimate how much do you have to sell to a customer in order to make it profitable.
3. know how to improve future campaigns. You should track who responded to what and who didn't? Also, who bought what and who didn't? Simple information could help tremendously to improve your future campaigns; in some cases even the products that you sell. Knowing which profiles responded and bought and which ones did not helps you invest more on what is working and fix what is not. It helps you identify which profiles are failing and be successful in the awareness and/or closing phases. Knowing which profiles are responding but also buying is very helpful as you can proactively try to find more customers that look like them. Profiles that do

not respond will have to be analyzed. We'll have to decide if they are truly your target or if the communication just failed to resonate with them. Profiles that respond but do not buy have to be looked at in a different way, too. Why aren't they converting into sales? Is it easy and clear how to buy? Is it a problem with pricing? What could be wrong? Historically marketers could only track and measure how much sales a campaign generated. Today digital technologies can not only track and measure sales, but most importantly who responded and who did not, and who bought and who did not. In the case of direct mailing it is as easy as adding a personalized QR code or URL to your direct mail piece, which will allow you to track responses and purchases on a personal level.

If you're interested in a personal assessment to help you improve your chances of a better direct marketing campaign Return On Investment, please contact German Sacristan on 01753 215307, or email german@x1.ltd.uk. For more information about X1's range of services, visit www.x1.ltd.uk.

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