Panning for Gold

The insights found in **customer data** can inspire product, process, and service renewal that help companies outshine their competitors.

- **ACCENT**
  The Two-Model Matrix: A Marketer's Guide

- **Equifax**
  Leading the Way to Customer Centricity

- **Fulcrum**
  Customer Strategy for the Next Economy

- **Infor**
  Grow Your Customer Relationships with Event-Based Marketing

- **Peppers & Rogers Group**
  The Rules of the Game Are Changing

- **TARGUSinfo**
  From Prospects to Profits

1to1® media
a division of Peppers & Rogers Group

BRANDED EDITORIAL

Panning for Gold

The insights found in customer data can inspire product, process, and service renewal that help companies outshine their competitors.

Most companies are awash in customer data. Whether it's purchase activity, demographics, psychographics, customer feedback, or Web activity, there is so much information to draw from that the challenge becomes unearthing the invaluable insights hidden within the reams of facts and figures.

Crafting fact-based marketing, sales, and service strategies using insight gleaned from customer data is one way companies are gaining a competitive advantage today. In fact, experts say that timely, accurate, cross-channel data is the key to shaping the customer experience, crafting relevant marketing messages, and ensuring a consistent cross-channel experience.
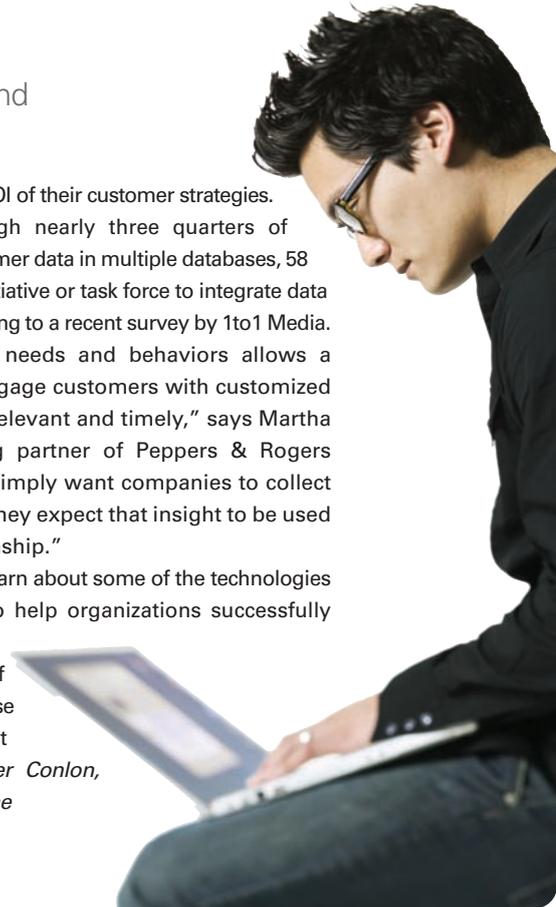
Fortunately, as the number and quality of the avenues for tracking and collecting data increase, so do the technologies needed to make sense of all the customer information available to companies today. Advancements in such areas as predictive analytics, lead scoring, and integrated database management are helping companies to consolidate data across channels, achieve a 360-degree view of customers, grab the *right* customers' attention at the moment of interaction, create marketing campaigns that align with customer preferences, and boost the ROI of their customer strategies.

Not surprisingly, although nearly three quarters of companies house their customer data in multiple databases, 58 percent have launched an initiative or task force to integrate data across the enterprise, according to a recent survey by 1to1 Media.

"Anticipating customer needs and behaviors allows a company to proactively engage customers with customized interactions that are both relevant and timely," says Martha Rogers, Ph.D., a founding partner of Peppers & Rogers Group. "Customers don't simply want companies to collect information about them—they expect that insight to be used to add value to the relationship."

In the pages that follow, learn about some of the technologies available today that aim to help organizations successfully sift through their customer data to find the nuggets of gold that will help to increase customer value and boost bottom-line results. —*Ginger Conlon, Editor-in-Chief, 1to1 Magazine*

SPONSORS

For information on upcoming installments of the 1to1 In Action White Paper Series, contact:

Michael Dandrea
203-642-5525
michael.dandrea@1to1.com

Dara Smith
203-642-5343
dara.smith@1to1.com

PRODUCED BY:

1to1 media
a division of Peppers & Rogers Group

The Two-Model Matrix:

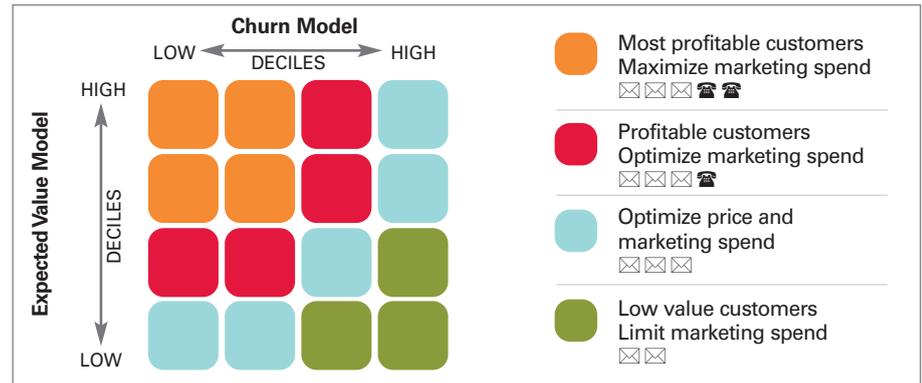A Marketer's Guide to Optimizing Customer Relationships and Marketing Spend

ACCENT
Our focus is your customer.

Building long-term relationships with your customers is mission-critical. But you need to do more than retain your most valuable customers. You need to grow them. This can be a difficult challenge for many marketers who are faced with shrinking budgets and increased accountability in today's economic climate. The key is to use data-driven strategies to make more informed decisions about your marketing spend.

Not all customers are created equally. Neither are analytics models.

Any effective marketing strategy must begin by understanding that not all customers are created equally. To truly gain a more thorough understanding of your customers, you must start by analyzing and targeting each customer's personal preferences. Historically, marketers have turned to segmentation models to learn more about their customers based on demographics, psychographics, attitudes, and past behaviors. Based on those customer attributes, relevant and personalized messages are then created. Another popular approach is predictive modeling. Predictive models identify which customers are most likely to respond to up-sell and cross-sell offers as well as those most likely to leave.

While both approaches help deliver a more complete view of your customers, each has its own advantages and disadvantages. Segmentation modeling by itself ignores the true likelihood of behavior. The insights gleaned about a customer may produce a profile that suggests a specific marketing strategy from discounted offers to expensive direct mail pieces or even outbound telemarketing. However, the recommended marketing spend may yield an undesirable return on investment. Predictive models alone, on the other hand, ignore the important research aspects of what a customer really wants and how they want to be marketed to. Regardless of which model you use, both

Churn Model

LOW ←— DECILES —→ HIGH

Expected Value Model — DECILES

HIGH ... LOW

- Most profitable customers
  Maximize marketing spend
- Profitable customers
  Optimize marketing spend
- Optimize price and marketing spend
- Low value customers
  Limit marketing spend

models fail to quantify the actual current and future value of the customer.

Taking out the guess-work.

Lifetime value is a calculation used to determine the net present value of a customer based on his current and future product needs, channel preferences, and probability of being loyal. By calculating a customer's lifetime value, marketers can differentiate among existing and future customers to acquire and retain only those that are the most profitable. However, lifetime value alone isn't enough either. The best approach to drive sales, build customer loyalty, and increase your share of wallet while optimizing your marketing spend is to use multiple data modeling techniques within a two-dimensional modeling matrix.

By combining a customer's likelihood to respond (predictive modeling) with his preferences for how to be marketed to (segmentation modeling) along with his current and future lifetime value, marketers can get the most out of every customer interaction and marketing dollar. The two-model matrix not only identifies the probability that a customer will respond but also associates the customer's lifetime value with the response probability. Based on the results, marketers have a clear picture of who their best customers are and can then develop comprehensive marketing strategies to keep them engaged as well

as identify similar prospects who are likely to become customers.

Does it work?

Through our suite of data analytics services, ACCENT has strategically guided a number of B2B and B2C clients through the successful design and execution of the two-model matrix. In fact, for one client, the insights gained yielded an 18% decrease in the company's churn rate as well as generated a 194% return on marketing investment. In all, the client was able to improve its top line by 112% and bottom line by 258%, which translates into millions of dollars in revenue. ■

About ACCENT

Majority owned by MDC Partners, Inc., ACCENT is an international provider of customer lifecycle management solutions. We partner with world-class companies to help them acquire, support, retain, and grow their customers at every stage in the customer lifecycle. Through our suite of data analytics, direct marketing, contact management, and fulfillment services we deliver high quality, integrated marketing solutions that grow valuable client and customer relationships.

For more information, call 866-623-0018 or visit: www.accentonline.com

Leading the Way to Customer Centricity   EQUIFAX®

Transforming your business

Today's companies share similar challenges when it comes to nurturing and building customer relationships. These range from new customer acquisition, increasing cross-sell opportunities, creating high value segment retention and reducing customer attrition. Consumers are learning to ignore the 'noise' from marketers and in a difficult global economy, companies need to take more economical approaches to grow their customer base and increase customer loyalty and profitability.

Key Business Challenges— Which apply to you?

■ Understanding Your Customers: Obtaining a clean, consolidated and singular view of the customer

Despite all of the buzzwords focused on customers—including customer loyalty and CRM, many companies still struggle with the most important fundamental of all: a clean, consolidated, single view of the customer. Cleaner, actionable customer data is at the root of better understanding your customer base.

■ Creating a Connection with the Customer: Increasing customer loyalty and brand awareness

Marketers who historically relied on a variety of distribution channels to deliver their marketing messages have lost the connection to their customers. As consumers take more control of the buying process via the Internet and other customer-driven touch points, marketers must become savvier about delivering personalized content.

■ Increasing Customer Profitability: Understanding your customer's discount sensitivity

Make your customers more profitable and you'll make your company more profitable. While undoubtedly true, many companies struggle with the concept of enticing customers to purchase more by offering discounts. But not all customers require discounts to stimulate a purchase. The key is to understand which customers are discount-sensitive and which ones are not.

■ Maintaining Customer Loyalty: Optimizing customer relationships

Every company wants it—and needs it—but it is often the most difficult to attain. What's required is insight into your customer behavior so you can focus on optimizing customer relationships. It involves tracking customer behavior, analyzing and developing the right program designed to increase customer loyalty and maintain it.

■ Cross-Selling More Effectively: Cross-selling products to your customers

Creating long-lasting and more profitable customer relationships involves successfully cross-selling additional products to customers. Companies struggle with this due to a product-centric focus—as opposed to a customer-centric one. Developing deeper customer relationships—not just selling more products—is the ultimate goal. A cross-product view of customers helps companies understand what products to promote to which customers.

■ Linking Marketing and Risk: Integrating efforts between Risk and Marketing

Marketing based on credit worthiness has hit a particularly difficult period. Marketers are searching for better ways to optimize results and mitigate credit risks. Historically, Risk and Marketing had somewhat competing goals within their organizations, operating in an un-integrated fashion. A unified effort avoids disjointed customer experiences within your organization.

Overcoming These Challenges

Companies need to embrace a customer-centric marketing framework to understand differences in customer behavior and develop new marketing strategies to improve customer relationships. For marketers still clinging to their product- and campaign- centric ways, these models may be on their last legs based on trends indicating consumer resistance to intrusive non-customer-centric marketing. Equifax Database Services offers industry-specific marketing solutions based on a customer-focused strategic framework called 'Transforming to Customer Centricity' that underpins all our client solutions. The idea is the more customer-centric, meaning relevant and timely, the marketing message, the more successful that message will be in reaching the customer—resulting in more effective marketing programs, happier customers and strong sales.

Our marketing database platform is an open-architecture solution, proven flexible and scalable. We integrate all relevant internal and external data sources, into our clients' B2C, B2B or hybrid marketing databases. We leverage a wide array of data products and hygiene services to cleanse, consolidate and produce a holistic and enhanced view of each customer. And pre-integrate best-of-breed marketing automation tools for data mining, campaign management and business intelligence to enable continual analysis, testing and measurement to improve our clients' marketing efforts. Our strategic and operational support, help clients achieve their business imperatives and offer all the key marketing services companies need to begin or continue their efforts toward customer-centricity. ■

Customer Strategy for the Next Economy

Using Customer Data and Analytics to Transform the Enterprise

FULCRUM

A recent CMO Council survey revealed that 76% of senior marketing executives feel their companies are missing significant revenue opportunities with existing customers. Moreover, less than half of the respondents felt they have the data and insights to understand such important metrics as customer profitability.

How can this be? After two decades of ever expanding amounts of customer data and in the face of an economic reality that demands companies respond strategically and rapidly to changing markets, how did we get here?

Beyond Database Marketing

Database marketing has been one of the genuine marketing success stories over the last twenty years, bringing incremental profits to those companies that managed to use data and analytics effectively. But it should be remembered that many of the most successful companies within that same period—companies like Wal-mart, for instance—are not traditional database marketers, but rather excel at using information to drive decisions in every part of their business.

Our view: database marketing is necessary, but not sufficient. But its core aspects—data warehousing, advanced analytics, and integrated customer strategies—need to be leveraged across the entire business in order to transform the enterprise.

Retailers can achieve higher near-term financial gains by improvements in pricing and merchandising, areas historically separate from customer marketing. Cutting a favorable deal with a manufacturer can generate more profits for a retailer than even the most highly targeted marketing campaign. Here's a quick example of what we mean:

Several years ago, we developed a new analytical technology that lets us predict "silent" attrition, as well as repurchase rates, at the customer level. This technology was deployed originally in database marketing programs to help retain customers at risk of attrition and to target customers with untapped potential.

This technique essentially predicts demand at the customer level. Using a similar approach based on the same data, we can forecast demand at other levels: the entire enterprise, regions, stores, and product categories. This allows a category manager at a retailer to present demand forecasts based on customer insights to manufacturers when negotiating merchandising agreements.

CVS is an example of a company using data effectively to integrate customer and vendor management. Their insights about customers allow them to target promotions precisely, while these same insights provide meaningful information to vendors about the customer audience and the ROI for merchandising promotions.

The 'Next' Economy

The companies that emerge as leaders from the current recession will be the ones that use information to infuse their corporate strategies with customer information and insight. What we call the Next Economy is bringing real shifts in commercial and consumer spending and consumption. We see recovery and growth happening in three phases:

Near Term: Controlling the Slide

Many businesses have cut back strongly in all areas with layoffs and reductions in discretionary spending, including marketing. In many cases, these cuts will not have been data-driven decisions. For instance, a recent Harvard Business School article showed retailers often cut the wrong type of employees, leading to lower profits and worse customer experience. The surprise finding: cutting workers that stock the shelves causes "stockouts," which means customers are frustrated by lack of inventory and take their business elsewhere[1]. Here is a case where the customer insights should help drive even such operational matters.

Mid Term: Climbing Out of the Valley

While it may seem like a dim prospect, the economy will stabilize and then recover. But when? Those companies that can anticipate and plan for the turnaround will be those that achieve the quickest gains.

During this recovery, budgets will continue to be constrained. Having a solid, information-driven customer strategy will enable companies to make the most of their resources. In fact, just as in today's tough times, there will be opportunities to save money in some areas, and redeploy budgets proactively. For example, customer acquisition will return as a higher priority, but we want to ensure that spending acquires high-value customers.

Long Term: Sustaining the Gains

While getting an early start in the recovering economy is important, being a first mover does not guarantee sustainable performance. A rising tide will help lift all companies, and some competitors will eventually catch up. The companies that emerge as market leaders over the long term will have learned how to use information about customers and markets to continually improve business performance. ■

[1] Julia Hanna. Thinking Twice About Supply-Chain Layoffs. HBS Working Knowledge, December 8, 2008. [http://hbswk.hbs.edu/item/6088.html]

Grow Your Customer Relationships with Event-Based Marketing

INFOR | CRM EPIPHANY

You used to be excited about the promise of event-based marketing programs. You dreamt of the windfall returns, the abundance of newfound customer loyalty, the uncontrollable employee excitement and industry notoriety that your programs would bring. But something happened along the way to marketing prosperity, didn't it?

It's quite possible that you:

- Conducted far too many event-based marketing programs
- Own marketing technology that doesn't properly support your event-based efforts
- Couldn't detect or respond to meaningful events
- Were out of sync with your customer base
- Don't know how to accurately measure performance

Get your Event-Based Marketing programs lined-up!

Event-Based Marketing has proven to be a powerful way to maintain a customer dialogue and capitalize on meaningful moments and events within the customer lifecycle. In order to be wildly successful, your event-based campaigns can reach your customers at a time when your customers recognize the need for your products and services and are receptive to offers that will fulfill those needs. Your precision timing will greatly improve the effectiveness of your event-based marketing campaigns and will become the difference between success and failure.

How will Event-Based Marketing help you grow customer relationships?

Offers from event-based campaigns are delivered during a timely event within the customer lifecycle and are done with permission of the customer; they are viewed as a valued service, rather than an interruption or intrusion, as some outbound marketing messages are viewed.

Because of this, the customer is more engaged and willing to listen to a relevant offer or message.

Examples of how event-based marketing campaigns can be viewed as a service to the customer include:

- A customer deposits a large amount to a savings account; this can generate a note to a branch manager to call this customer to discuss services for high net-worth customers or to inform the customer of higher yield accounts, such as CDs, for example
- A customer has a series of dropped cell phone calls in a short period of time; this could trigger a customer care campaign which would initiate an outbound call to the customer from customer care with an offer of a new multi-band phone to avoid dropped calls in weak service areas
- A sports team winning a game, perhaps the Super Bowl, can generate email notifying the winning team's fans that championship t-shirts and hats are now available at the on-line store
- A customer abandons a shopping cart; this event can generate an email to the customer with an offer of free shipping if the shopping cart's contents are purchased within the next 24 hours
- A snow storm in Vermont can trigger an email from a ski resort to its customers telling them of the new blanket of powder

and providing a discount coupon on a lift ticket within the body of the email
- A patient whose medication has run out but has not been refilled; this can generate a call from a nurse to remind the patient to fill the prescription

Catch the event-based marketing wave that revolves around important customer events! More and more, leading companies are now realizing that certain events are meaningful to their relationship with a customer. These events represent opportunities for you to offer products or services in a timely and relevant fashion.

With Infor's approach to Event-Based Marketing, you may quickly realize how true innovators:

- Capitalize on cross-selling opportunities
- Increase the number and quality of sales leads
- Reduce churn by reacting to key defection events while they are still in process
- Improve response rates as much as five times higher than traditional batch outbound campaigns
- Enhance campaign velocity with real-time execution and adjustment
- Decrease marketing costs by automatically and continuously responding to events as they occur

Find out how your company can achieve similar benefits with Infor CRM Epiphany Event-Based Marketing. ■

About Infor CRM Epiphany

Infor's market-leading suite of CRM software products provides organizations with a comprehensive offering for marketing, sales, service, and customer analytics. Infor CRM Epiphany powers the CRM operations of some of the world's leading companies, in key industries such as financial services, retail, hospitality, and telecommunications. Infor CRM Epiphany helps organizations understand, anticipate and serve customer needs across all channels to increase sales and brand loyalty.

For more information, visit: www.infor.com/crm

The Rules of the Game Are Changing

Companies are tapping new sources for better customer insight

Peppers&RogersGroup
Managed Analytics

Recent advancements in analytical and modeling capabilities are making customer data more valuable to the marketing department than ever before. As a tool to understand customer value and behavior today and in the future, analytics help companies exceed their target revenues through strategic customer acquisition, retention and growth efforts. But how does a company manage its analytics effort?

The outsourcing option:

A growing number of business executives are considering outsourced options to manage and execute customer analysis, advanced analytics, and even analytics strategy. Here are some of the reasons:

- **Cost**: Tighter competition and investor scrutiny has put pressure on companies to look for more cost efficient alternatives.

- **Global interconnectivity**: Improvements in technology and communications systems allow the integration of a high-skilled, low-cost workforce with an organization's analysis process, no matter where in the world that workforce is located.

- **Acceptance of outsourcing**: An increased cultural acceptance of research/analysis outsourcing encourages companies to focus internal resources on core competencies and explore outsourcing for the analytics.

- **Shortage of skilled analytics professionals**: According to Forrester, through 2008, 25% of CRM projects in the U.S. are estimated to be canceled or postponed because of the skills shortage.

Right-Sourcing strikes the right balance:

The Right-Sourcing model balances between internal resources and out-sourcing. It takes the best of both worlds, combining the right internal talent with value added consulting services, and then introducing cost effective outsourcing processes into the picture.

What next?

Before engaging any external help, companies should first determine their current analytics

How do you structure your organization?

There are many ways to structure an analytics organization. Which is right for you?

	Benefits	Challenges
In-House	• Stability • Control • Lower Risk	• Expertise can be hard to find locally • May require a long ramp-up period • High resource management cost • Requires special management practice • Possible distraction from core duties
Outsource	• Broad range of analytics experience • Often provides cost efficiency • Flexibility/Scalability • Best practices/Innovation • Longer work hours	• Insufficient knowledge about business may cause inefficiencies • Project-based engagements require ramp-up period • Communication and data security issues • Resource turnover
Right-Source	• Increases ability to understand, translate and activate strategies that meet business needs • Leverages competencies where they are the most developed and sophisticated • Supports efficient communication and knowledge-sharing • Reduces ramp-up time and leverages existing relationships • Provides cost efficiencies from resource flexibility and standardized processes	

profile and focus on how they can leverage a provider to improve their position. Other critical steps:

- **Identify your analytics champion.** A senior level executive should be accountable for analytics investment and results.

- **Find the right partner.** Look for a partner with relevant industry, market and technical expertise while considering the skills of remote contributors—particularly evaluate time, language and geo barriers.

- **Balance internal and external resources.** Good project management skills and basic analytic capabilities will help all involved foster day-to-day working relationships and proper evaluation of quality outputs.

- **Understand the short-term and longer-term need.** Take the time to look at the big picture so that you chart a course that makes sense. Initial investment to define the need and intended long-term relationship will serve both the customer as well as the potential vendor.

- **Define, monitor and continually measure progress.** Smart companies define traceable progress metrics and ensure deliveries are on track from a quality and quantity

perspective as well as contribute to the bottom line.

Applying high-end analytics in the decision-making process to outperform the competition has never been more urgent than today. Tighter competition, economic fluctuations and investor scrutiny has put more pressure on companies to look for more cost efficient alternatives. Improvements in technology and communications systems allow the integration of a remote high-skilled, low-cost workforce with an organization's analysis process. Companies that quickly tap this new, cost efficient and scalable source will certainly have an edge over the competition. ■

For more information, contact:
Onder Oguzhan, **ooguzhan@1to1.com**, or **203-642-5477**

Also, View our recent webinar "Have You Looked at Your Data Lately?"
http://www.1to1media.com/links/ManagedAnalytics.html

From Prospects to Profits

Capture Customers at the Moment of Interaction with On-Demand Analytics

Marketers spend millions to generate a response from a customer, but then strike out at the most crucial point of the acquisition cycle—when the customer reaches out. Typically, only 40-60% of ad responders become customers. That translates to approximately 50% of high-value leads that are lost.

As budgets tighten and competition stiffens, marketers can no longer allow these hot leads to go cold. With a cutting-edge approach to analytics called on-demand scoring, marketers can make their dollars work harder and convert more hand raisers into customers *and profit*.

Seizing Opportunity at the Moment of Impact

On-demand scoring gives selling organizations deep insight into consumers previously unknown to them. While many companies have begun implementing lead-scoring strategies, most of them still haven't realized the advantages of scoring *on demand*—particularly in the business-to-consumer space.

Consider this: Companies invest considerable time and resources with consulting firms to analyze their customer base, but how can they apply that knowledge to unknown prospects? Moreover, how can they wield that knowledge when it is needed most...at the moment of converting a prospect to a customer?

Creating Relevance at Every Touchpoint

Through on-demand scoring, marketers can apply a wealth of actionable insight in a split second—in the call center, on the Web or at the point of sale. This on-demand approach to analytics allows them to:

- Instantly identify *high-value* prospects
- Prioritize leads for follow up or inquiry handing
- Verify, correct and enhance lead contact information
- Match prospects to the most appropriate sales rep or call-center agent

- Create more relevant experiences that convert interest into a sale
- Vary scripts and deliver spot-on cross-sell offers—*on the fly*
- Build a lead-management database to track results and optimize performance
- Personalize coupons and next-visit offers provided with purchase
- Capture name and address to populate a CRM database
- Customize follow-up and loyalty communications
- Locate customer households and define trade areas for local marketing

Increase Conversion Rates and Save Marketing Dollars

From finance to automotive to retail, companies and organizations across every industry are making their marketing dollars work harder through on-demand scoring.

Case-in-point: Liberty University. It purchases many of its best leads from partners that sell the same leads to its competitors. In order to be the first university to follow up with an eager learner, it needed the ability to *instantly* recognize *high-value* students—those most likely to stay enrolled through graduation. The non-profit university turned to on-demand scoring, building a lead-scoring program that allows it to personalize its treatment of leads *on the fly* and focus on the ones most likely to become long-term, profitable students.

The lead-scoring model instantly classifies tens of thousands of leads per month. The most promising leads are directed to enrollment counselors and less intense follow-up strategies are applied to the remaining leads. Furthermore, promising leads and enrollment counselors are matched based on the students' interests and the counselors' skills and experience.

Upon implementation, the university immediately started **converting four to five percent more *high-quality* student leads** and is now **saving more than $150,000 a year** by focusing spending on *high-value* leads.

"Getting Up to Speed"

Ready to begin analyzing leads on demand? To ensure a successful transition, there are a few questions to consider:

- **What kind of scoring model will you build?** While generic industry scores are available, for ultimate predictive power, companies should seek a lead-scoring system specific to their business, audience and products.

- **What data should feed for your model?** Internal customer-history and transaction data is only part of the equation. By integrating third-party data, companies can develop a highly predictive set of scores that apply to customers and unknown prospects alike. Models should also verify leads, incorporating contact-information quality into scores.

- **How can you make scores available in real time?** The key to instant, improved decision making is delivering lead scores over a real-time network to each customer touchpoint, including the call center, the Web and point of sale.

On-demand scoring lets companies recognize the leads that are most valuable and pinpoint the offers most likely to close the deal. As a result, marketers will not only improve customer engagement, acquisition and retention, but also empower their companies to respond smarter and faster than the competition. ■

About TARGUSinfo

TARGUSinfo, the leading provider of On-Demand Insight[SM], delivers the right knowledge at the right moment, enabling organizations to increase the quality of their services and effectiveness of their marketing. Through its On-Demand Scoring services, marketers can *instantly* identify their most valuable leads and apply insights that increase conversion.

For more information, call 800.6.TARGUS (800.682.7487) or visit www.TARGUSinfo.com.