Luke McKeever

is Chief Executive Officer (CEO) of Capital ID. Previously he was Executive Vice President, Corporate Development and member of the Executive Team of Alterian, the global provider of technology for analytically led integrated marketing. Prior to Alterian, Luke spent a number of years in management roles with Claritas and Experian in the UK and internationally.

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Luke McKeever
Capital ID
Assiesplein 1
8011 XD Zwolle, The Netherlands
Tel: +31 (0)38 4229999
Fax: +31 (0)38-4229955
E-mail: l.mckeever@capitalid.com

Data optimisation

Luke McKeever

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Abstract

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Preamble

In response to the brief for this presentation, I have based my material on two assumptions. First, marketing should always be accountable for results, a concept with which many practitioners of marketing are just coming to terms. It was mentioned earlier that we are in the best possible position to dictate what happens in marketing in terms of measurement, metrics and governing best practice. I feel even stronger about this and believe that we have an *obligation* to dictate the metrics that are used in marketing. One of the most exciting things for me is the IDM's transformation to incorporate not just online, but core topics such as social networking, which affect the brand, as these are not typically measured.

Secondly, everyone agrees that we are in some form of rapid evolution. An earlier speaker made the statement that what happens in the next two years might dictate what happens in the next 20; I disagree. We will be in a constant stream of change for the next 20 years, driven by the need to become intimate with our customers. This intimate relationship that we all need to forge is driven by information and access to it.

A revolution in analysis

Becoming passionate about analytics

The only area that is under a revolution is analysis, but not analysis in the conventional sense that we were educated in 20 years ago. Most of what we learned then has little relevance to us today. Everyone in this room is passionate about marketing and the role that we have to play in its transformation; we would not be here learning if we were not. However, a strange question is posed here: are you passionate about analytics? It is almost a contradiction in terms: the concept of being passionate about 'removing outliers' or 'stratifying samples' is not necessarily what gets most people excited, but the *application* of analytics is the area that I think people need to become deeply passionate about. Analytics may be applied, in a more general sense, to help manage not just the marketing groups, but the businesses and shareholders that we serve and, most importantly, our customers.

Role of analytics

Dictating what we do

I am not alone in thinking that analytics should be dictating what we do. We have CMOs and CEOs of major brands such as Unilever and General Electric stating how critical analytics is to them today, and we have people like Martin Sorrell of WPP talking about how his agencies are taking the concept of scientific measurement very seriously indeed. We talked about customer centricity or getting to know the customer intimately. At every transaction or conversation that we have with our customers, data is generated. Providing access to this data is important, since it gives us an opportunity to make the communications as relevant and joined up as possible. As a result, marketing is no longer the marketing that we understood ten, or even two, years ago. At what point does a lead get handed off by marketing to join customer services? At what point does customer services hand it off to sales? When we fulfil orders or when orders are billed, is that still part of marketing? Marketing's role is becoming increasingly complex and data is the only homogeneous element that we have, if it is stored and used correctly.

Marketing's role is becoming increasingly complex

Forging better relationships

The best place to start is the place that we all represent: the direct and online world. Other presenters have talked eloquently about social networking, co-creation and collaborative marketing, but what we are trying to do is move away from product-centric marketing, where many of us or our clients remain focused today, to where some of us are now; customer focused. We understand the importance of the brand and of consistent communication, but we are not really using every interaction point that we have to acquire more information and to use that to forge better relationships with our customers.

Consumers' desire for choice

A previous speaker touched on the concept of consumers and their desire for choice, and there have been many references today to people striving for more and more options. The reality is that people do not want choice, instead they would like someone to take the choice away from them. As they return home from work, they expect that whatever they need to buy is there 'on a plate' for them. The mail, e-mails or calls that they receive should be relevant, since that will help them make their decisions much more quickly. People over-egg the need for choice, when the reality is that we almost need to strip it away; what we need is highly relevant communication that makes decisions easy and sensible for customers. The more relevant the offer, based on the knowledge we hold of our customers and their wishes, the more likely the 'choice' will seem easy and right.

Highly relevant communication required

Analysis at the heart of companies' operations

Thought-leading companies are putting analysis at the heart of their operations. The most significant thing I would like to see is a

realignment of budgets and organisational structures to reflect this. Not only is the marketing department weaving a web into other parts of the business, but the direct marketing and online groups are encroaching on some of the above- and through-the-line activities. This can only be a positive thing.

Customer data is crucial

Success from listening to customer feedback

If anyone needs evidence to support the case, a great study was commissioned by Toyota in recent years to review the success of their campaigns. They drew the following conclusions. If you take a group of ‘creatives’ and they come up with creative innovations for an outbound campaign in a vacuum without using customer data, e.g. during a typical brainstorming session, the campaign is five times more likely to fail than it is to succeed. However, if an idea is generated based on customer data and feedback — looking at complaints, order history, information requests, etc — using customer data and monitoring their interactions, a campaign is thirteen times more likely to succeed than it is to fail. The net gain is enormous.

Moving away from static reports

Analytics is a horribly abused word. When I started in this space 15 years ago, analysis really was analysis as I understood it: data mining, building models, etc. There were many Business Intelligence vendors selling static reports that presented monthly metrics. The management group would get a report that told them what happened to their customers that month and whether they were on- or off-quota. Much to my frustration, they called that analytics too. However, there has been an enormous advance in analytic capabilities in the last ten years, driven by two things:

Advance in analytic capabilities

- Pure processing capability — computers are faster, store more data and can compute responses much more quickly.
- The delivery mechanism — the internet has enabled people to create their own reports, so they are now *analytical* in the sense that they can drill through and understand more information about what is happening, which can help drive better business decisions. And they can then share this information with colleagues and partners.

Summary

Looking at the classic marketing continuum, from justification, planning, execution to measurement, there are many forms of analyses that are undertaken in marketing today — not by all companies or all agencies, but there is a wide spectrum of areas where we could be focusing our attention.

Measurements

Building bottom-up budgets

I spend much of my time in the US, where many clients are building their budgets from the bottom up. They look at their previous year's activity, their channel capacity, their product lines, the number of customers, the lifetime value projections and the number of interactions that they can possibly make, and are building their budgets from the bottom up. They are therefore able to track deviance — positive or negative — dynamically. It is possible to say, on a daily, weekly or monthly basis, whether they are ahead of or behind plan for any given offer, product type, or even customer group.

Computational power

As stated earlier, computational power has created an enormous change in the way in which reports are created and delivered. For example, up until recently, time series analysis was incredibly difficult to deliver in an affordable way. People conducted time series reports years ago, taking tiny samples, breaking them down and hoping that those samples would be reflective of the universe of their customers. However now, with the advances in database technology and processing power, it is now possible to look at what happens sequentially and *predict* with a certain level of confidence what activity will best drive the behaviour the marketer is looking for. For example, if you know that someone has made a complaint, taken up a new offer or moved home, what does that mean for their portfolio with you as a multi-product company? If you see someone else about to do the same thing, you can work out what that might mean for your marketing programmes and how this might affect your communications with them.

Onboarding sequence

Similarly, there is a concept of onboarding sequence and what impact that has on the overall contribution that a customer might make. We worked with a charity in the US that looked at the order and sequence of donations. They work out whether, if someone donates \$5, \$10, \$20 and then \$50, that accrual is more valuable to them than someone immediately giving \$50. One might think that the second individual might be more profitable, but it depends on the segment and on whether that was a one-off or the beginning of a larger donation sequence.

Campaign fatigue

Something else that is receiving a lot of airplay with industry analysts is campaign fatigue. How many times can you talk to someone while still keeping response rates and the profile of the business acceptable? One area that was referred to by an earlier speaker is spam. E-mail is, in fact, one of the most effective mechanisms for communicating with customers, if the topic is right. But why is so little work done to refine e-mail marketing programmes? Because it is so cheap, it has been

Advances in database technology and processing power

Spam

hindered by its cost-effectiveness and, unfortunately, anyone can send thousands of e-mails. This leads to a lot of irresponsible marketing behaviour. I propose that we lead a charge to use the classic direct mail messaging principles of test, validate, roll-out, etc. to send better e-mails. It is disappointing to see how few companies have leveraged their offline methodology. Arguably the only people who are doing it well are those of us in the room and others who represent organisations like ours.

Clickthroughs

The standard metric for measuring e-mail marketing performance is clickthrough rates. This is an interesting metric, but why do we not compare the clickthroughs with the number of people who actually open the message, as opposed to those who receive it? This will show how enticing the subject line text was? Subtle measurement alternatives like this offer important insight that can help marketers to modify and refine their e-mail programmes and drive better response.

Uniting data sets

Getting better customer knowledge is about integrating data; transactional, customer, invoicing, delivery, payment and even returns data and putting it all into the same place. It is possible and it is happening. We have many clients who are uniting their entire data sets, enabling them to look at a customer across all of their interactions with them. When they e-mail someone, they are genuinely talking to them about something that they may have enquired or complained about the previous day.

Optimisation

Overview

Forrester does a great job of trying to define optimisation. This analyst research firm receives a number of enquiries each day from marketers asking about what technologies can do for them, where they can find them, what they should use and what are their options. These kinds of calls are ‘bread and butter’ for the analysts, and each analyst might take five such calls a day. According to one research analyst in the US, for the last few months, six out of ten calls he received have been about two areas of optimisation: site optimisation and contact optimisation. The other area that has been of interest to marketers (two out of every 10 calls) has been marketing resource management — the optimal processes to become an efficient business; The other two calls out of 10 concern everything else that marketers can do with technology. It is quite a representative customer base. So optimisation is not an issue that will go away or that people are not investing in — it is real. Interestingly, this tells us two things:

- First, the two enquiries out of ten not related to the topics I mentioned arise primarily because they are well-known; they are investing in things where information is readily available.

Better customer knowledge is about integrating data

What is optimisation?

- Secondly, the information relating to the other questions is confusing and they need help.

Converting data

Converting data into usable information

We are able to optimise everything from marketing processes to the planning and execution of marketing campaigns. Everyone here has used or will be using a campaign management tool, so the question around whether or not we need marketing automation is irrelevant. We have moved through mini revolutions and, in fact, we keep returning to the beginning, since more data is compiled and collected and it is difficult to ensure that we know how to use it. Once the data is all in one place, we have a crisis around how to convert it into usable information, act on it and get the intelligence to understand how the business is performing.

Optimisation is a tool

Managing the competition of offers and channels

Once we know all this information, how can we send out triggered messages to customers at the right time, or give marketers what they need to build customer-intimate relationships? Where we are now, I would contend, is the optimisation phase, in that we have multiple channels, more customer segments and more offers, so how do we manage the competition of offers and channels? Optimisation is a tool or process that is designed to help us do that.

Homepage targeting

Touch Clarity, a company recently acquired by Web Analytics vendor Omniture, and Kefta, also recently acquired by Acxiom, do homepage targeting. They can select a piece of real estate on the website and offer variable content based on the behaviour of customers before they arrive on-site. It is fairly straightforward to plug this technology into a website, but it can make the content much more pertinent to the user as they arrive on-site. Marketing can get a good lift; it is optimisation in the sense that you are learning about where the visitors have been; and you are using that information to create a better customer experience and, one hopes, a stickier and more valuable website.

Contact optimisation

Giving customers the best offers at the right time

Contact optimisation is for organisations that have multiple treatments and channels and that are already proficient database marketers. Marketing organisations that have built many propensity models and want to get these models to compete against each other, to say which offer, for each individual, is right at what time. We need to do this today because, although we control our outbound activity, we cannot give customers the best offer all the time, largely because of our own internal restrictions; not because the customer does not want the offer.

It is difficult in a practical sense to do that optimally without this kind of tool.

Setting levels of constraints

Constraints

In practice, you set a level of constraints. You place all the customer data you could possibly ever ingest into a system, so you can imagine the computational power required to take 10 million customers across 30 channels and 100 offers and an even greater number of creative treatments. You put them all into the database and ask the analytic engine to tell you what offer is appropriate to any individual at a given time. It also takes into consideration all the constraints that we have, enabling a practical way of delivering timely marketing communications.

Marketing resources

Understanding how operations and channels work

Understanding

If we can understand how our operations and those of our channel work, we can understand exactly how much resource is needed to deliver effective marketing programmes. We can measure how many people we have and how effective they are. We can look at cycle time reduction or de-bottlenecking. We can look across from campaign brief to execution and everything in between, in terms of changing the process from being a one-, two- or even a three-week cycle into a three-day or even a three-hour cycle. We have clients that have reduced their programmes from three weeks to three days, this is achieved by looking at their processes and trying to eliminate anything that is duplicated or drawn out. In doing that, you can ascertain the seasonality of your activity and infill or outsource work accordingly. There is a real metric being created to show you how effective you can be, and it is all about speed to market. We can be unique for a period, and getting out there more quickly is greatly advantageous to marketers.

Measuring the supply chain

Utopia would be to have a portal that links not just your marketers, but your financial, sales and customer service teams, and all of your suppliers. If you are a supplier, the concept of measuring marketing efficiency is not going to go away: The measurement of our interactions with our customers is one thing, but the measurement of our supply chain is another thing altogether. It is coming hard and fast. I recently met with the chairman of one of the world's largest direct marketing groups, who said, 'We are expected to improve our efficiency but we do not know how to'. They are an advanced-thinking direct marketing agency so imagine how hard it will be for an 'agency of record' with an above the line heritage to measure and justify all the work that they do?

Agencies are going to be asked to become more accountable and measurable, but there is an opportunity for agencies and service

Essential to have and deliver the information

providers to lead that charge and to provide the metrics to show their clients what works and how successful or otherwise they have been. Knowledge is power. In terms of direct marketing service providers that have provided report after report for the last 20 years to their clients, 95 per cent+ of people do not respond to traditional DM, which almost equates to reporting a failure, yet they continue to serve their customers and grow their share of the marketing spend. How can that be? In essence, it is essential to have and deliver the information, positive or negative, so the fear of saying that a campaign is not working because 99 per cent of people did not respond is defensible and justifiable.

Conclusions

- We have to recognise that what we are talking about — making analytics the centre of everything that we do — is a journey and that we need to take one step at a time.
- We need to develop a passion for it, not just personally, but across the business, so that, when a report comes through, people interrogate it and ask for more information; this will help drive better customer understanding.
- We need to develop this process across all channels. Everything is becoming 'trackable'. 55 per cent of all marketing in the US, according to Gartner, is now 'trackable' in some way, to the extent that you know exactly who received it and who responded.
- We need to look for data linkages. Even if we cannot unite all channels at the same time, simply bringing a couple together now is useful; the rest can be done gradually over the next 20 months or so.
- Finally, we should not look to do this on our own, as there are many organisations that can support the introduction of analytics across the core business.