Reviews

Marketing analytics conference report

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Henry Stewart's marketing analytics conference has become a regular annual event, and the 2010 edition was held in London last November. The excellent year-on-year increase over the 2009 event, in terms of number of attendees and 'end user' companies represented, demonstrated the growing importance of this subject area.

The conference was chaired by Les Bruce (Nationwide Building Society) who brought to the chairman's role his many years of experience as an analytics user.

The event was primarily designed as a 'user-friendly' briefing on the wide range of advanced analytics methods used in marketing, illustrating their applications using case study examples. The following presentations covered the various techniques and issues.

Descriptive techniques

Factor analysis

Dave Walter (dunnhumby) explained the use of factor analysis, and its 'sister technique' principal components analysis, for data reduction and identifying underlying dimensions in data. Walter demonstrated an application to Tesco shopper data, as part of a price sensitivity study.

Cluster analysis

Corrine Moy (GfK NOP) discussed the use of cluster analysis and other statistical techniques for segmentation. Moy stressed the importance of understanding the type of segmentation required, before selecting the data and designing the approach.

Affinity analysis

Tom Breur (XLNT Consulting) presented the use of affinity analysis for selecting a next best activity. Breur explained the collaborative filtering approach used by online retailers such as Amazon, showing how this method can generate such uncannily accurate recommendations.

Predictive techniques

Predictive modelling

Gordon Farquharson (Camelot) gave an overview of regression, decision trees and other predictive methods, including an example on the use of econometric modelling to analyse the effect of TV advertising on lottery revenues.

Uplift modelling

Gerhard Heide (Portrait Software) presented a case study showing how campaign response rates can be boosted through incremental response modelling. This approach models the difference in behaviour between a treated group and a control group — providing another good reason for including valid control cells in direct marketing campaigns.

Survival analysis

This author discussed the use of survival analysis for understanding and predicting time durations to key events, such as customer churn. The methods were illustrated by a case study on predicting the lifetimes of pre-pay mobile phone customers.

Price optimization

Judy Bayer (Teradata) discussed the application of predictive and descriptive analytics for supporting pricing decisions in retail. Bayer stressed the importance of including cross-sell and substitution effects when analysing pricing for FMCG products — if these effects are not considered, then 20 per cent of products may be incorrectly priced.

Other techniques and issues**Monte Carlo simulation**

Peter Furness (Peter Furness Limited) introduced the technique of Monte Carlo simulation for analysing complex processes, modelling customer behaviour or testing the performance of analytics tools, and included case studies on these applications.

Text analysis

Piers Alington (Feedback Ferrett) discussed the use of text analysis for automated analysis of customer feedback comments and explained the many issues involved in making sense of unstructured text.

Overcoming barriers and traps

Jon Epstein (r-cubed) and Gerard Crispie (Steria) gave a joint presentation on the barriers that may need to be overcome and traps to be avoided, in order to achieve success with analytics. Epstein pointed out that the 'house rules' used in contact planning can corrupt the use of analytics — but can also multiply campaign performance. Crispie explained that models are dependent on more than statistical expertise — in particular they rely on how effectively they are implemented.

At the end of this thought-provoking day, the Chairman challenged every delegate to implement just one new idea from the many that had been discussed — yes, this was a standard 'close' and call to action; however, the speakers had amply demonstrated the difference that advanced analytics can make.

Barry Leventhal F IDM

The changing mission of marketing data**Winterberry Group**

An interesting white paper with this title has been published in the USA by the Winterberry Group, sponsored by Acxiom and Netezza. It contends that the marketing data industry is in the midst of a full-scale transformation, reshaping the way marketers source, analyse and apply customer information.

The path is traced from the early days of direct marketing (mostly direct mail) when 'data' primarily meant names and addresses, through database marketing, which started to accumulate transaction data, and behavioural and lifestyle data, to today when a plethora of new channels has made available not only *audience* data, attributable to

Surveys

individuals, but also *behavioural* data providing anonymous information on browsing behaviour on the web.

The study is based on telephone and online surveys conducted with more than 175 marketers and others in the data business from round the world, together with input from a variety of published sources from the last 2 years.

These show that data spending relating to direct mail still dominates the market (partly because such activities are labour-intensive and expensive compared with online data collection and analysis) but is declining in absolute terms at the same time as spending in relation to email and online activity is rapidly growing — from a small base. The gap in population coverage between off-line and online media is also noted, although this is clearly shrinking.

Reference is made to the early (ab)use of saturation emailing, and the decline of banner ads, etc through naïve overuse: only search engine marketing, which had no off-line corollary, emerged successfully from those early days.

New digital applications

While the traditional principles of direct mail (right offer, right audience, right time) still hold good, a new set of data-driven digital applications (eg website optimization, lead generation, real-time media buying), integrating inputs from multiple sources, can now serve a broader array of business objectives than merely traditional marketing.

Problems of unstructured data

The authors find, however, that the growing desire to use *all* available — including unstructured — data is frustrated by old infrastructures built to handle structured data available through well-defined channels. Large well-resourced companies are trying to integrate elements of marketing data, of all types and from all sources, into broader ‘master data management’ strategies affecting all aspects of company activity.

The availability of data is no longer a bottleneck, but using it effectively involves ‘monumental challenges’ of technology and infrastructure. In particular, there are three major hurdles to be faced. First is the unstructured nature of much web data (eg image and video files). Integrating such data with databases structured round independent customer records is a serious problem.

Data quality issues

Secondly is the issue of the *quality* of data derived from different channels: what are data-collection best practices, how truthful is customer-provided information and what is the risk of degrading overall data sets by its incorporation?

Thirdly, what are acceptable uses of data? How does this vary with channel, with type of data, with implicit/explicit consumer consent, or its lack? Panellists regarded the problem of responsible standards and best data practice regarding transparency, security and consumer choice as the toughest call of all, particularly in the context of personally identifiable information. They acknowledged that these issues have been around for a long time, but held that they are acquiring greater resonance with the enhanced and less overt data collection facilities offered by the internet.

[It should be noted that this paper, although drawing on an international panel, is written from a largely US perspective. It is my

Data ‘ecosystem’

perception that the EU, while more restrictive on past privacy issues than the USA, is also more structured and predictable than the USA. EU companies will not escape the privacy question, but may find it easier to deal with than US companies, since it will be handled under an established legal structure. Ed.]

The paper gives a chart of the current ‘data ecosystem’, listing eight established, and seven emerging types of player, showing the activities and the primary delivery channels of each. It concludes that this market is still immature, and expects it to grow in both size and scope in coming years: this growth will require a new cross-channel industry structure in relation to analytics and technological integration of both new and established targeting technologies.

This is a paper well worth reading as an indication of the direction in which the data industry is seen, by a fairly large sample of its senior players, to be moving. The full paper can be seen at www.winterberrygroup.com.

Robin Fairlie Hon F IDM

Direct and digital marketing in practice

Brian Thomas and Matthew Housden

A&C Black Publishers, London, 2nd edn, 2011; 460 pp. £29.75 (from Amazon); ISBN 978-14081-2752-0

A comprehensive guide

For those of us who have spent the last 15 years transferring our direct marketing knowledge into the digital era, the book title immediately provides a sense of reassurance. We have always known that digital marketing adopted the planning, acquisition, retention and measurement principles that had evolved in the direct marketing field. We recognized that the collection, analysis and application of prospect and customer data provided our discipline with the universal credibility among marketers, which gave currency to direct marketing skills and qualifications. The authors of *Direct and Digital Marketing in Practice* have provided us with a comprehensive guide that clearly does what the title suggests; it provides a balanced approach to understanding the planning process for the disciplines as part of an integrated whole, rather than dealing with digital as a new science with its own language, applications and ROI measurements.

A logical approach

An early inspection of the structure of the book immediately confirms a logical approach to topics, which facilitates the sense of integration. Strategy is clearly located as the centrepiece from which the discussion on the priorities of acquisition and retention flow. In any comprehensive marketing text that overtly claims to be a guide to practice, the clear test of its readability is the lead into and the follow-on from the strategy section. Thomas and Housden appropriately choose to develop our understanding of data as the cornerstone of strategy with chapters that clearly address the collection,

Some minor reservation

use and management of customer and prospect information in order to develop acquisition and retention strategies.

Perhaps there is a sense in these early chapters on data that digital applications for the collection and use of data are somewhat subsumed within the more traditional techniques. '*Using the internet for information gathering*' provides a brief and rather broad approach to an increasingly sophisticated science. The small section on social networking as a means of collecting customer information does not provide the insight on the issues and opportunities that the form increasingly offers. Similarly, the chapter on *Using Information* lacks the sense of digital practice that the book title promises and may therefore result in the practitioner finding the chapter difficult to apply to their own digital marketing world.

Some subject coverage such as segmentation and targeting, referred to in headings rather inappropriately as targeting and segmentation (yes, the order is important), lacks the depth required for a true appreciation of this complex activity. The variables are listed, but the process of choosing and mixing variables to provide a robust and effective means of establishing targeting criteria is not as clear as it might be. Examples are provided, but the explanation is lacking.

Similarly, the discussion on IMC focuses on channels and media and falls short of developing an understanding of the criticality of integrating communication tools, as well as media. However, the book deals with brand management, propositions and creativity in a highly informative manner and provides an excellent introduction to measurement and testing.

Well organized and structured

The style and form of presentation adopted is particularly useful in terms of providing the reader with ready access to information. Knowledge is provided in well-organized and structured sections that focus on the communications of principles in action rather than theory. Practical observations and short case studies provide insight into applications. There are times when the regular use of bullet points tends to obscure the clarity sought by the reader, short phrases or single words may lead to misinterpretation, and there are possibly too many lists in use throughout the book. For example, a more equal mix of discussion, explanation and bulleted points in the chapter 'Developing the Strategic Plan' would provide a better balanced approach.

The book is ideally positioned for the business graduate or diplomate who has developed a good theory-based understanding of marketing and IMC principles, but has received rather limited exposure to the detail and complexities of direct and digital marketing in practice. Digital marketing is still not a sought-after title in our universities, and too often the graduates we produce have only a top-line appreciation of the importance of ROI-driven direct and digital applications. This book, with its many up-to-date sources, tables and measures, provides an ideal basis on which academic knowledge or early experience of the disciplines can be developed to a sound practitioner level.

Rod Humphreys F IDM