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Abstracts

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Market research, Internet

Web-based market research: The dawning of a new age
D. McCullough
JOURNALISTIC. *Direct Marketing* (US), December 1998, p. 36 (3pp.)
Illustrates a dilemma of classic market research projects with the phrase: 'Good, quick, cheap. Pick two.' Asserts that market research on the Web allows you to pick all three. It also eliminates interviewers — not only their cost, but their mistakes, their biases and the need to brief them. Rehearses the logistics of classical in-person research and maintains typical time taken from written questionnaire to result is six weeks, while a Web survey of 300–400 respondents can be completed over a weekend. Claims that data collection costs (classically the most expensive part of the exercise) can be reduced to zero on the Web. Moreover, problems of low-incidence populations (eg orchid growers) are eliminated: they come to your Web site. Accepts there is a problem of skewed samples — while Web access is less than universal — and a two-dimensional limitation (which holography may in time overcome).

Interesting. The problem of skewed samples will be difficult to answer even with universal Web coverage of households, but the positive aspects are not to be sneezed at.

Research: * Practice: *** Originality: ** Readability: ****
Ref: 1101

Information, pricing, Internet

Versioning: The smart way to sell information
C. Shapiro and H. R. Varian
THINK-PIECE. *Harvard Business Review* (US), November/December 1998, p. 106 (9pp.)
Asserts that total information has not greatly expanded in recent decades — but that it has become dramatically more accessible. Discusses the economics of the marketing of information: information goods have a high initial fixed cost (much of which is an irrecoverable sunk cost) and a low variable reproduction cost (which typically holds good for an unlimited number of copies). This is true for books, where marginal unit costs are still significant, for CDs, where they are negligible, and for Internet copies where they are zero. Asks how then can one create a viable pricing strategy in a competitive market where marginal costs are

at, or close to, zero. Concludes that the only viable strategy is to price according to 'the value a customer places on the information'. This differs for different (groups of) customers, leading to versioning, of which many different examples are given. Thus price may vary for different customers according to speed of access required, or comprehensiveness, or ability to print, store, manipulate, etc. This leads to a discussion of value-subtraction — the marketing of a deliberately downgraded version of a product at a lower price, even where it costs more to produce than the original product. Speculates on what number of versions is optimal, without reaching a general conclusion, but contends that a two-version strategy is in danger of ignoring the psychological phenomenon of 'extremeness aversion': the addition of a third version will push customers towards the middle ground.

This essay is required reading. It has potential relevance to all forms of marketing of any product — but especially for information marketing in an age where the laws of economics may not have changed, but the circumstances in which they now operate give rise to some new and counter-intuitive results.

Research: ✻✻ Practice: ✻✻✻✻ Originality: ✻✻✻✻ Readability: ✻✻✻✻✻
Ref: 1102

Internet, relationship marketing, communications

An Internet culture?: Implications for marketing

S. Nicovich and T. B. Cornwell

THEORETICAL. *Journal of Interactive Marketing* (US), Vol. 12, No. 4, p. 22 (11pp.)

Examines the Internet in terms of its ability to enhance cross-cultural communications. Suggests the Internet is itself a quasi culture (but distinguished from other cultures by its placelessness). Describes the social nature of the Internet. Suggests the Internet may unite the two traditional marketing models — that of mass-marketing uni-directional information flow, and that of bi-directional personal and relationship marketing. Indicates how the Internet may become a bridge between differing cultures, being affiliated to each while different from all. Discusses the need for a company to analyse incoming communications with the type of sophisticated tools used in data mining; to profile the Internet market; to observe the cultural norms of the Internet, which conflict with the concept of traditional mass promotions; to take account of cross-cultural ethical issues (and intra-cultural issues, such as the use of 'cookies'). Concludes that the Internet 'may prove to be just a new form of the telephone surrounded by hype and broken promises', but could also lower inter-cultural barriers.

The underlying concept of the Internet as an interactive mediator between different cultures is the most interesting thing in this article. Real research into whether/how this happens would be fascinating, but is not contained here. Worth a read nonetheless.

Research: ✻✻ Practice: ✻✻ Originality: ✻✻ Readability: ✻✻✻
Ref: 1103

Internet, international marketing

The Internet and international marketing: Is there a fit?
S. Samiee
SURVEY. *Journal of Interactive Marketing* (US), Vol. 12, No. 4, p. 5 (16pp.)
Examines the roles and limitations of the Internet in international marketing. Distinguishes business-to-business from consumer marketing and concludes that the Internet will always be more relevant for the former. Identifies a series of structural, and another of functional, issues which can create barriers to Internet marketing, particularly in the consumer field. Structural issues are: PC ownership, computer literacy, access, language, culture and government regulations. Functional issues are: segmentation, promotion, distribution, pricing, information management and customer discontent. Each of these issues is examined in turn. PC ownership and computer literacy are still low, especially worldwide; most potential users do not read English; most people prefer to purchase through personal interaction; governments hamper Internet development; segmentation of Internet users is difficult; uniform advertising to an international audience is dangerous, as is pricing, whether uniform or not; the elimination of existing distribution channel intermediaries is unlikely. Asserts that the Internet will not uproot existing marketing methods, but will gradually, like catalogue shopping, find a niche. Holds that, for businesses, the Internet can widen the competitive playing field, but not level it. Finally, points to the long list of loss-making Internet firms and services.

Goes on a bit. The points made are all valid, usually neglected by the enthusiasts, and therefore worth making. But having one's feet on the ground should not mean fixing one's gaze there exclusively.

Research: ✻✻✻ Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻✻
Ref: 1104

Communications, telecoms, Internet, call centres, customer service

Press 1 for profits
G. Conlon and M. Piturro
JOURNALISTIC. *Sales and Marketing Management* (US), September 1998, p. 85 (5pp.)
Describes the integration, within call centres, of telecoms with computer systems and the Internet to create a single point of contact between customer and company, regardless of whether the customer is using Web, e-mail, fax, phone call or kiosk to communicate. Argues that this provides an opportunity for companies to create a seamless integration between marketing and customer service, with the latter becoming a revenue earner instead of a cost. Gives a number of US examples of user companies and their software suppliers. Provides a list of industry acronyms. Discusses the use, and misuse, of voice response systems, and the growth of voice recognition.

A fascinating glimpse of an area in which Europe is far behind the US, this article suggests ways in which producer technology — if properly *applied — could actually benefit the consumer instead of being seen as just another barrier to person-to-person communication.*

Research: ✻✻ Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻✻
Ref: 1105

Digital TV, interactive TV

Interactivity takes to the living room
Ian Johnson
JOURNALISTIC. *Revolution* (television report) (UK), March 1999, p. 5 (7pp.)
Looks at the coming revolution in TV services. Lists the UK providers of digital TV platforms, using three different methodologies. Distinguishes three types of TV: ordinary viewing, 'non-TV' (eg interactive games, home banking, etc) and 'bridge TV' (interactive overlays integrated with TV programmes). Discusses prospects for interactive advertising, and particularly market research, and considers some of the problems, looking at French experience. Glances at privacy problems, and problems of TV/Internet compatibility, and estimates likely rate of consumer take-up.

A useful starting point for any potential advertiser (or indeed user) unacquainted with the workings of digital TV.

Research: ✻ Practice: ✻✻ Originality: ✻✻ Readability: ✻✻
Ref: 1106

Database marketing, segmentation, share of customer

Database segmentation using share of customer
E. C. Malthouse and P. Wang
THEORETICAL WITH EXAMPLE. *The Journal of Database Marketing* (UK), Vol. 6, No. 3, p. 239 (14pp.)
Claims that many companies are shifting their objectives from high market share to high share of customer, with the aim of increasing long-term custom. Defines concept of 'silent attrition' as the increase in a customer's overall purchases of a given category of goods without increase in purchases from the company in question. Refers to a wide range of industries in which share of customer has become an important concept — under slightly varying names. Concludes that segmentation systems based on share of customer are needed. This requires knowledge of each customer's purchases from the target company, and from other companies in the category concerned; the latter may be obtained by questionnaires, either to the total customer base, or to a sample with replies being modelled to give predictions. In some cases, it is alleged, such data may be available in the marketplace (eg details of hotel bookings on Amex cards). Constructs a four-cell conceptual framework to distinguish customers who are heavy/light users of the target company's products, and at the same time heavy/light users of competitive products; suggests an appropriate strategy for each segment. Illustrates this approach with an example from the restaurant industry, where diners are invited to fill in a survey. Describes the analytical

methods used on the data provided, and indicates how the four-cell segmentation method allows meaningful differentiation. Ends with warning about privacy concerns.

The behaviour ascribed to Amex in the USA might seem illegal were it practised in the UK. More importantly, one should beware of mixing real data about purchases of one's own goods with much less robust data about purchases from other companies, however obtained. But a useful introduction to a growing subject.

Research: ✻✻✻ Practice: ✻✻ Originality: ✻✻ Readability: ✻✻✻
Ref: 1107

Database marketing, segmentation, targeting, analysis

Targeting financial services using statistical models
R. Flowerdew
METHODOLOGICAL. *Journal of Targeting, Measurement and Analysis for Marketing* (UK), Vol. 7, No. 1, 1998, p. 97 (10pp.)
Argues against the use of cluster-analysis-based segmentation methods favoured by the geodemographic industry on the grounds that general-purpose classifications seldom give the best discrimination possible for any specific product. Because for most financial services marketing the aim is to discriminate between those who do and do not respond and because the number of accounts possessed is an important count variable, a Poisson regression approach is recommended. For binary data, binomial logit regression is recommended. Based on a relatively small dataset from FRS, the paper also discusses the limitations of the methodology and its applicability to larger datasets.

The attack on general-purpose geodemographic systems is a trifle extreme. But the claim that product-tailored discrimination must be better (and nowadays simple to perform) is logical, and the methods described are well worth study.

Research: ✻✻ Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻✻
Ref: 1108

Database marketing, segmentation, analysis

The DVLA data goldmine: Description, utilisation and limitations of Britain's latest database
R. Culf
METHODOLOGICAL. *Journal of Targeting, Measurement and Analysis for Marketing* (UK), Vol. 7, No. 1, 1998, p. 82 (15pp.)
Describes the new database released by the DVLA on 25 million vehicle records. Analyses how the spatial patterns of brand ownership vary in Britain and why — and provides ideas about how this may be used in a marketing context which would be of particular value to automotive components manufacturers and vehicle insurers. Also evaluates the database and concludes that the need for anonymity means that the level of resolution is not as fine as one might like (data refer to vehicles and not owners, for example). Nonetheless, suggests that failure to derive

added value from this database is more likely to occur due to a lack of imagination than from any weakness in the database itself.

Of practical interest and value to marketers operating in all aspects of vehicle marketing.

Research: ✻✻ Practice: ✻✻✻ Originality: ✻✻✻ Readability: ✻✻✻
Ref: 1109

Database marketing, multivariate analysis, segmentation

Market segmentation for profitable direct marketing through the use of discriminant analysis
D. G. Clarke, R. M. Oveson and W. R. Swinyard
RESEARCH. *Journal of Targeting, Measurement and Analysis for Marketing* (UK), Vol. 7, No. 1, 1998, p. 25 (15pp.)
Examines the development of an analysis-driven segmentation approach using discriminant analysis which classifies US households into four segments, based upon predicted responsiveness to a telephone marketing programme to 16,000 US homes. Also conducts a financial analysis showing how the discriminant analysis results lead to cost benefits. For a new campaign of 100,000 households, by calling the top-performing segments, instead of all segments equally, the profitability of the programme will be increased by 33.6 per cent.

The application of discriminant analysis to this type of problem is already well known but the case is clearly written and presented in essentially non-technical language.

Research: ✻✻ Practice: ✻✻✻ Originality: ✻ Readability: ✻✻✻
Ref: 1110

Banking, customer-centred strategy, segmentation, innovation

Time for banks to rethink the way they allocate their marketing mix?
G. Miller
THEORETICAL. *Journal of Financial Services Marketing* (UK), Vol. 2, No. 4, 1998, p. 299 (7pp.)
Argues that to obtain maximum value from marketing budgets, banks must rethink the way they allocate their resources. Looks at how and why current strategies to maximise customer value have subordinated marketing to support the sales function. Looks at the emphasis on the physical presence of retail outlets; the predominance of products with transaction-intensive activities; the deregulation of the financial services industry; the autonomy, strength and political will of independent business units within companies. Discusses how these have all led to the situation where power, culture and focus are concentrated in distribution, operations and sales. Argues that due to changes in the competitive environment and growing importance of other distribution channels, existing strategy must redirect focus to the customer, rather than to the banks' structures. This means a more marketing-literate approach and involves:

- acquiring a customer-based instead of a product-based approach
- finding more powerful and effective ways to segment customer bases
- innovating more actively
- finding ways to package products and services.

This requires a shift to allocating resource to customer profitability, plus a greater commitment to data and database issues; better segmentation; loyalty programmes; effective customer communications and innovations.

A beautifully written and clear-eyed exposition of banks' failure to understand what marketing is about. Let's hope it has some effect.

Research: —— Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻✻✻✻
Ref: 1111

Financial services, direct mail, scoring models

One-to-one contact planning in the financial services industry
J. Haste
THEORETICAL. *Journal of Financial Services Marketing* (UK), Vol. 2, No. 4, 1998, p. 307 (9pp.)
Presents the results of a test that demonstrates that direct mail campaign profitability is significantly uplifted by a customer-led as opposed to a product-led approach. Discusses the issues of using propensity to buy as a selection criterion for contact management and gaining optimum profitability for multi-product offerings. Sets out the drawbacks of the traditional product-led contact planning approach, which is based on volume targets. Introduces 'contactplanner' — a contact management software tool developed by Berry Consulting. Goes into more detail about the customer-led approach used in the test: how an algorithm is used to allocate a score (a PVC score) to every customer, where (P) is the propensity to purchase a product, (V) the value of the purchase over time and (C) the cost of the contact. Discusses how selections are made on the basis of the best PVC score and how this approach can redefine contact strategies. Reviews the methodology of the simulation test, where the PVC customer-led approach is tested against a product-led approach, where customers' propensities are considered only against volume targets. The test-bed using the Financial Research Survey with CHAID models is discussed. The results of the test show that the customer-led approach combines meeting customer needs with using the most profitable sales strategy.

A clear example (albeit simulated) of the inadequacy of traditional product-based marketing (already criticised in the preceding article).

Research: ✻✻✻ Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻✻
Ref: 1112

Customer retention, loyalty, segmentation, financial services

The future of banking: Implications of branding and loyalty

J. Jones

THEORETICAL. *Journal of Financial Services Marketing* (UK), Vol. 3, No. 1, 1998, p. 53 (14pp.)

Considers trends in banking set in the context of consumer attitudes towards financial organisations. Central to organisational development of banks is future role of branch networks. Challenge for banks is to match their desire to rationalise and provide direct distribution channels with customer requirements for branch-based personal contact. Retail branches changing — from processing centres to highly focused customer-orientated sales centres. Emphasis on profitability dictates that consumers must buy more at branch level and staff will require new skills to optimise sales opportunities and deliver service quality. Organisations will segment customer bases to implement retention, migration and servicing strategies. Suggests customers less respectful of traditional financial services providers and prepared to take control of own affairs — impacts upon concept of 'loyalty'. Consequently retaining ownership and building customer loyalty will be increasingly difficult. Argues that successful organisations which can satisfy customers emotionally and practically will be those that manage to build a set of corporate brand values which provide differentiation in terms of service standards, outlook, and facilities which consumers identify as being 'ahead of the game'.

A very readable account of banks' problems in adapting to customer expectations and technology (which don't always match). Some sensible comments on 'loyalty'.

Research: ✻ Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻✻✻✻
Ref: 1113

Segmentation, scoring models, donors

Prediction of donor lifetime value and the development of true segmented donor strategy

T. Hunter and R. Hill

THEORETICAL. *Journal of Non-Profit and Voluntary Sector Marketing* (UK), Vol. 3, No. 4, November 1998, p. 312 (9pp.)

Introduces a methodology (based on projects developed by WWAV for two UK charities) for scoring donor records in order to predict future behaviour. Criticises classical use of RFV variables as not providing a way to assess future long-term profitability. Alleges that RFV analysis merely creates very complex matrices of non-comparable segments. Relates how a scoring model was created using a three-year-old sample from a donor database (but excluding givers by banker's order). Indicates that six scoring methodologies were tested, and shows how the most robust of these achieved significant (historic) value segmentation, predictiveness of future behaviour, and score stability over time. Claims that by this method it was possible to score donors six months after acquisition and to identify at that time significant numbers deserving either elimination or exclusion from the mainstream.

Despite its title, this article has very little to do with lifetime values: it is about scoring. (Of course, a good scoring model can be used as the basis of an LTV calculation, but that's another story.) It does not reveal the detailed methodology behind its scoring models, but is worth a read nonetheless for anyone still uncommitted to the practice.

Research: ✻✻ Practice: ✻✻ Originality: ✻ Readability: ✻✻✻
Ref: 1114

Customer retention, attrition modelling, scoring, financial services

Customer retention
G. Groom
THEORETICAL. *Journal of Financial Services Marketing* (UK), Vol. 2, No. 4, 1998, p. 325 (9pp.)
Maps forces which have caused changes in the loyalty of banking customers over the last 20 years and forced financial organisations to move their focus from recruitment to customer retention. Stable marketplace of the 1960s and 1970s replaced by a much more competitive environment with financially aware expectant consumers. Additionally changing demographic patterns — falling UK birth rates and an increasing ageing population overall — have reduced the pool of potential new recruits. Financial organisations are addressing the issues of increasing customer retention and reducing attrition. Argues key to success is identifying which customers ought to be retained to enable organisations to optimise 'retention' spend. Consequently analysing the customer base has become a major focus. Suggests organisations are applying statistical modelling to predict likely customer behaviour. Attrition models can be built to predict account closure or dormancy and can be used in conjunction with other models — eg revenue models — to identify distinct customer segments. These can be used to develop multi-dimensional marketing strategies — eg differential offers to high-value potential high defectors. Concludes by stressing that success cannot be achieved short term and that retention campaigns must be ongoing.

Fairly basic stuff — but the lessons are sound, and not just confined to financial services.

Research: ✻ Practice: ✻✻✻ Originality: ✻ Readability: ✻✻✻
Ref: 1115

Relationship marketing, transaction marketing, life cycles

Relationship marketing in three dimensions
M. J. Baker, E. A. Buttery and E. M. Richter-Buttery
THEORETICAL. *Journal of Interactive Marketing* (US), Vol. 12, No. 4, p. 47 (14pp.)
Compares the transaction marketing (or TM) model (otherwise the 'four Ps', or marketing mix) with that of relationship marketing (RM). Suggests that the former grows out of the sale of packaged consumer goods and services in the US, and can turn into a zero-sum game where one party benefits at the expense of the other. Relationship marketing aims at mutual benefit; this is best achieved by a flatter company

organisation not subdivided by functions — such as marketing — but oriented towards process. Asserts that TM relies on mass marketing and is appropriate for customers with short-time horizons, while RM is more appropriate for industrial goods and services. Argues that RM should not be seen as a new model replacing TM, but rather as transforming the two-dimensional TM model (the marketing of products — dimension one — to market segments — dimension two) into a three-dimensional structure, where the developing relationship leads the customer up a rising spiral above the plane of products and markets. Cautions that relationships, like products, have a life cycle, and must be managed in decline as well as in growth.

It is of no consequence to practitioners whether RM is a 'new paradigm' or a third dimension: what matters is why when and how you practise it. The article does deal with this, if you read between the lines. The last part takes us into a fourth dimension, where this reviewer bailed out.

Research: ✻ Practice: ✻✻ Originality: ✻✻ Readability: ✻✻
Ref: 1116

Customer magazines, relationship marketing, publishing

In the paper forest of magazines: The customer magazine — an all-round enterprise?
SURVEY. *Direkt Marketing* (Germany), Nr 12/98-1/99
Maintains that magazines produced by companies for their customers will only succeed if they can compete in content and creative appeal with general print media; asks whether such magazines are genuine direct marketing tools, or if they are too impersonal for that. Suggests that the function of customer magazines is to encourage customer feedback, and asks whether the further aim should be forming relationships, or winning new customers, or raising company image. Holds that too many such magazines are unconvincing, or more like newsletters or PR vehicles, even when they are aiming to look like conventional media. Discusses the measurement of success through response media and readers' letters, and quotes examples. Emphasises the importance of evident quality in overcoming prejudice against 'freebies'; there should be total editorial freedom; articles should be informative, substantial and attractively presented with clarity. Discusses the boom in service organisations for such magazines, and the optimal mix of in-house/out-house activity. Looks at pros and cons of alternative distribution methods, and at the value of selling customer magazines to increase credibility with both readers and advertisers. Looks at the advantages and dangers of taking external advertising, and ends with a summary of points made.

An interesting (though not comprehensive) and thoughtful study of the use of customer magazines as a marketing tool in Germany.

Research: ✻ Practice: ✻✻ Originality: ✻✻✻ Readability: ✻✻✻
Ref: 1117

Relationship marketing, loyalty cards

Relationship building: A shared perspective or opportunistic behaviour?

K. P. Fletcher and L. D. Peters

THEORETICAL. *International Journal of Customer Relationship Management* (UK), Vol. 1, No. 3, p. 184 (5pp.)

Maintains that database marketing (DBM) has allowed the ideas of relationship marketing to transfer from the industrial sector to mass consumer marketing, but that the trend has been to build mere short-term value, creating spurious ‘loyalty’ that exists only in the mind of the marketing manager. Holds that, in any stable relationship, costs and benefits must be in balance for both sides. Relationships can be one way (broadcast marketing), two way (direct marketing), or mutual (*both* parties initiate and receive communications). DBM necessitates integration of IT and marketing, with the latter having control of computing resources, and with flatter company organisation which can ‘sense and respond’ to customer demand rather than ‘make and sell’ products and services. Maintains that loyalty is not bought but earned, and that the presumption of a correlation between customer satisfaction and loyalty is false. Emphasises the suspicions of users over privacy issues.

A trenchant assault on much current practice, especially the efflorescence of ‘loyalty’ cards. But fails to ask what kind of firms, products, brands, or services might reasonably hope to create real customer loyalty, and what might not, and why.

Research: —— Practice: ** Originality: *** Readability: ***
Ref: 1118

Relationship marketing, loyalty, database marketing

The future of retail loyalty schemes

R. East, A. Hogg and W. Lomax

THEORETICAL. *Journal of Targeting, Measurement and Analysis for Marketing* (UK), Vol. 7, No. 1, 1998, p. 11 (11pp.)

Reviews case-study evidence on the effects of loyalty to retail schemes in New Zealand and the UK using a two-part loyalty taxonomy: loyalty as retention and loyalty as share of customer. Speculates whether the two are linked, and is ambivalent. Although there seems to be an association, the factors that predispose high first-store loyalty are often different from those that raise retention. This means that specific interventions which promote one type of loyalty need not necessarily affect the other type. Also examines the evidence on loyalty schemes, and concludes that there is little evidence to date that a loyalty database can be exploited to increase sales per customer. Also warns of the costs of such schemes and argues that loyalty schemes are just one part of the marketing mix.

Some useful classifications of loyalty, followed by a sceptical look at retail grocery schemes, although with scant quantification.

Research: ** Practice: ** Originality: ** Readability: ***
Ref: 1119

Organisational marketing, relationship marketing, fast car-ferries

Scope for relationship marketing in the fast car-ferry market
K. J. Hewitt and S. Henderson
RESEARCH. *Journal of Targeting, Measurement and Analysis for Marketing* (UK), Vol. 7, No. 2, 1998, p. 191 (15pp.)
Applies the interaction approach of the IMP group to the fast car-ferry market to discover the criteria for success in marketing fast car ferries to organisational markets. Uses quantitative and qualitative research. Concludes that every builder's marketing strategy should focus on seven attributes: price, sea-keeping, reliability, speed, capacity, technical support and after-sales service. Argues that the research suggests the existence of a competitor life-cycle curve. Also classifies customers to construct an Ansoff-like matrix of four strategic alternatives. Concludes that despite the attraction of the interaction approach, industry leaders seem to be production led.

The specialist nature of the topic and the somewhat contradictory conclusions of the authors limit the immediate value of this well-conducted piece of research, which is nonetheless not without general interest.

Research: ✻✻✻ Practice: ✻ Originality: ✻✻ Readability: ✻✻
Ref: 1120

Relationship management, database marketing, financial services

Managing financial services customers through the mail: Part 1
M. Stone and P. R. Gamble
RESEARCH PROJECT. *Journal of Financial Services Marketing* (UK), Vol. 3, No. 1, 1998, p. 21 (22pp.)
Paper is based upon a research project carried out in 1997–98 at Surrey European Management School. Uses case studies from 19 financial services companies to gauge current practice in customer management through usage of direct mail. Study analyses participants on two levels — case by case to identify best individual customer relationship management (CRM) practices, and on a hierarchical cluster basis. High-level case-by-case findings show that most companies have grasp of CRM issues but strategies are generally immature. Argues companies have inherent obsession with new technology and think that customer database is panacea. Suggests that key function of database should be to establish customer characteristics and behaviour to determine customer value. Database crucial to effective usage of direct mail — cross-selling and up-selling — but few companies understand mail role in customer retention. Companies that use mail best usually much smarter database operators. Three clusters were identified at the hierarchical level with very little differentiation across specific financial sectors. Generally companies were grouped depending upon the sophistication of their use of database and CRM techniques and the extent to which these have been built into their strategy and culture. Recommends that companies should take a staged approach to CRM which involves relevant people 'buying-in', developing a longer-term customer management strategy, and development and analysis of the customer database.

Long-winded analysis, but sound and sensible prescriptions of use to any company moving towards customer relationship management.

Research: ✻✻ Practice: ✻✻ Originality: ✻✻ Readability: ✻✻
Ref: 1121

Relationship marketing, financial services

Implementing relationship marketing in financial services
M. Stone, N. Woodcock, L. Machtynger and B. Foss
THEORETICAL. *Journal of Financial Services Marketing* (UK), Vol. 2, No. 4, 1998, p. 334 (17pp.)
Paper explains consulting methodology being used to help companies implement relationship marketing approach. Identifies two parallel paths — strategic and policy. Strategic establishes objectives and scope and develops a project plan to ensure capability to deliver CRM (customer relationship management) is in place. Argues that companies must translate highest-level business objectives (eg profit) into CRM objectives (eg volumes of specific types of customers). Requires initial analysis of customer base to identify customer types and behaviour. Data can be plotted against objectives to create a decision matrix to populate project plan — forms basis of CRM programme. Policy leads to the development of specific relationship marketing policies. Incorporates detailed analysis of customer base. Necessary to understand the value of customers to identify those to manage better. Recommends using analysis and attitudinal research data to build a 'loyalty grid' to develop tightly targeted communications. Analysis should also develop customer satisfaction index to map satisfied customers to attrition rates. Additionally all customer contact should be logged to define overall customer relationship levels. Argues that proper research and planning are fundamental to the implementation of successful CRM programmes. Provide understanding to base CRM on mutuality with high perceived value being delivered cost-effectively to customers.

Very sound; very abstract; rather dull.

Research: —— Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻
Ref: 1122

Loyalty, customer satisfaction, customer retention, commitment

Buying loyalty versus building commitment: Developing the optimum retention strategy
T. Richards
THEORETICAL WITH EXAMPLES. *Marketing and Research Today* (Netherlands), February 1998 (26/1), p. 43 (9pp.)
Questions whether loyalty cards, by increasing short-term sales, have any effect on long-term commitment, and in particular holds that traditional measures of customer satisfaction are not an adequate index of commitment. Maintains, with examples, that satisfaction indices are a poor predictor of propensity to change brands; argues that where commitment level can be directly measured, it is a much better predictor. Suggests measuring commitment by use of Hofmeyr's conversion model (originally developed in a study of religious conversion), and gives

examples. Goes on to discuss level of involvement in buying choice as a useful discriminant among the uncommitted sector.

A lot depends on the accuracy with which commitment, and involvement, can be measured, and the article says very little about method (described by Hofmeyr in 1990). If you can take this on trust, the rest is interesting and thought-provoking.

Research: ✻✻✻✻ Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻
Ref: 1123

Database marketing, information systems

The evolution of database marketing systems to attain competitive advantage
J. Lewington
THEORETICAL. *Journal of Database Marketing* (UK), Vol. 6, No. 3, p. 203 (17pp.)
Looks critically at three conceptual models of the development of database marketing and information systems, namely Venkatraman's (MIT) hierarchy of business reconfiguration, Shaw and Stone's four-stage model of DBM systems development, and Coopers and Lybrand Consulting's three-level model of decision transformation. All of these describe a progression from simplistic use of mailing lists to sophisticated relationship marketing with high levels of intra-organisational integration. Emphasises the need to recognise the capability of DBM to redefine the scope and structure of a business, and instances American Airlines' reservation system, SABRE. Describes a survey of some 100 catalogue companies to assess the relative sophistication of their DBM systems and usage. Concludes that DBM sophistication tends to be related to database size, but distinguishes a six-category model of DBM sophistication containing three measures of size (small, medium, large) by two of sophistication. Looks at the managerial implications of this, including the need for organisational change to reflect (or empower) DBM growth. Discusses the need for closer collaboration between IT professionals and marketers, and the desirability of open, rather than proprietary, DBM systems.

Conceptual models provide nice tidy boxes into which to fit experience. What a pity that experience is so universally untidy. The article uses its analysis to advance very sound views on what needs to be done, but provides sadly little guidance on how to do it.

Research: ✻✻✻ Practice: ✻✻ Originality: ✻ Readability: ✻✻✻
Ref: 1124

Data mining, KDD, database marketing

Data mining in marketing: Part 2
P. R. Peacock
TECHNICAL. *Marketing Management* (US), Vol. 7, No. 1, Spring 1998, p. 15 (11pp.)
(Part 1 was abstracted in *New Marketing Directions*, Vol. 2, No. 1.)
Aims to describe knowledge discovery in databases (KDD) of which

data mining is a part. Defines the ten-step KDD process (data funneling, preprocessing, exploratory data analysis, recording and transformation, data mining discovery, data mining confirmation, model validation, model scoring, reporting results, and recalibrating models), and details each. Describes the necessary infrastructure (data, computing equipment, procedures and software). Lists the tasks involved in organising for KDD; defines the personnel required; looks at installation strategy, budgets, vendor selection (listing 19 vendors) and cost/benefit studies, both before and after implementation. Notes privacy concerns, and predicts growth for the methodology.

A clear exposition of a technical subject. Largely common sense and accepted wisdom (some of it a bit too prescriptive), but a useful introduction nonetheless.

Research: ✻ Practice: ✻✻✻ Originality: ✻✻ Readability: ✻✻✻
Ref: 1125

Data mining, cross-selling

New business, more business, better business? The first year's experience of data mining a financial service company's database
David J. Romano
CASE STUDY: *Journal of Financial Services Marketing*, Vol. 2 No. 4, 1998, p. 316 (9pp.)
Looks at the milestones encountered after the first year of a three-year programme to build a data warehouse. The company had acquired a number of complementary financial service businesses. It wanted to encourage new, more and better business across the group by cross-selling. The data warehouse would pool relevant customer information from separate and disparate information systems, and overlay basic and advanced analytical tools and a campaign management system. The distinction between using passive and active decision tools is explained. Emphasises the importance of clear and well-executed strategies, and explains the importance of real-life organisational demands being met by good practice. The marketing function required a convincing demonstration that data mining could solve a real problem and deliver business payback quickly. This first project involved cross-selling an insurance product to affinity groups with a relationship with an external marketing partner. The aim was to improve profitability by increasing direct mail response. This project was two years ahead of the data warehouse being completed. Discusses the problems encountered, and how a data mining tool, 'Clementine', developed by the consultants to the project, successfully resolved the issues. Shows a theoretical model demonstrating results. Emphasises the importance of data mining being seen as part of the business planning and operations.

A modestly interesting case study of a data mining exercise. A pity that the only reference to results abandons actuality and plumps for theory — on grounds of commercial confidentiality.

Research: ✻ Practice: ✻✻ Originality: ✻ Readability: ✻✻✻
Ref: 1126

Advertising effectiveness, brand equity

Myths about the mind: Time to end some popular beliefs about how advertising works

T. Ambler

THEORETICAL. *International Journal of Advertising* (UK), Vol. 17, No. 4, p. 501 (9pp.)

Argues that classical ad effectiveness theory (including, for example, the AIDA concept) is wrong because it ignores consumer experience, or memory, focuses on cognitive persuasion as distinct from feelings, and makes invalid assumptions about how the human brain works. States that good advertising affects brand equity (defined as 'the sum of what we have all felt and thought about the brand') but not necessarily sales, and that therefore advertising should be assessed against changes in the former, not the latter. Comments (mostly unfavourably) on Ehrenburg's JOAB papers, and sundry replies thereto (see Admap through 1997 and 1998). Adds that a widely disregarded effect of advertising is (sometimes) to support price. Ends with an elementary lecture on the structure of the human brain (with diagram).

A crisp statement of firmly held views. Direct marketers (and others) might feel that the useful thing about the effect of advertising on sales is that it is (largely) measurable. Whereas the measurability of ad effects on brand equity (as defined here) seems to be in inverse proportion to the volume of writing on the subject.

Research: ✻✻ Practice: ✻✻ Originality: ✻✻ Readability: ✻✻✻
Ref: 1127

Information technology, IT strategy, Japan

The right mind-set for managing information technology

M. Bensaou and M. Earl

SURVEY. *Harvard Business Review* (US), September/October 1998, p. 119 (10pp.)

Asserts that traditional IT management methods in the US are increasingly recognised as flawed, resulting in investment unrelated to strategy, inadequate payoffs, too much technology for technology's sake, and poor IT/user relationships. Looks at contrasting experience in Japan (where these problems are allegedly not even recognised) and suggests that the view of Japan as lagging in IT is seriously wrong. Alleges that typical Japanese IT investment is not driven by some elusive 'IT strategy' concept, nor hung up on financial metrics, but derived from needs for continuous performance improvement. Claims that Japanese objective is *appropriate* technology, which often means a mixture of high- and low-tech solutions within a single structure. Emphasises Japanese awareness of 'tacit knowledge' inherent in people and difficult to build into information technology — hence Honda's preference for brainstorming rather than data mining.

A thought-provoking and important article for anyone involved in the approval, management or auditing of IT investment.

Research: ✻✻ Practice: ✻✻✻✻ Originality: ✻✻✻ Readability: ✻✻✻✻✻
Ref: 1128