The marriage of market research and database marketing: A case study illustrating an integration process and how success can be achieved

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Abstract First presented at 'The Marriage of Market Research and Database Marketing', a conference arranged by Henry Stewart Conference Studies on 21st June, 2000, this paper provides a detailed account of how the successful integration of market research and database marketing led to greater market control, increased market share and better profits for one company operating in business-to-business environment. The 3-stage process (brainstorm > research > database marketing), the role of specialist suppliers, the pitfalls and the upsides, are discussed.

INTRODUCTION

The integration of market research with database marketing and the intuition of an experienced marketer is much more powerful than any of these three elements on their own. Marketing actions can be based on any one of these elements, but efficiency is likely to be relatively low. This paper describes an integrated approach that has proved highly effective.

THREE STEP PROCESS

The following three-step process has proved extremely effective in generating business, gaining control of the market and growing market share: brainstorming, market research and then database marketing.

Brainstorming

Perceptions of the key issues in the market and gaps in knowledge become

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apparent through brainstorming. The process can be a quick and cheap first step if a small number of individuals brainstorm based only on current knowledge, marketer's experience and information immediately to hand. A minimal number of relevant parties should be involved and this can include the product manager/client company representative, database manager/agency, market research manager/agency and, possibly, communications manager/agency.

Market research

The marketer's perception of the key issues in the market can be confirmed, modified or denied and information gaps filled through market research. Several repeating phases of research and review may be required to narrow down, prioritise and clarify key issues. Market research can deliver a clear understanding of the main drivers in a market, the competitive set and perceptions of end consumers. Although marketing actions can be taken on this information alone, it is not possible to develop one-to-one targeting as, usually, no knowledge of any specific individual end consumer is known. Another limitation is that the research may be based only on what people tell you and this may not always be reliable. This also makes it difficult to quantify accurately the effectiveness of marketing actions taken today and in the future.

Database marketing

Market research can be used to develop a highly focused and relevant data collection tool (questionnaire) used to build a database with information at the individual consumer level. Testing the questionnaire on small samples of individuals in the target market can

refine the questionnaire prior to rollout. This means that only the most critical, valuable and relevant information is collected from groups perceived to be most valuable. The result is that:

- only the key information need be collected; not a single word is wasted. Also, information overload is avoided so the messages in the data are clear
- information is on a per individual basis, allowing one-to-one targeted communication. The type of person going on to purchase or not purchase can be understood (and known by name) and appropriate marketing actions taken
- the results are truly quantifiable. The effectiveness of marketing spend can be quantified accurately and more easily justified
- recipients of the questionnaire can see the relevance of the questionnaire and are more likely to respond
- claimed behaviour (from market research) is likely to be confirmed or denied, eg it may be claimed that environmental friendliness is very important, but the products purchased may contradict this
- analysis can be applied to segment by behaviour and rank by value so that the right type of communication/offer is sent to the relevant type of person at the right time. This reduces campaign costs and increases effectiveness (cost per sale)
- activities in following years can be measured accurately down to the individual consumer, if the database is maintained. Year-on-year market changes and individual consumer loyalty can be assessed. If the questionnaire includes questions on product/service distribution through third parties, then the relative

performance of channels to market can be understood and distributor contracts assessed accordingly, empowering the holder of this information.

Each step is enhanced by the following one: perceptions, actions and budgets can be modified with progress. Budget pre-allocated to each step can be reviewed with progress through the process. Budget does not have to be released as one lump sum.

Timing is a key issue. The final database must be delivered before the need to go to market arrives; this is particularly important in seasonal businesses like tourism or agriculture. Depending on the circumstances, the above three steps can be delivered within as little as three or four months.

CASE STUDY – SOWING TO REAP: DELIVERING BUSINESS-TO-BUSINESS SUCCESS IN THE UK POTATO INDUSTRY

Destruction of the potato crop by blight (a fungal disease)¹ in Ireland during the mid-1800s caused the population to fall by more than 2m people through emigration and deaths from famine. Today's potato protection products would have prevented the famine.

This case study demonstrates how the three-step approach, outlined above, took a relative newcomer product (Invader²), a potato blight fungicide, from 12 per cent to 35 per cent market share within two years.

A complex situation faced Cyanamid's³ Invader (re)launch due to the presence of two established dominant anti-blight products,⁴ lack of market control, lack of detailed market knowledge and the array of sources of influence on farmers' decision-making.

The market

Over 6m tonnes of potatoes are grown in the UK each year on less than 4 per cent of the farmed land. Sale prices of potatoes have varied widely in one cropping year from £35 per tonne to over £200 per tonne, creating some financial winners and losers. The gross margin of main crop potatoes is £715/hectare (compare with wheat at £455/hectare).

Price is strongly influenced by supply relative to demand: a previous year surfeit pushes prices down; poor yields drive prices up and draw imports in from the continent.

There are around 10,000 potato growers in the UK, but less than half of them account for over 80 per cent of all potatoes grown.

In 1996, the main anti-blight products were Shirlan from Zeneca (~45 per cent share, in terms of land area treated with anti-blight products) and Curzate M from Dupont (~35 per cent share of applied land area). There were a number of other, more minor anti-blight products, including Invader (~10 per cent share of applied land area), which had just been taken on by Cyanamid following their acquisition of a rival company. Invader was originally launched in 1994, but Cyanamid needed to find a way of rapidly re-launching Invader for the 1997 market. Invader had a higher price than its competitors, but, in its favour, it was more effective giving the farmer less risk and less damage to crops.

Distribution of crop protection products in the UK has been heavily influenced by specialist distributors who sit between manufacturers and end consumers (farmers). No manufacturer can afford to upset relationships with their distributors. Also, this means that manufacturers have less opportunity to learn how farmers behave and how farmers use crop protection products.

To farmers, crop protection products (including blight prevention) are distress purchases as they cut straight into profit. If anti-blight products are not applied (preventatively) in advance of an attack, the whole crop may be lost. But, if no attack occurs and product has been applied, the farmer's margin is cut. The decision the farmer takes about what to apply and when is a calculated, informed risk.

A farmer's decision on purchase and use of crop protection products is influenced by several sources of information: professional advice from a specialist independent advisor, advice from the supplier of the anti-blight product (distributor), or farmers may take their own decisions (based on personal knowledge/experience, publications/Internet, discussions with other farmers).⁵ Also, there is considerable regulatory control on use of crop protection products.

Walking the three steps

To be able to re-launch Invader successfully, Cyanamid UK had to find an approach not yet taken in the marketing of products in the anti-potato blight market. Cyanamid had an ongoing relationship with the specialist agricultural market research company Produce Studies Research (PSR).⁶ Cyanamid also had a retained relationship with DBT, a specialist data-driven marketing and Internet development company.⁷ The challenge was to find how to put the strengths of the the three companies to best use to achieve a successful re-launch of Invader.

Step 1: Brainstorming

In October 1996, the marketing manager responsible for Invader prepared a brief based on the potato

market and products sold to it. Armed with this, brainstorming sessions were held with the market research company PSR in which it was quickly concluded that:

- farmers could probably be grouped according to their decision-making behaviour
- understanding this behaviour would allow efficient targeting of propositions.

Therefore, market research was commissioned with PSR to learn more about these areas and, as information was needed on an individual farmer basis, DBT was engaged to build and manage a database.

Step 2: Market research

An initial set of focus groups of farmers were run to understand attitudes to risk of potato blight, how crops were managed, price sensitivity and access to/use of information. This provided a lot of information and confirmed some original assumptions, but raised some new issues. A second set of focus groups were undertaken to concentrate on farmers' decision-making processes.

Findings from these focus groups led to a small quantitative study by PSR to classify farmer behaviour. Four distinct types of decision-making behaviour were identified:

- fire brigade: farmers taking a 'just in time' approach, relying on warnings of potato blight outbreaks
- distributor-led: rely very heavily on advice from the supplier of their products
- business-oriented: very much price and market-context driven
- detail manager: needs to understand

technical attributes in order to take their own purchase decisions.

Ten questions gave an 80 per cent prediction to which behavioural group a potato farmer belonged. The business-oriented and the detail manager groups were taken as the main targets as they were least under distributor influence.

The market research phase (Step 2) delivered a clear understanding of the main drivers of farmers' decision-making behaviour for anti-potato blight products, confirmed the competitive set and perceptions of potato farmers. Also, the focus for the database phase was made clear.

Step 3: Database marketing

While the market research was underway, the database company, DBT, was active in several areas.

DBT built a contact database of potato growers from several sources: Miller Freeman (publisher), Cyanamid's own data and from data already held by DBT on behalf of Cyanamid. Certain information was used to screen these farmers with the aim of focusing on the 50 per cent of farmers who grew 80 per cent of the potato crop.

Postal surveys to farmers tended to gain around a 10 per cent response rate. To develop a useful database from a small market of around 4,750 farmers, a survey method generating a much higher response rate was required. A stratified approach was taken:

- a few of most important potato farmers (less than 3 per cent of all farmers) received personal visits from Cyanamid sales representatives
- the remainder were approached through a telephone survey; additionally, any substantial farmer

asking not to take part in the telephone survey was also available for Cyanamid sales representatives to visit. DBT evaluated several companies specialising in telephone research and recommended BPS Teleperformance.⁸

For the questionnaire development and testing, market research provided the key behavioural classification questions, but other information was required to take advantage of this, such as products used and distributor information. Based on the question 'how will this piece of information be used for marketing', DBT worked with the client to produce a short-list of information needs. This separated the 'nice to know' information from the 'critical for successful marketing' information. The questionnaire was alpha-tested on staff at Cyanamid and the timing of each section was estimated by charade.

Particular attention was paid to preparing staff at BPS Teleperformance on how to talk to farmers, on question handling and the agricultural context. The questionnaire was beta-tested on a small group of farmers and the time taken per section of the questionnaire measured.

Response rate depended mostly on time of day and the weather, so calls were targeted to take advantage of this. A pseudo-random order of questions was used (apart from introductory filter questions) to control for the influence question order may have on responses. With roll-out, daily result updates and questionnaire data were supplied to DBT to evaluate and check for data quality, adding a further process check.

The tele-survey approach allowed instant evaluation of how the questionnaire was working. The level of response rates, call monitoring, break-out discussions with call-centre staff and their managers all contributed to the rapid

finalisation of a very successful survey approach within a day of going live on the phones. The effect of this was a high confidence in the success of the project and reinforced team spirit.

The result was a considerable achievement: information was gathered on over half of the target market, with the greatest response from the two groups most desired by Cyanamid (business-oriented and the detail manager). DBT integrated the potato survey results with the farmer database held on behalf of Cyanamid and managed the project so that the data met the target for delivery in time for the 1997 potato main crop season. Also, information summaries and analysis of this information gave focus to the next stages.

In 1997, the level of awareness of Invader was raised, postal response rates jumped to 35 per cent (from under 10 per cent), and an understanding of how to approach the market was developed. Parent company requirements for above-the-line activities left no budget to provide any quantitative measures of success. With hindsight, opportunities were missed.

In 1998 Cyanamid, however, pulled above-the-line activity to focus on database marketing. Also, the Invader-related activity in 1997 showed how closer cooperation between Cyanamid sales and marketing was beneficial, so an experimental cross-department team came together in 1998. The result of the combined database activity and visits by Cyanamid sales representatives to farmers was a demand for Invader that grew rapidly, raising market share to 35 per cent (of land area applied) and making Invader the number one product in its competitive set. Through a database of potato growers, DBT were able to show that potato growers new to Cyanamid's products became customers.

The only limitation to further success

of Invader in 1998, in what was a year of high potato blight risk, was that demand outstripped all forecasts and all supplies of Invader became exhausted despite two additional production runs.

DISCUSSION: THE GOOD, THE BAD AND THE UNFORESEEN

The factors critical to the success of this project included:

- vision: clear goal and how to get there
- partners: having the right team of individuals (client, market research and database); genuine team spirit
- project management: clear communication and good planning; openness among participants
- budget: sufficient, realistic up-front budget allocated, and tight budgetary control
- first mover: Cyanamid was the first company to utilise attitudinal segmentation as part of database marketing in the farming sector.

Further learning points from this project include:

- the good: the key point is that the project was a success beyond what was originally believed possible. Also, relationships and mutual understanding between parties involved were strengthened and barriers between Cyanamid sales and marketing departments were broken down. Further, the work became a prototype for the approach that was adopted for the much larger and lucrative cereals market across Cyanamid in Europe
- the bad: lack of funds meant that measurements were not taken to show progress and this caused some uncertainty and probably resulted in some lost early opportunities. Earlier

involvement of the sales force had been avoided to prevent expected backlash from powerful distributors. But, by targeting farmers not so strongly held by distributors, it turned out that this need not have been a concern

- the unexpected: the level of control that the telephone survey offered, making amendments on the fly, was very powerful. Through call monitoring, hearing farmers respond to the questionnaire and listening to additional questions asked, gave new insights into potato farmers. The result of having so much relevant, up-to-the-minute, focused, well-presented information was that key decisions were very clear. Also, the three-step process built confidence in achieving the required goal as each step moved on to the next.

CONCLUSION

The integration of market research and database marketing through the three-step process (brainstorm → market research → database marketing) can be very powerful in driving a business forward.

Through this process, Cyanamid achieved a level of success with Invader that was unimagined. A key to success was finding the right partners and managing the project effectively.

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References

- 1 Blight are a group of fungal diseases that crops may suffer from, especially in damp (humid) and warm conditions
- 2 INVADER — A fungicide produced by Cyanamid Agriculture for use on potatoes to Control Foliar Late Blight. (Active ingredients are dimethomorph + mancozeb, formulated as water dispersible granules.)
- 3 Cyanamid UK (see www.agriCentre.co.uk) is a leading research-based supplier of crop protection products to the farming industry. Cyanamid was established in the USA in 1907 and is now active in over 145 countries.
- 4 Potato Blight Products — During the period when potato blight is most likely to be prevalent, potato farmers will spray their crops regularly. Generally, less expensive products are sprayed every seven days and more expensive ones (such as Invader) every 10–14 days. Some farmers try to save money by not spraying and gambling that a blight outbreak will not occur. Others spray frequently, preferring to over protect their investment.
- 5 Sources of potato industry information include www.potatonews.com and www.potato.org.uk
- 6 Produce Studies Research (www.promar-international.com) specialises in agricultural market research and is part of the specialist global market research and business consultancy, Promar International Ltd. Farmstat (produced by PSR) is a key source of agricultural information. The 1998–99 crop area figures are given in Table 1.

Table 1

Crop	Hectares ('000)	%
Cereals	3,167	63
Oil seed rape	488	10
Peas	126	3
Beans	123	2
Sugar beet	187	4
Potatoes	164	3
Linseed	184	4
Set aside	571	11
	5,010	100

- 7 DBT (www.dbt.co.uk) provides strategic advice on results-driven database marketing, builds and maintains client databases and websites and actions direct marketing campaigns.
- 8 BPS Teleperformance (www.teleperformance.co.uk) is part of a group of leading telephone inbound and outbound services companies.