

# The Art of Database Marketing

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## □ Topics

- Things learned the hard way
- Tom's view of Database Marketing
- Database success factors
  - Information
  - Segmentation

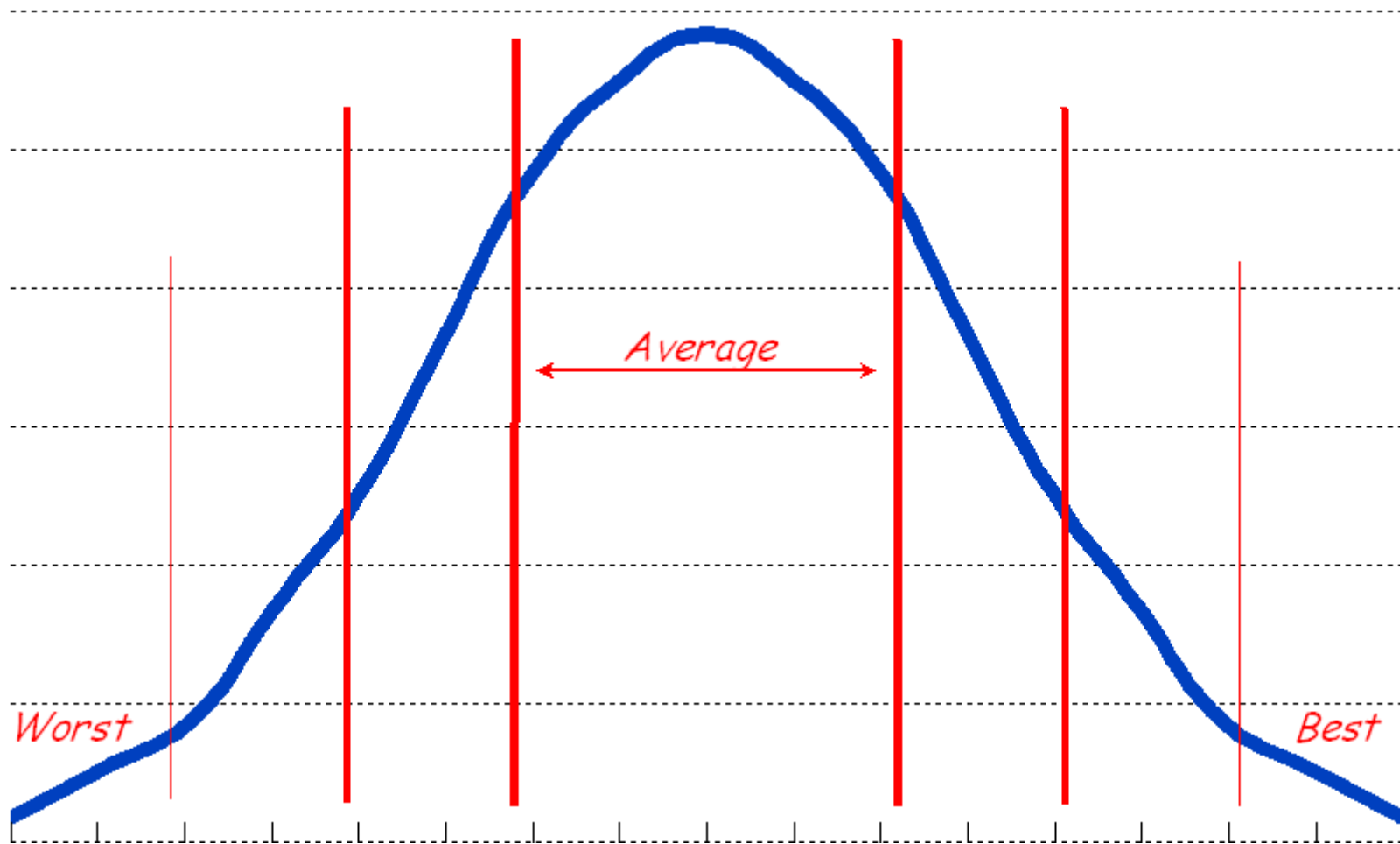
# Things Learned the Hard Way

- ❑ Marketing Databases should be agents of change. Insights derived from real-time dialogue with customers are the catalysts for change.

Marketing Departments – notwithstanding their protestations – are anti-change.

- ❑ Marketers spend an awful lot of time, effort and money marketing to the wrong customers.

Treating all customers the same or satisfying the average customer is the road to ruin.



- ❑ Annual Marketing budgets often have no relationship to what should be spent, and against which target audiences.

The annual budget process – adding 10% to last year's budget hoping to settle for +3% – must be replaced with zero-based budgeting.

If you had to split your marketing budget between Tom and David, what percentage would you spend on Tom? On David?

Purchases 4  
Hershey Bars  
Per Week

Tom

Purchases 2  
Hershey Bars  
Per Week

David

Now, what percentage would you spend on Tom? On David?

Plus:  
Purchases 4  
Nestle Crunch  
Bars Per  
Week

Purchases 4  
Hershey Bars  
Per Week

Tom

Purchases 2  
Hershey Bars  
Per Week

David

# Share of Customer Matrix

Category Usage Per Week	Brand Loyalty			
	100%	70 - 99.9%	50 - 69.9%	0 - 49.9%
22+	14% 34% 35 \$2,400	1% 2% 29 \$2,000	0.9% 1.4% 21 \$1,400	0.5% 0.3% 7 \$480
15-21	13% 18% 19 \$1,300	0.6% 0.6% 14 \$950	0.5% 0.4% 11 \$700	0.2% 0.04% 3 \$200
8-14	27% 23% 12 \$800	1% 0.6% 8 \$550	0.9% 0.4% 6 \$400	0.3% 0.04% 1.8 \$120
1-7	36% 14% 5.5 \$380	0.2% 0.08% 4.6 \$300	0.6% 0.14% 3.4 \$230	0.4% 0.01% 0.5 \$35

% of HHs

% of Brand Vol

Avg Brand Used/Wk

Avg Retail Sales/Yr

- ❑ The Sales Force does a lot of things that require time and money that could be better done by employing other resources.

75% of the time, 75% of the Sales Force can be eliminated.

- ❑ Marketing Departments (and Marketing functions) need to be rethought.

Two gaps exist in the marketplace that are potentially lethal to the business –

- Between the marketplace and the Marketing Department
- Between the Marketing Department and the rest of the organization

- Every organization operates under two to four basic assumptions or beliefs about the marketplace. These beliefs influence every marketing and many non-marketing decisions. **These assumptions are usually wrong.**

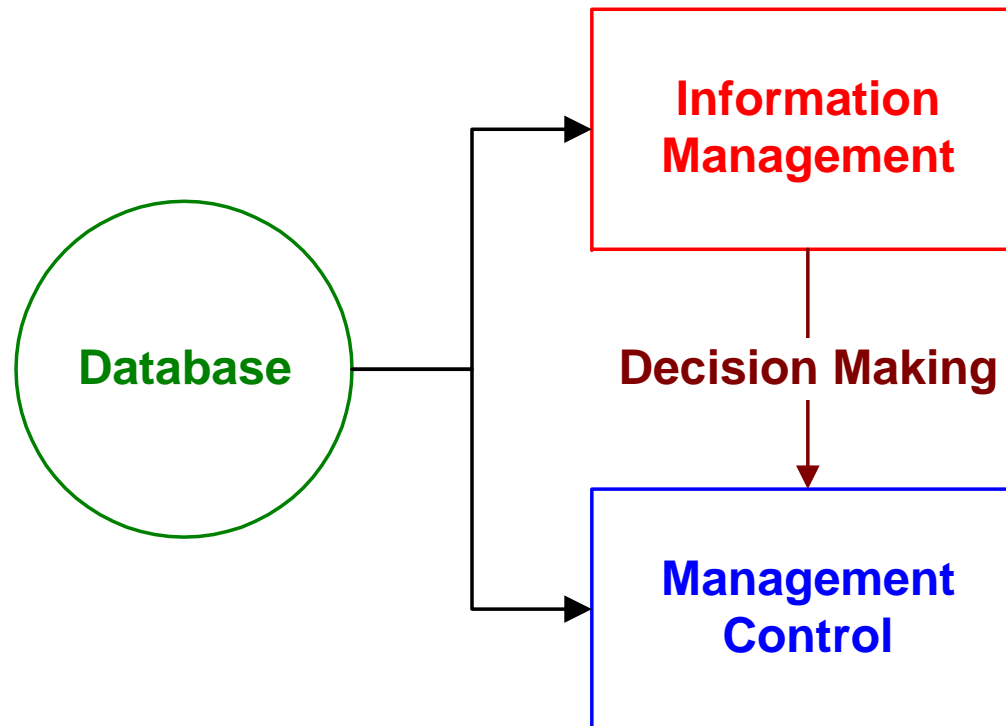
- ❑ Most consumer purchase decisions are emotionally based. So are those of business executives.

**Almost all purchase decisions have a heavy emotional driver.** (Brand loyalty is based almost totally on the delivery of emotional benefits.)

# Tom's View of Database Marketing

## □ Quick Comments

- Over-emphasis on technology; under-emphasis on imagination
  - Man versus machine
- Lots of the wrong data; not enough of the right data
  - More data doesn't necessarily produce more or better insight



## Tom's Definition...

A commitment to on-going **learning** from the marketplace,

arrived at through **regular dialogue** with all major constituencies,

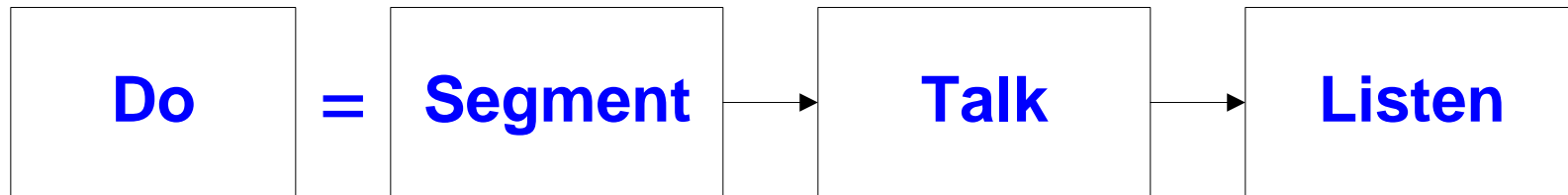
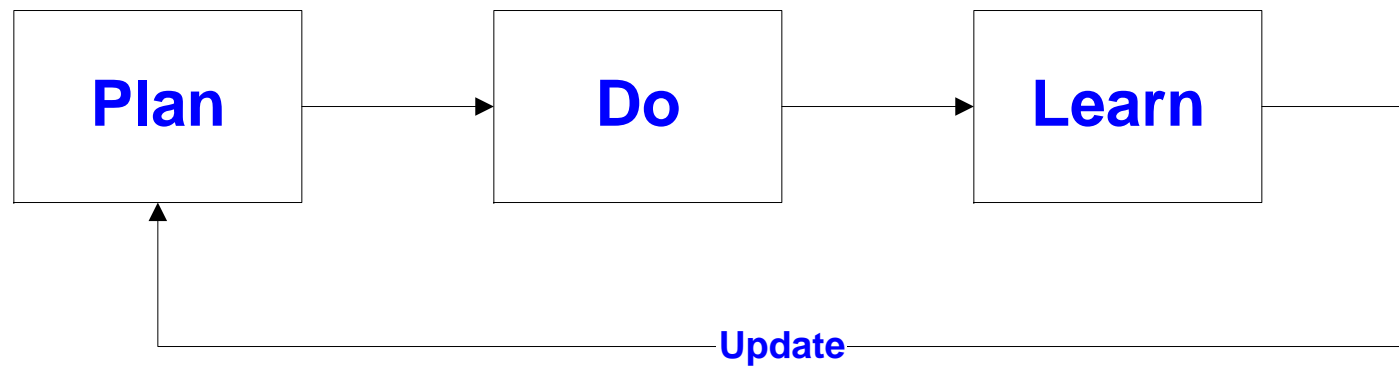
and applied **to improve products/services, the marketing process, and communications** on a direct and personal basis in order to increase and enhance **mutually beneficial relationships**.

## □ Database Marketing is...

- A large number in the marketing budget
- A store of data
- A computer system
- A research (learning) tool
- A proprietary means of communications
- A strategic marketing tool to achieve marketing and corporate objectives
- A philosophy about going to market

<b>Indicator</b>	<b>Stage I [Flat File]</b>	<b>Stage II [Relational DB]</b>	<b>Stage III [Dynamic]</b>	<b>Stage IV [Expert Sys]</b>
<b>Marketplace Knowledge</b>	<b>Questioning</b>	<b>Defining</b>	<b>Exploring</b>	<b>Exploiting</b>
<b>Dialogue w/ Marketplace</b>	<b>Rudimentary One-way</b>	<b>Two-way On-going</b>	<b>Relationship Nurturing</b>	<b>Intimate</b>
<b>Communica- tions Goal</b>	<b>Contact</b>	<b>Touching</b>	<b>Learning</b>	<b>Insight</b>
<b>Communica- tions Focus</b>	<b>Contact Management</b>	<b>Organization Management</b>	<b>Relationship Management</b>	<b>Opportunity Management</b>
<b>Database Primary Function</b>	<b>Contact facilitation, Record keeping</b>	<b>Audience segmentation, Dialogue</b>	<b>MarCom Process Mgt</b>	<b>Optimization of Business Relationship</b>
<b>Users</b>	<b>One Function or Department</b>	<b>Multiple/ Related Departments</b>	<b>Multiple/ Unrelated Departments</b>	<b>Enterprise-wide</b>
<b>Measurement</b>	<b>Cost Per Contact</b>	<b>Cost Per Customer Acquisition; Life Time Value</b>	<b>Customer Relevant Period Value</b>	<b>Enterprise Performance</b>

## Simplified View of Database-Driven Marketing



- 3 things a Database must do beyond capturing transaction data (behavior)
  - Explain the behavior
    - Cause (the “why”)
      - Immediate trigger
      - Longer-term motivation
  - Identify the influences that cause the behavior
    - Trigger and Motivation
  - Understand the purchaser’s decision-making process that resulted in the behavior

Psst: most don't...

- Benefits arising from the database
  - Intimate knowledge about customers
    - The ability to define “customer”
  - Enterprise-wide singleness of purpose
    - The satisfaction of the customer
      - At a profit
  - Stronger customer relationships
    - Improved communications
    - Greater customer loyalty

- Enhanced perspectives on the marketplace
  - Multiple perspectives
- More effective customer acquisition
  - Targeting, messaging, offers
- Improved measurement of marketing performance
  - Absolute and relative
  - Incremental
- Control over spending the “next” marketing dollar
  - Where the game is played!

# Information

“The ability to learn faster than the competition is often the only sustainable competitive advantage a company can have.”

Arie de Geus, business strategist, author

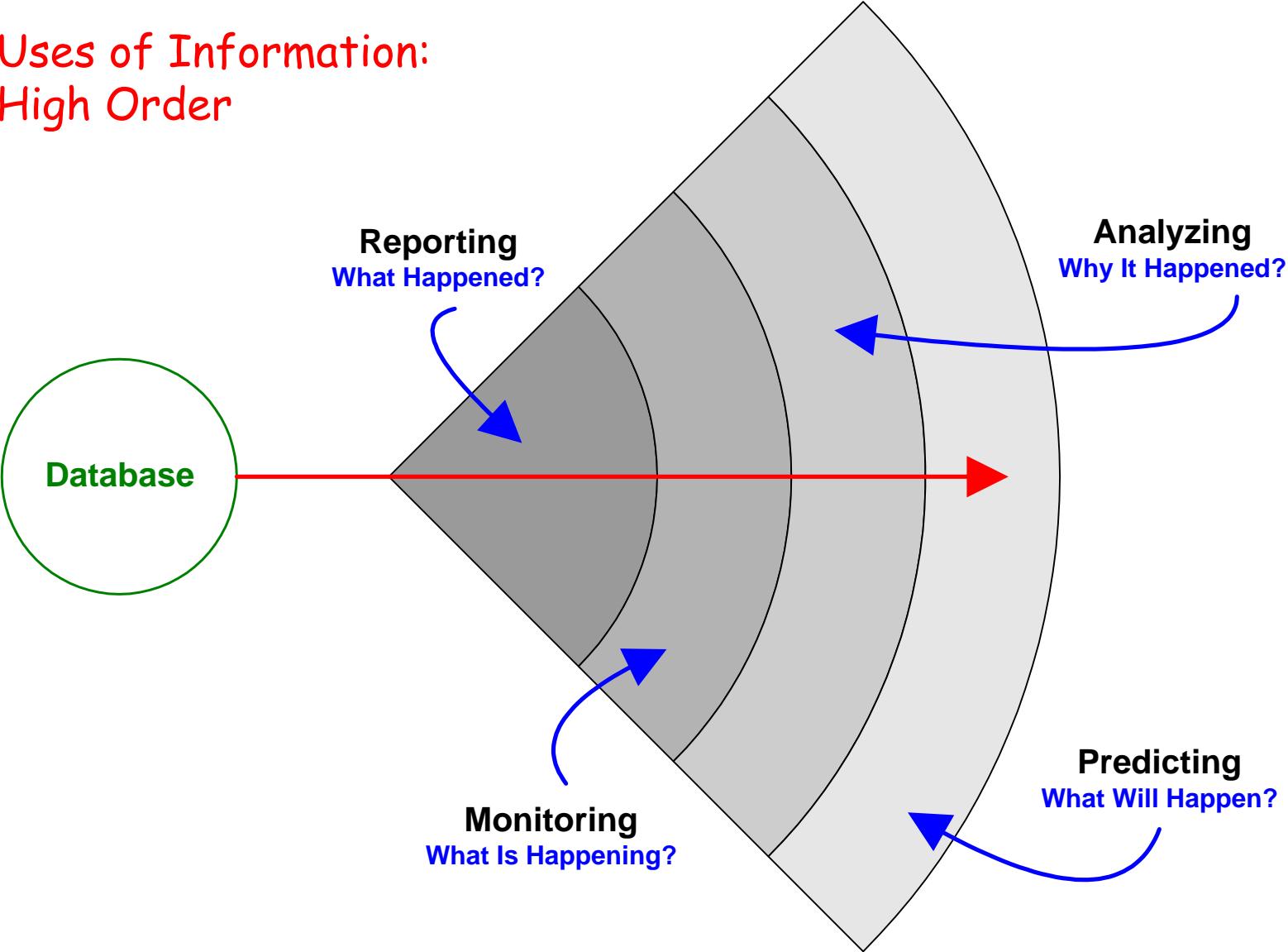
“We have only two sources of competitive advantage:

1. The ability to learn more about our customers faster than the competition.
2. The ability to turn that learning into action faster than the competition.”

Jack Welch, General Electric

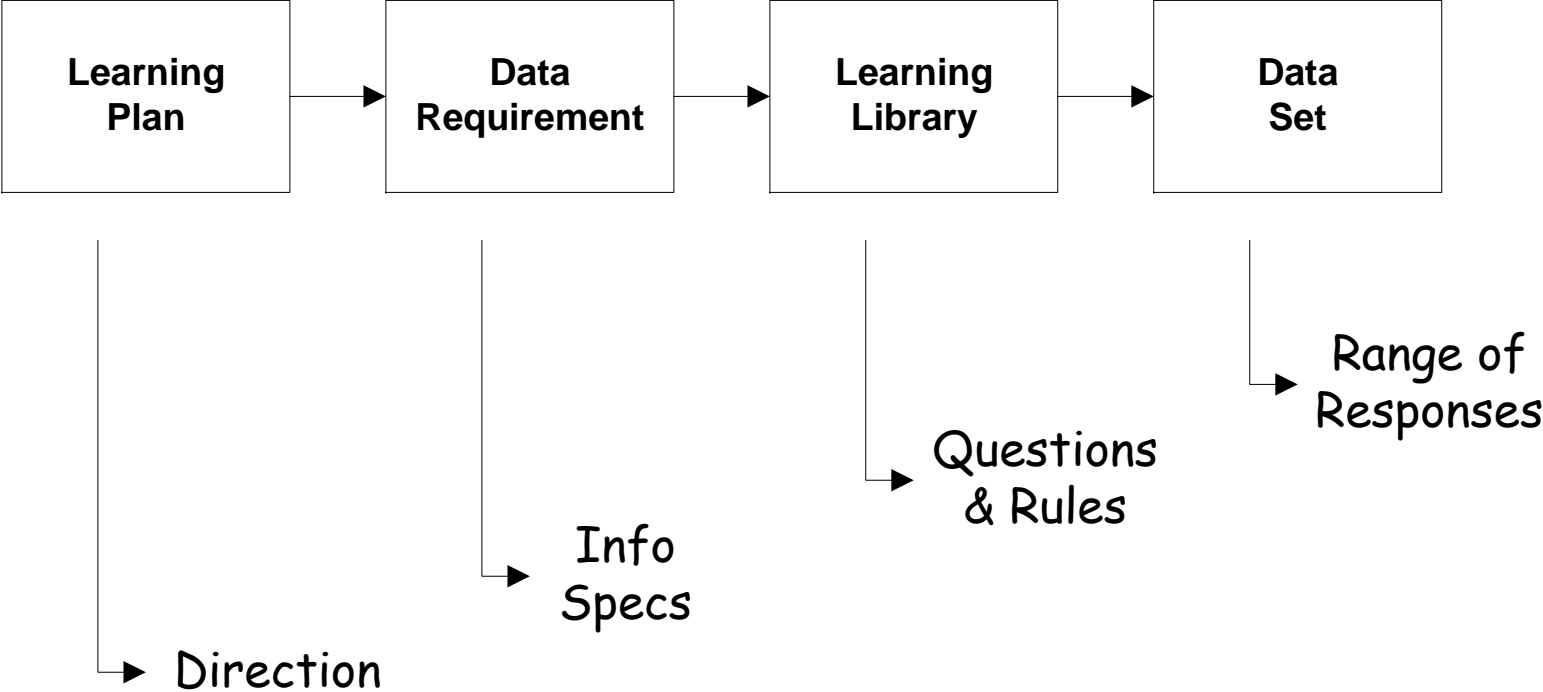
- What information is needed
  - To drive the business forward?
  - To make better decisions?
  - To know customers (prospects) better?
  - To communicate more effectively?

Uses of Information:  
High Order



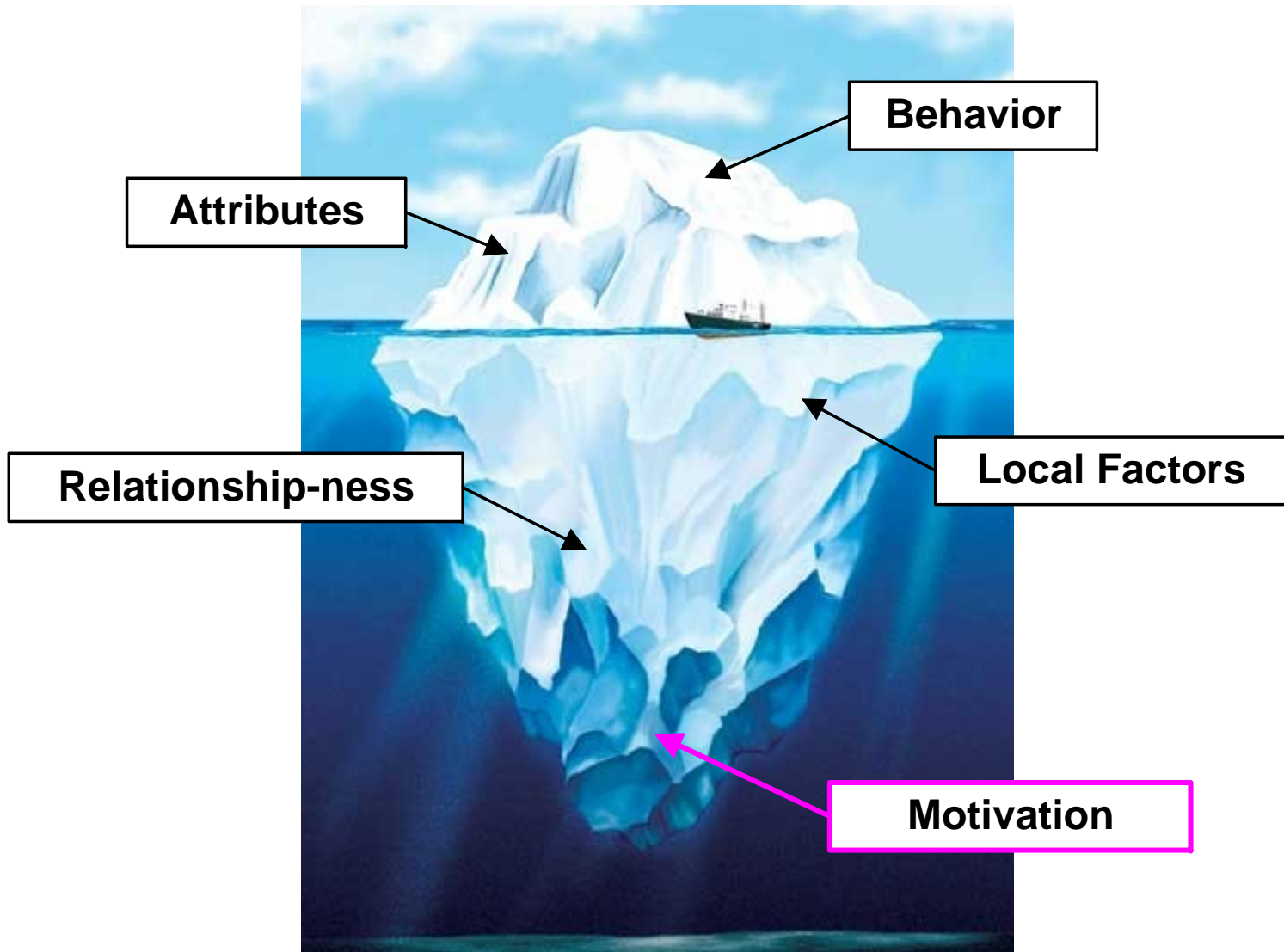
## Uses of Information: Down and Dirty

- ❑ Gain perspective
- ❑ Create unique segments
  - Relevant to the particular business
- ❑ Target communications
  - In the target's words, in the target's mindset
- ❑ Measure performance
  - Absolute & relative
  - Incremental



## □ Categories of Information

- A starting point
- Behavior
- Attributes
- Local Factors
- Relationship-ness
- Motivation



# Segmentation

## Size Matters!

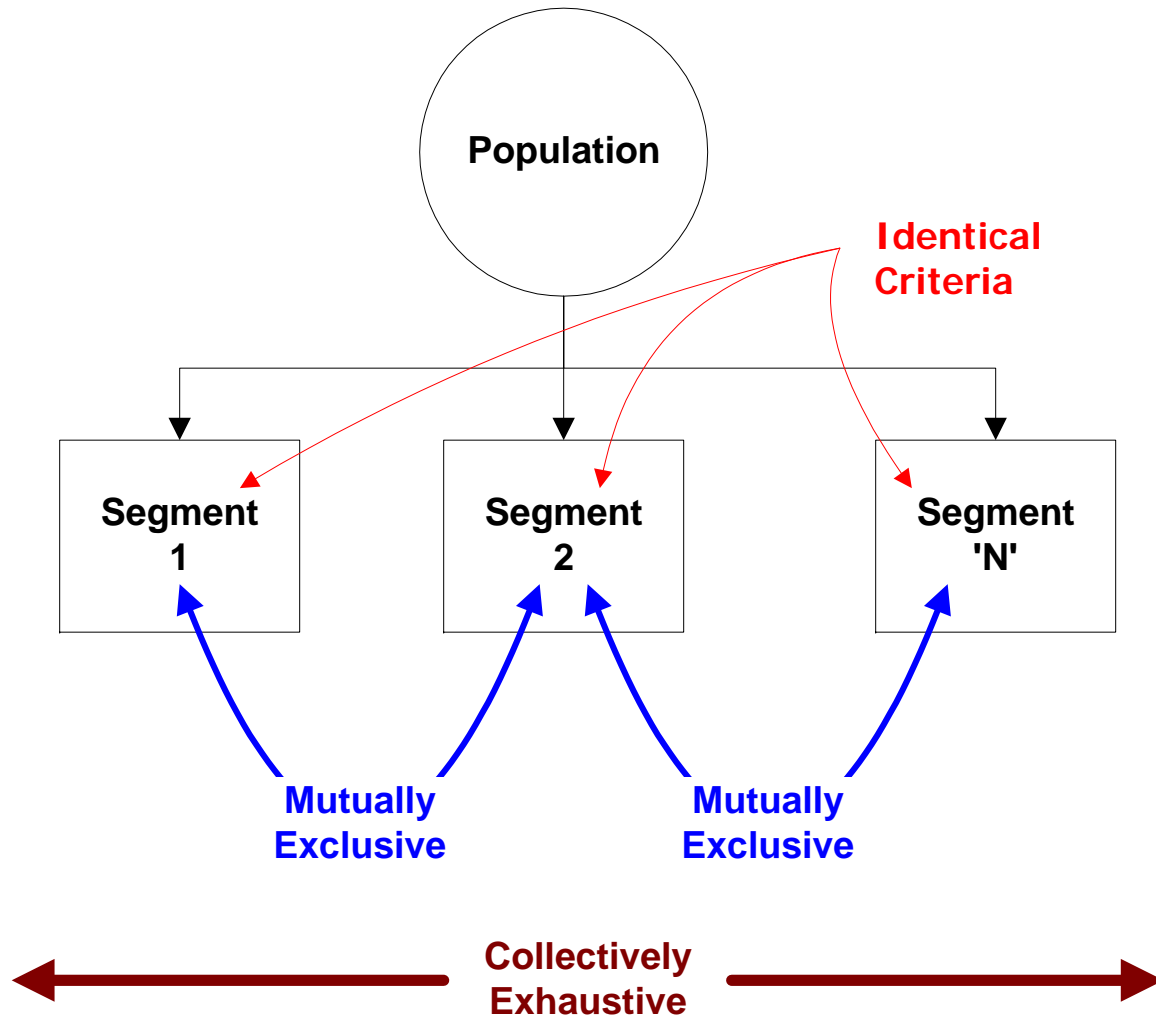
Small is beautiful

## □ Segmentation

- Splitting an entire population into meaningful smaller groups
  - The **parts** are more important than the **whole**
  - Similarities matter less than **differences**
- Uniqueness can translate into strategic advantage
  - Size really does matter

- A lens focused on the target audience
  - Customers, prospects...
  - A perspective
  - Many perspectives
    - Rankings by “importance”
- A control mechanism
  - Management of marketing efforts to “appropriate” groups
- A communications facilitator
  - Delivering communications based on unique qualities or traits

- Enables spending to be related to marketplace performance
- Facilitates communicating the right message to the right audience at the right time
  - **Never** send the same message to the entire population



**Gross  
Segmentation**



**Nuanced  
Segmentation**

**Shared  
Trait**

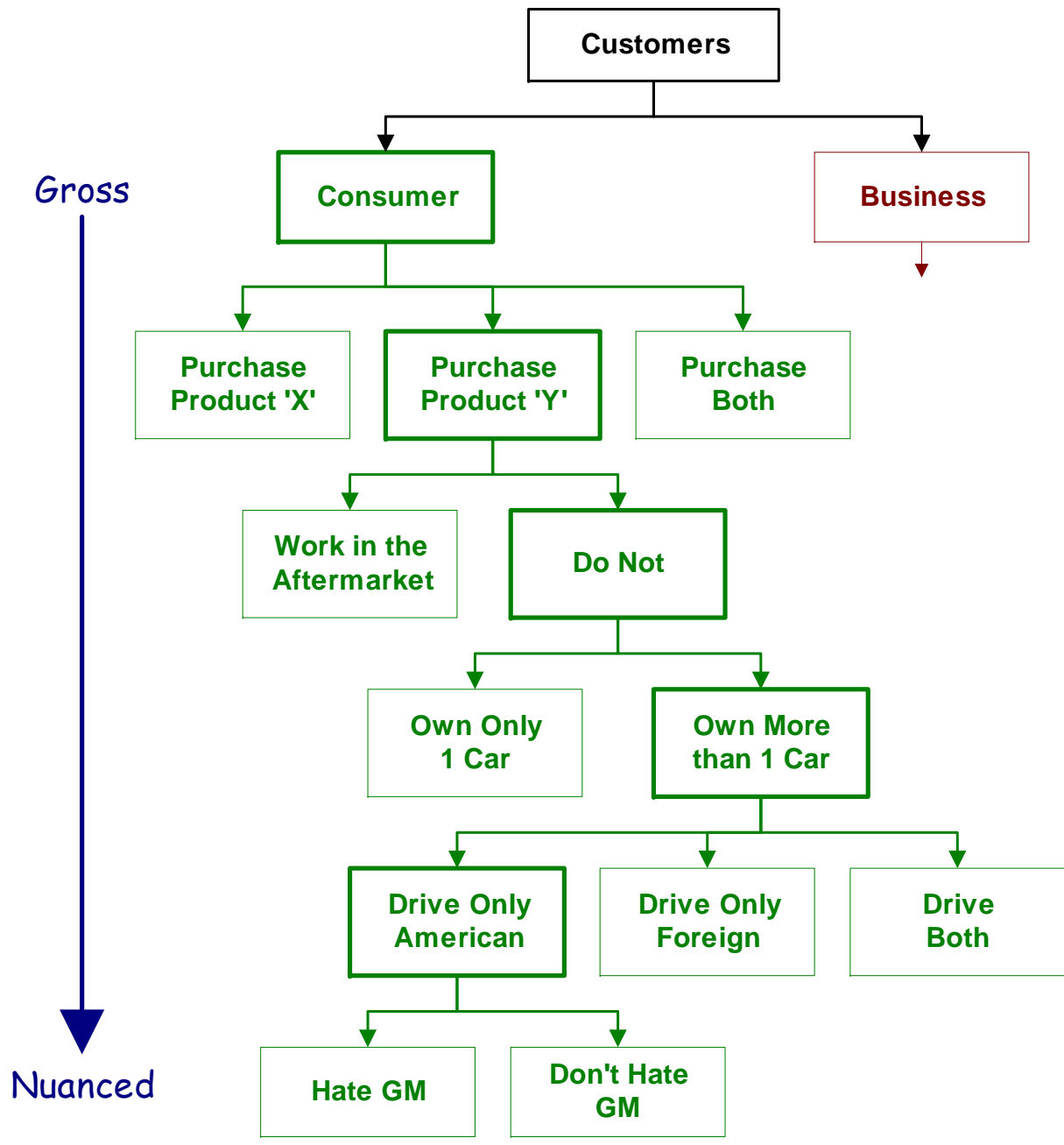


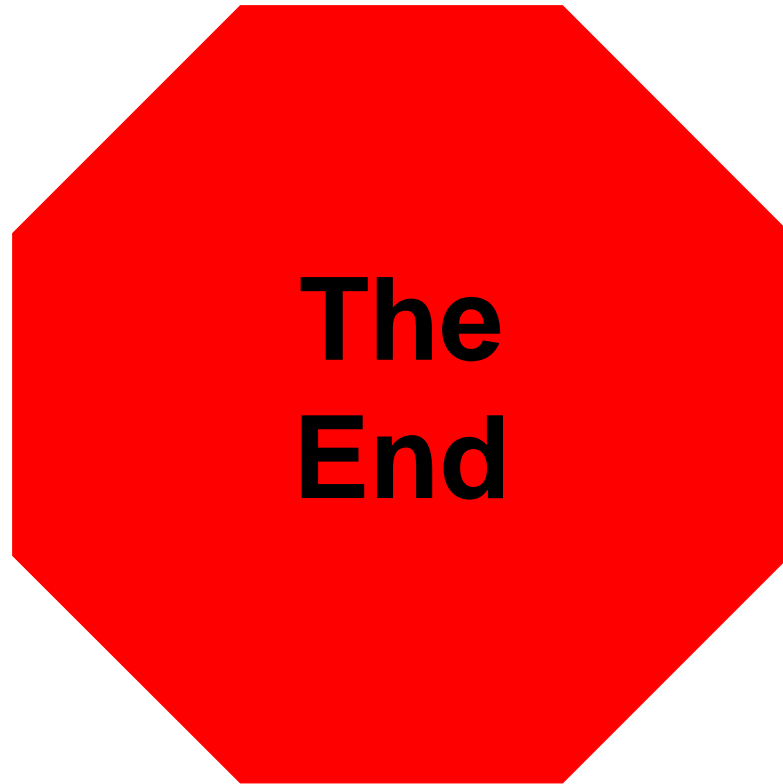
**Nuanced  
Differences**

**Practical  
Need**



**Underlying  
Motivation**





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