Good vs. Bad Marketing: Analytics to the Rescue

Dr. Dave Schrader, Teradata

Panel Discussion on Information Flows: The Costs and Benefits to Consumers and Businesses of the Collection and Use of Consumer Information
Washington, D.C., June 18, 2003

You’ve never seen your business like this before.
The Problem: Bad Marketing

- Sample **Bad Marketing Practices**:
  - **Spam email**: 2600+ emails/person/year. Overuse: 28M emails can be sent for $149. Mass messaging, waste of consumer time, clogged mail directories.
  - **Irrelevant banner ads**: 1.25 trillion/year, 8900 banner ads/person/year.
  - **Junk mail**: 34 pounds of paper in each consumer’s mailbox per year in the USA. Not well targeted, not well timed

**Result**: consumer despair

- Bad marketing people don’t collect the clues and analyze them
The Collection of Consumer Information

Customers Provide Many Clues and Facts about what they want

- Purchases - offline and online
- Browsing activity at a website
- Calls to a Call Center
- Responses to Marketing campaigns
- Survey responses
- E-Mail and wireless requests and responses
The Solution:
Good Marketing People Use the Clues

• **Good Marketing Practices**
  > Collect the **clues** in a data warehouse
  > Use the clues to make **offers** at the right time geared toward the individual’s need or interest
  > **Know their audiences** - “touch” fewer people fewer times with more relevant offers
  > Interpreted as “my personal banker”, “my grocer”

• **Difference is use of technology, analytics**
  > Shows up as differences in **conversion rates** and **customer satisfaction**
    • Conversion rates: % of people who respond to the offer
    • Customer satisfaction: % of people happy with the company and its products
Event Detection:
- 370 analytic event detective applications run each night
- **42,000 leads/week** from nightly analysis - next 5 offers for each personal banker to follow up on

Make appropriate offers, measure results
- 5 times more customer responses
- Behavioral leads 3 - 5x more profitable
- Event-Driven and Sensitive to customer
- New deposits: over $2 Billion in 6 months
- Savings of $20 million in postage costs
- Chopped 75% from Advertising Budget
- Better use of marketing resources
Examples in the Finance Industry

• Best practices sample customers of Teradata: National Australia Bank, Bank of America, Union Bank of Norway, Wells Fargo, Royal Bank of Canada

• How it works: Event-Based Marketing
  1. Bank notices an event: a large deposit, a large withdrawal, a marriage, a drop in interest rates, a CD comes due
  2. Based on the event, bank makes an appropriate offer: consolidate accounts, refinance a home - over the right channel at the right time
  3. Measure the results

• Best campaigns result in 25-60% conversion rates
• Customers are happier - “high touch” personalized banking services
Difference Between Good and Bad Marketing in Conversion Rates

<table>
<thead>
<tr>
<th>Improvements by using analytics</th>
<th>Before the Application of Analytics</th>
<th>After the Application of Analytics</th>
<th>Factor Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banner ad clickthrough rates</td>
<td>0.3%</td>
<td>21%</td>
<td>63X</td>
</tr>
<tr>
<td>Mail response rates</td>
<td>0.5%</td>
<td>18%</td>
<td>36X</td>
</tr>
<tr>
<td>Merchandising response rates</td>
<td>0.2%</td>
<td>12%</td>
<td>24X</td>
</tr>
<tr>
<td>Conversion rates (post-response)</td>
<td>0.9%</td>
<td>10%</td>
<td>11X</td>
</tr>
<tr>
<td>Repeat buyer rates</td>
<td>2.0%</td>
<td>60%</td>
<td>30X</td>
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</tbody>
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Results from researchers at Forrester, Jupiter, Amazon.com and Ovum who analyzed campaign performance when analytics targeted certain consumers - across multiple industries and channels.

Source: “Marketing Analytics to the Rescue: The Next Big Thing?”
Summary

- Many companies have responsible marketing organizations and practice good marketing.

- They use analytics technology so
  - consumers receive fewer marketing messages
  - that are more relevant
  - resulting in higher conversion rates
  - and higher customer satisfaction

- A Win-Win for both the consumer and the company