LISTEN UP

TIP: PAYING ATTENTION TO WHAT YOUR CUSTOMERS SAY, AS WELL AS WHAT THEY DO, CAN LEAD TO A WIDER RANGE OF DATA OPTIONS

While purchase and demographics data are quantifiable, customer feedback is less readily crunched. But a white paper from IBM suggests that analyzing what your customers are saying could open up the benefits of data mining to a wider range of departments.

Most organizations already have rich data sources of customer-generated text. An organization can link email correspondence and interactions with customer service reps with a customer account. It can then use word pattern recognition software to link phrases and sentiments with behavior, helping marketers identify potentially dissatisfied customers, according to IBM.

Doing so allows an organization to put the customer into a retention campaign with either personal outreach or promotional offers tailored to mitigate the customer's concerns.

TEXT ANALYSIS

Text analysis can also help business-to-business marketers identify knowledgeable individuals (who are hopefully purchase influencers) within a large organization. If an organization hosts an internal bulletin board—or even is able to access external ones—comments laden with jargon or acronyms can indicate someone with hands-on knowledge of how an offering is, or should be, used.

Marketing material can be sent to this person extolling the virtues of a given offering. Collateral can also incorporate suggestions for moving recommendations along the purchase approval process.

A marketing department can further look at text comments and modify the language it uses in its pitches—eliminating unused terms, or building in those with which it was previously unfamiliar. At a minimum, text analysis can help a sales force stay current with industry terminology, the IBM paper points out.

EXAMINE ONLINE BEHAVIOR

Similarly, customers' online behavior can give insight beyond whether or not they made a purchase. A high instance of customers leaving a site if they are unable to find what they are looking for might indicate the need for a page redesign. Rather than simply serving up a page which says that a search term isn't found, a site could provide alternative offerings, or access to a live service rep.

Marketers can also examine the online interplay of a customer with an organization. An organization might recognize a detrimental pattern, such as email sent to the company right before a customer returns a product or closes an account. This could help the company trigger a retention effort before the action is taken.

What these data sources have in common is that they bring information beyond transactional data into a customer's file. Doing so allows an organization to manage its data mining activities from a single location.

There are, IBM argues, many advantages to this. For instance:

✔ It allows modelers to better know about previous data queries, and avoid repeating their efforts;

✔ It requires that data be standardized, allowing a richer source of information, as well as a wider range of data mining activity;

✔ It enables data mining best practices to be applied to queries made from all facets of the organization; and

✔ It provides quality control mechanisms when data is updated.—RICHARD H. LEVEY

IDEAS:
Get Insight from Unused Points

EXAMINING CUSTOMERS BASED ON THEIR UNUSED LOYALTY PROGRAM CURRENCY can offer insight into your communication strategies, as well as stimulate point redemption. This is a double bonus, as loyalty program points are often listed on corporate accounting sheets as liabilities.

"The first question marketers should be asking is why their members are keeping the points," says Jill Goldworn, president of The First Club, which offers low-point redemption alternatives for companies running loyalty schemes. "Are they waiting for the big redemption, for a big trip or a big-screen TV? Or are they mindlessly collecting without a true connection to the brand?"

Points collectors represent an opportunity for increased activity, especially if they are close to an award threshold. It helps if marketers have captured the amount of loyalty currency accumulated through direct interaction with the brand, as opposed to through ancillary activity. Marketers that don't record, on a participant-by-participant basis, the activities through which loyalty currency is earned are missing a key analytic component, Goldworn adds.

A few database queries regarding purchase patterns can offer the first clues regarding approaching these participants. If they are one-time enrollees, or if they make purchase only on an annual basis, they can be urged to make immediate, low-cost (to the marketer) redemptions which reinforce brand devotion. **—RHL**

Chief Marketer
TIP SHEET

GET CREATIVE WITH YOUR DATA

Many direct marketers need to be more creative in the ways that they leverage their customer data. Sure, just about everyone uses customer data to make general decisions about whom to promote. Typically, this is done with either rules-based logic such as RFM cells, or more formal statistics-based predictive models. However, this is just scratching the surface.

To become a more innovative data-driven marketer, first you should identify areas of your business that are suitable for focused, data-driven marketing. For example:
▶ High-potential customers, inquirers and prospects.
▶ At-risk and lost customers.
▶ New ship-to customers such as gift recipients.
▶ Top-selling, or most profitable, products and services.

Then, take action that focuses on these targets, mixing and matching promotional vehicles and channels as appropriate. Here are six examples of the many ways customer data can be creatively employed to help drive increased revenues and profits:

1. Identify commonality within customers.
This is also known as "customer clustering." It is the creation of groups of customers in which every customer shares at least one thing in common. The groups are inherently interpretable because of this homogeneity. Therefore, they provide a robust foundation for highly-targeted specialty marketing programs.

2. Identify commonality within merchandise.
This is also known as "merchandise clustering." It is the identification of merchandise that tends to get purchased together. This type of data mining can take two forms. The first is market basket analysis, which looks for merchandise groupings that take place within each transaction; for example, store visits for brick-and-mortar retail, and online visits for e-commerce. The second is product affinity analysis, which extends across multiple transactions.

3. Identify commonality within customer/ merchandise hybrids.
Sometimes, breakthrough results can be achieved by crossing overlay demographics that describe customers—age, estimated income, marital status, presence of children and the like—with previously-purchased merchandise categories.

Homogenous hybrid groups, just as with their pure customer and merchandise-oriented brethren, assist with promotional content tailoring such as selective binding, differential ink jetting, and one-to-one email messaging. They also inform product placement decisions within e-commerce sites and brick-and-mortar stores, and provide the foundation for strategic line extensions.

4. Build merchandise-driven predictive models.
A frequent companion to merchandise clusters is merchandise-specific predictive models. Often, the homogenous merchandise groups are created, and then predictive models are constructed to help make the groups actionable. These models can take two forms. The first is up-sell models, which predict additional buying behavior within merchandise clusters for which the customer in question has made a purchase. The second is cross-sell, which predicts who will, for the first time, purchase merchandise within a given cluster.

5. Conduct data-driven operational CRM.
This is where relevant information is packaged for access at touch-points such as call centers and e-commerce sites, in order to support data-driven interactions. One example is the content-tailoring of call center scripts ("play books") and Web pages to drive up-sell and cross-sell efforts using suggestive selling techniques. Another is best-customer identification during the resolution of service problems.

6. Implement marketing action/reaction systems.
These are automatic triggers that generate tailored promotions whenever customers display pre-defined behaviors. These behaviors can be positive or negative, such as:
▶ High-value customers with reduced recent activity, suggesting that they might be at-risk.
▶ Frequent previous purchasers of consumables whose recent volume has tapered off.
▶ Customers who purchased a product in the past that is approaching the end of its natural lifecycle.
—**JIM WHEATON, principal, Wheaton Group**

CASE STUDY:
Community Spirit

TIP: MODEL FOR AFFINITIES TO FIND YOUR BEST PROSPECTS

A new database marketing model has helped Microsoft lift prospecting email and telemarketing response rates by as much as 300%.

The efforts to promote software development products were targeted at IT professionals and executives in companies ranging in size from home offices to Fortune 500s, according to Erick Freligh, senior marketing manager, U.S. execution services for Microsoft.

The model—which uncovered new "communities" to which prospects had affinities—also helped Microsoft reduce its cost per acquisition by more than 50%. MeritDirect helped Microsoft create the modeling process. Criteria looked at included white paper downloads, webcast attendance and newsletter subscriptions.

Previously, Microsoft relied on more traditional rented lists—such as magazine subscriber files—to find folks with purchasing and decisions making authority. Going forward, they plan to stick with the community-focused approach.

"Early returns have created a compelling story to expand this engagement-focused strategy," says Freligh, noting that it has allowed Microsoft to help track the types of conversations its audience is having online. "This strategy has dramatically improved tactical results and is building consumption of prospect data for targeting."—*LARRY RIGGS*