

# Marketing Insights

By AK Insights Ltd.

**Special Issue**

## What's Important To You

Welcome to our first Special Issue!

We've dedicated our special issues to providing you with information related to database management and direct marketing but that is of *unique interest to your industry*.

We certainly hope that you'll find it relevant or interesting at the least.

*Sincerely,  
The Team at AK Insights*

## Crafting A Marketing Masterpiece

Source: 1to1 Magazine March 2002

Chris Baggott likes live music and the convenience of ordering tickets online, which is why Ticketmaster emails him a list of concerts each week. But he stopped opening the emails months ago. "They should know what kind of music I like," he says Baggott. "Yet the emails they send me are completely irrelevant." Enter JamBase, a concert-ticketing and music information site with a tour-date search engine that earned Baggott's loyalty by sending him less frequent, more relevant emails.

But transforming that loyalty into customer value requires much more than a few targeted emails. Companies that successfully leverage custom communications collect the right customer data, craft the right message, identify the right sender, select the right channel, and communicate at the right times. JamBase, for example, tracks the bands, music genres, and concert venues that its visitors

prefer, and then emails concert information, band liner notes, and related articles to members when band, venue, and city matches arise. Ticketmaster and JamBase use the same channel, but JamBase gains more revenue from Baggott because it leverages his data to send the right message (Matchbox 20 vs Celine Dion) in the right context.

In the case of software provider Authoria, survey results revealed that customers who attend its annual user conference boast higher levels of satisfaction than those who don't. To grow conference attendance, and therefore satisfaction among a greater number of customers, the company sent customized emails based on customers' industry and value. The several Authoria executives from whom the emails were sent also reflected those specific customer attributes. This approach helped more than double conference.

The Home Depot boosts customer value through custom emails and Web personalization that assist customers with their specific areas of interest at appropriate times of the year. For example, the home improvement retailer now has a garden club that dispenses regional-specific soil composition, temperature, and growing information from gardening experts to members at the times of the year they need it.

The ultimate value of custom communications, regardless of how, when, or through what channel they are provided, is increasing the lifetime value of that customer relationship. And the success of custom communications hinges on relevancy.

Custom communications are guided by business logic, which

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**AK Insights Ltd.**

*Data, Knowledge,  
Insights!*

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**Is Your Business Equipped To Outsmart The Competition?**



**"If you have foresight, you are blessed, but if you have insight, you are a thousand times blessed."**

*- Old Chinese Proverb*

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means that the marketing message's content, channel, timing, and source (which person, organization, telephone number, or return address) are dictated by the customer or prospect's current stage in the sales cycle and value or potential value to the organization. The secret, then, to using relevant custom communications to help increase customer value, is getting the right data to create the right message from the right source sent through the right channel at the right time. Sound impossible? It's not if a company blends the following five elements to deliver messaging that customers want to receive.

### 1. The Right Data

About 18 months ago, The Home Depot possessed about 500,000 customer email addresses. Today, it has 5 million. Shelley Nandkeolyar, VP of interactive marketing and e-business, describes email as "marketing's killer application", but admits that there is no magic bullet to amassing email

addresses. "It requires a single-minded focus and commitment. It feels like a slow process, but it's incredibly rewarding." It is also necessary. One of the prerequisites to doing custom communications is that you need to have a consolidated customer/prospect database.

Software provider QAD has become "obsessive" about amassing emails and "everything else we can possibly know about the customer" into its database, says CMO, Mike Lodato. His team has mined information from the company's existing marketing and SFA applications, and from separate systems within the company's consulting, education, and support business lines. "You have to be able to identify the 20 fields that you really care about: products purchased, where customers work, title, phone number, email, whether they answered the satisfaction survey, whatever those fields are," Lodato says. "And then you have to capture all of it.... It's not going to show results



unless we have enough info."

More

important than the sheer quantity of customer information a company possesses, however, is having enough quality information. To that end, the Home Depot collects emails, customer purchases information, and click-stream data through periodic sweepstakes programs, in-store registration drives, post-sale questionnaires, and through the Web. Every Home Depot Web page contains a box where visitors can register via an email address. Using the data and registrations, the Home Depot can follow up with appropriate communications. For example, if a registered online visitor, based on the pages she has viewed, appears interested in lawn mowers but leaves the site without making a purchase, that information is then used in a follow-up email to the visitor. The message typically provides additional information about

the product areas on the site where the visitor spent the most time. Customers who return to the Web site from those email prompts are more likely to make a purchase than any of the company's other Web site visitors. So the Home Depot is able to use a low-cost channel (email) to boost sales without having to sweeten the pot with discounts, which are not included in the Web follow-up emails. "My belief is that you want to provide the customer all the right knowledge to make the decision," Nandkeolyar says, "but you don't want to give things away."

### 2. The Right Message

National Instruments (NI) does like to give one thing away: content. And the provider of computer-based measurement and automation tools offers a lot of it, in the form of hundreds of different articles on dozens of aspects of industrial automation and test and measurement systems, through the semi-monthly email newsletters

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## Transforming Frequency Programs Into True Loyalty Programs

Source: Inside 1to1, November 2002

Loyalty is more about a company's entire business philosophy than about giving discounts through a frequent purchase card.

Businesses that infuse loyalty into their merchandising strategies, employee compensation policies and other business practices garner the devotion of their customers without having to "bribe" them with points and perpetual discounts. Loyalty programs have less to do with the value of points or discounts to a customer, and much more to do with a company's use of data mining to improve the customer experience.



Collecting customer data is one thing, but turning actionable data into a customer-focused strategy can be a whole new ball of wax. Information sitting in a database somewhere is of no use to you unless you take advantage of it.

A company that offers loyalty discounts or points, but fails to properly analyze and act on that data, is forced to compete on price alone, and it has to keep offering more and more rewards in order to keep

customers away from competitors with similar programs. "You need to mine the information to create not only relationships but also an optimum in-store experience," says Brian Woolf, President of Retail Strategy Center, "the best loyalty programs use the customer data to improve not only promotions, but also store layout, pricing, cleanliness, check-out speed, etc." Firms that do this, claims Woolf, are able "to double their profits." When these elements are not addressed, 'all you're doing is teaching the customer to seek out the lowest price.'

Loyalty marketing, which recognizes and rewards a

company's most profitable customers with personalized communications that ultimately increase each customer's value, must therefore become an indelible way of doing business.

### The alternative

So if companies are moving away from points-based reward programs, what's the alternative? Ideally, a company should focus on delivering exactly what the customer wants to get out of the interaction with the merchant.

The Hertz #1 Gold program, for instance, allows best customers to pick up their

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it sends to customers. Recipients choose what kind of content they wish to receive. No two email newsletters are the same. Each newsletter contains one to two-sentence summaries for 5 to 15 articles, with links back to the complete article on NI's web site. Each article is categorized, and the email newsletter engine matches those categories to customer preferences while automatically placing individual article summaries and links in each customized email newsletter.

Since it began customizing e-newsletter content two years ago, the click-through rate of each transmission increased by 200% where they now hold steady. The 'open' rate for all of the company's marketing emails, about 90% of which are attuned to the unique timing and message needs of each prospect and customer, has increased by 50% since the company instituted its custom communications approach. Matching the message to

individual needs is common among custom communication practitioners. When US Airways emails information about flight changes to passengers, for example, it provides a different message to customers who occupy the top two tiers of the airline's loyalty program. Those flyers receive a telephone number via email or automated voice mail they can dial to discuss additional accommodations they might require.

### 3. The Right Source

The message's departure location is as important as its destination. "We've seen that the other side of the one-to-one equation is often neglected," says QAD's Lodato. To remedy that, QAD matches its customers and marketing messages with carefully chosen "internal advocates". QAD has found that customers who attend its annual users' conference are more loyal and generate more value. To drive attendance to last year's conference, QAD developed eight different messages tailored according to



industry and geography. That relatively basic level of customization boosted conference attendance by 15 % over 2003. This year Lodato expects another attendance lift by focusing more on the "from" side of the messaging. For e.g., QAD has established a role within the company, "a defender of programmers". Marketing messages inviting programmers to the conference will be sent from the defender of programmers. The QAD employees who participate in the company's industry-specific design groups will also "author" messages to the customers and companies they interact with. High-value customers will receive invitations directly from their executive sponsors. In all, this year QAD is developing 30 different messages from a dozen different senders for the 20,000-plus customers invited to the annual user conference. This year many of those invites, including those executives at high-value customer companies and individuals at companies who have not attended

previous user conferences, are being distributed via voicemail. The voicemail application automates one-to-many calls timed to access the customer or prospect's voicemail. Different callers are selected according to the hierarchical level of the contact at the customer company, and then they record messages that are distributed to customers.

The effort benefits QAD employees outside the marketing department, who, Lodato says, thoroughly enjoy it. "When we've approached them, they say, 'Wow, you want me to record my voice tonight and I will personally be driving attendance? Great.'" he says. "They get nervous and excited about it."

### 4. The Right Channel

Often overshadowing such considerations as timing and sender is channel, especially channels as cost-effective as email. But that distraction is well founded, as companies like

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rental cars and get onto the highway as quickly as possible. This benefit is more valuable to them than a discount.

Nordstrom Inc. is the quintessential company embodying loyalty as a practice. With no formal loyalty program, this high-end retailer avoids the trap of perpetual discounting (the store didn't even put items on sale until relatively recently) by creating a culture that rewards employees for providing the excellent service that makes customers

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come back for more. By swiping a bar-coded sticker that goes on a regular credit card, Nordstrom records purchase data without having to offer its own credit card. "Customers who ask for this sticker are more likely to be loyal Nordstrom shoppers," says Don Neal, senior VP and marketing director for relationship marketing agency Rapp Collins Worldwide. The code also provides the employee with past customer purchase data at the point of sale.

### Moving customers up the value chain

Another rising practice is to show loyalty-program members

how they can achieve the next level of benefits. Differentiating program members into groups based on their spending levels is a first step. The second is to generate excitement by demonstrating what is required to make it into the elite level. This can work at the high end, the low end and every level in between. For example, casino chain Harrah's Entertainment does a superb job of communicating program payoffs and corresponding spending levels.

The majority of so-called 'loyalty' programs today are still nothing more than frequency programs driven by points and discounts. While this may show

results in the short term, these programs lack the intimate customer knowledge component needed to build long-term relationships based on needs and value.

The primary strength of frequency programs is collecting information. They are not, in and of themselves, loyalty programs, but they can be good jumping off points toward creating a strong, valuable loyalty program. The differentiator is to consider customer needs and value over the long term, and act on customers behalf to build loyalty through a solid customer-based strategy. ❖

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US Airways can confirm.

In 2002 US Airways began using automated voice messaging to notify passengers of flight changes to reduce the workload (and cost) of agents. In 2004 reservations agents began collecting email addresses. Those requests were noted enthusiastically on FlyerTalk.com, a chat site that gauges customer satisfaction. She saw a spike in positive chatter about email there and says that existing customers were also demanding the option of email notification of flight changes regardless of whether they booked their flights via phone or online.

When the airline launched email notifications in 2004 the goal was to convert as many voice-mail notifications to email as possible. The switch has moved 50% of phone-reservations and 100% of Web-reservations to a much lower cost channel. The channel that passengers receive flight-information updates and changes on is now dictated by the data contained in their profiles. Most often, if an email

address is available, the notification is emailed; if not, automated voice messaging is used; and if confirmation of that voice message's receipt (via a return call from the customer) is not received in time, an agent will call the customer. Additionally, the system has increased the number of opportunities to provide customers with such information as reminders to use Web check-in and kiosks and cross-sell offers.

Customers' demand for information via email has also provided US Airways with another revenue opportunity. The space allotted to hotels and other partners on email notifications is suddenly hot, and serves as a new source of revenue. The click-through rate on those discount offers is higher on flight-related emails than the click-through rate for the same discount offers on the company's Web site.

Although email has grown to be the most prevalent custom communication channel, it is not alone. Direct mail, billing stuffers, Web personalization, and

outgoing call center messages are other frequently used custom communication channels. "We take every channel we use in a traditional broad-based marketing approach - our Web site, advertisements, newsletters, phone communication, email, fax, and direct mail - and we examine how we can change the message, its context, and its timing to make customers feel like we understand them and that we are a company that they really want to do business with," says QAD's Lodato.

In fact, traditional channels still deliver their share of results. The Bermuda Department of Tourism now customizes five pages within its 26-page brochure. The customization is based on questions customers answer when they call the contact center or fill out a form on the organization's Web site. The customization has helped the tourism agency cut costs by reducing its brochure inventory by 30 percent. The digital printing technology used to create the brochures has shaved four days off the time it took

potential vacationers to receive them. Although conversion rates have so far remained steady at 6%, the tourism board has cut costs and plans to use its swelling database to forge more long-term custom relationships.

### 5. The Right Time

Whenever possible, the timing of a message's delivery should be determined by the customer's need or behavior. Visitors to the outdoor living section of the Home Depot's Web site, for e.g., may trigger an email containing relevant information within 48 hours of their original site visit, since visitors are more likely to make a purchase if they're contacted with additional information within two days.

More companies are speaking with customers when they are most receptive, such as when the customer initiates contact. One top hotel chain reportedly generated \$22M in incremental sales from pre- and post-stay emails. Timing is everything. People know you're not talking to them personally, but they appreciate it. ♦

## AK INSIGHTS' SERVICES

Cost-effective, innovative, additional routes to your customers.

AK Insights provides full service expertise in the areas of Database Management, Direct Marketing and Small/Micro Business Marketing.

### DATA MANAGEMENT

Data gathering (e.g. member data, general surveys, retail surveys, audits, etc.), data entry and ongoing database management.

### DIRECT MARKETING

Postal & email marketing; Loyalty/ membership programs; Newsletters; Mini web-sites; Database surveys, etc.

### SMALL/MICRO BUSINESS MARKETING

Development and implementation of marketing plans & strategies that focus on non-traditional marketing methods (a.k.a. "mini-media") and are affordable, creative, unique and effective.



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