

High-Precision Direct Marketing: How to Identify and Target High-Value Customers



Agenda

- Critical Challenges Facing Direct Marketers
- High-Precision Marketing
- Demonstration
- Summary

Challenges Facing Direct Marketers

- Doing more with less
- Counteracting “anti-marketing” pressures
- Surviving and thriving in a tough economic environment

High-Precision Marketing Addresses Today's Challenges

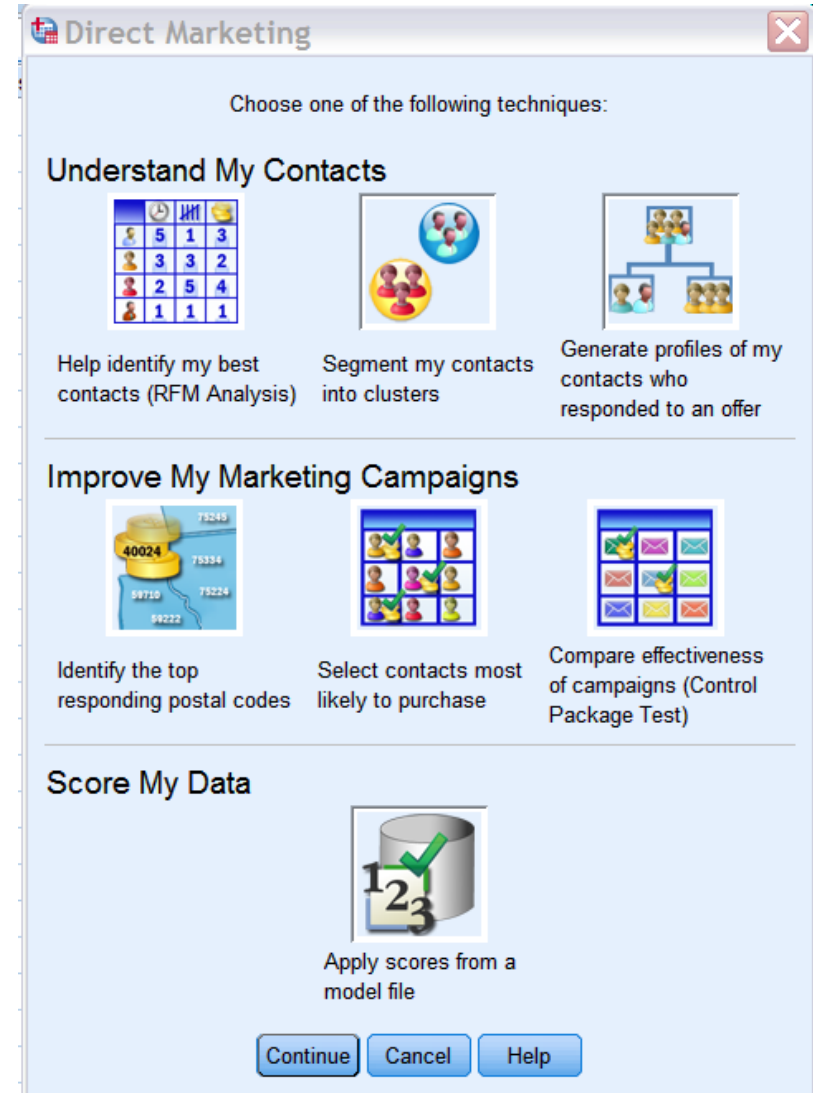
- Mail fewer pieces, buy fewer names, less waste
- Contact only those more likely to respond
- Make the best offer for that audience
- Generate higher value sales at lower cost

Tools Available

- Spreadsheets
 - Pro: Easily available, familiar
 - Con: Prone to error, simplistic analysis
- Database programs
 - Pro: Flexible, handle large quantities of data
 - Con: Understanding of database technologies
- Statistical packages
 - Pro: Powerful analytics
 - Con: Not built for business users

The Solution: IBM SPSS Direct Marketing

- Targeted to direct marketers, not statisticians
 - Easy to use
 - Fast results
- Uses vocabulary familiar to direct marketers
 - No need to learn new technical terms
 - Easy to communicate results to others
- Comprehensive solution
 - Part of a full analytic suite
 - Grows as your needs grows



Gaining customer insight

- How do I learn more about my customers?
- What are the characteristics of customers that respond?
 - Age
 - Income
 - Education
 - What else is important?

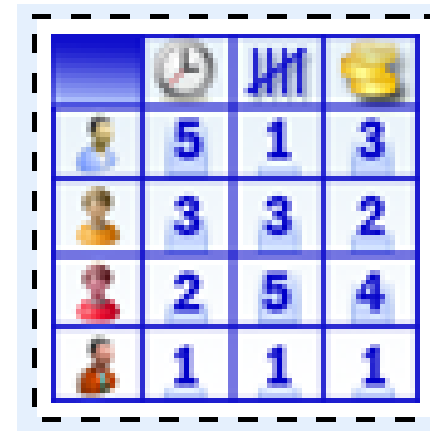
Improving profitability of campaigns








- How can I target prospects better?
- What marketing lists should I buy?
- What campaign packages will give me the best ROI?

Customer Insights

RFM Analysis

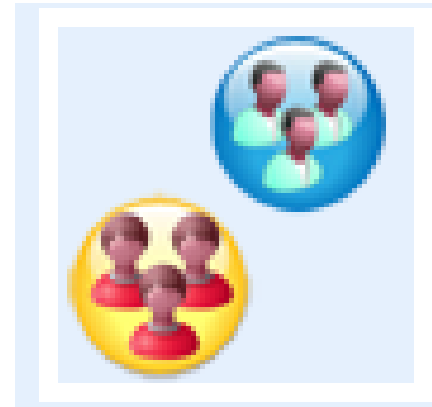
- What is it?
 - Customers who have purchased recently, frequently are more likely to respond
 - Scores are assigned to customers...by recency, frequency, and monetary value of purchases
- Scenario
 - Mail order catalog
- Why?
 - Identify customers most likely to buy
- What are the requirements for RFM?
 - Customer database with purchase history



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|  | 3 | 3 | 2 |
|  | 2 | 5 | 4 |
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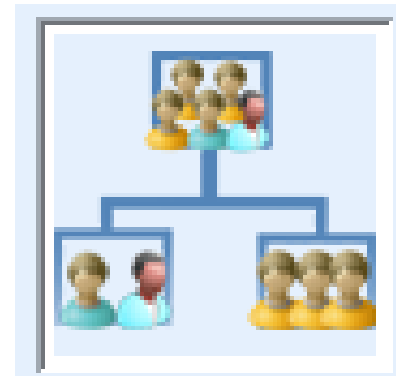
Cluster Analysis

- What is it?
 - Segment your customers into groups having similar characteristics
- Why?
 - Gain deeper insights about your customers
- Scenario
 - Campaigns and promotions
- What are the requirements?
 - Customer list with demographic information



Prospect profiles

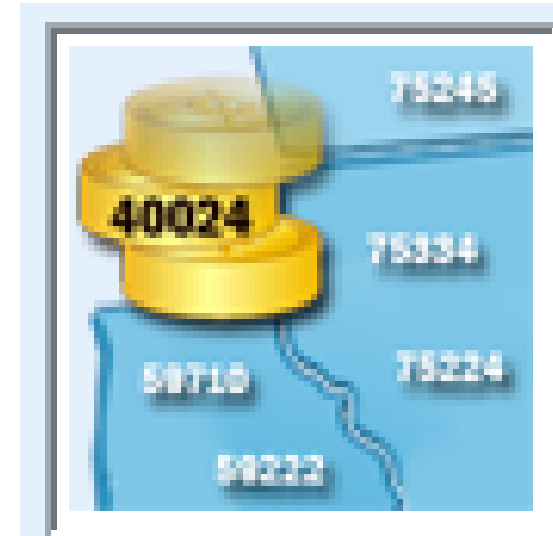
- What is it?
 - Identifying characteristics of customers most likely to respond to a campaign
- Scenario
 - Campaigns and promotions
- Why?
 - Attract and retain your most profitable customers
- What are the requirements?
 - Results of a test mailing campaign



Improving the ROI of my Campaigns

Postal Code Response

- What is it?
 - Identify the postal codes with the best response rates
- Scenario
 - Campaigns and promotions
- Why?
 - Improve ROI of campaigns
- What are the requirements?
 - Customer information with ZIP codes



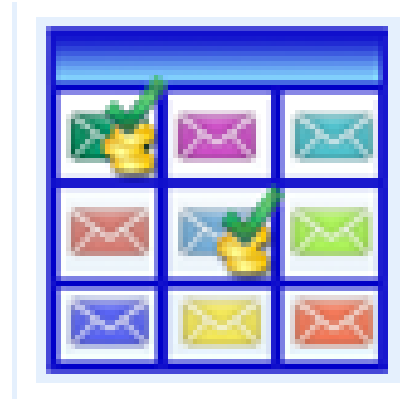
Propensity to Purchase

- What is it?
 - Uses the results of a test mailing to score a prospect list
- Why?
 - Improve ROI by targeting customers most likely to respond
- Scenario
 - Score a list for marketing campaign selection
- What are the requirements?
 - Prospect list, results of a test campaign



Control Package Testing

- What is it?
 - Compare results of a test campaign with a control campaign
- Why?
 - Launch the most efficient and effective campaigns
- Scenario
 - Test performance of a new v. old campaign
- What are the requirements?
 - Results of the test
 - Control group gets the original campaign
 - Test group gets the revised campaign



Scoring New Cases

- What is it?
 - The ability to score new case by building some predictive models
- Why?
 - Find the best predictors



7 Ways to Improve Campaign ROI with High-Precision Marketing

1. Identify your best customers
 - Score customers according to the recency, frequency, and monetary value of purchases
2. Gain insight into your customers
 - Group customers by similarities and differences
3. Know which characteristics best predict response
 - Profile based on shared characteristics to improve targeting of offers and campaigns
4. Drop mail in areas with highest probable response rates
 - Postal code analysis – Identify which regions, if any, have a higher response rate
5. Select which contacts are most likely to respond
 - Develop propensity scores and improve the focus and timing of your campaigns
6. Execute the best package
 - Test control packages – find out which out-perform your existing package
7. Score new Case
 - Find out what are the best predictors

Thank You

- Resources
 - Product Overview
 - <http://www-01.ibm.com/software/analytics/spss/products/statistics/direct-marketing/>
- Contact your IBM SPSS Sales Representative
 - salesbox@us.ibm.com
 - **800-543-2185**
 - www.ibm.com/spss