

# **MARKETING OUT OF CONTROL**

**Keith Wardell**



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## **About The Author**

Mr. Wardell has focused on improving marketing efficiency over the past 30 years. To this end, he founded three marketing companies and worked for several marketing leaders including R.L Polk & Company, Equifax and National Decision Systems. Most recently, he founded Exmplar, Inc. dedicated to providing relevant, multi-channel communications for clients such as Staples, HSN Improvements, Kraft-Gevalia, and New Line Cinema. Previously, he founded Buyer's Choice, Inc., a leader in permission based marketing, offering millions of consumers the opportunity to selectively opt-out of and opt-into direct mail. In 1979, Mr. Wardell founded a joint venture with The Gallup Organization, called Gallup/Washington, to serve the research and site location needs of the then up and coming convenience store industry. Over the years, his clients have included Toyota Motor Company/Lexus Division, Merrill Lynch, Federated Department Stores, Bell South, 1-800flowers.com, Omaha Steaks and Procter & Gamble. He is currently CEO of Marketing1by1, LLC



**For Sharon, Kristen, Ryan & Amanda**

**For current and former employees of  
Exmplar, Shop2u.com and Buyer's  
Choice for their dedication and courage  
in walking the path less traveled.**



# **Marketing Out Of Control**

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# **Marketing Out Of Control**

## **Introduction**

It may have been a long time coming, but its arrival was almost overnight. While the trends leading up to it have been evolving for a few decades, in just the past few years, consumers have begun to take control of the marketing process.

The combination of unlimited choice and the ability to find anything and everything quickly has shifted the power from manufacturers and retailers to their customers. Google, Yahoo, shopping comparison sites and peer reviews have all contributed to empowering consumers in the marketing process. The most important question remaining is how will you respond to a marketing process controlled by your customers?

On any given day in the U.S., there are almost 2 billion web site visits, 200 million inbound calls and 600 million retail visits. This is a total of 2.8 billion customer initiatives per day. Compare this to the number of 30 minute television programs viewed per day of about 1.4 billion. Marketers spend over \$200 million per day on television advertising to reach out to consumers. How much is being spent on consumers who are reaching out to marketers?

Consumers decide to visit your web site, your store or call your phone center. They initiate over 70% of site visits by typing your URL into their browser or through one of the many search options. They are better informed than ever before and can select from a wide variety of channels through which to contact you. Their peers are their most trusted source of information. The marketer no longer controls what consumers know or hear about their category, their product or even their company.

### **The Google Effect**

As the 21st Century drew closer, there were too many products, too many media options, and too much diversity among consumers. The internet grew as a method for storing and accessing content. Yahoo introduced search to consumers as a way to deal with the growing information available on the web. Then Google popularized search for one reason. They made it easy. And consumers are hungry for ways to make their lives easier.

Search filled the needs of consumers who were attempting to deal with the unlimited options being created by or made available through the internet. Across all search engines worldwide, there are over 60 billion searches per month according to comScore. Search has become a primary tool through which consumers are taking control of their lives and of the marketing process as well. But search alone did not cause this power shift.

### **The Platform**

One of the greatest drivers of the changes being seen today is the infrastructure developed during the Internet Boom. During the exuberance, telecom companies were investing vast sums in fiber-optic networks, networking hardware and software. When the bust came, it is estimated that over \$2 trillion in telecommunications investment vanished in a little more than two years. According to



Business Week, this was twice the amount lost on the parallel bursting of the internet bubble <sup>1</sup>.

The platform built by the established phone companies and new companies such as WorldCom, Inc. and Global Crossing was an incredible short-term disaster. However, this disaster has set the scene for a revolution that will change the way businesses and consumers conduct their daily lives.

In his book, The World is Flat, Thomas Friedman talks about how the technology platform developed during the internet boom has leveled the playing field on a global basis. This same technology has leveled the playing field between businesses and consumers. Chris Anderson's book The Long Tail highlighted the ability of the internet to support unlimited choice. Combine this with the ability of Google, Yahoo and other search engines to find anything you want in a matter of seconds and the game changes.

Consumers and marketers have access to this seemingly inexhaustible supply of information and a vast array of communications options. For consumers, this means researching their interests, collaborating with peers and initiating contact with selected marketers. For businesses, this has led to the sharing of information; work collaboration and the reallocation of work on a global basis. However, businesses must also apply these new tools to reshape their relationships with consumers making them relevant, individual and easy.

### **Consumer Control**

Where consumer control began is hard to say. Was it the launch of the internet; the rise of eBay; the first reality TV show; the first price comparison site; or the first peer product review? Regardless, the trend toward consumer control was well on its way at the beginning of this century. Consumers were becoming more

involved in the marketing process and demanding more from the companies they chose to patronize.

Fast forward to today and we find ourselves in a marketplace where the rules are now dictated by consumers. We're playing in their game. At the recent National Postal Forum, conducted by the U.S. Postal Service, Postmaster John Potter asked Martin Sorrell, Chairman, WPP Group to comment on the best way advertisers can communicate to an oversaturated consumer and essentially how to break through the clutter in any medium.

"I think there is a danger that the consumer gets exhausted," Sorrell said. "But the difference is that now, the consumer is in control. We can see over-saturation of media, but what we are increasingly seeing is the ability for consumers to select what they want. They are not couch potatoes anymore...They are making choices about what they consume and how they consume it. They are much more active and much more in control." <sup>2</sup>

Need more evidence that consumers are in control? Consider this. In 2006 Time Magazine named "You" the consumer "Person of the Year". In early 2007, Ad Age named the consumer to be the "Agency of the Year". Finally, Business 2.0 named consumers #1 among people who matter. Clearly things have changed.

A recent edition of Business 2.0 had a cover story on the 50 people who matter now. Their list strives to identify people whose ideas, products, and business insights are changing the world we live in today - those who are reshaping the future by inventing important new technologies, exploiting emerging opportunities, or throwing their weight around in ways that are sure to make everyone else take notice.

The list includes Sergey Brin and Larry Page, Google Co-founders, Qualcomm CEO Paul Jacobs, Rupert Murdoch, Steve Jobs, Genentech's Susan Desmond-Hellmann and Fujio Cho, Chairman

of Toyota. Perhaps most surprising is that the Number 1 position on this list is: YOU -- today's customer and consumer, user and inventor, co-creator and co-marketer.

An article on December 13, 2006 by Time writer Len Grossman states:

“It's a story about community and collaboration on a scale never seen before. It's about the cosmic compendium of knowledge Wikipedia and the million-channel people's network YouTube and the online metropolis MySpace. It's about the many wresting power from the few and helping one another for nothing and how that will not only change the world, but also change the way the world changes.

“And we didn't just watch, we also worked. Like crazy. We made Facebook profiles and Second Life avatars and reviewed books at Amazon and recorded podcasts. We blogged about our candidates losing and wrote songs about getting dumped. We camcordered bombing runs and built open-source software.

“America loves its solitary geniuses—its Einsteins, its Edisons, its Jobses—but those lonely dreamers may have to learn to play with others. Car companies are running open design contests. Reuters is carrying blog postings alongside its regular news feed. Microsoft is working overtime to fend off user-created Linux. We're looking at an explosion of productivity and innovation, and it's just getting started, as millions of minds that would otherwise have drowned in obscurity get backhauled into the global intellectual economy.

“Who are these people? Seriously, who actually sits down after a long day at work and says, I'm not going to watch *Lost* tonight. I'm going to turn on my computer and make a movie starring my pet iguana? I'm going to mash up 50 Cent's vocals with Queen's instrumentals? I'm going to blog about my state of mind or the state of the nation or the steak-frites at the new bistro down the street? Who has that time and that energy and that passion?

“The answer is, you do. And for seizing the reins of the global media, for founding and framing the new digital democracy, for working for nothing and beating the pros at their own game, TIME's Person of the Year for 2006 is you”.<sup>3</sup>

Matthew Creamer and Alice Cuneo of Ad Age wrote on January 8, 2007:

“At the last meeting of the Association of National Advertisers, the most important marketing confab of the year, the speakers at the podium kept changing, but their words remained the same -- one after another, the marketing world leaders took to the stage and declared that it's time to give up control and accept that consumers now control their brands.....

“Of course, in some ways, they always have. A brand has only ever been as good as consumers' experience of it. The difference today is that consumers have lots of ways of communicating those experiences, and trust each other's views above marketers' overt sales pitches. Consequently,

they're influencing marketing strategy as never before. ....

“For years, countless big marketing thinkers have repeatedly made the case that the consumer is in control. The evidence: First there was media fragmentation, with the explosion of cable TV and the birth of the internet. Then came TiVo, followed by the rise of the blog.

“Events like the explosive growth and sale of YouTube, along with the popularity of Lonelygirl15 meant that 2006 was, as Time noted in its widely reviled choice of "You" as Person of the Year, the year of consumer creativity. Just about every barrier to playing in the wide world of media, from creation to distribution, dropped to the ground.

“Then there's Procter & Gamble Co. At the annual conference of the Association of National Advertisers last October, P&G CEO A.G. Lafley urged companies to "let go" of their brands. For those unfamiliar with P&G or marketing-conference protocol, this was the equivalent of a then-still-very-folky Bob Dylan plugging in an electric guitar at the Newport Jazz Festival in 1965. Others were already plugged in, but to have such a central figure make such a statement resonated deeply with the audience. The same could be said of Mr. Lafley showing an animated Pringles commercial made by a U.K. teen to an audience full of advertisers.”<sup>4</sup>

There is no doubt that consumers have taken an active role in the marketing process as never before. Product parity, channel diversity and actual participation are the driving forces behind this new control.

However, the fact that consumers have taken control does not mean that marketers should now fight to get it back. In fact, attempting to take back control could easily backfire. For example, the following story of an attempt to harness consumer participation was posted on Jackie Huba's Church of the Customer blog by Jim Nail, Chief Strategy & Marketing Officer, Cymfony, on April 5, 2006:

**"Controlling Consumer Control Goes Out of Control**

"Jackie Huba's Church of the customer blog has hosted a lively debate whether the Chevy Tahoe Apprentice campaign – in which consumers select from Chevy-provided video clips to create their own commercial -- is consumer-generated media or not. Consumers have settled it once and for all: technology trumps the corporate powers who would guide, constrain, and compel the "wisdom of the crowd" to do their bidding. But maybe Chevy should consider these ads as a new kind of ad testing mechanism for the images they associate with their vehicles.

"Chevrolet thought they had a way to harness the power of consumer-generated media to further the Tahoe's marketing goals: give consumers a carefully selected inventory of video and audio clips that they can assemble into their own commercials, cherry-pick the ones that best fit Tahoe's strategy, and voila, consumer-generated commercials. If a consumer created something the brand didn't like, no problem, it would simply be suppressed.

“Problem is, the consumers haven’t followed by the script. They have come to create commercials, but many of them depict the Tahoe as a gas-guzzling, global-warming-gas-belching, earth-destroying behemoth. These ads are now cropping up on sites such as TotalTactics, Heavy on the Chevy, and YouTube. The story has even made the New York Times advertising column.

“As a professional marketer I think there is more to learn than just that technology has made consumer control absolute. These commercials are a virtual Rohrschach test – or maybe a Zaltman brand co-creation collage -- of how the typical images used in SUV commercials strike consumers. Instead of communicating freedom to explore the wilderness, they communicate the power to trample it. Instead of confidence, arrogance. Instead of protection, destruction.

“Being a Prius-driving, save-the-planet kind of guy, I love this, and perhaps this may turn the tide on the popularity of SUVs (my favorite ad is “What Will You Tell Your Kids You Drove?). People buy cars to project an image about themselves to friends, neighbors, colleagues. So far, the car companies have been able to wrap their vehicles with the image of their choice; now the friends, neighbors and colleagues are setting the agenda for the associations that will attach to SUV drivers. This kind of peer pressure may accomplish what nothing short of a \$1-a-gallon-gas-tax could do: destroy the market for SUVs.

“If you think I am over the top, check out the commercials on YouTube – then go back to Jackie

Huba's blog and read her analysis of the growth of this site. Watch a few of the consumer-created Tahoe commercials and see if you will ever look at an SUV the same way again."<sup>5</sup>

Indeed, attempting to manipulate consumers, in this day and age, can have damaging consequences. Marketers need a new approach.

### **Customer Collaboration**

The answer to consumers taking control of the marketing process is NOT to take it back. The answer is to work with them to achieve your mutual goals. This is collaboration.

It will be the level of collaboration with the marketer, not the product that becomes the deciding factor for many customer decisions. Collaboration defines experiences and the sum of experiences creates relationships (good or bad). And it is a relationship with their customers that marketers need to establish.

Technology, particularly the Internet and mobile communications, is definitely helping change social relations, but not in ways that its critics suggest. Individuals will build networks, both on-line and off-line, based on their interests, values, affinities, and projects. Because of the capabilities of the Internet for communication, people have the ability to build virtual communities that are different from physical communities. These communities benefit from easier access and communications making them very effective in binding and mobilizing people.

With the customer creating their own networked world, marketers will have to create a communications approach that fits into their customer's world. It must add value. It must be timely. It must not be invasive. It must be relevant. And it must involve both parties in the process. This is collaboration.



Collaboration requires two things:

- Technology to execute a collaborative campaign plan
- Creativity and understanding to determine how customers want to interact with your company

### Marketing Technology

There have been dramatic gains in marketing technology as a result of the Platform. Marketers need to harness the capabilities of the new technology to build their collaborative marketing programs.

Analytical tools and customer relationship management (CRM) systems have become accessible to marketers of virtually all sizes and industries. Ultimately, even the most sophisticated targeting and personalization strategy will succeed only to the limits of the technology that enables it.

Three core technology applications typically guide campaign development and execution. Representative enterprise solutions within all three categories are now commonly available and in use among most marketing departments:

- Customer relationship management (CRM) databases manage the organization and assignment of data, both at the individual (transaction history, click history, customer contact information, etc.) and campaign (historical data, business rules, etc.) levels
- Digital asset management (DAM) libraries govern the storage and use of marketing content, including images, product descriptions, brand assets and creative components
- Marketing resource management (MRM) platforms integrate the elements of both CRM and DAM systems,

managing the interaction of both data and content throughout a campaign execution as well as a mechanism for marketers to organize their resource allocation and measure their tactical success.

To achieve customer collaboration, it will be necessary for these tools to organize data, assign respective business rules and generate unique, personalized marketing content. Taking the form of targeted, variable-content direct mail, email, call center scripts, digital signage and Web content for the use of marketers large and small.

### Creativity

While technology is essential to the process, it is not enough. In fact, the most important assets in building customer collaboration are your human assets. The technology is necessary for execution, but the design of what is executed will determine success. The core understanding of your customers and the ways they want to interact with your business is the main ingredient for success.

Key elements include:

- How do consumers initiate contact with your company?
- What are the steps involved in making a decision to buy?
- Is there a need to provide specific education to the customer prior to purchase?
- How are product or service features and components selected?
- What events might stimulate a requirement for your product or service?
- How can you involve the customer in your marketing and production processes?

As Daniel Pink declares in his book, A Whole New Mind, “The future belongs to a very different kind of person with a very different kind of mind. The era of "left brain" dominance, and the Information Age that it engendered, are giving way to a new world in which "right brain" qualities-inventiveness, empathy, meaning-predominate.”

This is a good description for the shifts taking place in the marketing world. Technology is essential. However, as the above described software evolves, it will be widely available and therefore not a sustainable advantage. It will simply be a cost of entry. Value is provided by your staff and their understanding of your customers and your business model. They will then be able to translate this knowledge into a plan to create collaboration across all of your communication channels.

The following was posted on Jackie Huba’s Church of the Customer by Jim Nail of Cymfony, on January 8, 2007

“Ad Age misses the point of consumer control

“First, Time Magazine named "You" as Person of the Year. Now Ad Age names the consumer as Agency of the Year. Time got it right. Ad Age got it wrong....

“Time put their finger on the pulse of this change when they said, "It's about the many wresting power from the few...and how that will not only change the world, but change the way the world changes."

“In other words, "you" have the power, and society and its institutions must get ready for the changes that "you" will demand.

“But Ad Age says, “The question for 2007 will be whether marketers and agencies find ways to harness that consumer-bred creativity...and deploy it to the service of brands.”

“In other words, big corporations and brands still have the power, they only let the consumer have the illusion they have the power. The marketer may not be able to give the consumer a creative brief and tell them what to do, but if they are wiley enough, they can still manipulate, cajole, fool, and bribe the consumer to do what they want.

“I’ll concede that you may be able to get a bunch of consumers to suck up to the brand for a couple of months to win the bragging right of having their commercial picked for the Superbowl. But what happens on February 5? There are a lot of other conversations out there about the brand -- praising, damning, complaining, and advising -- that won’t be so easily whitewashed by a chance at short-term fame.

“Ad Age has been seduced by the lure of the big YouTube pop, and is leading its readers astray with the mirage of viewership numbers that are as ephemerally as the next email.

“The lesson Ad Age missed -- and that marketers should focus on -- is how to harness consumer-bred creativity and deploy it to the service of those consumers, by listening and learning what the consumer says makes for a great brand, then delivering it in real, differentiated, meaningful features and benefits.

“The next great marketers will see the real benefits brands can gain in this consumer-controlled world: deriving superior consumer insight to drive sustainable competitive advantage. They will shape the experience consumers have with the brand to the desires and needs that consumers now spontaneously and directly express. These brands will build a longer-term, stronger bond with consumers based on real value consumers receive, and give up the illusion that the slick sell can make up for the lack of real benefits.”<sup>6</sup>

It is through collaboration with consumers that marketers will thrive in the coming years. Attempt to regain control of the marketing process will likely fail, if not result in a backlash from your best customers.

The combination of unlimited choice and the ability to find anything and everything quickly has shifted the power from manufacturers and retailers to their customers. Google, Yahoo, shopping comparison sites and peer reviews have all contributed to empowering consumers in the marketing process. How will your company respond to a marketing process controlled by the consumer?

Let me propose that building collaboration into your marketing plan is the answer. The goal of this book is to provide a framework that companies can use to achieve customer collaboration.

This book is divided into three parts.

## **Part I - The Evolution of Consumer Control**

The underlying trends that led to this dramatic change have been in process for some time. However, it is the culmination of multiple

trends in the last few years that have tipped the balance in favor of consumers.

Part I of this book describes the four trends that merged to create the current environment. These are:

- The proliferation of product choice
- The explosion of media channels
- The fragmentation of the consumer market
- The confusion of the consumer decision crisis

Understanding these trends is essential to be able to address the issues and challenges marketers face when engaging today's consumer.

## **Part II -The Four Transitions to Customer Collaboration**

Part II of this book identifies the four transitions that companies should make if they are to continue to thrive in this new era of consumer control. These are:

- From major channel proactive to multi-channel reactive
- From product proliferation to mass customization
- From mass marketing to merchandising for the individual
- From consumer confusion to simple solution

These transitions can only be achieved if marketers collaborate with their customers. Customer collaboration is the pre-requisite for succeeding in the new era of consumer control.

## **Part III – The Marketing1by1 Process: Implementing Customer Collaboration**

Companies must decide that a consumer-controlled environment requires change. Some companies might avoid the change thinking it has to be expensive and time consuming requiring resources that don't exist. Not true. A gradual approach should be adopted using the least costly channels first. This enables companies to try adding collaboration to their programs using their current resources and budget. Only after seeing initial results, should the shift to collaboration take place.

Part III of this book defines the four steps of the Marketing1by1 Process that companies can execute to add Customer Collaboration to their current marketing plan with a nominal investment. These are:

- Step 1 Identify Customer Initiatives
- Step 2 Develop A Collaborative Campaign Plan
- Step 3 Implement Across Channels
- Step 4 Campaign Tracking and Analysis

Companies add customer collaboration to their marketing plans by developing Reactive Campaigns. This trend will affect every marketing channel and, if implemented successfully, change the way marketers communicate with customers and prospects.

### **The Benefits of Customer Collaboration**

There are short and long term benefits of Customer Collaboration. Companies who master this approach can expect to see a significant increase in the productivity of their marketing programs.

In the short term, the campaign recommendations will increase revenue by increasing overall conversion. Through automation,

these campaigns will extend a company's overworked marketing and IT resources. And, finally, collaboration will increase customer satisfaction when interacting with your company.

In the long run, a strong collaborative program will enable companies to better predict sales based upon a greater number of measurable intermediary customer actions. More accurate sales predictions, especially those at the product or category level, will result in better inventory planning and savings from fewer out of stocks or overstocks.

As the contributions from Reactive Campaigns grow, customer communications will become timely and more relevant. In fact, over time, Reactive Campaigns should represent the majority of the communications with any individual customer. In times of rising costs of advertising, printing, postage and search words, efficiency is necessary for long term survival.

Marketing1by1 will improve customer acceptance of the brand due to the respect their marketing programs convey. They will know the company will not waste their time and is aware of their individual needs. From this acceptance trust will build. With this trust comes the opportunity for the company to expand their relationship into additional product and service categories.

The transition will begin simply and grow in its sophistication over time. The execution of this approach for prospects and customers will enable companies to send individually relevant communications and eliminate those that do not contribute to customer dialog. The result will be a significant savings through the elimination of unproductive marketing efforts. If successfully executed, the cost of acquisition will shrink, life time value will grow, production will be streamlined and wasted marketing efforts will disappear. This is Marketing1by1.



# **Part I: The Evolution of Choice**

The facts are impossible to ignore. Customers have taken over the marketing process. The trends driving this shift did not emerge overnight or as quickly as Google seems to have taken the world by storm. Several trends have led us to this point. Part I will define these trends which marketers must understand to be able to succeed in a customer controlled world. These include:

Chapter 1 - Product Proliferation

Chapter 2 - Media Evolution

Chapter 3 - Customer Fragmentation

Chapter 4 - The Customer Decision Crisis

Each of these trends has exploded the number of options available to consumers. The affects of these trends were being seen as early as the 1980s. However, simply having unlimited choice was not enough. The ability to easily access and compare choices was necessary to shift this balance of power. In just the last few years, the internet, in general and search in particular, has triggered the final step in the shift to customer control.

# Chapter 1

## Product Proliferation

The expansion of product choice is a key factor in the shift to customer control, because it creates the choice that underlies the power. This trend came about due to changes in production technology making it easier for manufacturers and service providers to design and re-design their offerings.

### A Look Back

These changes in production technology have come about since the end of the Industrial Revolution in the mid-nineteenth century. The Industrial Revolution gave us many of the inventions upon which the Information Age was built. It gave businesses greater control over their manufacturing processes. Businesses took the lead in what products were manufactured and made available to the more centralized consumer markets. The relationship was simple. Businesses decided what to make; they put it in stores; and consumers selected from the products available. In this era, the array of products and services available to consumers was limited. Also, channels for marketing communications were limited as well.

Computers and automation brought the next spike in production efficiency. As processes were better defined and performance at each step measured for effectiveness, companies improved productivity and profitability. However, as production technology became less expensive and easily copied, companies looked for other ways to differentiate themselves. Information provided this differentiation and competitive advantage.

During the Information Age, there was a shift in focus from automation to efficiency. This trend became visible when the Japanese successfully broke into the American automobile market and U.S. businesses were introduced to the term Total Quality Management. TQM brought with it measurable processes that enabled businesses to eliminate waste in their production systems and achieve high levels of cost-efficiency. Further evolution through programs such as Six Sigma continues this trend today.

It is ironic that the technology that has enabled companies to become very efficient in their production is the same technology that has led to widespread product parity. While it is easier and more efficient for a company to develop and deliver a given product, this same efficiency is true for their competitors. Over the past few decades, many vertical markets have found it difficult or impossible to maintain a product advantage. As products and features are copied, companies work harder to differentiate themselves through brand extensions and features that might appeal to a niche market. Developments that at one time would have guaranteed a market lead for many years, now may only last a few months before competitors have copied a given feature or functionality.

The resulting product proliferation encouraged organizations to market many variations of the same products. This was done through different configurations, colors, sizes and uses. This practice produces diversity for the firm as it is designed to capture additional market share.

However, a charge sometimes leveled against organizations for marketing so many new products is that economic resources are wasted. While broad product lines can increase the overall demand faced by the firm, it also affects supply by increasing costs by serving niches that will need to support higher price points.

In addition, the consumer becomes confused by all the choices and mistakes are made in the purchase of products. The confusion and mistakes may lead to consumer regret about their purchase decisions. This topic will be discussed in a later chapter.

The state of product parity has been accelerated by the development of the internet platform providing fast and inexpensive communications together with almost unlimited data storage. The platform provided by the internet has fundamentally changed communications among and between businesses and consumers. Communications have become easier, faster, cheaper and therefore more frequent. Information and knowledge based services have become the core competency for many companies. As a result, some of these companies have found it acceptable to outsource manufacturing, the very thing that was the company's unique selling proposition just a decade before.

The following are examples of product proliferation in several industries.

### Electronics

One example of product proliferation is electronics. Google electronics and you get 458,000,000 results. Use "electronics stores" and it drops to only 65,800,000. The Consumer Electronics Association has over 2,000 members.

Let's take a look at just one member, Circuit City. On their web site they offer over 180 televisions, 93 DVD players and recorders,

88 camcorders, 260 home theater items, 189 digital cameras, 66 notebook computers and 75 iPods and MP3 players.

### Apparel

Consumers spend a lot of time shopping for clothes. It is an important category for most consumers. However, product proliferation can turn something pleasant into something daunting. According to yellowpages.com, there are over 5,200 clothing stores in New York. Of those 1,300 are exclusively women's clothes. OK that's New York. Try Albany which has over 250 clothing stores of which 116 are exclusively women's.

The retail proliferation is compounded by the product proliferation. A look at macys.com shows that for women's active wear they carry over 570 items, over 250 dresses, 125 pairs of pants, and 100 skirts. Shopping is easier for men with only about 250 pairs of pants, 250 shirts, 100 athletic wear items; and 75 sport coats.

All of this selection is great in that it means you are likely to find something that meets your needs. However, the job of finding that something may take time and be frustrating.

### Financial Services

The competitive pressures driving product development have not let up. In a recent George Group/Wharton School study, 94 percent of financial services firms reported that "launching new products and services" was required to be competitive in their segment. About a quarter of the competitors in the insurance market have doubled their offerings over the past five years, and trends toward customization and consumerism, enhanced by the internet, will likely drive the pace of proliferation even higher over the next few years.<sup>1</sup>

Matt Reilly & Stephen Wilson of the George Group Consulting note in an article for Insurance & Technology that “if the past is any indication of the future, this proliferation will significantly degrade— not improve— most companies' prospects.” New products and services in the financial services industry are often defined by IT requirements or parameters. Therefore, the costs of complexity are often borne downstream - in execution, in administration and customer service. In fact, complexity can be the single biggest factor impeding execution and customer service. Part of the solution, then, lies in moderating the natural impulse of IT to proliferate.

Reilly & Wilson provide this example, “one insurance company we know of had recently been hit by a number of execution issues during healthcare insurance re-enrollment periods: Customers were not getting ID cards, or there were lapses in sign-ups, and customers were finding themselves in the service provider's office, apparently without insurance. At the root of these execution issues was the sheer complexity and variety of plans and options offered: standard in the IT system, but beyond their current execution capabilities.”

Much complexity is added outside formal product development processes, as products and services are modified to gain an incremental sale, regardless of downstream impact. Industry leaders adhere to standards of incrementalism to avoid "complexity-creep." Product development efforts should be informed by downstream impacts and the ability to execute.

According to George Group Consulting, more flexible processes can handle more complexity. Many insurance companies have grown up very IT-centric, and as a result lack the processes to handle the variety required by the market. With an exploding level of choice for consumers, financial services companies need to be proactive to avoid turning customers off. Just as Dell packages options together into easily digestible consumer platforms,

financial services companies have the opportunity to gain an edge in the market by positioning for simplicity.<sup>2</sup>

### Consumer Packaged Goods

For the food industry, new products number into the thousands each year, many companies are finding they don't have the capabilities to manage this product proliferation. The number of new products introduced in 1980 almost doubled the number introduced in 1970 (1,030 intros in 1970, 2,016 in 1980). But the totals really escalated in the last decade. The number of new products introduced in 1990 (9,192) was more than three and a half times the 1980 total and almost nine times the 1970 total.<sup>3</sup>

Product proliferation has had fundamental and far-reaching effects on food companies. Proliferation builds in complexity which, in turn, adds costs. Those costs alter the fundamental economics of the business.

As a company adds products, the workload increases. So the company hires more brand management people. When more people are on board--all driven by the growth imperative--more products are added and the workload increases even more.

Product proliferation also takes a toll on grocers' profitability. More products require more shelf space, and they're often less profitable per foot. Invariably, the trade makes up for that lost profitability with slotting allowances and failure fees.

Proliferation causes other difficulties that can hurt manufacturers' relationships with the trade. Many of these problems go back to the same root: It's difficult to forecast demand for new, smaller volume items. Forecast errors often are enormous, which can lead to either out-of-stock problems or inventories.

Food companies create value through three levers: improving unit margins, volume growth, or market share. Too often, product proliferation doesn't help any of these. Consider margins. If proliferation drives up costs, the only way to recover these costs is through price increases. But that usually doesn't happen. In most categories, rapid proliferation goes hand-and-hand with intense price competition. Supply just does not create its own demand.

This is also the case with growth. Cannibalization usually drastically limits growth. The business base becomes fragmented. Even when new products don't cannibalize existing lines, quality of growth leaves a lot to be desired. Growth tends to be discount-based rather than based on consumer commitment, and product life cycles get shorter.

## **Conclusion**

Product proliferation has been rampant in many vertical industries and often has resulted in a weakening of the companies' financial position. However, marketers' instincts tell them they have to be able to address the diverse requirements of a fragmenting consumer market. One of the four transitions defined in Part II of this book will review the trends in "mass customization" and the options it may offer for managing demands for product diversity.

**Find out where your company stands on product proliferation. Download the free "Marketing Out Of Control – Self Evaluation" from [marketing1by1.com](http://marketing1by1.com)**



# Chapter 2

## Channel Explosion

Another trend enabling customers to take control of the marketing process is the expansion of the number of media channels available to consumers today. The evolution in the number of TV stations, magazines, radio stations and newspapers has been spurred by the desire to reach ever more targeted consumer markets. The ability to reach these niche markets, in turn, encourages marketers to develop products for these markets. The result is more choice and more power for the consumer. However, media diversity did not happen overnight.

### **The Growth of Modern Media**

Looking only at the last decade one might conclude that media channels are in a constant state of flux. However, this was not always the case. In fact, the early development was quite slow. Consider that Gutenberg set up his first print shop in Mainz Germany in 1448. William Caxton brought the first press to England in 1476 and in 1477 the first ad was printed in English. Over 500 years ago!

In 1536, a newspaper was printed, the Gazetta, in Venice. By 1605, the first regularly published weekly newspaper appeared in Antwerp. In 1625 an advertisement was printed in an English

newspaper. The first classified ads showed up in a French newspaper in 1631. And in 1655, the word advertising is introduced. Two hundred years after Gutenberg!

The first major magazine, the Tattler, was introduced in London in 1709. Jakob Le Blon introduced color printing in 1719, the year Robinson Crusoe was written. In 1731 in England, Gentleman's Magazine called itself a "magazine". Ben Franklin and William Bradford introduced the first American magazines in 1741. In 1775, the Continental Congress authorized the Post Office with Benjamin Franklin the first Postmaster General. Enter direct marketing.

In 1783, the Pennsylvania Evening Post became the first daily newspaper in America. In 1792, the Postal Act promised regular mail delivery throughout the United States. By 1815, there were 3,000 post offices in the United States. In 1828, Ladies' Magazine became the first successful American magazine for women ushering in targeted media.

Many believe the beginning of the Information Age coincided with the introduction of the term advertising agency by Volney B. Palmer in 1849. The mainstay components of today's marketing practices became popular during this period. In 1858, the first mailboxes appeared on American Streets. And in 1876, Alexander Bell invented the telephone.

Radio was invented early in the Information Age as Marconi set up the first wireless telegraphy business in 1897. In 1910, market research began targeting audiences. In 1917, the American Association of Advertisers, the American Association of Advertising Agencies and the Direct Marketing Association were established. The first radio commercial was broadcast in 1922.<sup>1</sup>

In 1924 there were 2.5 million radios in America. In 1926, Bell Telephone Labs transmitted by television. In 1928, televisions

were put in three homes and broadcasting begins. In 1936, BBC started the first television service for three hours a day. In 1939, NBC started first regular daily TV broadcasts in America. In 1950, CBS broadcasted in color to 25 television sets. In 1953, TV Guide debuted with initial press run of 1.5 million copies. In 1954, 54% of American homes had televisions.<sup>2</sup>

## **Media Fragmentation**

Building the foundation for today's media environment was a long and gradual process. However, the pace was about to pick up. The traditional media environment flourished in the '50s and '60s as programming and content exploded. The growth of newspapers, magazines, radio and television was the avenue for marketers to introduce consumers to their latest offerings.

Take magazines. The number of magazines in 1988 was about 14,000. In 1999, the number had grown to 31,500. However, with the growth of online alternatives, the number of magazines in 2006 is just over 22,000. Radio stations continue to grow from 1,200 in 1947 to 10,600 in 1990 to over 13,000 today.

Television stations have grown in number from three to several hundred. As one measure of this impact, the share of audience for the big three stations (not counting the impact of their current cable affiliates) has dropped from 56% in 1970 to 20% in 2003. Truly consumers have an almost unlimited number of options from which to choose.<sup>2</sup>

## **The Internet Era**

Today's media fragmentation is primarily being driven by the growing number of technological devices. These devices provide consumers a variety of options and avenues to receive media content which makes building a brand tougher than in the past. A classic example of media fragmentation was the impact of cable

TV. With the advent of cable TV, a home had the ability to receive many more channels than ABC, CBS, NBC and Fox which were broadcasted over-the-air. Ultimately fragmentation results in the division of the media audience among the increased number of outlets making advertising/media planning and buying a more difficult process.

The popularization of the internet in the mid '90s has put media evolution into overdrive, introducing even more sources for consumers of entertainment, information and commerce. The Internet itself is not a single medium but a collection of services and service providers. These include backbone providers, Internet Service Providers (ISPs), utilities (e.g., search engines), merchants (e.g., Amazon.com), and portals (e.g., Yahoo!). Also included are traditional information providers offering advertising supported content (e.g., The New York Times online), subscription supported content (e.g., The Wall Street Journal online), customer service and convenience applications (e.g., view bank transactions online) and information providers who did and could not exist without the Internet (e.g., Internet radio stations).

The new Web 2.0 sites (i.e. Face Book and You Tube) are designed to give visitors a sense of community and shared information not easily achieved through early internet sites or traditional media. This results in longer site visits and more loyal users. The internet as a whole has given consumers easy access to entertainment, information, shopping and services on a 24/7 basis. Businesses are being forced to adapt their models to serve this ever-present requirement.

## **The New Media**

With the speed technology is moving today, there are a number of new devices being created to give the consumer even more control of their media and brand experiences (i.e. mobile phones, Blackberrys and iPods). The development and acceptance of these

devices is contributing to the growing fragmentation present in today's media landscape.

Mobile communications has seen incredible advancements in the past years. While there is little mobile advertising in the US today, the devices are becoming graphic rich, with high quality video and much more storage than just a year ago. Mobile communications will continue the fragmentation of our media landscape.

We already see in places like South Korea and Japan, with high rates of wireless broadband adoption, traditional internet applications -- gaming, chat, et cetera -- used on a daily basis because the experience warrants it. Mobile advertising is taking hold in these broadband countries.

Wireless broadband is, with a few minor exceptions, a one-to-one mapping of devices to users, creating a very meaningful source of data to discover consumer interests and build collaboration. Permission will play a critical role in delivering services through wireless. Consumers will only want those specific services they select. These devices are as personal a media channel as exists today and will require services designed to meet the needs of the individual.

The internet and mobile channels pose a challenge in the use of personalization to which the traditional ad community must adjust. Collaboration requires a uniquely personalized experience that will force marketers to think about media fragmentation in a new way. Specifically, how to integrate media channels that enable individual communication and those that do not.

## **Conclusion**

Collaborative marketing can help define the roles of each media in building strong customer relationships. Each channel plays a role for either delivering a message, receiving customer interaction or

both. There are several examples of the growing personalization of media throughout the book. Even to the point of having your picture appear of your copy of Wired magazine.

**Find out where your company stands on channel utilization. Download the free “Marketing Out Of Control – Self Evaluation” from [marketing1by1.com](http://marketing1by1.com)**

# Chapter 3

## Consumer Fragmentation

Did product explosion and media evolution lead to consumer fragmentation? Or is it the other way around? Regardless, marketers must deal with all three trends that have led to unlimited choices for consumers and to individual consumers having a unique set of needs. In fact, the growing fragmentation of the consumer population has developed in parallel with the evolution of marketing technology.

### **Technology, Products and Consumers**

In the beginning all commerce was local, then Sears delivered the first catalog in 1888 and mail order was launched. This development dramatically increased the number of products available to the average consumer. As a result, manufacturers began to create more diverse types of products. As consumers purchasing patterns began to vary, their population became more diverse.

The catalog industry continued to grow. This growth went into high gear in the late '60s when the 800 number was introduced by

AT&T. Quickly, businesses found that they could drive sales for their catalogs through the “800 numbers” and direct mail started a phenomenal growth curve. By the ‘80s, over 80% of catalog orders were received by phone. The number of catalogs continued to soar prompting manufacturers to produce even more diverse products. Consumers too became more selective and you could find a catalog for even the most niche set of interests.

The advent of databases in the ‘70s marked a milestone in the level of segmentation that could be implemented by marketers. The U.S. Census was first made available on magnetic tape in the late ‘70s and that may have triggered the growth of database marketing. The ‘70s and ‘80s became a renaissance for data modeling, statistical analysis, cluster analysis, and consumer segmentation. Products and consumers continued to diversify.

In the late ‘90s, the internet brought another milestone in the amount of data marketers could use for consumer segmentation and the types of campaigns that could use these data. It has been recent technology, both online and offline that has given marketers the ability to address consumers on a one to one basis across multiple channels.

Chris Anderson’s book, *The Long Tail*, highlights the fact that the internet has allowed marketers to carry an almost unlimited assortment of products.<sup>1</sup> Many of the larger sites will carry over 50,000 SKUs. Just visit Amazon, NetFlix, Rhapsody, Newegg or Staples and view the selection. At the same time, his analysis has shown that if you carry it, they will come. Consumers have become so diverse in their interests that there are few products that cannot attract a buyer given a reasonable amount of time.

## **Fragmentation and Choice**

If you've ever stood in front of the cereal section marveling at choices, or killed an hour scanning the available channels on your



TV, it's easy to think that all consumers needs have already been met. Not so, according to Lois Huff, senior vice president of Retail Forward, who spoke at their recent Retailing 2010 conference.

According to Retail Forward, society will continue to segment into sharply-defined, well-connected, and highly-motivated consumer niches that will no longer be satisfied with universal access to high quality, undifferentiated products. One aspect of this is that with Internet-based connections permeating much of daily life, consumers expect to be able to find what they want, when they want it. And, with increased connectivity, niche interest groups that might never have assembled before are getting together and will effect societal change. This also leads to more extreme and intractable perspectives among these ever-finer niches, which are less willing to consider opinions of non-group members.

As access to cheaper, high quality, more commoditized products increase, retailers and suppliers will have to provide tangible benefits to consumers - "what it does for me."

Consumer expectations will be that most products are high quality and functional, so to stand out manufacturers will have to show tangible benefits that relate to individual consumers and these niche groups. Consumers will have a harder time expressing their individuality, so they'll want products that help them do this. Suppliers will need to increasingly target extremely narrow niches.

We'll also need to understand the aspirations of various age and demographic groups, deal with contradictions, enable consumers to achieve more privilege and exclusivity, and help consumers find high style, which is one way to provide differentiation and command a price premium.

Consumers will want more participation and interactivity, which may mean trying new ways to get consumers to try new products, both in-store, and by bringing products to where consumers are. And, "co-creation" or getting consumers involved in actual design of products, stores, marketing, and experiences will be important.

Marketing campaigns often stimulate consumers' desires for products but by the time the "rubber meets the road" in-store or on location, the consumer expectation is not met as it should be, decreasing sales and repeat business. When is the last time a vacation or shopping experience was as good as it looked in the TV commercial? <sup>2</sup>

The trend toward finer niches and even individual marketing is clear. And companies are doing everything they can to make the shopping experience more relevant for their customers.

### Best Buy Personas

A good example of continuing segmentation is Best Buy. Their chief executive Bradbury H. Anderson is on a mission to reinvent how the company thinks about its consumers. Best Buy has pared some less desirable shoppers from its mailing lists and has tightened up its return policy to prevent abuse. At the same time, it has begun to woo a roster of shopper profiles, each given a name:

Buzz (the young tech enthusiast), Barry (the wealthy professional man), Ray (the family man) and, especially, Jill (the soccer mom).

Based on analyses of databases of purchases, local census numbers, surveys of customers and targeted focus groups, Best Buy converted 67 California stores to cater to one or more of those segments of its shopping population. It plans to roll out a similar redesign at its 660 stores nationwide. Some stores are being transformed into stores for Barrys, featuring leather couches where one might imagine enjoying a drink and a cigar while watching a large-screen TV hooked up to a high-end sound system.

About 20 percent of the overhaul has to do with store merchandise, but the other 80 percent is more about the customer experience, said Susan Busch, a Best Buy spokeswoman. About a dozen of the Santa Rosa store's 210 employees are dedicated to what is known internally as the Jill segment team. To customers, this group is known as personal shopping associates, and its members wear pastels instead of the royal blue shirts that other salespeople in the store sport. They are stationed at an island smack in the center of the store decorated with fake purple flowers and stuffed animals.

The goal of these salespeople is to provide shopping assistance to the soccer moms who studies have shown are reticent about shopping for electronics. This personal treatment works. Tests have show increases in average order sizes as high as 65% for those receiving assistance. This is not a surprise. Good things happen when a merchant is able to address customers on a one to one basis. As will be shown in Chapters 7 and 12, technology will extend a retailers ability to address customers individually within the store and how this same individual treatment can be carried across all marketing channels.<sup>3</sup>

## **The Individual**

As consumers have more choice, more channels and more power, they are becoming more selective. For this reason, there is a point in the relationship where marketers are going to have to address the wants and needs of the individual. Campaigns and studies consistently show that the more relevant the message the higher the response.

This has led to the increased use of individual data, especially transaction and internet clickstream data. There are two types of targeting based upon clickstream data, behavioral and contextual. Contextual marketing is when marketers target users with content that are served based on a given Web page's content.

Behavioral marketing targets consumers based on their behavior on Web sites, rather than purely by the content of pages they visit. Behavioral marketers target consumers by serving content to predefined segments or categories. These are built with data compiled from clickstream data and IP information.

Behavioral marketing allows companies to reach the consumer as an individual, one with personal preferences and buying cycles. Behavioral marketing taps technology to make direct, real-time marketing to the individual possible, thus blending traditional marketing, such as specials or discounts, with a company's complete online presence.

Companies can tap into the clickstream data from their web site to help target offers on their site and through other marketing channels. Connecting the cookie to the individual can enhance both consumer understanding and the relevance of marketing campaigns. A major objective of collaborative marketing is to react to consumer initiatives on an individual basis.

## **Conclusion**

As the amount of information about consumers has grown, marketers are finding that they can more accurately target their marketing communications. The evolution of electronic media led the way to highly targeted and individual delivery of marketing messages. Now consumers expect to be treated as individuals, especially when they take the initiative to begin a dialog with a particular company.

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# **Chapter 4**

## **The Decision Crisis**

Taking control of the marketing process is not without a downside. Life has never been more complicated for consumers. Manufacturers are producing more products with diverse features in order to differentiate themselves. The media carrying their messages have diversified resulting in an increase in the number of advertising messages received by consumers every day. Finally, with this range of choices, consumers have become more diverse to the point that they have become unique individuals as a result of many decisions they must make.

As our quality of life has improved, there are more choices to make. Important issues like education, financial planning, health care, religion and retirement present us with more options than ever before. There are more ways to spend our leisure time; more ways to shop; more sports; more forms of entertainment; and more selections for dining out. Even our choice of morning coffee has become a considered decision. We make significantly more decisions on a daily basis than the previous generation.

In addition to more decisions to make, there are more selections for each decision. Let's say you decide to invest in a mutual fund for retirement. That's a good start. However, there are now 5,000 mutual funds from which to choose. You can let the internet help you, so you type mutual funds into Google. You're going to need that cup of coffee, because there are 19,600,000 results.

You have decided you need a cell phone, since everybody has one (currently 76% of households). You decide on Cingular and find there are 40 cell phone choices. You get through that decision and now want to look for a Bluetooth headset. Go to Newegg.com and you will find there are 125 from which to select. These are just two decisions that may qualify as being of medium importance. Yet you could spend an entire day reviewing online and communicating with friends about making the best choice.

### **The Impact of Choice**

There is a growing body of research measuring the potential negative effects on consumers of this increased selection. Led by Barry Schwartz of Swarthmore and Sheena Iyengar of Columbia University, the research identifies the potential for higher levels of regret among consumers about the selections they make or even the avoidance of making a decision at all. These trends are of critical importance to marketers as they plan to build their customer relationships.

#### **Supermarket Test**

A classic supermarket study, conducted in 2000, involving choice of exotic jams showed that although more shoppers were attracted by 24 varieties of jams in one stand, only 3% of them bought any of the jams displayed. On the other hand, 30% of the shoppers who stopped by the stand that offered only 6 varieties of jams bought some jam .

These findings are striking. Certainly, they appear to challenge a fundamental assumption held by psychologists and economists alike—that having more, rather than fewer, choices is necessarily more desirable and intrinsically motivating. The findings from this study show that an extensive array of options can at first seem highly appealing to consumers, yet at the same time, can subsequently reduce their motivation to purchase the product. Even though consumers presumably shop at a particular store in part because of the large number of selections available, having "too much" choice seems nonetheless to have hampered their later motivation to buy.<sup>1</sup>

### 401K Plans

The same choice paralysis appears just as likely elsewhere. A recent study found that participation in 401(k) plan among employees dropped as the number of investable funds offered increases. This aversion to extensive choices is particularly puzzling when employers often match at least 50% of employees' contribution. People are literally throwing money away<sup>2</sup>.

Apparently, too many choices can lead to decision paralysis due to information overload. The need for more information to make a good decision is simply overwhelming. Additionally, subsequent studies found that people are actually less satisfied with the choices they make if selected from a larger set of options even when the extra choice effort leads to better results. There is lingering doubt that the choice is better than the foregone alternatives<sup>3</sup>.

These findings have turned the conventional wisdom on rational economic choice upside down. Namely, the consumer is not the all powerful decision maker with unlimited power to process information. Instead, he often avoids making any decision because he can't handle more than a limited number of choices.



In view of this choice paralysis, some employers have forced the decision of their employees with respect to 401(k) choice. When companies automatically enroll new hires but allow them to opt out, participation invariably goes up dramatically.<sup>3</sup> Congress recently passed legislation providing businesses relief from certain liabilities related to this approach.

### Medicare Prescription Drug Plan

In his article, Too Many Choices: Why seniors won't sign up for the Medicare prescription drug plans, Barry Schwartz presents the decision problem created by the recent Medicare Prescription Drug Plan.

The new Medicare prescription drug plan will save senior citizens billions of dollars, so why are so many of them afraid to sign up for it? You wouldn't think such a beneficent program would have to put a metaphorical gun to people's heads (in the form of a 1 percent per month premium penalty) to get them to enroll now. Yet that is what seems to be happening. Senior citizens are confused. The government has turned the insurance companies loose, with the result that in some states there are more than 50 plans to choose from—all of them complicated—and nowhere is there a simple metric that people can use to determine which plan is best for them.

Befuddled seniors are clutching their heads and asking someone, anyone (their pharmacists, their kids, AARP) for help. Some of them will end up avoiding the plans entirely—and missing out on big drug

savings—because they can't figure out which plan to pick.

This reaction to the drug plan was completely predictable based on modern research in the psychology of decision-making, sometimes called "behavioral economics." There is now ample evidence that when you increase choice by offering more and more options, a point is reached at which paralysis rather than "freedom" is the result. This is true of trivial consumer choices, such as which flavor of jam to buy, and of extremely consequential choices, such as which 401(k) funds to put your retirement money in.<sup>4</sup>

As Sheena Iyengar points out, Alexis de Tocqueville commented in 1830 that, "In America I have seen the freest and best educated of men in circumstances the happiest to be found in the world; yet it seemed to me that a cloud habitually hung on their brow, and they seemed serious and almost sad even in their pleasures." More than one hundred years later, we are confronted with empirical findings which may support the paradox that de Tocqueville observed.

### **The Decision Explosion**

What could be better? Consumers today have more access to entertainment, education, information and communication than at any time in history. Everyday, we learn a new way to talk with friends; find answers to questions; or make a new discovery about the world around us. In many ways, we are in a renaissance period offering many opportunities for improving the quality of life.

However, this progress comes with a cost. The diversity of opportunity requires that we manage the diversity of choices. Think about it. From the time you wake up in the morning you're faced with decisions on what to wear (fashion choices), what to eat (calories, carbohydrates, fat, nutrients, proteins, MSG...), how to get to work (public transportation, private transportation, work at home...), and what to listen to on the way (music, talk, satellite...). And you're not even at work yet. Life is a series of choices and the number of choices grows every day.

Consumers are now experiencing a similar frustration to the one felt by businesses in the '80s and '90s when the amount of information available exploded, but our ability to analyze it or apply it lagged woefully behind. Even though businesses are just now bringing the information explosion under control with CRM software and BI tools, businesses need to play a major role in helping consumers effectively make the many decisions they face.

### **Make It Easy**

Give Staples credit for their recent series of campaigns "That was Easy!" and their invention of the "Easy Button". They are being literal about the problem all marketers face in this era of consumer control. They have control because of the choices available to them. Yet, as de Tocqueville pointed out, this has not brought satisfaction. Customers are looking for marketers to meet their needs, when, where and how they want. But it has to be easy.

Companies that deliver a difficult buying experience will find it easy for their customers to find an "acceptable replacement" for their product or service from a supplier with an easier process. It is the experience and the relationship that can make the difference between success and failure. Customer collaboration is designed to create a well-defined, individual, responsive communication process capable of meeting the needs of today's customers.

## **Conclusion**

Consumers are faced with an unending stream of decisions everyday. Each of these usually involves an abundance of choices. Marketers can improve their chances of acquiring and keeping customers by simplifying the decisions their customers must make. The opportunity to become a simple solution through the use of technology and a well defined marketing process is available to all marketers today.

**Find out where your company stands on buying decision efficiency. Download the free “Marketing Out Of Control – Self Evaluation” from [marketing1by1.com](http://marketing1by1.com)**

## **Part II: Four Transitions to Customer Collaboration**

To build customer collaboration, companies are going to have to address four transitions designed to prepare them for the future. While companies may not be able to achieve all four transitions, progress towards each will better position the company to engage in marketing collaboration with their customers.

These four transitions are:

Chapter 5 – Transition One: Major channel proactive to multi-channel reactive

Chapter 6 – Transition Two: Mass marketing to merchandising for the individual

Chapter 7 – Transition Three: Product proliferation to mass customization

Chapter 8 – Transition Four: Consumer confusion to simple solution

These transitions can help marketers build their dialog and relationship with their customers. They can make their communications more relevant and more rewarding. In addition, if executed correctly, these transitions can increase revenue, reduce marketing costs and streamline production.

# **Chapter 5**

## **Transition One: Major Channel Proactive to Multi-Channel Reactive**

To achieve Customer Collaboration, companies will have to be more aware of actions being taken by their customers. This means modifying a predominantly Proactive Campaign approach by adding a reactive component. Most marketing plans today employ Proactive Campaigns that are delivered through the traditional channels. TV, radio, newspaper and magazines often represent as much as 80-90% of marketing budgets. As consumers take control and the initiative, Reactive Campaigns will be required. And these Reactive Campaigns will, by necessity, be deployed through any channel consumers can select.

### **Add To The Current Marketing Plan**

The transition process begins with a company's existing marketing plan. The approach does not call for any immediate changes to what is already in place. Collaboration can be achieved by adding a reactive element to the current marketing plan. There are typically four types of objectives for marketing campaigns, awareness, engagement, collaboration and transformation.

Awareness campaigns introduce the product or service to the public and educate consumers to the benefits of the brand. Engagement campaigns are attempting to achieve a desired level of comprehension and may go as far as prompting an action on the part of the consumer. Increasingly, these campaigns are adding a call to action by including an 800number or web site address. Collaboration begins at the point of engagement. Collaborative campaigns are sent in reaction to an initiative by a customer. Transformation campaigns are sent in reaction to the customer taking the final step in the process and achieving transformation in the form of a product purchase, service call, vote for a candidate, etc...

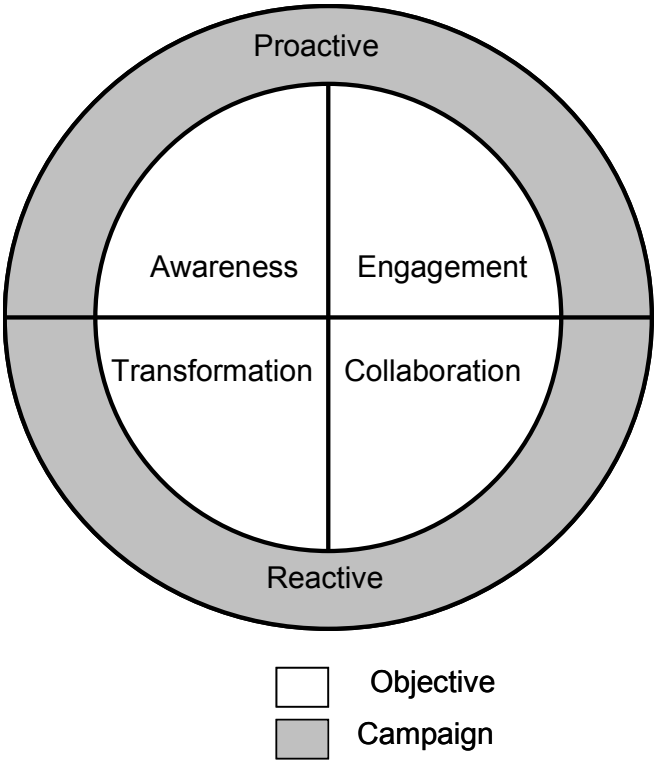


Figure 5-1 Campaign Design - Type

## **Proactive Campaigns**

Current marketing plans are likely to focus the majority of their effort on the awareness and engagement campaigns. These campaigns are essential to setting the environment to engage the customer and prompt them to initiate contact with the company. Once the customer takes the initiative, collaborative campaigns take over. Collaborative campaigns are sent in reaction to the customer initiative.

## **Reactive Campaigns**

Reactive Campaigns will be triggered by individual customer initiatives. This book uses the term customer initiative to identify opportunities for relevant communication by the marketer. The term can be interpreted in the broadest sense at the discretion of each marketer. For example, a request for a catalog is a very straight forward customer initiative and the catalog would be sent, often with additional marketing materials. Perhaps less obvious might be the fact that the printer cartridge purchased by the customer a few weeks ago is about to run out of ink and the marketer sends a reminder with an offer to purchase a replacement.

The normal definition of customer initiative might not seem to apply to the second example. However, for the purposes of this book and the appropriate response to achieve customer collaboration, companies will often need to base their communications on both actions taken in the present and previous actions which might affect the present. Another way to describe this is any significant change in customer status. This gives marketers latitude, while maintaining the requirement that the communications are in response to a prior initiative of the individual customer.

It is critical for marketers to identify all of the key initiatives that their current and prospective customers might take. These



initiatives must also be able to be tracked and attributed to a specific customer. Customer Initiatives can be identified through the following sources of information:

1. Transaction data
2. Browse, search or shopping behavior
3. Stage of relationship analysis
4. Pre-filter campaigns

### 1. Transaction Data

Transaction data are usually the most accurate with the ability to describe each individual customer. These data can be reviewed in real time and acted upon through automated Reactive Campaigns. In addition, the data can also provide information from prior customer initiatives that could lead to a Reactive Campaign. The interpretation of these data is heavily related to the experience of the company's marketing staff. They have the customer insight and experience to identify the important customer initiatives and design campaigns with the appropriate reaction.

While data modeling and segmentation can assist this process, customer insight is the most valuable tool. This is because data analysis techniques usually rely on historical data to be present to create a relationship. In addition, they tend to forecast well for groups of customers, but poorly when trying to predict an individual's behavior. One of the greatest changes of this approach is the real time nature of the activity. The most important element is the initiative the customer is taking today and the reaction they receive. Even in the replenishment example above, the customer is running out of ink right now and the communication is relevant.

The first and easiest step to take to identify important customer initiatives is a review of your transaction data. Among the variables to examine are:

- Most recent order – timing and products purchased
- Lifespan
- Lifetime value
- Channel shopping
- Multi-channel shopping
- Frequency
- Average order value
- Maximum order value
- Minimum order value
- Recency
- Category purchase behavior
- Product purchase behavior
- Multi-category purchase behavior
- Promotional behavior

A review of these elements should help companies identify the key drivers of their business model. From there, they should be able to relate customer initiatives to these key drivers. Some examples follow.

### Purchase

The first customer initiative deserving a Reactive Campaign is their first, or most recent, purchase. The first purchase should receive a thank you and reminder of all the reasons to buy from your company. In addition, the communication should contain items related to the one they purchased. For non-first time buyers, the communication should emphasize their value to your company as a frequent customer and also contain items relevant to those purchased. These communications should be sent either the next day or within a few days of purchase. Additional refinements to these Reactive Campaigns could be to vary the text by their lifetime value, average order value; channel behavior or purchase frequencies to more accurately represent their specific situation.

## Replenishment

While a purchase is an obvious customer initiative, others may take some work to identify. Let's start with the replenishment campaign discussed above. Does your company sell products that have a limited and definable life expectancy? These could be consumable products from food to cleaning products. Books, CDs, DVDs and related items could be defined as having a definable life expectancy. Apparel, especially women's, can be defined as seasonal and due for replenishment in the appropriate next season (weather seasons or annually). Financial service products may have defined terms which make them replenishable at an appropriate date. You get the picture.

When developing a replenishment campaign, it is important to identify why the customer is getting the campaign today. This reasoning should reference his/her past initiatives that have led to this communication. It is important to reinforce with the customer that your communications are individually relevant to them and that it is their initiatives (present or past) that have led to the campaign. In addition, the desired response to the campaign (i.e. purchase a replacement print cartridge) is at their discretion and requires their initiative. Their control of the situation should be reinforced. They know they are in control and you should make them aware that you know it also.

## Trend Data

Drilling down to the next level, companies can look for trends in the data (past initiatives), which might identify a likely current need of an individual customer. However, in this case, we are looking for these trends for an individual customer, not aggregate groups of customers. Certainly, analyzing group behavior will be a step in identifying the important trends in behavior. Once identified, these trends must then be applied individually to be

meaningful. When designing a Reactive Campaign based upon prior customer initiatives, it should also include text specifically referencing the reasons they are receiving the campaign (i.e. customers like you who have purchased X also like Y) and contain content relevant to their individual purchases or behaviors. For example, customers whose Certificate of Deposit is coming due now are either buying a new CD or investing in one of the following mutual funds. Women like you who purchased the peach color top last year are buying either mauve or cinnamon this year. The lease on your Ford Explorer is coming due. Would you like to move up to an Expedition or is it time for the new Ford GT?

## 2. Browse, Search and Shopping Data

### Browse

In addition to transaction data, browsing data (also called clickstream data) from your web site and/or email can reveal a great deal about a customer or group of customers. It also provides a significant monitor of customer activity both as a group and individually. These data are used in a similar fashion to transaction data. However, customers browse web sites far more often than they purchase. Tracking these browser behaviors can help identify initiatives that may lead to purchases. At the same time, these data provide an opportunity for individual communications that are relevant to the current needs of the customer.

Like transaction data, analysis of these aggregate browser behaviors can lead to the identification of the most significant customer initiatives. Once these browse behaviors have been identified, they can be used to create Reactive Campaigns for each individual exhibiting the defined browse behavior.

Each web visit represents a customer initiative and should trigger a communication. If it is a browsing visit (not abandonment), then

the messaging should not reference the visit, but the content should be relevant to the products or categories viewed during the visit. Again, the use of alternative channels to deliver this type of Reactive Campaign should be considered.

Campaigns based upon browser behavior have to be careful about their creative approach. Observed behavior can guide communications. However, its use may require permission through channels, such as email. Campaigns designed for direct mail, web sites and call centers may not require such permission, but should be carefully worded so as not to alienate the customer.

Among the variables to examine are:

- Date clicked
- Last category clicked
- Last product clicked
- Total number of categories clicked in past month
- Total number of products clicked in past month
- Specific categories clicked in past month
- Specific products clicked in past month
- Number of visits
- Number of abandons
- Number of purchases

The first step is to analyze these data and determine how they relate to the company's key metrics. Then select those initiatives that warrant a Reactive Campaign.

### Cart Abandonment

If a customer abandons items in a cart, there is an opportunity to use that information to create one or more campaigns to try to complete the transaction. To be effective, these campaigns should contain the items abandoned together with related choices. The

use of alternative channels (i.e. email, print, call center) in addition to the web should be considered. Cart abandonment is one of the more powerful ways for customers to communicate intent.

## Search

A significant indicator of interest and valuable customer initiative is the use of a search term to reach the web site, as well as the use of site search to indicate interest. The terms used in search are direct indicators of interest. Like transaction and browse data, an aggregate analysis of these data can relate the search terms to the resulting behavior. Once these relationships have been determined, the appropriate campaign can be designed and implemented when the customer takes the initiative.

Search terms can indicate specific items, products or categories. In addition, they might convey a broader goal by referencing sports, financial plans, travel plans etc... Based upon the company's business model, the search terms used to get to and navigate their web site can provide strong clues to the breadth and depth of customer interest.

When a customer uses a particular term to reach the web site, a specific interest or initiative is indicated. Reactive Campaigns can be designed to reply to these initiatives and suggest the next steps or initiatives the customer might consider. As with abandon and browse data, the web channel should not be the only channel used to reply. Email, print and call center could help communicate your understanding of the customers needs and encourage the desired next step.

## Shopping

Beyond the web site, customer shopping habits recorded through call centers and retail locations can signal key customer initiatives. Currently, few companies have invested the resources to collect

information at retail. More have found they can gain insight from inquiry calls to the call center. However, companies that adopt Marketing1by1 are likely to find that the value derived from their Reactive Campaigns justify the expense of collecting information in store and on the phone.

On a positive retail note, the use of kiosks continues to grow. The technology exists today to allow your customers to login while shopping and receive recommendations and offers designed specifically for them.

### 3. Stage of Relationship

The next step is to analyze the lifecycle of your customers and identify the key stages of your customer relationships. These will vary for each company, but have certain key events in common. These might include:

- First contact – this might be a mailing they received from you or a visit initiated by the customer to your web site.
- Prospect – that period between first contact and their first purchase. There may be several steps in this stage based upon how interactive your prospects might be (i.e. web visits or calls to the call center).
- First-time buyer – this is obviously the first objective in what you hope will be an ongoing relationship.
- Single buyer – period of time between first and second purchase. This step may also have several interim objectives (i.e. education, cross-sell, etc...).
- Multi-buyer – the event of the customer's second purchase. This step represents a major advance in the customer relationship.
- Loyal buyer – all multi-buyers within a defined period of time (i.e. last 12 months). One method is to define this period based on the average time to reach a third purchase.

- Lapsed buyer – single or multi-buyers who have not purchased for a defined period of time (i.e. 12 to 18 mos.).

One exercise that will contribute to your understanding of the stage of relationship data is to map each step in the process. For many companies there is more than one way to buy, so a step by step map should be created for each possibility. This can be accomplished using brain mapping software, business process management software or, simply, a white board with colored markers.

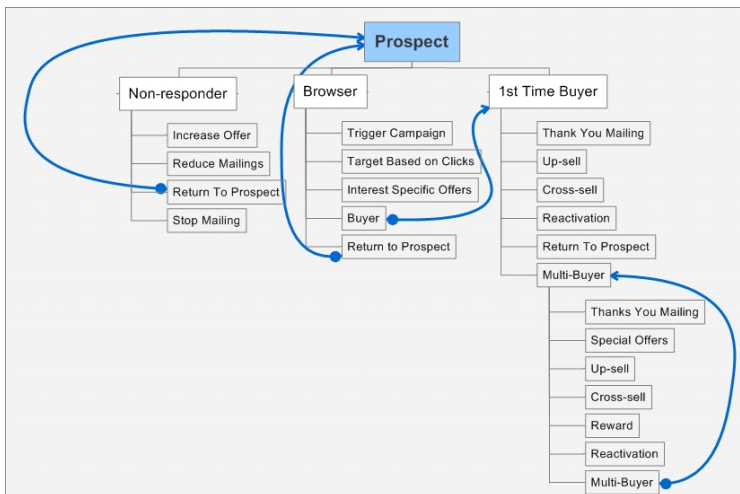


Figure 5-2 Stage of Relationship Map

Understanding the stage of relationship of each of your customers and prospects can lead to several Reactive Campaigns designed to help them move to the next stage. Some samples of stage of relationship Reactive Campaigns follow:

### New Prospect

Once a customer registers with your web site or is qualified for a direct mail or telemarketing list, they are a prospect. Customers at



this stage are primary targets for pre-filter campaigns (see next section). They break the ice and move you from knowing nothing to knowing something about the prospect. Through a series of these types of campaigns, a company can lead the prospect along a set of initiatives that can bring them into a relationship with your company.

### New Buyer

We have discussed at various times the development of a thank you campaign for new buyers that delivers a message together with items related to the one they purchased. It is recommended that this not just be one campaign, but a series designed to assure satisfaction with the first purchase and to begin to identify their next potential requirement. This series could combine campaigns based upon the knowledge from their original purchase with pre-filter campaigns designed to uncover their future needs.

### Multi-Buyer

Campaigns designed to react to a customer's second or third purchase will follow a similar pattern to the series developed for new buyers. The difference should be the acknowledgement of the first purchase and to reinforce that you are aware of the value the individual customer has provided to your company by becoming a multi-buyer.

### Loyal Customer

Do your current campaigns really treat loyal customers, those who have shopped for years, differently than new customers or even prospects? These are your most valuable customers and should be provided special consideration. This consideration could take the form of unannounced discounts, special product previews, invitations to special company events (offline or online), or simply a recognition of their loyalty from the CEO. As customers reach

certain pre-determined benchmarks, Reactive Campaigns should be designed to deliver these special considerations and help secure their longstanding relationship.

### Lapsed Customer

Relationships can fail. It happens for many reasons. It is important to be able to identify when your customer relationships are failing and address them through a series of Reactive Campaigns. These campaigns may be based upon a certain time since their last purchase or a drop in the value of the purchases a customer is making. These campaigns should be designed as a series that will prompt the customer initiatives necessary to bring the customer back on track.

### **Pre-Filter Campaigns**

Most Reactive Campaigns are designed to respond to a customer initiative. Campaigns designed to prompt a customer to take a specific initiative other than a purchase are called a pre-filter campaign. These campaigns can take many forms and their objectives are as diverse as the number of important customer initiatives a company can identify. As a general rule, the pre-filter campaign is designed to identify what, where, when and how a customer's problem can be solved by your company.

It is important to point out the difference between these campaigns and surveys. Surveys are designed to collect opinions. And while these opinions can be used to trigger campaigns, their value is significantly lower due to the way the information is requested. Pre-filters do not solicit opinions, but intentions to act. They should be worded in such a way that the customer is aware that you want the information to make it easier for them to move toward a desired purchase or goal.

Historically, survey data has a poor record for being responsive in direct mail campaigns. This does not mean survey data does not help marketers better understand their customers, it does! It simply means that the nature of a questionnaire does not collect intent and does not leave the customer with the knowledge that they are involved in a dialog meant to lead to a specific goal. Pre-filters must include both intent and awareness of the process to be effective.

The topics contained in these campaigns are determined by the initiative they are meant to prompt. For example, an auto manufacturer might create a campaign designed to elicit when a customer might be considering a purchase. This campaign could be as simple as asking when they might consider a purchase and would they be interested in special offers that might be available at that time. A Reactive Campaign would be designed to be sent at the time designated by the customer. It would contain offers available and might ask about the class of car customer is considering. You can see how a series of communications could be used to determine the model and desired features. The final campaign could identify price expectations and schedule a test drive.

One might imagine that a series of campaigns that prompt the customer to provide the incremental information would be far more effective than a blast campaign saying come in for a test drive. In addition, the information collected during this series should be provided to the dealer to increase the potential for a close and to make that dealer look more attuned to the customer's interests than competitive dealers.

The gifting market could design a similar series with the objective of collecting gifting events; then their dates; then the interests of the recipient; and finally recommendations for an appropriate gift. Merchants that employ such a series of Reactive Campaigns could

minimize the comparison shopping currently rampant in this market.

For prospects, a higher level of pre-filter will be required. Think of the massive amounts of prospecting campaigns delivered by the typical marketer. Since most of these campaigns are promoting a purchase, the response rate is minimal. However, if the campaign was designed to prompt a broader initiative, the response rate would be higher. Then through a series of Reactive Campaigns sent only to those responders, the conversion rates would soar.

Consider a woman's apparel marketer with no knowledge of the customer to whom they are prospecting (a typical situation). Simply understanding their basic fashion inclination would be very valuable. A pre-filter campaign designed to prompt this information could show examples of different fashion inclinations and ask the customer for which one they might like to receive information on the latest trends. These both identify their fashion taste and set up the expectation of the next communication.

Some samples of pre-filter campaigns follow:

### Problem Identifier

Customers make a purchase to solve a problem. Looking at your business offering you already know the types of problems your company solves. A pre-filter campaign should be developed that gives customers the opportunity to let you know they have a problem and the types of problem they have. As you would imagine, these responses will trigger a series of communications that will further define the problem and offer a variety of solutions from which the customer can select.

### Purchase Intent Qualifier

When attempting to move your prospects to buyers, a pre-filter campaign designed to qualify their purchase intent is a good place to start. Rather than simply asking for the order, this campaign provides a set of options that only require the prospect to select. Based upon their selection, a second Reactive Campaign can be designed to either further qualify the prospect or to ask for an order. This type of campaign is often the beginning of the relationship development process.

### Product/Service Category Qualifier

This campaign offers a select set of categories from which a customer can select those that might interest them. How this selection is developed is based upon the amount of knowledge available on that customer. If they have previously purchase or replied to a previous qualifier campaign, the set of categories should be personalized for that individual. Such personalization can save a step in the process, which will increase the final conversion rate significantly.

### Style/Feature Qualifier

Once the overall product preferences have been identified, an additional campaign can be designed to have the customer select the styles or features of the product they prefer. Again, the options given to each customer should be based upon the company's knowledge of that individual customer.

### Timing Qualifier

The timing qualifier can be delivered in the final phases of a campaign series. However, for some products and services timing may need to be the first question. For infrequently purchased products such as buying a house, car or investment product, some

companies will want to know the customer is in the market prior to expending their marketing efforts. Understanding the customers timing can have a direct correlation with the level of effort that customer requires.

### Pricing Qualifier

Like timing, the pricing qualifier can come either later in the series or in the beginning. Pricing will affect the types of products presented to a customer. Also, customers considering higher priced items will warrant more resources than the average priced customer.

The worksheet below allows companies to begin to plan the types of pre-filter campaigns that might best work for them. In this example, several of the above described options were selected and the details completed.

### One, Two or Three Campaigns

When creating a response to a customer initiative, companies must consider the likely progression of the dialog based upon their analysis of the key elements of their customer relationships. In many cases, a single campaign will provide enough information and opportunity to bring the customer to the next action. For example, a thank you campaign can show the item purchased and recommend related items. A single campaign should be enough to prompt an additional purchase.

However, other initiatives may call for two campaigns. For example, a customer browsing a product category on the web site may require a campaign offering selections from many sub-categories. Based on their response to this campaign, best sellers within a single sub-category might be appropriate.

It is not recommended to go beyond a series of three campaigns as this could be difficult for the customer to follow and it could make their decision more difficult. Remember, we are going for easy decisions, so the fewer campaigns required the better. However, if you are offering a complex product or service you may opt for a product configurator (See Chapter 7) on your web site instead of a long campaign series.

## **Collaborative Marketing Math**

The reason for considering the transition to collaborative marketing can be mathematically explained and proven through traditional testing. Reactive Campaigns have been around for many years, although the means for deploying them quickly on a large scale is a recent occurrence. Many Reactive Campaigns deployed through email marketing (the easiest, but not only channel) have shown significant increase in response over traditional Proactive Campaigns. These increases in revenue per thousand mailed are often between 100% and 800%. The concern about these campaigns has been their low volume, since they are based upon customer initiatives. Proactive Campaigns are certainly still the primary method to achieve overall sales goals.

However, as customers continue to take the initiative through email, web sites, search and other rapidly growing channels, the percentage of customers and prospects qualifying for a Reactive Campaign will increase. Since the Reactive Campaigns should deliver a higher response and conversion, the overall revenue will increase. As total revenue increases, marketers will be able to reduce their less profitable marketing efforts resulting in a more profitable and customer friendly program.

As a simplified example, consider a company with a customer and prospect file of 1 million customers. For this example, they contact this file once a week. Their traditional proactive mailings generated \$100 per thousand. Let's assume that Reactive

Campaigns could achieve a revenue level of \$300 per thousand (probably conservative, but testable). If the company can qualify just 5% of their file to a Reactive Campaign, they will see a 10% increase in total revenue. At the other extreme, let's say they have as many as 50 Reactive Campaigns operating and 20% of the file qualified for a Reactive Campaign. This would produce a 40% lift in total revenue.

Proactive Campaigns	Volume	Rev/M	Reactive Campaigns	Volume	Rev/M	Total Revenue	% Increase
100%	1,000,000	\$100	0%	0	\$300	\$100,000	N/A
95%	950,000	\$100	5%	50,000	\$300	\$110,000	10%
90%	900,000	\$100	10%	100,000	\$300	\$120,000	20%
85%	850,000	\$100	15%	150,000	\$300	\$130,000	30%
80%	800,000	\$100	20%	200,000	\$300	\$140,000	40%

Figure 5-3 Collaborative Marketing Math

Though this is a simplified example, it makes the point about marketing efficiencies. In fact, when you consider that there are additional improvements available by selecting the right channels for the right campaigns, the opportunity may be greater.

### Conclusion

The transition from Proactive Campaigns delivered through major channels to Reactive Campaigns delivered through multi-channels will be gradual. Adding the reactive component to current marketing plans will help companies address the growing need to establish relevant and timely dialog with customers. Triggered by customer initiatives, these campaigns give the customer a voice in the marketing dialog that can help companies identify the specific needs of the individual and act to meet these needs. The sheer volume of customer initiatives (i.e. over two billion initiatives a day) will assure that these Reactive Campaigns make an important contribution to the company's bottom line.



**Find out how to implement the major channel proactive to multi-channel reactive transition. Download the free “Marketing1by1 Tool Kit” from [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 6**

## **Transition Two: Mass Marketing to Merchandising for the Individual**

As discussed in the previous chapter, to get to customer collaboration, companies must first educate their customers and prospects about their offerings and value. This effort will then lead to customer engagement. Next, they must be continuously identifying those who are ready to interact and allow them to take the initiative. Finally, they must identify key customer initiated actions that require a response. Only then can the company begin a true collaboration with the customer. The use of targeting and dynamic content will also vary at each stage as the relationship progresses.

Much has been written and said about 1to1 marketing and customer-centricity. There have been books, conferences, articles and a few good case studies. However, the outcome of this

discussion has resulted in few companies actually achieving the development of individual relationships with their customers. Often, segmentation has been an acceptable half-way point adopted by many companies. As evidenced by Jupiter Research, email, arguably the most individually addressable channel shows only 11% of campaigns targeted. And these campaigns may only contain text personalization versus truly dynamic content.

The percentage of web sites whose content changes based upon the individual visiting the site is equally low. Variable data print is a small fraction of print campaigns delivered today. And when was the last time you ordered by phone and had the rep recommend a product that actually interested you?

In an environment where the customer is dictating the rules of the marketing process, marketers will have to do more. They must be able to address their customer's individual requirements. As discussed in the preceding chapter, marketers are moving from a purely proactive marketing plan by adding a reactive component. And by definition, reactions to individual customer initiatives should be just that – individual.

The key to effective targeting is to know which level of targeting to use at each step of the marketing plan. Since collaboration can only take place with an individual customer, the question is how to get to this refined level. The transition from mass to segment to individual follows the types of campaigns defined in Chapter 5. Companies start out at a mass level of targeting when introducing their product or service to the market with awareness campaigns. They use a finer segmentation when delivering engagement campaigns based upon the audience involved. Finally, once the customer takes an initiative, the company has the information needed to collaborate on a one by one basis.

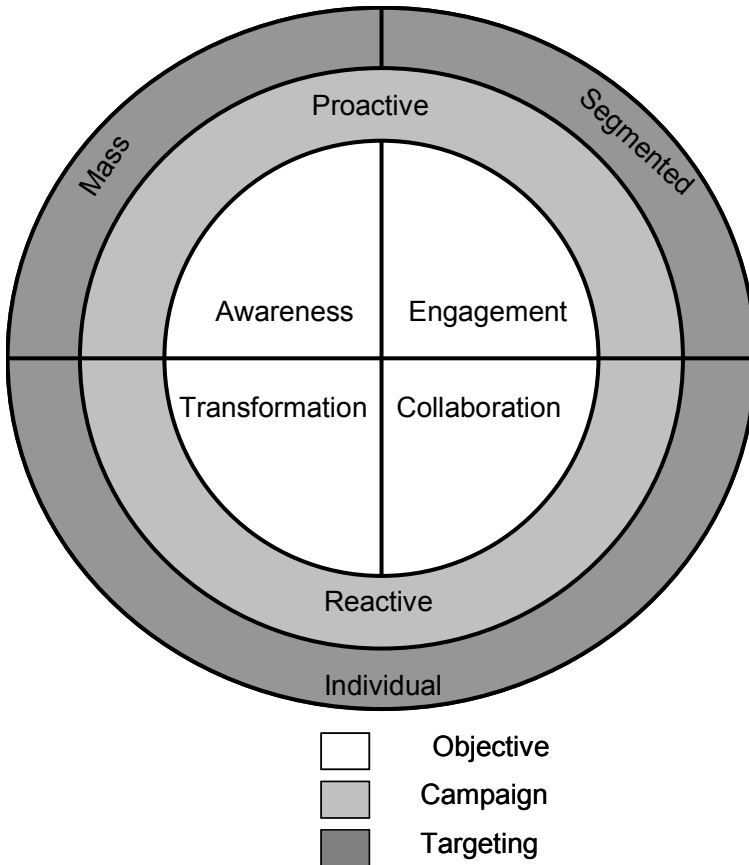


Figure 6-1 Campaign Design - Targeting

## Awareness/Mass

As with most of the recommendations in this book, the place to start is where you are now. Most companies have campaigns designed to reach a broad audience to explain the benefits of their brands and products. The changes in these campaigns that are already evident are the more direct calls to action not seen a decade or two before. Come to our web site or call us at – 1800CALLNOW. Local versions of these ads will also carry locations of stores in the area. This is the beginning of the process.

## Engagement/Segments

Awareness campaigns are designed to lead to engagement. There is a lot of discussion in the industry about what constitutes engagement. The Advertising Research Foundation is leading one of these efforts. Their recent white paper entitled “Engagement: Definitions and Anatomy” contained several definitions of engagement including:

- Engagement is a scale indicating the degree to which a consumer is likely to, or has internalized a communication.
- Engagement is a measurement of involvement with a marketing communication.
- Engagement is a prospect’s interaction with a marketing communication in a way that can be proven to be predictive of sales effects.
- Engagement is defined as a positive consumer attitude resulting from communication that can turn into action/behavior.<sup>1</sup>

Engagement may mean many things to different marketers based on their individual circumstances. A campaign designed to engage the potential market with a product or service should begin with a more focused profile than awareness campaigns (men, women, age 18-35, etc...) based upon initial research. Over a series of campaigns, the response data will allow the marketer to further refine this profile. At the same time, this effort may vary based upon the channel through which the campaign is sent. Therefore, channel testing is also required (there will be more on each channel in later chapters).

## Collaboration/Individual

As you will hear constantly throughout this book, *collaboration can only take place on an individual basis*. Reactive Campaigns are designed in response to a specific customer taking an initiative

that requires an equally specific response. These Reactive Campaigns can be individual responses to initiatives or a series of campaigns designed to guide the customer through the decision process as easily as possible.

The Reactive Campaign plan is designed to involve the customer in the purchasing process through defining their requirements; explaining their options; and reinforcing their purchase decision. Where possible, this process should be as easy as possible with an awareness of the value of the customer's time.

### **Creating Individual Experiences**

In their book "The Experience Economy", B. Joseph Pine and James H. Gilmore provide a scale they call the Progression of Economic Value<sup>2</sup>. The scale begins at the lowest level with commodities, then goods, services, experiences and, finally transformations. While many marketers currently see themselves in the business of providing commodities, goods or services, recent trends have demonstrated that maintaining a competitive advantage in these areas is becoming difficult, if not impossible. Features added to provide differentiation are often easily copied and provide only short lived advantages. For this reason, it is important for all of these companies to begin to move toward providing a differentiated experience to their customers. In essence, they must experientialize their commodities, goods or services.

To build collaboration, the experiences that comprise your relationship with the customer are as important as the product or service you are selling. Therefore, building these relationships requires serious planning. This requires a framework for responding to these customer initiatives in a way that creates a series of experiences that will cement your relationship with the customer. After all, any relationship is the result of a series of experiences. Campaign experiences have three variable components: creative, dynamic content, and a call to action. In

addition, there are certain creative considerations that will be discussed later in this book based upon the channel of delivery.

### Creative

To create experiences, marketers should have a strong understanding of the many ways their products are being used. This understanding can be enhanced through research. Once the company has a clear view of how customers are using their products, the creative for the campaign should emphasize these uses and the type of experience they wish to create.

For each campaign, marketers need to determine the type of experience they would like the customer to receive. Companies that succeed in creating engaging experiences will have achieved a significant sustainable advantage. In their book, Pine and Gilmore define four realms of experience. These are:

- Entertainment
- Education
- Esthetic
- Escapist

These four options provide guidance to marketers when designing their campaigns<sup>3</sup>. They describe these realms of experience across two dimensions. The first ranges from active participation to passive participation. Are your customers involved or just observing? As a rule, Proactive Campaigns require only a passive participation. Reactive Campaigns require an active participation.

The second dimension ranges from absorption to immersion. Absorption occupies the customer's attention by bringing information into their minds. Immersion brings the customer physically into the experience. A campaign should have one of these four methods as its primary means for creating a customer experience.

An entertainment experience, as you might imagine, is an experience that is passively absorbed through the senses. An example of this type of experience would be a thirty second commercial or a streamed video on a web site or in an email.

An educational experience requires the active participation of the customer to absorb the material being presented. An example of this type of experience would be a campaign that presented product information in a way that required the customer to answer questions before proceeding to the next step.

An esthetic experience immerses the customer in the experience, but requires no participation on their part. An example of this type of experience would be a three dimensional tour of a new home on a web site that allows the customer to control their movement around the house.

An escapist experience requires customer to be active participants in an event in which they are totally immersed. An example of this type of experience would be a video game that would challenge the customer to master the various levels.

As can be seen in the chart, Proactive Campaigns tend to deliver a passive experience that is absorbed by the audience. For this reason, they may perform better using entertainment with education or esthetic elements. In fact, most commercials take this approach. However, Reactive Campaigns should require customers to take an active approach and immerse themselves in your experience. For this reason, escapist experiences, again with education or esthetic elements would be the correct approach. In this context, the term escapist does not mean leaving reality, but creating a new reality that meets the specified needs of the customer.



Since these uses describe the experiences provided by the brand, each Reactive Campaign should create an experience relevant to the specific customer initiative to which it is responding. Marketers need to create a series of experiences designed to prompt the customer through a set of actions that lead to the desired results.

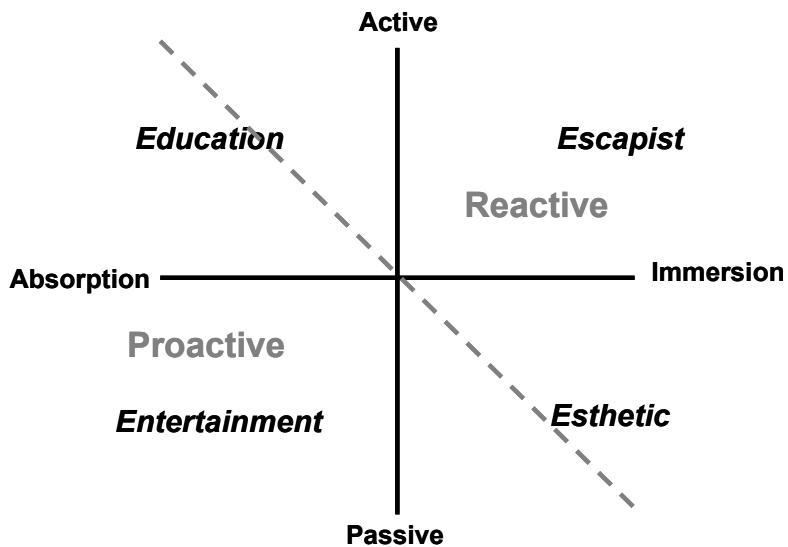


Figure 6-2 Type of Experience

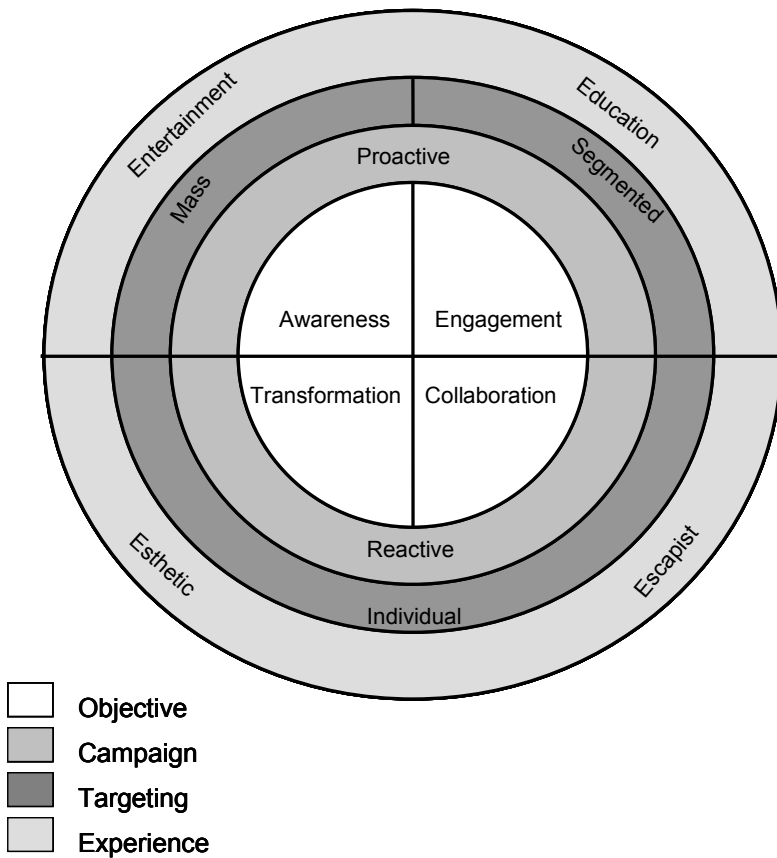


Figure 6-3 Campaign Design - Experience

### Dynamic Content

Reactive Campaigns, as we have defined them, are used continuously over an extended period of time. This is possible because the audience for these campaigns changes based upon customers taking the required initiative. However, it is important

that the content of these campaigns be dynamic based upon the specific components of the customer initiative.

For example, if a Reactive Campaign is designed to thank a customer for their order and show additional related items for sale, these items must be dynamic for two reasons. First, dynamic content is important because a customer who purchases twice should not see the same campaign in response. And, second, the performance of the campaign will be dramatically enhanced the more it is related to the specific initiative taken by the customer. Therefore, the thank you campaign for a customer buying a camera would contain items related to that camera. If the customer returns and buys a photo printer, the items in their campaign should be related to that photo printer. The creative included in these campaigns should also paint a picture of the customer using these products in ways that define the experience they can expect.

The customer initiative should provide the essential information from which the dynamic content can be driven. In the case of the thank you campaign, the item purchased is the driver. Companies can then analyze their transaction data to determine the best related items to include in the campaign. If a customer initiative is an abandoned cart or a browsed category page on the web site, the process would work the same way. For interactive pre-filter campaigns designed to prompt a customer initiative, the dynamic content should be planned for each option provided in the campaign. The dynamic content is delivered through the use of a variable content table.

### Variable Content Tables

Companies will need to create rules for developing a variable content table based upon the customer initiative for which the campaign is designed.

To review the types of Reactive Campaigns discussed in the last chapter, consider the following:

Transaction Data

- Purchase
- Replenishment
- Trend data

Browse, Search or Shopping Behavior

- Cart Abandonment
- Web Browsing
- Search

Stage of Relationship Analysis

- New Prospect
- New Buyer
- Multi-Buyer
- Loyal Customer
- Lapsed Customer

Based on which campaign is being developed, some examples of rules for creating variable content tables are:

- Product Affinity – Include products in your communication with the highest affinity to each customer's most recently purchased SKU.
- Multi-Category Segmentation – Send the best selling products for each category from which a customer has purchased.
- Replenishment – Identify consumable products in your mix and send a reminder to customers who have purchased one or more of these products.

- Liquidation – Identify products with excess inventory and send appropriate products to customers who have purchased products with a high affinity to these products.
- Up-Sell - Category Segmentation – Show products from the most recent category purchased.
- Up-Sell - Brand Segmentation – Show products from the most recent brand purchased.
- Up-Sell - Multi-Category Segmentation – Show the best selling products for each category from which a customer has purchased.
- Up-Sell - Price Segmentation – Include products from the most recent category purchased at a price point higher than the most recent purchase.
- Cross-Sell – Product Affinity – Include products in your communication with the highest affinity to each customer's most recently purchased SKU.
- Cross-Sell – Category Affinity – Include products from the categories with the highest affinity to the previous category purchased.
- Cross-Sell – Brand Affinity – Include products from the brands with the highest affinity to the previous brand purchased.
- Cross-Sell – Price Segmentation – Include products from non-purchase categories in the same price point as the most recently purchased product.

- Promotional – identify different customer types by value or recency and design offers that are appropriate based upon your conversion objectives.

Each of the above rules then requires the selection of the specific content to be delivered. For example, retailers can select products which help the marketer achieve their objective. In addition, by varying the choice of products, the campaigns can be repeated with a new look to keep them fresh and improve performance.

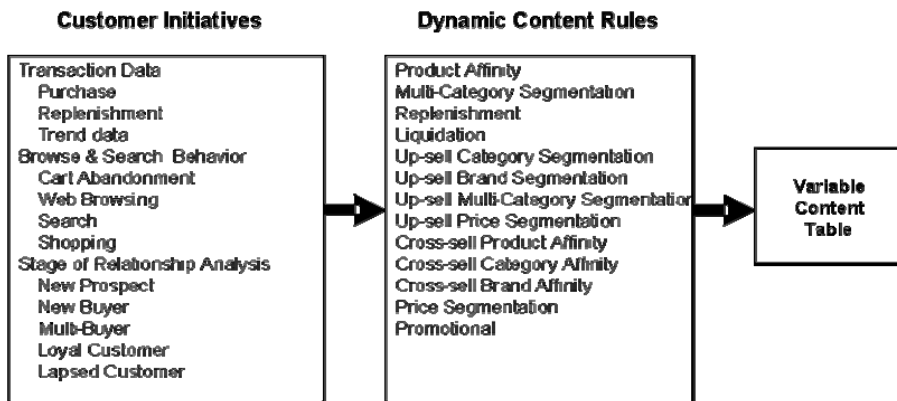


Figure 6-4 Building A Variable Content Table

All of these campaigns result in the development of a variable content table that classifies each customer and applies the appropriate products/content to each.

For example, Staple’s reminds customers to “stock up” on replenishable items they have previously purchased. Using over 7,000 replenishable SKUs, the company helps their customers avoid running out of key items. This type of campaign is usually received as a customer service and provides a strong increase in sales and lifetime value. (Source: Shop.org Conference, August 2006)

Building a Reactive Campaign plan requires analytical resources to create the appropriate variable content table for each campaign. In addition, Reactive Campaigns require a closer integration with merchandising as these campaigns might require hundreds of products versus a blast campaign, which may use only six. Finally, the technology is required to effectively deliver campaigns that may have over a million variations of products within a single campaign.

Email Address	Content 1	Content 2	Content 3	Content 4	Content 5	Content 6
abc123@aol.com	38472	48391	89471	70665	32943	44729
letstry@cox.com	32843	55938	33820	79085	82912	33820
msmith@roadrunner.com	43556	49305	28495	94282	43924	19382
ijones@yahoo.com	50299	43059	10493	83942	38472	90928

Cookie Number	Content 1	Content 2	Content 3	Content 4	Content 5	Content 6
1100056	38472	48391	89471	70665	32943	44729
2103300	32843	55938	33820	79085	82912	33820
1232119	43556	49305	28495	94282	43924	19382
3244543	50299	43059	10493	83942	38472	90928

Phone Number	Content 1	Content 2	Content 3	Content 4	Content 5	Content 6
516-555-1212	38472	48391	89471	70665	32943	44729
212-555-1212	32843	55938	33820	79085	82912	33820
703-555-1212	43556	49305	28495	94282	43924	19382
619-555-1212	50299	43059	10493	83942	38472	90928

Postal Address	Content 1	Content 2	Content 3	Content 4	Content 5	Content 6
11221 Springtime Lane,	38472	48391	89471	70665	32943	44729
432 Main Street	32843	55938	33820	79085	82912	33820
5305 Juniper Lane	43556	49305	28495	94282	43924	19382
11600 Western Avenue	50299	43059	10493	83942	38472	90928

Figure 6-5 Variable Content Tables

While resources are required, the rewards are significant. The use of variable content tables has shown the ability to increase sales per order, order frequency and life-time value. In addition, with concerns about spam and deliverability, customers have been shown to be more responsive to communications they perceive as relevant to them. These are the reasons that Reactive Campaigns form the foundation of customer collaboration.

## Call To Action

Each Reactive Campaign should contain a call to action. As discussed in the last chapter, this might be a purchase or a request for the customer to take another step in the process by providing additional information. This prompt might include a special offer, discount or incentive for responding. However, at all times the intent to take the dialog to the next step should be clear. If it is not you will be wasting the customer's time, as well as your own.

## **Conclusion**

As discussed above, there has been much talk about customer-centric marketing. Yet most companies remain product-centric. Perhaps the reason many companies have not yet adopted merchandising for the individual is the returns, when applied to Proactive Campaigns, have not met their ROI requirements. This changes when individual merchandising is applied to the highly qualified group of customers receiving Reactive Campaigns who have taken a customer initiative. Reactive Campaigns offer the highest potential ROI on the use of individual targeting methods. This represents a major opportunity for companies to begin their journey toward a customer-centric marketing program.

**Find out how to implement the Mass Marketing to Merchandising for the Individual transition. Download the free "Marketing1by1 Tool Kit" from [marketing1by1.com](http://marketing1by1.com)**



# **Chapter 7**

## **Transition Three: Product Proliferation to Mass Customization**

Meeting the needs of individual customers can benefit from a flexible approach to production as well as marketing. Companies can take advantage of the increased initiative of consumers by having them specify their requirements. Much as Dell Computer pioneered in that industry, allowing consumers to select from a menu of options can increase customer satisfaction and allow for controllable production costs.

Many companies have begun to break down their offerings into a series of menu choices that allow their customers to design their own product. Some information based industries, such as mutual funds and credit cards, can create products easily, requiring few physical resources. However, even industries that sell physical products, such as apparel and home furnishing, have the technology to allow customers to define their requirements.

## **Customer Collaboration in Production**

Involving the customer is the best way to acknowledge their control of the marketing process and to engage them in your experience. Eric von Hippel, head of the innovation and entrepreneurship group at the MIT Sloan School of Management, has described mass customization and customer innovation as follows:

"In a time of ever more talented technology enthusiasts, hobbyists and do-it-yourselfers, all connected by Internet-enabled communication, the most intensely engaged users of a product often find new ways to enhance it long before its manufacturer does. Thus, companies that aspire to stand out in fast-moving markets would be wise to invite their smartest users into the product design process." "It's getting cheaper and cheaper for users to innovate on their own. This is not traditional market research -- asking customers what they want. This is identifying what your most advanced users are already doing and understanding what their innovations mean for the future of your business."<sup>1</sup>

Buyers of custom products are a most desirable customer segment, a new Forrester Report finds. In the Exciting Commerce Blog, a link to a new Forrester report by Carrie A. Johnson addresses the old question "why consumers buy custom products" and who these users are. Her conclusion why manufacturers or retailers should serve these users with customized products despite the rather high costs of implementing mass customization: "It provides a new channel for manufacturers to reach out to buyers directly, and an opportunity to fine-tune their product mix based on direct observations of consumer behavior — consumers who are opinion leaders with greater than average influence."<sup>2</sup>

Internet Retailer published more information from this report: "Customers who design and purchase custom consumer products online tend to have more online experience and are tech-friendly:

83% of custom purchasers have been online for five or more years, Forrester found. That compares with 66% of all online consumers. In addition, more than half of custom product purchasers have ecommerce tenure of five or more years, twice the rate of all online consumers.”

Forrester also found that more than half of custom product buyers have a college degree or higher, compared with just 38% of all online consumers. Purchasers also have higher income levels, with 41% having household incomes of more than \$75,000 a year, compared with 23% of all online consumers. Custom product purchasers also are more likely to be male. Custom product buyers also are more likely to use multiple channels when shopping, according to the report. 42% like to research online and purchase offline, compared with 36% of online shoppers.

In addition, 54% of custom product buyers consider themselves natural leaders, versus 35% of all online consumers, and 18% consider themselves trendsetters, compared to 11% of all shoppers. “These beliefs carry over into action, with [custom product] buyers more likely to tell others about products that interest them and e-mail products that interest them to others,” Forrester said. The study also found that the major concern for consumers wanting to buy products they build online is not being able to return a custom-designed product. Only 19% said they are unwilling to pay more for a custom product, and only 8% said they are concerned about credit card security for online purchases. “To make consumers feel comfortable with the process, allow them to return or exchange products they buy and make it clear that they have recourse if they have a change of the heart,” Forrester said. Greeting cards, jewelry, linens/home décor, apparel, footwear and accessories were the most popular items to customize online, Forrester found. ”<sup>3</sup>

# Designing Mass Customization

There are four conditions that can give an initial indication of the type of customization to pursue based upon product characteristics. The conditions are based on two measures, the degree of customization possible for the product and the price of the product. The four conditions are:

- High customization, high price
- High customization, low price
- Low customization, high price
- Low customization, low price

Each of these combinations might lead to different methods of mass customization.

Mass Customization	
Price	High Price
	Low Price
Customization	Commodity
	Customizable
	Selection Delivery
	Features/ Services
	Delivery
	Features Delivery

Figure 7-1 Mass Customization Chart

As seen in the chart, companies can achieve mass customization by varying features, selection and delivery in order to provide their customers a more individual shopping experience. As Eric Von Hippel writes in his book Democratizing Innovation, “Product developers need two types of information in order to succeed at

their work: need and context-of-use information (generated by users) and generic solution information (often initially generated by manufacturers specializing in a particular type of solution).”<sup>4</sup> A collaborative approach between marketer and customer leads to information sharing and a higher likelihood that the marketer can meet the precise needs of the customer.

## **Industry Examples**

### Systems/Data Centers - APC

For products or product lines that offer high potential for customization and a high pricepoint, the features should be the main element of customization.

A good example of this type of mass customization is APC Data Centers. InfraStruXure® data centers integrate power, cooling, rack, management, security and services. This on-demand architecture allows the selection of standardized components to create a solution through modular and mobile configurations.

According to APC, InfraStruXure is an innovative architecture for network-critical physical infrastructure (NCPI). Using an open, building-block approach and standardized, modular components, InfraStruXure fully integrates power, cooling, and environmental management within a rack-optimized design.

InfraStruXure lets you install only what is required today, yet easily scale to meet future demands. It also increases system availability while decreasing design and install time from months to days. InfraStruXure architecture is suitable for environments of all sizes, from wiring closets to large data centers.



Figure 7-2 APC Data Centers

APC has found a way to let their customers design their data centers within acceptable parameters. Customers are in control and more likely to be satisfied with their purchase.<sup>5</sup>

### Apparel/J Jeans – Zafu.com

For products with high potential for customization and a low pricepoint, features and delivery should be available to the customer for customization.

A good example of this type of mass customization is zafu.com in the world of apparel. "Sizing jeans to the myriad shapes of women is a challenge even in a department store dressing room, let alone online. Zafu.com arrived as the industry shifted from years of marketing baggy or flare-cut jeans to a skinny silhouette that is much harder to size and wear. We've taken the trouble to actually measure and check the jean and try it on people to see how it really fits," Chief Executive Rob Holloway told Reuters. "We are the friend in the dressing room, I guess." Zafu asks women shoppers 11 questions about how they prefer jeans to sit on their hips or waist to create a body profile. That alone is a departure from the incongruous body-type descriptions of "pears" or "triangles" found in fashion magazines and retail catalogues. The results are used to match the user with as many jeans as could suit them from a database of hundreds of styles, from broadly marketed Gap to pricey Seven, then link them to a retailer to purchase. The jeans are then delivered direct from the manufacturer, providing innovation in both the way the product is defined and the delivery method used.

Correct sizing is one of the biggest obstacles to the growth of online apparel and footwear sales, which are expected to rise in the US to \$13.8 billion from \$11.3 billion a year ago, according to tracking firm Shop.org data. Almost \$14 billion sounds like a lot, but is only 6 percent of total U.S. apparel and related sales.

The jeans market is an interesting market segment. Market research firm NPD Group reports women's jeans sales reached \$7.8 billion for the last 12 months -- a 10.8% increase over the \$7.04 billion reported during the same period a year ago. This data is on top of a 13.7% growth rate of jean sales between 2004-2005. Much of this growth comes from new jeans models and niche designer brands -- offering more choice and options, but making the entire selection process also more difficult for women to navigate.

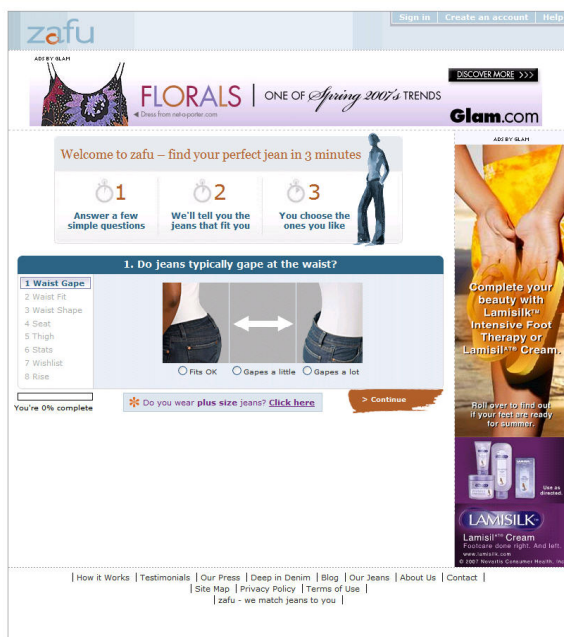


Figure 7-3 Zafu.com

Zafu created a way for their customers to identify the best fit for them. In fact, by sourcing the jeans from other manufacturers, the company is a pure play in mass customization.<sup>6</sup>

## Grocery - Peapod

For products with low potential for customization and high price, selection and delivery should be the elements available to the consumer for customization.

A good example of this type of mass customization might be Peapod. Certainly consumers spend a significant amount of their weekly budget on food. However, the product customization potential is low. However, the selection and delivery can be



customized to attract and provide a collaborative relationship with customers.

For millions of consumers across the US, the reassuring sight of the familiar Peapod truck means that a trip to the grocery store is unnecessary. Peapod provides a complete selection of hand-picked groceries, products for the home, personal care items; pet goods and even office and school supplies are on their way to their homes, making life just a little easier.

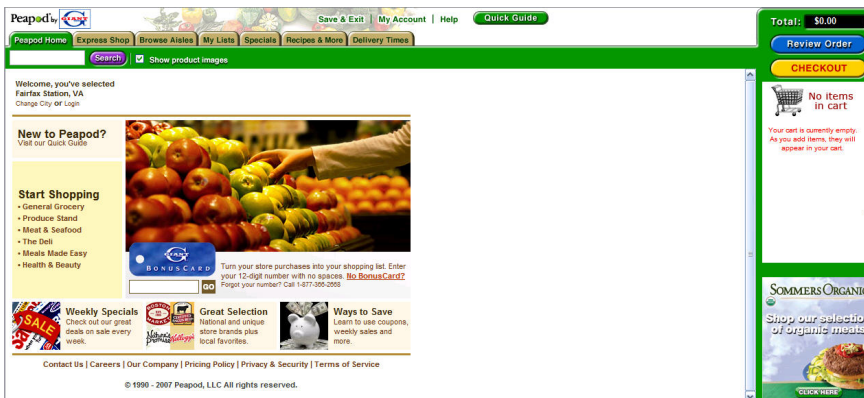
Founded in 1989 by brothers Andrew and Thomas Parkinson, Peapod has grown to be one of America's leading Internet grocers. Peapod is a wholly owned subsidiary of international food provider Royal Ahold, and works in partnership with Ahold USA supermarket companies including Stop & Shop and Giant Food.

With more than 10,000 products for shoppers to choose from, Peapod boasts not just the expected selection of grocery basics, but also farm-fresh produce; restaurant-quality meats and seafood; diverse prepared foods and party trays; deli meats and cheeses (sliced to order); Kosher, organic and specialty foods; a vast selection of produce; a variety of beer, wine and beverages (in select markets); pet supplies; videos; office and school supplies and private label products from supermarket partners Stop & Shop and Giant.

Peapod enhances and organizes the shopping experience by organizing products and purchase history to ease the shopping experience with features including:

- Sort by Nutrition - pull-down tabs sort products by nutritional content like sodium, fat, calories carbohydrates, cholesterol.
- New Items - a "new arrivals" icon highlights new products and newly-stocked items throughout the site.

- Express Shop - a notepad feature lets shoppers jot down lists; product matches display at once.
- Shopping Lists - the "my lists" tab lets consumers create new shopping lists; pull up previous orders; or save personalized lists (like Thanksgiving dinner or summer barbecue lists).
- Aisle Browsing - the "browse aisle" tab allows shopping in the traditional grocery store aisle format.
- Item Search - items/brand names entered in the search field locate specific products.
- Recipes & More - recipes from leading brands and "Seasonal Solutions" (recipes, entertaining ideas, tips) from Kraft Foods.



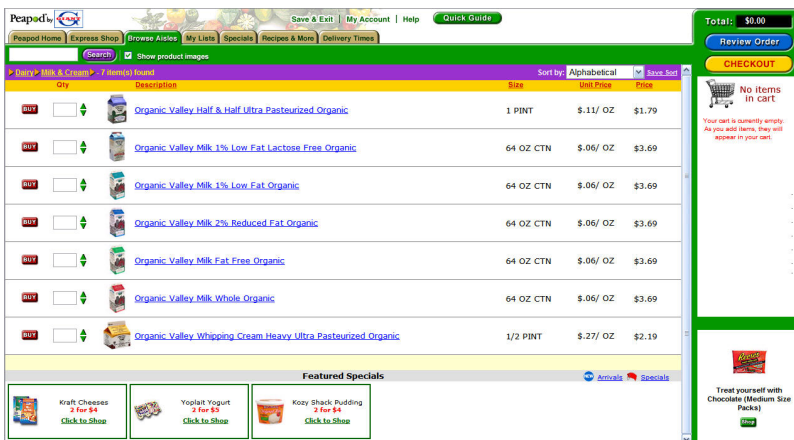
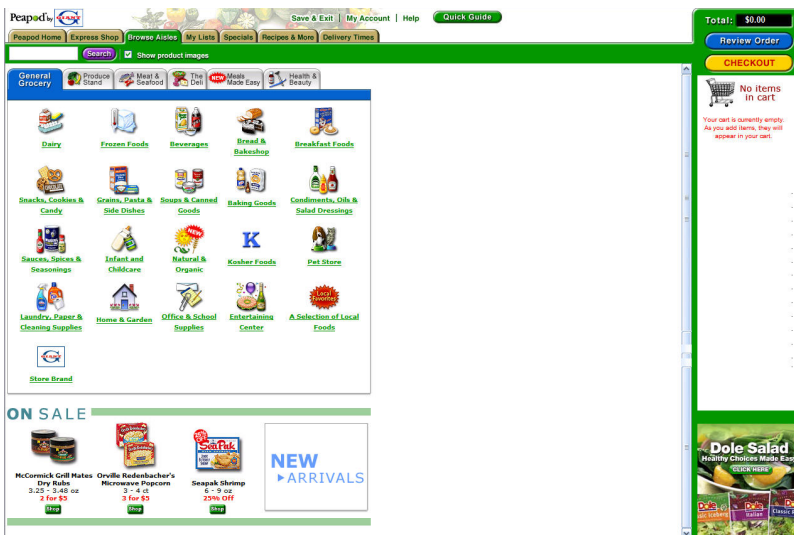


Figure 7-4 Peapod.com

Peapod has taken a pure commodity industry and used personalized delivery and easy selection as the way to add value by customizing the experience. Many commodity industries might consider this type of approach.<sup>7</sup>

# Books – Zooba

With low customization and low price categories delivery becomes the customizable experience. Bertelsman North America operates over 28 books clubs in the US. Recently, it launched Zooba as a new way to deliver the book buying experience giving readers more control than their earlier clubs. Zooba offers today's bestsellers and tomorrow's discoveries at only \$9.95 each with always free shipping.

Consumers can sign up for Zooba in 2 easy steps by first providing email, password and billing information. The user then creates their personal Reading List. Once they have selected their first book they'll rush it to you right away. Users then get the top book from their Reading List each month. Members can buy additional books for the same low \$9.95 each with free shipping.

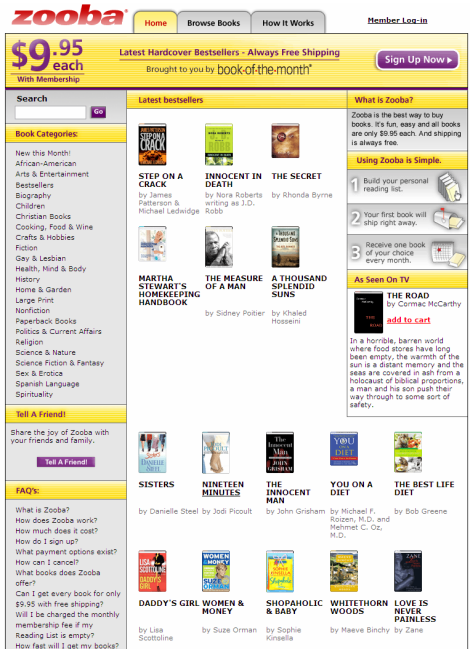


Figure 7-5 Zooba.com

By maintaining a unique reading list for each individual customer, Zooba has customized the whole reading experience. Much like the highly publicized Netflix with movies, customers respond to being in control of their own experience.<sup>8</sup>

### Electronics/Watches - Factory 121

An example of high customization, high price comes from the watch category.

After months of development and testing, the new configuration toolkit of Factory121, the Swiss custom watch manufacturer, has been launched. Already the earlier version of this toolkit has become a great example of an online configurator for BtoC companies.

The main elements of the new 121TIME toolkits include:

- Different entry points into the configurator (direct, from the catalog, from a mailing, etc.)
- Strong and thoughtful pre-configuration (very important point to reduce complexity from the customers' perspective)
- Good structure of the different co-design levels (while rather complex and pretty filled, the screen nevertheless allows for a easy navigation between the different design options)
- High usability and representation of rather complex design opportunities, creating a flow experience of the user
- Strong rule set preventing "bad" designs (try to design an ugly watch, this is really difficult)
- Several options to save, compare and share designs
- Very good "consultancy" and help functionality (plenty of fields explaining you all options)
- Strong and fast visualization (try the zoom function)

- Modular pricing system allowing each customer to purchase a watch according to their own willingness to pay (Factory121 is one of the very few companies in the customization BtoC market utilizing this opportunity)
- Possibility to use place the toolkit in a customized way in affiliate web sites.

While single aspects of this configurator may be matched by other online configurators, it is the combination of all of its features that makes the 121TIME toolkit a leader in this field.

Swiss Watches. 121TIME is revolutionizing the Swiss watch industry. Create your own Swiss Made timepiece direct from the watchmaker. Online shopping of chronographs, automatic watches, limited editions, sport watches, jewelry watches and gift certificates.

**121TIME**  
CREATE YOUR OWN TIME

HELP CENTER FR DE EN SHOPPING CART MY SAFE

Welcome to 121TIME, the only Swiss watch brand you can entirely customize and personalize

**CREATE A MAN'S WATCH** **CREATE A LADY'S WATCH**

NEW \*\*\* ENGRAVE YOUR! Free shipping worldwide FedEx Secure payment

**WHAT MAN'S 121TIME OFFER?**

- Design your own watch
- Personalize your watch with engraving
- Factory direct price

**WHY CHOOSE 121TIME & SERVICE?**

- Certified Swiss Made - F11 member
- Worldwide service centers
- Manufacture, quality control

**WHAT YOU CAN EXPECT FROM US?**

- Free shipping worldwide - FedEx
- 30-day return policy
- 2-year international warranty

**WHAT THEY SAY ABOUT 121TIME**

- Customer letters
- Press releases
- Awards

**OUR CUSTOMER SERVICE**

- Contact us
- Your order

**NEWSLETTER SIGN UP**

Join us! If you would like us to keep you up to date about new products, special offers and seasonal introductions, please register for our email newsletter. Newsletter Archive

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**SPIN MASTER BY STEPHANE LABELLE**

Discover the new Spin Master watch collection exclusively designed by the Swiss ice skating champion.

For him For her

**ENGRAVE YOUR ZODIAC SIGN**

Now! Personalize your watch with your birthday and zodiac sign.

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121TIME gift certificates are individual and personal.

Order a gift certificate

**SPECIAL PROMOTIONS**

**SWEETSTAKE. WIN A SPEEDSTER PINK SAPPHIRE**

Enter to win a Speedster Only 7PM. Signature watch to the value of USD 460 / GBP 265.

Enter

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**RECEIVE FREE WORLDWIDE SHIPPING**

Fast service and free FedEx shipping on all your orders

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Exclusive chronograph limited to 300 uniquely numbered timepieces available in black or goldbrown.

View product

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Figure 7-6 121time.com

For companies with products that are amenable to feature flexibility, a good configurator can make the shopping experience easy for the customer and the production line as well.<sup>9</sup>

### Financial Services/Garanti Bank

Idea site Springwise featured a nice new custom-banking product: Custom credit cards. Mass customization in the banking sector is one of the hottest trends in the area. Surprisingly, above much talk, not much has happened yet.

Credit cards seem to lead the industry. The idea of custom credit cards is pretty old. But in most cases, it is just an extension of the custom personal check, featuring your pet, grand-daughter or president. Turkey-based Garanti Bank however has extended this idea. Its Flexi Cards not only allows customers to personalize the look of their bank cards, but also to develop the entire banking product.

According to Springwise, "Flexi Cards are Visa cards that let the cardholder make a few key decisions, allowing them to set over ten parameters. When applying for a card, customers can manipulate variables like reward rates and types, interest rate and card fee. The rewards system is especially flexible, not only letting customers determine reward ratio and type (cash or points), but also enabling them to choose which payments will earn them extra rewards: whether broad categories like restaurants, or specific stores like Zara. Interest rate, bonus rate and card fees are selected by sliding bars that render various combinations of rates and fees. Card fees, for example, can be pushed back to zero by committing to a monthly spending minimum. A lower interest rate leads to a lower bonus rate, etc. Lastly, after making serious decisions about financial terms, customers can design their own card, choosing from different colors and a gallery of images, or uploading their own image. There's even the option of picking a vertical card, which is a world's first for Visa."



“While customers appreciate being in control and creating a tailor-made card, inside and out, the bank is able to test various value propositions, gaining valuable insights into which customer segments choose which options. Self-segmentation achieved through ultra personalization”.<sup>10</sup>

### Financial Services/Virgin Atlantic Amex Card

Bill Brohaugh, Managing Editor of Colloquy cited another example in his article about The Joys of Consumer Control, “A recent offer involving American Express in Europe presents an example literally in black and white. In July, Virgin Atlantic Airlines introduced its Virgin Atlantic American Express Card, offering members of its Flying Club loyalty program a choice of two rewards tiers:

Sign up for the White Card and earn points for every £1 (British) spent using the card. Sign up for the Black Card and earn twice as many points for every pound spent, thereby reaching redemption levels faster, but pay £115 yearly for the privilege.”<sup>11</sup>

### Social Networks/Ning

Helping companies adopt the Web 2.0 trend, Ning was founded in October 2004 to give everyone the opportunity to create social networks. Two years later, Ning powers over 46,000 social networks and counting.

From eBay sellers in Upstate New York to bead store owners in Maine, aspiring hip hop artists in New Jersey, pop culture junkies in New York City, college professors in Germany, and even a few big media companies in LA, with Ning anyone can create the perfect social network for themselves.

What makes this all possible is the Ning Platform. As a platform, you don't have to appeal to Ning for the features you want. If you have the time and the inclination, you can build them yourself. Ning was started to enable a diversity of social networks the same way the web browser enabled millions of different websites.

As part of Ning's free service, you can create a full social network that you can customize and brand as your own.

- Members can invite new members, meet new people, and make new friends.
- Members can enjoy a full message center with address book importing.
- Members can set different privacy settings for every photo, video, or blog post they contribute.
- Add your own logo, branding, and visual design.
- Email invitations, messages, and notifications come from your new social network and assume it's "look and feel";.
- A variety of themes and the ability to add custom CSS designs of your own.

Additional features include:

- Members can customize their own pages.
- A profile question section where you write the questions.
- Create blog posts with photos, files, and moods.
- Manage blog posts and moderate comments.
- Choose the option to publish in the future.
- A member "chatterwall" for others to leave chatters.
- Option to add widgets to profile page.
- Member photos and videos.
- Management Dashboard
- Decide if your new social network is going to be public or private and whether new members have to register to view any of the profiles, photos, videos, forums on your social network.

- Promote blog posts, photos, or videos from your member profile pages to the homepage of your social network.
- Delete members, photos, videos, blog posts, chatters, and forum posts, as desired.
- Moderate photos and videos before they are posted, as desired.
- Add/edit features on your social network, as desired.
- Feature content from your members on your network's homepage. You'll have the option to feature any set of photos, videos, or blog posts on your network's homepage.<sup>12</sup>

***Author's note: A social network has been set up for readers of this book using [ning.com](http://ning.com) and can be accessed through [marketing1by1.com](http://marketing1by1.com).***

### Home Furnishings/Thomasville Furniture

Thomasville Furniture, a full-line manufacturer, offers furniture for every living style in dining room, bedroom, home entertainment, home office, occasional, youth, and fabric and leather upholstery. Thomasville sells its furniture through more than 150 independently-owned Thomasville Home Furnishings stores, as well as over 400 leading independent retail stores.

As Thomasville began blending its online and offline experiences, finding a Web-based product that offered real-time updates, high-quality fabric rendering results and was user-friendly for both its consumers and sales personnel was critical. Thomasville implemented Scene7 from Adobe for dynamic rendering of fabrics on upholstery furniture. "When looking for a fabric draping application to partner with our room planner tool, we chose Scene7 hands-down because of its superior rendering engine and ability to integrate with a rich Flash user interface," said Eric Tessau, EBusiness Manager at Thomasville. "Since launching with Scene7, the feedback from our customers and the stores has been

overwhelmingly positive. The stores are able to get better quality renderings more easily, and much more quickly. And, corporate is happy because new product lines are immediately available to all users in real-time.”

Thomasville also uses Scene7’s platform to create all new thumbnail images in consistent, neutral colors or the “color of the season” for all of its upholstery listings, allowing customers to focus on the furniture itself as opposed to the fabric or pattern. Thomasville plans to rotate thumbnail colors quarterly to keep up with fashion color changes – something the company would not have been able to consider without Scene7.

Results: Thomasville Furniture increased its online draping application usage 1100 percent after implementing dynamic rendering of fabrics on upholstery furniture. Moving to Web-based Scene7 On-Demand for its fabric “draping” made dramatically improved photo-quality results available to both Thomasville’s staff and customers – significantly shortening its sales cycle by providing both groups access to the same furniture design technology to visualize and print out home furnishing selections prior to purchase.

Thomasville’s use of Scene7 for online upholstery design has also improved its multi-channel experience. Today, customers are coming into the retail stores with print outs of designs they create at their convenience; the in-store staff can easily break down the designs by section and by fabric, provide the SKU numbers and pricing, and customers are ready to buy. Additionally, in-store design consultants can try out various combinations for customers using high-quality, photo-realistic renderings of custom furniture suggestions. Since custom items are expensive and not returnable, this added capability has been beneficial in helping customers make decisions. “With this application that quickly produces high-quality custom product renderings, people are three steps further along in the buying process,” added Tessau.<sup>13</sup>

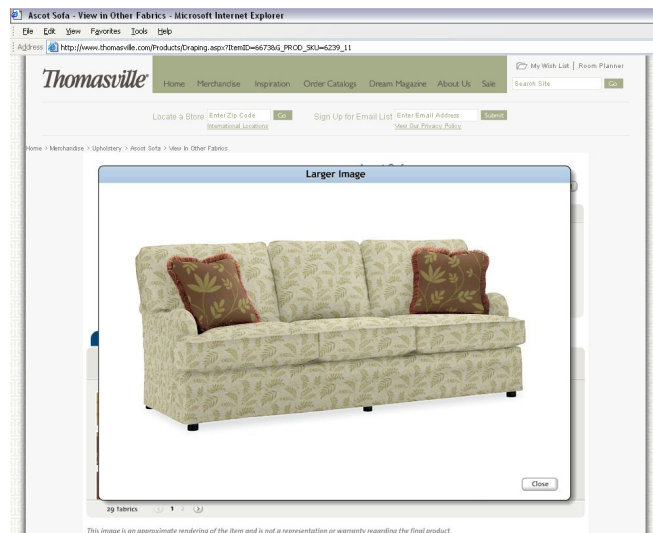
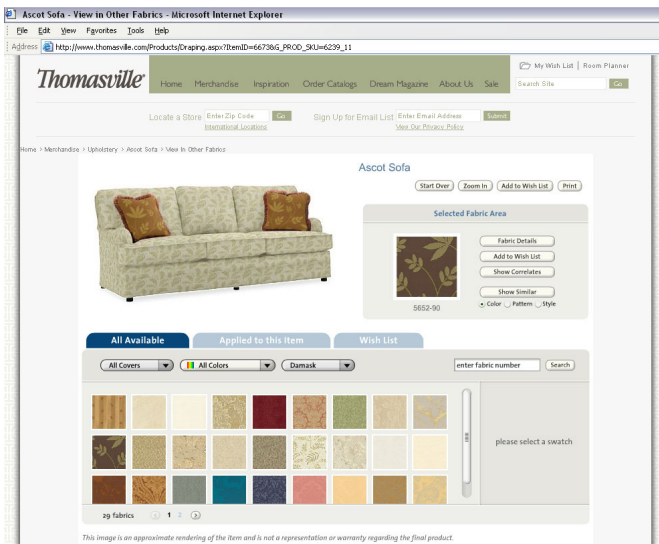


Figure 7-7 Thomasville Configurator

## Apparel/Al's Formal Wear

Al's Formal Wear, one of the largest independently-owned formal wear companies in the U.S., has more than 90 locations in Texas, Louisiana and Oklahoma. Al's stocks over 70 different styles of tuxedos for rental. However, displaying and stocking all possible item combinations in each retail store is not feasible; even in its print catalogs, Al's Formal Wear only shows about 80 percent of its product options.

Al's Formal Wear uses Scene7's rich media platform from Adobe to power its Build YOUR Tux application. With Scene7 On-Demand for online visual configuration, Al's is able to offer customers the ability to select tuxedos by color, style or brand, as well as the accessories to complement their selections. Users can zoom in on each item to see fabric, color and pattern details, then view the virtually limitless tuxedo, shirt and accessory combinations and visualize what the final ensemble will look like when they pick it up. The online application enables millions of custom tuxedo configurations and integrates with Al's Formal Wear's POS system.

Particularly targeted to brides and those planning weddings, Build YOUR Tux features an enhanced registration process that enables visitors to establish a personal portfolio where they can save their custom-configured ensembles, name combinations for different occasions or individuals, email composites of selected ensembles to ushers, groomsmen, parents, etc., as well as return to their portfolio to make changes and updates to their selections.

The Build YOUR Tux application also offers a unique channel for Al's Formal Wear to capture customer contact information and seamlessly integrates with its Point of Sale (POS) systems; so the retail stores are alerted when someone registers enabling store personnel to make recommendations and more effectively serve customers. Added benefits include a shortened sales cycle and a

unique customer profiling tool to improve direct marketing capabilities.

Al's Build YOUR Tux application provides an effective tool to visualize options and reserve products without having to go into the retail stores. Because of this, it is especially convenient for brides not close to Al's Formal Wear retail locations, and is consequently driving increased wedding registrations from customers outside of Al's Formal Wear's market region.

"Deploying the Build YOUR Tux application was critical for us to differentiate ourselves and leverage the infinite possibilities available with the Internet," said Brad Barber, vice president of Advertising for Al's Formal Wear. "With more than 40 million possible combinations, we were blown away by how effective Scene7 was at making our vision come to life, and the results have far surpassed our expectations. The Scene7 platform provides a remarkable tool for us to drive sales, as well as offer our customers a feature-rich shopping experience and the ability to browse at their leisure – 24 hours a day, seven days a week."

Al's Formal Wear plans to promote the application with direct mail; however, the response from just putting the application online has been tremendous. "Not only have we seen an immediate increase in out-of-market registrations, we now have an extremely high percentage retention rate of visitors completing the registration," added Barber. The effectiveness of the online Build YOUR Tux application has Al's Formal Wear considering implementing the same technology for in-store kiosks as well.

**Let's get started!**  
Below are the **EASY**  
steps you follow to  
**Build YOUR Tux:**

**Use the right side menu  
to make your choices!**

1. **Select your Tuxedo**
  - over 70 styles to fit any event
  - tuxedo pants come with your jacket
2. **Select a Tuxedo Shirt**
  - Choose from a variety of colors, fabrics and collar styles
3. **Select a Vest or Cummerbund**
  - The latest styles & colors to match the bridesmaid's gowns
4. **Select a Tie style**
  - Choose from a large selection in a variety of styles to match your outfit
5. **Select your Formal Jewelry**
6. **Select your Shoes**
7. **Now, you can:**
  - Save to a password protected personal portfolio
  - Print a copy for your files
  - E-mail to the individual members of your wedding party
  - Select different outfits or accessories for groomsmen, ushers, ringbearers, and fathers.
8. **Reserve your tuxedos at your favorite Al's store!**



**Build YOUR Tux™**

Select your:

Tuxedo

#31 Grey Stroller

Formal Shirt

#3214 Talia Silver Micro-fiber Shirt

Formal Vest or  
Cummerbund

#5637 Perry Ellis Freedom Platinum Vest

Formal Tie

#4828 Perfect Capri Red Bow Tie

Formal Jewelry

#6505 White and Silver Premium Studs  
and Cufflinks

Formal Shoes

#7008 Marc Ecco Black and White  
Shoes

**SAVE** to your portfolio

**PRINT** a copy for your files

**NEW: Start** a new outfit

**RESERVE** your tuxedos at the  
Al's store of your choice!

**Help / FAQ**

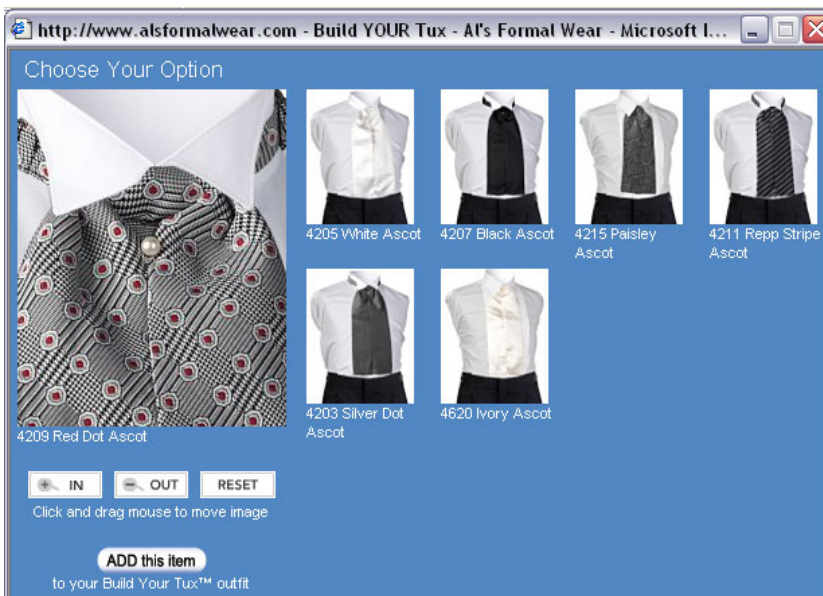


Figure 7-8 Al's Formal Wear Configurator



Al's Formal Wear and Zafu.com may represent the way apparel is sold online in the future. Involving the customer and increasing the odds they will get what they want. The decrease in returns from using this technology can benefit both online and offline sales.<sup>14</sup>

### PhillyCarShare

Car sharing services are changing the way urban dwellers buy automobiles. They don't. Philly Car Share envisions a Philadelphia region in which non-profit car-sharing exceeds the convenience, affordability, and flexibility of car ownership.

PhillyCarShare, a non-profit organization, is Philadelphia's premier car-sharing service. Founded by five Philadelphians, they've accomplished greater positive environmental impact in Philadelphia than, well, any car company on the planet!

In 2004, the City of Philadelphia joined PhillyCarShare, becoming the first government worldwide to share cars with local residents in a major fleet reduction effort. The pioneering project has helped eliminate over 330 municipal vehicles, saving Philadelphia taxpayers \$2 million annually.

The results:

- 7,000 cars off Philadelphia's streets
- More walking, biking, use of transit
- 10 million fewer miles driven since inception
- 53% reduction in miles driven - each member drives about 130 fewer miles per month, on average
- Members who got rid of a car more often walk (38%), take transit (36%), take a taxi (19%), or bike (17%)
- 95% reduced auto emissions, from driving hybrids, driving less, owning fewer cars, and making fewer cold starts
- 440,000 gallons of gas saved

- 80% of members preferring residential locations near PhillyCarShare pods, thus strengthening the city
- \$4,000 saved annually by each former car owner

Mass customization is about making the use of a product or service easier for the consumer. Car share users save on the cost of the vehicle, insurance, parking, taxes and gasoline over traditional owners.<sup>15</sup>

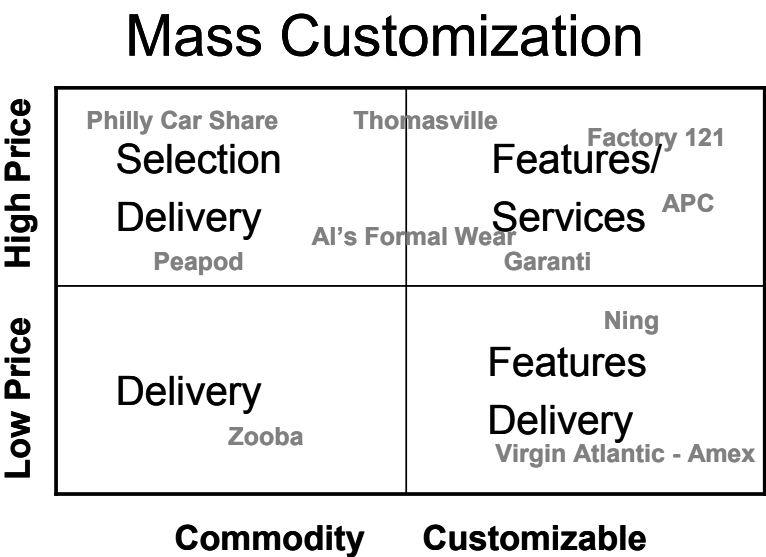


Figure 7-9 Mass Customization Chart

### Conclusion

Adding mass customization to your product, selection or delivery methods can draw the customer into your marketing process. Using a collaborative approach with pre-filter and Reactive Campaigns enables this kind of dialog. Product configurators enhance the collaboration with the client in the marketing and

production process. Information obtained through the product configurator can also guide future Reactive Campaigns.

**Find out how to implement the product proliferation to mass customization transition. Download the free “Marketing1by1 Tool Kit” from [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 8**

## **Transition Four: Consumer Confusion to Simple Solution**

For the fourth transition, marketers should work to reduce the confusion consumers are experiencing in today's marketplace and adopt a simplified collaborative approach aimed at meeting the customer's needs.

Once a customer has taken the initiative to interact with the company, efforts should be made to guide them through your process as easily as possible. In addition, they should be able to identify in advance the benefits of doing business with your company. This means a shift from product-based incentives to customer-based incentives that are well defined and achievable.

As described in earlier chapters, the real price of most consumer goods has fallen over the past 20 years even as the variety of goods has grown. In addition, the quality of the products available has steadily improved. A quality product at a reasonable price is the norm and the cost of entry for most categories.

As you can tell by now, we are describing a marketplace with widespread product parity and abundance of choices. Then, how are consumers going to select among the choices available. Since the product will vary little, it will be the process of purchasing the product and the value of the incentives offered that will make a major difference.

### **Process Simplification**

With the number of decisions to be made and the number of choices available for each decision growing, it will be the company that makes it easiest to purchase that will win out. Companies need to eliminate consumer confusion and become the simple solution for their category.

This simple solution approach was described in a March 2005 Harvard Business Review article entitled “Lean Consumption” by James P. Womack and Daniel T. Jones. This followed their work on lean production, which together with such tools as Total Quality and Six Sigma, contributed to the streamlining of the production process.

Womack and Jones provided six Principles of Lean Consumption. These were:

1. Solve the customer’s problem completely by insuring that all goods and services work and work together.
2. Don’t waste the customer’s time.
3. Provide exactly what the customer wants.
4. Provide what’s wanted exactly where it’s wanted.
5. Provide what’s wanted exactly where it’s wanted when it’s wanted
6. Continually aggregate solutions to reduce the customer’s time and hassle.<sup>1</sup>

The article provided examples of companies that redefined their marketing and delivery (read consumption from the consumer's point of view) processes to make it easier for customers to get exactly what they want. Chapter 7 on mass customization talked to involving the customer in the definition process to assure that what they want is what they get. Since the customer decides, businesses like Netflix, Starbucks, Thompson Furniture and others are achieving very high rates of customer satisfaction.

To begin to simplify your interactions with customers, a thorough mapping of the process is required. Using Business Process Management software, Brainstorming software or a white board and colored pens, identify as many possible steps that a customer might take from first interaction to final transaction. For example, how many steps does a customer need to take to go from their first initiative (i.e. web site visit) to completing their transaction? Plot the relationships among these steps.

Once completed, each step should be evaluated for its degree of difficulty. Starting with the most difficult steps, what actions have the potential to reduce the complexity and make the customer interaction process simple and easy?

Previous chapters have presented many of the tools companies can use to simplify their customer relationships. These include:

- Pre-filter campaigns
- Reactive Campaigns
- Mass Customization
  - Product
  - Selection
  - Delivery
- Dynamic content

To become the simple solution for your customers, your process must be well defined and easy to navigate. For example, an implementation of Reactive Campaigns to customer initiatives builds a meaningful dialog through which your customers communicate their individual needs. These needs are then delivered through a production process employing the appropriate elements of mass customization based upon your business model. Finally, a clear, customer-based incentive program recognizes the value of the customer's business. This program can also communicate how the customer can achieve additional incentives through continued patronage of your business.

These tools and others are available to help your company become the easiest way for customers to satisfy their needs in your market. This will enhance your customer relationships and build long term customer value.

### **Product to Customer Based Incentives**

Once the process has been simplified, the incentive system needs to be simplified. With customers in control, marketers will be more focused on building strong customer relationships than simply moving product. Customers will want and demand to have the value of the relationship correspond with the level of effort they place with the marketer. At the same time, marketers are looking for more measurable results from their promotional expenditures. These are not necessarily conflicting goals. Customer based promotions will be more measurable and allocate dollars based upon customer value. Customer based incentives can also be explained in advance, so customers know what they can expect for their effort.

In a true collaborative relationship, customers expect reciprocal benefits as they dedicate more of their business to a particular company. This has certainly been the motivation behind the expansion of Customer Loyalty programs. These programs enable

customers to see, in advance, the benefits of doing business with a particular company and can modify their behavior accordingly.

It is the ability of Loyalty programs to apply the benefits to customers based upon the value of the relationship with the company that will need to be applied to the majority of promotional expenditures. The technology now exists to provide each individual customer with a single use, campaign promotion code defined explicitly for them based upon their prior purchase history and the objectives the company has for that individual consumer.

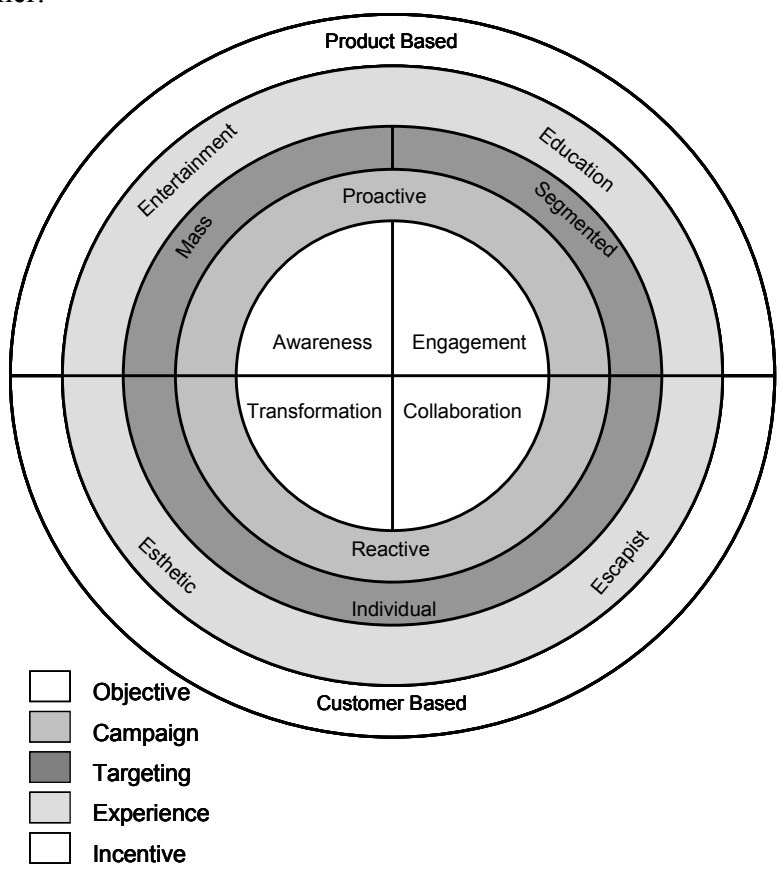


Figure 8-1 Campaign Design - Incentive



## Harrah's Casino

Consider adopting a customer-service policy based on meritocracy, providing faster responses and rewards for customers who pay you the most each month, advised Gary Loveman, chairman and CEO of Harrah's Entertainment in his keynote address at the 2007 CTAM Summit.

All Total Rewards members immediately enjoy Gold status benefits at all our casinos. Members can qualify for higher levels based upon Tier Credits. For example:

- To qualify for PLATINUM status, members must earn 4,000 Tier Credits in a calendar year.
- To qualify for DIAMOND status, members must earn 10,000 Tier Credits in a calendar year.

Benefits of the program vary by level. For example, while all members earn comps, cash and offers based upon play. Platinum members get a birthday gift and special multiplier days. Diamond members are the only ones with access to the Diamond lounge and priority service at restaurants, clubs and the hotel front desk.

Harrah's policy of treating customers according to their value to the gambling concern has increased the company's stock price from a moribund \$19 per share in 1999 to \$90 this year, he said. That improvement is linked to a focus on customers 45 years old and older. His explanation: 20-somethings are always broke and too busy; 30-somethings are married with kids

"God bless you, but we don't need you," he said of the latter category. Harrah's target group has time and discretionary income to spend at the casino, and marketing is executed based on actual play and potential, as determined by software programs. There are now 44 million people in the firm's "Total Rewards" loyalty

program, including diamond-level members spending \$10,000 or more per year at Harrah's, and "Seven Stars" members, at \$75,000 in expenditures per year.<sup>2</sup>

The application of customer based incentives that escalate in a pre-defined way will simplify the program for the company and customers alike.

### Tesco UK

Tesco has built a reputation for having one of the most successful loyalty programs in the business. In keeping with a collaborative approach, the Clubcard was initiated to thank Tesco customers. According to the book Scoring Points, "Sir Terry Leahy has always emphasized that Clubcard does not create loyalty by itself – it creates a medium that allows Tesco to say 'Thank you' to customers for their loyalty in proportion to how much of that loyalty Tesco has earned"<sup>3</sup>

The Tesco Clubcard includes in its mailings, vouchers for the members dividend. In addition, members receive targeted product coupons for money off for specific products or brands determined by the customer's transaction history. "After much anguishing redemption rates for the coupons in the first mailing were estimated at between 20 and 40 per cent, compared to a normal sales promotion redemption rate at Tesco of less than 5 per cent."<sup>4</sup>

Tesco has since used their coupons to cross sell members to different categories. It is estimated that 40% of UK households are members of the Clubcard program.

These rewards programs validate the importance of customer based incentives as a means of producing value for both the company and the consumer. In fact, the collaborative process should improve the company's ability to give the customer what they want. If the company takes the time to define customer requirements in a way

that meets their need, they should not expect as many additional incentives to act. Therefore, promotional dollars can be positioned as reward for total behavior rather than a single action. At the same time, this should reduce the need for companies to try to get customers to act in a way that is not right for them through the use of incentives.

Again, the shift from product to customer based promotions is gradual and will take time. As companies increase the percentage of their programs designed to build collaboration with their customers, they should identify natural opportunities to reduce their overall levels of promotion. In addition, over time, the promotions they execute should be customer specific with a defined benefit in customer value for each promotional dollar spent.

Having trouble identifying opportunities to improve your process or streamline your incentives? Talk to your customers. Building collaboration into your marketing plan results in many opportunities to ask customers where your process is difficult or where they get bogged down. Once the major opportunities are identified, go ahead and ask them for ideas to make it better. Combined with the company's technical and marketing expertise, improvements can be made to the process.

The same is true for rewards programs. Customers can be the source of ideas for meaningful rewards (i.e. points, products, trips, services, information, etc...). In addition, when the company decides on a set of final choices, it might be appropriate to merchandise these programs to the individual. In a recent edition of Colloquy, Bill Brohaugh wrote an article entitled, "The Joys of Consumer Control". In it he said:

"Last month in this space, Colloquy colleague Rick Ferguson noted the fertile range of loyalty tools available to marketers. The benefit of all those

choices: flexibility. The challenge: choosing the most effective tool. What will spur better customer response? Cash back? A points program? Free signup? Paid membership with better rewards? A free Cadillac for every customer?

Some loyalty marketers turn to a group of consultants with a fair amount of expertise: the customers themselves. For example, I recently received a “hey-where’d-you-go?” reactivation letter from a credit card I’d not used in months. In essence, the letter said, “What’s gonna bring you back? A low interest rate? A zero-percent transfer option? Choose one, and we’ll be happy to accommodate.”

This is not a matter of marketers throwing their hands in the air and telling the customer, “You decide our strategy, because we can’t.” Customer decision doesn’t dictate the strategy. It is the strategy. Put the customer in charge.”

Brohaugh concludes, “More complex programs require more complex setup and stewardship. Still, when developing a loyalty program, consider that one of the choices available to you is choice itself. There’s no better resource for your marketing team than that most honest of sounding boards: your customers.”<sup>5</sup>

The idea of making your incentives customer based complements their opportunity to actually design their own benefit package. This is a great example of mass customization. The options offered customers should include incentives with a known return on the promotional investment.

All companies should consider this example in allocating their promotional dollars. Are the current product based promotional dollars being used by low value customers who only buy with an incentive? Does the company benefit from these customers? Would customer-based incentives reinforce profitable customers and increase their lifetime value? All good questions to ask as you review your promotional expenditures.

## **Conclusion**

In the world of customer initiative and few sustainable product advantages, simplifying your process and your incentives can make you stand out. With the number of decisions consumers face daily, they will be drawn to marketers who value their time and reward them appropriately for their business.

**Find out how to implement the consumer confusion to simple solution transition. Download the free “Marketing1by1 Tool Kit” from [marketing1by1.com](http://marketing1by1.com)**

# **Part III: The Marketing1by1 Process - Implementing Customer Collaboration**

Starting to add collaboration to your marketing plan is easy. A four step process will provide a framework for beginning to include your customers as a critical component of your business model. The steps are as follows:

Chapter 9	Step 1. Select Customer Initiatives
Chapter 10	Step 2. Add A Collaborative Campaign Plan
Chapters 11 thru 18	Step 3. Implement Across Channels
Chapter 19	Step 4 Campaign Tracking and Analysis

Part III guides readers through the selection of the key customer initiatives that have the most influence on their business. Then, a framework is provided for designing campaigns to respond to these customer initiatives and defines the key output from this planning process. Finally, each campaign has the potential to be delivered across all marketing channels. These channels will be reviewed to help determine which campaigns are best delivered through which channels. This approach enables companies to drive consistent communications across all channels. Finally, recommendations are provided for tracking and analysis of your collaborative campaign plan.

# **Chapter 9**

## **Step 1 - Select Customer Initiatives**

The transition to Customer Collaboration should be planned and gradual. And the starting point is your existing marketing program. As a company goes through the steps of implementing the Marketing1by1 Process, the goal is to add to the existing plan a set of automated campaigns that are highly responsive to the initiatives taken by your customers.

While the number of these campaigns may begin with just a few, over time, you will find dozens of customer initiatives that deserve a relevant and timely response. As the number of Reactive Campaigns grows, your company will have added a major asset to your marketing plan that builds customer relationships, generates revenue and improves long term customer value.

### **Campaign Objectives**

The specific Reactive Campaigns and their content will be based upon your desired objectives. Campaign objectives can generally be defined as one of four options. Awareness includes campaigns

whose purpose is to inform prospective customers of the basic features and benefits of the product or service. Engagement campaigns (discussed in more detail in Chapters 6 and 17) are designed to achieve an advanced level of comprehension with the audience and possibly trigger an action. Campaigns whose objective is collaboration are often part of a dialog started with a customer initiative of some type. Finally, transformation campaigns thank and reward the audience for taking a desired action, such as a purchase, donation or visit to a store.

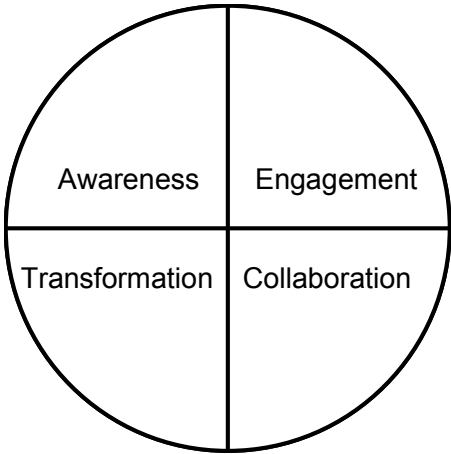


Figure 9-1 Campaign Design - Objectives

Most Reactive Campaign have as their objective either collaboration or transformation. Occasionally, as in pre-filter campaigns, they are used to prompt engagement.

**Identify Important Customer Initiatives**

The first step is to identify customer initiatives that play a key role in your business process. The transition begins with a strong understanding of these initiatives. Chapter 5 offered a wide variety



of ways to look at your business and decide which types of customer initiatives are important. Sources included:

- Transaction Data
- Browse, Search and Shopping Data
- Stage of Relationship
- Pre-Filters

Each of these sources could provide numerous initiatives for which you can design a Reactive Campaign. Some initiatives are direct actions by your customer such as purchasing a product or shopping in a store. Analysis of your transaction data can identify key events based upon a customer's stage of relationship, which justify a special communication. Others are based upon information provided to the company through "pre-filter" campaigns that ask about product interests and purchase intentions.

Customers today spend a great deal of time taking the initiative and sending signals through many channels about their product and service wants and needs. This step will help marketers read these customer initiatives and react to them with a relevant timely response to each individual consumer.

### Transaction Data

Many of your Reactive Campaigns will be triggered from information found in your transaction data. For example, campaigns that thank your customers for their order and show them related items to the product purchased are driven from your transaction updates. The key is to identify as many events or material changes as possible within this data.

Begin with a detailed discussion of the key metrics for your business. Among the metrics to consider are:

- Most recent order – timing and products purchased

- Lifespan
- Lifetime value
- Channel shopping
- Multi-channel shopping
- Frequency
- Average order value
- Maximum order value
- Minimum order value
- Recency
- Category purchase behavior
- Product purchase behavior
- Multi-category purchase behavior
- Promotional behavior

Select four or five key events that represent important drivers for your business that can be identified from transaction data. Then discuss what you would want to say to a customer based on their status with regard to that event. Some examples are:

- When a customer makes a purchase, you want to thank them and show them related items.
- If a customer has not purchased in an appropriate period of time, you could send a reactivation offer.
- If a customer reached a milestone in shopping frequency, you may want to reward them.
- For customers who only buy on sale, send incentives based on total order value (transition from product to customer based incentives).
- If a customer purchases a consumable product, identify the typical life of the product and remind them when they may be running out (as a refinement, attempt to calculate the individual customers usage patterns).

Campaign Name	Qualifying Criteria	Campaign Objective
Thank you campaign	Purchase in past 7 days	Thank and recommend add-on purchase

Figure 9-2 Campaign Criteria

The goal is to identify as many campaigns as possible. At the end of this process, you will decide which campaigns you will actually test.

### Browse, Search and Shopping Data

Another excellent source of data to drive Reactive Campaigns includes web browsing, search terms and retail shopping data. Web browsing data is tracked by your web analytics software and can be supplied daily for use in driving campaigns. In most cases, this software can also provide search terms used to either reach your web site or entered into your site search. Finally, some companies have been successful in collecting retail visit data through loyalty programs, kiosks or POS systems.

Reading the web site data requires the company to link their cookies to the customer identity. This is accomplished when a purchase is made; when a customer registers their email address on your site; or if the email address is passed through a customer coming to the site from an email. Some sites require customers to register and sign in making it easy to identify their web activities.

For retail the task is more difficult. If a customer or prospect enters the store, browses and leaves, no information is available. It should become a major retail objective to identify shoppers where possible. In the past, loyalty programs have partially served this purpose. Later in the book, we will talk about the growing use of kiosks. The kiosks can not only allow the customer to identify themselves when they buy, but with the right incentives, encourage them to identify themselves every time they enter the store.

First, make a list of all of the important actions your prospects and customers take while on your web site. Think about which are meaningful. For example:

- Date clicked
- Last category clicked
- Last product clicked
- Total number of categories clicked
- Total number of products clicked
- Specific categories clicked
- Specific products clicked
- Number of visits
- Number of abandons
- Number of purchases

Key actions include cart abandonment, categories or products browsed and repeat visits in a short period of time. Further analysis could be conducted on time spent browsing and number of categories or products viewed. Variations can be found that might justify unique product or offer variations. All of these are initiatives that can trigger a Reactive Campaign.

Search accounts for about a third of all web site visitors. Many more customers use the site search once they arrive. Capturing

search terms by customer provides an important source of information for creating relevant content for your campaigns.

While companies use hundreds of search terms, the majority of activity is found in the first 50 or less. These terms should be directly related to the ultimate product purchased. An analysis of the remaining terms should be conducted to aggregate these search terms into related groups based upon ultimate purchase behavior. These individual and groups of search terms should provide a strong indication of product purchase intent. Reactive Campaigns using these data will increase overall web site conversion.

Again, list all of the important actions customers take using search that might be used to drive a Reactive Campaign.

Campaign Name	Qualifying Criteria	Campaign Objective
Search Term Campaign	Browsed using search term. Identify specific term.	Sell items related to the search term used

Figure 9-3 Campaign Criteria

Again, the goal is to identify as many campaigns as possible. At the end of this process, you will decide which campaigns you will actually test.

## Stage of Relationship

When building customer collaboration, it is important that each customer has an idea of where they are in your relationship and how important they might be. The first step in this process is to map out the important stages in your relationships with your customers. Samples of this were provided in Chapter 5. For example, your key stages may include:

- First contact – this might be a mailing they received from you or a visit initiated by the consumer to your web site.
- Prospect – that period between first contact and their first purchase. There may be several steps in this stage based upon how interactive your prospects might be (i.e. web visits or calls to the call center).
- First-time buyer – this is obviously the first objective in what you hope will be an ongoing relationship.
- Single buyer – period of time between first and second purchase. This step may also have several interim objectives (i.e. education, cross-sell, etc...).
- Multi-buyer – the event of the customer's second purchase. This step represents a major advance in the customer relationship.
- Loyal buyer – all multi-buyers within a defined period of time (i.e. last 12 months). One method is to define this period based on the average time to reach a third purchase.
- Lapsed buyer – single or multi-buyers who have not purchased for a defined period of time (i.e. 12 to 18 months).

First, identify those stages you consider important. Then ask yourself, what do you want to say to customers who reach a specific stage. What would you say to a customer who has fallen short of a critical stage? This will enable you to begin planning Reactive Campaigns based upon stage of relationship.

In keeping with the transition from product-based incentives to customer-based incentives, these Reactive Campaigns should include the appropriate reward for achieving a certain status. You may also want to inform a customer that they are close to achieving a certain stage of relationship and reward level. These campaigns should be designed to guide customers to deliver maximum value to the company and receive maximum value from the company.

Campaign Name	Qualifying Criteria	Campaign Objective
First time buyer	First order	Promote company benefits and achieve add-on sale.
Multi-buyer	X number of orders or dollars spent	Reward valued customers

Figure 9-4 Campaign Criteria

Pre-Filter

To create pre-filter campaigns start by asking what problems your company helps its customers solve. For example, if you are in the home improvement business, do you make it easy to organize your customers’ storage space? If you are in the travel business, do you provide the lowest fares, easiest ticketing, fastest check-in, best meals or all of these? If you are in financial services, do you have the lowest rates, easiest products to understand or friendliest people?

Now, make a list of at least five problems your business solves for its customers. Use a form like the one that follows. Or, go ahead, write in the book!

Problems You Solve	How You SolveThem

Figure 9-5 Problem/Solution Chart

The five problems you solve represent opportunities to communicate to your prospective customers how well you solve them. What you need is to know which of your customers is having these problems now. This is the role of the pre-filter campaign. To test your ideas, simply create a campaign (start with email, its easiest) and ask 1,000 registered (opt-in) customers or prospects if they are experiencing any of these problems. By clicking on the appropriate link on the template, they will be telling you which problem they are having. You can then design a Reactive Campaign that explains, for the problem they selected, how well you can solve their problem.

Another area that would provide valuable information is if your customers or prospects are intending to purchase soon or know when they might purchase in the future. Again, ask them. Based upon your business and the purchase frequency you experience, develop a set of time periods that are appropriate for you (i.e. < 30 days, 30-90 days, 3 to six months). Don't bother asking about time frames over 6 months. None of us has time to look that far ahead.



Including this question in a pre-filter campaign will guide you in planning a set of Reactive Campaigns. For example, if someone is planning to buy in 30 days, you may want to send them a message every week with either additional questions, a variety of offers based upon past purchases, or both. A respondent in the 30-90 day range might get two messages a month. Keeping track of who gets which message when sounds like a lot of confusing work. However, in the next chapter, we will introduce a hierarchy approach that makes it easy to assign your customers and prospects to the right campaign.

Another topic for pre-filter campaigns is the category of product in which the recipient might have an interest. By listing your categories and asking if they would like more information about one of them, you are showing an interest in them as an individual. Then, based on their individual response, you can send more information about their category. If you have eight categories, then you only need one Reactive Campaign with eight variations of dynamic content showing the best selling products in each of the eight categories. If these are large categories, ask about the sub-categories in the next campaign and work your way down to the individual products.

In addition to categories, this same approach can be used with styles, brands, prices and colors. These options can be provided visually if appropriate. For example, Smith and Noble send emails with several fabric swatches that the recipient can click on. They are taken to window treatments that would work with the swatch.

For many companies selling high end products, it could be very valuable to eliminate those unlikely to spend at the appropriate level. A campaign that offers options by category and price (making the higher prices obvious) could dissuade customers not willing to spend at that price point. This could save marketing resources in the long run.

The final step is to prioritize these customer initiatives in importance based upon relationship or revenue considerations. Start by selecting two or three of these consumer initiatives and begin to design Reactive Campaigns for each (see Chapter 20).

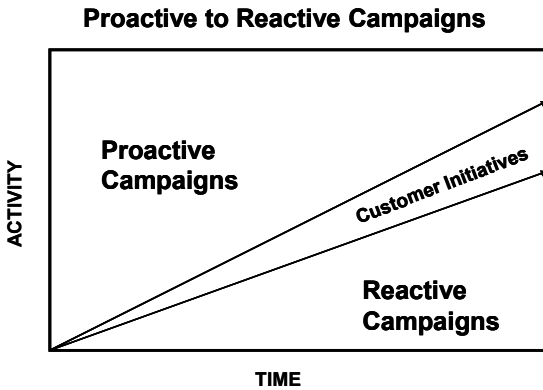


Figure 9-6 Evolution of Reactive Campaigns

Over the course of transition, the percentage of campaigns that are reactive will grow. Each will be tested prior to full roll-out. Some companies may add only three or four Reactive Campaigns per year; others will add three or four per quarter. The speed of transition is entirely dependant upon the company’s priorities.

**Conclusion**

The output from this process is a list of Reactive Campaigns including the name of the campaign, criteria for qualifying for the campaign and the campaign objective. Your marketing staff is the best resource for generating and prioritizing customer initiatives. This list will form the foundation of a collaborative campaign plan.

**Find assistance implementing Step 1 of the Marketing1by1 Process. Download the free “Marketing1by1 Tool Kit” from [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 10**

## **Step 2 - The Collaborative Campaign Plan**

Step 1 has produced a list of selected Reactive Campaigns to be added to the marketing plan. The list includes the campaign name, the qualifying criteria for receiving the campaign and the objective of the campaign. In Step 2, these campaigns are developed and integrated into the plan. It is important to keep any risk associated with this transition as low as possible. In fact, if the transition is implemented as prescribed, all change will be tested and provide a proven benefit prior to roll out. The important decision for companies to make is to begin the transition.

### **Campaign Planning**

Most marketing programs have traditionally been characterized as a funnel. You try to reach the largest number of prospective customers to start. Then as these prospects show greater interests, you develop campaigns designed to engage them and, finally, convert them.

## The New Funnel

Building awareness for your product or service is a critical first objective for marketing campaigns and this does not change in Marketing1by1. The best methods for reaching your target audience remain the same and this will not change in the early stages of transition.

The need to engage prospective customers becomes more important in Marketing1by1. Existing and potential customers need to be familiarized with the features and benefits of your products and services. Campaigns are required to explain the options available and the steps required to achieve the benefits you provide.

For each Reactive Campaign, the content is required to be relevant to the initiative taken by the consumer. This will necessitate the use of dynamic content with regards to creative, graphics, categories or products, and offers, if appropriate.

Collaboration is defined as the act of working jointly. Through the series of exchanges prompted by the Reactive Campaigns, the consumer and the marketer are finalizing the specific requirements of that individual. Each set of options has been designed to fit within the company's production capabilities, which guide the entire process. In this fashion, the consumer is selecting from an array of features that fit their needs, while staying within manageable production parameters. The final step is transformation and may require a thank you or reward campaign.

The order might look as follows:

- Introduce prospective customers to the brand
- Engage customers and prospects with the features and benefits

- Prompt customers and prospects to initiate the action
- Deliver a Reactive Campaign to the customer initiative
- Respond to additional initiatives as needed
- Conclude in a purchase or similar transformation

The diagram below depicts an elementary version of the funnel:

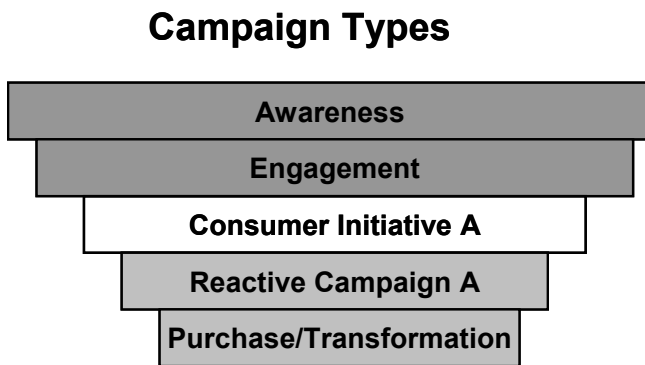


Figure 10-1 Simple Funnel

Marketing plans will soon contain many automated campaigns designed to respond to the individual shopping actions, habits and product preferences of each customer. The number of campaigns required for an effective contact strategy will explode from as few as four or five per month today to fifty or more per month in the next few years. These will be necessary to deliver the type of anytime, anywhere shopping experience customers will expect. In addition, this collection of campaigns will become a major marketing asset.

The diagram that follows reflects an evolution of the prior diagram by adding more than one Reactive Campaign. In this example, these Reactive Campaigns are designed to generate a purchase or transformation.

## Campaign Types

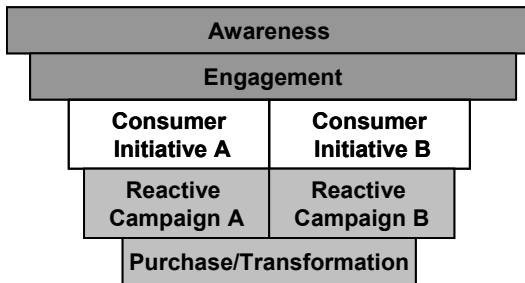


Figure 10-2 Intermediate Funnel

To take the diagram a step further, a company should recognize that not every Reactive Campaign is designed to generate a purchase. It may take several communications to achieve the desired end result. For this reason, companies developing their collaborative plan should be prepared for these iterations as needed. The diagram below shows Consumer Initiative A taking one Reactive Campaign iteration, while Consumer Initiative B requires two Reactive Campaign iterations. Again, over time, companies will see the need for an increasing number of Reactive Campaigns as they identify key customer initiatives.

## Campaign Types

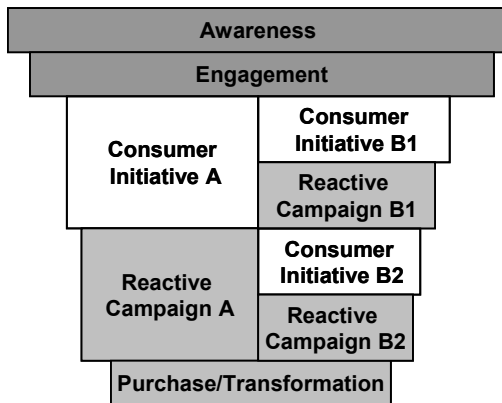


Figure 10-3 Advanced Funnel

Once the campaign plan is complete and the funnel defined, the next step is to allocate customers and prospects to the appropriate campaign. This is accomplished through the use of a Campaign Hierarchy.

## Campaign Hierarchy

Hierarchies are an important part of your campaign planning. Marketers need to be able to establish which campaigns a customer should receive at any specific point in time. As we discussed, in any given week, the company could be sending dozens of campaigns to their customers. Deciding which of these campaigns an individual customer should receive is the role of the hierarchy. The hierarchy will contain both Proactive and Reactive Campaigns.

The Campaign Hierarchy is created by simply turning the “funnel” upside down. Experience has shown that Reactive Campaigns, those responding to an action by a customer, take priority over a Proactive Campaign. This is to assure the customer knows the company acknowledges their action and also because Reactive Campaigns regularly produce more revenue than Proactive Campaigns. The diagram below is the hierarchy for the previous “funnel”.

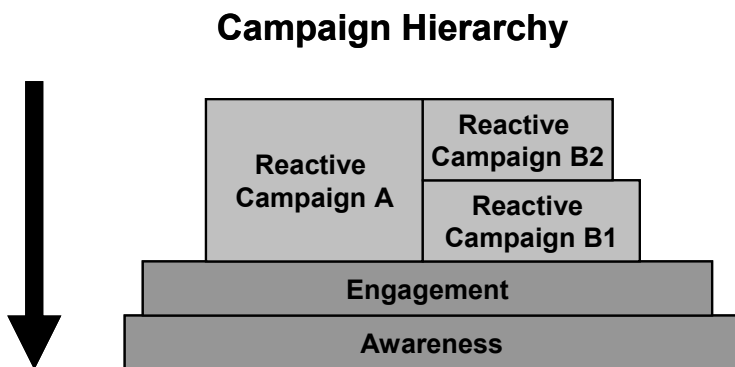


Figure 10-4 Campaign Hierarchy

The role of the campaign hierarchy is to provide a method for allocating customers and prospects to the optimal campaign. A company must decide how often they want to run the hierarchies for this allocation. For example, many companies will elect to run the allocation weekly. This provides two advantages, recipients get the most optimal campaign and the company can control the number of campaigns received for the defined period.

The contact strategy should begin with the Reactive Campaigns. In the previous chapter, the company created the list of Reactive Campaigns to be included in the marketing plan including the qualifying criteria. By developing a hierarchy, the company determines which of these Reactive Campaigns have priority either due to relationship or revenue considerations.

Within the Proactive Campaigns, the most targeted campaigns will often take priority due to the relevance of their content and typically higher revenue generation. Proactive Campaigns usually start with those already being delivered by the company. As with Reactive Campaigns, companies may be sending many Proactive Campaigns in any given period. The company will need to prioritize these campaigns into the hierarchy. The result of this effort is a prioritization of all campaigns for a specified period of time.

For example, the campaign hierarchy could begin with the Reactive Campaigns. These could include:

- Thank you response – sent to recent buyers
- Browser response – sent to recent browsers
- Abandon response – sent to recent abandons
- Replenishment – sent to customers whose consumable product is about to run out
- Reactivation – sent to customers who have not purchased recently



- Reminders – sent to customers to notify of an event or opportunity they requested

Proactive Campaigns might include:

- Creative tests
- Up-sell
- Cross sell
- New product introduction
- Brand awareness
- Sale/Liquidation
- Acquisition

Once the hierarchy is created, a form defining the participation criteria for each campaign should be finalized. This form will then be used to allocate customers and prospects to the appropriate campaign.

<b>Campaign Name</b>	<b>Qualifying Criteria</b>
Thank You	Purchasers in the last 7 days
Web Browsers	Browsed web yesterday
Replenishment	Replenishable due to run out
Reactivation	Customers w/o purchase > 6 mos
Pre-Filter Test	Random sample 10,000 customers and prospects
Up-Sell	Customers AOV under \$30
Cross-Sell	Single Category Buyers
Catalog	Remaining customers
Acquisition	Remaining prospects

Figure 10-5 Campaign Hierarchy

# Campaign Design

As discussed earlier, the experiences that comprise your relationship with the customer are as important as the product or service you are selling. Therefore, building these relationships requires serious planning. This requires a framework for responding to these consumer initiatives in a way that creates a series of experiences that will cement your relationship with the consumer. After all, any relationship is the result of a series of experiences.

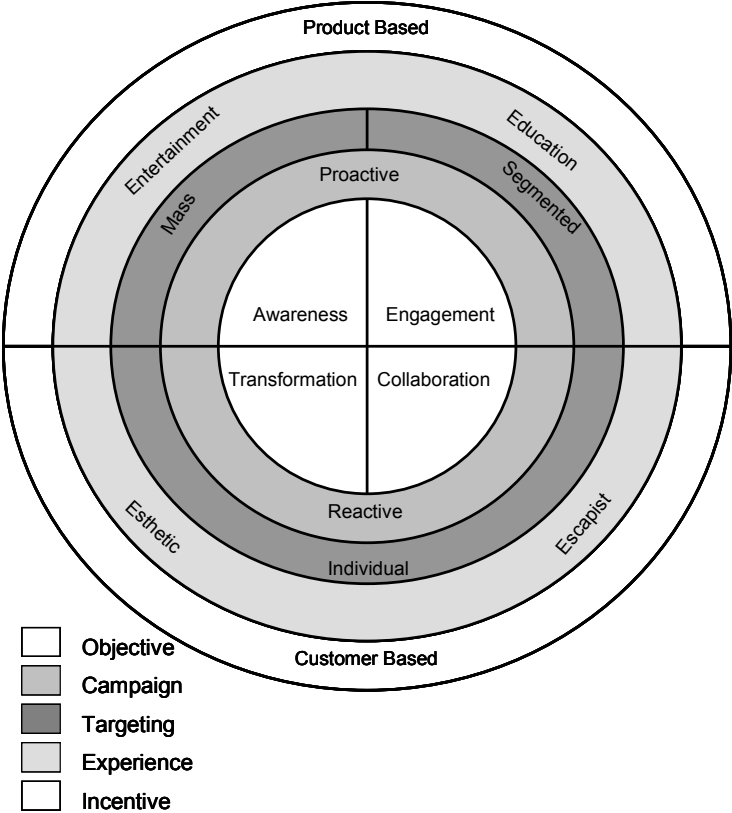


Figure 10-6 Campaign Design

Reactive Campaigns have several common components. These include creative, dynamic content, incentive (if any) and a prompt for the call to action. In addition, there are certain creative considerations, such as templates, that will be discussed later based upon the channel of delivery.

This chart is designed to guide users through a set of considerations when designing their campaigns. Starting with the objective (defined in Step 1), the types of campaigns, targeting methods, incentive type and experiences can be determined.

### Experience

As discussed in Chapter 6, there are four types of experience defined by Pine and Gilmore in their book, The Experience Economy. Experiences can be educational, entertaining, escapist and esthetic. The type of campaign and the experience desired will dictate the tone of the campaign. The chart below provides guidance for proactive and Reactive Campaigns.

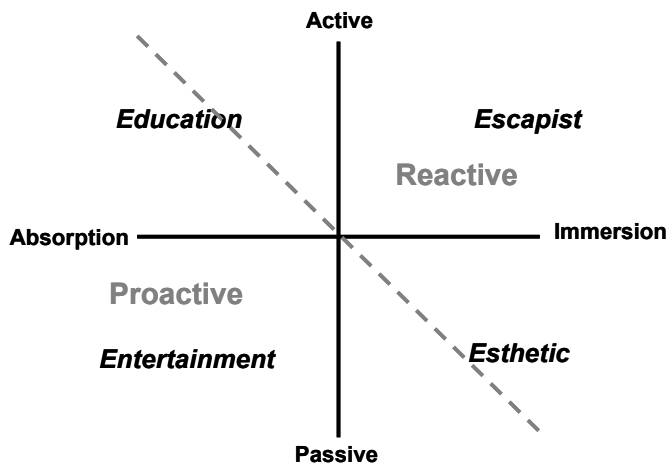


Figure 10-7 Dimensions of Experience

The type of experience selected will influence creative development including copy and graphics. Most companies have a style for their creative development and this should not change for the new campaigns. Reactive Campaigns may have a more focused objective than traditional Proactive Campaigns. The creative needs to support these objectives in a consistent style as other campaigns the customer might receive.

### Dynamic Content

Each Reactive Campaign will require the use of dynamic content in order to demonstrate to the customers that the company has heard them and is prepared to respond accordingly. In addition, since these campaigns will be automated and run for longer periods of time, it is likely that a customer could qualify for the same campaign more than once. For example, they may visit the web site multiple times or purchase products multiple times. Since the products they view or purchase are likely to be different, the content of the campaign should change based upon the specific product or category.

In addition, for companies who experience frequent purchase of the same product (i.e. food, office products), they can control the number of times an individual consumer can “qualify” for a specific campaign in a set period of time. These techniques allow marketers to control the communication experience.

The determination of the dynamic content for a given campaign should be based on the selection of an appropriate dynamic content rule. These rules will be driven by the specific customer initiative driving the campaign (see Chapter 6).

For example, if a customer browses a category on the web site, best sellers from the browsed category could be the rule. Then, regardless of the category browsed, the customer would receive a campaign with the best sellers from their category. This campaign

would be driven from a variable content table containing the best sellers from each category the company sells. The category browsed would trigger the content within the template.

In another example, a replenishment campaign would determine the highest priced replenishable products purchased by each customer and the date of purchase. Based upon the lifespan of these products, products due to be replenished would be calculated for each customer. This campaign would be driven by a variable content table containing the individual customer ID and their individual replenishable items. These items would populate the template.

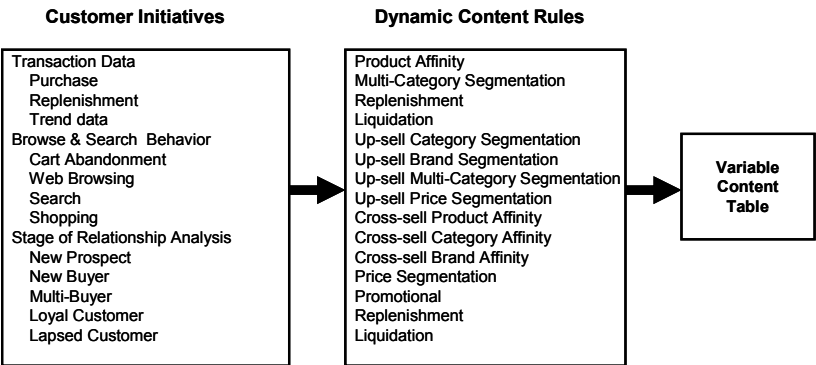


Figure 10-8 Dynamic Content Development

Incentive

As discussed in Chapter 8, the incentives are best related to the relative value of the individual customer. Based upon the campaign, an incentive may or may not be offered. Some campaigns will present a better opportunity to reinforce your incentive or loyalty program than others. For Reactive Campaigns, the incentive should be proportional to the initiative taken by the customer. This should also be included in the plan.

## Call to Action

The desired call to action may be a purchase or another customer initiative and is determined based upon the campaign objective. As discussed in Chapter 8, a simplified process is the key to customer satisfaction. Each campaign should present a clearly defined next step in your customer acquisition/retention process. You recall (Chapter 5) the Stage of Relationship is a major contributor for customer initiatives and Reactive Campaigns.

Therefore, a chart like the one on the following page should be developed for the Reactive Campaigns at this stage of the marketing plan.

Marketers are increasingly turning to a plan that engages the customer. Suresh Vittal, a senior analyst at Forrester Research, said more firms are looking at a category of analytic marketing software Forrester calls interaction management. “Last year, we surveyed marketers about their plans to target messages in inbound channels like the call center, Web, point-of-sale and ATM,” he said. The report found 85 percent of marketers were practicing inbound marketing or planning to in the near term.

“Growing consumer impatience with the volume and irrelevance of outbound communications, the desire to enrich the experience of each interaction, a captive and attentive audience and the opportunity to reinforce the brand all make inbound marketing a compelling solution,” according to Mr. Vittal.<sup>1</sup>

The Marketing1by1 Process provides the framework for addressing your customer’s inbound actions and taking them to the next step.

<b>Campaign Name</b>	<b>Participation Criteria</b>	<b>Creative</b>	<b>Dynamic Content</b>	<b>Incentive</b>	<b>Call to Action</b>
Thank You	Purchased in last 7 days	Reference creative document	Product Affinity Rule	None	Purchase
Web Browser	Browsed web yesterday	Reference creative document	Category Affinity Rule	10% off any purchase	Site visit
Replenishment	Replenishable due to run out	Reference creative document	Replenishables past expected lifespan	None	Purchase
Reactivation	Customer w/o purchased > 6 mos	Pre-filter question	Multi-Category Rule	Variable based upon LTV	Response to pre-filter question

Figure 10-9 Collaboration Campaign Planning Form

## **Creating Collaboration**

Marketers will find that customers tell them when they are open to this collaboration process. Conversely, when the customer is not interested, marketers will achieve significant savings by decreasing the level of communications directed toward these customers. In most businesses, customers are going to engage only a few times per year. This means that only a small percentage will be engaged in collaboration at any one time. Shifting budget to invest in Reactive Campaigns directed toward the engaged group will improve conversion and allow dramatic savings in the Proactive Campaigns directed toward the unengaged audience.

The resulting marketing program will need to support an increased number of campaigns designed to bring engaged customers along in a series of intermediary experiences that are reactions to initiatives taken by the consumer. This is very different from the typical buy or don't buy proposition blasted to all prospects and customers currently employed by many companies.

Over time a significant percentage of a marketer's communications may shift from proactive to reactive. This shift will result in more timely and relevant communications with customers through Reactive Campaigns. At the same time, the company's marketing activities will become more productive by engaging customers based upon their initiative. The result is a better marketing environment for both customers and marketers and a higher ROI on marketing expenditures.

Taking a new approach to communicating with customers should be accompanied by a new approach to rewarding them for their business. The transition from product to customer based incentives will reinforce their decision to develop a relationship with your company. Incentives should not only be customer based, but also more selective. The process of collaboration with your customers should provide the added benefit of products and services that



more accurately meet their needs. This benefit should reduce the need for companies to provide additional incentives.

Finally, significant savings can be achieved by identifying those incentives that have led to unprofitable customers in the past and eliminating them. Typically, these are product based incentives used by customers who only buy on sale. This type of customer can make up as much as 40% of customers for many companies. Adjusting the incentive from product to customer will either force these customers to add value through an appropriate level of purchases or eliminate their unprofitable business. Either way the company is better off.

The output from Step 2 is a plan containing all of the Reactive Campaigns for a given marketing period (i.e. quarterly, monthly, weekly). For each campaign, the campaign name, qualifying criteria, creative, dynamic content, incentive and call to action have all been defined. The template and final timing for the campaign will be coordinated with the appropriate delivery channels.

## **Conclusion**

Once the customer initiatives and Reactive Campaigns have been identified, they must be prioritized using a hierarchy. Then customers and prospects need to be assigned to a campaign based upon the provided qualifying criteria for a given time period. Next, these campaigns will be assigned to one or more channels.

**Find assistance implementing Step 2 of the Marketing1by1 Process. Download the free “Marketing1by1 Tool Kit” from [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 11**

## **Step 3 - Implement Across Channels**

At this phase of the plan, the campaigns defined in Chapter 10 are not channel specific. The next step is to identify the channel or channels best suited for each campaign. In order to deal with the growing complexity of the market, companies will have to enhance their customer contact strategies to address more types of contact through more available channels.

While the stampede to online continues, with online sales this year expected to top \$211 billion, according to Shop.org, consumers are not abandoning offline channels, but instead adopting more complex multi-channel behaviors that maximize convenience — 55 percent of consumers adopted cross-shopping, up 8 percent, according to Forrester Research.<sup>1</sup>

Speaking at the Internet Retailer Conference in June, Brian Osborne, Walmart.com's vice president of marketing, spoke about the retail giant's strategy to grow its business through online and offline programs.

“We want to be the leader in multi-channel retailing, to make it easier for customers to shop at Walmart.com or in one of our stores,” Mr. Osborne said. “We have 130 million customers in our physical stores per week. Of this population, 75 percent are online, 49 percent have visited Walmart.com and 39 percent have made a purchase on Walmart.com. So there is plenty of untapped potential.”<sup>2</sup>

Retailers and others who have mastered multi-channel marketing have proven it is a powerful way to increase customer loyalty and profitability. Clearly, multi-channel tactics offer a strong opportunity to boost sales, enhance branding, encourage customer loyalty and reduce costs.

### **Multi-Channel Implementation**

In the next seven chapters, delivering collaborative campaigns through each channel will be reviewed. Everyone is aware that a campaign delivered through one channel will have different costs, and therefore ROI economics, when delivered through a different channel. Therefore, it is important to keep in mind the costs and the potential response by channel. Also, not every campaign will be a good match for every channel. Your channel managers will be able to identify the campaigns likely to have the greatest impact through their channel. However, senior marketing management has to keep in mind that the campaigns have been designed to deliver a defined set of customer experiences and each channel is a part of that process.

The channels will be reviewed in the order of those that are the easiest to deliver a Reactive Campaign. Not surprisingly, the easier channels are often the least expensive as well. However, marketers should remember that Reactive Campaigns, responses to customer initiatives, will get higher response rates than traditional Proactive Campaigns to less qualified audiences. For example, although the direct mail channel incurs high print and postage costs, with this

type of qualified audience, it could easily deliver the best ROI and penetration.

Additional judgment is required to determine if certain customers can be encouraged to shop through additional channels given the appropriate incentive. The judgment of the channel experts within your organization will provide the initial direction. From there, testing will confirm the group's initial direction and identify potential new opportunities for cross-selling channels. As discussed earlier, it has been proven in study after study that multi-channel customers are far more valuable than those who shop a single channel.

The figure that follows provides an overview of the Marketing1by1 Process, designed to help companies achieve customer collaboration. As described in Chapter 9, the first step is to identify the customer initiatives that are important to your company. The second step, as defined in Chapter 10, is the development of a Collaborative Campaign Plan, which summarizes the main components of each Reactive Campaign. The variable content table, together with the other elements, acts as the input to campaigns being delivered through each channel. However, each channel will have different ways of displaying and using these elements.

The third step, the topic of this chapter and the next seven, is to determine which collaborative campaigns are appropriate for each marketing channel. As shown in Figure 11-1, different channels will perform better for each campaign. The challenge is the implementation and testing of each campaign across appropriate channels. Finally, the fourth step defines campaign tracking and analysis. A process is required that will allocate sales across each campaign by channel. While this process can become subjective for several channels, a recommended approach is presented in Chapter 19.

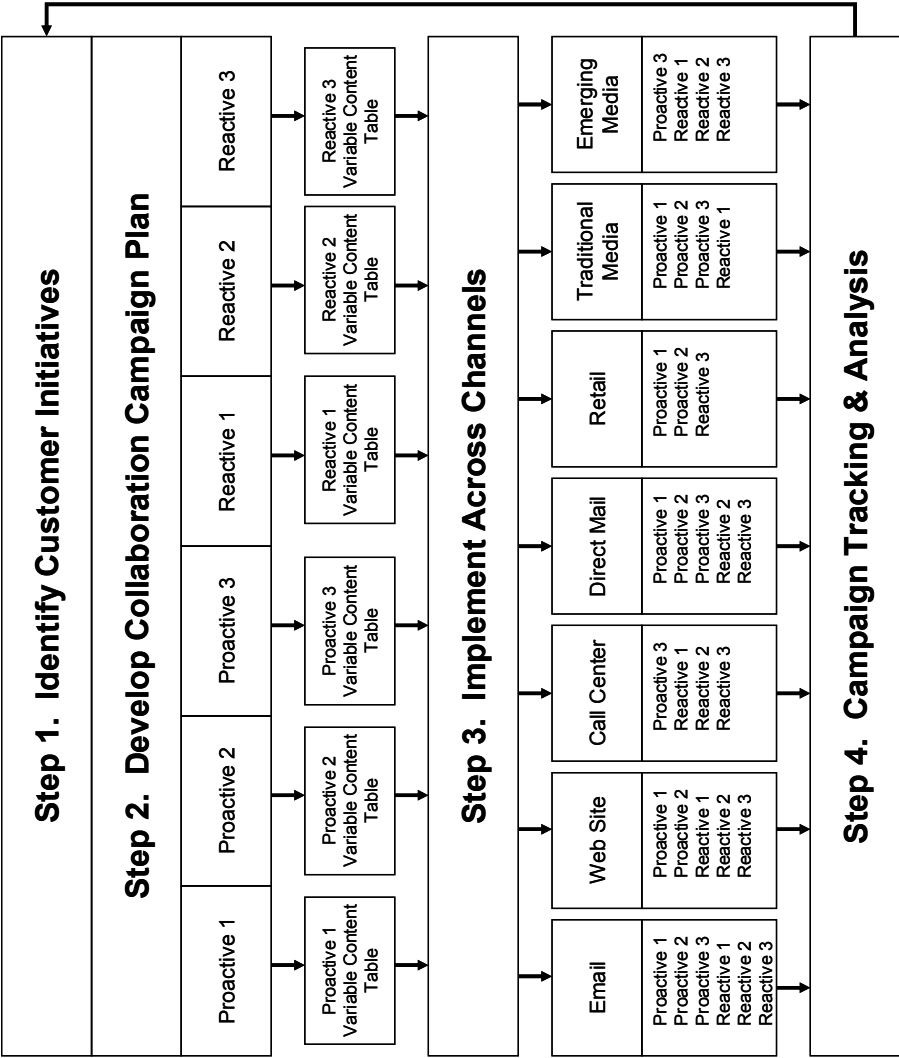


Figure 11-1 – The Marketing1by1 Process

## **Conclusion**

The Marketing1by1 Process defines the customer initiatives, the Reactive Campaigns, their execution by channel and the tracking and analysis of the campaign results. The next several chapters will address how each channel can take the campaigns defined in Step 2 and apply them, where appropriate, to any of the available channels. These chapters will address current trends and technology factors, implementing collaborative campaigns and provide case studies of these applications.

**Find assistance implementing Step 3 of the Marketing1by1 Process. Download the free “Marketing1by1 Tool Kit” from [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 12**

## **The Email Channel**

Certainly the most flexible channel is email. Campaigns can be developed and delivered quickly and at a low cost. It will play a critical role in any collaborative campaign plan, because it can be automated and delivered in seconds. Email also has the technological ability to make each message relevant to the recipient.

One of the limitations of this channel is its reach across your customer base. Typically, companies may only have email addresses for about half of their customers. Other channels will have to supplement this channel to assure as wide a reach as possible. It is a fact that you will receive fewer responders through email than an equivalent sized direct mail campaign and costs will be lower as well. Delivering the same campaign through multiple channels can reinforce the message and improve overall response. Testing will, over time, identify the best combinations.

A strength of email is the base of technology available. It is capable of delivering unique messages to a million or more customers in the same campaign. For Reactive Campaigns

“merchandised for the individual”, these capabilities are critical. Compared to delivering a catalog, building a web site or a retail store, email is low on the complexity scale, making it a cost-effective channel.

## **Trends and Technology**

The major trends in the email channel are the increased use of targeting and the increasing frequency of mailing. Emailers are seeing improvement by targeting with data from other channels according to a JupiterResearch study. Ninety percent of companies integrating third party data into their targeting improved performance. Adding web analytics data helped 85%. Direct mail and postal data improved results for almost three out of four companies. Finally, twice the number of companies using targeting showed improved results over those who employed no targeting.<sup>1</sup>

According to a recent Forrester Research report "Email Marketing Comes of Age," 97 percent of consumers and 94 percent of marketers use email. "Consumers and businesses are raising their hands and asking for email," says Stephanie Miller, vice president of strategic services at email service provider Return Path. "No other communication channel does that. It's a huge opportunity."

However, seventy-seven percent of respondents to the Forrester survey say they receive too many email offers, up from 71 percent in 2003. Seventy-two percent delete most email advertising without reading it, and only 5 percent buy things advertised through email promotions. The problem: a lack of long-term, customer strategy. "Many marketers think of email as a broadcast channel, not as a way to connect with individuals," Miller says.

Miller emphasizes the importance of "prior value" – the value a subscriber felt she got from a previous email. That value can be destroyed or enhanced via the next email. It's the top reason given



for a subscriber to engage with an email, according to a Return Path survey. "Each experience drives the next experience," Miller says.<sup>2</sup>

According to the Choicestream Personalization Study, interest in personalization remains strong. The 2006 survey finds 79% of consumers interested in receiving personalized content, which is consistent with last year's response of 80%. In addition, a significantly larger number of consumers are willing to tradeoff privacy for personalization, as 57% are willing to provide personal demographic information in exchange for personalized content in 2006 vs. 46% in 2005 (a 24% increase). And, 34% more consumers are willing to allow Web sites to track their clicks and purchases.<sup>3</sup>

According to a Marketingsherpa study, service emails achieve dramatically better results than all opt-in email. The fact that these campaigns are usually in response to a customer initiative (probably a purchase) is one factor that improves response. In addition, customers know that service emails are sent to address their individual needs.<sup>4</sup>

The full potential of email as an important part of the entire marketing plan has yet to be realized. Email performance will continue to grow as it becomes more personalized and integrated with other channels.

### **Collaborative Email**

For collaborative marketing, email may be the most interactive channel. It offers the ability to be relevant and deliver a quick response. Marketing1by1 utilizes these features by creating a dialog triggered by customer initiatives.

Quick response is dependant on the ability to automate email campaigns. This begins with the data driving the campaign.

Transaction data may come in a different format than browse data. Response to a pre-filter question will have a different format as well. The programmers will need to read the appropriate information (i.e. email address and Sku purchased) from the data feed. This information is then compared to a variable content table that identifies the appropriate content for the email. Finally, the program populates the individual template with the appropriate elements and it's delivered.

For each campaign, the campaign name, qualifying criteria, creative, dynamic content, incentive and next call to action have all been defined in Step 2. For email, an HTML template should then be designed that enables dynamic content in the appropriate places. The email list and content database (images and text) should contain all of the content items found in the variable content table. The email delivery system can then dynamically generate the emails with the appropriate content based upon the variable content table. The final timing for the campaign should be coordinated with the other channels delivering the specific campaign.

For example, to send a Thank You email for a customer purchase requires the following. First, a data feed from the transaction database must be created containing the email address and item(s) purchased. This information is compared to the variable content table to identify the content the customer should receive based upon the item(s) purchased. Finally, this content is integrated with the creative, offer and call to action and used to populate the email template.

In another example, the customer of a men's apparel merchant might purchase a blue suit. The merchant would then use the variable content table to determine that buyers of the blue suit should be shown the red tie, yellow shirt and black shoes. These items would be merged into the email with the "Thank You"

creative with a 5% discount offer good for 7 days and a request to visit the web site.

## **Case Studies**

### Hewlett Packard (HP)

HP's Imaging and Printing group (IPG) focuses on behavior and customer satisfaction analysis for hp.com. Primarily, HP was making marketing and purchase program decisions based on the insight gleaned from after-the-fact reports and survey results.

"The solutions we were using worked, but the time lag in getting reports delayed our ability to respond as quickly as we would have liked in the online space," said Matthew Wright, HP Clickstream Analytics Program Manager. "We wanted up-to-the-minute insight about our customers' experience on hp.com to improve decision making."

Currently, close to 1,300 HP users are accessing Omniture reports and making decisions based on that analysis. User adoption is growing by one to two per cent per month (10–15 new users). The Marketing and the Customer Experience Group are primary users, targeting email campaigns and online purchasing.

"For us, the key advantage of Omniture is our ability to access real-time behavioral data," says Wright. "We can then take that data and marry it up with survey results to understand behavior patterns and design offers based on a customer's propensity to buy. Having a single solution that provides insight on the full customer lifecycle gives us a more holistic understanding of our customers' needs."

These capabilities are especially important for the Marketing and Customer Experience Groups. With only a few days of set up, the Imaging and Printing group was able to establish eight or nine key

campaign performance metrics for marketing managers, eliminating the need for deep technical or analysis skills. The result was improved insight and targeted enhancements, which drove a three times conversion rate for email programs.<sup>5</sup>

### Baseball Express, Inc.

The largest United States-based direct marketer of baseball and softball equipment and apparel, Baseball Express, Inc. markets through catalogs, its retail outlet in San Antonio, Texas, and its [baseballexpress.com](http://baseballexpress.com) website. Corporate strategy calls for increasing online revenues not only in actual dollars but also as a percent of revenue. Online sales already represent 42 percent of revenues, with a target of 50 percent by the end of 2006.

**Challenge** - The marketing staff has undertaken a variety of programs to support goals for online growth. In 2005, the staff identified the need to enhance email performance by replacing its traditional mass mailings with targeted, relevant messages based on visitor behavior.

**Solution** - Baseball Express is achieving dramatic results by leveraging Coremetrics Segmentation Workbench to improve email performance and Responsys Interact® to deliver email messages and manage the email list. Segmentation reports enable the marketing staff to identify customers based on such factors as recency, frequency, browsing behavior, and lifetime value, and deliver customer addresses to Responsys for incorporation into targeted mailings.

**Higher Conversion, Higher AOV** - The initial optimization efforts involved three strategies. The first comprised two target groups, visitors who browsed t-shirts during a three-month period and visitors who browsed bats during that same period. Baseball Express sent targeted messages to each group offering a

promotional item and new product specific to the category browsed.

The mailings represented only 3.2 percent of total messages sent between April 1 and June 24, 2005; however, they accounted for 6.5 percent of total same session email revenue during that period. The conversion rate was 110.5 percent higher than that achieved from previous broadcast messages.

“Coremetrics gives us proven best practices, superior client services, and in-depth data about online customer behavior. This combination is enabling us to enhance not only email performance but also other aspects of our marketing, such as pay-per-click campaigns and search. As a result, we’re able to increase revenues while reducing marketing spend.”

- Internet Analyst/Baseball Express<sup>6</sup>

### Travel.com.au

Travel.com.au is a full service travel agency with a focus on International flights. The company also offers holidays, hotels, domestic flights, travel insurance and car hire. A pioneer in online travel in Australia, travel.com.au provides the best tools, information and support to plan and book mid to long-term travel.

In November 2006, travel.com.au implemented Omniture SiteCatalyst Web analytics. With the robust reporting provided by SiteCatalyst, travel.com.au gained real-time insight into how their visitors interacted with their Web site.

Anne Kimble, marketing analyst and customer research manager of travel.com.au says, “To further build customer loyalty and acquire new customers, we realized we needed a robust Web

analytics solution which would allow us to provide a relevant customer experience and as a result, drive more revenue.”

“While SiteCatalyst identifies opportunities to optimize our online channel, Discover allows us to leverage behavioral data to actually create new opportunities for driving ROI,” says Kimble. “We can now segment our visitors into behavioral categories such as people only interested in holidays or people only interested in traveling to Europe. We can essentially create segments based on any set of criteria we want.”

The ability to segment visitors was critical for driving targeted campaigns and marketing strategies for travel.com.au. The company can now identify specific interests of customers, allowing real-time optimization of campaigns and Web site structure.

Integrating Web Analytics with Email Marketing - Discover’s segmentation abilities play a key role in travel.com.au’s email marketing strategy. By integrating Discover’s Web analytics data with Epsilon DREAMmail™ email marketing technology, travel.com.au can segment site traffic into those who come from the email newsletter, have made it to the itinerary page, but have not purchased. With this insight, travel.com.au can look at the email newsletter visitors who didn’t purchase, identify the specific city pairs people in that segment were looking at and customize a newsletter for those customers with relevant offers and fares.

“Omniture’s integration with DREAMmail enables us to extract the email addresses of users who don’t purchase and activate them by tailoring the communication to the destinations they are looking for,” says Kimble. Because travel.com.au now understands who their customers are and what their individual travel preferences are, the company is able to provide a more targeted online experience for them while also driving higher ROI.<sup>7</sup>

## **Conclusion**

Companies are already using email to correspond with their customers in segmented and individual campaigns. The adoption of reactive email campaigns falls into this trend and represents a strong opportunity for companies to improve customer relations and increase revenue.

**The full description of these case studies can be found on [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 13**

## **The Web Site Channel**

Companies invest a significant percentage of their online marketing budgets generating web site traffic. Web sites are rapidly becoming the front door of marketing for many companies. They are the “go to” place for information in a customer controlled marketing world.

On the other hand, web sites have a similar drawback to email in that they do not reach much more than half of most companies’ customers. It also takes more resources, coordination and planning to deliver Reactive Campaigns through the web site than email.

### **Trends and Technology**

According to an Aberdeen survey, 65% of companies are planning to use online tools to improve customer experience. Tracking behavior on the web and integrating with other channels are top priorities. However, only one in four are considering the delivery of unique content to individual customers or segments<sup>1</sup>.



The concern for customer experience may go hand in hand with providing more relevant content for individuals or segments. It's a matter of choice. Are web sites offering too many selections? As we discussed in Chapter 4, Barry Schwartz, author of *The Paradox of Choice*, confirms that too many options can have a negative effect on sales. Using the rules of marginal utility, it is common knowledge that increasing the number of offerings will not result in a proportional increase in sales. Sooner or later the marginal utility will equal zero.

However, Schwartz points out that there is a second effect of increasing options. That is a declining rate of purchase satisfaction. Put simply, if you select one of four products, your expectation for those products is limited to their specific features. You can have confidence that you selected the appropriate product. However, if you are selecting one from 100 products, if there is anything about your selection you might not like, you will feel that there must have been a better choice among those 100 products. Therefore your satisfaction with your purchase will be lower. These theories are especially important for web sites. Customers can only process a certain amount of information before it becomes too confusing.

"Because each customer has a different buying style, unique selection criteria, personal motivations and shopping approach, retailers must deliver a more dynamic experience to better accommodate customer preferences. CY2006 marked an important inflection point where the primary driver of online sales growth shifted from new customer acquisition to driving repeat business and maximizing wallet share," says Errol Denger, senior strategist for WebSphere commerce at IBM.<sup>2</sup>

Collaborative marketing on web sites can improve the customer experience, deliver data driven content and enable cross channel campaigns.

## **Collaborative Web Campaigns**

Reactive web campaigns help get the most from the online investment by personalizing each customer's web visit experience. Delivering Reactive Campaigns throughout the web site can make each customer visit unique. The technology exists to deliver content from a variable content table to designated locations within a web site. This allows for a high level of targeting and can be delivered quickly if a customer is active on the web site. And the costs for delivering messages through the web site are at the low end of the spectrum. Responsiveness to targeted web campaigns can also be very strong.

Again, the campaigns were defined as part of the Collaborative Campaign Plan. The campaign name, creative, dynamic content, incentive and call to action were provided. It will be necessary to adapt these elements to the specific nature of the web site channel.

Specifically, marketers should follow these steps:

- First, select the pages you would like to contain Reactive Campaigns and designate locations on those pages.
- Second, adapt the content required to fit the size specifications for each location

### **1. Select Pages and Locations**

For selected pages including the Home Page, Category Page, Product Page, and Shopping Cart, marketers should identify the appropriate locations for the offer contained in the Reactive Campaign to be displayed.

A key decision when implementing Marketing1by1 is the question of where and how often to display campaigns. One of the strengths of the Web personalization technology is the flexibility it

offers. Marketers can select the pages and number of locations for the campaigns to be displayed.

For example, most clients begin with two to four locations on their Home Page. These locations might be placed along the right hand side of the page or at the bottom of the page. One or two locations might be placed on the Category Page, as well as the Product Page. Finally, two to four locations might be personalized on the Shopping Cart Page. This example provides eight to twelve locations for visitors to see content personalized based upon their prior click and purchase history.

As clients evolve, they can find additional locations on their standard pages to deliver personalized content. Complex sites may offer more opportunities for delivering personalized content in order to achieve the right shopping experience.

## 2. Adapt the Content for Each Location

Adding web optimization to your site can involve as few as five or six locations to as many as thirty or forty. For each campaign, the campaign name, qualifying criteria, creative, dynamic content, incentive and next initiative have all been defined. The Web personalization software uses the campaigns to determine the content to be served to each site visitor. These campaigns take the information from the variable content table and can accommodate any kind of content (i.e. products, text, pictures, discounts, etc...).

Once the content dimensions have been adjusted to match the locations selected, these campaigns can be applied to a variety of locations throughout the web site to provide the customer with a relevant and efficient shopping experience. They allow customers to easily find products that interest them and increase the opportunity for the marketer to up-sell and cross-sell web site visitors.

## Case Studies

### BMW Lease Program

The last thing any auto manufacturer wants a customer to do at the end of their lease is to drive away in another automaker's vehicle. But how do you lure back a customer who may be indecisive, in denial, in shock at what they still owe on their lease, or all three?

BMW came to ChannelNet to find a way to make the lease-end process less intimidating for their customers, and to make it more enticing for them to drive away in a new BMW. The solution—a combination of interactive emails and personalized websites—began generating exciting results almost immediately.

Personalized websites accelerate new business.

Based on ChannelNet's Sitebuilder™ technology, BMW's new marketing approach to capturing customers at the end of their leases began with the idea of creating an eye-catching, informative, personalized website for each lessee. Considering that there are tens of thousands of BMW lessees at any given time, the costs are substantial to do this the more traditional direct-mail way. But this proprietary technology makes it fast and simple to deploy websites, intranets and web functionalities at a fraction of the typical cost.

Starting at 180 days before the end of a lease, each lessee periodically receives an email message—easily customized by the BMW staff—alerting them to the approaching lease-end date and giving them a link to their personalized web page. One mouse click brings them to a place where they find:

- Up-to-date information about their contract
- Details about lease-end purchasing options and promotions

- The opportunity to purchase additional miles if they are close to their limit
- Information about new BMW models, products and services
- Information about signing a new lease with BMW
- Marketing managers can easily change websites using point-and-click technology, not the IT staff.

The idea is to get them to start thinking seriously about their next car well in advance of the end of their lease. Clearly it's working, since at least 25% of lessees respond to their first e-mail message from BMW—and that's at the 180-day mark! The emails are repeated with increasing urgency at 90, 60 and 30 days, and so far over 48% of customers are bookmarking them for further action.

In the past, BMW has used direct mail and telemarketing to reach lease-end customers, expensive methods of contact that brought only middling results. Now, because over 60% of their leaseholders can be reached via email; BMW is getting far more mileage from its marketing budget while increasing its customer retention rate.<sup>3</sup>

### Jamestown Distributors

Jamestown Distributors has been an industry leader in woodworking and boatbuilding supplies for over 25 years. A traditional brick-and-mortar specialty retailer located in the heart of the Rhode Island boatbuilding community, Jamestown's online presence has exposed them to a quickly growing international market of online boat builders and has become an extremely successful channel in its own right.

Jamestown first deployed Mercado's eCommerce search, navigation and merchandising nearly two years ago – with great results. Jamestown has successfully displayed the most relevant matches and merchandised products on their web site. However, Jamestown wanted their customers' product search experience – as

well as site merchandising – to accurately reflect the key metrics of their business (e.g. highest revenue-producing products; inventory levels; best-converting products; etc.).

Jamestown had access to all the data they needed to accomplish this, but they simply didn't have the bandwidth to read through data and reports regularly to manually re-rank their product relevancy based on the metrics that are most important for them. Their practice was to manually set up product ranking in order to place new products 'above the fold' to give them the visibility. The labor-intensive manual processes prevented Jamestown from offering shoppers the optimal shopping experience.

Jamestown knew how to optimize conversion rates and revenues but didn't have the time or technology to execute on their strategies. They wanted to integrate dynamic, real-time, web analytics and ERP data into their merchandising strategies and product relevancy ranking with Mercado. Mike Mills, President of Jamestown Distributors, approached Mercado with the challenge to rank an online catalogue of over 15,000 products according to inventory data, product conversion rates, and product freshness. He wanted to automate the processes while increasing conversions.

Metrics Driven Merchandising integrates live data including web analytics, inventory, and pricing into a metrics-driven merchandising strategy. Products are automatically ranked with Mercado's auto-ranking formulas. Jamestown's unique auto-ranking formulae include conversion rates, revenue, number of items sold, and product freshness. The date was a very important factor for Jamestown as they add new products daily and want to give the new products a fighting chance in sales and exposure to shoppers.

Metrics Driven Merchandising has also had a large bottom-line impact at Jamestown Distributors. Since deploying Mercado's auto-ranking feature, Jamestown has measured an increase of

conversion rates of nearly 80%. A more significant figure for Jamestown was the increase in conversion rates among returning customers – a 108% increase in conversions.

“Having a better Web site has taught our staffers more about the products,” says Michael Mills, President of Marketing at Jamestown Distributors. “Since the site is getting merchandised automatically, the phone reps can type in a product query and tell the customer what the top players in the niche are as well as the product’s important details.”<sup>4</sup>

### Lastminute.com

Lastminute.com and its supporting properties account for approximately 10 percent of the market share for online travel in the UK. The company, however, is keen to position itself as a lifestyle Web site, not just an online travel portal. “Ultimately, we want to help our customers manage their lifestyle via a quick and simple online experience,” explains Duncan Horton, head of search marketing and site management.

Another priority for Lastminute.com has been to create up-sell opportunities across the different product offering categories. For example, encouraging customers making a lifestyle booking, such as a theatre ticket or restaurant booking, to make a travel booking as well—and vice versa. “For customers who book holidays and city breaks etc., we can offer them discounted and related lifestyle experiences while they’re saving for that holiday or break,” says Horton.

The company implemented Omniture SiteCatalyst to measure common KPIs across all of lastminute.com’s European affiliates and properties. “Prior to Omniture, there wasn’t any consistency across our pan-European sites in terms of how we merchandise or monitor conversions; it was very much done on a local level. And

for a company of our size, duplicating these functions incurred unnecessary costs,” says Horton.

“When we used SiteCatalyst to analyze the data, we found that we were sending traffic to too-generic pages. For example, ‘hotels in New York’ searches would be directed to the ‘hotels’ home page. Because customers weren’t directed to where they expected, our conversion rates for the keyword were low. By directing the traffic to a ‘hotels in New York’ home page, the traffic became profitable,” says Horton. “Essentially, we now have visibility into what each customer is doing throughout a campaign, so if something isn’t working, we just change it.”

Since making changes to the Web site based on data provided by SiteCatalyst, the look-to-book ratio has grown by 28 percent.<sup>5</sup>

### Hunter Douglas Window Shades

Anyone who has ever bought a window shade knows the name Hunter Douglas. An undisputed leader in its field, the company has had an edge over its competition for years. But when consumers began flocking to the Internet to research shades and shutters before making a decision to buy, Hunter Douglas realized it needed a strong web presence in order to stay ahead of the pack.

In 2003, they turned to ChannelNet for help enhancing the shopping experience for consumers. ChannelNet had already implemented an idea for the Windows Fashion division of the Hunter Douglas group: a network of websites for 150 Gallery retailers that allowed them to personalize copy, photos and promotions for their local markets, even as Hunter Douglas still retained control over corporate branding. But the most important feature of these websites was the enhancement of the shopping experience for consumers.



Buying shades and shutters had been a complicated, time-consuming process, often involving making trips to several stores and poring over books and samples. With the new websites in place, customers could seamlessly move from looking at “dream” rooms featuring Hunter Douglas shades and shutters; to checking out individual products, styles, fabrics and colors; to finding a local retail outlet and making a purchase.

And purchase they did. In fact, sales figures were so good that Jeff Janke, Vice President of Retail Alliance Programs, said, “Once we saw the Internet becoming an integral part of our dealers’ business, there was no stopping us.”

Creating a program for 150 top-level dealers is one thing, but rolling it out to thousands of dealers around the world is quite another. ChannelNet approached the task with its signature combination of strategic thinking, creativity and technology. After creating personalized web portals for the remaining Gallery retailers and for 2,000 Hunter Douglas “Showcase” dealers, they took on the task of creating a bilingual web presence for Hunter Douglas Canada. Soon, French and English speaking Canadians could easily check out products, styles, patterns and fabrics online before coming into a Hunter Douglas store to place their orders, and sales rose accordingly.

Success has a way of snowballing, so it wasn’t long before Hunter Douglas increased their geographic web presence exponentially. By the end of 2007, dealers in Norway, Austria, Portugal, Switzerland, Sweden, Belgium, Germany, Spain, France, Ireland and Italy should be seeing a rise in their web-generated business as over 1,000 websites go up all over Europe.

In the United States alone, Hunter Douglas dealers report significant increases in sales leads from the web, with up to 20% of new business being generated by customers who found a retailer online. Says Jeff Janke, “I’ve been so impressed with ChannelNet

and SiteBuilder™...Websites that move customers easily through the online shopping process help [retailers] grow their business, reward their commitment, and benefit the bottom line for us all.”<sup>6</sup>

## **Conclusion**

Given the decision crises discussed earlier in the book, it is more important than ever for web sites to find ways to help customers make their decisions quickly and effectively. These cases show that there has been significant progress in this area. The web site will play a key role in building customer collaboration.

**The full description of these case studies can be found on [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 14**

## **The Call Center Channel**

Call centers have been beneficiaries of the growth in CRM systems implementations. For this reason, they can play a major role in a collaborative campaign plan. Through these systems, call centers can use variable content tables and deliver highly targeted content to the customer service representative's screen. And, since customers are typically "in the moment" of making a decision, this can be a very responsive channel.

The "human" factor in call centers can be its greatest asset. It also means that training will likely be required to have Reactive Campaigns delivered through the call center. This can also increase the cost of campaign delivery relative to other channels. However, self service technology may help control these costs. Done right, this may be your greatest opportunity to make an impression on your customer that will last throughout the relationship.

## **Trends and Technology**

While predominantly agent driven today, one of the more important trends affecting call centers and enabling collaborative marketing is the evolution of self-service. According to the study “North American Contact Centers in 2006: The State of the Industry”, conducted by ContactBabel and the American Teleservices Association, “The reason for self-service’s guaranteed success is two-fold, in that it generally aligns both with what customers want (rapid and accurate interactions) and with what businesses want (a low cost of doing business).

“From a business’s viewpoint, decreasing the cost per interaction through self-service is a positive result, although there will be some discussion of the optimum level of self-service, as many want to learn more about their customers and (more importantly) try to cross-sell and up-sell to them, which is easier in a live agent conversation.”

ContactBabel believes that one of the key opportunities for vendors in the next few years is to develop the ability to cross-sell and up-sell to customers through the self-service channel. There is some element of personalization through web self-service now, although not as much as has been predicted, but almost nothing through the voice channel, which is a major opportunity.”<sup>1</sup>

According to the Aberdeen study “Shoring Up the Front Lines of Product Service: The Call Center”, a large majority of companies (79%) say it is either “very” or “extremely” important for their call centers to be able to triage, diagnose, and even resolve problems in the call center. Moreover, 82% of companies say this will become even more important over the next two years.

But few companies are comfortable with their call centers’ ability to actually help resolve problems: 51% are less than satisfied, and only 13% are either “very” or “extremely” satisfied with call center

capabilities in this regard. Almost all survey respondents (92%) say that “customer satisfaction” is the top “key driver” requiring them to improve their call centers’ capabilities in problem diagnosis and problem resolution.

In response to the recognized need to involve call centers proactively in problem diagnosis and problem resolution, and in response to the dissatisfaction companies have regarding their call centers’ capabilities to do this effectively, most companies plan to upgrade the software and technologies used in their call centers which facilitate problem diagnosis and resolution.

As the study showed, automated email response is rapidly becoming a complement to most call centers (81%). Collaborative marketing fits perfectly with this trend. In addition, having a web front end to the call center (87% have or plan to use) enables the same technology used on the web site to be applied to the call center to serve content to the customer service representatives.<sup>2</sup>

Call centers, like web sites and retail stores, are a channel for customer initiatives. For a large percentage of customers who do not shop on the internet, it is the point of first contact. The call center plays a major role in collaborative marketing as a primary means of continuing customer dialog.

### **Call Center Collaboration**

Collaborative campaigns implemented through the call center will utilize the campaign name, qualifying criteria, creative, dynamic content, incentive and next initiative defined in the collaborative campaign plan in Step 2. A template should be created to serve the appropriate content, as determined from the variable content table, to the customer service representatives for each caller. It may be necessary to limit the content verbally presented to the customer through the call center to the first item in the table. This will minimize call time and expense. Again, timing for the campaign

should be coordinated with other channels delivering the same campaign.

For example, a customer may call the customer service center for an electronics merchant to order an iPod. Once the order is completed, the customer service representative is served a page recommending a new DVD release starring Julia Roberts. This recommendation comes from the variable content table of an up-sell campaign determined from the previous purchase by this customer of an earlier Julia Roberts DVD.

In another example, a customer could call an office products company for a new copier. Once that order is completed, the customer service representative could be served a page recommending a specific printer cartridge knowing that the customer is due to run out of ink, based upon an active replenishment campaign.

The call center can play a critical role in delivering a consistent and relevant experience to the customer. It also has the flexibility to work well in campaigns designed for multiple channels.

## **Case Studies**

### **TD Waterhouse UK**

TD Waterhouse UK boasts a base of 350,000 investors and is the UK's second largest discount broker. It provides investors with high quality phone and Web-based share dealing services. TD Waterhouse UK also offers services to the customers of Royal Bank of Scotland (RBS) and NatWest Stockbrokers, with a range of "white label" products, which include current and savings accounts as well as cash management facilities on share-dealing accounts. Globally, TD Waterhouse operates more than 3.3 million customer accounts and has over US \$175 billion in assets under management.

Realizing that customer service is often the “make or break“ factor in customer relations, TD Waterhouse turned to KANA to provide its agents with an intuitive information source that could help them provide first class customer service across multiple product lines and in real time. Its objective: transforming the employee experience—a key driver for customer satisfaction and a critical factor in improving the effectiveness of contact centers.

TD Waterhouse UK has documented over 3,000 solutions in KANA IQ so that even the most inexperienced staff member can help customers with trading, support, and other inquiries. Darren Hepworth, VP for TD Waterhouse’s Customer Contact Centre explains: “By providing staff with easy access to the answers they need, KANA IQ is actually helping to improve productivity and cooperation between departments, making TD Waterhouse UK an even more attractive working environment for our teams.” “KANA’s service intelligence power is a revolutionary approach which harnesses information that already exists inside an organization, leading to effective resolution processes that deal with even the most complex of queries—giving agents the insights of the most experienced specialists in the company,” he continues.

TD Waterhouse UK began its journey into intelligent customer service by implementing KANA IQ. The implementation has proven highly successful with back-office escalations reduced 16%, errors reduced 44% and hold times down more than 23%. The implementation underlines the inquiry resolution capabilities of KANA IQ as agents now answer 90% of all queries successfully using the solution. Customer satisfaction has risen 12% and is returning to market leadership because agents know where to find answers regardless of the call type, enabling them to complete more “one and done” calls and focus on quality and service.<sup>3</sup>

## Bell Canada

Bell Canada, a national leader in communications, provides connectivity to residential and business customers through wired and wireless voice and data communications, local and long distance phone services, high speed and wireless Internet access, IP-broadband services, ebusiness solutions and satellite television services. Bell Canada is wholly owned by BCE (Bell Canada Enterprises), which operates Bell Canada Local Service, Bell Mobility wireless service, ExpressVu digital satellite television service, and Sympatico, a popular high-speed Internet portal.

Though wireless service is a main profit source for Bell Mobility, the only way to generate new revenue through existing customers is to cross-sell features and upsell new rate plans. But with disparate business applications and databases, and no formalized process for cross-selling or up-selling, the CSRs could not easily recommend newer or more competitive products to inbound callers.

“We needed one integrated recommendation tool that would enable customer service representatives to sell our products across all lines of business, while still allowing us to support each line of business distinctively,” says Matteo Galvan, marketing manager, Bell Mobility.

The company's ultimate goal was to enhance the interaction among its CRM applications and maximize the value of each incoming call to create more personalized and profitable interactions with customers. To meet this challenge, the company's marketing and customer service teams implemented Infor CRM Inbound Marketing from Infor Global Solutions for its abilities to create a single view of the customer; integrate data from multiple sources — including the context of an inbound call; and generate the most appropriate offer for the specific customer in real time. Simply put: The tool could support CSRs in improving sales.



Bell Canada had a strategy to “become one company” in the eyes of the customer by selling integrated communications services, dubbed Digital Bundles. The bundles allow customers to save money and gain convenience by combining their phone, Internet, and TV services and billing. Because Bell Canada’s call centers used multiple independent applications, the company needed a solution based on a flexible, service oriented architecture to align data from various sources and deliver more personalized marketing offers.

Because campaign components are now integrated within a single web-based application, it is easier and quicker to launch offers. As a result, the time to distribute promotional campaigns improved by 75 percent, reducing the time to execute campaigns from four days to four hours. Six months after implementation, CSRs had increased new offer sales to inbound callers by 18 percent. It paid off, with a more than 50 percent response rate to offers — the industry average is 35 percent. “When we initially started, we were looking at a 10–15 percent response rate, so this is a huge increase,” Owen Sonnenschein, associate director of CRM Development and Implementation, adds. “Infor CRM Inbound Marketing has helped us remain competitive. Our customer service representatives can now easily determine whether customers qualify for services and extend the right set of offers and promotions. Basically, we are taking the data and information that we normally gather about our customers and using it to market back to them.”

The company’s investment in Infor CRM Inbound Marketing has already paid for itself, and only requires a small administration team. Sonnenschein says, “With Infor CRM Inbound Marketing, all of our metrics are up and we have increased our ability to sell to customers — that is success.”

## **Conclusion**

As the ContactBabel study stated, there has not been as much implementation of data driven up-sell and cross-sell campaigns as might have been expected. The call center offers two opportunities for the implementation of collaborative campaigns. First, agent answered calls offer the opportunity to provide a personal point of contact and make recommendations in the role of “trusted advisor”. Automated self service calls can be programmed to implement campaigns using variable content tables for individualized recommendations.

**The full description of these case studies can be found on [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 15**

## **The Direct Mail Channel**

Direct mail always has and will continue to play a major role in collaborative marketing. The evolution of direct selling set the scene for the rapid growth of the internet. The methodology and techniques are parallel, each with their own unique strengths. However, the internet promises to lead to another round of evolution for direct mail.

Many of the techniques for one to one marketing have evolved rapidly on the internet where technology and implementation make it easy to test and find successful techniques. These are now coming back to direct mail through variable data printing technology.

Using the new technology, the elements in the variable content tables can be delivered through the mail. For Reactive Campaigns, the high level of qualification and smaller volumes work well on the new presses. In addition, direct mail can be used to deliver pre-filter campaigns that direct responders to the web site or call center to provide their response.

Direct mail offers a high percentage of reach to the company's customers not easily achieved online. Experience has shown that, for Proactive Campaigns, mail will usually deliver a response rate several times those of an email. Unlike online, traditional direct mail responses are slower and only a small percentage of the audience are likely to be "in the moment" of making a decision. Automating Reactive Campaigns brings the "in the moment" element to direct mail.

## **Trends and Technology**

New developments in print technology have led to improvements in the way print can be used within the marketing plan. Two concepts are critical to this new functionality, print on demand and variable data printing. Combined, these trends are expanding the role of print from its origin as a large scale proactive marketing tool by adding a highly personalized, reactive way for marketers to improve customer relationships and achieve sustainable advantage.

### **Print On Demand**

The evolution of print on demand campaigns was first established using laser printers over 25 years ago. Using form letters or laser print on color templates, marketers were able to respond quickly to a marketing event, request or inquiry. In recent years, color laser printing has improved the quality of the final product, but the options for content remained limited. These limitations were removed with the advent of variable data printing.

### **Variable Data Printers**

New printers from companies such as Xerox, Kodak and HP have ushered in new opportunities for creating printed pieces with no limit to the variability of the content. Now, based upon the campaign design, marketers can provide customers and prospects with unique content and imaging based on prior purchase and

browse information or information received from the customer themselves.

### Adoption of Variable Data Printing

A recent study, "Color Production Printing & Variable Imaging in Graphic Arts: Market Analysis," from INTERQUEST contains market trends, issues, and forecasts, as well as a summary of leading players in digital color production printing and variable imaging in the graphic arts market—both in North America and Europe. INTERQUEST President, Gilles Biscos predicts, "Over the next few years, the color variable data print volume in the graphic arts market will grow at a higher pace than the overall digital color production print volume, mainly fueled by the growth of personalized direct mail. By 2010, we expect variable data will represent 31% of the total digital color print volume produced by graphic arts providers."

Highlights include these findings:

- 37% of graphic arts firms (printers and trade shops) produce some sort of VDP jobs in-house — up from 28% one year ago
- 18% of digital printers say their volume of full-color VDP jobs with 13+ fields has increased "a little" — a FIVEFOLD increase from one year ago
- Commercial printers are almost twice as likely to say they are working primarily with marketers rather than traditional creative agencies— 51% vs. 29%
- 16% of creatives say their use of VDP has increased.
- The percentage of publishers who see VDP as a top sales opportunity has risen from 2% in Q2 2002 to 8% today.<sup>1</sup>

Sixty-one percent of consumers in a recent InfoTrends study stated a preference for direct mail; nearly triple the amount that preferred

receiving ads via e-mail. The study, "The Future of Mail 2007: Direct Mail, Transaction, and 'Transpromotional' Documents," gives details on the U.S. and Canadian markets. It focuses on customer-facing applications such as direct marketing, billing and related issues such as customer support and fulfillment. Within this category, personalized direct mail with messages and offers designed to reflect the customer's needs and interests were most favored.

InfoTrends, Weymouth, MA, a Questex company, is a market research and strategic consulting firm for the digital imaging and document solutions industry. The study also examined adoption of transpromotional documents, which combine marketing messages with transaction information. The survey found high consumer preference for such documents (63 percent), and the study forecasts full-color digital transpromotional pages growing at a 91 percent rate through 2010. A good sign for collaborative campaigns! <sup>2</sup>

### How VDP Works

Variable data printing enables the mass customization of documents via digital print technology, as opposed to the 'mass-production' of a single document using offset lithography. Instead of producing 10,000 copies of a single document, delivering a single message to 10,000 customers, variable data printing can print 10,000 unique documents with customized messages for each customer.

There are several levels of variable printing. The most basic level involves changing the salutation or name on each copy. More complicated variable data printing uses 'versioning', where there may be differing amounts of customization for different markets, with text and images changing for groups of addressees based upon which segment of the market is being addressed. Finally there is full variability printing, where the text and images can be altered

for each individual addressee. All three types of variable data printing begin with a basic design that indicates which sections can be altered and a database of information that fills in the changeable fields.

### Preparing a VDP Job

A variable data job is designed just like other print projects by using a standard graphic software package such as Quark Xpress. Wherever a variable element is needed, simply place one example of the possible text or graphic in the spot. When finished, print a hard copy of your file and circle all variable elements, marking each with a descriptive name.

All variable elements (pieces of text or links to a graphic file) are placed within a variable content table. Each column represents a different variable field in the document. The first row should be used to title the columns using the same names you marked on the hard copy of your piece. Each row after the title row represents a unique finished document. The document file, hard copy, database, images and fonts are then combined into a PPML file using one of many available software packages. Pages will be assembled on the fly as variable elements from each row are placed within the document file and printed.

### **Collaborative Direct Mail**

The new variable data printing enables marketers to execute timely and relevant campaigns as part of their collaborative campaign plan. Reactive Campaigns can deliver the appropriate response and prompt the next step. Collaborative direct mail is an important part of the marketing plan since email does not provide the coverage needed to reach the entire customer base. Collaborative campaigns implemented through the direct mail channel will utilize the campaign name, qualifying criteria, creative, dynamic content, incentive and call to action defined in Step 2. Print

templates need to be developed that can accommodate the information in the variable content table.

The implementation for collaborative direct mail follows the same pattern as email and web site. The variable content table together with the template and creative components are merged through the appropriate middleware and delivered to the printer.

In addition to supplementing the reach of email, direct mail has a different dynamic and will prove to be more effective with many customers. Testing will identify the best customers and situations for applying collaborative direct mail. As these best practices are identified, they become a part of the hierarchy for determining which campaign is received by each customer.

The returns for variable printing vary from double the normal return at the basic level to 10-15 times the return for fully variable jobs. This naturally depends on content and the relevancy of that content, but the technique presents an effective tool for increasing ROI on marketing campaigns.

For example, a customer of a women's clothing merchant abandons a cart online with a Floral Beach Dress. A printed mailing could be triggered containing the Floral Beach Dress as well as a hat, hand bag and sandals that go with the dress. In this way, the merchant has another opportunity to sell the dress, but also can pick up add-on items. Even if the customer came back and bought the dress, the add-on items would then be an even stronger offer. The mailing is triggered by the abandoned cart; the contents have been identified in the variable content table based upon the item abandoned. Relevant creative, an offer and call to action would also be determined from the campaign plan.

In another example, a financial services firm determines from their web analytics data that a customer has been browsing in their retirement center. A direct mail piece could be sent to the



customer offering a free retirement assessment. A toll-free number and a unique URL could be provided for easy customer response. This type of campaign could be developed for key financial events including, car loans, college loans, mortgages, investing, credit management and estate planning.

## **Case Studies**

### **Staples Business Depot**

Traditionally, direct mail pieces from STAPLES to its business customers included addressing a single coupon offer, regardless of the customer's relationship with STAPLES. The coupon was attached to a single-sided form letter from the vice-president of STAPLES' loyalty programs.

STAPLES wanted to re-engage its customers who had either made minimal or no purchases within the past six months. It also aimed to increase the amount of money each customer spent on their purchase by cross-selling and up-selling to the customer based on past purchase history. The company also wanted to leverage the customer information it had obtained through its Enterprise Credit Card and Dividends Loyalty customer programs.

“While we’ve quadrupled our direct marketing efforts in the past year, we were still looking to increase our wallet share within the market,” said Caroline Quinn, director, Direct Marketing, STAPLES Business Depot. “We hoped by customizing the messaging, and sending out the right offer at the right time to the right people, we could get a lift in response.”

Seeking to increase the amount of money its business customers spent in its stores, and to re-engage customers who had not placed an order with STAPLES within the previous six months, STAPLES became a participant in Xerox Canada's unique 1:1 Lab. The 1:1 Lab provides a learning environment to test and

compare the results of data-driven one-to-one direct mail marketing campaigns with traditional direct mail methods.

Terminal Van Gogh Ltd. (TVG) provides strategic consulting on data-driven marketing campaigns; builds the 1:1 Lab participants' programs; re-purposes existing creative to function within the data-driven environment and develops the metrics in the data to gauge results.

TVG, under the umbrella of Xerox 1:1 Lab, undertook the design of the 1:1 Lab test package, taking care to keep the overall look as similar as possible to STAPLES' traditional marketing piece to avoid skewing customers' responses and ensuring an objective comparison of results.

Using existing customer data from STAPLES, TVG created a series of one-page 8.5" x 11" direct mail pieces that included a number of data-driven elements. If the customer was a Dividends or Enterprise program member, their membership was not only acknowledged throughout the text of the direct mail piece, but they were encouraged to take advantage of the other program.

The 1:1 direct mail piece also indicated knowledge of the customer's purchase history and offered thanks for their ongoing, recent or past patronage. Depending on the customer's program membership and past purchasing behavior, one of three special offer coupons was included in the 1:1 Lab direct mail piece:

- Receive \$10 off any purchase of \$40 or more
- Receive \$7 off the purchase of a case of STAPLES Business Depot high-grade multi-purpose paper
- Receive a free One-Touch Stapler with the purchase of a ream of STAPLES Business Depot high-grade multipurpose paper

“The design process went well,” said Quinn. “We managed to pick attributes that would work with the variable messaging – customers’ location, industry, employee size, things like that.” In August 2005, approximately 37,000 direct mail pieces were sent to STAPLES Business Depot customers.

Overall, the rate of coupon redemption for the 1:1 piece was 50 per cent greater – without any additional follow up from STAPLES Business Depot. The average purchase amount by customers who received the 1:1 direct mail piece was 18 per cent greater than the amount purchased by customers who received the traditional direct mail piece. As well, the campaign’s cost, per coupon redemption, decreased by 13 per cent. With the 1:1 Lab campaign, profit per customer transaction was 37 per cent higher than with the control piece.<sup>3</sup>

### Fantastic Sams® Salons Guest First™

To be distinctive, attractive, and stand out from the crowd — this is what most people look for when they visit a hair salon. These are also appropriate descriptions of effective direct marketing pieces, and they certainly apply to mailers now being used by Fantastic Sams salons across the country. Indeed, the success of the Guests First™ direct marketing program is drawing increased attention from salon owners and their guests, thanks to the consistently higher response rates and strong returns on investment.

This innovative program is produced and managed by Minnesota-based Group 3 Marketing, a marketing agency focused on finding the best ways to help clients build lasting relationships and increase revenues. The campaign’s ongoing production and mailing activities are handled by Maximum Graphics, a Kodak NexPress 2100 digital production color press owner since 2003.

How it works - “Like every small business, Fantastic Sams salons want to build relationships with their customers,” says Bart

Foreman, founder and president of group 3 Marketing. “That’s exactly what this program is designed to do. The basic revenue drivers are attracting new customers, winning back previous guests, and retaining current ones. The campaign also targets existing guests with offers for expanded services, such as hair color or retail products.”

Based on a full description of the program’s components and mechanics, salon owners are given a menu of options to determine which mailers to use and how many to send. They provide customer data captured at the point of sale, including gender and purchase history. There is a full-year mailing calendar based on themes, one drop every six weeks, and the salon owner can set a budget and work within that. In fact, it costs as little as 45 cents per piece to process data, produce and mail an oversized one-to-one direct mail postcard to a target.



The results have been quite impressive. “It’s the owner’s money, and the program is tailored to provide the best ROI within that framework,” adds Foreman. “Typically we see a 15-30% response rate, but many offers have had returns even higher. In one case we mailed out 1,135 pieces at a cost of about \$500 and got a 36% response. The ROI was more than \$14 for every dollar invested.”

As the campaigns' results have become better known, more salon owners have signed up. Today around 10% of the company's 1,400 salons are involved with the program, and the goal is to bring many more of them on board. "We hope to be serving several hundred salons by year end," says Foreman.<sup>4</sup>

### Heritage Education Funds

Fundamental to Heritage's business success is educating its clients on the necessity of putting aside money today in order to pay for their children's future post-secondary education. A key challenge for Heritage is clearly demonstrating to its clients, in concrete fiscal terms, the value of investing in a Registered Education Savings Plan (RESP), as many clients find it difficult to forecast the potentially significant costs they will face 10 or more years down the road.

Each year Heritage conducts a direct mail campaign informing clients that, as December 31 approaches, so does their opportunity to take advantage of the federal government's Canada Education Savings Grant Program— which provides federal government grants of up to \$400 per eligible child, per calendar year – when they contribute to an RESP.

"Our direct mail piece must deliver the message that time to leverage the government grant is running out," says Jason Maguire, executive vice president, Marketing, Heritage Education Funds. "The piece must compel them to respond and ideally to increase their RESP contributions."

The direct mail piece issued by Heritage has typically been pre-printed on an offset press and then passed through a laser or inkjet printer to include simple personalization such as children's names and year-to-date contributions. A generic call to action is accompanied by a 1-800 number and the head office location, along with the same stock photos on each piece.

However, standard direct mail response rates have been less than stellar. Heritage had not seen an increase in its response rate in the past three years and its return on investment was stagnant.

Seeking higher response rates and a better return on its sales and marketing investment, Heritage became one of the first participants in Xerox Canada's unique 1:1 Lab. The Lab is a new testing ground for Xerox customers and Canadian Marketing Association members to demonstrate the power and accessibility of data driven 1:1 marketing and accelerate its adoption by the marketing community.

Heritage was introduced to the 1:1 Lab through its print supplier, Mike Megaffin. "With the print marketplace evolving, we have to diversify our service offerings for our clients," says Megaffin. "We looked at 1:1 color marketing solutions and Xerox had the best."

For Heritage, the objectives of the 1:1 Lab marketing campaign were two-fold: to increase response rates over the traditional mail piece and to persuade clients to increase their current RESP contribution. Meeting these objectives will help drive Heritage assets under management and meet their customers' needs in educational funding for their children.

Together, Xerox and Terminal Van Gogh undertook the design of the 1:1 Lab template, taking care to keep the overall look as similar as possible to the traditional marketing piece to avoid skewing clients' responses (thereby ensuring an objective comparison of results), while introducing personalized elements.

Each client in the 1:1 sample would receive a direct mail piece that clearly reflected the age and gender of their children. For example, a client with a five-year-old daughter enrolled in an RESP would receive a direct mail piece that featured photos of a five-year-old

girl. As well, the text would automatically reflect the gender and number of children – whether male, female or plural.

“The range of variable data available was impressive,” says Maguire. “Xerox helped us to provide our clients with customized print communication that had a real impact. If they have a young daughter and the piece reflects that image, it reinforces the message that Heritage knows its clients and in turn brings value to them.”

Heritage has gained significant benefits since testing a 1:1 color marketing solution from Xerox:

- Lifetime value of 1:1 piece is 400x greater than its traditional marketing piece
- Overall rate of return increased by 191 percent
- Over 91 percent of responding clients did what was asked of them
- Responding clients increased their monthly payments by \$40 on average
- 10 times higher response rate for the 1:1 piece in the first three weeks of the campaign
- 76 percent increase in the number of RESP units sold
- Cost of acquiring a customer reduced by 21 percent.<sup>5</sup>

### McDonald's UK

The graphics/internal communication department at McDonald's Restaurants Limited handles production of communication materials produced by internal support departments and the UK's 1200+ restaurants (including some 400 franchised restaurants). Each franchised restaurant has the responsibility to actively market within their local marketplace, which means they constantly have a requirement to produce high quality marketing materials to support local promotions.

Sonjeeta Mahapatra, Head of Graphics, has worked for the McDonald's UK operation for almost ten years. Over this period of time it has become more obvious that many restaurants don't have the time or energy to design and source their own print materials.

"These operators/restaurant managers have enough things to think about on a daily basis," says Mahapatra, "without having to worry about sourcing printed materials for local marketing campaigns. Aside from this, corporate guidelines get broken, we often see inconsistency in the quality of design and printing, and production costs are high, as these stores are producing materials on an ad hoc basis."

With the help of the graphics team, Mahapatra set up a system whereby restaurants could order from a series of templates that cover a whole number of areas. Restaurants choose from different kinds of print media including posters, tent cards, vouchers, and flyers.

One particular area of the template system is the Employer Brand campaign. The HR department developed a whole menu of recruitment materials to use. The graphics team adapted these materials and added them to the templates. They can be customized by store location and salary.

The results:

- To date, approximately 30% of the McDonald's restaurants in the UK are buying printed materials through the graphics department.
- High quality materials are printed and delivered faster and at a lower cost than before.
- Central production allows McDonald's more control over branding, quality of print products and production costs.
- Printing on a range of sizes and on multiple substrates ensures a flexible, rapid response to the managers' orders.



- The graphics team produces other design and print work in addition to standard templates.
- The design and print quality convey a high level of professionalism and reinforce an important message about the McDonald's brand.<sup>6</sup>

## **Conclusion**

The implementation of variable data printing is already demonstrating its value in building effective customer relationships. As Reactive Campaigns are automated, print will offer the broadest reach to customers and prospects. Despite a higher price per piece, the low volumes and highly targeted audience offer a significant revenue opportunity without major budget revisions.

**The full description of these case studies can be found on [marketing1by1.com](http://marketing1by1.com)**



# **Chapter 16**

## **The Retail Channel**

Implementing a collaborative campaign plan through the retail location has been a challenge in the past. This is ironic, since the model behind collaborative marketing goes back to the local store where the merchant knew every customer and understood their individual needs. Several retailers today feature excellent customer service in their stores. Yet, the size of stores and volume of customers make it incredibly difficult to achieve collaboration today.

The retail channel has a high level of reach to the company's customers. When in the store, customers are usually "in the moment" of decision making and susceptible to collaborative marketing. However, the retail environment can be complex and expensive. The application of technology and a collaborative approach has the potential to increase the return on the retail investment.

Remembering thousands of customers and all the information about tens of thousands of products is beyond the most well intentioned employee. The solution to this challenge may lie in the use of technology to assist the store associates in this process.

New developments in the area of in-store kiosks may help. They can remember thousands of customers. They know the specifications of tens of thousands of products. Finally, using Reactive Campaigns, these machines can connect the needs of the customer with the right product or service.

## **Trends and Technology**

The retail trends affecting collaborative marketing are those that affect customer interaction. An article entitled “Kiosks Deliver the Goods” originally published in *Retailspeak Magazine* on May 15, 2006 summarized the situation well:

Today, retailers are serving a new breed of customers who are technology savvy, time constrained and less willing to wait in line than ever before.

The new service demands of these customers center on the kind of quick, easy transactions that in-store kiosks can provide. In addition, kiosks offer customers full control over the buying process—and this has proved extremely compelling with other next-generation in-store solutions, such as self-checkout.

This assumption is backed up by a recent survey conducted by a Radiant Systems customer. The study found that 76 percent of consumers preferred using kiosks to being served by a store associate.<sup>1</sup>

No longer just for the retail store environment, self-service solutions are popping up in industries including travel and transportation, communications, financial, government and healthcare. For example, travelers use kiosks to check in at airports and bank ATMs have been popular for decades. Different

applications, such as bridal registries, deli ordering, hotel check-in, bill payment and gaming, use a wide range of form factors (including floor, counter or wall mounts, or custom enclosures) for self-service solution deployment.

Multi-channel expectations are another element affecting the retail setting—customers use the Internet to research products and services before they go into stores. Kiosks help give customers control over browsing and comparing information in the store, without perceived pressure from store associates. And some organizations are using kiosks as one of many customer touch points that are available 24x7.

Salespeople are using self-service solutions to view the same (or more) information about products and services that customers may have already found online. Organizations in multiple vertical segments are deploying kiosks to enable customers to enroll in service programs, order out-of-stock items, try products (and even download them digitally), such as DVDs and music, before they buy.

### **Collaborative Retail Through In-Store Kiosks and POS**

Merging retail into the collaborative campaign plan will ultimately require the use of kiosk or POS technology. As you will see in the following case studies, Reactive Campaigns can be loaded into these technologies in the same way as they are supported by the web site.

Collaborative campaigns implemented through the retail channel will utilize the campaign name, qualifying criteria, creative, dynamic content, incentive and call to action defined in Step 2. Kiosk templates need to be developed that can accommodate the information in the variable content table. These can often use the same web-based technology as web site and call center.

For example, if a customer has purchased a consumable product and they are nearing the end of its lifecycle, they could be reminded to stock up through the kiosk or by the store associate on check out. Store kiosks offer a significant opportunity to capture customer information by asking them to register their email address to receive important offers and messages from the company. This creates the opportunity to expand the number of channels through which the company can build a collaborative relationship.

## **Case Studies**

### Green Hills Markets

Green Hills is out to perfect the widely held if elusive desire of retailers to market to a large number of customers on a truly one-to-one basis, says proprietor Gary Hawkins. And he's doing it by applying web-based analytics—the same principle that lets web sites analyze online shopping behavior and create highly personalized shopping experiences and marketing offers—to the physical store. “One of our goals is to bring to brick-and-mortar retailing the capabilities of the online world,” he says.

So when a shopper participating in his store's loyalty program walks in the door, the first thing she does is touch a finger to a web-connected biometrics scanning device at a SmartShop kiosk, placed prominently near the store entrance. Within seconds, the kiosk prints out a list of coupons tailored to her recorded shopping behavior. When she's done shopping, the shopper touches another fingerprint scanner at checkout, which sends a record of her purchases through a web-services-enabled network to a back-end database, where special algorithms work with sales data and promotional data to configure a new personalized batch of coupon offers.

And so the cycle starts all over. The system is designed so that, when the shopper returns a few days later and again touches the SmartShop fingerprint scanner upon entering the store, it will print out a new list of coupons based on her up-to-date shopping behavior.

The SmartShop system is just one example of how retailers are bringing the web into stores as a way of better understanding and engaging customers. The applications differ, but all focus on developing relationships with shoppers to turn them into long-term, profitable customers—and for most that means across multiple channels. “In-store web-enabled devices provide a foundation to provide the highest level of customer service and provide a link to other channels,” says Sunita Gupta, executive vice president of retail consultants LakeWest Group LLC in Cleveland. “And two things that most retailers talk to us about are how to offer better customer service, and how to satisfy the requirements of multi-channel retailing.”

Deployed a year ago in Green Hills Market, SmartShop has elicited an unusually high coupon redemption rate of 20%, Hawkins says. By comparison, the retail industry average for coupon redemptions is about 1%, according to several sources including research and consulting firm Aberdeen Group Inc.

The program is also helping to generate more repeat store traffic and sales, Hawkins adds. “The SmartShop service has been extremely popular, and shopper participation is already impacting 50% of store revenue,” he says. Shoppers enrolled in SmartShop have increased their visits by 10% over a comparable period a year ago before the program was available, he adds. <sup>2</sup>

### North Face

North Face, the manufacturer and retailer of sports equipment and apparel, is promoting through web-connected in-store, touch-

screen kiosks displays of merchandise selected for their popularity among customers according to analysis of store and web site customer sales data. “Most of its stores are small footprints that offer only 30-40% of its inventory, so The North Face uses web-based kiosks to show other products,” says Andy Lloyd, CEO of Fluid Inc., which provides the software behind the kiosks.

The North Face web site managers configure content to appear on the kiosks, including videos and three-dimensional images that customers can manipulate with touch-screen controls, after looking at the popularity of products as indicated by clickstream and sales data from TheNorthFace.com.

But while the kiosks use the same data and infrastructure, including content management applications and product databases, as the web site, they serve more like highly interactive televisions, says Andrew Sirotnik, chief experience officer for Fluid. “It’s important not to put just a web site in a store, especially for any kind of branding effort,” he says. “Store shopping is an experience, so we’ve made these in-store kiosks more like a broadband TV experience to create an emotional connection between the customer and products they can’t actually touch.” Store shoppers can touch the 17-inch kiosk screens, which are soon to be supported by very large format overhead screens, to do things like zoom in and out of product images, change colors and activate videos, he adds.<sup>3</sup>

### Coinstar

Coinstar Inc. owns and operates the only network of supermarket-based machines that offer patented coin-counting and other electronic customer services. The company has more than 10,000 machines linked by a sophisticated interactive network throughout the United States, as well as in Canada and the United Kingdom.



At the 2004 MARKETECHNICS show in San Francisco, the company demonstrated the latest innovations in kiosk technology. Rich Stillman, President of Coinstar, says, "For the last decade we've been delivering self-service, revenue-generating solutions to our retail partners through our coin-counting kiosks, and now we're taking that legacy to the next level. We are doing this by bringing our expertise to the delivery of e-payment products."

Coinstar now gives retailers multiple delivery options, including its networked, self-service kiosk and new in-lane, point-of-service alternative. This total solution for e-payment products can be combined with Coinstar's proven turnkey coin-counting service, providing retailers with maximum choice and increased revenue opportunities.<sup>4</sup>

### Sheetz - Kiosks for Food Service

Leading food retailer Sheetz uses Radiant's self-service kiosks as the centerpiece of its award-winning Made-to-Order food program, which offers fresh customized subs, sandwiches, burgers, and salads. All 50 million meals served each year at 296 Sheetz stores are ordered through the kiosks.

Stan Sheetz, President and Chief Executive Officer of Sheetz, says, "Our new concepts are designed to introduce our brand in a new market, build awareness and earn loyal customers. Radiant's kiosks are a major part of our brand. The technology helps attract customers, and helps us serve them well through easy and accurate ordering."

Self-service kiosks help Sheetz effectively promote new products and suggest up-sells with a consistency that is difficult for cashiers and order takers to match. In addition, an integrated kitchen production system, which prompts staff to quickly prepare customer orders, delivers greatly enhanced speed of service.

The result is more satisfied customers and additional revenue per customer.<sup>5</sup>

## **Conclusion**

The use of kiosks and POS programs bring the retail channel into the collaborative campaign plan. Not only can these technologies deliver Reactive Campaigns to individual customers, they can serve as a major channel for collecting more information from consumers that can drive additional collaborative campaigns. These case studies are setting the groundwork for making the economic case for this approach.

**The full description of these case studies can be found on [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 17**

## **The Traditional Media Channels**

Traditional media, including television, magazines, newspapers and radio, will continue to play a major role in many marketing plans. However, in this new era of consumer control, marketers are working to bring the customer into their media marketing programs. This represents a change in the type of customer experience sought through this channel.

The power of these channels is the tremendous reach they achieve. However, as the number of options available within each of these channels has grown, it has become difficult to identify the best mix of options to select. While this reach is inexpensive on a per thousand basis, the efficiency is limited by the passive interaction and the low percentage of the audience “in the moment” of decision making at any one time.

According to Internet Retailer, Microsoft recently (March 2007) announced that by 2010 the bulk of their nearly \$1 billion ad

spending will be in the digital sphere up from about half. "Microsoft indicates they are following customers who are increasingly migrating to the Web for information and entertainment and that they are attracted to digital marketing because of the potentially helpful accountability the data can provide."

While this could be interpreted to mean advertising dollars are migrating to the internet for which there is definitive evidence. Another interpretation should be considered and that is the integration of traditional media with the internet to make ads more effective and more likely to achieve customer "engagement". Whichever, the traditional media world is changing and many have taken notice.

## **Trends and Technology**

Procter & Gamble has been talking about this for 13 years. When Chairman-CEO A.G. Lafley says, "We need to reinvent the way we market to customers," he doesn't mean, "We need to find a place to amass 30 million people at a time so we can tell them not to squeeze the Charmin." As his chief marketing officer, Jim Stengel, told the 4A's Media Conference recently, "What we really need is a mind-set shift, a mind-set shift that will make us relevant to today's customers, a mind-set shift from 'telling and selling' to building relationships." And he did not specify media advertising as a way to do so. In fact, his examples -- from word-of-mouth to social networking -- mainly had nothing to do with advertising.<sup>1</sup> It sounds a lot like collaborative marketing.

Since they currently capture the bulk of all advertising dollars, the traditional media channels are not going to disappear. However, the way marketers use these channels will shift both in their content and how they integrate with other, more direct, channels. And these changes will affect even the most "mass market" products. For example:

"Food and drink is becoming an online staple for consumers who are searching the Internet for healthy eating tips and recipes, as well as for products they see advertised in other media," says Lisa Phillips, eMarketer Senior Analyst. While still a small percentage of the total marketing budget, the Internet grew 26.9% between 2005 and 2006, while most other channels declined. This according to a study by TNS Media Intelligence in March of 2007.<sup>2</sup>

The growth of ad spending on the internet among traditional CPG companies reinforces the need of all companies to build a direct relationship with their customers. The internet is changing the way companies are communicating with their customers and collaborative marketing offers the framework for change. However, at the same time, traditional media still captures over 90% of the food and drink marketing budget.

### Engaging Customers

The Online Advertising Playbook, recently published by the Advertising Research Foundation, identified three new advertising models. These models replace the old "interrupt and repeat" model with ones designed to build relationships using insights from customer data. New technology makes a major contribution to these new models.

The first is called the On Demand model and is based upon the consumers previously discussed power to select and choose their content and interactions. The second is called the Engagement model and focuses on the relevance of brands to consumers and attempts to build an emotional connection between the two. The last is called the Advertising as a Service model. This model aims to provide consumers with information and capabilities that "smooth transactions and enhance brand engagement". This

model, in particular, is oriented to helping customers make decisions with their interests in mind.<sup>3</sup>

Each of these three models represents a significant improvement over the traditional models. In addition, they are attuned to engaging consumers with the goal of prompting a customer initiative. As David Edelman, Chief Marketing Office for Digitas stated, “consumers are seizing control. Marketers have no choice, but to reframe their perspectives and deliver engaging experiences that inform, educate, or entertain”.<sup>4</sup>

Why would advertisers consider making these changes to their advertising model? Some of the reasons are best summarized in Bob Garfield’s Ad Age article, Chaos 2.0.

“Herewith ... five reasons the online world will not only transform traditional modes of advertising, it will largely displace them altogether.

1) People don't like ads

Sure, when your ad characters draw a parade crowd on Madison Avenue or you strut up to the awards stage in Cannes with ratty sneakers and fake indifference, of course you feel loved. Alas, you aren't, especially. In fact, you are mainly resented. A 2006 Forrester Research survey found that 63% of respondents believe there are too many ads, and 47% say ads spoil their reading or viewing enjoyment. This isn't just talk. Depending on whose numbers you believe, between 50% and 70% of DVR users skip ads. The historical quid pro quo -- acquiescence to advertising in exchange for free or subsidized content -- is yet another casualty of the revolution.

2) But they crave information

Consumers may not much care for commercials, but they like goods and services just fine and are in constant search of information about them. Oddly, in its obsession with not repelling audiences, advertising over the past two decades has provided more and more production spectacle, more and more belly laughs, but less and less information. Very quickly, because information is at its very core, the online world will fill the vacuum.

3) The consumer is in control. No, really  
"I guess the most important thing that I would be asking myself," says media economist Bruce Owen, "is: How can I make advertising something that people are not only willing to put up with but actually have positive willingness to take?" 'Ad Effectiveness Takes a Pounding': Aug. 7, 2006.

Considering the statistics you've just been reading, that sounds almost preposterously naive -- like asking commuters to vote for traffic. But not only is there an answer to his musing, that answer presages a Golden Age of marketing. The fact is, people care deeply -- sometimes perversely -- about consumer goods, from Tag Heuer to North Face to Tab. What they don't like is being told what they should care about or when they should be caring. Forrester's research reveals that 48% of consumers believe it is their right to decide whether or not to receive ad messages. Opt-in e-mails were deemed twice as trustworthy as TV commercials and 10 times more trustworthy than banner ads precisely because the consumer chooses whether to engage.

#### 4) Diversion of ad budgets

In order to exploit the internet's phenomenal capacity for targeting and optimizing messages in ads and on websites, advertisers will have to invest vast resources in information-technology infrastructure -- hardware, software and flesh-and-bloodware -- to crunch the vast amount of data that will be pouring in every second of every day. In the aggregate, this will amount to many billions of dollars. Much, if not most, of the money will come from existing ad budgets.

#### 5) Pay-per-view

Let us not forget what the advertising yin is the yang of: free media. But what if, in the near future, most content is paid for by the user, either via subscription, like HBO, or a la carte, like pay-per-view or iTunes? This would eliminate advertising from the equation. If micropayments ever become practical, pay as you go would allow users to seamlessly buy, for instance, newspaper content on an edition-by-edition or even article-by-article basis. As Bruce Owen puts it, "The willingness to pay by consumers is far greater per eyeball than the willingness of advertisers." <sup>5</sup>

While changes are expected to be gradual, many traditional media channels will begin to take on more "direct" elements and integrate with other channels. A company's URL has become a common closing to many TV and radio commercials. Most print ads carry the web URL, sometimes with an 800 number. Finally, many commercials through all broadcast channels are designed to drive the audience to the company web site, sometimes through specially designed events. All of these efforts can prompt a customer initiative, which can begin the collaborative marketing process.



## **Collaborative Traditional Media**

Traditional media would seem too “mass” for collaboration. However, while many worry about preserving the present state, others are looking for ways to make these media channels more responsive. The search for engagement and introduction of new technology will transform the traditional media channels in the coming years.

More and more companies are designing their advertising to create a level of engagement that will lead to further interaction with consumers. One example is the “My life. My card” campaign from American Express. Promoting its sponsorship of the Tribeca Film Festival, the company invited users to create and submit 15-second films capturing the “My life. My card” theme. Thousands of films were submitted and were rated by viewers. The best received prizes and distribution supporting American Express advertising. Consumers who submitted or engaged with these videos had the opportunity to opt-in for future American Express events, creating a new community for the brand.<sup>6</sup>

Additional examples are detailed in the Case Study section that follows. The traditional channels have always been best suited for building awareness. We are now observing the additional value of these channels in stimulating engagement and prompting consumers to take initiative in starting a relationship with the brand. It is also important to keep in mind that once the initiative has been taken by the consumer, brands must be prepared to react to that initiative, probably through different channels.

There is also new technology designed to make mass media more targeted. Invidi Technologies Corp. has released its new Advertising Decision System for advertisers and marketers to send targeted television ads directly to unique viewers in millions of households worldwide. The system integrates advertising

applications, data resources and distribution technologies to deliver targeted, addressable television advertising on cable, satellite and IPTV system infrastructures.

“Cable operators today get about a total of 14 minutes of ad time per hour of TV,” said Bruce Anderson, chief technical officer and chief operating officer of Invidi, Princeton, NJ. “However, they have no ability to modify about 12 of those 14 minutes. So they have about two to three minutes per hour to get out targeted ads. With ADS, they can address viewers individually and start allowing for better targeting. They can now lock into the VOD server and Advatar content and stream directly to viewers.”

Serving ads to individuals through cable, satellite or on the internet would open a valuable new world for collaborative campaign plans. These channels could be used to pre-filter prospective customers based upon known viewing habits. Viewing information could be used anonymously in a similar fashion to browse data to deliver relevant messages and prompt consumers to take a specified initiative.<sup>7</sup>

Another venture that could harness viewing and program data for delivering relevant messaging is the joint test between Google and Echostar. In April 2007, Google announced it is making its entree into TV by teaming with Echostar to offer a national, auction-based ad-sales system for inventory running on 120-plus cable TV networks, and offering second-by-second commercial ratings for the buys made through the system.

In a few short months, the service will be up and running as a closed trial. Already advertisers such as Intel, E-Trade and 1800Flowers have decided to participate. When launched marketers and agencies will be able to go into their existing AdWords account and access a TV-advertising account. They can elect to have their ads run on any of Echostar's 120-plus cable channels available and buy by daypart. Or marketers could ask a

recommendation engine to generate a plan based on the demos a marketer is trying to reach.

But it may turn out to be the measurement aspects that provide the killer app for marketers. Twenty-four hours after bidding closes, Google will report back on the bids that won, the ads that ran and the audience for those specific ads. That means that unlike the TV-reporting situation -- in which a marketer is given the overall rating for the program in which his or her ads ran -- Google will report a rating for that specific ad. If a program generated 1 million viewers, but 50,000 tuned out before the commercial break commenced, Google would only report an audience of 950,000 for the ad.

Google will also use Echostar's set-top box data to provide the second-by-second rating for each ad so a marketer can see how well the ad held the audience through its 30 or 60 seconds -- and how many tuned out.<sup>8</sup> The selection of programs based upon a tightly defined audience would enable campaigns designed to drive a web site visit to vary their content to different jump pages. Here they could begin the collaborative process.

## **Case Studies**

### Wired Magazine

Wired magazine teamed up with Xerox to produce personalized covers for its July issue. The monthly magazine's April issue urged subscribers to log on to Wired.com to upload photographs of themselves. The first 3,000 to do that would be sent July issues with their photographs as the cover art.

"In the short term the strategy was to develop an engaging program for our readers that we could tie in with an advertiser," said Josh Stinchcomb, director of integrated marketing at Wired, New York. "Initially the motivation was certainly to drive revenue, but beyond

that the motivation was to brand Wired as an innovator in the realm of integrated marketing and developing.”



The personalized cover is one step the magazine is taking toward re-branding and updating its image. Requiring readers to go to its Web site for personalized covers also marks a push for more traffic online.

Xerox, which provided the software for the covers and purchased ad space in the magazine, is also looking to update its image with the campaign. Best known for its copying machines, Xerox wants to make consumers aware of the other technology it offers, including the iGen3 110 digital press it used to create Wired’s covers.

Mr. Stinchcomb viewed the partnership with Xerox as a mark of Wired’s interest in reader-generated and interactive content. Past promotions have allowed readers to enter an ad-design contest for the print magazine.

“I don’t know that we would do this again but we certainly will use it as a model for future programs that allow readers to interact with our brand in some way,” he said, “and move our readers from the magazine to the Web site and, in some cases, back to the magazine.”

Wired, owned by Condé Nast, targeted current subscribers with the promotion. It used e-mail, inserts and ads on its own site to promote the personalized covers.

In the first three days of the promotion, 11,000 readers submitted photos. Only the first 3,000 submissions were actually used on the magazine, but others were allowed to create and print mock covers with their own headlines on Wired.com. More than 35,000 people have made covers online since.

Wired covers technology and innovation news. The print magazine has a circulation rate base of 625,000, most of which is subscription. Its prime demographic is educated, professional males between 40 and 45.

Future plans call for Wired to add more interactive features and an expanded blog network on Wired.com and Reddit.com. The publication will also partner with PBS for a weekly primetime television show called Wired Science. The show will be featured on the PBS site as well as the Wired site.

“Marketers are getting very sophisticated and demanding really successful programs that they can measure the success and all content producers are going to be challenged to be smarter and faster and more nimble,” Mr. Stinchcomb said. “There is a lot of pressure to become very creative very quickly.”

“There’s more ways to deliver content, which is an opportunity,” he added, “but you also have to be smart and be sure you don’t cannibalize the content. You have to create more value for the reader and create an area where you can deliver to your advertisers.”<sup>9</sup>

## Frito-Lay/Doritos

Yahoo Video along with Doritos launched Crash the Super Bowl, a site where consumers could send them homemade Super Bowl commercials, with a chance to make it to prime time. Doritos then selected 5 finalists from all submissions. Then users were allowed to determine which one ad would air during the Super Bowl. All five finalists received \$10,000 and a trip to Miami for a private Super Bowl viewing party.

The Doritos brand aired both “Live the Flavor” and “Check Out Girl” as its Super Bowl XLI spots, marking the first time ever for consumer-created Doritos tortilla chip ads to air as shot by consumers. The top-voted ad by consumers was “Live the Flavor” created by Wes Phillips (age 22) and Dale Backus (age 21) of Cary, N.C. Separated by only a few hundred votes was “Check Out Girl,” created by Kristin Dehnert (age 37) of Pacific Palisades, Calif.

“Doritos made the decision to air both ‘Live the Flavor’ and ‘Check Out Girl’ because of very close results of the online consumer vote and the quality of the two spots,” said Ann Mukherjee, vice president, marketing, Frito-Lay. “The goal of this program was to give consumers an opportunity to express themselves and showing both of these ads showcases the enormous talent that stepped up for Doritos.”

The brand also announced that these two Super Bowl ads officially kicked-off the first-ever consumer-created Doritos television ad campaign, in which all five of the Doritos “Crash the Super Bowl” finalists’ ads will air on national television through March. In addition to “Live the Flavor” and “Check Out Girl,” the other finalists’ ads will be at the center of Doritos’ new campaign for the next two months. Those ads are: “A Chip Lover’s Dream” by Jared Cicon of Claremont, Calif.; “Duct Tape” by Joe Herbert and Dave

Herbert of Batesville, Ind.; and “Mouse Trap” by Billy Federighi of Beverly Hills, Calif.

“All five ‘Crash the Super Bowl’ finalists celebrated the Doritos brand and expressed their creativity in such unique ways,” added Mukherjee. “We would have been proud to air any of the finalists’ Doritos commercials during the Super Bowl. So, we decided to continue our commitment to putting our fans in control, and air each of the ads on national television.” (Source: Frito Lay)

This type of television advertising enhances the consumer experience through involvement and ownership of the campaign. In addition, the company was the beneficiary of hundreds of consumer views of the product, which was very valuable brand feedback.<sup>10</sup>

## Audi

Audi of America recently launched an innovative advertising campaign called "The Art of the Heist" for the all-new Audi A3 premium compact car. The new campaign, crafted with Audi's long-time advertising partner McKinney+Silver, creates an evolving "new-fashioned thriller" which started with the theft of an A3 at the Audi Forum on Park Avenue in New York on April 1st.

The story develops into a narrative involving Nisha Roberts and Ian Yarbrough who are racing for their lives as they are being pursued by a pair of hit men. Ian's tearing across America in a stolen car, the key to unlocking the mystery behind one of the biggest art heists ever planned. Now Nisha has to find out who's behind the scheme. To complicate matters, Nisha has attracted the attention of legendary game designer Virgil Tatum. Virgil has set his eyes on a prize of his own - Nisha and a video game based on the adventures of Nisha Roberts and her company, Last Resort Retrieval.

Audi introduced the campaign using multiple platforms, including unique opportunities for live participation by followers at events across the country, as well as the traditional forms such as a television commercial (30 second spot), newspaper, magazine, billboards, online banners and a microsite. Additionally, wild postings and blogs were used to inform the public about the thriller.

Results to date have proven the effectiveness in this kind of marketing approach:

- More than 200,000 people became involved with the search for the stolen A3 in a single day.
- As a direct result of the campaign, online buzz for the A3 has grown by more than four times as a growing number of consumers participated in the thriller.
- Within the first few days of the campaign launch, seven fan sites were created, one of which includes a "Top 10 Reasons to Play Art of the Heist."
- After a person clicks an online advertisement to investigate the program, 34 percent of user page views were to A3 buying indicator pages (configurator, dealer locator, payment estimator, request a quote) on the Audi brand site. That is a 79 percent increase in "qualification" over previous launch efforts.<sup>11</sup>

## **Conclusion**

While traditional media may seem like an unlikely channel for building individual customer relationships, it plays a major role in building the awareness and establishing the engagement that leads to collaboration. In addition, several of the case studies presented not only engaged their audience, but registered customers for



ongoing communications. At the same time, important customer/prospect information can also be collected. The integration of traditional media with direct media will offer tremendous opportunities for building customer collaboration.

**The full description of these case studies can be found on [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 18**

## **The Emerging Media Channels**

The explosion in global acceptance of the Internet sparked by ubiquitous access to broadband technology has helped change the way businesses deliver content. More people now go online first for a variety of tasks. The internet has, in part, enabled an expansion of the role of the mobile phone to a variety of functions beyond the traditional phone call.

The computer, the mobile phone, the iPod and MP3 players will all play a role in delivering information, entertainment and communication services. The applications will continue to blur the channel through which they are accessed.

Mobile, podcasts and RSS are all going to require prior permission or some type of sign-up procedure to be effective. This falls directly in to the collaborative marketing approach.

## **Trends and Technology**

### Mobile

The sheer ubiquity of mobile usage makes this market unavoidable. The GSM Association claims there are 2.4 billion mobile phone subscribers worldwide, much more than landline users. The Yankee Group estimates that more than 350 billion text messages are exchanged monthly across the world's mobile networks. More than 15 percent of these messages are classified as marketing or commercial communications.

Expectations are that mobile marketing in 2006 will become a \$1 billion industry, according to Laura Marriott, president of the Mobile Marketing Association. The market for premium mobile content alone is estimated at \$274 million for the first quarter of 2007. While the numbers are growing, the majority of the market has yet to jump in.<sup>1</sup>

In their study, "Mobile Marketing and Advertising", eMarketer expects general mobile advertising to grow from \$1.4 billion in 2006 to 11.7 billion in 2011. Businesses are slowly starting to use the new emerging media. A recent Forrester Study reported by eMarketer shows only 13% using text message ads to reach consumers.

When asked what would convince them to spend marketing dollars on mobile-enabled sites, mobile text messages, branded microsites, podcasts, in-game ads, RSS and other emerging areas, most of the companies questioned in the Forrester study said "proof of use."

Just because a lot of people have mobile phones does not mean that marketers are ready to start sending ads to all of them, according to eMarketer Mobile Analyst John Gauntt. "Mobile marketing/advertising draws passionate viewpoints, both pro and

con," says Mr. Gauntt, "ranging from those who want it to jumpstart a sluggish mobile content and data market, to those who want to protect mobile from the marketing cacophony that infests every other media platform."

According to an ROI Research study commissioned by Bluestreak and reported by eMarketer, among those who used e-mail and one of five other emerging technologies, 88% of respondents used text messaging, second only to e-mail. Message boards are used by 71% and blogs by 63%. Podcasting and RSS are used by 36% and 28% respectively <sup>2</sup>

Mr. Gauntt expects to see more "cross-media plays where the direct response capabilities of the handset provide the punch to a rich media setup in other media. TV voting and polling have already proven this approach to a degree. Far more interesting will be how other media such as print and radio start using mobile as a direct response channel."<sup>3</sup>

### Blogs

While many well-publicized blogs focus on politics, the most popular topic among bloggers is their life and experiences. The Pew Internet Project blogger survey finds that the American blogosphere is dominated by those who use their blogs as personal journals. Most bloggers do not think of what they do as journalism. Most bloggers say they cover a lot of different topics, but when asked to choose one main topic, 37% of bloggers cite "my life and experiences" as a primary topic of their blog. Politics and government ran a very distant second with 11% of bloggers citing those issues of public life as the main subject of their blog.

Entertainment-related topics were the next most popular blog-type, with 7% of bloggers, followed by sports (6%), general news and current events (5%), business (5%), technology (4%), religion, spirituality or faith (2%), a specific hobby or a health problem or

illness (each comprising 1% of bloggers). Other topics mentioned include opinions, volunteering, education, photography, causes and passions, and organizations.

The majority of bloggers cite an interest in sharing stories and expressing creativity. Just half say they are trying to influence the way other people think.<sup>4</sup>

The use of blogs for marketing is likely to be most effective when they are company operated and maintained. This insures that the company is an active participant and can reply to questions and issues entered on the blog. Sponsoring blogs with a particular topic may evolve, but cautiously since sponsor involvement may be limited and the possibility exists that the brand could be compromised.

### **Collaborative Emerging Technology**

The collaborative marketing approach lends itself well to these emerging technologies. Marketing campaigns using mobile, blogs and podcasts will require a consumer initiative to work. These initiatives will take the form of adding content to blogs and forums; giving permission to receive content; or subscription. In addition, most web 2.0 sites or programs rely on continuous dialog to be effective.

For content to work through these emerging channels, it must be individually relevant. As discussed in the chapter on merchandising for the individual, relevance can be achieved through modifying the content based on individual preferences, providing a selection that the audience “opts” to receive, or providing new channels through which to receive the content or offer. The emerging technologies have the opportunity to enable marketers to customize their marketing programs to each individual customer.

These technologies offer marketers a number of ways to get their customers involved with their brand. Executed correctly, companies can deliver individually relevant content and receive valuable feedback from customers demonstrating a high level of interest in the brand.

As they grow, they will give marketers more channels through which to conduct their Reactive Campaigns. The fact that the internet is growing volume due to social networking activities makes it incumbent upon marketers to incorporate these functions into their marketing plan.

In a consumer controlled marketing process, it is critical that companies identify their brand enthusiasts and build direct communications with them. Building a social network around the brand will allow these enthusiasts to identify themselves. The use of forums and blogs will give them voice. A voice the company will need to pay close attention to. These are tools for identifying and motivating your best customers to spread the word on your behalf. Collaboration will be the result of the effective use of these emerging technologies.

## **Case Studies**

### Sprite

At Mobile Marketing Forum 2007, Mark J. Greatrex, senior vice president of marketing communications and insights at Coca-Cola, unveiled the new Sprite Yard program for interacting with its mostly African American youth target audience — it's most important mobile effort so far.

The Sprite Yard WAP site for mobile handsets will let consumers download and share pictures, interact with friends via text messages, receive nuggets of exclusive information and use a planner.

The mobile marketing effort is part of Coca-Cola's plan to "create, connect and customize on-the-go experiences," according to Mr. Greatrex. Sprite's "usage over-indexes with mobile phone usage," Mr. Greatrex said. "This is Generation C and they're right at the center of the mobile target audience."

The Yard effort launched June 1 in China, with a U.S. debut planned for later this month and worldwide in the months ahead. Coca-Cola will publicize the WAP site via codes on Sprite bottles. In return, consumers will receive wallpapers, games, ring tones and "mobisodes." "Simply stated, the Sprint Yard is a significant step to transforming the marketing model at Coca-Cola," Mr. Greatrex said.

Given Coca-Cola's caution for its brands' reputations, precautions have been taken to ensure that nothing inappropriate appears on the mobile site or is disseminated via that platform. "We've taken appropriate steps to make sure that the Yard is in a safe and constantly moderated environment," Mr. Greatrex said. "Consider it a PG-13 environment."

Of course, there are other challenges that need to be overcome. Coca-Cola needs to integrate mobile into all its marketing efforts. It must find way to measure the performance of these initiatives. It has to sign up more consumers for more database marketing. And then there's the overarching for such marketing outreach. "We need to explore how mobile marketing can drive impulse purchases at point of sale," Mr. Greatrex said.<sup>5</sup>

### Moosejaw Mountaineering

Moosejaw Mountaineering is an outdoor gear and apparel retailer. They recently launched a mobile-shopping site that lets customers browse, price compare and shop for their favorite gear using any mobile phone or device. A representative from Madison Heights,

MI-based Moosejaw offered this information at the 2007 Mobile Marketing Forum.

Moosejaw operates six locations in Michigan and Illinois and several Web sites, which are responsible for 60 percent of total sales, according to Indy Bishop, director of marketing at Moosejaw. The company also has a catalog. Its Web sites include TheJaw.com, ThaLowdown.com, MoosejawRewards.com, AdventureWatches.com and CampMoosejaw.com.

The site offers more than 40,000 outdoor gear and apparel products. To make a purchase, consumers simply enter [www.Moosejaw.mobi](http://www.Moosejaw.mobi) in their mobile Web browser to get immediate access to the company's product catalog.

Using mPoria's technology, mobile-shopping sites including Moosejaw's offer convenient browsing and product search. Once consumers are ready to make a purchase, they simply enter their credit card information into mPoria's secure platform, choose a preferred method of delivery and place their order.

"The site complements our existing marketing strategy — not just being multichannel but being cross-channel within a multichannel marketing strategy," Mr. Wohlfeill said. "For example, we can push our catalog on the mobile phone or push testing through our e-mail blasts and on the Web site."

For example, the company recently sent out an e-mail to its opt-in list that asked recipients to text them back about their least favorite movie, and then Moosejaw texted them back with a 20-percent-off coupon code on merchandise.

"We got a really good response on it," Mr. Wohlfeill said.

Mr. Wohlfeill admitted that a key reason Moosejaw is focusing on mobile marketing is that the company is already reaching the right



demographic for mobile applications —people age 18 to 34 who regularly use mobile devices and text messaging.

“We are really excited about [our mobile marketing initiatives] and we think it is going to expand and become a really important part of what we do in our marketing in the future,” Mr. Wohfeill said.<sup>6</sup>

## **Conclusion**

The emerging media channels are still small in volume compared to established channels. However, it is their ability to identify and motivate your brand enthusiasts that provide the value.

Collaboration with this group will help companies refine their marketing and identify new product and service opportunities.

**The full description of these case studies can be found on [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 19**

## **Campaign Tracking and Analysis**

With the explosion in channel options, most companies are working hard to keep up with delivering campaigns. Accurately measuring results poses a whole new set of problems. Analyzing campaigns delivered across multiple channels is one of the most difficult challenges facing marketers today. Simply stated, it can't be perfectly calculated. A single campaign in a single channel offers the opportunity to isolate the impact of other channels and obtain a reasonably accurate measurement. However, when campaigns are delivered across multiple channels you add new dimensions that make this analysis more difficult. First, many of these channels currently use different measurement criteria. Second, some may not be measurable at all. The real world in which marketers are forced to live is not a laboratory or computer simulation.

The good news is we have more data today than we have ever had before. Transaction data, click stream data, call center results and

store level results all can contribute to the multi-channel analysis. And, in most cases, we have the tools to analyze the data and form conclusions. Database technology, CRM software and Business Information tools are available to drill down into transaction data and, through the use of effective tracking codes, identify individual buyers purchasing from specific campaigns. This holds true for direct mail, email, web site and some retail campaigns. Call center and traditional measured media may have difficulties either identifying the individual and/or the specific campaign.

Alan Rimm-Kaufmann, President of the Rimm-Kaufman Group, states in his DMNews article, “Multi-Channel Integration: Tracking the incremental”:

Multi-channel direct marketing is in its infancy. As an industry we’re still developing the necessary tools and the expertise. Retailers, service providers and technology firms need to come together to crack the multi-channel puzzle.

In the days before cheap e-mail, direct marketers sent prospects and buyers catalogs or direct mail infrequently. Because the interval between contacts was large — measured in weeks or months — marketers could treat each mailing as independent. It was easy to compare the cost of a mailing to its resulting sales, letting marketers test lists and offers accurately. We could say, “This order was driven by that marketing effort.”

In the Age of E-Mail, the interval between contacts is measured in days, not weeks. And channels overlap: prospects and buyers encounter a barrage of e-mails, catalogs and search ads during their consideration cycle. While most marketers have to understand the costs of their various marketing

programs, determining which program gets credit for which sale is no longer easy.<sup>1</sup>

Sales allocation is not easy, but is necessary for effectively evaluating your campaign performance. To aid this process, tracking techniques are becoming more effective.

## **Tracking Techniques**

When developing a sales allocation methodology, one of the major issues is the ability to attribute a sale to a customer or a campaign. The goal is to identify the actual customer and the actual campaign.

### Campaign Codes

Most direct marketing campaigns carry tracking codes that can be collected at the time of purchase online, by phone or in the retail store through the use of a coded coupon. In addition, the customer may provide some form of unique identification. Typically, this would be name and address and a campaign code, which could be matched back to the customer database. Sometimes customers will supply just name and address so the campaign code would need to be derived from campaign lists. If they supply only name and campaign code, again the customer ID would need to be derived from the appropriate list.

### Unique Single Use Promotion Codes

Technology has evolved to enable marketers to make the shift from product to customer based incentives. While many promotions were tracked along with the product UPC, marketers can now create and send unique promotion codes to a specific individual (through email, web site or variable data printing) that carries a specific incentive for that individual and may only be redeemed once. Redemptions can then be tracked back both to the individual

and the campaign through which it was sent. In this way, marketers are sure the value of the promotions is in line with the value of the customer. At the same time, they can measure the effectiveness of each promotion to assure that the shift from product to customer based promotions is improving sales and ROI.

## **Sales Allocation Hierarchy**

What do we do with the customer who sees our commercials, receives our catalog, researches on our web site and buys in our stores? Sales allocation is the challenge and judgment is the answer.

There are two major steps in sales allocation. The first step is the direct attribution of each sale to an individual customer and an individual campaign where possible. The second step is the indirect allocation of the remaining sales to likely campaigns.

### **Step 1 – Direct Allocation**

The allocation process begins with sales that have been directly attributed to an individual customer or campaign based upon their identification or coupon codes. Cash sales or other sales that are not attributed to either a customer or campaign will be allocated in a second step.

#### Tracking Code Allocation

The key to sales allocation is the development of a sales hierarchy. To begin to develop a hierarchy, a company starts with those sales that are directly attributable to a specific campaign based upon tracking codes. Email, catalogs and other direct mail use tracking codes which can usually be captured on web sites and through call centers. Coupon programs resulting through retail, online or call centers may carry campaign codes and also fit into this analysis. For sales that include a tracking code, it is a straight forward

process to allocate these sales to a campaign. For pure online and catalog companies, this can be anywhere from 20% to 60% of sales. For retail or multi-channel marketers, the percentage is likely to be lower.

### Source Allocation

For some sales, it is possible to track them back to a source. This is particularly true for many online sales generated through search engines. Using the web analytics software, the search engine generating the visit and sale can be identified. Based upon the degree of information available, the search engine or key word might be identified. Another example of source analysis is a visit generated through an affiliate program. Whether it is a commercial or internal affiliate program, the web analytics data can help allocate sales coming from these programs. Vendors including Coremetrics, ClickTracks, Omniture, Visual Sciences and WebTrends have systems that capture the required data either by reading the Web server log files or by tagging selected Web pages with small programs that notify a data collection server when the pages are rendered. The percentage of sales identifiable from source analysis could run from 5% to 40% depending on the company.

### Matchback Allocation

If there is no direct link from the sale to the campaign, the next step is to use a matchback technique. For email, it is possible to track individual who not only received an email, but clicked on it. Although not perfect, if the customer clicked on an email and purchased within a defined period of time, it is likely the sale came from the email.

Each company will have to determine the appropriate amount of time prior to the purchase date (i.e. 3 days or as long as 30 days) to allow such allocation. If a company allows a longer amount of

time, they will then need to look for intervening campaigns that might have had an effect on the individual. For example, if the click was seven days prior to the purchase and a catalog hit home three days prior to the purchase (this identified by the presence of the customer on the mailing list and the likely delivery dates), the company will have to prioritize its allocation hierarchy, giving all of the sales to the most recent event or allocating it proportionally across qualifying events.

This same approach applies to online sales where the email may be clicked seven days prior to the purchase, but the web analytics data might show a web visit from a search engine two days prior to the purchase. The more campaigns a company can identify, the more rigorous their hierarchy will need to be.

Differentiation should be applied among different types of campaign actions. A matchback based upon a click from an email, search engine or affiliate or a call to the customer call center (active) might take priority over being present on an email or direct mail list (passive). For sales that are attributable to a customer or a campaign, the matchback analysis should allow for allocation of a significant part of the remaining sales.

Once all of the sales attributable directly to a customer and/or a campaign have been allocated, it is time to take the remaining sales and apply indirect allocation.

## **Step 2 – Indirect Allocation**

Those attributable sales that are left have no campaign that they can be allocated to based upon a tracking code, an action (i.e. click on email or web site) or their presence on an email or direct mail list. The lack of a direct link forces the use of indirect links. This requires a look at the branding campaigns that were active at the time of the purchase. Branding campaigns include television,

radio, and print ads where the actual audience cannot be identified by individual.

The company will have to create rules that distribute these unallocated sales to campaigns based upon the reach and timing of the campaigns. Typically these would award sales based upon a ratio between the size of the campaign and the proximity in time to the purchase.

For example, a campaign that reached an audience of 10 million would be given twice the weight of one that reached 5 million. In addition, a campaign in the market at the time of the purchase might be given a weight twice that of a campaign in the market the week before. Combining these weights would provide a rough allocation of sales to campaigns. This fractional allocation approach should allow companies to assign the remaining sales to campaigns.

Fractional allocation is the biggest issue marketers' face when developing a sales allocation hierarchy. The fact is that many factors lead to an order and in today's multi-channel environment it is likely that several campaigns could impact a single order. As mentioned at the beginning of the chapter, the statistics can only get you so far, judgment may be the most important component of all. At a minimum, there are at least two levels of fractional allocation to be considered as part of your sales allocation hierarchy,

The first level is the decision to allocate a specific order to more than one campaign. As discussed briefly above, the presence of a name on more than one list or the timing of several campaigns near the order data could justify a fractional allocation. Companies will need to develop fractional allocation rules at the individual order levels. However, these rules applied to the individual order levels may under represent campaigns that do not have an identifiable audience.



The second level of fractional allocation is at the macro level. Here, marketers need to decide if additional weight should be allocated to the branding campaigns that are under represented in the allocation process described above, since they receive little or no allocation for sales that are directly attributable to either a customer or a campaign.

In an article published in DMNews entitled “From source code to source path: understanding a customer’s path to purchase”, Bob Fetter Senior Vice President for Data Management Services for Abacus states:

“Over the past several years, companies have attempted – either internally or externally – to develop methodologies to allocate transactions to marketing efforts through a process known as matchback. How much of this transaction was due to the search, and how much to the direct mail piece?

“To truly develop the necessary data to optimize marketing spend, I believe that a rules-based fractional promotion media-to-transaction allocation methodology contains the most promise. In this system, all potential marketing channels would be identified and their attributes measured.

“While it sounds complicated, rules-based fractional allocation can be made to work through rigorous analysis of your customer data and past promotions to develop a baseline for the rule set. And, through sensitivity analysis, rule sets can be tweaked to align more correctly with reality.”<sup>2</sup>

To be truly effective, companies will need to adapt their approach to their specific internal data assets and ability to track and allocate transactions. However, perfection is unlikely and judgment can contribute a great deal to the allocation process.

Rimm-Kaufman adds:

Encourage your service and technology providers toward integration. Whether your marketing database is outsourced or in-house, smart marketing requires a clear understanding of contacts, costs and sales associated with every buyer and prospect.

Such data demands solid integration between your e-mail provider, e-mail broker, database provider, search agency, list broker and merge-purge house. This isn't easy today. Few marketers understand the interaction of e-mail and catalog in driving sales. Few marketers manage search bids based on the actual lifetime value of the resulting buyers. Few marketers understand the non-incrementalism of their affiliate programs. Few marketers accurately track list rental conversions that occur online.<sup>3</sup>

Developing a solid approach to fractional allocation will enable marketers to review their marketing plans, evaluate campaigns and make the necessary adjustments.

### **Tracking Customer Initiatives**

Sales allocation is necessary for companies to determine their optimum marketing budget. However, even with the weighting adjustments, this method may favor order taking channels versus those used for branding. Marketers can obtain another perspective on their marketing efficiency by tracking customer initiatives.

Chapter 5 defined how customer initiatives are identified. In Chapter 9, companies selected those initiatives that were most important to their specific customer development process. Measuring the following types of initiatives could help identify the productivity of a given campaign from a different perspective:

- Orders
- Unique web site visits
- Customer calls
- Retail visits/orders

The same four steps used to attribute and allocate sales could be used for customer initiatives. These are:

- Tracking code allocation
- Source allocation
- Matchback allocation
- Fractional allocation

As with sales, initiatives can be allocated back to a campaign through the use of tracking codes. If those are not available, a source from the clickstream data can identify the most likely campaign(s) to have produced the initiative. Matchback analysis can allocate some of the remaining initiatives based upon the date and channel. Finally, a formula can be used to determine fractional allocation of the remaining initiatives.

Tracking customer initiatives provides two benefits to a company's analysis. First, traditional media (TV, radio, magazines and newspapers) can generate interest in a product that results in a number of web visits. These may not immediately convert to transactions and are therefore lost in the sales allocation.

The second benefit is improved sales forecasting. Customer initiatives are often precursors of a sale. As companies implement collaborative campaign plans, they will become better at

converting customer initiatives to sales and these conversions will represent a growing percentage of business.

Adding customer initiative tracking to sales tracking can identify campaigns that are very successful for creating initiatives that might have been discontinued due to a lack of measurable orders. In addition, companies will learn more about which campaign characteristics work best for creating customer initiatives.

## **Conclusion**

The number of campaigns delivered by marketers today has expanded dramatically. This makes tracking and sales allocation more problematic. The good news is there are more tracking methods, more data, and more software tools to use to create a solution. However, the process will still require strong marketing judgment to overcome the missing information and arrive at a functional sales allocation model.

**Find assistance implementing Step 4 of the Marketing1by1 Process. Download the free “Marketing1by1 Tool Kit” from [marketing1by1.com](http://marketing1by1.com)**

# **Chapter 20**

## **Getting Started**

It is evident that as consumers take more control of the marketing process companies must adjust. This book has outlined a framework that companies can use to develop a collaborative campaign plan to meet the needs of their customers. Understanding this trend and the framework for a solution are important. However, nothing happens until it happens (must be Yogi Berra).

This chapter presents steps that any company can take right now to begin to understand how a collaborative campaign plan might help their program. Let's follow the prescribed steps to create four campaigns that should work for any company.

### **Step 1 – Select Customer Initiatives**

To get started we will pick three customer initiatives and develop a pre-filter campaign. The three customer initiatives are:

- Product purchase
- Web site browse
- Use of selected search term

The completed form would look like this. Feel free to adjust days and you must determine the best single search term to use for your campaign. Select one that has a high correlation with a specific product group.

Campaign Name	Qualifying Criteria	Campaign Objective
Thank you campaign	Purchase in past 7 days	Thank and recommend add-on purchase
Web site browser	Browsed in past three days	Products from categories browsed
Search User	Use of selected search term	Products associated with the search term

Figure 20-1 Campaign Criteria

The pre-filter campaign will ask recipients if they are experiencing any of the top three problems your company solves. Use the following form to define the problems and how you solve them.

Problems You Solve	How You SolveThem

Figure 20-2 Problem/Solution Form

Once the pre-filter campaign asks recipients if they are experiencing any of the three problems identified, those that respond will receive a reply offering the company's solution for the problem identified.

## **Step 2 – Adding A Collaborative Campaign Plan**

The collaborative campaign plan would look like the chart that follows. You will need to fill-in the blanks.

### Thank You Campaign

You should develop creative for thanking your customers. Your database manager should be able to select a sample of buyers from the past week. Hopefully, you have an affinity table that shows the potential of a buyer of one product to purchase the others. If not, take about 100,000 customer records and develop a cross tabulation of products purchased. If this is not easily accomplished, modify the selection criteria to only include buyers of about 10 products for which you or your merchandisers can identify three related items.

From the product affinity table, each customer can be assigned three products with an affinity to the one they purchased. This will create the variable content table to be used for the campaign.

The inclusion of an incentive is optional. The call to action should direct the customer to the web site for the add-on purchase.

### Web Site Browser Campaign

The creative for the web site browser campaign should emphasize the value of the products without mentioning the web site visit. It is usually enough to show items related to their browsing behavior.

<b>Campaign Name</b>	<b>Qualifying Criteria</b>	<b>Creative</b>	<b>Dynamic Content</b>	<b>Incentive</b>	<b>Call To Action</b>
Thank You Campaign	Purchase in past 7 days		Product Affinity		
Web site browser	Browsed in past three days		Top sellers by category based on category browsed		
Search User	Use of selected search term		Products with affinity to search term		
Pre-filter: Problem Qualifier	Random sample of buyers		Question about three problems solved		
Reaction To Problem Qualifier	Respond to problem qualifier		Solution to problem selected		

Figure 20-3 Campaign Planning Form



Your database manager can work with your web analytics provider to obtain a list of browsers from the past three days. The list should include the cookie ID and the email address for the cookie where available and the last category browsed during the session. Take the list of browsers with email ID and match them with your current opt-in list to assure you have permission to email the customer.

Create a list of the top three selling products by category. Match this list with the browser file and append the top three products based upon the last category browsed. This creates the variable content table for the campaign. Again, the use of an incentive is optional and the call to action should direct them to the web site to complete the sale.

### Search User Campaign

Select one of your more popular search terms that has a specific link to a specific set of products. Again, working with your web analytics software, identify browsers who used that search term to reach your site. Since we are only using one search term, you may have to use a few weeks of data for a reasonable sample. Select the products related to the search term.

In rolling out this campaign, a set of products would be identified for your top 20 or 30 search terms. By matching search users to this table, you would create the variable content table. However, for this test, you only need one creative to be sent to users of the identified search term. Again, the use of an incentive is optional and the call to action should direct them to the web site to complete the sale.

### Pre-Filter: Problem Qualifier

Develop creative asking customers if they are experiencing any of the three problems identified in the form. Ask your database

manager to create a random sample of about 10,000 buyers. It is optional to offer an incentive to select a problem. It is probably best to start without an incentive, which should result in a more valid response. If the number of responses is very low, an incentive might be considered. The call to action is to identify their problem and the creative should provide benefits of responding.

### Reaction To Problem Qualifier

The reaction to the problem qualifier will be sent to all responders. The creative should present the solution offered by the company to the problem selected by the individual responder. Incentives and a call to action will be required identifying the channels available for response (i.e. web site, call center, store, etc...).

## **Step 3 – Implement Across Channels**

### Email

The easiest channel for implementing a test of a collaborative campaign plan is email. Working with your internal and external email team, develop a plan for implementing these campaigns once as a test. It may also be worthwhile to discuss with the team how they might be able to automate the process if the tests succeed. Insert these campaigns into your current marketing plan as available.

Tracking and response analysis for these campaigns will be the same methods used by your current program. The specifics of campaign tracking should also be part of your team meeting.

A meeting with your database manager will be necessary to arrange for the specific list pulls, as well as the development of a small database to store the responses to the pre-filter campaign.

## Print

If you have successfully fielded the above campaigns you are on your way to collaborative marketing. If any of the email campaigns delivered a strong response, the next step would be to try the best campaign through variable data printing. The details of VDP are provided in Chapter 15. Talk to your current print provider about their variable data printing capabilities. If they do not have one of these presses, they probably can identify a qualified printer near you.

If you get all of these completed, congratulations! Your customer will notice, your company will notice and in the end your bottom line will notice.

## **Conclusion**

It does not take much to start to add collaboration to your marketing plan. Implementing the campaigns described in this chapter will provide valuable experience for very little cost. Once a company has begun the process, each investment in a new campaign will increase the value of their collaborative campaign plan. Executed correctly, collaboration can become a measurable and valuable part of the company's marketing program.

# Chapter 21

## The Benefits of Customer Collaboration

Adding a collaborative campaign plan to your marketing program is the beginning of a process that will enhance your marketing for decades to come. Involving the consumer in ways that were not possible just a few years ago will deliver a series of benefits and will be the catalyst for change. Change for the better.

### **At Ground Level**

The benefits will begin to appear almost immediately. Executing Reactive Campaigns across multiple channels will be a source of consistent, high-margin revenue. These campaigns should pay for themselves in a very short time, but that's just the beginning.

Most marketing campaigns are designed, delivered and done. The next campaign starts from scratch. Collaborative campaigns (reactive and pre-filter) are automated and ongoing. While they need refreshing from time to time, they provide a long term return on their investment.

As companies develop dozens of these types of campaigns, the long term return becomes significant. Collaborative campaigns become a long term asset for every marketing program. As usual, the more comprehensive the asset built, the greater the return. This will lead companies to look at their marketing and production processes to find opportunities to create campaigns that communicate with their customers at every key step along the way.

### **At 10,000 Feet**

Just like the Japanese sword makers know that the more layers of steel they fold into the blade, the stronger it will be. And the French pastry chefs know the more layers they put into their dough, the tastier the croissant will be. Marketers will find that they will be building their marketing plans with many layers.

Think again about the four campaign objectives, awareness, engagement, collaboration and transformation. Each of these represents an important objective of the marketing program and each might include multiple layers of campaigns. Technology will help marketers automate the campaign development process to enable them to manage a larger number of campaigns with the same level of resources.

This book has discussed many of the ways this could be achieved for collaborative and transformation campaigns. However, adding layers is not restricted to these types of campaigns. Just look at what the Martin Agency has done with Geico.

Building awareness can also benefit from layers of campaigns. Geico broke with tradition to run the gecko, the caveman and the real customer with celebrity spokesperson campaigns all at the same time. Each campaign designed with their specific objectives and target segments. This sounds like a lot of work. Why do this? Well there are the obvious reasons and the less obvious reasons.

The obvious reasons are that the more campaigns you run the more targeted they can be. With the diversity described earlier in the book, companies will do well to assure that their communications are as relevant as possible for each of their core customer groups. Add to this the fact that more targeted campaigns are likely to generate higher revenue and customer satisfaction.

### **At 20,000 Feet**

To understand the less obvious reasons, it is necessary to step away from the interaction with the customer and look at the broader picture from a higher elevation. It comes down to odds. Either from the statistician down the hall or the innumerable marketing conferences in Las Vegas, we are all familiar with odds.

It is easier and more effective to measure the odds if there are more observations. As the number of campaigns expand to meet the needs of a more diverse marketplace, marketers will become more effective at predicting performance. This process will bring a higher level of predictability to a company's marketing plan. And as we've all learned from our brushes with Total Quality Management, the more predictive a process is, the more manageable it becomes.

Technology will help marketing departments manage a broader number of campaigns and that will give them more control of their results. Just like the difference between the Wright Brothers plane at Kitty Hawk and the new Boeing 787, the more buttons you can push the more control you have.

Maybe I should put that differently by saying that the process of marketing and selling thousands of products to millions of consumers may be equally as complex as getting an airplane off the ground. As with the plane, the more factors you can adjust and control, the more likely you are to achieve success. Future

marketing plans will have to embrace the complexity to achieve manageability.

### **At 30,000 Feet**

With product parity rampant, the success of a company can often rely on the success of the Chief Marketing Officer. After all, they own the customer and the customer provides the money. If this is true (and it almost always is), the recent trend of shorter and shorter CMO job longevity should send chills up the spine of every CEO.

The days of sending out a catalog every month and hoping it does well are over. Companies have to deal with multiple campaigns being delivered through multiple channels. The complexity of the marketplace has grown faster than the ability of today's marketing tools to address it. This has led to less control over current marketing programs and shorter tenures for Chief Marketing Officers.

The solution lies, not in trying to control the consumer, but in regaining control of our own marketing processes. Yes, this will require more campaigns designed to address all of the key steps of our marketing and production processes. It will mean involving the customer in our processes in order to make sure we are delivering what they want in a fast and economical way. And it will require vendor partners to deliver technology that will enable a company's marketing staff to measure and manage the process.

Successfully executed, the marketing program can be controlled because it is more predictable. It is more predictable because there are more campaigns that can be measured, providing valuable observations. Finally, it is more relevant, because more campaigns deliver an experience targeted for the appropriate segment or individual customer. Control of the marketing program will lead to longer tenures for the CMOs of the world.

## **Back To Earth**

Now that we've solved the marketing problems of the world, we have to come back and worry about tomorrow. First, go back to Chapter 20 and think about executing those four campaigns. Second, visit [marketing1by1.com](http://marketing1by1.com) and download the "Marketing Out of Control – Self-Evaluation", as well as the "Marketing1by1 Tool Kit". Finally, join the marketing1by1 social network and begin discussions with your peers about the challenges a consumer controlled marketing process poses and the opportunities it generates.



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