

Advanced Marketing Automation—Maximizing Campaign Returns through Customer Intelligence

NGR

Helping Businesses **Grow**

Executive Summary

How can you consistently beat your profitability goals — and your competitors? On the surface, it's not that complicated. Just understand your customers better and faster than anyone else, and use that knowledge to target them more effectively than anyone else.

If only it were that simple. Unfortunately, while information about customers is plentiful, actionable customer intelligence often remains elusive. Customer data pours in from every conceivable channel. Assembling a coherent picture of customers from all those puzzle pieces — a picture on which you can confidently build a profitable marketing strategy — can be a formidable challenge.

To tackle this challenge, marketing automation solutions must provide three key functions:

- **Campaign and customer analysis.** A comprehensive marketing automation solution provides quantitative tools to analyze customers and prospects to help craft the right offers. Advanced systems also provide statistical analysis and modeling to tightly define target markets and continuously improve through “closed-loop” marketing, in which the system self-learns from information gleaned from prior campaigns.
- **Campaign management.** At the heart of any marketing automation solution is the capability to effectively automate essential campaign processes, including managing all communication with customers across multiple channels, tracking responses, and consolidating and reporting results.
- **Consolidated view of the customer through data warehousing.** These campaign analysis and automation functions draw on a customer-centric data warehouse that pulls customer data from all appropriate back office systems, channels and third-party data. This data warehouse supports a customer-oriented, cross-functional view needed for creating truly effective campaigns.

The most advanced generation of marketing automation technology

seamlessly combines these functions to produce a centralized, fully integrated environment for total marketing performance. Marketers can leverage the breadth of this functionality to maximize campaign returns through the four essential phases of a disciplined marketing process:

- **Plan** the most effective marketing campaign offers with a top-down strategic focus.
- **Target** campaign activities to tightly defined customer segments, and manage each segment in a way that fosters improved response.
- **Acton** those plans in a way that increases campaign velocity, flexibility and return on investment (ROI).
- **Learn** by measuring campaign results and integrating new knowledge into refined strategies and future campaigns.

Marketing Challenges of the New Millennium

In the days of the community general store, shopkeepers enjoyed a very favorable offer-to-response ratio because they knew their customers personally. They could tailor their offerings to create the most compelling offer at the right price, at the right time. They could also consider complementary purchases, based on the shopkeeper's personal knowledge of a customer's likelihood to need and buy.

That customer-centric view became logistically unfeasible or impossible in the era of global mass marketing and particularly difficult for marketers who reach customers through remote channels.

Nonetheless, customers still expect to be treated personally, immediately and consistently. With the proliferation of choices made possible by remote and online marketing techniques (catalog, direct mail, Web, etc.), customers are more empowered and less loyal than ever. If their expectations are not met, they can click to the competitor with ease, or place a toll-free call to the marketer whose

new catalog arrived in their mailbox this week.

This scenario alludes to some emerging challenges facing marketers:

- **Proliferation of customer touch points.** Five years ago, marketers interacted with customers primarily through three channels: call centers, direct mail and face-to-face. Today, even small to mid-sized retailers reach customers through dozens of channels: email, fax, pagers, Internet, voice-over-IP, trade shows, value-added resellers, distributors and more.

How can marketers gather a consistent view of the customer that crosses all those diverse touch points, while personalizing the view to the customer as well?

- **Heightened expectations for marketing campaigns.** It's not uncommon for Fortune 500 companies to plan as many as 3,000 campaigns in a single year, clearly a significant endeavor. Even the largest companies can't afford to paper the world with their glossy catalogs if they're not reaching prospects likely to buy. Nor can they afford to send direct mail to huge, undifferentiated databases. The frequency and turnaround of campaigns is higher than ever, and so is the expectation for return on investment.

How can marketers be sure they're accurately targeting the right audience with the right offer at the right time?

- **Speed and immediacy demands of the Web.** "E-business, with its characteristic transactional volume and speed, demands no less than the automation of the entire spectrum of interactions," says Quaero Research in its report, "Campaign Management Marketplace" (2001). "With access to a wide range of information on the Web, the customer who sees an ad can ask for details, move on to something else, or check out the competition in a single click."

How can marketers interact more effectively with customers over the Web in real time?

- **Rapid growth in organizational data.** Discrete enterprise systems churn out gigabytes of data about customers and campaigns — both online and offline — yet few enterprises are in a position to assemble that information into a coherent picture that can support informed, intelligent decision-making. Intuition still guides many marketing decisions in an environment that really calls for a structured, predictive framework of rigorous analysis.

How can marketers access, consolidate and clean all available customer data to create a comprehensive foundation for deriving the best customer intelligence?

With increased customer expectations and demand for an exact fit to requirements, it is increasingly important to not only reach the customer but to also understand the customer and act accordingly.

The Evolution to Analytics-Based Marketing Automation

Marketers recognized long ago that they could leverage computer technology to face these challenges and do a better job with marketing campaigns.

In the 1960s, computers kicked mass marketing into high gear with zip-code segmentation, merging and purging of files, computer-generated letters, and direct marketing techniques. In the 1970s, statisticians began applying analytical applications such as list testing and further segmentation. The 1980s brought improved database marketing with targeted campaigns driven by population analytics and relational databases. The 1990s heralded the era of relationship marketing (also called one-to-one marketing) based on the premise that customer relationships can be formed and profits in-

created by delivering information and products based on individual needs.

In four decades, then, we have witnessed a shift from mass marketing — push as much product as possible to the world — to a targeted customer focus — identify unique customer niches and cater to their unique needs.

Marketing automation systems are struggling to make a corresponding transition. As the discipline of marketing has evolved, the implementation of marketing automation has evolved through several distinct generations.

The **first generation** of marketing automation, originating in the 1960s but not seeing widespread acceptance until the late 1980s and early '90s, leveraged computer technology to automate the operational tasks associated with marketing campaigns: aggregating contact lists, generating customized direct marketing letters, tracking sales leads and so on. These products enabled marketers to segment, target and reach customers more efficiently.

This generation of operational point solutions, usually based on proprietary databases and standalone systems, improved the effectiveness of simple campaigns with turnaround times of several months.

The **second generation** of marketing automation took a more holistic, cross-functional focus, considering campaign management in context with overall business processes. Software solutions shifted from proprietary databases to open systems, with emphasis on scalability, enhanced automation of product-oriented campaign processes for efficiency and more timely reporting.

This generation of cross-functional solutions reduced the marketing department's reliance on IT, supported faster campaign turnaround cycles and made progress in integrating sales and service channels across all touch points.

First- and second-generation marketing automation systems predominate today, even as the changing marketplace demands more than these task-oriented sys-

tems can provide.

The **third generation** of marketing automation takes data integration a step further and:

- Supports a customer-centric view that provides a consistent, coherent view of the customer across all touch points.
- Integrates sales force automation and call center systems alongside electronic channels.
- Feeds campaign performance results back into the system to support continuously improving, closed-loop marketing.

The emerging **fourth generation** of marketing automation is the critical underpinning for today's merchandising environment, with higher expectations, pressure for faster turnaround at lower costs and narrower windows of opportunity. This most advanced generation of marketing automation solution:

- Introduces advanced analytics to turn business data into customer intelligence, in real time.
- Optimizes each customer contact by tailoring promotions and contact channels to best suit the customer's expectations.
- Enables more opportunistic marketing than ever by responding to triggers that indicate a change in a customer's state, as derived by demographics or analytics. Did the customer just move to a different climate? Purchase baby items for the first time? Make a purchase without the add-on options? Buy two items that indicate a potential need for a third?

Investments in fourth generation marketing automation solutions that can create in-depth customer intelligence pay off for marketers by:

- Restoring the personal-service value that remote channels and mass-marketing removed.
- Fostering greater long-term loyalty through relationship-building.

- Maximizing lifetime value of each customer through cross-selling and up-selling.
- Increasing the rate of return on marketing initiatives by targeting the right customer with the right message, at the right time via the right media.

The next section discusses how fourth-generation marketing automation supports a comprehensive, closed-loop marketing process that leverages customer intelligence to transform marketing from an automated operational function into a more profitable intelligence-based relationship management function.

Four Phases of Intelligence-based Marketing Automation

Given that large organizations commonly plan hundreds of different campaigns in a single year, marketers have to maximize and optimize their performance results at every stage of the process. Systematic and profitable marketing incorporates four key phases:

- **Plan** the most effective marketing campaign offers and strategies.
- **Target** campaign activities to tightly defined market segments with high propensities to buy.
- **Action** those plans with automated campaign management tools, such as modules to pull lists, generate customized email and direct mail materials, and track results.
- **Learn** from campaign experience by measuring campaign results and automatically feeding that intelligence back into the system to fine-tune future campaigns.

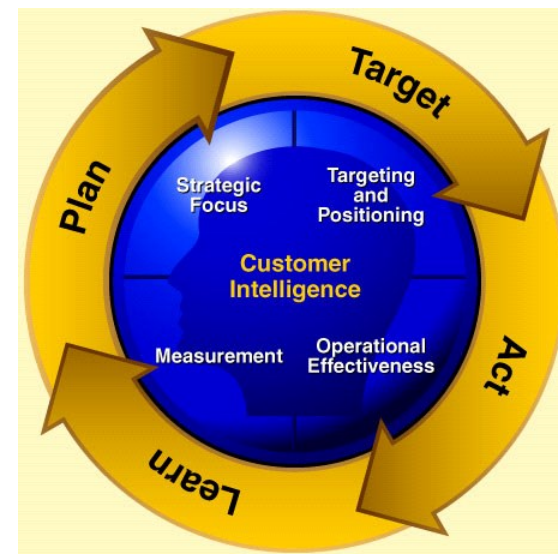
The good news is that each of these business imperatives has a corresponding technology solution that is proven and available today — paying for itself rapidly through the profitability gains of more intelligent marketing.

Plan the Most Effective Marketing Initiatives

The marketer's first task is to plan maximally effective marketing campaign offers and strategies, in alignment with overall corporate goals. To do that, you need a clear, top-down picture of the business issues at play. What is the immediate and long-term value of each customer/segment? From an enterprise-wide perspective, what is the best way to increase customer retention, brand and product awareness and demand?

The planning stage is also where business strategy merges with marketing content. What product offers should be included in the campaign? How should the offers be conveyed? What communication methods will work best for this campaign? At what cost? What are the program steps and sequence? Expected results?

This planning process must be framed within a company-wide strategic vision. It's not enough to manage functional units toward individual successes and expect their merits to trickle up through the organization. Management should establish organization-wide objectives, align all functional units toward that bigger picture of success and reward units based on organization-wide metrics.



Fourth-generation marketing automation supports that holistic perspective, enabling you to plan complex campaign strategies and operations within the context of corporate-level objectives. A critical component in generating a corporate-level view is to have direct access to a central data repository that holds all validated, up-to-date campaign and customer information. A fourth-generation marketing automation system incorporates this knowledge to make campaigns more personal, relevant and effective, and integrates reference data from previous campaigns to help gauge costs and anticipate results.

Target Campaign Activities to Precisely Defined Customer Segments

Targeting is crucial to effective customer relationship management, not only in improving your chances of reaching high-value customers, but in ensuring that you don't waste scarce resources on attempting to sell to the wrong people. To anticipate customer needs, improve customer retention and identify opportunities to cross-sell and up-sell, marketers have to understand the unique characteristics of each market segment in an increasingly fragmented marketplace.

The targeting phase asks:

- How should we define our customer segments?
- How are customers moving between segments over time?
- Which customers are most likely to leave?
- Which customers are good candidates for cross-selling or up-selling?
- Which communication channel should we use?
- What are the characteristics of a good customer?
- Are we recruiting high-value customers or low-value customers?

Effective targeting allows you to:

- Increase customer retention by identifying “at risk” customers and implementing targeted loyalty programs.
- Refine marketing campaigns to target those most likely to buy.
- Quantify shifts in behavior, predict long-term value and identify prime cross-sell and up-sell opportunities.

A prerequisite to effective targeting is a more complete understanding of your customers, which can be obtained through techniques such as customer profiling, customer profitability analysis, churn/retention analysis and behavior analysis. Fourth generation marketing automation dynamically integrates sophisticated data mining and analysis capabilities into the targeting function. Data mining returns tremendous bottom-line impact as it turns data into predictive information, information into knowledge and knowledge into greater business value. With forward-looking analytics, you can better segment customers for more targeted campaigns.

Act on Marketing Plans with Maximum Operational Effectiveness

Automated campaign management tools streamline the customer contact processes of a campaign, including pulling lists, establishing control groups, scheduling campaign activities and tracking results. Even second-generation marketing automation systems handle these tasks.

Fourth-generation marketing automation dramatically improves operational effectiveness by introducing an extra layer of intelligence to the essential tasks of campaign management, communications and reporting.

For example, the campaign management component of NGR's Marketing Automation provides:

- Integrated prioritization and scheduling for complex, multi-channel, multi-stage campaigns.
- Efficient selection, screening and filtering of internal and purchased contact lists to produce clean, non-duplicated target lists,

without reliance on the IT group.

- Coordination and optimization of outbound and inbound communications over multiple channels for hundreds of thousands or hundreds of millions of customers.
- The ability to create, deliver and track high-volume, opt-in, personalized email marketing campaigns based on a thorough understanding of the customer.
- Dynamic response handling to automatically update customer contact history, response tracking and analytical processes.
- Tracking of “hard” responses (purchase decisions) and “soft” responses (subtle changes or trends in user behavior), recorded through conventional channels or e-media.
- Automatic updates to the central customer data warehouse of customer contact history, response history and analytical results.

Learn from Campaign Experience

Obtaining detailed customer knowledge is one thing; effectively integrating it into future marketing campaigns is another. You should be able to measure the effectiveness of a campaign against the goals established in the plan phase and then use that information to improve future campaigns.

Did the customers respond, and if so, how did they respond? Did we achieve our objectives? This information is critical to capture, monitor and incorporate back into the customer data warehouse. Through this ongoing self-learning process, you gain an ever more accurate picture of customers’ wants and needs, leading to more effective campaigns over time.

Advanced marketing automation solutions let you track all customer responses via a central database, enabling you to measure the response to each marketing campaign and improve on that performance next time around. You can also create multiple control groups to provide baselines against which to measure response

rates. These test cells allow you to field-test campaign features, such as different modeling algorithms, creative treatments or channel options.

Ideally, you could import responses directly and automatically from inbound communication channels into a response table, such as auto-recording all the “click-to-buy” responses to an email offer. Or you could use a calculated rule linking a response to a campaign or communication, even if the respond channel isn’t the same as the outbound channel. For example, if the customer receives a letter and responds to it via the Web or phone, the link can easily be established and recorded.

Not all communications produce, or even demand, a direct response. For example, a campaign that aims to alter customers’ patterns of spending or saving may not require any inbound communications from the customer and no explicit purchase decision. The campaign’s success might be measured not in phone calls or cards returned, but in changes in transaction patterns among the target group. By tracking such inferred responses, fourth generation marketing automation solutions can help you identify subtle trends that are easy to miss when there is no direct feedback to measure.

The learning capability allows you to reach far beyond customer reactions to specific campaigns. With the right technology, you can analyze historical customer data, purchased customer data, and customer transaction data and sales data from every channel. You can use this information to better understand drivers of customer profitability, build accurate predictive models of customer behavior, and implement a more targeted — and more profitable — campaign the next time.

With that kind of customer knowledge in your arsenal, you are in a position to develop more effective marketing strategies and redirect costly marketing resources toward the most profitable customer segments.

Each of these four stages — plan, target, act and learn — is integral to the total marketing automation value chain.

-> Once you understand the customer base, you can segment those

customers into groups to which you can target with tailored service and marketing activities.

-> Using analytics, you can quantify shifts in behavior, predict long-term value, and identify prime cross-sell and up-sell opportunities.

-> This customer intelligence forms a basis for highly targeted market campaigns and offers.

-> Automate and streamline implementation for complex, multi-channel, multi-stage campaigns.

-> Glean responses and trends from marketing campaigns and then cycle them back into the system to fine-tune its effectiveness.

The payoff from these technology investments is significant — shorter marketing cycle times, better odds of getting your message out to customers ahead of the competition, reduced costs by replacing scattershot campaigns with truly targeted ones, and rising return on investment as the results of each campaign are immediately applied to the next.

The Critical Technology Enablers of Marketing Automation

The essential stages of marketing automation described earlier — plan, target, act and learn — demand more than first- and second-generation software solutions can provide. Third-generation solutions start to fill critical gaps by automating functions across multiple business units and customer contact channels, and providing some self-learning capability. Fourth-generation solutions, such as NGR's Marketing Automation, integrate powerful campaign management functionality with:

- A centralized data warehouse to support a customer-centric view.
- Industry-leading analytics to derive and apply true customer intelligence.

Centralized Data Warehouse to Support a Customer-Centric View

No matter how large the target market, it is composed of individuals, with individual characteristics and predilections. Therefore, the key to effective mass marketing is not to treat your market like a mass. The more in-depth your intelligence about individual customers, the greater the effectiveness of your marketing efforts.

But what if you need to interact with millions of customers? What if you're dealing with lean profit margins that require high-volume economies of scale? How do you restore personal service — and the sales value it creates — when you're marketing on a regional, national or global scale? How do you provide that value-added, personalized service without eroding profit margins?

The answer is to embrace an enterprise-wide, customer-centric vision. From an organizational standpoint, that means you should align sales and service behaviors around customer relationships instead of around specific organizational structures or products.

In a marketing automation solution based in customer intelligence, you integrate customer information from across the entire organization, as well as from partners and other external sources, to develop one comprehensive view of customer behavior. Only with a unified view can you accurately identify and differentiate customer needs, define marketing campaigns based on those needs and thereby maximize return on investment from marketing initiatives.

At the center of NGR's Marketing Automation is a multi-dimensional data warehouse that serves as the central collective memory of the organization's customers. Using best of the class data warehousing technology, NGR provides a panoramic view of the customer that

incorporates legacy data, transaction data, preference information and data from any source that helps describe customers and their attributes.

The NGR data warehouse:

- Provides an open structure that works with any existing database environment to maximize flexibility and reduce cost.
- Integrates input from multiple contact point systems, such as click stream data from Web commerce, retail outlet and field sales systems and call centers.
- Integrates with back-office systems, such as account maintenance systems, inventory and procurement systems.
- Integrates third-party data, such as from third party application service providers, agents and dealers, prospect lists and purchased data (demographics or credit information, for example).
- Performs data cleansing, validation, reduplication, merge-and-purge and update functions to maintain data integrity.
- Enables a comprehensive, 360-degree view of customers across touch points, products and functional areas.
- Supports meaningful analysis to turn this data into intelligence you can act on.

In short, the NGR data warehouse assembles a single, enterprise-wide view of the customer, spanning all touch points and systems. Business data and key operational metrics from diverse departments are aligned, shared and integrated in a common repository. Information about customers, which may currently exist in various databases across the enterprise, is combined and made compatible, to support meaningful analysis.

Industry-Leading Analytics to Derive and Apply True Customer Intelligence

To increase the rate of return on marketing campaigns, marketing

strategies must be based on an accurate and comprehensive understanding of customers across all functional areas and contact channels. The model of campaign management based on customer intelligence calls for creating intelligent campaigns that are tightly targeted to the highest-value customers, for the most relevant opportunity, through the most effective channel, at the most appropriate time.

Advanced analytic techniques enable analysts — with or without statistical backgrounds — to better understand and anticipate customer behavior and thereby build relationship value. Here are some representative analytics available in NGR's Marketing Automation to create optimally effective marketing campaigns.

- **Customer value modeling** — Calculate the total value of keeping customers throughout the lifetime of the relationship.
- **Customer risk analysis** — Calculate the risks associated with a given customer, including credit risk, likelihood of defection to a competitor and so on.
- **Market basket analysis** — Analyze the mix of products that a given customer purchases, with a view to understanding what other products to sell them.
- **Segmentation analysis** — Identify the most valuable and profitable customers to help define appropriate target marketing programs.
- **Cross-selling predictions** — Identify the right time to make an offer to an existing customer, and determine the optimal content and contact channel.
- **Customer channel analysis** — Analyze and predict the most suitable and efficient channels for initial contact, up-selling and cross-selling activities.
- **What-if analysis** — Change key campaign variables and determine how they affect the outcome.

Advanced analytics enable you to “mine” the data warehouse to transform masses of data into meaningful market segments on a

formal or ad hoc basis. Armed with this information, you can create highly tailored marketing campaigns and identify high-value individuals, instead of deluging customers with irrelevant offers.

Summary

The term marketing automation only alludes to one small part of the total equation. Advanced marketing automation solutions such as NGR's Marketing Automation address far more than just automation. They support comprehensive operational and analytic processes that build business value by unifying multiple internal systems, organizational silos and customer channels into an enterprise-wide customer intelligence strategy. Because it helps you better understand customer needs, NGR's Marketing Automation — and the customer intelligence it delivers — let you optimize customer satisfaction, revenue and profits, and increase value for all stakeholders.

NGR's Marketing Automation provides a unique, integrated approach to help you understand your customers better than anyone else, and use that knowledge to target them more effectively than anyone else. In one integrated system, one easy-to-use graphical environment, NGR's Marketing Automation brings together campaign management, and campaign and customer analysis. It is the only solution that combines award-winning data warehousing and data mining with state-of-the-art campaign management tools, combining analysis with operational processes in one integrated environment for total marketing automation.

About NGR

NGR provides innovative enterprise marketing management solutions that turn your passion for marketing into business success. NGR transforms how marketing and sales teams of all sizes work and work together to accelerate predictable revenue.

NGR's solutions are both powerful and easy to use, providing explosive revenue growth throughout the revenue cycle from the earliest stages to demand generation and lead management to deal close and continued customer loyalty.

In past 48 months, we have been working on developing various marketing and sales solutions which assists organizations in improving customer relations and further improves the bottom-line.

NGR Technosys Private Limited
Hydernagar, Kukatpally
Hyderabad 500 072, India
Tel: 91 40 3290 5554
Cell: 91 8985 11 2309
www.ngrtechnosys.com

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