Increasing Marketing ROI with Customer Analytics
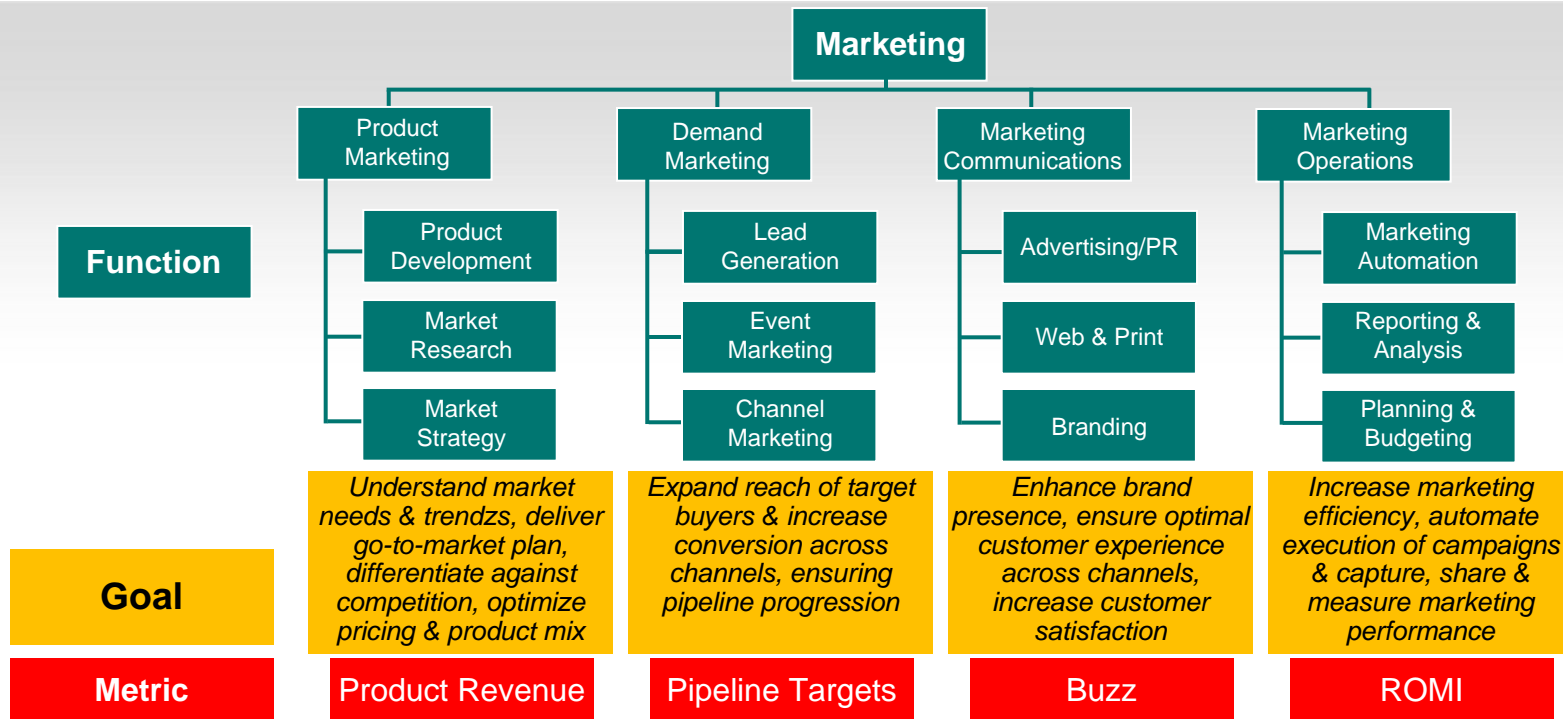
The agenda

- **The Marketer's Evolving Role – Data/Analytics Based Decisions**

- **Customer Analytics to Increase ROI**

- **ROI in Action**

The Marketer's Evolving Role:

Data / Analytics-Based Decisions

IBM Global CMO Study

#1 Priority for Next 5 Years:

Enhance customer loyalty/advocacy	**67%**
Design experiences for tablet/ mobile	57%
Use social media as a key channel	56%
Use integrated software to manage customers	56%
Monitor the brand via social media	51%
Measure ROI of digital technologies	47%
Analyze online / offline transactions	45%

*"Marketing performance tracking is **driven by customer loyalty**. End-to-end lifecycle management is key."*

--Telecommunications CMO, Belgium

#1 Measure to Gauge Success:

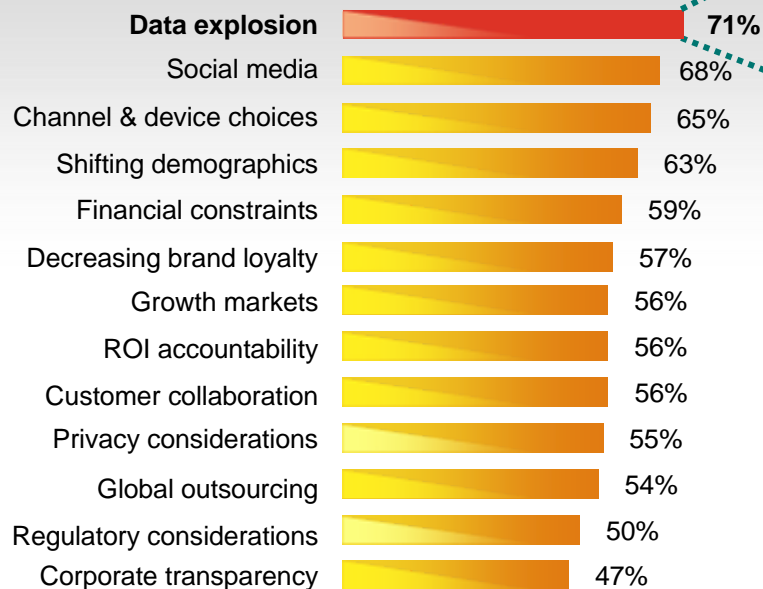|	
Marketing ROI	**63%**
Customer experience	58%
Conversion rate	48%
Overall sales	45%
Marketing-influenced sales	42%
Revenue per customer	42%
Social media metrics	38%

*"The success of my role is far more about analytics and technology than it is about hanging out with my ad agency, coming up with great creative campaigns. **We must increase campaign ROI**."*

--Airlines executive manager/marketing, Australia

Source: IBM's 2011 Global CMO Study: From Stretched to Strengthened (2011)

CMOs underprepared for new market dynamics

Underpreparedness
Percent of CMOs selecting as "Top 5 Factors"

Factor	Percent
Data explosion	**71%**
Social media	68%
Channel & device choices	65%
Shifting demographics	63%
Financial constraints	59%
Decreasing brand loyalty	57%
Growth markets	56%
ROI accountability	56%
Customer collaboration	56%
Privacy considerations	55%
Global outsourcing	54%
Regulatory considerations	50%
Corporate transparency	47%

Need for change to deal with data explosion
Percent of CMOs indicating high/significant need

Factor	Percent
Invest in technology	73%
Integrate insights	69%
Understand analytics	65%
Rethink skill mix	64%
Collaborate with peers	52%
Validate ROI	49%
Address privacy	28%

6

Source: IBM's 2011 Global CMO Study: From Stretched to Strengthened (2011)
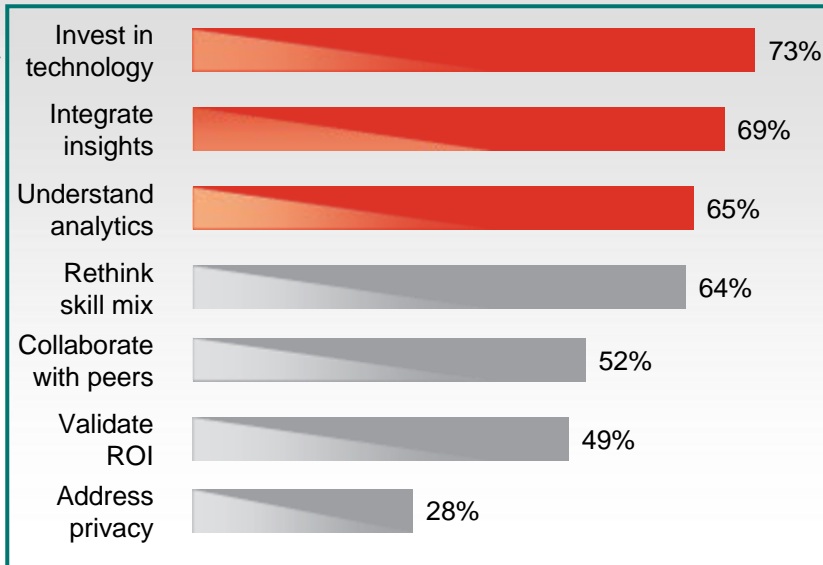
Leading marketers are utilizing analytics, outperforming peers

Revenue growth
3-year CAGR, 2008-2011

10%
Leading marketers

7%
Others

Gross profit growth
3-year CAGR, 2008-2011

12%
Leading marketers

6%
Others

Marketer's evolving role:
- By 2017, the CMO will spend more on IT than the CIO *(Gartner)*
- Customer Analytics represents a $14.7B opportunity in software *(IDC)*
- In 2013, 50% of new marketing hires will have technical backgrounds *(IDC)*

Leading marketers:
1. *Make more informed marketing investments with greater returns*
2. *Engage with customers in personalized way*
3. *Automate, deliver, guide & measure impact of marketing actions across all channels*

It starts with the data

High-value, dynamic data

HOW?

Interaction data
- E-Mail / chat transcripts
- Call center notes
- Web Click-streams
- In person dialogues

WHY?

Attitudinal data
- Market Research
- Social Media

360 degree customer view

Descriptive data
- Attributes
- Characteristics
- Self-declared info
- (Geo)demographics

Behavioral data
- Orders
- Transactions
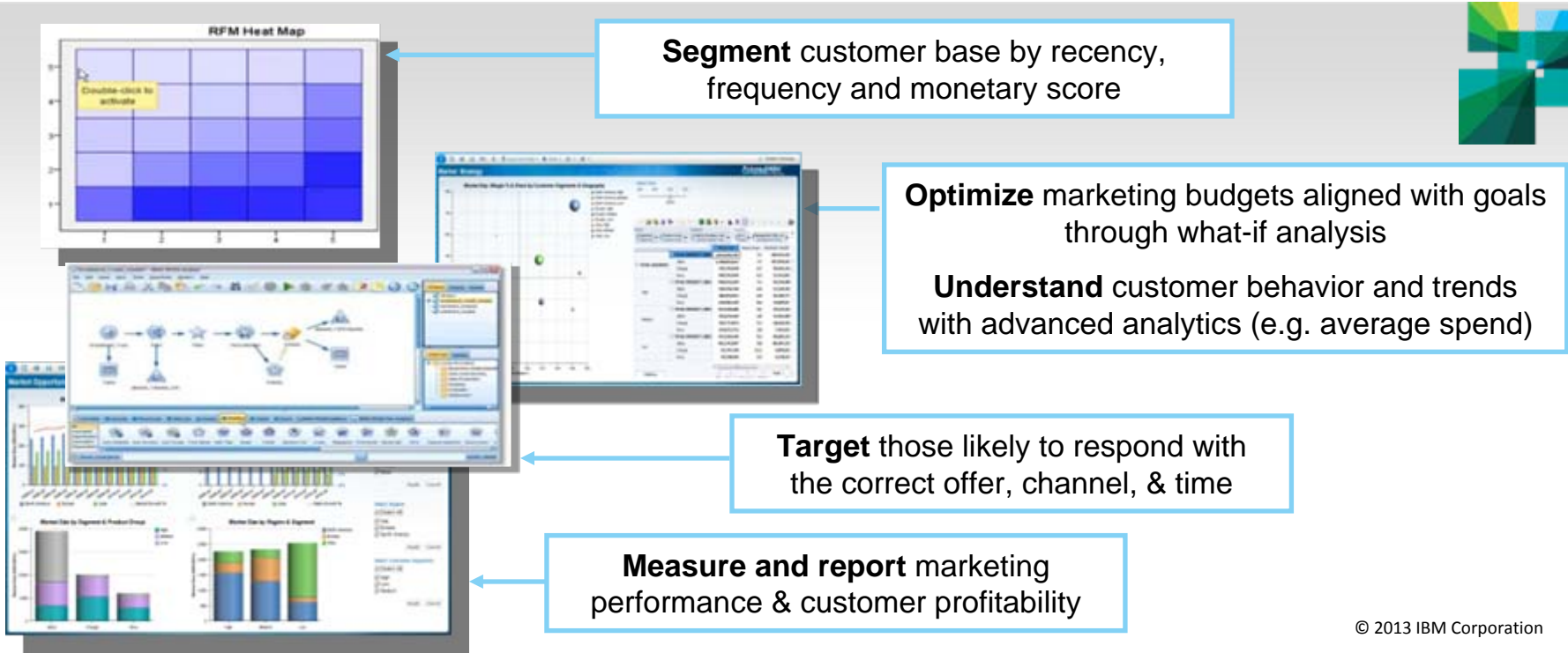- Payment history
- Usage history

WHO?

Traditional approach

WHAT?

Customer Analytics to Increase ROI

IBM Customer Analytics: Acquire, Grow, Retain

Acquire: the ideal customer

Segment customer base by recency, frequency and monetary score

Optimize marketing budgets aligned with goals through what-if analysis

Understand customer behavior and trends with advanced analytics (e.g. average spend)

Target those likely to respond with the correct offer, channel, & time

Measure and report marketing performance & customer profitability

Demo 1: Segmentation techniques
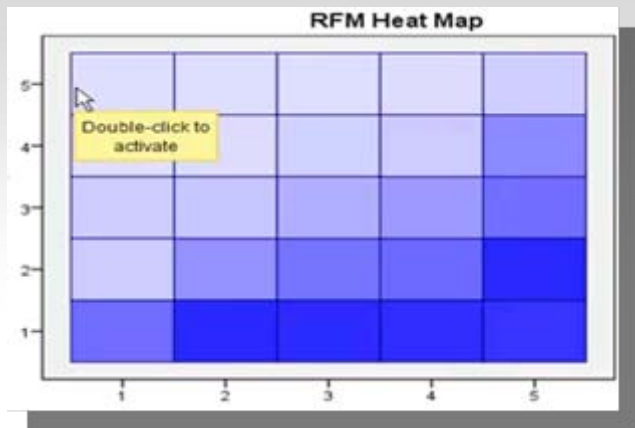
Leading marketers:

1. Make more informed marketing investments with greater returns

Grow: Customer lifetime value

Capture customer preferences through survey research
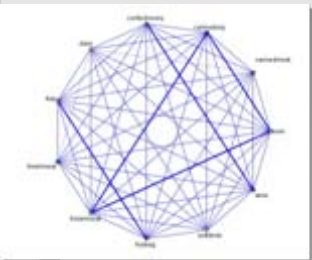
Uncover patterns in customer behavior through market basket analysis

Confirm product affinity preferences with attribution analysis

Personalize up-sell & cross-sell offers with social media data

Analyze results of sales performance & marketing campaigns, understanding which valuable segments to target

Demo 2: Up-sell, cross-sell techniques

Leading marketers:
2. Engage with customers in a personalized way

Retain: Loyal & profitable customers

Uncover causal factors for satisfaction / dissatisfaction

Gain deep insight into sentiment, understanding if product/service is being talked about in positive, negative, neutral or ambivalent tone
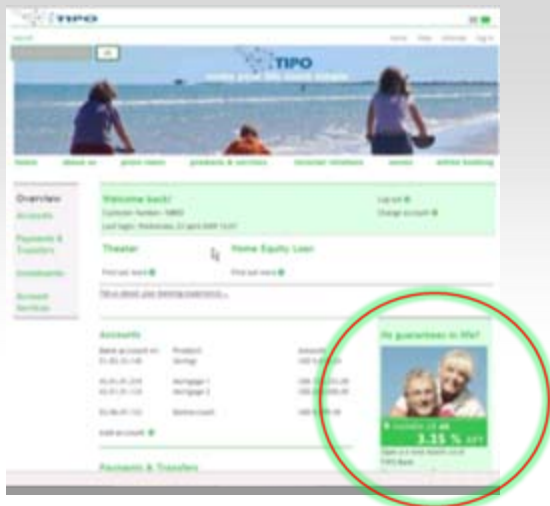
Identify those with strong social influence to increase advocacy through social network analysis

Deliver targeted retention offers in real time

Demo 3: Real-time offer techniques

Leading marketers:

3. Automate, deliver, guide & measure impact of marketing actions across all channels

ROI in Action

Fiserv
Increasing marketing response rate and improving business outcomes

The need:
With the trend toward consolidation in the banking industry, small and midsize banks and credit unions are seeking to attract, retain and grow profitable customer relationships while competing with the analytic capabilities of new mega banks. However, smaller banks and credit unions frequently lack the scale and resources to develop predictive analytic programs, hindering their ability to compete.

The solution:
Working with IBM, Fiserv is turning billions of raw transactions into actionable insights that help small and midsize banks better target offers and maximize their marketing dollars. The use of cloud-like technologies to consolidate and virtualize servers helps reduce costs and accelerate time-to-market.

The benefit:
- Estimated increase of 100 percent or higher in the response rate to targeted marketing initiatives
- Expected increase in debit card utilization
- Estimated IT savings of USD8 million over five years through server consolidation and virtualization

"Our predictive analytics service will help financial institutions focus on their most profitable customers and create goal-oriented offers that are targeted to each customer's specific needs."

— David Rose, Senior Vice President, Decision Optimization Solutions, Fiserv

Solution components:
- IBM Cognos BI
- IBM SPSS Statistics
- IBM SPSS Modeler
- IBM SPSS Collaboration & Deployment Services
- IBM Information Management
- IBM Power Systems

fiserv.

Neck & Neck
Optimizing its loyalty club promotions and reactivate dormant buyers.

The need
Predictive analytics enables this children's wear retailer to segment customers by profitability, family size and transactional status, so that it can target its customers with promotional offers based on their preferences and past buying behavior.

The solution
Through the deployment of highly scalable solution the company is now able to leverage its loyalty club data to identify ideal variables (such as customer profitability), establish the importance of the variable within the model and achieve the desired balance of predictability and business profitability.

By parsing customer data by value segments, sales managers in multiple countries Can now analyze massive amounts of data related to profitability, purchasing habits, family size and transactional status. Through this analysis, managers can better leverage the company's loyalty program and enhance the overall customer experience delivered in their stores.
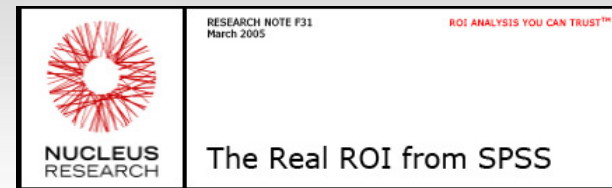
What makes it smarter
- Increased promotional campaign response rates by 20 to 25 percent
- Increased average purchase amount per customer
- Achieved ROI after just **one** campaign

Solution components:
- IBM SPSS
- IBM InfoSphere
- IBM DB2

IBM leader in Customer Analytics, time to value

RESEARCH NOTE F31
March 2005

ROI ANALYSIS YOU CAN TRUST™

NUCLEUS RESEARCH

The Real ROI from SPSS

- 94% of customers achieved a positive ROI, average payback in 10.7 months
- Over 90% of users attributed an increase in productivity to SPSS
- 81% of projects were deployed on time, 75% on or under budget

Forrester Customer Analytics Wave:
IBM **ranked #1** in both
Strategy and **Market Presence**

Next Steps…

1 Identify place to start
- Focus on 1 business problem
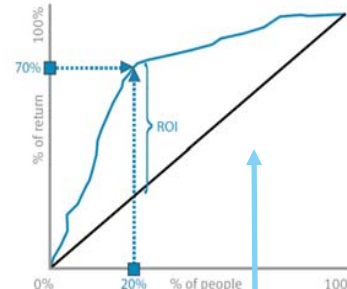- Perform cost/benefit analysis

2 Leverage existing tools
- Team up business strategy + implementation strategy
- Start with readily accessible data, open architecture

3 Execute
- Define achievable goals
- Build on small wins to launch larger initiatives

Perform cost/benefit analysis:

What is spend on avg. marketing campaign now?

What if we could send offers to 20% of our customers, but receive 70% returns?

Thank You!