

Using geodemographics to manage customer relationships

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Agenda

- Managing relationships with consumers: some of today's challenges
- Why we (still) need geodemographics
- What can we do with geodemographics?
- Final thoughts.....

Managing relationships with
customers: some of today's
challenges

“Disjointed marketing”

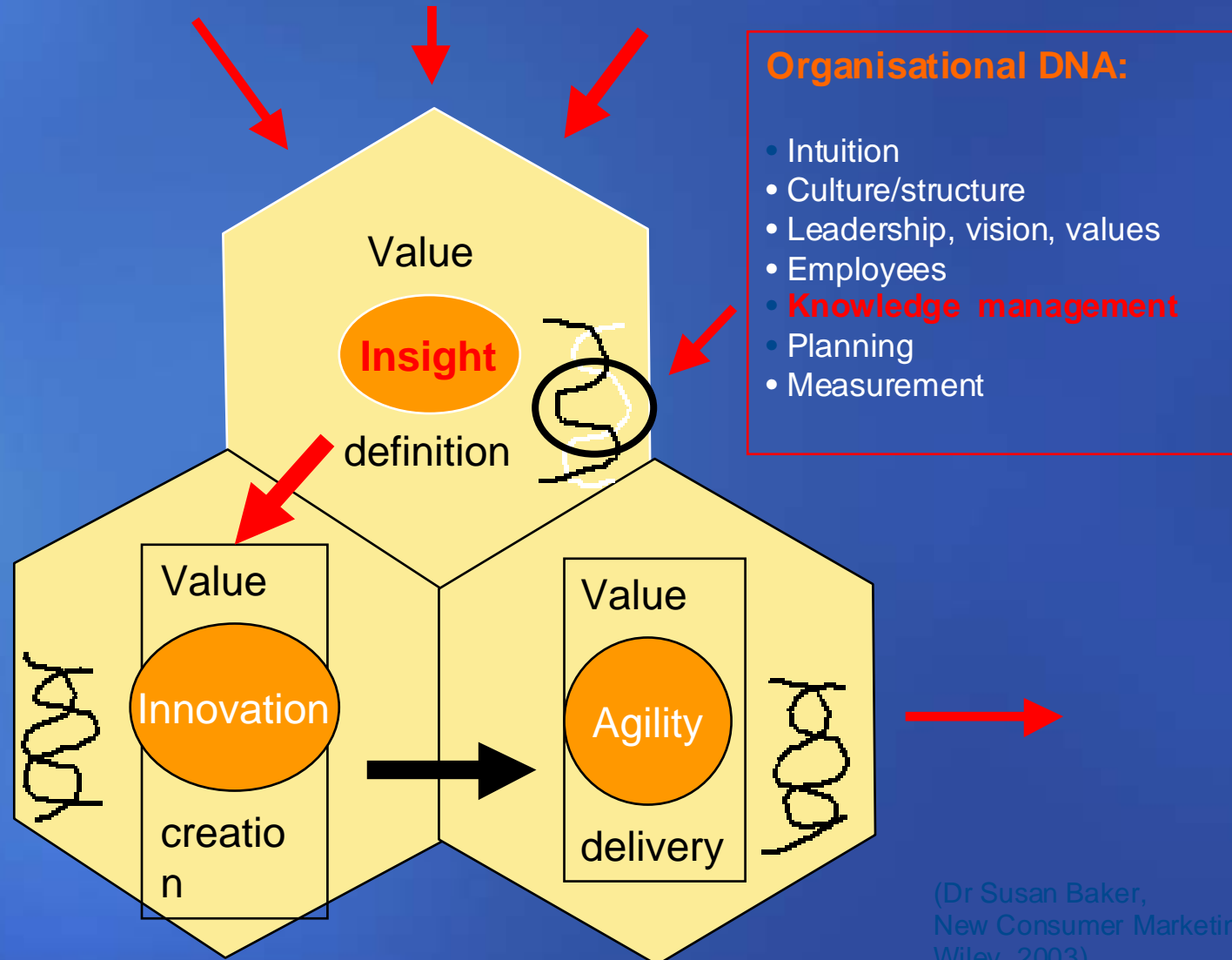
- Marketing in many companies is now composed of highly specialist tasks often de-centralised across business units,

therefore.....

no-one has a really clear overview/understanding of the marketing function (or the customer) within the organisation



New Consumer Marketing model: Driven by insight



(Dr Susan Baker,
New Consumer Marketing,
Wiley, 2003)



*“Customer Service
– how can I seem to
help you..?”*

Data driven communications



Right message at right time

	SEGMENTS								
	1	2	3	4	5	6	7	8	Etc.
① New Cust.									
⑥ Renewal									
③ Change of address									
② Complaint		X							
⑤ Married									
⑦ Purchase									
⑧ Cross-sell									
④ Up-sell		X							
Etc.									

DRIVEN BY DATA AND BUSINESS RULES

Personalisation Test

- *Quality* of the data
- *Depth* of Knowledge
- *Assumptions* about needs/behaviour

Failed?

The rise of “customer data virgins”

- The rise of interactive marketing & (associated) demise of intermediaries means more organisations are dealing with the consumer for the first time
- Customer data seen to create empowerment but.....

do organisations have the right skills and tools to deal with consumers direct and apply data driven marketing?



New Skills for CRM: Financial Services

Traditional

- Intermediary driven
- Acquisition led
- No brand relationship
- **Minimal customer data**
- Minimal cross/up selling



CRM

- Direct to customers
- Retention focus
- Develop brand relationship
- **More customer info.**
- **Data driven marketing**
- LTV approach
- Support intermediaries

CRM: 360° view of the customer a myth?



The Mirage of CRM

Customer Contact Communications

	Comms. Vol.(m)	Comms. Cost (\$)	Campaigns per year (no.)	CRM Cost PA (\$m.)	D'base Cost (\$m.)
DB/W'house				5.5	1.6
Direct mail	3.0	0.6	2	3.6	3.6
E mail	3.0	0.04	4	0.48	0.48
CRM/d'base costs				9.6	5.7

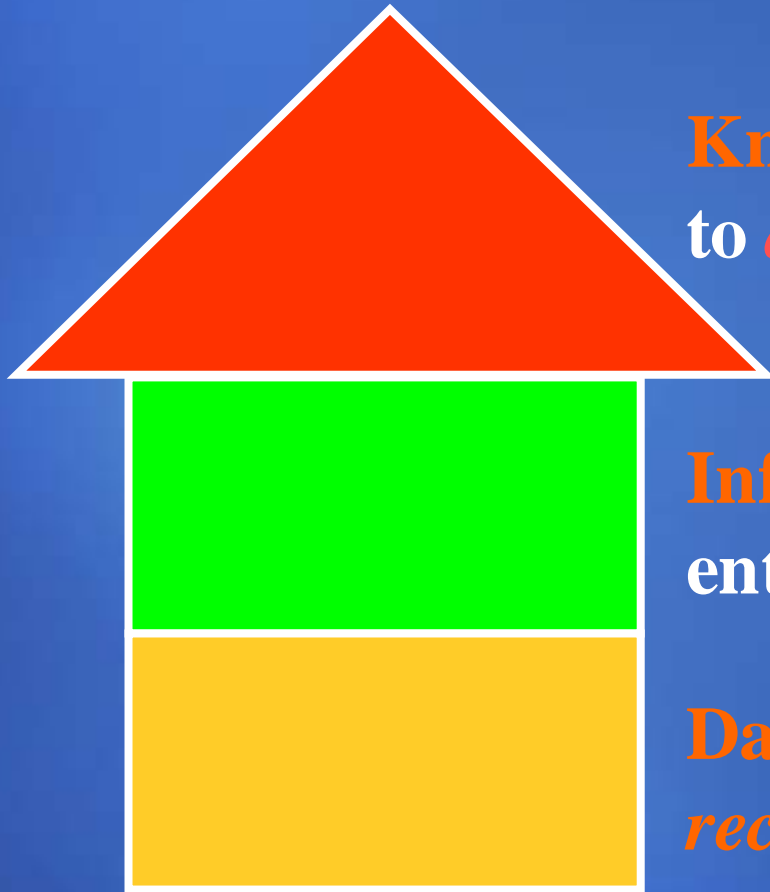
Products

Competitors

Fulfilment

Customer service complaints

A knowledge based culture



Knowledge enables the enterprise to *anticipate* events

Information enables the enterprise to *respond* to events

Data enables the enterprise to *record* events

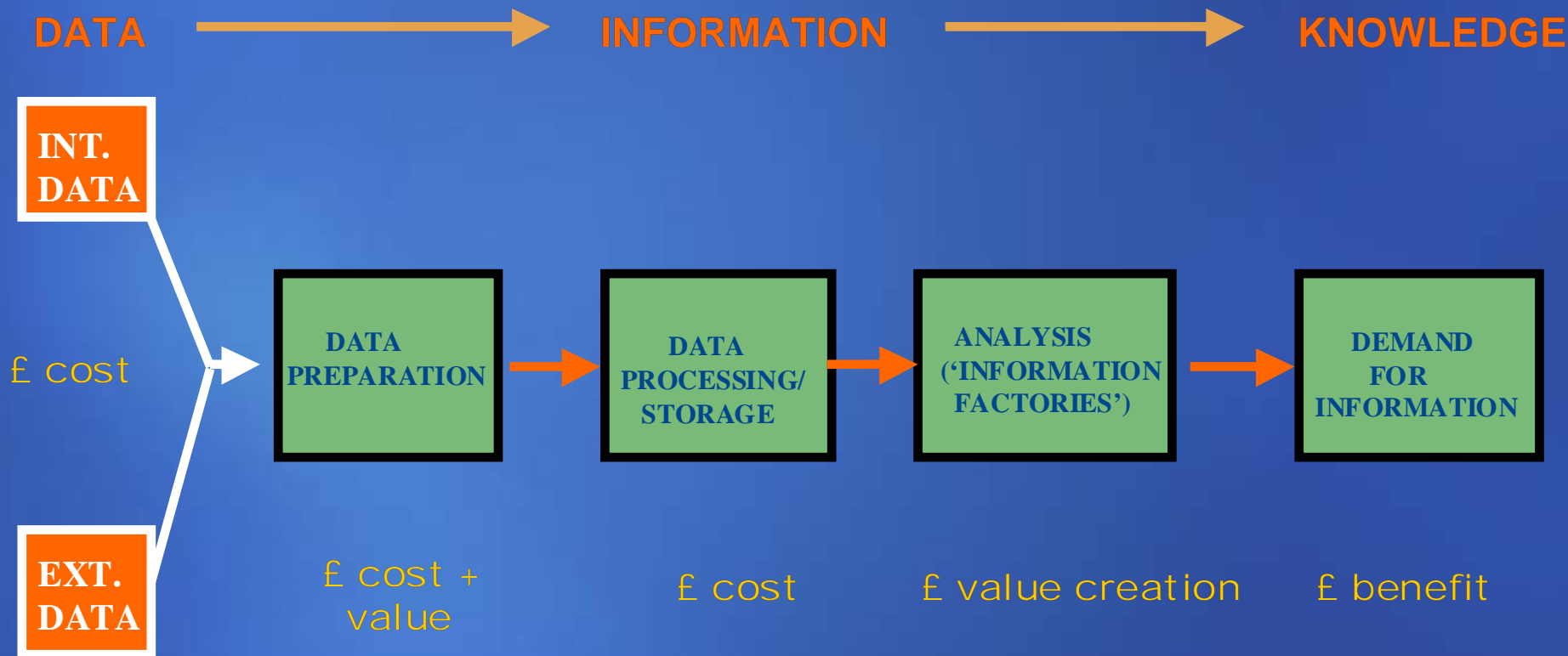
CDB as a source of knowledge to support marketing: Is the data available?

Marketing Knowledge/Insights	Score
Profile of Customers	4.16
Contact Strategies	3.93
Buyers V Targets	3.78
Sales Potential/LTV	3.70
When do Customers Buy	3.62
Channel Preference	3.32
Customer Needs	2.93
Customer Satisfaction	2.82
Future Needs of Customers	2.80
Views of Customers	2.74

1=Not Useful; 5=Extremely Useful

(Source: IDM/Strathclyde 2001)

Justifying the investment in data: Information Supply Chain



Data quality: **Lost revenue**

Factors:

- Goneaways
- Suppressions
- Missing/incorrect data Items

Gross Value:

	1,000
Core Product	£80K
Cross-sell	<u>£ 4K</u>
	<u>£84K</u>

Customers (no)

100,000	1 m.
1 year	5 years
£800K	£4M.
<u>£400K</u>	<u>£2M.</u>
<u>£1.2M.</u>	<u>£6M.</u>

Reasons for CRM failure:

No data 'literate' culture

*“Managers wishing to fail at CRM or sabotage a CRM project need look no further than **'data'** to find the **weakest link** in the project”*

Nick Siragher, Hewson Consulting, 'Carving Jelly', Chilton, 2001

“Data is very much the poor relation in CRM & e-commerce projects. The number of cases where companies have spent millions on projects but swept data issues under the carpet is frightening”

Simon Jennings, ETI

42%** of the customer information collected and held by companies was **inaccurate

AnswerSets survey

Barriers limiting the role of the CDB

	HV	LV
Data Quality	3.3	3.6
Lack of IT specialists	3.2	2.7
Fragmented systems	3.0	3.3
D'base development costs	2.9	3.3
Lack of analytical skills	2.8	2.6
D'base maintenance costs (software)	2.7	2.8
Inability to integrate multi-channel strategies	2.7	2.5
D'base maintenance costs (information)	2.7	3.0
Data Privacy legislation	2.7	3.0
D'base maintenance costs (hardware)	2.7	2.7
Insufficient commitment	2.6	2.9
Insufficient support from IT vendors	2.6	2.5
Organisation culture	2.3	2.9
Organisation structure	2.2	2.6
No board level support	2.1	2.6
Fragmented marketing/sales	2.0	2.2
Poor relations: IT & marketing	1.9	2.1
Poor relations: sales & marketing	1.7	2.0

HV=CDB
Delivers High
Value
LV=CDB
Delivers High
Value

1=No Barrier;
5=Major Barrier

(Source: IDM
Strathclyde 2001)

Data protection legislation: UK Data Protection Act 1998



Data Protection Act 1998

CHAPTER 29

Why we (still) need geodemographics

Personal data v geodemographics

Collecting personal data can be:

- Costly
- Slow
- Limited coverage
- Inaccurate & out of date
- Subject to data privacy legislation



Geodems

- Cheap
- Fast
- Good credentials (long established, ubiquity)
- Excellent coverage
- Avoids legal/ethical issues (not personal data)
- Provides links/matching

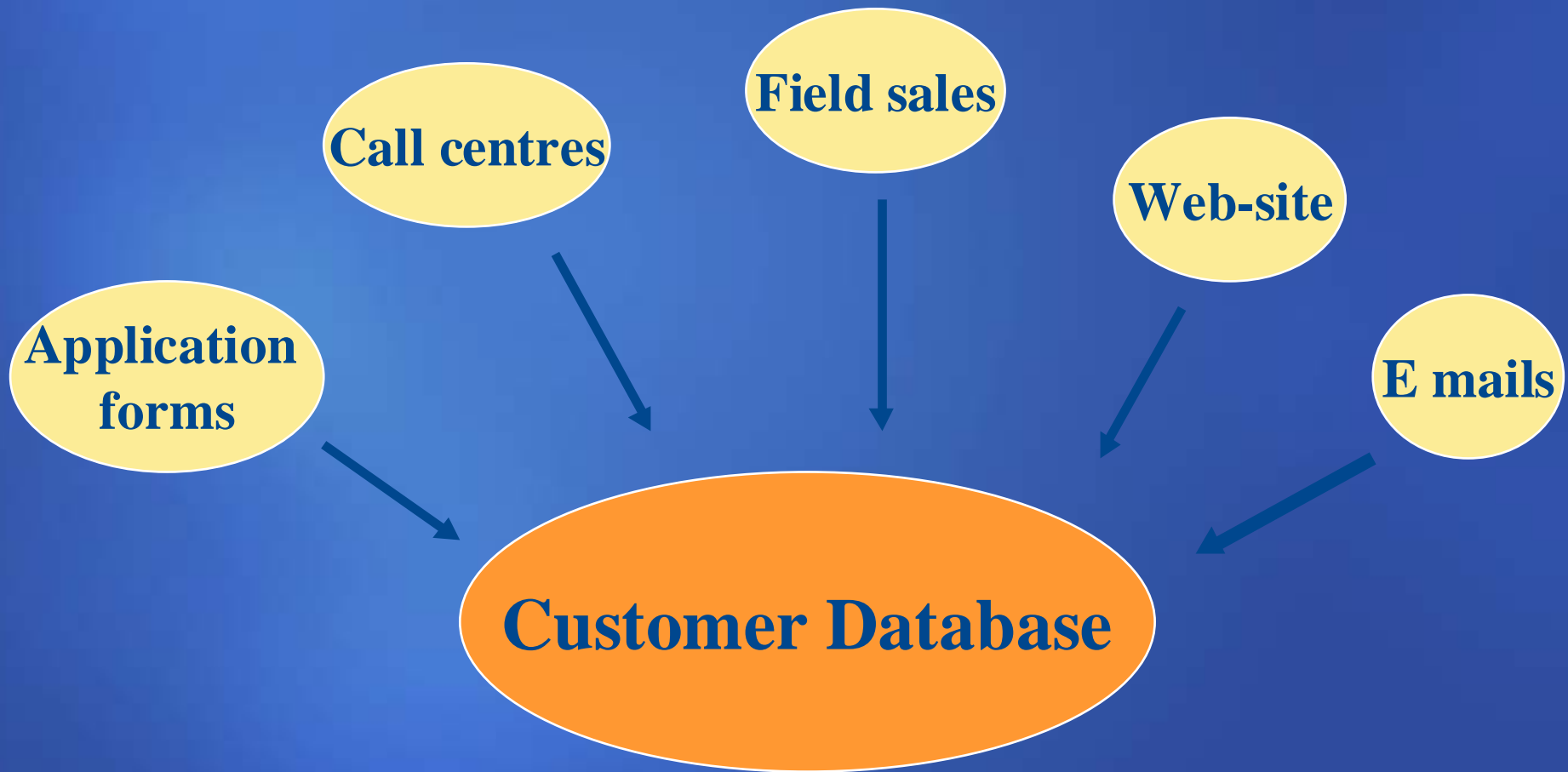


Core data set: The key to success

- Title
- Name (full names, initials)
- **Address (conditioned)**
- Company name/address
- Telephone nos.(home, work, mobile)
- E mail address

Consistent through all channels

Data capture audit

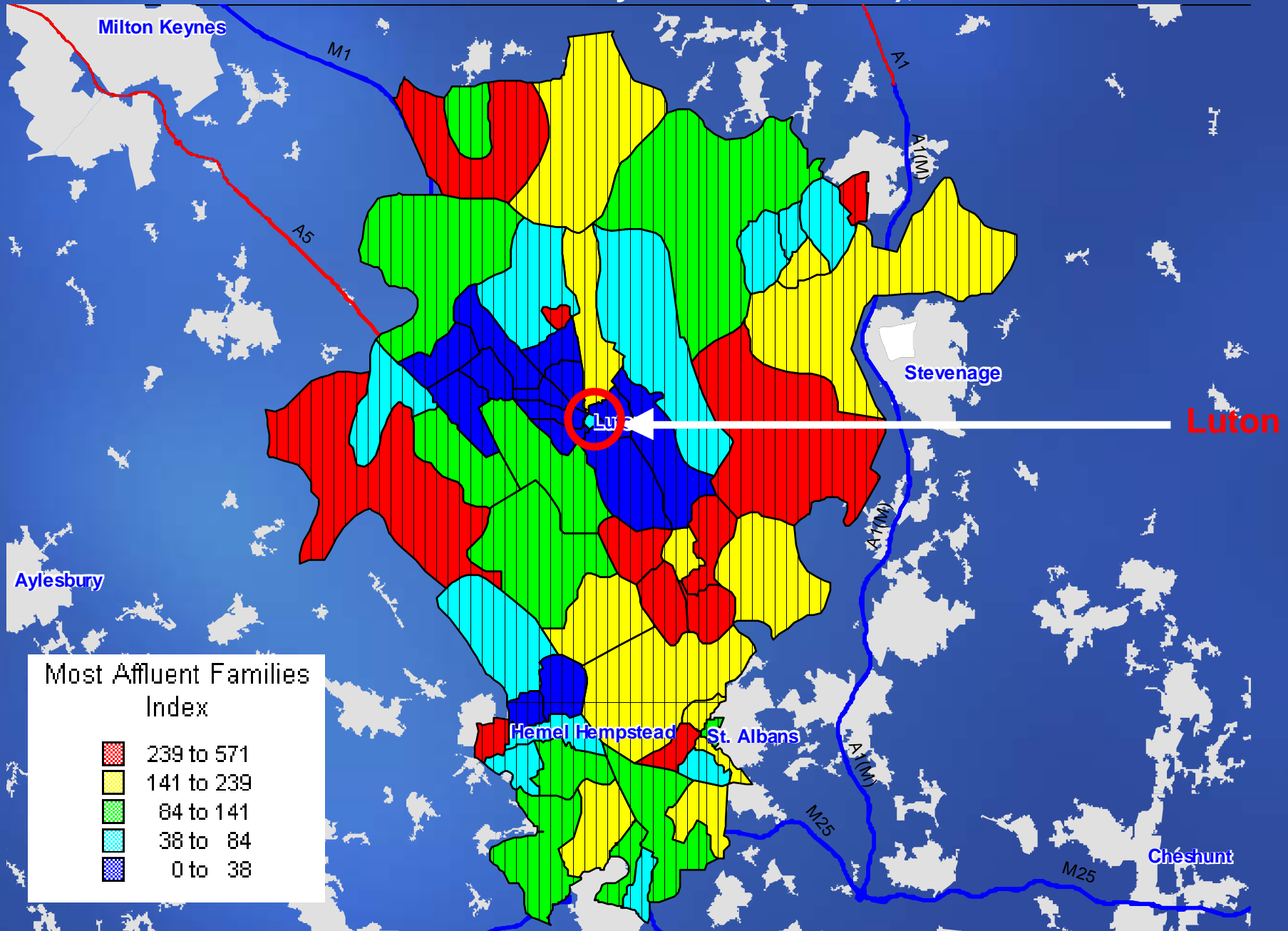


What can we do with
geodemographics?

What do we need geodemographics for?

- Segmenting customers
- Selecting customers for campaigns
- Database enhancements
- Improving the value of rented lists
- Identifying media consumption
- Comparisons with competitors
- Identifying customer value
- Profiling channel usage
- Profiling new v retained customers
- Developing value propositions
- Loyalty/warranty data analysis
- Recency/frequency/monetary (RFM) comparisons
- Retail planning
- Modelling
- MR sampling
- Analysing MR surveys
- Etc !!!!!

Luton catchment area: ranked by PRIZM (Axicom), affluent families



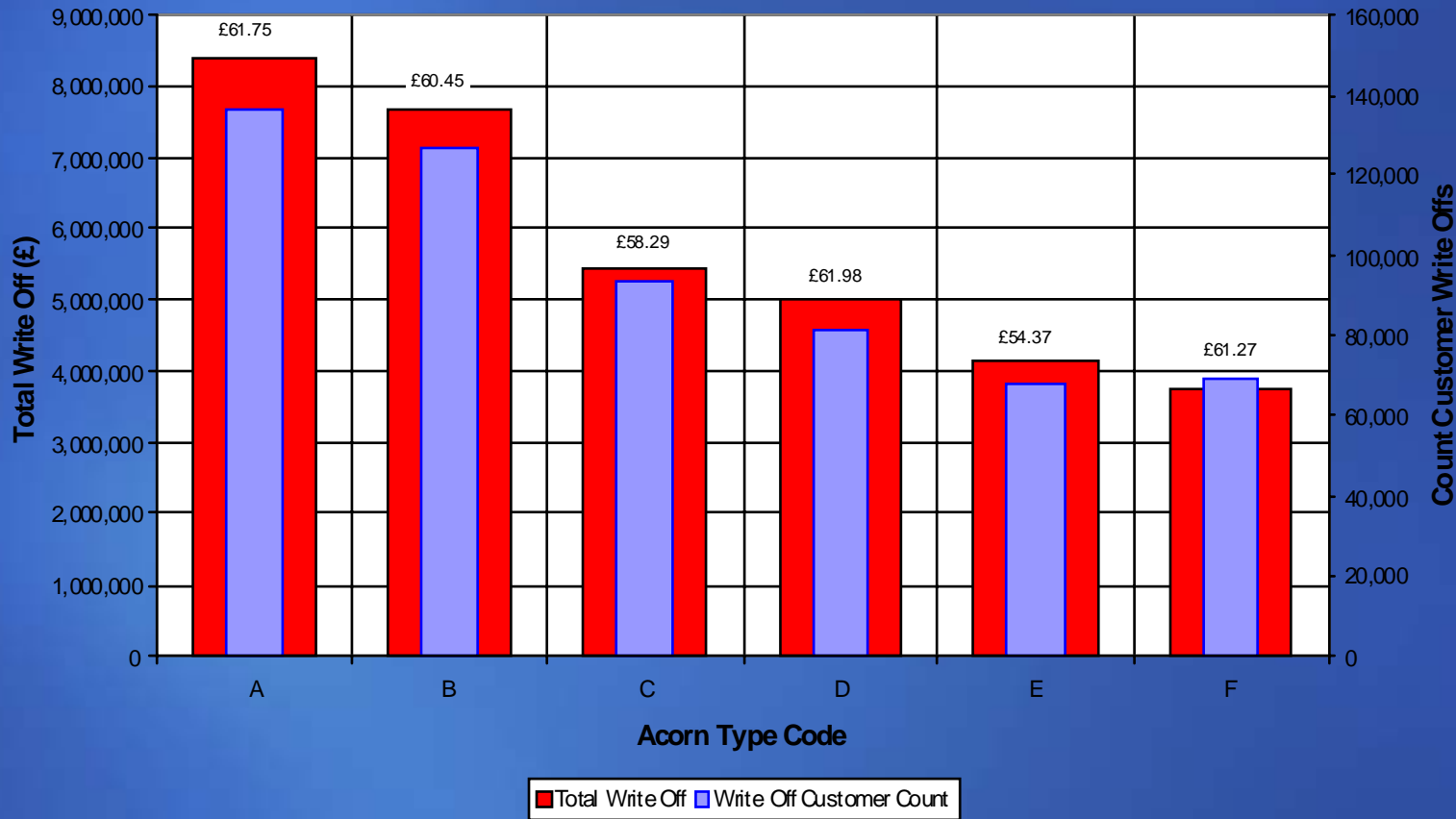
Acorn Driven Sales Targeting

Debt Reduction

- Historic methodology (using in house data) would have suppressed **25%** of write off, totalling **£13,457,714**
- Acorn driven methodology will suppress **83%** of write off, totalling **£44,345,178**

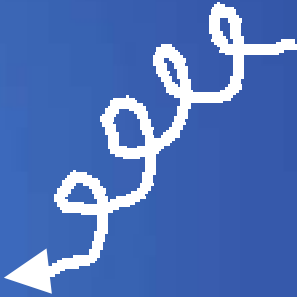
58% better targeting than the original methodology

ACORN: Sales targeting

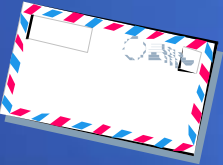


- 6 demographic codes out of the 57 demographic codes available account for £32 million pounds of write offs debt, which equates to 60% of the total (CACI, 2004)

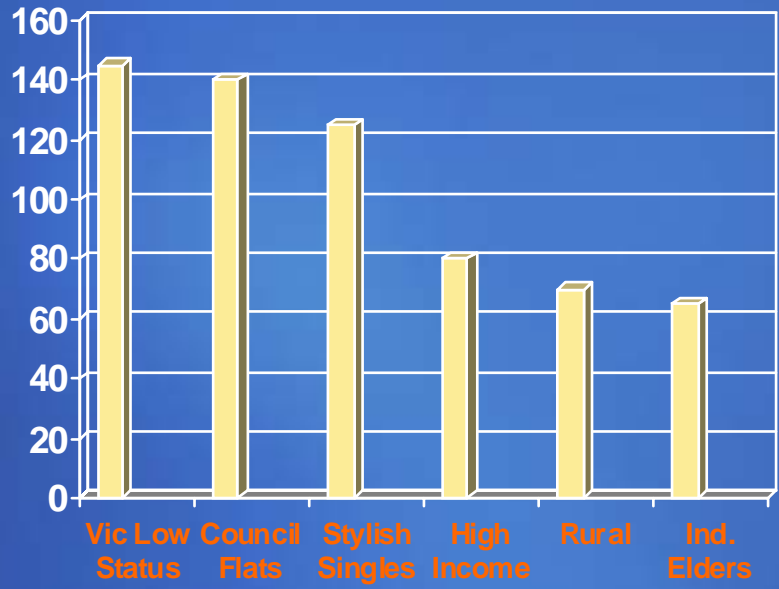
Measuring customer satisfaction



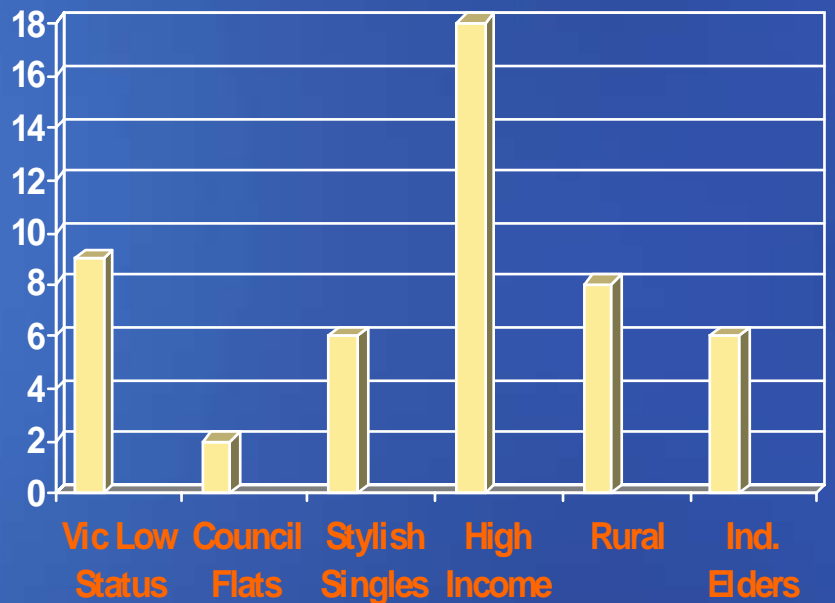
Ques
+data



Profiling service usage: AA Breakdown Service (Mosaic, 1997)

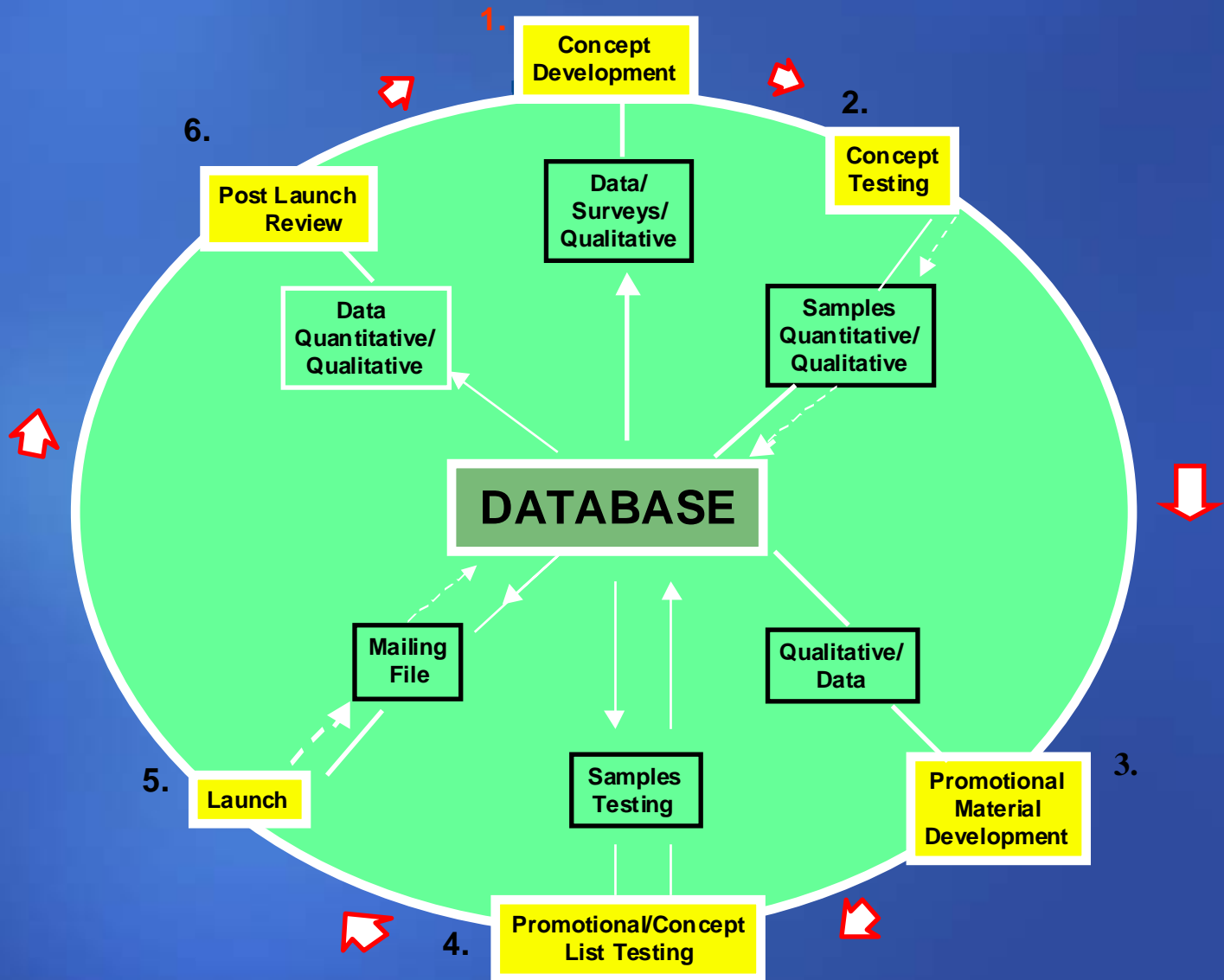


Service usage



Members profile

Integrating market research and the customer database: A six step model for mail (& online) surveys)



The 1980's.....

CONSUMER DATA

MARKET RESEARCH

Groups

Depths

Field

Phone

Mail

Panels

Retail
Audits

Omnibus

Etc..

Today.....

CONSUMER DATA

Market
Research

Geodems

Lifestyle
Databases

Customer
Database

Credit
Data

Scanner
Data

Loyalty
Schemes

Web

Market data

Customers only

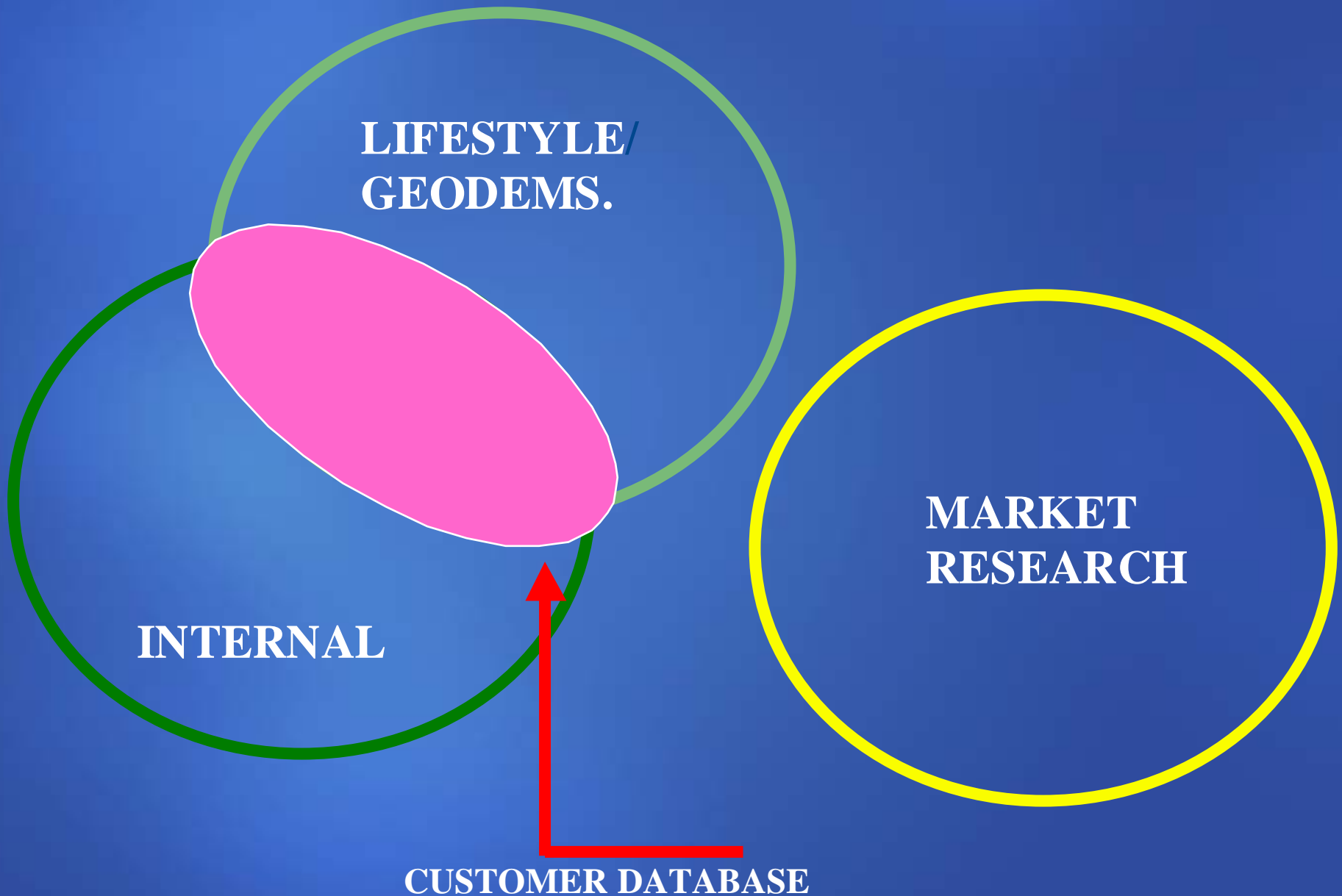
Time line

Customer Database: 360 degree view?

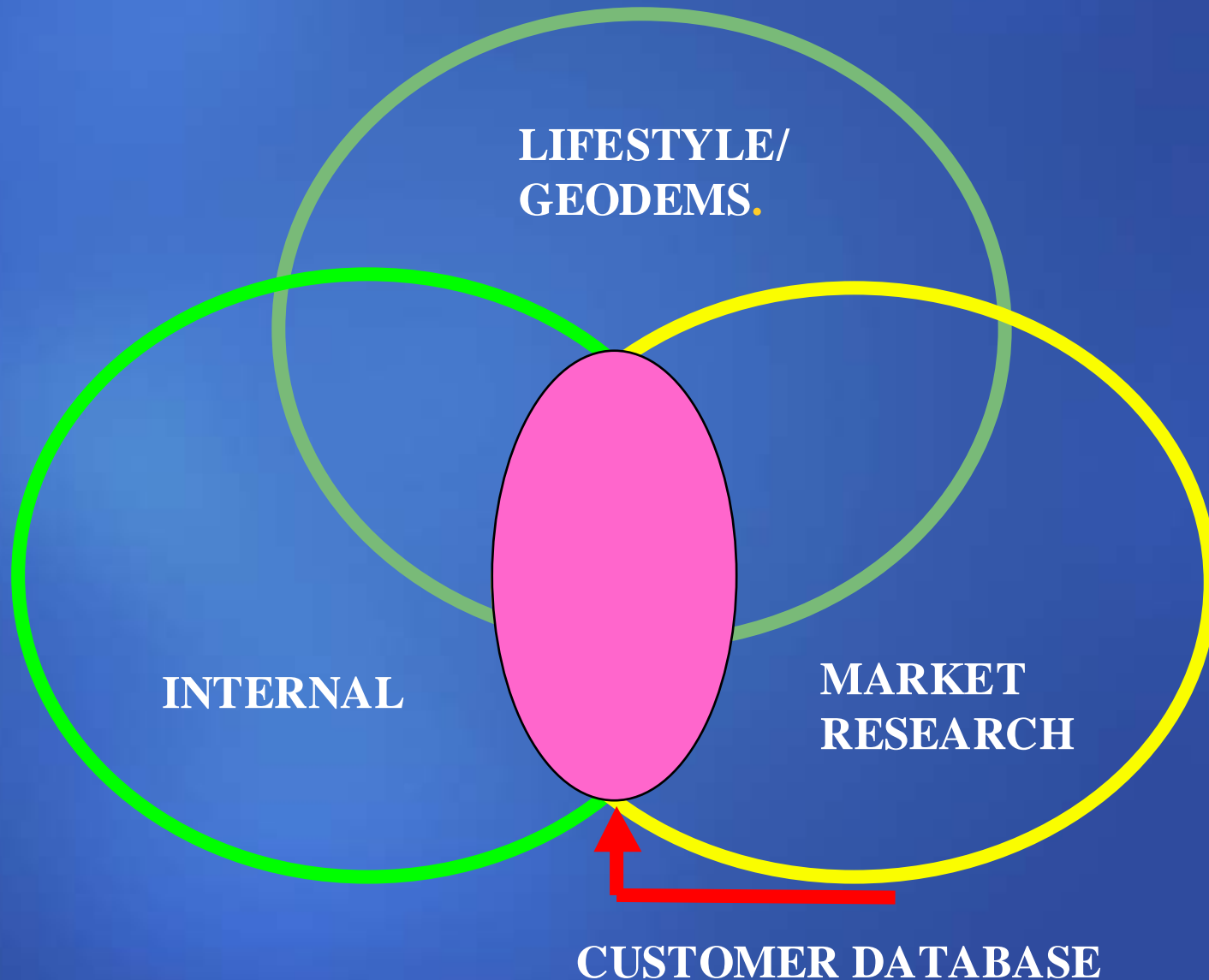
<i>DATA HELD IN THE CDB</i>	<i>Percentage of companies with data %</i>
<i>Customer details</i>	97.73
Contact history	95.45
Transaction data	95.45
Loyalty scheme data	55.81
<i>Market research</i>	52.27
Customer service data	51.16
<i>External Data</i>	48.84
Complaints	45.45

(Source: IDM/Strathclyde 2001)

Evolving data models: Historic



Evolving data models: Integration

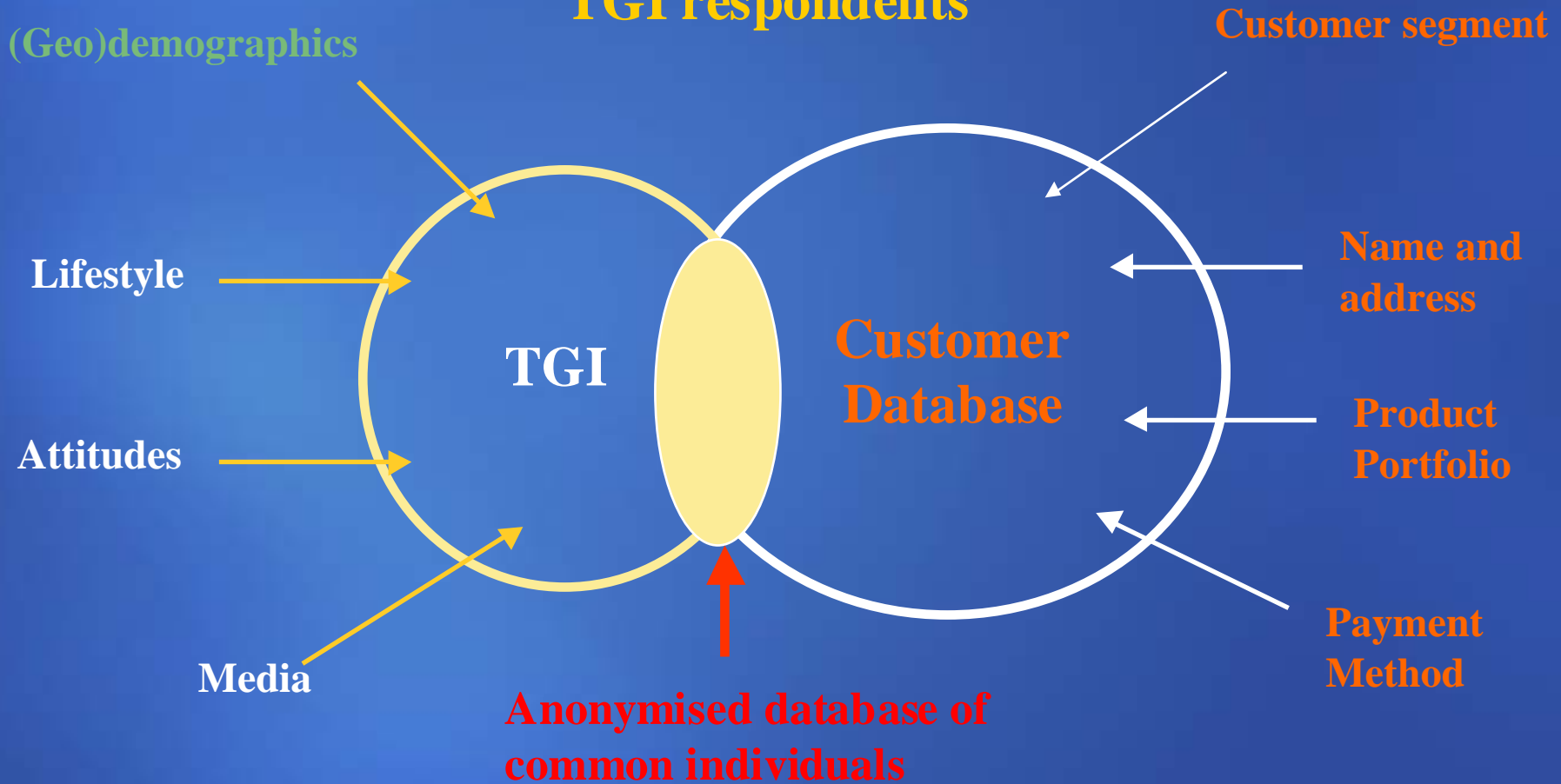


Surveys linked to geodemographic classifications

Research supplier	Survey	Markets
BMRB	TGI	All markets/media
Ipsos	NRS	Newspapers/magazines
NOP	FRS	Financial services
MORI	FS	Financial services
TNS Sofres	Superpanel	Groceries/impulse
AC Nielsen	Homescan	Groceries
BARB	BARB	Television viewing
ONS	EFS	Expenditure & food

Data Matching & modelling example: the “FIRST T” Process (Dunn Humby/BMRB)

Match customer database to 3 years’ of
TGI respondents



Profile customer segments by TGI variables

'First T' segments (AA)

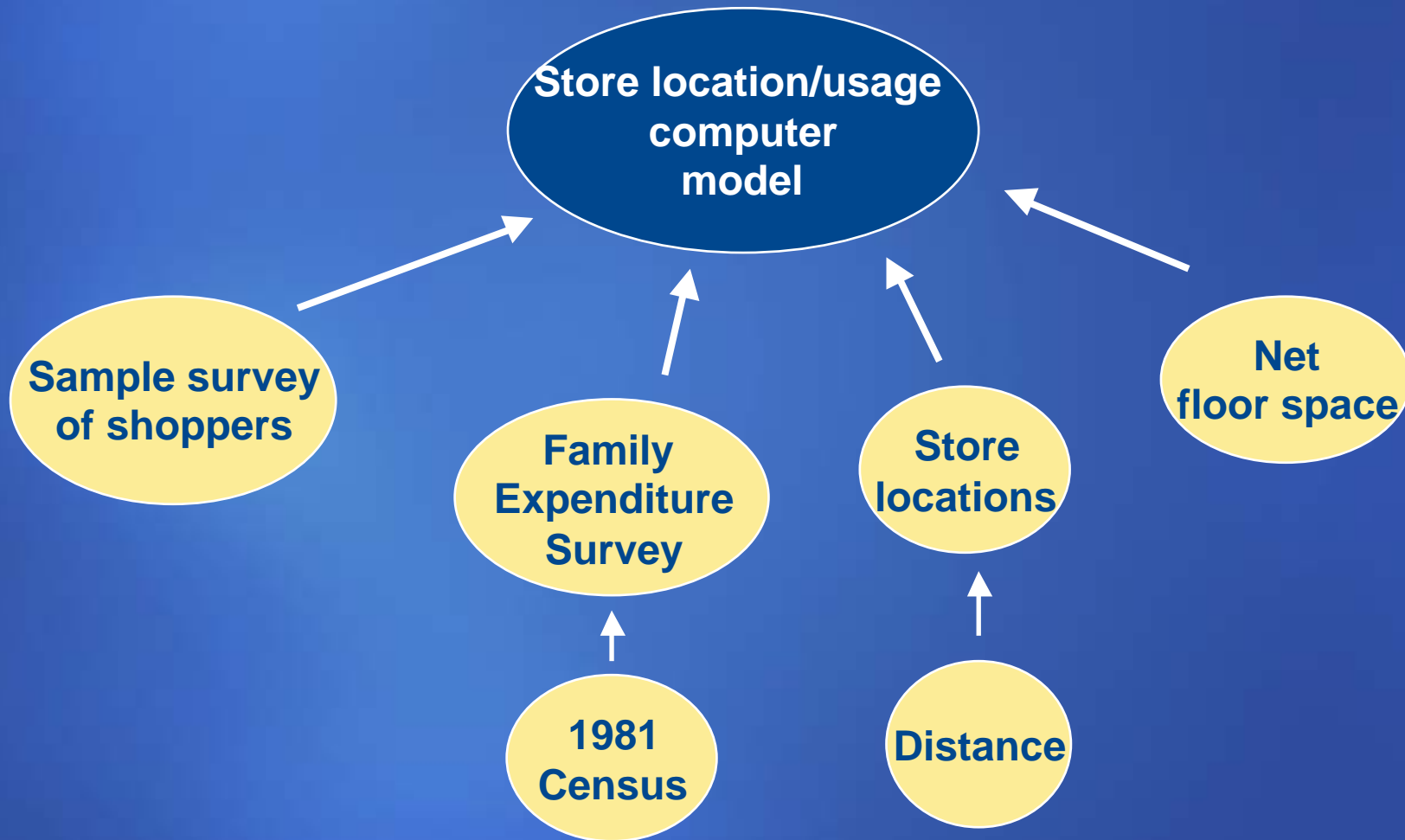
Segment X

- *Younger people, lower income with children*
 - family important
- *Aspirational*
 - interested in new technology
- *Finances*
 - Use credit to fund lifestyle
 - Limited savings
- *Lifestyle*
 - budget conscious
 - use of money off vouchers
 - enter competitions

Stream Y

- *Traditional empty nesters*
 - secure financial situation, happy with standard of living
 - risk adverse, not interested in new technology
- *Retired*
 - have time on their hands
- *Loyal*
 - unlikely to switch - stick with traditional British brands they know
- *Lifestyle*
 - motivated by quality
 - holidays

Retail modelling : 1987

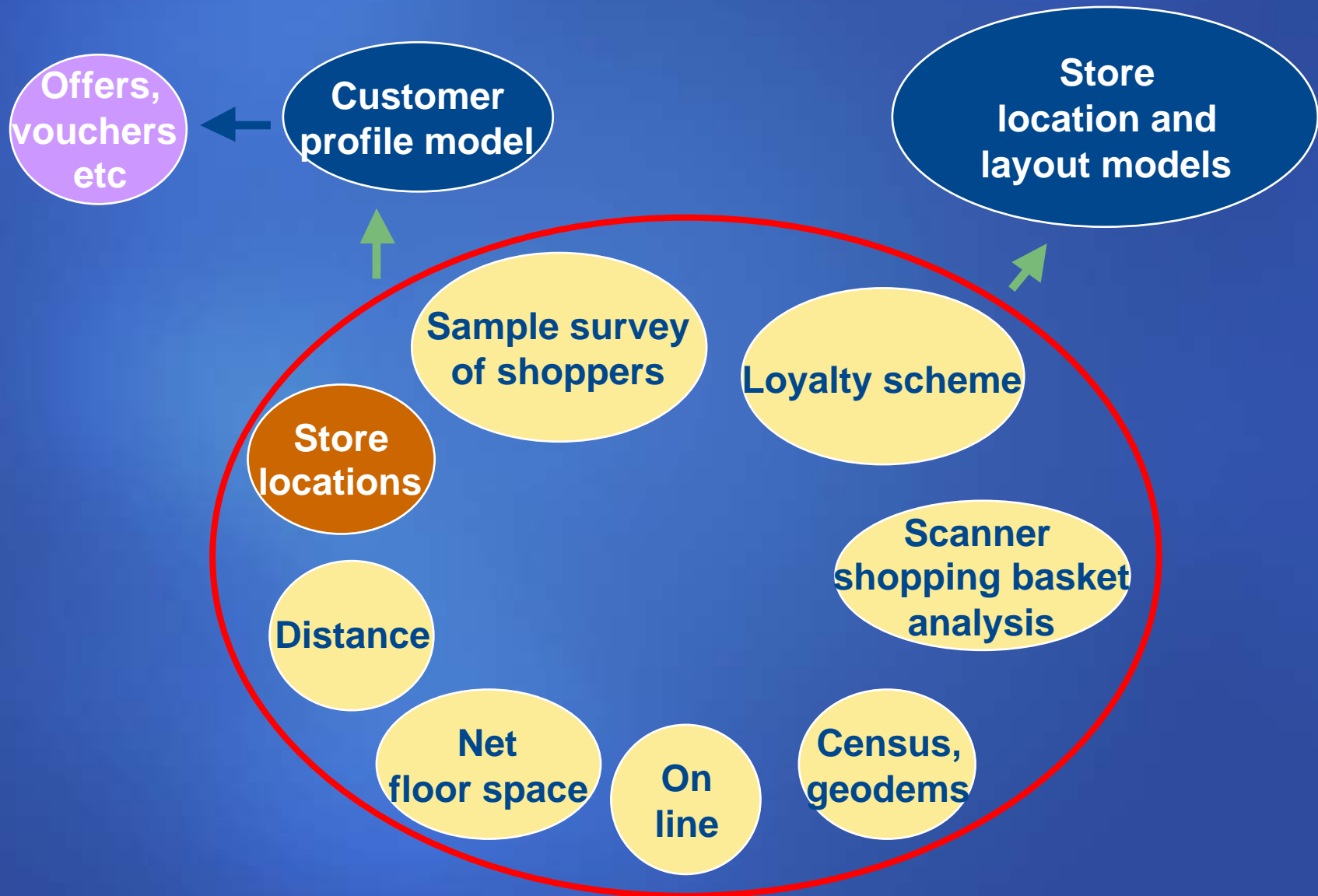


(Handling Geographic Data, HMSO 1987)

Communicating locally: Retail point locations

Type	Outlets
Petrol stations	12,000
Post offices	18,000
Pubs/clubs	12,000
Convenience stores	22,000
Estate agents	16,000
Financial services	25,000
Non-food	30,000
Automotive	22,000
Clothing	30,000
Household goods	30,000
Leisure	30,000
Food	25,000

Retail modelling : 2004



Final thoughts.....

- The thirst for consumer data presents a few challenges.....
- Geodemographics (still) delivers a simple, cheap and elegant solution
- A key that opens the door to wider knowledge