Past results are no guarantee of future performance

Five rules for the new marketing

Chief marketing officers (CMOs) are being held accountable for delivering results on every marketing dollar spent reaching their target audiences. Not only must they increase revenue and return on investment (ROI), but they also must control costs and determine which channels are the most appropriate for engaging prospects and customers. In addition, they must be prepared to shift their marketing focus rapidly to meet ongoing changes in consumer tastes and behaviors and respond to competitors’ strategies.

Consumers are cautiously spending again, but the recent economic downturn has reset some core habits (i.e., spending beyond one’s means, conspicuous consumption), and value is the new watchword. Consumers are considered and careful in their purchases — and they are doing their homework (often online). Black Friday and Cyber Monday sales are up ever so slightly — but average purchase price is down. So what’s a marketer to do in this still-difficult spending environment?

Behave like a start-up
Chances are, you already are lean, your budgets are stretched — and your goals are so challenging, you may feel like a start-up. Even if you are a long-established company, it’s time to look at everything marketing-related with a fresh eye. The worst thing you can do is less of the same marketing programs you have been fielding. Efficiency helps the bottom line in the short term, but without innovation and adaptation, it can quickly compromise long-term growth.

First, take a bottom-up approach to your marketing plan. Align your offers and messaging to the new reality of compressed spending on the consumer and corporate fronts. Encourage everyone on your staff to bring thoughtful ideas to the table. Consider new channels, and rethink your approach to core channels and customer touch-points. Be ready to change your marketing strategy as quickly as your results dictate.

Dunkin’ Donuts and Starbucks are hardly start-ups, but when it comes to marketing, they think like they are. Dunkin’ Donuts has capitalized on value-based consumer attitudes to take market share away from Starbucks — and Starbucks has responded with an emphasis on its “everyday brew.” According to Experian Simmons, 33 percent of Dunkin’ Donuts customers also frequent Starbucks, and 29 percent of Starbucks drinkers can be found at Dunkin’s. Focusing on creating engagement with and gaining loyalty from these new value-driven consumers requires fresh thinking and new approaches. Converting even 1 percent of the switchers to loyalists would be a coup for either marketing organization, and a “start-up” mindset will help.

It’s time to get back to acquisition. With a sound foundation of customer insights, you’re ready to implement some data-driven, low-risk, high-efficiency programs that will set the platform for solid, sensible growth.
Amp up your customer insights and get back to finding new ones

If you have been doing what most marketers have been trying for the last year, you’ve focused on marketing to existing customers, which was definitely a sound approach. Chances are, you have lost and gained some of those customers over the period. Now it’s time to ensure that you really know whom your current customers are and adapt appropriately to their changing needs and desires.

Update your enterprise customer segmentation with current purchase behavior and comprehensive demographics, attitudes and behaviors. Be sure to understand the media preferences of your high-value customers, and consider those preferences as you reallocate your marketing dollars. Use these current insights to shape your offers and messaging for the changed consumer landscape.

Consider Walmart, which is trying to attract new groups of customers. The company found that 24 percent of last year’s online holiday buyers said they hoped to try more lower-cost brands than the typical brands they purchased in the past. Insight about these new customers proved critical for Walmart when developing marketing and business investment. As it has built an online Walmart Marketplace, which competes directly with Amazon.com, Walmart has expanded the reach of its low-price proposition to a diverse and potentially more demanding customer group.

Regarding customer insights on the tactical front, it’s important to review your targeting models. As a rule, models should be recalibrated when there is a change in your business or your market — so now is definitely the time. Since targeting models are heavily dependent upon how past performance predicts future behavior, be careful about the data and approaches you use as you rebuild, and leverage outside expertise if you need to.

There may be some surprises, so be prepared to be flexible and comprehensive in testing. By building targeting models based on the last six months of customer history (which includes the key holiday period), a major retailer found that the new “best customer” population had shifted in value and demographics. The new target was spending slightly less and shopping more often and was older. By using a low-cost but sophisticated postcard mailer targeting this group, the retailer was able to increase store traffic and, ultimately, purchases.

It’s also time to get back to acquisition. With a sound foundation of customer insights, you’re ready to implement some data-driven, low-risk, high-efficiency programs that will set the platform for solid, sensible growth. Consider email campaigns to former customers who match your new customer profile, and try to win them back.

Rethink your value proposition — and it needs to be credible

Consumers are now very cautious when making purchase decisions, so the value of your product or service must be compelling. You also must align with current insights you have about your customers’ attitudes. Remember, value doesn’t always mean price, coupons or free shipping — although those may be part of the equation. (In fact, training consumers to rely on coupons erodes value over time.)

Let’s take a look at the new-car market and its evolving value proposition. According to a large Northeastern car dealer, “Customers do a lot more research than they used to. They come in pretty knowledgeable about what’s going on in terms of resale.” The resale value of American brands is rising, as gasoline prices stabilize. These factors are combining to shape automotive marketing in a very different way, making new-car sales more of a challenge, while demanding a compelling value proposition. Consumers now expect to keep their cars longer — and while purchase price is important, other factors like operating costs and resale will contribute to a consumer’s idea of value.

By combining market factors, current consumer attitudes and insights,
you can redesign your marketing and messaging to align with your unique value. Chefs Catalog uses attitudinal profiles to shape email creative driving higher open and order rates. A group that is all about “A penny saved” gets a message from Chefs Catalog focused on quality cookware at a good price. Customers for whom “Stop and smell the roses” resonates get a “Make dinner time, family time” headline. Both messages are built around high-value cookware, and they align to unique customer groups.

Bring customer insights to your product or service development counterparts

Communicating customer insights across an organization is an imperative. (Remember the start-up mindset). This is a consumer-driven world — and now is the moment to use those insights in shaping new products or (equally important) abandoning low performers. A comprehensive analysis looking at the product market basket for each of your target segments is now a “must do.”

There is probably no industry more challenged by the recent seismic market shifts than financial services. The need to attract more deposit customers — and to become more risk-conscious on the credit side — demands an accurate and current understanding of the highest-value customers so that products can be shaped accordingly.

“Next product models” blend customer financial behavior and attitudes to maximize opportunity and minimize risks. It’s critical to have a collaborative approach between marketing and product development that leverages updated customer insights and optimizes overall marketing effectiveness and business results.

On the retail front, 2009 was about inventory management — keeping levels low to avoid deep discounting. Nordstrom adapted more rapidly to this shift by moving to basics and increasing lower-cost, high-fun accessories — and has demonstrated a better track record than its counterparts. There are two lessons here: Nordstrom has long been renowned for its customer focus. Staying close to its customers and moving quickly to shift its product offerings paid real dividends. In addition, Nordstrom recognized that as challenging as the times are, a little fun is a good thing.

Test like crazy — crazy like a fox, that is

In this brave new world, there is nothing more important than high-velocity testing of product offers, incentives, messages and channels. This doesn’t mean that every idea needs (or warrants) a test. It does mean leveraging the new data-driven insights you create about your customers and moving them into an ongoing testing platform. It also means being smart about test design and using multivariate approaches to gain knowledge as quickly as possible. If you don’t have a test-and-learn culture and process, then leverage the right resources inside your organization or external expertise you contract with to develop them. You can’t afford not to.

Make sure your testing discipline is applied within each channel — and across all channels. If you haven’t begun multichannel measurement that examines, for example, the effects of search on email, email on store traffic and catalog on Web purchases, you need to start now. Establishing these metrics can seem daunting, but it’s important to begin and refine your strategies as you learn more.

With an ongoing testing discipline, you’ll be able to make the most of what you learn; improve results quickly; and, just as important, you’ll find unproductive ventures faster — so you don’t overinvest in the wrong efforts.

Following these five rules for the new marketing will give you a solid foundation for flexible, data-driven strategies that will help you confidently set the course for success and enable you and your organization to quickly adapt to changes and opportunities going forward.

We appreciate your feedback, ideas and questions. For more information, please contact Nancy Shaver at Nancy.Shaver@experian.com.