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

(IDM /Citigate DVL Smith, 2002)
New Consumer Marketing model: Driven by insight

Organisational DNA:
- Intuition
- Culture/structure
- Leadership, vision, values
- Employees
- Knowledge management
- Planning
- Measurement

(Dr Susan Baker, New Consumer Marketing, Wiley, 2003)
“Customer Service – how can I seem to help you...?”
Data driven communications

Product focused
Production process
Ad hoc mailings
Limited data

Mail streams
Stream managers
Text management
Segmented/enhanced data

Customer focused
Benefit led
Customer managers
Data driven
Multi channel
Event driven

Marketing Communication
Service/product Experience

CUSTOMISED ‘121’
SEGMENTATION
BULK MAILINGS
# Right message at right time

<table>
<thead>
<tr>
<th>SEGMENTS</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>Etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 New Cust.</td>
<td></td>
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<tr>
<td>6 Renewal</td>
<td></td>
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<td></td>
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<tr>
<td>3 Change of address</td>
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<tr>
<td>2 Complaint</td>
<td></td>
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<td></td>
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<td></td>
<td>X</td>
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<tr>
<td>5 Married</td>
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<td>7 Purchase</td>
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<td></td>
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<tr>
<td>8 Cross-sell</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4 Up-sell</td>
<td></td>
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<td>X</td>
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<td>Etc</td>
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</tr>
</tbody>
</table>

**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?*

(IDM /Citigate DVL Smith, 2002)
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

(IDM/Citigate DVL Smith, 2002)
CRM: 360° view of the customer a myth?

- Customer Contact Communications
- Customer Data
- Market Research
- Financial
- Legislation regulation
- Products
- Competitors
- Fulfilment
- Customer service complaints

CRM KNOWLEDGE
### The Mirage of CRM

#### Customer Contact Communications

<table>
<thead>
<tr>
<th></th>
<th>Comms. Vol.(m)</th>
<th>Comms. Cost ($)</th>
<th>Campaigns per year (no.)</th>
<th>CRM Cost PA ($m.)</th>
<th>D'base Cost ($m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB/W'house</td>
<td></td>
<td></td>
<td></td>
<td>5.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Direct mail</td>
<td>3.0</td>
<td>0.6</td>
<td>2</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>E mail</td>
<td>3.0</td>
<td>0.04</td>
<td>4</td>
<td>0.48</td>
<td>0.48</td>
</tr>
<tr>
<td>CRM/d'base costs</td>
<td></td>
<td></td>
<td></td>
<td><strong>9.6</strong></td>
<td><strong>5.7</strong></td>
</tr>
</tbody>
</table>

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

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

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

1=Not Useful; 5=Extremely Useful

(Source: IDM/Strathclyde 2001)
Justifying the investment in data: Information Supply Chain

DATA --> INFORMATION --> KNOWLEDGE

INT. DATA --> DATA PREPARATION --> DATA PROCESSING/STORAGE --> ANALYSIS ('INFORMATION FACTORIES') --> DEMAND FOR INFORMATION

£ cost → £ cost + value → £ cost → £ value creation → £ benefit

DATA PREPARATION
DATA PROCESSING/STORAGE
ANALYSIS ('INFORMATION FACTORIES')
DEMAND FOR INFORMATION
Data quality: Lost revenue

Factors:
- Goneaways
-Suppressions
- Missing/incorrect data Items

Gross Value: 

<table>
<thead>
<tr>
<th></th>
<th>1,000</th>
<th>100,000</th>
<th>1m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Product</td>
<td>£80K</td>
<td>£800K</td>
<td>£4M.</td>
</tr>
<tr>
<td>Cross-sell</td>
<td>£4K</td>
<td>£400K</td>
<td>£2M.</td>
</tr>
<tr>
<td></td>
<td>£84K</td>
<td>£1.2M.</td>
<td>£6M.</td>
</tr>
</tbody>
</table>
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”

“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

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

1=No Barrier; 5=Major Barrier

(Source: IDM Strathclyde 2001)
Data protection legislation: UK Data Protection Act 1998
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

Customer Database

- Call centres
- Field sales
- Web-site
- E-mails
- Application forms
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

(CACI, 2004)
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
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

1. Concept Development
2. Concept Testing
3. Promotional Material Development
4. Promotional/Concept List Testing
5. Launch
6. Post Launch Review

DATABASE

Data/ Surveys/ Qualitative

Samples Quantitative/ Qualitative

Qualitative/ Data

Mailing File

Samples Testing

Quantitative/ Qualitative

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?

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

(Source: IDM/Strathclyde 2001)
Evolving data models: Historic

- LIFESTYLE/GEODEMS
- INTERNAL
- CUSTOMER DATABASE
- MARKET RESEARCH
Evolving data models: Integration

LIFESTYLE/GEODEMS.

INTERNAL

MARKET RESEARCH

CUSTOMER DATABASE
## Surveys linked to geodemographic classifications

<table>
<thead>
<tr>
<th>Research supplier</th>
<th>Survey</th>
<th>Markets</th>
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</thead>
<tbody>
<tr>
<td>BMRB</td>
<td>TGI</td>
<td>All markets/media</td>
</tr>
<tr>
<td>Ipsos</td>
<td>NRS</td>
<td>Newspapers/magazines</td>
</tr>
<tr>
<td>NOP</td>
<td>FRS</td>
<td>Financial services</td>
</tr>
<tr>
<td>MORI</td>
<td>FS</td>
<td>Financial services</td>
</tr>
<tr>
<td>TNS Sofres</td>
<td>Superpanel</td>
<td>Groceries/impulse</td>
</tr>
<tr>
<td>AC Neilsen</td>
<td>Homescan</td>
<td>Groceries</td>
</tr>
<tr>
<td>BARB</td>
<td>BARB</td>
<td>Television viewing</td>
</tr>
<tr>
<td>ONS</td>
<td>EFS</td>
<td>Expenditure &amp; food</td>
</tr>
</tbody>
</table>

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

Match customer database to 3 years’ of TGI respondents

(Geo)demographics
Lifestyle
Attitudes
Media

TGI

Customer Database

Anonymised database of common individuals

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

Store location/usage computer model

- Sample survey of shoppers
- Family Expenditure Survey
  - 1981 Census
- Store locations
  - Distance
- Net floor space

(Handling Geographic Data, HMSO 1987)
Communicating locally: Retail point locations

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

Retail modelling: 2004

- Sample survey of shoppers
- Store locations
- Distance
- Net floor space
- Scanner shopping basket analysis
- Census, geodems
- Online

Customer profile model

Loyalty scheme

Store location and layout models

Offers, vouchers etc
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