



Aberdeen *Group*

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The Precision Marketing Benchmark Report

How Top Performers Turbo-Charge Their Investments

September 2006

Executive Summary

The Precision Marketing Imperative

Across all industries and company size, growing revenues is a top priority for organizations. This holds true for all business models: business to business (B2B), business to consumer (B2C), not-for-profit, and for those that perform the “marketing two-step” (B2B2C). Moreover, top-line growth is not the only pressure faced. Marketers also seek to do more with less. They are pressured to identify and invest in their most valuable or profitable customers while optimizing both budgets and resources applied. (Figure 2)

In short, marketers must find ways to communicate, interact and provide service to customers based on value metrics. Ideally, highly profitable customers would receive more attention, service and resources than less profitable ones. Customer retention and acquisition rates among preferred segments or profiles would increase, as well as market share among most valuable customers.

“Our objective was to select and embed an analytical tool that can be deployed in a number of ways...the goal was to build more robust segmentation models that would provide continuous updates...and treat customers differently based on customer value.

--Scott Burk, Senior Statistician & Marketing Analytics, Overstock.com

Key Business Value Findings

AberdeenGroup surveyed and interviewed 200 companies to gain an understanding of how Best in Class organizations select, deploy and measure precision marketing techniques. Our research demonstrates that effective precision marketing techniques leads to improved customer retention rates, higher revenues from up-sell / cross-sell campaigns, and enhanced levels of customer satisfaction. Enterprises that deploy precision marketing enjoy a greater share of each customer’s wallet. More than fifty percent of top performers have customers who purchase multiple products or services from them annually—*twice the rate of other benchmarked groups*.

Overall, top performers that hold higher competencies in advanced precision marketing capabilities also enjoy a higher return on investment in key performance metrics. Case in point, 51% of these top performers, (in contrast to only 10% of other benchmarked groups), attained customer satisfaction levels in excess of 70%.

Implications & Analysis

While enabling technologies and service providers facilitate the planning and execution of both inbound and outbound marketing campaigns, enterprises are more challenged by lack of internal expertise in precision marketing techniques. The majority of survey respondents revealed they lack the ability to establish and measure meaningful performance metrics. Reminiscent of the proverbial “chicken and egg” scenario, organizations



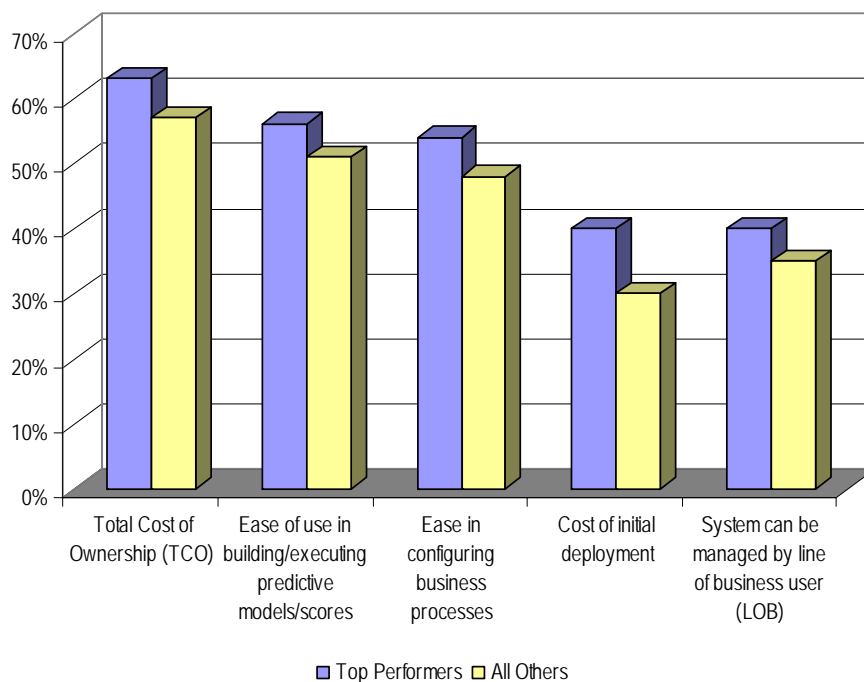
struggle to secure the budget and resources necessary to improve precision marketing techniques, but lack the ability to build a business case and gain buy-in through the establishment of measurement of key performance indicators (KPI's), metrics or goals.

All respondents confirmed they are addressing challenges from a technology, process, performance and organizational perspective. They realize that no one “silver bullet” exists, but that a more holistic, process-driven approach to customer interactions, comprised of “closed-loop marketing techniques” is necessary to drive continuous performance improvements in precision marketing.

Selection Criteria

Vendors and service providers who are able offer solutions that are financially attractive as well as easy to use for line of business (LOB) employees in marketing, sales/business development or call center will be in high demand. Overwhelmingly, survey respondents cited cost and ease of use as top priority criteria for selection of precision marketing tools and services.

Figure 1: Selection Criteria for Precision Marketing Investments



Source: Aberdeen Group, September 2006

Recommendations for Action

In addition to the Best in Class actions, companies should also evaluate their processes, internal capabilities, and solution providers to ensure they effectively accomplish the following:



- Secure organizational buy-in through executive-level sponsorship of precision marketing by building the business case with demonstrable return on investment (ROI)
- Leverage consultancies and/or marketing service providers to bring “best practice” expertise in business process workflow, performance metrics, and predictive modeling or scoring in-house through “train the trainer” programs. Alternatively, organizations may evaluate the benefits of persistent outsourcing and focus on internal core competencies
- Evaluate technology providers against demonstrated return on investment and select those that can be managed by a LOB user or business analyst rather than relying on IT resources
- Consider hiring marketers, business analysts and statisticians with extensive precision marketing expertise and create an in-house center of customer excellence
- Align performance metrics established with specific corporate goals. Growing share of market requires a very different approach than focus on growing share of customer or improving customer profitability rates. Evaluate corporate priorities and create meaningful metrics and processes to achieve set goals

“You have to have top-down sponsorship and change the game, because a fool with a tool is still a fool”

–Steve Rooks, Vice President,
Simplification and Expertise
Center, Bell Canada

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Table of Contents

Executive Summary	i
The Precision Marketing Imperative	i
Key Business Value Findings.....	i
Implications & Analysis	i
Selection Criteria	ii
Recommendations for Action	ii
<i>Chapter One: Issue at Hand</i>	1
Precision Marketing: Balance of Art and Science	1
Priorities.....	1
Challenges.....	3
Key Enablers	4
<i>Chapter Two: Key Business Value Findings</i>	5
Precision Requires Expertise.....	6
Best in Class Define Top Performance	7
Leaders Centralize & Automate Deployment	7
Conclusion.....	8
<i>Chapter Three: Implications & Analysis</i>	9
Capabilities and Process	9
Current Technology Usage	11
Metrics and Performance.....	13
Pressures, Actions, Capabilities, Enablers (PACE).....	14
<i>Chapter Four: Recommendations for Action</i>	16
Lagging Performers Next Steps to Success	17
Average Performers Next Steps to Success.....	18
Best in Class Next Steps	18
<i>Appendix A: Research Methodology</i>	20
<i>Appendix B: Related Aberdeen Research & Tools</i>	23



Figures

Figure 1: Selection Criteria for Precision Marketing Investments	ii
Figure 2: Top Drivers for Precision Marketing Improvements	2
Figure 3: Investments Driven by Revenues and Customers	3
Figure 4: Challenges to Deployment of Precision Marketing Techniques	4
Figure 5: Strategic Actions Planned to Address Challenges.....	6
Figure 6: Best in Class: Metrics and Characteristics	7
Figure 7: Ability to Automate Processes: Top Performers.....	8
Figure 8: Ability to Create & Execute Programs: Competent.....	10
Figure 9: Ability to Create & Execute Programs: Advanced.....	11
Figure 10: Performance: Metrics and KPI's.....	14
Figure 11: Selection Criteria for Precision Marketing Investments	17

Tables

Table 1: Precision Marketing Challenges and Responses.....	5
Table 2: Current Use of Technology: Leaders vs. All Respondents	12
Table 3: Planned Technology Investments: Leaders (12 to 24 Months)	13
Table 4: PACE (Pressures, Actions, Capabilities, Enablers).....	15
Table 5: PACE Framework	21
Table 6: Relationship between PACE and Competitive Framework	21

Chapter One: Issue at Hand

Key Takeaways

- Precision Marketing requires a balance of “Art plus Science.”
- Investments are driven by revenues and customers.
- Enterprises face a “chicken and egg” scenario—they lack capabilities, processes and meaningful performance metrics to establish a business case for precision marketing improvements.

Precision Marketing: Balance of Art and Science

Marketing departments have often functioned on gut feelings, intuition and qualitative information gathering in the form of anecdotal reports from customer-facing employees. Visibility into customers’ transactional purchases’ behavior is provided through operational reports, while web, store, and call center interactions provide behavioral information. Triple pressures such as the need to: grow revenue, optimize budgets and resources and to identify and invest in one’s most profitable customers have driven organizations to seek a better balance between “Art plus Science.” (See *Marketing Performance Management: In Search of Elusive ROI*).

Increasingly, enterprises plan to selectively engage with service providers and technology vendors who provide expertise and facilitate adoption of new techniques, processes, and capabilities.

Priorities

Across all industries and company size, growing revenues is a top priority for organizations. This holds true for all business models—business to business (B2B), business to consumer (B2C), not-for-profit, and those that perform the “marketing two-step” (B2B2C). Moreover, top-line growth is not the only pressure faced; marketers also seek to do more with less. They are pressured to identify and invest in their most valuable or profitable customers while optimizing both budgets and resources applied. (Figure 2)

In short, marketers must find ways to communicate, interact and to provide service to customers based on value metrics. Ideally, highly-profitable customers would receive more attention, service and resources than less profitable ones. Customer retention and acquisition rates among preferred segments or profiles would increase, as well as market share among most valuable customers.

Competitive Framework Key

The Aberdeen Competitive Framework defines enterprises as falling into one of the three following levels of practices and performance:

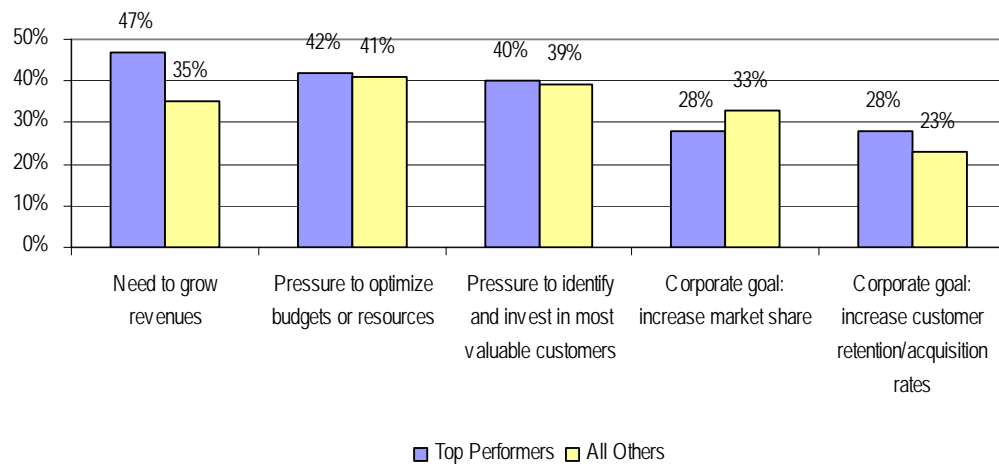
Laggards — Practices that are significantly behind the average of the industry

Industry Average — Practices that represent the average or norm

Best in Class — Practices that are the best currently being employed and significantly superior to the industry norm



Figure 2: Top Drivers for Precision Marketing Improvements



Source: Aberdeen Group, September 2006

In response, many companies have invested in enabling technologies such as customer relationship management (CRM) systems, web analytics, business intelligence platforms and marketing automation solutions. While these tools have facilitated organizations’ ability to plan and execute marketing campaigns and/or to perform operational reporting on results, they have not addressed the needs of customers, many of whom expect a seamless, multi-channel experience at every touch point or interaction.

This scenario should sound familiar. Enterprises experience competitive pressure to grow revenues and market share while reducing budgets and resources. Investment in enabling technologies or services is held out to be the silver bullet. However, customers are often arbitrary, illogical and inconsistent in their behavior. And while companies lack crystal balls that precisely forecast customer’s buying behaviors, top performers have been able to capitalize on and exploit “intelligence” captured from multiple touch-points and interactions in order to influence purchasing decisions.

PACE Key — For more detailed description see Appendix A

Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:

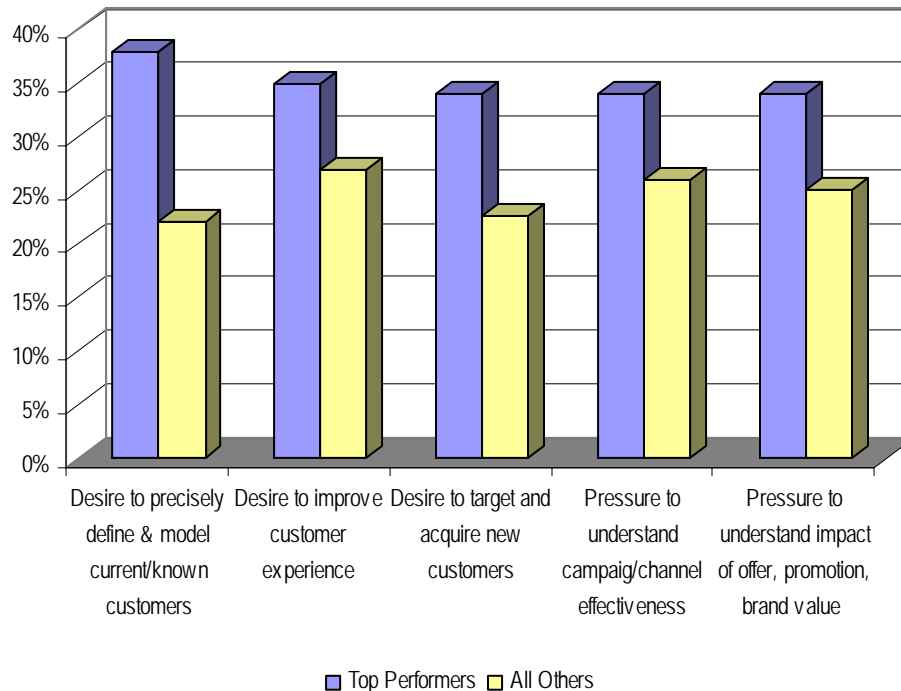
Pressures — external forces that impact an organization’s market position, competitiveness, or business operations

Actions — the strategic approaches that an organization takes in response to industry pressures

Capabilities — the business process competencies required to execute corporate strategy

Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices

Figure 3: Investments Driven by Revenues and Customers



Source: Aberdeen Group, September 2006

Top performers invest in precision marketing tools and services at greater levels in order to understand and influence the purchasing decisions of customers as well as to optimize their investments (Figure 3). In return, they enjoy higher return on investments in key performance metrics. Case in point, 51% of top performers (in contrast to only 10% of other benchmarked groups) attained annual customer satisfaction levels of greater than 70%. Moreover, 86% of top performers also reported annual customer retention rates in excess of 70%.

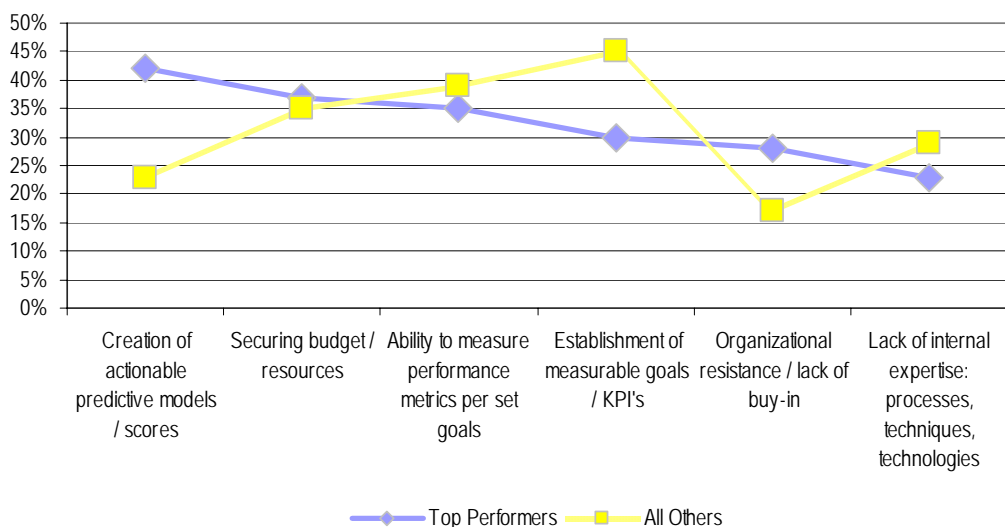
Firms that proactively assess and prevent customer migration attain higher customer retention and satisfaction levels.

Challenges

While enabling technologies and service providers facilitate the planning and execution of both inbound and outbound marketing campaigns, enterprises are more challenged by lack of internal expertise in precision marketing techniques. The majority of survey respondents revealed they lack the ability to establish and measure meaningful performance metrics. Reminiscent of the proverbial “chicken and egg” scenario, organizations struggle to secure the budget and resources necessary to improve precision marketing techniques, but lack the ability to build a business case and gain buy-in through the establishment and measurement of key performance indicators (KPI’s), metrics or goals.



Figure 4: Challenges to Deployment of Precision Marketing Techniques



Source: Aberdeen Group, September 2006

Key Enablers

Numerous tools, applications, solutions, systems and/or third-party services may be engaged in support of precision marketing initiatives. *Precision Marketing defined:* Driving continuous performance improvement through the use of personalization, segmentation, analytics, rules-based interactions, customer profitability scoring, decision-trees and/or closed-loop marketing planning and execution processes.

Chapter Two: Key Business Value Findings

Key Takeaways

- All benchmarked groups are challenged in creating “actionable” predictive models, scores and rules-based workflows: Top performers plan to implement closed-loop marketing processes (54%) and to selectively engage with MSP’s, consultancies or agencies (51%) more often.
- Leaders (51%) plan to invest in marketing automation software that facilitates the planning and execution of multi-channel, rules-based programs.
- Top performers are more likely to centralize deployment of precision marketing at the enterprise level and to automate processes on a common system.

Increasingly, enterprises plan to selectively engage with service providers and technology vendors who provide precision marketing expertise and facilitate adoption of new techniques, processes, and capabilities.

Table 1: Precision Marketing Challenges and Responses

Challenges	% Selected	Responses to Challenges	% Selected
Establishment of measurable goals & Key Performance Indicators (KPI's)	37%	Utilize internal cross-functional teams	30%
		Selectively engage with consultants, Marketing Services Providers or agencies	35%
Ability to measure performance per goal	34%	Implement “closed-loop” marketing processes	38%
		Hire marketers, analysts, and statisticians with expertise	32%
Securing budget and resources necessary for deployment / improvements	30%	Secure executive-level sponsorship with business case / ROI	30%
Lack of internal expertise in techniques, processes or technologies	28%	Hire marketers, analysts, and statisticians with expertise	32%
		Selectively engage with consultants, Marketing Services Providers or agencies	35%
Creation of actionable predictive models and scores	28%	Embed predictive modeling, scoring or rules-based workflow tools into existing marketing applications	36%
Execution of multi-channel precision marketing campaigns	20%	Extend or invest in marketing automation software that facilitates planning and execution of multi-channel programs	40%

Source: [Aberdeen Group](#), September 2006

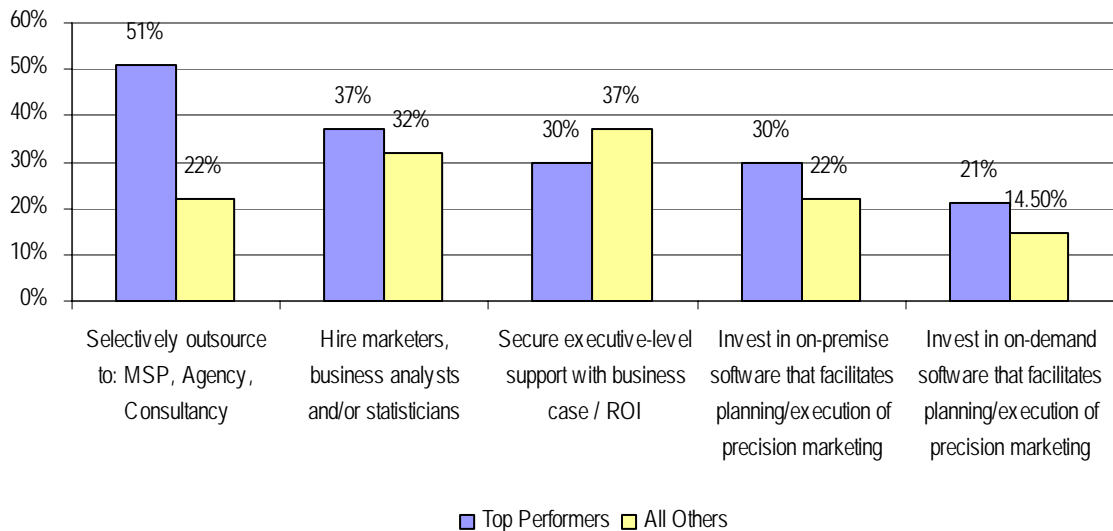


Precision Requires Expertise

Each of the challenges cited relate to expertise in precision marketing: driving continuous performance improvement through the use of personalization, segmentation, analytics, rules-based interactions, customer profitability scoring, decision-trees and/or closed-loop marketing planning and execution processes.

The majority of survey respondents revealed they lack the ability to establish and measure meaningful performance metrics. Reminiscent of the proverbial “chicken and egg” scenario, organizations struggle to secure the budget and resources necessary to improve precision marketing techniques, but lack the ability to build a business case and gain buy-in through the establishment of measurement of key performance indicators (KPI’s), metrics or goals.

Figure 5: Strategic Actions Planned to Address Challenges



Source: Aberdeen Group, September 2006

All benchmarked groups are challenged in creating “actionable” predictive models, scores and rules-based workflows. However, top performers differ in their plans to address top challenges, establishing meaningful KPI’s and measuring performance, by implementing closed-loop marketing processes (54% versus 38%) and by selectively engaging with MSP’s, consultancies or agencies (51% versus 35%) more often. Organizations that seek to improve or deploy precision marketing primarily take one of three approaches: hire internal expertise, outsource to a third-party service provider, or selectively engage with a third-party provider to gain “best practice” experience to improve internal capabilities and processes (Figure 5).

Best in Class Define Top Performance

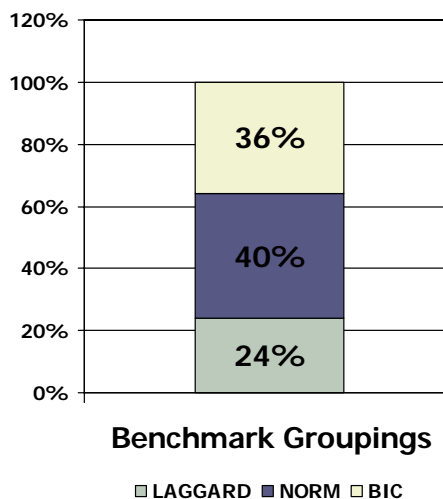
AberdeenGroup surveyed and interviewed 200 companies to gain an understanding of how Best in Class organizations select, deploy and measure precision marketing techniques. Our research demonstrates that effective precision marketing techniques leads to improved customer retention rates, higher revenues from up-sell / cross-sell campaigns, and enhanced levels (greater than 70%) of customer satisfaction (51% versus 10%). Moreover, enterprises that deploy precision marketing enjoy a greater share of each customer’s wallet. More than fifty percent of top performers have customers who purchase multiple products or services from them annually—twice the rate of other groups.

Firms that proactively assess and prevent customer migration attain higher customer retention and satisfaction levels.

Figure 6: Best in Class: Metrics and Characteristics

BIC’s are defined by composite annual performance metrics:

- Customer Acquisition rates
- Customer Retention rates
- Profitability per transaction
- Profitability per customer
- Reduction in Marketing Operation Costs
- Annual Revenues
- Utilize ‘real-time customer intelligence’ for rules-based interactions with customers 2X more often
- Are 2.5X times more likely to profile & segment customers utilizing >20 elements/criteria per campaign
- 3X more likely to measure customer value (CLV)



Source: AberdeenGroup, September 2006

Leaders Centralize & Automate Deployment

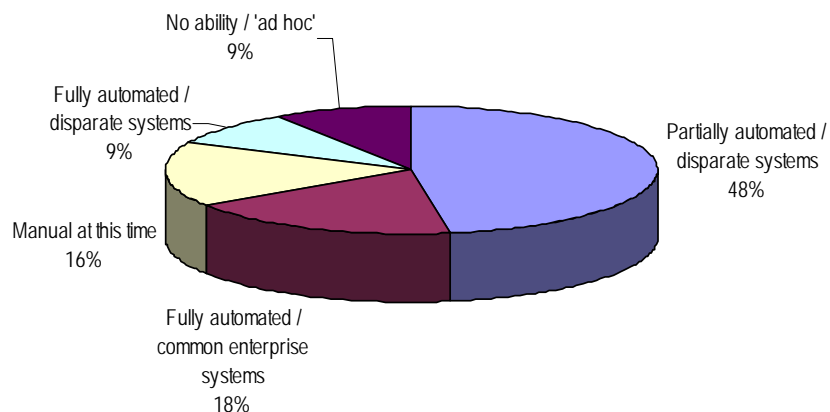
Overall, top performers are nearly twice as likely to partially or fully automate precision marketing processes using disparate or common systems centralized at the enterprise level. Given that leaders are three times more likely to measure and leverage customer value metrics, this is not surprising. Enterprises that are held accountable tend to measure and refine processes more often. (See [“The CMO’s Strategic Agenda”](#))

Utilization of customer lifetime value metrics in precision marketing processes presupposes use of both transactional (historical) purchasing data as well as interactional (be-



havioral) customer data. Transactional data is most often stored within Enterprise Resource Planning Systems (ERP) or Financial Management / Accounting systems (28%), while interactional information is most often captured through multi-channel touch points: online, call center, in-store or mail. Behavioral information is stored within multiple systems: CRM (42%), Marketing Automation (32%), and Web tools (40%). Creation of predictive models, scores or workflow can be done with either business intelligence platforms or predictive analytics tools (43%) embedded within existing marketing processes.

Figure 7: Ability to Automate Processes: Top Performers



Source: Aberdeen Group, September 2006

Conclusion

In Chapter Three, we will analyze how organizational capabilities, process, technology usage, performance and knowledge impacts performance.

Chapter Three: Implications & Analysis

Key Takeaways

- Top performers are three-times more likely to proactively prevent customer churn through use precision marketing techniques.
- Leaders have capabilities and processes in place to profile and/or segment customers using more than 20 criteria or elements per campaign at 2.5 times the rate of average or lagging companies.
- Companies with high competencies in precision marketing leverage real-time customer intelligence for rules-based interactions with customers and prospects.
- Top performers utilize customer relationship management (CRM), web analytics, and marketing resource management (MRM) solutions at nearly twice the rate of all respondents.

As shown in Table 3, survey respondents fell into one of three categories – Lagging, Industry Average, or Best in Class — based on their characteristics in four key categories: process (ability to create and execute closed-loop precision marketing programs); organization (corporate focus/philosophy, level of collaboration among stakeholders); knowledge (ability build predictive models or rules-based workflows to create actionable programs); and technology (scope of analytics, customer relationship management, business intelligence, analytics, and marketing automation tools or services).

Survey results show that the firms exhibiting Best in Class precision marketing techniques and characteristics also enjoy annual performance rates that are two times higher than other benchmarked groups in these key metrics:

- Customer retention rates
- Customer satisfaction levels
- Profitability per customer
- Profitability per customer transaction
- Percent of customers purchasing multiple products or services

“We are delivering approximately 15% more messages than we did before at a marginal cost. These messages are typically ten times more effective than traditional marketing programs.”

--Simon Baines, Head of Customer Insight, Nationwide Building Society

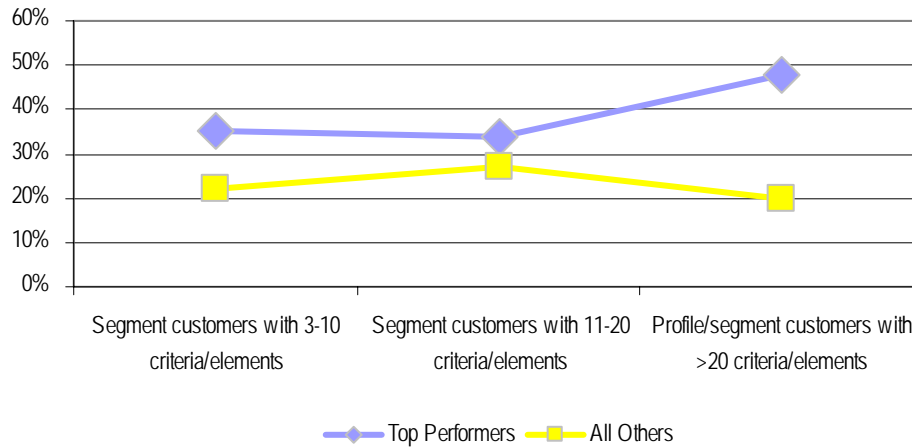
Capabilities and Process

Top performers achieve these results largely through high competency in advanced precision marketing capabilities, knowledge and processes. Figure 8 clearly demonstrates a small competency delta between leaders and other groups until segmentation and profil-



ing expertise requires greater than 20 criteria or elements per campaign—sorting the wheat from the shaft.

Figure 8: Ability to Create & Execute Programs: Competent



Source: Aberdeen Group, September 2006

When comparing advanced precision marketing competencies, a larger gap exists between the groups. While Figure 8 demonstrates an organization’s ability to segment and execute campaigns based largely on transactional (historical purchases) customer data, Figure 9 focuses on an organization’s ability to proactively predict a customer’s propensity to buy or migrate. The predictive model or score used is based upon both interactional (behavioral) and transactional (demographic and historical) information. Top performers exemplify the expertise, processes and tools to execute advanced precision marketing techniques at twice the rate of other benchmarked groups.

- Automate multi-channel interactions using rules-based or predictive scoring models
- Utilize real-time customer intelligence in building predictive models or scores
- Proactively prevent customer migration or churn

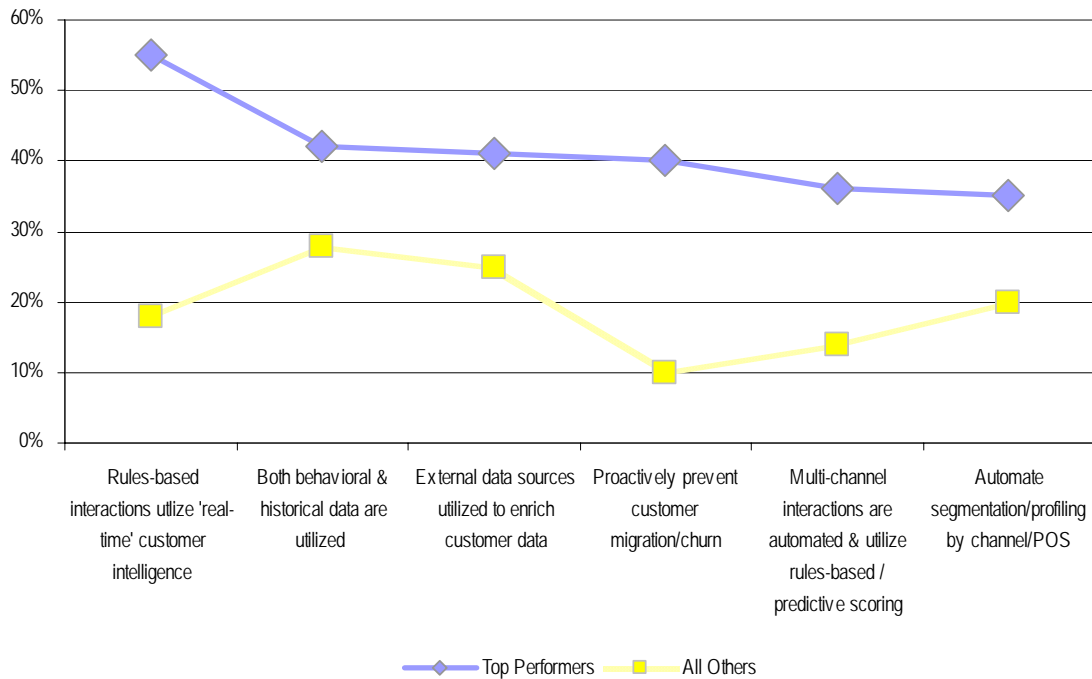
“NetBank needed a platform to understand who their customers were, how their customers wanted us to contact them, what products or services were owned by their customers, and what were the right next logical services that should be offered to a customer.

--Marsha Calfee, Director, CRM Delivery, NetBank

Moreover, leaders are more likely to leverage this “customer intelligence” by incorporating customer value metrics that are based upon each buyer’s value (profitability index) to the company. In short, high value customers are treated differently through multi-channel interactions solely based on value

and propensity to purchase or churn. (See ["Success Strategies in Leveraging Customer Intelligence"](#))

Figure 9: Ability to Create & Execute Programs: Advanced



Source: Aberdeen Group, September 2006

Current Technology Usage

Across all industry sectors, company size and business models, top performers differ most in their current use of enabling technologies:

- Marketing resource management tools (46% versus 26%)
- Customer relationship management (42% versus 23%)
- Web analytics tools (40% versus 27%)

Moreover, they are less likely to currently utilize marketing services providers.



Table 2: Current Use of Technology: Leaders vs. All Respondents

Provider Category	Leaders	All Others	Variance
Marketing Automation Tools	32%	26%	+ 6%
Enterprise Marketing Management	30%	33%	- 3%
Marketing Resource Management	46%	26%	+ 20%
Customer Relationship Management	42%	23%	+ 19%
Marketing Services Providers / Agencies	16%	40%	- 24%
Web Analytics / Performance Mgmt. Tools	40%	27%	+ 13%
BI / Predictive Analytics Tools	43%	33%	+ 10%
Data Warehouse / Data Mining	36%	27%	+ 9%
Homegrown Solutions	32%	30%	+ 2%

Source: Aberdeen Group, September 2006

Surprisingly, top performers' *planned investments* include greater utilization (63%) of marketing services providers: an acknowledgement of expertise to be gained through selective engagement and sharing of "best practices." Leader-planned investments underscore the value they place in leveraging technology such as predictive analytics (66%) and multi-channel marketing automation tools (66%) in providing a seamless experience for customers at each touch-point or interaction channel. Interestingly, as inbound interactions have become a new competitive battleground for customer retention and share of wallet, a significant number of top performers intend to further invest marketing resources in their call center. (See "*Success Strategies in Leveraging Customer Intelligence*")

"Understanding and responding to customers are key to retention, satisfaction, and ultimately growth."

*- Analytics & Business Development
Manager, CompUSA*

Table 3: Planned Technology Investments: Leaders (12 to 24 Months)

Technology Solution Area	% Selected
BI / Predictive Analytics Tools	66%
Marketing Automation Tools / Applications	66%
Outsource Services: MSP, Agency, Consultancy	63%
Call Center / Service & Support	62%
Data Warehouse / Data Mining	57%
Enterprise Marketing Management	57%
Web Analytics	53%
Information Service Providers: External Lists	53%
Customer Relationship Management	42%

Source: Aberdeen Group, September 2006

Metrics and Performance

Overall, enterprises focus on measuring operational and tactical performance metrics at the campaign or program level (Figure 10).

Top performers focus on enterprise-level performance metrics that more closely align with corporate goals. Understandably, leaders outperform their peers at twice the rate of return on investment.

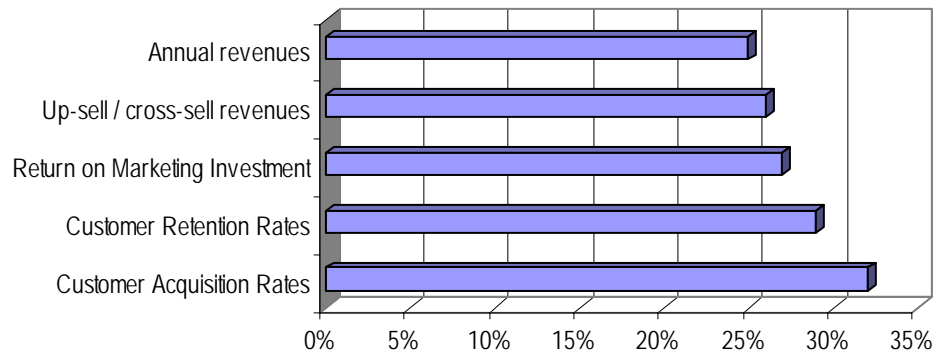
- Campaign uplift
- Percent of revenues from up-sell / cross-sell programs
- Profitability per customer transaction
- Satisfaction and loyalty levels
- Annual profitability per customer
- Percent of customers who purchase multiple products / services annually

“Our objective was to select and embed an analytical tool that can be deployed in a number of ways...the goal was to build more robust segmentation models that would provide continuous updates...and treat customers differently based on customer value.

--Scott Burk, Senior Statistician & Marketing Analytics, Overstock.com



Figure 10: Performance: Metrics and KPI's



Source: Aberdeen Group, September 2006

Pressures, Actions, Capabilities, Enablers (PACE)

We have shown that there is a clear relationship between the pressures companies identify and the actions they take, and their subsequent competitive performance. All participants should examine their prioritized PACE selections and determine whether there are valuable perspectives to be gleaned by comparison with the PACE priorities of Best in Class companies.

What is behind this increased focus and priority? Growing revenues and customers. Enterprises ranked the need to grow revenues and invest in high value customers as the strongest driving pressure behind their decisions to deploy or improve precision marketing techniques, in the context of Aberdeen's PACE (pressures, actions, capabilities, enablers) analytical framework. Nearly half of all firms prioritized these pressures as a top priority.

In response to these external forces, companies are setting strategies and taking actions primarily around optimizing marketing budgets and resources to invest in their most profitable customers, increase market share and to meet customers' expectations for a seamless customer experience.

Table 4: PACE (Pressures, Actions, Capabilities, Enablers)

Priorities	Prioritized Pressures	Prioritized Actions	Prioritized Capabilities	Prioritized Enablers
1	Need to grow revenues / increase market share	Secure executive-level support with business case or ROI justification	Secure budget and resources to grow revenues	Selectively engage with an MSP, Agency or Consultancy to gain expertise in precision marketing techniques
2	Pressure to optimize marketing budgets and/or resources	Establish measurable KPI's / goals	Measure and improve performance metrics for each goal established	IT enabled solutions that facilitate the planning and execution of precision marketing techniques
3	Pressure to identify and invest in most valuable customers	Create actionable predictive models, scores, and/or workflows designed to recognize and interact with customers based on corporate value.	Build closed-loop marketing processes to measure and refine efforts.	Selectively engage with an MSP, Agency or Consultancy to gain expertise in precision marketing techniques IT enabled solutions that facilitate the planning and execution of precision marketing techniques
4	Corporate goal: Increase market share / customer retention rates	Proactively prevent customer migration utilizing predictive models or scores to predict churn.	Leverage both interactive (behavioral) and transactional (historical) data to build models / workflows.	IT enabled solutions that facilitate multi-channel interactions based on customer value metrics, propensity to buy or migrate.
5	Customers expectations for a seamless, multi-channel experience	Hire marketers, business analysts and/or statisticians with precision marketing expertise	Automate multi-channel interactions by channel or point of sales (POS)	IT enabled solutions that facilitate the execution of precision marketing techniques

Source: Aberdeen Group, September 2006



Chapter Four: Recommendations for Action

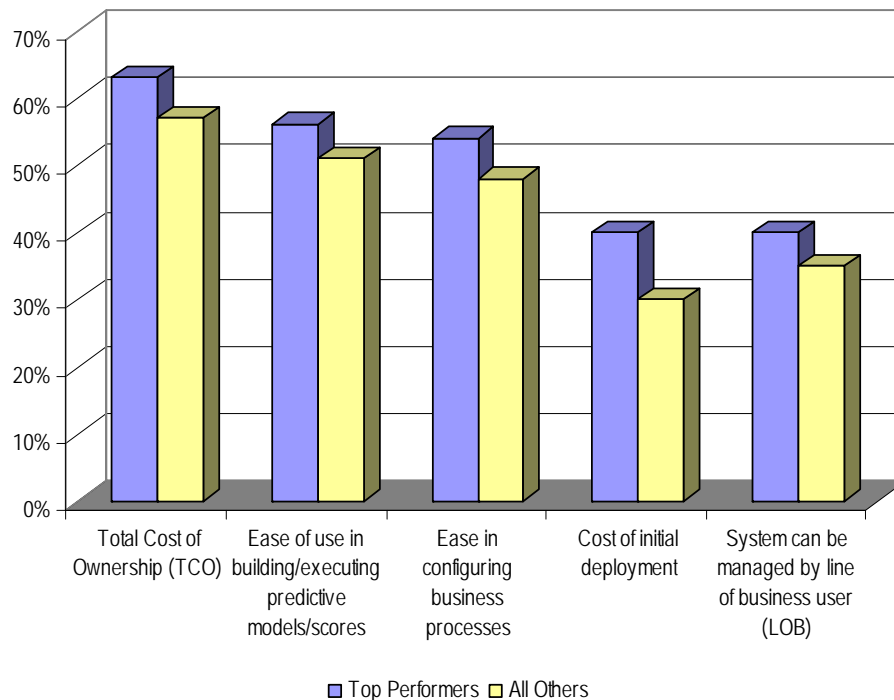
Key Takeaways

- Automate and centralize deployment of precision marketing at the enterprise level.
- Gain expertise in creating actionable customer segmentation, profiling and predictive scoring.
- Select tools, applications and solutions that can be managed by line of business (LOB) rather than IT.
- Establish meaningful performance metrics and closed-loop marketing processes to measure and refine results.
- Leverage the expertise of outsourced services providers to develop “best practices” and to boost return on investment.
- Create industry appropriate customer value metrics and build predictive models, scores and workflows based on both behavioral and transaction customer data.

Growing revenue and customers will be the reward for enterprises that commit to improvements in precision marketing techniques. Whether one operates within a B2B, B2C, Not-for-Profit or hybrid B2B2C business model, there are steps to improve performance and ultimately, share of market as well as share of wallet from high value customers.

- Align performance metrics established with specific corporate goals. Growing share of market requires a very different approach than focus on growing share of customer or improving customer profitability rates. Evaluate corporate priorities and create meaningful metrics and processes to achieve set goals.
- Secure organizational buy-in through executive-level sponsorship of precision marketing by building the business case with demonstrable return on investment (ROI). Proactively deploy pilot programs and A/B testing to prove value upfront.
- Leverage consultancies and/or marketing service providers to bring “best practice” expertise in business process workflow, performance metrics, and predictive modeling or scoring in-house through “train the trainer” programs. Alternatively, organizations may evaluate the benefits of persistent outsourcing and focus on internal core competencies.
- Consider hiring marketers, business analysts and statisticians with extensive precision marketing expertise and create an in-house center of customer excellence.
- Create industry appropriate customer value metrics and build predictive models, scores and workflows based on both behavioral and transaction customer data.
- Evaluate technology providers against demonstrated return on investment and select those that can be managed by a LOB user or business analyst rather than relying on scarce IT resources.

Figure 11: Selection Criteria for Precision Marketing Investments



Source: Aberdeen Group, September 2006

Whether a company is trying to gradually move its marketing organization from “Lagging or “Average Performer” to “Best in Class,” the following actions will help spur the necessary performance improvements:

Lagging Performers Next Steps to Success

1. *Centralize customer data captured from all touch-points.*

This can be accomplished through use of a centralized database: CRM, ERP or Customer Information System.

2. *Segment and profile customers with as many criteria or elements available utilizing external lists to enrich your data prior to campaign execution..*

Many marketing organizations fail to leverage external data lists to improve the intelligence gathered on their customers. Data enrichment will provide additional segmentation criteria lacking such as demographic, psychographic or firmographic information necessary to more precisely target customers.

3. *Hire marketers and business analysts with expertise in precision marketing to “jump start” establishment of processes and techniques.*

Overcoming lack of internal expertise should be a top priority for lagging performers. Establishment of processes, performance metrics and techniques that fa-



Facilitate measurement and refinement of marketing programs is a first step in improving return on investment from precision marketing initiatives.

Average Performers Next Steps to Success

1. *Establish meaningful goals and align processes around continuous performance measurement and process refinement.*

Each enterprise needs to create processes and performance metrics that align with corporate goals in order to deliver value. Effective precision marketing techniques should be developed and executed in order to meet specific goals. While “best practices” are useful guidelines initially, organizations should develop practices that enable them to address unique targets for corporate growth.

2. *Partially automate and centralize deployment of precision marketing processes at the enterprise level*

In order to leverage both interactional and transactional customer data at the enterprise level, organizations need to centralize deployment and move from manual to partially automated processes. This will improve consistency and remove the margins of human error—a clear benefit in analyzing return on investment.

3. *Move from 3-10 criteria or elements to greater than 20 to boost performance.*

Micro-marketing strategies have proven to improve performance and enhance customer satisfaction and loyalty rates. Leverage external data sources to enrich customer data and utilize analytical tools to create micro-segments prior to campaign execution. (See [*"The CMO's Strategic Agenda"*](#))

4. *Utilize rule-based interactions that leverage near-time intelligence to proactively prevent customer migration or churn.*

Customer expectations for a seamless, multi-channel experience should be met in order to retain and satisfy high value customers. Organizations should develop and deploy predictive models and scores to personalize and enhance each customer interaction according to each offer, promotion or channel of preference.

Best in Class Next Steps

1. *Hire marketers, business analysts and statisticians with extensive precision marketing expertise, OR selectively engage with proficient service providers.*

Top performers are largely fluent in their competencies and certainly outperform all other benchmarked groups. However, our PACE methodology has shown a clear relationship among the pressures companies face, the actions taken and corresponding performance improvements. Refinement of “closed-loop” processes is an interactive endeavor in continuous performance improvement.

2. *Further invest in tools and solutions that increase the ability to refine predictive models, scores, rules-based workflows and automate execution of a micro-marketing strategy.*

Top performers outperform their peers by 2:1 in advanced competencies AND return on key performance metrics. Leaders have experienced the gains from ini-



tial investments in precision marketing and plan to invest in tools that facilitate and automate the planning and execution of highly targeted programs.

3. *Provide a seamless multi-channel experience for high, medium and low value customers—and leverage customer value metrics to transition low value customers to higher levels of profitability.*

Utilize real-time customer intelligence to influence and incentivize customers to move from one profitability stage to the next. Rewards include higher customer retention and satisfaction levels, as well as enhanced levels of customer profitability.

4. *Optimize use of marketing resources by utilizing profiles, models and scores of known customers to assess and interact with unknown prospects.*

Application of proven scores and models will facilitate qualification of prospects and optimize budgets prior to allocating resources or budgets.

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Appendix A: Research Methodology

Between July and September 2006, Aberdeen Group, *CRM Magazine*, *DMReview* and the *Customer Management Community* examined the precision marketing techniques of companies across diverse industry sectors and company sizes..

Responding marketing, sales & business development, IT, corporate analysts, financial and senior executives completed an online survey that included questions designed to determine the following:

- The degree to which precision marketing techniques impacts corporate strategies, operations, and financial results
- The structure and effectiveness of current precision marketing processes and capabilities
- Current and planned use of technology automation and/or outsourced services to aid in these activities
- The benefits, if any, that have been derived from deployment of precision marketing initiatives

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on precision marketing strategies, experiences, and results.

The study aimed to identify emerging best practices and to provide a framework by which readers could assess their own precision marketing practices.

Responding enterprises included the following:

- **Job title/function:** The research sample included respondents with the following job titles: marketing, sales & business development, corporate strategy, business analyst, information technology, finance, logistics/supply chain, and research & development. **Staff: (7%). Internal Consultant: (11.4%). Manager: (22%), Director: 17%, Vice President: (5%). C-level/senior management: (29%).**
- **Industry:** The research sample included respondents predominantly from:
 - Hi-tech: 27%
 - Retail & Consumer Goods: 22%
 - Finance: 11%
 - Telecommunications: 10%
 - Manufacturing: 7%
 - Publishing/Education: 5.5%
 - Pharmaceutical/Medical: 4%
 - Others: 14% (<4% each)

- **Geography:** Study respondents were globally diverse with 58% from North America, 30% from EMEA, and 2% from Latin America/Caribbean.
- **Company size:** About 21% of respondents were from large enterprises (annual revenues above US\$1 billion); 23% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 43% of respondents were from small businesses (annual revenues of \$50 million or less).

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the **Precision Marketing Benchmark Report**. Their sponsorship has made it possible for Aberdeen Group, **CRM Magazine**, **DMReview** and the **Customer Management Community** to make these findings available to readers at no charge.

Table 5: PACE Framework

PACE Key
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p><i>Pressures</i> — external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p><i>Actions</i> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product/service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p><i>Capabilities</i> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products/services, ecosystem partners, financing)</p> <p><i>Enablers</i> — the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, September 2006

Table 6: Relationship between PACE and Competitive Framework

PACE and Competitive Framework How They Interact
<p>Aberdeen research indicates that companies that identify the most impactful pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute.</p>

Source: Aberdeen Group, September 2006



Appendix B: Related Aberdeen Research & Tools

Related Aberdeen research that forms a companion or reference to this report include:

- [Customer Intelligence: Converting Data to Profits](#)
- [Success Strategies in Leveraging Customer Intelligence](#)
- [Customer Data Management: How Leaders Attain Tangible ROI](#)
- [The CMO's Strategic Agenda](#)
- [Precision Marketing: Vendor Selection Guide](#)
- [Sales Productivity Tools: Closing the CRM Gap](#)
- [Marketing Performance Management: In Search of Elusive ROI](#)

Information on these and any other Aberdeen publications can be found at www.Aberdeen.com.

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