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to the retail channel.

In our experience, outlet locations transfer fewer sales out of the direct channel than standard retail locations, which tend to result in smaller losses in the direct channel.

Other factors that result in lower impact on the direct channel are the quality of the location and the existence of competitive retailers.

Traditionally, direct-only merchants look to add retail locations to boost sales and build stronger brand recognition. While this has proven to be a sound strategy, it is not without its risks of transferring existing customer sales to a more expensive channel.

However, with adequate analysis and planning, quality retail locations can be identified and added to the mix to drive incremental sales of both new and existing customers. ■

*Marc Fanelli is senior vice president of decision sciences at Experian Marketing Services, a division of Costa Mesa, CA-based Experian. Reach him at marc.fanelli@experian.com. Richard Fenker is founder of Prediction Analytics Inc., Irving, TX. Reach him at rich.fenker@predictioncompany.com.*

# Common language for multichannel marketing

**By Mark Korros**

In the rapidly spinning world of multichannel marketing, both the marketers and the service providers are struggling to define what multichannel marketing means and how it applies to them.

**Mark Korros**

The one point most seem to agree on is that this is a world without channel walls. It's a world where communicating directly with people in the most effective way, and allowing them to respond the way they want creates the most trusting, enduring relationships. And performance bears this out every time.

But what is multichannel marketing? How do you define it? Are you truly a multichannel marketer?

We found it interesting that the debate starts with how to spell "multichannel." Is it "multi-channel" or "multi channel" or "multichannel"? Or do we take the easy way out and just say "MCM"?

At ParadyszMatera, we have chosen to use the term "multichannel" as it symbolizes integration, without walls or barriers.

We did not set out to write the book on who is and who isn't a multichannel marketer. But with so many marketers searching for a common language to communicate internally as well as externally with vendors and consumers, our hope is that we can provide some leadership in defining just what "it" is. Try discussing what is a "comprehensive marketing program," an "integrated media plan" or a "cross channel marketing strategy" and you can only imagine the countless interpretations of what any of this means.

And when we as marketers are responsible for squeezing the juice out of every dollar, we have to be clear about goals, but also of our intent.

So to help bring clarity for productive conversations, we crafted three definitions that have been most helpful in our client and business development discussions.

A single channel marketer is an organization using only one channel to market its products or services. A company which only uses the Internet for commerce and which drives consumers through a Web-based shopping cart because this is its only channel is just one example.

Have you ever tried to place an order over the telephone with Amazon? Another example is an outbound telemarketer which only sells and closes its transactions over the phone.

A multiple channel marketer is an organization that uses more than one channel to market its products or services. Each channel markets to a select consumer base using a particular media with the intent to drive consumers back into that specific channel to shop/buy or into a channel the marketer chooses, not the consumer.

A good example is a company that communicates to consumers via direct mail, e-mail and television. The direct mail, e-mail, and television channels each target a select group of consumers. For each channel, the marketer typically strives to get the consumers to respond to the channel from which the communication or offer originated.

A multichannel marketer is an organization that executes a marketing strategy leveraging a combination of direct and indirect communication channels to market its services, allowing consumers to take action in the channel of their choice.

Let's take the example above, again a company that communicates to consumers via direct mail, e-mail and television. Though each channel may communicate to a select group of consumers, they are invited to respond in the channel of their choice. Consumers can, "call, click or visit."

The shopping experience addresses the consumer's need to find what she wants, where and when she wants it, and at what prices she is willing to pay.

While many may embrace this direction, we recognize our definitions are not one-size-fits-all.

The definitions are not action plans, and do not answer questions about budgeting issues or who gets the credit for the revenues generated. That science experiment is still underway with many hypotheses and yet little clarity about how best to allocate demand and customers.

While we believe each organization will set its own business rules, there should be cooperation throughout the industry to crisply identify the definitions behind how we market. Otherwise, effective benchmarking and new techniques will be difficult to scale: math and ambiguity do not get along well.

So, whether you're a single, multiple or multichannel marketer, remember the consumer is in charge. They themselves knocked down the channel walls quite some time ago and, as marketing and media professionals, we get the chance to figure out this new complex world.

Direct marketing is finally having its day on the stage. Read any industry or national business publication: there are millions of dollars being spent to justify it. But the bets are being made on our ability to understand and leverage our knowledge, not just to reclassify what we already do. ■

*Mark Korros is vice president at Paradysz-Matera, New York. Reach him at mkorros@paradyszmatera.com.*

# Predictive analytics for revenue-generating response models

**By Eric Siegel**

Response modeling with predictive analytics offers something completely

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different from standard business reporting and sales forecasting: actionable predictions for each customer.

This special form of business modeling foresees each customer purchase, response or cancellation, predicting the individual behavior of each existing or prospective customer under certain conditions.

Naturally, per-customer predictions are key to allocating marketing and sales resources. For example, by predicting which product features each customer will respond to, you can target each customer accordingly.


Eric Siegel

However, per-customer prediction can't work without a healthy injection of your business expertise. To generate predictive customer response models that will have a business impact, predictive analytics requires a wholly collaborative process driven by business needs and marketing insight.

This means you need to meet with your modeler a few times a week. It stands in contrast with other data-intensive initiatives, such as deploying a data warehouse or OLAP solution, which, once defined, can be handed off to IT and revisited later to receive the results.

With analytics run as a business activity, you can guide the process towards actionable predictions. For example, your input will help determine precisely which customer actions to predict, and how these predictions will be used. This ensures that the results are actionable within your company's operational framework, and that they have the greatest impact within your company's business model.

There are three steps where business expertise is needed to direct predictive analytics: defining your prediction goal; evaluating the prediction results and redirecting; and deploying your prediction model.

### DEFINE YOUR PREDICTION GOAL

Business and analytics experts must collaboratively define the prediction goal. Although there are many aspects of customer behavior that can be predicted with analytics, only a fraction will be business-actionable.

It takes an expert in your business to know which predicted behaviors have this business value.

Likewise, conceivable prediction goals are limited only by the imagination of your marketing staff, and only a fraction can be achieved with analytics.

Each customer prediction goal must be defined with a great degree of detail. For example:

- Response: Which customers will respond to a certain brochure mailing within 13 business days with a purchase value of $125 after shipping?
- Repeat customers: Which first-time customers will make five or more additional purchases totaling at least $1,250 within six months?
- Cross-sell and upsell: Which customers will purchase product C or D, given a purchase of A or B, within four months, given a mail solicitation?
- Attrition: Which customers of more than four months will decrease their monthly buying by 80 percent in the next three months, if no marketing contact is made?

### EVALUATE AND DEPLOY PREDICTION RESULTS

Your business expertise is needed to choose between certain pragmatic tradeoffs in prediction capability. Generally, predictive analytics provides a range of customer segments with varying prediction performance from which you can select.

For example, you may need to choose between a group of 100,000 customers with four times greater likelihood of making a purchase than average, versus a group twice as large with only three times the likelihood. These kinds of trade-offs can also be examined in terms of profit, market penetration, or a measure of loyalty like one-year customer value.

How customer predictions are used as part of business operations is up to your marketing creativity and business philosophy.

If, for instance, repeat customers are predicted, marketing resources could be directed toward non-repeaters to improve their value, or toward repeaters to leverage their existing value.

Predictions can trigger targeted market campaigns or guide sales activities, such as personalized up-sales efforts at unsolicited touch points.

With business expertise directing each step, your analytics process will produce actionable predictions for each customer with a business impact. ■

*Eric Siegel is cofounder and senior consultant at Prediction Impact, San Francisco. Reach him at eric@predictionimpact.com.*

# Measuring media effectiveness with a database marketing approach

**By Steve Briley**

The rise of interactive media, growth of direct media, and continued use of mass marketing are making it increasingly difficult for marketers to effectively communicate with consumers.

To stay ahead, marketers have historically increased their marketing and promotion efforts to ensure their messages are heard.


Steve Briley

Today's marketers are faced with the additional challenge from senior management: to improve consumer communications and drive sales — often with smaller, closely scrutinized budgets.

Media measurement, which determines the impact of marketing efforts by analyzing spend across various channels, can help.

When properly executed, media measurement makes it possible to determine the "cause and effect" connection between marketing actions and results, allowing marketers to optimize direct, mass and interactive channels, and more effectively allocate media budgets for future programs.

Media measurement can, and does, benefit a wide range of companies in industries that include consumer packaged goods, insurance, financial services and the pharmaceutical sector.

Broadly defined, media measurement accomplishes four objectives:

- Quantifies the causal relationship between marketing promotion activity and sales;
- Empirically determines the best media