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Customer Relationship Analytics:
Measuring the Success of a Financial Service Provider's Direct Marketing Campaigns

Management Summary

Objectives

… Assess the effectiveness of direct marketing campaigns
… Determine levels of campaign success with different target groups
… Evaluate campaigns' cost-effectiveness

Approach

… Conception of success measurement right from the campaign-planning phase
… Systematic collection and analysis of response data
… Campaign data mart as an integral component of data warehousing

Results

… Robust information for planning future campaigns
… Incremental improvements in campaign cost-effectiveness

› Initial situation

Nearly all banks use direct marketing campaigns to make their customers aware of new products, motivate them to add to their existing deposits or securities, or notify them of special offers on prices or interest rates. Such campaigns involve contacting a suitable selection of clients by mail, e-mail, or telephone to discuss the product in question.

Fierce competition for customers – a rate of three to five bank accounts per person is typical in Germany – and the high cost of these campaigns necessitate precise planning, as well as reliable estimates of the results the campaigns are expected to produce. The only way to achieve these aims is with exact information on customer response and analyses of past campaigns.

› Measuring campaign success: The requirements

A campaign's structure can be very complex, with area-specific parameters or affinity scores based on data mining determining the clients it will address. A single campaign typically caters to between three and 10 target groups.

In addition, the various communication channels involved are usually combined to form multilevel, cascading campaigns. After an initial touch by e-mail, for example – assuming that this does not already elicit a customer response – a company can send out an advertising brochure by mail, followed by an outbound call. Each channel can also have its own variations with regard to visual or textual design.

"The knowledge professional campaign success analysis can generate is essential to both strategic customer relationship management and operational campaign administration."

*Georg Heeren
CEO, mayato GmbH*

Comprehensive success analysis factors in a campaign's structure and all its variants. It also assembles test groups that provide insight into a campaign's effectiveness and how to select the right target groups.

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› Response measurement right from the campaign-planning phase

In addition to structural specification, scheduling, and creative design, professional campaign planning involves considerations of how to gauge customer response. This includes planning for test groups. A neutral group, for example, is a random sample that represents a company's average customer base. Comparing this special target group with those actually selected for a campaign makes it possible to evaluate the quality of the selection process.

Meanwhile, a small portion of each target group – also selected at random – is excluded from the campaign. Measuring the response of each target group against the respective test group then demonstrates the campaign's effectiveness.
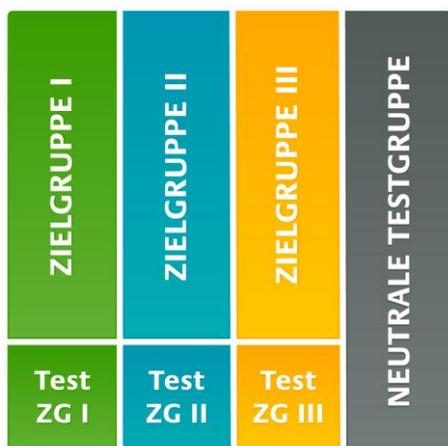
› Campaign management an integral component of data warehousing

Every year, the financial service provider serving as the subject of this study conducts more than a hundred marketing campaigns. To ensure the best possible success tracking for each of them, integrating the corresponding campaign data into automated data-warehouse (DWH) processes is absolutely essential.

Campaign addressees are selected from the DWH and stored along with their target-group affiliation and

other relevant information in a campaign data mart – a component of the DWH. The data mart also contains master data on the campaign, such as the product being advertised, channels being used, and related delivery data.

"One of the keys to success in our analytical campaign management was factoring in all of the campaign's parameters. The seamless integration of campaign data processing into existing DWH processes also played a decisive role."

Peter Gerngross
Project Lead
mayato GmbH

Within an established response period, the relevant product sales are now ascertained automatically in the DWH and imported into the campaign data mart. In the process, numerous details need to be taken into account, such as the response interval: To which time period should a product sale be attributed in the campaign? Or, in the case of multilevel campaigns, which form of contact ultimately won the customer over?

Today, useful tools are available to answer the latter question. Barcodes on response elements of mailings and advertisement references in e-mail links provide insight into the channels that make the difference. This is another area where seamless, automated data entry is key.

Accurate response monitoring is worth the required effort. At the beginning of a campaign, standardized reporting activates and can be expanded to address specific questions. The manager of a campaign can, for example, track its development from the early stages and take action if necessary. Following the campaign's completion, its effectiveness, the selection of target groups, and – taking expense and

earnings structures into account – its cost-effectiveness can be assessed.

› mayato's expertise

Years of experience have taught mayato consultants how to refine data from customer relationship analytics into facts and knowledge. Our special expertise can be of particular benefit to you when it comes to making practical use of complex data analyses and cutting-edge data mining methods. You can also profit from our competence in simpler statistical evaluations and reporting.

We'll be happy to support you with our in-depth knowledge of business and statistics throughout the process of analysis – from setting goals and identifying analytical questions to preparing data, performing the analyses themselves, and making sense of the results.

In doing so, we strive to pass knowledge on to you in a practical format that will help you handle future issues on your own. An analytical approach we call "Self-Acting Data Mining" delivers the corresponding results at exceptional speeds.

In addition, mayato offers a full range of services related to the business intelligence solutions from SAP and SAS, including architecture and design, data warehouse modeling, rollout strategies, and application support.

When it comes to data provisioning and preprocessing in analysis projects, for example, we're the only partner you'll need to call for competent IT assistance -- and we'll even quote you a fixed price upon request.