Hitting the target

Innovative data and customer profiling services are providing marketers with a more intelligent way to find customers. Priority talks to two organisations about their winning strategies for customer acquisition.

STORY *LISA BOWMAN*

Two elements are critical to getting a good return on investment when you are prospecting for new customers. The first is knowing what your most profitable customer segment looks like and the second is finding matches – or hot prospects – in large prospecting databases.

So says Michael Quillerat, the national manager, marketing and products, at First Direct Solutions – Australia Post's data and customer profiling business.

A growing number of marketers are using smart data, such as First Direct Solutions' Lifestyle and Transaction Universe databases, to gain insights into their customers' lifestyle characteristics and to identify hot prospects based on either similar characteristics or transactional behaviour.

"With tighter marketing budgets, marketers are definitely after better precision in targeting prospects with a proven affinity for a particular offer rather than just a scatter-gun approach to acquisition," says Quillerat.

Lifestyle data is a powerful profiling tool to help companies better understand the unique characteristics of their customers, but, as Quillerat explains, the results are not always predictable or in line with company assumptions.

"It's often an eye-opener for companies when they get the results back from our lifestyle profiling service," he says. "Suddenly they get an in-depth view of their customers. This can include a range of lifestyle indicators, from the type of holidays they take through to their favourite sport or main leisure interest."

Lifestyle data, based on information provided through the Australian Lifestyle Survey, is also a source of potential customers. "We are able to take a customer profile and score everyone on the Lifestyle data, based on how much they look like an existing customer," says Quillerat.

UNDERSTANDING THE CUSTOMER

One of Australasia's leading multi-channel retailers, EziBuy, has put a lot of marketing grunt into understanding the characteristics of its most profitable customer, who, it turns out, is a female aged between 35 and 55

with a propensity to shop online or by mail order.

"There are also some other key characteristics that are associated with our most profitable customer," explains Melody McGinley, general manager of sales and marketing for EziBuy. "Our surprises have come through the emergence of key geographic locations where we have growing numbers of customers. Identifying where our geographic hot spots are gives us the opportunity to target these areas for aggressive acquisition campaigns."

Based in New Zealand, EziBuy sends 40 different catalogues a year to nearly 600,000 customers and mails 9,000 parcels a day. Australia has become an important market for the multi-channel fashion clothing and home décor company. It is so important, in fact, that EziBuy conducted two major acquisition campaigns in Australia in 2009.

"We know that rural customers in New Zealand are big purchasers of our product and thought the best way to test the rural market in Australia was through a targeted acquisition campaign," says McGinley.

In 2009, EziBuy teamed up with First Direct Solutions and mailed its product catalogues to about 75,000 customers sourced from the Lifestyle data.

"These were customers who shared some of the important characteristics of our top-tier customers and also penetrated into the heartland of our best-response geographical areas," she says.

The campaign provided good results based on the geographical hot spots, and greatly enriched EziBuy's overall customer

EziBuy teamed with First Direct Solutions before targeting 75,000 Australian customers with its product catalogues.

data. "Finding ways of enhancing our customer data is a big focus for us in 2010," says McGinley.

The second EziBuy mailing targeted 75,000 potential customers drawn from First Direct Solutions' Transaction Universe database. Transaction Universe has about 840,000 permissioned names of people who have purchased goods or services through direct-marketing channels, such as mail order, in the past three years.

Quillerat says that Transaction Universe not only offers a large prospecting universe but also provides information on buying behaviour and history through transactional data, such as recency, frequency and monetary information.

"This dimension of transactional data allows marketers to focus their prospecting efforts on the most desirable and lucrative prospect names according to when and how they buy," he says. "For marketers, it's an opportunity to expand their prospecting initiatives with a much stronger probability of success."

According to McGinley, Transaction Universe definitely helped EziBuy acquire new customers. "Acquisition is a tough game and having this knowledge of customer-buying behaviour and histories is definitely a bonus."

FUNDRAISING STRATEGIES

Pareto Fundraising, a direct-marketing agency that works with a number of high-profile charities, is no stranger to the tough world of acquisition marketing.

The company specialises in using data-driven tactics to produce and execute a variety of fundraising strategies, including for the Peter MacCallum Cancer Foundation.

YOUR CUSTOMER REVEALED: A SNAPSHOT OF LIFESTYLE DATA

• Provides a business with valuable insights into its customers' lifestyle characteristics using information supplied through the privacy-compliant Australian Lifestyle Survey.
• The business database is washed against a database of people who have responded to the Australian Lifestyle Survey, identifying the most significant characteristics of customers (based on up to 200 variables).
• The information is grouped into seven categories covering core demographic variables, such as gender, age, income and occupation, together with lifestyle indicators, such as personal finance, motoring, travel and holidays, and sporting and leisure interests.
• It is also possible to identify potential customers in the Lifestyle data based on how similar they are to your existing customers.

> "By using transactional data for acquisition, we know that we are targeting prospects based on what they have actually done ..."
> **Rob Daly, Pareto Fundraising**

Rob Daly says charities are now using complex data to improve their communications.

Armed with detailed information about a typical Peter Mac supporter – women over 65 years, retired, mail responsive and with a net wealth of less than $300,000 – Pareto has used Lifestyle data over the past seven years to find customers who matched its donor profile.

In 2009, Peter Mac's annual tax appeal mailing included names sourced from the Lifestyle data matching their donor profile. It achieved some astounding results.

The campaign beat all key metrics for response rate, average gift amount, net income and return on investment. It also won the Fundraising Institute of Australia's (Victorian Division) award for acquisition.

According to Rob Daly, Account Director, Pareto Fundraising, profiling comes into its own when acquiring new donors. It enables charities to take their existing customer data to build a profile and then use it to select lists and overlays.

"The most important element of profiling for us is to choose the correct donors to profile, such as higher lifetime and long-term value ones," says Daly. "There is little value in profiling low-value donors if the recruitment costs you more than the value of their donation."

Pareto has also tapped into Transaction Universe for its donor acquisition.

"In fundraising, we know that previous behaviour is the best indicator of future behaviour," says Daly. "By using transactional data for acquisition, we know that we are targeting prospects based on what they have actually done rather than what they have said they will do."

He also makes the point that until psychologists help unlock a clear emotional or motivational segmentation, targeted demographics and behaviours will remain the pinnacle for accurate targeting.

Like EziBuy, Pareto is a big supporter of direct mail for acquisition. Pareto's 2009 benchmarking report found that more than 90 per cent of cash gifts to charities are still solicited through the mail.

"Because direct mail is such a key channel, it is paramount for charities to measure and closely optimise every element of their contact strategy in order to maximise income," says Daly.

"Most of the low-hanging fruit was snapped up long ago and charities are now using complex data analysis to improve the relevance and effectiveness of communications." ∎

WIDENING THE NET: A SNAPSHOT OF TRANSACTION UNIVERSE

• A mailing database containing the names of 840,000 people who have purchased goods or services through direct-marketing channels, such as mail order, during the past three years.

• Companies can find prospects based on recency, frequency and monetary information.

• The database is regularly updated against the Australian Direct Marketing Association's Do Not Mail file and records within Transaction Universe are permissioned.

For more information, contact First Direct Solutions on 1300 363 242 or visit www.fdsolutions.com.au.