

Grow Your Customers

Targeting life events to build customer relationships

Life event-driven marketing (EDM) can be a useful tool in unearthing new opportunities to find or serve customers. Very different from an RFM-driven, transaction-based approach, EDM seeks to find changes in prospect and customer circumstances that signal a break from past behaviors.

When life events occur, abrupt changes in behavior often accompany them. Graduations, marriages, buying a home, the birth of a child and retirements are examples of life events that signal when past buying behaviors may not relate well to future behaviors.

Focusing on past behavior, in the short run, does an excellent job of predicting future behavior. In the long run, however, “best” customers still leave or buy much less. Expanding targeting to include life events can explain why some customers are leaving and uncover ways to find new customers who will be tomorrow’s “best.”

The Shrinking Customer Base

One problem with targeting customers based on past buying behavior is that targeting is not so much selection as it is deselection.

Another problem is focusing on short-term marketing objectives. Because prospecting often is done at or below breakeven, focusing more tightly on customers and placing less emphasis on prospecting improves ROI in the short run.

A third problem is a tactical marketing focus as opposed to strategic. For example, response rates, average order and product sales goals are tactical objectives. Methodically building a customer base that supports future sales goals is strategic.

Strategy is priority-driven—and if one has more than three priorities, he really doesn’t have any. Fortunately, marketing strategy can be built around just three priorities:

- getting customers
- keeping customers
- growing customers

Marketers often focus on only one or two goals—usually acquisition or retention, the “getting” and “keeping” part. They often ignore that sales swings frequently are driven by customers spending more or less, rather than by customers arriving or leaving.

Relationship Marketing

Whether in marketing or life, having a relationship with someone is more than just a series of transactions. People’s wants, needs, desires and feelings change over time and result in different responses throughout different situations. While firms often measure the relationship based on transactions, the transactions themselves are not the relationship but merely a measurement

of the activity in the relationship up to that point.

Life events are sign posts in the relationship that signal when a contact’s wants and needs likely are to change, often in dramatic fashion. Even if there



Premium dog food company Eukanuba applied event-driven marketing principles to serve new puppy owners’ dog food needs throughout their pets’ life stages, growing them from one product category to the next.

is a very long train of transactional history with a customer, when certain life events occur it signals the train is about to switch tracks.

Overtargeting can occur in relationship marketing when life events are ignored. For example, in the market-

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DATABASE

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ing classes I teach, we use the word “Oldsmobile” as a verb. It means “to follow one’s best customers into the grave.” Oldsmobile had happy, loyal customers, right up until the end. It focused on its best customers—older, repeat buyers—without replacing them with future best customers.

EDM brings another discipline to database marketing in general but does not replace transaction-driven direct marketing. EDM is a tool that gives marketers additional insight into why customers do what they do, helps explain why loyal customers move away and guides what to look for when building toward tomorrow’s loyal customer base.

Applying EDM

A good example of how EDM can be applied is the program premium dog food brand Eukanuba developed in Europe. Breeders were invited to join special clubs, which entitled them to

trial kits (including free food, brochures and coupons) they could hand out to their customers upon purchase of a puppy. At this point, the dog breed and date of birth were captured and fed into the central database, earning the breeders certain amounts of free dog food.

This data enabled Eukanuba to determine the growth phase—which differs greatly by breed size—of the dog at any given time. Each growth phase of a dog, from puppy to adolescence to adulthood and eventually senior, comes with its own nutritional needs. For each phase, Eukanuba had the appropriate balanced product. Communication programs were developed to guide the new puppy owners through these growth stages into adulthood and beyond. Whenever a switch to a different product was necessary, the dog owner would receive the timely advice, together with additional information on proper care of the dog in the concerned life phase. This approach

increased overall retention among dog owners who had received the initial trial kit and following mailings.

Share of Wallet Is Loyalty, Too

EDM helps explain all the needs a customer may have and allows marketers to formulate offers that fill those needs. With transaction-based marketing, regular repeat purchases correspond to “loyalty.” Customers keep coming back, therefore they are loyal.

In a relationship, regular repeat behavior is important, but so is exclusiveness. The more options people keep open, the more likely they are to switch. Understanding customers’ needs becomes crucial in making sure marketers can fulfill as many of those options as possible.

Maintaining a high share of wallet means a better chance of maintaining a customer when his needs change, provided you also plan to offer what will be needed in the future. This allows for lifecycle marketing, with life events serving as indicators of when marketers need to proactively change offers.

For example, rather than wait until a customer decides it is time to switch from puppy chow to active dog chow, you should tell the customer when it is time. This can reduce a customer’s shopping around and help make sure he remains loyal to your product family.

Putting EDM Into Practice

The key to successfully integrating EDM into an overall data-driven strategy is to include events as part of your three key strategic goals—Get, Keep and Grow:

Get—Are you targeting prospects entering a life stage that means they are developing a new need for your product or service?

Keep—Are you using life events as a means to continue your relationship with customers, or are you allowing customers to mature away from your company and leave?

Grow—Are you using life stage to expand and deepen existing relationships with customers that correspond to a high share of wallet?

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BRAND MATTERS

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has published, 15 have gone on to become *New York Times* best-sellers.

3. Strategic Customer Engagement

Deb Downing is the creator and manufacturer of gourmet specialty food company Gotta' Love It Inc. Downing's passion for connecting customers with her products is contagious and what sets her apart from others in another saturated product category.

She shares, "When I was branding the first product in my company, a 'secret ingredient' garlic butter product, I tried to get the customers' attention by focusing on what would matter to them. Since garlic is the main ingredient, and my butter is loaded with it, I call my product 'Gotta' Love Garlic!' That way the customer knows exactly what kind of commitment they need to make before purchasing my product—they better love garlic!

"When thinking of a brand name for my new bakery (which specializes in hand-decorated, one-of-a-kind cookies), I wanted to convey the same kind of 'you

gotta' love this product to buy it' idea. I quickly discovered that when a customer would pick up a box of my cookies, they'd open the lid and inevitably I'd hear, 'I LOVE IT!' So I named my bakery the 'Love It Bakery!' My tagline is 'A Bakery With a Personal Touch.'"

Indeed, Downing's customer engagement started when she named her company, but she's maintained that personal touch every step of the way. Her customers are her business. So, how can your brand creatively engage your customers in ways that set you apart from your competitors?

Brand bravura is a mind-set. In these challenging times, the brands that choose to be dauntless in doing things differently will capture the new cautious consumer. Be brave. ■

Andrea Syverson is president of IER Partners, a strategic consulting company specializing in innovative brand directions. Look for her new book, "BRANDABOUT: A Seriously Playful Playbook for Passionate Brand-Builders and Merchants," this spring. She may be reached at asyverson@ierpartners.com.

The next step is to look at your customer base as a tool for planning future sales and growth. This is different from a product- or inventory-based approach where when you plan sales you determine how many of each product you think you will sell, how much you need to produce and how much you need to have in inventory. It is different from planning sales by region, store or sales territory.

All of your sales come from all of your customers. If you build the customer base effectively, you build sales and profits now and in the future. Understanding events and their relationship with customer needs, in addition to past transactional behavior, is crucial in understanding what your customer base must "look like" to meet your goals. ■

Alan Weber is an author and adjunct professor at the University of Missouri-Kansas City. With credits for the Eukanuba example to Ed Sanders, with whom Weber is co-authoring, along with Egbert Jan van Bel, an upcoming book concerning EDM due later in 2010. Weber can be reached at alan@d2sg.net or www.d2sg.net.

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