

Considerations for Organizations Contemplating an Event-Based Marketing Environment

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Contemplating an Event-Based Marketing Environment

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Executive Overview

As a consultant working for the most successful technology company that implements Event-based Marketing (EBM) Solutions worldwide, I've noticed common and consistent evaluation processes and discussion topics across financial institutions. This document addresses the main topics and provides some insight into Teradata's view.

Introduction

Most banks are doing some form of EBM campaign marketing and probably have done so for many years. Nearly every bank can, and will, produce a list of customers whose Term Deposit (TD) is maturing or who have deposited a large amount of money. In some cases, these capabilities are executed within operational systems, or for the TD example, the rollovers are automated. Where a list of customers is generated manually, this list will often be sent to the branch with the intention that the branch would contact the customer. This list will sometimes be perused at the branch and the customers on that list will sometimes be contacted. In reality, most leads will not be contacted. In this situation, it is very easy for a bank to assume that "We are doing EBM, we don't need a system to help us manage it, we can simply improve our processes." While this may be true to a certain extent, there are many limitations to this approach which

will hamper the banks ability to move towards best practice. While it is easy to assume that it would be possible to manage all new campaigns manually or within an automated trigger within a core banking solution, there are some limitations to this approach.

Here are some of the more common comments made by organizations when considering a database marketing or EBM environment.

Organization: "I can do it all manually; I don't need a CRM solution."

Teradata View: This approach works fine for a small number of events. However, if it makes good business sense to act on a few (TD Maturity, Large Deposit), then it also makes sense to act on many (Significant Withdrawal, Insufficient Funds, Birth of a Child, or Customer Frequently Travels Overseas). History has shown that best practice organizations will act on hundreds of EBM opportunities every day. The manual approach to EBM will not

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allow the organization to implement many EBM campaigns, and will probably limit the bank to fewer than five per day. This represents a significant lost opportunity.

Organization: “I’m already doing EBM.”

Teradata View: The majority of banks are using triggers, not significant events, as their selection criteria. This makes a difference to the effectiveness of the channel and the ROI of the campaign.

Organization: “I can simply improve my processes and obtain the same results.”

Teradata View: Although this is possible, it is not very efficient. It is very difficult to know how many leads are contacted and what the response/success rate was for the campaign in a manual environment. Either campaign responses are captured, combined, and measured manually, or the organization simply estimates the ROI of the campaign based on qualitative feedback. Of course, some branches/sales teams will require more education and motivation than others, however, without detailed information on the number of leads sent to each branch or team, the number of leads contacted, the number and type of responses, and the number of successes and ROI of each contact, it would be impossible to know which branches or teams to focus on. Therefore, the manual approach initiates a circle – we can’t measure it at the branch or team level, therefore I don’t know which branches or teams to focus on, therefore I can’t effectively improve

the process – unless I focus a little effort on every branch.

Organization: “The Branch can decide when to contact the customer.”

Teradata View: When running a few campaigns in parallel (e.g., daily), it may be possible manually to manage the customer contact rules and channel allocation rules. You don’t want to contact a customer too often, or with conflicting messages. You also don’t want to burden the channel with too many leads. However, as the number of EBM campaigns grows, it becomes increasingly difficult to both manage and optimize the customer contact for each customer and each campaign.

Let’s consider each of these in more detail.

“I’m already doing EBM.”

As mentioned above, while most organizations are acting on triggers (or intending to act on triggers), these are similar to Significant Events, however they are not the same as Significant Events. A significant event is designed to identify customers who are in decision mode and need a financial product or service. Therefore, its design is slightly more complex than a trigger. Take a large deposit as an example.

Consider the following four customers:

- > John is extremely wealthy and deposits >\$10,000 on many occasions each week.
- > Jillian is of average wealth and is a Mass Customer.

- > Harry is extremely wealthy, however completes most of his/her banking with a competitor institution.
- > George is a business traveler.

The trigger or significant event campaigns are run against the same customer base on a single day with the following behaviors observed for each of the customers:

- > John – Deposit of \$10,001
- > Jillian – Deposit of \$5,001
- > Harry – Deposits \$2,000 & \$4,000 & \$4,001 in a single day
- > George – Deposits an expense payment of \$10,001 where the expense payment needs to be transferred to Diners/Amex.

The following table shows that the decision logic or business rule will absolutely affect the customers selected for a campaign and the potential opportunities that will be identified from each rule. Two rules have been considered for this example:

- A. A trigger rule similar to that which would be implemented within a core banking solution
- B. A Significantly Large Deposit of the type that would be implemented within a best practice environment.

The above definition of a Significantly Large Deposit is reasonably logical, and any banker with some training on how to design significant events could design one. Many organizations feel that EBM should

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Phase	Triggers	Event
	Large Deposit – This is the definition historically used by banks	Significantly Large Deposit – This is an example definition that is typically used by advanced practitioners
Definition	A deposit >\$10,000	A deposit >\$5,000 where that deposit is >200% of any other deposit within the last 12 months AND Where the deposit is the aggregate of all deposits for a day across all accounts for that customer AND Where the funds are still within the bank ¹ AND Where the deposit was not an expense claim deposit or a pass through transaction ²
Customer Situation	This trigger identifies individuals who have deposited a large amount of money and may be in decision mode.	This event identifies customers who are in decision mode.
Outcome	The threshold is normally a large amount of money (E.G. \$10,000) to reduce the number of customers identified for this campaign to a small and manageable number. If \$X is set too low, there will be too many leads and the branch/sales team will not be able to work through the list to identify the best leads to contact. Therefore, the channel will become inert, and the value of the campaign diminishes. John would be selected for this campaign. Jillian would not be selected for this campaign. Harry would not be selected for this campaign. George would be selected for this campaign.	The \$Y is normally set to a more common value of deposit than \$X as the business rule of the event is designed to filter those customers that have made an unusually large deposit. If it is an unusually large deposit for an individual customer, then we know that the customer will be in decision mode with regards to the funds. This list will contain much better leads providing a much higher potential for sales than the campaign based on a trigger. John would not be selected for this campaign. Jillian would be selected for this campaign. Harry would be selected for this campaign. George would not be selected for this campaign.
Limitations/ Benefits	Limitations: John will be selected for this campaign on this day and at least once a week. This could generate up to 50 contacts per year, and this is only one campaign. Imagine if the organization had 10-100 campaigns running in parallel. Jillian and Harry would be missed opportunities. George would be contacted, however, would be a waste of effort as (a) the customer does not have discretion over the use of the funds and (b) typically the company credit card brand is fixed by the company – there isn't even a cross-sell opportunity for a different credit card. It doesn't make sense to decrease the threshold of \$10,000, as this would put too much workload on the branch/sales team.	Benefits: John would not be selected for this campaign as the deposit of \$10,000 is a common occurrence (not >200% of any other deposit within the last 12 months), and it is extremely likely that the Relationship Manager or Private Banker would be familiar with this pattern and already have a financial plan in place. Jillian and Harry have made an unusually large deposit and are therefore in decision mode. These customers would be selected for the campaign, and it is very likely that the FI will be able to service the customers need. George would not be selected for this campaign, reducing the amount of wasted effort.
Conclusion	This approach results in less filtering and more lost opportunities.	This design provides the bank with a superior quality list of leads to contact – more filtering and more qualified opportunities.

Figure 1 – Customer Deposit Example

¹ Note, a separate (similar, however slightly different) campaign would be executed for customers who had already withdrawn the funds

² These types of transactions show that the funds are not discretionary and the customer is not in decision mode

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be something new, something special, or something different to what they could think of themselves. This is a common perception, however, the value that an experienced vendor can bring relates to the ability to know what will work within the clients organization – based on many factors including the organization structure, marketing process and capability, channel skills, and incentives. The magic is not in knowing how to design a single EBM campaign, nor is it picking a complex EBM campaign for the sake of it being complex. It is in knowing which EBM campaign will drive the best result given the organization's characteristics and how to build a roadmap that will allow the organization to grow in experience, complexity of campaigns, and ROI.

"I can do it all manually; I don't need a CRM solution."

As many organizations have been completing a form of marketing based on triggers for many years, it is easy to assume that the bank can do EBM manually and doesn't need a solution to manage the environment. In addition, the fact that EBM campaigns are logical and can be identified by any capable banker tends to reduce the perceived effort to implement an EBM campaign. Therefore, it is true to a certain extent that an organization could do it all manually. It is relatively simple to *implement* a handful of EBM campaigns, it is more complex to *manage* a handful of EBM campaigns, and it is very complex to *measure and report* on a handful of EBM campaigns.

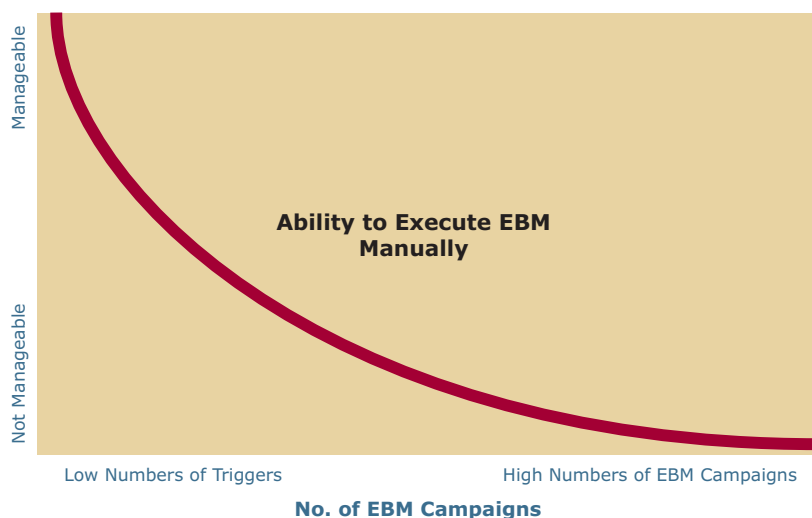
Implementing EBM Campaigns

When implementing an EBM campaign, the EBM selection rule will generally analyze all customers and identify those customers that have shown a significant behavior. This selection can be implemented in a number of ways. However, it will always be processed as a complex SQL statement – running against all customers and generally all transactions. This is a reasonably complex environment to maintain manually as the selections need to be scheduled, and the leads need to be delivered across all channels, branches, and sales teams. As the number of EBM campaigns grows, this environment becomes impossible to manage manually.

Managing EBM Campaigns

While running an EBM campaign, a business rule is executed across the customer database, and customers are selected based on their behavior – customers are self selected. No one knows how many customers will be selected each day or how many times a customer may be selected for a single campaign or across multiple campaigns within a single week or month. This will have the potential impact of too much contact or inconsistent contact with a single customer and over- or under-allocation of leads to the channel. Therefore, it is necessary to run customer contact and channel optimization rules against all leads, for all campaigns,

An Organization's Ability to Manage EBM Campaigns in a Manual Environment



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everyday. Again, with a handful of campaigns, this is manageable, however when the organization is running 10-100 campaigns in a day, this becomes impossible to manage manually.

Measure and Report on EBM Campaigns

It is possible to manually record responses to campaigns by manually collating data at the channel and sending it to a central department for further collation. However, even with a small number of campaigns, this process is extremely time consuming and complex. It becomes even more complex when considering success for a campaign. The success criteria for each campaign will be slightly different and will require a different lead time as to the measurement of the success. As EBM campaigns are executed on a regular basis, someone would need to keep track of the leads generated each day and then build a manual system to track the number of customers who purchased a product within D days of being contacted (where D would be different for different campaigns). Again, as the number of campaigns increases, this becomes impossible to complete manually.

"I can simply improve my processes and obtain the same results."

While this is theoretically possible, there are competing forces here that make this impossible – any organization will have

limited resources to deal with a large issue, so, which branches/sales teams should the organization focus on? It would be better to identify those branches that are not compliant (i.e., not contacting customers) and/or those branches with low success rates (i.e., are contacting customers but are not successful at selling) and focus the education/ training efforts on those specific branches/sales teams. With a manual environment, it would be impossible to collate all of the information to identify which branches/sales teams are contacting the customers and which aren't, and which have successful sales motions and which don't. It is possible to address all branches/sales teams in a limited way to motivate them to contact the leads sent to them each day, however, this motivation will only last for a limited period and will have a limited effect.

"The Branch can decide when to contact the customer."

In a manual environment, the branch/sales team is responsible for selecting the customers it wishes to contact from the list produced by the trigger. While this works for a small number of EBM campaigns, it will not work for a large number of EBM campaigns, as the branch/sales team will be preoccupied with selecting customers from lists that, by the time they have identified the customers they want to contact, it will be closing time and a new list will arrive the next morning.

Why do we need a CRM Solution?

This is a very common question and a very reasonable one. Without wanting to turn this paper into a sales document, I will outline some very good reasons why a CRM solution is required to implement a best practice campaign marketing environment. First, however, I should clarify that a CRM Solution by itself is not enough. If your organization is serious about implementing a best practice EBM environment, you must partner with an organization that has the experience, knowledge, and intellectual property that can help your organization move down this path. A technical solution alone will not suffice. Second, your organization may have specific technology that fills the gaps outlined below, and as such the list below is a general list based on common observations.

Why you would need a CRM solution.

- > EBM has two database technology dependencies – detailed transaction data and scalability to process hundreds of complex campaign selections in parallel. Most existing environments do not contain this, and a core banking system is not built to run multiple queries across the customer base and transaction table. If you do not have a database with transaction data for all customers and the scalability to run hundreds of campaigns, you will need a CRM Solution.

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- > As outlined above, a manual environment will theoretically allow the organization to implement a handful of campaigns. However, even a handful of campaigns would be difficult to manage. If your organization plans to grow to many EBM Campaigns running in parallel, you will need a CRM Solution.
- > Without the benefit of experience, it would be impossible for an organization to know how to build EBM campaigns, what the potential risks are, what the likely outcomes are, and how to increase the chances of success. If you do not have anyone in your organization that has experience with EBM, you will need to partner with an organization that does.

Summary

While it is theoretically possible to implement an EBM environment in a manual way within a current banking environment isolation, even the most advanced companies with years of marketing experience and an existing enterprise data infrastructure running on Oracle or IBM have chosen Teradata as their partner for CRM.

Teradata, a division of NCR, has a unique combination of technology, services, and experience to help your organization achieve best practice and obtain a higher ROI from your customer base faster.

For more information about Teradata EBM Solutions, please contact your account manager.

About the Author

Craig Morrison is a team leader in Teradata's Consulting Services in the Asia/Pacific CRM Practice. He is proficient in CRM strategy, database marketing, event-based marketing, customer communication strategy, and general CRM consulting.

Craig leads a team of Teradata consultants responsible for maximizing the benefits to clients in the areas of design, development, implementation, consulting, and management the Teradata CRM solution portfolio.

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