Event-Based Marketing Metrics

Extending Measurement Capabilities and Revolutionizing Business Performance

Bob Brady

Senior Industry Consultant,
Teradata, a division of NCR

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a division of NCR

You've never seen your business like this before.

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Executive Summary

As your financial institution begins to explore and reap the benefits of Event-Based Marketing (EBM) as a revolutionary technique in the world of customer management, it is essential that you understand the unique characteristics associated with this type of marketing activity.

By its very nature, EBM is different from traditional campaign management – you don't initiate a campaign because your particular business unit is trying to achieve its sales goals, but rather, you initiate a conversation because the customer has exhibited some behavior that suggests he or she has an imminent need for one of your products or services.

With EBM, the targeting process is different, the contact strategy is different, and the measurement requirements are different from those of the traditional campaign management environment.

This paper discusses some of those differences in more depth, and then speaks directly to the differences in measurement requirements. The bad news is that measuring the results of EBM programs can be more difficult than that of traditional campaigns; the good news, however, is that the resulting analysis is richer, and the potential benefits are greater by an order of magnitude.

In short, the destination is well worth the journey.

Event-Based Marketing Metrics

One of the most powerful marketing tools available to financial institutions in a long time is Event-Based Marketing (EBM). Banks around the globe are embracing this new technique for initiating customer dialogues and are routinely achieving conversion rates of between 20% and 60% – in an industry where 5% is likely to get you into the Marketing Hall of Fame.

And the story gets better. Because these institutions often look at EBM as a *relationship building* tool rather than strictly a sales tool, these numbers are almost viewed as icing on the cake – the proponents of EBM would most often consider their efforts to be a rousing success even at far lower conversion rates. While the phenomenal performance achieved by EBM programs is certainly a positive thing, there is one striking negative to it: because the results blow away any type of breakeven threshold necessary to justify the continuance and expansion of the programs, institutions have not always felt much urgency around measuring the results adequately.

In one sense, this neglect seems reasonable – after all, is it that important whether your conversion rate is 40% or 50% when you only need 3% to make the program worthwhile?

On the other hand, if EBM is to progress within each institution using it, it is essential that they take the next step and evolve this technique into a highly quantified portion of the enterprise-wide business process.

Ahh, but how?

Event-Based Marketing is Different from Traditional Marketing

First of all, it is essential to realize that the process of Event-Based Marketing is vastly different from that of traditional marketing campaigns. As a result, the manner in which it can be measured is also significantly different. Consider:

Event-Based Marketing is a continuous, on-going process.

Unlike a traditional direct mail or calling campaign which has a start date and an end date, EBM campaigns are by their very nature, continuous. If you want to call every customer who scores highly on a propensity model for a Home Equity Line, you would most likely produce a long list of customers, extract a control group so that you measure the *incremental* impact of the program, and then distribute it appropriately to your customer contact associates. After some period of time has elapsed, you would shut down the campaign and run all the normal analyses of how the customers behaved between the start date and the end date. It would be simple math for a simple campaign.

With EBM, however, things are different.

Event-Based Marketing looks at detailed customer transactions, compares them with a predefined pattern of normalcy for each individual customer, and detects events that are out of the norm *for that customer* – for example, deposits or withdrawals that are significantly larger than usual or perhaps a name or address change. Since most of our clients have found that it is critical to contact the customer within 24 – 48 hours of the occurrence of the event, fresh leads must be distributed each morning based on the transactions of the previous day. As a result, each of the daily lead lists will be much smaller than the massive one-time list produced for a traditional campaign – but you will be creating a new list every day.

The fact that several small campaigns are run daily, rather than one large campaign run occasionally has another implication to measurement of results: because EBM campaigns are continuous and without a predetermined end date, you cannot simply run the numbers once at the end of the campaign. Instead, you will need to generate the lead lists daily, pull out a control group from each day's list, and then determine results at appropriate intervals (e.g., one day, one week, one month) after each of the leads was delivered.

Thus, the one week results for leads delivered on June 1 will be taken as of June 8, while the corresponding set of results for leads delivered on June 15 will be taken from the database on June 22. In all, there would be as many different result sets as there are working days in the month. This is significantly different from the Home Equity calling program described above, or from a one-time, pre-approved auto loan mailing which is sent out on the first of the month and then measured once at the end of the month.

Event-Based Marketing Metrics

Simply stated, EBM requires a more fluid approach to measurements.

With Event-Based Marketing, you probably don't know what you will be selling the customer until you make the call.

Again, consider the traditional Home Equity campaign. Using a variety of factors, such as income, demographics, available equity, and propensity models, you would determine who within your customer base would be most likely to purchase a Home Equity Loan or Line of Credit. Because this is what you modeled for, and this is what the sales script will emphasize, you can expect that the vast majority of sales will be in the Home Equity category.

Event-Based Marketing campaigns tend to be different. Often, the event identified merely provides an opportunity for the banker to have a meaningful, welcomed conversation with the customer at a time that is relevant for that customer. Depending on how this conversation develops, a wide variety of products or services may be called for to meet the customer's needs.

For example, let's look at a customer whose normal deposit is perhaps $2000, twice per month. Yesterday, she deposited $30,000. What might this indicate?

Figure 1 shows some of the various reasons for this significantly large deposit, and what products may be suitable to meet the newly discovered customer needs.

Reason Behind the Deposit	Potential Product Needs
Just received a large bonus, inheritance, etc.	Deposit Account (CDs, Money Market, etc.), Brokerage Account
Just sold house – parking money	Deposit Account, Brokerage Account, Mortgage (for next house)
Consolidating money from other institutions to make a down payment on a house	Mortgage, Home Equity Line of Credit
Recently laid off, received lump sum distribution	Financial Planning Services, Equity Line of Credit, Deferred Payment Options
Recently retired, received lump sum distribution	Retirement Planning Services, Long-Term Care Insurance, Reverse Mortgage

Figure 1: Significant Large Deposit – Reasons and Opportunities

Of course, the list could go on. What becomes immediately clear is that a single, seemingly simple event can lead to a wide variety of results – all of which should be measured.

Event-Based Marketing lends itself to servicing opportunities for customers – not just sales.

Our clients tell us that the real magic of Event-Based Marketing lies in its ability to help the bank grow relationships – and that the tremendous sales results mentioned earlier are just icing on the cake.

While *some* traditional marketing campaigns – properly executed – can have some relationship-building power, that is rarely their primary function. EBM campaigns on the other hand, are often focused solely on building relationships with product sales being nothing more than a secondary objective.

One example of a relationship-building event that many of our clients find highly valuable is the "Significant Overdraft" circumstance. In this case, significance is determined by the fact that the customer rarely, if ever, bounces a check. When one of these customers does overdraw their account, the natural expectation is that this will be a negative experience for the customer – embarrassment, a large Overdraft Fee, and perhaps even the hassle of having to arrange repayment with the intended payee. However, with near-real-time or next day Event-Based Marketing capability, the bank has it within its power to turn this into an opportunity to delight the customer.

The bank would identify which customers rarely overdraw their account and (perhaps) which segment of customers (e.g., High Value, Likely to Attrite) they would like to provide with premium, relationship-building service. Then, when one of these customers does overdraw their account, a call is made to them describing the situation. Imagine the following conversation:

"Hello, Mr. Brady. This is Suzy Smith from the ABC Bank. I was just alerted to the fact that you have written a check for an amount greater than the balance in your checking account. It looks like you will be overdrawn by about $900.

"I see that you have plenty of money in your Savings account to cover this, so what I'd like to do is transfer that money into your checking account to cover the overdraft, and because you've been such a loyal customer with us, I'd also like to waive your $30 Overdraft Fee. Also, to prevent this from happening in the future, if you'd like, I can connect your ABC Bank Credit Card to your Checking Account so that it can serve as an Overdraft Protection Account for you. Should I go ahead and do this?"

Have any of you ever gotten a call like that? I certainly haven't. How would you respond if you did? For most of us, a call like this would be so unexpected and so delightful that ABC Bank would achieve the ultimate for customer management programs – a "customer for life".

However, notice that not a single product was sold in this exchange. Does that mean that it should not be considered a successful call? Certainly not. We simply need an alternative way to measure impact.

In this example, as in most relationship-building campaigns, it may be difficult or impossible to measure the impact of this call in the short term. In fact, this type of campaign is essentially an advertiser's "brand campaign" – only it is being conducted one phone call at a time. As a result, the impact of this type of calling program would have to be measured with "softer" metrics such as customer satisfaction scores.

There Are More Things to Measure in Event-Based Marketing

As described above, there are many ways in which event driven marketing is different from traditional direct marketing efforts. In most, if not all, cases, these differences create opportunities for new measurements and new analyses. As we operate under the guiding principle that metrics should be introduced and measured only to the extent that they drive additional business value, the very nature of EBM provides us new opportunities to drive that value.

For example, in a traditional marketing campaign, most banks would track and analyze data that answers some simple business questions – questions such as:

- What percentage of my target population responded to my offer?
- How many net new accounts did I open as a result of this promotion?
- How did balances change as a result of this campaign?
- What was the Return on Investment (ROI) for this campaign?

These are all good questions, and frankly, not enough banks out there can even answer all of these questions with their current capabilities. However, when you incorporate event-driven marketing campaigns, with their inherently continuous and fluid nature, you create an entire new class of business questions that can be considered, and whose answers can drive real value within the organization:

How is EBM Program A performing relative to EBM Program B?

Since many EBM programs will use the same outbound-calling resources, it is important to determine if one is more successful than another. If you are able to alter the mix of highly successful programs versus moderately successful ones, you will move the needle of your organization's profitability. For example, several of our clients have determined that the "Maturing CD" event simply does not deliver enough shareholder value to continue it. Instead, they are funneling higher value leads to the customer contact points.

How effective are different event definitions relative to each other?
One of the beautiful things about running small daily campaigns rather than large seasonal ones is that (given the proper feedback, measurement, and analysis capabilities) you can adjust your tactics over time. Using the Significant Large Deposit event as an example, you might want to test whether you get a better response from deposits that are at least $20,000 and 150% of the customer's average six-month deposit amount or from deposits that are at least $15,000 and 200% of their average three-month deposit amount. Similarly, does Offer A work better or worse than Offer B? Because you are generating a new lead list every day, you can implement a viable Test-Learn-Operationalize environment in no time.

Which channel works best for which segments?
Do you need to call every customer, or are there some identifiable customer types that would respond better to an e-mail or an ATM message?

How is Suzy Smith performing relative to John Jones?
Tracking results daily can allow you to adjust your workload mix for each Personal Banker or Call Center Agent. Analyzing individual performance for each Lead Type might uncover simple training issues, or perhaps even lead you to assign all the Significant Large Deposit leads to Suzy and all of the Significant Overdraft leads to John.

Does it make good business sense to add additional staff and resources to this program?
One of the inherent limitations to Event-Based Marketing programs that employ personal contacts is that human beings have a finite capacity for making these contacts. A personal banker operating out of a branch may consider himself fortunate if he is able to make five good contacts per day. Clearly, Call Center Agents would have a much higher capacity, but would still have limits. By examining the value delivered by each customer contact *and* the number of leads never turned into contacts due to channel limitations, you can make an informed decision about whether or not to modify your staffing model or job descriptions to create more capacity.

Of course, these are just a few of the business questions that can drive incremental value in an EBM world that are usually never even considered in the one-off world of traditional campaigns. I am quite confident that in fifteen minutes, you could come up with dozens more.

The Role of Data in Driving Value for Event-Based Marketing Programs

For many of the reasons described above – especially the on-going nature of EBM campaigns and the fact that you may not fully understand where the benefits of a campaign will come from until you have begun executing it – optimizing the *process* for measuring the results of Event-Based Marketing is critical.

Processes that rely on labor-intensive transformations, data collection, and general 'sneaker-netting' may work for a while in a traditional campaign environment – after all, you only need to measure once or twice to determine the results, and you know in advance what it is you are looking for. However, in the Event-Based Marketing world, this type of process would quickly collapse upon itself.

To truly add value, the measurement system for an EBM program must be:

> Automated
> Flexible
> Enterprise-wide
> Updated Frequently

Frequent updates – our clients tell us that daily updates generally work best for most events – are crucial because of the on-going nature of the events and the subsequent customer contacts. Generally, you will want to determine how the customers have changed for better or worse at some fixed period (perhaps 30 days) after contact. Since within a single campaign some customers will be contacted on January 10, some on January 31, and still others on April 15, month-end numbers simply will not suffice.

Given that a single event may drive sales, service, or retention opportunities across the institution's entire product portfolio, the data repository must be both enterprise-wide and flexible. Remember that EBM programs will produce results across a variety of product lines, and thus it will not be sufficient to track just CD sales, home loan sales, or retained checking accounts.

Finally, the measurement process must be automated – as much for the sanity of the IT staff as for the business value provided. Each time there is a change in the campaign selection criteria or contact strategy, this change needs to be reflected in the subsequent performance analysis. If the volume of these changes creates bottlenecks within the IT area, and if these bottlenecks prevent business users from getting timely feedback on how shifts in strategy impact their results, then the EBM program will not achieve its full potential.

Conclusion

Clearly, the advent of Event-Based Marketing programs represents both an incredible opportunity for bank marketers and a unique challenge for those charged with tracking and measuring the results of marketing campaigns. The very nature of these programs requires that a new, robust approach to performance measurement be adopted – an approach that accounts for the continuous nature of the campaigns and the many possible forms of success.

Fortunately, the tools necessary to build a suitable, sustainable measurement system already exist in the marketplace. Enterprise data warehouses combined with advanced reporting and business intelligence tools will allow the leaders within the Financial Services community to develop robust, flexible, and automated measurement systems and further exploit the opportunities presented by Event-Based Marketing.

Without a doubt, the destination is well worth the journey.

About the Author

Mr. Brady works with Teradata clients and prospects within the Financial Services Industry to help them understand, quantify, articulate, and achieve the benefits associated with using detailed customer data and Teradata solutions to reduce costs, improve the customer experience, and drive organic growth.

Prior to joining Teradata in 2000, Mr. Brady led Product Management, Pricing and Profitability, and Customer Relationship Management initiatives at NationsBank and First Union National Bank (now, Bank of America and Wachovia Bank, respectively). He earned a B.S. in Electrical Engineering from Virginia Polytechnic Institute & State University in 1984, and an MBA from Duke University's Fuqua School of Business in 1991.