



## Past Performance Is Not a Guarantee of Future Results

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Marketing success depends on matching the product to the market at the right time. In financial services, target marketing is typically based solely on analysis of response lists, and customer and campaign data combined with compiled data. In general, the forward selection criteria are mainly driven by knowledge gained from analysis of past performance.

Reliance only on historical data can affect the performance of your next campaign.

Campaign history doesn't reflect data on who is responding to or buying from competitors. Nor does it include intelligence on who intends to buy the product, their channel preferences, or attitudes. You can't know when your direct mail piece drives consumers to your competitor's Web site to buy the product you promoted.

There are two ways to improve this nearly universal targeting practice: 1) Target the best prospects in today's market and 2.) Reduce the impact of historical targeting bias on future performance. The fastest and most cost-efficient way to attain these improvements in your next campaign is to integrate objective, market-based metrics driven by market research data.

Here's an illustration of how market research data can be integrated in a target marketing application.

A syndicated market research survey is used to develop intelligence on recent and prospective term life insurance buyers as well as channel preference. Combining survey data with demographics identifies the demographic factors that differentiate potential and most recent buyers from non-buyers. Statistical models driven by these demographic factors assess the propensity of buying term life insurance in general as well as the propensity of buying term life insurance when triggered by direct mail offer.

These research-driven buying propensities provide a universal metric that can assess the current market potential, concentration of potential buyers, best target markets for direct mail, and benchmark potential performance.

**Assessing current markets:** Consider two NJ counties—Essex and Passaic. Essex has 295,177 households; Passaic, 172,505. For the term life insurance marketer, these two counties have virtually identical markets: 12,282 for Essex and 12,244 for Passaic. Passaic has a higher concentration of term life prospects (propensity) than Essex: 7.1% vs. 4.2%.

**Targeting today's markets:** The research-based metrics show that 9% of US households bought multiple financial products and services via direct mail. The direct mail channel affinity propensities can be used with the term life propensities. In Essex County, the best direct response segment constitutes of 17.8% of prospects; Passaic, 19.1%. These prospects have a propensity to buy term life via direct mail three times the US average. To increase ROI, direct campaigns in high response segments should be mainly driven by direct mail supplemented with "touching" prospects via other media. In low direct response areas ROI should be driven mainly by other media, supplemented by direct mail.

**Benchmark your next campaign:** Prospect concentration rates of 4.2% in Essex County and 7.1% in Passaic are ultimate product-specific market benchmarks that are used in setting revenue objective, marketing resource and media allocation, and targeting.

Developing robust and complete information about customers and prospects requires looking beyond historical and internal data. Transforming market research into buying propensity metrics can support and unify the strategic and tactical dimensions of financial marketing.

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Market research can be used to develop universal, market-based metrics that can improve marketing performance

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