ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 1

INTRODUCTION

"Our employees are instructed to treat every customer . . . exactly as they would like to be treated were they in the customer's place and the customer in ours," reads the 1900 edition of Sears, Roebuck and Company's *Consumers Guide*, the forerunner of the catalog that would become a fixture in American homes through most of the past century. "If you favor us with your patronage," it continues, "we will do everything in our power to merit your trade."

Sound familiar? In a world transformed by the growth of enterprises and the rise of modern transportation, and by technologies that have reduced transaction costs and created new communication channels that allow people to interact in ways that could hardly be imagined in 1900, such proclamations have recently resurfaced as a universal fight song.

Today, of course, it's no mean feat to "merit the trade" of new customers, let alone retain the ones that already exist. Just ask Sears, which has been severely battered in recent years by customer attrition, declining sales, and lower profits. In an effort to reverse its lackluster performance, the nation's number three retailer is spending almost $1 billion a year on advertising, using mass media vehicles to communicate a mostly undifferentiated marketing message (its latest tagline: *Sears. Good life. Great price.*) to a target audience that consists of just about everyone. All we can say is, "Good luck."

Clearly, Sears is stuck in a rut where no company today can

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 2

afford to be: spending a lot of money on mass media marketing in a desperate attempt to create measurable results. Unfortunately, without a discernible niche, mass media marketing may be Sears' only option.

Not so for companies with more narrowly defined marketing messages and target audiences. For these companies, a new set of tools and capabilities—which, taken together, enable a business process called *precision marketing*—promises to increase marketing effectiveness, drive shareholder value, and fundamentally change the way senior executives run their marketing organizations. And not a moment too soon.

THE WAY WE LIVE (AND SHOP) NOW

In this Introduction, we look at the changing consumer landscape to help explain the growing infatuation that today's corporate leaders are having with *precision marketing*—a term which, for now, can be simply described as a technology-enabled process for capturing and managing customer data, analyzing that data to derive strategic insights, and using those insights to drive more efficient and profitable customer interactions. The context begins with a simple compelling fact: We live in an unprecedented era of customer scarcity. Information technology—combined with new business processes for how companies buy, make, and sell—has played a major role in creating this reality.

Technology, in particular, has produced such amazing efficiencies in the use of labor and materials that supply now outstrips demand across a wide array of markets. In virtually every category, it seems, an overabundance of merchandise is going nowhere fast, parked on shipping docks, gathering dust in warehouses, and standing idle on showroom floors. Simply put: *There ain't enough good customers to go around.*

As a consequence, companies are left with a pie that has essentially reached its maximum circumference where customer

growth is concerned. This is true even in technology markets, where manufacturers have traditionally enjoyed rapid turnover. A case in point is the personal computer industry. In 2002, the *New York Times* reported that, more than any time in its 27-year history, the industry has found itself in a quandary, having to concoct new reasons to persuade the world's 500 million PC owners to replace their existing machines. In short, the first years of the new century have given birth to a business climate in which replacement cycles have faltered, manufacturing plants have overproduced, and warehouses (or *pipes*, in the case of telecom providers) have become saddled with excess capacity.

To make matters worse, brand loyalty has become ever more fleeting. And driving brand loyalty has become ever more expensive. One wonders: How can a company hope to build brand loyalty in an environment where consumers are continuously confronted by an enormous number of choices? Consider the beverage category, which introduced approximately 11,000 new SKUs in 2002 alone. "The algebra will tell you that your shares are going to get diluted in an environment like that," notes Bill Bean, director of Channel and Customer Insight at Pepsi-Cola Company—which, for its part, introduced approximately 100 new SKUs in 2002.[1]

Many consumers today readily switch allegiance to any brand that offers what they judge to be the best value for their money, regardless of their—or their parents'—past buying behavior. "Once a customer, always a customer" was a nice motto in its time. But it has little connection to today's world, where the experience of having grown up with a certain brand seldom translates into a long-term sentimental, let alone economic, attachment. Favorable reviews from a friend about a competing product or service, the arrival of an enticing promotional offer, or even a spontaneous thirst for adventure might provide a sufficiently valid excuse to break off a decades-old relationship.

One might rightfully conclude that we've entered a world of *promiscuous consumption.* "Today I'll buy this brand," shrugs Joe

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 4

Consumer, "and tomorrow I'll buy a different brand." But while such a world may suit Joe Consumer just fine, given his open desire to play the field, it can be an inhospitable place for companies that would much prefer long-term fidelity over the business equivalent of a one-night stand.

Notwithstanding the staggering number of books and articles written on the topic in recent years, brand loyalty is easily understood. It arises from a customer's belief in the relative superiority of a product or service, as reaffirmed by its repeated use over time, thereby fulfilling expectations around consistency. In this way, one might argue that brand loyalty often goes hand in hand with complacency. In some cases, it endures due to the simple fact that human beings tend to abhor change and embrace familiarity.

Brand loyalty used to be easily won. Some families were Ford families. Some families were Crest, Skippy, and Tide families. A brand was almost like a political affiliation. As long as it performed reasonably well and was advertised heavily enough, people would continue to buy it. Usually, a leading brand could do no wrong. These days, on the other hand, people are constantly testing the limits of their brand loyalty with a simple question: *What have you done for me lately?* With increasing frequency, they're coming to an equally simple conclusion: *Not enough.*

Why do today's brands need to work so hard to win us over? Is it because, as a society, we've become more demanding? Less committed? More open to change? Whatever the reason, we're bearing witness to the systematic decline of brand loyalty. For compelling evidence, look no further than Kraft Foods, the largest food and beverage company in North America, with products that regularly find their way into 99 percent of all households. Kraft defines a loyal customer as a person who bought more than 70 percent of the same brand within a category over the past three years. Three decades ago, the percentage of Kraft's customers believed to fit this description was approximately 40 percent, on average. Today it's said to hover somewhere around 15 percent.

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 5

Paradoxically, Kraft appears to be doing just fine, thank you, owing to its extensive roster of so-called "category killers." To name just a few: Kraft macaroni & cheese, which holds an 82 percent share of the market, Philadelphia cream cheese, with a 67 percent share, and Ritz crackers, with a 51 percent share. So what's the problem? No problem, other than the fact that Kraft pays dearly to maintain its dominant market position, spending roughly $850 million a year on advertising and other forms of marketing promotion. For a company the size of Kraft, it's an awful lot of money.

The reason Kraft allocates the lion's share of its resources to advertising and other forms of marketing promotion—about 42 cents of every dollar it earns—is easy to understand. Kraft needs to reach as many shoppers as possible, on an ongoing basis, and convince them that its brands are worth the extra dime, quarter, or dollar relative to neighboring brands that occupy the same shelf space. But shouldn't customers already be convinced? After all, most of Kraft's category killers have been on the market for years, some for decades. Why would smart shoppers need continual reminding of their own brand preferences—unless, like that odd little fish in the 2003 movie *Finding Nemo,* they suffer en masse from momentary bouts of amnesia? Of course, we've already revealed the answer: Kraft's loyal fan base is dwindling. Promotion-sensitive consumers now account for the bulk of its sales revenues. As if it were any consolation, Kraft is hardly alone. Many companies can only bemoan the fact that their former ranks of never-settle-for-less customers now teeter on the verge of extinction.

BEHOLD THE GENERIC REVOLUTION

At least part of the reason for the erosion of brand loyalty relates to the proliferation of comparable market alternatives for practically everything under the sun. Call it *the attack of the clones,* in homage to another movie—the 2002 *Star Wars* prequel.

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 6

The laminated sign people are used to seeing behind the pharmacy pickup counter says it all: "You can trust generic equivalents, which offer the same high quality at a lower price." The sign now applies to practically every category of merchandise in the store. Lesser-known brands with unfamiliar labels and nonexistent advertising budgets—which, as it turns out, are not necessarily inferior to their brand-name counterparts—are gaining the attention they arguably deserve.

A particularly alarming development facing brand managers is the rapid growth of private-label store brands with names like Our Compliments, Kirkland, Safeway Select, Sam's Choice, and President's Choice. In fact, the store-name brands have already become a formidable market force, their unit sales having more than quadrupled between 2001 and 2003. Wal-Mart's Ol Roy dog chow now outsells Purina. Nearly half the merchandise sold at Target carries the name of a store brand. Rite Aid added 250 private-label products in 2003. The trend is even reflected in the recent decision by Barnes & Noble to launch its own brand of low-cost books, expected to account for 12 percent of total revenues by 2008. In 2003, *Fortune* magazine reported that one in five items sold in U.S. stores is now store branded, while in Europe that figure has reached *two* in five items.[2] For retailers, it means 10 percent higher profits, on average. For many marketers, however, it means paring the number of brands in their portfolios and concentrating their spending on the few that already command the highest market share.

By now, practically every national brand has been supplemented by a copycat version that looks, smells, tastes, and/or feels almost identical, or that has nearly the same core characteristics. It's a reality, even if some brands may refuse to accept it. Take Oreos, for example. "You can make a cookie without trans fat but what you're trading off is the unique taste and texture that people have come to expect," explained a Kraft spokesperson, in defending the use of hydrogenated oils to make the num-

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 7

ber one selling cookie in the world. Yet anyone participating in a blind taste test would surely attest to the fact that the "unique taste and texture" of Oreos is anything but unique. The same taste and texture masquerade quite convincingly in several Oreo knockoffs. What can't you find in these rival brands? Simple. The word "Oreo."

Yet to many people, for whatever reason, a package of Oreos is worth an extra buck. Some people would never consider buying faux Oreos when they could buy the real McCoy. But, to quote comedian Jerry Seinfeld: "Who are these people?"

More importantly, how can a company like Kraft focus its considerable marketing resources on reaching others just like them? For its part, Kraft has traditionally spent a lot of money in its efforts to coax *all* current and potential cookie aficionados in the right direction, all the while knowing full well that many recipients of its marketing messages are going to be poor prospects. A lot of them may not even buy cookies in the first place.

Granted, some entrenched superbrands are destined to retain their positions as category leaders, if only by virtue of their names. The brand equity enshrined in the name Coca-Cola will likely live on forever, and always be worth a gazillion dollars to the investor community. Brand equity helps explain how Coke, for more than a century the most recognized trademark in the world, can maintain a ubiquitous presence when only about 16 cents of every dollar it earns is spent on advertising and promotions. (Interestingly, most of the company's recent growth has come from strong sales of its noncarbonated drinks, including bottled water.)

The so-called "aspirational quality" of brands explains why many people will continue to pay a hefty premium for cups of Starbucks coffee and scoops of Ben & Jerry's ice cream (growing up, they could never afford such luxuries). Aspiration—combined with the "trust factor"—explains why many people

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 8

will always insist on buying Bayer aspirin, and paying more for it than for generic aspirin, despite knowing full well that the two are exactly the same. And because money is no object when it comes to prestige, people will continue to buy Tiffany jewelry and Godiva chocolate, and pay top dollar for the latest in brands of designer clothes and accessories, fueling the trillion-dollar fashion industry.

Consumers will never become completely brand blind. Or, to put it another way, brand is not dead, only resting. Right? One thing is certain: The fear of brand death continues to hang over the advertising industry like a dark cloud, and for good reason. Marketers can point to April 2, 1993, as a milestone in the history of the generic revolution. On that date, Philip Morris cut the price of its Marlboro cigarettes, a premium brand marketed to the American public for nearly four decades, to compete with a handful of no-name bargain brands that had begun to capture significant market share. Also on that date, Wall Street gave in to an overactive imagination. It responded to the Marlboro announcement by driving down not only Philip Morris' stock price but also that of many other leading consumer goods companies, including Quaker Oats, Heinz, and Procter & Gamble, whose core assets mainly consisted of the brand equity embedded in their household name products. Market doomsayers declared that the downfall of "the brand"—whose value, they asserted, had been kept artificially inflated through a never-ending series of elaborate image-building schemes, carried out by expensive advertising campaigns—was firmly upon us, and that the marketplace for consumer goods would never be the same.

They were wrong, of course, but only to a degree. Yes, the stock prices recovered and the doomsayers retreated. But the lesson of that day—that brand loyalty can be highly precarious and should be handled with care—lingers on a decade later. On July 11, 2003, Moody's Investors Service released a major report warning that the generic brands of deep-discount cigarette mak-

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 9

ers were wiping out the ability of the major players to raise prices and preserve profit margins. Among those taking the biggest hit in terms of erosion in operating performance and credit ratings: Philip Morris and its Marlboro brand.

The trend is clear. As the availability of buyer options increases, the degree of market differentiation declines, and the level of product superiority becomes less clear, brand loyalty will continue to go out the window on many fronts. Capricious consumer behavior will, in turn, leave companies with little choice but to incur the added expense of doing a lot more coaxing. This means more TV commercials. More radio spots. More magazine ads. More in-store displays. More event sponsorships. More highway billboards. More mass mailings. More wasted money.

Alternatively, companies can harness the power of highly refined consumer targeting to accelerate the growth and profitability of their brands, as many are now beginning to do, with escalating levels of organizational vigor and resource commitment. They can embark on technology-enabled brand-building programs that adopt more efficient and effective ways to market to the *right* consumers—that is, those people who are already predisposed to buying the product or service at hand, and who help drive corporate profitability—while mitigating the cost of marketing to the *wrong* consumers. The wrong consumers are people who would never, under any ordinary set of circumstances, make a purchase decision, no matter how many times the best of all possible marketing messages was waved in their faces. In essence, this is the difference between working hard and working smart, and it serves as the main focus of this book.

TAKING UP ARMS AGAINST A SEA OF TROUBLES

The proliferation of market alternatives is one phenomenon that has sent brand companies running for cover. Beyond that, other

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 10

forces are also converging to fundamentally change the dynamics of consumer shopping behavior.

One such force is the advent of Internet search functionality for comparison shopping. Price transparency leads to increased price competition as suppliers invariably find themselves being pitted against one another along price variables. The insurance industry offers a good example of this phenomenon at work, and the havoc that it can wreak on the top lines of countless businesses. Using data on individual life insurance policies, researchers found that a 10 percent increase in the share of individuals using the Internet for price comparison reduces average insurance prices by as much as five percent.[3]

Another potent force remaking the consumer landscape is the large-scale migration of shopping traffic away from upscale department stores—those that charge a premium for such frivolities as pleasant ambiance and pretty displays—and toward no-frills discount chains such as Wal-Mart, Target, and Costco. Known for keeping overhead so low that margins never exceed 14 percent, Costco saw its sales double between 1998 and 2003, to almost $40 billion. Meanwhile, Federated Department Stores, along with many other high-end retailers, reported substantial earning declines during the same period. A weakening economy was only partly to blame. As more people adopt a sensibility that emphasizes cost savings, the upscale department stores will become increasingly less crowded—unless, that is, they can find a way to invigorate their business and recapture their former glory. To that end, U.S. department stores are today spending more than a billion dollars on renovations (Federated alone budgeted $300 million to refurbish its aging Macy's stores), hoping to create a "shopping experience" that outweighs the cost savings offered by the discount chains.

Will expensive renovations save the department store from extinction or simply create retail museums? The important point is that, with new customers hard to find and existing ones

fickle and easily spooked, many companies today are resolving to do everything in their power to—again, in the words of that 1900 edition of the Sears *Consumers Guide*—"merit the trade" of their customers.

Of course, the most sure way to move more merchandise off the floor is to do what sales managers have done since the invention of the black marker: Hack away at the price tag. Price reductions tend to make the cash register ring—especially today, with consumers on the whole more price sensitive than ever. Market researchers can perform conjoint analysis exercises until they're blue in the face. Marketing departments can come up with new ways to bundle value-added services and to quantify the economic benefits of nonprice variables. But in the end, all things being equal, cost is going to be the key determinant for a large number of purchase decisions.

The intensification of price competition naturally leads to a downward spiral of ever-increasing markdowns. Yet here's where companies need to exercise caution, lest they fall into the Big Mac-versus-Whopper trap of profit erosion, from whence there's no return. So, while standard marketing strategy may dictate that companies do everything possible to maintain market share, the validity of this approach is open to question in today's world, given the high cost of going down the low-cost road. Sales for the sake of sales can be a lethal prescription if the profit component is altogether missing. As one media consultant recently put it: "Over the past five years we've seen mature core brands suffocate under their own weight like lost, beached whales on the shores of EDLP (every day low price) Beach."[4]

Price competition tends to spur marketing creativity. And today companies can offer their customers more creative ways than ever to save money—and even possibly to *win* money (or other valuable prizes), given the endless array of new possibilities around promotions. Often elaborate in their design and execution, online sweepstakes, in particular, have become a popular

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 12

marketing vehicle. "Register at Huggies.com to win a year's supply of diapers and baby wipes." "Register at Kohls.com to win a $1,000 shopping spree." "Register at SpikeTV.com to win the Ultimate Guy Vacation."

Which isn't to say that good old print coupons have fallen by the wayside. On the contrary: Once seen as a pastime dominated by working-class families who would take scissors to the Sunday circulars as a way to put additional morsels of food on the table, coupon clipping in America today has evolved into an almost fashionable enterprise. *The coupon culture* now pervades practically all ranks of society. Even well-heeled shoppers boast of the "instant savings" they enjoyed by redeeming their "private sale invitations." In 1965, one-half of Americans were coupon users. Today, the percentage approaches 90 percent. Retailers used more coupons, rebates, and sweepstakes to attract customers to their doors during the holiday shopping season of 2002 than during any previous holiday shopping season. The enthusiasm for coupons, rebates, and sweepstakes—as well as loyalty points—represents an enormous opportunity for companies in the context of precision marketing, as we see in Chapter 2, given the need to capture individual customer profile information.

For big-ticket items, discount offers are usually served up in the form of "major incentive packages." A striking example of historic high spending on such packages was touted by the Big Three automakers beginning in late 2001, when zero interest financing boosted their combined fourth quarter sales by more than half a million units. Starting with General Motors, the automakers had planned to offer these loans for a limited time, and then only on a few less-popular models, as a surefire way to clear dealer lots of rapidly depreciating inventory. Instead, the automakers found themselves extending and broadening the offers—at times even sweetening the pot with generous cash rebates and six-month payment deferrals—over the next two

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 13

years as the expected recovery of the economy failed to materialize and customer demand continued to sputter. By August 2003, incentive packages averaged $2,630, and zero interest financing appeared to have become a permanent feature of the marketing landscape.

Not just automakers; major appliance dealers, furniture makers, and a host of other companies facing similarly weak demand, and otherwise unable to free themselves from the clutches of a recession that continued to drag on, followed suit, posting NO MONEY DOWN and BUY NOW, PAY LATER placards in their own windows. Before long, the parade of too-good-to-be-true offers seemed to stretch as far as the eye could see. Payment flexibility became the norm for the purchase of virtually any type of product or service, from apparel and furnishings to home remodeling and vacation packages. (Want to spend a week in the Greek Islands while minimizing the pain of having to fork out all that dough? No problem. Book your package through Sears Travel. You won't be charged until the billing date of the month in which you depart. Plus, you can pay in 12 equal payments spread out over the course of the year, all interest-free. What's more, you will automatically receive Sears Club Points that can be redeemed for new luggage, swimsuits, and designer sunglasses.)

Good for the consumer but bad for the merchant. Any storyline that culminates in a decision to offer zero interest financing might be said to resemble a drama of almost Shakespearean proportions. As the Prince of Denmark himself might have observed, companies have only two choices: "to suffer the slings and arrows of outrageous fortune"—in other words, do nothing, which could damage shareholder value—or "to take up arms against a sea of troubles, and by opposing end them." For automakers, taking up arms meant paying interest rates of nearly 5 percent to finance those hundreds of thousands of no-interest loans. By some estimates, this incentive alone translated into an astounding $2,600 hit to the bottom line for every

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 14

$20,000 vehicle sold. It's no surprise, then, that the Chrysler Group of DaimlerChrysler reportedly made only $226 per vehicle sold in 2002, while the Ford Motor Company actually *lost* an average of $114 on every vehicle sold that year.

Needless to say, such generosity can be too expensive to sustain indefinitely. Sooner or later, as we have already suggested, companies need to step off the slippery slope of price concessions. This means, in addition to improving the "shopping experience," focusing on customer service and satisfaction as competitive points of differentiation. Let's face it: Companies can afford to pay less attention to customer satisfaction when new customers are lining up at the door, wallets wide open. Yet just the opposite holds true when markets are saturated and growth has slowed to a pitiful crawl.

A luxury hotel chain like the Ritz-Carlton naturally places a premium on providing high touch, state-of-the-art customer care. "We engender customer loyalty by delivering on personalized customer experience," notes Dan Collins, the chief marketing officer.[5] It's in the company's DNA. However, the concept may be somewhat less familiar to companies slugging it out in increasingly commoditized markets where alternatives abound and the lowest price generally wins the day. Yet the quality of customer service can ultimately become the decisive factor in who gets the gold.

Consider the mobile phone market. How can a service provider create a basis for differentiation when every competitor offers essentially the same choice of service plans with essentially the same set of features at essentially the same price points utilizing essentially the same types of equipment, network infrastructure, and functionality? More downloadable games, ring tones, and screensavers? More celebrity endorsements? Another namesake sports arena? Again, upping the ante on customer service—along with constant innovation—may be the best overall solution for the problem of commoditization and falling prices. The insight is nicely captured in the

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 15

new tagline for U.S. Cellular: *Award-winning customer service. It's a feature, never an option.*

With customer acquisition hard to achieve and customer defection their worst enemy, companies have to meet or exceed customer expectations on an ongoing basis—again, not only through improved product quality but also through improved service quality. At a minimum, this means making Customer Appreciation Month a yearlong celebration. It also means creating better solutions through partner integration. In the move toward increased partnering—including business process outsourcing, which allows core business functions to be managed by third parties—companies are becoming part of a broader solution that involves a greater number of handoffs. Yet despite this reality, many companies continue to maintain a door-to-door approach: "My door to your door, and after that you're on your own." It's a counterproductive approach in the context of precision marketing, as we explain in Chapter 4.

WHY THIS BOOK—AND WHAT'S INSIDE

In 1900, when that edition of the Sears *Consumers Guide* was published, the average U.S. resident could go weeks without seeing an advertisement. Marketers spent the modern-day equivalent of $450 million that year on advertising and other forms of marketing promotion—again, less than half the current advertising budget for Sears alone. Today, the average person can hardly help but encounter thousands of advertisements on a daily basis. In 2002, marketers spent approximately $234 billion on advertising and other forms of marketing promotion—for the most part, using the modern-day equivalents of those same mass media vehicles.

Was the money well spent? As we've already suggested, the answer is *no,* not by a long shot. In fact, massive waste and inefficiencies have become the acceptable byproducts of modern-day

marketing tactics. In a recent survey, hundreds of agency and brand executives went so far as to state that the marketing planning process is fundamentally broken and in need of a total overhaul.[6] Of course it doesn't help that, as of this writing, the economy appears only now to be slowly emerging from a three-year hangover following the 1990s boom. The economic downturn took an especially heavy toll on marketing organizations. It placed marketing programs under heavy scrutiny while forcing chief marketing officers to find new ways to stretch their dollars, tie their future spending more tightly to sales potential, and capitalize on their existing technology and data assets. The pressure to demonstrate the effectiveness of marketing investments had never been greater than during the first few years of the new millennium.

At the same time, a growing number of leading marketers have come to understand that a primarily mass media approach to campaign management is based on legacy thinking. Such thinking fails to take into account a whole new set of possibilities, made possible by recent advances in network technology and the intelligent use of customer data, for improving overall marketing performance. This book explores some of the possibilities for applying the "scientific method" to the process of targeting high prospect customers with relevant marketing messages—in part, by showing what some of the leading, most innovative companies are already doing in terms of precision marketing.

Along the way, the book speaks to some of the most pressing issues that marketers face today, as well as some of the key trends that are changing the very role of marketing. Among them: the demise of point marketing and the rise of holistic marketing; the demise of spend-free marketing and the rise of ROI marketing; the demise of marketing guesswork and the rise of marketing science; the demise of brand management and the rise of customer relationship management; the demise of technology-*supported* marketing and the rise of technology-*enabled* marketing; and, fi-

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 17

nally, the demise of a mass-marketing-only model and the rise of a mass marketing *and* precision marketing hybrid model.

We should also be clear about what this book is *not.* Most of all, it's not a how-to book. We intentionally avoid diving too deeply into the nuts and bolts of technology platforms and implementation. And while we're quick to sing the praises of database-enabled analytics, we avoid making the intricacies of the statistical equations a primary focus. The reason is simple. This book is written for drivers, not mechanics. Drivers need to know how their vehicles are going to respond under various road conditions. They need to know what qualifies as good acceleration, good handling, and a good driving experience. They need to ask the right questions of the mechanics and be able to provide feedback that spurs improved performance. But at no point do they need to get their hands dirty beneath the hood—unless, like Bill Gates, they simply can't help themselves.

The ideas in this book are organized into six chapters, as follows:

In Chapter 1, we chronicle the rise of precision marketing as an idea whose time has come. We trace the evolution of market segmentation, and put forth a concept called *blueprinting the ideal customer* to describe the next generation of market segmentation. We explore the limitations of mass marketing. At the same time, we show that precision marketing and mass marketing are complementary and should work in concert to deliver maximum value. We talk about "predictable imbalance" in terms of brand consumption, and show how precision marketing can help marketers adjust for the fact that relatively few of their customers account for a disproportionate amount of their brand's value. Finally, we discuss the power of context-sensitive marketing.

In Chapter 2, we explore the pressures companies now face in terms of resource constraints and marketing accountability, and look at the business processes that foster the growth of profitable customer relationships. We approach these processes by harking back to the classic Plan-Do-Act-Check cycle, with its roots

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 18

in Renaissance thinking. Applied to marketing, the cycle becomes a closed loop design in which strategy, technology, and implementation all come together, the basic premise being that companies need to treat every customer interaction as part of a continuous learning process. We discuss how some leading companies are already applying the principles of the precision marketing cycle, particularly in the context of offline-to-online marketing campaigns.

In Chapter 3, we explain that customer data integration is a precondition to predictive analytics, which in turn is a precondition to precision marketing. We show how analytics can be used to predict future customer preferences, match offerings to customer wants and needs, and create the messages that are most likely to elicit a favorable response. We describe how analytics can lay the foundation for a long-term relationship with customers with high future profit potential. We also outline a vision for an applications suite that encompasses all of the technologies that enable companies to better understand their customers, more effectively go to market with their offerings, and build more profitable relationships.

"To be original," wrote Paul Arden, long a creative force in the advertising industry, "seek your inspiration from unexpected sources." In Chapter 4, we do precisely that, by adopting the Gaia hypothesis as a guiding metaphor to explore the interconnections between the different components that make up an extended business network. With the rise of business process outsourcing, these interconnections can have everything to do with fostering the growth and maintenance of profitable customer relationships. In fact, for many companies, precision marketing means having access to a host of resources and capabilities that may not currently reside within the four walls of the company, but that may be readily available through partner integration.

In Chapter 5, we take a strong stance on personal privacy issues, which have recently been the subject of intense debate. Because precision marketing relies on collecting, storing, manipulating, an-

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 19

alyzing, and acting on customer data, we argue that a smart, progressive approach to privacy is essential. In fact, the very foundation for precision marketing is an effective privacy policy that reassures customers that their data will not be misused. This was not an issue for Richard Sears when he was selling pocket watches to railroad trainmen, but it is today as privacy-sensitive marketers struggle to balance factors that include legislation, litigation, technology, and consumer choice. In our view, forward-thinking marketers will embrace a strategy that focuses on securing "consensual customers" who engage in a first-person, ongoing exchange of data in exchange for value.

Finally, in Chapter 6, we gaze into the crystal ball to behold a future that marries the intimacy of the corner shopkeeper with the scale and scope of a multidivisional enterprise, while infusing into the marriage a powerful blend of real-time analytics capabilities. We look at the future of customer loyalty programs, present a vision for a universal profile management system, and paint several futuristic scenarios. We show how, through the art and science of precision marketing, companies will create customized promotions that readily adapt to customer behavior. Finally, we explain why the year 2054, as depicted in the movie *Minority Report,* may actually be right around the corner—but in a far more palatable form.

ccc_zabin_intro_1-20.qxd 12/22/03 1:11 PM Page 20