

THIS ARTICLE
ORIGINALLY APPEARED IN

database
marketing

Database Marketing is the only UK magazine that covers the tools and techniques used for both business-to-consumer and business-to-business customer management today. Every month, it addresses critical topics like customer retention, profiling and segmentation, data selection, site location and campaign management through a combination of regular software reviews, articles and opinion. If you want to know more about tools like data cleansing packages, OLAP analysis software and GIS, this is the magazine to read.

Not afraid to mix data warehouses with targeting or statistics with geodemographics, *Database Marketing* bridges the gap between sales, service, marketing and IT to inform both those that work directly with these tools, techniques and data, as well as board level executives that have to decide which systems and services to choose for their company.

Why not register for a free trial copy?

For a sample issue:

Contact 0845 686 0125 or email
info@dmarket.co.uk.

Visit www.dmarket.co.uk for more
information and to register online.



Demand for analytics is growing and suppliers from a diverse range of backgrounds are now offering analysis services. James Lawson wonders how you can tell the difference.

Delivering Analytics

Many marketing providers are now adding analytics to the range of services they offer clients. But with bureaux, brokers, boutique specialists, online providers and data owners offering services that range from basic profiling to bespoke analytical packages, it's hard for client marketers to choose between them. What makes for an effective analytics house?

Diverse roots

"We're seeing more demand for analytics and a wider range of people offering these kinds of services," says Nigel Magson, managing director of Talking Numbers. "We see clients getting dissatisfied with agencies that can't provide it."

If the USA is any guide to how the UK will evolve, this trend is set to continue. Forrester's recent Wave report on American Database Marketing Service Providers pinpointed "analytically driven providers as leading the market" and cited Epsilon as market leader with its other strengths "reinforced with deep analytical expertise".

But beyond the bald title, how do you define the tasks involved in analytics? It might be a basic profile run against your customer base to help select prospect

data, or a suite of complex predictive models used to generate one or more segmentations. And running stats software is only one component required for success: good clean base data has to be the starting point while consultancy skills and strong DM experience will help bridge the gap between theory and application – and prevent that report simply being left on the shelf to gather dust.

Roy Barker, managing director at Wegener DM Results, emphasises the need for a business focus. "If you only have a statistician, they can be more interested in technique than implementing the output," says Barker. "You need front line staff able to speak the client's language, someone with business and communications knowledge who can brief the statistician. It's a long way from a bureau background to a more consultative model."

The variety of skills and services that can be needed to support successful analytics and its application also begs the question of what background it might be best to embed analytics in. Companies like Jaywing and Talking Numbers offer two variants on the evolution of an analytics provider. As the UK's largest independent direct marketing consultancy, Jaywing has recently moved into data sales while Talking



I've seen quite a few cases where analysis has been done shoddily in agencies

Nigel Magson, managing director, Talking Numbers.

Numbers, which originally specialising in model building and consultancy, has expanded to provide many other services like hosting, web analytics and design, and bespoke software.

Then there are Data Lateral, which originally came from a printing background, and LBM, which has built up a comprehensive b2b data and analytics offering on the back of its successful telemarketing operation. Purely on the data side, more and more companies like Prospect Swetenhams and Mardev are ramping up the sophistication of the profiling and response analysis services on offer to list buyers. Then there are numerous creative agencies and bureaux that are now offering services like predictive model building.

"A lot of people are simply bolting on analytics," says Barker. "They get in an analyst and build models, and it doesn't work in a lot of cases. There are a host of questions that aren't answered by building a model. You have to embed analytics in the rest of what you do."

Wegener is best known as a data owner, with Results running for some years as an independent agency within the group. The company recently divested its mailing and fulfilment divisions to focus purely on data-related services.

Barker comes from an agency background and pinpoints the mix of skills found there as more relevant to the application of analysis. "It's the difference between a food supplier and a good restaurant," he continues. "You can acquire skills in data management relatively easily. It's better to build back into data management from analysis rather than the other way round."

Scott Logie, managing director of Occam, begs to differ. "Occam started out as a pure data-processing service bureau," he states. "At a creative agency, there will be none of the data preparation facilities, unlike a bureau where the data will be clean and ready to go. When I worked at an agency I spent a lot of time sorting out the data, and that's a key differentiator."

Whatever their direct marketing experience, Magson feels that many agencies don't manage to properly develop their data skills alongside their more traditional services. "An agency feels obliged to provide services because a client might want a quick model but they don't have the tools, processes and experience to audit or cleanse the data," he says. "They throw someone at it for a couple of days."

One of the traditional charges levelled against creative agencies is that they will promise the earth to get the business in, then struggle to deliver. The same could apply with analytics.

"Agencies are the worst for overselling," says Magson, who gives the example of a charity that fired a large UK agency because it didn't understand any of the data-related work.

"I've seen quite a few cases where analysis has been

done shoddily in agencies, with models that don't discriminate," he reveals. "They think they've got a good analytics system but it's not, it's an add-on, and they have sold stuff that doesn't work. How can you develop the propositions and creative unless you understand the data?"

Market research firms have also been moving more towards the data side, revamping their services under the Customer Insight label to match the changes that are taking place in many larger UK consumer organisations. But here too, there may be some conflict between their data offerings and established services.

"Some market research agencies are building supposedly highly differentiated segmentations – that aren't," says Magson. "They get the data to fit some preconceived idea of the marketplace. This might be helpful if it fits practical requirements but it's hardly data-led."

Truly independent?

One fault line in analytics provision is the split between independent analysis providers and larger



A lot of people are simply bolting on analytics

Roy Barker, managing director, Wegener DM Results.

firms that may be under internal management pressure to sell in their own data, hosting and so on. It's a tempting extension for larger firms, but the question is whether the starting point for a solution is the client's own data and ambitions, or whether the supplier is aiming to tick as many of its own boxes as possible. Sometimes it can be a case of "the answer is 'proprietary segmentation X', now what's the question?"

Just as an independent broker should be able to scour the marketplace for relevant lists from multiple data owners, so an independent analytics specialist should be trusted to supply data and other services based on their merits rather than because they are supplied by other parts of the same company. Engaging a "gamekeeper" or trusted lead supplier that can provide independent verification of performance can provide peace of mind.

"It can compromise independence where the agency is also providing creative along with analysis that proves or disproves the success of the campaign," says Logie. "The same goes for lists. We've put our list broking arm in the data analysis section, which has been quite a meeting of minds."

A supplier with a long track record in analytics provision and an experienced team of analysts and consultants should also be able to go in-house to help

build or enhance the company insight team. For example, Talking Numbers now spends a lot of time training up in-house analysts.

"It depends on what level of support they want," says Magson. "What level of internal skills do they have? We're often a sounding board for internal analysts, they value our knowledge of their data and we can give them ideas."

The mix of services and supplier background is of course only part of the story. For example, having a long-established relationship with a certain provider will be influential in how willing a company is to buy further services from them.

"There needs to be a core of clients who want to buy analytics from you," says Logie. "You're going to get agencies with good analytical arms and bad ones. For Occam, it wasn't a conscious plan, a lot of clients had asked for analytics services so the company employed an analyst back in 1999."

The analytics side of the business took on new importance as the company's Alterian partnership flourished. Logie joined specifically to set up a Strategic Analysis department. "We now lead on analytics more than anything," he says. "Creative agencies get to speak to marketing directors and bureaux don't. Offering analytics gets you much further up the chain that saying 'you will have clean rich data.'"

There is also the matter of how much effort a company is prepared to put in itself to embed a rigorous data-based approach to its marketing and customer management – and how good it is at all the other elements of marketing. Richard Lees, chairman of The Database Group, suggests that this is by far the most important factor.

"There are many factors that influence success that are nothing to do with targeting and data," he says. "If a client insists on doing creative for the campaign and it's awful, then it's not going to work even if the targeting is excellent. If you consider Clarity Blue, Acxiom, The Database Group and GB Group, all their basic functions and services are similar. They all provide some kind of data planning and analysis capability."

This is certainly the case and also applies to a number of other large providers such as Experian and Data Locator. But if these services seem so similar, how can you differentiate between the effectiveness of these competing providers? Again, it's about how they make the theory work in practice.

"Three or four years ago, they were selling frameworks: models, databases, segmentation and so on, and it was up to you to make the best use of them," explains Lees. "So you could buy the tools and data but putting them in place is not that easy. Now it's the suppliers who understand which metrics can be practically influenced who are most attractive."

Lees gives the example of a large bank that, despite

long experience and trying "every tool, every model", was still seeing tiny response rates to its acquisition mailings. "What you need there is a supplier that can offer an alternative agenda," he says. "There are those that will also share responsibility for the outcome and base their fee on the level of success."

Risk and reward

Lees sees a closer relationship between client and



At a bureau, the data will be clean and ready to go

Scott Logie, managing director, Occam.

provider as the next step, with the supplier taking on more of the risk but also gaining more control over other aspects of a campaign or project.

"How can you implement payment-by-results if you can't influence other factors?" he argues. "Big suppliers have an advantage here because of the breadth of their services. You have to go beyond data or even marketing into pricing, research and product development."

It's a confusing market these days. Marketing software vendors are moving into email delivery, while large services firms simply acquire the functions they want or buy out inconvenient competitors. It's hard not to see much of this as driven by cross-sell ambitions rather than client needs.



You need a supplier that can offer an alternative agenda

Richard Lees, chairman, The Database Group.

In analytics, if all that's required is a week of analyst's time to help out when the in-house team are rushed off their feet, then it's the cost and performance of the analyst alone that matters. The extreme version of this is to hire an independent statistician; there are increasing numbers of these one- and two-man bands cropping up. But for a more substantial project, much more will be needed.

"To start up, all a supplier needs is an analyst and a bit of kit," concludes Logie. "But that doesn't make it successful. Companies that build up slowly over time, gaining consulting experience and good relationships with a portfolio of clients will be able to 'tell the story' about how analytics can be used successfully." ■