Chapter 11:
Campaign Management
Overview

Topics discussed:

- Campaign Management Process
- Campaign Planning and Development
- Campaign Execution
- Analysis & Control
- Campaign Feedback
Campaign

- A series of interconnected promotional efforts designed to achieve precise marketing goals
- Composed of one or more promotions, each of which is an initiative or a device designed to attract the customers’ interest
- Aimed at prospects or existing customers
- Usually undertaken within a defined timeframe (ex. season)
Campaign Management Stages

Planning
Strategic process by which decisions are taken
Definition of purposes and objectives of the campaign

Development
Tactical process of creating the offer, choosing the support and the design, choosing the media, and selecting the customer names

Execution
Operational process of running the campaign in the media chosen and controlling all related aspects

Analysis
Evaluation process of the campaign results in light of the original objectives
Campaign Management Process

**Campaign Management**

- **Campaign Planning & Development**
  - Setting objectives & Strategies
  - Identifying customer segments
  - Developing communication strategy
  - Developing the offer
  - Campaign Budget
  - Testing

- **Campaign Execution**
  - Implementation & Coordination
  - Monitoring & fine-tuning

- **Analysis & Control**
  - Measuring campaign results
  - Response Analysis
  - Profile Analysis

V. Kumar and W. Reinartz – Customer Relationship Management
Campaign Planning and Development

1. Setting Objectives and Strategies
2. Identifying Customer Segments
3. Developing the Communication Strategy
4. Developing the Offer
5. Campaign Budget
6. Testing
Campaign Planning and Development - Setting objectives and strategies

- Categories:
  - Market penetration (increase usage or market share)
  - Market extension (find new user groups or enter new segments)
  - Product development (new products or services)
  - Diversification (find new markets and products, discover new strategies)

- Examination of different marketing strategies in place:
  - Product strategy
  - Pricing strategy
  - Distribution strategy
  - Promotion strategy
Defining the Campaign Strategy

- **Who to target?**
  - *Retention strategy*: focusing on existing customers
    - Ideally the company should target its most profitable customers (often done through LTV and/or RFM analysis)
    - Approaches: Loyalty programs, cross selling, up-selling, cross-merchandising
  - *Acquisition strategy*: concentrating on getting new customers
    - If company wants to sell the same product to new customers:
      - target “prospects” based on the profile and behavior model of existing customers
    - If company wants to offer different products to new customers:
      - develop new markets
  - *Mixed strategy between retention-acquisition*: targeting existing and new customers at the same time
Defining the Campaign Strategy

- **Where should you target?**
  - Marketing penetration or marketing extension
    - Targeting the existing market
  - Market diversification or new product development
    - Targeting new markets
  - Strategies: Multi-channel or single-channel strategy

- **How do you get to them?**
  - Choose the most effective media to efficiently reach its target segment

- **When is the best time?**
  - Pick the best month or season that are better to promote products and services than others
    - Computer Games: November and December (Holiday season)
    - Retail bank personal loans: January (Post-Holiday Season)
Effectiveness Profits

Allocate resources between existing and new customers

Retention Strategy
- Keep existing customers
- Market decisions:
  - Segment your customers by lifetime value
  - Retain your best customers
  - Develop one-to-one marketing
- Product/Service decisions
  - Develop relationship marketing
  - Retain your clients with superior quality service
  - Develop tailor-made products
  - Cross-sell and up-sell
  - Cross-merchandise

Acquisition Strategy:
- Attract new customers
- Market decisions:
  - Target the customers based on the model of existing customer
  - Develop new markets
- Product decisions:
  - Highlight your price/product offer
  - Have a clear positioning on the market
  - Develop attractive branding
  - Give incentives to add initial value to the new customer

Allocate resources between existing and new customers
Campaign Planning and Development - Identifying Customer Segments

- Customer segments: Homogenous groups of individuals that have similar tastes, want and needs with respect to the company’s products or services

- **Identification by:**
  - Purchase behavior
    - Recorded in the CRM database
    - Allows the marketer to segment by product need and by LTV

- **Profile data:**
  - Relate the individual customer to his or her response to past campaigns
  - Allows implementation of a ROI-driven marketing
  - Identifies tastes, needs and preferences of customer
  - Can be used to target new customers accurately
Marketing Communications (marcom):
Targeted interactions between company and its customers and prospects, using one or more media

Can use a single approach (e.g. a direct mail) or combine several approaches (e.g. direct mail with advertising in television, radio and newspapers)

Integrated marketing communications (IMC): management and organization of all marketing communication tools (media, messages, promotions and channels) to deliver consistent marketing messages

CRM database system: stores information about customer and prospect preferences, allows firm to focus marketing activities toward specific targets - effective use of IMC
Communication Strategies

- Push Promotional Strategy
- Informational
- Affective/Emotional
- Resonance
- Positioning
- Generic
- Pull Promotional Strategy
- Pre-emptive
- Unique Selling Proposition (USP)
- Brand Image
Campaign Planning and Development - Developing the Offer

- Offering the customer some kind of incentive that will induce him/her to buy or to ask the company for more information
  - Free product sample, price-related incentives, free promotional information

- Objectives: attract new customers or members, obtain repeated business from existing customers, reactivate lapsed customers, produce sales leads, or acquire new customers

- Record estimate of campaign costs and profitability in the CRM system and use as a model to fine-tune the campaign results
Campaign Planning and Development – Campaign Budget

- Campaign budget allocates resources and coordinates expenditures across the marketing activities associated with the campaign.

- 7 common ways to calculate a Campaign Budget:
  - Present Budgeting
  - Budgeting for an Allowable Marketing Cost (AMC)
  - Budgeting with the Competitive Party Method
  - Budgeting with the Objective and Task Method
  - Budgeting with the Percentage of Sales Method
  - Budgeting with Key Performance Indicators
  - Budgeting with the Life Time Value (LTV)
Campaign Planning and Development

a. Preset Budgeting
   - Determine a given year’s marketing expenditure on the basis of what they spent the year before

b. Budgeting for an Allowable Marketing Cost
   - Determine the amount that can be spent on campaign marketing activities, while preserving the required profit margin

c. Budgeting with the Competitive Parity Method
   - Equating budget allocation with those of competitors

d. Budgeting with the Objective and Task Method
   - Determining marketing objectives and the marketing communications tasks needed to achieve them
   - Calculate costs of marcom tasks, then set a budget
e. Budgeting with the Percentage of Sales Method
   - Fixed percentage of turnover allocated to marketing communications
   - Marketing communication expenditure directly linked to sales level
   - To determine the exact percentage that should be allocated, the company looks at competitor allocations and industry averages
   - To define the turnover the company can look at historic sales

f. Budgeting with Key Performance Indicators
   - Process that allows company to figure out the cost of a special promotion
   - Often called *front-end analysis*

g. Budgeting with the Lifetime Value Method (LTV)
   - Allows the company to compare returns on alternative marketing expenditures
   - Allows comparison of return on expenditure from obtaining business from existing customers or from new ones
## Budgeting with Key Performance Indicators

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Formula</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per thousand (CPM)</td>
<td>CPM = (Total promotion expense / Total quantity) * 1’000</td>
<td>Relates total cost of promotion with quantity produced</td>
</tr>
<tr>
<td>Cost per response (CPR)</td>
<td>CPR = (Total promotion expense / number of responses)</td>
<td>Ratio of total campaign costs to number of responses obtained</td>
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<tr>
<td>Cost per enquiry (CPE)</td>
<td>CPE = (Total promotion expense / total orders)</td>
<td>Ratio of total campaign costs to total enquiries</td>
</tr>
<tr>
<td>Cost per sale (CPS)</td>
<td>CPS = [Total promotion expense / (total orders- Returns and bad debts)]</td>
<td>Ratio of total costs to enquiries that were converted into sales, net of returns and bad debts</td>
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<tr>
<td>Conversion rate (CR)</td>
<td>CR (%) = (number of buyers / number of responders) * 100</td>
<td>Calculated by comparing the number of buyers with number of responders to the campaign</td>
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Campaign Planning and Development - Testing

- Conducting a comparison between different ways of proceeding with a campaign
- Test individual campaign elements, other elements remaining constant, and measure the resultant change in the performance of the campaign
- Benefits of testing:
  - Shows real behavior, as it provides a (close to) real environment in which behavior is validated
  - Augments and validates research
  - Stimulates creativity
  - Protects the company’s greatest asset (the customers): by using only small samples with each test can give customers the “proven offer”
  - Minimizes financial risk and avoids costly errors
  - Uncovers ways to reduce costs
Variables for Testing

- Key variable: the target audience
  - in the form of a list of targeted customers and prospects

- Offer variables: prices, incentives, proposition

- Format: physical shape, the “feel”, and the size

- Creative element: the appeal, the tone, and the message

- The media and/or the timing
Performance Measures Tested to Predict Campaign Results

- Response to the campaign, in percentage
  - The number of responses obtained divided by the total number of customers selected will give the response rate, in percentage
  - Response rate serves as an indicator of the success that the particular campaign being tested can achieve

- Campaign profitability
  - Performance results allows an estimate for the revenues of the real campaign
  - Total campaign costs (expenses of preparing the campaign, testing costs plus cost of running the campaign) deducted from the revenues, gives a prediction for the profitability of the campaign
Testing in Different Media

- Direct Mail
  - Direct marketer controls every aspect of the campaign, including the timing and the budget
  - Testing of all elements possible
- Telemarketing
  - In one call session, promotion of a particular product or service, testing a different script or promotion, etc possible
- Press and Inserts: not as easy and inexpensive as others
  - Split-run testing (different versions in different magazines)
  - A/B splits (alternative copies in same publications)
  - Cross-over test (different elements changed in different messages and rerun with same audience)
Potential Problems in Testing

- Performing several tests with the same set of customers
- Limited time validity: since customer preferences change over time, conclusions drawn from tests often short-lived
- Testing the same things all over again
- Optimizing a particular campaign driving the testing rather than having a successful marketing program
Campaign Execution

- Operational process by which a campaign is implemented
- Implementation and coordination
  - The campaign program
  - The campaign schedule
  - The activity schedule
- Monitoring and fine-tuning
  - Revision of planning based on enquiry or orders performance alone.
  - Adjustment of the media selection
  - Undertaking corrective action if the campaign included a first sequence of creative and offer testing
Campaign Execution

- When marketing planning is undertaken at a functional level and does not integrate with other functional areas of the company
- Separating the responsibilities of operational marketing and strategic marketing planning, leading to a divergence of short and long term objectives
- Concern over short-term results at the operational level will make the company less competitive in the long term
- Top management not taking an active role in marketing planning
- If the degree of formalization of campaign management is not adapted to the diversity of operations within the company and its size
Analysis and Control

- Evaluates campaign results in light of original objectives and determines campaign level of success or failure
- Measuring campaign results
  - Comparing the CPM, CPS, ROI, and the CR with the budgeted KIP
  - Back-end performance analysis
    - Direct mailing: statement of profit or loss for the campaign promotion
    - For a loyalty program: allowable marketing cost and break-even
    - Contribution: Campaign costs deducted from the gross margin and resulting value divided by the number of new customers
    - New customer lifetime value and attrition rate
- Return on Promotion (ROP)
  \[
  ROP = \left(\frac{\text{Contribution} - \text{Cost per order}}{\text{Cost per order}}\right) \times 100
  \]
Analysis and Control (2)

Response analysis

- Calculates the campaign results up-to-date, projects its final results, as responses, inquiries and leads, and analyzes these results
- Can be performed with customer and market segments, product lines, campaigns, offers and promotions, media or advertising agencies
- Responses recorded in CRM database should be summarized by time, i.e., by arrival date
- Results can be analyzed as soon as the first campaign responses are known and eventually can correct the campaign progression
Profile analysis

- Used to define and compare the profile of campaign responders with the actual profile of the company’s customers and prospects
- Allows marketers to verify if the initial targeted profile actually corresponds with the responder’s profiles, i.e., if the customer segments were well targeted
- Should be performed at different stages of the campaign
- Considers the input (generally geographic, demographic or psychographic) and clusters names into groups with similar tastes and preferences
- Statistical techniques as automatic interaction detection (AID) and chi-square automatic interaction detection (CHAID) also used in analysis
Campaign Feedback

- Record all relevant data about campaign planning, implementation and results
- Model relationships between data gathered, the controllable variables and campaign results
- Apply this knowledge to future campaigns
“All Adidas” Global Marketing Campaign
To increase awareness of Adidas’ entrenchment into diverse field of interest, Adidas launched a marketing campaign entitled “All Adidas”
Purpose of the Campaign: Unite Adidas’ sub brands under the Adidas umbrella
Campaign channels: TV and internet

Obama’s 2008 Presidential Campaign
Interpersonal communication allowed Obama to build a political constituency (purchasing community) and get to know potential voters (customers)
Recruiting Support: Through different marketing channels (Radio&TV, Email, and Social media); and Continued Interaction: Obama continued his social media campaign even in office (ex: Youtube Q&A live stream)

Retention Campaign
Customers segmented based on: customer profitability, tenure, products purchased and insurance policy purchase channels
After sending out postcards, letters, and custom publications to existing customers for a year, Metlife saw 0.87% increase in customer retention
Summary

- A successful campaign management process comprises of planning, development, execution and analysis
- When pursuing a customer retention strategy, ideally the company should target its most profitable customers (via LTV and/or RFM analyses)
- The CRM database plays a central role in customer segmentation process by providing information on customer behaviors and profiles, channel preferences and brand awareness
- Making a campaign budget should be a balance between measurement, financial calculations, competitive analysis and good judgment
- Testing can accurately predict performance measures like response to the campaign in percentage and campaign profitability
- Campaign analysis can be done using campaign key performance indicators, by using back end performance analysis, or profile and response analysis