Campaign Management

V. Kumar, W. Reinartz, *Customer Relationship Management*, Springer Texts in Business and Economics, https://doi.org/10.1007/978-3-662-55381-7_11

Overview

One important goal of customer value management is to profile the existing customers on the basis of their value and use this information to identify and acquire prospects matching this profile. A marketing campaign can be thought of as a series of activities used to market/promote a new or existing product/service using online and offline marketing channels. Marketing campaigns can be used by firms to:

- Identify prospective customers.
- Acquire customers.
- Retain and reward existing customers.

For many prospects, the campaign is the first opportunity for engaging in a dialogue with the firm. A dialogue between the firm and customers can effectively change customers' attitudes and behavior towards the firm. Hence it is very important for the firms to develop and plan with a specific end result in mind, and execute these campaigns effectively and analyze the campaign results carefully. There may be many desired results for a marketing campaign but they all begin with increasing the awareness of a firm, its products and/or its services. Marketing campaigns may be developed and executed within the company or in conjunction with a third party such as an advertising agency.

A marketing campaign may be executed through one or more channels of customer interaction: phone, direct mail, the Web, wireless devices, email, direct sales and partner network. The success of a campaign involves reaching out to the right customer with the right offer at the right time and through the right channel. The campaign acts as a rich source of information and once the campaign is completed, both the marketing manager and sales manager should evaluate the effectiveness of the campaign and use what they have learned for future planning. An example of a recent marketing campaign is provided in the following example.

11

CRM at Work 11.1

The «All Adidas» Global Marketing Campaign

In March of 2011, Adidas, the world's second largest sporting goods brand, launched its largest marketing campaign ever entitled «All Adidas». The main focus of the campaign was to increase awareness of Adidas' entrenchment into diverse fields of interest, such as culture, sports and music.

Purpose

The purpose of this campaign is to unite each of Adidas' three distinctive sub-brands (Adidas Sport Performance, Adidas Originals and Adidas Sports Style) under the umbrella brand Adidas, in an effort to project a holistic and global Adidas brand. The campaign features the tagline «Adidas is All In» which further solidifies their goals of unification of brands.

Brand Ambassadors

Adidas has enlisted several well known public figures from the sports, music, and fashion arenas to become ambassadors for the «All Adidas» campaign, in an effort to merge cultural, sports and lifestyle sub-brands.

Channels

The primary medium being used to deliver «All Adidas» campaign messages is television and internet. Adidas enlisted the Sid Lee advertising agency to manage the campaign. The Sid Lee agency created 30- and 60-s commercials to be shown on TV and cinema as well as an extended 2-min version available online.

Viewers and fans of the brand (also current and potential customers) are able to engage with the firm via various social media platforms, where as a part of the campaign Adidas provides daily updates and exclusive content having to do with the brand (i.e. contests and info on new product releases).

In addition to television and social media, Adidas is engaging their fan and customer bases in a complete through-the-line offering, including mobile applications, presence in retail outlets, activation events and print.

Desired Outcome

The firm's intention is to showcase the breadth and depth of the Adidas brand in one global brand campaign. Perceived credibility and authenticity in Adidas seamless transition from the playing field to lifestyle wear.

Source: The Adidas Group (2011).

In this chapter, we explain the different phases of Campaign Management processes such as Campaign Planning and development, Campaign execution, and Analysis and Control. The sub-phases in each of these main phases are shown in Fig. 11.1. In the discussion about Campaign planning and Development phase, we include issues such as identifying customers, developing communication strategies and media mix, developing an offer, and testing. The campaign execution phase involves actual implementation and subsequent fine tuning of the campaign. The last phase consists of measurement of campaign results, profile and response analysis.

11.1 Campaign Management

A campaign is a series of interconnected promotional efforts designed to achieve precise marketing goals. Managing a campaign encompasses planning, developing, executing, and finally analyzing the campaign results. A campaign is composed of one or more promotions, each of which is an initiative or a device designed to attract the customers' interest. It can be aimed at prospects or existing customers and usually is undertaken within a defined timeframe (such as a season, and generally not exceeding a calendar year). Marketers could use the customer value metric as a means to profitably target campaigns.

As a general rule, a successful campaign management process comprises four connected stages:

- **Planning**: Strategic process by which decisions are taken. The purposes and objectives of the campaign should be defined and rationalized at this stage.
- **Development**: Tactical process that takes care of creating the offer, choosing the support and 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.

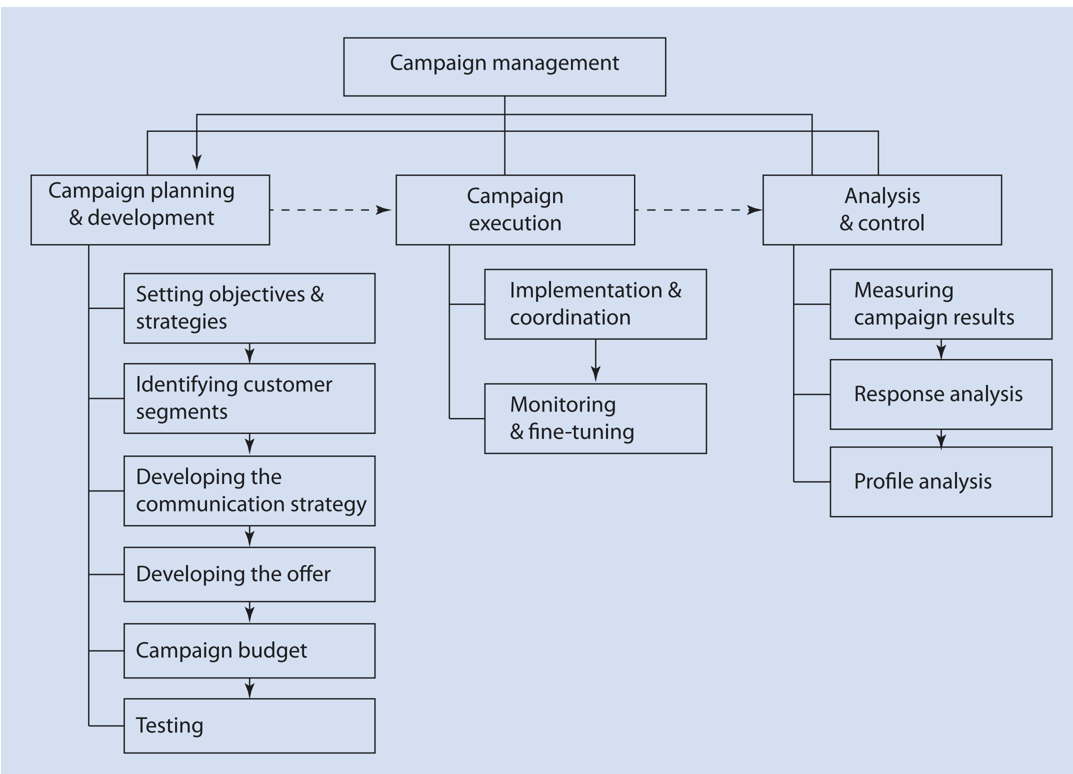

Fig. 11.1 The campaign management process

In practice, these stages do not have well-defined boundaries between them and are performed at the same time. Very often, planning and development go together. In the next few sections, we will take a closer look at how each stage is managed.

11.2 Campaign Planning and Development

At the campaign planning stage, marketers make strategic decisions that help define the overall objectives of the campaign, the best communication message, and the best target audience. Once these strategic issues are defined, the development phase starts.

11.2.1 Setting Objectives and Strategies

Campaigns have a central role in annual marketing plans, so campaign objectives should be in line with overall marketing and corporate objectives. These objectives are often from the four following categories: market penetration (increase usage or market share); market extension (find new user groups or enter new segments); product development (new products or services); and diversification (new markets and products, new strategies).

The different marketing strategies already in place should be examined. Questions asked should pertain to the product strategy (What is the product mix?), the pricing strategy (Is price important for market positioning?), the distribution strategy (Which channels does the firm use?), and the promotion strategy (Is the creative strategy consistent with product positioning?).

When defining the campaign strategy, marketers should be able to answer the following additional questions:

1. Who do you want to target? (i.e., Who are the targeted customer segments?)
2. Where should you target? (i.e., What are the channels, and points of contact?)
3. How do you get to them? (i.e., What is the communication strategy and offer?)
4. When is the best time? (i.e., When should you schedule the campaign?)

Who Do You Want to Target?

To answer this question, the company has three options: focusing on existing customers (retention strategy), concentrating on getting new customers (acquisition strategy), or targeting existing and new customers at the same time (mixed strategy between retention-acquisition).

When pursuing a customer retention strategy, ideally the company should target its most profitable customers via LTV (lifetime value) and RFM (recency, frequency, and monetary) analysis. Here are some approaches to target these segments:

- Develop loyalty from the existing customers, via a strong relationship or superior quality or service (e.g., loyalty programs, one-to-one relationships).
- Develop tailor-made products adequate for the needs of the existing customer profiles.
- Sell additional products to existing customers also known as cross-selling (e.g., selling an insurance policy to an existing bank customer).
- Sell a superior product (with more features or additional services) to customers who already use similar products, also called up-selling (e.g., selling a gold credit card to a regular credit-card holder).
- Merchandise different brands from different categories to the same customer, also known as cross-merchandising (e.g., sell the gold credit card with the best interest rate).

If the company pursues a customer acquisition strategy, it has two options: If it wants to sell the same product to new customers, it should target prospects based on the profile and behavior model of existing customers; if it wants to offer different products to new customers, it should develop new markets.

Where Should You Target?

The company either chooses to act in the markets it already knows (pursue market penetration or extension) or it can choose new markets (market diversification or new product development). It may choose a multichannel strategy (selling the same product in multiple channels like internet, store, phone, etc.) or a single-channel strategy (selling products in a single channel, like in a store).

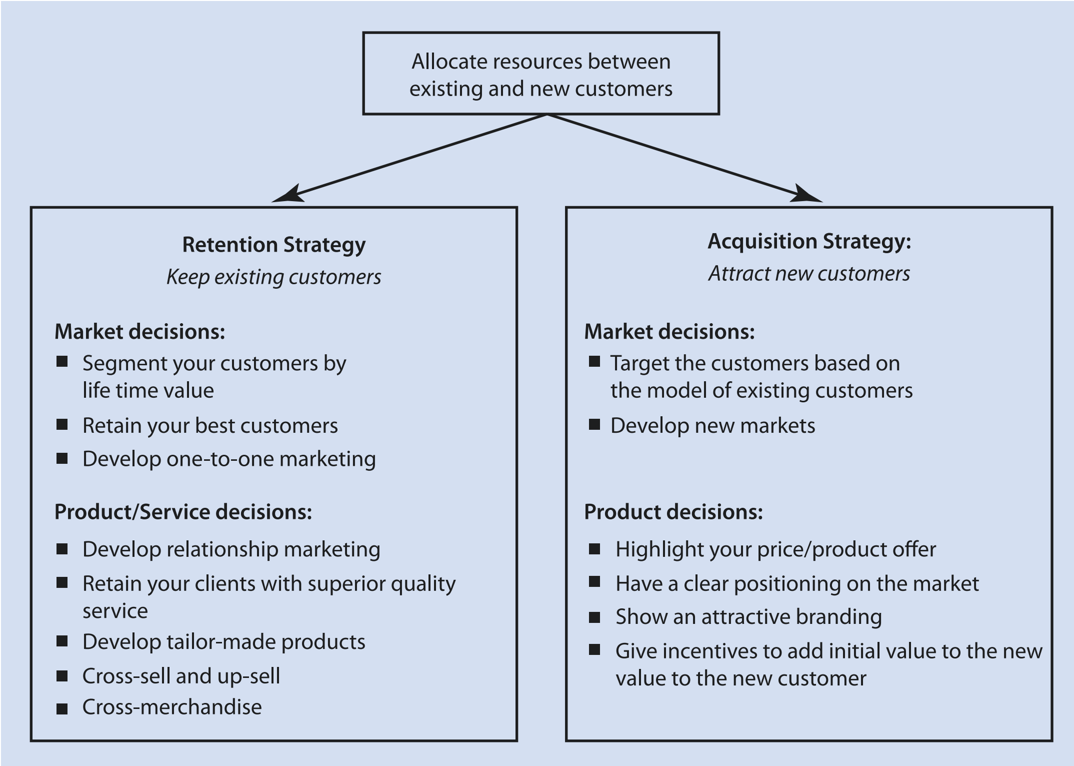

Fig. 11.2 Customer retention and acquisition strategies

How Do You Get to Them?

Getting your customers' and prospects' attention will be one of the goals of the company's communication strategy. Choosing the most effective media (for retention and acquisition strategies) will allow the company to efficiently reach its target segments. The offer proposition will also have a predominant role. What kind of incentives-coupons, gifts, loyalty schemes, and so on-suit a particular customer group? The company should develop the offer according to customer preferences, with the campaign budget being a constraint.

When Is the Best Time?

When preparing a campaign, marketers should be aware that some seasons are better to promote products and services than others. For example, new computer games are released and campaigned during November and December just before Christmas season. Retail banks may campaign for credit cards or personal loans in January, because people are expected to be short on money due to Christmas and New Year expenses. In addition to these examples, the product itself can be seasonable or it can have a short life cycle. For example, sunscreen lotions are sold during summer. Similarly, outdoor sports equipment is advertised before summer time. Figure 11.2 highlights the core market and product decisions for customer retention and/or customer acquisition strategies.

11.2.2 Identifying Customer Segments

Once the campaign objectives are established, the next step involves identifying the customer segments the campaign will target. Customer segments are homogenous groups of individuals that have similar tastes, wants, and needs with respect to the company's products or services, Lifetime segmentation and profiling should guide in targeting the specific customer segments most likely to respond to the company's offer.

Customer segments can be identified in two ways: purchase behavior and profile data. Purchase behavior is recorded in the CRM database and will allow the marketer to segment by product need and by LTV. Profile data will relate the individual customer to his or her response to past campaigns, allowing the implementation of an ROI-driven marketing campaign, Profile data also identify tastes, needs, and preferences of customers, and therefore can be used to target new customers accurately.

Obtaining a successful campaign involves a careful choice of customer segments. Marketers can focus on a strategy-mix of three types of customer groups: the existing customers, the prospects, and the defectors. The existing customers are an important source of information. They provide information about their purchasing behavior, attitudes, and tastes. Their interests, motivations, multi-channel usage, and profile can be used to target prospect clients who exhibit a similar profile. The CRM database should record all the information from transactions, surveys, focus groups, complaint records, loyalty card data, web traffic analysis, and other external sources. Identifying profiles of existing customers will help identify new customers on the market. Defecting customers also provide enlightening information. When defecting, these clients have a reason to do so. Customers can be dissatisfied with the product itself, with the quality of the service offered, or with the company channel management. Paying attention to these customers will help the company learn from past errors, This information is very useful because it allows product improvement and development; better targeting, and better service, If the company listens to what its customers are saying, then it will be able to better satisfy their needs and consequently be profitable in the long run.

11

How Are Customer Segments Targeted?

Segmentation, as obvious as it sounds, is in many cases not straightforward. The CRM database plays a central role in this step of the campaign process. Effective use of the information on customer behaviors and profiles, channel preferences, and brand awareness will allow the accurate definition of the target segments. Of course, the segmentation can only be as good as the quality of the underlying data.

If the campaign is aimed at retaining existing clients, the firm's CRM system is central to analyzing the recorded purchase behaviors and profiles which will help the marketer adjust the offer to meet the unsatisfied needs of customers. Several analyses could be performed at this stage (e.g., lifetime value segmentation, profiling and RPM).

11.2.3 Developing the Communication Strategy

Marketing communications (marcom) are targeted interactions between the company and its customers and prospects, using one or more media, such as direct mail, newspapers and magazines, television, radio, telemarketing, and the Internet. A *marcom campaign* may use a single approach (e.g., direct mail) or it can combine several approaches (e.g., direct mail with advertising in television, radio, and newspapers).

When defining the communication strategy, the company identifies and defines to whom the campaign is directed (the target audience), what the campaign message is (content), and which are the best contact channels or media to deliver the content. The marketing team frequently develops the marketing communication plan, but a marketing communication agency (such as an advertising agency or a direct marketing agency) may help in its preparation. If the company chooses to outsource, it hires an agency to execute the marketing communications plan.

The campaign communication strategy will be more effective if planned in an integrated manner. Integrated marketing communications (IMC) is a process that involves the management and organization of the marketing communication tools (media, messages, promotions, and channels) in a way that delivers a dear and consistent message about the company and about the product. The CRM database system allows the effective use of IMC because it stores information about customer and prospect preferences and allows the firm to focus marketing activities toward specific targets.

Marketing communication activities can vary from very small discrete pieces of promotion (such as a mailer), to the development of a larger campaign, which involves many promotional tools (direct mail, press inserts, TV spots), and to the coordination of multiple campaigns to achieve a global objective (increasing the level of cross-selling, customer retention, etc.) It is important to build one or more interlinked databases of each medium as part of the CRM database.

Which Communication Strategy?

Generally, marketers use hybrid combinations of strategies when developing the communication strategy. Some of these strategic approaches are enumerated in Table 11.1.

Table 11.1 Communication strategy

Strategy	Description	
Generic strategy	No distinction is made between brands. The emphasis is placed upon category need rather than brand awareness (example: Promotions for a product category)	
Pre-emptive strategy	A generic claim is made about the superiority of the company's brand (example: promoting a product that is protected by a patent)	
Unique selling proposition (USP)	It emphasizes the superiority of the brand based on a unique feature or benefit. (e.g. promoting a product with a new feature)	
Brand image strategy	It relies on the development of mental or psychological associations through the use of signs, symbols and images	
Resonance Strategy	It attempts to recall events or feelings by evoking meanings, experiences, thoughts or aspirations that are relevant to target audiences	
Affective or emotional strategy	It attempts to invoke involvement and emotion, with a powerful message	
Informational strategy	It is based on the view that an important element of the creative theme is to convey information (example, an educational campaign)	
Push Promotional strategy	To focus a promotional effort in manufacturers of goods and services to encourage the trade channel members to stock, promote and sell its products	
Pull promotional strategy	To focus a promotional effort in encouraging end customers and consumers to demand goods and services	
Positioning strategies	Positioning by attribute, product characteristic, or consumer benefit	The brand is perceived to be better than others in a particular way. Marketing communications emphasize these features
	Positioning by price/quality	Positioning can be sought in high price/high quality, prestige positions, low price/acceptable quality positions
	Positioning by use or application	Segmentation and targeting can be carried out based on usage occasion. (Example: fast- food is for people who have little time to eat)
	Positioning by product user	It focuses on the requirements of target customers and consumers
	Positioning with respect to product category	Rather than competing with another brand, a brand or product category might be positioned against another product category. The competitive focus is placed on substitutes
	Positioning against a competitor	Brands are promoted with a full understanding of their relative competitive position in the minds of the target audience
	Cultural positioning	Positioning by cultural reference, where the brand is clearly associated with a particular culture, country, religion, ethnic group or sense of heritage or tradition

Source: Pickton and Broderick (2001)

CRM at Work 11.2

Barack Obama's 2008 Presidential Campaign

A mixture of radio, television and internet was used to expose Obama's political views and garner supporters. Interpersonal communication allowed Barack Obama to build a political constituency (purchasing community) and get to know potential voters (customers).

Recruiting Support

Radio and Television

A number of television and radio commercials were created to both promote Obama and combat negative press from rival candidates. Radio commercials were aired nationally, while television commercials were both aired nationally as well as uploaded to Obama's official YouTube page.

Email

In his 2008 campaign, president–elect Barack Obama was able to use the power of the internet to amass a database of millions of potential voters and supporters. Throughout the campaign process the Obama team collected over 13 million email addresses from individuals who visited his official website (▶ www.barackobama.com). Over 7000 different «call to action» email messages were sent out, each including a request for donation. During and immediately following the election cycle, Obama's aides had sent over one billion emails, which raised over $500 million in donations.

Social Media

Social media has been hailed as a game changing tool in CRM. During this time President Obama had official profiles registered with over 15 social media outlets; including Twitter, Facebook and YouTube. Along with verified accounts, several unofficial support pages that were created during the campaign helped spread the word about rallies, appearances and speeches happening around the country. Immediately following his win, President Obama's social media stats read 134,000 YouTube subscriptions, over 3 million Facebook supporters and 3.5 million friends on the social network created specifically for his campaign (▶ www.my.barackobama.com).

Continued Interaction

President Obama has continued his social media campaign in office. He uses YouTube sponsored Q&A Live Stream sessions to engage the country and uses YouTube to publish his weekly presidential address. As of May 4, 2011, Barack Obama's online statistics stand at 7,765,454 Twitter followers (3rd most followed Twitter page); 19,887,186 Facebook followers (33rd most followed Facebook page); and 204,862 YouTube subscribers (over 160.5 million content views) and counting.

Source: Vargas (2008a, 2008b).

11

Prioritizing the target segments that provide a higher potential yield is one objective of the marcom strategy. Targeting the customers in an effective way should maximize the marketing communications ROI. Naturally, some media are more effective at targeting certain groups of customers than others. The challenge is to choose those media that are both effective in achieving the campaign objective and cost-efficient.

The choice of media depends in part on whether existing customers or prospects are targeted. If customers are nonaddressable, broadcast media are used for acquisition. If the prospects addresses are known, direct-to-customer media may be more effective. In the case of retention, the firm may spend more on personalized contacts (salesperson, telephone) with high-value clients. For low-value relationships, companies might opt for lower-cost contact channels such as the internet or mail. In practice, customer acquisition and retention strategies are often mixed. If a company is launching a new product directed at existing customers and new customers, it will use both kinds of media. A brief description of these media is available in ▪ Table 11.2. The effect of using media-mix in acquisition and retention strategies can be seen in the following example.

Marketing Media Tools Most of the media referred in the earlier sections are known as direct marketing media tools. ▪ Table 11.3 gives a brief description of what they are and how they are used, together with their advantages and disadvantages. It provides a snapshot of different advertising mediums and their principal characteristics.

11.2.4 Developing the Offer

Developing the offer consists of offering the customer some kind of incentive which will induce him to buy or to ask the company for more information. This offer may range from a free product sample (e.g., getting a free sample of a shampoo in the mail) to price-related incentives (e.g., buying two CDs for the price of one), or an item providing information on the firm (e.g., a free promotion video about the firm's new products).

Table 11.2 Retention and acquisition media

Retention media	Acquisition media
Direct mail:	*TV*:
Mailings:	Direct response TV (DRTV)
Single-product	TV spots
Multi-product	Home shopping channels
Miscellaneous:	Digital TV
Birthday cards	*Radio*:
Thank-you notes	Direct response radio (DRR);
Invitations	Radio spots
Enclosures:	*Telemarketing*:
Statements	Outbound
Parcels	Inbound
Telemarketing:	*Print media*:
Outbound	Press/newspapers
Inbound	Magazines
Catalogues	Inserts
Newspapers/bulletins	*Direct mail*:
	Mailings
	Inserts
	Internet
	Exhibitions/field marketing

When developing the offer, the company must keep in mind the established objectives. Some examples of these objectives may be to attract new customers or members, obtain repeated business from existing customers, reactivate lapsed customers, produce sales leads, or acquire new customers. The offer planning should develop upon the required elements.

- What is the product positioning?
- What is the price?
- What is the length of commitment?
- What are the payment terms?
- What are the risk reduction mechanisms?

At the same time as marketers look at these elements, they should also be seeking answers to the following questions:

- How much can they afford to spend on the incentive? For example, what is the allowable marketing cost?
- Which promotion type should be used as an incentive? (price-incentives, free samples, coupons, etc.)
- What should be the promotional package? (creative message, design, materials, etc.)
- Which promotional media should be used? (television, radio, directs mail, etc.)
- Does it involve one-stage or several stages?

Answers to these questions will help estimate campaign costs and profitability. These answers should be recorded in the CRM system. They will be used as a model to fine-tune the campaign results.

CRM at Work 11.3

Metropolitan Life Insurance Company (MetLife)
MetLife Insurance Company is one of the world's largest insurance providers, with customers in more than 60 countries. In 2008, the firm decided to launch a retention campaign for existing customers in Massachusetts, since the state made up a large portion of its business and rate deregulation was causing increased competition among insurance providers.

When designing the campaign, MetLife segmented its customers based on their profitability, duration of their relationship with the company, products purchased, and the channel through which they purchased insurance policies. Control groups were also created to measure the program's overall success.

MetLife subsequently sent out postcards, letters, and custom publications to all existing customers in Massachusetts to remind them of the value and benefits that their insurance policies and products provided. This campaign was conducted over the course of 1 year, and resulted in a.87% increase in customer retention. The campaign proved highly successful, as a.25% increase was MetLife's initial goal and would have sufficiently covered the overall campaign costs.
Source: Bell (2009).

Table 11.3 Media characteristics.

Medium	Principal characteristics	
Direct mail (letters, catalogues, price lists, brochures, leaflets, booklets, circulars, newsletters, cards, samples, etc.)	Direct mail consists of mailing pieces that can range from a postcard to a sophisticated package. A classic direct mail package is composed of an envelope, a letter, a brochure, a reply device and/or other inserts	
	Advantages	Disadvantages
	Accurate targeting	High cost per contact
	Unique capacity to involve the recipient	Long start-up time
	Creative flexibility/unlimited formats	Demands a large variety of knowledge and skills
	Discrete	Limited potential
	Ease of reply	
	No direct competition	
	Highly testable	
	Most controllable	
Direct mail catalogues	Direct mail also includes catalogues, which are small booklets that give a complete enumeration and description of the company's products and services	
	Advantages	Disadvantages
	Summarizes the company product range	Hazard acquisition of new names
	Distinctive positioning	Associated with «junk mail»
	Creative flexibility	
	Timeliness	
	Cost controllable	
	Has a repurchase cycle	
	Database construction and manipulation	
Telemarketing	Telemarketing is approaching customers via telephone. Its use originated the creation of call centers as a distribution channel. Telemarketing can be used in two ways: outbound and inbound. In the outbound version the company contacts the customers with a special motive (a promotion, a survey, or a follow-up). In the inbound mode it is the customer that is induced to initiate the contact	
	Advantages	Disadvantages
	Highly targeted	Expensive
	Efficient and direct	Number of prospects reached is limited
	Immediate feedback	Difficult to retain good employees
	Fast response time	No visual appeal
	Easily tested	Intrusive
	Builds and maintains customer relationships	Associated to «cheap selling»
	Incremental effectiveness	
	Increased levels of customer service	

Table 11.3 (continued)

Medium	Principal characteristics	
Print media	Print media consists of advertisements or inserts in written communication media, such as newspapers and magazines. This media focus on media reach, i.e. in reaching as many readers as possible. Classical uses in print media are: advertisements in magazines, newspapers or newspaper supplements and freestanding inserts	
Newspapers (local, regional, international, daily, weekly, weekend)	Advantages	Disadvantages
	Low cost per 1000 circulation	Often poor color
	Rapid, predictable response	Poor selectivity
	Moderate lead time, late deadlines	No personalization
	Wide variety of formats	Newspaper rates vary
	Broad local coverage	Sometimes affected by local conditions
	Inexpensive testing	Less selectivity than mail or phone
	Frequency, immediacy and reach	
	Year-round availability	
Magazines (local, regional, national international, weekly, monthly, annual, consumer, business, trade, technical, professional, etc.)	Advantages	Disadvantages
	Low cost per 1000 circulation	Slower response
	Easily controlled costs	Less space to tell story
	Moderate lead time, late deadlines	Less personal
	Excellent research data on readers	Less selectivity than mail or phone
	Wide coverage of all markets	
	Wide choice of readers profiles	
	Good color reproduction	
	Long ad life	
	Test inexpensively	
	Advertising in a trust environment	
	Frequency, immediacy and reach	
	Year-round availability	
Inserts	Advantages	Disadvantages
	High volumes	Reduced flexibility
	Cost efficient	Not very popular
	Flexible design	No proof on insertion
	Impact	
	Informative	
	Testable	
Broadcast media (analogue/ digital)	TV media methods are: direct-response television (DRTV) (interacts with the viewer inviting him to buy), infomercials (TV spots) that inform or describe the products and home shopping channels	

(continued)

Table 11.3 (continued)

Medium	Principal characteristics	
TV (terrestrial, satellite, cable, local, regional, national, international)	Advantages	Disadvantages
	Powerful demonstration capability	Limited copy time
	Fast response	Limited response options
	Wide choice of time buys	Difficult to perform split tests
	Total market coverage	Expensive (production costs and airtime cost)
	Strong support medium	Can take a long time to produce
	Brand awareness and differentiation	Information content limited
Radio (local, regional, national, international)	Radio can either use direct response radio (DRR) or radio spots that merely describe and advertise the product or service	
	Advantages	Disadvantages
	Excellent targeting	No response device
	Cost efficient	Limited copy time
	High frequency	No visual appeal
	Involvement, friendliness and loyalty	Creative treatment and quality often very mixed/poor
	Short start-up times	Audience passive receivers of information
	Powerful support medium	
Internet (www, web page, e-mail)	Advertisement on the web can be done via: banner ads, button ads, sponsorships or co-branded ads, keyword ads and affiliate marketing	
	Advantages	Disadvantages
	Attracts customers and prospects to the site	Diminishing returns
	Engaging and interactive	Involves web site maintenance
	Personalized	Involves investment in IT
	Builds database on customer preferences	Audience not guaranteed
	Cost efficient	Relies on browsers to find pages
	Interactivity possible	Hits may not represent interest (casual browsers)
	Message can be quickly and easily changed	
Door-to-door	Advertising door-to-door consists in selecting a residential area to promote or sell a product. Usually is delivered in each household with the normal mail by the postal services or in the form of insert in a local free newspaper	
	Advantages	Disadvantages
	Targeted	Poor personalization
	High penetration	Diminishing returns
	No duplication of coverage	Insufficient customer knowledge
	Versatile/no format restrictions	
	Test possibilities	
	Low cost	
	Ideal primary medium	

11

Table 11.3 (continued)

Medium	Principal characteristics	
Posters (outdoors-boards, outdoor-transports, inside)	Posters can be placed on boards in the streets, in railway stations, in buses or taxis or even in shopping centers and underground trains	
	Advantages	Disadvantages
	Reaches broad audience	Creative limitations
	High repeated exposure	Short exposure time
	Relative low cost	Limited audience selectivity
	Strong impact	Message must be simple
	High geographic selection	
	High visibility	
Cinema	Advertising in cinemas can be made via advertising spots before the movie and during the breaks. It's usage varies across countries	
	Advantages	Disadvantages
	High quality production	High cost of production
	Captive audience	Limited audience size
	High selectivity via the movie and the cinema choice	Limited response options
	High creative flexibility	

Table 11.4 provides a list and a brief description of what kind of options a company can offer its customers and prospects. The example of MetLife gives an example of a company that used a successful retention strategy to do repeat business with its existing customers.

11.2.5 Campaign Budget

The campaign budget allocates resources and coordinates expenditures across the marketing activities associated with the campaign (advertising fees, testing costs, list rentals, etc.). When calculating the campaign budget, the marketer will use a mix of estimates for both directly measurable and less easily measured activities (e.g., the long-term effect of advertising). In reality; the estimates for these less measurable activities come from similar past experiences, benchmarking, or plain guesswork. Although this might look unconventional, it is still better to make an educated guess than to neglect these estimates. In general; allocating the optimum financial resource level to each activity is a difficult task, and that is why arriving at a campaign budget should be a balance between measurement, financial calculations, competitive analysis, and good judgment.

There are many ways to calculate a budget. Some companies think of the campaign budget as a percentage of turnover derived from the sales forecast of a particular product or service (e.g., the general management establishes a sales objective of $2 million and states that the marketing department can only afford $500,000 on marketing activities with this product). Other firms may look at the previous year's budget and adjust it for the campaigns for the current year (e.g., the company spent $500,000. on last year's marketing activities and this year is going to adjust it for the price increase of advertisement fees, inflation, etc.)

While there are no right or wrong ways to calculate a budget, we will present seven common methods to calculate a budget and present their main advantages and disadvantages:
1. Preset budgeting
2. Budgeting for an allowable marketing cost

Table 11.4 Offer options

Offer option	Description
Price incentives	The customer gets a discount off the regular purchase price (a specific dollar amount or a percentage discount)
Payment options	Making it easier for customers to buy from you. These can be company's credit cards, easy pay plans, etc.
«You have been specially chosen»	Recognition is a motivating factor for customers. If they feel special they are more willing to buy. Offering something special to regular customers or inviting them to be part of a special club are some variations of this offer type
Premiums	A premium is usually a free item or a nominal fee offered as an incentive to purchase a particular product or service (free information, gifts, etc.)
Samples	Offer samples of the product or service you are selling
Free trial	Offer the customers a free-trial period to try the product
Automatic shipment	Keep sending out merchandise to customers until they cancel their order. Many publishing companies do this in order to renew subscriptions
«Member gets member»	One effective way of getting new customers is offering regular customers a gift or a dollar incentive to introduce others the company's product or service
Early bird offer	If the customer buys before the deadline he will pay a special low price
Contests and sweepstakes	Customers are given the chance to win a prize if they purchase something
Multiple discount offers	Customers who spend a lot of money with the company like to receive special treatment, so companies offer discount on big volume purchases, for example
Multiple product offer	Companies group related products under one price and entice customers to buy the whole package
Deluxe edition	The company offers the regular product at a specific price and then it offers the deluxe edition or the enhanced version of the product at a promotional cost
Bounce-back	When a customer puts an order, the company includes another offer in the package it sends
Money back guarantee	Offering a guarantee or warranty is an oral or written promise by a manufacturer or retailer that they will stand behind a product or service

Source: De Bonis and Peterson (1997).

11

3. Budgeting with the competitive parity method
4. Budgeting with the objective and task method
5. Budgeting with the percentage of sales method
6. Budgeting with key performance indicators
7. Budgeting using the lifetime value method

Preset Budgeting

Most companies determine a given year's marketing expenditure on the basis of what they spent the year before, by applying a ratio that adjusts media cost inflation, projected sales increase or decrease, market conditions, and so on.

Advantages

The campaign budget won't be drastically cut over the years, so it will follow a more or less steady expenditure flow.

Disadvantages

Working with a preset budget that doesn't take into account last year's sales is the least effective way of calculating a budget. Companies treat marketing as an expenditure instead of as an investment to boost future sales. As a consequence, working with this kind of budget planning may be hazardous for the firm, rendering its business less competitive and slower to change.

Although this is the least effective way to establish a budget, it is, in fact, one of the most commonly adopted.

Budgeting for an Allowable Marketing Cost

Budgeting for an allowable marketing cost (AMC) consists of determining the amount that can be spent on campaign marketing activities, while preserving the required profit margin. Each potential expenditure is given priority according to its forecast for return on investment, and each investment is given equal consideration. Its objective is to achieve the optimum revenue per customer and maximize sale profits. The AMC is obtained by subtracting the costs (cost of goods + distribution costs) and the required profit margin from the total sales value.

Advantages

When using the AMC there is no preset limit to the campaign budget unless a cash-flow constraint is imposed. By using this method the company controls costs.

Disadvantages

Many activities are hard to accurately forecast, and some activities may not pay back in a given year. These intricacies lead to a degree of conservatism that inhibits the aggressive pursuit of an AMC marketing policy.

Example One of the main sources of revenue for «Old Books Limited» comes from the subscription fees of its monthly magazine, *Rare Books*. In order to preserve this source of revenue, it has two choices: either put in place a cold mailing to obtain new subscribers or a mailing-to existing subscribers, inviting them to renew their subscription. It calculated the allowable marginal cost of each activity and discovered that sending four invitations (i.e., four direct mailings) to existing customers had a lower marginal cost than doing a cold mailing.

Budgeting with the Competitive Parity Method

Competitive parity tries to equate budget allocation with those of competitors. Organizations in competitive environments may opt for this budget technique.

Advantages

In this method, emphasis is on competitor intelligence. By checking out what the competition is doing, the company is adapting itself to the market conditions.

Disadvantages

It is difficult to be precise as to who your competitors are. It is also difficult to estimate the relative size of competitors, because a company's nearest competitor may be significantly bigger or smaller than your company. Next, marketing communication strategies are certainly different for market leaders and for market followers and budgeting based on parity may thus not be very wise. This method cannot satisfactorily take into account sudden changes in the competitive activity or objectives. It does not take into account the company's own objectives.

Budgeting with the Objective and Task Method

This method focuses on, first, determining the marketing objectives, and then deciding on the marketing communication tasks needed to achieve those objectives. By calculating the costs of these tasks, a budget can be set.

Advantages

This method focuses on marketing objectives. The resources are expended according to the objectives.

Disadvantages

Implementing this method is a difficult task because it is not always easy to define the objectives and to quantify their implementation costs. This method also makes an important presumption: It assumes that the relationship between objectives and tasks is well known and understood.

Budgeting with the Percentage of Sales Method

A fixed percentage of turnover is allocated to marketing communications. The marketing communication expenditure is directly linked to sales level. In order to determine the exact percentage to be allocated, the company looks at competitor allocations and industry averages. To define the turnover, the company can look at historic sales.

Advantages

This method incorporates a series of alternatives, and it allocates costs to the objectives.

Disadvantages

It may be difficult to determine the percentage of sales that must be allocated. Competitors may have a small advertising budget and concentrate their budgets on the sales force, and this would be a deceiving benchmark.

Budgeting with Key Performance Indicators

Determining the campaign budget via some key performance indicators is a process that allows the company to figure out, in a quick way, how much it can afford to spend on a special promotion. Sometimes this analysis is called *front-end analysis*. This analysis is done with simple performance measures such as the cost per sale, the conversion rate, the cost per inquiry, the marketing cost ratio, or the *return on investment*. These performance indicators are summarized in Table 11.5.

E-mail presents itself as an effective way to engage customers in a dialogue. As a flexible and consumer-preferred communication vehicle, e-mail has applications across acquisition, retention, and customer service. Messages can be tailored to each customer based on her/his stage of the buying process. E-mail also allows customers to opt-in with their own preferences.

Tables 11.6 and 11.7 show the key performance indicators from a study performed by Forrester research, «the e-mail marketing dialogue,» which shows that in 1999, e-mail was the second most effective technique for driving traffic to a Website (Nail, 2000). Retention e-mail generated 10% click-through rates on in-house

Table 11.5 Key performance indicators

Performance measure	Formula	Definition	Example case of a direct mail to 10,000 customers that costs $12,395
Cost per thousand (CPM)	CPM = (Total promotion expense/Total quantity) × 1000	Relates the total cost of a promotion with the quantity produced	The CPM is (12,395/10,000) × 1 000 = $1239.50
Cost per response (CPR)	CPR = (Total promotion expense/number of responses)	Ratio between total campaign costs and the number of responses obtained	The number of responses to the mailing was 340. Therefore the CPR was $36.50
Cost per enquiry (CPE)	CPE = (Total promotion expense/total orders)	Ratio of the total campaign costs by the total enquiries	If the number of orders was 252, then the CPE was $49.20
Cost per sale (CPS)	CPS = [Total promotion expense/(total orders-Returns and bad debts)]	Ratio between the total costs and the enquiries that were converted into sales, net of returns and bad debts	From the 252 enquiries or orders received, the company had 16 returns and 3 cases of bad debt, therefore the CPS was $12,395/(252–16 – 3) = $53.20
Conversion rate (CR)	CR (%) = (number of buyers/number of responders) × 100	Calculated by comparing the number of buyers with the number of responders to the campaign.	In this case the CR would be (233/252) × 100 = 92%, which means that the company converts 9 of 10 customers with this campaign.
Return on investment (ROI)	ROI = sales revenue/total promotion expense	Ratio between sales revenue and the campaign cost	Each sale represents $75 and since the company made 233 sales, the ROI will be a ration of 7/5 (1.4), which means that for each $5 spent in the campaign you obtain $7 from your customers.

lists. But, using e-mail as a customer acquisition tool is expensive because rented lists are also expensive.

Budgeting with the Lifetime Value Method

Budgeting in the most effective and efficient way would imply reducing expenditures to a unit cost basis in order to focus on the value of individual customers and on the different values per customer. Given the data recorded in the CRM database, the company may predict ongoing customer value rather than only the individual sales revenue. Knowing the lifetime value of each customer will allow the company to compare returns on alternative marketing expenditures and to compare return on expenditure from obtaining business from existing customers or from new ones. This gives the opportunity to efficiently allocate the budget using the most profitable strategies.

Table 11.6 Email key performance indicators

	CPM	Click-through rate(%)	Purchase rate (%)	CPS
Rented lists	$200	3.5	2.0	$286
Sponsored email	$93	2.5	0.8	$465
In-house lists	$5	10.%	2.5	$2

Advantages

Using the CRM database information allows the company to predict, in a more accurate way, the cost of the campaign. At the same time, it efficiently allocates resources between strategies because it allows a comparison between the returns of alternative marketing campaigns.

Disadvantages

It is very difficult to keep track of customer values because most companies lack transactional data from customers. Forecasting the customer LTV as a budgeting measure is still in its infancy. Also, if the company doesn't keep track of the performance results of past campaigns, it won't be able to compare these results with similar campaigns and learn from past errors. Sometimes the strategy that produces the highest ROI does not provide the fastest return and therefore, it can be replaced by faster strategies with lower ROI.

Ideally, budgeting should use LTV forecasts to determine the cost of a campaign. In practice, this may be hard to implement. So in this case, the marketer should proceed with both front-end analysis and with the allowable marketing cost analysis. Keep in mind that no budget should be done without estimation of the return of market-

Table 11.7 E-Mail campaign and customer acquisition and retention parameters

CPM (cost per thousand)	Customer acquisition			Customer retention	
	Direct mail to rented list	Banner advertising	Email to rented list	Direct mail to house list	Email to house list
Production	$462	N/A	N/A	$462	N/A
Media	$118	$15	$200	N/A	N/A
Delivery	$270	$1	N/A[a]	$270	$5
Total	$850	$16	$200	$686	$5
Click through rate	N/A	0.8%	3.5%	N/A	10%
Purchase Rate	1.2%	2.0%	2.0%	3.9%	2.5%
Cost per sale	$71	$100	$286	$18	$2

[a]Delivery costs for rented lists are incorporated into media costs

ing investment (ROI rates). Unfortunately, the preset budgeting is still a very common practice among companies, but it should ideally be replaced by the other methods discussed.

11.2.6 Testing

Testing involves conducting a comparison between different ways of proceeding with a campaign. In general, it is performed under a simple rule: You test individual campaign elements, other elements remaining constant, and you measure the resultant change in the performance of the campaign. Testing should concentrate first and foremost on the most important variables and parameters. More importantly, one should aim to test all the key parameters, not just one of them.

Testing is based on a basic principle. Take the current set-up of the campaign and use it as the *control* for the test. Then select the element you want to test and change it. Next, select a sample of your target customers and run a test with the changed element. Comparing the performance results of the test version with the control will illustrate the impact of this variable on the overall campaign objectives.

What Are the Benefits of Testing?

Testing has value-added benefits that can improve your campaign success and performance. Some of the most important ones are listed as follows:

- Testing shows real behavior, because it provides a (close to) real environment in which behavior is validated.
- Testing augments and validates research.
- Testing also stimulates creativity, since it not only provides healthy internal competition but also presents a challenge to the creative team to find ways to beat the control campaign.
- Tests protect the company's greatest asset (the customers): By using only small samples with each test you will finally give your customers the proven offer.
- Tests minimize financial risk and avoid costly errors.
- Tests uncover ways to reduce costs.

In general, tests help maximize the performance of the campaign. They are low cost (when compared with the overall campaign costs) and fast in providing results. They are reliable (as you resort to quantitative analyses), simple to execute, and easy to prepare (as there are less customers involved). It is important that tests be done on an ongoing basis, and not be looked at as a one-time task.

What Should You Test?

We can test almost everything in a campaign. A key variable is the target audience, which is in the form of a list of targeted customers and prospects. We can also test the offer variables (prices, incentives, proposition), the format (physical shape, the *feel* and the size), the creative element (the appeal, the tone, and the message), the media, and/or the timing.

CRM at Work 11.4

Testing the Media Before the Roll-Out

The Executive Corner, Limited produces executive accessories such as leather briefcases, business card cases, binoculars, golf scope, desktop accessories, leather mouse pads, and other corporate gifts.

The company is launching a campaign to promote a cigar case to new customers. The campaign customer objective is to acquire 1000 customers. The company can afford \$30 per customer (AMC = \$30) and the gross margin per sale will be \$50. The campaign budget for this program is \$30,000 (\$30 × 1000).

The proposed campaign strategy is to run in four types of media: internet, direct mail (a mailing), telemarketing and magazine advertisement. The company will run a test with some customers (test target audience) to assess the most effective media. The firm has acquired customer lists for the different media and will conduct the test using a 5% sample for each, as shown in Table 11.8. For testing, the firm decided to send promotion emails to 3000 and a mailing to 3000 prospects. Telephone calls will be made to 500 prospects from a rental list. It also opted to insert an ad in the magazine *Top Management* whose readers are mostly top executives. The test campaign is an actual campaign resulting in effective sales, but conducted in a smaller scale with respect to the final campaign.

The first step is to determine the test budget and its size relative to the total campaign budget. Multiplying the cost per medium by the audience size gives the total test budget cost, which is \$10,800. This figure represents 36% of the campaign budget (calculations are shown in Table 11.9).

Break-even target response rates can be obtained which quantify the number of customers needed to cover the testing costs. This is calculated as the ratio between test costs ($10,800) and the AMC ($30) for each medium (for example, 40 customers would be needed to respond to the cold mailing, representing 1.3% of the 3000 target audience size, to cover the mailing costs).

Having run the test, the firm gets actual response rates. These will help estimate the effectiveness of each medium, by comparing the target response rates (needed to break-even on campaign costs) and the actual test response rate (which is an estimate for the campaign roll-out results). Table 11.9 presents the results.

Next, with the actual test response rate, the firm can calculate the total gross margin of having run the test, which is obtained by multiplying the actual number of customers that made a purchase by the gross margin per sale ($50). The net profit margin will consist of subtracting the test costs from the total gross margin. At this stage the firm has all the necessary elements to determine the ROI of each medium. The ROI is the ratio between the net profit margin and the test cost, expressed as a percentage. Table 11.10 shows the results.

Given these results, the firm should run the campaign with the media that presented the highest ROI: email to prospective customers.

After the test campaign, there is a remaining budget of $19,200 of the original $30,000. This will be used to send emails to the remaining 57,000 email addresses not used by the test. Total cost for the email campaign will be $17,100, which leaves $2100 for the next best ROI-medium: an ad in *Top Management* magazine. However, the cheapest ad insertion available in this magazine costs $5000, well over the remaining budget. It is still possible to use the third-best ROI medium: direct mail using a rental list. A total of 5250 promotional letters can be sent.

Table 11.8 Test audience size per medium

Medium	Customer lists held (total target audience)	Test target audience
Internet	60,000 prospects	3000 prospects
Mailing	60,000 prospects	3000 prospects
Telephone	10,000 prospects	500 prospects
Magazine advertisement	2000,000 prospects	100,000 prospects

Table 11.9 Costs of testing, break-even target responses and test results

Medium	Cost ($) per 1000	Target audience size	Test cost ($)	No. of customers needed to break even	Target response rate (%)	Actual no. of test respondents	Actual response rate (%)
Mail using a rental list	300	3000	900	30	1.0	33	1.1
Direct mail using a rental list	400	3000	1200	40	1.3	40	1.3
Telemarketing to existing customers	6200	500	3100	103	20.7	61	12.2
Top management magazine	56	100,000	5600	187	0.2	200	0.2
Total			**10,800**	**360**		**334**	

Table 11.10 Net profit margin and ROI per medium of test

Medium	Actual response rate (%)	Actual no. of customers	(A)	(B)	(C) = (A) – (B)	(D) = (C)/(B)
			Total gross margin ($)	Test cost ($)	Net profit margin ($)	Return on investment (%)
Email using a rental list	1.1	33	1650	900	750	83
Direct mail using a rental list	1.3	40	2000	1200	800	67
Telemarketing to existing customers	12.2	61	3050	3100	−50	−2
Top management magazine	0.2	200	10,000	5600	4400	79
Total		**334**	**16,700**	**10,800**	**5900**	

When determining the budget, the company should consider the importance it wants to give to testing, since this has a cost. If the marketing campaign is based on a well-known process (e.g., the company uses past designs of campaigns to promote similar products or services), then testing could be carried out with one or two tests, in order to make minor improvements. If the campaign aims at something new, like product or market development then testing should be more exhaustive. The following case provides an example of testing the media.

Does Testing Predict the Future?

Testing allows you to do a small-scale measurement of the potential campaign results. It can accurately give you the performance results for the overall campaign, through the testing of the following performance measures:

- **Response to the campaign, in percentage:** Running a test campaign will generate results from the customers selected to participate in it. The number of responses obtained (e.g., customer subjects who responded positively to the incentive), divided by the total number of customers selected, will give the response rate, in percentage. This number will serve as an indicator of the success that the particular campaign being tested can achieve.
- **Campaign profitability:** The performance results of the test allow you to do an estimate of the revenues of the real campaign. From this, you should deduct the total campaign costs (expenses of preparing the campaign, testing costs plus those of running the campaign). This gives you a prediction for the profitability of the campaign.

Testing in Different Media

- **Direct Mail**: Just about any element in the direct mail is testable, ranging from the format and the package, the message, the creativity concept, the distribution lists to the offer itself. This is possible for direct mail because the direct marketer controls every aspect of the campaign, including the timing and the budget.
- **Telemarketing**: In one call session, the telephone operators can promote a particular product or service, can test a different script, or can test a promotion. In a single day direct marketers can have enough responses to obtain a fairly good indication about the success of the offer. The time of response to a phone call is one of the unquestionable advantages of telemarketing.[1]

1 However, the federal do-not-call implementation has made it mandatory for telemarketers to scrub their contact lists against the national do-not-call registry 31 days.

- **Press and Inserts**: When testing in print advertisement, the direct marketer can test almost everything about the editorial fit: the audience composition, the magazine/newspaper circulation, the ad placement cost, the timing of the ad placement, its frequency, and the position of the ad or its color. Although testing is possible, it is not as easy and inexpensive as telemarketing or direct mail. The most used tests are split-run testing, A/B splits, and cross-over testing.
- **Split-Run Testing:** Split-run testing is usually used for inserts. It compares the same title or message in two different insert formats, by alternating them in the print run. Basically, you insert a different code or a different phone number in each format so as to track which version has the best response rate.
- **A/B splits:** You run two versions of the print run (A and B) in alternative copies of the same publication. Usually, creative or color changes are tested this way. As in split-run testing you should devise a mechanism for tracking response.
- **Cross-Over Testing:** You run two versions of the same advertisement: one version changes the creative message (A), the other changes the color (B). Then you insert version A in the first issue of magazine 1 and in the second issue of magazine 2. You then insert version B in the second issue of magazine 1 and in the first issue of magazine 2. This enables you to compare the response improvement when creative elements or color were changed. The response change in magazine 1 assesses the creative elements change, while response change in magazine 2 evaluates the color effect.

Example of a Split-Run Test: A company that produces crystal glasses for different types of wine is going to test four different ads (B, C, D, and E) against a control ad A to find out which ad performs better. This test will be performed in four different wine magazines with different audiences.

Analyzing the test results given in ▫ Table 11.11, ads B, C and E reveal a greater lift than ad A. In this particular test, ad C will be chosen to run the campaign because it presents the greatest lift of all the ads tested.

Example of a Cross-Over Test: Following the preceding example, imagine that the company wants to cross-over test ad A with ad B in two wine magazines.

In this case it is possible to compare the results of each issue of both magazines and compare creative concepts. As ▫ Table 11.12 shows, ad A performed better in the first issue of *World Wine* than in the second issue of *Food and Wine*. Ad B performed better in the first issue of *Food and Wine* than in the second issue of *World Wine*. If we compare the creative concepts, we realize

▫ **Table 11.11** Example of a split-run test

Magazines	Cost $	Control	Control response	CPR control	Test	Test response	CPR test	Lift[a] (%)
World wine	1736	A	331	29.6	B	396	24.7	20
Wine magazine	2756	A	277	35.4	C	356	27.5	29
Wine enthusiast	2960	A	308	31.8	D	282	34.8	−8
Food and wine	2348	A	325	30.2	E	400	24.5	23
Total	**9800**		**1241**	**7.9**		**1434**	**6.8**	

[a]Lift is the variation, in percent, between the CPR control and the CPR test

Table 11.12 Example of a cross-over test

	World wine			Food and wine	
	Control	Control response		Control	Control response
First issue	A	331		B	308
Second issue	B	277		A	325

that ad A always obtains higher responses than ad B. The test conclusion would be, always roll out with ad A.

How Reliable Are the Test Predictions?

Testing is meant to allow the marketer to make inferences using established methods of analysis. It is beyond the scope of this book to explain in detail the statistical models used to analyze test results. Some of the statistical techniques that can be used for this purpose are hypothesis testing, confidence intervals, and analysis of variance. For more on these techniques, readers can refer to *Marketing Research* by Aaker, Kumar, and Day (2004).

What Are the Potential Problems in Testing?

For testing to support profitable campaigns, one should be aware of the following potential errors:

- **The marketer should avoid performing several tests with the same set of customers:** If you keep using the same group of customers for several runs of one campaign test, you should expect lower response rates. The same thing happens if you use the same fixed group for several campaigns in a short period of time. You must be aware of the extent to which there are diminishing returns. Therefore, you should plan the ideal frequency with which a customer is approached (i.e., the point where the marginal cost of testing exceeds the marginal revenue generated by the test).
- **Testing results have limited time validity:** Since customer preferences change over periods of time, conclusions drawn from tests are sometimes short-lived. Ongoing tests may provide adequate responses which reflect these changes.
- **Don't test the same things all over again:** As testing means only changing one or few variables, other things equal, change the analysis variable so you can see what changes in the results.
- **Overall marketing objectives should drive your testing:** More important than optimizing a particular campaign is to have a successful marketing program.

11.3 Campaign Execution

The campaign execution stage is the operational process by which a campaign is implemented. There are two important aspects at this stage: implementation and monitoring.

11.3.1 Implementation and Coordination

A thin line separates the development from the implementation stage. This difference arises from the fact that implementation summarizes everything that was developed and identifies all that has to be done before actually running the campaign. In order to implement the campaign, an action plan should be prepared to guide this process and all the resources involved. This plan should be divided into three sub-plans:

1. Campaign program
2. Campaign schedule
3. Activity schedule

Campaign Program

The campaign program is a summary of everything that has to be executed to run the campaign. It should lay out the list of tasks to be accomplished. These are to be assigned to a list of team members. It should contain the campaign briefing forms designed for members of the team and outside suppliers (e.g. advertising agency, merchandise suppliers, etc.). In order to coordinate the tasks between all persons involved, each task should be defined a deadline for completion. The summary of all these deadlines should result in the campaign timetable. Once the media and the promotion offer are chosen, the marketing team should do a description of all materials to be produced (the format, the color, the creative message) and events to take place (if it is a one-stage or a two-stage campaign).

Campaign Schedule

The campaign schedule lists the events that are planned and their respective timing. If this campaign is planned to coincide with other marketing activity a clash schedule should be done in order to identify potential conflicts of resources, timing and customer targets.

There are two key differences between the campaign and the activity schedule. The first one is directly related to the campaign components and the second one relates with the operational activity of the company itself.

Activity Schedule

It is very important to organize your company's activity during a campaign. Interdependent actions should be identified and time should be efficiently allocated for the completion of activities. It is at this stage that the critical path method can be applied. The critical path technique involves placing a time factor in each phase of the campaign, figuring what are the necessary precedent activities for each one and sequencing all the campaign phases (basically it works as a backward timetable). One advantage of this method is that it identifies potential bottlenecks and allows revision of allowed timings.

One important feature of activity scheduling is that not only does it allow sufficient time for completion and approval of the tasks but it also keeps the information up-to-date. Even when the campaign is running, its status will continue to be reported. The example of a Gantt chart[2] is shown in ◘ Fig. 11.3.

2 Gantt chart is a graphical representation of the duration of tasks against the progression of time.

11.3.2 Monitoring and Fine-Tuning

Monitoring is an ongoing process. When waiting until the end of the campaign one cannot make adjustments, such as schedule modifications. Nevertheless, the full effect of the campaign cannot be totally known until all the results have been received and analyzed. If the company is running an integrated campaign where results can be tracked through response, then the first status report will show the preliminary results that should be compared with the forecast results in order to show progress. Acting on the first results will allow a timely corrective action and the more up-to-date is the report, the more useful the corrections will be.

One question that should arise is «How can this process be fine-tuned?» Depending on the first measurable effects of a campaign, fine-tuning can be done in the following cases:

- The planning may be revised based on enquiry or orders performance alone. This adjustment is done based on the assumption that the conversion rate stays close to the forecasted level.
- The media selection may be adjusted. The first media results will determine if the advertising space in a specific media is profitable and if the media booking or cost should be cancelled or renegotiated.
- If the campaign included a first sequence of creative and offer testing, then corrective action should be undertaken as quickly as possible.

11.3.3 Problems to Take into Account

Campaign management and particularly campaign execution involves the marketing team, other departments (sales force, call center, operations department, etc.), top management and outside suppliers. Many things can go wrong during the process. If the marketer runs a direct mail to customers requiring them to call the company's call-center and if the telemarketing team is not adequately informed about the campaign features, then the most probable outcome is that the campaign will be a failure On the other hand, suppliers should be briefed on the campaign program

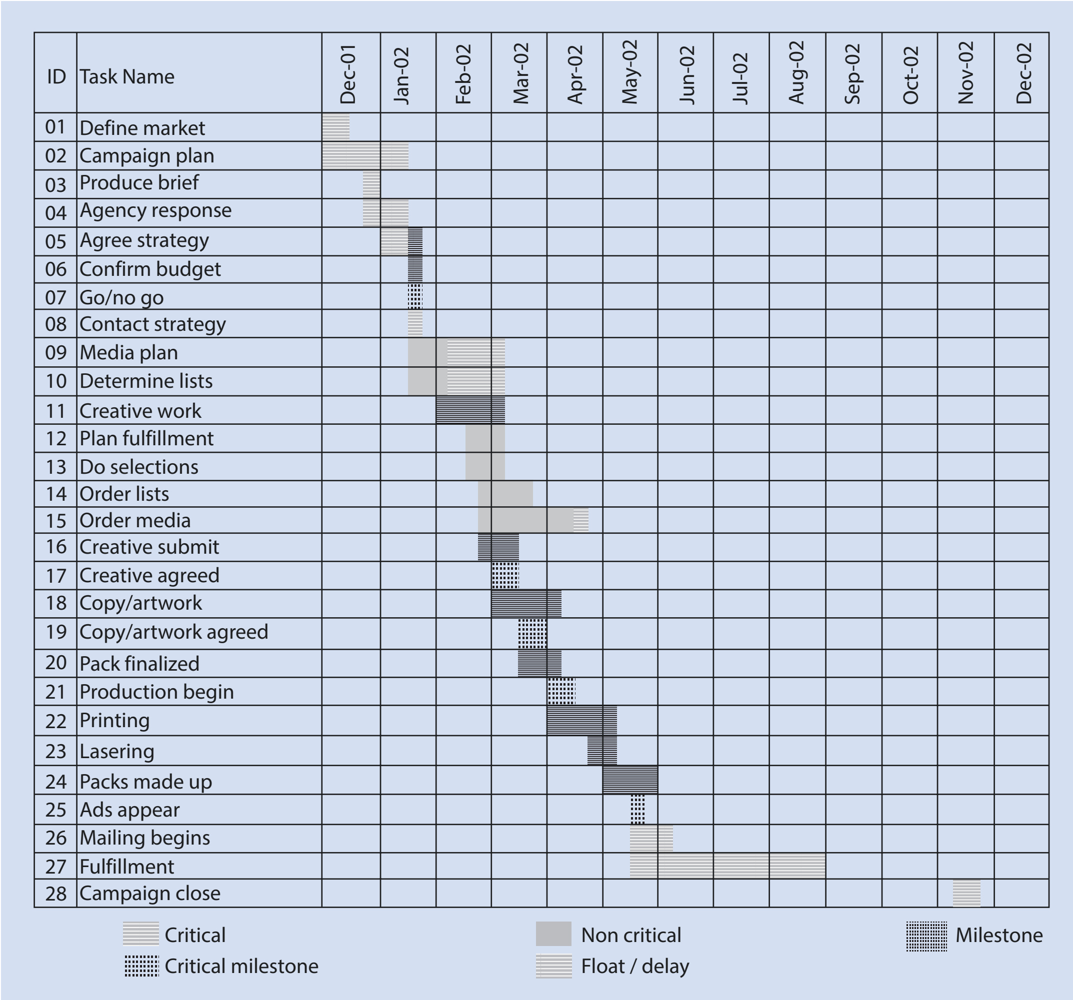

Fig. 11.3 A Gantt chart in a direct campaign

(the delivery dates, paper quality, color process, package dimensions, the script, etc.) in order to avoid rush work or imperfections. Then again, briefing every actor involved in this process is fundamental to the campaigns' success.

We have identified some causes of campaign failures:

- When the marketing planning is undertaken at a functional level and does not integrate with other functional areas of the company, then the campaign will be largely ineffective.
- Separating the responsibilities of operational marketing and strategic marketing planning will lead 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.
- If top management doesn't take an active role in marketing planning then it will probably not be an effective system.
- If the degree of formalization of campaign management is not adapted to the diversity of operations within the company and its size, then campaign execution process won't be effective.

11.4 Analysis and Control

Analysis and control end the campaign management cycle. In this phase, marketers should be able to draw some conclusions about the campaign success and use these results not only to improve their customer knowledge but also to improve future campaigns. This is an important stage because it evaluates campaign results in light of the original objectives and determines the campaign level of success or failure. Features that run well should be used as «best practices» for other campaigns. For features that didn't perform well, marketers should search the reasons why this has happened. This research should be recorded in the CRM database to serve as a *learning lesson* to future campaigns.

Campaign analysis can be done in many ways. Marketers can use campaign key performance indicators (KPI) and compare them with budgeted KPI's and campaign objectives. They can also perform back end performance analysis to determine the purchase behavior of campaign respondents. Finally, more elaborated analysis can be performed, such as profile and response analysis, to link profiles and behavior with the campaign.

11.4.1 Measuring Campaign Results

Marketers can start measuring campaign results while the campaign is still running. As discussed in the previous section, as soon the results are known and analyzed the sooner action can be taken to fine-tune the campaign execution. Standard performance measures are the key performance indicators (KPI) discussed in the budget section. Comparing the CPM, CPS, ROI, and the CR with the budgeted KIP will give an intuitive idea about the campaign results. But marketers should look deeper and try to understand which target segment is driving the campaign success or what medium performed better and why. Back-end performance analysis is one of the answers to evaluate campaign results. It relates the behavior of a group of respondents with sales, contribution, and profit achieved in the campaign. It also relates this group of respondents with the advertising medium that converted them into customers.

In order to measure back-end performance it is necessary to maintain a system in which each customer is identified as coming from a specific advertising medium. Only then it is possible to analyze the behavior of all customers coming from the same initial source medium and calculate average sales, contribution and profits. Back-end performance will vary significantly from one advertising medium to another. For example, results from some direct marketing campaigns show that buyers acquired from direct mail buy more often than customers acquired through a magazine or newspaper insertion. Then it becomes vital to track customer performance in terms of its original medium source group, so that the decision to reinvest in a particular medium can be made on the basis of proven performance.

Back-end performance can be measured in many ways. For example, in a direct mailing, the measurement of back-end performance is simply the statement of profit or loss for the campaign promotion. For a loyalty program, this measurement should be done in terms of the allowable marketing cost and the break-even. These two indicators will then be compared with the customer acquisition cost to determine customer contribution. Contribution is a formula that deducts from the gross margin the campaign costs and then divides the resulting value by the number of new customers. In the case of loyalty campaigns it is more adequate to calculate contribution in terms of the new customer lifetime value, because it can forecast future sales and profits from the new comers. Another measure to take into account is the attrition rate. This measure is used to determine the rate at which customers defect. When evaluating the profitability, for example, of a newspaper or magazine campaign to increase subscriptions or renewals, the KPI to take into account are the conversion rate, the renewal rates and the response rate to promotions.

In all cases, when running a promotions campaign, marketers should always calculate the *return on promotion* (ROP). ROP is a way of calculating the return on investment of a particular promotion:

$$\text{ROP} = \left[\frac{(\text{Contribution} - \text{Cost per order})}{\text{Cost per order}}\right] \times 100$$

The return is measured by the difference between the contribution that results from all the purchases that occur due to the promotion and the cost of acquiring the purchase.

11.4.2 Response Analysis

Response analysis calculates the campaign results up-to-date, projects its final results, such as responses, inquiries and leads, and analyzes these results. Response analyzes can be performed with customer and market segments, product lines, campaigns, offers and promotions, media or advertising agencies. To be able to perform this type of analysis, responses should be summarized by time—that is, by arrival date. Each response should be recorded at the CRM database and should have the calendar date it arrived. Results can then be analyzed as soon as the first campaign responses are known and eventually they can correct the campaign progression. Response analysis uses statistical models such as regression analysis models to determine the impact of several variables of interest (age, gender, level of income, etc.) on probability of response.

11.4.3 Profile Analysis

Profile analysis is used to define and compare the profile of campaign responders with the actual profile of the company's customers and prospects. This comparison will allow marketers to verify if the initial targeted profile actually corresponds with the responder's profiles, i.e., if the customer segments were well targeted. Profile analyses can and should be performed at different stages of the campaign. It should be performed at the campaign planning stage, when defining the target segments; as part of the designing tests, as campaign results are received and after a campaign is completed to verify attrition.

The profile characteristics are recorded in the CRM database and they are used in this type of analysis if they can be related to the customer or prospect name. These characteristics may be fundamental (birth date, gender) or derived (age, score). Profile analysis considers the input (generally geographic, demographic or psychographic) and clusters names into groups with similar tastes and preferences. Two other statistical techniques used in profiles *analysis are automatic interaction detection* (AID) and *chi-square automatic interaction detection* (CHAID). These are not discussed in this text6; for more information on these techniques, see *Marketing Research* by Aaker et al. (2004).

By predicting the actions of customers or prospects by using these analyses, the company is refining and improving its marketing strategy.

11.5 Campaign Feedback

Everyday practice shows that it is far more valuable to have a reliable assessment of the measurable effects of marketing campaigns upfront. The effective registration of past marketing activities and their results, combined with modeling methods, different media and customer segments, enable the marketer to support campaign decisions in advance and to optimize them at the implementation stage. Information on successes, failures and the circumstances under which the campaigns were carried out should be stored. Patterns can be found and correlation between historical successes and campaign elements can be used as learning to ensure future success.

Companies should compile detailed information about the main aspects of campaigns, such as concepts, target groups, media used and campaign performance, into their CRM database. This way models can be designed to describe causal relationships between the variables under the marketer's control and criteria for success. The use of this stored information supports informed future action because it allows the prediction of the market environment in which certain campaigns will succeed. Recording and analyzing the success and failures of past campaigns improves the profitability of future campaigns. Deviations between achieved and desired results are minimized through the correct use of this compiled knowledge.

Keep in mind that three steps should be implemented in order to ensure successful campaigns and to enhance knowledge for the company:

1. Record all relevant data about campaign planning, implementation and results.
2. Model relationships between the data gathered, the controllable variables and the campaign results.
3. Apply this knowledge to future campaigns. If information is not sufficient, test the important variables to fill the gaps in knowledge.

Minicase 11.1

Z4 Launch Campaign at BMW

BMW, the Munich-based luxury carmaker is a strong believer in CRM practices across dealers and end customers. Traditionally, customers communicated with dealers and dealers with the BMW Group. Today, many end customers expect to communicate directly with the BMW Group. The challenge therefore for BMW (and any carmaker) is to establish the relationship between BMW Group and end customers and yet strengthen the traditional relationship between end customers and dealers. BMW Group's CRM approach is therefore very integrated in nature, both in terms of spanning dealers and end customers, as well as in terms of customer service, new customer attraction, and loyalization.

The launch of the Z4 roadster in 2002/2003 is a prototypical example for BMW Group's approach. The objectives were to position the car in the premium segment, to conquer new customers, and to loyalize owners of the previous model Z3. An integrated communications campaign was launched that coordinated TV and print campaigns, direct marketing, preview events, electronic media as well as dealer marketing. The goal of the entire campaign was to select relevant prospects for the actual launch in March 2003. In practice, this meant that the addresses of the most interested set of prospects were known at launch and that these individuals were then invited for closed room and preview events. The selection was made based on prospects' reaction to the mailings, emails, Short Message Service (SMS), and Internet offers. The activities started with bulk mail activities, followed by TV and print inserts. These initial teasers set off a second wave where interested parties would call or email a service center that then forwarded information material to these qualified prospects. These address data and email addresses formed a key part of the prospect database. Prospects could then also sign up for preview events where the actual car was shown. Using feedback from these preview events, information on the hottest prospects was then given to the dealers who followed up on the prospects for landing the sales. The effectiveness of the pre-launch activities was measured in terms of number and quality of prospects, response rate of activities, and cost per contact. Overall, the campaign was extremely successful in not only achieving the desired premium positioning but also in terms of leading sales in the segment of premium roadsters.

Questions on Minicase 11.1

1. Explain the likely issues (as discussed in the chapter) that may come up during the Z4 campaign management process.
2. Should the campaign stop here? Are there opportunities for BMW to proceed campaigning with the new owners of the Z4? What are some of those opportunities?

Summary

A campaign is a series of interconnected promotional efforts usually undertaken within a defined timeframe, designed to capture customer's interest, and thereby achieve precise marketing goals. A successful campaign management process comprises of planning, development, execution and analysis. At the campaign planning stage, marketers make strategic decisions that define the overall objectives of the campaign, the best communication message and the best target audience. The objectives often are market penetration, market extension, product development or diversification. When pursuing a customer retention strategy, ideally the company should target its most profitable customers via LTV (lifetime value) and RFM (recency, frequency, and monetary) analyses. The company can choose to pursue market penetration or extension, market diversification or new product development. Communication strategy involves choosing the most effective message and media (for retention and acquisition strategies) to efficiently reach its target segments.

Identification of the customer segments (homogenous groups of individuals that have similar tastes, wants and needs regarding the company's products or services) that the

campaign will target can be done using lifetime segmentation and profiling, and on the basis of purchase behavior and profile data. The CRM database plays a central role in the segmentation process by providing information on customer behaviors and profiles, channel preferences and brand awareness. Marketing communications (marcom) are targeted interactions between the company and its customers and prospects using one or more media. Integrated marketing communications (IMC) involves the management and organization of all the marketing communication tools to deliver a clear and consistent message about the company and the product. Targeting the customers that provide a higher potential yield should be done in a way that maximizes the marketing communications ROI. Developing the offer consists of offering the customer some kind of incentive that will induce him/her to buy or to ask the company for more information.

The campaign budget allocates resources and coordinates expenditures across the marketing activities associated with the campaign. Making a campaign budget should be a balance between measurement, financial calculations, competitive analysis and good judgment. There are several methods to calculate a budget. Pre-set budgeting determines a given year's marketing expenditure on the basis of what they spent the year before, by applying a ratio that adjusts media cost inflation, projected sales increase or decrease, market conditions, etc. Budgeting for an allowable marketing cost (AMC) consists of determining the amount that can be spent on campaign marketing activities, while preserving the required profit margin. The AMC is obtained by subtracting the costs (cost of goods + distribution costs) and the required profit margin from the total sales value. Competitive parity method tries to equate budget allocation with those of competitors. Budgeting with the objective and task method focuses on determining the marketing objectives and then deciding on the marketing communications tasks that are needed to achieve those objectives. In the percentage of sales method, the company looks at the competitor allocations and on the industry averages, to determine the exact percentage that should be allocated. *Front-end analysis* allows the company to figure out, in a quick way, how much it can afford to spend on a special promotion.

Pre-set budgeting should ideally be replaced by LTV forecasts, front-end analysis, allowable marketing cost analysis and estimation of the return of marketing investment (ROI rates) because this will allow the company to compare returns on alternative marketing expenditures.

Tests help maximize the performance of the campaign. Key variables in testing are the target audience, the offer, the format, the creative element, the media and/or the timing. Testing can accurately predict performance measures like response to the campaign in percentage and campaign profitability.

Campaign implementation plan should be divided into three sub-plans: the campaign program, the campaign schedule and the activity schedule. In the analysis and control stage, marketers should be able to draw conclusions about the campaign success and use these results not only to improve their customer knowledge but also to improve future campaigns. Campaign analysis can be done using campaign key performance indicators (KPI) and comparing them with budgeted KPI's and campaign objectives, by using back end performance analysis, or even profile and response analysis, to link profiles and behavior with the campaign. When running a promotions campaign, marketers should always calculate the return on promotion (ROP). While response analysis calculates the campaign results up-to-date, projects its final results, such as responses, inquiries and leads, and analyzes these results, profile analysis is used to define and compare the profile of campaign responders with the actual profile of the company's customers and prospects. Recording and analyzing the success and failures of past campaigns improves the profitability of future campaigns.

International Perspectives: Did You Know?

1. In 2014, United Overseas Bank (UOB) in Singapore started a marketing campaign to introduce e-statements and paperless online banking to their customers. The bank launched an online game that was available on various platforms (desktop, mobile, and tablet) for a promotion period of two and a half months. The gaming challenge for customers was to toss as many paperbacks as possible within a given timeframe into the bin. The game was accessible via the customers' online banking account. This promotion campaign was a huge success. Customers could win rewards in terms of cash credit that was deposited into their bank account. In order to win prizes customers need to achieve a certain scoring level and fulfill other conditions such as being the first fifty registered customers for a specific promotion period. The underlying goal of this gamification campaign was to get consumers used to online management of their banking account and increase the propensity of paperless interaction with UOB.
2. In 2015, Turkish Airlines was the first airline that launched a live broadcasted flight from Istanbul to New York in conjunction with the Periscope video streaming app. The live stream shows the processing of the flight and provides exclusive insights into the crews department. While live streaming the flight, the back-up crew answered question on social media channels such as Twitter or Facebook. The firm's intention is to showcase the flight experience with Turkish Airlines by providing consumers with the opportunity of a first-hand up-front evaluation enabled by livestreaming. The aim of this campaign was to increase consumer awareness of the firm and its services and acquire new customers as well as increase the consumers' experience level with the brand. The results showed that Turkish Airlines had about 5.000 new followers and received 293.000 likes on Twitter. The broadcasting campaign was successful in increasing the interaction level on each digital platform and positioned Turkish Airline as a highly professional and innovative company (Shortyawards, 2017).

Exercise Questions

1. Explain the three key steps in the management of campaigns.
2. Imagine you are the manager of a chain of 25 seafood restaurants in Virginia. The restaurant has a mainstream positioning. You are planning a campaign to attract new clients and your available budget is $30.000. Describe how you would go about implementing this campaign.
3. Explain the ideas around the concept of campaign testing? Do you think that testing in general will become more important in the future? Why or why not?
4. Give examples for key performance indicators for the evaluation of campaign success.
5. Explain the advantages and disadvantages of the various campaign budget setting methods.

References

Aaker, D. A., Kumar, V., & Day, G. (2004). *Marketing research* (8th ed.). Hoboken, NJ: Wiley.

Bell, L. (2009). MetLife retention campaign boosts loyalty. *Direct marketing news*. http://www.dmnews.com/metlife-retention-campaign-boosts-loyalty/article/137350/. Accessed July 26, 2011.

De Bonis, J. N., & Peterson, R. S. (1997). *The AMA handbook for managing business to business marketing communications*. Chicago/Lincolnwood: NTC Business/American Marketing Association.

Nail, J. (2000). *The email marketing dialogue. White paper of the forrester report*. Cambridge, MA: Forrester Research.

Pickton, D., & Broderick, A. (2001). *Integrated marketing communication*. Englewood Cliffs, NJ: Prentice-Hall.

Shortyawards. (2017). *Turkish Airline Periscope Flight*. http://shortyawards.com/8th/turkish-airlines-periscope-flight/. Accessed May 8, 2017.

The Adidas Group. (2011). *The Adidas Group*. http://www.adidas-group.com/en/pressroom/archive/2011/14March2011.aspx. Accessed March 14, 2011.

Vargas, J. A. (2008a). Obama's Wide Web. *The Washington Post*. http://www.washingtonpost.com/wp-dyn/content/story/2008/08/19/ST2008081903613.html. Accessed August 20, 2017.

Vargas, J. A. (2008b). Obama Raised Half A Billion Online. *The Washington Post*. http://voices.washingtonpost.com/44/2008/11/obama-raised-half-a-billion-on.html. Accessed November 20, 2008.