



IO54
2004

MI CROMARKETING AND MI CRO DATA MINING: EMERGING ISSUES AND INDUSTRY NEEDS

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Parma and Micromarketing

The Loyalty Card Observatory at the University of Parma, since 1998

The “Future of Micromarketing” Conference -> October 21st

The European Observatory on Loyalty Cards with Oracle and Wincor-Nixdorf, 2003

Courses in Direct, Database and Internet Marketing, Economics of Micromarketing, Data analysis for marketing, Web mining...

www.partnership4loyalty.com

www.crmaward.it

www.impresaemercato.it

www.simktg.it



Two major trends in marketing

- Look opposite, have the same implications
 - **Strategic marketing**: expansion of competitive arenas, blurring of industry boundaries, convergence, diversification
 - -> wider picture -> need for data on unknown market/customers/scenario -> make sense of new data/no track record -> integrate data sources
 - **Operative marketing**: narrowing of market segments, micro communication, targeted promotions, micro segmentation, retention of customers
 - -> detail -> need for useful – not powerful – segmentations
 - -> need to follow customer behaviour over time
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What is micromarketing?

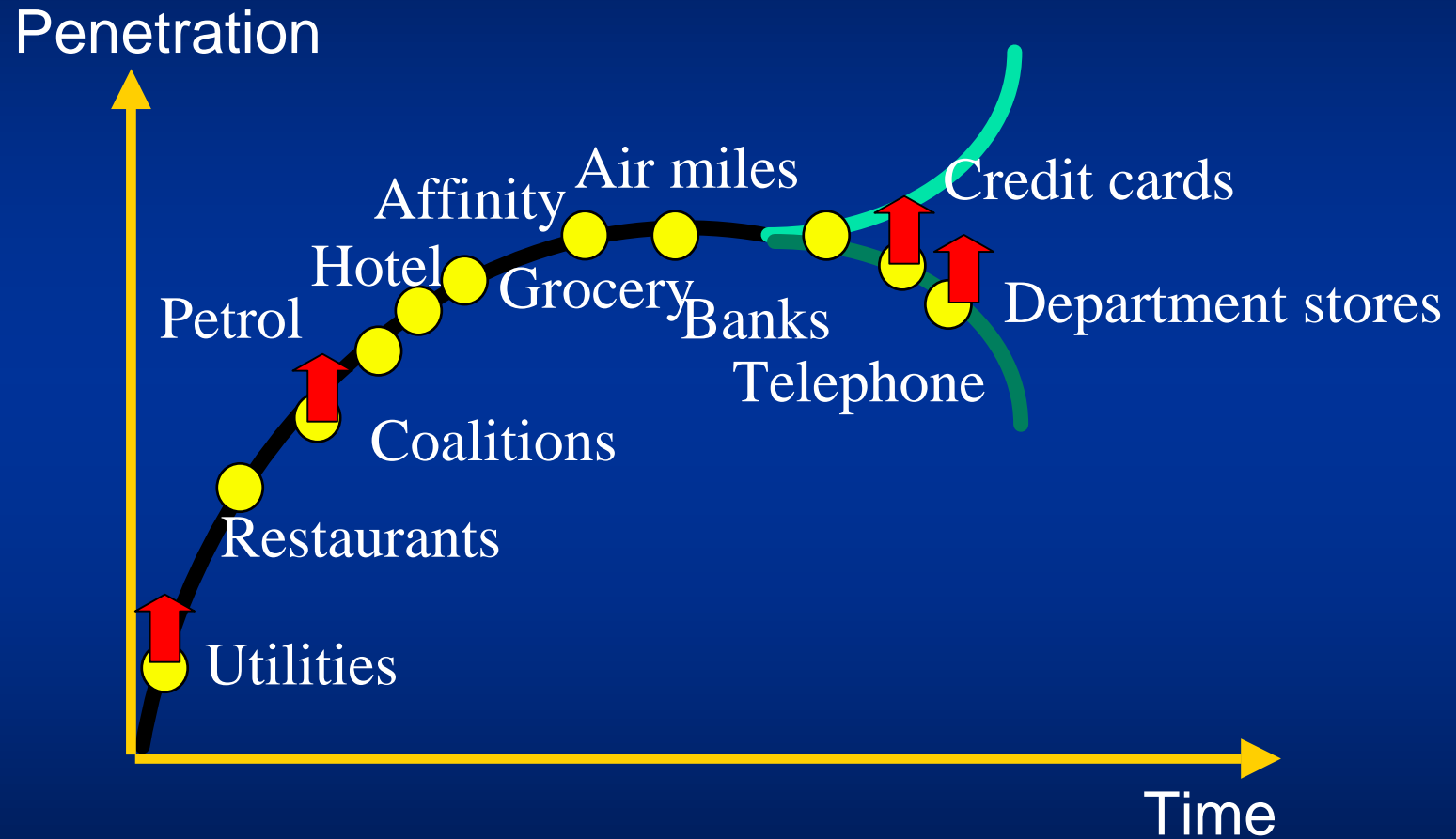
The orientation of the firm to recognise,
measure and exploit
the diversity of its customer base
by targeting marketing activities to specific
customer segments for retention,
extention and acquisition



Where, when and how
will it happen?



New industries embrace micromarketing



Loyalty cards in European retailing





Millions of customer profiles in Italian databases

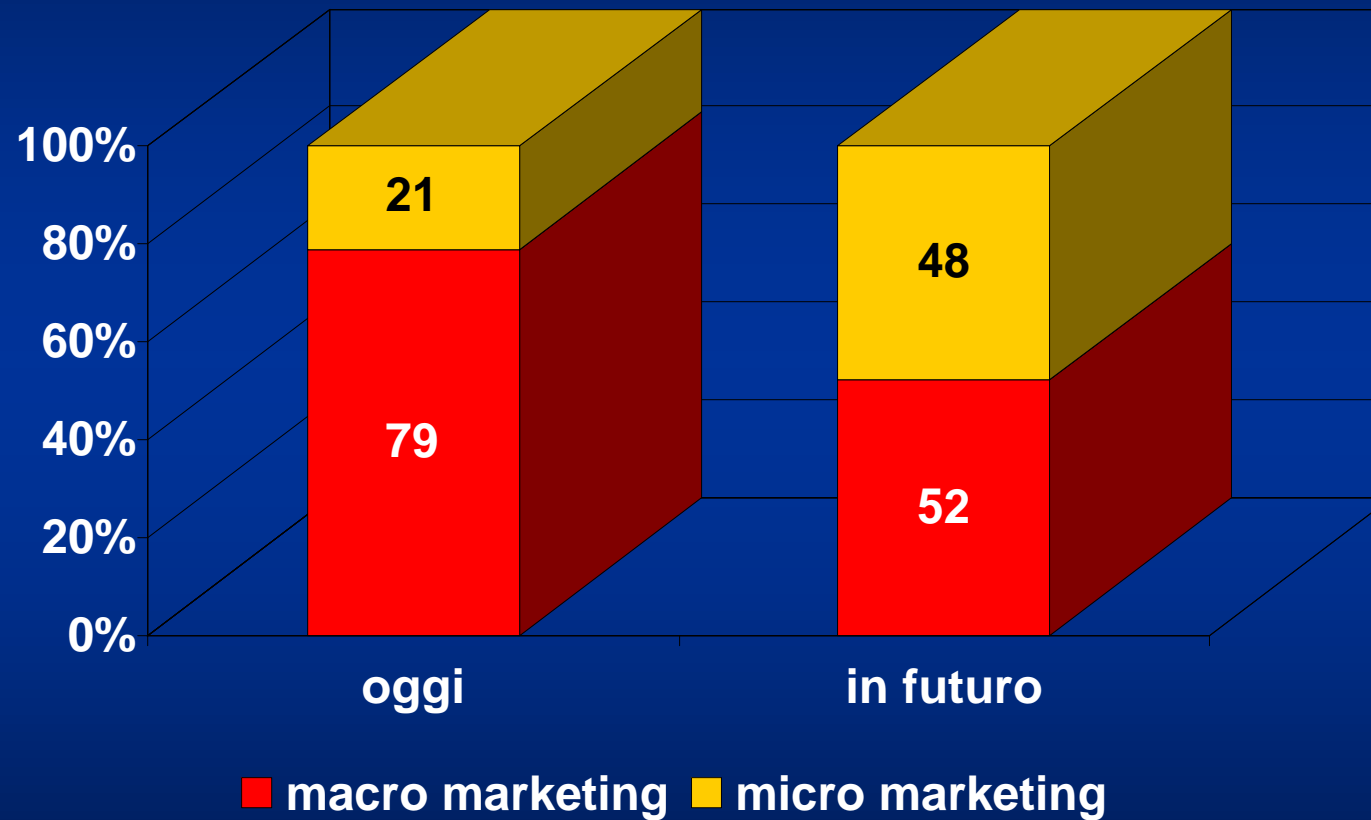
Coop Italia	4,5
Interdis	3,5
Selex	2,8
Esselunga	2,5
Conad	2,1
Finiper	1,8
GS	1,6



Billa	1,6
SMA	1,3
Bennet	0,8
Superal	0,7
Unes	0,4



How marketing money will be spent in Italy



Fonte: indagine Osservatorio Università di Parma 2003



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- The number of marketing contexts where individual customer data is not only the input but also the output of the analysis, and is directly re-fed into the database to enrich available information for action is increasing:
 - more industries
 - more companies
 - more money
 - **What are the areas of application?**
-

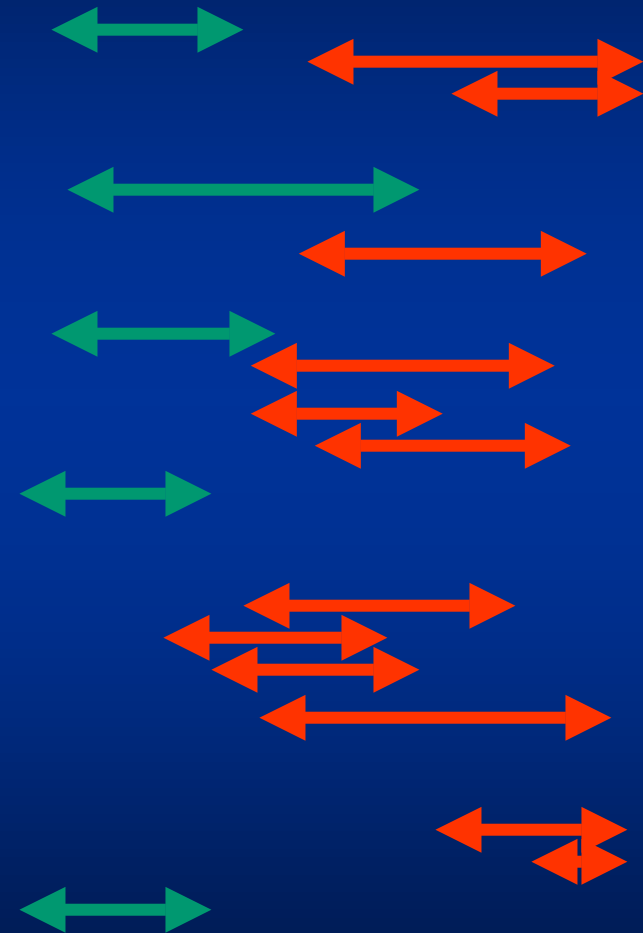
Where European retailers put individual customer information to use



established

exploratory

- **Customer analysis**
 - Aggregate level
 - Segmentation based on basket analysis
 - Cross-channel customer profiling
- **Retention**
 - Up selling
 - Increase share of wallet
 - Acquisition/Reactivation
 - Local marketing
 - Testing of communication campaigns
 - Campaign measurement
- **Location analysis**
- **Assortment management**
 - Fitting assortment range to local needs
 - Support layout and restyling decisions
 - Product performance evaluation
 - Price elasticity measurement
- **Diversification**
 - New diversification ideas
 - Cross-channel selling
- **Management of loyalty scheme**



Where data mining research could be applied for much needed results



- Promotions and integrated communication 
 - Segmentation for industry specific needs and individual action 
 - Benchmarks for micromarketing 
 - Category management
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Thank you

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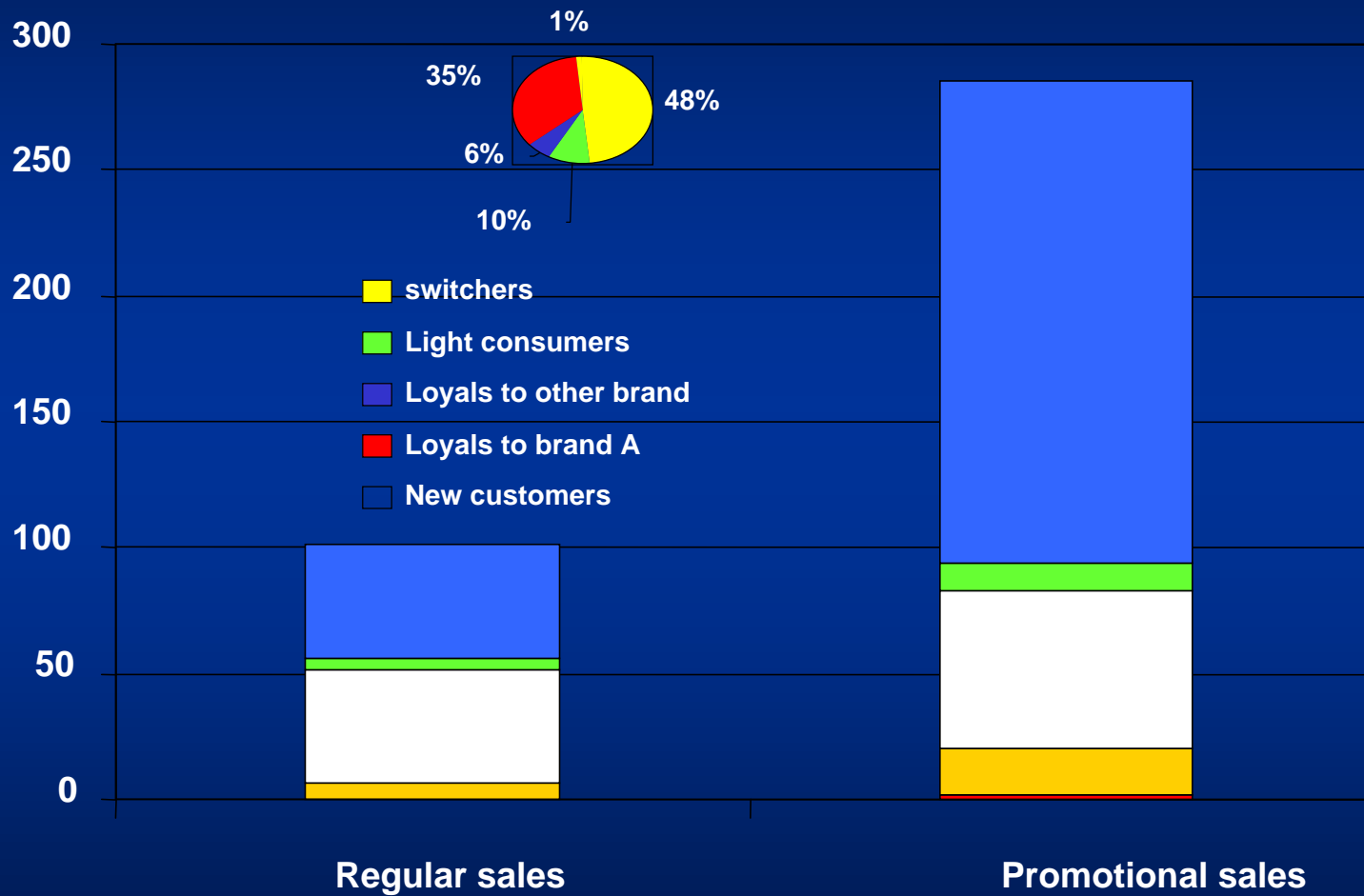
Relevance of promotions



- Promotional expenditure has been slowly but steadily increasing worldwide over the past twenty years (Bell, Chiang and Padmanhaban, 1999)
 - in the U.S., FMCG manufacturers invest 25% of their marketing budget (Raghubir, Inman and Grande, 2004)
 - In Italy, promotional spending increased by 10% in 2003 and is expected to rise even further, following the dramatic slump in consumption (-2,4%) and retailers' efforts to sustain sales
 - Promotional strategies are evolving, due to the diffusion of a loyalty/retention culture
 - promotions shift from mass to direct media, from one-size-fits-all to cluster marketing, from traffic building to share-of-wallet building efforts (Hawkins, 1999)
 - Promotions show diminishing returns
 - Reflection on how to make the investment more effective is required
-



Measuring customer-related objectives hidden by the promotional lift



■ New customers
 ■ Light consumers
 ■ Loyals to brand A
 ■ Loyals to other brand
 ■ switchers





Changing face of media

■ TV

10 - 27 millions
viewers/week

■ Magazines

5 - 20 millions
copies

■ websites

10 - 53 millions
visitors/week

■ In store media

93 millions
consumers

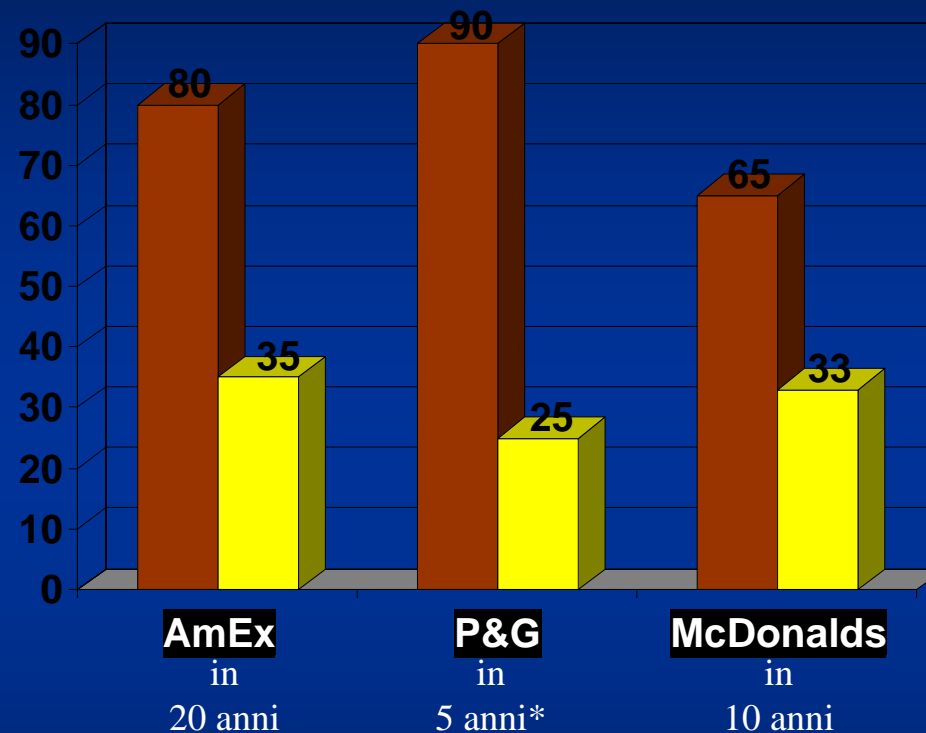
New mass media are measurable!





Changing media mix investment

% reduction of TV advertising on total budget

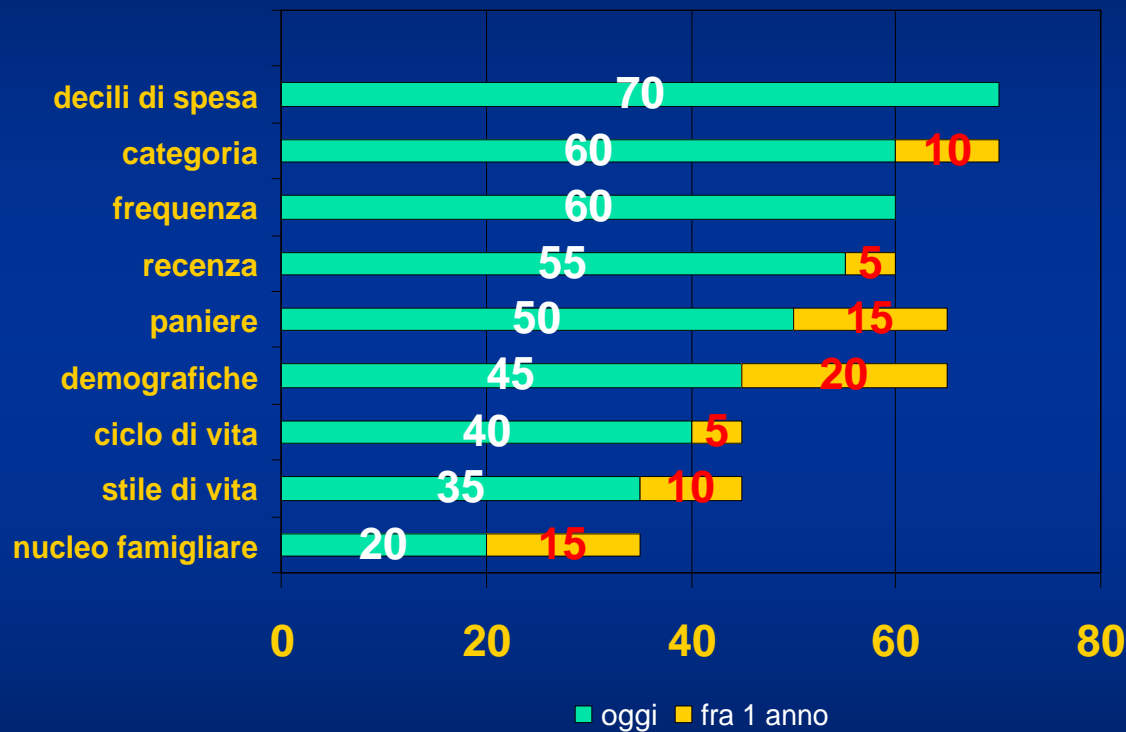


P&G spends 10% of turnover for communication.
The old mix brought a 4% sales increase,
the new one 9%





Segmentation beyond basket analysis



frequency	91
amount	86
Total amount	77
recency	77
distance	50
demographics	50
share of wallet	36
Gross margin	10

U.S.A.

ITALIA

Not buying but shopping behaviour





Enriching information and benchmarking



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