

The Benefits of Behavioral Data

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Anyone who works in marketing needs to have the observation and reasoning skills of a good detective. After all, customers are constantly leaving behind clues of who they are, what they want, when they want it, and how you can give it to them. The challenge, of course, is learning how to put these clues together and solve the mystery that customers have presented to you.

As with the suspect in any detective novel, what's important about a customer isn't who that person is, but what that person does. This is why e-mail marketers will find more value in exploring customers' behavioral data than their demographic data. Demographic data tells you where customers live, how much they earn, what schooling they've had, how many children they have, and so on - - blah facts about who they are in real life -- but online behavioral data shows you how they act: the frequency and size of transactions they've completed, the shopping carts they've abandoned, the searches they've made (whether successful or not), the pages they've visited.

"Behavioral data is any piece of information that allows you to understand more about your customers and their motivations," says Alison Roigard, director of online marketing for Netconcepts, a Web design and e-business consultant. "It is usually a result of actions they have taken (or not taken) when interacting with your brand through its many channels."

Says Roigard, "The challenge, as with any data, is to turn that information into a true understanding of what your customers need and want. This allows you to not

only send more timely and relevant messages to your existing database, but to also target potential customers with the same characteristics."

A 2005 study by JupiterResearch called "The ROI of E-mail Relevance" revealed that only 13% of marketers are using targeted e-mail campaigns based on a customer's purchase history or click-stream activity, which means that any marketer who does take the time to decipher clues and send out targeted e-mails is more likely than the competition to solve the mystery.

Data under the magnifying glass

To use behavioral data successfully, you need to take a Goldilocks approach to it: not using too much or too little, with the proper balance of information used being determined by what you're selling. "If I'm selling apparel, then your data is largely innocuous," says Amy Africa, CEO of the Web consulting firm Eight by Eight. "If I'm selling you mortgage or life insurance or financial services, then there's a point at which customers don't want to see their information in that inbox."

You also need to decide what the goals are for your marketing campaigns and how to use the data to achieve them. "Let's say that you want to simply increase the amount that each customer is spending," says Luc Vezina, vice president for marketing and product management for e-mail marketing services provider Got Corp. "You might want to segment past clients into low, medium, and high spenders and develop different offers for each group. For low spenders, you might send a buy-two-get-one-free offer, while high spenders get free shipping or an offer to encourage repeat purchases rather than larger purchases."

One starting point Vezina recommends is the date that the contact was added to the list since a recent addition shows fresh interest on the part of the customer. "What leverage can you gain by showing different messages to people who have been on your lists different lengths of time?" he asks.

Vezina has seen this practice in action with Got Corp.'s client LoanSage since the sales cycle for products like loans and mortgages can be as long as two years. "They send out a series of e-mail over time with a particular message depending on how you've interacted with the financial institution and its representatives," he says. "Rather than just pounding away at potential customers for a couple of weeks, they've been able to nurture the customers over time. I mean, you can't force someone to buy a house in 10 days."

Scott Olrich, chief marketing officer for marketing service provider Responsys, seconds the notion of using recent customer data, although he suggests focusing on completed sales rather than just sign-ups. "We know that recent sales are the highest indicator of future purchases," he says, "so if someone buys a product

from you, that should immediately trigger a second purchase program to encourage him to come back."

This program can include a test of customer satisfaction that encourages shoppers to rate the experience. "If their levels of satisfaction are high, this can trigger a solicitation for them to refer others to your company with some kind of benefit for them," says Barry Stamos, senior director of strategy for Responsys.

Test your theory

Finding a solution to match the clues doesn't automatically mean that your solution is correct. "When you're using behavioral data, you're starting with a theory that if I speak to certain people with a certain offer, then they'll react in a certain way," says Vezina. "Often the original theory proves wrong. If you think offering free shipping to high spenders will encourage them to shop again, you won't know until you see the results. Thankfully e-mail is very inexpensive to test."

While e-mail carries a low cost in terms of transmission, if you can carry out tests across your entire list -- or even a significant portion of it -- you'll eventually alienate your customer base, making those tests useless. "Run a small test in a segment of a larger group," says Vezina, "and if it doesn't work, you'll have new data to test something else."

Africa suggests that e-mail marketers should also draw small conclusions from the tests and not broad results that require you to rewrite your entire marketing philosophy. "When companies review e-mail results, they typically review too much information and don't look at the results on a myopic basis." Either the test was awful, or it was great, she says. "You want to look at e-mail in batches, and remember that while some people buy every three months, others buy every six or some other frequency, and what works for one group won't work for everyone."

Invisible clues

To be a master detective, you have to decipher the clues that customers don't even know they're leaving behind. With a completed transaction, the receipt is the final piece of evidence of a customer's trail through your Website. When the customer sees the receipt, he knows that you're seeing it as well and likely expects you to follow up on the purchase with a satisfaction survey or related sales offer.

But customers don't always generate a receipt to mark their passage. In fact, as Africa points out, the vast majority of visitors to your Website will come and go without completing a transaction. While this situation is similar to folks entering a retail store and leaving without making a purchase, the difference for online

marketers is that their visitors can be tracked in the right circumstances. When customers visit your site, look at a few pages and leave; when they run searches that bring up unwanted items, or even no items at all, and leave; when they put items in their shopping carts, then abandon the cart for reasons unknown -- if the visitor is logged in to your Website, all of that activity can be tracked.

More importantly, you can respond to it. "If you look at the number of Website searches that show no results, it's remarkable. For a number of our clients, when end users perform searches on their Websites, that will trigger a follow-up e-mail that's relevant to that search," says Stamos, who mentions Orbitz and Cheap Tickets as two such clients. When a customer is logged into a site -- and the site has gained permission to e-mail the customer on a previous visit -- the site can use "cookies" to track and respond to unsuccessful searches. "They have very effective campaigns based on the search behavior, and we were surprised to see how impressive those results were. It's still innovative at this point, but it's becoming a best practice."

Of course you don't have to limit these search-related pitches to failed searches. If a Website visitor spends time on the site after searching, then you ideally want to take advantage of that customer's interest by prodding him to action. The E-mail relevance study from JupiterResearch showed that roughly 60% of customers who made immediate or deferred purchases due to e-mail did so because the e-mail message included products that they were already considering. (The only factors more motivating to consumers were sales prices and offers of free shipping, both of which could be combined with emails about their desired products.

With all these detective tools at your disposal, you're sure to put together the pieces of your customers' behavioral data and learn how to follow their steps and figure out what they want, so grab your deerskin cap and start sleuthing!

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Follow-up e-mails can work magic with customers who have abandoned items in digital shopping carts. "Every multichannel merchant is trying to drive sales and transactions, so you want to take data on falloff rates and see how to capture those customers," says Scott Olrich, chief marketing officer for marketing service provider Responsys.

Reggie Brady, president of Reggie Brady Marketing Solutions, has experienced these messages first-hand and knows how effective they are. "I picked out a cookie basket as a present for my father at 1-800-Flowers.com, then went off to

another site and didn't buy the basket," she says. "Within 24 hours I had received an e-mail from 1-800-Flowers that included a picture of the item and a note asking if I forgot something. The bottom of the message had a note pointing out other items that I could send, like a great bouquet of flowers or balloons."

E-Loan has a similar program for individuals who start to complete mortgage applications online, then leave them unfinished. "They send out an e-mail immediately, then another seven days later, and finally a print piece," says Olrich. The messages are personalized with the applicant's name, and if he's completed the section with personal details -- such as mentioning that he's a male with young children -- then the image in the message will match those details.

You can even track Website visitors who aren't logged in by sending e-mail pitches to your opt-in list and including a link to a special Webpage within the message. Given the proper technology, you'll know how many people clicked on the link, how many pages they viewed and for how long, and whether they purchased anything. Assuming that not every pitch results in a sale (ha!), you can follow up with the browsers to see whether another offering might prove more enticing.

One example of this practice, according to Brady, comes from the Greenbrier, a luxury hotel in West Virginia, which sent an e-mail message to past customers offering a \$100 discount off the room rate. "They had a decent clickthrough rate of 15%, which is relatively high for this type of email," she says. Three weeks later, the hotel sent another message to recipients of the first message who had clicked through to the Website, but didn't book a room. "They sent out a thousand emails and within 48 hours they had \$75,000 in bookings for 125 room nights. That's a neat example of behavior marketing, and one that can be used by any kind of marketer."

To find these customers, though, you need to know where to reach them, which can sometimes be a problem. "The big mistake that companies make is not asking for the e-mail address often enough," says Africa, CEO of Web consulting firm Eight by Eight. "They're not giving the customer incentives. I recommend offering 27 tips on how to do something they care about, holding a sweepstakes, running an 'Ask the Experts' section -- whatever it takes to have someone give you an e-mail address."

Gone, but hopefully not forgotten

One mystery that marketers will encounter over and over again is The Case of the Missing Customer -- in other words, all the inactive customers who haven't clicked through or opened an e-mail message for an uncomfortably long time.

"That's behavioral data of its own," says Brady. "The customer is saying, 'I'm too busy or the offers haven't grabbed me. I'm apathetic at this point, and you're in

danger of losing me." A customer's loyalty and relationship with a marketer weakens over time if there's no interaction, and before you know it, your messages are being filtered straight to the trash.

To bring those customers back into the fold, you need to craft a special message just for them, such as "We want you back" or "Where have you been?" Include an especially attractive offer -- say, 20% off any purchase or free shipping -- to entice them back onto your site. After all, since these people already know about your business, reaching out to them is more effective than trying to entice and educate new faces.

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