MKTG 953 Overview

Professor Florian Zettelmeyer
Kellogg School of Management

Information- and Technology-Based Marketing (ITBM)

Information technology has given firms the possibility to know much more about their customers than before

WHAT INFORMATION TRAIL DO WE LEAVE?

- credit card transactions

- travel

- catalog/internet purchases

- web surfing

- magazines

- pay-per-view

- video rentals

- reactions to mail/e-mail offers

- customer support calls

- self-provided information on preferences, income, demographics

This information seems to create great opportunities for marketing

Problem:
It is very difficult to act intelligently on such information

DIFFICULTIES IN INFORMATION-BASED MARKETING

- Organizations are used to thinking about products, not customers

- Customer data is hard to gather

- Databases are very hard to combine

- Determining the worth of a customer can be difficult

- Marketers are not used to making decisions with data acquisition in mind

- Good information-based marketing requires sophisticated modeling

- Marketers are bad at analytics, statisticians are bad at marketing...

This course is about overcoming these problems

Step 1: To introduce the customer as the unit of analysis

COURSE OBJECTIVES IN STEP 1

- To understand the premise behind customer-centric marketing

- To understand the customer lifecycle

- To understand the concept of customer profitability

- To understand the basics of lifetime value calculations

- To explore how lifetime value can be used to guide marketing decisions

Step 2: To introduce the key strategic initiatives using customer information

COURSE OBJECTIVES IN STEP 2

- To understand how to acquire customers

- To understand how to do customer development

  - To understand how to cross-sell
  - To understand how to up-sell

- To understand how to manage customer churn (attrition)

Step 3: To introduce analytical and statistical modeling of customer information

COURSE OBJECTIVES IN STEP 3

- To understand different types of predictive models
  (Heuristics, Statistical Models, Data Mining)

- RFM Analysis (Heuristics)

- Logistic Regression (Statistical Model)

- Neutral Nets (Data Mining)

- To understand how to choose among offers with experiments

Step 4: To understand when analytical methods are appropriate and when they fail

COURSE OBJECTIVES IN STEP 4

- To understand why CRM and customer analytics have sometimes failed in the past

- To learn how to avoid common mistakes in implementing information- and technology-based marketing

- To understand how marketing objectives interact with how customer data should be used

What you will have learned in these four steps enables you to implement "Information-Based Marketing" in practice

We will learn a broad set of tools to analyze customer information

TOOLS IN INFORMATION-BASED MARKETING

1. Exploratory descriptive analysis
2. Decile analysis
3. RFM analysis
4. Linear
5. Logistic regression
6. Data mining techniques
7. Experimental design

You will apply the toolbox to many different real-world settings

Application	Marketing Problem	Tool
Tuscan Lifestyles	Evaluate customer acquisition strategy	LCV calculation
	Select among existing consumers for targeting	RFM Analysis Decile analysis Logistic Regression
Bookbinders	Understand customer database	Exploratory descriptive analysis
	Select among existing consumers for targeting	RFM Analysis Decile analysis Logistic Regression Neural Networks Decision Trees
	Select which product to offer next	Next-Product-To-Buy modelling
Rhenania	Select which product to offer next during inbound call	Next-Product-To-Buy modelling
Pilgrim Bank (Wells-Fargo)	Determine the profitability of online banking	Regular regression Difference-in-differences Threshold discontinuity
GM/Ford/Chrysler	Determine the pass-through of promotions	Difference-in-differences Threshold discontinuity
Intuit Quickbooks	Design a up-sell / cross-sell campaign	Exploratory descriptive analysis RFM Analysis Logistic regression Neural Networks
Cell2cell	Design a churn management program	Logistic regression Churn management methodology
Capital One	Select the right offer for each customer segment	Experimental Design Factorial design Regular regression

This course is not for the faint-hearted

COURSE CHARACTERISTICS

- Lots of marketing content

- Lots of data analysis
  --> Don't take the course if you are afraid of getting your hands dirty

- Lots of cases (and preparation)

- Lots of discussion / interaction
  (readings and participation are important)

Immediate applicability of course material

We need a new kind of marketing executive

MARKETING EXECUTIVE WHO...

- Thinks customer centric

- Is focused on customer metrics such as LCV

- Knows how to communicate with analytics people

- Knows how to manage marketing analytics

- Knows what questions to ask

  - Is not intimidated by analytical tools
  - Understands the limitations of tools
  - Understands the limitations of data

- Knows how to think with experiments and counterfactuals in mind

- Knows how to interpret quantitative evidence

The aim of this course is to make you into this kind of marketer