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Tools of the Trade

Making Media Decisions Based on Customer Lifetime Value

By Carl Langrock
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About 4,500 years ago, an anonymous builder made a discovery that changed the shape of architecture forever. By rearranging building blocks, and adding some new shapes, that builder discovered the arch. The arch added stability and allowed structures to span greater distances. Builders have been using this new arrangement of blocks to build bigger and better ever since. It's no coincidence that the word, "architect," begins with "arch." Architecture is the art and science of designing and erecting buildings. Architecture starts with arranging and re-arranging the building blocks.

Direct response marketing is an art and a science, too. The architecture for direct response success includes a number of well-known building blocks. These include having the right product at the right price, captivating creative and a media buy that reaches enough of the right people so that cost-per-customer interaction stays below an allowable point. If this structure exists, then you want to buy as much media as you can. To make sure that your media is working you measure constantly. You measure leads or sales driven by every spot that you buy, and calculate the cost per lead or sale from each spot. You optimize by eliminating the spots that aren't working and buying as much as you can of the spots that do. This is a golden blueprint for direct response success.

THERMOSPAS INC.
But what if your sales cycle is different? Can you rearrange some of those building blocks and add new shapes? Chick Miller, marketing director at Thermospas Inc., is up to the challenge. "Our selling cycle is long. It can be weeks to months from when a lead comes in to when it converts. The real key is conversion," he says. Is there a different blueprint for finding the gold in a longer sales cycle?

Miller, and other savvy marketers with a long or complex sales cycle, tie customer conversions and lifecycle data back to the initial lead and to the media that drove the lead. Thermospas' call center assigns a unique customer ID to every lead as it comes in. Thermospas then feeds all leads and downstreams customer contacts into its media buying/analytics system. The buying/analytics systems use the ID to aggregate the customer data and tie the lifecycle value back to media cost. As the leads age, Miller analyzes conversions and cost per sale.

Is the extra effort worthwhile? Miller's empirical data suggests that it is. "You might expect to see a direct correlation between leads and conversions, but often there isn't," he says. "As you target based on the cost-per-sale data, the cost per lead (CPL) may go up. But our tracking reports show us that some vehicles that have a higher CPL are tracking better on cost per sale. If we bought strictly on CPL, our cost per sale would be higher and we wouldn't have sold as much product."

RUBIN POSTAER ASSOCIATES

When Leticia Lopez established Rubin Postaer Associates' direct response media group, she made customer tracking a focal point. "Tying customer tracking data back to the media is important for the client when there is lifetime value to the customer and the info that the advertiser is getting will be a key," she says. "For example, in health care you may track if a lead currently has insurance or if they're changing coverage. Is there an application? Where does this fit in the client cycle? Was the lead referred to an agent? How many leads close? Lifecycle data helps you target the media to higher quality leads."

Lopez optimizes the media buy based on the customer tracking data. "When we were buying for a financial company, we were buying on two different networks that seemed appropriate for the category. For this example, let's say the networks were CNN and CNBC. Both networks drove high lead volumes," she states. "By merging the customer tracking data into our media system, we were able to see that one of the networks had a much higher cost-per-funded loan. When the goal was to drive lead volume, we bought both networks equally. But when the goal was a cost- per-funded loan, we bought much more heavily on the more efficient network. If we couldn't bring the customer lifecycle data into the media system, we might not have been able to make the distinction."

For Lopez, enlisting client cooperation is essential. "You need a client who can work with you and is willing to supply internal data. This can help you buy better. I started using customer tracking data and tying it back to media years ago, when a new client needed proof that the leads generated by our media were of value. How do you prove that the leads have value? When you have a client who will provide the data, you can buy against better metrics," Lopez notes. "For a financial company, it can mean buying against a cost-per-funded loan instead of a cost-per-qualified lead. You want to establish the metrics up front with the client. By combining calls and online data with media data, you can become very data rich. When I was working with Jenny Craig, they had different levels of membership. The data helped us see which leads drove higher levels of membership."

HALOGEN RESPONSE MEDIA

John McNamara, CEO of Halogen Response Media, part of the Starcom MediaVest Group of companies, uses customer tracking data in a wide variety of categories, including telecom, financial, packaged goods, insurance and pharmaceuticals.

"It works for everyone, as long as the client is in a position to share the data. Partnering with the client to get the right data, while protecting confidentiality, is essential. If the advertiser can track a consumer through the transaction process, then you know if the customer drops out or makes multiple purchases over time. You can track your most valuable customers," says McNamara "If the advertiser can tag the customer with a unique customer ID from the initial contact, then we can bring the customer lifetime data together with the media and show the payout over time. Combining the customer data into our media system makes the media analytics much more powerful. It makes it possible to optimize the buy against the real key metrics, improve efficiency, and provide a better measure of return on the media spend."

For a technology client, Halogen Response Media instituted customer ID tracking (CID) in order to assess value over time. What it revealed was interesting for two reasons: First, by using CID tracking, the company was able to evaluate the progression of its relationship with its subscriber base. McNamara explains, "Through this, we realized that customer turnover was too high and upsell to higher levels of service was lacking. This indicated either dissatisfaction with the product or a more competitive environment. Indeed, we were able to track both the turnover and the lack of upsell to specific markets where there was a heavy competitive presence within the timeframes evaluated with 'special offer' messaging. This led to a media mix change into spot markets to assist weak markets.

"Second, we were able to determine that some networks provided leads and ultimately sales that were distinctly more loyal than others. This led to optimization across some national cable networks where either a higher or lower cost per allowable was instituted."

What is your marketing landscape like? Does the divide that you need to span include a long or complex selling cycle? Does that terrain include a "lifetime" value to the customer that goes beyond the initial contact? Adding CID tracking into the building blocks helps the marketing architect use data to add structural integrity. When applied, it can help the client's marketing dollars span greater distances with stronger returns. Consider adding it to your tools of the trade.

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