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Customer Profiling: Using Your Customer Data to Improve Your Marketing ROI

White Paper

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Summary

Today's business-to-business marketing professionals are being pressured to grow their businesses—while operating on a tight budget. To succeed, they need to improve the ROI in their sales and marketing programs.

Customer profiling, coupled with marketing analytics, provides key customer insight that can help sales and marketing professionals better allocate sales and marketing dollars to increase ROI. This paper discusses practical ways to benefit from a deeper understanding of existing customers.

The Importance of Customer Profiling

Valuable, long-term customers are fundamental to a successful business and are hard to replace. According to a 2008 survey by the CMO Council, loyal customers are 15 times as likely to increase spend as high-risk, intermittent customers are—and acquiring new customers can cost five times as much as satisfying and retaining current ones.

Once you get these customers, are you using what you know about them to keep them—and help get new ones? In today's unpredictable economic climate, it's important to target markets precisely and eliminate unnecessary expenses associated with broad-brush marketing, selling, and servicing.

Savvy marketers use customer profiling to understand their best customers. Who are they? What do they have in common? These marketers understand the importance of profiling to identify the common demographic criteria—such as SIC codes, business location, and employee size—that represent their best customer segments. They can then take steps to retain these top customers and acquire more just like them. This information can be combined with buying and response behavior for even more precise segmentation.

It's not enough to simply select prospects based on how much they spend or what products they buy. It's equally important to understand the external market context they fit into, so you can find more like them. Knowing how to harness the power of critical customer data can be the difference between an unsuccessful sales and marketing strategy and significant ROI. This paper discusses practical, profitable ways to use your customer profile data.

Developing a "Best Customer" Profile

Developing a useful profile of your best customers isn't difficult, but typically requires some external expertise. It starts with this 3-step process.

1. **Establish processes to regularly cleanse and identify your customer information to ensure that it's up to date, accurate, and actionable.**
   Company profiles are only as good as the quality of the data they're based on. You may be surprised by the inaccuracy within your own customer files.

   According to a recent Sales & Marketing Institute paper, 62% of business contact information will change within a single year. At D&B, we've found that there will be close to 100 C-level executive changes and more than 200 business telephone numbers disconnected within the next hour.

   That's a lot of change. When you add multiple input lists and different people in your company entering data, you can see why it's critical to start with cleansed, accurate information.

   Also important is applying a unique identifier and an update process so your information stays clean and up to date in the future. Without these steps, your data will quickly fall behind, putting you back at square one.

2. **Regularly enrich your information with third-party information to add demographics and non-obvious relationship information to show connections and previously hidden up-sell and cross-sell opportunities.**
   Cleansed, deduplicated customer information is simply a baseline. To get the maximum value out of your data, add information that helps you develop rich profiles. Geography, job title, SIC/NAICS industry classifications, and employee size are the most common list selects and the start of basic company profiling. For more profiling power, add corporate family linkage and other relationship indicators to help you understand related companies and factor that insight into your profiles.

3. **Apply marketing analytics**
   Create even more powerful customer profiles by adding marketing analytics that predict future behavior to your information. Every customer or prospect is ranked from most to least likely to respond/purchase/defect, etc., enabling you to gain valuable insights on your customer and prospect base. You'll then be able to recognize prospects that look and act like your highest value customers: the ones who have a high demand for your product or service. Once you have created a profile or a look-alike model of your highest value customer, you can determine who among your prospects most resembles your model.

   For example, you could compare your current customer base to D&B's complete database. You might find that your target company is 50% younger on average than the rest of the companies contained in D&B's database, allowing you to focus future prospecting on newer companies.

   You can select from previously created models or work with a partner such as D&B to customize scores based on your own information and patterns. For example, you can:

- Establish a look-alike model – what prospects look the most like my best customers?
- Segment your prospect lists based on likeness to your "best customer" model
- Determine the prospect segments that will yield higher value as customers based on a predictive model
- Estimate demand – how much revenue potential does a prospect have for my products and services? Who is most likely to be receptive to my direct marketing or sales offer?
- Screen out risky customers – who is most likely to be approved by my credit department?

Putting Profiles to Use

Whether you're using basic demographic profiles or advanced behavioral modeling, there are several practical ways to put your customer profiles to use.

1. **Get the most from your marketing lists**
   Historically, customer profiles have been used to segment marketing lists—and this is still a valid application today. Once you understand the demographic characteristics of your best customers, you can use these criteria to target your search for mailing and telemarketing lists. Look for compiled and response lists that allow you to select using demographic criteria. Geography, title or function, SIC code or industry, and employee size are the most beneficial characteristics of your best customer profile and are also the most common list selects available.

   Some marketing professionals shy away from using these selects with purchased data because they feel that it limits their audience. And it does—to those who are most likely to respond and purchase! Don't think about your marketing programs solely in terms of the number of records you have the budget to touch. Instead, focus on the number of businesses that fit your best customer profile and how you can most effectively market and sell to them.

   This principle can also apply to other media. For online or offline advertising, ask your media representative to provide you with the demographic profile of the audience or circulation that these media reach. Ask trade show and conference managers for a demographic profile of their attendees to help you choose appropriate sponsorship and exhibit opportunities. And, finally, if you are working with partners on co-marketing opportunities, ask them to profile their customer base to compare the similarities and understand the overlap.

2. Prioritize your leads

Most B2B marketers use integrated programs to generate leads from multiple sources for their sales representatives. In this case, it can be more difficult to target all of the various media you might be using—leads from your Web site, advertising responses, e-mail responses, trade show leads, direct mail responses—but you can still benefit from using your best customer profile.

Here are the three basic steps to use in prioritizing your leads:

i. Combine all your leads from the various sources into your customer/lead management database.
ii. Using a commercial service, cleanse, identify, and enrich these records with demographic information such as SIC code or industry, company size, geography, etc. (See steps outlined earlier in this paper under "Developing a 'Best Customer' Profile.")
iii. Use this enhanced information to prioritize your leads. Route the high potential leads directly to your sales representatives, and the low potential leads to either telemarketing or lower cost fulfillment programs.

For example, a list of 1,000 visitors to a trade show booth may result in 250 qualified leads. If a time-pressed sales person is able to call only a quarter of an unprioritized list, how can you be sure the appropriate customers will be contacted? Your best opportunities may lie in the 750 leads that were not investigated. Think of how much more effective your sales representatives would be if you armed them with a prioritized list of 250 leads who have already been identified to be most like your best customers.

3. Make your Web site a more effective sales channel

More than likely, generating online Web leads is an important part of your marketing strategy. If you are doing banner advertising, affiliate links, Web education, or e-mail marketing, you can use your best customer profile to determine which of these activities is producing the highest quality leads.

Segment your Web leads by source—banner ad sites, linked sites, e-mail campaigns, etc. Compare each source to your best customer profile to discover which sources are bringing you the traffic and leads that most resemble your best customers. You can also use the previously discussed prioritization method to follow up on these leads with different channels based on their quality.

You can also use your profile information to build and optimize your Web site.

- Based on profiling information, change the appearance of your home page depending on whether it's a user's first or subsequent visit.
- Additional information like purchase history can help you link certain pages together to provide a user experience that encourages a purchase or re-purchase.

4. Target your messages and customer communications

If you use a best customer profile to select your target audience, you can also use that information to customize messages to different segments within your market. For example, if one of your strong revenue-producing verticals is the insurance industry, you can obtain a better response by communicating to that segment specifically. For example:

"As an executive in the insurance industry, you can appreciate risk management..."

Similarly, you can use the profile information to create automated lifecycle or trigger marketing programs to your customer base to send appropriate messages at appropriate times. For example:

"You've been buying upgrades for over a year now. You could save money with a maintenance contract that..."

Profile information can also be pivotal in improving your customer service initiatives. Information gleaned from customer profiling improves customer service by personalizing communications to specific segments such as first-time buyers or customers of a particular product line.

The Bottom Line

Gathering and storing customer information is not as complicated as it once was. But are you using it to your best advantage? Rather than let your customer information languish in a database, put it to work by using it to effectively execute one-to-one marketing programs that yield results.

When you turn your customer profiles into action, they can help you improve profitability through improved customer retention and acquisition. Marketers who have an understanding of their customers—and can put it to work—possess the key to successful lead generation. As a result, marketers can arm their sales force with qualified leads—many of which will turn into sales—and increase their marketing ROI.

About D&B

D&B is the world's leading source of commercial information and insight on businesses, enabling companies to Decide with Confidence® for 167 years. D&B's global commercial database contains more than 130 million business records. The database is enhanced by D&B's proprietary DUNSRight® Quality Process, which provides our customers with quality business information. This quality information is the foundation of our global solutions that customers rely on to make critical business decisions and market smarter.

D&B provides solution sets that meet a diverse set of customer needs globally. Customers use D&B Risk Management Solutions™ to mitigate credit and supplier risk, increase cash flow and drive increased profitability; D&B Sales & Marketing Solutions™ to increase revenue from new and existing customers; and D&B Internet Solutions to convert prospects into clients faster by enabling business professionals to research companies, executives and industries. For more information, please visit www.dnb.com.

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