

Horizontal Marketing: Optimized One-to-One Marketing

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Introduction

Direct marketers face a set of challenges that is far different than ever before. The consumer base is becoming increasingly diverse and individualistic, advertising costs have reached an all-time high, consumers demand more and more sophisticated services as "standard," and more and more types of companies are joining in competition.

Direct marketers have responded to this change in a variety of ways by improving targeted marketing capabilities -- through marketing databases, sophisticated predictive models, leading-edge marketing tools such as data mining, and more. The fact is, however, that these improvements are, at best, only keeping pace with new challenges: overall response rates aren't really improving.

Horizontal Marketing is a significant evolution from today's best practices. Among the things that set it apart are:

- making select decisions on an across-time (i.e., horizontal) basis that considers the range of upcoming promotions, not just the promotion at hand,
- treating advertising as an investment instead of an expense,
- borrowing from advancements in portfolio theory made by the securities industry,
- adding linear and mixed-integer mathematics to the regression models used by industry leaders today, and
- exploiting the dramatic decrease in cost and improvement in capability experienced by technology over the last several years.

The central theme is that a one-to-one relationship can be developed over time between an individual customer and a firm. Horizontal Marketing helps companies to develop the highest quality relationship -- the optimal relationship -- with a customer while always keeping an eye out for the correct financial constraints of all customers as a group.

The Horizontal Marketing optimization models are designed to provide the best combination of relationship and affordability for each customer across time. The Horizontal Marketing scoring models detect purchase "patterns" the customer has exhibited in the past and simulate the customer's reading of each promotion in the mail plan. The models then judge what the reaction to each promotion may be and assign a "fit" statistic that describes how well that particular promotion met the individual customer's various needs. Horizontal marketing enables determination of the best promotions for each customer rather than the best customers for each promotion.

Once the relationship is established, the challenge becomes treating the relationship to the point of diminishing return.

Horizontal Marketing Benefits

Horizontal Marketing offers a variety of benefits, both immediate and strategic, from selective reduction in circulation to increases in sales and decreases in associated advertising expenditures. Horizontal Marketing better aligns the focus of your firm with your customers' needs.

Summary

IBM Horizontal Marketing: Optimized Marketing One-to-One, an 11 page white paper, explores the potential of this new one-to-one marketing technique, providing an in-depth look at a sample Horizontal Marketing Application from database load and customer segmentation through the process to results. The paper provides an analysis of a sample mail test including "typical" results.

To order Horizontal Marketing: Optimized Marketing One-to-One in its entirety, contact April McHenry at amchenry@us.ibm.com or telephone 972-561-6940. The document can be sent either electronically via e-mail or in hardcopy via mail.

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