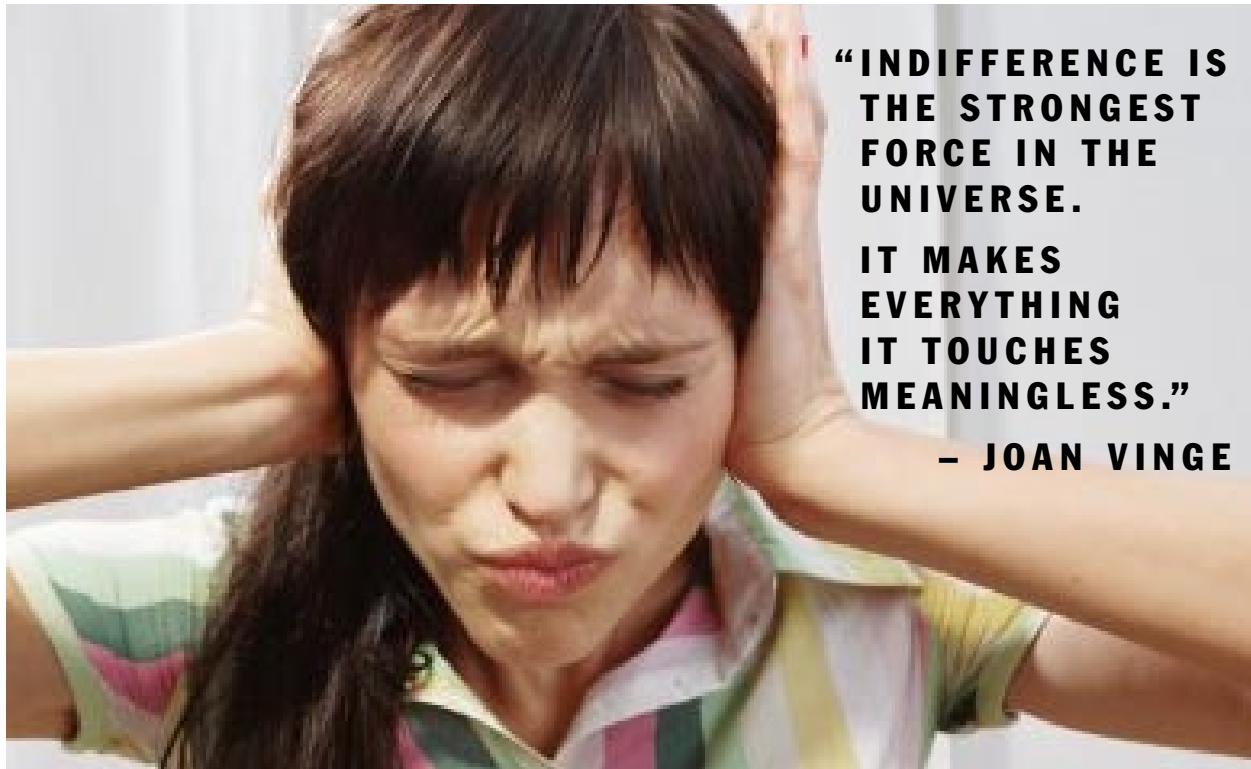


CUSTOMER KNOWLEDGE AS THE WELLSPRING OF INNOVATION



**“INDIFFERENCE IS
THE STRONGEST
FORCE IN THE
UNIVERSE.**

**IT MAKES
EVERYTHING
IT TOUCHES
MEANINGLESS.”**

– JOAN VINGE

Brands — and choices — are burgeoning in today’s world.

The sheer number of choices we face is leading to consumer bewilderment and, sometimes, utter indifference.

A recent visit to the Coca-Cola Company website (www.coca-cola.com) found that the company offers over 400 different brands. There are 14 different kinds of Coke sold in the U.S. — not including Coke-owned brands that don’t carry the Coke name like Barq’s, Mellow Yellow, Tab and Fanta. The Pepsi site (www.pepsi.com) listed 12

kinds of Pepsi. With so many product choices available, any meaningful differences between products tend to disappear. How many people know the difference between Pepsi One and PepsiEdge... between Diet Coke with Lemon and Diet Pepsi Twist?

Lacking the time, expertise or even the interest required to investigate; consumers are seeing less and less difference among brands — whether the product is ketchup, soft drinks or retail stores.

Often, more difference exists in the mind of the advertiser than in the mind of the customer.

Advertising fails the relevancy test: The Yankelovich Marketing Trust Study

People are tiring of ads in all forms.

The Marketing Trust Study, conducted by Yankelovich Partners, a marketing services consultancy, in 2003-04, revealed that consumer resistance to marketing and advertising has reached an all-time high. The result is that the productivity of traditional mass marketing methods has plummeted.

Essentially, consumers feel they're drowning in information that fails to meet their needs and desires.

- > **59%** feel that most marketing and advertising has very little relevance to them.
- > **64%** are concerned about practices and motives of marketers and advertisers.
- > **61%** feel that marketers and advertisers don't treat consumers with respect.
- > **65%** think there should be more limits and regulations on marketing and advertising.
- > **69%** are interested in products and services that would help them skip or block marketing.

And perhaps most disturbing to those who advertise, **33%** would be willing to accept a slightly lower standard of living in order to live in a society without marketing and advertising.

The Yankelovich study found that, as commercial clutter invades consumers' lives and they become harder to influence, marketers can be effective only by acquiring deeper customer knowledge and using it to create a unique customer experience.

Retailers can break through consumer resistance by delivering precise and relevant messages geared toward specific individuals while empowering customers and

providing reciprocity of some kind for their time and attention.

Retailers must...

- 1.** Embrace the model of differentiating their company based on knowing their customer
- 2.** Focus on what really matters to their customers and prospective customers
- 3.** Create concise, relevant, and compelling messages that build relationships based on customer's needs.

All of which requires first knowing who you're talking with.

WHO?

What is their life-stage? What are their hobbies and interests?

WHAT?

What factors are influencing their purchase decisions? What other products might they need?

WHERE?

Where do they like to buy? Where can you reach them? What channels of communication do they prefer?

WHY?

Why do they buy your product or service?

HOW?

How do they use your product or service? How does it fit into their life?

Marketing questions like these cannot always be answered by transactional data alone. To achieve increased insight and gain competitive edge

requires developing a holistic understanding of the customer relationship including:

> **Purchase behavior**

> **Lifestyle**

> **Demographics**

> **Motivations**

> **Interests**

One leading specialty retailer of premium pet food, supplies and services has differentiated itself from other pet stores and mass merchants by leveraging its roots in database marketing. The store segments its customer's not only by value, but also by their customer's motivations, attitudes, pet's life-stage, previous purchase behavior and brand preference. This information is then used to deliver meaningful customer messages.

For example, the store has experienced 15% response rates when it sends versioned postcards to consumers that have just purchased a companion animal — fish, snake, bird or reptile. These postcards are versioned by animal category and deliver personalized product offerings and tips for caring for their new companion.

Nine West Group, Inc., women's shoe designer, manufacturer and retailer with 700 stores leverages its available data sources using rigorous data analysis, and customer segmentation to deliver unique emails for its customers. Nine West personalizes its messages

based on their customer's shoe size, shoe width, preferences, store location as well as other factors. Dianne Binford, Vice President of Multi Channel Marketing at Nine West and speaker at a June 2005 retail CRM conference, stated that they have a 32% click through rate on their personalized e-mails (four times the industry average of 8%). Deliverability rates are 8% higher than industry average. Nine West's customers open, read and act on

these messages because they focus on what really matters to the individual customer.

For Home Depot, the world's largest home improvement retailer and the second largest retailer in the United States, the challenge of understanding their customers is knowing not only what the customer is buying, but the type of home project they are working on, and what they might need next to create the room and home of their

dreams. The company utilizes its robust customer database and segment's its customers to deliver over 20 different localized, life-stage, product-stage e-mails per month. From new mover, to garden club members to general contractors to plumbers and gift registry users, Home Depot breaks through consumer resistance by delivering precise and relevant messages geared toward the needs and preferences of its customer.



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ABOUT THE AUTHOR:

Sallie Burnett leads the strategic marketing field with 16 years' experience in strategic marketing, sales management and customer relationship management.

As the founder of Customer Insight Group, she helps her clients utilize customer information to develop customer-centric strategies that drive bottom-line success.

Renown for her out-of-the-box thinking and wealth of experience, she's helped many of the nation's top companies cultivate actionable opportunities throughout the customer-value relationship to better align sales, service and marketing while generating the greatest return on investment based on the voice and value of the customer.

CUSTOMER INSIGHT GROUP:

Customer Insight Group is a strategic marketing company that uses customer information to help its clients build successful and profitable long-term relationships with each and every customer.

It provides marketing strategy, customer research, data analysis, program development, implementation and refinement of customer-centric programs including: loyalty, retention, win-back, and new customer acquisition.



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