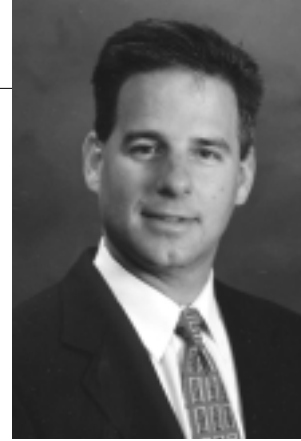


MINING FOR CUSTOMER DATA

ARDA'S CO-OP INITIATIVE REVEALS NEW MARKETING INSIGHT

By Kurtis M. Ruf



In our high-tech world, getting a message to consumers presents challenges unlike any marketers have known before. Today's consumers are inundated with thousands of advertising messages every day. They receive countless direct mail pieces, most of which go unopened into the trash. Telemarketers have annoyed them to the point of caller-ID phones and "no-call" laws. The Internet gives consumers no-pressure ways to gather information and complete their purchases. Digital recorders allow them to record and watch their shows without commercial interruptions.

Marketers can no longer afford to waste marketing dollars on consumers who are not their target audience, on media that doesn't provide exposure for your messages, or on marketing messages that miss the mark. So, how do you identify target consumers before you mail or call? How do you increase the likelihood that your marketing messages will be seen or heard by your target consumers? How do you determine what messages will be compelling and instantly attractive to these consumers?

Consumers are using technology to block marketing efforts. Marketers can use technology to help get through those blocks. Database technology is one of the most powerful tools available to today's marketers. This technology can enable you to use your customer files to gain dynamic intelligence for your marketing efforts. By learning who your "best" customers are – "best" being those who produce the most revenue for your business – you can prospect for new customers who share similar lifestyles and purchasing behaviors with your "best." You can focus customer retention efforts to build long-term, profitable relationships. You can select media that will actually get in front of your customers. You can fine-tune and customize marketing messages for the greatest effectiveness.

Challenges for the Vacation Ownership Marketer

"We need to educate consumers about the vacation ownership industry of today," explains Howard C. Nusbaum, president and chief operating officer of ARDA. "This is not the same industry that it was a decade ago. We have a flexibility to offer consumers that most aren't aware exists."

The industry is changing, and the market is diverse and seasonal. So, how do you determine which consumers you should target for your particular property? How do you stretch your limited marketing dollars to effectively reach consumers who may be geographically scattered? How do ensure you tell them what they need to know about vacation ownership at just the right time and in just the right way? How do you maximize the number of tours that lead to ownership? With approximately 50 percent of the revenue generated by a property going into making the sale, how can you reduce expenses and increase profits?

Meeting the Challenges - The ARDA Cooperative Initiative

In April 2000, a group of industry professionals began working together to spearhead the ARDA Cooperative Initiative. This group set out to find answers for the vacation ownership industry through a unique collaborative effort. The primary objectives of the Cooperative were to find ways to reduce marketing costs and to generate leads with a strong propensity to become buyers.

"This initiative will help us develop a national campaign that can benefit developers across the country," says Nusbaum. "Individually, developers don't have the resources to make a significant impact. Together, however, we can focus our marketing efforts on those areas with concentrated pockets of

potential buyers, making a strong impression and benefiting everyone."

Working with Ruf Strategic Solutions, a 25-year-old database marketing firm, the ARDA Cooperative Initiative sought to learn:

The characteristic traits of vacation owners.

The types of customers/prospects who take tours in response to a mail or telephone campaign.

The characteristics of customers/prospects who become owners after they take a tour.

The segmentation of customers by market penetration.

The Study Methodology

Past behavior often proves to be the best predictor of future behavior. As in all the predictive sciences (stock market analysis, economic modeling, and traffic-flow predictive analysis), marketing models rely on samples of past observations to accurately determine the likelihood of future occurrences. Lifestyle and economic similarities in pockets of the population at small geographic levels allows us to make assumptions about common characteristics that influence purchasing decisions.

Clustering is a statistical process that divides a set of observations into similar (homogeneous) groups. Households within clusters tend to lead similar lives in terms of family make-up, types of employment, recreational interests and purchasing behaviors. The concept of clustering also shows that households in different geographic locations can be virtually identical in lifestyles. Florida and Arizona may be thousands of miles apart. Yet, certain households in the Phoenix and Miami areas may have much in common.

Ruf Strategic Solutions combines massive data resources plus hundreds of detailed lifestyles to form a snapshot of

today's market groups. Through a partnership with Experian, Ruf has combined its unique statistical methodologies with Experian's compiled national household data, summarized credit and automotive data, U.S. Census demographic information and Simmons Research Bureau's product usage information to build market research tools using over 3,000 variables per household. The resulting Smart Profile clusters have similar demographic and economic profiles as well as lifestyle preferences. Ruf continuously updates these clusters to encompass market trends, thereby ensuring optimum results.

For the ARDA Cooperative Initiative, Ruf used over 5.4 million records provided by Cooperative participants to perform three Smart Profile analyses. The first examined leads generated by mail or telephone that resulted in vacation-ownership tours. The second examined the mail/telephone leads that ultimately resulted in vacation ownership. The third analysis examined the entire base of current vacation owners.

Research Findings

Ruf's modeling process appends a cluster code to each unique record in the database based on the respective demographic and psychographic (lifestyles, purchasing behaviors, media usages, etc.) traits. The records are grouped together and summarized by cluster code. Ruf then compares the percentage of customers to the percentage of market-area households within each cluster code to develop a penetration index. Based on this index, each cluster (or segmentation cell) is ranked from highest to lowest.

Profile of Tours per Mailed/Telephoned: This analysis looked at households that responded favorably to a tour or mini-vacation offer when telephoned or mailed a solicitation. The top performing household clusters represented over 17.5 percent of the Cooperative study tours and less than 12.8 percent of the market area. The indices show that targeting these top clusters would generate results nearly 1.4 times better than targeting the entire file.

Profile of Owners per Tours: This analysis looked at households that purchased a vacation-ownership

property after responding to a telephoned or mailed solicitation for a tour or mini-vacation. The top performing household clusters represented nearly 15.4 percent of the Cooperative study tours-to-owners and only 12.75 percent of the market area. The indices show that targeting these top clusters would generate results nearly 1.3 times better than targeting the entire file.

Profile of Owners per Households: This analysis looked at the actual owners of vacation-ownership properties, regardless of how the leads were generated. The top performing household clusters represented nearly 29.7 percent of the Cooperative study owners and only 11.6 percent of the market area. The indices show that targeting these top clusters would generate results nearly 2.6 times better than targeting the entire file.

The top 20% (quintile) of the file of owners represented 55% of the market universe. One top-performing cell contained almost 13.5 percent of the owners in the database and 1.2 million prospective households in the market. Households within this segmentation cell are 800% more likely to become owners when compared to the entire file.

A few of the descriptive highlights of this top-performing cell are:

- Average head of household income of \$115,000.
- Average head of household age of 46.
- Civic minded, belonging to a service organization.
- Have investments such as Keogh or IRA.
- Have a home computer and use the Internet.
- Often rent a vehicle for business.

"The segmentation for vacation owners is so strong," says Larry Biondi, co-chair of the ARDA sales/marketing committee and senior vice president of business development for Interval International, one of the world's leading exchange service providers for the vacation ownership industry. "We believe we have identified what the vacation owner looks like. This model is an incredibly valuable tool that goes well beyond basic demographics and is sure to help us achieve our goals."

Putting the Research into Action

Although the analytical studies performed for the ARDA Cooperative Initiative provide good directional information for the industry as a whole, the results for individual properties may differ. "A select group of industry representatives have made this study possible," explains Biondi. "It has given us the bird's eye view that we can drill down from to the ground or property level. We need to continue to build on this model."

Marketers for individual properties should look at their own customer data to gain insights into their customers' geographic, demographic and psychographic characteristics. Depending on the property, these customer characteristics could be distinctly different from the industry as a whole. Ruf Strategic Solutions can offer tailored profiles for marketing efforts and vacation ownership studies.

In addition to detailed segmentation and descriptive reports, the Smart Profile analysis allows marketers to select targeted lists through Ruf and its data partners. An online (OLAP) solution is available that can provide real-time reporting and campaign tracking for those who want to make the most out of their marketing campaigns.

By using the study findings of the ARDA Cooperative Initiative as a base and adding your specific customer files and property data to the analysis, you will be able to target to your market niche – reducing waste, cutting through the clutter, and making an impact.

"We simply can't keep spending more to get less," says Nusbaum. "Technology and strategic partners are the best friends we can have. The synergies are there, all we have to do is make the most of them."

For more information about Smart Profile analysis and how you can benefit from the ARDA Cooperative Initiative studies, contact Terry Berggren or Kurtis Ruf at Ruf Strategic Solutions, 1-800-829-8544. **D**

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