

THE MARKETING COMPASS

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Insights to Help Guide You to True Marketing Intelligence from Ruf Strategic Solutions

Predictive Analytics Can Empower Travel Marketers by Terry Berggren

Vast amounts of travel-related consumer and business data are available for today's travel marketer. An organization's or destination's current customers or inquirers can provide the foundation for gaining extensive customer intelligence not only in the areas of demographics but in lifestyles and behaviors. By applying predictive analytics to the available data, marketers can extend their basic understanding of customers to meet the specific needs of their organizations.

For example, based on what activities your location offers, you might find it beneficial to know which cus-

tomers are likely to be interested in spas and resorts, wilderness adventures, culture and heritage, dining and nightlife, etc.

Taken to the next step, the intelligence gained from current customers can be used to prospect for others who are virtual clones of your best customers. Many travel and tourism organizations are beginning to recognize the potential benefits of this type of predictive marketing.

One such organization is the Division of Travel & Tourism for the state of Kansas. The Division is seeking to

With 20 years of leadership experience, Terry Berggren, director of destination marketing for Ruf, is recognized as a marketing expert by organizations around the country, including the Travel Industry Association and the American Resort Development Association.



accomplish several objectives:

- Establish benchmarks for the analysis of tourism trends, marketing opportunities, threats and forecasts.
- Define criteria for measuring the economic impact of tourism.

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Segment Your Business Customers to Build Relationships and Discover Market Potential

by Kurtis Ruf

Getting a targeted message to the right audience is an increasingly difficult task for business-to-business marketers. Many companies sell to all industries making it difficult to pinpoint a targeted customer base. Other challenges (such as locating individuals within businesses, locating home businesses, becoming aware of changes

in customers' organizations and in the overall marketplace) plus an average of 15% annual customer churn rate lead many marketers to database marketing in an effort to increase their marketing effectiveness.

Database marketing identifies a company's best customers and prospects, and seeks ways to build relationships while reducing marketing costs. In a sense, database marketing defines the ideals of celebrated economist, Vilfredo Pareto. Applied to business thought, "The Pareto Principle" or the 80:20 Rule states 20% of a company's clients will produce 80% of the annual revenue, while the remain-

Kurtis Ruf is a recognized authority on database marketing and co-author of *Contemporary Database Marketing: Concepts and Applications*. This book offers powerful, cutting-edge information and training tools for students and practitioners of database marketing.



ing 80% shows relatively little return at about 20%.

Investments in marketing solutions are driving many initiatives across the business landscape. Many business-to-business marketers, however, are wary due to fears of high costs with low returns and failure in the implementation in large corporate

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Household-Level Segmentation is Smarter Than Ever

by Eric Ruf

Ruf Strategic Solutions®, in partnership with Experian, has released a major upgrade (version 5.0) to its Smart Targeting Tools™ product set. Smart Targeting Tools is an integrated suite of consumer segmentation, list selection, profiling, and lifestyle analysis products.

Aside from the most visible change - more than doubling the number of Smart TargetsPlus™ lifestyle list selectors - the core segmentation process was

redesigned completely. The resulting Smart products will allow Ruf's and Experian's customers to more precisely differentiate between consumer households.

Via the alliance between Ruf and Experian, INSOURCE household data is incorporated directly into Smart Household™ clusters. And, as a result, virtually every household in INSOURCE is classified, providing both

Eric Ruf is the chief operating officer for Ruf. He is responsible for directing product development, fulfillment and corporate management. His analytical expertise and marketing savvy have served to make him an acknowledged leader in database marketing.



organizations with an exclusive and comprehensive targeting solution.

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Segment Your Business Customers *continued from page 1*

cultures. Marketing through standard business demographics (such as annual sales amount, business type, employee size, or SIC code) is no longer sufficient for business-to-business marketers seeking the top 20% of customers who yield 80% return.

Business clusters are statistical tools that have generated significantly improved results in business-to-business database marketing. Clusters create flexible, immediate, actionable segmentation for any measurable objective. Customers are assigned to clusters that share similar characteristics across a national range of demographic and purchase behavior variables. When combined with business demographics and econometric footprints, business clusters produce highly accurate and fast results at a fraction of the price of other custom segmenting techniques.

Econometric footprints are created using economic data from the U.S. Department of Commerce. The vast array of data elements collected is combined with thousands of demographic variables from U.S. businesses to form an understanding of how businesses' behaviors are affected by the surrounding area economics.

Business clusters, using tools such as econometric footprints, enable a marketer to go beyond standard business demographics as descriptive or predictive elements. The result is that business clusters allow a business to be uniquely defined from a tremendous amount of data, including growth rates, labor access, crime rate, etc. It measures the impact of dollars spent in a specific market and how that dollar will flow through the economy.

This is one of the advantages business clusters offer over SIC segmentation. For example, one manufacturer in Manhattan can be completely different than another in Montgomery but still have the same surface demographics and SIC. The Manhattan business may use outside vendors for some material processing while the Montgomery business may do all processing onsite. Clusters go beyond SIC codes and differentiate between two similar businesses in the same approximate location by comparing their differences to the universe of businesses.

Business-to-business cluster analysis can help marketers maximize the return on their investment by defining that ever-powerful, top-producing 20%. ☑

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THE MARKETING COMPASS

Published to provide news, innovative ideas, practical tips, and tools to enhance the strategic advantage of our clients and friends.
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Ruf Strategic Solutions delivers a full suite of marketing and business intelligence solutions designed to help organizations acquire new customers, retain existing customers, and develop one-to-one relationships to maximize profitability. Founded in 1976, Ruf Strategic Solutions has been helping organizations maximize the return on their marketing investment through superior customer intelligence. Ruf's unique ability to integrate vast arrays of data, technology tools, and over 25 years of expertise empowers organizations with truly actionable and measurable intelligence.

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Empowered with Predictive Analytics *continued from page 1*

- Track the impact of marketing efforts on Kansas' tourism.
- Produce analytical reports to secure funding for future tourism marketing.
- Improve targeted marketing efforts through a better understanding of Kansas' travelers and prospects.
- Create the mechanisms for real-time, online access and reporting for industry partners and key decision makers.

“Based on what we have seen so far, we should be able to provide our state destinations with marketing intelligence unlike any we've had access to before. The web portal allows us and our partners access to real-time numbers, benchmarks and market intelligence reports, creating a strong and actionable sense of partnership surrounding this very critical research activity.”

*— Scott Allegrucci,
director of the Travel & Tourism
Division for Kansas*

Utilizing the state's historical inquiry data, the Division has acquired a detailed profile of those people expressing an interest in tourism within Kansas. This profile is being used to enhance completed primary research. In addition, by integrating the profile with their online inquiry repository, the Division will be able to:

- Isolate key lifestyles and demographics.
- Identify audience segments previ-

ously unknown.

- Target current inquirers as well as prospective travelers with customized communications using the best reaching media.

Another state organization using predictive analytics to enhance their marketing is the Missouri Division of Tourism (MDT). Working closely with other vendor agencies, the MDT hopes to accomplish the following objectives:

- Create a composite database of responses from the state's various sources.
- Gain better measurement and understanding of the effects of tourism advertising for Missouri.
- Provide better accountability with increased accuracy and timeliness.
- Produce meaningful projections and identify patterns for enhanced marketing campaigns.
- Increase focus and consistency for a better marketing investment return.

“The initial in-depth analysis of our current database ad coding and discovery of inconsistencies and missing codes will make a huge difference in our reporting accuracy. Yes, this all takes time but we believe the end result is going to be far superior to anything we have now.”


*— Dee Ann McKinney,
research director for the
Missouri Division of Tourism*

The MDT is building its data warehouse from two years' worth of

inquiry records the state has accumulated - some 800,000+ records. This data warehouse will have regular updates from various collection points from Missouri and its vendors. The MDT and their ad agencies of record will have online access, via a customized dashboard, for ad hoc campaign measurement reports as well as standard response summary reports and charts.

Ruf offers one of the most comprehensive marketing solutions available today for the travel industry - TRAVELTICSSM. TRAVELTICS combines predictive analytics with Ruf's extensive travel data empowering travel marketers to discover, acquire and retain customers through one integrated solution designed specifically to meet the unique needs of their industry.

TRAVELTICS is built using Ruf's consumer database of over 115 million households. In addition to hundreds of demographic and psychographic traits, the database includes propensities on 2,000 scientifically developed lifestyles with over 240 unique travel behaviors. The various components of TRAVELTICS include a dynamic data warehouse capable of integrating data from multiple sources (such as fulfillment and call centers), access to Ruf's proprietary data analysis tools, online CRM (customer relationship management) through a customizable digital dashboard, and targeted lists selected by client-specified criteria.

Ruf's goal is to help travel marketers understand how to make their marketing efforts more effective and achieve new heights of success. 



New Faces Bring New Strengths

William Roberts has joined Ruf as a database administrator and systems analyst. He is responsible for account management of various NAVIGATORSM customers. Bill brings over 13 years of IT software development and 7 years of team/project leadership experience to Ruf. He is a certified Microsoft professional in database design and implementation, and holds an associate of science degree from the KCKS Community College.



Brook Miller has joined the company as a client services representative. She acts as liaison between Ruf's clients, database analysts and marketing managers. She assists with the management of clients' jobs and provides administrative support to the sales team as needed. Brook has several years of sales experience and holds a bachelor of science and a bachelor of arts in marketing from the University of Nebraska-Lincoln.

Taliya Wright has been hired as a database marketing analyst. She is responsible for database management as well as data processing, analysis and reporting for various database marketing projects. She comes to Ruf with several years of data analysis and technical support experience. Taliya has a bachelor of science degree from Central Missouri State University and is currently pursuing her MBA at Webster University.



John Paul Ruf has been hired at Ruf as a database analyst. He is responsible for data processing, analysis and reporting for various database projects. John previously interned at Ruf and recently graduated with a bachelor's degree in computer science from the University of Missouri-Kansas City.

In addition to new faces, Ruf has added new clients . . .

Both Delta Queen (www.deltaqueen.com) and the Orlando CVB (www.orlandoinfo.com) have signed long-term contracts with Ruf for our online CRM service — NAVIGATOR, which will empower these clients to monitor, measure and track their marketing effectiveness. *Read more about both in upcoming newsletters!*

Interested in working at Ruf? Positions currently available include: National CRM sales developer and database marketing analyst. For more information, visit www.ruf.com/work.html.

Household-Level Segmentation *continued from page 2*

Smart Households allow marketers to target the specific mailboxes, telephone lines, or e-mail accounts that match their targeting needs - unlike competitive clusters that treat every household in a census block group or ZIP+4 area the same. With version 5.0, the number of distinct Smart Households has been increased to 144 segments (from 112 in the prior version), which makes for the most powerful and accurate cluster segmentation analysis available today.

Version 5.0 offers over 1,900 detailed Smart TargetsPlus selections - more than twice as many as previously available. In addition, marketers can select from over 50 categories, including travel, media, catalog purchases, online behaviors, sports & fitness, and many

more. All of the Smart TargetsPlus lifestyle and behavior propensity models are built using the Simmons National Consumer Survey.

“This is the most significant evolution for Smart Targeting Tools in the ten-year history of the product. It represents the release of the most precise, detailed, and truly household-level consumer segmentation system available anywhere.”

**— Eric Ruf,
COO for Ruf Strategic Solutions**

Other components of version 5.0 are Smart TargetsSM and Smart NeighborhoodsSM. Smart Targets provides broader list selectors and is very useful for cate-

gorical list testing. Smart Neighborhoods offers marketers an alternative distribution tactic and area-level segmentation analysis. These are ZIP+4 level geo-demographic clusters with 66 distinct consumer clusters. These products are linked, just like Smart Households, to all of the over 1,900 behavior propensity models.

The array of cluster and list selection solutions in Smart Targeting Tools provides marketers with the means to address virtually any marketing objective. For most marketers, the straightforward applications of the basic Smart products will provide the solutions they need. In instances where a custom application is needed, however, creative customization is readily available in order to meet any unique needs. ☺