MARKETING WHITE PAPER

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THE DYNAMIC SEGMENTATION EDGE

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integrated strategic marketing

RAMPING UP RELEVANCY

As the CEO of a mid-sized, full-service, integrated marketing agency, serving clients large and small nationwide for two decades, I hear a version of these two statements most often when first meeting a client and introducing our alternative thinking:

"Yes, we understand market segmentation. We do segmentation. We buy our media and sort our lists and place our ads and/or assign sales and support teams according to our target audiences. We would love to create another marketing division or product extension as a surefire way to more sales, but we can't afford that on our budget."

OR

"It takes years, as well as public-money kind of budgets, and patience to develop those additional channels (conventional wisdom based on conventional marketing process and methodology). I don't have years to develop an approach and marketing support for new market channels. I need new sales from what I have or can afford now."

But what if the sacrifice of the possibility of the many for the probability of the few was not a hard and fast law? What if you could fish in multiple ponds at one time instead of just the one? What if you could present your product as a great choice for this audience, and separately, as a great choice for that audience? This would mean you could increase your relevance for each group and reasonably expect a fair return from each and every pool of sequentially targeted prospects, rather than having to write those market segments off from the get-go.

Unconventional Segmentation

Great idea, but not a new one, right? It's called segmentation and it's been around for quite a while. If you could attain relevance in all of your potential market segments, you know you could conservatively double your business. All well and good as a concept, but, as seasoned marketers know, the human resources required to develop that many approaches, and the technological capability to parse the messaging, represent daunting challenges. Bottom line: The idea is good, but in practice, if configured from the existing legacy technology platforms and conventional methodology, your costs would go through the roof. Common sense says this type of an approach can only provide the needed return on investment for those with the deepest pockets.

The problem with conventional segmentation is that it's expensive enough to develop and deploy one great campaign, which is what it takes to move the needle these days, much less to attempt marketing effectiveness across multiple segments, including the one to one dynamic messaging needed to create multiple comprehensive campaign experiences per prospect group.

As high as the costs to develop and build multiple effective campaigns can be, they are only one element of the segmentation spending equation.

The other is media. Purchasing the media in which to deploy the multiple campaigns and varied flightings required to reach different target markets has traditionally come with too steep a price tag for any but the biggest brands to pay.

Using traditional process and thinking, there is a perception challenge when considering capacity. Most marketers are challenged to get their monthly campaigns out to a single segment, much less to many. This is because most are utilizing virtually the same production methodology they've used since the dawn of desktop publishing decades ago.

The Segmentation Payoff

Those who can afford to develop multiple market segments achieve phenomenal results. The segmentation strategy has proven itself as a bellwether for more than a century and is deployed by larger brands almost universally. This kind of marketing can cost an additional 50% over the cost of developing a single segment of customers, but has been proven to consistently deliver 200% or more in ongoing returns by channeling multiple new revenue streams into those companies.

Microsoft, a company that knows something about market share, targets business users, home users and IT professionals, segmenting each of these areas by type. They further segment their business user audience by scale, from small and mid size companies to enterprise organizations.

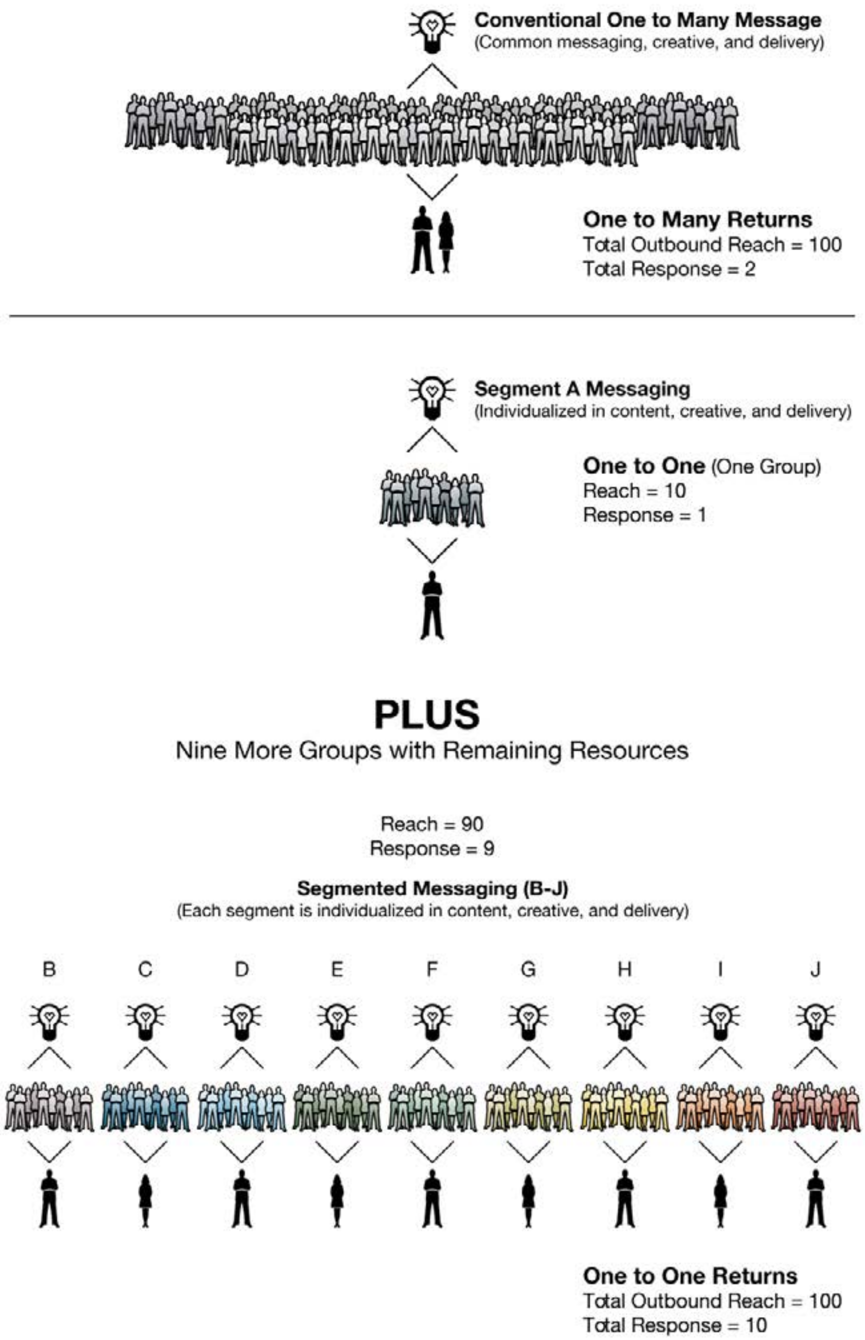
Microsoft also segments by industry, including education, financial services, government, retail, and eight other industry focuses. Several of these are sub-segmented as well, such as education, which addresses K-12 audiences and higher education audiences separately. Where would Microsoft be if they only focused on one of these many audiences? If they had settled on that one message that resonated the most to that one group? Obviously, just a fraction of the company they are today.

Now, imagine the branding process they would have to go through to arrive at that one. It would be insanity up in Redmond, Wash., a corporate bloodbath in which the best and the brightest tear each other to pieces. Fortunately, they can afford not to sacrifice the many for the one.

Another example is MetLife, you know, the "Snoopy" insurance company. Snoopy sells to individuals, businesses, brokers and consultants. Individuals are segmented by age, income and lifestyle. And on and on. Again, where would Snoopy be if he marketed to retirement-minded heads of families at the expense of business group benefits and all the company's other revenue streams? Hard to say for sure, but it is clear that he wouldn't be the big dog that he is—one of America's largest insurers.

What about those who think they can't afford the luxury of true segmentation and the proven return it provides? When we consider that segmentation is akin to mathematics as a subject, we can start to see some of the hidden potential. Segmentation, as a strategy, has many nuances in its creation and implementation. Its true power belongs to those who have invested a lifetime in studying the applications and can apply the deeper and more granular nuances to solve even the most daunting of communication challenges.

One to Many vs. 1-to-1 Targeted Methodology



Marketers using dynamic one to one marketing are seeing their ROI improve up to five times over traditional, outdated marketing strategies without increasing their marketing investment.

Comparing traditional segmentation to dynamic segmentation is like comparing arithmetic to differential equations.

Most understand the power and variable ability to solve problems of mathematics, depending on which process is used and the experience of practitioners using the process. Think eighth grade mathematics versus nuclear physics. They both use mathematics to solve a problem. They both use multiplication, division, addition and subtraction at some point in the process.

But it's obvious that solving a multiplication problem is not the same as completing a quadratic equation. When you think about it, those same mathematical intermediate calculations are used and added to other deeper thinking processes only by the most experienced and innovative mathematicians. These math wizards use the commonly known math, plus defined complicated formulas to solve problems in ways most of us who do not understand complex mathematics could not imagine.

It is simple to see a physics equation for the first time and say, "I can do that," because it starts with known processes. Similarly, it is simple to say, when introduced to dynamic marketing and the resulting new methodology of hyper-relevant messaging, "We're already doing that." "We divide by our target audiences, we multiply our chances by running targeted media, we subtract the competitors' offers to ensure our offer outperforms and we add in a little online marketing. We can do, and are doing, dynamic personalized and cross-channel marketing."

As we continue to unfold the individual pieces that, when added together, become a sum exponentially more than the total of their parts, please keep your mind open to the analogy above and the difference between simple math and the use of simple math in more dynamic equations. This accurately describes the relationship between dynamic segmentation and conventional segmentation as we know it.

Segmentation Strategy

We commonly find that certain personalities with less experience in an emerging area will use whatever means possible to protect their position and deny the need for any outside insight or updating of practices. When confronted with new concepts beyond their comfort zone, they tend to fake it, they ignore it or they dismiss it based on some perceived unique characteristic of their company or situation.

Segmentation strategy is the foundation for most sophisticated marketers. Simply attracting more customers that introduce greater diversity into the sales funnel creates more revenue and more stability.

The only question in the past for smart marketers when considering deploying segmentation as a marketing strategy was: "Can my company afford the time and money that it typically and historically has taken with conventional processes to open up and project my brand messaging to multiple market segments simultaneously?"

We will share with you a way to accomplish the reach and relevancy of dynamic segmentation with completely new methodology that uses completely different and compounded thinking compared to conventional and entrenched marketing processes. We will demonstrate the "how" and "what" that make up the differences between the way we have, as an industry, deployed segmentation in the past and what is available to you now. Our objective is to help the small to mid-size marketer deploy dynamic cross-media, cross-channel, personalized marketing automatically across all potential targets and help lead the large companies to a more efficient process that will raise existing efforts to new heights of success, reach and return on investment. Just as important, in matters of change, we will outline the restraining forces both from a technology and human resource perspective.

As marketing leaders, we know that reactions of the personnel involved can make or break an initiative, especially if they do not know how, or feel they do not have the resources, to deploy what is the best practices solution.

Neuromarketology™

Introducing the new methodology of dynamic marketing and Neuromarketology™ feels to me like déjà vu from the early days when we were introducing the Internet to our customers as a marketing engine.

We would discuss with clients creating a web presence and the resulting enormous opportunity. Frequently back then, we would hear, "We are already getting online;" "We are doing that in-house;" "We have an initiative for that going now."

Creating a Web presence based on our early lead in the industry meant, to us, securing their brands' and sub-brands' URLs. The thinking was totally different from thinking used when naming a catalog or product.

We understood through years of early deployment that creating searchable organic content would allow them, as early adopters, to be found through search engines before their competitors were found by the millions of new potential customers logging online every day. We were recommending getting their storefronts up, getting their click-and-order processes online, as well as their customer service functions. We knew we needed to build different content, different calls to action and different production processes.

Early Adopters Trump Late Adopters

As early adopters and leaders, we had already invested two years learning the entire methodology of creation, and implementation had to be different from traditional campaign or direct mail development.

Inevitably, when we peeled away the onion and discussed exactly what clients were implementing, this is how it often played out: Many companies did have an initiative to get online. They would put up a static Web page. It was, well, simply static. It had no functionality. It did not lower their operational costs. It did not emotionally appeal to their target audience and sell more of their products or services. They had basically created and were satisfied for the first couple of years with a placebo online presence that squandered the company's future potential.

This sort of implementation, or what we call in the advertising business "kung fu implementation," is much more devastating to a company than just a stakeholder defending their efforts or buying time to figure it out on their own. This behavior has a long-term debilitating effect on the executives' abilities to see the early returns from a new or emerging channel and adjust corporate strategy to provide more resources. Early foresight and transparency are critical to companies. They allow leaders to direct the company to enjoy more easily attained gains before their competitors do.

The laws of adoption, as well as the laws of supply and demand, will always conspire against the slow to react, driving the cost for late adopters to levels that make market entry painful and resource-depleting.

The Rewards of Early Adoption

This seemingly innocuous internal protectionism manifests itself commonly in stakeholders who easily dismiss the difference of what could be accomplished by a new capability and instead focus on what they are accomplishing. It is the simple difference of thinking about what can actually be accomplished versus what some perceive can be accomplished. The associated long-term side effect from this type of behavior retarded many companies' ability from the get-go in the new Internet economy.

The self-piloted, "Let's give it a try with what we know and what we have" approach rarely led to success. It did not provide an additional portal to outflank competitors and connect to a larger share of the market. This behavior, by default, buys time to go through the budget cycles and years of appeasement for top management before the existing team members can acquire the knowledge and the resources to implement properly. This is usually brought to a head after news reports and studies are widely available to create the pressure to adopt. When those data points are combined with the lessening effectiveness of old models, majority adoption kicks in.

The result for many organizations that waited for proof of majority adoption to be served up by the mainstream? Months and years passed before they started capturing the gains of the new Internet economy. If they had just opened their minds to what could be different about an area like marketing that they knew so well, they could have led their company to great gains based on their existing budgets and position. They could have acquired new markets utilizing the resources and knowledge of the market leaders at the time. The low hanging fruit went to those who adopted the new methodology. The organizations that adopted early and thoughtfully ran away with the ring in the 90s and the first 10 years of this century. Our message to marketers large and small: If you wait for this new dynamic marketing methodology to become mainstream or wait to assimilate the resources and expertise, then you will miss the boat.

The bottom line: Don't let your company go through this very expensive cycle. We have an opportunity, as marketing leaders, to absorb the early and late adoption principles and lead our companies to extraordinary gains. To do this, we must harness the power of the breakthroughs in dynamic one to one marketing before our competitors figure it out and drive up the cost of entry by scraping away the low hanging fruit.

The Framework

The good news: Most of us have already started down the path of assembling the basic elements of dynamic work-flows that pave the way for greater marketing gains in the new consumer-centric economy.

The overall concept of digital work-flow efficiency and capability is not foreign. By now, most marketers understand how the connectivity of digital files can offer efficiency to their marketing efforts. An example, we all know, is digital repurposing.

We define the one image you know everyone in your various audiences will respond to—let's say it's a picture of a puppy and a little girl. Who could resist that? To build out the campaign and control your costs, you use it across all media. Your puppy/little girl image appears in the online ad, the TV commercial, the HTML newsletter and in your print campaign.

While you don't have to pay for a new image each time, barring usage rights, you do have an expense to bear when it comes to preparing the image for each application. Your e-commerce team wants the file as a JPEG at 72 dpi, and then manipulates it in SQL to be called from a database. Your printer needs to work the file over with InDesign and adjust the resolution to 300 dpi for print. Your website team wants the file in Photoshop and will rework it in their Web layout application. And let's not forget the video crew, who need to completely rework the image in Avid or a vector application at NTSC specifications.

Shuffling that same image between completely different teams with different skills, working in different software for different applications, costs money. By the time you're done, you've paid five times for different teams of specialists to prepare that central campaign image of the little girl and her puppy for the various applications. That's only one image within your campaign! This goes on and on in publishing. The waste of the conventional marketing processes and work-flows is multiplied by each line of copy, each headline, each product line, each supplier, and so on.

Not surprising, halfway measures yield halfway results. You can realize significant savings when deploying content aggregation initiatives, as well as the added bonus of content control. However, the real exponential returns come when this basic digital work-flow process can be linked to an end-to-end, real-time, dynamic electronic publishing methodology. That's when you bring it all together and can tap into the real production efficiencies of a technologically converged environment. Don't worry. The purpose of this paper is to detail this emerging methodology and the new dynamic work-flow so that the buzzwords stop buzzing. The content aggregation initiative implemented by the larger in-house marketing departments and best-of-class agencies years ago is just the tip of the iceberg when linked with the newest breakthroughs in one to one dynamic marketing.

Aggregation Aggravation

Unless you've got deep, deep pockets, the strain on budgets and resources to effectively implement a dynamic marketing and one to one segmentation strategy under conventional circumstances and without the newest methodology will inevitably force you right back into the same old conundrum.

Conventional wisdom says you can't afford to hit all the markets, so you've got to prioritize. Where do you get your best ROI? That's where you put your money. Whichever segment or segments we choose, inevitably, we know we will consciously disregard large numbers of people who map directly to some of our brand attributes in order to make the proverbial sacrifice of the many for the one. This drives us right back to the 2% or less model. It's like a law of nature—we can't seem to get around it. Or can we?

A new methodology is now available, which has been in the works for decades, with leaders in various fields exploring, implementing, improving, testing and redeploying over time. Enabled fully by new technology, this methodology seamlessly links the sound brand strategy of the past with the collective power of database, dialogue and personalized variable dynamic marketing within any channel to establish a new paradigm in selling success.

This methodology provides the platform for reaching customers and prospects on a true one to one basis, meaning the right message, at the right moment, to the right audience, delivered in the right media. The result is marketing relevance that is so permeating that it drives total marketing ROI off the charts.

Relevance for All

The ability to deliver hyper-relevance consistently and affordably frees you from the traditional tried and true mass marketing equation. In the simplest terms, instead of needing to send out 100 identical generic marketing messages to receive the hope of two responses, you can now send just 10 to receive one response. Why? Because you're speaking directly to that specific segment's interests on a truly personalized and relevant manner determined by their own preferences and hierarchy of needs.

Now take those other 90 marketing messages/touches or resources you were going to use in the conventional one to many methodology to get your 2% response, and deploy them instead within 9 more market segments. This methodology enables you to map brand attributes into all your potential segments and markets rather than focusing on just one or a few.

Again, ultrahigh emotional relevance is essential. We're not talking about simply using a personalized name or blue for men and pink for women.

A successful one to one dynamic marketer must develop and deploy dynamic dialogue mechanisms that include online and offline interactive and engaging "sticky" tools designed to facilitate the collection of detailed information and user priorities, and that are automatically collected in real-time within information groupings relative to the prospect and your brand, product or service attributes. This dynamically generated and user-generated collection of information provides the multiple criteria levels necessary to achieve both hyper-relevance and superb timing with your marketing. Once this information profile is collected, it can be used to drive numerous contacts within that prospective grouping. This same messaging can be shared with the prospect or customer in real-time across all communication platforms and all interaction points with your brand.

Advanced if/then strategic thinking and then tactical programming determines which image is used, which copy, which call to action, and how and when the messaging is presented.

As a result of this new hyper-relevance, it can take only 10 outbound marketing messages to gain your one respondent. Now repeat this process in each of 10 segments for an ROI of 10 total responses versus the conventional outcome of two responses from the original group of 100 exposed to one to many messaging.

Welcome to Neuromarketology™

So, where does this leave us? Suddenly you've been catapulted from that 2% response to a 10% response. You are a genius, you are a hero, and you are a practitioner of neuromarketing.

Neuromarketology™ is the study of reactions driven from the core brain, based on the exposure to specific marketing messages, imagery and timing. It's the science of knowing each of your target audience's emotional connection points and methodology of configuring your marketing messages to connect your brand attributes with each stakeholder in the most relevant manner for that specific target.

When deploying this new methodology, we are no longer sacrificing the many for the few. Rather, we are pinpointing those brand attributes that viscerally move the mind of your consumers across a range of segments, on a legitimate, authentic one to one basis. Once you make this paradigm shift, the methodology that cascades from Neuromarketology™ enables ongoing communication through a dynamic one to one dialogue with your customers in the place and manner of their choosing.

Whether it's a print piece for a senior at home, a text message to a teenager, or a robust online offer for a Baby Boomer, the point is, they pick the brand attributes, time and channel through which they most want to interact.

Now, integrate the multiple marketing channels available today from TV's new interactive capability, social networking, interactive online portals, the proliferation of interactive real-time connected personal communication devices and beyond. These are amazing two-way dialogue platforms through which your brand can interact with consumers. You can leverage all these media including Facebook, blogs, offline event communities and whatever media channel is coming next, to carry your dynamic, database-driven communications directly to each recipient in your segmented audiences the way they want to receive them.

But, beware of brand dilution! Many organizations are not taking the new and emerging communication channels seriously enough. They are handing off the responsibility for communicating through these channels to their IT and other support staff. Many have limited understanding of what the company positioning is and how to map the brand attributes honestly and accurately into the new channels utilizing the demographics, psychographics and behavioral attributes of your targets.

In other words, we are seeing many examples of project teams driving their brands off a cliff. In an attempt to drive messaging with content management systems— the forefather of this methodology—many are turning their brands into vanilla. They are dispersing content and imagery that is slowly but surely transforming their brands into commodities, deteriorating conversion rates and taxing their lead generation budgets.

Many implementations of content management systems, in an attempt to manage the messaging are, in actuality, watering down the messaging. They are utilizing templates with diluted, unconnected messaging that happen to be the same templates (look, feel and interaction) their competitors deploy. The attempt to manage the content can become the great neutralizer to all brand, advertising and sales development efforts.

Converting Leads

Here is a quick summary of a classic situation: A company is driving leads with marketing that emotionally involves the prospects enough to respond, but then they fail to convert the leads into relationships with the sales team, at the call centers, or at online sales portals.

When we take a deeper look and diagnose the falloff in conversions, the majority of the time we find that the differentiating and clear messaging designed to progress the sale stops at the most important and expensive point in the process. We find the online portals, forms, call centers and sales interactions that cause conversion are sterilized of the emotional fiber and differentiating characteristics that drove leads to respond in the first place.

As marketers, we must constantly be vigilant stewards of what exactly holds together the decision to purchase or invest and of exactly what the customer needs to progress through the buying cycle.

Just because the methodology has evolved, this doesn't mean we can afford to ignore the brand positioning dictums of Jack Trout and Al Ries. The fundamentals of branding according to Trout and Ries still hold true. In fact, in this incredibly cluttered and diversified communications marketplace, your brand integrity is more critical than ever.

You still must tell people why you are the best choice for them and distinguish your brand from others. The difference is that now, within this new methodology, we can strategically map all relevant and powerful brand attributes to multiple market segments simultaneously at all levels of customer interaction, no matter how divergent, based on if/then programming.

Is this a challenge in terms of time and resources? Absolutely, but once you've laid the groundwork, you've done it. Your end-to-end marketing system is configured and ready to execute at extremely high performance levels. After that, it's just a matter of measuring, tracking and refining.

About the Author

Brian Fabiano is the CEO and founder of FabCom, a full-service strategic integrated marketing and advertising agency with offices in Scottsdale/ Phoenix, Los Angeles, Seattle and O'ahu. He is a nationally recognized innovator, advertising and marketing industry leader, author and speaker, whose insights in dynamic cross-channel cross-media messaging, business intelligence, strategic planning, positioning, brand mapping, and segmentation/database marketing are sought by corporations and trade associations alike.

He is now working on his second book on the convergence of technology and marketing strategy, after the resounding success of his first book, *Neuromarketology*: *How to Develop, Implement and Manage Dynamic, Real-Time, Cross-Channel Marketing Campaigns that Generate Astonishing ROI*. This is the second book in the planned trilogy and will delve deeply into the connection between Neuromarketology™ and the contemporary convergence of artificial intelligence, dynamic messaging, and Distributed Customer Experiences™, driven by Blockchain technology.

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