Implementing the 'connect the dots' approach to marketing communication

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Measurement of the impact and effects of advertising and other forms of marketing communication have been long-time goals of most marketing organisations. In this article, the authors review three basic marcom measurement models, i.e. return-on-investment (ROI), return-on-brand-investment (ROBI) and return-on-customer-investment (ROCI). They argue that the next step in the process is measuring or estimating the return-on-touch-point-investment (ROTPI). They define and illustrate the concept with an example from a US-based retailer. They suggest that ROTPI is the most relevant way to measure the returns from marketing communication investments since the methodology enables the marketer to relate specific forms of customer contact costs to returns on those investments.

INTRODUCTION

In 1998, Hayman and Schultz presented a concept at the Advertising Research Foundation 'Week of Workshops' conference which they called 'Connecting the Dots: From ROI to ROBI to ROCI – Measuring the Returns on Marketing and Communication Investments' (Hayman & Schultz 1999). In that presentation (which appeared in the proceedings of the meeting but has not been published elsewhere) they suggested the measurement and valuation

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of marketing communication had moved through three stages of development. The first involved the measurement of return-on-investment (ROI), best exemplified by the use of marketing mix or co-relational regression models used to identify the historical incremental returns from marketing communication investments. These models allowed the organisation to identify, in general terms, the returns their marketing communication programmes had generated over time. Further, it also allowed the organisation to determine which or what marketing communication activity (i.e. advertising, sales promotion, direct marketing or whatever) likely contributed the greatest ROI for the marketing communication dollar.

While marketing mix modelling, which now goes under a number of commercial names, was just developing at that time, it is now almost a staple for any sophisticated marketing organisation, particularly in developed economies. The technique does tell the marketer what has happened in terms of investments and returns, but it does little to explain why the observed results occurred.

The second area Hayman and Schultz identified was that of return-on-brand-investment or what they called ROBI. They argued that this approach was more sophisticated and useful because it switched the analysis and evaluation from the marketing communication activity to the responding consumer or customer. Marketing communication activities, they argued, were simply surrogates for the actual source of marketing communication response that really came from customers and consumers, not from the activities themselves. Further, they argued that the only real way to measure communication impact was by taking into account all the communication variables to which the customer or consumer was exposed (i.e. all brand contacts or brand touch points, not just those manipulated by the marketing organisation). Thus, while it might not be possible to specifically identify the return on various communication delivery systems, the marketing organisation would be able to take the aggregate of the responses (i.e. returns at the brand level), and determine who responded to the marketing communication efforts. Thus the firm could start to manage customer income flows, not just communication activities. They suggested that the approach would help explain the residual value of marketing communication programmes, one effect that was often unexplainable with the marketing mix co-relational approaches.

Using the approach developed by Schultz and Walters in their 1997 book *Measuring Brand Communication ROI*, Hayman and Schultz posited that this was a much more powerful analytical approach to marketing communication evaluation since it identified the true source of the marketing communication returns. Further, it also allowed for the synergy that occurred between marketing communication activities as they interacted in the market place. They believed marketing mix modelling failed to identify these interactions, which was why the co-relational models often included large unexplained variance. In short, using the Schultz and Walters approach, Hayman and Schultz argued that by identifying the actual customers and their financial value, and then relating the investment the organisation made through various forms of marketing communication to the changes in response by those same consumers, the firm could more clearly define the returns being received.

The third area Hayman and Schultz proposed was what they called Return on Customer Investment or ROCI. This approach, they suggested, moved marketing communication metrics to the next level. That was because the approach enabled the marketing organisation and marketing communication manager to not only identify historical returns that had been generated and to identify roughly from whom those returns came, it also provided a more sophisticated form of forecasting future returns as well.

The basic approach Hayman and Schultz proposed was that the marketing organisation should and could begin to combine the attitudinal data they held on customers and prospects with the behavioural data that was becoming quite prevalent in the market place. In other words, using a different approach, the marketing firm could not only identify which customers and prospects were responding to their marketing communication offers and activities, they could begin to understand why those responses had occurred and what might happen in the future. This, of course, was or would be the ultimate solution for the marketer. The marketer, using the Hayman and Schultz approach, would not only know who responded and at what level, they would also be able to understand why those particular behaviours occurred. This would allow the marketing communication manager to connect the financial investment to the financial return with increased understanding of why those returns occurred.

Best of all, by developing what they called a reciprocal model of consumer response, the marketer could begin to actually know and understand customers and consumers and for the first time understand how to market and communicate with large numbers of people in an almost one-to-one approach.

The purpose of this paper is to update and expand the model Hayman and Schultz proposed in their original article and to extend and enhance that work by taking it to the next level. That level is called Return on Customer Touch points or ROCT. This approach further extends Hayman and Schultz's concept of ROCI and turns it into a practical marketing and communication approach. That is done by identifying the actual contact points between the marketer and his or her customers and using those touch points as the basis for developing effective and efficient marketing communication programmes going forward.

To illustrate the next level of marketing communication planning, we first review and update the original Hayman and Schultz discussion of ROCI. That is then followed by the next stage of the work on the customer touch points or return-on-touchpoint-investment (ROTPI). This is the new formalised process for developing marketing communication at both a strategic and practical level. We then provide a case illustration of the use of the customer touch point approach. We close with the next steps in the process and some discussion of limitations.

THE BASIS FOR ROCI

The actual ROCI approach proposed by Hayman and Schultz in their article was very simple and straightforward, although they confessed that the data collection, preparation and analysis was substantial and time-consuming at the time of their writing. Fortunately, some of these inherent difficulties have been overcome by the expansion of technology, the availability of extensive customer data, and availability of new statistical approaches. Thus, the implementation of the approach suggested by Hayman and Schultz is not nearly so onerous today as it was some four or five years ago.

To describe their approach, Hayman and Schultz suggested three areas of emphasis were required. Those were: (1) the use of 'how to' explanations, (2) a rationale for the overall process and (3) identification of some of the implications of the process for marketing communication managers. We paraphrase the original presentation and article here to provide a background for our extension of the work.

Consumer data collection and analysis

The process starts with the use of consumer or household-level panel or panel-like transactional data containing brand competitive purchase detail. This type of data is now very common among a large number of marketing organisations either from POS (point-of-sale) capture or from the firm's own customer interaction records. In their article, Hayman and Schultz had used static panel data with approximately 350 households over a period of two years. The use of identifiable households over time is critical for enabling the marketing communication manager to differentiate between high-value, high-priority customers and low-value, low-priority customers. Further, the longitudinal data allowed them to identify those who demonstrated behavioural loyalty to the brands being investigated.

Using the panel data, Hayman and Schultz constructed what they called 'Customer Value Frameworks'. These were basically matrices that aggregated customers on two key factors, (1) current brand profit contribution and (2) brand growth potential. In other words, the key element in the Hayman and Schultz approach was to build financial models of customer and consumer behaviour, not just attitudinal models.

Marketing expenditure data collection and analysis

This phase focused on the client brand or the marketing firm, not on the consumer. The goal, much like what is done with marketing mix modelling, is designed to identify all the marketing communication investments the organisation has made over a relevant time period. Using an inventory or audit methodology, all marketing communication spending over the previous two year time period is gathered. This involves a complete audit of all expenditures (i.e. advertising, database development, promotional activities, in-store distribution support). In addition, the details behind those investment programmes need to be included as well (i.e. media plans, consumer target markets, distribution goals).

In addition to the historical data, Hayman and Schultz included qualitative, one-on-one interviews with marketing personnel to determine how budget decisions were made and the marketer's communication intent and goals. This was done to understand not just the results that occurred, but whether or not those results were what the organisation was trying to achieve.

Relating marketing expenditures to consumers, calculating ROCI and explaining the results

This step, according to Hayman and Schultz, provided the link between brand dollars out and brand dollars back to the firm. In this part of the process, they created a history of brand spending and consumer purchase dynamics. This marriage of data at the consumer level was, they believed, essential for the ROCI calculations among the key consumer groups that had been identified in Step 1. The goal, according to Hayman and Schultz, was to leverage attitudinal, demographic and all other data in this phase to explain ROCI performance and make marketing recommendations for the future.

Creating customer value frameworks

In their approach, Hayman and Schultz argued that the consumer framework they had constructed in Step 1 was the most crucial step in their ROCI process. The goal, as they described it, was to create a 'framework' or picture of the consumer of the product or service. That would allow the analyst to separate the brand's best customers and prospects (i.e. those customers who presently provide above average brand profit or brand growth opportunity) from less attractive target groups (i.e. those not buying in the category, infrequently purchasing in the category or purchasing a competitive brand on a regular basis). While Hayman and Schultz admitted that many 'frameworks' could have been developed, they advocated a simple two-by-three matrix. Their original matrix is illustrated in Figure 1.

The use of the matrix is fairly direct. By analysing the purchase dynamics for each group, the actual dollar value for each group can be calculated both in terms of current brand profit contribution and brand growth opportunity. This opportunity amount is determined by what each group is spending with competitors. The assumption they made is that these customers and consumers are spending a certain amount in the category and, thus, with aggressive marketing efforts, that value or a portion of that value might be converted to the client organisation. At the least, this amount would appear to be potentially available to the marketing firm.

A more complete interpretation of the matrix can provide some additional insight. For example, Group B consumers are high in current value (primarily because they are heavy category buyers) and highly behaviourally loyal to the client brand. With relatively little

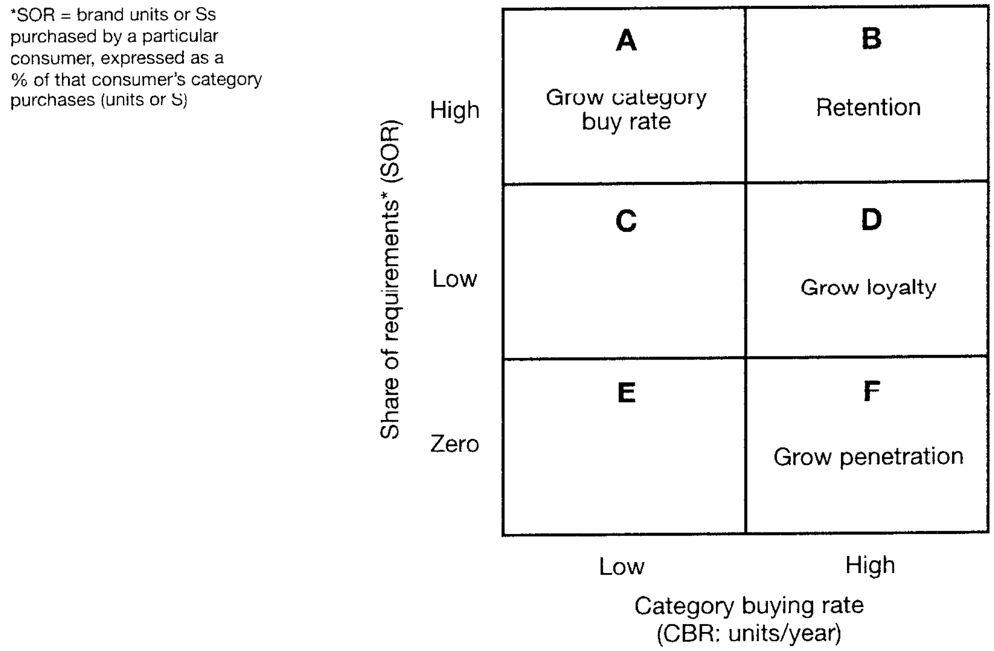

FIGURE 1 THE CUSTOMER-VALUE FRAMEWORK

upside potential in terms of growth opportunity, marketing dollars reaching these consumers would likely best be invested in retention efforts. Likewise, Group D consumers share similar total consumer value to Group B customers, but there appears to be considerably more upside potential for the client brand if it can convert those observable competitive purchases to the client's brand. Thus investments in this area should be focused on capturing competitive purchases.

Group A consumers, because of their high loyalty to the client brand but relatively low propensity to purchase in the category, should be attractive targets for category-building communication programmes. The marketer's intent would, of course, be to stimulate category purchasing, while maintaining brand loyalty levels.

Hayman and Schultz continue by suggesting that each of the remaining groups, while less attractive to the marketer than those above, deserve some attention. They suggest that Group F prospects have high potential. Thus the marketer's challenge is to channel marketing spending disproportionately to these consumers versus Group E, which is significantly lower in their brand sales potential.

INTEGRATING MARKETING EXPENDITURES INTO THE ANALYSIS

Once all the spending data have been captured and aggregated, Hayman and Schultz performed what they described as an 'intricate spending allocation procedure to associate dollars spent with individual consumers'. Their methodology took each spending type (e.g. advertising or sales promotion), and then, through a proprietary methodology, determined what share of those dollars each consumer in the dataset should be assigned. For advertising, this included a model that determined reach and frequency of media messages across various consumer demographic profiles. The output was an algorithm and set of weights that reflected each consumer's share of the marketer's spending. Thus the total of all marketing communication investments was allocated back to individual customers based on their location in the matrix.

The same type of approach was used for the other types of marketing and communication investments. For example, in channel-specific, in-store signage, the costs were allocated on the basis of the consumer's purchase activity in the distribution channel. Thus consumers or customers who were heavy shoppers in retail drug stores were allocated greater amounts of the marketer's in-store investments than those who only occasionally shopped in drug stores.

The result of this type of analysis provided the following information:

(1) Using this approach, the marketer now knew, for each of the consumer groups, what that group was worth, both in terms of current profit contribution to the brand and in terms of the growth opportunity that existed.
(2) The marketer also knew how much they (the brand) had invested in marketing communication programmes and against whom.

The output of the model therefore was quite clear: the marketing communication manager could now compare consumer value data with consumer marketing communication investment levels. This, Hayman and Schultz argued, provided true Return-on-Customer-Investment measures that could be managed over time. That could be done by comparing changes in brand profit contribution per consumer to changes in brand spending levels per consumer. Most importantly, all of this could be done using financial, not communication, time frames, that is, it could be developed quarterly, annually or on some other time-specific basis.

The preceding is essentially what Hayman and Schultz developed and explained in 1999. They suggested that there were a number of opportunities for future developments using the basic frameworks and analytical techniques they developed.

We now turn to the next level of analysis that can be derived from this basic approach. That is the idea of identifying and valuing what we call Consumer Touch Points. We relate these touch points to the next level of marketing and marketing communication planning.

CONNECTING THE NEXT SET OF DOTS – ROTPI

The next level: maximising return-on-touch-point-investment

We now believe that these concepts can be carried a step further and thus optimise the allocation of marketing investments across a firm's touch points with its customers and prospects. The key benefits are an approach for better aligning touch-point strategies with the most appropriate business objectives, customers and prospects, as well as the establishment of an objective framework providing an analytic means of determining spending priorities and levels across those touch points.

Currently it is common in marketing vernacular to refer to 'touch points' as tangible and specific channels through which the customer interacts with the brand or organisation. Numerous authors – both from the academic and management consultant arenas – have asserted the importance of touch points in creating and maintaining value flowing from the firm's customer relationships (Schultz & Barnes 1999; Davis & Dunn 2002; Fortini-Campbell 2002). In addition, many of these authors have asserted the importance of tailoring touch points to best serve the firm's most valuable customers. Indeed, touch-point strategy is an important element of Customer Relationship Management, and many firms have made substantial investments to improve their ability to deliver more customer-centric sales and service.

Customer Touch Points and interaction events

As a matter of clarification, we must distinguish between the notion of a customer touch point and an individual interaction event. A touch point represents a channel through which customers interact with the firm's products, or with the firm itself. An interaction event represents a specific and individual contact between a customer or prospect and the firm. This contact may be direct or indirect. A firm's customer call centre is an example of a direct touch point, while a specific call from a customer to the call centre represents a direct interaction event. Television advertising is an example of an indirect touch point, while a specific television advertisement viewed by an individual prospect represents an indirect interaction event. This distinction is important for providing a comprehensive framework for analysing a firm's touch-point strategy and spending, because the individual interaction (be it direct or indirect) represents a common increment upon which we can compare cost and revenue generation across the array of existing or potential touch points. This ability to compare touch points based on a common increment, or standard measurement unit, is an essential component for establishing return on the firm's touch point by providing a mathematical means of determining each touch point's contribution to ROCI.

Customer Relationship Management theory tends to emphasise direct interactive touch points and direct marketing channels. In our view, we believe all of the firm's advertising should be included in any comprehensive touch-point analysis. For many firms, advertising represents a substantial portion of their annual spending, therefore the optimisation of this spending is critical in the firm's efforts to maximise profitability. Additionally, we would assert that the strategic and economic dynamics that determine return on a firm's mass advertising investment are similar to those of one-to-one elements.

Return on Touch Point Investment (ROTPI)

Ultimately, the firm's marketing strategy – optimised according to its emphasis on specific business objectives, customers and prospects – must be executed through an array of touch points (or channels) where the firm interacts with customers and prospects through both direct and indirect interactions. The concept of Return On Touch Point Investment (ROTPI) is aimed at enhancing the means by which marketers can apply the ROBI and ROCI concepts in the market place. It is intended to complete the establishment of a strategic framework for deploying the firm's marketing strategy through an optimised mix of customer and prospect touch points. This strategic framework provides the firm with the following benefits:

- focuses individual touch points (or channels) on specific customer segments and marketing objectives for which they are best suited
- optimises the firm's overall touch-point investment to maximise financial return.

The ROTPI concept is based on the following precepts:

(1) The individual interaction event serves as the standard unit of cost and value for analysis.
(2) ROI analysis determines the role individual touch points play in the firm's marketing strategy. These roles should vary according to the business objectives they are best suited to accomplish and on the customer or prospect segments they serve or target.
(3) ROI analysis determines the appropriate level of investment for each touch point, as well as for the firm's overall touch-point investment.

Standard unit of cost per interaction event

Touch points vary widely, both in terms of the nature of interaction and the cost-per-interaction. An essential step in the analysis process is the development of a standard unit of measure that can be used to compare the cost and value-generating potential of interactions across a diverse set of touch points. First, it must be established that there is both a return and a cost associated with every single interaction event between the firm (or its products) and a customer or prospect. The establishment of this principle is necessary to provide a standard unit of measurement, making comparisons between diverse touch points possible.

The cost of an interaction event through a given touch point is based on a combination of the variable costs associated with the interaction itself, and a fair share allocation of fixed costs distributed across the sum total of the touch point's interactions. The calculation of this cost-per-interaction differs across various types of touch-point classifications. For example, the cost of an interaction event through a customer call centre would involve the variable costs of the call itself, the staff resources and time utilised during the call, and an allocation of fixed costs associated with the call centre (development costs, overhead, and so forth). The cost of an interaction with a firm's advertising requires a different calculation of cost than a direct interaction with the firm. Variable costs for a single advertising interaction are the cost of the media through which it has been delivered, while fixed costs relate more to those costs of developing the advertisement itself.

The marketer must make decisions on the front end of analysis regarding the accounting treatment of fixed costs – establishing the cost basis, methods for distribution, depreciation, and so on. Additionally, since the point of the exercise is really to establish spending priorities before the money is actually spent, the marketer must decide how to deal with certain fixed investments that are under consideration. In cases where new touch points are being considered for investment and there is no existing cost basis, we would recommend that the marketer initially utilise a fairly conservative level of investment. Larger investment options are best considered at the conclusion of the analysis as the marketer moves to the actual reassignment and allocation of dollars. Likewise, for existing touch points where a cost basis does exist, we recommend using this existing cost basis for the initial stage of analysis. Once again, additional investment options can be considered at the conclusion of the final step of analysis.

Standard unit of value per interaction event

The role various touch points play in creating value in the consumer–brand relationship may differ greatly. Within a given touch point, value per interaction varies according to marketing objective. This is based on the logical assertion that certain touch points are better suited than others for accomplishing specific business objectives. For instance, a firm's television advertising may be a critical element driving awareness and trial, whereas a customer service representative may be most critical for driving share of requirements, cross-sell and retention.

The value of an individual interaction event is based on the value of the customers or prospects it involves and the degree to which the event has the ability to influence their attitudes, knowledge or behaviour in a way that generates incremental value back to the firm. Numerous factors may contribute to determining the value of an individual touch point, including its proximity to a purchase decision or transaction, the persuasive power of the channel, depth of engagement, customer or prospect mindset, among others. The value of a given touch point is essentially the value of a single touch of the touch point multiplied by its reach and frequency.

Valuing interaction events across all of a firm's touch points requires a combination of analytic techniques. For instance, a review of market research data showing incremental business gains stemming from previous campaigns is useful for the valuation of certain advertising interactions (such as direct mail), while internal records (such as call centre data, web transaction data and so forth) are most useful for valuing interactions directly linked to actual purchases. Wherever existing historical data can provide a quantification of total (or gross) interactions, resulting transactions that are incremental to the business, and an average value per incremental transaction, an estimate of interaction value can be calculated.

For certain advertising touch points, particularly those associated with mass channels, where interactions are anonymous in nature, quantification of incremental value is obviously the most difficult to achieve. The most precise approach to determine these values requires primary research. This manner of analysis may be facilitated through traditional match-market experiments where mass campaigns are run over a period of time with various mixes and weights. This type of experiment may also include a control market. There are, of course, drawbacks associated with this approach. It is impossible to control, or even predict, all of the market conditions that impact sales. Additionally, these experiments typically require a long duration and are costly to execute.

Another approach to quantification is primary research aimed at projecting an interaction's impact on sales. Such an approach must first predict the likelihood of an individual being exposed to an advertisement through a given channel. Then, using a forecasting technique, predict the degree to which that individual would respond positively to a given advertising impression delivered through that medium.

A third approach aims less at establishing a specific value per interaction and instead provides an assessment of advertising impressions delivered across segments characterised by customer valuation and marketing objective. This approach seeks to replicate the firm's segmentation within databases that provide the most precise measurement of advertising impressions delivered through various media. Fundamentally, this replication must be as comprehensive and precise as possible in order to provide an accurate assessment of how well the firm's advertising impressions fit its strategic and customer priorities. Executing an effective replication typically requires data overlays to the firm's segmented database to make its data elements more comparable to those contained in the databases that measure consumer media behaviour. Once the databases have been made more comparable, statistical modelling can be employed to arrive at an optimal means of replicating the firm's segments within the media measurement database. Model validation is essential for gauging the effectiveness of this replication, namely the precision with which the resulting segments truly reflect the intended segment, and the degree to which they capture the intended segment.

With the firm's segmentation effectively replicated within the media measurement database, delivery of a given schedule can be assessed across segments. This assessment should provide a gauge of impressions and reach by segment. Although this approach does not take into account the ability of an impression through a given medium to influence behaviour, it does provide valuable perspective on how well the firm's investment in a given medium corresponds with its ROI-driven priorities.

ROI analysis determines the role individual touch points play in the firm's marketing strategy

Having established standard units of measurement across touch points relating cost per interaction, as well as for value creation per interaction according to defined marketing objectives, we are now prepared to apply a scale dimension to the analysis and begin assessment of touch-point economies. The scale dimension is necessary to account for the probability that no single touch point has the potential to deliver universal reach among targeted customers or prospects. In order to maximise the firm's overall business potential, it is essential to the optimisation process that touch-point strategy balances the need for both reach and efficiency. Given standard units of measurement for cost and value, combined with the optimisation requirement of meeting a certain reach threshold, the ROI process can move forward in a fairly straightforward fashion – identifying the optimal weight of interactions across both business objectives and touch points to meet the reach threshold, while maximising ROI.

A key outcome of this phase of analysis is the discovery that certain touch points deliver ROI relative to specific business objectives better than others. Another key outcome is the discovery that touch points deliver reach among various customer and prospect segments at varying degrees of efficiency. These outcomes serve as the basis for defining the individual roles of touch points for serving specific business objectives, as well as for targeting certain customer and prospect segments. Lastly, weighting of customer interactions for a given touch point, combined with the cost per interaction event, reveals the scale of budget required to fulfil the optimal contribution to ROTPI.

CASE STUDY

The following example – based on a project conducted for a consumer products company whose sales channels involve a combination of third party retailers and its own speciality shops – provides a demonstration of the ROCI concept extended to touch-point optimisation.

The company in question had annual revenue of approximately $4 billion, with a total marketing budget of around $300 million. The firm was well aware of the fact that a relatively small portion of its customer base accounted for a large percentage of its revenue – the same was also true for the category in general. In an effort to increase share of requirements (SOR) among high consumption consumers, the firm had instituted a points-based loyalty programme, which had been highly successful. The firm also utilised a variety of other advertising and promotional channels (or touch points) for creating and maintaining awareness, and for driving purchase around key seasonal buying periods.

Although the firm continued to maintain a strong leadership position in the category, management believed its marketing investment could be further optimised for increased ROI. They wanted to build a marketing mix model that took into account channels other than mass, that allowed them a flexible means of quantitatively assessing a variety of alternative marketing channels, and that provided granular perspective on specific consumer segments and marketing objectives. The firm retained the authors to execute this analysis based on ROCI and ROTPI concepts.

Ultimately, this analysis succeeded in identifying a more optimal allocation of resources across the marketing mix, and resulted in a reallocation of the firm's marketing dollars. Although we do not know the exact impact on the firm's profitability, the analysis continues to be referenced by its managers at various seminars and conferences. Based on these references, it apparently has had a substantial positive impact on the firm's marketing efforts.

The analysis utilised a variety of data sources, including the firm's own marketing database, syndicated purchase panel, MRI and Nielsen Media Research. There were three key phases of the project:

(1) segmentation and valuation
(2) analysis of marketing delivery and investment across the segments
(3) assessment of ROI per segment.

Syndicated purchase panel data served as the basis for segmentation, because it was the only source that offered a comprehensive view of category and brand purchases across all relevant channels. The segmentation scheme utilised was based on two dimensions – consumption per household and the brand's SOR per household. To classify panellists according to consumption, the researchers simply took all of each panellist's transactions over the one-year period, and then split the panellists into two equally sized groups. Panellists were classified into three groups to establish the SOR dimension – a high SOR (or loyal) group, a low to medium SOR (non-loyal) group, and a zero SOR (competitive brand user) group. A six-cell matrix was established based on one year of panellist transactions (see Figure 2).

This segmentation scheme was effective in classifying consumers based on the degree of opportunity they offered the firm, as well as by the specific type of opportunity they presented – retention, increased SOR (loyalty), penetration and increased consumption. The following matrix (Figure 3) shows how strategic objectives were applied to the panel segmentation matrix.

The second stage of the analysis was to apply the firm's marketing investments – involving multiple touch points – across the matrix. To accomplish this, the researchers needed to replicate these segments in databases containing measures of communication and advertising impressions (e.g. MRI, Nielsen Media Research and the firm's CRM database). Detailed data from the firm as to the amount of money spent for each channel was also obtained.

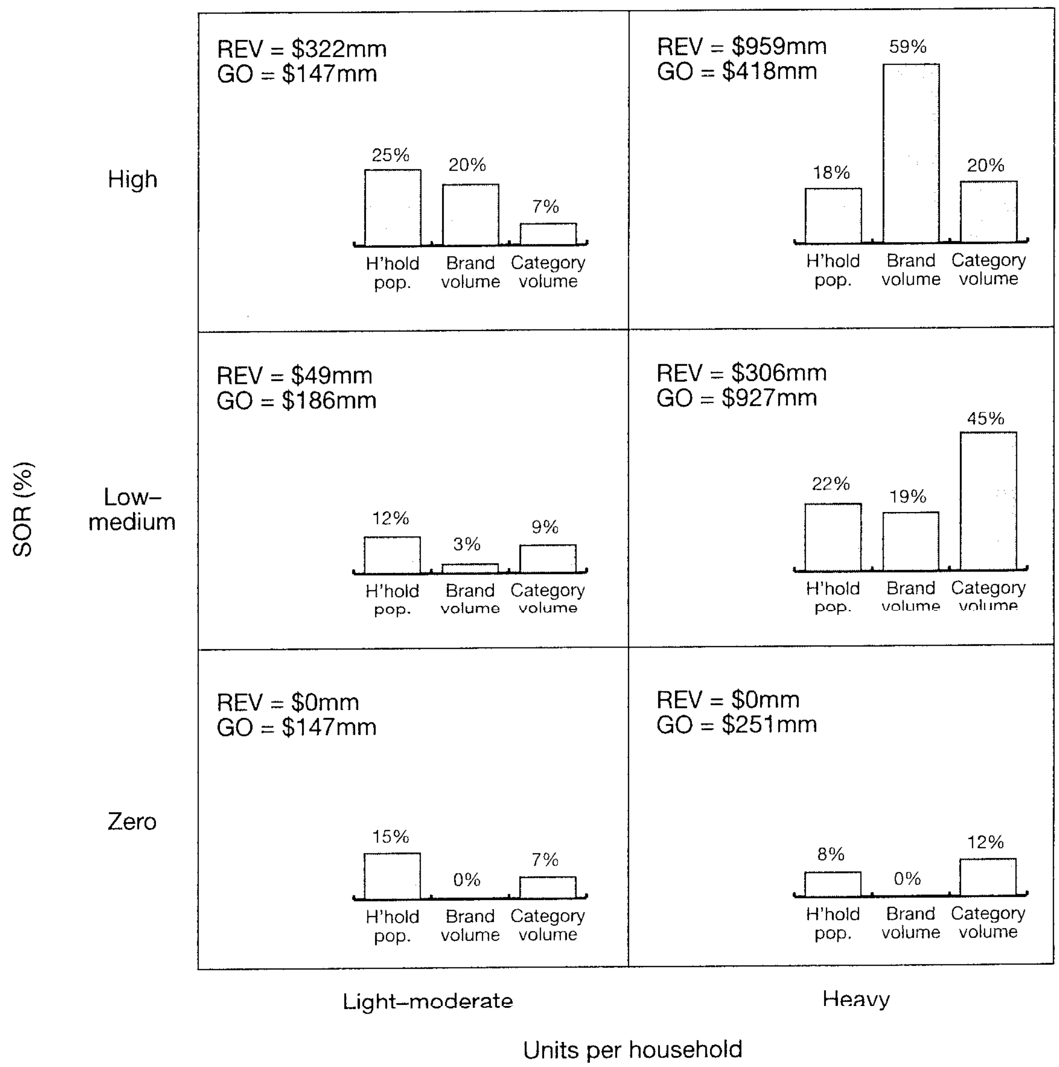

FIGURE 2 SEGMENTATION AND VALUATION

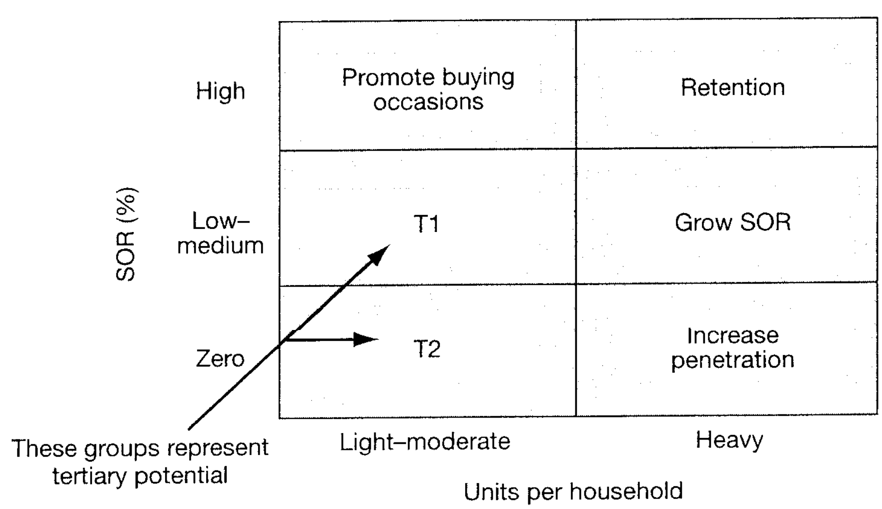

FIGURE 3 STRATEGY MATRIX

Replication of the segments in the touch-point databases was accomplished through statistical modelling techniques using demographic and geo-demographic data that was common, or could be made common through data overlays, across databases. Once these segments were replicated in these databases, given respondents and their media behaviour could be associated with a specific consumer segment. The firm's communication and advertising schedules could then be applied to the data, to provide a projection of the impressions and cost by segment. By applying the detailed cost information provided by the firm, a specific cost associated with each impression could be calculated. Once this step of analysis was completed, results were then applied back to the segmentation matrix to set the stage for

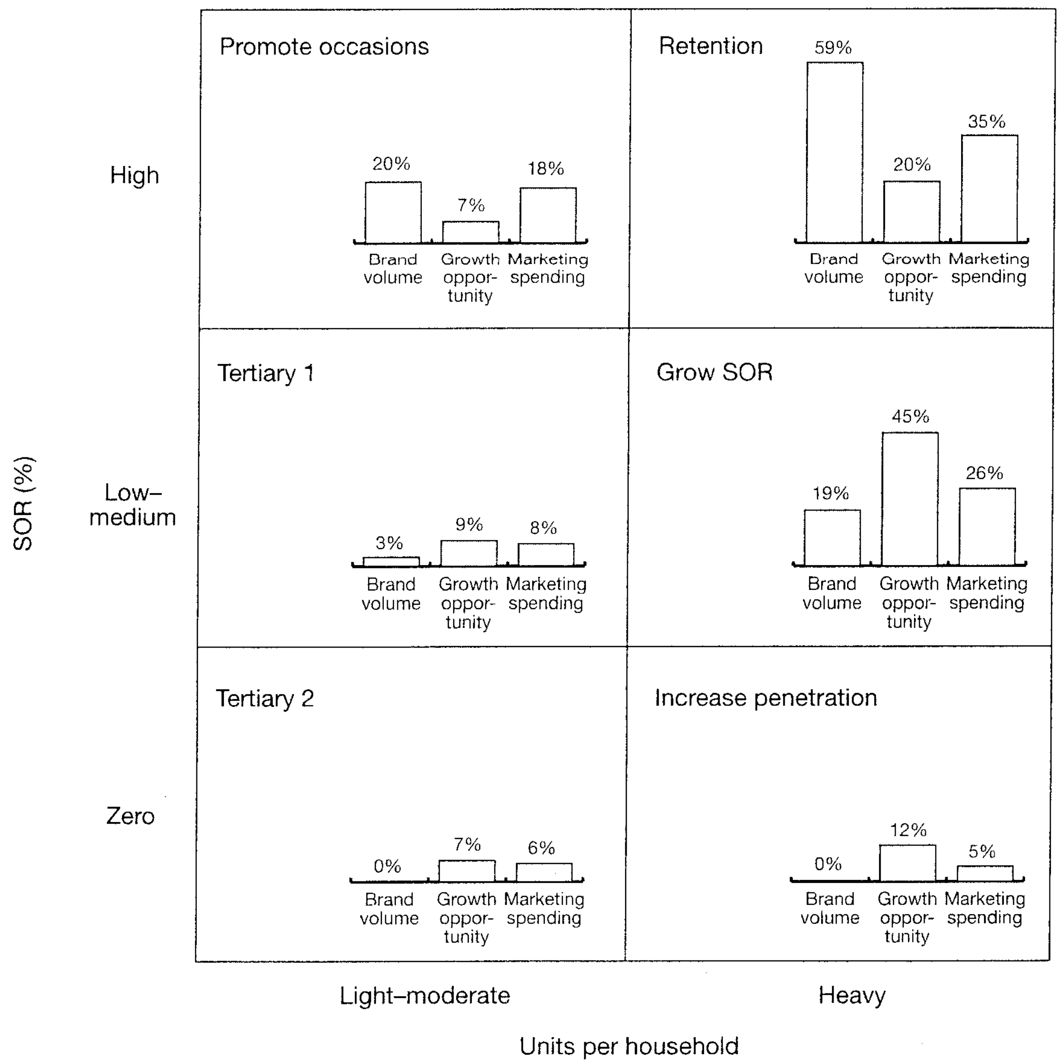

FIGURE 4 OPPORTUNITY VS. SPENDING WITHIN STRATEGY SEGMENTS

TABLE 1 UNDERSTANDING SPENDING RETURNS

	Adjusted retail development margin ($/HH)			
Value segment	**Total value**	**Brand value**	**Opportunity value**	**Spending**
Retention	25	**18**	7	**7**
Grow SOR	15	4	11	4
Promote occasions	5	**4**	1	**3**
Increase penetration	10	0	10	2
Tertiary 1	6	1	5	3
Tertiary 2	3	0	3	1

assessment. The following matrix (Figure 4) shows how the firm's communications and advertising spending was broken out across the segments.

At first glance, spending looks fairly well aligned with some mix of current revenue and growth opportunity. The greatest investment is going to the Retention group, followed by the Grow SOR and Promote Occasions segments. Less is being allocated to the other, lower priority groups.

The next step was to assess ROCI per segment, where it was discovered that, despite apparent alignment of opportunity and spending, only two of the segments were exhibiting a positive return on the firm's marketing investment (see Table 1).

The numbers shown are 'adjusted margins' to the firm and should be treated as 'profit' as opposed to revenue. The 'Retention' and 'Promote Occasions' segments show a positive ROCI of $11 per HH and $1 per HH respectively. The 'Grow SOR' group is now clearly being 'under-allocated' relative to its opportunity value. The 'Retention' group, vital to the health of the firm, was contributing more profit to the firm than the sum total of the other segments. Given this importance, and the magnitude of its ROCI under the current allocation, it was probably beneficial to boost investment in this segment.

The final step was to assess the ROCTI by each area of marketing spending. This analysis substantiated the investment in the loyalty programme and seasonal television advertising, and suggested that spending in retail outlets and print could be reduced. In addition, the model allowed for the creation of 'what if' scenarios to simulate the recommended changes in the marketing mix.

RECOMMENDED NEXT STEPS

We believe the addition of ROCTI expands the original Hayman and Schultz concept to the practical level of marketing mix modelling and planning. In a sense, it 'connects the dots' back to their origin (i.e. programme ROI) by illustrating the importance of evaluating customer touch points relative to one another, not in isolation. In this manner, a true 'Value of the Touch Point' to the company or brand can be quantified, evaluated and acted upon.

This brings us to an interesting question – what does the customer think of all of this? As more touch point opportunities are made available to marketers and as technology continues to make increased personalisation of marketing messages possible, what does the consumer think?

Schultz and Bailey (2000) have discussed a reciprocity approach to marketing strategy. Perhaps a similar approach should be applied at the customer touch point level. This current paper deals with determining the 'value of the touch point to the brand'. What about the 'value of the touch point to the customer'? We suggest that primary research explaining how and why customers interact with, and prefer, certain brand touches will be critical in determining how often, and by what channel, marketers push messages out towards customers.

The authors have completed some preliminary work in this area for a large durable goods manufacturing company, consisting of multiple business units. The firm in question hypothesised that – due to the number of business units involved – it might be communicating to its customer base with too much frequency. Their concern was not based on ROI, as programme measurement was well established on an individual programme basis, and results were generally positive. The primary point of concern was that excessive communications would cause customers to view the firm as a nuisance or worse.

The analysis explored both in-bound and out-bound communication across all direct-to-customer touch points to quantify communications activity by segment. Through a combination of direct mail, email, telephone and personalised website, there were four discrete classifications of customers based on frequency with which the units of the company communicated with them:

(1) super-heavy: 4% of the customer base; receiving 8+ communications annually

(2) heavy – 14% of the customer base; receiving 5–7 communications annually
(3) moderate – 29% of the customer base; receiving 3–4 communications annually
(4) light – 53% of the customer base; receiving 1–2 communications annually.

Primary market research was then conducted among customers in the heavy and super-heavy communications segments. Based on qualitative (focus groups) and quantitative (survey) research, it was determined that customers did not believe they were receiving too many communications. In addition, analysis revealed even high levels of frequency had no detrimental effect on customer attitudes toward the firm or its products, or on purchase intent.

Customers did, however, express strong preferences as to the method of communication. Direct mail was far and away the most preferred method for receiving information from the company (79%), followed by email (13%) and telephone (4%). Customers' rationale for this preference was the non-invasiveness of the medium, and the fact that receiving information in this manner required very little of their own effort.

Based on this analysis, the firm has cancelled an initiative to implement highly restrictive rules in its campaign management system (i.e. to decrease frequency of communications). Although practical controls are now in place to manage timing and frequency, business units are not saddled with strict limitations. Another important outcome of the analysis has been renewed emphasis on direct mail as a primary vehicle for communications, relative to online programs and emerging wireless activities.

Most likely, customers will increasingly be more selective in their information and entertainment channel preferences as options continue to multiply. Sorting through the myriad choices will be equally important for marketers who want to be efficient with their marketing communications budgets and programmes. Identifying the touch points that are of high value to the brand and of high value to the customer is probably the best place to start.

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