

Platform that Organizes and Interprets Data generated by Consumers across Devices and Engagement Opportunities for an Actionable Marketing Campaign



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CEOCFO: *Mr. Wright, your site indicates data-driven intelligence applied and delivered. How do you do that at Targetbase?*

Mr. Wright: If I had to use an analogy for what we do, it is kind of like installing a high-performing home stereo in your home today. You can go and find many best-in-class parts. You can find stereos, receivers, speakers, wires, cable companies, or handheld devices; all kinds of things that you need to create this to work in a seamless fashion. However, the reason why you have companies like Star Power or Geek Squad is because most do not know how to put them together and get it to work. This is a good analogy to think of with Targetbase. What we do is create an environment where we can loosely couple and interchange as technology is developed, but we organize and connect data to make them work the way our clients would like them to work. That is because, ultimately, this game is about trying to make sense of all the data that is currently being generated by consumers across a plethora of devices with engagement opportunities and interactions in the marketplace. Companies are trying to make sense of this. What we do is organize data in a way that our clients can understand it, be able to interpret what is there, and then translate and apply it into an actionable marketing strategy. We create that intelligence and translate it into a marketing campaign that is about omnichannel. Consumers today want an uninterrupted conversation across a plethora of marketing channels. They do not like to hit stop and restart. They think the company should be able to continue a conversation with a customer and know who they are and treat them like a valued customer and this should happen automatically. For example, I could be a high-value customer of the GAP. I go online and visit the GAP's Website. I search for a pair of jeans and find some that I want, but I do not want to buy them online, because I want to actually go into the store. Therefore, I go into the store the next day and the retailer has technology in the store called the beacon. Since I am already a customer of the GAP, the GAP app recognizes me as a customer when I visit the store and sends me a text that says, "Mark, thanks for coming into the store. We noticed you were online last night and you were looking at a pair of jeans. We want you to know that we have those in your size and Judy is actually pulling them for you and will leave them by the dressing room. If you decide to buy the jeans today, because you are a high-valued customer, we will give you 15 percent off if you buy them in the next 30 minutes."

CEOCFO: *Do most companies understand they should be seamless, or do they realize it more so when they engage with you and you explain to them that it is possible?*

Mr. Wright: It's a mix. I think there are companies out there that are extremely sophisticated, like Amazon, which provides an uninterrupted experience, and I think that they have been able to identify with the consumer. They know who they are and they provide relevant products. They understand their buying history. They know how much they are worth. I think they vary their promotions and their offers based on your value and your future value. They are at the top of the food chain. I think there are also retailers out there who have the ability to know who you are. You come into a store and you swipe your credit card. You give them your phone number. They track you and can tell you who you are because they asked you for your phone number, but they do not know anything about you. They treat you like you are a new customer every time you come into the store. They do not connect the conversation between the Website and their promotions or their call centers and their customer service. It is just completely disjointed and you would swear you were dealing with eight different companies, although it has the same branded logo. I think there are also companies in between. This is why we are in business! Our job is to try to get everyone to perform like Amazon.

CEOCFO: *Do many companies feel the need to understand the wishes of the customer or are they behind the times?*

Mr. Wright: Categories are not all created equally; it depends on your brand and your relationship with that consumer. Some brands do not have a direct relationship with the consumer. For example, consumer packaged goods (CPG) products are sold through a third-party retailer. In some respects, retail has sometimes created that interface with brands, so you have specialty shops like Ralph Lauren that have created that relationship. However, many CPG brands, such as Kraft, Procter & Gamble, or General Mills, sell through grocery stores. They do not have a direct relationship with that consumer. The consumers come in and they buy their brands inside another retailer. Therefore, they like that POS interface.

Then there are categories of brands the consumer may not care to have a relationship with, such as your laundry detergent. Do you really want to have a relationship with your salad dressing? The retailers that are out in the marketplace—the ones that are interfacing directly with the consumer—those are the ones consumers are looking for. They don't provide a loyalty type of engagement with that brand, but they are looking for a seamless experience. They do not want their time wasted. They want it to be relevant. They want it to be respectful. They want it to be easy, and they want to be able to find what they are looking for in a hurry. Then they want that conversation to be consistent, no matter how they engage that brand. I think that because of those things each company, when you map it out, maybe has a different version of what that experience or relationship with the brand is. Our job as marketers, data scientists, and customer strategists is to figure out to what degree the consumer is looking for a relationship with you and then what does that mean for you and that consumer. Some relationships, such as for a car company, are extremely important. That is a very large purchase. It is a big decision. The cycle of buying a car is predetermined. There is a pre-period, there is the purchase period, and there is an after period. I think consumers understand and companies are trying to create connections in between those different stages.

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CEOCFO: *Is it all in the data? Is there a human element or gut feeling? How do you marry the two?*

Mr. Wright: Absolutely there is! First, data is like looking in a rearview mirror. There is reporting, which I think a lot of companies in the marketplace have data and they just report on it. They tell you what happened. Telling you what happened can maybe be a predictor of what could happen, but then I think there is a lot of data that is more prescriptive. I think that data has moved from informing marketing to living within marketing. What I mean by that is that campaigns have moved from being linear and static to living in the moment. They can move all over depending on the consumer's choice in terms of their own customized experience with that brand. Therefore, the need to be able to take data and model it and determine what to do with it before the consumer does something is really important now, and they are calling that "decision rule engines." These decision rule engines try to listen to what the consumer is doing in the marketplace, interpret it, react, and then push something back in real time. The only way you can do that is you have to have your strategies and your offers preprogrammed like a vending machine, so that when the consumer comes and does something, the machine reacts accordingly. That is not how you used to have to do it with direct mail. In direct mail, you would do your analysis and set up your direct mail campaign and figure who is going to get what and preprint everything and then send it out in the mail and wait for it to come back. It does not work like that anymore when consumers are working on devices that make decisions in seconds.

CEOCFO: *Would you give us an example of a problem that a company came to you with and how it has changed by what you have provided?*

Mr. Wright: I will give you an easy example that everyone will understand. For instance, a grocery store. A grocery store is a wonderful place because there are probably six or seven different stores inside a store. Customers who come to a grocery store are not always the same and they do not all spend the same amount of money. However, most grocery stores treat everyone the same. You come into the store. There are products available for everyone. They have sales on to attract people to shop there. You fill up your basket and you go to the checkout line and you ring it all through and you leave. The grocery store will ask you for your phone number every time when you leave and for some reason nothing ever changes. However, when we went to a grocery store in the Northeast and we helped them understand that the Pareto principle was in place—20 percent of the customers were generating 80 percent of their revenue; in fact, the top 5 percent of their customers were generating almost 25 percent of their revenue—it means that people are spending, interacting with, and engaging that store differently. Some people come in and they buy all of their groceries at that one store—

everything. They buy their meat, their produce, their inner store, their dairy, their frozen food, their pharmacy, health and beauty—everything all in one store. Some people come in and they only buy the loss leaders. They buy the things that are just on sale and the companies do not make the same amount of money from those customers. In fact, if you treat everyone the same way, you are missing out. That is because if you have lost one of those best customers, one of those customers that is spending \$250 a week, it is worth 10 to 50 times more profitability than the guy who comes in and just buys your loss leaders. Most of those grocery stores could not tell you who those people are or if they left and never came back. Therefore, knowing who those people are is really important. One of the things that I said was, “Would you not like to know? Because I can tell you who they are based on their current transactions. If we just created a really simple, not very sophisticated marketing strategy, I could tell you who they are and they will identify themselves every time they come into the store.” One of the things that I said was, “Send these customers that spend all of this money with your store a promotion every time they come into your store—maybe once a week they can go to the bakery and get a free pie. ‘When you go to the bakery, give them this number and you will get a free pie just for being one of our best customers.’ ” The manager says, “Why would I do that?” I said, “That is one of your customers that spends \$250 or more a week with you. He is worth a fortune to you and you only have 220 in your whole store every week. Therefore, this guy is really important. Would you not like to treat him differently?” “What do you mean?” “Well, if you see him in line, you probably want to pull him out of the line and put him into a new line, because this guy is worth a lot of money to you! If you see him looking for something in the store or he asks a question, you are going to want to make sure that you treat this guy differently. If you have anything new going on in your store, you would probably want to introduce this person to it, because he is one of your best customers.” Another strategy could be the most profitable aisle in a grocery store: the health and beauty aisle. However, most people do not buy their health and beauty at a grocery store. If you were going to advertise offers to someone to come into your store, you would not just give them a flat “Here is \$5 off your grocery if you spend \$50.” That is because there are a lot of people in that store that will spend \$50 and you just gave them \$5 off for something they would have done anyway. However, if you knew that this customer had never bought health and beauty from Roundy’s before; if I can get you to buy health and beauty at Roundy’s, I am going to make incremental money off of you. That is because you have not done it anyway, and if I give you an incentive to do it and I can get you to do it again and again, then I have made more money off of you if I have increased the value of you as a customer. We look for strategies like that to cross-sell, up-sell, and increase current behavior, rather than rewarding what they are already doing. If you look at what they are already doing and you analyze it, instead of just sending generic offers to everyone for the same thing, actually look at opportunities to create differentiated offers that provide incremental performance and gain, which makes the marketers really happy. That is because they are all being asked to account for the money they are spending on marketing against driving higher profits and revenues. The science that we bring to it is that we can actually target people with specific offers that we know drive incremental performance.

CEOCFO: *How is business these days?*

Mr. Wright: Business is good for us! When you have everyone talking about data and everyone talking about analytics and everyone is struggling with how to interpret it and translate it and then how to connect it all across all of these different channels that the consumer is now working in; we are in a good spot. That is because we have been doing this for 15 years. I would say that the market has floated right up to our front door.

CEOCFO: *Are you able to handle all of the business? Is the automation such that you really can bring on new clients and easily work with them as they come in?*

Mr. Wright: I am going to answer that in a couple of ways. One, technology is not easy. Clients today think it should cost the same as if you were to execute a direct mail campaign 10 years ago in a static, linear fashion and it should actually cost less today for you to be able to connect conversations across 15 different access points and create a seamless conversation across those points and integrate data and intelligence into those conversations to make it most relevant to that consumer. Clients have an unrealistic expectation in terms of thinking the cost should be the same, and it is not. It is expensive to be able to integrate the science and the connectivity into today’s marketplace. Clients have not necessarily understood the value between what they used to get in the legacy-type marketing environments verses this new digital world that we live in, where everything is at the fingertips of the consumer across a plethora of devices. The other challenge we face is resource expertise; human capital. There are not enough exceptional people out there that have learned the expertise of trying to leverage all of this data, translate it, and apply it. This is because it is no longer just okay to be good at analytics or just good at technology or just good at creative. To effectively reach a consumer today requires an integration of all of those things. It is just creating a higher degree of expertise across the employee base, training and keeping employees current. It reinvents itself every six months. Therefore, trying to stay current is a challenge. Then, when you are trying to manage people while you are trying to drive a profit for your own company, it can be very difficult to execute. I would love to be able to just take on every piece of business that comes to our door, but we have to be selective. You cannot just take everything. Strategically, one has to find clients that align with the objective of what your

company is best at. I think if you take on the wrong client you can undermine your own credibility and equity of your company by doing things that you are not good at. You need to be really good and understand what you are really good at and focus on those things and not dilute the value of your brand or your offering by taking on projects that are not necessarily your core expertise.

CEOCFO: *Did you understand that from day one, or did you learn that over time?*

Mr. Wright: I learned it. I think most of us learn the hard way; I certainly have. The agency world often gets caught up in new business wins and growth. There is so much competition and so much convergence in terms of service offering out there. Everyone says they do everything and offer everything. I think the value of the clients that you have becomes most important, because pitching a piece of business today is expensive. It takes a long time, and generally procurement will wear you down in terms of how much margin you are going to make off of that business. You will grow your business much more effectively by focusing on core clients that you already have and evolving them and nurturing those relationships. That is not able to happen if you are chasing every prospect in the marketplace. I think that adding the right new clients every year is a great strategy, but control the leaky bucket. Make sure you put the emphasis and the priority on the ones you already have. I learned that the hard way. I think many agencies chase new business all day long. They send their dream teams from pitch to pitch. They do not put the effort and the level of investment into their current clients, and for those reasons I think they churn their client rosters. At Targetbase, we have done an admirable job keeping long-term relationships in the agency world with clients—10- and 15- and 20-year relationships, which is unheard of. Usually, in the agency world clients turn over every three to five years.

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