Event Based Marketing (EBM)

Daniel Tehan
Senior CRM Consultant

You've never seen your business like this before.

Agenda

• The EBM Space
• EBM in Banking
• What is an event
• Events in our life
• Effectiveness of EBM
• What needs to be in place to make it work
• How effective has it been around the world
The EBM Space

You've never seen your business like this before.

What is EBM to me

Data From Source Systems

People and Process

Data Warehouse
What EBM is to Organizations

What is EBM to the Analysts
Who plays in this space?

- Data warehousing (Teradata, DB2, Oracle, etc)
- Data Loading & Scrubbing (Infomatica, etc)
- Data mining (SAS, Clemintine, TWM, etc)
- Data analysis tools (TCRM, Microstrategy, etc)
- Data reporting tools (Cognos, Business Objects, etc)
- Campaign Management tools (TCRM, Unica, Siebel)
- Marketing Resource Management (Aprimo, etc)
- Event Trigger tools (TCRM, Unica, Data Distilleries)
- Transportation Protocols (Corba, COM, .Net, ftp)
- Call centers / IVR’s (Siebel, etc)
- SFA (PeopleSoft, Siebel, MS, etc)
- Mail houses (Salmat, etc)
- Email / SMS Servers (MS, LSoft, etc)
So what does this all mean to banking?

- It is cheaper to increase the wallet share of an existing customer than to acquire a new customer.
  > Acquiring a new banking customer is the US costs $3,500.00

- Not to mention
  > We already have a customer file for existing customers
  > We already have a relationship and brand awareness with the existing customer
  > We are not paying for lists that we know nothing about

- Database marketing in the banking industry is a significant portion of the marketing budget
- Database marketing is responsible for
  > Modelling of customers

The Banking Opportunity

Knowledge (loyalty, churn, bundling of products) facilitates a "profit wedge" effect, by enabling action (Campaign management) and asset utilization optimization (channel planning, capacity, costs analytics).
Knowledge Evolution

**STAGE 1**
Reporting, WHAT happened?

**STAGE 2**
Analyzing, WHY did it happen?

**STAGE 3**
Predicting, WHAT will happen?

**STAGE 4**
Operationalizing, WHAT IS Happening?

**STAGE 5**
Active Warehousing, What do I WANT to happen?

- Primarily Batch and Pre-defined Queries
- Increase in Ad Hoc and Concurrent Queries
- Analytical Modeling Grows
- Continuous Update & Time Sensitive Queries Gain Importance
- Event Based Triggering takes hold

Action Evolution

**Stage 1**
Reporting, WHAT Happened?

**Stage 2**
Analyzing, WHY did it happen?

**Stage 3**
Predicting, WHAT will happen?

**Stage 4**
Operationalizing, How do I make it happen EVERYDAY?

**Stage 5**
Active Warehousing, What do I WANT to Happen?

- Primarily Batch with predefined queries
- Increase in Ad-Hoc Queries
- Analytical Capabilities Grow
- Continuous Update & Time Sensitive Queries Gain Importance
- Event Based Triggering takes hold

- Communication Infrastructure
  - I have regular, planned communications to make to my customers.
- Communication Infrastructure
  - I have some unplanned communications to make to my customers.
- Marketing Automation
  - I want to retain & grow customers based on profiling, segmentation and predictive models.
- Behaviour Based Marketing
  - I want to respond quickly (within 24–48hrs) to any change observed relative to the customer.
- Customer Optimisation
  - I want to optimise all communications to my customers based on the needs of the individual customer.

- Batch
- Ad-Hoc Analytics
- Interactive Analytics
- Continuous Update, Short Queries
- Event Based Triggering
What is an Event

A significant event is the initiation point for a campaign.

Events actively identify significant changes in customer behavior that indicate the customer has a strong need!!
A Paradigm Shift

From: Company/product-push

- Proposition
- Segment
- Propensity
- Offer

To: Customer/need-pull

- Customer Event
- Significance
- Evaluation
- Service Need

Event Based Marketing has a Proven Record in Servicing Customer Needs

Traditional Target Marketing
- Select Customers who fit a certain criteria
- Typically executed once (single shot) or quarterly/ bi-annually, annually

Customer Needs Marketing
- Identify Customers who fit a certain criteria
- ONLY Contact those customers whose transaction behaviour suggests they have a need for additional credit

For example - Credit Card Customers
Age between 25-45, good payment history, Certain level of activity

For Example - Credit Card Customers
Age between 25-45, Good payment history, certain level of activity AND have spent within 30% of their current limit
Continuous Event Based Marketing

- And run the event based selection every day/week
- Contact less customers for each event cycle (lower cost)
- For a higher return on investment (high success rates)

![Diagram showing continuous selection of the best customers everyday.]

It’s about Servicing a Customer’s need

The first key capability is to service a customer’s need **when the need arises.**

Because you **score** well does not mean you have need!
Because you are the right **segment** does not mean you care!
Because I want to **sell** to you, doesn’t mean you will buy!
Key Principles of Event-based Marketing

Timing
Contact the customer when you know the time is right

Speed to Customer
No point being second...the sooner you act, the more likely you are to succeed

Relevance
Communicate when you know it is a good time because something has changed

Relevance

Types of Events
- Simple
- Complex
- Real Time
- Sophisticated

BUSINESS VALUE
COMPLEXITY
Immediate need - Timing

Time sensitivity is high, response rates fall off quickly the longer it takes to contact the customer...Good events occur before the purchase decision - in the active consideration phase.

Effectiveness of contact after an event has been detected

- 80%
- 50%
- 20%

Effectiveness %

1  2  3  4  5

time (days)

Speed to customer

Action distance (from a time perspective) is the end-to-end time required to respond to the business transaction in an intelligent manner. Note that there are three different factors involved with action distance. First, there is the data latency, the time between the business transaction and when the data is ready for analysis in the warehouse. Second, there is analysis latency, the time of initiating the analysis, packaging its results, and delivering it to the appropriate person. Third, there is decision latency, the time required to understand the information and respond in an appropriate manner.
Events in our life

Lifestyle Cashflows will become more variable and more individual....

**Mid-20th Century**
- Start a family
- Empty nest/mortgage paid off

**21st Century**
- Pay off student loan
- Divorce
- Loose job
- Inheritance

$\circlearrowleft$ Saving to start a family
$\circlearrowright$ Using up savings
$\circlearrowleft$ Saving for Retirement

$\circlearrowleft$ Saving for family/loss of income
$\circlearrowright$ Saving for possible loss of job/pension
$\circlearrowleft$ Saving for Retirement

A Significant Event Definition

Significant Event

Baseline Established

Event or Trigger

Indicates change in State

Customer

Baseline Time Period

Clues

External

Competitor Offer
Disaster,
Interest Rates,
Birthday...

Wrong PIN
Deposit
Complaint
...

Internal

Transaction Events - Significant Large Deposit

Sue deposits an inheritance

Look back 13 months to determine Average Deposit Transaction amounts. Determine if today’s Deposit is significant, eg. >150% of average.

13
Window Events - Significant Balance Change

Look for customers that have an Account Balance greater than Balance_Change_%. NB. Use absolute values to cater for both Increasing and Decreasing Balances.

Using Events

<table>
<thead>
<tr>
<th>Event</th>
<th>Significant Event</th>
<th>Customer Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in Usage</td>
<td>Decrease in Data Services AND Decrease in MOU</td>
<td></td>
</tr>
<tr>
<td>Did the customer report a Sim only issue?</td>
<td>Is the customer’s contact number correct?</td>
<td></td>
</tr>
<tr>
<td>Does the customer have a high churn risk?</td>
<td>Is the customer traveling without an Internet?</td>
<td></td>
</tr>
<tr>
<td>Are there Technical/infrastructure problems that prompt the customer from using TCC’s service?</td>
<td>Are there any significant events occurred recently?</td>
<td></td>
</tr>
</tbody>
</table>

Summary Data

Detailed Data

Products & Offers

Channels

Strategic Segments
Types of Events

**Behavioural Events**
A significant change in a customer's transaction patterns or behaviour that indicates a customer need

- Significant Deposit, Withdrawal, Payment Changes,
- Change in Purchase Patterns, Limit Utilisation, Change in Channel Usage, Increase/Decrease in transactions (Type, Volume and/or Value)

**Life-stage Events**
- Birthday
- Anniversary
- Marriage

**Product Events**
- Maturity
- New Account
- Condition changes

- **EG. Significant Deposit Definition**-
  - Demand Deposit Accounts with deposits > US$3,000, 200% of any deposit within the last 6 months
  - Deposits are aggregated daily across multiple demand deposit accounts/customer
  - Minimum history required to qualify for event- 13 months
  - Exclude- staff, junior accounts, Priority Banking customers
  - Consider all single & joint accounts. For joint accounts, use the first name provided. At Call Center, the 'first name' contact may refer the Call Center Agent to the 'second name'.
  - Aggregate within a single account or joint account. Do not aggregate across accounts for joint account holders.
  - Exclude Expense payments
  - Exclude deposits that are part of a larger transaction (i.e., moving funds to another St. George account through their deposit account)

**Events can vary in complexity and value**

<table>
<thead>
<tr>
<th>High</th>
<th>Pre approved Maturities</th>
<th>Low Hanging Fruit/Quick Wins</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Real Time</td>
<td>• Credit Limit Increases</td>
<td>• Check Low Insufficient Funds</td>
</tr>
<tr>
<td>• Significant Deposit</td>
<td>• Insurance Increases</td>
<td>• Product A/C Stimulation</td>
</tr>
<tr>
<td>Differentialisers</td>
<td>• A/C Bundles</td>
<td></td>
</tr>
<tr>
<td>• Wealth Check</td>
<td>• A/C Activation</td>
<td></td>
</tr>
<tr>
<td>• Inquiries</td>
<td>• Communication Programs</td>
<td></td>
</tr>
<tr>
<td>• Significant Withdrawal</td>
<td>• Welcoming Programs</td>
<td></td>
</tr>
<tr>
<td>Segment Upgrade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Life Stage</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low</th>
<th>• Product Campaigns</th>
<th>High ComplexitY</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Credit/ Laundering</td>
<td>• A/C Activation</td>
<td>• Welcoming Programs</td>
</tr>
<tr>
<td>• Closed A/cs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Claims</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Pay out Figures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development and Retention</td>
<td>• Communication Programs</td>
<td></td>
</tr>
<tr>
<td>• Lost/Stolen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Loyalty Programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Channel Behaviour</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**VALUE / Return on Investment**

<table>
<thead>
<tr>
<th>High</th>
<th>• Real Time</th>
<th>Pre approved Maturities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Significant Deposit</td>
<td></td>
<td>Low Hanging Fruit/Quick Wins</td>
</tr>
<tr>
<td>Differentialisers</td>
<td>• Credit Limit Increases</td>
<td></td>
</tr>
<tr>
<td>• Wealth Check</td>
<td>• Insurance Increases</td>
<td></td>
</tr>
<tr>
<td>• Inquiries</td>
<td>• A/C Stimulation</td>
<td></td>
</tr>
<tr>
<td>• Significant Withdrawal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment Upgrade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Life Stage</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low</th>
<th>• Product Campaigns</th>
<th>High ComplexitY</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Credit/ Laundering</td>
<td>• A/C Activation</td>
<td>• Welcoming Programs</td>
</tr>
<tr>
<td>• Closed A/cs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Claims</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Pay out Figures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development and Retention</td>
<td>• Communication Programs</td>
<td></td>
</tr>
<tr>
<td>• Lost/Stolen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Loyalty Programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Channel Behaviour</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Effectiveness of EBM

You've never seen your business like this before.

Marketing Principles - the customer

- Exceeding Customers Expectations

  - CRO
    - Events, dynamic multi-channel dialoguing and limiting
    - First steps with CRO, events added to analytics
    - Its amazing, they only ever send me relevant information when I need it and how I want it.

  - Analytical CRM
    - They contact me when they have something relevant to say. Things always seem to arrive when I need them.

  - Mass Marketing
    - Lately when I receive information it is more interesting and relevant to my current position.

1 Efficiency rates based on typical examples and are indicative only. CRO response rates based on Union Bank of Norway and NAB case studies. Analytical rates are based on average segmented and modeled campaigns, and small campaigns can and do achieve higher rates.
So what is the Business Improvement Opportunity?

Response Rates

<table>
<thead>
<tr>
<th></th>
<th>Outbound</th>
<th>Inbound</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Differential Marketing</strong></td>
<td>6 - 15%</td>
<td>18 - 30%</td>
</tr>
<tr>
<td><strong>Traditional Marketing</strong></td>
<td>2 - 5%</td>
<td>1 - 3%</td>
</tr>
<tr>
<td><strong>Relationship Marketing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Informational Marketing</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Response Rate Ranges for Different Types of Marketing

<table>
<thead>
<tr>
<th>Marketing type</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Marketing</td>
<td>10% - 15%</td>
</tr>
<tr>
<td>Target Marketing</td>
<td>10% - 20%</td>
</tr>
<tr>
<td>Interactive Marketing</td>
<td>20% - 30%</td>
</tr>
<tr>
<td>Event Driven Marketing</td>
<td>30% - 40%</td>
</tr>
<tr>
<td>Multi-Channel, Multi-Step, Event Based Marketing</td>
<td>40% - 50%</td>
</tr>
</tbody>
</table>
What needs to be in place to make it work

You've never seen your business like this before.

Traditional Enterprise

functions owned data

business function

business function

business function

business activity

business activity

business activity

data

functions dominated > data fragmentation > processes ineffective

yesterday
Intelligent Enterprise

**core processes** supported directly by data

- Operational Excellence AND Customer Intimacy
- Cross-functional optimization
- Reduced IT infrastructure cost

today

information integration > process improvement > business optimization

The Product to Customer Shift

Traditional Marketing approach

- Inconsistent contact with customers
- Inefficient channel allocation
- Wastage
  - Over-contact
  - Channels focusing on the latest campaign, not the best campaign
Customer Communication Framework

Right Message
Global Contact Rules
Global Defined Communication Rules
Best Lead for Customer Rules
Specific Group Defined Base Communications

Right Channel
Dynamic Channel Allocation Rules
Customer Preference Rules

Right Time
Channel Control (Workload) Rules
Acknowledge Existing Service Levels
Message Theme Management Rules

The Product to Customer Shift

Customer Focused Model

- Manage customer contact
  - Consistent messaging with each customer from all business units through all channels
- Efficient Channel allocation
  - The best leads are prioritized and sent to the channel based on capacity
How effective has it been around the world

Bank of America

In 2000 BofA piloted NCR’s CRM solution, sending leads to their Client Managers where significant balance change events had been detected...

- 15,519 significant leads were identified in the first 5 weeks of the Pilot.
- 6,378 (41%) of these leads were sent to Client Managers based on the pilot capacity established.
  > 40% of the leads delivered to the Client Managers resulted in sale or service opportunities.
- BofA have since operationalised the solution and recently undertook a large new Teradata investment...
National Australia Bank

- The Company
  - Global $344B financial services company with core markets in Australia (49%); New Zealand, UK, Ireland and US (51%)
  - 12 Million customers

- The Challenge
  - Focus on **growth and performance** in businesses that rely on relationship management
  - **Accelerate growth** of selected global businesses

Relationship Marketing
Core Competency at NAB

- Event-based marketing
  - Single view of detailed transaction/behavioral data
  - **Example:** Elderly long-time customer closes savings account, withdraws $10,000.
    - Business rule: withdrawal > $5,000, age > 65 = alert
  - Analysis locates Mary Miller’s transaction, evaluates profitability
  - Event trigger to branch manager
    - **Phone call results**
      - new $10,000 CD revenue for Mary...rather than withdrawal
      - new mortgage loan for just-married granddaughter and husband, co-signed by Mary...rather than Mary’s $10,000 down payment
      - Revived customer relationship, new household
National Australia Bank

Leveraging capabilities... to drive growth
Some initiatives include:

The ongoing successful implementation of the Group’s market leading CRM model. “National Leads”, the predictive sales leads generation tool used in Australia, is being launched in each region, further enhancing the Group’s leadership in customer information management. During the half to March 2001 National Leads generated over 570,000 new leads which resulted in $4.4 billion of new loans.


The Results
> 2,000 leads/day – over 1.5M since implemented
> Discovered behavioral leads 3 – 5x more profitable
> 5x more responses
> Exceeds business plan 3x
> 98.4 customer satisfaction ratings

Customer Growth

Union Bank of Norway
Gjensidige NOR

The Company
> Leading provider of banking, savings and insurance services
> 1.2 million individuals & companies
> In 2000, deposits grew 15%, lending by 11.5%

Business Objectives
> Successfully compete against “foreign” competitors
> Exploit its main strategic advantage – strong base of customer relationships
> Understand and increase individual customer profitability
> Improve revenue and margins
  • cross-selling
  • sales of profitable products & services

“One of our main strategic advantages is our large customer database. To exploit the database - and our knowledge of customers - to the full, we will lead the field in data warehouse technology and in event-based marketing.”

– 2000 Annual Report

Customer Growth
Union Bank of Norway
Gjensidige NOR

- Increased marketing effectiveness and profitability
  - Campaign lift average 5% – 75%
  - Customer profitability measurement
  - Increase cross-sell through Customer Service Reps
  - Fee waiver management analysis

### Average Campaign Lift Rate

<table>
<thead>
<tr>
<th>Percent Increase</th>
<th>Traditional Avg</th>
<th>UBN Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>40</td>
<td>5</td>
<td>75</td>
</tr>
<tr>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Union Bank of Norway
Gjensidige NOR

- Increased customer service and reduced transactional costs
  - Response to provide customer tax (audit) information from 3 weeks to 1 day
  - Analysis to optimize channel usage and migration
- Single view of the business
  - More accurate decisions
  - Consistent financial reporting to regions and branches
  - Reduced risk through credit scoring and analysis
More Information

• www.teradata.com
• www.1to1.com