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- ☰ **Smoker Development & Database Marketing**

- ☰ Agenda

- Current Marketing Environment
- Difference Between Advertising & Direct Marketing
- Advantages of Direct Marketing
- How To Get Started
- Database Foundations
- Direct Marketing Tools
- Some Direct Marketing Basics
- Effective Direct Mail
- Analytical Capabilities
- Conclusion

- ☰ Marketing Environment

- Environmental, Expense, and Competitive Pressures Will Inevitably Result In Philip Morris' Need to Migrate From a Traditional Media & POS Driven Market Presence to an Individually Targeted Marketing Approach.
- In The Past Decade, Database and Direct Marketing Has Proven Itself Capable of Delivering "One on One" Relationships to Marketers in Retailing, Entertainment, Travel and Financial Services.
- Expertise in This Discipline Therefore Will Become an Increasingly Important Facet in Our Marketing Mix to Continue Our Share Dominance.

- ☰ Let's Get Personal

- Traditional Advertising vs. Direct Marketing ...
  - Advertising is Focused at the Group: Marlboro Smokers
  - Direct is Focused at the Individual: a Marlboro Smoker
- PM Should Use Direct to get Personal With Its Smokers:
  - Recognize
  - Reward
  - Invite Interaction
  - Establish One on One Relationships

- ☰ Some Basic Definitions

- Direct Marketing: Any type of Marketing that is Directed to an Individual or ... Solicits a Specific, Identifiable, Response by an Individual Back to a Marketer
  - A Letter to Someone
  - A Point of Sale "take one"

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- ▷ Database Marketing: Any Type of Marketing That Uses Information on a Database to Drive its Offer or to Determine Audience Selection
  - ▷ Using a Your Computer Files to Determine the Correct Location for A Billboard
  - ▷ Identify the Need for Additional Retail Masters Accounts
- ☰ Database Driven Direct Marketing at PMUSA
  - ▷ I Make Marketing Decisions Based More On What I Know than What I Feel ... I Have Individually Specific Knowledge About:
    - ▷ Decisions About What I Should Do Are More Fact Driven
    - ▷ Who to Select
    - ▷ How Many Are There
    - ▷ What Would They Like
    - ▷ How Many Will Respond
- ☰ How To Make Advertising "Direct"
- ☰ Direct Marketing Environments
  - ▷ In Home
    - ▷ Direct Mail:
      - ▷ Continuity
      - ▷ Coupons
      - ▷ Invitations to Events
      - ▷ Surveys
    - ▷ General Media and Selective Binding
    - ▷ Direct Selling
  - ▷ Out Of Home
    - ▷ On Product
    - ▷ Retail-Kiosks and Point of Sale Bounceback
    - ▷ Telephone Number on a Billboards
    - ▷ Name Generation at Events
- ☰ How Can We Touch Smokers Directly?
- ☰ How Can Smokers Touch Us Directly?
- ☰ Primary Advantages of Database Marketing
  - ▷ Audience Selection Can be Qualified & Quantified
  - ▷ Results Can Be Tracked, Therefor:
    - ▷ Performance Measurement is More Exact
    - ▷ Benchmarks Can be Established
    - ▷ Analysis Can Create a Frame Work for Advertising ROI
  - ▷ Matched with the Right Tools, Data Becomes Information that Can be Visualized and Mapped

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- ▷ Enhanced with Information Overlays, This Information Can Provide a Surrogate for Market Share and Smoker Research Analysis
- ▷ Properly Developed, Provides the "**Legislative Failsafe**"
- ☰ Direct Marketing Vision
- ☰ Step One: Build a Smoker Database
  - ▷ What is Included:
    - ▷ Smoker Name & Address
    - ▷ Smoker Demographics
    - ▷ Smoker Product Preferences
    - ▷ Smoker and Household Psychographics
    - ▷ Promotional Contact History
    - ▷ Marketing Intelligence
    - ▷ Legislative/Mass Mobilization
    - ▷ Report, Profile, List Creation & Modeling Capability
- ☰ Step Two: Populate the Base
  - ▷ Carton & Pack Inserts
    - Media Inserts
  - ▷ Branded Survey Inserts
    - 3rd. Party Purchase
  - ▷ Continuity Bounceback
    - Field Sales Intercepts
  - ▷ Events:
    - Smoker Service
  - Calls - Name Kiosks -
  - Vans -
  - Hostesses ... JIT Response
  - ▷ Always Add:
    - 
    - Refer-A-Friend - Other
    - Names in Household
- ☰ Step Three: Keep the Data Current and Useful
  - ▷ Find Out What Is Important
    - ▷ Brand Yes ... Flavor, Length and Tar?
  - ▷ Create Top of Mind Management Concern for this Asset because:
  - ▷ PMUSA Will Spend Over \$60.0MM to Build, Maintain and Develop our Database
    - ▷ \$30.0MM to Update Existing Names
    - ▷ \$20.0MM to Acquire Names Via Branded and Corporate Programs
    - ▷ \$5.0MM on New Hardware Platforms, Applications and Technical Support
    - ▷ \$5.0MM for Systems Overlays, Updates Maintenance and Modeling Efforts
- ☰ The Philip Morris Database
  - ▷ The Base Has Grown 15 Fold since 1986:
- ☰ Utilization over Time

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- ▷ In 1989 PMUSA Executed 10 Direct Mail Efforts; in 1994, that Number Will Grow to Over 60
- ▷ Mailings Have also Gone From Stand Alone Defensive Coupon Offers to Highly Integrated, Multi-wave Promotions
- ☰ Traditional Direct Mail Applications
  - ▷ Offensive & Defensive Couponing
  - ▷ Continuity & Cataloging
  - ▷ Welcoming
  - ▷ Thanking
  - ▷ Inviting
  - ▷ Asking ... Surveys & Friends
  - ▷ Responding
    - ▷ Just-In-Time Efforts
      - ▷ Continuity Bounceback
      - ▷ Rapid Response
  - ▷ Electronic/Check Couponing
  - ▷ Selective Binding ... A Tradition Looking for a Home
- ☰ "Component Value" In Traditional Direct Mail
  - ▷ 10 - 20%: Creative ... Looking Different ... Getting Opened
  - ▷ 15 - 25%: Offer ... The Brand ... The Value
  - ▷ 55- 75%: Targeting ... Getting Something a Smoker Wants ...
    - ▷ I Smoke
    - ▷ The Offer is for My Brand ... or One That I would Consider
    - ▷ I Use Those Kinds of Coupons
    - ▷ I like Those Kinds of Premiums
    - ▷ The Retailer Offer is From One Near Me
- ☰ Getting Personal & Specific ...  
Gaining Marketing Efficiencies
  - ▷ Profiling and Analysis Gets You There:
    - ▷ Solicit Smokers Who Just Accepted or Look Like the Last Ones to Accept Your Offer or ... Those That Have Some New Strategic Impact on Your Business
    - ▷ The Better You Target Your Offers ... the Fewer You Have to Send Out Or ...
      - ▷ You Can Solicit Them More Often
      - ▷ Provide Better Creative
      - ▷ Improve The Value of Your Offer
- ☰ Beyond Profiling: Modeling

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- ▷ What It Is: A Statistical Segmentation Tool Which Recognizes Correlations Between Different Variables On Your Database and then Ranks Individuals on the Basis of Most/Least Likely to do Something
- ▷ What It Is Not: Magic
- ▷ What It Should Do: Provide a Lift of 15% - 25% In the Efficiency of Your Direct Efforts
- ☐ Progressive Segmentation ...
  - From Here to There ... Who to Select
  - ▷ When the Database was Just an "Electronic List"
    - ▷ Give Me A List Of All B&H Smokers
  - ▷ Database Era Segmentation... Univariate Discrimination
    - ▷ Using Profiling: Give Me a List of B&H Smokers Who Are Females, Who Were Previous Responders to Coupon Offers
    - ▷ Using Modeling: Give Me the Top Prospects for a B&H Coupon Offer
  - ▷ State Of Art Segmentation:
    - ▷ Give Me A List of B&H Smokers, Who Are Females, That Are Most Likely to Respond to a B&H Coupon Offer
- ☐ Direct Mail & "Wave" Mailings
  - ▷ One Impression Will Not Change Behavior.
  - ▷ Smokers Have One Of Three Reactions to an Offer:
    - ▷ I Like it; I do it
    - ▷ I Do Not Like It; I Throw It Away
    - ▷ I Like It, I am Busy Now, I Will Get To It Later ... They Do Not Always Get To It.
  - ▷ The Second "Wave" ... One That Gets There Within 30 Days of the First "Hit" has 1/2 the effect of the First Mailing.
  - ▷ This Is No Different than Running the Same Ad. in Media Again and Again.
- ☐ "Wave" Mathematics & Mailing Efficiency
  - ▷ Promoting to 300,000 Smokers:
- ☐ Selective Binding Good Idea ... Tough Execution
  - ▷ Uses Matched Segmentations to their Best Effect
- ☐ Just In Time Efficiencies
  - ▷ Response Data is Known Within Five (5) Days of Usage
  - ▷ 2 Cycle Mailing Rewarding Responders With Something That They Like:
- ☐ Electronic/Check Couponing Continued
  - ▷ Mail Less ... Generate More Response
- ☐ Electronic/Check Coupons in a Test Environment
  - ▷ Issues: Not Sure if \$2.00 or \$2.50 Coupons are Required
  - ▷ Prepare Creative for 1MM Coupons ... Net of Value

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- ▷ Drop 10% Test Versions: \$2.00 vs. \$250
- ▷ Read Response
- ▷ Rollout Coupon at Correct Value to Right Segments
- ▷ Mail Balance of 1MM Using Check or Traditional Coupon
- ☰ Measuring Your Effort ... Was It Worthwhile?
  - ▷ Program Analysis
  - ▷ The Results For Any Individual Program Should Be Evaluated Against Expected ROI:
- ☰ Program Evaluation ... The Important Linkage to Smoker Research
  - ▷ Did the Program Move Sticks and/or Enhance Smoker Satisfaction
- ☰ The Importance Of Control
  - ▷ Because it is Controlled and Measurable, Changes in Your Selection and Offers can be Determined to be "Causal"
  - ▷ But Only If You are Disciplined and Consistent
    - ▷ Keep Testing to Get Better
    - ▷ Reconfirm the Last Learning
    - ▷ Don't Randomly Change Incentives
    - ▷ Don't Try to Learn Too Much From One Effort
- ☰ Conclusion:"Back Room Basics for Direct Marketing"
  - ▷ No Marxist Marketing ... Treat Different Smokers Differently ... Because you Can
  - ▷ Analyze/Measure:
    - ▷ What Worked?
    - ▷ How Well Did It Work?
    - ▷ For Whom?
  - ▷ Carefully Calculate Your Test
  - ▷ Protect Your Investment in the Database
  - ▷ React to Change
  - ▷ Finally ...
- ☰ Recycling Your Direct Effort
  - ▷ Database Utility Cycle