

# > Easily Identify the Right Customers

You want your marketing programs to be as profitable as possible, and gaining insight into the information contained in your customer data can help you reach this goal. To understand your contacts in greater depth, you can perform various kinds of analyses, including recency, frequency, and monetary value (RFM) analysis, cluster analysis, and prospect profiling. You can also take the necessary steps to improve your campaigns through postal code analysis, propensity scoring, and control package testing.

Until recently, these types of analyses have required a lot of time and special expertise. Now, PASW Direct Marketing provides you with all the tools you need to conduct these analyses easily — and with confidence in your results. Although this new addition to SPSS Inc.'s family of Statistics products relies on powerful analytics, you don't need to be a statistician or programmer to use it. Rather, the intuitive interface guides you, enabling you to classify customers in just a few easy steps.

For example, you can classify your customers according to:

- Transactional data: how recently, how frequently, and how much they have purchased from your firm
- Identifying characteristics, such as age, marital status, job function, where they live, etc.

In addition, you can analyze the response rates to your campaigns, according to customer characteristics or by zip code, and test the effectiveness of various offers and creative treatments. As a result of using PASW Direct Marketing, your organization can:

- Identify which customers are likely to respond to specific promotional offers
- Develop a marketing strategy for each different customer group
- Compare the effectiveness of direct mail campaigns
- Boost profits and reduce costs by mailing only to those customers most likely to respond
- Prevent spam complaints by monitoring the frequency of e-mails sent to each customer group
- Plan for locations to set up offices or stores

PASW Direct Marketing is available for installation as client-only software but, for greater performance and scalability, a server-based version is also available.



## Powerful but easy to use

SPSS Inc. is a leading global provider of predictive analytics software and solutions. For decades, analysts have relied on SPSS software to guide decision making through data analysis. PASW Direct Marketing includes a combination of specifically chosen procedures that enable database and direct marketers to conduct data preparation and analysis activities. They can do this using only the PASW Direct Marketing module, or they can use it in conjunction with PASW® Statistics Base\* and other modules in the PASW Statistics product family.

PASW Direct Marketing is easy to use. From the module's opening dialog, you'll be presented with six techniques. To better understand your contacts, choose from RFM analysis, clustering, or prospect profiling. If you're ready to improve your existing campaigns, select from postal code response rate, propensity to purchase, or control package test.

Enter the relevant information and variables for each technique, and analyses that used to require multiple steps can be completed in minutes with a single selection. Output appears in easy-to-read color-coded charts — or in tables — and can be exported seamlessly to Microsoft® Excel®.

## Identify your best customers with RFM analysis

If your company collects transactional and customer data, the RFM analysis tool\*\* in PASW Direct Marketing can help you rank customers by value. The reasoning behind RFM analysis is simple: people who purchased once are more likely to purchase again. And the more frequently someone makes a purchase, or the more they spend, the more likely they are to purchase again.

\* PASW Statistics Base, formerly called SPSS Statistics Base, is part of SPSS Inc.'s Predictive Analytics Software portfolio.

\*\* The features previously available in the PASW® EZ RFM interface (formerly called SPSS EZ RFM), are now part of PASW Direct Marketing. SPSS Inc.'s Predictive Analytics Software portfolio.

With the increased use of e-mail marketing campaigns and customer relationship management (CRM) software, RFM groupings have become an even more important marketing tool.

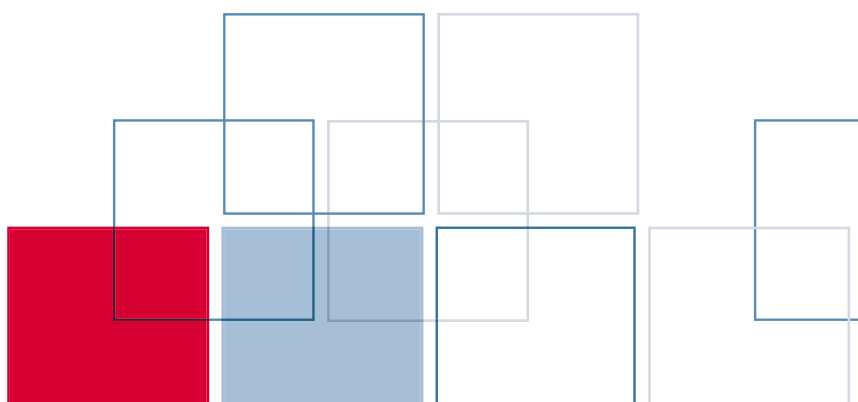
With PASW Direct Marketing, you can conduct an RFM analysis in less than ten minutes and classify your customers according to:

- Those who have purchased most recently
- Those who have purchased most frequently
- Those who have spent the most

Using RFM analysis, customers are assigned a bin number, such as 1,2,3,4, or 5, for each RFM parameter. The total of these provides a figure referred to as an RFM rank or score. Lower scores identify customers who have spent the least, or rarely, or who have not purchased for a long time.



Figure 1: The opening dialog in PASW Direct Marketing shows the six types of analysis that are available to users.



### Send the right messages with clustering

Perhaps your organization or company has an umbrella marketing campaign that you'd like to customize for different groups, or "clusters" of contacts, who vary by industry, age, gender, ethnicity, etc. If you need to discover which groups of prospects or customers share similar characteristics and differ from other groups, segment your contacts into clusters.

PASW Direct Marketing's cluster analysis tool enables you to immediately produce clusters of contacts, assign certain "personas" to each cluster, and develop targeted messages and marketing campaigns for every group.

### See which campaigns perform best

To test an existing campaign against new campaigns, collect your data and run a control package test in PASW Direct Marketing. You'll find out which, of the new (test) packages is most likely to produce a response rate that out-performs your existing (control) package. As a result, your team can identify the winning campaign and make smarter decisions about which package or packages to eliminate.

### Generate profiles of contacts who responded to an offer

In addition to identifying which package produced the best response, you can also use PASW Direct Marketing to produce profiles of those people who responded to the test campaigns. Select the prospect profiling tool, which relies on classification trees, to pinpoint specific characteristics in the data, such as age, marital status, and job functions.

With this information, you can contact a list broker and provide the profiles of the responsive customers. In turn, the list broker can compile a mailing list of prospects with similar characteristics — increasing the likelihood that they will respond to your organization's campaign.

### Select which contacts are most likely to purchase

Like many organizations, you may be facing a shrinking marketing budget — and trying to decide which of your many marketing campaigns will provide the most ROI.

With PASW Direct Marketing, you can maximize the value of your remaining budget quickly by selecting the customers who are most likely to respond to your campaigns. The propensity to purchase tool relies on previous response information and customer characteristics to rank which customers are likely to respond to an offer. So you can eliminate those customers least likely to respond from your mailing lists, and stay within your budget.

### Identify top responders by postal codes

Would your organization like to determine the best location for adding an agency or a brick-and-mortar store? If your team works with a large volume of customer data and wants to uncover a geographic bias, use PASW Direct Marketing's postal code response tool to identify a list of postal codes that have shown the highest rates of response to your marketing campaigns. Once you've identified the top performing postal codes, you can plan with confidence the best locations for a store or agency.



Figure 2: With cluster analysis, you can target the right message for each group. The interactive Model Viewer (above) makes it easier to understand results.

### Allocate marketing dollars more effectively

You can write RFM scores, prospect profiles, and response rates back to existing data, or write them to a new data file created with select variables from existing data. With appended scores and data, you can quickly build lists of certain customers and adapt your marketing strategies for each customer group.

Use PASW Direct Marketing to better understand your customer groups and identify the most valuable customers for your organization, whether those are the customers who purchase most frequently, spend the most, or share certain characteristics. Likewise, you can also discover which customers are likely to respond to certain offers or which customers haven't purchased anything for a long time, and then develop marketing plans tailored to cultivate those customer groups.

PASW Direct Marketing enables you to maximize the ROI of your marketing budget. Whether you're launching new campaigns, testing campaigns, looking to increase cross-sell and up-sell revenue, or even planning to open an office or store, you can use PASW Direct Marketing to classify your customers — and make better business decisions.

### Gain greater value with collaboration

To share and re-use assets efficiently, protect them in ways that meet internal and external compliance requirements, and publish results so that a greater number of business users can view and interact with them, consider augmenting your PASW Statistics software with PASW® Collaboration and Deployment services (formerly SPSS Predictive Enterprise Services™). More information about these valuable capabilities can be by downloading the “Collaboration” brochure at [www.spss.com/software/deployment/cds](http://www.spss.com/software/deployment/cds).

### New, flexible implementation options

Every module in the PASW Statistics family, including PASW Direct Marketing, can now be installed and run independently or in conjunction with any other modules. PASW Statistics Base is no longer required in every case, since core capabilities such as data access and management and charting are included in every module. This gives you greater flexibility in how you install and use this versatile software. However, PASW Statistics Base will continue to form the basis of many deployments, because it provides statistical tests and procedures that are fundamental to many analyses.

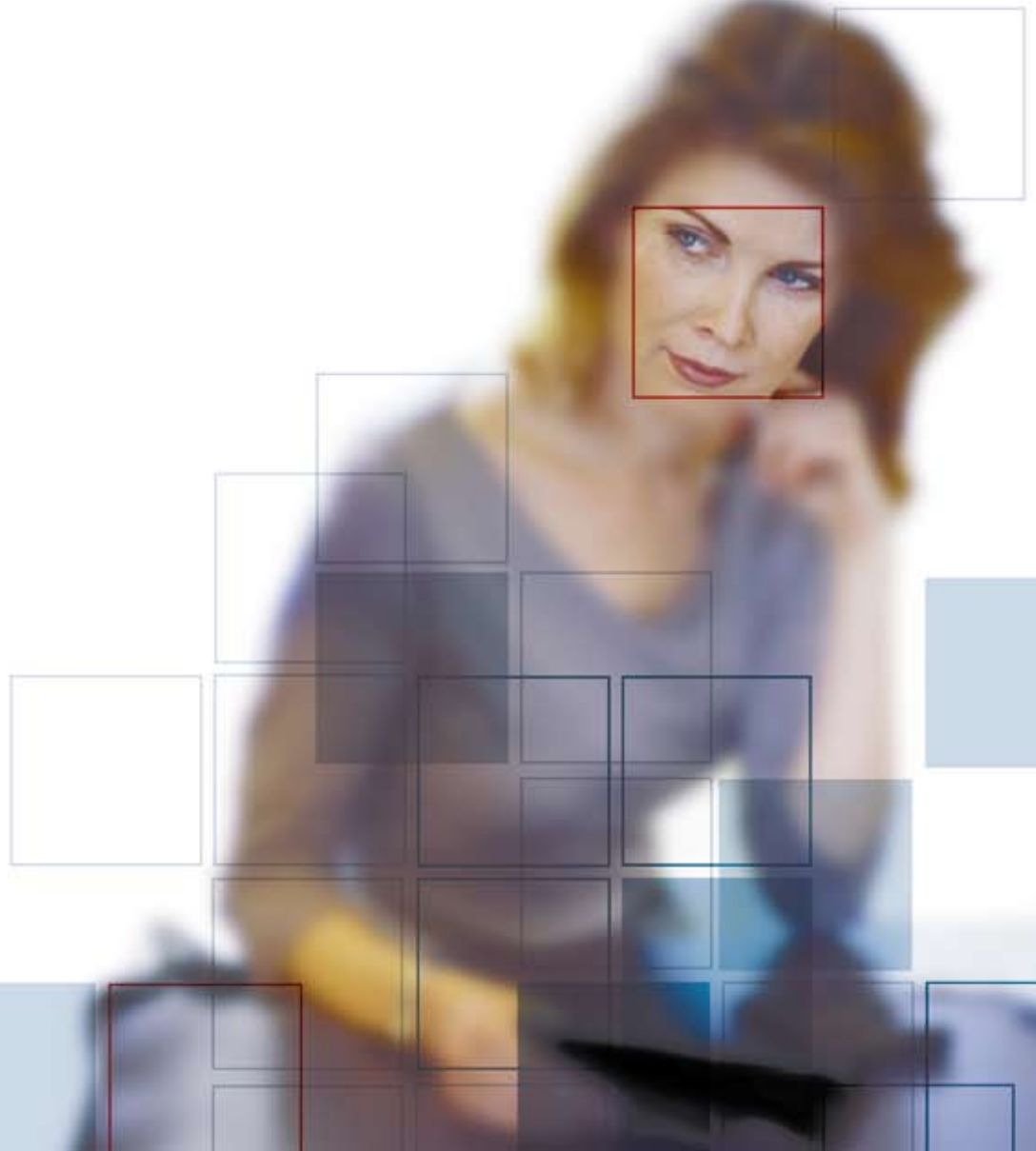


## Clustering and control package testing in insurance

Pat is a direct marketing campaign manager at an insurance company that sells auto and homeowner's insurance to consumers nationwide. Pat has hired an external advertising agency to produce a new marketing campaign. That agency has asked Pat to identify groups of customers, or "clusters," that share similar characteristics, and are as different from other groups as possible. The agency would like to use this information to develop customized messages and personas for each group. Pat uses the cluster analysis tool in PASW Direct Marketing to create a dataset of customer groups.

Using the creative packages developed by the agency, Pat assembles a test campaign that includes a control package that her company used successfully for 18 months, and two versions of test packages, Test A and Test B. She executes the campaign, and after 60 days of responses she uses the control package testing tool in PASW Direct Marketing to compare the results of the three test cells. Pat discovers that Test A outperforms both the control package and Test B.

As a result, Pat can target the right customers with the right creative packages. This enables her company to maximize its marketing dollars, improve response rates, and efficiently plan campaigns.



## Features

### RFM analysis

Rows contain either customers or transactions

- Compute RFM scores from a dataset in which each row contains the aggregated data for one customer or the data for one transaction
  - You won't need to conduct extensive data preparation of your transactional data, so you'll get results more quickly

Define recency data by date or by interval

- Accept recency data in the form of a transaction date or in the form of the time interval since the transaction
  - There's less need for data preparation, so you'll get results more quickly and reduce the likelihood of possible errors

Write scores

- Write the computed scores (and ID variables, where necessary) to the active dataset, a new dataset, or to a file
  - Append the RFM results directly to your data or a new data file so you can quickly identify and build lists of high-value customers

Output

- Output histograms for all three variables using the entire dataset
  - See how the variables are distributed: graphically display frequency distributions for the date of the last transaction, the number of transactions, and their amounts
  - Easily see the relationships among the variables using scatterplots
  - Use the bin count chart to view the results of the binning process and decide whether certain settings should be changed
- Output an average monetary value chart using the entire dataset to pinpoint how recency, frequency, and spending are related in the sample

Custom variable names

- Allow users to specify their own names for variables
  - Choose variable names that are meaningful to you

### Cluster Analysis and Contact Profiling

Data considerations

- Cluster analysis works with continuous and categorical fields
- Contact profiling works with nominal, ordinal, string, or numeric fields

Display options

- Display tables and charts that describe segments

Segment options

- Save a new field (variable) that identifies the segment to each record
  - Specify how many segments to include in the cluster
  - Automatically determine the best number of segments

Output profile descriptions

- Contact Profiles output includes a table that provides descriptions of each profile group and displays response rates, cumulative response rates, and a chart of cumulative response rates

Create descriptive profiles

- The response field indicates who responded to which previous campaigns

### Control Package Test

Generate scores

- Utilize results from campaigns to generate scores indicating which contacts are most likely to respond to similar campaigns

Model validation

- Create training and testing groups for diagnostic purposes to validate the model used to generate scores

Output

- Display counts and percentages of positive and negative responses for each group and identify which is significant

### Propensity to Purchase analysis

Propensity to Purchase diagnostic output

- Display charts and tables to show overall model quality, goodness of fit, and a classification table that compares responses

Automatic recode for response field

- Automatically recode the response field into a new field which can represent positive or negative responses

### Zip Code Response

Create output for postal code response rates

- Create a new dataset that contains response rates by postal code
  - Create tables and charts that summarize the results by decile rank
  - Color-code tables to highlight the users you are targeting

Group postal codes

- Users can choose to generate response rates based on N characters, three digits, five digits or the complete value of a postal code

### All procedures

- Export results to Excel

### System requirements

Requirements vary according to platform. For details, see [www.spss.com/statistics](http://www.spss.com/statistics). Features subject to change based on final product release.

□ *Symbol indicates a new feature.*

*Features subject to change based on final product release.*



To learn more, please visit [www.spss.com](http://www.spss.com). For SPSS Inc. office locations and telephone numbers, go to [www.spss.com/worldwide](http://www.spss.com/worldwide).

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