

**MEASUREMENT OF DIRECT RESPONSE ADVERTISING
IN THE FINANCIAL SERVICES INDUSTRY:
A NEW METRICS MODEL**

by

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SUMMARY

Direct response advertising in the financial services industry in South Africa has become one of the most important tactics companies utilise to build and maintain market share. Ensuring that these advertising campaigns yield optimal return on investment numbers is the responsibility of marketing departments and their partners in the marketing and sales processes, such as the creative and media agencies, the distribution force, as well as the client service area that supports the client value proposition. The marketing executive therefore is accountable for the planning, budgeting and execution of direct response campaigns, which need to deliver sufficient results to support the company's overall business objectives. The challenge all marketers face is the lack of a proven structured and scientific methodology to facilitate this planning, budgeting and execution process. It has always been a general view in the marketing fraternity that it is extremely difficult if not impossible to combine creative output measures, which are subjective in nature, with cost, sales and profit measures, which are objective in nature.

This study aims to create a structured approach to marketing strategising and planning, by creating a marketing metrics model that enables the marketing practitioner to budget according to output needed to achieve the overarching business objectives of sales, cost management and profit. This marketing metrics model therefore unpacks the business drivers in detail, but through a marketing effort lense, to link the various factors underlying successful marketing output, to the bigger business objectives.

This is done by incorporating both objective (verifiable data, such as cost per sale) and subjective variables (qualitative factors, such as creative quality) into a single model, which enables the marketing practitioner to identify areas of underperformance, which can then be managed, tweaked or discontinued in order to optimise marketing return on investment. Although many marketing metrics models and variables exist, there is a gap in the combination of objective and subjective factors in a single model, such as the proposed model, which will give the marketer a single tool to plan, analyse and manage the output in relation to pre-determined performance benchmarks.

Student number: 46545468

I, the undersigned, declare that this thesis **Measurement of direct response advertising in the financial services industry: a new metrics model**, is my own work, and that all the sources I have used or cited have been indicated and acknowledged by means of complete references.

Signature

Date

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I am grateful to everyone who contributed to this study, especially my wife Estelle and son Liam who had to sacrifice so much of our family time. Also my promoter professor Joubert for all the guidance and mentoring during this process. A big thank you also to the co-promoter of this study professor Strydom for his invaluable contribution.

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PREFACE

The purpose of this preface is to present the researcher's perspective and purpose. It aims to give the reader of this document insight into the background and thinking processes of the writer.

Why I chose this topic

Through my work as a marketing manager and practitioner, I've encountered numerous challenges in strategizing, planning and executing marketing, advertising and sales in a financial services company. These challenges include understanding the profit drivers of the products that would be marketed, in order to link marketing output with the overarching business objectives. This, in turn, would assist in budgeting more scientifically, as all marketing efforts can be tied back to a specific return on investment that can be tracked, measured and analysed.

Another challenge that was encountered was in building a metrics model that had to include both qualitative and quantitative variables in order to understand the intricate dependencies of underlying factors' performance on the performance of the other factors, as well as on the eventual success of the full campaign. Although numerous marketing metrics models exist, they all have a specific focus on certain either qualitative factors, or quantitative factors. Combining these would prove essential in understanding, analysing and managing campaign performance. Through creating such a combined model, and linking marketing output to business benchmarks, the following could be achieved:

- True optimisation of campaign output;
- scientific budgeting; and
- marketing accountability.

The researcher

I have been working in the financial services industry for 17 years, am 40 years old and have been in various positions relating to marketing, communication and client experience management. This has given me a practical perspective on the challenges marketers face in this industry.

ABSTRACT

Measurement of direct response advertising in the financial services industry: a new metrics model

by

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Key terms:

Direct response advertising, marketing accountability, through the line campaign, analytic hierarchical processing, game theory modelling, marketing metrics, open market, existing clients, cross-selling, marketing profitability, financial services and client satisfaction.

Direct response advertising in the financial services industry in South Africa has become one of the most important tactics companies utilise to build and maintain market share. Ensuring that these advertising campaigns yield optimal return on investment numbers is the responsibility of marketing departments and their partners in the marketing and sales processes, such as the creative and media agencies, the distribution force, as well as the client service area that supports the client value proposition. The marketing executive therefore is accountable for the planning, budgeting and execution of direct response campaigns, which need to deliver sufficient results to support the company's overall business objectives. The challenge all marketers face is the lack of a proven structured and scientific methodology to facilitate this planning, budgeting and execution process. It has always been a general view in the marketing fraternity that it is extremely difficult if not impossible to combine creative output measures, which are subjective in nature, with cost, sales and profit measures, which are objective in nature. As a result of this conundrum, it has been very difficult for executive

management of financial services companies to keep their marketers accountable for underperformance, due to the scope of forces at play.

This study aims to create a structured approach to marketing strategising and planning, by creating a marketing metrics model that enables the marketing practitioner to budget according to output needed to achieve the overarching business objectives of sales, cost management and profit. This marketing metrics model therefore unpacks the business drivers in detail, but through a marketing effort lense, to link the various factors underlying successful marketing output, to the bigger business objectives.

This is done by incorporating both objective (verifiable data, such as cost per sale) and subjective variables (qualitative factors, such as creative quality) into a single model, which enables the marketing practitioner to identify areas of underperformance, which can then be managed, tweaked or discontinued in order to optimise marketing return on investment. Although many marketing metrics models and variables exist, there is a gap in the combination of objective and subjective factors in a single model, which will give the marketer a single tool to plan, analyse and manage the output in relation to pre-determined performance benchmarks.

Marketing investment in the guise of budgets have also come under pressure since the global recession in 2008 and linking marketing spend with income generation has become increasingly important. The model structures this budgeting process in such a way to clearly identify this link. It also makes it possible to keep marketing professional accountable for the money they are spending, as the tracking and measurement of the marketing output can be directly related to the business objectives and the transparency of the management of the spend empowers all stakeholders in the business to have a line of sight of the outcome of the marketing efforts.

The model was developed through firstly identifying the relevant variables within clustered themes in determining direct response advertising campaign return on investment. This was done through desk research, the researcher's experience in conducting campaigns and focus groups. These variables were then weighted in importance through the use of Analytic Hierarchical Processing (AHP), after a series of pair-wise comparisons relating to two types of direct response advertising campaigns (open market and existing client campaigns) were

provided to respondents in a survey. The results of the AHP process were then fed into a spread sheet with actual campaign data (benchmarked and actual numbers) and through the use of non-competitive game theory, the performance of the underlying variables could be determined. This enables the marketer to determine which elements of the campaign is on track to deliver the desired results and which elements are not performing as expected. It also enables the marketer to justify budget, as all successful direct response advertising campaigns can be business case based and linked to profit. It can also be used as a tool to keep other involved parties in the value chain accountable for their output, such as sales representative conversion rates, creative agency quality and media agency efficiency.

The proposed metrics model has been applied by the researcher in a financial services company in South Africa and has yielded significant increases in marketing efficiency and effectiveness. Even complex profit indicators such as new business embedded value have been used successfully in benchmarking desired marketing output from direct response advertising.

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CHAPTER 1

INTRODUCTION AND JUSTIFICATION OF THE STUDY

1. INTRODUCTION

This study aims to create a framework for linking marketing output with the overall business objectives of a financial services organisation. This framework consists of various metrics that measures the performance of vital subjective, as well as objective factors that indicate whether marketing activities are successful. This in turn can be used to keep marketing practitioners accountable for their strategies, campaigns, activities and spend.

In this chapter, an overview of the research problem, the underlying questions and objectives is given, as well as a brief description of the financial services industry. The marketing process as well as the factors required to measure efficacy and effectiveness is also discussed to create the context of the study.

1.1. BACKGROUND

In the financial services industry the justification of resources required for a successful marketing campaign is obtained by applying different measurement and accounting principles to measure the success of campaigns, with broadened measures of marketing performance that should include both tangible and intangible factors (Grewal, Iyer, Kamakura, Mehrotra & Sharma, 2009).

Some companies, for example, use ‘embedded value’ calculated by adding the adjusted net asset value and the present value of future profits of a firm. In turn, others use ‘net present value’ determined by calculating the difference between the present value of cash inflows and the present value of cash outflows, while some use ‘cash flow-based bottom line figures’ based on previous campaign experience and expenditure (Temkin, 2008). Besides the challenge to measure the success of marketing campaigns, decisions regarding the nature of the campaign are equally important. Regarding the latter, pertinent questions that are typically considered in this regard involve whether a campaign should essentially aim to build the brand image or generate sales. Increasingly, financial services companies are using direct selling, enabled by leads generation from direct response advertising to create economies of scale, market share and shareholder value (Jinkook, 2002).

The brief contextualisation provided above closely resembles concerns expressed by Verhoef and Leeflang (2009) that mention that marketing functions are facing major challenges for survival due to its influence decreasing in organisations. This has resulted in marketing departments having to increasingly justify the financial and human resources required (Webster, Malter, & Ganesan, 2005).

Although this pressure on marketing departments has increased in the new millennium, this has already been articulated by retailer John Wanamaker early in the 20th century: "I am sure I could cut out half my advertising and save money. Trouble is, I don't know which half." (Riquier, 2014:A03). The old adage of "*if you can measure it, you can manage it*" has given the definition of metrics or standards of measurement for advertising campaigns additional importance. Although certain guidelines and models have been developed since these famous words, no one definitive model exists to measure the success of an advertising campaign through all its different steps. It is a constant battle for marketers to justify budget and actual financial spend, as a lack of proven marketing metrics forces them to use dashboards and management information indicators that are highly debatable. In fact, Rust, Ambler, Carpenter, Kumar, & Srivastava (2004) point to the reality that a lack of marketing accountability has also become a major cause of marketing's loss of influence within organisations. Other studies by Homburg, Workman and Krohmer (1999) and, subsequently Verhoef and Leeflang (2009) have also identified marketing accountability as an antecedent of marketing's influence within organisations. However, despite this link between marketing accountability and influence, it remains unclear what marketing metrics can contribute to marketing accountability and what benefits in addition to marketing influence can be realised through increasing marketing accountability (O'Sullivan & Butler, 2010). Whereas existing marketing accountability literature provides an extensive array of marketing metrics, it provides little guidance on how to prioritise or implement these metrics with the result that marketers have hidden behind metrics that were "purely tactical based, rather than solid financial metrics", according to McDonald (2010:384). Furthermore, "necessary instrumentation to assess the appropriateness of marketing activities has received limited attention in the literature", according to da Gama (2012:212), in order to explore the benefits of being accountable with the use of metrics. In addition, no studies investigating the use of marketing metrics to justify the use of direct response advertising could be identified. These limitations ideally presented sufficient motivation for a study on marketing metrics. Prior to

attending to the scope, form and outcome of the much desired research, the concepts of ‘marketing metrics’ and ‘marketing accountability’ are firstly explored in this introductory chapter. These discussions will aid readers to better contextualise the outcome of the research study conducted within the financial industry sector of South Africa with the aim to benchmark marketing metrics and accountability and design a set of reliable marketing metrics that could be used with confidence to guide the justification of resources required for marketing campaigns.

From the findings resulting from the exploratory research aimed to provide clarity on what the concept of marketing metrics entails, the following self-generated simplistic definition of marketing metrics have been constructed for this study:

Dedicated verifiable measure(s) used to determine the effectiveness of a marketing campaign through using specific benchmark standards within a specific context or relevant environment.

This definition closely aligns with the description of the Marketing Science Institute (Lehmann, 2004) that defines marketing metrics as the *performance indicators top management use (or should use) to track and assess the progress – specifically the marketing performance – of a business or business unit.*

Metrics are described as verifiable measures that consist of three primary elements namely:

- The specific measure that is being measured;
- the standard against which it is measured;
- the context or environment informing the measurement,

and marketing metrics that is defined as “the measurement of the effects of marketing activities”, according to Uncles (2005:412)

Moreover, in the researcher’s experience, metrics applied in descriptive and predictive models provide an overall performance assessment of advertising campaigns to address some of the following questions that marketers usually find most challenging to answer:

- Was the goal with the advertising campaign achieved?
- What metrics should be used in measuring the efficiencies of the campaign?
- Could better results have been obtained by using other marketing tactics?
- Was the targeted market segment effectively reached?
- How can the cost-effectiveness of future campaigns be improved?

When constructing marketing metrics, various approaches exist. For example, constructing a set of indicators could ideally comprise of quantifiable metrics such as advertising reach and frequency, number of leads or responses and sales generated. In turn, qualitative metrics such as design, copy, creative theme, likeability could furthermore be considered. Furthermore, a set of marketing metrics should also be receptive to priority ranking to indicate where the largest part of the budget and effort should be spent in order to obtain success in the advertising campaign. The metrics included to assess marketing performance should finally be consistently applied to ensure alignment with the organisation's strategic objectives and performance.

When exploring the concept of marketing metrics, it is also notable from past trends that various potential challenges are brought about when using metrics to assist in overall marketing performance assessment. In this regard Shugan and Mitra (2009), for example, mention that the use of metrics often leads to a disconnect between what is measured strategically in the form of profitability, market share and return on investment and what is measured operationally, usually focused on desired conversion rates and targets or minimum efficiencies. This disconnect manifests itself in the inability of marketing practitioners to report on marketing campaigns in a satisfactory manner, which in turn compromises future investment in the marketing effort.

Given that the concept of marketing accountability is closely imbedded within marketing metrics, its relationship with marketing accountability needs to be further explained. The marketing accountability concept is critical to marketing's stature within organisations as it has been shown to contribute to marketing's influence within organisations (Verhoef & Leeflang 2009). The existing literature is largely consistent in how it defines marketing accountability, with it generally being accepted as the ability to link marketing activities to financial and or nonfinancial outcomes. The American Marketing Association (AMA) defines marketing accountability as *the responsibility for the management of marketing*

resources and processes to achieve measurable gains in return on marketing investment and increased marketing efficiency, while maintaining quality and increasing the value of the organisation in Lehmann (2004).

The demand for greater marketing accountability derives from a wide range of internal and external stakeholders, including customers, investors, financial officers and chief executive officers. Clark, Abela and Ambler (2005) contend that if the demands for greater accountability from the marketing function are not addressed, it may continue to lose resources, especially in periods of economic uncertainty. However, although literature is clear that marketers need to be more accountable, guidance from marketing practitioners that demonstrates how marketing accountability is provided is limited. This view is also voiced by Merlo, Lukas, and Whitwell (2012), who highlight the need for future research to examine, what they claim to be one of marketing's deep-rooted professional problems, and explain how the marketing function achieves its results. From the exploratory research it is clear that the absence of a manageable number of useable marketing metrics to measure the outcomes of marketing activities primarily contribute to the lack of marketing accountability. Existing metrics are often difficult and impractical for most marketers to successfully implement and measure. Adding to the difficulty associated with implementing marketing metrics is the lack of a universal model of measurement (Davies & Ardley, 2012). This study attempts to address this limitation by pertinently focusing on the financial service sector. To guide this research endeavour, existing approaches, recommendations and limitations from previous studies that attempt to measure marketing accountability are firstly explored. In this regard, suggestions for how to best measure the performance of marketing are generally split between supporters of financial measures and those who support a broader range of measures that incorporate some nonfinancial measures. An exclusive focus on financial measures of marketing accountability is opposed by Llonch, Eusebio, and Ambler (2002) and Sheth and Sisodia (2002) who favour measures relating to customers and call for marketing metrics that reflect the uncertainties associated with managing external forces, such as customers and competitors. McDonald and Mouncey (2009) defend the marketing function for not defaulting to purely financial measures as the benefits from marketing activities can last for longer than a single financial reporting year. User friendly nonfinancial metrics have consequently been identified and include measures such as market share, perceived product or service quality, customer loyalty or retention, customer or segment profitability, relative price and customer lifetime value (Barwise & Farley, 2004). However, nonfinancial metrics

have also not escaped criticism as they are disapproved of for not being directly linked to financial outcomes and shareholder value (Lehmann, 2004). Yet it is acknowledged that isolating the impact of marketing activities on shareholder value is seen as a difficult measure to implement (Hanssens, Rust, & Srivastava, 2009).

Whereas the above discussions presented exemplars of financial and non-financial measures being used independently, it is also important to note that several past studies have combined financial and nonfinancial metrics into an extensive menu of available metrics. For example, Farris, Bendle, Pfeifer, and Reibstein (2010) organise marketing metrics into nine metric categories, containing a total of 114 metrics that cover both financial and nonfinancial metrics. However, little guidance is provided on how to prioritise the use of this large list of metrics. Ambler (2003) and Clark (2001) both contend that marketing is not short of metrics, but rather lacks structure for organising and implementing the available metrics. In addressing the large number of available metrics, Ambler, Kokkinaki, and Puntoni (2004) ranked marketing metrics based on their usage, importance and the visibility of the metrics to top management. Their top 15 metrics covered six key metrics categories, these being the following: (i) consumer attitudes, (ii) consumer behaviour, (iii) trade customer, (iv) competitors, (v) innovation and (vi) accounting. Despite their sample comprising of 30% finance professionals and 70% marketing professionals, they concluded that accounting measures were reported as being significantly more important than all other categories by top management. Supporting Ambler et al (2004), Lehmann and Reibstein (2006) also developed six broad categories of marketing metrics, these being (i) customer metrics, (ii) brand/product metrics, (iii) financial performance metrics, (iv) marketing mix metrics, (v) web metrics, and (vi) industry unique metrics. Although this development of metrics categories assists in organising the large number of available metrics, it however does little to prioritise what metrics should be used by marketers when demonstrating the link between their activities and organisational outcomes to senior finance professionals. Jeffery (2010), in an attempt to reduce the large number of available marketing metrics, suggests 15 metrics within a nonfinancial, financial and Internet and social media structure. More recently, Mintz and Currim (2013a), in examining the use of 84 metrics, reinforced the contribution of using marketing metrics through discovering that the use of metrics results in better perceived marketing-mix performance. However, their study was limited to the use of metrics and not the importance of the metrics included in their study. One possible reason for this lack of prescriptive guidance on what metrics to use is found in the work of Mintz and Currim

(2013b) that discovered that the use of metrics is heavily influenced by not who the manager is, but instead the organisational setting in which the manager operates. This limits the opportunity to provide marketing practitioners with prescriptive guidance as factors such as organisational strategy as well as organisational and environmental characteristics can influence what metrics are used. Encouragingly, Farris et al (2010) provided prescriptive guidance on the usefulness of marketing metrics in a consumer goods environment, but their study does not address the usefulness of marketing metrics among finance professionals in particular. Once again, this limitation largely supports the need for a benchmark study on marketing metrics in the financial industry in particular.

The literature (Uncles, 2005 and subsequently Kanagal, 2014) is also clear that the use of marketing metrics in assessing advertising campaigns should also include a comparison of campaigns' metrics through the practice of benchmarking actual performance against ideal benchmarks.

1.2. FINANCIAL SERVICES

The financial services industry in South Africa was chosen to be the focused industry for this study, due to the researcher's experience in this industry. This experience includes working in executive marketing and client management roles across different life insurance, short term insurance, investment and banking licences. The move to diversified distribution channels, client protection regulation and business-case driven advertising has created a need in the marketing fraternity of the financial services industry to become more efficient and effective with their marketing output.

For the purposes of this study, financial services can be described as the intangible economic services rendered by institutions within the financial industry. These services include:

- Banking and all its functions, such as secured and non-secured lending, transactional facilities, foreign exchange and investment instruments;
- insurance, both short term and long term insurance, that covers risks and creates platforms for investments through unit trusts, endowments and money markets, pension and provident funds and linked investment services providers;
- brokerage services that serves as a gateway to certain financial solutions, such as share trading or bond origination;
- advisory services that provide debt management, trusts and wills and structured financing;
- medical aid schemes that provide health cover and services;
- loyalty programmes that incorporate lifestyle enhancement, as well as in-product added value, such as premium discounts or boosters.

The financial services industry provides retail as well as group solutions to facilitate the economic activities of the public. Innovation in the industry is usually focussed on features, benefits, pricing and ease of use (Nekrep, 2009). Competition in the industry is intense and profits are driven by acquisition and retention of clients, as well as cost efficiencies. The marketing function in institutions in this industry have to create a credible and unique brand in the consumer space, with communications aimed at specific targeted audiences, focussed on the unique selling proposition to create competitive advantage, albeit sometimes only on a perceptual level. Acquiring clients, as well as optimising client profitability through cross-selling additional products, through the lowest possible cost is the main objective of any

marketing function within this industry. The marketing cost of a financial services company is also one of its biggest budget items and extracting optimal return on investment from this function is therefore an important factor in realising business sustainability. Since the global economic crisis of 2008 that has been caused by financial services organisations (Koenitzer, 2013), instilling trust with the consumer has become increasingly difficult, which is manifested in the drop of brand equity of many companies in this industry. This means that planning, executing and measuring marketing activities have become essential in optimising marketing output in relation to the spend.

1.3. JUSTIFICATION

A number of marketing theories exist to explain the creation, positioning and distribution of products. Furthermore, theories regarding brands, consumer psychology and economics are helpful to unpack the phenomenon of consumer decision-making drivers. One of these theories is the “*three C's model*” (Kanter, 1995), with the three C's referring to variables necessary to create competitive advantage: the corporation, the customer and the competition. When combined into a triangle, these variables explain the corporation's products, costs and value chain as positioned to segmented target markets in relation to what is available to these segments elsewhere in the marketplace.

Another model is the marketing mix, which explains the different elements necessary to market a product or service effectively. The four “*traditional P's*” – product, price, promotion and place or distribution – have also been enhanced with the addition of more P's including people, processes and physical evidence (Shahl, 2012). All of these variables are necessary constructs in starting a successful commercial venture, although the combination of variables is flexible, depending on the nature of the business.

However, the “*three C's*”, marketing mix and other marketing theories do not navigate down to a detailed level of practical implementation and management of an advertising campaign. What to communicate, when to communicate, whom to communicate to, where to place communication or send communication to and how to optimise marketing investment are all questions not answered in traditional marketing theory relating to direct response advertising campaigns in particular.

Direct response advertising as a concept is the key starting point and cornerstone of this study. It can be defined as advertising with the intention to encourage the recipient of the advertising message to place an order or receive more information from the advertiser by including a direct response mechanism in the advertising message such as a phone or short message service (SMS) number, e-mail address or website address where an enquiry form can be submitted (McAlevey, 2001). This study therefore excludes classic corporate advertising, which promotes a corporation rather than a specific product or service sold by that corporation. It is, however, not limited to the direct response vehicle normally used (usually referred to as below the line (BTL) marketing, e.g. direct mail, telemarketing etc.)

but also includes above the line (ATL) elements such as television, radio, print, the Internet and mobile advertising.

Return on investment is key to any direct response advertising campaign that is planned, executed and evaluated. The objective of any campaign has a monetary outcome; whether it is good or bad can only be derived from the metrics used to measure the underlying elements in the make-up of a campaign (Nowak & Phelps, 1994:51). Chief Executive Officers are demanding improved, measurable and verifiable results from their marketing departments, as they see their marketing money as investments (Powell, 2012:80).

1.3.1. Brand Metrics

There are numerous definitions of brand equity – including the non-tangible, i.e. non-bricks-and-mortar asset value of the company it represents – but for the purposes of this study the definition is the future value in terms of sales and revenue generated (Thomas, 2000). To indicate the commitment of top management to capital invested in marketing communications, new economic indicators, such as economic value added and market value, have been added to traditional accounting figures (Foster & Gupta, 1994:44). This asset-based evaluation should be performed in ways that include measures such as net present value, discounted cash flows and shareholder value creation (Sheth & Sharma, 2001:342). These measures are forward-looking, as they capture the current value of future cash flows and have to encapsulate satisfaction and customer loyalty measures, market share growth and a brand awareness index. Customer centred brand measures ensure a sustainability in all acquisition and retention efforts through-out the customer life cycle (Majumdar, 2009).

The effect that brand equity has on the success of marketing communications is illustrated by a model discussed by Thomas (2000:74) that depicts how the brand constructs impact on the efficiencies of the marketing output. In Figure 1.1, brand assets such as loyalty, awareness, perceived quality and the consumer's association with the brand all play a role in enhancing the consumer's confidence during the purchase decision making process, as well as perceived satisfaction with the purchase. These factors impact on the perceived risk of the customer to acquire not only the product but also the brand. The need of the prospective customer is also an important factor – it has a considerable impact on awareness and recall if a prospect is in the market for the product that the company is advertising. Competitive advantage also plays

a role during the decision making process, as factors such as market saturation and differentiation of products in the competitive space can affect campaign response rates and sales numbers.

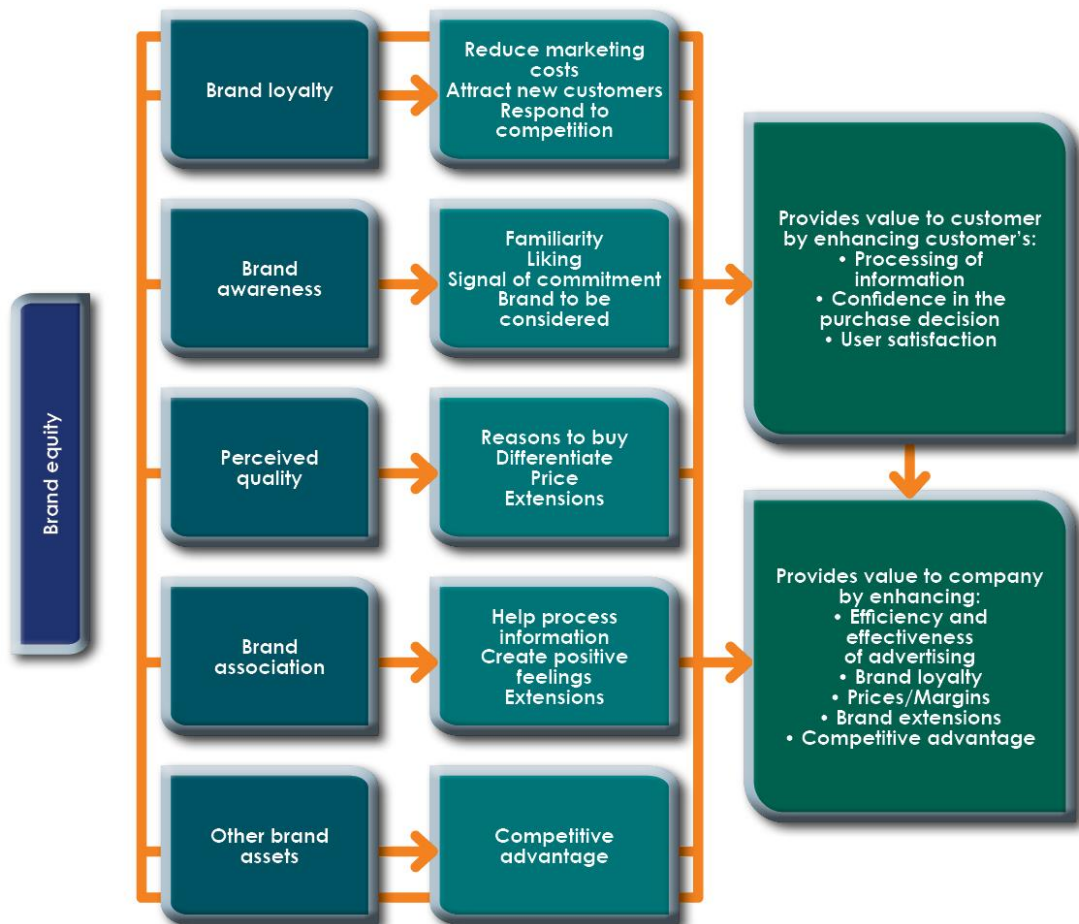


FIGURE 1.1: BRAND EQUITY

(Thomas, 2000:74)

1.3.2. Marketing financial indicators

In the researcher's experience, measuring the full effect of a campaign on investment returns has been challenging for marketing practitioners. This was in large part due to executive focus on sales volumes, sales revenue and market share, with marketing expenditure expressed as a cost item in the profit and loss statements, rather than being seen as an investment to generate profit. Marketing practitioners also approached their output from a tactical and activity perspective, rather than from a holistic business and strategy perspective. The resulting inability of marketers to support the overall business objectives in profit terms further compounded the divide between the financial and marketing departments in companies. The time lags between the actual marketing spend and the results of this spend in terms of sales, due to the activities within sales channels to finalise sales, is also a contributing factor to this phenomenon. The reality is that the spend in terms of budget used stands out in the company's balance sheet, whereas it is far more of a challenge to account for net present value of new acquisitions or even the effect of retention or cross-selling additional products into the existing base, in the researcher's experience. The lack of end-to-end management information and metrics regarding marketing spend, also created a culture of non-accountability in the marketing fraternity.

One of the elements marketers struggle to come to terms with in the researcher's experience, is market share, which describes a company's sales as a percentage of total sales volume in the company's industry. It can be expressed in percentage terms by dividing the company's sales in time in monetary terms by the industry's sales in the specified time. An understanding of the levers that determine market share, can guide the marketer to fully support the company's profit goals through client acquisition strategies, such as direct response advertising campaigns.

Profit and the drivers of profit growth is another financial indicator that marketers find difficult to align with their efforts. The results of the direct response campaigns launched during a specific timeframe should be expressed by multiplying the new customer volume with the margin per customer and then subtracting the marketing expenses, operating expenses and tax, in order to get a full picture of the contribution these campaigns make to the bottom line.

This disjoint has led to companies investigating the link between the effects of marketing, long-term profitable relationships with customers and overall financial performance, with resulting spin-offs such as market share or penetration, brand equity and profitability.

The following need to be measured to ensure quality financial reporting for strategic decision-making and budget allocation (Doyle, 2003:369):

- Cost per communication (as defined in a specific period).
- Response rates.
- Cost per lead, which is calculated by dividing the number of leads received from respondents into the total amount spent on the direct response campaign.
- Cost per sale, which is calculated by dividing the number of sales made (usually where sales units are standardised) into the total amount spent on the direct response campaign.
- Conversion ratios, specifically sale to lead ratio, sale to contact ratio and advertising cost to sale ratio. The first two measurement ratios imply a follow-up fulfilment process to facilitate the sale, usually a common occurrence where a lead is generated by a response other than an inbound phone call. Examples of these response types would be leads generated via the Internet, SMS and web responses from television, radio, print and press advertisements and mobile and other marketing tactics such as guerrilla marketing. The advertising cost to sale ratio is a good indication whether the advertising messages and channels used have been efficient, in the sense that the company's exposure, measured against competitor exposure, is more or less when weighed up against the sales achieved. A good example would be DaimlerChrysler's advertising spend of \$2.23 billion in 2003 with resulting sales of \$172 billion. Its advertising to sales ratio was 1.3%, in relation to Toyota's 2.1% in the same year with \$2.669 billion advertising spend and \$128.9 billion sales (Davis, 2007:179).
- Cost of wastage (and where it is situated). This can be gleaned from the elements of the campaign that are performing or have performed the worst or that have resulted in no direct sales opportunity or lead. According to Brown & Cheong (2013), 37 % of all advertising spend is wasted, which has a detrimental effect on conversion ratios and overall efficiency.
- Campaign return on investment, which can be calculated by dividing the number of people responding to the campaign by the number of people exposed to the campaign.

This ties in strongly with the average reach and frequency of the advertisements of which the campaign consists.

1.3.3. Business objectives

The overall corporate objective, in terms of what amount of profit needs to be achieved during the next few years by selling products to an identified group of customers within the bigger marketplace, usually drives the business objectives of any campaign (Doyle, 2003:370). The marketing function's business objectives are therefore in essence a supporting function of the broader business vision and strategy (Saaty & Vargas, 2012). This strategy is usually measured according to the following criteria:

- Customer performance (net present or embedded value), which can be derived from subtracting costs incurred to acquire and service the customer from the revenues derived from the customer during the same timeframe.
- Product performance (profit margin and cost of acquisition and administration).
- Channel performance (most efficient and persistent sales).
- Communications performance (value to volume ratio).

The metrics contained within this study's proposed marketing metrics model will enable marketing practitioners to understand and direct these performances through the following tactics:

- Increase the return on marketing spend by calculating the rate of return on marketing spend, expressed as a percentage, and the total return, expressed in monetary terms.
- Increase the number of customers by expressing the desired increase in the customer base as a result of marketing spend, discounting an assumed rate of attrition from historical data.
- Migrate customers to an optimal segment or product as expressed in total sales, gross and net profit, and embedded and potential value (if customer is cross-sold another offer).
- Reduce the cost of acquisition by fine-tuning all the stages in the sales cycle: enquiry, quotation, application and fulfilment.
- Improve the conversion rates of campaigns by targeting specifically identified subsets of customers and consumers (internally, through campaigns aimed at existing

clients and externally, by identifying prospects with similar needs in the consumer market).

- Increase the value of product holding by enhancing and extending the current product suite and achieving economies of scale.
- Maximise sales and return on investment per channel.
- Understand when marketing spend equals the revenue created from new customer acquisition in order to build business case driven campaigns.

1.3.4. Advertising performance (effectiveness and efficiency)

Advertising efficiency measures the relationship between inputs and outputs and has, in the context of this study, the primary goal of improving the ratio between outputs and inputs. Effectiveness, on the other hand, relates outputs to the objectives of the company. Plainly stated, *“effectiveness is doing the right things and efficiency is doing those things right”* (Thomas, 2000:73).

The lack of data and data interpretation to create insight and eventually knowledge within organisations has led executives to question the value of advertising in general and the productivity of marketing specifically (Thomas, 2000:73). According to Van Heerde, Gijzenberg, Dekimpe & Steenkamp (2013), the harsher economic conditions have put even more emphasis on marketing accountability with pressure on marketers to justify their spend. The reverse however seems to be true; mostly because marketers have a poor understanding of the financial implications of marketing actions: *“The major issue is one of marketing productivity. Marketing needs a better method of making cost/benefit analysis on marketing expenditures – to make good intelligent choices on how to get the most out of our marketing dollars, including marketing support. The concern is that while costs are rising, marketing is not finding new ways to improve marketing efficiency”* (Sheth & Sharma, 2001:343). Marketers should also know how to manage the fluctuations in market conditions better (Van Heerde et al, 2013).

Customers’ perceptions of a campaign and the following underlying elements that influence eventual decision-making processes, including whether to buy a product or use a service now or later (Morris, Woo, Geason and Kim, 2002:8), are:

- the customer's attitude towards the brand;

- to what extent a customer can recall the content, themes, core messages and call to action after being exposed to advertising; and
- to what extent the customer can recognise the brand and associate it with the product and messages contained within the advertising.

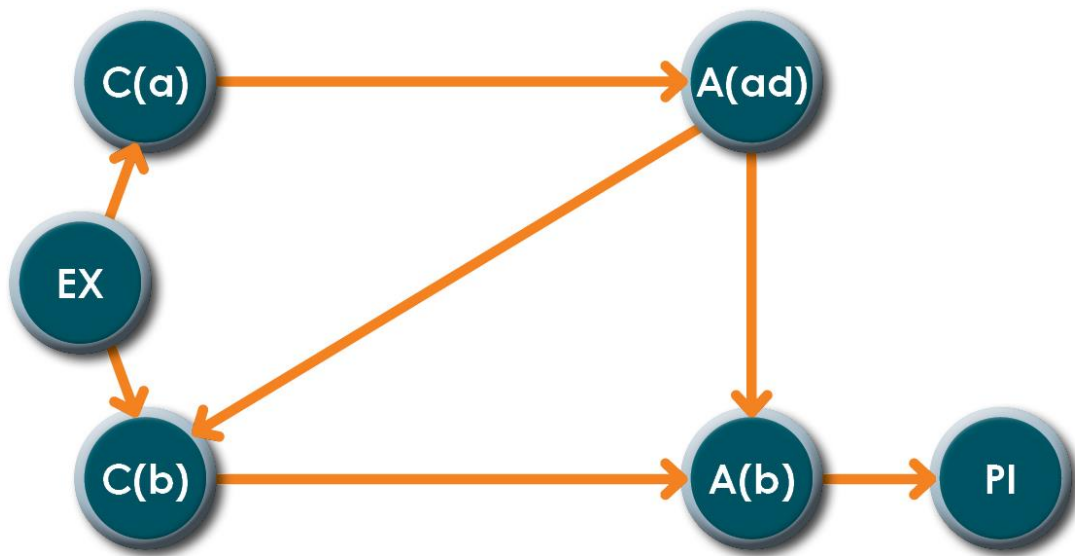
As argued by Morris et al (2002:8), the above-mentioned emotional reactions to advertising directly impact purchase intention. Kemp, Bui & Chapa (2012) further argued that even negative emotions towards a brand could be reversed with the incorporation of appropriate emotional cues, such as colour, language and nostalgic elements into a campaign.

Laczniak and Teas (2001:67) further enhance Morris et al.'s (2002) argument by encapsulating the advertisement execution and brand cognitions as can be seen in their dual mediation hypothesis (Figure 1.2).

Underlying what determines the effectiveness of advertising, the following constructs also need to be taken into account (Van Heerde et al, 2013):

- The product's time to market and its advertising message especially taking into account the effect of advertising clutter during seasonal spikes.
- Staff resources necessary to execute a campaign, i.e. if the company has the capacity to fulfil all the sales resulting from direct response advertising leads.
- Market response and penetration modelling, as expressed in average reach (penetration into anticipated target market) and contextual compatibility (the target market's understanding of the message and their response to it).

The model below (Figure 1.2) explains the process of creating purchase intention, through the interaction in the consumer's mind of past brand exposure and non-brand related thinking patterns relating to the advertisement's content, to create an attitude towards the product that is being advertised within the context of the consumer's attitude towards the brand as a whole.



- EX = Advertisement execution
- C(a) = Non-brand related advertisement cognitions
- C(b) = Brand recognitions
- A(ad) = Attitude towards the advertisement
- A(b) = Attitude towards the brand
- PI = Purchase intention

FIGURE 1.2: THE DUAL MEDIATION HYPOTHESIS MODEL

(Laczniak & Teas, 2001:66)

It is important to note that the type of segmentation used in compiling the media strategy and the resulting media planning and booking per channel and programme will impact the outcome of the average reach numbers (ARs). The compatibility with the media agents’ and vendors’ segmentation framework needs to be taken into account to optimise media channel efficiency.

Share of voice in the media as a frequency indicator is also an indication of the brand and its underlying value proposition message prevalence in the minds of customers and consumers. This study however aims to focus on the contribution direct response campaigns make to support overall business objectives, rather than relative brand spend of a company in the financial services industry.

1.4. THE RESEARCH PROBLEM

In the researcher's experience, marketing practitioners in the financial services industry in South Africa have been conducting direct response advertising campaigns without a comprehensive and scientific metrics model. Such a model should incorporate both objective and subjective variables to enable marketers to build budgets and business cases for marketing investment that can support the overall business objectives of the company. Creating a link between the requirements of those business objectives and the output from campaigns in financial terms and stated targets has been problematic for marketers in the researcher's experience. The business objectives need to be expressed in the form of:

- acquiring new clients through campaigns in the public domain (open market) and cross-selling to existing clients, which is expressed in sales targets,
- the profit that needs to be generated with specific return on investment targets,
- the growth in market share that is required and
- the additional loyalty of clients, expressed in retention numbers

in order for marketers to understand what is expected from their direct response advertising campaigns. Setting benchmarks or performance for these objectives could enable marketers to target segmented bases of existing clients and consumers appropriately with their campaigns by:

- understanding the causality between existing customer satisfaction rates and campaign response rates,
- understanding the correlation between the quality of the creative positioning of the value proposition in the advertising message and design and response rates,
- understanding the reach and frequency of advertising needed to garner desired responses,
- understanding the impact of public relations support on response rates during the campaigns and
- understanding the impact of underperformance of one campaign element on the rest of the elements.

A metrics model that enables this understanding can empower the marketer to change campaign elements that underperform, in order to reach the desired results.

Senior executives in financial services companies also find it difficult to keep their marketing executives accountable for the marketing money that is spent. In the researcher's experience, marketers are using the lack of metrics as an excuse when the desired output is not realised. The subjective nature of the creative output and the lack of measurement regarding creative quality in particular have been used in this regard. A metrics model that can quantify both objective and subjective factors into a single performance dashboard could therefore make marketing accountability a reality.

The potential use of the model is threefold. First, it can be used to translate the broader business objectives of the company, in terms of profit, sales and retention numbers into a structured marketing strategy, to identify what needs to be done from a marketing perspective, to support the attainment of the overall objectives. This will enable business case driven marketing budgets, as return on marketing investment targets can be set in a scientific manner. Secondly, it can be used to predict during the execution of a campaign what the eventual results will be if the current course is not altered. Also, it can enable the marketing practitioner to change elements of a campaign to achieve the desired results. Thirdly, it should provide objective metrics to assist in fair remuneration and marketing accountability of marketing practitioners.

1.5. RESEARCH APPROACH

A combination of existing and original variables and metrics were used in developing the proposed model through applying analytical hierarchical processing. The ensuing model can be used to predict the eventual results of a direct marketing campaign. This study therefore attempts to fill a gap in the marketing field by providing:

- *a way in which the “when”, “what” and “how” can be measured during and after a campaign; and*
- sound empirical results that will guide the marketer in the optimal management of campaigns and budget.

This model can also be used to remunerate marketers according to performance, something that has not been possible so far.

Figure 1.3 depicts the approach followed in setting up the proposed marketing metrics model and the steps followed in order to provide answers to the research problem.

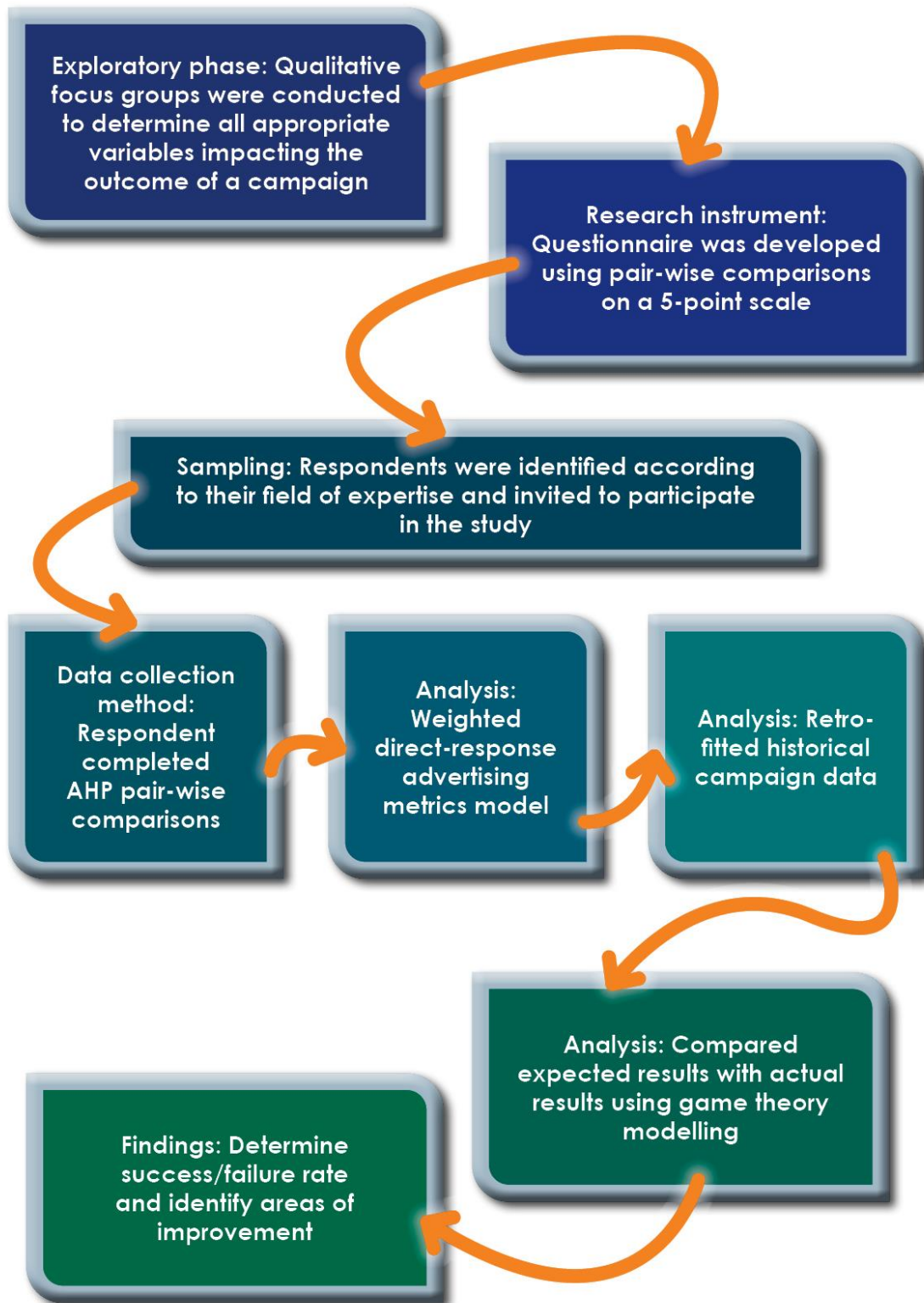


FIGURE 1.3: RESEARCH APPROACH

The research was conducted at two levels with a specifically identified group. This group consists of marketing professionals within the financial services sector in South Africa representing banking, long term insurance, investments and short term insurance. First, qualitative research (focus groups) was conducted with marketers from the financial services industry to test the viability and confirm the variables of the model. Through pair-wise comparisons in an online questionnaire and utilising analytical hierarchical processing, these criteria and variables were then weighted in order to construct a readily interpretable model. Historical campaign data were subsequently elicited from these marketers and used as additional input in the model to test its predictive capability. This was done through applying microeconomic game theory, which revealed the potential problem areas that could have been prevented with an early warning system, which the model in effect provides.

Although an element of the research is qualitative in nature, it is based on a quantitative model that was built with inputs from a sample of marketing directors, managers and practitioners in the financial services industry and then tested with real-world data to determine its feasibility in identifying potential problem areas in executing direct response advertising campaigns, as well as in determining success rates. The sample was derived from a list of financial services companies listed on the Johannesburg Stock Exchange and explicit consent was given to the researcher by CEO's of various of these companies to carry out the research with their marketing departments, representing more than half of the total market share in the financial services industry.

The model assimilates existing available input data as well as original variables not previously used. Analytical hierarchical processing, a statistical technique employed mainly in the decision-making process, was the methodology used for this assimilation process. The vast nature of this study necessitated the use of this methodology, which allows flexibility by guiding the user in the decision-making process. It does not give the user a right or wrong answer but rather a set of data on which to base decision-making. This is a key factor in the process of ascertaining whether a campaign has been successful or not, because of the diverse nature of different campaign objectives and benchmarks. The respondents in the study therefore had to prioritise the most important variables in the three categories that constituted the measurement of a campaign. Analytical hierarchical processing provided a comprehensive, well thought through framework for structuring a decision-making problem,

representing and quantifying its elements, relating those elements to overall goals and evaluating alternative solutions.

The process involved modelling the problem as a hierarchy and approaching the elements of the problem from a general to a detailed level, which led to the expression of these elements in a multi-levelled way. An in-depth understanding of the detail of the problem was subsequently reached by unpacking the criteria needed to attain the goal; in this instance it meant unpacking the measurable variables that would ensure the success of a direct response campaign, which in turn will lead to reaching business objectives such as long-term sustainability and greater market share.

The first step in the process of creating a marketing metrics model was to define the universe of variables involved, which included customer experience elements and indicators such as customer satisfaction and customer loyalty, objective elements such as cost and sales, as well as marketing communications effectiveness and efficiency indicators.

All the respondents were asked to prioritise the most important factors and then sub-factors and to weight these (see Table 1.1). This created another universe of important factors and variables (a multi-layer perception) that was collated into a single simplified model.

Two campaigns' data was used for the retro-testing of the model, in order to gain practical insight into the potential challenges during implementation of the model, as well as to gain insight from these test cases to support the research objectives.

TABLE 1.1: EXAMPLE OF POSSIBLE RESPONSE FROM RESPONDENTS

PROBLEM STATEMENT		
Create a marketing metrics model for direct response advertising		
Criterion 1	Criterion 2	Criterion 3
Customer experience	Marketing communications	Performance benchmarks
Brand	Advert recognition, recall	Total cost per lead
Loyalty programme	Number of BTL responses	Total cost per sale
Customer satisfaction	PR value spin-off	Advertising return on investment
New customers	ARs	Sales target
Cross-sell ratio		Earnings based value of sales
Sales experience		Fixed cost platform

The sample respondents were most of marketing professionals as explained above in the financial industry representing companies that are listed on the Johannesburg Stock Exchange. These individuals were all invited to participate in the study by completing the questionnaire online.

The application of the proposed marketing metrics model was furthermore tested by retro-fitting 2 campaigns' data in order to understand the implications of the performance scores of the underlying elements of the campaigns. Both open market and existing clients' campaigns yielded meaningful insight into the relational aspects of a campaign, as well as how changes can be made to underperforming elements in order to deliver on the desired business objectives.

1.6. RESEARCH AIMS AND OBJECTIVES

This study was conducted to develop an explorative model that can be used specifically for direct response advertising campaigns in the financial services industry to:

- set proper goals and benchmarks before any direct response campaign's budget is approved and/or any creative execution is attempted;
- measure the effectiveness and underlying efficiencies of direct response advertising in relation to the benchmarks set; and
- measure the effect of future purchase intention, loyalty programmes and customer satisfaction on the success of a direct response advertising campaign.
- Create a measurement model in order to establish marketing accountability

To provide further clarity, as well as to create a practical model for specialists with different fields of expertise within the direct marketing fraternity, it is important to distinguish between two types of direct response advertising campaigns:

- Direct response advertising campaigns aimed at the open market which include the broader population through communications in the public domain – the scope of these campaigns usually encapsulates a wide array of mediums and has long-term brand implications for the company, as consumers and existing customers are exposed to brand messaging through the communications and sales cycle.
- Campaigns aimed at existing clients or affinity bases – these campaigns are focussed on cross-selling additional products to existing clients and are usually much narrower in scope and costs than open market campaigns.

The model views the total organisational environment from a direct response advertising input and output perspective, to determine what effect these campaigns have on the long-term sustainability of the company. The underlying variables fall under the following main headings or themes:

- Customer experience – to what extent the company/product is positioned in relation to its competitors and the effect that will have on the efficiencies of the campaign. This relates to customer satisfaction, brand strength, the value added by a loyalty

programme and to what extent additional products have successfully been offered to the client base.

- Performance benchmarks – the indicators against which the objectives of the advertising campaign will be measured. These include the costs, fixed and variable, as well as return on investment indicators.
- Direct response advertising effectiveness and efficiency – measuring whether the correct steps are being undertaken in the execution of a campaign with its allocated budget and whether those steps are being undertaken correctly. This includes public relations (PR) value, number of responses within the targeted market segment as well as advertisement recall and recognition.

These elements are not mutually exclusive; there is an interdependent link that creates a secondary effect in the efficiency of the planned eventual outcome. The model will therefore have to highlight a potential problem while a campaign is on-going to facilitate immediate corrective action.

In the researcher's experience, marketing practitioners in the financial services industry are finding it difficult to measure their work in an all-encompassing way. Although fragmented metrics have always been used, especially in cost management and sales, there is no one definitive model that can assist with planning, measuring (continuously, mid-campaign and the eventual outcome) and shaping a campaign as it is executed. Questions that such a model will help to answer include the following:

- Was the campaign a success or a failure?
- Could the same results have been achieved by spending less money?
- Could the campaign have been shaped differently to reach more prospective customers in the envisaged target market?
- How can the productivity in the chosen sales channels be optimised?

In terms of cost management, there has traditionally been a disjuncture between the financial and marketing divisions within companies; marketing divisions are usually perceived to have very little if any control over their budgets compared to the strict budget management maintained by finance divisions. As the definition of marketing and its functions becomes more and more fluid with the introduction of new technologies and social networking, it is

important for marketing and finance – both strategic functions within the corporate world – to understand and impact each other in a positive way. Data and insight into data that leads to information flow has become a much sought after and precious commodity and management information and its strategic input into marketing operations and decision-making have resulted in a revolutionary, albeit challenging, and ultimately different marketing space. This space encapsulates new technologies, including the Internet and easy-to-use software tools, which can mine and model data as well as plan for and execute advertising campaigns both in direct marketing terms and in the more traditional public domain methodology.

The balance required to acquire new customers at lower costs, keep them content and make them more profitable as more knowledge is gained (by up-selling or cross-selling newly developed products or brand extensions) has become simultaneously easier and also more complex as a myriad different data and mathematical, financial, creative and strategic resources are necessary to reach optimal productivity and efficiency levels.

This complex marketing world needs to be transformed into a model that is streamlined and easy to understand and use. This model will not only empower the marketing practitioner to set his or her desired business objectives upfront but also guide him or her in implementing the campaign. Finally, this model should allow for assessing the success of a marketing campaign and quantifying the learning in terms of areas where changes need to be made and areas where current methodology can continue to be used.

The objectives of the research are twofold:

1. To build a valid, quantifiable model with historical data by using analytical hierarchical processing to:
 - assist the marketing practitioner in identifying the optimal marketing activities to support the overall business strategy; and
 - set proper benchmarks before a direct response advertising campaign is planned and budgeted for.

Identify problem areas (underlying campaign elements) while the campaign is on-going.
Ascertain the success or failure and the level thereof after a campaign has been finalised.

2. To test the model and its underlying variables through non-competitive game theory.

1.7. DELIMITATIONS OF THE STUDY

Areas not covered in this study in detail are the building of a new brand in the financial services industry and especially the effect that non-existing brand equity has on direct response advertising. The value of sponsorships in this process and the length in time required to build brand recognition and cognitive processes as well as creating an attitude towards a brand needs to be unpacked in detail.

In intermediated environments, where a financial adviser or sales agent delivers the sales message and fulfils the sale, it is also difficult to measure the efficacy of advertising throughout the marketing process. This is an area that needs more attention as the end result of the marketing effort is effectively outsourced to a third party that determines whether the prospective client understands the product in detail and will buy it.

Other marketing efforts aimed at intermediaries with a long term relationship and business impact, such as the value of road shows, public relations efforts and industry related advertising also need to receive more focus.

1.8. CONTRIBUTION TO SUBJECT AREA

It is envisaged that the study will benefit the following disciplines:

- Accounting: costs, profit models, sales targets, economic models such as inflationary effect on budget and return on capital (ROC).
- Marketing: the budgeting, planning and execution processes.
- Customer service: customer satisfaction index, customer retention and loyalty.

It is also hoped that said model will simultaneously influence the following elements:

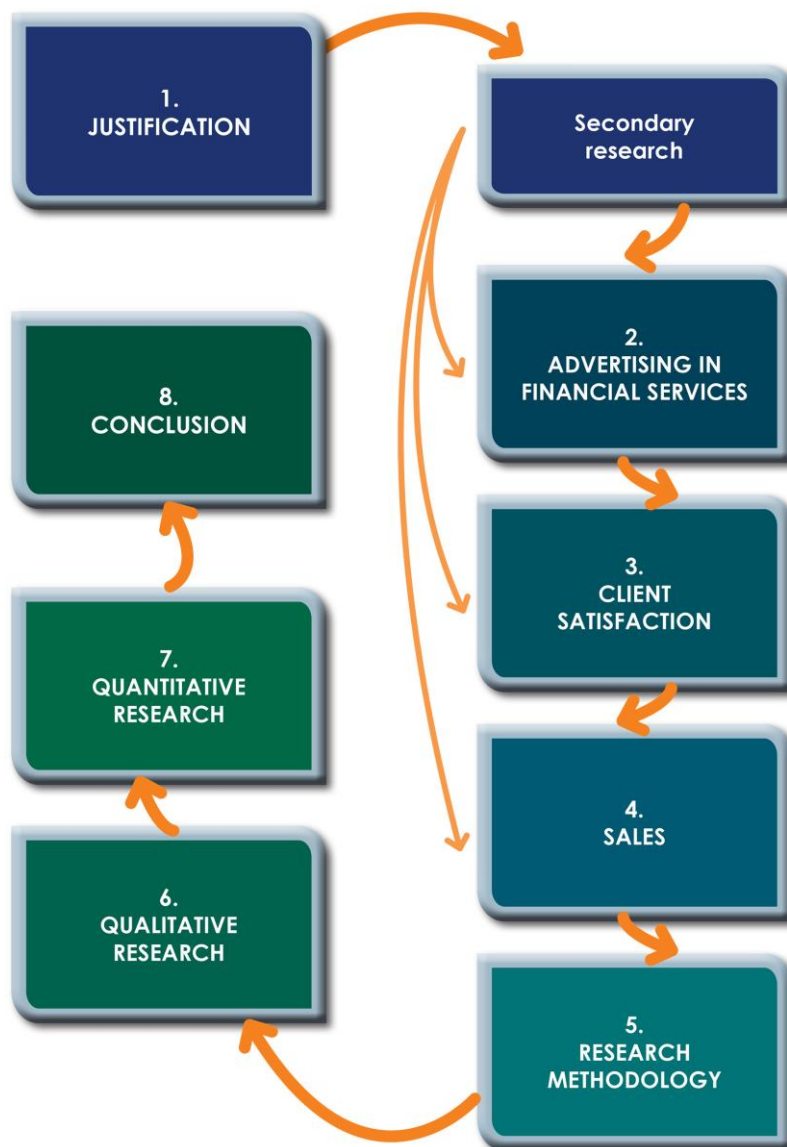
- Assist sales capacity planning, as well as cross and up-selling capabilities.
- The brand as a potential differentiator that influences purchase intention.

The model will be able to measure the efficiencies of the underlying elements at an individual level to highlight problem areas, so that corrective action can be taken to optimise spend. It can also quantify the success or failure of a campaign – something that has only been possible in the direct marketing environment to date. This means that marketers can be assessed and paid according to performance.

1.9. STRUCTURE OF THE THESIS

The structure of the thesis is depicted in Exhibit 1.1, with this chapter justifying why the study was undertaken. Three chapters of literature review follow, with its basis in secondary or desk research. These consist of a chapter on advertising in financial services, client satisfaction and sales. The fifth chapter discusses the research methodology used, with chapters 6 and 7 discussing the qualitative and quantitative studies. Chapter 8 concludes the thesis with main findings, limitations and the contribution of the study to the marketing industry.

EXHIBIT 1.1: STRUCTURE OF THE THESIS.



1.10. SUMMARY

The marketing function in the financial services industry is under increasing pressure to base budgeting practices on science and business cases, rather than past tactics. The assignment of accountability throughout the marketing process by delivering on business objectives through marketing strategies and tactics is another need in the industry. This study's proposed marketing metrics model could cater for the creation of business case-based budgeting and, through tracking of campaign outputs, create a framework for executive officers to keep marketing professionals accountable for the money they are spending.

CHAPTER 2

ADVERTISING IN FINANCIAL SERVICES

2. INTRODUCTION

In this chapter advertising in financial services and its various elements, specifically those aimed at eliciting a response from the intended target market through direct response advertising, is discussed. Advertising is defined as a paid non-personal communication from an identified sponsor, using mass media to persuade or influence an audience (Richards & Curran, 2002). The effectiveness of advertising and how it is measured is also addressed here, as well as how advertising has evolved over the last couple of decades. Direct response advertising and the consumer behaviours it is attempting to shape through various psychological and emotional means in the advertising message, design and placement is also discussed.

2.1. BACKGROUND

Shareholder value is the only thing that matters for listed companies. To unlock more shareholder value, some basic business objectives have to be stated, benchmarked and managed. These include acquiring new clients through marketing and sales efforts, operationalising after-sales support functions for clients in order to retain them, as well as keeping expenditure as low as possible to keep income versus expenditure and price earnings ratios at an attractive level for the existing and potential investors or shareholders (Petersen, McAlister, Reibstein, Winer, Kumar & Atkinson, 2009). Market analysts who position company sales, client satisfaction and cost efficiency levels in relation to competitor levels as well as within predefined sub-industries as defined on various stock exchanges scrupulously dissect these ratios in the researcher's experience. These analysts' reports drive investor sentiment, which in turn determines the share price of the listed entity. Understanding the business drivers of client acquisition, satisfaction and retention, as well as managing costs within certain predetermined bands (budgets) is therefore critical to the long-term success of a business and for its shareholders.

Advertising of a company's brand and products affects all of these business drivers mentioned above. Not only is advertising responsible for creating brand and product awareness amongst clients, it is also one of the biggest cost items on a company's balance sheet. Spending as little as possible (on advertising) to communicate a company's value

proposition and values necessitates measurement of the effectiveness of its advertising campaigns.

The question company boards generally asks regarding advertising is, does it work? Since the first advertisements were created and placed in the public domain, there has been a firm belief that only a portion of the money spent on advertising reaps dividends for the company advertising its products and services. This remains a practical problem for the advertising industry and marketing practitioners, even though there are myriad analytical tools and systems to assist them in planning, executing and measuring the outcomes of a campaign (Holmes, 1997). Accountability in advertising and marketing has become a significant issue, as the budgets these divisions represent constitute a big portion of management expenditure, and company sustainability with regard to future revenue is non-negotiable. However, the interplay between sales and advertising remains ambiguous, as other environmental factors such as promotions, brand perceptions and public relations (PR) efforts can all influence sales of a product. According to Jones (1995), the answer lies in the proper use of single source data. This implies measuring specific households' sales data (buying behaviour) before and after exposure to an advertisement. The measurement should be taken within seven days after exposure to the advertisement to ensure that the results are not affected by other factors.

Jones (1995) added to a steadily growing body of single source research that has attempted to explain the effect of short-term advertising exposure on product sales since the latter half of the 20th century. Colin MacDonald (1979) was, for instance, one of the first to wager conclusions regarding advertising effectiveness based on sales results following short-term exposure to advertising and the harbinger of anew movement in advertising that favoured achieving operational objectives over awards. The economic implications of agencies becoming publically owned entities necessitated this shift of focus. In this new environment, there were shareholders demanding dividends from their investments, which meant agencies had to acquire new clients (companies) and specifically keep client needs in mind during the design, development and execution of advertising campaigns. These needs included eliciting direct responses from the marketplace by advertising and selling products and services that were much more short term in nature than brand and product awareness advertising (Jones, 1989).

Single source research projects led to the creation of different advertising metrics that drew information and data from dependent as well as independent variables. These metrics are (Jones, 1995):

- short-term advertising strength (STAS), which represents the brand's share in all purchasing instances;
- baseline STAS, which refers to the brand's natural share of sales;
- stimulated STAS, which refers to the purchases made by a household that has been exposed to the brand's advertising in the previous seven days; and
- the STAS differential, which is the difference between baseline STAS and stimulated STAS.

Variations in advertising intensity (the total spend of a brand within its category or industry in relation to its market share), sales promotion efforts and above the line (ATL) brand spend all combine to determine both the short-term effects of advertising on sales as well as the company's longer-term brand equity.

Three information streams are used in obtaining the single source data required to derive STAS (Jones, 1995). Global marketing research firm ACNielsen provides statistics on household purchasing and television viewing and information on which brands were advertised during a specified period. The focus on short purchasing cycles makes these metrics good indicators for the packaged consumer goods industry and even for some intangible offerings within the financial services industry that address immediate personal gratification needs such as personal loans, cheque accounts and medical insurance.

From the results of the STAS differential, brands can be divided into four categories (Riecken, 2007):

- Alpha one brands where advertising works to generate sales,
- Alpha two brands where the advertising has stopped working,
- Beta brands where the advertising sometimes works; and
- Gamma brands where the advertising simply does not work for the company.

In the cases of Alpha two, Beta and Gamma brands, a new creative brief, new benchmarked business objectives and re-engineering of the marketplace's brand perception need to be

initiated to facilitate better results. Alpha one brands has been built through various brand initiatives to instil trust in the values and culture of the organisation, before specific value propositions were positioned to specific subsets of the targeted audience. These value propositions, seen in the context of credible delivery, are then taken up by the targeted base in an efficient manner, with clear return on marketing investment.

During the 1980s the advertising industry seemed to experience an upsurge in revenue and turnover, as the global economy grew at a healthy rate; new businesses needed to advertise in order to build public awareness of and sell their brands and products, while existing businesses needed to differentiate themselves and build on existing brand equity (Kim, 1992). The United States advertising industry grew at 9.8% annually during this time, almost twice as fast as the inflation rate.

By 1990, companies operating within the United States spent more than \$128 billion on advertising (Kim, 1992), with the financial services sector especially robust in growth of spend. However, this growth masked the decline in awareness advertising; with direct marketing spend increasing to such an extent that it represented two-thirds of the industry. As marketing practitioners favoured the pursuit of short-term targets, budgets were extricated from theme or awareness advertising, putting pressure on the traditional advertising agency business model. Ironically, metrics devised in the 1970s to measure the effectiveness of STAS helped build confidence in the direct advertising environment, whereas a lack of similar metrics in the traditional brand space made it more difficult for marketing practitioners within companies to justify spend on awareness and brand equity campaigns.

Starting in the 1990s and into the new millennium, new channels of communication and technological platforms of direct engagement as well as changes in the media market have further compounded the problem of finding the right media and marketing combination to deliver the desired results, according to Fletcher (2001). Due to the advertising bombardment via traditional channels, advertisers run the risk of repelling their target markets rather than attracting them. More choice in channels and programming, as well as consumer goods and services, has translated into a low tolerance for poor programming and an even lower tolerance for poor advertising, with more than 70% of respondents in a new millennium study complaining about the frequency of advertising (Fletcher, 2001). This advertising fatigue has a detrimental effect on sales in the experience of the researcher, especially on goods and

services that require long-term planning such as life cover, home loans and car financing, but it has less of a negative effect on brand awareness or equity. Irritation factors contained within advertisements include the style of the advertisement (serious, nostalgic, comedic or fact-based), whether it features a single character or spokesperson and whether the soundtrack is characterised by dominant repetitive music or music featured in the background. Therefore, it appears the creative execution together with a detailed understanding of the targeted segment is critical to ensure likability and to extract as much value from an advertisement campaign as possible.

Targeting the appropriate consumer base and incorporating its needs, geographical location, behavioural patterns, brand perceptions and likes and dislikes are key to the creative treatment, as is the type of medium used (Anand & Shachar, 2009). Understanding these elements prevents miscommunication, a perception of vagueness and misperceptions about the message and brand.

Different types of campaigns exist with different business objectives. Building trust in a company is an example of a desired outcome of a pure brand building campaign, whereas achieving sales targets would be the desired outcome of a direct advertising campaign. Appropriate metrics for these different types of campaigns have become essential in determining the levels of spend that will allow the desired business objectives to be met. Metrics are defined as measurements of process elements such as inputs, activities and outputs in relation to a specified benchmark or predetermined level of performance (Smith, 2004).

Advertising campaigns have become multi-faceted as new technologies, knowledge about existing customers and an increased focus on short-term wins have made integrated brand, direct response and PR campaigns more successful than traditional campaigns with single objectives. This integrated approach has, however, created confusion within the marketing fraternity, which commonly uses metrics to gauge effectiveness (Roberts & Ambler, 2006).

To avoid such confusion, focus should be placed on metrics that measure:

- future financial performance, which will enhance lifetime value for the customer;
- marketing productivity; and

- other elements that would assist the marketing practitioner with formulating future marketing strategies.

As advertising spend in the financial services industry has remained significant regardless of market fluctuations and recessions, advertising campaigns for companies in this industry have become so multi-faceted that mechanisms for gathering, distributing and managing leads is built into every part of the business process (Hosford, 2010). Marketing practitioners are working more efficiently, using a combination of marketing techniques to deliver according to performance targets.

Advertising does work in generating sales, Kim (1992) argues, although some advertising works better than others. Brands that use a combination of media types, themes and creative execution, sell more product in the long term, as brand perception and positive customer experiences are built. However, the marketing combination that will ensure optimal responses and sales needs to be identified, and this study aims to do so.

2.2. DIRECT RESPONSE ADVERTISING IN THE FINANCIAL SERVICES INDUSTRY

Companies offering financial services have for a long time debated whether to spend marketing budget on brand building, which yields dividends over the longer term, or to focus spend on short-term but more measurable initiatives such as direct response advertisements, usually with product sales in mind. However, there seems to be sufficient evidence to suggest that a new philosophy of building brand equity through selling has become established (Yu & Tung, 2014); the rapid increase in direct campaigns across different media and channels is a prime example (Rapp, 1993). Interacting directly with the end user or paying client has become an essential element of modern marketing campaigns, as individuals' needs can be better assessed and addressed than those of larger groups.

Assessment is often conducted through telephonic or electronic means, in the form of communication with the paying client. This dialogue-driven marketing has allowed marketers to connect more effectively with their target markets (Deb & Lomo-David, 2014). Campaigns are constructed on different stimuli levels and launched through different media, even incorporating traditional ATL media such as television and radio to garner responses from the intended audience. In the financial services industry, this reunion of the brand building and the direct response world has been necessitated by the maturity of the products and the myriad self-education tools and sources available in the marketplace (Korenchen, 1992).

Especially in the metropolitan areas, brand images and marketing messages continuously bombard potential clients, which has forced businesses to create shorter-term targets in building brand equity while also building client bases and profits. The combination of traditional brand building media such as print, radio and television—which can now be optimised with the inclusion of a direct response mechanism, without surrendering any of the creative flair of the advertisement – and the direct elements of mailers, e-mailers, mobile text and video messages garners more responses as a result of frequency of the message and through sheer reach in numbers due to the use of different media. Direct marketers have also realised that incorporating brand-building elements into their marketing mix has a significant effect on the success of a campaign (Crumbley, 1994).

In financial services companies, direct response initiatives have several advantages in the researcher's experience. These initiatives determine exactly how the budget should be spent

and therefore create accountability in the marketing function. They also create a focussed effort on maximising profit by prioritising direct response initiatives with more profitable products; each campaign is therefore testing the real output in sales terms against the business case of the company, product lines and budgets.

Successful direct advertising campaigns combine the laws of physics with psychology to obtain the desired reaction (Kern, 1997). More specifically, Albert Einstein's famous law of physics ($E=mc^2$) is applied to direct response advertising, the sole aim of which is to get a prospect to move in an intended direction. In order to do this, something must capture the prospect's attention and create the momentum of movement or action. This "*something*" is locked into the creative execution of the advertising element to which the prospect is exposed. In Einstein's equation, the speed of light is the constant; in the case of the direct advertising, it is the value proposition being communicated to the prospect. It is the one thing creating movement in the sales cycle and is therefore fundamental to the success of any direct response campaign. The value proposition should, however, speak to both the logical and emotional sides of a human being to finalise the deal, according to Kern (1997). People act out of emotion and then justify their decisions as having been made based on logic, especially if basic emotions are addressed. Value propositions addressing basic emotions include those that would make lives more comfortable, enable financial freedom and free up time and facilitate better relationships and influence over others.

Value propositions offered by the insurance industry are seen as extremely complex and are also legislated, with especially high-end investments and risk cover products being offered by financial advisers in a face-to-face sales environment. Insurance companies participating in a 2002 study (Neyer, 2002) indicated that a new trend towards "*direct*" is inevitable, especially where complexities can be addressed through giving regulated advice telephonically or through self-help applications and tools on the company's website. Since the products offered by financial services companies are intangible, the explanation of the value proposition becomes that much more important, specifically in removing the buyer's cognitive dissonance (Westphal, 1996). This explanation should be coupled with an effort to influence the buyer's attitude towards the company or brand. In the researcher's experience, chances of a sale are very slim if the prospective buyer perceives the brand in a negative light. Discussing inherent brand values and their fit with the potential buyer's own personal values as well as citing case studies of historical success can have some influence. The value proposition should also be

made personally relevant for the buyer. Some financial services products, such as short- and long-term insurance, ensure this relevance by virtue of product design, but such relevance is difficult to achieve with other financial services products – retail bank products, for instance. The creative execution of the offering should play an important role in creating the perception that the product is relevant in a personal way for every prospective client in the target market. Having a range of benefits available and involving the buyer in making the right choice also assists to make it more relevant. Client understanding of what they are buying or have just bought is also key to a long-term relationship. Guiding the client through the fine print and ensuring a deep level of understanding creates trust in the brand and the product and lessens the chances of buyer's remorse (Kantsperger & Kunz, 2010).

The use of technology in the insurance industry has made consumer education and engagement considerably more accessible as Deb & Lomo-David (2014) found in their study of new technology adoption in banking. Offering additional benefits to existing clients with specific needs or gaps in product holding is now a simple, quick and easy process. However, integrating direct campaigns and advertising initiatives with existing distribution channels as well as a long sales cycle (as a result of underwriting requirements particular to the industry) remains a challenge for long-term insurers in the researcher's experience. Controlling and managing the sales funnel are vital to ensure lead conversion rates are achieved (through direct means) and benchmarked targets become economically viable. Systems and processes must be set up so as to facilitate distribution of prospective client detail to intermediaries (should there be any) timeously and accurately. Feedback regarding the quality of the leads – in terms of target market fit, contactability, affordability and needs-fit – should make its way back into management information dashboards, thus supporting campaign outcomes and informing planning of future campaigns.

Testing multiple approaches and value propositions with different market segments allows direct response advertisers to fine-tune their campaigns (Westphal, 1996). In the researcher's experience, these different approaches often go beyond mere positioning differences and include discounts for limited periods, price guarantees, entries into lucky draws to win cash amounts or high value products, free gifts or even premium holidays. Systems and processes that have been designed and engineered to facilitate a positive fulfilment process at the point of sale, as well as after the sale, when the customer needs to be serviced, need to support these different value propositions. A disjointed effort between advertising, sales and service

efforts have been the Achilles heel of past direct advertising initiatives, with long-term negative effects for the brand and advertising effectiveness; generally, prospective clients display a lack of trust that expectations created in the communicated value proposition will be met. A brand is not only defined by a list of features and benefits; it is the sum total of the client experiences along all the touch points, how it is advertised and promoted, where it is sold, how much it costs and how it is supported after it is sold (Crumbley, 1994).

2.3. THE PSYCHOLOGICAL PROCESSES TRIGGERED IN ELICITING RESPONSES THROUGH ADVERTISING

From birth, senses create memories. These memories create a framework of reference that determines decisions and actions (Butcher, 2007). Therefore, memories are a predictor to the future outcome of choices that are made. These memories create familiarity, credibility and trust in brands and products, even when new experiences or products from well-known brands are tested. Communications from companies create a long-term memory of a brand's message and underlying values, and these live on in the minds of the customers long after a campaign has been terminated.

According to Butcher (2007), this long-term effect is contrary to the cognitive advertising metrics of recognition and recall, as unconscious or implicit memories—formed by exposure to any type of visual, audio or creative trigger contained within the advertisement – determine how a person feels about a brand or product. That personal emotional connection – made with the strap line, logo, brand character or colour contained within the advertisement – influences decisions and actions such as buying products much more than it influences the memory of the exact details of the advertisement.

Butcher (2007) further argues that implicit memories do not require any cognitive processes; these memories are simply expressed in behaviour. Marker posts that portray the intended message consistently and simply form the gateway to the creation of long-term memories. These marker posts create navigation in the brain to the correct end state (buying the product), with some of the campaign building blocks including interactivity within the message (asking the audience to remember something), frequency (the greater the exposure to the message, the higher the chances of remembering) and using conscious memories as executable devices in themselves (through referencing nostalgic, fearful or other easily recognised historical events). Located in the limbic system, the amygdala is the part of the brain that creates emotional response from exposure to stimuli. It works together with the hippocampus (which stores short-term memories by interpreting stimuli) to create meaning and personally filtered understanding and to evoke emotion.

By matching immediate stimuli with long held emotional filters, decisions are made (Bechara, Damasio & Damasio, 2000). The amygdala, therefore, is the source of customers' so-called "*gut-feel*" when they are faced with a brand's advertising and decisions that need to

be made as a result of exposure to it. This intuitive, largely emotional response can assist marketing practitioners in gaining ground on their competitors, as price and benefits only form part of cognitive processes and not emotional ones.

According to Bechara et al (2000), memories deposit physical chemical traces in the brain; these traces are called engrams. A series of engrams relating to previous experience/s, also called somatic markers, and current stimuli make up a person's brand perception. These somatic markers can be positive or negative, depending on the nature of the previous experience/s, and determine whether a person will buy a product or a brand based on emotions. Through certain brain regions – including the insular cortex, secondary somatosensory cortex, cingulate cortex, and nuclei in brainstem tegmentum and hypothalamus – emotions engage structures in the brain related to the representation or regulation of the individual's state of mind. These brain regions are all recipients of signals from internal stimuli, including physiological responses (Damasio, Grabowski, Bechara, Damasio, Ponto, Parvizi & Hichwa, 2000). Some of these regions – specifically some brainstem nuclei, the hypothalamus and sub-sectors of the insula and cingulate – also generate regulatory signals necessary to maintain internal balance or the feeling of being in control. Together, these neural patterns constitute a multi-dimensional map of the human state of mind and form the foundation of feelings experienced through memories and external and internal stimuli.

According to Damasio et al (2000), applying the theory of memory and feeling formation to brand and direct response advertising, distinct tags inform brand perceptions. These tags comprise three modules:

- knowledge, which is a composite of associations with the brand;
- feelings, which are emotional information used to assess a value attached to something; and
- actions, which are what you do with the value attached to something and the required physical action or engagement.

Knowledge of these modules empowers the marketing practitioner to (overtly or subtly) include tags representing them in the creative execution of the intended communication in order to unlock positive brand and product perceptions at the appropriate time, namely when

purchasing decisions are made (Damasio et al, 2000). New elements in the creative brief should include:

- the lasting effect that is needed in the memory;
- prevailing memories of the brand and the cues necessary to evoke them;
- the emotional context required to enable recall of the message; and
- any explicit message that needs to be communicated and how it is aligned with existing memories.

Advertising can therefore be seen as brand psychology, a process that facilitates change to behavioural outcomes by combining current stimuli with long held emotional patterns.

2.4. BRAND AS EXPRESSED THROUGH PURCHASE INTENTION

Clients, prospective and existing, interpret new information about a brand based on their expectations, which are formed by knowledge and experience accumulated in the past behaviour of the brand. This prior experience is very subjective in nature, which makes evaluation of the same brand in the same situation very different from individual to individual. New marketing information is therefore nothing more than a net addition to the customer's existing paradigm of the brand (Romaniuk & Winchester, 2008). This addition happens in an instant as complex psychological processes about prior brand experiences determine the influence of marketing information on purchase decisions. The challenge for the marketing practitioner lies in building a consistent and enduring perceptual representation of the brand through acceptable and desirable experiences.

This will lead to brand ambassadors increasingly "*living the brand*" by, amongst other things, continuously talking about their brand experiences with others, even in unprompted settings. There are a number of theories about brand characteristics and with which ones customers form strong emotional bonds. De Chernatony and McDonald (2003) asserted that the more affluent the target market, the more important the non-functional aspects of brands become. A number of emotional aspects – including trust, liking and sophistication – play a role in the creation of a positive brand identity, which is further enhanced when clients buy the brand and experience additional value as a result of the purchase.

Emotional fit is established when the image and value encapsulated within the brand communication fit the lifestyle needs and values of the targeted consumers and the products meet their consumption needs. With the emergence of social media, a new phenomenon of social brand communities has arisen, taking brand ambassadorship to a new level through blogging, word of mouth promotion and fan websites and web pages. Social groups that traditionally found shared meaning through religious or cultural activities are finding these new electronic sources of identity ever harder to engage with in a post-modern, individualistic and mobile world. Brands have become a new source of shared identity and shared community experience (Roberts, 2004).

With personal belief systems now often corresponding with brand values, a new form of relationship has emerged; instead of being limited to two individuals – the client and an employee providing service on behalf of a company – relationships can now also be between

the client and the brand itself, especially in cases where service interactions are mundane tasks (Roberts, 2004). This phenomenon of client-brand relationships is most prominent in service organisations, where customers interact with the brand through multi-functional service encounters with the staff. Roberts (2004) also states that a long-term relationship becomes possible if these client-staff engagements are consistent and regularly meet or exceed the customer's expectations. An example of such a service experience would be where a bank clerk pre-populates a withdrawal form for a regular customer to speed up the process. The brand characteristics that will form the basis of a social identity from a client perspective would be "*making a difference to my life, caring for me, saving me time and money*", which far outperforms the simple task of personalising a transaction document for a client. Future purchase intention can be measured in an existing base of clients through the so-called Net Promoter Score, a metric developed by American loyalty expert Frederick Reichheld (2003) that enables a company to predict future growth by asking customers to rate the likelihood of them recommending a company's products to friends or colleagues on a 0-10 scale. Based on the provided rating, the customer is then labelled a "*detractor*" (those who score from 0 to 6), "*passively satisfied*" (scores of between 7 and 8) or a "*promoter*" (scores between 9 and 10). The Net Promoter Score is the percentage promoters minus the percent detractors. Although the Net Promoter Score has been criticised for being too rudimentary, its effectiveness in predicting future growth for a company has been tested and proven, especially when used in conjunction with other metrics (Grisaffe, 2007).

2.5. PUBLIC RELATIONS AND DIRECT RESPONSE ADVERTISING IN FINANCIAL SERVICES

Public Relations can be seen as a strategic communication between an organisation and its stakeholders, including shareholders, staff, existing clients and its intended target market in the public domain (Lah & Golob, 2008). Business owners generally tend to regard Public Relations as the division that provides media support for advertising campaigns and limits harm when a particularly damaging piece of information becomes public. The value of the PR division has generally been accepted, but there appears to be a disjuncture between the outputs of the PR team and those of the direct marketing team (Dubin & Farrell, 1997).

In the researcher's experience, the perception amongst marketers has always been that PR is an unquantifiable image tool. However, the most successful PR campaigns have been those with carefully constructed performance benchmarks and targets in order to make the function more accountable. These benchmarks and targets were arrived at based on a detailed understanding of intended audiences and campaign objectives. Effective PR press releases contain new information (or news) and do not simply revise old information and present it in a different guise to media owners or the public (Cutlip & Center, 1985). Intense involvement with company operations might put PR teams under the (often false) impression that their company agenda is particularly relevant for the public sphere at a specific moment, and as a result press releases risk eschewing objectiveness. Cutlip & Center (1985) also state that press releases should be as objective as possible, written from an outsider's perspective and focused on facts rather than descriptive terms. The PR team should also ideally understand the target audience of the release, which implies knowing the contact details of recipients; a complete list of media professionals must be maintained to get the best results. In the researcher's experience, a call to action or direct response mechanism – an e-mail or website address and/or phone number – must be included in the press release if additional information is required. Press release specific contact details can be provided in order to ascertain response and gauge the success of the press statement; spreadsheets can be drawn up to reflect information contained in the responses, including number of responses per category, media types and individual media professionals requesting additional information.

Brand values can also be conveyed through communicating, through traditional advertising channels but with a public relations positioning, company involvement in corporate social responsibility programmes in the community in which a company is active. These

communications should include an invite to the public to share their stories in an open forum through video submissions on the company's website or mobile site and to discuss the positive impact these initiatives have had on the community. Direct response principles used in PR campaigns will ensure success, which, in turn, will lead to better results for pure sales driven direct response campaigns (Beardi, 2001). It is a matter of endearing the intended base to the company's brand, its operations, staff and products through credible third party endorsed information. The ideal mix – of traditional advertising, PR elements and communications directed at identified groups and individuals – yield the best results over the long term, both in brand equity and profitability terms.

Coming in the wake of the continuous search for accountability, this new PR identity has obscured the traditional demarcations between marketing and PR (Bartholomew & Paine, 2010). More focus is being placed on the outcomes of the campaign as a whole instead of only on traditional PR metrics such as impressions, message delivery or advertising value equivalency (size of placement relative to space paid for). Although cost per impression and cost per message metrics do point towards proof of performance of the PR elements as stand-alone engagement drivers, they do, however, not reflect return on investment as their effect on sales cannot be proven and should definitely be incorporated in the metrics menu (Michaelson, 2005).

PR officials are incorporating engagement with the target market through social media interaction, and cost savings and avoidance – as part of their return on investment measurements. Cost savings and avoidance are calculated by measuring the value of advertisements that would have reactively addressed the same issues as PR initiatives that were launched proactively. A prime example is releasing negative business results with explanations and countering measures before it becomes news. This creates credibility and trust with the public in most instances. Bartholomew & Paine's (2010) metrics for PR includes four elements:

- Exposure: the coverage PR efforts give to the message and content of a brand and product.
- Engagement: who interacts with the content and communications in what way and when determine the level of engagement with the intended target market.

- Influence: the extent to which the engagement and consumption of information has led to a change in attitude towards and perceptions about the brand.
- Action: the extent of change in buying behaviour as a result of the engagement with PR elements as part of the marketing mix.

The incorporation of PR into a more holistic view of media consumption will produce a systemic production of PR in a circular communications process (Van Ruler, Verčič & Verčič, 2008).

2.6. THE RELATIONSHIP BETWEEN MARKETING AND SALES

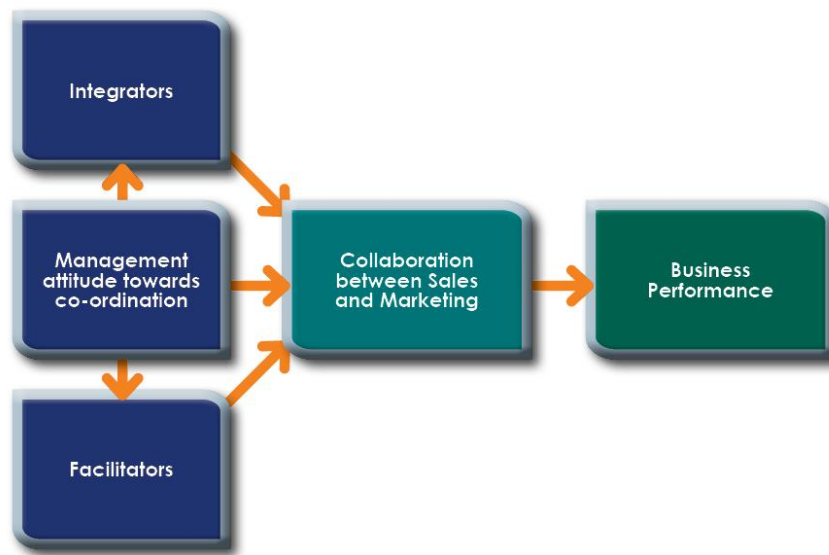
Marketing can be defined as a set of activities and processes instigated by an institution that involves the creation, communication, delivery and exchange of value propositions and currency in order to satisfy needs of individuals as well as realisation of organisational objectives (Brunswick, 2014). This implies that the sales activity through delivery of the marketing message and fulfilment of the value proposition is a subset of marketing. In practice, in large corporations, these two functions have been split to create a focus on firstly creating the value propositions and all the marketing communications and collateral, by the marketing function, and secondly to distribute or deliver these value propositions through a sales area. The relationship between these two departments has been a contentious one since the birth of the large corporation. Kotler (2006) notes that all companies can and should improve the relationship between sales and marketing. Although traditional marketing theory holds that sales is a discipline of marketing, in practice the sales department has been seen as a centre for the stimulation and fulfilment of client needs. The marketing department, in comparison, has become synonymous with segmentation, understanding client needs, packaging the product to fit those needs through advertising and other communication efforts, as well as integrating sales and distribution capabilities (LeMeunier-FitzHugh & Piercy, 2006).

This division easily leads to conflict between the two departments, as the co-ordination and communication required for a seamless marketing and sales message can be quite daunting in larger organisations. Planning and goal setting, including target setting for sales, has to take place collaboratively in order to benefit the organisation. It is important to note that one department's marketing efforts have a cumulative effect on the efficiencies of the other department.

There are also other factors that necessitate closer collaboration or at least co-operation between departments. Technological advances allowing existing and prospective clients to research product brands, features and benefits themselves have made it challenging for sales executives to position their company's products. In this kind of environment, which is characterised by an oversupply of information, sales targets can only be met and brand positioning can only be successful if there is a concerted effort between a company's marketers and sales force (Matthyssens & Johnston, 2006).

As competition increased and the size of market potential remained stable, customer relationship management has also become one of the leading factors ensuring a shift in focus from short-term sales to long-term customer relationships and sustainable profits. LeMeunier-FitzHugh and Piercy (2006) propose a model to encourage collaboration between sales and marketing (Exhibit 2.1).

EXHIBIT 2.1: ENCOURAGING COLLABORATION BETWEEN SALES AND MARKETING



(Le Meunier-FitzHugh & Piercy, 2006:944)

The roles of sales and marketing need to be co-ordinated through the use of integrators and facilitators in order to attain business objectives. The available literature on these roles will be briefly discussed below.

2.6.1. Integrators

According to LeMeunier-FitzHugh and Piercy (2006), the first integrative factor is communication, which encompasses both formal communication, such as meetings and the dissemination of minutes and memos, and informal communication, which happens through casual contact. Successful communication deconstructs the functional silos within an organisation and creates a sharing of information that aids collaboration.

The second integrative factor is that of organisational learning. This implies the effective dissemination of the interpretation of previous learning, whether they were gleaned from successes or failures. Organisational learning helps align organisational best practice and targets (Rouziès, Anderson, Kohli, Michales, Weitz & Zoltners, 2005). The erection of formalised knowledge dissemination structures is of key importance to ensure consistency and also that the learning reach everyone in the organisation. On a practical level, sharing of organisational learning between sales and marketing divisions can contribute to honing the creative execution of an advertising campaign to optimise sales; the sales division is best positioned to speedily communicate to prospective clients how the company's products can fulfil their needs and why it is better than the competition.

The third integrative factor is the dissemination of market intelligence. Inclusion of the sales channels in the gathering as well as dissemination of market intelligence will not only lead to better collaboration between divisions but also lead to an understanding of the company's market position and the target market's perception of its products. The collection, storage and dissemination of the information may be a specific person's responsibility and that person may be in the marketing department, but it will benefit the sales and marketing divisions as well as other executive departments.

Integrating marketing planning is the fourth important factor, according to LeMeunier-FitzHugh and Piercy (2006). Some companies take this integration to a restructuring level, so as to ensure that the sales and marketing departments align marketing and sales efforts. Non-alignment leads to considerable wastage in terms of advertising expenditure and lost sales opportunities and carries a big reputational risk for the company as a whole. Most companies create marketing forums or boards across the client facing communication, sales and service divisions to ensure collaboration from the conceptualisation phase of marketing strategies and tactics.

Removing conflict between sales and marketing – two separate departments that are often driven by different cultures, personality types and organisational responsibilities – is the fifth integration factor. Marketers sometimes have to communicate the product features quickly to a specified audience to respond to a competitor's innovation or marketing campaign; since this communication is then by its very nature non-inclusive, it can lead to resentment in the sales force. Likewise, marketing professionals, especially those working for the head office,

often carry negative prejudice towards sales executives. The removal of this type of conflict is imperative for the company to perform at an optimal level.

2.6.2. Facilitators

According to LeMeunier-FitzHugh and Piercy (2006), cross-functional training will facilitate a better understanding of the roles of the different divisions, as well as empathy for the skills necessary to function as either a marketer or sales executive. Training has the advantage of being regarded as a positive personal growth tool and can therefore ensure better organisational performance. It is important, however, that this training is standardised in terms of content, frequency and audience to prevent a situation where the head office staff have a superior training programme to that of the field staff, usually the sales force.

Integration mechanisms – such as management forums or committees, job rotation plans and project teams – will also facilitate collaboration between the different departments. However, these mechanisms have to be implemented wisely to ensure that talent is optimised and not wasted just for the sake of integration (LeMeunier-FitzHugh & Piercy, 2006).

Alignment of rewards or incentives will also facilitate better collaboration. Marketing professionals have been part of the bonus pool and have been rewarded for the overall profitability of the organisation, and sales executives have been receiving sales incentives with benefits if they outperformed set sales targets. Moving beyond mere sales targets and aligning incentives will create a singular focus to reach the company's strategic objectives.

Management attitude towards integration of these functional areas will be the key factor driving a single vision within a nourishing team spirit (LeMeunier-FitzHugh & Piercy, 2006). This attitude will be manifested in the holding of joint meetings, sharing learning from past mistakes or successes and setting up integrated marketing systems and information. Cross-functional training and shared incentive structures will also facilitate the collaboration necessary to achieve the company's goals.

2.6.3. Collaboration between sales and marketing

In the researcher's experience, natural collaboration starts transpiring by using communication and organisational learning, disseminating knowledge, and integrating sales

and marketing skills into the marketing planning process. With the addition of more formalised mechanisms such as training to ensure consistency in the articulation of the value proposition and alignment of the rewards structures within a company, true single mindedness is created within a culture of an organisation. Key performance indicators should be identified and shared across all functional areas to support the business strategy (Chen & Chang, 2010).

2.6.4. Business performance

Good collaboration between the sales and marketing departments leads to a better understanding of each division's role and responsibilities, as well as an understanding of how and when to expect support and feedback (Chen & Chang, 2010). This understanding, in turn, leads to empathy within the company's structures, which is further strengthened by shared key performance indicators. As discussed in chapter 4, when all employees collaborate and communicate with the customer in the same, consistently excellent, way, irrespective of the touch point in the client's journey with the company, business objectives, benchmarks and targets are attained and even outperformed.

2.7. ADVERTISING EFFECTIVENESS

Creating an optimal mix of media that will fit the underlying message as well as the sales targets has been the goal of all marketing practitioners from the launch of corporate-driven marketing strategies (Rotfeld, 2007). Since many marketing practitioners have become media buyers, either through outsourcing or in-house negotiations, and given the current high cost of media, this optimal media mix is a focus area for all company stakeholders. Return on investment for marketing money spent is of great importance for the sustainability of an organisation (Johnston & Bonoma, 1981).

Traditional media – including television, radio and print advertisements and outdoor advertising through billboards, posters and flyers – have been joined by new media, including online and mobile advertisements (Neyer, 2002). Guerrilla tactics such as viral and ambush marketing have also become more common (McAlevy, 2001). Detailing the targets and the money allocated for marketing, budgets need to be guided by a clear strategy and planning as well as execution processes. Understanding the media consumed by the targeted market segments is perhaps the most important way of developing such a clear strategy and planning and execution processes. When planning the media schedule, the following information should be considered (Caemmerer, 2009):

- Reach of the medium and the content or programmes it carries.
- The frequency of consumption of those programmes.
- Audience ratings of those programmes.
- Previous interest garnered from advertising in certain programmes in certain media.

Media owners also use reach (how many of the intended target market will be reached), frequency (how often the advertising will be shown or heard) and audience ratings (how popular the programmes are that will be used in the campaign) when determining price (Cannon, 1983). Effective frequency, a cornerstone of media planning, says how many times consumers should be exposed to advertising in order for advertising to be the most effective, according to Makienko (2012). The better the advertisement-reach fit, the higher the price of advertising. To ensure higher cost efficiency, marketers often convey the message to the same intended audience through a mix of media (Caemmerer, 2009). More cost efficient vehicles might have a lower reach, but they provide an advertising campaign with the longevity it sometimes requires to make an impact (especially when television is used as a

medium) together with the high cost items that gives the campaign the big impact with the audience.

A common pitfall of media buying is to compete in terms of spend with competitors, especially if the competitor's strategy is not public knowledge (Donaton, 2007). This unnecessary competitiveness can lead to wastage and ineffectual spend, due to clutter. Wastage and ineffectual spend can also occur as a result of a chosen medium not being the correct environment for the message or creative execution of an advertisement. An example would be drive time radio advertisements with a text message response mechanism; this kind of mechanism is impractical and inappropriate for this particular environment as the target audience (drivers) are not able to respond via text message.

Figures from an American study conducted in 2004 (Li & Van Boskirk, 2005) seem to indicate that there is an immense disconnect between understanding the client and the client's behaviour and the status quo in the media-buying environment. Only 6% of marketing communications budgets considered during this study were spent on online advertisements while the study showed that the target market spent 34% of their available media time online.

A more scientific way to plan is necessary to take into account all the areas influencing clients, including new online, viral and social media as well as mobile and other devices that connect people with brands, products, companies and others. Pickton (2005) proposes a three-step process:

- Adopt analytical tools that move beyond the reach and frequency measures of the traditional media-planning model. Behavioural data derived from call centre and e-mail interactions, feedback from frontline sales staff and all the other data sources along the customer journey before and after acquisition should be used to identify points of interest for the customer. These attitudinal datasets can then be used in conjunction with mass media tools to ascertain which media set would work best with which segment.
- Use experimental design principles to test new techniques with small pockets of segments. This testing process is an invaluable source of attitudinal data and creates a knowledge set that has data to back up marketing strategy and planning. With some of

the new technologies and phenomena, such as social media, requiring only a small investment, it has also become economically feasible to experiment more.

- Reshape the planning process to include a group of specialists, including the end consumer, statisticians and distribution channel opinion leaders. These experts are more equipped than a one-stop advertising agency at suggesting an end-to-end client experience and the resources necessary to support targeted campaigns. The assistance of a group of specialists will elevate the media buying function into proper marketing planning.

2.8. ADVERTISEMENT RECOGNITION AND RECALL

Many advertising models were developed during the 1960s, but they mostly focused on the Lavidge and Steiner (1961) hierarchy of effects model, which recognises three distinct phases during consumption of advertising that leads to eventual purchase:

- The cognitive stage, when a prospective client is made aware of the product or service being advertised and subsequently gathers information about it to build up a base of knowledge.
- The affective stage, when the client likes what he sees in the advertisement, sometimes as a result of the execution of the message in the advertisement, sometimes as a result of the product's features and benefits.
- The behaviour stage, when the client has made up his mind and responds to the advertisement by purchasing the product.

Due to the attrition in potential clients during the process, advertisers have tried to make the message and execution of advertisements as memorable and likable as possible (Bendixen, 1993). Measuring message and execution to ascertain whether the advertisement will perform according to the organisation's objectives has therefore become extremely important. Research is conducted with a sample of the targeted market segment to understand what emotional resonance the advertisement has with the potential client and where the awareness-to-purchase cycle can be improved. An important part of this research is ascertaining the intermediary variables that elicit an emotional or cognitive response from the intended target market during the early stages of the communication.

The impact the advertisement had on the research respondent's capacity to recall the product featured in the advertisement as well as the message itself are extremely important intermediary variables during the "*awareness*" stage. Elements tested during the "*comprehension*" stage include the potential lack of room for interpretation of the advertisement's message, the respondent's depth of understanding, and what the brand imagery symbolises. The following stage, called the "*conviction stage*", is then unpacked by researching the target segment's perception of the inherent credibility of the message and the product it is trying to position, as well as the elements used within the advertisement, such as the actors. These variables are highlighted in Bendixen's (1993) brand loyalty ladder, which uses the five stages of communication as its platform.

EXHIBIT 2.2: THE FIVE STAGES OF COMMUNICATION



(Bendixen, 1993:20)

This model addresses the process an individual undergoes from being unaware of a product or service, through becoming aware of it after exposure to a communication, to understanding what this means in a specific context, making a decision to engage or disengage from it, to taking action. In the context of this study, this action can be represented by responding to advertising and buying a product.

This is further supported by more recent studies (Oancea & Pandelica, 2012), that describe the convincing process of marketing and sales as a four step process. Firstly, the ability to capture the prospective customer's attention through exposure to marketing messages and communication, followed by the ability to convey the messages in a simple and easy to understand way. Thirdly, these messages need to have the ability to persuade and lastly, also the ability to change the customer's buying behaviour in the favour of the organisation responsible for the advertising.

2.9. BARRIERS TO COMMUNICATION

The outcome of Bendixen's research is qualitative in nature. When setting sales targets, it is therefore risky to trust only advertising recall and likeability research. If decisions are based solely on qualitative research findings, it is important to note that the repetitive nature of advertising and the impact it can have over the longer term can also skew sales results in relation to perceived purchase intention from the intended target market (Sá, 2015). However, communication effectiveness is an important starting point for any marketing practitioner (Luxton, Reid & Mavondo, 2015); as a misunderstood advertisement is bound to lead to confusion in the market, low sales figures and negative brand perceptions. An advertisement that is understood but not liked will lead to the same outcome, as prospective clients will forget it very soon after consuming the message.

"Recall" is the extent to which a customer can recall a product advertisement, a product and the brand within a specific product category without prompting (Aravindakshan & Naik, 2011). There are two types of recall, measured by asking customers which products they can recall in a specific category. Their replies are then categorised as either *"top of mind"* recall, when it refers to the first advertisement they could recall, or *"dominance"* recall, when it refers to the only advertisement they could recall.

Advertisements can also be shown to respondents as part of an aided recall exercise. These respondents are then asked when last they consumed the advertisement to gauge its effectiveness in the target market.

2.10. CURRENT ADVERTISING METRICS

A myriad different advertising media and channels assist marketing practitioners in sourcing the right media elements for their campaigns. The metrics informing the purchasing process are, however, somewhat scattershot and mostly reactive, as cost optimisation through audience ratings can be achieved, but comparisons between the results of different media, e.g. television and magazines, are not available (Ephron, 2000). This study aims to give the marketing practitioner the capability to choose the right marketing elements for a specific business objective. Existing metrics together with newly developed measurements do, however, serve as a good starting point.

2.10.1. Above the line (ATL) media including television, radio and outdoor advertising

Real time viewership monitoring is done through "*critical mentions*" via the Nielsen (2013) ratings, which measure audience reach through probability sampling. Through a network of affiliates, this measurement is used in more than 70 countries not only to gauge audience participation but also to evaluate the impact publicity has on existing campaigns by tracking the nature of critical mentions. Ad likability is another key metric derived from audience surveys, as high likability relates to personal relevance, which in turn affects brand affinity and future purchase intention (Smith, 2007).

"*Cost per action*" is another way to cost media, as media bought reflect audience reach on cost per action or direct response campaigns. This moves the focus away from pure reach to number of interactions with the audience, which makes it easier for marketing practitioners to compare campaigns and be more accountable for spend, as there is a direct correlation between spend and outcome (Gray, 2007). "*Consumer response ratios*" are derived from the number of responses relative to the audience reached and serve as the indicator that will be relevant in the new digital television age (Gessert, 2007).

Real time response mechanisms like number of SMS messages, web interactions and responses through social media are all useful when determining engagement, response and lead provisioning. Geographical splitting also allows specifically the radio advertiser to target a more localised audience, which reduces non-relevance and theoretically increases conversion rates.

2.10.2. Print media

Print media refers to any medium that distributes information in a printed fashion. These mediums vary widely in terms of frequency - from twice daily to annually - and format. It includes newspapers, magazines and journals. Size of readership, subscriber base detail, distribution per edition, audience engagement and advertisement effectiveness are all metrics used to determine cost of advertising space as well as the outcome achieved in relation to the cost in print media (Ives, 2006b). This includes demographical, geographical and psychological detail of the readership base, its attitudes towards certain brands and types of campaigns, and its size.

Most publications offer an application through an online store or via the holding company's website, and this application is usually free. The online metrics gathered by readers' use of this application or an e-Book is very useful to publishers to understand what interests readers and what advertisements elicit the greatest response. Given the technological advances achieved in the printed media environment in the last couple of decades, publishers can now refine their products to be ever more relevant to readers and advertisers alike (Ives, 2006a).

2.10.3. Online advertisements

Online advertisements refer to marketing messages placed on websites through the use of virtual billboards, banners, search words, pop-ups and buttons. Online advertisements were initially seen as a revolutionary, real-time, measurable marketing tool that gave the marketing practitioner the capability to identify key performance indicators that reduced wastage and increased focus on business objectives. However, these were too rudimentary to provide value and depth and seemed to merely skim the surface of intelligent reporting by focussing on impressions (cost per thousand), clicks, click-throughs, number of page views, unique visitor count and length of visit data; moreover, these performance indicators showed little correlation with buying behaviour (Cotter, 2002).

New metrics are gradually replacing this first set of measurements. Not only should these new metrics better target the appropriate sites, they should also create e-business performance benchmarks.

New generation tools go beyond leads reporting into other avenues of the sales cycle as well, specifically where the fulfilment process is self-serviced, web based and therefore measurable. This includes length of the application process, quality of the data captured at sales stage, service delivery relative to customer expectation and the cost of sales. Benchmarking these outcomes against corporate objectives enables the marketing practitioner to track, manage and report on campaign success and learning more effectively. Setting up the metrics in the planning phase of the campaign and early and regular tracking will assist in managing the electronic elements of the campaign on an on-going basis. The three filters that need to be applied during this initial planning phase are considering:

- how the initiative will facilitate better product profitability, customer acquisition and satisfaction;
- how new processes will cut costs; and
- how new processes will make it easier to do business.

These filters will help determine conversion rates, cost per acquired customer through analysis of click-throughs, leads and sales and value per customer by matching unique sales with the transactional data available on these customers (Woods, 2009).

Visit data, such as dwell time per section or page, and visitor behaviour content conversion analysis assist the marketing practitioner to fully understand the quality and simplicity of the available content. If the objective of a campaign is to guide a prospect through the application process without human intervention, and the data show a point where a lot of customers get stuck, the content needs to be reworked. Similarly, if the information and design of the web space is not enticing enough for the target audience to respond, it needs to be reconsidered. Another useful model, the WebinsightsTM diagnostics framework (Exhibit 2.3) unpacks the alignment needed between campaign objectives and the company's broader objectives (Chirca & Daj, 2008). Although this framework encompasses most of the metrics discussed already, it offers a unique single-model perspective of the effectiveness of every website within the strategic target framework of every unique company. Through articulation of the company's business drivers through the lense of online marketing, it is possible to determine which customers to target, what their experiences should be like, how much new business can be generated and how it can contribute to the overall profitability of the organisation.

**EXHIBIT 2.3: KEY METRICS OF THE WEBINSIGHTS™ DIAGNOSTICS
FRAMEWORK**

Business contribution:

Online revenue contribution (direct and indirect), category penetration, costs and profitability.

Marketing outcomes:

Leads, sales, service contacts, conversion and retention efficiencies.

Customer satisfaction:

Site usability, performance/availability, contact strategies. Opinions, attitudes and brand impact.

Customer behaviour (web analytics):

Profiles, customer orientation (segmentation), usability, clickstreams and site actions.

Site promotion:

Attraction efficiency. Referrer efficiency cost of acquisition and research. Search engine visibility and link building. E-mail marketing. Integration.



(Chirca & Daj, 2008:6)

2.10.4. Social media

Social media refers to the online platforms people use in networks, virtual communities and communities to exchange, discuss and disseminate pieces of information. Social media have become the most recent addition to the direct marketing mix, although they are much more difficult to leverage from a true direct response and sales perspective (Palmer &Koenig-Lewis, 2009). This is due to the nature of the platform and the need for individuals and communities to discuss their topics without the invasion of brands trying to sell them products. Social media have thereforee created a platform for individuals to connect with each other and with institutions or groups to create communities that share information, help each other mobilise and organise as well as converse about shared interests. This is all done

within a trusted and credible environment that is not to be abused or usurped by other agendas (Jobs & Gilfoil, 2014).

There are different approaches in engaging and building communities. It is an important factor to keep in mind that none of these approaches will be successful if the goal of the force (individual or corporate) driving the community is a one-way economic extractor (Boyd and Ellison, 2007). In other words, if this goal is set up for a company to benefit without adhering to the unwritten rules of social media, these approaches will be unsuccessful. These unwritten rules (Gillin, 2009) include the following:

- Do not sell to a community or individual without building a relationship and creating personal relevance.
- Be transparent about your intentions.
- Give the consumer what he needs.
- Make it easy for the consumer to find and connect with his friends.
- Be authentic.
- Have an opinion.

To be successful in the social media space, three vital elements need to be created for and with the customer:

- Context and value
- Personal relevance
- Engagement through on-going communication and value-adding applications

Because of the proliferation of social media platforms, communities, discussion groups and functionalities, starting social media initiatives can be challenging. There are social networking, news and bookmarking, blog and microblog, video and photo sharing, message board, wiki and virtual reality sites as well as rich site summary (RSS) feeds and social gaming environments among others, and it is challenging from a time and investment perspective to operate efficiently in all these environments at the same time (Fichter & Wisniewski, 2008). Business objectives should, however, make it simple to choose channels that would give the best results. For example, gaming could be seen as not that important, but educating clients through video sharing (YouTube), engaging clients in communities

(Facebook) with relevant value-adding content and providing members of communities with news and opinions (Twitter) could be the elements closest to the company's objectives. The frequency of activity is also very important. Table 2.1 provides a guideline of how often communication should occur for different platforms, in the researcher's experience.

TABLE 2.1: COMMUNICATION FREQUENCY IN SOCIAL MEDIA

	Social networks	Microblogs	Blogs
Beginner (0-1 year)	2 posts per week	2 tweets per day 1 reply per day	1 post per week
Intermediate (1-2 year)	4 posts per week	4 tweets per day 1 re-tweet per day	2 posts per week
Advanced (2+ years)	5+ posts per week	6 tweets per day 1 re-tweet per day	3+ posts per week

Measurements of the effectiveness of social media initiatives should include all the traditional metrics marketers and service executives use when planning the platform and goals, including return on investment metrics such as cost per lead and cost per sales, as well as turn-around times of responses, satisfaction levels of service, cost reductions and revenue through sales efforts.

However, three new metrics areas specific to social media should be used to gauge the effectiveness of the effort (McEleny, 2009); these areas are detailed in Table 2.2.

TABLE 2.2: SOCIAL MEDIA EFFICIENCY METRICS

	Activity	Reach	Engagement
METRICS	1. Number of network posts	1. Connections on social networks	1. Replies to brand on microblog
	2. Number of microblog messages sent	2. Followers on microblogs	2. Re-tweets of content
	3. Number of blogs posted	3. Mentions of a brand	3. Number of comments received
	4. Number of videos, photos or presentation shared	4. Total audience through connections, likes, comments and followers	4. Number of likes 5. Number of click-throughs to website

(McEleny, 2009)

In the researcher's experience, it is very important to integrate the social media platform with the other line of business systems, as speed, quality of the feedback and authenticity are the elements that build trust with customers in this space. The efficiency with which customer interest and queries are handled will determine the company's success in retaining these customers in the future.

2.10.5. Mobile advertising

Mobile advertising refers to advertising sent to individuals using the medium of their personal mobile and smart phones. The proliferation of different advertising and communication platforms as well as advances in mobile device technology have made it challenging for marketing practitioners to stay ahead of the curve in planning, placing, executing and reporting on advertising through this medium (NMA Mobile: First steps, 2010). Text and video messages, banner advertisements on mobile sites, as well as click-throughs from applications are all used as part of marketing campaigns. It is, however, still to be determined how successful mobile advertising is in generating direct sales, as mobile advertising is still not trusted by consumers (Davis, Sajtos & Chaudhri, 2011); more than a quarter of all time spent online is via mobile device, yet it only represents 1% of online ad spend.

Smart phones and tablets and downloadable or online applications that allow customers to interact with brands and products when and how it suits them have also created more customer choice (Davis et al, 2011); rather than receive information or content that is not necessarily relevant to them and that can be seen as spam, customers can now search for and download information themselves.

In the researcher's experience, legislation such as the Electronic Communications Act and the Consumer Protection Act in South Africa also set strict rules in terms of allowing customers to opt out of receiving mobile advertising. This legislation also governs the use of personal data in marketing campaigns.

Through mobile devices, companies can now swiftly engage with different segments of their customer bases about different brand attributes, product features and benefits (Zegrean & Paraschiv, 2013). Applications for tablets and smart phones focus on functionality, rather than content, due to the size of the screen and the subsequent navigation challenges. As with

online advertisements, mobile marketing is executed through a variety of mechanisms, which makes comparisons within the mobile environment difficult. Two types of measurements exist for mobile advertisements:

- Panel surveys, which can ascertain application and content needs, device/s used, as well as brand affinities within different segments.
- Usage data of sites visited, as well as type of device – the prevalence of connectivity or not in the device is a key campaign consideration – which can be overlaid with segment data to plan and execute campaign elements more scientifically.

Although the ratios used are similar to the online metrics, care should be taken to set up specific performance benchmarks for both panel surveys and usage data, against which the conversion and engagement rates can be measured.

2.11. SUMMARY

Measurement of advertising has been evolving since the first marketing campaigns were executed. Increasing pressure from boards of directors and managerial committees necessitated this measurement. Much work was done in understanding which language and colours to use in the creative execution, which media and channels would deliver the message optimally to the target market and which synergies should be created within the operational structures of an organisation to attain the business objectives.

Through consumer behaviour as well as neurological research, linkages between exposure to messages and buying behaviour could be established, and the learning could be incorporated into the creative process. Media buying has also become more scientific, with the constant development of new measurement tools that enable more accurate media spending. These factors were all taken into account in the setting up of the framework for the proposed marketing metrics model that is the subject of this study.

In South Africa, some limitations with regard to the internationally accessible measurement tools, such as the Nielsen critical mentions as well as STAS and its derivatives, do exist, and those tools are therefore excluded from the proposed model. The insights these measurement tools deliver should, however, be incorporated into other metrics, such as reach, frequency, recognition, recall and likeability measures, which can all be attained through research platforms. The inclusion of new metrics into the proposed model in the future is probable, as new technologies unlock new measurement capabilities.

CHAPTER 3

CLIENT SATISFACTION

3. INTRODUCTION

In this chapter, the importance of all aspects of the relationship with the client and its effect on the efficacy of a direct response advertising campaign in the financial services industry is discussed. These aspects include client satisfaction throughout the client life cycle, from the initial sales stage through to after sales service and cross-sales efforts through loyalty programme engagement and campaigns aimed at deepening the economic relationship with the client.

3.1. BACKGROUND

The customer is the cog in the business wheel. Acquiring new clients, building and maintaining relationships with an existing customer base to cross-sell new products and up-sell additional benefits are what build any business (Venetis & Ghauri, 2004). According to Coetzee (2014), in financial services companies where scale and cost of administration per client and product determines profitability, acquiring clients and building on multiple product holdings are central to extracting as much value from the client as possible throughout the client's lifecycle.

Client satisfaction is central to a long and mutually beneficial relationship. It can be defined through two dimensions. Firstly, to what extent the standardisation quality is free from errors and secondly, how the customisation of a product or service meet clients' needs (Anderson, Fornell & Rust, 1997). These customization qualities are most important to client satisfaction and firm profitability in service industries, such as financial services, where individual underwriting, private banking and financial advice on individual needs are the order of the day.

This is usually portrayed using client lifetime value metrics (Kumar & Petersen, 2005). Client lifetime value is built through a series of interactions with the client, starting with his or her first contact with a brand or product advertisement. This first experience shapes the client's perception of what the company stands for and what value he or she can expect to extract from this relationship. Eliciting a response from a client through this first engagement is not

impossible (as low, once-off conversion rates from a single advertisement or direct mailer shows), but building purchase intention through a series of consistent messages that reinforces trust and creating a needs-fit experience obtains better results (Coetzee, 2014). This is also the cornerstone for a long-term relationship with the client, as they have a more comprehensive idea of what to expect from the company. The time a client is willing to spend on interacting with a company is directly linked to the amount of value they believe they will extract from the relationship (Eriksson & Söderberg, 2010).

Throughout a client's relationship with the company, he or she will experience personalised service, education, direct communication and public domain advertisements "*moments of truth*", which will elicit an emotional response (Band & Guaspari, 2003). These emotional responses have a direct impact on the likelihood of repeat purchases in the future and are referred to as share of mind and wallet. Cross-sell and up-sell ratios are a very good indication of share of mind and wallet as affinity with a brand that is trusted to deliver personal value is reflected in conversion rates. As discussed in paragraph 3.6, other metrics that are derived from customer ratings, like customer satisfaction scores, service quality measurements and acquisition versus retention rates, all point to how to build share of mind, which could add to the customer lifetime value, also sometimes referred to as embedded value or lifetime projected value in financial services companies.

It is important to understand these experiences as delivering on client expectations throughout the client life cycle is what determines the success of marketing and retention efforts.

3.2. CLIENT EXPERIENCE

Client experience can be described as the feeling of emotions and sensations as opposed to thinking and involvement in what is happening rather than abstract reflection on an event (Vivek, Beatty & Morgan, 2012). This implies that clients feel an emotional link with the company and feel involved in the creation of an event rather than viewing the experience as separate from them. The challenge for marketers is that experience also implies learned outcomes that can be shaped and designed for predictable behaviour, such as repurchase. However, by merely creating these experiences marketers unlock new, unpredictable behaviours, according to Travis (2010), which cannot be controlled and can potentially have a negative effect, such as the use of an expensive distribution channel when the optimal margins lie in the predicted sales experiences. A good example of this is when an insurance product that addresses a single need and is sold directly to the customer, triggers questions that open prospect of the sale of a more complex product, which requires a face-to-face financial needs analysis.

Holbrook (2006:84) notes, *“what people really desire are not products, but experiences. Experiences are attained through activities. In order that activities may be carried out, physical objects for the services of human beings are usually needed. Here lies the connecting link between men’s inner world and the outer world of economic activity. People want products because they want the experience which they hope the products will render.”*

Successful experiences are those that are unique, add value to the consumer and are both memorable and sustainable over time (Pine & Gilmore, 1998). This implies that the customer will gain insight into the organisation through the different elements or products they consume through interaction over time. According to Christopher, Payne and Ballantyne (1991), differentiation has evolved through phases of product features and benefits, followed by service elements, followed by relationships, and they have now reached the experiential phase. However, this does not mean that companies can only focus on creating ideal client experiences, as the other building blocks that make up the full value chain and which support these experiences are necessary to compete in the market. Products, service and relationships are still the cornerstones on which any business, especially financial services, are built.

As an evolution in relationship marketing, this focus on product and service clarifies why certain long-term relationships do not deliver on the short term and brand aspirations of

companies are not realised within a pure relationship-marketing context. It is extremely difficult to replicate the close and personal corner café business in customer relationships when a business has millions of clients across different target markets. However, it is possible to replicate the key engagement touch points that create economic and relationship value for both parties.

A combination of three factors influences a customer's attitude or feeling towards an event (Sheth, Mittal & Newman, 1999):

- Stimulus characteristics – different people perceive a stimulus differently through its innate sensory make-up and information contained within. Stimuli that differs from those around them, i.e. stand out from the clutter, are also more likely to be noticed.
- Context – people perceive stimuli differently relating to the context in which it is positioned and the perceptual space in which they find themselves in in relation to the characteristics of the stimuli.
- Situational variables in which the stimuli is received. The responding attitude or behaviour from customers is largely dependent on social, economic and personal frames of reference, including prior experience with a particular product or brand.

This mix of context and personal emotion or driven outcomes, makes it extremely difficult for the marketing practitioner to predict which stimuli will result in which behaviours from customers, as certain customers will have a strong negative perception of exactly the same stimuli that has engendered a strong positive reaction from another segment of the targeted client base (Travis, 2010). The target is, therefore, to create as large a base of positive outcomes from the target market as possible in order to achieve the business objectives of creating positive brand equity, selling products and strengthening the relationships with those clients in the long term in order to maximise profitability.

Long-term behavioural intention is influenced by emotions during the whole sales cycle, both before, during and after the sale (Barsky & Nash, 2002). Customers—who have connected emotionally with a company or brand through constant interaction and have received additional value, economically and emotionally – will invest more in that brand in the future by purchasing products and providing feedback regarding the supporting services throughout the sales cycle. This suggests that a person's emotional bond with a brand has a bigger impact

on future purchase intention than cognitive processes. Emotions act as a source of information, which are used to evaluate a stimulus and decide the attitude towards future purchase intentions. This stimulus will be context and situation-driven with people forming perceptions through their own filters, according to the elements with which they identify.

What has emerged from companies' designing better client experiences is the triple bottom line, a notion that better client experiences, together with better staff experiences, lead to overall better company performance (Bate & Robert, 2007). This better bottom-line performance is driven by improved levels of customer satisfaction, increased customer loyalty, influenced expectations, instilled confidence, supported brand targets and emotional bonds created with clients (Johnston & Kong, 2011).

It all starts with the services provided to clients, with which clients are encouraged to engage. In this client-experience context, service is much more than a company-to-individual touch point or moment of truth (Normann, 2000). From a company operational perspective, service encompasses all the processes and activities into which the client provides input and takes some part, indicating that some co-creation has occurred. Clients view this differently. For them, value is created through how the service itself is rendered, their experience of it and the outcomes of the service, including the benefits they received from it (Carbone, 2004). While a company views service as a process, customers experience it through a series of personal interpretations of every interaction or touch point; this eventually creates an emotional footprint. These emotions will range from discomfort to depression or warm to intimate or ease to ecstatic (Goleman, 1996). The customer will assess the service received (sometimes this assessment will be done subconsciously, sometime consciously) as well as the perceived value derived from the service experience, which will then be categorised as satisfactory or unsatisfactory.

These assessments or judgements, whether they are good, bad or indifferent, will manifest in the future as intentions such as the intention to re-purchase a brand in future when faced with a choice of brands. According to Berry and Carbone (2007), organisations need to focus on the following five steps in order to design the optimal client experience:

- Identify the emotions that elicit customer commitment.
- Establish an experience framework.

- Map and analyse experiences.
- Determine the experience gap.
- Implement changes to processes to address the experience gap and monitor the execution.

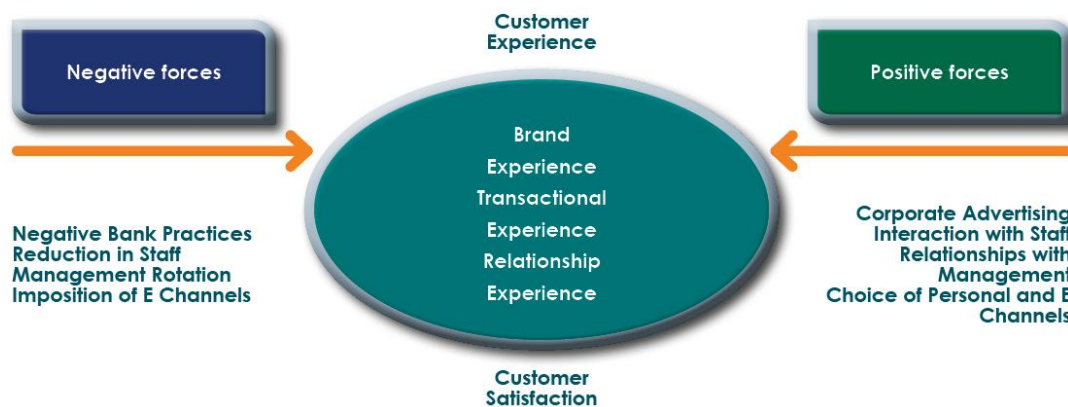
Setting operational objectives upfront creates a framework from which to facilitate the design process. This will differ from company to company as the nature of the operations and the long-term deliverables differ, but the setting of these objectives is important as a measure of the success or failure of the execution of the newly designed experience.

Different industries create perceived value in their products and services in a different way, as the buying and interaction with tangible goods is a different experiential process than abstract or non-tangible products such as insurance or bank products.

3.3. CLIENT EXPERIENCE IN THE FINANCIAL SERVICES CONTEXT

An effective client relationship strategy puts the client in the centre of everything the organisation delivers. It informs how products are developed, how experiences are designed and developed through all available channels and how engagement is driven. A relationship strategy that encompasses all disciplines of a corporate business in financial services is key to the long-term success of an organisation (Colgate & Stewart, 1998). Faced with increased competition, the introduction of legal and compliance requirements, evolving customer expectations and technological advances, financial services organisations have had to re-evaluate marketing strategies to include an end-to-end design of the ideal client experience (O’Loughlin, Szmigin & Turnbull, 2004). The nature of the relationship between financial services organisation and client interaction ranges from tight brand engagement to perceptions of superficial transactions. These different kinds of relationships can be characterised through different kinds of experiences.

EXHIBIT 3.1: CLIENT EXPERIENCE MODEL



(O’Loughlin et al., 2004:534)

Brand experiences are created through advertising and other marketing communications, e.g. PR regarding a sponsorship or corporate social responsibility project linked to the corporate values and brand images of the financial services corporate (Roswinanto & Strutton, 2014). These experiences are multi-faceted as they incorporate the client’s own personal experience of the brand, ranging from very strong negative feelings to long-term devotion (fan websites for banks have become commonplace) and loyalty (Frank, Herbas, Enkawa & Schvaneveldt, 2014). The client experience has a massive impact on the repeated purchase behaviour or

future purchase intention of clients and could be used to the advantage of the direct-response marketer if applied properly (Kumar, Venkatesan & Reinartz, 2008).

These negative or positive brand experiences are not only formed by the marketing or communication consumed, but also by transactional experiences of existing clients. These relate to the day-to-day experiences of clients through their normal dealings with financial services institutions, ranging from the purely financial such as withdrawals or loans to the intensely personal like drawing up a will or buying more life cover (Frank et al, 2014). It is vitally important to create an experience that maintains the balance between functional or impersonal experiences, usually delivered via electronic means, and personal service provision and delivery (Travis, 2010). It is also important that the promises made in brand advertising are carried through to the actual transactional experience, something that will lead to customer satisfaction and, if done correctly, even delight.

Relationship experience represents the experience that forms through continuous engagement over an extended period. The interpersonal experiences with staff of the body corporate, something that perceptually leads to better service through a higher level of personal attention, flexibility and security are incorporated into relationship experience. This means that the moments of truth a client experiences with the staff of the organisation will eventually lead to a relationship and loyalty or disloyalty (Maheshwari, Lodorfos & Jacobsen, 2014). These experiences range from reading marketing communications, to being sold a product or service, to using this product on a regular basis and paying for it, as well as the after-sales experiences through service areas such as branches and call centres (Lamberti, 2013). This transactional first, interpersonal later type of relationship really starts when a contract is formed between the product or service provider and the client, i.e. during the sale (Valenzuela, Torres, Hidalgo & Farías, 2014). This varies according to a number of different criteria, including income level, the need to own the product, i.e. is it a grudge purchase like life cover or a status purchase like a credit card or unit trust investment, and the level of financial know-how.

The distribution channel plays a critical role in facilitating matching a sales experience with the financial needs of the client, according to Valenzuela, et al (2014). Some financial products can only be purchased after complying with certain legislative requirements, whereas others are very simple and quick, and are usually facilitated by a self-completed

application process on the Internet or at a branch. The client education accompanying this distribution channel and product choice is central to the success of any direct-response campaign and has to make up a large portion of the content of the material. This is very often the make-or-break factor in starting a long-term, profitable relationship with the client. Client education organisations are raising the levels of knowledge within the target market, thereby co-opting them, although it is only perceptual to a certain extent, to co-create the product and the sale thereof (Bell & Eisingerich, 2006). This increase in knowledge will also help the client with certain after-sales situations, such as unit trust switching or dividend re-investments, which will lead to fewer costs being incurred for client service interactions and a subsequent increase in the profit margin.

In the researcher's experience, in many instances an optimal relationship is built when the distribution channel is also involved in the after-sales or service situations and can even play a private banker or broker role for the client within the financial institution. This very personal experience can have a negative spin-off though as clients tend to stay with these individuals and follow them to other organisations if they leave the employ of the organisation which has the original contractual agreement with the client.

According to Maheshwari (2014), in order to build a consistently positive client experience through fulfilled brand promises, quick and client-friendly transactional experiences, and the experience of a long-term relationship, the whole organisation has to function from a single client mind-set, incorporating all internal processes (e.g. speeding up the claims process for short-term insurance claims) as well as external forces (e.g. communicating with the client base in difficult times such as a recession with good financial advice).

Financial services organisations have a unique opportunity to build customer-centric value propositions that address the very specific needs of homogeneous groups of clients or client segments or even co-create value propositions with clients, due to the availability of the mass amounts of internal data (data created, housed and maintained in the organisation's operational systems) and the regularity of after-sale engagement, especially in the banking sector where clients' spending patterns and transactional data can be accessed (Chang, 2012). This poses a major challenge as well, however, as it is difficult to ascertain which of the behavioural, demographic, psychographic, geographic and product-holding variables to focus on when building the propensity to buy and retain statistical predictive models, as well as

which touch points to focus on when engineering client experiences throughout the client's life cycle.

The Internet and all its elements such as social media as well as mobile applications for smart phones and other interactive communication channels add to this complexity (Hagen, 2011). Unlocking the value in these inter-connected experiences will lock clients in, not only on a product and brand level, but also on an experiential level.

Companies that succeed in building a series of customer experiences that exceed their expectations have all adopted the customer-centric approach of (Johnston & Kong, 2011):

- Focussing on the perceptions of the clients on what represents value in product and experience.
- Answering what is important from the client's perspective in building a business relationship with the company that adds value to the client.
- Changing the company's culture to incorporate customer centricity in its recognition and incentive schemes for staff and to invest in the technologies that clients widely use.

These companies all moved away from a purely data-driven customer relationship strategy that feeds marketing and communications strategy into identifying experiences or moments of truth that truly matter to the client along the full value chain, from awareness of the product, right through the fulfilment process and continued customer care after the sale has been concluded.

Involving the customer in an on-going basis in the creation of the value proposition and the articulation and communication thereof, impacts the success of a campaign, the product it advertises, and the overall profitability of the company.

3.4. CUSTOMER INVOLVEMENT AND ITS IMPACT ON ADVERTISING EFFECTIVENESS

Customer involvement in a financial services company is rooted in a reciprocal communication approach that empowers clients to collaborate with a company on service levels, product innovation, advertising effectiveness and experiences that unfold during consumption of a value proposition (Payne, Storbacka & Frow, 2008). As clients give a company feedback on its products, service and experiences and the company acts on the information, a deep sense of involvement and trust is created.

The degree to which customers are involved in a product category, such as financial services products, has been one of the major determining factors in formulating advertising strategies for marketing managers and practitioners as well as influencing the advertising executions. It has therefore become one of the most important variables to consider when gauging the effectiveness of advertising (Wu, 2001).

A customer's level of involvement is determined to a certain extent how he or she sees differentiation in a sector, meaning a customer who is involved in the product development, service or marketing processes would find differentiated features in those products or services to justify owning or buying them and address cognitive dissonance in the process. Those products could also become more important to these individuals in relation to the average user thereof and the commitment shown to the brand would also be impacted positively.

Wells and Prensky (1996) use an effect hierarchy model to determine how customers use advertising in their purchase decision-making process through an involvement filter. Preceding the consumption of any advertising executions, three factors have to be taken into account (Zaichkowsky, 1985). The first factor centres on the characteristics of the customer such as their background, educational level and individual needs, which all form part of the make-up of a person. The second factor relates to the physical characteristics of the customer, including age, gender and other demographic variables. The third factor determining the level of involvement is dependent on the purchase situation, in other words how the sales process meets or over-delivers on the expectations of the customer.

The media used and content and frequency of placement are all affected by the intended target market and will guide the marketer to choose the right advertising vehicle with the

right content for the right client base (MacInnis, Rao & Weiss, 2002). Low-involvement customers would need more persuasion to buy new products than high-involvement customers. This would mean that they would need to be exposed to a high frequency of an array of messages with the same theme across several media types to achieve business objectives, especially when supported by electronic word of mouth (Weisfeld-Spolter, Sussan & Gould, 2014). Conversely, high-involvement customers could produce the same or better results by focusing on low cost, more direct media, such as direct mail, e-mail or even mobile applications like SMSs. The obviously higher return on investment of the marketing strategy for the high-involvement segment has to be pitched against the significant cost of getting those customers to the point of high involvement, through online surveys, focus groups, feedback from point-of-sale devices or service call centres.

The ideal would be to attract a bigger pool of highly involved customers, through consistently delivering better than expected products and services that support the product. This consistent over-performance will lead to a satisfied customer base that will be more likely to purchase more products from the same company in future.

3.5. CLIENT SATISFACTION

As defined in 3.2, client satisfaction refers to the manner in which a company meets or exceeds a client's expectations. According to Grönroos (1993), establishing a relationship with a customer can be divided into two parts: to attract the customer and to build the relationship with that customer so that the economic goals of the relationship are achieved. This implies that the higher the level of client satisfaction, the greater the likelihood that the client will re-purchase and purchase more of the company's products or services, leading to a longer term reciprocally beneficial and loyal relationship. The fundamental principles upon which such a relationship is built are mutual value creation, trust and commitment (Caceres & Paparoidamis, 2007). According to Oliver (1999), loyalty is the commitment to re-buy a preferred product or service consistently in the future, or repetitive same-brand purchasing, despite situational influences and marketing efforts to cause switching behaviour. In the financial planning process, which is one of the cornerstones of the long term insurance industry, trust and client commitment mediates perceptual communication efficiency, technical and functional quality, all of which impacts the willingness to buy products from a financial adviser (Hunt, Brimble & Freudenberg, 2011). Another factor that acts as a conduit between mere satisfaction and loyalty is client engagement. Clients that were successfully engaged felt a level of ownership, elevated levels of relationship satisfaction, active client involvement, more efficient communication due to higher levels of participation and personal relevance and better client outcomes in terms of value and profit (Perlman, 2007). The relationship satisfaction in turn could also stem from the enjoyment of a professional interaction on a technical competency level, especially where the relationship has moved into mutual respect and understanding, which in turn leads to increased levels of commitment (Pompian, 2008).

The link between customer satisfaction and brand loyalty has been established at both a transaction-specific as well as an "*overall*" level (Oliver, 1999). This means the behavioural intentions of clients, especially to repurchase a specific brand, are strongly related to satisfaction across product categories (Anderson & Sullivan, 1993). One of the most important constructs in building client satisfaction is the quality of the service experience. The client's perception of the service quality is the result of a comparison between what the client's expectations are and the actual performance offered by the service or product provider (Parasuraman, Zeithaml & Berry, 1985). With its five dimensions (reliability, responsiveness, empathy, assurance and tangibility), the SERVQUAL (service quality) model

(Parasuraman et al., 1985) is still relevant in the financial services business. If none of these dimensions are present (with the possible exception of tangibility in certain circumstances) it is difficult to imagine a client being satisfied by a service rendered or willing to purchase another product or service from a known brand that has disappointed in the past.

It is possible for an individual to have a consistently good service experience with a company whose products he or she has purchased in the past, not to consider the company's products again for purchase in the future. The constructs that make up client satisfaction are also embedded within cognitive, rather than emotive human processes. Getty and Thompson (1994:9) define "*satisfaction*" as a "*summary psychological state experienced by the consumer when confirmed or disconfirmed expectations exist with respect to a specific service transaction or experience*". The consistency of experiences that satisfy a customer is also important, as companies cannot merely focus on their areas of control, but have to keep in mind the total client experience. Take a bank branch as an example: it can facilitate quick and effective transactions for a customer, helping him or her without having to wait in long queues and filling in unnecessary forms, but if no parking were available, it would most probably not be a very good experience for the customer, resulting in an overall unsatisfied client.

Expectation is a central construct of satisfaction, with clients forming perceptions about the anticipated product or service level from communications received or prior experience. In this sense it is important to understand what is expected from clients, in order to deliver something that at least matches their expectations. In cases where there are perceived service failures, the recovery process is more difficult than merely rectifying mistakes or closing expectation gaps. It produces a double deviation effect, which Bitner, Booms and Tetreault (1990:72) describe as a "*perceived inappropriate and inadequate response to failures in the service delivery system*". Not only does the customer initially have bad service experience, but he or she also does not experience an adequate follow-up experience, leading to customer defection to other brands and negative brand perceptions being created in the market. Customer complaints should therefore be seen as important feedback in the execution of a desired customer satisfaction service delivery process and the recovery after the receipt of these complaints should be seen as a critical step to create long-term relationships with the client base. Negative emotions such as perceived injustice as a result of bad service lead to negative behaviour and intentions towards the brand in the future. On the other hand,

complainants that are satisfied during the service recovery phase display a high likelihood to purchase from the brand again. This service recovery strategy should include the following steps (Davidow, 2003:232) to optimise the experience for the customer:

- Timeliness, i.e. what perception is created with the consumer on how quickly the complaint is handled.
- Facilitation, which refers to the adequacy of the company's processes when handling the complaints.
- Redress, which refers to the benefits the client receives during the handling of the complaint.
- Apology, which refers not only to the spoken apology to the customer, but also to the deeper sense of acknowledgement that the company is aware of the customer's problem and are working on resolving it.
- Credibility, which refers to the depth of knowledge that the company's representative have in dealing with the complaint.
- Attentiveness, which describes the manner in which the company engages with the client in a positive and collaborative way.

The process of delighting customers by consistently showcasing transparent, timely and trustworthy behaviour, even when things have gone wrong, entrenches long-term loyalty.

3.6. CLIENT SATISFACTION AND LOYALTY

Loyalty refers to a client's willingness to stay with a company (Baumann, Elliott & Hamin, 2011). According to Reichheld and Sasser (1990), there is a positive correlation between customer loyalty and profitability. When a company retains just 5% more of its normal defectors, it can make additional profits of between 25% and 125%. This increased profit can be attributed to lower marketing costs (direct marketing to an existing base of clients' costs far less than public domain advertising), increased sales due to the direct nature of the marketing efforts and reduced operational costs, as the clients' information is already available on the system, with a history of each client's interactions in the past.

Loyal customers are also less likely to switch when price is the only consideration and are more likely to buy new products in brand extension categories than open market prospects (Ammani, 2009). They also serve as a word-of-mouth marketing force by recommending the brand to friends, colleagues and family due to good past experience.

Repetitive purchase behaviour alone does not establish loyalty or even commitment to the brand, although it is a contributor to loyalty (Khan, Humayun & Sajjad, 2015). A myriad of factors could influence customer behaviour, like the proximity of the branch, being part of a group that is forced to purchase from a specific vendor (the classic group scheme offering) or being locked in the relationship due to economic penalties or incentives.

On the flipside, attitudinal measurements alone do not offer conclusive evidence that a customer will remain loyal and repurchase a company's product. It is possible for an individual to like a brand, but not to use its services or products. A combination of behavioural and attitudinal measurements, together with product bias and satisfaction levels, frequency of purchasing, brand-switching propensity and total value of purchases made in relation to the size of the client's wallet, gives a company a far better understanding of the depth of the customer's loyalty (Steinhöfel, Albrecht & Wong, 1999).

Customer satisfaction and loyalty have a non-linear relationship, as a client can be quite satisfied with the product or the services rendered, but would consider another brand in the future (Bowen & Chen, 2001). The level of satisfaction is therefore the most important consideration as with increased levels of satisfaction, increased levels of loyalty are observed.

According to Oliva, Oliver and MacMillan (1992), a minor change in satisfaction can have a dramatic effect on loyalty, which in turn, increases the frequency of re-purchasing products.

This relationship between satisfaction and loyalty is usually moderated by other factors. The propensity on the customer's side to seek diversity in terms of brand experience, personal characteristics such as income levels and demographic variables and the level of involvement towards a company all play a role in this varying relationship (Heskett, Jones, Loveman, Sasser & Schlesinger, 1997). This satisfaction-loyalty link is strong, for example when a customer gives involvement and experience higher ratings.

The measurement of client satisfaction and understanding clients' needs and expectations in terms of the sales and service experience is therefore important in delivering a positive systemic outcome.

3.6.1. Measurement of client satisfaction

The importance of measuring the levels of client satisfaction cannot be underestimated, as it is usually a key signifier of the sustainability of the business model through understanding what clients expect of the company versus what the company has delivered in relation to these expectations (Singh, 2014). Although numerous measurement models exist, no one model can be seen as definitive, as the variables and definitions thereof are open to interpretation and the results are therefore sometimes quite situational and subjective.

The expectancy-disconfirmation measurement approach is based on what the client expected in relation to what he or she experienced (Yüksel & Rimmington, 1998). A tool widely used as part of this approach is the Customer Satisfaction Index (CSI), which is based on predictive models that are grounded in:

- prior customer experience;
- the customer's perceived quality based on the post-service assessments as completed by the customers; and
- perceived value in terms of product versus price.

These inputs lead to a satisfaction score ranging between 0 and 100. The post-service questionnaire is the information-gathering device on which the Index is built and is

completed by customers after the sale, service or any other interaction with the company has occurred. Three criteria are rated in these assessments, which include overall quality, reliability and meeting the customer's needs. The CSI score is an economic indicator of the strength of the service model and product quality of the company and is usually interrogated by analysts in order to value the sustainability of the company's future operations and its derivative, the stock value.

The performance-only approach measures service elements related to transitional specific events. The customer satisfaction survey is a tool largely used in measuring the event-based performance of a company's service and includes technical and functional questions as well as service quality and satisfaction elements. It surveys customers immediately after a service event has occurred to ensure that nothing is lost or forgotten. Through factor analysis, the customer satisfaction survey consists of two measures, the Satisfaction with Personal Service Measure (SATPER) and the Satisfaction with the Service Setting (SATSETT) (Cronin & Taylor, 1992). These two measures are focused on the customer's personal reaction to the service delivered as well as the environment in which it was delivered, very similar to the Service Performance (SERVPERF) model.

Moving clients from being satisfied to being loyal state can, however, not be done by only doing the basics well. In the commoditised financial services industry, creating customer value outside of the normal product-specific value proposition has become an important factor in engendering loyalty. This additional value is usually delivered through a loyalty programme.

3.7. LOYALTY PROGRAMMES

Loyalty programmes offer clients who act in a certain economic way, for example staying longer or buying more from the organisation, rewards for showcasing the behaviour. These rewards are manifested in various ways through points or statuses that facilitates levels of immediate gratification redeeming for lifestyle enhancement, or discounts and enhancements within the product already purchased from the company, which is usually correlated with delayed gratification. Financial services operations have started to realise that long-term growth and profitability depend on their ability to attract and retain loyal customers (Wisskirchen, Vater, Wright, De Backer & Detrick, 2006). This, together with the nature of the profit calculation methodology that is used by players in the financial industry, with profit expressed in terms of embedded value or net present value, makes it extremely important for players in this industry to at least make clients as persistent (sticky) as the profit assumptions of the underlying product streams that make up the eventual bottom line.

In the researcher's experience, there is also an awareness of increased competition based on scale (due to corporate mergers and takeovers), new regulations aimed at protecting the consumer and greater client savvy when it comes to product options and pricing in the South African financial services industry. In the recent past banks and insurers have tried to gain cost competitiveness by cutting costs, streamlining business processes and boosting workforce productivity (less people doing more work). These efficiency gains have resulted in some positive short-term spin-offs, especially for the analysts who have a big impact on investor sentiment, but it has done little to spark additional growth in the business in terms of market share or even innovation that leads to sustainability.

The institutions that do manage to establish long-term profitable relationships approach three elements simultaneously (Wisskirchen, Vater, Wright, De Backer & Detrick, 2006):

- They identify target segments of the market and design propositions and experiences that delight them.
- They deliver these propositions and experiences with a continuous emphasis on cross-function collaboration, e.g. everyone in the company; from the boardroom to the frontline, focus on the principle of giving every client what he wants, how he wants it.

- They continually re-engineer their processes to delight their clients again and again, which can involve anything from training front-line staff to packaging the product or service in such a way that it speaks to the customer in a delightful way.

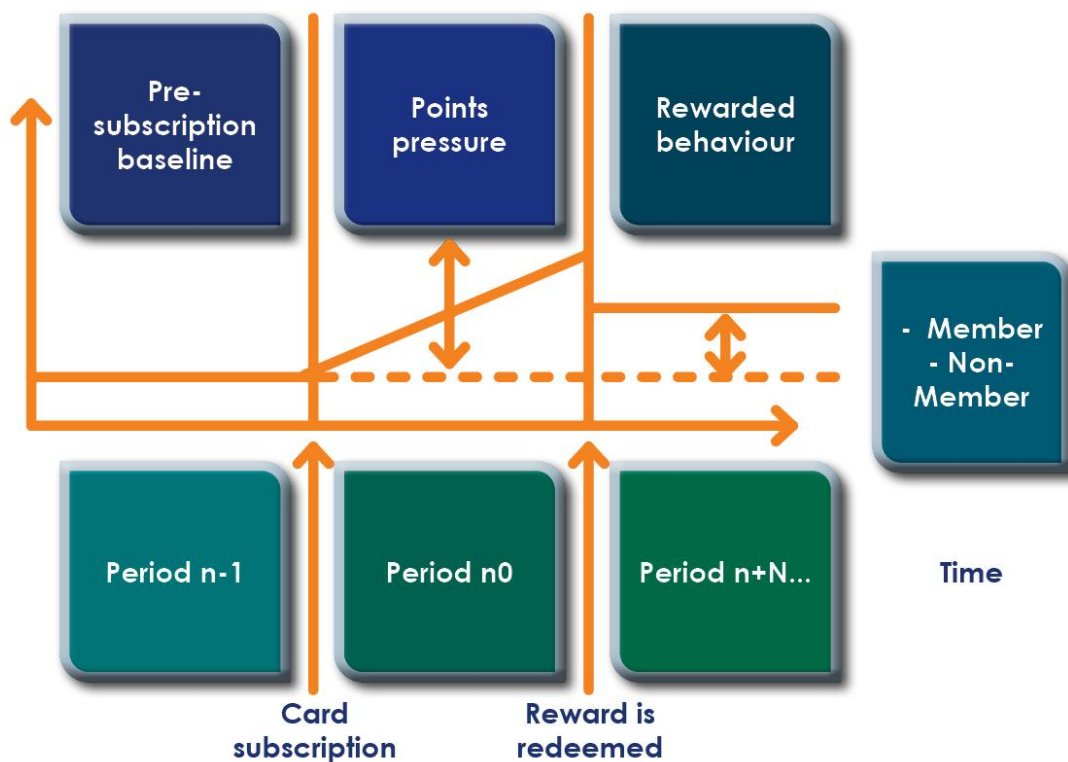
The metrics employed to measure the success of these efforts are usually customer retention rates and customer share of category purchase (Reichheld, 1996). Many firms have started using loyalty programmes or frequency reward programmes as the key marketing driver to maximise these ratios. Programmes like eBucks (FirstRand), Bluebeans (Standard Bank), greenbacks (Nedbank), Vitality (Discovery), Multiply (Momentum) and Absa Rewards have been providing (in) tangible benefits to customers as a reward for their repeated purchases (or payment of premiums or charges) of the company's products. Cross-buying and longer term relationships are therefore the core of the mechanics of any loyalty programme, although it is only supplementary to the product, service and sales environments of the company at large (Gupta, Lehmann & Stuart, 2004).

Developing these programmes has become a big driver of companies to identify, maintain and increase the output of the best customers through a value-added, interactive and long-term focused relationship (Meyer-Waarden, 2004). This relationship has, however, to be supported by personalisation techniques such as direct marketing and communication. Through the programme, the company can reward those clients seeking additional gratification due to additional buying. This opens up a myriad of cross-selling and up-selling opportunities and effectively makes it very difficult for a client to receive the same value elsewhere, locking him or her in a mutually beneficial relationship (Meyer-Waarden, 2006) based on trust, affective commitment and attachment to the organisation (Morgan & Hunt, 1994).

This can induce emotions in the customer such as pride for effectively paying less for an essential service, usually seen as a grudge purchase, as well as feeling appreciated as an individual. The stimulus-organism-reaction paradigm (Blackwell, Miniard & Engel, 2005) explains the loyalty programme phenomenon's emotional impact on buying behaviour. The stimulus (rewards) launch cognitive processes such as motivation, learning and decisions within purchasers (the organism) and stimulates them to react by buying more or changing existing behaviour. Buyers also weigh the value obtained from the rewards against associated expenses in an attempt to minimise household costs and maximise their value.

Loyalty programmes have two possible effects on purchase behaviour: differentiation loyalty and purchase loyalty. Differentiation loyalty alleviates price sensitivity for customers towards competitive products and as a result makes them purchase more expensive products more often (Reichheld, 1996). This loyalty effect can also be a result of sustained purchase loyalty due to less exposure to competitors' prices. This can be facilitated through short-term incentives such as additional points or additional discount when certain tiered levels or statuses are reached. These will, in turn, lead to long-term benefits being unbundled (Taylor & Neslin, 2005) as can be seen in Exhibit 3.2.

EXHIBIT 3.2: LOYALTY BEHAVIOUR MODEL



(Taylor and Neslin, 2005:294)

Through integrated marketing systems and rewards, including economic and psychological rewards, loyalty schemes motivate purchasers to decide where to shop more frequently and repeatedly than normally would be the case (Meyer-Waarden, 2006). The existence of these programmes and the additional value offered to the client will therefore have a meaningful impact on any kind of direct-response marketing activity. It shifts an organisation's agenda from a "how can businesses make customers loyal to them?" paradigm to a "how can

businesses in partnership with and consent of their customers be loyal to their customers, by continually enhancing the value that they offer to those customers?” (Rowley, 2007).

Loyal customer-company relationships are seen as an investment in future revenue (due to re-purchasing of the company's products and services) and the competitive advantage of a company (Gomez, Arranz & Cillán, 2005). This competitive advantage is driven by the notion that products and services can be replicated and levels of service can be standardised, but that a loyal relationship cannot be created at will. It is becoming more difficult to create such a loyal bond as there is no exact recipe to create it or in which timeframe it can be created as the elements underlying it is vast and diverse. Genzi and Pelloni (2004) propose an approach of creating bonded loyalty through emotional connections with other like-minded users of the product within the economic relationship with the company. This implies connecting clients with each other to share experiences about the consumption of the company's products as well as the service supporting it. There are obvious dangers to this, as one irate client can infect a lot of others, with historically positive brand paradigms, with negativity and can damage the future purchase intention of these individuals. If done correctly, the company can create a social link between homogenous groups of clients, which will result in shared consumption by these groups and deep loyalty toward the company supplying the product as well as the social connectedness with other individuals in a post-modern society. (Mitchell & Imrie, 2010). Customer co-creation and co-production through these social networks are also invaluable sources of direct market information that can help an organisation with innovation, developing the appropriate loyalty scheme offering, and designing the optimal client experience.

Entrenching a service mind set in a company that will support all activities centred on delivering client value, is necessary to create a consistently good client experience throughout the client touch points in the client journey. This service-enabled customer experience will create trust in the company and make customers more willing to listen to new product communications and respond positively to these messages.

3.8. SERVICE-ENABLED CUSTOMER EXPERIENCE

“*Service*” is a word that conjures up an interaction between a customer and a company after a product has been purchased or a service has been rendered. It plays an important role in the satisfaction levels of clients, but it has the complexity of being a “*must-have*” for companies rather than a competitive advantage, partly due to its post-sales nature (Gopalani & Schick, 2011). Customers do, however, have service needs during the sales process as well as thereafter. Service-enabled customer experience is a strategy used by companies that see the opportunity in creating a differentiated and unique experience by leveraging cutting-edge processes across the customer life cycle, starting with the sales stage. This process consists of:

- targeting services that fit a customer’s needs throughout the life cycle, such as making information available during the sale of the product that makes it easier for the client to make a choice and guides him through the buying process;
- integrating these services into the company’s daily operations to ensure consistency of experience for the client after he has bought the product; positioning the available services and specifically those that have the most touch points with clients into marketing messages, thereby creating perceived value of these services for prospective and existing clients; and
- building a direct relationship with end-users or customers, without alienating intermediary channels or distribution networks.

Creating service-enabled customer experiences with distribution partners can also empower companies to offer a singular, consistent buying experience for the company’s products, even if it is not under the direct control of the company itself (Coetzee, 2014). Optimising marketing investment through point-of-sale support for advertising campaigns, making marketing material (including application forms) available electronically from the distribution channels, the sales process itself can be positioned as a service that adds value to the client.

According to Gopalani and Schick (2011), there are several unmet client needs during a sales process. It is of vital importance for the company to find ways to ascertain what those needs are and find ways to meet them. Some products have unique benefits or characteristics that give the company’s product a competitive advantage. Integrating these characteristics with

unique services can further enhance them. Connecting with customers through social media could, for example, highlight content or benefits that resonate with the target market. By grouping these needs as articulated by the customers themselves together, it is possible to identify gaps, as well as innovations in value propositions clients require. Designing services that back up these new product and service features is then the next logical step.

In the researcher's experience, a key part of this process is to engage regularly with clients, especially after they first make use of a product or service, in order to empower them with information to make them stay and also to continue engaging with them as part of the product enhancements and service delivery processes going forward.

The pre-sale phase of the relationship encompasses demand generation, where new clients are generally reached by marketing communications in the public domain and existing clients are made aware of new innovations through direct, more personalised communications. These clients are more likely to re-purchase the company's products if they have had a good experience and they were engaged with regularly (Coetzee, 2014). Consumer education is a key part of this phase, as the average consumer does not feel empowered to make informed decisions and needs support from somewhere else to guide him or her.

During the sale, it is important to consistently cater for different needs. Self-service has become an important consideration, although clients need a lot of support here as well. When expectations have been created about a product and the services supporting it, it is important to at least meet those expectations (Gopalani and Schick 2011). Very often, customers do not know about all the added advantages that have been built into products and need help to unlock these in order to fulfil needs they might not have realised they had. Due to the intangible nature of some financial services products, this exercise can mean the difference between a fantastic client experience and a regular one. Salespeople that explain the integration between platforms and value-adds in a simple way create so much value that a great deal of the brand loyalty between the company and the customer lies in this interaction.

The pros of creating a service-enabled client experience at the sales stage has a direct impact on how many product are cross-sold to existing customers, how deep the relationship with those customers lie and how often those customers recommend the company's products and services to their friends and become brand ambassadors.

3.9. REQUIREMENTS FOR SETTING UP A SERVICE-ENABLED CLIENT EXPERIENCE

Two of the requirements for creating a service-enabled client experience (Johnston & Kong, 2011) are the following:

- Regular feedback sessions and interactions with customers through focus groups and quantitative primary research techniques, online chat rooms, social media and from feedback and statistics from client-facing personnel, such as call centre and field sales and service staff. This enables a company to ascertain where the bottlenecks and problem areas are when a client wants to acquire a product.
- Design services for each identified segment that not only creates a good customer experience, but also offers a competitive advantage to the company. These services should always be business-case based with re-purchase (cross-selling), and bear loyalty and advocacy in mind.

The customer plays a central role in the establishment of any company, especially when economies of scale is a key consideration, as is the case with most financial services organisations. Successful companies are built by (Palmer, 2010):

- identifying the appropriate target market;
- communicating the company's value proposition effectively in order to sell products;
- keeping customers satisfied by exceeding their service and value expectations, establishing a trusted relationship with mutual engagement as a cornerstone; and
- unlocking more reciprocal value for them and the company by cross-selling additional benefits or services.

3.10. SUMMARY

Understanding clients and their expectations of a company when delivering products and services to them, is an important factor in building a sustainable business. Therefore, all client touch points need to be analysed to deliver experiences that will support the business objectives of acquiring, optimising and retaining client relationships.

Satisfying clients' needs through the engineering of client experiences to create additional perceived value consistently over a sustained period of time will lead to customer loyalty, which makes cross-selling additional products easier for a company. Additional value that is not necessarily product-related in the form of lifestyle benefits packaged in a loyalty programme is another feature that has become expected from the market. The integration of these lifestyle benefits into the core products of a company and the company's role as a client educator and engager has also become a driving force behind cross-sell initiatives. The more loyalty members have towards a company, the better the chances customers can be retained, engaged and made profit from.

A service-enabled mind-set therefore starts with the first client touch points – becoming aware of a company's value propositions through marketing efforts, and the fulfilment process that supports the selling of a product. These first impressions created by the company will determine the extent of satisfaction and loyalty in the future.

CHAPTER 4

SALES

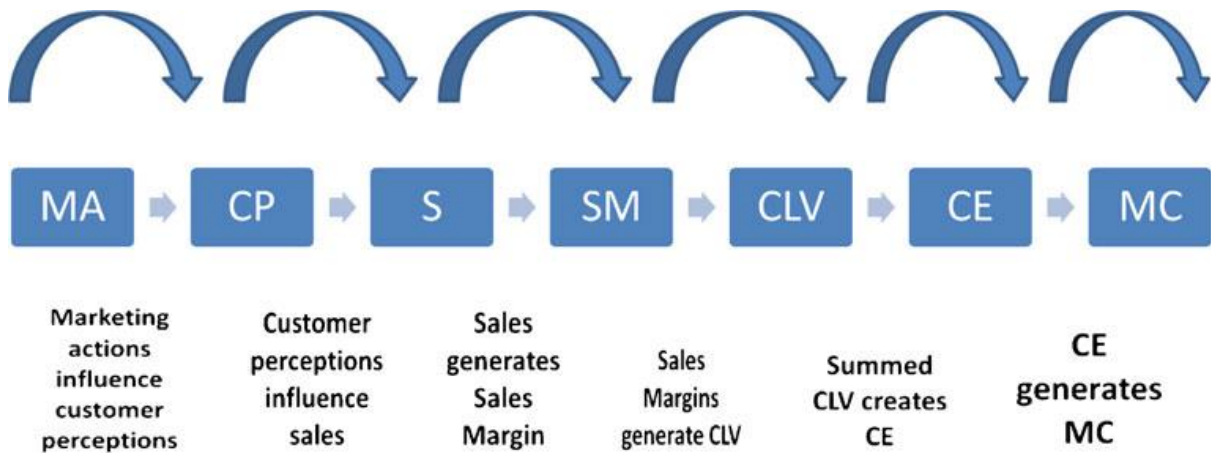
4. INTRODUCTION

In this chapter sales strategies and approaches within the financial services sector is discussed. Building economies of scale through sales fulfilment has a dual effect on a company's bottom line. Firstly revenue is created through client acquisition and product sales and secondly the servicing cost per client becomes lower as the cost is spread over a larger base of clients, in effect becoming more cost-efficient. Building a client base through new business activities, as well as optimising existing bases of client through increased share-of-wallet activities, such as cross- and up-sell campaigns is therefore an important factor in establishing a sustainable financial services company. This has to be seen in a client-centric context though, as customer satisfaction and engagement have to be considered throughout the sales cycle, in order to optimise the sales opportunities.

4.1. BACKGROUND

Direct-response campaigns are planned and executed with the objective of engaging with the intended target market or selling of its products. Acquiring customers and receiving an income is necessary for any organisation to become profitable. In financial services companies, garnering a response from an advertisement is only the starting point in the sales cycle, as credit vetting, underwriting and affordability checks have to be done in certain circumstances before the sale can be closed. Focusing efforts on client related outcomes throughout the sales fulfilment process is therefore an important driver of a financial services company's business objectives. In Exhibit 4.1, this process is explained, as the marketing message firstly creates perceptions in the prospective customer's mind, which influences sales numbers, which in turn generates sales margins, profit in the form of net present value, which in turn, if added together translates into customer equity and eventually is manifested in market capitalisation.

EXHIBIT 4.1: THE MICRO MODEL OF CUSTOMER EQUITY



Where: MA = marketing actions; CP = Customer Perceptions; S = Customer Sales; SM = Sales Margin; CLV = net present value of customer generated profit; CE =Customer Equity or sum of all CLV; MC = Market Capitalization of Firm

(Lim & Lusch, 2011:649)

4.2. CUSTOMER-CENTRED SALES STRATEGY WITHIN FINANCIAL SERVICES

Financial services institutions have made cost efficiency one of their key focus areas over the past couple of decades. Linking marketing activities to shareholder value is therefore an important consideration for marketing practitioners, especially when viewed as an off-balance sheet activity (Lim & Lusch, 2011). In a study conducted by Accenture in 2011 (Anonymous:1042), 90% of marketing executives in the financial services sector were focusing on price optimisation and cost cutting to drive revenue.

Costs in relation to revenue or income are not only seen as one of the key sustainability factors for market analysts, but also as markers of the future competitive positioning of a company's product within their target markets and the strategies to attain superior efficiencies, e.g. the adoption of technologies to better serve clients at a cheaper rate (Cooper, 2013).

One of the drivers of this cost-efficiency is to identify prospects that fit the profile of the ideal and optimally profitable customers and that have specific needs and to attract them through communication and a good value proposition and retain their business, cross-selling additional products to them along the way, thereby unlocking additional profits for the company and more value for the client (Symonds, Wright & Ott, 2007).

Putting customer loyalty at the heart of growth poses a big challenge to banks and insurers as they have in the past focused more on processes and cutting the cost to customers than on skills or identifying segments of the market with specific needs that could be addressed by selling the right products to them. This will become more important as customer defection in mature markets such as first world banking and insurance (such as banks in the European region) have started to double the normal annual customer defection rate (Mattila et al, 2010). The same cost-cutting wonders which have helped these institutions in the past, such as technology, have also empowered the consumer to be able to switch due to the reduced barrier to switching. It is simply no longer so inconvenient to change to another institution.

Customer defection has a big cost impact on financial institutions as the cost of lost future profits on existing clients, taking into account existing product holding and loss of future sales, and the cost of attracting new clients through advertising and direct selling is

enormous. Institutions find it harder to maintain profitability than ever before. Creating the optimal sales and value-extracting experience for customers from the beginning will make it easier to cross-sell other product categories to them while they are still in the honeymoon period with the company (Symonds, Wright & Ott, 2007).

The first step in the optimisation of a profitable customer life cycle is to appeal to the hearts and minds of the identified target segments upfront. According to Cooper (2013), although it may seem improbable that financial products can be seen as exciting rather than grudge purchases, it is possible to package these intangible instruments for specific needs in such a way that it becomes a personal purchase decision. The communication of this personal package must follow suit in the personalisation stakes, as the tone, look and feel, and content of the communication as well as the medium through which the message is delivered and the description of the product must resonate with the intended audience. Some of these packages can have a generic slant as well, focusing on some industry-specific issues and being the consumer champion in that specific regard. In the researcher's experience, banking fees have long been a contentious issue in the industry and players, such as Capitec, that have packaged all their products and marketing communication around this issue have done very well. Other industry-related issues like linked investment service provider commissions and upfront costs to the customer, as well as the times bank branches are open for business, are other factors where a clever player could make an impact.

Targeting prospects with precision is a skill many players in the financial services industry still have to gain. This skill is centred on turning customer data into customer knowledge and creating the insight with which to identify customer need gaps with regard to products and services (Aquila, 2003). It is not only about the volume of sales but also the quality of the sale that matters, as certain customers are loss-leading at the start of a relationship and only become profitable after initial costs, including acquisition costs, have been absorbed.

Winning over new customers early during the honeymoon phase by cross-selling appropriate products from other categories to them, is critical to maximise the use of the opportunity. New clients have the highest likelihood to defect to other brands – they came from other companies to start off with – and they need to experience as much value as possible at the start of this new relationship. Another way to lock in clients is to set up communities of like-minded individuals through technological tools like a blog or social media platform, who

provide each other with advice on how to lower fees or obtain as much value as possible from their product holding (Melnik, Calantone, Luft, Stewart, Zsidin, Hanson & Burns, 2005).

Managing the customer's experience and not just the profits derived from their product holding will create a new level of goodwill and loyalty, as subtle recommendations on the use of products and lowering of fees through the use of technology will create an emotional as well as economic bond (Coetzee, 2014). Listening to feedback from customers and implementing changes as a result of this feedback is another way to become truly customer centric.

In the researcher's experience, consumers didn't view financial institutions as innovative in the past, but in the last couple of years there have been advances in product, process, client experience and interaction platform design over the past few years. Communicating this has posed a challenge to these institutions as they are balancing innovation with credibility and trustworthiness. Being different can be a competitive advantage though and innovations that stand out from the crowd will facilitate cross-sell opportunities.

4.3. NEW CLIENTS

One of the key drivers of future earnings is the acquisition of new clients. This can be measured by the growth of the relative market share in an industry or by simply regularly monitoring the company's book of business, in terms of client base and profitability. Market share is however affected by what the other players in the industry are doing, as well as other macro-economic factors and is not necessarily a good indicator of successful campaigns and operations.

An understanding of a company's market penetration is a good indicator of how a company has performed in the past and what the opportunity is for growth in the future (Davis, 2007). The measurement of market penetration is facilitated by the market share index with the following formula:

Market share index = product awareness x product preference x intention to buy x availability of product x product purchase

1. Product awareness refers to the number of people that are aware of the company's product within the intended target market in relation to the total target market.
2. Product preference relates to how attractive the product's features and benefits are to the target market.
3. Intention to buy relates to the attractiveness of the price of the product.
4. Availability of the product refers to the ease of acquiring the product, i.e. how easily it can be found.
5. Product purchase refers to the perceived client experience during the purchasing process, the more positive the experience the better the rating on the market share index will be.

Direct-response campaigns in the open market (public domain) are aimed at acquiring new customers, as well as supporting direct-marketing activities to the existing base of clients. The effect of the campaign on gaining new clients can easily be calculated because these usually run for a finite period. The calculation simply subtracts the existing client base at the start of the campaign from the base of clients at the end of the campaign. It can add further detail by building in dedicated response mechanisms such as a text or phone number or website that only serves the campaigns customer acquisition propose.

4.4. CROSS-SELLING (EXISTING CLIENTS)

Cross-selling is the practice of a company to suggest complementary or additional value propositions to its existing base of clients. There are three main strategies for a brand to achieve better market penetration and growth. Either a brand can increase its share by cross-selling additional products in new categories to existing clients, it can entice new entrants into the market to buy its brand as their first consideration or get clients buying from competitors to defect to its brand by a better offering (Mundt, Dawes & Sharp, 2006).

Many financial institutions believe that strengthening the relationship with their clients on a product level across all categories of products will lead to better retention levels, due to the cost to the customer to switch to other institutions, as well as increased client profitability (Cooper, 2013). An example of a cross-sell strategy in financial services would be when a life insurance company offers its clients a short-term insurance product, theoretically at a reduced rate due to personal data and risk factors being known to the company. Investments – in customer relationship management systems, product discounts and staff training – usually accompany a cross-selling strategy in order to take full advantage of the opportunity.

The traditional way of doing business with a financial services company from a consumer point of view has changed in the digital era as consumer behaviour has shifted from buying products to buying a value proposition that includes product, service and experiential elements that form a relationship with a brand (Maheshwari et al, 2014). One of the important factors driving real growth in the post-modern business world is how much the company knows about their customers and how they use this knowledge to entrench the economic relationship. According to Baird and Gonzalez-Wertz (2011:16), three categories of market leaders are emerging in this new era:

- Customer insight leaders, which refer to companies that can transform mere customer data into something of measurable value, especially in personalising value propositions.
- Digital channel leaders are companies that create new products and channels by using the digital innovations available, enhancing and or creating client experiences that is just as valuable as the service or product itself.
- New era leaders, which are companies incorporating elements of both customer insight as well as digital channel leadership.

This kind of leadership leads to cost savings as they do not use generic marketing messages that do not hit the right target (market), as well as empowering the consumer to be able to choose how, where and when he or she wants to engage with the company (Aquila, 2003). This empowerment leads directly to an unprecedented flexibility and freedom for the consumer, which will encourage more frequent engagement. The new era leaders also are four times more likely to have the right analytics in place as well as the e-commerce strategy to be able to capitalise on their vast customer insight.

Baird and Gonzalez-Wertz (2011) also identify three strategies in support of these new types of customer and digital leadership: cost and complexity reduction, strategic service delivery and innovative market making.

According to Baird and Gonzalez-Wertz (2011), cost and complexity reduction makes operations more streamlined, more flexible and more accessible to customers. This means a lower cost in sales and service delivery, whilst unlocking a better client experience due to simplification, especially where the perceived value is intangible, for example in insurance products.

Strategic service delivery encourages dialogue between the company and its clientele. This fosters a mutual information-sharing basis for a long-term relationship as co-creation occurs regularly in terms of products as well as delivery channels. Customer convenience is improved as a result of many of these endeavours, which is a very good by-product to have gained in terms of new business drivers (Baird and Gonzalez-Wertz (2011).

Innovative marketers making use of new digital platforms such as social media to create links between stakeholders such as government, the larger industry bodies as well as consumers, identify niches in products and service delivery (Baird and Gonzalez-Wertz 2011). This on-going interaction also has its pitfalls, as competitors can undermine even the shrewdest tactical marketing, but the true power of these platforms to create reciprocally beneficial relationships have yet to be unlocked completely.

4.5. IDENTIFYING PROSPECTS

New business origination is still the cornerstone of any business, whether it is run through traditional or new era means. Creating leads or using the existing customer dataset as leads for cross-sell purposes remains the lifeblood of any organisation. Determining what characteristics make up a good lead, in other words, and which leads will most likely result in a sale, is however not an exact science and is usually determined by the direct sales manager's previous experience or "*gut feeling*" (Hornstein, 2005). This type of approach obviously has cost, missed opportunity and wasted promotional implications, as it is usually a hit and miss (mostly miss) situation. It would be highly beneficial if prospects likely to purchase the company's products were identified and material drafted to address their needs, specifically in relation to the features and benefits of the products.

According to classic customer buying behaviour theory (Robinson, Faris & Wind, 1967), the different types of purchase situations are straight re-buy, modified re-buy or new purchase. This has largely been replaced with relationship marketing principles, which explore customer lifetime value through mutual trust, commitment and loyalty. Trust is based on integrity and reliability, in other words, whether the client has received what he or she was promised by the company and whether his or her expectations have been met consistently. Commitment from the company to the client that any breakdown in product or service delivery will be investigated and the appropriate action taken, engenders commitment from the client to re-purchase the company's products and services in future. This, coupled with additional value offered through loyalty schemes or programmes does not only have an impact on transactional or economic value, but also on emotional value as loyal customers perceive that they are exposed to a better value proposition in relation to the rest of the market.

In the researcher's experience, a myriad of determinants exist that feed into a propensity to cross-sell model, but certain general factors will always determine the success of a campaign:

- Is there an existing brand relationship?
- Is the transaction mutually beneficial?
- Is the value of the proposed value proposition easy to understand, use and attain?

Monat (2009) asserted eight determinants that drive consumer purchase behaviour. These determinants are however situational in nature, which means that, although it is a determining

factor, the weighting of the factors will differ with every sales situation and product. These eight factors are (Monat, 2009:23):

- The prospect's perception of risk.
- The prospect's perception of price or value.
- The prospect's perception of his urgency versus the company's ability to deliver.
- Availability to prospect of a better deal in terms of competition.
- The prospect's perception of his needs and desires.
- The prospect's perception of quality.
- The prospect's perception of service.
- The prospect's ability to purchase.

There are clearly also other factors to consider when determining what defines a good prospect for the company's products, such as geographical location (Monat, 2011), sales channel fit – some prospects are better served through a face-to-face rather than a direct sales approach, especially if the product is technical by nature, and a needs analysis has to inform the fulfilment process, as is the case with life insurance products – as well as the prospect's available time could all impact the outcome of a sale.

The issue of timing the sale perfectly has led to some companies applying the just-in-time philosophy of logistics and supply chain management to sales (Green, Inman & Birou, 2011). This just-in-time (JIT) selling strategy will couple buyers more tightly with sellers as needs are fulfilled as they arise, with the added pros of cost savings through lower stock levels, better administration efficiencies and higher customer satisfaction. Satisfaction is certainly one of the biggest re-purchase drivers, together with trust of the company's brand and product promises. Green, Inman and Birou (2008:132) define JIT selling as follows: *“A just in time seller exhibits the ability to build value throughout the selling process based on organizational capabilities to deliver zero defect quality, zero variance quantity, precise on-time delivery and the ability to minimise total waste and total cost throughout the production and marketing processes.”* JIT selling needs to be backed up by the JIT operations, delivery and JIT production capabilities for it to create the competitive advantage of producing and personalising products and services when required.

In financial services companies, the buying of a product from new clients (like applying for a mortgage) or an alteration of an existing product (clients paying more into a mortgage account than the required minimum monthly premium) can trigger an immediate opportunity to cross-sell something else (Valenzuela et al, 2014). However, these triggers need to be backed up by processes to fast-track the cross-sell product's natural successors. In practice, in the researcher's experience, this means that a mortgage applicant will, for example, receive a life insurance offer from the financial services company it applied to, as the need has been identified from both the company (to be covered in case of death of the mortgage holder) and the applicant (in case the dependents want to continue living in the house the mortgage is required for should he or she die). Most people see this form of life insurance as a grudge purchase and would not volunteer to purchase such a policy if someone else did not position its value to them.

Some other examples of applying a client-centric mindset to cross-selling are where additional benefits are made available on the client's existing platform (e.g. additional risk cover like disability or dread disease cover on top of the life cover that the client already owns) and which, if bought, would unlock more value in the original product. In the researcher's experience, the fulfilment of these sales should be made very simple to facilitate a smooth and easy process for the client to move from being a single product holder to an entrenched multi-product client.

A distinction should be made between campaigns aimed solely at existing clients for cross-sell purposes and campaigns that will use mediums in the public domain to convey the marketing and sales message to elicit a response from open market consumers, as discussed in chapter 2. The factors affecting the outcome could broadly be the same, but the weighting of those factors differ, as existing clients with an established relationship with a company will respond differently to a message aimed personally at them to a message that is generic and aimed at the general consumer, albeit targeted at a specific segment.

4.6. SALES PERFORMANCE QUOTAS

A direct-response campaign can only be judged successful once it has reached its sales performance benchmark or quota. These quotas are sometimes also referred to as sales targets; this implies that a periodic growth in sales or inflated quota to be reached with an additional sales effort from the distribution network is expected by shareholders and management. These quotas usually apply to one or more growth objective, but centre on product sales and customer acquisition. It is a tried and tested method of motivating sales staff, guiding them on where to focus their energies and it serves as a benchmark for performance evaluation. The following methods are useful when setting sales performance benchmarks (Davis, 2007:31):

- Sales from a previous campaign, relative to the money spent during that campaign.
- Distribution channels and salespersons' sales numbers by product and customer.
- Revenue goals committed to shareholders and management.
- Size of sales generated by direct-response campaigns relative to the total sales benchmarks of the sales force.
- Estimated income potential to the sales person should they achieve 100% of the sales quota.
- Published learning from competitors (through seminars and conferences) regarding direct-response campaign successes and pitfalls.

Direct-response campaign-driven sales quotas, set up to support the overall business objectives, work well where salespeople and management work together with the marketing team when planning and executing the campaign, as discussed in chapter 2. In the researcher's experience, this not only ensures valuable reciprocal feedback based on past experience, but also fine tunes the capacity planning of the sales channel and ensures a consistent sales experience for the client, as the product fulfilment has the same content and overall theme as the advertising he or she has been exposed to during the awareness phase of the decision-making process.

Activity quotas focusing on outputs throughout the sales funnel (lead to prospect to paying client), can underpin sales quotas to ensure that all clients who have responded to the advertising are serviced. These activity quotas usually include the (MacDonald & Mouncey, 2009):

- Total number of leads accessed by the sales person and closed. It is important for the management team and the marketing practitioner to deliver on the promises made and expectations created through the advertising the prospective clients have been consuming. This quota will ensure that leads are not closed randomly, but worked properly in order to ensure that 100% of respondents are engaged, even if it does not result in a sale.
- Total number of interactions with every lead. In the pursuit of sales, the salesperson needs to close the sale with as few interactions as possible. The management of this person's engagement with the customer to speed up the closing process is central to managing the sales channel's costs. Quotas should motivate the salesperson to close quickly, without compromising the quality of the customer's sales experience.
- Total daily talk time if a direct-sales call centre facilitates fulfilment. The infrastructure and variable cost of a fulfilment centre has a huge bearing on the total budget available for a direct-response campaign. How many calls the sales force can make and how much time is available to follow up on the responses received, will be the difference between success and failure. It is therefore very important to ensure optimal productivity is maintained during the fulfilment process.

The marketing and sales management team must define these indicators, which will guide the activities and behaviour of salespeople in achieving the sales quota for the campaign.

4.7. THE SALES CYCLE

Most companies have tried to gain the competitive advantage during the last decade by engineering optimal client touch points in the client experiences of engagement through service and loyalty offerings (Johnston & Kong, 2011). Little attention has been paid to the touch points of product awareness through advertising or the buying process for a client after he or she has consumed the marketing and bought the product or service, which can at times be extremely tedious and illogical. Whatever the product or service being bought, the client will have an experience while doing so. It can be good, bad or indifferent and the engagement offers an opportunity for an emotional connection that will engender loyalty and repeat purchases in the future (Berry & Carbone, 2007).

In the researcher's experience, the increased complexity within the financial sector is a result of legislation, accelerated financial innovation and product choice for customers. This has also given customers the option of engaging directly with brands or doing so through an intermediary. This choice is largely dependent on the complexity of the product and the role of advice in the sales process. The simpler the product and experience, the easier it is to buy directly from the product supplier (Crosman, 2011). The choices a customer makes can also determine the perceived ease of doing business with a company. In some instances, using an intermediary removes a great deal of the complexity, due to the outsourcing of the administration, and also offers the client peace of mind since a product selected by a specialist should fulfil the customer's needs (Valenzuela et al, 2014). This translates into a good experience for the customer, even when the supporting processes were quite complex. Some metrics that report on these events in the cycle (Beam, 2006) include the following:

- The call to finalised sales ratio. This refers to the number of calls an agent makes in relation to the number of finalised sales.
- The survival ratio, which tracks the fall-off after every event in the cycle, which includes the pre-stages, the meeting, qualifying the lead, making a proposal and closing the deal. This gives a good indication of where a consultant encounters a pipeline in the process, as well as serving as a proxy for client understanding. If an advertisement is misleading or vague, chances are good that it will not result in a sale. This can further be expressed in the number of enquiries or responses, marketing-qualified leads, sales-accepted leads, sales-qualified leads, closed sales and lost sales (Schwartz, 2010:13).

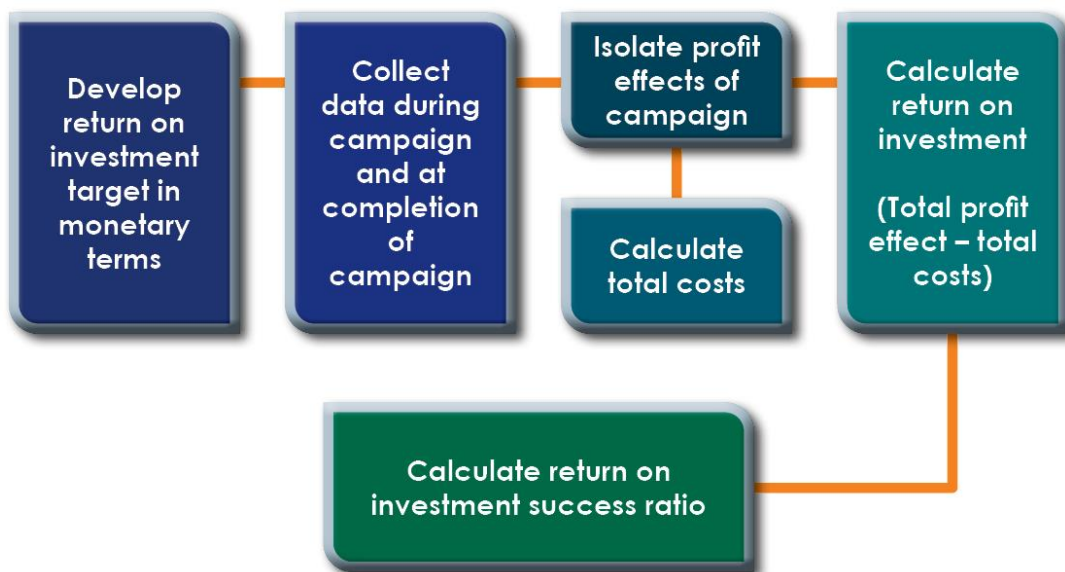
- Money in the pipeline. Reporting should be done on all stages of the cycle, including how many deals still need to be closed, the probability of closing and into how much money this translates.
- Customer satisfaction scores are important when positioning new benefits or products to customers. There is a definite correlation between satisfaction scores and sales conversion rates (Banker & Mashruwala, 2009).

More traditional sales metrics measure the number of responses, the number of qualified leads, the number of sales, and the relative acquisition cost per campaign and customer. They are therefore verifiable.

4.8. CAMPAIGN RETURN ON INVESTMENT

The return on investment derived from direct-response advertising will be different for every campaign and every organisation as different objectives and profit benchmarks are set as the desired result. The process of calculating this return on investment will however be quite generic (Phillips & Phillips, 2000) as is reflected in Exhibit 4.2:

EXHIBIT 4.2 THE RETURN ON INVESTMENT PROCESS MODEL



(Phillips & Phillips, 2000:10)

This process incorporates the earnings base value (profit) and cost elements already encapsulated in the proposed metrics model, but it is expressed as a ratio which, when viewed as an important indicator of success, can help manage the make-up of the cost (in terms of what is yielding the best result) or the profitability (in terms of which segments are most profitable) while the campaign is being run.

4.8.1. Fixed advertising cost

The fixed cost of a campaign is the cost of all the elements needed to produce the various advertising material, as well as the set cost of the sales structure necessary to make the sales. These costs therefore reflect the production cost of the television, radio, outdoor, press, magazine and online advertisement, without the variable cost of the media that need to be bought for flighting, airing or placement (Clark, 2003). The sales force cost reflects the

setting up of the fulfilment centre, as well as the sales support cost in the form of business development managers or a service centre for the distribution network, which can guide the sales force through the sales process with query resolution, quotation generation and other administrative needs.

In the researcher's experience, this fixed cost requires a balanced approach, as many campaigns focus on frequency of rotation and not necessarily on the quality of the material produced or, worse, on setting up the sales environment properly before launching the campaign. This leads to negative brand perceptions and a poor return on investment, due to lost opportunity.

4.8.2. Earnings-based value of sale

Different companies within different sectors of the financial services industry have developed different standards of accounting, calculating and projecting profits (Kim, Lim & Park, 2009). In the insurance industry, the embedded value of policies are calculated by projecting all future premiums of a policy against risk factors that affect claims ratios, such as health and other demographic variables such as occupation, age, income and geographical location, as well as acquisition costs that includes sales force commissions and incentives. This is then expressed in a margin descriptor called embedded value (Temkin, 2008).

In the banking industry the same terminology is used for a book of business that is focused on the short term (usually over the company's financial year), marketing costs, service support costs and infrastructure costs such as technology, buildings and HR are then taken into account to ascertain what the profit margin would be (Fitzpatrick & McQuinn, 2008).

In the researcher's experience, it is extremely important for a marketing practitioner to understand the accounting principles and philosophy of the company to be able to give an understandable report on the return on investment of his or her marketing campaigns. The value of the sales made as a result of advertising spend can then be easily ring-fenced as a book of business to ascertain whether campaigns can be deemed successful or not, especially in relation to the set targets.

4.8.3. Cost per sale

Cost per sale is defined as the cost of selling a single unit of the product that is marketed up to the point where the final acceptance, fulfilment or payment of the purchase is made (Davis, 2007). This cost is calculated by adding up all the ATL (if any) marketing costs such as advertising expenditure and below-the-line marketing costs such as direct communication costs (including postage and e-mail and texting costs) to existing and prospective clients as well as operational costs such as data capturing and application fulfilment costs; direct sales forces costs, including infrastructure and consumables; commissions to third parties and sales support costs such as marketing material and promotional gifts. This total cost is then divided by the number of finalised sales achieved within a specified time frame, and a cost per sale is calculated.

4.8.4. Cost per lead

Cost per lead is calculated by adding up all unduplicated responses from individuals who have shown an interest in a company's product or service after the consumption of a marketing element (Davis, 2007). These prospects have indicated that they want to receive more information or that they simply want to start the application process for the product or service that has been advertised. These leads do not all become finalised sales due to reasons such as a misunderstanding of the product advertised, losing interest in the product during the application process, not qualifying for the product due to affordability, credit screening or other criteria. As discussed in chapter 2, direct response campaigns need to support the overall business objectives, by eliciting a response from a base of clients or consumers. The cost of acquiring these leads needs to perform to the benchmark set in the planning phase of the campaign in order to ensure that the sales and profit goals are reached.

4.8.5. The effect of inflation

In the economy, inflation is the price increase of goods and services over a period of time. This reduces the purchasing power per unit of money and its measurement is expressed as the inflation rate (Mankiw, 2002). In the researcher's experience, the impact of the inflation rate on the media spend of a direct response advertising campaign that will be running over an extended period of time, will be negative, as the frequency of the advertisements will be less, due to media cost increases. This needs to be catered for when planning and executing campaigns.

4.9. SUMMARY

Setting up performance benchmarks that support the business strategy guides the marketing practitioner in creating a marketing strategy. It is important to include all financial, sales, creative and media-related variables, as these factors all contribute towards the success of a campaign. These variables are therefore interrelated and should not be viewed in isolation as doing so can give a skewed impression of what should be delivered in terms of sales, profit and cost management.

Different campaigns will, due to the differences in their business objectives, include different sets of performance indicators. A retention campaign, aimed at a targeted sample of the existing client base, will not have the same success indicators as an acquisition campaign, communicated through public domain media. All of these marketing efforts can and should, however, be planned within the marketing strategy and budgeting framework and need to include carefully considered performance benchmarks against which actual campaign performance can be measured. In the next chapter the research philosophy and methodology will be discussed.

CHAPTER 5

RESEARCH APPROACH, DESIGN AND METHODOLOGY

5. INTRODUCTION

This chapter describes the strategy and design of the research undertaken, as well as the process of collecting and analysing the data, the results of which will be presented in the following chapter. The proposed model is exploratory as it consists of both quantitative and qualitative variables with absolute and subjective outcomes. For the purposes of this study a distinction is made between open-market campaigns, i.e. direct-response advertising campaigns incorporating elements that are in the public domain, and campaigns aimed at existing clients or affinity bases.

5.1. RESEARCH APPROACH

A triangulated mixed-methods research methodology was used, which incorporates both positivist and interpretivist elements. Mixed methods research is *"a research design with philosophical assumptions as well as methods of inquiry. As a methodology, it involves philosophical assumptions that guide the direction of the collection and analysis of data and the mixture of qualitative and quantitative data in a single study or series of studies. Its central premise is that the use of quantitative and qualitative approaches in combination provides a better understanding of research problems than either approach alone."* (Creswell & Plano Clark, 2007:5)

The variables within the model were measured through a questionnaire consisting of pairwise comparisons. The comparisons made by the sampled respondents lead to a weighted model with prioritised variables that can lead a marketing practitioner through planning, benchmarking and analysing campaigns. Data from previous campaigns were also retro-fitted by the application of micro-economic game theory modelling through the use of the EViews software to prove the model's predictive capabilities.

5.1.1. Research philosophy

The philosophy of science in marketing has been debated vigorously over the last couple of decades, with four main issues constantly emerging (Hunt, 1990):

- The scientific status of marketing.
- The most relevant philosophy to guide the study of marketing.
- The decision on which scientific method to use in a marketing study.
- The role of truth in marketing research, and how it is defined and portrayed.

This is a result of the abstract nature of some elements of marketing like creative design and conceptualisation, which have definite impacts on the marketing work delivered by a marketing practitioner. These intangible factors, together with pressure from shareholders and management for budget accountability, have driven the marketing fraternity to embrace empiricism and positivist methodologies.

5.1.1.1. Positivism in marketing research

Since post second world war times, the search for legitimisation as a science has driven marketers and researchers to create a single body of classifications and theories, based on quantifiable measures, which if adopted and applied could predict the outcome of future events (Brown, 1997).

Positivism as a philosophy facilitated this search for legitimacy perfectly as it assumes that:

- objective reality can be captured;
- the observer can be separated from the subject matter and will not influence the outcome;
- observations can be applied universally; and
- causality is reciprocal, i.e. all effects have causes and all causes have effects.

This positivistic approach to conducting research leads to knowledge that is verifiable and tangible. This philosophy also assists marketing practitioners to align their outputs with profitability and cost minimisation, as well as logistical efficiencies with marginal returns (Hirschman, 1986).

The focus is therefore on testing theories through the use of quantitative data and analysis. Positivism seeks to understand phenomena through the analysis of variables and can use large amounts of data in order to reach a reliable and “*true*” theory, which can be used to predict future events. Due to the nature of the positivist philosophy, the researcher must be

emotionally dispassionate towards the objects being studied as emotional involvement could create bias in the observations. However, this creates a research blind spot, where the underlying meaning of behaviour is sometimes overlooked, which can lead to the wrong conclusions being drawn. The positivistic perspective that the researcher stands outside the researched world has also proved to be problematic, as human emotions and connectedness to the broader environment is a natural occurrence, which makes complete objectivity very improbable.

5.1.1.2. Interpretivism in marketing research

The quality of the research interaction informing the data, especially where intangibles like previous experience or time-based knowledge can enrich the understanding of the subject matter, has become so important that it is encapsulated in the interpretative school of thought, embraced by many marketers. Interpretivists believe that reality is not objective and that everything is relative to time, environment and context. They see the totality of a human's being as being important, which encapsulates movement through time as the consumer continually emerges (Hirschman & Holbrook, 1986).

The interpretive process therefore has no predetermined set of variables within which to work, but seeks to understand human behaviour by interrogating all possible avenues to encapsulate the “*why*” and “*when*” and not only the “*what*” and “*how*”. Collecting data through the interpretative process is difficult as a lack of uniformity or a finite set of answers makes analysis difficult and time consuming (Szmigin & Foxall, 2000). It also means the interpretative process can lead to a set of varying alternatives as different research outcomes from one observation or information source is possible, which can be counterproductive where definitive answers regarding consumer behaviour are needed to guide future decision-making processes.

5.1.1.3. Constructivism as a form of interpretivism

Constructivism has its roots in the post-modern world and can be described as a proliferation of subjective and objective influences that guides actions, which in design incorporates both quantifiable and qualitative inputs (Liu & Chen, 2010). The volatility and uncertainty of the marketplace with its seemingly unlimited choices of products and services, together with the individualistic view of the consumer's need for personalisation and the celebration of

society's diversity, offer a typical example of the post-modern philosophy (Dawes & Brown, 2000). A post-modern society is typified by a movement from industrial application to information access, from analogue to digital technologies and from knowledge and knowledge management to the creation of meaning from fragmented information. This has led to a breakdown of conformist ideologies and an acceptance of differences to create an environment where the emergence of a "*global consumer*" is witnessed (Venkatesh, 1992). The heterogeneity of the market and the power of the consumer have led companies to change business models and engage consumers differently in order to attract and keep them as clients.

The post-modern view of society is that descriptions of human behaviour or inter-subjective understandings (Lupovici, 2009), together with subjective knowledge such as experience and data from the past, can help shape data or knowledge for the future (Brown, 1997).

This means that constructivist research needs to identify both causal and constructive relationships in order to create meaning and knowledge about the subject (Mojtahed, Nunes, Martins & Peng, 2014). The inter-relatedness of what affects and what informs decisions and behaviour within markets is of key importance, as it unpacks why people act, what they do when they act and when they act.

5.1.2. A mixed method approach

Due to the nature of this study, which incorporates both positivist and interpretive philosophies, a mixed method approach was necessary.

According to Davies and Fitchett (2005), the current paradigm in conducting marketing research is largely dictated by a static or retrospective view through the application of a set of logical criteria, definitions, divisions, distinctions and difference (Davies & Fitchett, 2005). This naturally offsets different approaches against one another, as either a qualitative or quantitative, positivistic or interpretivistic approach is taken to research.

Although the positivist and interpretivist methodologies differ, the convergence of these methods can lead to a strengthened research proposition. Lupovici (2009) emphasises that they can be combined in a fixed way to provide different insights into the research subject. This combination also works to remove bias that the separate methodologies could introduce

(Lin, 1998) as the positivist process identifies generalities through quantifiable measures and the interpretivist process seeks to understand how these general patterns function in practice. This is done by insight into how the different variables interact.

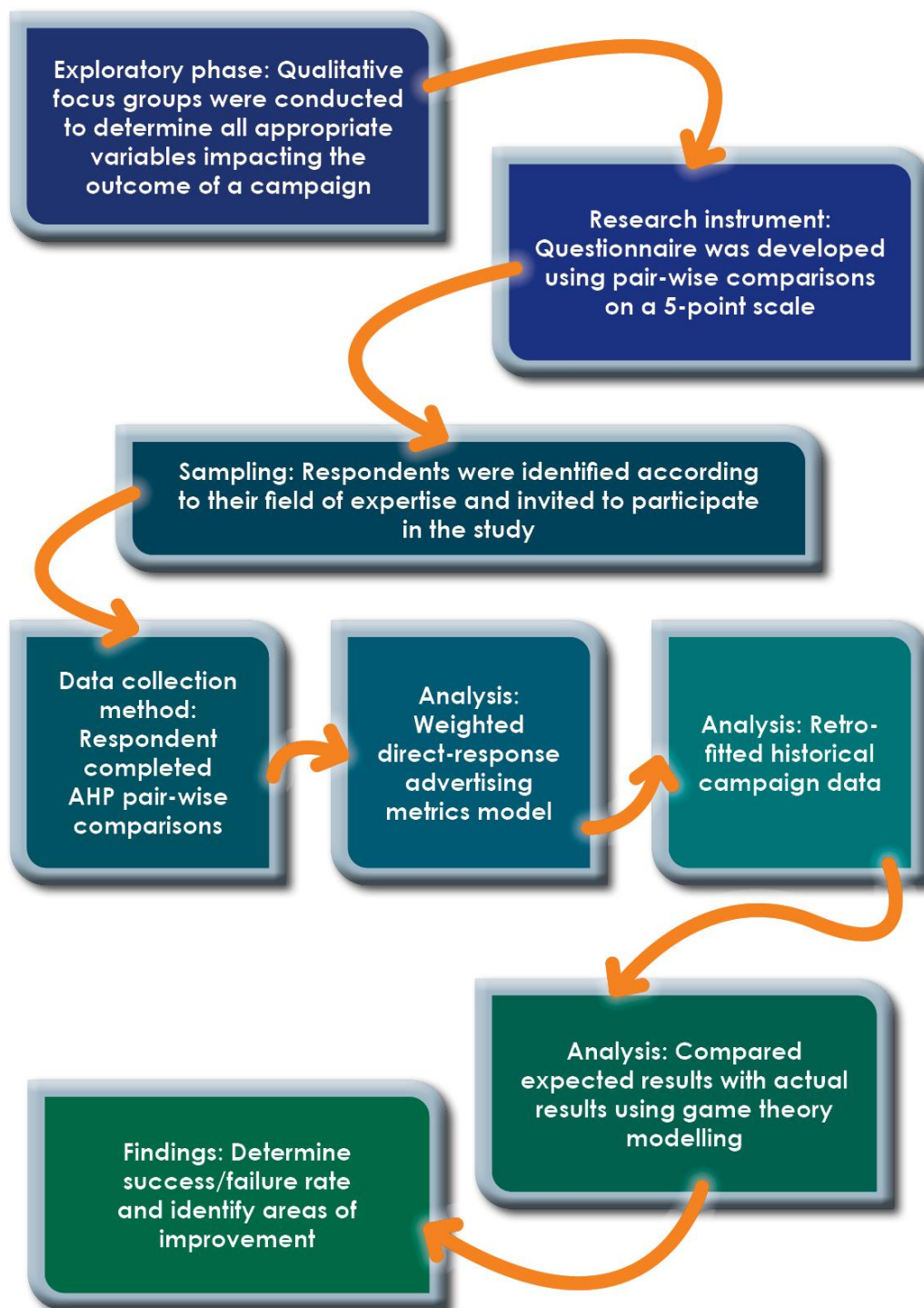
In applying exploratory designs within a mixed method approach, researchers first collect qualitative data before analysing the qualitative data to enable researchers to build on the qualitative data to create the quantitative follow-up (Harrison & Reilly, 2011). Building on qualitative data can involve identifying the criteria or variables necessary in the quantitative phase, as well as generating a fixed classification set. Exploratory designs facilitate the development of new instruments and the testing or refining of new theories.

Through qualitative inputs, this study identified which variables needed to be included in a new measurement instrument (in essence a quantitative model). The relative importance of these variables was assigned using a decision tree and weighting methodology through the application of analytic hierarchical processing (AHP), which is a structured technique to analyse and organise complex decision making. The model's application was subsequently tested by fitting the model with real (historic) campaign data. Micro-economic game theory principles were applied, which isolated the weighted elements which had a negative impact on the planned outcome of the campaign.

5.2. RESEARCH PROCESS

The research process used is reflected in Exhibit 5.1.

EXHIBIT 5.1: THE RESEARCH PROCESS



As discussed in chapter 1, this study investigates whether success in its varying levels in direct-response advertising campaigns in the financial services industry can be predicted by focussing resources on the most efficient and effective inputs. This investigation was facilitated through the proposed metrics model, which uses both objective and subjective inputs. This is important as a balance needs to be found between the relevant inputs which determine the eventual success or failure of a campaign, many of which are creative or abstract and evoke emotions from target audiences, and objective or verifiable outputs to be able to determine what the likelihood of the success of a campaign will be. The research also aimed to analyse campaigns retrospectively and to identify which elements of direct-response advertising campaigns could be improved on to deliver desired results in the future. The analysis of the outputs of a campaign can also be used as part of accountability measures for the marketing function in financial services companies.

The main research problem of creating a new direct-response advertising metrics model is underpinned by three constructs or sub-problems:

- What impact previous client interactions with the company's brand, personnel, products or service has on the outcome of the campaign.
- What impact the creative elements and choice of media used has on the outcome of the campaign.
- Which performance benchmarks should be used to determine the desired outcome.

5.2.1. Sample

This study was aimed at a sample frame of 352 marketing professionals in the financial services industry. Respondents were purposefully sampled by identifying individuals within the biggest financial services companies, listed on the Johannesburg Stock Exchange, representing more than 50% of the total industry's market share and invited them to participate in the study. Due to the duality of the campaigns being researched for this study (the open market, which includes television, radio and digital advertising, and existing client campaigns, which is commonly known as "*traditional direct marketing*"), a distinction was made in the sampling of respondents, as the practitioners of the different types of campaigns were able to give inputs relevant to their specialised fields of expertise.

The sample frame included individuals working in the long- and short-term insurance industries as well as the formalised banking sector. Although there are a myriad job descriptions and roles within the marketing fraternity, for the purposes of this study, the sample was divided into two categories:

1. Open-market marketers, which included advertising, marketing and brand specialists or strategists; and
2. Existing bank marketers, which included client-oriented specialists, direct-marketing and communications managers and practitioners.

This categorisation was done in order to gain insight from marketing practitioners with expertise in one of the two types of direct-response campaigns in the weighting of the themes identified by the qualitative research and that were included in the proposed marketing metrics model.

Respondents from three of the four major banks, representing more than 80% of total market share, as well as respondents from three of the major long-term insurers, representing more than 60% of total market share and three of the major short-term insurance companies, representing more than 50% of total market share participated in the study. The realised sample consisted of 103 financial services marketing professionals or 29.2% of the sample frame.

5.2.2. Data collection

The respondents accessed the questionnaire online using LimeSurvey software. LimeSurvey is an open-source online survey tool that enables users to design and publish surveys, as well as to collect responses, without doing any coding. The responses from the survey in this study were then stored and analysed to create a reliable metrics model. Two types of respondents were earmarked to receive customised questionnaires:

- Open-market or public domain marketing respondents (questionnaires were completed by above the line marketing practitioners and strategists).
- Respondents working with campaigns aimed at an affinity or existing client base (questionnaires were sent to traditional direct-marketing specialists).

Historical campaign data was then retrofitted on a weighted model through micro-economic game theory principles. The EViews software was used to analyse whether or not they were successful in achieving their direct-response campaign objectives.

5.2.3. Research instrument

The respondents judged these constructs and variables through Analytic Hierarchical Processing (AHP), which uses pair-wise comparisons on a five-point scale to determine relative importance or weighting through Expert Choice, software developed specifically for AHP. The multiple variables within the research framework were paired off against each other. AHP is discussed in detail in chapter 7.

A phased variables prioritisation process was undertaken through AHP to finalise the model. First, variables addressing a theme as identified through the qualitative research were grouped into clusters and given specific, labelled names. These labels were then used in the first round of quantitative analysis, which consisted of weighting the themes in order of importance through the results of the pair-wise comparisons by using AHP through the Expert Choice software. Exhibit 5.2 represents the constructs, themed labels and underlying variables.

EXHIBIT 5.2: CONSTRUCTS, THEMED LABELS AND VARIABLES AS IDENTIFIED BY QUALITATIVE RESEARCH

Construct	Label	Variables
Customer	Customer satisfaction	Customer satisfaction score Sales experience rating
	Loyalty	Loyalty programme penetration Loyalty programme usage rates Retention (% more retained)
	Client acquisition	New customers acquired Ex-clients re-acquired Cross-sale ratio (target) Future purchase intention (brand equity)
Performance benchmarks	1. Sales	Lead to sale ratio Contact to sale ratio Total sales target Total sales reached Sales capacity (optimal number of sales daily)
	2. Cost	Cost per lead Cost per sale Advertising cost to sale ratio Return on marketing costs Profit/cost break-even Margin given away as incentive
	3. Profit	Earnings-based value of sale Inflation assumption Market share growth (value to volume ratio) Profit growth
Marketing efficiency	1. Reach and frequency	ARs Number of responses % of target market sold
	2. Creative quality	Advertisement recognition Advertisement recall
	3. Public relations	PR value added to campaign

The themed labels underlying the constructs were used during the first quantitative phase of the study to determine weighting and importance. This means they are reflected in the survey with 72 permutations through pair-wise comparisons as reflected in Table 5.1.

**TABLE 5.1: EXAMPLE OF PAIR-WISE COMPARISONS WITH THEMED LABELS
(EXCERPT)**

Which variables are more important in planning and managing the successful execution of a direct-response advertising campaign?						
	2	1	0	1	2	
Customer satisfaction						Sales
Loyalty						PR
Profit						Cost
Client acquisition						Reach & frequency
Sales						Creative quality
Cost						Loyalty
Reach & frequency						PR
Sales						Loyalty
Creative quality						Profit

Expert Choice further applies the strength of prioritisation from the responses to the variables through weighting, which is presented both numerically and graphically. Through the process of ranking and weighting the objective and subjective factors contained in the model, the reliability of the model is determined.

5.2.3.1. Consistency

The responses are displayed in a pair-wise matrix, as portrayed in Tables 5.2 and 5.3.

TABLE 5.2: PAIR-WISE MATRIX – EXPLORATIVE METRICS MODEL

Criteria		A	B	C
Customer experience	A	-		
Performance benchmarks	B	-	-	
Marketing communications efficiency	C	-	-	-

TABLE 5.3: PAIR-WISE MATRIX – THEMED LABELS

Criteria		A	B	C	D	E	F	G	H	I	J
Customer satisfaction	A	-									
Loyalty	B	-	-								
Client acquisition	C	-	-	-							
Sales	D	-	-	-	-						
Cost	E	-	-	-	-	-					
Profit	F	-	-	-	-	-	-				
Reach	G	-	-	-	-	-	-	-			
Creative quality	H	-	-	-	-	-	-	-	-		
PR	I	-	-	-	-	-	-	-	-	-	

The result of this interactive questionnaire (which tested the relative strength of criteria and as sub-factors with every respondent) is that a weighted model can be presented in terms of priority and importance. This model is therefore flexible, as it needed to cater for the two types of direct-response campaigns relevant to this study and showcases differences when applied for these different campaigns. Dependent on the weightings given to the variables, it is envisaged that it could reflect different views (see Tables 5.4 and 5.5), as logically the factors influencing success in terms of cost, customer acquisition and profitability differ.

TABLE 5.4: AHP PROBLEM STATEMENT WITH ENVISAGED WEIGHTED OUTCOMES MODEL FOR AN OPEN-MARKET CAMPAIGN

Problem statement		
Create a marketing metrics model for direct-response advertising		
<i>Criterion 1</i>	<i>Criterion 2</i>	<i>Criterion 3</i>
Customer experience	Marketing communications	Performance benchmarks
Themes		
Client acquisition	Creative quality	Sales
Loyalty	Reach & frequency	Profit
Customer satisfaction	PR value	Cost

TABLE 5.5: AHP PROBLEM STATEMENT WITH ENVISAGED WEIGHTED OUTCOMES MODEL FOR A CAMPAIGN AIMED AT EXISTING CLIENTS

Problem statement		
Create a marketing metrics model for direct-response advertising		
<i>Criterion 1</i>	<i>Criterion 2</i>	<i>Criterion 3</i>
Customer experience	Marketing communications	Performance benchmarks
Variables		
Loyalty	Creative quality	Profit
Customer satisfaction	PR value	Sales
Client acquisition	Reach & frequency	Cost

The validity and reliability of the instrument can be determined by calculating the consistency ratio. A consistency ratio of 90% in the application of AHP is necessary for the study to be seen as valid and reliable. A consistency ratio was calculated by means of robust mathematical analysis programmed in Expert Choice. A score of more than 0.900 would, for example indicate that less than 10% of the responses and rankings were the result of inconsistencies within the rankings indicated by respondents and are consequently seen as logical and consistent. A consistency score of less than 0.900 (or inversely, an inconsistency score of more than 0.100) is therefore seen as unreliable and invalid, due to too many inconsistent answers.

5.2.4. Analysis

Different types of analyses were used during the course of the research project. During the focus group phase, a content analysis was done to identify themes that address the issues highlighted by the objectives of the research (see chapter 6). These themes were used to verify and explore all relevant variables that impact direct-response advertising in the financial services industry and how these could be linked back to the variables in the proposed model.

Thereafter, a quantitative survey was done using AHP, which determined the weightings and importance of the model's constructs and underlying variables. This is discussed in more detail below.

The final step in the analysis of the model was to apply game theory modelling, which was used to test the robustness of the proposed model for practical use in the financial services industry. Historical campaign data for both types of campaigns were used in this phase of analysis.

5.2.4.1. AHP and its use in creating a performance management system

(a) Background

The challenge facing marketing practitioners is to devise a set of indicators or “*dashboard*”, comprising of “*hard*” or quantifiable numbers (reach, number of responses and sales) as well as qualitative elements such as creative factors (design, copy, creative theme) and psychological factors (likeability) that predict the outcomes of a campaign when different media and channels are used. This dashboard should therefore be able to rank areas of priority where the bulk of the budget and effort should be spent, in order to obtain success in the campaign that needs to be aligned with the benchmarked business objectives (Melnyk et al., 2005).

The metrics contained within this dashboard need to be consistently applied to ensure alignment with the company’s strategic objectives and execution capability. Metrics are verifiable measures that consist of three elements (Melnyk et al., 2005:314). These are:

- *“the specific measure that is being measured;*
- *the standard against which it is measured; and*
- *the context or environment informing the measurement.”*

There is often a disconnect between what is measured strategically in the form of profitability, market share and return on investment and what is measured operationally, usually focused on desired conversion rates and targets or minimum efficiencies (Shugan & Mitra, 2009). This disconnect manifests itself in the inability of marketing practitioners to satisfactorily report on the executed campaigns to the executive or board which, in turn, makes the future investment process through approved budgets a loaded and complex one. Linking these metrics into a comprehensive format that would satisfy both immediate operational needs and longer term strategic objectives would mean translating higher level outcomes into detailed, desirable actions in the lower levels. Therefore, a performance measurement system is needed to translate and integrate these metrics (Alencar, Ribeiro,

Ferreira, Schmitz, Priscila, Lima & Manso, 2006). The performance measurement system supported by the model proposed in this study aims to create alignment and co-ordination between the different levels in a company. The alignment will ensure that strategic objectives are supported by operational actions and co-ordination will have to occur because of the interdependency of the different functions within an organisation.

(b) Benchmarking

Benchmarking is the process of comparing a firm's products, services or business practices against those of its competitors or those in the industry seen as leaders (Camp, 1989). The goal of benchmarking is to determine where a company can improve its operations or offering to enhance its competitive positioning, which will result in sustained, long-term profits. It has however been inhibited in the financial services market by the intense competitive nature of the industry (Arnott & Poulsen, 1997) and in some instances legislation has prohibited even the most informal of participative practices, like setting up industry-wide benchmarks that could make "apples-with-apples" comparisons possible. Numerous definitions of benchmarking exist, but for the purposes of this study benchmarking is defined as an on-going continuous activity, whereby key activities or internal processes are adjusted, performance is monitored, new comparisons are made with the current best performers and further changes are explored (Holloway et al., 1999).

Benchmarking in financial services can be categorised as qualitative and quantitative comparisons that reflect the needs of marketing, strategic planning and executive management working in retail financial services, as well as financial services for the affluent (e.g. private banking) and corporations, including small to medium enterprises. Retail financial services encompass all operations that make up insurance and banking activities for individual users. There are many methodologies of benchmarking and while these different methods are organised differently, they all share an important stage at the beginning of the process. This stage is determining what to benchmark. If this initial stage of planning the benchmarking process is omitted, the subsequent stages of collecting and applying data will be mostly wasted effort (Partovi, 1994). With the application of AHP the marketing outputs necessary to determine success or failure in a direct-response advertising campaign can be prioritised and the key elements highlighted.

There are two types of benchmarking, namely process benchmarking and product benchmarking. In product benchmarking a process of reverse engineering is used to disassemble a competitor's seemingly superior product into its various components. Hereby the organisation learns about the competitor's product's design characteristics as well as the manner in which the product was assembled. Process benchmarking is a directed focus on an internal process to ensure continuous improvement. This involves identifying benchmarking partners or pace setters in a specific industry or discipline within an industry and using their methods as guidelines in the process of improving specific activities.

Although there are two types of benchmarking, there are four ways of identifying benchmarks (Partovi, 1994:26):

- Benchmarking can be done through internal operations. Usually the best performing unit within the company can be used, provided it delivers the same type of output as required for the study.
- Competitors can be benchmarked and, although it is quite difficult to get all the information required due to competitive advantage secrecy, it can be quite useful on a high level.
- Best-in-class benchmarking refers to benchmarking processes of industry leaders that are similar to the company doing the benchmarking, but are perceived to be the best at what they do.
- Strategic benchmarking integrates competitive analysis and best-in-class benchmarking. This process identifies how a company should position its products and services in relation to its competitors, and showcases which processes or functions are necessary to support these products and services' competitive advantages.

For the purposes of this study, the selection process of the elements and categories to be benchmarked was done on both a qualitative and quantitative level. The researcher identified key success factors through the focus group discussions and used these in conjunction with AHP to ascertain priorities or the importance of elements in the make-up of the proposed marketing metrics model. The elements contained within the model were process benchmarked using the strategic benchmarking method of identifying benchmarking partners and it reflects the following goals (Lu et al., 1994):

- To provide an instrument to assist a decision-maker to better understand multi-criteria problems.
- To offer a logical, systematic and user-friendly tool.
- To adapt to a variety of decision situations.
- To better understand internal capabilities and external environmental impact.
- To increase quality and productivity levels of marketing practices.

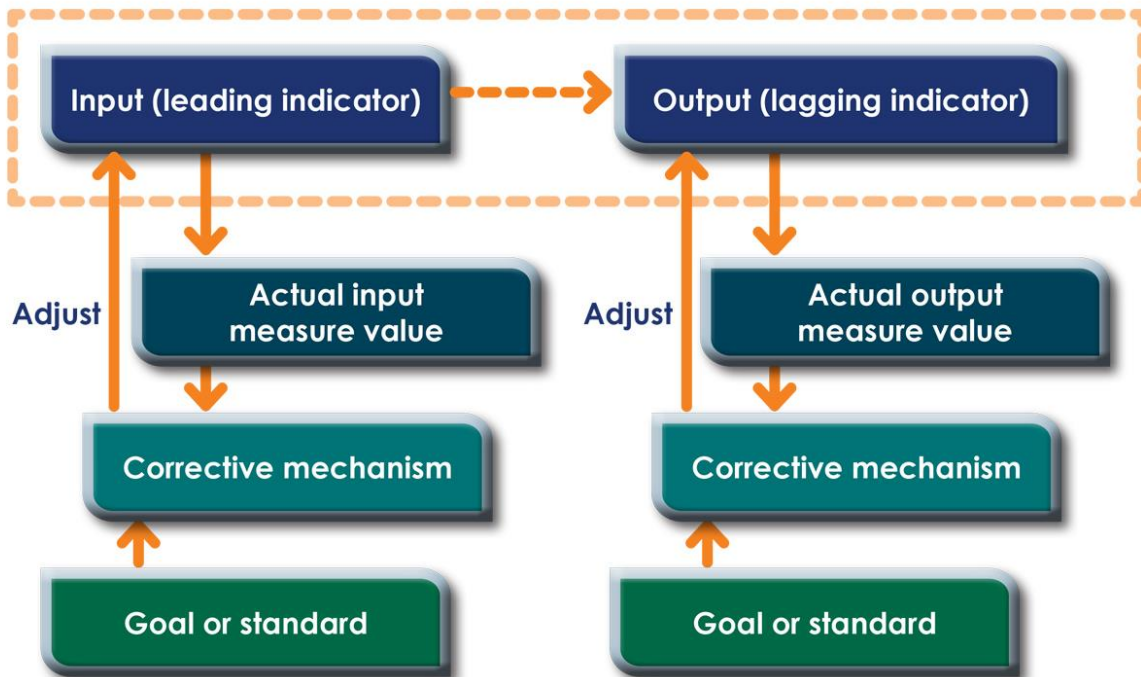
(c) *Performance measurement through an input-output model*

The proposed marketing metrics model that is central to this study implies that the performance of certain key success factors should be measured. Many of these, such as cost and return on investment calculations and targets or benchmarks, have been the realm of the financial departments in large corporations. There are, however, severe shortcomings in the existing accounting systems, especially when examining factors of which they do not have managerial control (Unahabhokha et al., 2007). These measures have been criticised for being too focussed on the short term and encouraging the minimisation of variance rather than sustained improvement, lacking strategic focus and not taking the external environment into account.

Some new performance measurement frameworks have been integrating both internal and external measures, including financial as well as non-financial elements. This integrated approach also means that the performance measures are derived from strategy (Kaplan & Norton, 1992) and include leading and lagging indicators. Leading indicators measure the factors that influence future performance, e.g. ad likeability impacts sales numbers, whereas lagging indicators measure the success or output of past activity, e.g. the cost per sale is a lagging indicator of the efficiency of a direct-response marketing campaign.

As the proposed model reflected in Exhibit 5.3 below is in essence an input-output model that creates a performance measurement framework, it combines lagging indicators to develop a control mechanism, with leading indicators to develop predictive capability.

EXHIBIT 5.3: INPUT-OUTPUT MODEL FOR PERFORMANCE MEASUREMENT



(Unahabhokha et al., 2007:79)

This model is driven by mapping information from practitioners with regard to the input measure values, including information from the knowledge base, which is then formulated into a predicted output or predictive value. With the use of AHP it is possible to handle the complexity of the interaction between the leading and lagging elements as well as to assure consistency between performance measures from one evaluation period to the next. According to Abernathy (2001), the measurement design process should start with the perceived ideal criteria and then compromise from this ideal to develop criteria that can be defined and rated.

It is also important to limit the number of performance measures and remain focussed on the goal of the model or decision to be taken, rather than on the process of involvement itself.

This input-output model for performance measurement is ideally suited to form the basis of this study. It combines business objectives, benchmarks of performance of certain direct-response advertising and its dependent elements and detailed measured actions into a model that can predict and assess the success of a campaign, relative to its objectives through the use of AHP. Uncertainty in the process of setting priorities (in this case, which media to buy

to get the best results) and the use of a variety of different variables with diverse definitions naturally lead to the use of AHP (Bayou et al., 2007).

This study aims to design a direct-response advertising measurement model for use by marketing practitioners in the financial services industry. This implies the use of some subjective criteria (e.g. customer satisfaction scores) and some objectively verifiable variables (e.g. cost per sale and cost per lead). The AHP statistical method was used to bring different inputs together in one model that can help the marketing decision-maker first, choose what to focus on, in terms what to measure, and secondly, how to weigh these benchmarked criteria against each other.

AHP has become one of the essential multi-criteria, decision-making-assisting methods in business (Cheng & Li, 2002) and is used by a vast array of specialists from fields ranging from finance to marketing to process engineering. Saaty (1990) first developed this method in the early 1970s to assist the military in resource planning and allocation. It establishes a framework that consists of groups of criteria that need to be rated through the use of a customised questionnaire that collects the perceptions of key decision-makers or opinion leaders on both the groups of criteria and the criteria in itself.

AHP has several benefits (Saaty, 1994). It:

- helps to unbundle an unstructured problem into a rational decision hierarchy that is similar to a decision tree –this will be invaluable for marketing practitioners who use their gut feeling to determine the make-up of a campaign to become more scientific in their approach, even if only to prove their initial decisions were correct;
- extracts more information from opinion leaders by using a pair-wise comparison of the groups of criteria and the criteria that make up the problem, effectively playing off the importance or priority of these criteria;
- calibrates weightings to the criteria;
- measures the consistency of the answers given in the pair-wise comparison to ensure consistency in the ratings of the opinion leaders or decision-makers; and
- is composed of both quantitative and qualitative criteria.

The traditional use of AHP is to assign weights to a set of predetermined criteria, usually gleaned from the practical experience of a researcher in his or her field of study, to choose from several possible scenarios. It can also prioritise those elements in the business process that have the potential to make a big difference in the overall profitability of the organisation or in the outcomes of a direct-response campaign if correctly managed. This can help to cut costs, assign resources where they can be used optimally and assure business continuity.

AHP involves a process of six main steps (Cheng, Li & Ho, 2002:34):

1. Formulate a clear definition of the unstructured research problem. Researchers need to know what type of problem they want to solve or what decisions need to be made before a decision can be made on the methodology that is to be used.
2. Unpack the research problem into a systematic hierarchical structure. This hierarchy is similar to a decision tree, in that it attempts to unpack an unstructured problem (with objective and subjective criteria inherent to the problem) into several integrated groups of criteria. The problem as defined in step 1 is called the first level, while the first decomposed level is called the second level. Each of these groups of criteria will then be unpacked further into another set of criteria and so on, until no further unpacking is necessary. Criteria are mutually exclusive and their importance or priority does not depend on the elements below them in the hierarchy (Partovi, 1994). The number of criteria should be small to allow for consistency.
3. Pair-wise comparisons are then made by the decision-makers participating in the study through the use of a specially designed questionnaire. Elements in each level are compared to an element in the next higher level to gauge their relative importance. Starting at the top of the hierarchy using this pair-wise comparison methodology, a number of square matrices are formed. These are called preference matrices. This means that if the group has four criteria, it forms a 4x4 matrix. The traditional approach to the design of the questionnaire is a nine-point scale (Saaty, 1980). The decision-maker (questionnaire respondent) participating in the research problem can express his or her preference between every two elements as equally important, moderately more important, strongly more important, very strongly more important or extremely more important. These descriptive preferences are then translated into numerical ratings 1,3,5,7 and 9 respectively, with the even numbers 2,4,6 and 8 as intermediate ratings for compromises where the respondent does not feel as harshly

judgemental on certain issues as the 1,3,5,7 and 9 choices in the questionnaire would allow. This rating scale allows the respondent to use his or her experience and knowledge regarding the research problem when rating and weighting the underlying criteria. The pair-wise comparisons therefore represent the underlying constructs of this study through an infinite number of combinations, led by decision-makers' responses.

4. Ensure the tool is consistent. The consistency measure is attained through the consistency ratio. This ratio ascertains whether the responses given are consistent and therefore valid to use in the decision-making process and has to adhere to certain standards or threshold consistency ratio values. These are:
 - a. 0.05 for a 3x3 matrix
 - b. 0.08 for a 4x4 matrix
 - c. 0.1 for larger matrices
5. Attain the relative weights of the criteria in each matrix through a sequence of calculations. These calculations are driven by the concept of a vector of priorities or eigenvector that is calculated for each paired matrix. These are normalised to 100% or 1.0 by dividing the values of the criteria of each group of criteria of the matrix by the sum of the criteria values for that group. The eigenvector is then obtained by adding the criteria in each group (their group of criteria) together and dividing the sum by the number of criteria in that group.
6. The total score is calculated by scoring the weighted criteria. This is done in order to set up different scenarios or alternatives. This helps to identify important criteria; criteria with higher relative weights are more important.

The use of AHP facilitates the identification of the necessary variables to create a generic direct-response advertising model that will measure and predict successful campaigns which are aligned with business objectives. It will help marketers to choose the appropriate media, spend the right amount of money and report on success and learning to better plan future campaigns.

5.2.4.2. Game theory

Game theory is the study of mathematical models of conflict and co-operation between rational decision-makers (Myerson, 1991). Newer studies regarding game theory support this definition (Ambrosino, 2013). This means it is an analysis of multiple abstract concepts by

multiple decision-makers and how the choices these decision-makers make influence the outcome of the inter-related concepts, and how that, in turn, affects the concepts themselves as well as future decision-making processes. These concepts or probabilities exist in an interdependent and non-linear environment that determines the outcomes or expected usefulness of the concept being studied (Gintis, 2005).

Game theory is applied in economic science and was developed by John von Neumann in the 1940s, but has since developed to be a widely used methodology to solve and predict complex problems and answers (Hu, 2009). It allows all the elements being studied to be ranked, which enables the participant or decision-maker to plot all possible future outcomes. The basic underlying premise is that every player who uses the model will have specific preferences that will affect the weighting of the elements in the “*game*”, thereby plotting a singular, unique path to a possible outcome. This is relevant to the exploratory model that is the centrepiece of this study. Different types of campaigns are planned, executed and measured through the perspective and individualistic approach of a marketing practitioner. The elements of the campaign affecting the eventual result and its relative weighting in importance will therefore not necessarily change, but the application or decisions made after analysing the underperformance of certain elements and the impact that will have on future outcomes will differ from practitioner to practitioner.

In the researcher’s experience, the financial services industry with its sub-categories and, specifically, the direct-response advertising discipline can be seen as a “*game*” with multiple players vying for a larger market share and making decisions within the same set of rules, capabilities, tools, and even potential resources as most campaigns of this nature are business-case driven and do not form part of management expenditure.

The analytical and predictive powers of game theory have been further developed and expanded by the inclusion of descriptions of psychological decision-making and monetary judgement processes instead of pure rationality (O’Doherty, 2014). This has led to behavioural game theory, which includes human phenomena such as emotions, mistakes and rule-of-thumb decisions. As the model in this study also includes subjective variables, such as advertisement recall and recognition, purchase intention and experience ratings, in addition to objective criteria such as the audience reached, return on investment ratios and profit margin (all of which can be interdependent and linked in some way), game theory is well suited to

form the statistical backbone of the proposed model as the model represents perfectly what is referred to as a pay-off matrix (Schelling, 2010). Behavioural game theory aims to determine how individuals will react or make decisions in situations of strategic interaction through the use of objective, numeric variables.

Due to the interactive and interdependent relationship that exists between marketing practitioners and their intended target audience, understanding what effect changes in expected outcomes like response rates or audience reach can have on the success of a campaign, is central to managing marketing spend optimally. Circumstances and environments change over time, as well as driving forces of decision-making within consumer communities (Ponsard & Saulpic, 2005). Being able to predict what effect these changes will have on planned activities and outcomes and having the flexibility to adapt is a practical application of game theory modelling –exactly what this study aims to achieve through the proposed direct-response metrics model.

Through the understanding of inter-related and interdependent factors that influence campaign outcomes in relation to the intended objectives, triggers can be identified that can be manipulated to achieve the intended results. An inverse or pay-off matrix that predicts the effect of changed inputs on various other inputs can be used to identify these triggers. The matrix in Appendix 1 portrays what the model could potentially reflect.

EViews version 7.2 was used to process the data following the survey. The software combines relational database and spreadsheet technology and is usually used in time-series-oriented econometric analysis. EViews interfaces with various programs for input and output purposes, including SPSS, Excel and SAS.

5.3. SUMMARY

This research study is explorative in nature and the proposed model that forms its centrepiece uses both existing and new variables, as well as objective and subjective inputs. This complexity is further underlined by the belief in the marketing industry that certain things are not measurable and that the disciplines of financial management and marketing should not converge. The research methodology used in this study is therefore a mixed method design, incorporating both positivist and interpretivist – in the form of a constructivist approach – philosophies and designs, to cater for the duality of inputs into the model.

Both qualitative and quantitative methodologies were used. First, focus groups were used to broadly identify the themes concerning marketing strategists and practitioners within the financial services industry, as well as to confirm the validity of the variables included in the proposed model. Online surveys were also sent to respondents using LimeSurvey, which facilitated the use of pair-wise comparisons within the AHP framework to assign relative weightings to the constructs and variables contained in the model. The final step in the research process was to test the validity of the model by applying game theory modelling to historical campaign data.

CHAPTER 6

MARKETING METRICS: A QUALITATIVE UNDERSTANDING

6. INTRODUCTION

This research study aims to propose the introduction of a new measurement model for direct-response advertising in the financial services industry. This research process entailed both a qualitative and quantitative approach to incorporate both positivist and interpretivist philosophies. The qualitative research involved focus-group discussions with marketing strategists and practitioners representing the disciplines required. This strategy was used to confirm themes underlying the research objectives as well as to test the validity of the constructs and variables contained within the proposed model. Four focus groups were held and 25 participants represented the fields of direct customer communication and marketing. They had experience in engagement, brand building, marketing and media strategies, campaign execution and distribution channels.

6.1. DISCUSSION GUIDE FOR THE FOCUS GROUPS

Although no formal discussion guide was used in the facilitation of the focus groups, as discussions naturally gravitated towards the challenges marketers face, such as budgeting justification and the difficulty in measuring subjective factors, the following questions were also used to keep the discussion focused on the subject of this study:

- How important is measurement of your advertising campaign to you?
- What is your ultimate financial goal with advertising campaigns? Is it to grow market share? Build goodwill or brand equity? Make more profit?
- How are you currently measuring your campaigns, i.e. what marketing metrics are you using?
- Do you benchmark the efficiencies of media bought and their results?
- How do you segment and measure the penetration into your chosen segments in terms of sales or purchase intention?
- What role does brand equity play in the success or failure of a campaign?
- How do you view the role of finance?
- Do you believe in incentives in the execution of an advertising campaign?
- How much does this incentive normally cost in relation to the rest of the campaign?
- What role do media metrics play in the strategic planning and buying of media?

- How do you budget for campaigns?
- How does the profitability (if any) of the product or brand you are advertising affect the budgeting and spend of a campaign?
- When do you measure the campaign – during or after?
- Do you take the effect of inflation into account when planning and budgeting for a campaign?
- What role does the customer satisfaction index play when benchmarking the success to an internal base?
- What research do you do when launching a new product? How does this affect the creative execution or total communication plan to existing and prospective customers?
- To what extent do you measure brand equity, and how do you define it?
- Do you test advertisement likeability before advertisements are placed/aired/flighted?
- Do you test advertisement recognition before advertisements are placed/aired/flighted?
- Do you plan for Public Relations (PR) value-add before a campaign? How do you measure the value of PR received?
- How do you measure Return On Investment (ROI)? What is your definition of ROI?
- How do you determine which elements will give you the best ROI in a campaign?
- Do you measure the effect a campaign has on the persistency (retention) of your existing client base?
- Do you measure the cost associated with re-acquiring old clients?
- To what extent do you move clients into other segments by up-selling, cross-selling or removing existing (unprofitable) benefits to make them more profitable?
- Do you ascertain the cost of ownership of your product to the customer before planning and budgeting for a campaign?
- How do you calculate the capacity necessary to service the projected number of leads?

6.2. THEMES IDENTIFIED

6.2.1. Profit

6.2.1.1. Marketing in context of the business it supports and alignment with the overarching business objectives

There was a general feeling in all four focus groups that marketing was a business unit and its output should reflect what is needed for the business as an entity: *“we like to think of ourselves as gurus at business”*. Targets of market share growth, sales, profitability, client-to-product ratios, client retention and engagement and market positioning should all be facilitated or supported by the marketing efforts: *“do you generate business out of it? That’s the primary focus. But again, it depends on what you try and achieve.”* This means that marketing needs to be seen as an investment to ensure the future sustainability of a company instead of purely a cost: *“We have to take the longer term view and if you’re not willing to invest in that, then we sit where we are today where we are scrambling because we’re not growing the way we should be growing.”* If there is a disconnect between the available marketing budget and the overall business objectives, it will be a tough task for a marketing team and their campaigns to deliver what is expected: *“So at some point we need to say, this two percent that we maybe thumb sucked, we can actually try and start seeing that it is worth it. Will 1% not give us the same what 2% is?”*

6.2.2. Client acquisition

6.2.2.1. The impact of brand equity and the creation of future purchase intention on the success of a marketing campaign

The participants felt that it was easier to sell products or to entice prospective clients to respond through advertising if the brand, its principles, products and values and how it fits into the broader competitive space are understood by the target market: *“They’ve established that brand really well and they’ve got some goodwill with that brand. And now they’re extending another product and people are quite happy to go there because they’ve already got this perception of this brand and they will probably do something good, it’s probably going to work as well as my insurance is working for me at the moment.”* However, they also acknowledged that in certain instances a company using a direct distribution strategy is better recognised and understood than an intermediated company, due to the sheer volume of advertising necessary to create and maintain brand equity in the public domain: *“Because of their brokers and because of their distribution model, they won’t have as many people going*

online to find them. Because the guy will pick up the phone and phone his broker. And often he won't even know it's Santam, he just knows his broker, Piet, sold him insurance. Whereas the direct company, if I make a comparison of ourselves to the MiWays, Dial Direct, First for Women, Hippo, etc., etc., we have a look at Google Inside Research and can see how strong is the Outsurance brand versus the rest. We know for example that we had on average about five times as many queries on Outsurance as what we would on a Hippo or on a MiWay or whatever."

As this strategy incorporates direct-response advertising by default, it is also easier to link brand strength with the outcomes of campaigns, as all client touch points are managed centrally: *"And we have all these touch points in place. So when a guy saw a banner, he clicked on it, ... he went to our Website, what did he do after that, how many clients. In essence you can look at the additional online, additional marketing, exposure and people will phone us"*. Companies using an intermediated distribution strategy find it difficult to measure the success of campaigns, as all the client touch points from response to fulfilment are outsourced to a third party, which makes it difficult to manage the value chain: *"You have control over how to spend but you don't have control over how many policies have you sold because of that spend."* The post-sale-base of clients does, however, point to some measures of success, as distribution will close more sales when a brand is well-known: *"still make very healthy margins and afford to be more competitive. And that then makes you cheaper for so many more people. So, the rates at which we convert quotes into sales, is world class. I mean, we sell between 45% and 50% of all quotes we do become clients."*

6.2.3. Customer satisfaction

6.2.3.1. Customer experience engineering as part of marketing campaigns

Making it easy for a prospective customer to respond is essential to run a successful direct-response campaign: a *"big component thereof is also convenience. SMS. And also, we're able to make promises like SMS and we'll phone you. Within five minutes we'll phone you back, before the end of the ad"*. Convenience factors that need to be taken into account are the timing, medium of delivery, required response and the length of time a prospective client needs to commit his or her attention to the response and sales process. The more choice a client has in terms of responding to a marketing campaign and the more convenient it is, the better the results will be. Also, if the advertising creates the expectation that the sales process

will be concluded quickly and this is not the case, it is detrimental to the success of a campaign: *“if you don’t deliver you don’t build a brand. So the first and foremost is give people what they want and meet their expectations”*. It is therefore imperative to match client expectations during this phase of contracting. Removing post-sale barriers are also important as the quicker the client is engaged with or given the capability to easily engage with the company after the sale has been concluded, the more satisfied the client will be with the choice he or she has made in purchasing the product: *“So the good service, because that’s ultimately why you have insurance that when you need to claim they must spark. And they must do it properly”*. This has a direct impact on client satisfaction and retention.

6.2.3.2. Customer satisfaction measures

Customer satisfaction measures are incorporated into a myriad of different campaign planning and management processes: *“It’s also about the service that is given”*. Customer satisfaction is especially used to identify the best bases for cross-selling purposes when marketing to existing client bases: *“I can really become bigger because I’m giving good service”*. The measures are also used during client engagement exercises to build deeper relationships with clients with the long-term goal of retaining their business, as well as to warm them up gradually for sales campaigns. In some instances customer satisfaction ratings are also incorporated in the sales agents’ performance dashboards, which determine their salary. This encourages sales staff to optimise the client experience during fulfilment: *“And there are key metrics, between eight and ten key metric[s] that determine their salary. And that remuneration and performance is shared amongst all the people that are on that skills set. So I can see what’s ___’s earnings, I can see that she’s doing better than me at premium and this and this, but her own personal CSI sucks, for example. So she might be great at selling, but her service is crap.”*

6.2.4. Creative quality

6.2.4.1. Finding triggers in the value proposition that will entice the target market to respond to non-core or value-added elements

Garnering a response from a target market in a commoditised environment such as financial services is difficult without a differentiated offering or incentive in the message. The participants in the study all felt poor results would be obtained by remaining with traditional features and benefits advertising: *“well it might be their core product but they didn’t tell you*

the boring stuff about transactional cheque accounts or your home loan or this or that. They told you about what you really desperately need is a tank of petrol. Or the cheap price or whatever. So, tell the people what they want and the rest will follow. Don't tell them about the academic part of the product".

According to the respondents in the focus group discussions, bank accounts, loans and insurance products are all perceived to be fairly similar in the marketplace. Thus, the advertiser needs to break through the clutter and present something different in the form of a trigger that will entice the target market to respond. These triggers could be crystallised by packaging the core product with value-added benefits that address the target market's other lifestyle needs and wants. This could entail loyalty offerings with benefits linked to other brands or differentiated pricing or service offerings. Incentives built into the campaign's creative elements such as competitions, cash-back rewards or price holidays also create better response rates, although it is seen as an additional advertising cost and needs to be incorporated into the business objectives with care: *"So our most recent real strong call to action campaign is this thing about 'if we can't beat your car insurance, we will pay you R400 cash'. And since the time we started advertising that we've seen that that graph has picked up. More and more people are saying 'hey, I like the sound of that'".* It is also important to incentivise the sales force or distribution channels and pay them as quickly as possible to ensure a quick turnaround during the fulfilment phase. Empowering salespeople with tools, calculators and consistent messaging in advertising also makes a huge difference in conversion rates: *"I just saw at a launch yesterday that the guys are investing money now in getting the brokers another tool with regards to our life product, to get it easily explained".*

Another element which was discussed intensively was the emotional aspect of the creative execution: *"The rest of us will follow our emotions and we look for the evidence to support our emotions".* Financial services advertising tends to focus on and target the target market cognitively with facts about features, benefits and costs (or the lack thereof) dominating the space. Connecting with the target market on an intellectual level and creating aspirational motivation will only yield so much in terms of campaign responses and sales: *"There's first the emotional, you know that passion, that you excite me, I like the way you look, or I like your car. But there's some kind of emotional connection. And it feels to me we're snobbish, we see it's beneath us to speak to the person as a person. I hear these 'it's a[n] obvious value*

proposition', ne, and I want to cry because it's obvious only to the actuary." There is definitely room to include more emotionally focussed advertising that can tap into other decision-making triggers: *"So I think people find it difficult to conceptualise the value now that I'm going to receive in 20 years' time. Or in the case of a life insurance policy, with death cover, I'm never going to experience the benefit of that. So how do you get that message across that it's something that you need to buy? So you need to tap into the emotional side of things and say 'because you love your family, you must buy this product. Because it's going to provide for them"*. Understanding the psyche of the consumer is key to finding the right triggers and creating advertising or communications that successfully reach decision-makers: *"understanding exactly the campaign and where it comes from or where you're placing it, and the background in terms of reach and all of that, it's absolutely critical"*.

6.2.4.2. Making the intangible tangible through creative execution

Financial services products are intangible and complex: *"the intangibility of the products that we deal with is that you can't experience the product once you buy it"*. Therefore, it is important to ensure that existing and prospective clients understand what they are buying or have bought: *"we've also managed to take an intangible product, because that's what we sell, and make it fairly tangible through some of our marketing initiatives"*. Client surveys give insight into these levels of understanding, as well as unpacking the small print into something valuable to clients in order to make them aware of the importance of keeping and using the product until it comes to fruition. On-going engagement to remind clients of the value: *"how do we engage with the consumer and get them?"* as well as peripheral value of loyalty programme tie-ins, play a huge role in building relationships with clients and driving the true value of what has been bought home to the client. In the financial services industry the value of many products, such as long-term insurance risk products, is only unlocked in the distant future and sometimes never: *"because you can go for 10 years paying insurance and not get anything back"*. Consequently, marketers have to create trust that the promises made in the product's marketing and promotional material will be kept through creative communication and sales tools, as well as after-sales engagement.

Respondents in one group also felt that making the brand useful in other areas of clients' lives – for example through sponsorships and branding of points men – make it easier to make an

intangible product tangible: *“So these guys are giving me more points men, they’re helping me out, I get free roadside assistance, I get free this, I get an out-bonus every three years”*.

There was a general feeling, however, that not enough is done to listen to the feedback received from clients: *“how do we engage with the consumer and get them to listen and respond?”* In some instances research insights are not incorporated into the product design or marketing campaign purely because of time pressures and the sense of urgency within corporations to be the first-to-market: *“Big business doesn’t mean you become a cumbersome business. You have to maintain that culture that you had when you were 20 people, when you first started out. Or when you’re 3 000 people. If you become cumbersome and there’s so much red tape and bureaucracy and crap like that, then you lose that edge.”* Other areas have to go through so much red tape in assembling campaigns or communications due to internal sign-off processes, that the prospect of incorporating client feedback as well creates the feeling is that it is too cumbersome to go through the entire process again.

6.2.4.3. Timing of perceived gratification

In areas where the intrinsic value of a product will only be accessed by the holder in the future, it is important for the marketing message to create perceived immediate gratification: *“coming to the whole issue on gratification ... you push that instant gratification to the fore, while you’re also solving the delayed gratification”*. There are various tools which are widely used to create the impression of immediate gratification by answering the question: *“how do you enrich my lifestyle?”* One possibility is to give clients access to additional lifestyle, value-add elements in the core product: *“nothing that you see on the billboards is about their core products. It’s linked to a core product”*, for example, discounts or loyalty boosters as well as discounts from other vendors and brands outside the financial space through loyalty programmes: *“it’s about collaborating with other brands that can offer you this better lifestyle, this optimal lifestyle”*.

The creative messaging should therefore not only focus on the long-term value of a product, but attempt to incorporate as many of the short-term tie-ins as well to achieve better results: *“we should be heavily punting our Rewards Programme as a means of attracting people”*.

6.2.4.4. Simplification

Financial services products are complex. There is always a lot of small print, with seemingly hidden costs and terms and conditions that cover the company more than it supports the consumer. In order to break through this perception in the market place, it is important to simplify the complexity into the gist of:

- *what a product is about: “So their campaigning is excellent in that the message to consumers is absolutely consistent. And we know, as consumers, from the inside perspective, consumers have to hear a message three to five times for it to stick”; and*
- *how it addresses the needs of the target market and how to buy it, through specified channels: “it has to speak a language that people understand”.*

The creative execution should therefore incorporate the big selling points whilst attempting to trigger decisions from the targeted audience by making the product or service personally relevant: *“So the creativity is horrendous and they’re just not cracking it. So they’re struggling to crack and get the message across. It’s really boring stuff and it’s a bitch to do.”*

This process creates trust by being user friendly and easily delivering on simple, single-minded messages. Simplification should therefore not only be used in the creative execution of a campaign, but also in the physical execution during the response, lead, sale and contracting phases. These messages carry weight when it is simple for the client to do business with a company: *“There’s a common thread in the message that ties back there. You can see that someone cleverly thought about this and the messaging is short, sweet, to the point.”*

6.2.4.5. Creative elements and the role of consumer research

The creative execution of a campaign needs to tap into what motivates the targeted market segment on both an intellectual and emotional level in order to get people to respond to a message: *“because the average person knows who we are and what we sell. I may be doing a little more advertising around product where I’m telling people as to specifics as to why you should buy from us”.* This implies an in-depth insight into the market place to understand:

- who to target;
- where to reach them;
- what to say to them in the limited space and time bought with advertising spend;
- how to say it, e.g. using humour, tapping into emotions or keeping it factual;
- how to support it with the right design elements, within corporate identity guidelines, to stand out from the media clutter; and
- how to make them respond, e.g. using incentives or value-adds:
- *“So the capacity we’re talking about here are not necessarily when we think traditional above-the-line campaign, just TV, radio, print, etc. It’s actually part of the media that you can use to reach your client and get the message across and try and get them to make a decision to buy your product.”*

Although the participants acknowledged that limited or no formal research has been done on their clients, some had access to a wealth of knowledge about their clients through mining data related to their behaviour, albeit limited to the products they own. This knowledge enabled them to speak more effectively to their clients and to meet the challenges raised above, as well as target pockets of clients more efficiently through pricing and migration strategies: *“So I think where we have a lot of work to do, is, number 1 on integrating better as an organisation in terms of the messaging that we take out to the consumer”*. Using the brand’s colours, sounds, music and fonts in the creative execution makes it possible to connect with audiences on a sensory, as well as intellectual and emotional level – all things that create memories (recall) and influence decisions (responses).

6.2.4.6. Creating or removing fear

One of the strongest emotions that can be used in advertising is fear, according to the respondents in the focus groups. Fear feeds into the creation of needs of financial products: *“These products are complicated, ne. And we understand, when we need it, if we don’t have it, then we’re in trouble. So it’s a big fear motivator as well”*. Various fears are associated with financial services products – the fear of dying and leaving loved ones in a financial mess, not being able to do transactions, buy goods and services, or not having a place to stay: *“if you know full well that tomorrow you become disabled and you haven’t bought a disability product and you’re now going to be destitute, you can’t pay your house off and why do you still not go along and purchase disability cover, or retirement insurance”*. These fears

all feed the purchase of financial services products as insurance policies, bank accounts and loans act as buffers to the fears. Removing these fears by positioning these products to a specific audience is a strategy that works very well to boost sales numbers through direct-response means: *“The whole thing is, if they don’t trust it, they’re not going to give _____ R1000 a month to put in the RA [retirement annuity], or to give someone else a million bucks or whatever it is they’re holding.”*

Creating aspirational value through assigning status to the ownership of financial services products, e.g. Gold or Platinum-branded products, also speak to the fear of missing out if these products are not purchased and flaunted in social settings.

6.2.5. Reach and frequency

6.2.5.1. Integrating different media into a consistent message

Messages are only internalised and acted on after a couple of exposures. This makes it important to be consistent across different media channels: *“It’s actually part of the media that you can use to reach your client and get the message across and try and get them to make a decision to buy your product. That’s what the whole idea is ... to cater for all the different media and for all the types of metrics that you’ve got.”* The campaign message should be consistent as well as the design elements and how the brand is applied to ensure quick and effective brand association. Longer campaigns which use a mix of media channels will, however, have an impact on costs, although set costs, such as advertisement production, become more efficient. There will also definitely be a drop-off point in responses when the message has reached its saturation point so it is important to balance budget and response efficiencies in managing campaigns.

6.2.6. Cost

6.2.6.1. Budget constraints and processes

In financial services organisations the budgeting processes supporting advertising and communications to existing clients and the open market are not approached very scientifically: *“trying to convince the powers that be ... that we need more money in order to go and do that”*. The phase in the business cycle in which the company finds itself, decides the amount of money that will be allocated to marketing efforts: *“I mean, you need to go and analyse. If I just take the short insurance industry specifically the direct space, they have*

specific measurements. From an actuarial, mathematical perspective, you make a calculation to say you know what, for every rand that I get, for every 100 bucks that I get from a client I'm happy to say that well I'm prepared to spend 5% or 10% as part of my acquisition cost, but in terms of that what will the return be on that money that I spent." An example of this would be a start-up business that needs to establish its brand as well as sell products to become profitable: *"it depends on the life cycle, where a young business initially ...tried to just spend a lot of money for 60%, 70%, in fact 70%, 80% on just creating a brand out there"*. Investment in marketing spend would be necessary to achieve these goals quickly. For more established companies, marketing budgets are allocated based on the previous years' budgets and the performance of the money spent: *"when we do our budget, we do kind of rely largely on what our spend has been in the past year and the division of that spend"*.

Some participants felt that a % of turnover or profit (*"So, if we said that the branding budget is 10% and our turnover is R1 000, then we know exactly what we're going to spend on brand"*) should be allocated to marketing efforts (both brand-building and direct-response or sales campaigns) annually, to ensure sustainability through consistent brand exposure: *"that your marketing/brand budget should be a percentage-based, it should be built into your product design"*. Others felt that all efforts should be business-case driven, with clear return-on-investment objectives and targets set for campaigns to ensure reduced wastage.

Marketers believe that their available budgets are never adequate for achieving the business objectives and that the long-term positive effects of advertising are not understood by all stakeholders in the business: *"If you ask a marketer whether he's got enough money then the answer is a straight 'I don't"*. There are always questions about the efficiency of money spent on marketing, especially which portion of the spend went the furthest.

6.2.6.2. Targeted marketing

Targeting the right market segment is essential to optimise marketing spend: *"In choosing your marketing mix you've really got to understand who you want to speak to, what are the ... the demographics, the geographics, household income, all those sorts of things."* Even where companies do not have a formal segmentation model for targeting purposes, it is inherent in the business model in the form of pricing and product strategies. Although certain industry segmentation models exist, like the All Media and Products Survey (AMPS), these are used

only to enrich marketing strategies and are not used in isolation from business objectives: *“We’ve got access to AMPS. But it’s not something that we do, we base any of our decisions on. But when we are looking into new media we do make use of AMPS.”*

6.2.6.3. Management information on campaigns

Return-on-investment numbers are used extensively in ascertaining whether direct-response campaigns have delivered the desired results: *“does it make sense for us to advertise there or is there a lot of wastage that you’re paying for”?* In some instances this is calculated by dividing the advertising spend by the number of leads that lead to quotes or sales to determine which channels and messages delivered the best results: *“And then also, what does it cost us to reach our target audience? So, what’s your cost per 1 000 LSM [living standards measure] 8-10 for newspaper advertising versus TV advertising versus radio advertising? So, how much does it cost us? And should it cost more to reach your target audience on the radio than TV? Because that wouldn’t make sense because they have a 30-second TV ad, surely you’ve got to be more powerful than the 30-second radio ad for 1 000 people.... cost on a 1 000 basis, how much more expensive is TV than radio? And within the different TV stations? Given our discounts, given our deals that we’ve got. Where is it the cheapest to reach our specific audience?”* These calculations enable marketers to identify the best channels for their target markets, as well as creating insights into Rand per 1 000 reach statistics: *“And if you go and advertise on a radio or TV station that is not designed for LSM 8-10, it is designed for LSM 5-8, you’re going to be paying full price for a very small section of the audience...So there’s a lot of wastage. So, the extent to which you can understand these kinds of metrics, like how much we’re paying cost per 1 000 for our audience on that particular media [platform].”*

Having appropriate management information available to drive decisions regarding campaigns is therefore critical: *“That we can on a daily basis interrogate how many ads have we got, how many sponsors have we got, how many ... have we got. You know, what’s driving what. How much did we pay for those? And like he said, especially in the digital world, all the way through to ... the ultimate effect. In the traditional world I would say it’s not quite as scientific but recently we’ve been employing SMS strategies and things like that, so a lot of people SMS you. Different SMS numbers, different codes, and we’ve been seeing, you know, obviously an uptick because of our campaign and the message, which we think is very powerful at the moment.”*

6.2.7. Sales

6.2.7.1. The impact of distribution

Direct responses derived from advertising campaigns still need to be converted into sales: *“our advisors are also driven to generate these ...selling opportunities through their performance-based salary systems”*. The sales process is determined by the distribution strategy of the company, with some companies outsourcing the fulfilment of the sale to agents or intermediaries: *“People, historically don’t go directly to a product provider and invest in a retirement annuity for instance. Or go direct and buy a life insurance policy. That’s only now that that comes to the fore.”* In some cases, these intermediaries are not directly on the company’s payroll, but act as independent middle men that are contracted to sell a company’s products: *“took selected brokers away, spoke about very specific topics relevant to that industry, to help them to understand ... and become more educated”*. For some companies with more complex products that require financial advice to be given before decisions regarding the buying of products are made, using an intermediary is essential to deliver the best quality product, through the correct process to their customers: a *“lot of what we’ve done would have been an advertising campaign aimed at a broker”*. This poses a challenge to direct-response marketers, because of the nature of the call to action (*“please contact your broker”*), which makes it difficult to track how many responses were generated, as the information is neither owned nor can it be accessed by the company: *“on platforms, on channel, it would specifically be around level of engagements and the volume of leads. ... we intrinsically look at those kind of numbers and then how do we support sales”*.

The direct-selling environment is much simpler as the full value chain is owned by the company and all responses are fed into the system: *“direct-response campaigns are fairly straightforward in the sense of measuring either the response or it might be a tweet or whatever the case might be”*. This makes it easy to create management information dashboards— *“one again comes back down to our MIS [management information system]”*.

6.2.8. Loyalty

6.2.8.1. Client retention

Client retention as a business objective can seem disconnected from the goals of direct-response advertising, but this is not the case: *“also made sense for the business because it*

was a hook to increase loyalty in a business where churn is historically high, in the insurance industry. We lose 18% of our clients every year. So, that's a very high churn rate."

Targeting the correct base of customers has huge implications for the retention of a client through the client life cycle and therefore the profitability of the company, as a great deal of the acquisition cost is sometimes only recuperated after a considerable amount of time: *"yes, you want to generate a x number of new sales, but how many people did you retain? Our industry ... whether we like it or not, runs at about a 30% - 40% what we would call churn ratio"*. Direct-response marketers who are responsible for acquiring new clients should therefore always consider retention as an important factor when marketing to an audience and sometimes even include it as a key performance indicator when calculating their campaign performance benchmarks. The quality of the sales derived from the campaigns can be directly related to client retention numbers, which makes quality an essential element in the planning, execution and management of campaigns.

6.2.9. Public relations

PR elements of a campaign have a multiplier effect on advertising spend as well as generating trust and goodwill in the marketplace: *"I support companies who do stuff to make the world a better place. So you speak to that emotion in me"*. Ensuring that independent media credibly reports on newsworthy elements of a campaign can have an enormously positive impact on the responses generated from that campaign. This can be done by creating hype around the characteristics of a brand, in the form of ambassadors, sponsorships and released statistics, linked to the functionality and benefits locked within the product: *"this is a new phenomenon and back then we didn't have all the cool stuff that we have now, like the staff helping ... out, and the points men and stuff"*. In the respondents' view, although PR cannot be planned in detail or even managed due to a lack of data and information, creating a considerable amount of PR can stretch the marketer's budget and increase campaign efficiency.

6.2.10. Existing metrics used to support identified themes

A range of variables are used to ascertain whether campaigns are effective. However, the one indicator that was mentioned across the board is sales: *"Is it the sales, because that to me is the first thing"*. This not only indicates eventual campaign success, but is also an indicator of

how efficient the sales force is in converting leads derived from the campaign's responses: *"it's trying to shorten the phase to make it easier for the sales force to sell"*. Other indicators used in analysis of campaign effectiveness are reach statistics, brand recall during audience testing surveys, frequency of advertising and the value of the marketing budget spent in relation to projected audience reach numbers in the media planning phase: *"sales, brand recall and then maybe ...the hype created around the messaging of people talking about the product"*. Social media engagement was also discussed: *"Because interestingly enough, in the ... space, this year alone there's been a lot more focus on financial services, particularly in terms of social media"*. However, the consensus was that this channel is more appropriate for service-related and client engagement purposes than for traditional marketing, especially when attempting to sell a product or service: *"And it's kind of like people tweet when they've got something to bitch about. Or complain about service. That's when they tweet, that's when they jump on Facebook. So our primary role is to monitor those platforms and make sure who's calling. To stop what's a potentially small little issue from getting bigger."*

Sales-related figures such as the number of leads and conversion rates, including sale-to-contact and agent productivity ratios, are also important to be able to manage the fulfilment cycle: *"How many calls, how many leads were generated, how many of those leads were valid leads because you say SMS your name to this number."* Internally focussed indicators for cross-sell campaigns to an existing or affinity base of clients, such as customer satisfaction and client engagement statistics, are used to target clusters of clients with certain value propositions more effectively. The tracking of the responses are also an important factor: *"everything is perfectly trackable, but the call centre, one the first questions they ask you is 'what advertising prompted you to phone us today?'"* This means that dedicated response channels (such as e-mail addresses or SMS numbers) need to be assigned to a campaign to truly ring-fence its outcome. Some companies have developed in-house metrics to track campaign efficiencies. These metrics are based on product profitability, embedded value and turnover numbers to ensure campaigns are business-case driven and managed effectively. The marketing statistics, in terms of responses, contacts and sales are then expressed as a factor of these profitability indicators to ensure a consist approach: *"We've got a thing called a p factor, which actually is there to measure the overall success of our marketing spend. And it can be broken down right down into different media channels and into different media owners. So we can calculate what is a p factor for TV and p factor for radio. Within TV, what is our p factor for MNet versus SABC versus eTV. And the p factor is*

simply the multiple of the number of months of premium that it costs us to acquire a client. So it will say TV is running at a p factor of 3. And it means it's taken us three months' worth of somebody's premium, on average, to acquire that person. So if our average premiums are R700 a month, and we say we've got a p factor of 3, it's costing us about R2 100 to acquire a client and get him on the books. That's a sale. So that is simply the ad spend divided by the premium that that ad spend generates. That's the formula. We also look at a thing called an l factor, or a cost-per-lead, which is simply the advertising spend divided by the number of leads that advertising has been generating. So that gives you an indication as to how many quotes does it generate".

Brand awareness was also discussed intensely and although the equity within a brand was thought to have an enormous impact on the outcome of a direct-response campaign, awareness statistics in itself was generally dismissed by the participants as an indicator of campaign effectiveness: *"The biggest job as a brand is going to have to be to build brand trust."* Client retention numbers were also marked as important to keep in mind when targeting market segments to ensure that the positioning of the message as well as the media of the campaign reach the correct audience.

6.3. SUMMARY

The focus group discussions contributed towards an in-depth understanding and identification of the themes that are essential to build a metrics model for direct-response advertising in the financial services industry. These themes contain all the sub-factors or variables that need to be taken into account when campaigns are planned, executed and measured. The themes identified, in no particular order of importance, were as follows:

- Client acquisition
- Client satisfaction
- Cost
- Creative quality
- Loyalty
- PR
- Profit
- Reach and frequency
- Sales

Table 6.1 indicates the sub-factors or variables linked to these themes.

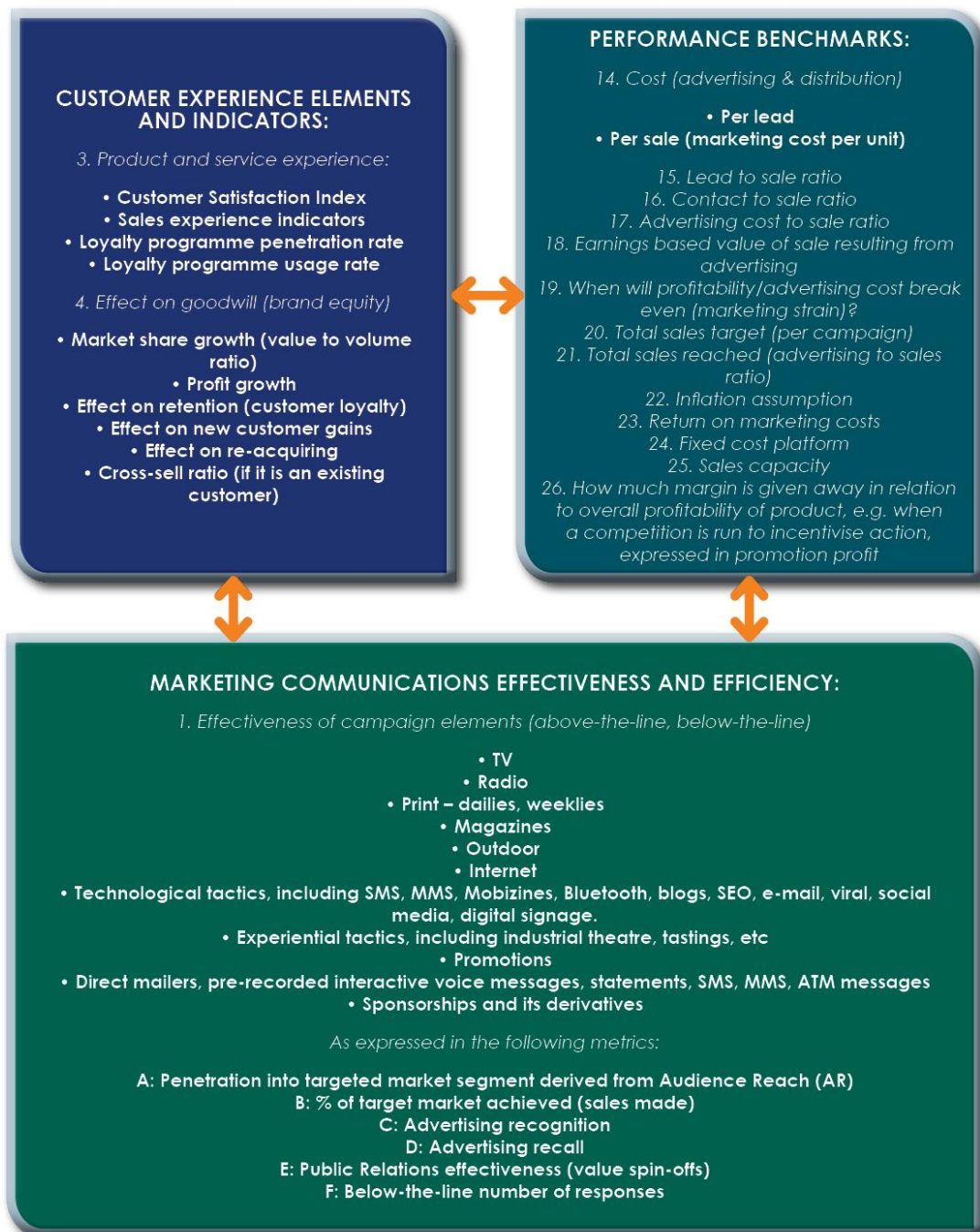
**TABLE 6.1: ESSENTIAL THEMES AND THE SUB-FACTORS OR VARIABLES
LINKED TO THEM**

Label	Variables
1. Customer satisfaction	Customer satisfaction score Sales experience rating
2. Loyalty	Loyalty programme penetration Loyalty programme usage rates Retention (% more retained)
3. Client acquisition	New customers acquired Ex-clients re-acquired Cross-sale ratio (target) Future purchase intention (brand equity)
4. Sales	Lead-to-sale ratio Contact-to-sale ratio Total sales target Total sales reached Sales capacity (optimal number of sales daily)
5. Cost	Cost per lead Cost per sale Advertising cost to sale ratio Return on marketing costs Profit/cost break-even Margin given away as incentive
6. Profit	Earnings-based value of sale Inflation assumption Market share growth (value to volume ratio) Profit growth
7. Reach and frequency	ARs Number of responses Percentage of target market sold
8. Creative quality	Advertisement recognition Advertisement recall
9. PR	PR value added to campaign

These themes were weighted in order of importance for the successful execution of a direct-response campaign through AHP and by a survey containing pair-wise comparisons that was sent to marketing practitioners and strategists in the financial services sector.

The secondary research aims, as discussed in chapter 5, are further underpinned by these themes' underlying inter-related variables that represent inputs as well as outputs as highlighted in Exhibit 6.1.

EXHIBIT 6.1: ALL IDENTIFIED VARIABLES FOR THE PROPOSED MODEL



CHAPTER 7

MODEL CONSTRUCTION AND VALIDATION

7. INTRODUCTION

The quantitative survey conducted for this study, was targeted at Marketing strategists and practitioners within the financial services industry. A representative sample consisting of 352 respondents, representing all facets of the financial services industry, was invited to participate. These respondents represented all the fields within the marketing fraternity, from brand specialists, to client management and advertising specialists, as well as communication and direct marketing practitioners. Full responses were received from 103 respondents, representing a 29.2% response rate. These responses were used to weight the underlying themes within the model, through the use of Analytic Hierarchical Processing.

7.1. MODEL COMPONENT WEIGHTING

7.1.1. The survey tool

The survey was facilitated through LimeSurvey, an online survey tool, which utilises a five-point scale for pair-wise comparisons, as detailed in the previous chapter. The response options were presented randomly to avoid repetitiveness from the respondents, which could lead to invalid answers, as well as gross inconsistency. Although the survey itself is completed online, the invitations were sent via e-mail to the respondents, with an explanation of the aims of the study, as well as definitions of the themes, contained within the pair-wise comparisons, to enable a better understanding of the underlying variables within the proposed direct-response advertising metrics model.

Updates and reminders were sent to the sample of respondents, in the instances where they had not responded to the first invitation to participate, in order to reach a representative number of responses.

The themes contained within the pair-wise comparisons were identified by incorporating the feedback from the focus groups with a resulting clustering of the underlying variables. The themes and their definitions are:

7.1.1.1. Customer satisfaction

Customer satisfaction implies to what extent customer expectation was met during the sales and after-sales phases of the client life cycle. It therefore includes metrics such as customer satisfaction, member experience and sales experience ratings.

7.1.1.2. Loyalty

Loyalty implies better (in terms of rates) and longer-term retention of clients, as well as commitment from clients through involvement in loyalty programmes and reciprocal engagement between the company and the client.

7.1.1.3. Client acquisition

Client acquisition is the capability of a firm to affect a change in the target market's future purchase intention, its ability to cross-sell effectively to existing clients, re-acquire clients that have left in the past and create sales opportunities to acquire new clients.

7.1.1.4. Sales

For the purposes of this study, sales refers to the number of sales made in relation to targets, leads and contacts, as well as the optimal number of sales needed to run a campaign effectively.

7.1.1.5. Cost

Cost refers to the cost of setting up and running a campaign, which includes indicators to determine when a campaign breaks through the profit line. These indicators include cost per lead and sale, advertising cost to sale ratio, margin given away as part of the campaign incentive, as well as the profit/cost break-even point, expressed through return on investment numbers.

7.1.1.6. Profit

Profit refers to the earnings-based value of the sale. This will therefore differ from industry to industry and can take the guise of new business embedded value, acquisition profit and many more profit indicators. This is informed by inflation assumptions, market share growth, as well as profit growth numbers.

7.1.1.7. Reach and frequency

Reach and frequency refers to the percentage of the target market that is exposed to the campaign, as well as the number of times they are exposed to it, in order to elicit a response from the intended recipients of the message. This is informed by the number of responses and penetration of sales into the target market, as well as reach and frequency indicators.

7.1.1.8. Creative quality

For the purposes of this study, creative quality is measured by recognition and recall ratios within the specified target market. In other words, to what extent, the intended base of recipients can recognise or recall the advertisement or communication in order for them to respond to the message in the desired manner.

7.1.1.9. Public Relations

Public Relations refers to the added value, in terms of media cost, a campaign generates through press launches and releases, creating newsworthy stories in the public domain through innovative means, as well as editorial comment through interaction with the press and electronic media.

7.1.2. The data extraction tool

The responses were extracted through IBM SPSS analytical software, which not only extracts the data in a standardised way but also accelerates the manipulation of data to enable further statistical analysis. The data extract was further encoded and the use of the data facilitated using Table 7.1. The data were derived from the responses gathered by the survey tool in the statistical analysis tool Expert Choice, which utilises a nine-point scale.

TABLE 7.1: TRANSLATION OF FIVE-POINT SCALE PAIR-WISE COMPARISONS INTO A NINE-POINT SCALE

Scale	Response interval from	Response interval to
9	1.95	2.2
8	1.69	1.94
7	1.43	1.68
6	1.17	1.42
5	0.91	1.16
4	0.65	0.9
3	0.39	0.64
2	0.13	0.38
1	-0.12	0.12
2	-0.13	-0.38
3	-0.39	-0.64
4	-0.65	-0.9
5	-0.91	-1.16
6	-1.17	-1.42
7	-1.43	-1.68
8	-1.69	-1.94
9	-1.95	-2.2

With the use of IBM SPSS software, the average responses for the two types of campaigns, derived from the five-point pair-wise comparisons, were encoded to fit the nine-point Expert Choice analytical hierarchical processing (AHP) scale. These encoded scales are detailed in Tables 7.2 and 7.3 below.

TABLE 7.2: EXISTING CLIENT CAMPAIGN

Score	Alternatives
2	client acquisition vs. cost
-3	client acquisition vs. creative quality
1	client acquisition vs. public relations
2	client acquisition vs. reach
-2	client acquisition vs. sales
-2	cost vs. creative quality
-3	cost vs. profit
1	cost vs. reach
-4	creative quality vs. public relations
3	customer satisfaction vs. client acquisition
3	customer satisfaction vs. cost
-4	customer satisfaction vs. creative quality
-2	customer satisfaction vs. loyalty
2	customer satisfaction vs. profit
-2	customer satisfaction vs. public
2	customer satisfaction vs. reach
-2	customer satisfaction vs. sales
-2	loyalty vs. client acquisition
-2	loyalty vs. cost
-3	loyalty vs. creative quality
-2	loyalty vs. profit
4	loyalty vs. public relations
-3	loyalty vs. sales
-2	profit vs. client acquisition
-2	profit vs. creative quality
1	profit vs. public relations
-2	profit vs. reach
1	profit vs. sales
1	public relations vs. cost
1	public relations vs. reach
-2	reach vs. creative quality
1	reach vs. loyalty
-2	sales vs. cost
-2	sales vs. creative
2	sales vs. public relations
-2	sales vs. reach

TABLE 7.3: OPEN MARKET CAMPAIGN

Score	Alternatives
2	client acquisition vs. cost
-3	client acquisition vs. creative quality
-3	client acquisition vs. public relations
1	client acquisition vs. reach
-3	client acquisition vs. sales
1	cost vs. creative quality
1	cost vs. profit
2	cost vs. reach
-3	creative quality vs. public relations
1	customer satisfaction vs. client acquisition
1	customer satisfaction vs. cost
-3	customer satisfaction vs. creative quality
-2	customer satisfaction vs. loyalty
4	customer satisfaction vs. profit
1	customer satisfaction vs. public
-2	customer satisfaction vs. reach
1	customer satisfaction vs. sales
-3	loyalty vs. client acquisition
1	loyalty vs. cost
-3	loyalty vs. creative quality
-3	loyalty vs. profit
4	loyalty vs. public
1	loyalty vs. sales
1	profit vs. client acquisition
-4	profit vs. creative quality
-2	profit vs. public
-3	profit vs. reach
2	profit vs. sales
-2	public vs. cost
-2	public vs. reach
-2	reach vs. creative quality
2	reach vs. loyalty
3	sales vs. cost
2	sales vs. creative
2	sales vs. public
-2	sales vs. reach

7.1.3. Analysis

As discussed in chapter 5, AHP is a statistical methodology that weights the importance of underlying objective and subjective factors into a single model. This is done by way of respondents, who are specialists in their field, scoring the relative importance of alternative factors through the use of pair-wise comparisons. For the purposes of this study, two types of campaigns were scored with the use of Expert Choice software, as the underlying factors influencing the success of a direct-response advertising campaign are fundamentally different when targeting existing client bases versus open market or non-affinity type clients. Expert Choice assists researchers and decision makers to systematically make complex decisions based on mathematical theory (Bates, 1993). Expert Choice plots these alternatives into a matrix that portrays the relative importance weighting of the factors. A positive number implies that the factor on the left of the matrix carries more weight, and a negative number (a number in brackets) means that the factor that is in the row above carries more weight.

AHP results as expressed through Expert Choice showcase a non-parametric or distribution-free ranking of the respondents' ranking of the importance of factors. Expert Choice works with ordinal data, which culminates in ranking of probabilities, when the ordering of data seems impossible (Ishizaka & Labib, 2009). For this study, the nine factors were all weighted in relation to each other and ranked in order of importance. Although the sample was small in numbers, this type of non-parametric test will still expose valid inferences, because in the weighting of the pair-wise comparisons through the ranking of preferences and relative importance of factors, generalities were definitely unlocked.

7.1.3.1. Existing client campaigns

The matrix portraying the weightings for existing client campaigns is shown below in Matrix 7.1.

MATRIX 7.1: EXISTING CLIENT CAMPAIGNS WEIGHTINGS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	(3.0)	2.0	(3.0)	(2.0)	(2.0)	4.0	2.0
Loyalty			2.0	3.0	2.0	2.0	1.0	3.0	(4.0)
Client acquisition				2.0	(2.0)	(2.0)	(2.0)	3.0	1.0
Sales					2.0	1.0	2.0	2.0	(2.0)
Cost						3.0	1.0	2.0	1.0
Profit							2.0	2.0	1.0
Reach and frequency								2.0	1.0
Creative quality									4.0
Public relations									

The responses should not have a lower consistency rate than 90% for the model to function according to the objectives set (Saaty, 1980). The weightings and consistency are shown in Figure 7.1.

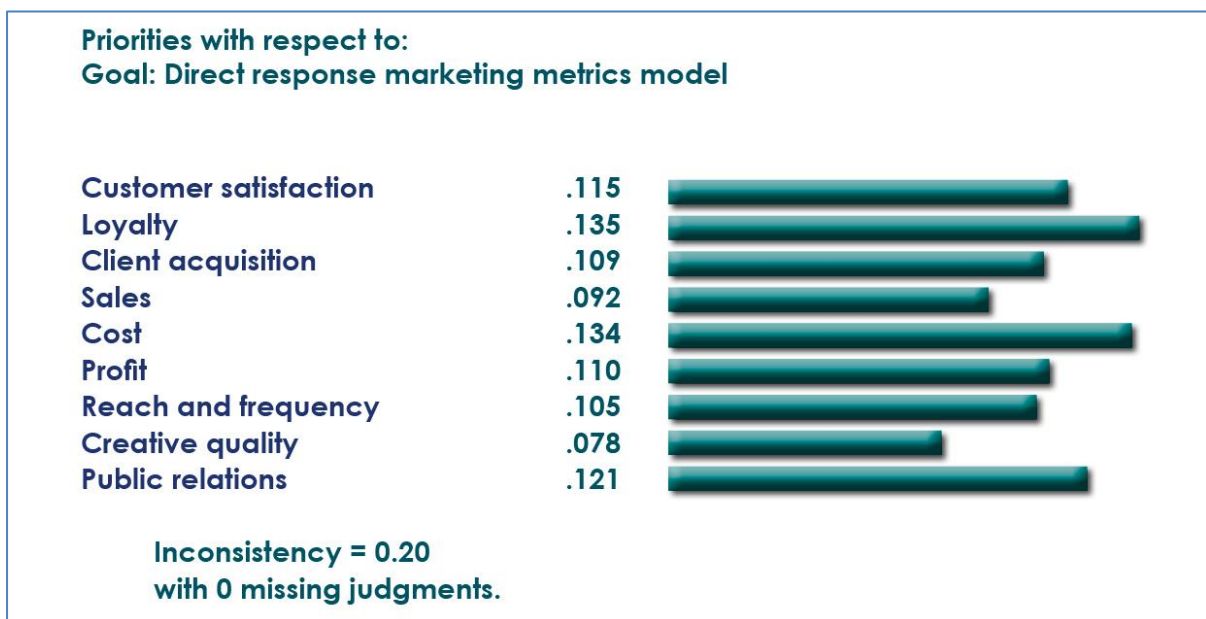


FIGURE 7.1: EXISTING CLIENT CAMPAIGN WEIGHTINGS AND CONSISTENCY

If one considers the ideal weightings in relation to the model’s primary objective, the model is only 80% consistent with the weightings shown in Figure 7.1. Expert Choice does, however, have the functionality to cater for a best-fit weighting score. This best-fit approach leads the researcher through a series of steps to attain the ideal consistency rate by replacing the most inconsistent weightings with ideal weightings. The following section details this best-fit process

Best fit step 1

The weighting with the most inconsistent score is changed to a best-fit score and portrayed in red.

MATRIX 7.2: EXISTING CLIENT CAMPAIGNS AFTER STEP 1 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	(3.0)	2.0	(3.0)	(2.0)	(2.0)	4.0	2.0
Loyalty			2.0	3.0	2.0	2.0	1.0	3.0	(4.0)
Client acquisition				2.0	(2.0)	(2.0)	(2.0)	3.0	1.0
Sales					2.0	1.0	2.0	2.0	(2.0)
Cost						3.0	1.0	2.0	1.0
Profit							2.0	2.0	1.0
Reach and frequency								2.0	1.0
Creative quality									(3.7)
Public relations									

The best-fit score in the weighting between creative quality and public relations moved from a 4.0 bias towards creative quality to a 3.7 bias towards public relations. Figure 7.2 shows the impact this change had on the consistency score.

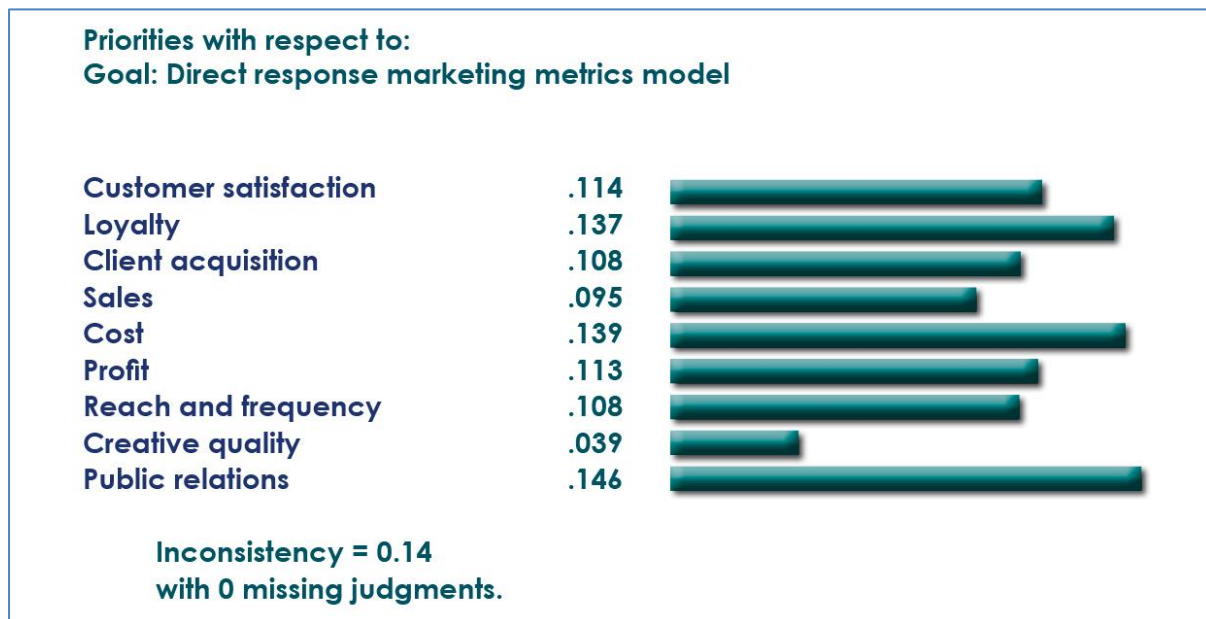


FIGURE 7.2: EXISTING CLIENT CAMPAIGN WEIGHTINGS AND CONSISTENCY AFTER STEP 1 OF THE BEST-FIT PROCESS

With this one change, the consistency changed by 6% to 86%. The importance of creative quality has diminished significantly with this step, changing from .078 to .039, whereas the weighting of public relations increased from .121 to .146, which means that with this version (Figure 7.2), the emphasis on trustable, objective campaign support from media which hasn't been paid for becomes much more significant in relation to the message tailored by the company and paid for by the company in the media.

The other themes generally maintain their importance, with small changes to the weightings across the board. This makes the shift in the creative quality and public relations themes the only but significant change.

Best fit step 2

MATRIX 7.3: EXISTING CLIENT CAMPAIGNS AFTER STEP 2 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	(1.5)	2.0	(3.0)	(2.0)	(2.0)	4.0	2.0
Loyalty			2.0	3.0	2.0	2.0	1.0	3.0	(4.0)
Client acquisition				2.0	(2.0)	(2.0)	(2.0)	3.0	1.0
Sales					2.0	1.0	2.0	2.0	(2.0)
Cost						3.0	1.0	2.0	1.0
Profit							2.0	2.0	1.0
Reach and frequency								2.0	1.0
Creative quality									(3.7)
Public relations									

The second step in the best-fit process reduced the bias of client acquisition towards customer satisfaction to 1.5 from 3.

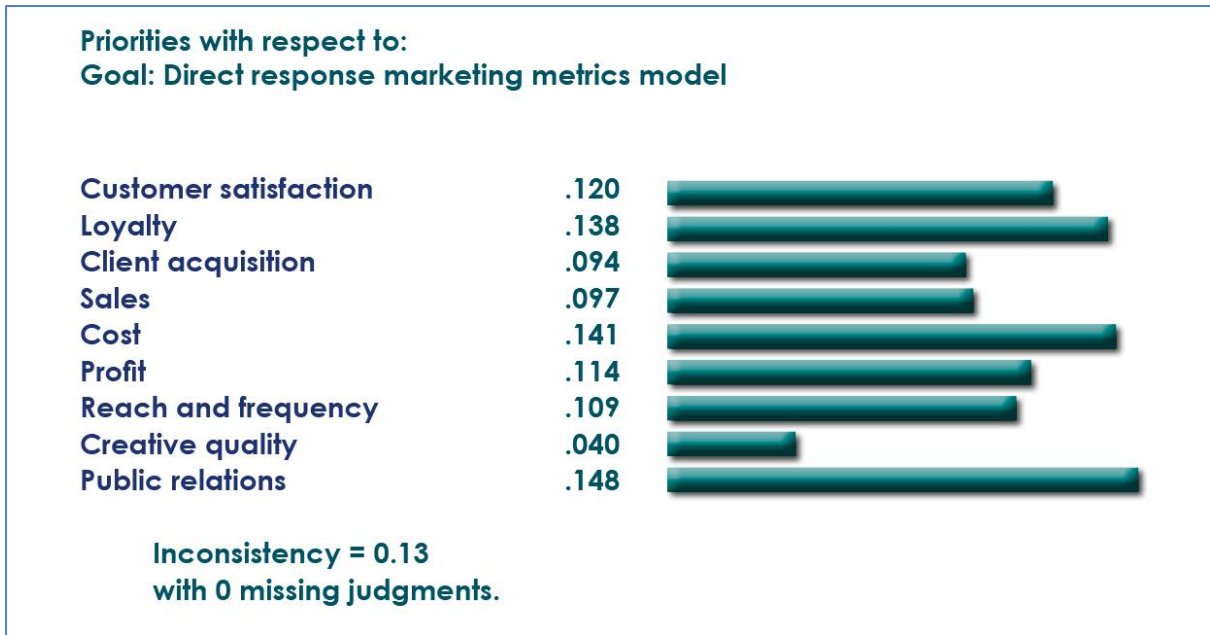


FIGURE 7.3: EXISTING CLIENT CAMPAIGN WEIGHTINGS AND CONSISTENCY AFTER STEP 2 OF THE BEST-FIT PROCESS

This step didn't have the significant impact of step 1 as showcased by Figure 7.2, as the consistency only improved by 1% to 87%. Public relations was further strengthened in this step, although not significantly, from .146 in Figure 7.2 to .148 in Figure 7.3. Client acquisition as a theme was impacted though, with a change from .108 in Figure 7.2 to .094 in Figure 7.3. This means that overall, when conducting a direct response advertising campaign to existing clients of the company, this theme becomes less important.

Best fit step 3

MATRIX 7.4: EXISTING CLIENT CAMPAIGNS AFTER STEP 3 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	(1.5)	2.0	(1.1)	(2.0)	(2.0)	4.0	2.0
Loyalty			2.0	3.0	2.0	2.0	1.0	3.0	(4.0)
Client acquisition				2.0	(2.0)	(2.0)	(2.0)	3.0	1.0
Sales					2.0	1.0	2.0	2.0	(2.0)
Cost						3.0	1.0	2.0	1.0
Profit							2.0	2.0	1.0
Reach and frequency								2.0	1.0
Creative quality									(3.7)
Public relations									

This step reduced the bias towards cost to 1.1 from a previous weighting of 3.

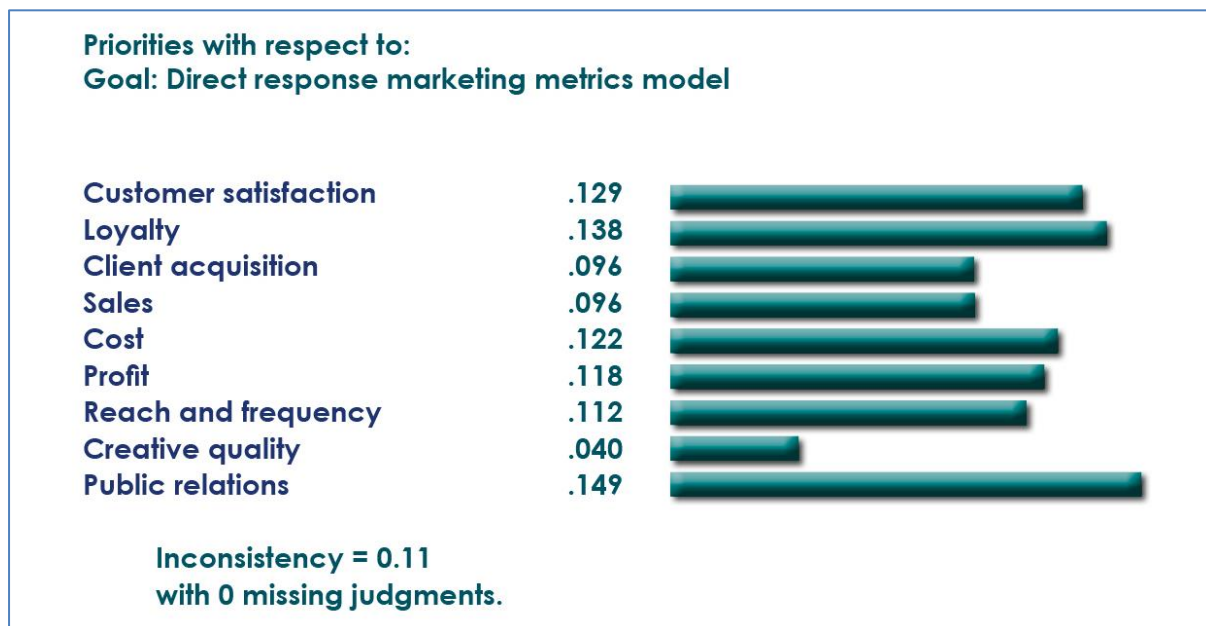


FIGURE 7.4: EXISTING CLIENT CAMPAIGN WEIGHTINGS AND CONSISTENCY AFTER STEP 3 OF THE BEST-FIT PROCESS

With this change in weighting, the consistency changed to 89%. Customer satisfaction as a theme increased in importance from a weighting of .120 in Figure 7.3 to .129 in Figure 7.4. This implies that it is a very important factor when targeting direct response advertising to existing clients. Cost decreased in importance from .141 in Figure 7.3 to .122 in Figure 7.4, as direct response advertising campaigns aimed at existing clients generally are not dependent on public domain advertising support, which is expensive in relation to personalised material designed to entice a response from a specific person in the company's existing client base.

Best fit step 4

MATRIX 7.5: EXISTING CLIENT CAMPAIGNS AFTER STEP 4 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	(1.5)	2.0	(1.1)	(2.0)	(2.0)	4.0	2.0
Loyalty			2.0	3.0	2.0	2.0	1.0	3.0	(4.0)
Client acquisition				2.0	(2.0)	(2.0)	(2.0)	3.0	1.0
Sales					2.0	1.0	(1.5)	2.0	(2.0)
Cost						3.0	1.0	2.0	1.0
Profit							2.0	2.0	1.0
Reach and frequency								2.0	1.0
Creative quality									(3.7)
Public relations									

This step in the best-fit process saw a change from a sales bias towards a 1.5 cost bias in that weighting dynamic.

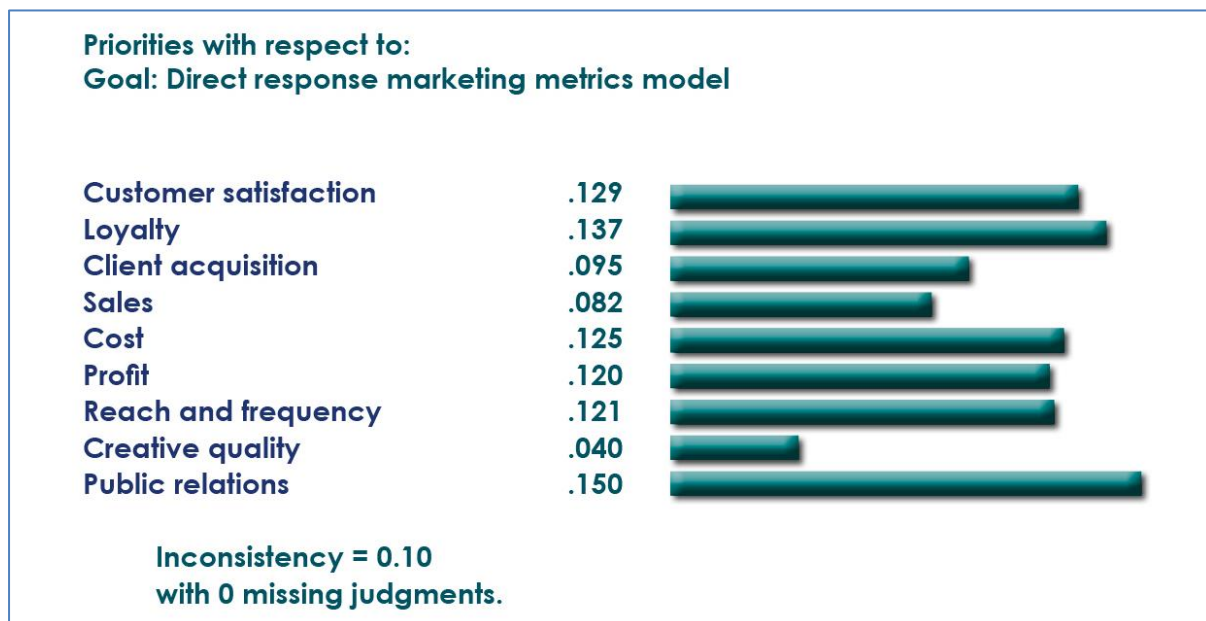


FIGURE 7.5: EXISTING CLIENT CAMPAIGN WEIGHTINGS AND CONSISTENCY AFTER STEP 4 OF THE BEST-FIT PROCESS

The importance of sales decreased from .096 in Figure 7.4 to .082 in Figure 7.5. The nature of direct response advertising aimed at existing clients is to target specific individuals with a specific and personally relevant message. This means that small clusters of clients are included in the campaign to optimise efficiencies in conversion ratios. A knock-on effect of campaigns aimed at existing clients is the relationship building and loyalty effect it has, as more engagement with clients builds stronger long term relationships.

With this step, the ideal weighting was achieved with a consistency score of 90%. This consistency measure is used to screen out inconsistent responses from respondents in the survey (Cheng & Li, 2001). For large matrices, such as the one in this study, a consistency ratio of .10 is necessary for the results to be meaningful and valid. This means that this version of the model (Figure 7.5), is the one that will be used when planning, managing and measuring the eventual success of a campaign aimed at an existing or affinity base of clients. Themes such as creative quality, sales and client acquisition receive the lowest weightings, and public relations, loyalty and customer satisfaction receive the biggest weighting.

This means that the respondents of this study believe that clients respond more to independent and objective views, rather than company endorsed messages in the broader media. Client satisfaction is also important, as bad news travels quickly through the virtual

grapevine (social media play a big role in shaping perceptions about products and companies), and clients are reticent to invest further in a company and its products if it has a reputation for poor or unfair treatment. In the researcher's experience, it is very difficult to persuade an existing client to buy more products if the current service experience is poor.

Loyalty as a theme stayed consistently strong throughout steps 1 to 5, which showcases that, in the opinions of the respondents, it has a huge impact on purchasing or engaging behaviour. In the researcher's experience, it is easier to engage with and sell to customers who feel loyal towards a company and its products. It also becomes somewhat of a self-fulfilling prophecy, as clients gain loyalty by purchasing more products. It becomes increasingly challenging for a client to leave a company if a large portion of the wallet is spent or invested there.

7.1.3.2. Open market campaigns

The Analytic Hierarchical Process matrix portraying the respondents' weighting is depicted in Matrix 7.6 below.

MATRIX 7.6: OPEN MARKET CAMPAIGNS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	1.0	1.0	1.0	(4.0)	2.0	3.0	1.0
Loyalty			3.0	1.0	1.0	3.0	2.0	3.0	(4.0)
Client acquisition				3.0	(2.0)	1.0	1.0	3.0	3.0
Sales					(3.0)	2.0	2.0	(2.0)	(2.0)
Cost						1.0	(2.0)	1.0	(2.0)
Profit							3.0	4.0	2.0
Reach and frequency								2.0	(2.0)
Creative quality									3.0
Public relations									

The relative weightings and consistency score are shown in Figure 7.6.

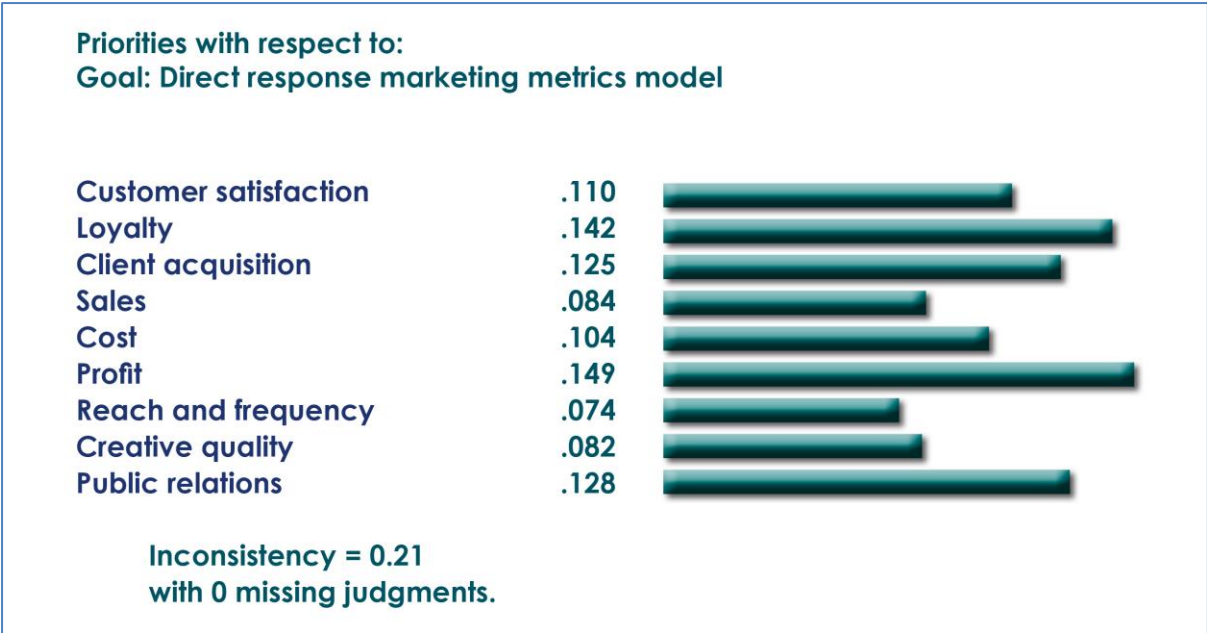


FIGURE 7.6: OPEN MARKET CAMPAIGN WEIGHTINGS AND CONSISTENCY SCORE

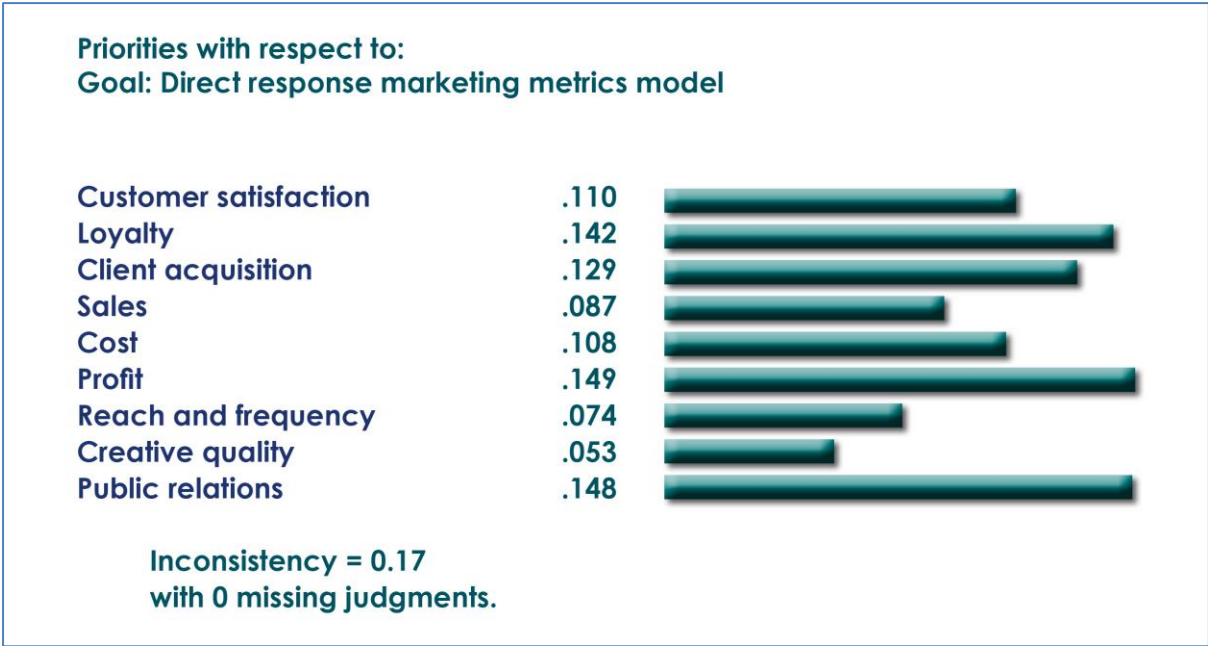
The inconsistency score of 0.21 implied a consistency score of 79%. Thus the best-fit process had to be conducted, using Expert Choice analysis software, in order to create a valid model with a consistency score of 90% to support the planning and measurement of open market campaigns.

Best fit step 1

MATRIX 7.7: OPEN MARKET CAMPAIGNS AFTER STEP 1 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	1.0	1.0	1.0	(4.0)	2.0	3.0	1.0
Loyalty			3.0	1.0	1.0	3.0	2.0	3.0	(4.0)
Client acquisition				3.0	(2.0)	1.0	1.0	3.0	3.0
Sales					(3.0)	2.0	2.0	(2.0)	(2.0)
Cost						1.0	(2.0)	1.0	(2.0)
Profit							3.0	4.0	2.0
Reach and frequency								2.0	(2.0)
Creative quality									(2.8)
Public relations									

The bias in the creative quality versus public relations pair-wise comparison shifted from 3.0 towards creative quality to 2.8 towards public relations. The subsequent effect on the consistency score is shown in Figure 7.7.



**FIGURE 7.7: OPEN MARKET CAMPAIGN WEIGHTINGS AND CONSISTENCY
AFTER STEP 1 OF THE BEST-FIT PROCESS**

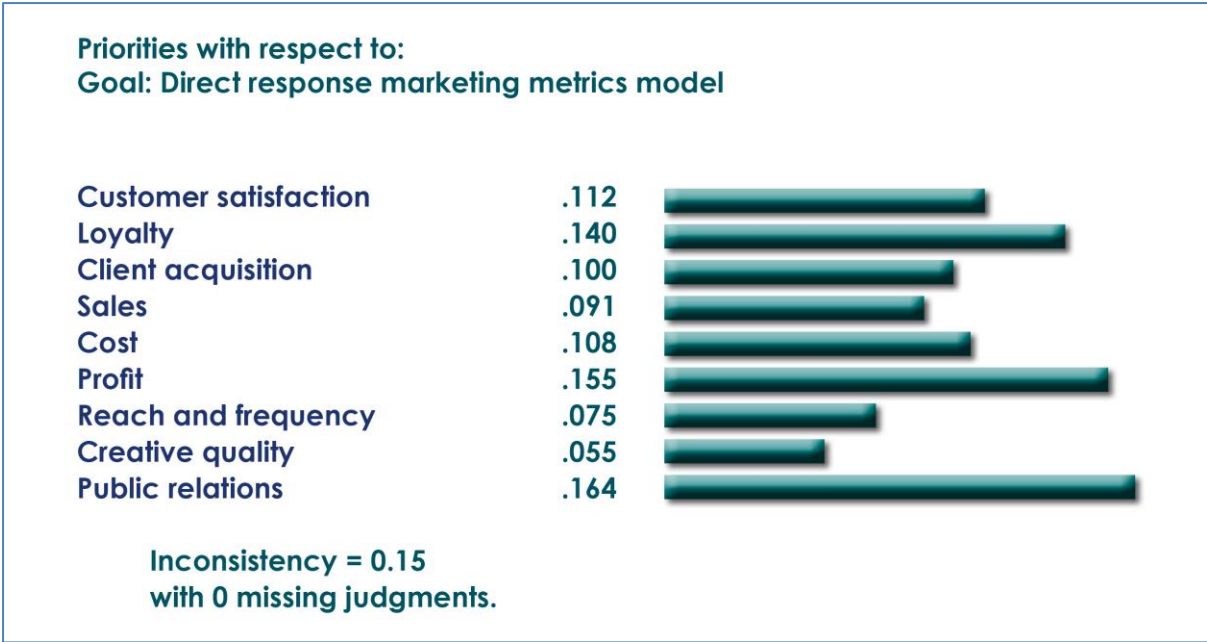
This change resulted in a 4% shift towards consistency. It is as a result of creative quality decreasing in importance from a score of .082 in Figure 7.6 to a score of .053 in Figure 7.7 and public relations increasing in importance from a score of .128 in Figure 7.6, to a score of .148 in Figure 7.7. This means that the respondents are of the view that public relations, as an element of a direct response advertising campaign aimed at open market consumers are almost 3 times as important as the creative positioning of the campaign. As discussed in a previous section (Figure 7.2: Existing client campaign weightings and consistency after step 1 of the best-fit process), this is due to objective nature of editorial copy, rather than the subjective nature of advertising messages, aimed at achieving certain business objectives. To achieve good public relations results, will therefore affect the results of a campaign favourably, as the endorsed creative positioning in the advertising is given objective and trust-worthy support by objective individuals.

Best fit step 2

MATRIX 7.8: OPEN MARKET CAMPAIGNS AFTER STEP 2 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	1.0	1.0	1.0	(4.0)	2.0	3.0	1.0
Loyalty			3.0	1.0	1.0	3.0	2.0	3.0	(4.0)
Client acquisition				3.0	(2.0)	1.0	1.0	3.0	(1.6)
Sales					(3.0)	2.0	2.0	(2.0)	(2.0)
Cost						1.0	(2.0)	1.0	(2.0)
Profit							3.0	4.0	2.0
Reach and frequency								2.0	(2.0)
Creative quality									(2.8)
Public relations									

This step in the best-fit process saw a movement in importance from client acquisition (3.0) compared to public relations towards public relations with a weighting of 1.6.



**FIGURE 7.8: OPEN MARKET CAMPAIGN WEIGHTINGS AND CONSISTENCY
AFTER STEP 2 OF THE BEST-FIT PROCESS**

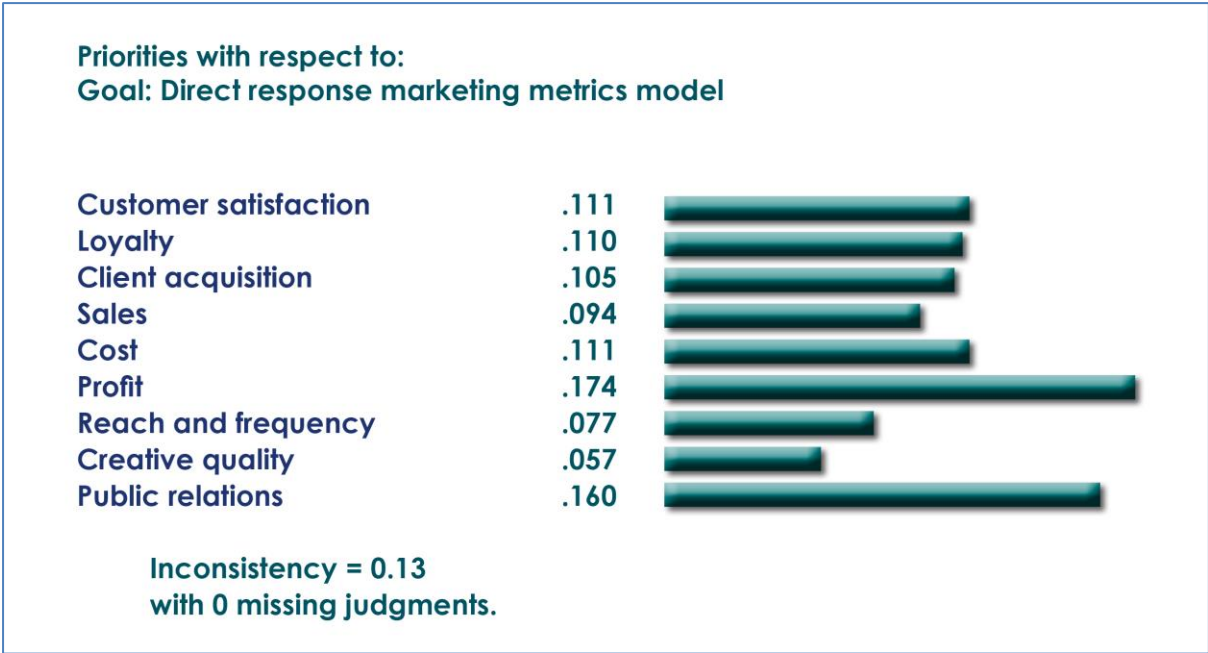
This change made a further 2% improvement in the consistency of the model. The importance of client acquisition decreased from .129 in Figure 7.7, to .100 in Figure 7.8 and public relations increased in importance by moving from a score of .148 in Figure 7.7 to .164 in Figure 7.8. As inconsistent responses are removed by Expert Choice in the step-wise process, the themes with the most inconsistent responses are affected and adjusted. The decrease in client acquisition as a theme's importance needs to be viewed holistically from a direct response advertising campaign perspective. Targeting sub-segmented clusters of clients through the type of message and media used to reach them ensure that the right type of consumer buys the product that is advertised, to ensure profitable sales and reduce drop-off during and after the sales process. It therefore has to be viewed as an element of a campaign that needs to be viewed in relative terms to themes such as profit, reach and frequency, creative quality, sales and cost. As every step in the step-wise process balances the weighting of the themes relative to each other, a consistent and valid model is created. Client acquisition as a theme, will continue to play a vital role in the success of a direct response advertising campaign, and as inconsistencies are addressed during this process, will play a more significant role in the final make-up of the model. Public relations strengthened its position relative to the other themes even further. The other themes stayed relative consistent in importance from step 1.

Best fit step 3

MATRIX 7.9: OPEN MARKET CAMPAIGNS AFTER STEP 3 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	1.0	1.0	1.0	(4.0)	2.0	3.0	1.0
Loyalty			3.0	1.0	1.0	(1.6)	2.0	3.0	(4.0)
Client acquisition				3.0	(2.0)	1.0	1.0	3.0	(1.6)
Sales					(3.0)	2.0	2.0	(2.0)	(2.0)
Cost						1.0	(2.0)	1.0	(2.0)
Profit							3.0	4.0	2.0
Reach and frequency								2.0	(2.0)
Creative quality									(2.8)
Public relations									

This step in the best-fit process saw a shift towards profit with a weighting of 1.6, instead of the original weighting of 3.0 towards loyalty.



**FIGURE 7.9: OPEN MARKET CAMPAIGN WEIGHTINGS AND CONSISTENCY
AFTER STEP 3 OF THE BEST-FIT PROCESS**

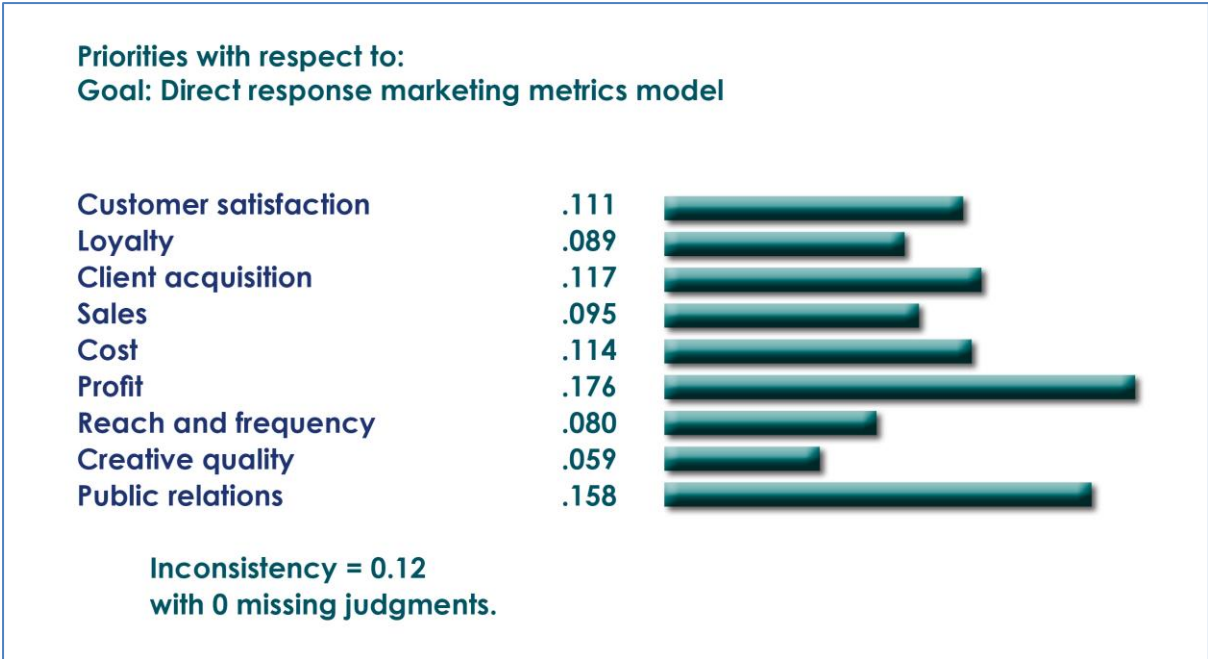
This change resulted in a further 2% improvement in consistency. Loyalty as a theme, decreased in importance from a score of .140 in Figure 7.8 to a score of .110 in Figure 7.9. If the overall objective of a campaign is to sell products profitably to consumers, which, in the researcher's experience is always the case in a business case driven direct response advertising campaign, stimulating loyalty of existing clients by being visible in the market and engagement with them through a loyalty programme becomes a secondary, albeit vital driver. This is also the reason for the increase in importance of profit, with a score of .174 in Figure 7.9, up from .155 in Figure 7.8.

Best fit step 4

MATRIX 7.10: OPEN MARKET CAMPAIGNS AFTER STEP 4 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	1.0	1.0	1.0	(4.0)	2.0	3.0	1.0
Loyalty			(1.3)	1.0	1.0	(1.6)	2.0	3.0	(4.0)
Client acquisition				3.0	(2.0)	1.0	1.0	3.0	(1.6)
Sales					(3.0)	2.0	2.0	(2.0)	(2.0)
Cost						1.0	(2.0)	1.0	(2.0)
Profit							3.0	4.0	2.0
Reach and frequency								2.0	(2.0)
Creative quality									(2.8)
Public relations									

Step 4 involved a move away from loyalty (previously with a weighting of 3) towards client acquisition, with a weighting of 1.3.



**FIGURE 7.10: OPEN MARKET CAMPAIGN WEIGHTINGS AND CONSISTENCY
AFTER STEP 4 OF THE BEST-FIT PROCESS**

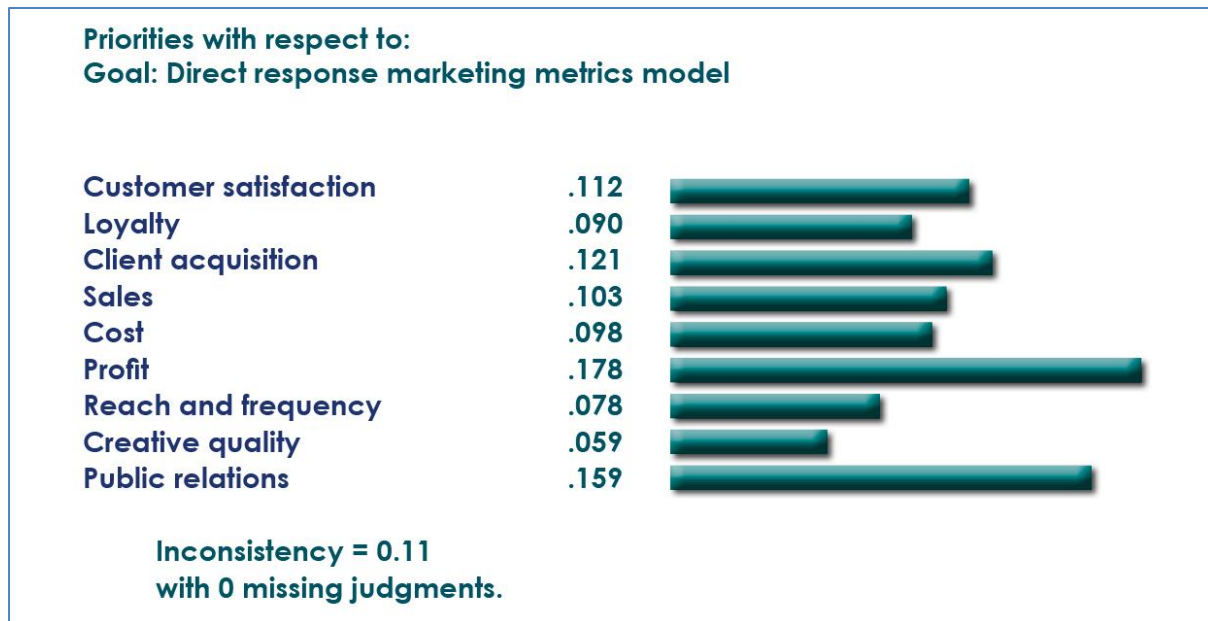
This change only made a 1% difference in the consistency score, moving from 87% to 88%. As discussed in the section under Figure 7.9, loyalty as a theme for open market direct response advertising campaigns becomes less important than selling profitably to the right consumer base. This is the reason for the drop in score, from .110 in Figure 7.9 to .089 in Figure 7.10. Client acquisition as a theme becomes relatively more important, especially in relation to loyalty as part of an open market campaign. A consumer must become a client before he becomes a loyal client.

Best fit step 5

MATRIX 7.11: OPEN MARKET CAMPAIGNS AFTER STEP 5 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	1.0	1.0	1.0	(4.0)	2.0	3.0	1.0
Loyalty			(1.3)	1.0	1.0	(1.6)	2.0	3.0	(4.0)
Client acquisition				3.0	(2.0)	1.0	1.0	3.0	(1.6)
Sales					(1.1)	2.0	2.0	(2.0)	(2.0)
Cost						1.0	(2.0)	1.0	(2.0)
Profit							3.0	4.0	2.0
Reach and frequency								2.0	(2.0)
Creative quality									(2.8)
Public relations									

This step didn't see a change in bias from one alternative factor to another, but it did see a reduction in weighting for cost over sales from 3.0 to 1.1.



**FIGURE 7.11: OPEN MARKET CAMPAIGN WEIGHTINGS AND CONSISTENCY
AFTER STEP 5 OF THE BEST-FIT PROCESS**

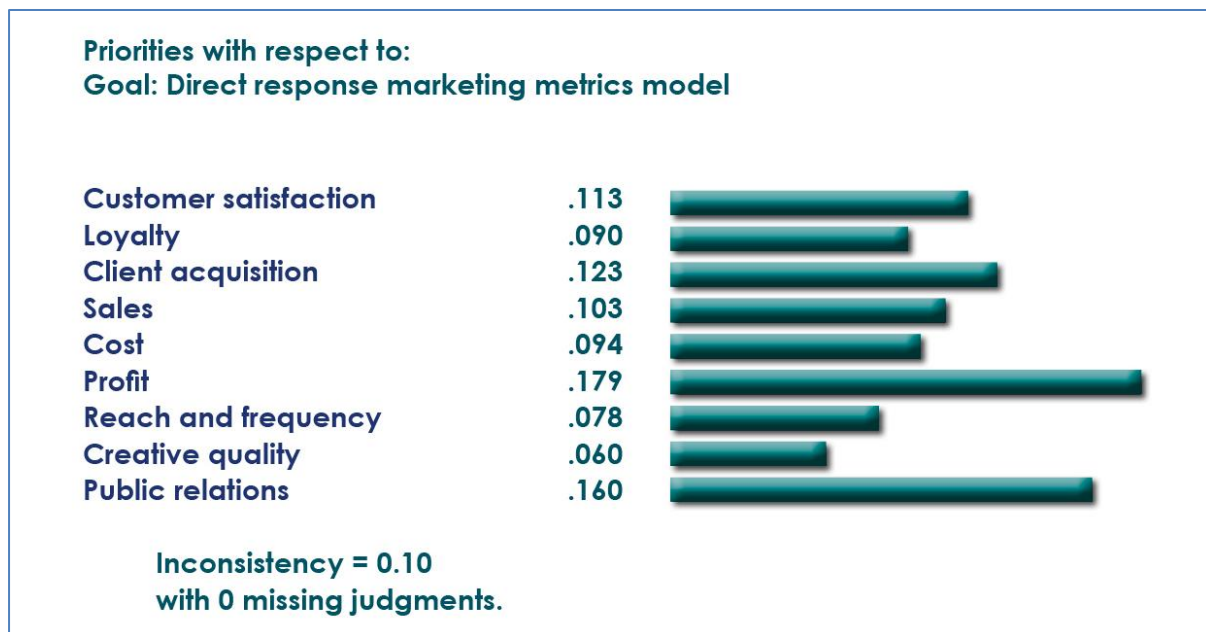
The change during this best-fit step again only resulted in a 1% improvement in consistency, which implies that the impact of the last couple of best-fit steps are not as significant as the first two steps. The two themes affected most by this step, are sales and cost. The importance of sales changed from .096 in Figure 7.10 to .103 in Figure 7.11, with cost decreasing in importance from .114 in Figure 7.10 to .98 in Figure 7. 11. As a direct response advertising campaign is business case driven, with profit as the cornerstone of any business case, managing cost becomes less important, especially in relation to sales, which can create economies of scale in spreading cost over a broad base of clients.

Best fit step 6

MATRIX 7.12: OPEN MARKET CAMPAIGNS AFTER STEP 6 OF THE BEST-FIT PROCESS

	Customer satisfaction	Loyalty	Client acquisition	Sales	Cost	Profit	Reach and frequency	Creative quality	Public relations
Customer satisfaction		2.0	1.0	1.0	1.0	(4.0)	2.0	3.0	1.0
Loyalty			(1.3)	1.0	1.0	(1.6)	2.0	3.0	(4.0)
Client acquisition				3.0	(1.6)	1.0	1.0	3.0	(1.6)
Sales					(1.1)	2.0	2.0	(2.0)	(2.0)
Cost						1.0	(2.0)	1.0	(2.0)
Profit							3.0	4.0	2.0
Reach and frequency								2.0	(2.0)
Creative quality									(2.8)
Public relations									

Step 6 in the best-fit process, that aims to find an optimally consistent model that would support the primary objective of the study, unlocked only a 0.4 reduction in bias towards cost as a factor in relation to client acquisition, with a changed score of 1.6. This is a further indication of the lesser impact of the last couple of steps in the best-fit process on the consistency of the model.



**FIGURE 7.12: OPEN MARKET CAMPAIGN WEIGHTINGS AND CONSISTENCY
AFTER STEP 6 OF THE BEST-FIT PROCESS**

This final step in the best-fit process has resulted in a consistency score of 90%.

This best-fit model has a high weighting on profit and public relations, which could mean that respondents find reputation in the market place and selling to the right target market, with an impact on sustainable profitability in the future, most important. Creative quality and reach and frequency are the lowest performers in terms of importance weighting. A marketer has to be cognisant of the fact none of these elements are mutually exclusive in the practical planning and execution of a campaign as cost, together with reach and frequency will have a big impact on the profitability of a campaign. Those themes are also important when budgeting and planning sales force capacity, as well as when setting benchmarks of good performance.

A factor that may contribute to the low weighting of creative quality and reach and frequency as factors affecting the outcomes of a direct-response advertising campaign is the fact that most marketing professionals outsource these functions to media and advertising agencies and are only involved in the briefing, sign-off and payment processes.

Customer satisfaction's high weighting can be ascribed to the social media phenomenon, as prospective clients have unlimited access to information through the Internet and mobile device applications about satisfaction levels through the social media. This has a huge

bearing on the intention to respond and purchase a company's products. In South Africa, there are even some consumer watch dog websites, which facilitates complaints resolution with corporates on behalf of consumers. The biggest of these, HelloPeter.com, also publishes a satisfaction score per company that takes into account the speed of complaint resolution and the manner in which redress occurred. Consumers frequent these sites often, especially during the decision making phase of a purchase to remove doubts from their minds about the quality and reputation of the product and brand it's associated with. Consumers also visit the Facebook and Twitter pages of companies to view the feedback those companies are receiving from their existing clients and the manner in which they respond to the feedback. Bad press is also easily accessible through a Google search.

The high weightings of profit and client acquisition, together with sales, point to the current paradigm of ensuring sustainability. In other words, these weightings seem to be an indication that making sales and acquiring clients without being mindful of who the clients are and how they can be profitable for the company in the long run is no longer relevant. Given the cost associated with sales campaigns, with commissions payable to distribution forces, there is no luxury to sell to the wrong type of client who will not be loyal long enough or pay enough in order to make a profit.

7.2. GAME THEORY MODELLING

The model proposed in this study— which is used to predict and measure success factors in the planning, execution and management of direct-response advertising campaigns in the financial services industry—is an input-output model. Performance benchmarks are set up during the planning phase, which incorporates all nine factors or campaign themes, as detailed in the analytical hierarchical process, as well as the sub-factors or variables contained within these themes. These sub-factors vary according to the type of campaign, as well as the overall objective that drives the outcomes of the campaign.

These differences are, however, all standardised within the two types of campaign structures, with weightings of the factors all contributing towards facilitating an in-depth understanding of performing and non-performing elements, thereby enabling the marketing practitioner to change the make-up of a campaign while it is being executed. By highlighting anomalies within the campaign data and creating a detailed campaign dashboard of performance versus benchmarks set in the strategic planning phase, it also provides insight into whether the strategy used to reach the business objective is the right one.

The factors' and sub-factors' performance are then plotted against the benchmarks, together with the weightings assigned to them through the outcomes of the AHP process. This creates a pay-off matrix, which is in essence a three dimensional view of success factors within a campaign. None of the elements within a campaign is mutually exclusive; all factors are inter-related, even if some factors have less of a bearing on other factors due to a lower weighting.

By identifying the elements of underperformance, which is showcased in varying degrees of red (highlighting the severity of the underperformance) in the campaign's performance spread sheet, as depicted in the pay-off matrices in Tables 16 and 19, the marketer can start utilising game theory by employing alternative strategies or “moves” within the campaign to rectify problem areas. These could include steps such as increasing the frequency of advertisements, limiting the number of direct mailers sent to a specified client base due to higher conversion rates and sales capacity constraints, re-working the creative concept and content of a campaign, focusing on more satisfied clients within the client base and myriad other tactics. These steps will immediately impact the performance of the other inter-related elements, as sales, profit and cost ratios and loyalty indicators will all be affected.

Two historical campaigns' data have been retrofitted into the model, incorporating both objective and subjective factors. This was done to ensure that the marketing metrics model can serve as a guide through the different phases of a campaign and measure the eventual success rate of the campaign against the initial business objectives, with the use of real data. Both the existing clients' and open market campaign data were informed by the weightings as explained in Section 7.1.3, utilising the best-fit model's weightings, as it is the most consistent.

7.2.1. Findings of the existing client campaign retrofit

The data contained in Table 7.4 were used in the existing clients campaign retrofit. This campaign data (albeit historical in nature) were derived from a campaign in the long-term insurance industry. The campaign consisted of direct mailers that were sent to qualifying retirement annuity holders, with the goal to entice them to top up their current portfolio. A call centre handled the leads processes and the fulfilment of the sale.

The first column (B) contains the performance benchmarks created during the planning phase of the campaign. The second column, marked A, contains the actual performance of those indicators or variables.

TABLE 7.4: EXISTING CLIENT CAMPAIGN DATA AND SCORES

B	A	INPUT		B	A
R 6,00	R 8,00	Cost:	Cost per lead	0,84	0,75
R 250	R 210		Cost per sale	0,45	1,19
4,00	1,8		Advertising cost to sale ratio	2,22	0,45
360000	400000		Profit/cost break-even	1,11	0,9
0,50%	0,10%		Margin given away as incentive	0,2	5
80%	65%	Satisfaction:	Customer satisfaction score	1,23	0,81
85%	85%		Sales experience rating	1,00	1,00
200000	278000	Reach & frequency:	Base reached	0,72	1,39
15000	45000		Number of responses	0,30	3,33
0,30%	1%		Percentage of target market sold	0,57	3,33
20%	35%	Creative quality:	Advertisement recognition	0,33	1,75
10%	30%		Advertisement recall	0,33	3,00
R 0	R 250 000	P.R. value:	P.R. value added to campaign		
20	138	Client acquisition:	New customers acquired	0,40	6,90
5000	12409		Existing clients buying	0,59	2,48
20	34		Ex-clients re-acquired	0,59	1,70
0%	0%		Cross-sale ratio		
25%	25%		Future purchase intention	1,00	1,00
5%	12%	Loyalty:	Loyalty programme penetration	0,42	2,40
75%	90%		Loyalty programme usage rates	0,83	1,20
2%	4,50%		Retention (% more retained)	0,44	2,25
3%	4,50%	Sales:	Lead to sale ratio	0,67	1,50
15%	30%		Contact to sale ratio	0,50	2,00
5000	12581		Total sales target	0,40	2,52
25	30		Sales capacity	1,20	0,83
1650000	4400000		Earnings based value of sale	0,38	2,67
2%	2%	Profit:	Inflation assumption	1,00	1,00
0%	0%		Market share growth		
5%	20%		Profit growth	0,25	4,00

Column A's indicators (the actual performance indicators) were then expressed as a factor of performance in relation to the column B's benchmarks. An example of this in Table 7.4 would be the score of cost per lead, where the actual cost per lead was R8,00 in relation to the benchmark of R6,00. This resulted in a performance score of 0.75, as the cost underperformed with 25%, due to overspend of 25% per lead. These scores were then expressed in the input-output model for the game theory exercise. Some values were not populated, either because of a 0 benchmark or because of a 0 actual delivery that made it impossible to express as a number for game theory purposes. All of the numbers expressed were consistent with the outcomes of the actual delivery to ensure standardisation. This means that where the outcome was more positive than the benchmark set – although the variable is presented with a value that is less than the benchmark, e.g. where the costs were

lower than benchmarked – it was expressed as a positive factor (the actual cost per sale, R210, was lower than the benchmark of R250, hence the positive score of 1.19).

The next step in the process of constructing the pay-off matrix was to express these actual outcome scores (as depicted in Table 7.6) in relation to the weightings of the benchmarked factors as depicted in Table 7.5.

TABLE 7.5: BENCHMARKED CAMPAIGN PERFORMANCE AS EXPRESSED THROUGH THE AHP WEIGHTINGS

INPUT		Cust satisf	Loyalty	Client acq	Sales	Cost	Profit	Reach/freq	Creative qual	PR
		0,129	0,137	0,095	0,082	0,125	0,12	0,121	0,04	0,15
Cost:	Cost per lead	0,108	0,115	0,080	0,069	0,105	0,101	0,102	0,034	0,126
	Cost per sale	0,058	0,062	0,043	0,037	0,056	0,054	0,054	0,018	0,068
	Advertising cost to sale ratio	0,287	0,304	0,211	0,182	0,278	0,267	0,269	0,089	0,333
	Profit/cost break-even	0,143	0,152	0,106	0,091	0,139	0,133	0,134	0,044	0,167
	Margin given away as incentive	0,026	0,027	0,019	0,016	0,025	0,024	0,024	0,008	0,030
Satisfaction:	Customer satisfaction score	0,159	0,169	0,117	0,101	0,154	0,148	0,149	0,049	0,185
	Sales experience rating	0,129	0,137	0,095	0,082	0,125	0,120	0,121	0,040	0,150
Reach & frequency:	Base reached	0,093	0,099	0,068	0,059	0,090	0,086	0,087	0,029	0,108
	Number of responses	0,039	0,041	0,029	0,025	0,038	0,036	0,036	0,012	0,045
	Percentage of target market sold	0,074	0,078	0,054	0,047	0,071	0,069	0,069	0,023	0,086
Creative quality:	Advertisement recognition	0,043	0,046	0,032	0,027	0,042	0,040	0,040	0,013	0,050
	Advertisement recall	0,043	0,046	0,032	0,027	0,042	0,040	0,040	0,013	0,050
P.R. value:	P.R. value added to campaign	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Client acquisition:	New customers acquired	0,052	0,055	0,038	0,033	0,050	0,048	0,049	0,016	0,060
	Existing clients buying	0,076	0,081	0,056	0,048	0,074	0,071	0,071	0,024	0,088
	Ex-clients re-acquired	0,076	0,081	0,056	0,048	0,074	0,071	0,071	0,024	0,088
	Cross-sale ratio	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Future purchase intention	0,129	0,137	0,095	0,082	0,125	0,120	0,121	0,040	0,150
Loyalty:	Loyalty programme penetration	0,054	0,057	0,040	0,034	0,052	0,050	0,050	0,017	0,063
	Loyalty programme usage rates	0,108	0,114	0,079	0,068	0,104	0,100	0,101	0,033	0,125
	Retention (% more retained)	0,057	0,061	0,042	0,036	0,056	0,053	0,054	0,018	0,067
Sales:	Lead to sale ratio	0,086	0,091	0,063	0,055	0,083	0,080	0,081	0,027	0,100
	Contact to sale ratio	0,065	0,069	0,048	0,041	0,063	0,060	0,061	0,020	0,075
	Total sales target	0,051	0,054	0,038	0,033	0,050	0,048	0,048	0,016	0,060
	Sales capacity	0,155	0,164	0,114	0,098	0,150	0,144	0,145	0,048	0,180
Profit:	Earnings based value of sale	0,048	0,051	0,036	0,031	0,047	0,045	0,045	0,015	0,056
	Inflation assumption	0,129	0,137	0,095	0,082	0,125	0,120	0,121	0,040	0,150
	Market share growth	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Profit growth	0,032	0,034	0,024	0,021	0,031	0,030	0,030	0,010	0,038

The AHP weightings are the scores at the top in yellow, which were factored into campaign sub-factors to create a performance dashboard. Explaining by way of example, the benchmarked cost per lead performance indicator in Table 7.4 is 0.84 in relation to the actual performance. It is further expressed as a multiplication of this benchmarked performance score (0.84), with the AHP weightings for all the themes individually (0.129 for customer satisfaction for example) to derive a score of 0.108 for cost per lead in relation to customer satisfaction. All scores were rounded off to 3 decimals. These individual benchmarked scores are then compared with the actual scores in Table 7.6 to create the pay-off matrix (Table 7.7).

TABLE 7.6: ACTUAL CAMPAIGN PERFORMANCE AS EXPRESSED THROUGH THE AHP WEIGHTINGS

INPUT		Cust satisf	Loyalty	Client acq	Sales	Cost	Profit	Reach/freq	Creative qual	PR
		0.129	0.137	0.095	0.082	0.125	0.12	0.121	0.04	0.15
Cost:	Cost per lead	0.097	0.103	0.071	0.062	0.094	0.090	0.091	0.030	0.113
	Cost per sale	0.154	0.163	0.113	0.098	0.149	0.143	0.144	0.048	0.179
	Advertising cost to sale ratio	0.058	0.062	0.043	0.037	0.056	0.054	0.054	0.018	0.068
	Profit/cost break-even	0.116	0.123	0.086	0.074	0.113	0.108	0.109	0.036	0.135
	Margin given away as incentive	0.645	0.685	0.475	0.410	0.625	0.600	0.605	0.200	0.750
Satisfaction:	Customer satisfaction score	0.105	0.111	0.077	0.067	0.102	0.098	0.098	0.033	0.122
	Sales experience rating	0.129	0.137	0.095	0.082	0.125	0.120	0.121	0.040	0.150
Reach & frequency:	Base reached	0.179	0.190	0.132	0.114	0.174	0.167	0.168	0.056	0.209
	Number of responses	0.430	0.457	0.317	0.273	0.417	0.400	0.403	0.133	0.500
	Percentage of target market sold	0.430	0.457	0.317	0.273	0.417	0.400	0.403	0.133	0.500
Creative quality:	Advertisement recognition	0.226	0.240	0.166	0.144	0.219	0.210	0.212	0.070	0.263
	Advertisement recall	0.387	0.411	0.285	0.246	0.375	0.360	0.363	0.120	0.450
P.R. value:	P.R. value added to campaign	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Client acquisition:	New customers acquired	0.890	0.945	0.656	0.566	0.863	0.828	0.835	0.276	1.035
	Existing clients buying	0.320	0.340	0.236	0.204	0.310	0.298	0.300	0.099	0.372
	Ex-clients re-acquired	0.219	0.233	0.162	0.139	0.213	0.204	0.206	0.068	0.255
	Cross-sale ratio	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Future purchase intention	0.129	0.137	0.095	0.082	0.125	0.120	0.121	0.040	0.150
Loyalty:	Loyalty programme penetration	0.310	0.329	0.228	0.197	0.300	0.288	0.290	0.096	0.360
	Loyalty programme usage rates	0.155	0.164	0.114	0.098	0.150	0.144	0.145	0.048	0.180
	Retention (% more retained)	0.290	0.308	0.214	0.185	0.281	0.270	0.272	0.090	0.338
Sales:	Lead to sale ratio	0.194	0.206	0.143	0.123	0.188	0.180	0.182	0.060	0.225
	Contact to sale ratio	0.258	0.274	0.190	0.164	0.250	0.240	0.242	0.080	0.300
	Total sales target	0.325	0.345	0.239	0.206	0.315	0.302	0.304	0.101	0.377
	Sales capacity	0.108	0.114	0.079	0.068	0.104	0.100	0.101	0.033	0.125
Profit:	Earnings based value of sale	0.344	0.365	0.253	0.219	0.333	0.320	0.323	0.107	0.400
	Inflation assumption	0.129	0.137	0.095	0.082	0.125	0.120	0.121	0.040	0.150
	Market share growth	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Profit growth	0.516	0.548	0.380	0.328	0.500	0.480	0.484	0.160	0.600

The actual performance scores were calculated in the same way as the benchmarked scores (see explanation under Table 7.5), with the actual performance indicators (in relation to the benchmarked scores) multiplied by the AHP weightings per theme, to derive an actual performance score.

TABLE 7.7: EXISTING CLIENT CAMPAIGN PAY-OFF MATRIX

INPUT		Cust satisf	Loyalty	Client acq	Sales	Cost	Profit	Reach/freq	Creative qual	PR	
		0,129	0,137	0,095	0,082	0,125	0,12	0,121	0,04	0,15	
Cost:	Cost per lead	-0,001	-0,002	-0,001	-0,001	-0,001	-0,001	-0,001	0,000	-0,002	-0,011
	Cost per sale	0,012	0,014	0,007	0,005	0,012	0,011	0,011	0,001	0,017	0,089
	Advertising cost to sale ratio	-0,029	-0,033	-0,016	-0,012	-0,028	-0,026	-0,026	-0,003	-0,040	-0,213
	Profit/cost break-even	-0,004	-0,004	-0,002	-0,001	-0,003	-0,003	-0,003	0,000	-0,005	-0,025
	Margin given away as incentive	0,080	0,090	0,043	0,032	0,075	0,069	0,070	0,008	0,108	0,576
Satisfaction:	Customer satisfaction score	-0,007	-0,008	-0,004	-0,003	-0,007	-0,006	-0,006	-0,001	-0,009	-0,050
	Sales experience rating	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Reach & frequency:	Base reached	0,011	0,013	0,006	0,005	0,010	0,010	0,010	0,001	0,015	0,080
	Number of responses	0,050	0,057	0,027	0,020	0,047	0,044	0,044	0,005	0,068	0,364
	Percentage of target market sold	0,046	0,052	0,025	0,019	0,043	0,040	0,040	0,004	0,062	0,331
Creative quality:	Advertisement recognition	0,024	0,027	0,013	0,010	0,022	0,020	0,021	0,002	0,032	0,170
	Advertisement recall	0,044	0,050	0,024	0,018	0,042	0,038	0,039	0,004	0,060	0,320
P.R. value:	P.R. value added to campaign	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Client acquisition:	New customers acquired	0,108	0,122	0,059	0,044	0,102	0,094	0,095	0,010	0,146	0,779
	Existing clients buying	0,032	0,036	0,017	0,013	0,030	0,027	0,028	0,003	0,043	0,227
	Ex-clients re-acquired	0,019	0,021	0,010	0,007	0,017	0,016	0,016	0,002	0,025	0,133
	Cross-sale ratio	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Future purchase intention	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Loyalty:	Loyalty programme penetration	0,033	0,037	0,018	0,013	0,031	0,029	0,029	0,003	0,045	0,238
	Loyalty programme usage rates	0,006	0,007	0,003	0,002	0,006	0,005	0,005	0,001	0,008	0,044
	Retention (% more retained)	0,030	0,034	0,016	0,012	0,028	0,026	0,026	0,003	0,041	0,217
Sales:	Lead to sale ratio	0,014	0,016	0,008	0,006	0,013	0,012	0,012	0,001	0,019	0,100
	Contact to sale ratio	0,025	0,028	0,014	0,010	0,023	0,022	0,022	0,002	0,034	0,180
	Total sales target	0,035	0,040	0,019	0,014	0,033	0,031	0,031	0,003	0,048	0,254
	Sales capacity	-0,006	-0,007	-0,003	-0,002	-0,006	-0,005	-0,005	-0,001	-0,008	-0,044
Profit:	Earnings based value of sale	0,038	0,043	0,021	0,015	0,036	0,033	0,034	0,004	0,052	0,275
	Inflation assumption	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Market share growth	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Profit growth	0,062	0,070	0,034	0,025	0,059	0,054	0,055	0,006	0,084	0,450
		0,622	0,702	0,337	0,251	0,584	0,538	0,547	0,060	0,841	4,483

The pay-off matrix was created by expressing the actual weighted performance score of a campaign variable in a theme in relation to the benchmarked weighted performance score by

way of subtracting the benchmarked score from the actual score and multiplying the resulting score with the AHP weighting. An example of the is the score for cost per lead (-0.001) in relation to customer satisfaction, which indicates to what extent cost per lead affected overall campaign performance in relation to customer satisfaction, which in this example was negligible. The score of -0.001 was derived by subtracting the benchmarked score (0.108) from the actual performance score (0.097) and multiplying the resulting number (-0.011) with the AHP weighting for customer satisfaction (0.129) to get a pay-off score of -0.001.

The colour coded pay-off matrix makes it easy for the marketing practitioner to spot the areas of underperformance in red and good performance in green. A yellow indicator indicates performance that is on par or close to the benchmark set in the planning phase. The scores in the gray block on the right of the matrix depict the sum total of the scores for the variable in that line. The scores for cost per lead for example add up to a score of -0.011.

As profit growth is directly related to the making of sales targets and the cutting of costs, this campaign was deemed to be extremely successful. The advertising cost to sale ratio may be slightly underperforming compared to the benchmark, but the sheer volume of available prospects and the resulting sales necessitated an increase in spending to effectively handle the distribution of mailers as well as cater for the amount of responses received through increasing the sales force, which also came at an additional cost. Profitability is also linked very strongly to retention of business, and this campaign delivered better loyalty programme penetration and usage than planned. The only area of concern is in the customer satisfaction area, where clients were targeted that were not as satisfied as required. Choosing the right client base for a direct-response campaign has a direct impact on its efficacy, and even better results could have been obtained if a more satisfied base of clients had been targeted. The mailer sent to the base was also very effective in conveying the intended value proposition as it resonated with the base to such an extent that most of the clients could recall and recognise the piece sent to them. This, in turn, had an effect on the number of responses received, and although this big response rate had a negligible effect on customer satisfaction, it created very good word of mouth and other public relations opportunities. This campaign was executed very well, and it outperformed the strategy and business objectives that were initially set. The positive overall score of 4.48 indicates that as a whole the campaign outperformed the initial benchmark set by almost five times.

7.2.2. Findings of the open market campaign retrofit

The campaign data used for the open market campaign retrofit process were also obtained from the long term insurance industry. It was a campaign that utilised radio, outdoor, online and ambient advertising, with the goal of enticing prospective clients to buy life cover through the value proposition of the linked loyalty programme's lifestyle benefits. The same tags were assigned to the columns in Table 7.8 as in the existing client campaign data sheets, i.e. B is for the benchmarked performance indicators of the campaign elements, and A is for the actual performance of those elements.

TABLE 7.8: OPEN MARKET CAMPAIGN DATA AND SCORES

Benchmark	Actual	INPUT		B	A
B	A				
R 70,00	R 85,00	Cost:	Cost per lead	1,21	0,82
R 1 400	R 1 550		Cost per sale	1,11	0,90
3,00	2,80		Advertising cost to sale ratio	1,07	0,93
200%	125%		Return on marketing costs	1,60	0,63
R 130 000	R 123 000		Campaign production (set) costs	0,95	1,06
1275000	1400000		Profit/cost break-even	1,10	0,91
80%	65%	Satisfaction:	Customer satisfaction score	1,23	0,81
10000	8000		Number of responses	1,25	0,80
0,10%	0,09%		Percentage of target market sold	1,11	0,90
247,60	189,56	Reach & Frequency	Radio AR's	1,31	0,77
942,00	827,00		Online ads click-through's	1,14	0,88
5,91	3,69		Radio frequency	1,60	0,62
418297,00	437016,00		Online frequency (impressions)	0,96	1,04
50%	35%	Creative quality:	Advertisement recognition	1,43	0,70
10%	4%		Advertisement recall	2,50	0,40
R 50 000	R 0	P.R. value:	P.R. value added to campaign		
150,00	65,00	Client acquisition:	New customers acquired	2,31	0,43
25	41		Existing clients buying	0,61	1,64
25	18		Ex-clients re-acquired	1,39	0,72
12,50%	30%		Cross-sale ratio	0,42	2,40
1	2		Future purchase intention	0,50	2,00
25%	40%	Loyalty:	Loyalty programme penetration	0,63	1,60
5%	15%		Loyalty programme usage rates	0,33	3,00
5%	9%		Retention (% more retained)	0,56	1,80
2%	4%	Sales:	Lead to sale ratio	0,50	2,00
10%	12%		Contact to sale ratio	0,83	1,20
200	124		Total sales target	1,61	0,62
2	2		Sales capacity	1,00	1,00
3000000	1488000	Profit:	Earnings based value of sale	2,02	0,50
1	1		Inflation assumption	1,00	1,00
0,10%	0,07%		Market share growth	1,43	0,70
2%	1%		Profit growth	2,00	0,50

The same scoring methodology was used as discussed under Table 7.4's heading (the existing client campaign scoring), with the actual performance indicators expressed in relative terms to the benchmarked performance indicators. In Table 7.8, an example of this scoring process is depicted by the cost per lead sub-factor with a score of 1.21 for the benchmarked value and 0.82 for the actual value. This was derived as the actual cost per lead of R85,00, underperformed by 18 percent in relation to the benchmarked cost per lead of R70,00. These 2 numbers are then expressed (as depicted in Tables 7.9 & 7.10), through the application of the weighted benchmarked values (Table 7.9) and the actual scores of the factors (or themes), as depicted in Table 7.10, as a value to be used in the game theory pay-off matrix, as depicted in Table 7.11.

TABLE 7.9: BENCHMARKED CAMPAIGN PERFORMANCE AS EXPRESSED THROUGH THE AHP WEIGHTINGS.

INPUT		Cust satisf	Loyalty	Client acq	Sales	Cost	Profit	Reach/freq	Creative qual	PR
		0,113	0,09	0,123	0,103	0,094	0,179	0,078	0,06	0,16
Cost:	Cost per lead	0,137	0,109	0,149	0,125	0,114	0,217	0,095	0,073	0,194
	Cost per sale	0,125	0,100	0,136	0,114	0,104	0,198	0,086	0,066	0,177
	Advertising cost to sale ratio	0,121	0,096	0,132	0,110	0,101	0,192	0,084	0,064	0,171
	Return on marketing costs	0,181	0,144	0,197	0,165	0,150	0,286	0,125	0,096	0,256
	Campaign production (set) costs	0,107	0,085	0,116	0,097	0,089	0,169	0,074	0,057	0,151
	Profit/cost break-even	0,124	0,099	0,135	0,113	0,103	0,197	0,086	0,066	0,176
Satisfaction:	Customer satisfaction score	0,139	0,111	0,151	0,127	0,116	0,220	0,096	0,074	0,197
	Number of responses	0,141	0,113	0,154	0,129	0,118	0,224	0,098	0,075	0,200
	Percentage of target market sold	0,126	0,100	0,137	0,114	0,104	0,199	0,087	0,067	0,178
Reach & Frequency	Radio AR's	0,148	0,118	0,161	0,135	0,123	0,234	0,102	0,078	0,209
	Online ads click-through's	0,129	0,103	0,140	0,117	0,107	0,204	0,089	0,068	0,182
	Radio frequency	0,181	0,144	0,197	0,165	0,151	0,287	0,125	0,096	0,256
	Online frequency (impressions)	0,108	0,086	0,118	0,099	0,090	0,171	0,075	0,057	0,153
Creative quality:	Advertisement recognition	0,161	0,129	0,176	0,147	0,134	0,256	0,111	0,086	0,229
	Advertisement recall	0,283	0,225	0,308	0,258	0,235	0,448	0,195	0,150	0,400
P.R. value:	P.R. value added to campaign									
Client acquisition:	New customers acquired	0,261	0,208	0,284	0,238	0,217	0,413	0,180	0,138	0,369
	Existing clients buying	0,069	0,055	0,075	0,063	0,057	0,109	0,048	0,037	0,098
	Ex-clients re-acquired	0,157	0,125	0,171	0,143	0,131	0,249	0,108	0,083	0,222
	Cross-sale ratio	0,047	0,038	0,051	0,043	0,039	0,075	0,033	0,025	0,067
	Future purchase intention	0,057	0,045	0,062	0,052	0,047	0,090	0,039	0,030	0,080
Loyalty:	Loyalty programme penetration	0,071	0,056	0,077	0,064	0,059	0,112	0,049	0,038	0,100
	Loyalty programme usage rates	0,038	0,030	0,041	0,034	0,031	0,060	0,026	0,020	0,053
	Retention (% more retained)	0,063	0,050	0,068	0,057	0,052	0,099	0,043	0,033	0,089
Sales:	Lead to sale ratio	0,057	0,045	0,062	0,052	0,047	0,090	0,039	0,030	0,080
	Contact to sale ratio	0,094	0,075	0,103	0,086	0,078	0,149	0,065	0,050	0,133
	Total sales target	0,182	0,145	0,198	0,166	0,152	0,289	0,126	0,097	0,258
	Sales capacity	0,113	0,090	0,123	0,103	0,094	0,179	0,078	0,060	0,160
Profit:	Earnings based value of sale	0,228	0,181	0,248	0,208	0,190	0,361	0,157	0,121	0,323
	Inflation assumption	0,113	0,090	0,123	0,103	0,094	0,179	0,078	0,060	0,160
	Market share growth	0,161	0,129	0,176	0,147	0,134	0,256	0,111	0,086	0,229
	Profit growth	0,226	0,180	0,246	0,206	0,188	0,358	0,156	0,120	0,320

The benchmarked performance scores per campaign variable were created by using the relative benchmarked scores (as depicted in Table 7.8) and multiplying them with the weighted AHP scores (at the top of Table 7.9, depicted in yellow) for the different themes. An example of this is the cost per lead variable within the cost theme, expressed as a score in relation to customer satisfaction. This was calculated by multiplying the relative

(benchmarked vs. actual) benchmarked performance score of cost per lead (1.21) with customer satisfaction's weighted AHP score of 0.113. This resulted of a benchmarked performance score of 0.137 for cost per lead.

The campaign scores were then weighted with the AHP results to create a pay-off matrix from which insight could be derived on overall campaign performance as well as on performance of campaign elements compared to the set benchmarks. This pay-off matrix is depicted in Table 7.11.

TABLE 7.10: ACTUAL CAMPAIGN PERFORMANCE AS EXPRESSED THROUGH THE AHP WEIGHTINGS

INPUT				Cust satisf	Loyalty	Client acq	Sales	Cost	Profit	Reach/freq	Creative qual	PR
		B	A	0,113	0,09	0,123	0,103	0,094	0,179	0,078	0,06	0,16
Cost:	Cost per lead	1,21	0,82	0,093	0,074	0,101	0,085	0,077	0,147	0,064	0,049	0,132
	Cost per sale	1,11	0,90	0,102	0,081	0,111	0,093	0,085	0,162	0,070	0,054	0,145
	Advertising cost to sale ratio	1,07	0,93	0,105	0,084	0,115	0,096	0,088	0,167	0,073	0,056	0,149
	Return on marketing costs	1,60	0,63	0,071	0,056	0,077	0,064	0,059	0,112	0,049	0,038	0,100
	Campaign production (set) costs	0,95	1,06	0,119	0,095	0,130	0,109	0,099	0,189	0,082	0,063	0,169
	Profit/cost break-even	1,10	0,91	0,103	0,082	0,112	0,094	0,086	0,163	0,071	0,055	0,146
Satisfaction:	Customer satisfaction score	1,23	0,81	0,092	0,073	0,100	0,084	0,076	0,145	0,063	0,049	0,130
	Number of responses	1,25	0,80	0,090	0,072	0,098	0,082	0,075	0,143	0,062	0,048	0,128
	Percentage of target market sold	1,11	0,90	0,102	0,081	0,111	0,093	0,085	0,161	0,070	0,054	0,144
Reach & Frequency	Radio AR's	1,31	0,77	0,087	0,069	0,094	0,079	0,072	0,137	0,060	0,046	0,122
	Online ads click-through's	1,14	0,88	0,099	0,079	0,108	0,090	0,083	0,157	0,068	0,053	0,140
	Radio frequency	1,60	0,62	0,071	0,056	0,077	0,064	0,059	0,112	0,049	0,037	0,100
	Online frequency (impressions)	0,96	1,04	0,118	0,094	0,129	0,108	0,098	0,187	0,081	0,063	0,167
Creative quality:	Advertisement recognition	1,43	0,70	0,079	0,063	0,086	0,072	0,066	0,125	0,055	0,042	0,112
	Advertisement recall	2,50	0,40	0,045	0,036	0,049	0,041	0,038	0,072	0,031	0,024	0,064
P.R. value:	P.R. value added to campaign											
Client acquisition:	New customers acquired	2,31	0,43	0,049	0,039	0,053	0,045	0,041	0,078	0,034	0,026	0,069
	Existing clients buying	0,61	1,64	0,185	0,148	0,202	0,169	0,154	0,294	0,128	0,098	0,262
	Ex-clients re-acquired	1,39	0,72	0,081	0,065	0,089	0,074	0,068	0,129	0,056	0,043	0,115
	Cross-sale ratio	0,42	2,40	0,271	0,216	0,295	0,247	0,226	0,430	0,187	0,144	0,384
	Future purchase intention	0,50	2,00	0,226	0,180	0,246	0,206	0,188	0,358	0,156	0,120	0,320
Loyalty:	Loyalty programme penetration	0,63	1,60	0,181	0,144	0,197	0,165	0,150	0,286	0,125	0,096	0,256
	Loyalty programme usage rates	0,33	3,00	0,339	0,270	0,369	0,309	0,282	0,537	0,234	0,180	0,480
	Retention (% more retained)	0,56	1,80	0,203	0,162	0,221	0,185	0,169	0,322	0,140	0,108	0,288
Sales:	Lead to sale ratio	0,50	2,00	0,226	0,180	0,246	0,206	0,188	0,358	0,156	0,120	0,320
	Contact to sale ratio	0,83	1,20	0,136	0,108	0,148	0,124	0,113	0,215	0,094	0,072	0,192
	Total sales target	1,61	0,62	0,070	0,056	0,076	0,064	0,058	0,111	0,048	0,037	0,099
	Sales capacity	1,00	1,00	0,113	0,090	0,123	0,103	0,094	0,179	0,078	0,060	0,160
Profit:	Earnings based value of sale	2,02	0,50	0,056	0,045	0,061	0,051	0,047	0,089	0,039	0,030	0,079
	Inflation assumption	1,00	1,00	0,113	0,090	0,123	0,103	0,094	0,179	0,078	0,060	0,160
	Market share growth	1,43	0,70	0,079	0,063	0,086	0,072	0,066	0,125	0,055	0,042	0,112
	Profit growth	2,00	0,50	0,057	0,045	0,062	0,052	0,047	0,090	0,039	0,030	0,080

The actual campaign performance scores per variable within the identified themes were calculated by multiplying the relative (to benchmark) scores as depicted in Table 7.8, with the AHP weighted theme scores, depicted at the top in yellow in Table 7.10. The score of cost per lead in relation to customer satisfaction for example was calculated by taking the actual performance score of 0.82 (see Table 7.8) and multiplying it with the AHP weighted score of

customer satisfaction of 0.113. This results in a score of 0.093 for cost per lead in relation to customer satisfaction. The scores in Tables 7.9 and 7.10 were then used to create a pay-off matrix (Table 7.11) that acts as a performance dashboard of the campaign.

TABLE 7.11: OPEN MARKET CAMPAIGN PAY-OFF MATRIX

INPUT		Cust satisf	Loyalty	Client acq	Sales	Cost	Profit	Reach/freq	Creative qual	PR	
		0,113	0,09	0,123	0,103	0,094	0,179	0,078	0,06	0,16	
Cost:	Cost per lead	-0,005	-0,003	-0,006	-0,004	-0,003	-0,013	-0,002	-0,001	-0,010	-0,048
	Cost per sale	-0,003	-0,002	-0,003	-0,002	-0,002	-0,007	-0,001	-0,001	-0,005	-0,025
	Advertising cost to sale ratio	-0,002	-0,001	-0,002	-0,001	-0,001	-0,004	-0,001	0,000	-0,004	-0,017
	Return on marketing costs	-0,012	-0,008	-0,015	-0,010	-0,009	-0,031	-0,006	-0,004	-0,025	-0,120
	Campaign production (set) costs	0,001	0,001	0,002	0,001	0,001	0,004	0,001	0,000	0,003	0,014
	Profit/cost break-even	-0,002	-0,002	-0,003	-0,002	-0,002	-0,006	-0,001	-0,001	-0,005	-0,023
Satisfaction:	Customer satisfaction score	-0,005	-0,003	-0,006	-0,004	-0,004	-0,013	-0,003	-0,002	-0,011	-0,051
	Number of responses	-0,006	-0,004	-0,007	-0,005	-0,004	-0,014	-0,003	-0,002	-0,012	-0,055
	Percentage of target market sold	-0,003	-0,002	-0,003	-0,002	-0,002	-0,007	-0,001	-0,001	-0,005	-0,026
Reach & Frequency	Radio AR's	-0,007	-0,004	-0,008	-0,006	-0,005	-0,017	-0,003	-0,002	-0,014	-0,066
	Online ads click-through's	-0,003	-0,002	-0,004	-0,003	-0,002	-0,008	-0,002	-0,001	-0,007	-0,032
	Radio frequency	-0,012	-0,008	-0,015	-0,010	-0,009	-0,031	-0,006	-0,004	-0,025	-0,120
	Online frequency (impressions)	0,001	0,001	0,001	0,001	0,001	0,003	0,001	0,000	0,002	0,011
Creative quality:	Advertisement recognition	-0,009	-0,006	-0,011	-0,008	-0,006	-0,023	-0,004	-0,003	-0,019	-0,089
	Advertisement recall	-0,027	-0,017	-0,032	-0,022	-0,019	-0,067	-0,013	-0,008	-0,054	-0,258
P.R. value:	P.R. value added to campaign	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Client acquisition:	New customers acquired	-0,024	-0,015	-0,028	-0,020	-0,017	-0,060	-0,011	-0,007	-0,048	-0,230
	Existing clients buying	0,013	0,008	0,016	0,011	0,009	0,033	0,006	0,004	0,026	0,126
	Ex-clients re-acquired	-0,009	-0,005	-0,010	-0,007	-0,006	-0,021	-0,004	-0,002	-0,017	-0,082
	Cross-sale ratio	0,025	0,016	0,030	0,021	0,018	0,064	0,012	0,007	0,051	0,243
	Future purchase intention	0,019	0,012	0,023	0,016	0,013	0,048	0,009	0,005	0,038	0,184
Loyalty:	Loyalty programme penetration	0,012	0,008	0,015	0,010	0,009	0,031	0,006	0,004	0,025	0,120
	Loyalty programme usage rates	0,034	0,022	0,040	0,028	0,024	0,085	0,016	0,010	0,068	0,327
	Retention (% more retained)	0,016	0,010	0,019	0,013	0,011	0,040	0,008	0,004	0,032	0,153
Sales:	Lead to sale ratio	0,019	0,012	0,023	0,016	0,013	0,048	0,009	0,005	0,038	0,184
	Contact to sale ratio	0,005	0,003	0,006	0,004	0,003	0,012	0,002	0,001	0,009	0,045
	Total sales target	-0,013	-0,008	-0,015	-0,011	-0,009	-0,032	-0,006	-0,004	-0,025	-0,122
	Sales capacity	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Profit:	Earnings based value of sale	-0,019	-0,012	-0,023	-0,016	-0,013	-0,049	-0,009	-0,005	-0,039	-0,187
	Inflation assumption	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Market share growth	-0,009	-0,006	-0,011	-0,008	-0,006	-0,023	-0,004	-0,003	-0,019	-0,089
	Profit growth	-0,019	-0,012	-0,023	-0,016	-0,013	-0,048	-0,009	-0,005	-0,038	-0,184
		-0,043	-0,028	-0,051	-0,036	-0,030	-0,109	-0,021	-0,012	-0,087	-0,418

The open market campaign pay-off matrix was created by expressing the actual weighted performance score of a campaign variable in a theme in relation to the benchmarked weighted performance score by way of subtracting the benchmarked score from the actual score and multiplying the resulting score with the AHP weighting. An example of this is the calculation of the cost per lead variable (within the cost theme) in relation to the theme of customer satisfaction. The benchmarked score 0.137 was subtracted from the actual performance score of 0.093 and multiplied by the AHP weighted score for customer satisfaction of 0.113. This resulted in a pay-off matrix score of -0.005.

The colour-coded matrix indicates the areas of focus, good or outperformance in green and underperformance in red. An overall score of -.418 indicates that the campaign generally underperformed. Some of the sub-factors or indicators – such as cross-selling, brand equity in the form of future purchase intention, and the loyalty programme penetration and usage rates – did fairly well, with other sub-factors playing a supportive role in this performance. The lead to sale ratio outperformed the benchmark, which had a positive effect on the cross-selling rate. The campaign also generated more goodwill from the existing base of clients than originally expected, with retention numbers outperforming the benchmark due to good loyalty programme engagement. Clients also reacted positively to advertising from companies with which they had an existing relationship, as they could relate to these companies' values and products. This meant that more existing clients than expected bought additional benefits on their existing product platform, which had a further positive effect on their retention rate; clients with more products than average are more persistent or stay longer with the company.

Other than retention, none of the campaign elements did well. The reach expected in the target market did not materialise, especially through the radio medium. Although the online impressions delivered outperformed the impressions originally planned, the click-through derived from the impressions underperformed compared to the benchmark. The creative quality was poor, which could also explain the fewer than expected click-throughs and responses from radio, evident in the low recognition and recall scores. This meant that except for the existing clients that had an affinity for the brand and usually had better recall and recognition than the general population targeted, the creative concept, as well as the content of the campaign did not resonate with the intended target market. This had a negative effect on acquiring new clients, as well as on reaching the overall sales target, which was the main objective of the campaign. Because the existing client base bought additional benefits and

few new clients bought the core product, the overall profitability of the sales made from the campaign also underperformed compared to the benchmark. This had a further negative effect on the return on marketing cost indicator, the earnings-based value of the sale – in this instance expressed in embedded value terms – as well as on profit growth. The campaign did not deliver the outcomes that the company expected. The strategy of spending marketing money on an open market campaign for direct-response and selling purposes failed dismally. Driving cross-selling from the existing client base – which clearly has an appetite for more products and benefits – with a direct marketing campaign would have resulted in a better return on investment.

Some of the positive aspects of the open market advertising campaign also need to be addressed, however, as prospective clients who do not yet have an existing relationship with the brand do not know it well enough. An open market strategy focusing on brand building elements, such as brand values and company value proposition, together with a concerted public relations effort should be considered before executing a direct-response campaign on product features again. This will ensure that the right context is created with the target market, which will support future sales endeavours.

7.3. SUMMARY

The use of AHP was instrumental in ascertaining the relative importance of elements that drive success in direct-response advertising campaigns. This enables marketing practitioners to do proper planning, change tactics during the execution phase of a campaign as well as to measure success or failure rates during the “*post-mortem*” phase of a campaign.

The weightings assigned to the underlying campaign themes calibrate the model to support the business objectives by creating insight into the inter-relational aspects of objective and subjective variables. These causal relationships are the reason why campaigns do not function as a series of single mutually exclusive events but rather as a variety of complex, interdependent executions applied within a specified strategy. As the open market example shows, poor creative quality can have a significant cumulative effect on the number of leads derived from direct responses. This in turn will lead to worse than expected return on costs ratios, which in turn will negatively affect profitability. Although the low weighting of creative quality as a theme does not necessarily imply it is an insignificant factor in the success of a campaign; when it is seen in relation to the other themes and campaign elements, it does play a significant part in the success of a campaign. The same applies to all the themes and sub-factors or variables.

The application of game theory in the model is also significant, because it allows the “player” or marketing professional to identify the biggest problem areas and enables him to predict what the result would be if those elements were addressed. This empowers the marketer to use the model as a game board, where tactical moves can be made in order to support the long term strategy, which is usually to win, or in this case, make as much money from direct-response campaigns as possible. This game board consists of the actual scores relative to the benchmarks set, with a pay-off matrix identifying the areas of concern. An overall score is also assigned to the campaign, which is useful in determining whether the campaign was a success or a failure. Using these game boards consistently would also enable chief executives to hold their marketing executives accountable for the outcomes of their key performance indicators, which should include optimisation of return on marketing spend. The marketing executives, in turn, can hold their staff and agencies accountable for their deliverables, which include the creative quality (traditionally the domain of advertising agencies), reach and frequency (the domain of media buying agencies), public relations optimisation (which is usually outsourced to a public relations firm), distribution efficiencies (which impact cost and

sales ratios) and customer service (which impacts client satisfaction rates and future purchase intention from existing as well as potential clients) throughout the whole organisation.

This measurement capability and predictive application of practical changes a marketer can make to a campaign while it is busy unfolding makes delivery of business objectives fairly easy. It also enables the measurement, evaluation and optimisation of all campaign elements and their contribution towards the obtaining of business objectives. The different response mechanisms should be individually set up to enable the marketer to identify true numbers derived from different media, channels and programmes. Tracking responses through the sales funnel is another non-negotiable element for the calculation of leads, contacts, sales ratios as well as profits derived from a campaign.

This direct-response advertising metrics model has been calibrated using data from the financial services industry, and the weightings were derived from a pair-wise comparison survey sent to marketing professionals within the financial services sector. For the model to work in other industries, the model would have to be re-calibrated with new weightings.

CHAPTER 8

CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

8. INTRODUCTION

Every business knows what it wants to achieve, in terms of profit. This is normally articulated through a strategy, usually in the form of a strategy map or balanced scorecard that details management expenditure, acquisition cost, value of new business, embedded value, sales, retention and client satisfaction measures. The chief executive and chief financial officers usually create these numbers, which are driven by shareholder expectation, market forces – including economic conditions, scope for growth and the maturity of the industry – as well as the level of maturity of the business.

The targets are also projected within a one-, three- and five-year framework. The ideal strategy map would also include the marketing strategy, its deliverables and targets, together with the return on investment numbers to justify the spend. The reality is very different, however, as few companies know how to translate business objectives into a marketing strategy with proper metrics to support all the activity. This creates a situation where marketers ask for budget to be allocated to their planned activities without justification of how these activities will support the main business objectives. The result is usually a cut in marketing budget, as it represents a big portion of the variable cost within the operation. This in turn leads to limited marketing actions and an underperformance over the long term due to low visibility and understanding of the value proposition of the company in the marketplace.

The marketing budget that is allocated therefore has to be spent wisely with the aim of optimal impact and return. Returns need to be benchmarked and measured, as the campaigns are being planned and executed to ensure alignment with strategic business objectives. This study's proposed metrics model details the supporting elements and their envisaged performance levels that is needed to guide the marketing practitioner into identifying optimal target audiences through optimal reach and frequency, their appetite for the company's products and services (through purchase intention) as well as their preferred channels of communication, engagement and activation. This insight is then played off against available resources, sales capacity and the strategic business objectives of profit, market-share gain and sales volumes. These determining aspects all need to be factored into the creation of campaigns within the marketing strategy to enable executives to set up a sound and

accountable marketing environment. For short-term impact, usually within the confines of a financial year, direct-response campaigns, due to their innate measurability, make this accountability an attainable goal for companies. The challenge up to this point has been the inclusion of qualitative or subjective elements in a comprehensive metrics model. This study has aimed to bridge these gaps by:

- translating business objectives into a marketing strategy;
- planning, executing and measuring marketing activities, focusing on marketing campaigns in general and direct response campaigns in particular;
- highlighting areas of underperformance to create a marketing scoreboard that enables marketing practitioners to optimise marketing spend; and
- scoring the success of campaigns through the use of a pay-off matrix to keep marketing practitioners accountable for the delivery of business objectives.

8.1. THE MARKETING METRICS MODEL

A new marketing metrics model was created to structure marketing activity in order to support business objectives. This model enables marketing practitioners to do proper planning, change tactics during the execution phase of a campaign or activity, as well as to measure success or failure rates during the retrospective phase of a campaign.

The weightings assigned to the underlying campaign themes calibrate the model to support business objectives by creating insight into the inter-relational aspects of objective and subjective variables. These causal relationships are the reason why campaigns do not function as a series of single mutually exclusive events but rather as a variety of complex interdependent executions applied within a specified strategy.

The application of game theory to the model is significant, because it allows the *"player"* – or marketing professional in this case – to identify the biggest problem areas and enables him or her to predict what the result would be if those elements were addressed. This empowers the marketer to use the model as a game board, where tactical moves can be made in order to support the long-term strategy. This game board consists of the actual performance relative to the benchmarks set, with a pay-off matrix identifying the areas of concern. An overall score is also assigned to the campaign, which is useful in determining whether the campaign was a success or a failure. Using these game boards consistently would also enable senior management to hold their marketing executives accountable for the outcomes of their key performance indicators, which should include optimisation of return on marketing spend. The marketing executives, in turn, can hold their staff and agencies accountable for their deliverables, which include creative quality (traditionally the domain of advertising agencies), reach and frequency (the domain of media buying agencies), public relations (PR) optimisation (which is usually outsourced to a PR firm), distribution efficiencies (which impact cost and sales ratios) and customer service throughout the whole organisation (which impacts client satisfaction rates and future purchase intention from existing as well as potential clients).

This measurement capability and predictive application of practical changes a marketer can make to a campaign while it is busy unfolding make delivery of business objectives fairly easy. It also addresses the age-old question of *"which 50% of my marketing spend is working?"* due to the fact that all campaign elements and their contribution towards obtaining

the business objectives can be measured, judged and optimised. An important factor to keep in mind, however, is that the different response mechanisms should be individually set up to enable the marketer to identify true numbers derived from different media, channels, programmes and sales efforts like leads generation projects. Tracking responses through the sales funnel is another important factor that is necessary to enable calculations of leads, contacts and sales ratios as well as the profits derived from a campaign.

8.1.1. Model design and build

Focus groups were conducted with specialists in the financial services industry. These specialists were drawn from different marketing backgrounds and areas of expertise – including client communication, direct marketing, strategic marketing, brand management and sales – in order to ascertain which elements are used or should be used in creating a comprehensive marketing metrics model. The variables that were identified within specific themes or labels are represented in Table 8.1.

TABLE 8.1: THEMES IDENTIFIED THROUGH FOCUS GROUPS

Label	Variables
1. Customer satisfaction	Customer-satisfaction score Sales-experience rating
2. Loyalty	Loyalty-programme penetration Loyalty-programme usage rates Retention (% more retained)
3. Client acquisition	New customers acquired Ex-clients re-acquired Cross-sale ratio (target) Future purchase intention (brand equity)
4. Sales	Lead-to-sale ratio Contact-to-sale ratio Total sales target Total sales reached Sales capacity (optimal number of sales daily)
5. Cost	Cost per lead Cost per sale Advertising cost-to-sale ratio Return on marketing costs Profit/cost break-even Margin given away as incentive
6. Profit	Earnings-based value of sale Inflation assumption Market-share growth (value to volume ratio) Profit growth
7. Reach and frequency	ARs Number of responses Percentage of target market sold
8. Creative quality	Advertisement recognition Advertisement recall
9. PR	PR value added to campaign

For the purposes of this study, two different campaign types were identified:

- Campaigns aimed at existing clients
- Open market or public domain campaigns (which would include existing clients)

This categorisation was necessary, as the mechanics and influencing variables within the two types are markedly different. A direct-response campaign aimed at existing clients uses different communication mechanisms and mediums, as context and relevance are already known through client insight derived from data mining and propensity modelling exercises. By contrast, open-market campaigns have to create this relevance to its intended audience through advertising with a different set of impacting variables, such as audience reach, contextual compatibility, creative quality and PR.

The next step in the process was to assign a weighting to these themes through the use of analytic hierarchical processing. A questionnaire with pair-wise comparisons – where the respondents could indicate their preference between two themes on a five-point scale – was designed. The questionnaire was sent to respondents via e-mail, and was made available for access online via LimeSurvey, a specialised online survey tool.

This enabled the creation of a weighted pair-wise matrix that expresses the relative importance of a theme in relation to all the other themes. With the help of Expert Choice software, different weightings were assigned for the two different campaign types according to the preferences of the respondents, as depicted in Figure 8.1 and 8.2.



FIGURE 8.1: EXISTING CLIENT CAMPAIGN WEIGHTING

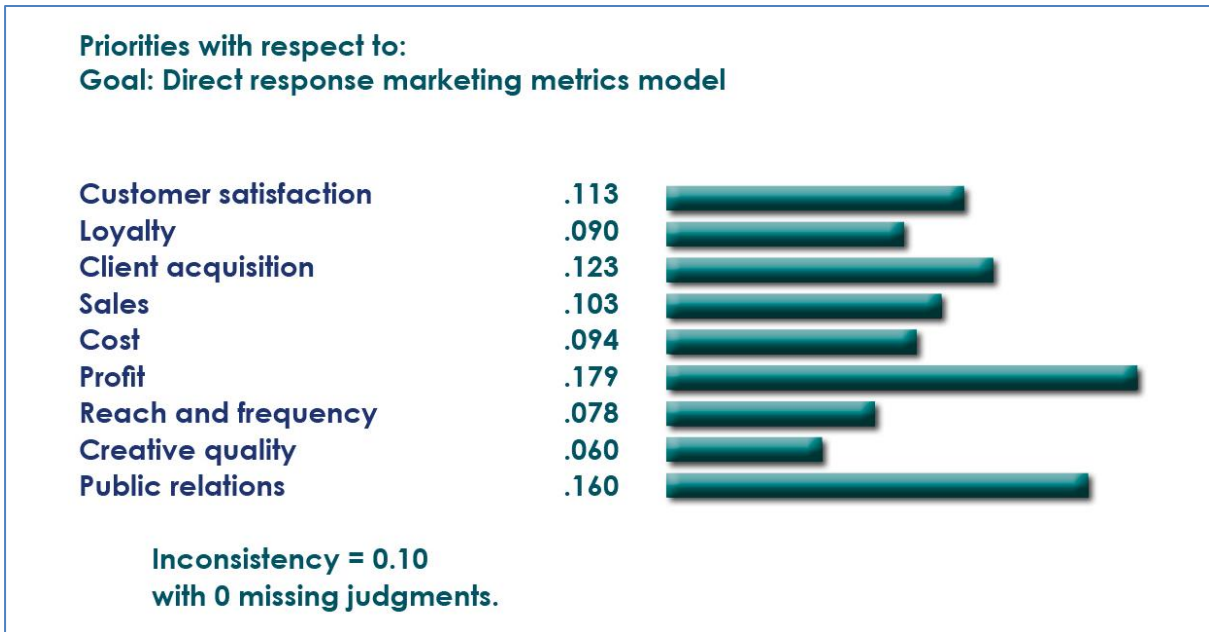


FIGURE 8.2: OPEN MARKET CAMPAIGN WEIGHTING

These weightings were then applied in an input/output model, using historical campaign data and applying game-theory principles to ascertain which campaign elements contributed to the success of a campaign and which elements underperformed in an unsuccessful campaign. This model is portrayed through a pay-off matrix, with the relationships between themes expressed as a positive or negative factor. This enables the marketing practitioner not only to ascertain the level of success or failure of a campaign in relation to the original benchmarks but also to adjust the campaign while it is active. These pay-off matrices for the two types of campaigns highlight the inter-relational nature of the underlying campaign elements. Game-theory principles assist with effectively gauging the impact a change in one element has on the other elements, as can be seen in Matrices 8.1 and 8.2.

MATRIX 8.1: EXISTING CLIENTS CAMPAIGN PAY-OFF MATRIX

INPUT		Cust satisf	Loyalty	Clie n aq	Sales	Cost	Profit	Reach/ freq	Creative qual	PR	
		0,129	0,137	0,095	0,082	0,125	0,12	0,121	0,04	0,15	
Cost:	Cost per lead	-0,001	-0,002	-0,001	-0,001	-0,001	-0,001	-0,001	0,000	-0,002	-0,011
	Cost per sale	0,012	0,014	0,007	0,005	0,012	0,011	0,011	0,001	0,017	0,089
	Advertising cost to sale ratio	-0,029	-0,033	-0,016	-0,012	-0,028	-0,026	-0,026	-0,003	-0,040	-0,213
	Profit/cost break-even	-0,004	-0,004	-0,002	-0,001	-0,003	-0,003	-0,003	0,000	-0,005	-0,025
	Margin given away as incentive	0,080	0,090	0,043	0,032	0,075	0,069	0,070	0,008	0,108	0,576
Satisfaction:	Customer satisfaction score	-0,007	-0,008	-0,004	-0,003	-0,007	-0,006	-0,006	-0,001	-0,009	-0,050
	Sales experience rating	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Reach & frequency:	Base reached	0,011	0,013	0,006	0,005	0,010	0,010	0,010	0,001	0,015	0,080
	Number of responses	0,050	0,057	0,027	0,020	0,047	0,044	0,044	0,005	0,068	0,364
	Percentage of target market sold	0,046	0,052	0,025	0,019	0,043	0,040	0,040	0,004	0,062	0,331
Creative quality:	Advertisement recognition	0,024	0,027	0,013	0,010	0,022	0,020	0,021	0,002	0,032	0,170
	Advertisement recall	0,044	0,050	0,024	0,018	0,042	0,038	0,039	0,004	0,060	0,320
P.R. value:	P.R. value added to campaign	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Client acquisition:	New customers acquired	0,108	0,122	0,059	0,044	0,102	0,094	0,095	0,010	0,146	0,779
	Existing clients buying	0,032	0,036	0,017	0,013	0,030	0,027	0,028	0,003	0,043	0,227
	Ex-clients re-acquired	0,019	0,021	0,010	0,007	0,017	0,016	0,016	0,002	0,025	0,133
	Cross-sale ratio	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Future purchase intention	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Loyalty:	Loyalty programme penetration	0,033	0,037	0,018	0,013	0,031	0,029	0,029	0,003	0,045	0,238
	Loyalty programme usage rates	0,006	0,007	0,003	0,002	0,006	0,005	0,005	0,001	0,008	0,044
	Retention (% more retained)	0,030	0,034	0,016	0,012	0,028	0,026	0,026	0,003	0,041	0,217
Sales:	Lead to sale ratio	0,014	0,016	0,008	0,006	0,013	0,012	0,012	0,001	0,019	0,100
	Contact to sale ratio	0,025	0,028	0,014	0,010	0,023	0,022	0,022	0,002	0,034	0,180
	Total sales target	0,035	0,040	0,019	0,014	0,033	0,031	0,031	0,003	0,048	0,254
	Sales capacity	-0,006	-0,007	-0,003	-0,002	-0,006	-0,005	-0,005	-0,001	-0,008	-0,044
Profit:	Earnings based value of sale	0,038	0,043	0,021	0,015	0,036	0,033	0,034	0,004	0,052	0,275
	Inflation assumption	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Market share growth	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Profit growth	0,062	0,070	0,034	0,025	0,059	0,054	0,055	0,006	0,084	0,450
		0,622	0,702	0,337	0,251	0,584	0,538	0,547	0,060	0,841	4,483

Matrix 8.1 shows that the better-than-expected creative execution led to an over-performance in the volume of responses. This over-performance, together with the limiting of margin given away as an incentive, led to very good sales numbers, in terms of volumes as well as profitability. Overall, this meant that the campaign over-performed its initial planned effectiveness by almost five times. Areas of improvement for future campaigns to this client base could be to focus on satisfied clients, which would continue to increase responses. Although the return-on-cost variable indicates poor performance, it was necessitated by

adding more sales capacity due to the better-than-expected response rate and should not be seen as a negative in the final assessment of the campaign.

MATRIX 8.2: OPEN MARKET CAMPAIGN PAY-OFF MATRIX

INPUT		Cust satisf	Loyalty	Clie n aq	Sales	Cost	Profit	Reach/ freq	Creative qual	PR	
		0,113	0,09	0,123	0,103	0,094	0,179	0,078	0,06	0,16	
Cost:	Cost per lead	-0,005	-0,003	-0,006	-0,004	-0,003	-0,013	-0,002	-0,001	-0,010	-0,048
	Cost per sale	-0,003	-0,002	-0,003	-0,002	-0,002	-0,007	-0,001	-0,001	-0,005	-0,025
	Advertising cost to sale ratio	-0,002	-0,001	-0,002	-0,001	-0,001	-0,004	-0,001	0,000	-0,004	-0,017
	Return on marketing costs	-0,012	-0,008	-0,015	-0,010	-0,009	-0,031	-0,006	-0,004	-0,025	-0,120
	Campaign production (set) costs	0,001	0,001	0,002	0,001	0,001	0,004	0,001	0,000	0,003	0,014
	Profit/cost break-even	-0,002	-0,002	-0,003	-0,002	-0,002	-0,006	-0,001	-0,001	-0,005	-0,023
Satisfaction:	Customer satisfaction score	-0,005	-0,003	-0,006	-0,004	-0,004	-0,013	-0,003	-0,002	-0,011	-0,051
	Number of responses	-0,006	-0,004	-0,007	-0,005	-0,004	-0,014	-0,003	-0,002	-0,012	-0,055
	Percentage of target market sold	-0,003	-0,002	-0,003	-0,002	-0,002	-0,007	-0,001	-0,001	-0,005	-0,026
Reach & Frequency	Radio AR's	-0,007	-0,004	-0,008	-0,006	-0,005	-0,017	-0,003	-0,002	-0,014	-0,066
	Online ads click-through's	-0,003	-0,002	-0,004	-0,003	-0,002	-0,008	-0,002	-0,001	-0,007	-0,032
	Radio frequency	-0,012	-0,008	-0,015	-0,010	-0,009	-0,031	-0,006	-0,004	-0,025	-0,120
	Online frequency (impressions)	0,001	0,001	0,001	0,001	0,001	0,003	0,001	0,000	0,002	0,011
Creative quality:	Advertisement recognition	-0,009	-0,006	-0,011	-0,008	-0,006	-0,023	-0,004	-0,003	-0,019	-0,089
	Advertisement recall	-0,027	-0,017	-0,032	-0,022	-0,019	-0,067	-0,013	-0,008	-0,054	-0,258
P.R. value:	P.R. value added to campaign	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Client acquisition:	New customers acquired	-0,024	-0,015	-0,028	-0,020	-0,017	-0,060	-0,011	-0,007	-0,048	-0,230
	Existing clients buying	0,013	0,008	0,016	0,011	0,009	0,033	0,006	0,004	0,026	0,126
	Ex-clients re-acquired	-0,009	-0,005	-0,010	-0,007	-0,006	-0,021	-0,004	-0,002	-0,017	-0,082
	Cross-sale ratio	0,025	0,016	0,030	0,021	0,018	0,064	0,012	0,007	0,051	0,243
	Future purchase intention	0,019	0,012	0,023	0,016	0,013	0,048	0,009	0,005	0,038	0,184
Loyalty:	Loyalty programme penetration	0,012	0,008	0,015	0,010	0,009	0,031	0,006	0,004	0,025	0,120
	Loyalty programme usage rates	0,034	0,022	0,040	0,028	0,024	0,085	0,016	0,010	0,068	0,327
	Retention (% more retained)	0,016	0,010	0,019	0,013	0,011	0,040	0,008	0,004	0,032	0,153
Sales:	Lead to sale ratio	0,019	0,012	0,023	0,016	0,013	0,048	0,009	0,005	0,038	0,184
	Contact to sale ratio	0,005	0,003	0,006	0,004	0,003	0,012	0,002	0,001	0,009	0,045
	Total sales target	-0,013	-0,008	-0,015	-0,011	-0,009	-0,032	-0,006	-0,004	-0,025	-0,122
	Sales capacity	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Profit:	Earnings based value of sale	-0,019	-0,012	-0,023	-0,016	-0,013	-0,049	-0,009	-0,005	-0,039	-0,187
	Inflation assumption	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	Market share growth	-0,009	-0,006	-0,011	-0,008	-0,006	-0,023	-0,004	-0,003	-0,019	-0,089
	Profit growth	-0,019	-0,012	-0,023	-0,016	-0,013	-0,048	-0,009	-0,005	-0,038	-0,184
		-0,043	-0,028	-0,051	-0,036	-0,030	-0,109	-0,021	-0,012	-0,087	-0,418

The open market campaign failed largely because of poor creative execution. As a result of poor recall and the fact that it did not reach the intended target market in sufficient numbers, it did not acquire as many customers as initially envisaged, which had a cumulative effect on poor profitability, market share growth, return on marketing cost and earnings-based value of sales made. Overall, the campaign underperformed by almost half of the intended performance targets. The marketing practitioner could have changed the content of the campaign and also ensured that the right media were bought in sufficient quantities, if he or she had access to this information during the running of the campaign.

8.2. ATTAINMENT OF RESEARCH OBJECTIVES

The research question and objectives posed in chapter 1 have been addressed through the research process, through identification of all the appropriate campaign factors to include in the model, weighting those factors in relation with each other in terms of importance and testing the practical application of the model through retro-fitting campaign data into the model.

Not only can a marketing practitioner use overall business objectives to justify marketing spend through unpacking how much profit through client acquisition needs to be gained, but the composition of the campaign, the identification of the type of campaign needed, as well as the management of underperforming elements of a campaign will empower a marketing practitioner to optimise return on investment. It will also make it possible for directors and executive committees to hold marketing practitioners accountable for their spend, as clear goals are set from the beginning in the planning and business case phase of marketing campaigns, through the performance benchmarks, which become in practical terms a marketer's performance contract with the organisation.

8.2.1. Informing marketing strategy

The study showed that the process of informing a marketing strategy with a structured approach by using the proposed model, with its underlying actions and activities in the form of campaigns, starts with the unpacking of the strategy. The sales needed, together with the mix of new sales vs. cross-sales, needs to be identified, together with a value of the average sale, e.g. R12 000 annual premium income. This is important, as it will guide the marketing strategy into the right target market, channels of communication and articulation of the value

proposition. Retention targets will similarly guide the marketing strategy in terms of proactive engagement tactics with the existing base of clients.

8.2.2. Optimising distribution

Unpacking the distribution of the product is the next step. Here, the following areas need to be identified:

- Complexity of sale, which determines the type of channel.
- Segments targeted, with distribution channel and communication medium best-fit.
- Existing face-to-face sales capacity through footprint vs. required sales as identified in the strategy.
- Penetration into the potential market needs to be taken into account.
- Gaps in existing distribution footprint need to be identified, where existing footprint has a low or no penetration into the potential target market.
- Different segments with their respective product lines' targets in relation to the specialisation of the sales force in those regions also need to be identified.
- Distribution support needed for outsourced and owned channels.
- Training and accreditation.
- Road shows to make the distribution channel aware of the product or service.
- Technical support in the form of access to specialist knowledge and competitive intelligence information.
- Marketing material.
- Electronic tools, including mobile apps, calculators and web functionality to facilitate the sales process.
- Opportunities within the existing client base, mapped to the sales capability and area of specialisation of the distribution network.
- Size of direct sales force needed.

8.2.3. Benchmark and goal setting

By understanding the profit drivers of the business, as well as what profit needs to be derived from campaigns, the marketing practitioner can, through using the model, create a business case per campaign that will encapsulate:

- How many clients need to buy the product and at what cost per sale

- How many clients need to respond to the advertising
- What the conversion rate in the distribution channel should be
- What media reach and frequency would be needed to elicit enough responses and at what cost, to support the benchmarked cost per sale.
- What the production cost of the advertisements should be in order to create campaign effectiveness and efficiency.

This business case will then be supported by other benchmarked targets to ensure campaign effectiveness. These include:

- What the creative quality of the advertisement should be in order to elicit the appropriate number of responses.
- What existing client engagement activities through loyalty programmes can be utilised
- What level of customer satisfaction need to exist in the marketplace as well as in the existing base of clients, in order to deliver on benchmarked responses and
- What P.R. value can be generated in support of the campaign.

By taking all these factors into account during the planning phase of a campaign, budgets can be created that is directly linked with the overall business objectives of the organisation.

8.2.4. Campaign performance measurement

Another research objective of the study is to measure the effectiveness and underlying efficiencies of direct response advertising. This is measured in relation to the benchmarks created in the planning and budgeting phase of the campaign. This done through populating actual data into the model and comparing this with the benchmarks set, to create a “game-board” of performance factors. This is done to identify areas of underperformance in relation to the other campaign factors, to enable the marketing practitioner to implement a change in the campaign in order to attain the business objectives. In a case of persistent underperformance, it should be decided whether the campaign should be continued or abandoned before too much investment is wasted.

Assessing the relative success of the campaign should also be carried out in the retrospective phase to entrench the learning taken from the campaign into planned future strategies.

The next step is to populate the performance benchmarks within the marketing metrics model to be able to track efficiency of the marketing work done. This will be done for all activities, as even the most mundane marketing activities carry a cost and needs to showcase business value. The model was created specifically for the following two types of campaigns in the financial services industry:

- Above the line or open market campaigns, and
- Below the line campaigns or campaigns aimed at existing clients

8.2.5. Marketing accountability

By analysing the results of campaigns, in terms of responses, conversion rates and sales, as well as profits, chief executive officers can use the model as an accountability tool for marketing executives. Key performance indicators that form part of a performance management process, can include scores linked with the scores from the proposed metrics model. This will ensure objectivity in the process, as well as clarity about the level of performance that is needed from the marketing executive to support the business.

8.3. LIMITATIONS OF THE STUDY

Due to the small sample size, these results cannot be seen as definitive, but rather as a guideline to building a marketing metrics model. The numerous steps involved in setting up the model also prohibits non-specialists outside of strategic marketers to be involved in the creation and execution of the model.

The specific nature of financial services marketing and the specialisation necessary within the industry to market products and services effectively, also prohibits any marketing practitioner from using the marketing metrics model proposed in this study in a generic fashion, without consultation from business owners and marketing specialists. In the financial services industry, actuaries and accountants are responsible for the profit and cost management models of different product lines in companies. Close collaboration with these role players are necessary in order to populate the benchmarked performance indicators of these elements of the metrics model. It is also important to calibrate changes to these elements due to changes in the economic landscape, as well as the competitive environment due to price and product strategies of competitors, when operationalizing the model through the input of data, in order to track campaign output with business realities.

Marketing as a business science also evolves constantly, with the introduction of new consumer communication technologies and ways to analyse customer behaviour. This means that the proposed model also will need to evolve together with the environment it serves and should not be seen as a static solution to all marketing efficiency challenges.

This study does not address the measurement of brand building activities and campaigns, such as sponsorships, corporate social investment and brand advertising. Future models can be developed to measure the effectiveness of these activities.

8.4. CONTRIBUTION TO MARKETING THEORY

The study aims to address a gap in the current marketing practice of marketers in the financial services industry. By creating a benchmarked performance measurement tool for direct response advertising campaigns, referred to in the study as a marketing metrics model, it is possible for marketers to base their output on the business objectives of the company. This enables them to build business cases for budgets, plan their campaigns in a scientific manner and track the performance of the underlying factors of a direct response advertising campaign to curtail campaign failure and marketing investment wastage. By combining the business objectives, which are expressed in objective variables such as profit, cost and market share, with campaign and creative objectives which are expressed in both objective (such as Public Relations value-add and media reach) and subjective variables, such as recall, recognition and liking, into a single model that is calibrated to identify performance issues of campaign themes in relation to each other, it is possible for the marketer to justify marketing investment, measure the performance of the campaigns and for the executive of a company to hold the marketer accountable for the investment made in campaigns.

The marketing metrics model was developed with the use of Analytic Hierarchical Processing, in order to weight the importance of the underlying themes in relation with each other, as well as non-competitive game theory in order to create a pay-off matrix that enables the marketer to identify areas of underperformance. This approach has never been used before in the development of a metrics model for direct response advertising purposes.

8.5. SUMMARY

The future direction of any successful business is usually articulated through a strategy that reflects certain key measures such as management expenditure, acquisition cost, value of new business, embedded value, sales, retention and client satisfaction measures. These metrics are usually required by the executive management of a business and is driven by stakeholder expectation, market forces such as economic conditions, growth potential and the maturity of the industry and the business. An ideal strategy would also include the marketing strategy, its deliverables and targets, together with the return on investment metrics to justify expenditure. However, the reality is often quite different to this ideal with companies struggling to translate business objectives into a marketing strategy due to a dearth of appropriate, validated and standardised marketing metrics. This creates a situation where marketers request budgets to be allocated to their planned activities, without justification of how these activities will support the main business objectives. The result is usually reduced marketing budgets, as this expenditure represents a large portion of the variable cost within the operation. This in turn leads to limited marketing activities and an underperformance over the longer term, due to less visibility and understanding of the company's value proposition in the marketplace. Consequently, the allocated marketing budget therefore needs to be spent wisely with optimal impact and return. Returns in particular need to be benchmarked and measured as marketing campaigns are being planned and executed. To guide such process, a marketing metrics model is most ideal it presents the details of supporting elements and their envisaged performance levels by identifying optimal target audiences, determine the appetite for a company's products and services, as well as their preferred channels of communication, engagement and activation. These insights should inform available resources, sales capacity as well as other strategic objectives such as profit, market share gain and sales volumes.

Against this background, and aimed to guide the assessment of the short-term impact of direct response marketing campaigns in particular, this study succeeded to present a prototype design for an innovative marketing metrics model that could assist in structuring marketing communication activities in order to support the business objectives. The model enables marketing practitioners to do proper planning, change tactics during the execution phase of a campaign or activity, and to measure success or failure rates during the post-mortem phase of a campaign.

The model design is perceived as most useful in terms of:

- translating of business objectives into a marketing strategy;
- planning, executing and measuring marketing activities by focusing on marketing campaigns in general and direct response campaigns in particular;
- highlighting areas of underperformance to create a marketing scoreboard to enable marketing practitioners to optimise marketing spend; and
- scoring the success of campaigns through the use of a pay-off matrix to keep marketing practitioners accountable for delivery of the business objectives.

Furthermore, the application of Game Theory in the study is significant, because it allows the 'players' or marketing professionals to identify the major challenges (problem areas) and enables them to predict what the result would be if those elements were addressed. This approach empowers marketing practitioner to apply the model as a game board, where tactical moves can be made in order to support long-term business strategies. As explained, this 'game board' consists of the actual performance relative to the benchmarks set, with a pay-off matrix identifying the areas of concern. The overall score assigned to a campaign, is also useful in determining whether the campaign is a success or a failure. Using these game boards consistently would also enable chief executives to hold their marketing executives accountable for the outcomes of their key performance indicators, which should include optimisation of return on marketing, spend. Marketing executives, in turn, can hold their staff and agencies accountable for their deliverables, which includes the creative quality (traditionally the domain of advertising agencies), reach and frequency (the domain of media buying agencies), public relations optimisation (which is usually outsourced to a public relations firm), distribution efficiencies (which impacts cost and sales ratio's) and customer service throughout the whole organisation (which impacts client satisfaction rates and future purchase intention from existing, as well as potential clients).

In summary, the metrics model exemplar presented in this study is regarded as an ideal tool or technique be utilised by companies to plan, execute and assess what marketing communication activities should be prioritised and how the budget allocated to these activities could be optimised.

8.6. AREAS FOR FURTHER RESEARCH

Additional research to enrich the marketing metrics model could be done in the identification of brand equity indicators, specifically the emotional drivers of purchase behaviour and the effect that the brand has in the decision making process. Another area that could add significant value is through the scientific calculation of media efficacy, especially in the digital television environment, where decoding devices with recording capability allow viewers to skip through advertisements, which has a negative effect on response rates. In the field of public relations, a more scientific approach to calculating total PR value is also needed, as equivalent advertising value for editorial content is not representative of the power of objectivity in reporting and the effect it could have in persuading consumers to act on marketing messages.

Future research could also test the model in other industries to determine applicability and areas of difference. The incorporation of new consumer testing variables, such as EEG tests and eye-tracking results, as well as new social advertising platforms into the model could also be undertaken.

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