

TECHNOLOGY FILE

OPTIMIZATION FINE-TUNES MARKETING EFFORTS

In a crowded landscape, companies want to be smarter, faster, and more economical with their marketing strategies and activities. For many financial institutions, a technological approach to market research and product/concept design provides the right platform for winning initiatives.

Optimization technology, or advanced conjoint research, enables businesses to identify key attitude segments, develop segment-specific products and services, and communicate the most motivating messages and visuals to the right people. This translates into rapid innovation, long-term savings, solid strategies, and targeted communications aimed at the most motivated members.

Optimization is the systematic selection of the most attractive elements of a product or service, or communication enabling accelerated concept/product development. This process can be applied to a variety of credit union services: online banking, investments, credit cards, mortgages. Consider an example of a major credit card company that wanted to issue a new event-based credit card in conjunction with a leading Asian bank.

The bank needed help identifying target markets, messages, and communication strategies. Market research firm Moskowitz Jacobs Inc., White Plains, N.Y., recommended an optimization process and technology called IdeaMap to identify two attitudinal segments and linked them to the bank's mailing database. The first month, the bank acquired 65% of annual predictions for new card applications; the second month, 85%. Overall, the bank and credit card issuer achieved 250% of their annual goal

within the first year.

A walk-through of the marketing process using optimization:

► *What do members want (market segmentation)?* With any marketing initiative, credit unions first must identify members' "hot buttons"—services attracting high member interest, such as investment options, online banking, annual fees, benefits, loyalty rewards, and so forth. Marketers use optimization to determine what concepts or services are "turn ons" and "turn offs" for members.

This method looks beyond traditional (demographic and psychographic) segmentation and identifies common attitudes, preferences, and individual interests within the membership. By segmenting members this way, marketers can develop new products and services that yield positive response, profit, and long-term member satisfaction and loyalty.

For example, a father and daughter (both credit union members) are different demographically. However, they both may be motivated by similar rewards—travel insurance and merchandise. If these "hot buttons" also motivate 75% of your membership, they will be key in launching your new rewards/benefits program.

► *What's the best formula (product/service optimization)?* With attitude groups identified, optimization enables marketers to determine product characteristics. For example, testing a new investment fund would consider qualities and features in several categories: portfolio name, minimum investment, price, term, index, investment goal, penalty, and emotional benefit. Optimization tests hundreds of statements relating to these cate-

gories and determines the best combinations for the new product and the most motivating to target groups.

► *What's the right thing to say (communication optimization)?* Marketers then need to describe the product. Optimization helps marketers test and identify the optimal images, taglines, descriptions, and key benefits to communicate to target groups. For example, a credit card with frequent flier miles can offer "great vacations in exotic places" or help to "reduce business travel costs." The same benefit is communicated in two very different ways. This application enables marketers to identify and deliver what members truly want to see, hear, and read in advertising and marketing communications.

► *What should it look like (graphics/package/World Wide Web site design)?* Designers also use the multimedia facet of optimization to identify the visual stimuli ("hot buttons") and most motivating messages to attract members. This develops better communication packages, visuals, audio and video commercials, and Web pages.

► *What about little ole me (direct marketing)?* The optimization process applies mathematical modeling to existing database frameworks to predict attitudinal segments throughout all entries. This analysis enables marketers to cost-effectively determine appropriate messages for members in the database—and predict response. ■

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