contacts with customers had increased to unfathomable proportions, with some customers receiving as many as 60 catalog mailings per year. In addition, the amount of stored customer data was skyrocketing. Profits and customer satisfaction were at risk, with saturation levels reaching as high as 60 percent.

As a result of marketing event optimization, the retailer reported an additional $3.5 million in new profit while reducing its mailings by more than 7 percent. In fact, the solution paid for itself during the first year of use.

Turning analytics into action
Marketing event optimization is part of the IBM Center for Business Optimization solutions portfolio. The center deploys a team of consultants who combine their industry and process expertise with IBM's capabilities and resources in advanced mathematical research, business performance management, business intelligence systems, software and deep computing to provide a significantly differentiated service to clients.

In addition to marketing event optimization, the center offers optimization solutions in the areas of risk management, pricing and complex supply chains.

For more information
To learn more about IBM Global Business Services, contact your IBM sales representative or visit:

ibm.com/bcs

To learn more about marketing event optimization and the IBM Center for Business Optimization, visit:

ibm.com/services/cbo
Faced with mounting pressure to deliver quantifiable results to the bottom line, chief marketing officers (CMOs) are looking for solutions that can help them decide how best to invest their direct marketing dollars. Even today’s advanced marketing management systems, while streamlining the campaign execution process, provide limited help to executives when it comes to allocating their budgets among customers.

Contributing to quarterly earnings, however, isn’t the CMO’s only concern. Marketing must also manage its direct marketing activities in a way that continually enhances the customer relationship — a daunting challenge in its own right. As the average number of promotions received by each household continues to climb, capturing the attention of customers grows increasingly difficult.

To address these challenges, IBM has developed a solution that can help marketers determine the most profitable and effective mix of direct marketing spend among a set of campaign events across multiple channels.

**Introducing marketing event optimization**

Marketing event optimization examines a company’s proposed direct marketing events over a given time period — such as mailings, telemarketing campaigns, e-mail marketing — and builds an optimal promotional stream that helps maximize overall financial results, while reducing costs and avoiding customer saturation.

Utilizing advanced analytics, the solution develops a contact plan by customer based on marketer-defined resource constraints, which include:

- Expected returns
- Individual customer budget
- Event cost
- Promotional interaction between events
- Minimum and maximum offers per event
- Overall marketing budget.

Purchase history, demographics and aggregate patterns of predicted behaviors are used to calculate each customer’s “risk/return” relationship so that an optimal set of events can be directed at the customer up until the point of diminishing returns. Risk is defined, for instance, as the act of mailing a promotion to a customer given the return on that particular mailing may be zero.

Marketers can see the impact of various optimization scenarios, determine the “best” investment strategy, and then capture results to continually refine and adjust their contact strategy for each customer under consideration.

**Approaching customers as an investment**

Marketing event optimization is based on IBM’s horizontal marketing methodology, which views customers as a portfolio of financial instruments to be invested in over time, much the same way financial advisors manage their clients’ assets.

Why spend all of your budget on your best customers, if the same or less budget, when better directed, provides the opportunity to yield more profitable results? Horizontal marketing shifts the focus from optimizing events to optimizing customer relationships by advocating a more balanced spending approach — one which does not:

- Over invest in the “best” customers
- Under invest in “underperforming” customers
- Ignore “rising stars.”

**The right offer at the right time**

Marketing event optimization helps bring an entirely new level of sophistication to the way marketing departments plan and manage their direct marketing activities. What’s more, the solution is designed to interface with a number of third-party tools and databases, allowing the analysis and reporting of results to flow seamlessly into a client’s existing environment.

IBM is ready to work with your organization to integrate marketing event optimization into your marketing process flow.

For example, IBM consultants collaborated with a large multichannel retailer that needed to improve the quality of its customer contacts by providing the right offer at the right time. Over the years, the company had grown to become one of the largest direct marketing and online retailers in the United States. The number of marketing