

Focus Groups, Surveys Boost Research

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Original version of an article that appeared in the June 7, 2004 issue of "DM News"

Although we live in Chapel Hill, North Carolina, the Wheaton family recently began subscribing to a newspaper in Durham, North Carolina.

What on earth, you might ask, does this have to do with direct and database marketing? As it turns out – plenty!

For years, the Wheaton family received several calls a month from this Durham newspaper, asking us to sign up. For years, the response was, "Why on earth would we want to do that? We live in Chapel Hill." Finally, someone in the Wheaton family put a stop to the calls by requesting that we be placed on the paper's "do not call" list.

However, our eleven-year-old son is a fanatical Duke Blue Devil basketball fan. Duke University is located in Durham, about ten miles from Chapel Hill. In fact, we joke that our son leads a Duke-centric existence. For him, life is all about Duke. He owns Duke hats, Duke shirts, Duke shorts, Duke socks, and Duke just-about-everything.

Duke's archrival, The University of North Carolina, is located in Chapel Hill, about five minutes from our house. Nevertheless, the town contains quite a few Duke fans and employees. This is especially true on the north side, which shares a border with Durham.

Recently, I happened to stumble upon the Durham newspaper's Website. It soon became apparent that it has by far the best coverage of Duke basketball in the area. Suddenly, the subscription price seemed a mere pittance. Well, perhaps not a pittance. But, certainly worth 365 days a year of coverage of a team that is the focus of just about every minute of my son's leisure hours.

Interestingly, during the dozens of calls over the years to get us to subscribe to Durham newspaper, no one ever had an effective response to our question, "Why on earth would we want to subscribe to a Durham paper when we live in Chapel Hill?" If someone had once listed a few possible compelling reasons, including the best coverage of Duke basketball in the area, then the subscription annuity from the Wheaton household would have started much, much sooner.

Focus Group and Survey Research for Understanding Non-Response

Consider the transactional details of the subscription information available to the Durham newspaper – things such as dates, dollars and renewals. There is nothing intrinsic about these data sources that

screams, “Lots of people in Chapel Hill subscribe to your paper because of its superior Duke basketball coverage!” The only way to arrive at this insight is to ask for it. This is where focus group and survey research plays its all-important role.

Once you have probed your customers for the motivations behind their interest in your product or service, the next logical step is to do something with it. For the Durham newspaper, it could be as simple as altering the scripts of its Telemarketing Sales Representatives, to provide them with several compelling reasons to subscribe to the paper. And, perhaps making sure that certain scripts and compelling reasons are reserved for specific times of the year, such as during basketball season to highlight coverage of Duke basketball.

Extending Focus Group and Survey Research to Outside Lists

Focus Group and survey research can also be applied to non-customers. Most direct marketers are lucky to generate a 1% response rate from outside lists. In other words, 99% of everyone who is contacted will not respond. However, how many direct marketers have ever done focus group and survey work to probe the reasons for the non-response? Certainly, not many! Of course, certain steps must be taken, such as securing list owner approval, and carefully wording the scripts and questionnaires.

Invariably, much of the non-response will be a reflection of the inevitable imprecision of targeting. However, some will be because the optimal argument for purchase has not been identified and incorporated into the promotion. Going back to the Durham newspaper example, Duke basketball coverage was never highlighted.

Some would say, “How can I ask non-responders why they did not respond? After all, doesn’t their non-response suggest that they will not cooperate in focus group and survey work to probe their motivations?” Anyone who has been involved in the focus group and survey process understands the fallacy of this perspective. There are all sorts of ways to get people to share their thoughts and opinions, including paying them for their time.

The net effect can be significant. If just a single non-responder out of every 500 could be convinced to purchase, the overall response rate for the corresponding promotion would increase by 20%, from 1.0% to 1.2%. That is a very significant difference!

A Case Study

Some time ago, a client employed focus group and survey research to identify a new and important target market. This market, it turned out, was significantly more affluent than the core customer base. As a result, the client revamped its merchandise offerings within a specific high-margin category, and significantly altered its prospecting strategies and tactics. Here is how all of this unfolded:

First, some background. The company sold a wide range of hard goods across a number of merchandise categories. And, its target market was decidedly middle-class.

During the course of a data mining assignment on the Marketing Database, it was discovered that a small portion of the client's customers were responsible for a dramatically disproportionate percentage of revenues and profits. Interestingly, most of these customers had one thing in common: a large number of purchases within a single, high-margin merchandise category. The decision was made to perform a "deep dive" analysis of this customer subgroup.

The first step was to examine the specific merchandise that was being purchased by this very profitable customer group. Interestingly, the purchases turned out to be concentrated within the highest price-points within the aforementioned high-margin merchandise category. It turned out that a confluence of three factors – high average number of purchases, high margins, and high price points – had resulted in the creation of a small but powerful revenue and profit engine within the client's customer base.

The second step of the analysis was to probe the demographic characteristics to this very profitable customer group. In order to do so, demographic overlay data was applied to the Marketing Database. Interestingly, it was discovered that this customer group was significantly more affluent than the balance of the customer base.

The third step was to understand the motivations behind the purchase behavior of this customer group, via focus group and survey work. Out of this came several important conclusions:

First, most of the company's merchandise offerings, and especially within the aforementioned high-margin category, were too downscale to be of interest to this customer subset.

Second, despite the small degree of overlap between the customer subset's socio-economic status and the client's merchandise offerings, the customer subset had developed significant loyalty to the company.

Third, with well-considered line extensions, and revamped prospect and customer cultivation strategies and tactics tailored to this subset, overall loyalty and corresponding revenues and profits could be enhanced even further.

As a result of this research, the company methodically tested its way into enhanced product offerings. It then featured these offerings in revamped specialty catalogs and standalone-direct mail pieces to both customers and prospects.

For existing "core" mailings, additional high-quality, high price-point merchandise pages were included in catalogs directed to targeted prospects and customers. Likewise, ink-jet "call-outs" and cover-wraps to this audience subset highlighted the pages of core catalogs featuring merchandise of particular interest. And, these sorts of prudent targeting initiatives were carried over to the e-commerce arena, via analogous strategies and tactics applied to the company's Web site.

Ultimately, the company was able to test its way, over time, into a very profitable program of mass targeting.