

Integrating Decision Making and Marketing Intelligence: The Roadmap to the Boardroom

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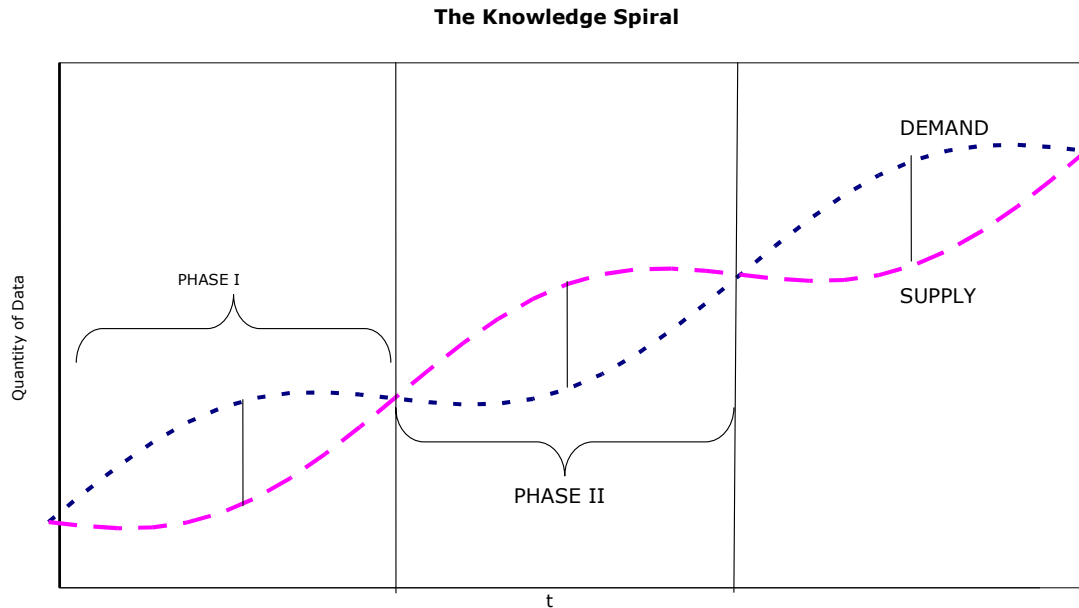
SUMMARY:

The marketing research industry is facing with several challenges. A paradigmatic shift is necessitated to gain a competitive edge against other data suppliers. This paper proposes a framework for this paradigmatic shift.

Marketing research industry is experiencing hard times nowadays. Although the industry experienced positive growth rates (4% in 2000, 2.8% in 2001) compared to growth of CRM expenditures which is about 100%; it does not promise and economic boom. Challenges to our industry are not limited with these relatively low levels of growth. As the marketing research intelligentsia discusses since several years; the industry is suffering from not satisfying expectations of customers. Alternative explanations and reasons behind this problematic are discussed in details in our paper submitted in the Technovate Conference of ESOMAR.

We can analyze current challenges towards our industry from a systemic analysis of the Knowledge Space in which we as well as our customers operate. Below figure shows evolution of the "Knowledge Spiral" over time. The vertical axis presents amount of data, which may be measured in terabytes of data, numbers of page or volumes of documents. The horizontal axis is time. The dotted line is the demand functions of decision makers, in other words quantity of data needed by decision makers to rule their companies. Other line shows supply of data by different agents which

may be marketing researchers like us, internal suppliers of financial or operational data or CRM applications.



There is a dialectical relationship between supply of and demand for data as a result of the evolution of management of knowledge and information processing functions overtime. Phase I of the figure is characterized with the development of modern/scientific management of Taylor whose primary aim is developing a scientific approach to production processes. Thus, the newly born professional manager had to collect significant amount of data in order to control and manage its company according to this scientific approach. This initial phase of demand for data was limited with simple tangible ones such as accounting and production. Following the development of mass production and mass consumption; emergence of the modern marketing resulted on increasing demand for customer and marketing data, corresponded by increasing supply. First, number of data sources increased, secondly as a result of the Moorian growth of processors the information production capacity of data suppliers increased day by day.

Today's crisis is highly dependent on the gap between supply of and demand for data. Though supply of data increased exponentially overtime; since the management science did not experience a paradigmatic shift, decision makers are facing a significant information overflow. However, hints of such a paradigmatic shift are visible.

First of all, with the development of the knowledge management, a significant effort has been spent to integrate huge volume of accumulating data and increase efficiency of information production processes. Secondly, new areas of intellectual inquiries focused on organizational learning, flexible organization, open communication and network organization, became visible. Thirdly, rapid technological development significantly contributed to develop much more efficient information production methods.

Within this broad picture, challenges against the marketing research industry are highly related with how it is positioned by decision makers among numerous data suppliers. Our industry is accepted as only one of several information sources and its scope is defined as "helping firms in their marketing plans" limiting the researcher as being a subcontractor and excluding professional researchers from the boardroom. On the contrary, the new managerial era also promises a significant opportunity space for us.

The new managerial paradigm is characterized with its customer centric approach. Contrary to the "Golden Age" of mass consumption-production society characterized with rapid economic growth, enduring economic stability and continuous increase of real wages, meaning a prosperous period for producers; today, customer is the scarcest resource. Intensified competition and supply of similar goods from different companies and the selective attitude of customers created significant pressure on companies that want to survive. This situation pushed companies to emphasize on their customers under the broad heading of "Customer Relationship Management".

Main logic behind emphasis on CRM is that cost of attracting a new consumer is much more expensive than keeping old one. Thus, retention and loyalty of customers are important assets for companies. Though CRM is a vision of management, it has been identified with intense technological investment. According to a Gartner Group study, only 38 percent of overall CRM investment is allocated to CRM services including all kind of services. However such investments do not create a significant value added for companies. It is argued that about 80 percent of CRM projects fall well short of their objectives. This is a significant disillusion for decision makers.

From our perspective, dynamics allowed the CRM market to experience such a growth also created a significant opportunity space for the industry which accumulated a significant knowledge about the customers during 150 years old history. Compared to CRM, the research industry has numerous advantages. While information gathered through CRM systems is limited to transactions of existing customers, marketing research brings significant information about values, attitudes and behaviors of both existing and potential customers. Attempts to estimate future behaviors based on past transactions are not successful and even increasingly sophisticated statistical techniques failed to develop explanatory models. Consequently, the birth of the customer centric organization creates a new type of consultancy for marketing research experts experienced with the eye of the customer.

The most important obstacle in this opportunity space is determined by business processes of marketing research. It is argued that marketing research data does not satisfy expectations of customers since it is not easily integrated with other kinds of data, marketing research projects are too slow for today's decision makers and finally data collected by the industry is only used for supporting marketing decisions.

Conventional marketing research business processes start with establishing research objectives. The project is then designed; data is collected, analyzed and reported to the customer with strategic

recommendations. The role attributed to the research agency ends after reporting, it does not attribute any interest to how results are used by customer, which kind of data (operational/financial etc.) is used with marketing research information and which internal reports are produced by the customer using this data. In short the research agency is clearly excluded from decision making process of the customer.

This exclusion is stemming from the Fordist type production of marketing research designed when our information sources, production capacity and distributions channels were limited. However, technological revolution and commercialization of huge computers allows us to conduct sophisticated analyses; enlarged WWW technology, it is possible to provide online reporting tools and it is not difficult to conduct multi-platform surveys to reach different segments through different tools. Most importantly it allows us to reverse our processes to be competitive in tomorrow's information market.

Our proposed research process starts with analyzing and understanding business objectives of the customer by questioning decision makers about how they will decide and which information they need when they decide. Output of this exploration process is a document of information requirements which includes information about source, timing and expiration date of data to be collected. This document also imposes data gathering methods not only through surveys, but also through a pipeline to operational, financial data and CRM systems. Following step is data gathering process. Since the cost of all information needed is known, it is possible to calculate a return on investment for the overall information requirement of the company, allowing the board to make a priority list. Final step of the process is to prepare analyses requested by decision makers. The role given to the consultant is guiding interpretation of incoming data, exploring how decision makers use this data and assisting in developing and setting up new analyses.

Though this process seems to be too much technology dependent; most companies have already established required infrastructure through

investments to managerial information systems, CRM investments and data warehouses. Several processes of the marketing research are already automated: one can collect data from different platforms and integrate it. Our experience with the investment branch of the largest commercial bank of Turkey discussed in details in our paper; showed that such an approach created an extra value added to our service and is welcome. Among several lessons to be drawn from this case, the most important is that the engagement and advocacy of top level management is crucial while participation of the IT team is a must.

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