CRM IT
Customer Success Partner

Introduction to Predictive Marketing

A Paradigm Shift in Marketing Technology

01 Introduction

Predictive marketing is the practice of extracting information from existing customer datasets to determine a pattern and predict future outcomes and trends. Data is compiled on present customers, algorithms adjusted in real-time, and leads are scored for a propensity to drive business results. Advertising and audience sources can be measured to develop campaigns with predictive responses as well. It helps marketers identify in-market buyers earlier in the buyers' journey, improve engagement throughout the entire customer lifecycle, and increase conversion rates and revenue.

The concept of predictive marketing is not new, but what is new is the ability to leverage predictive intelligence to improve lead generation and inform the individual, customer level decisions about messaging, communication, and campaigns overall.

02 Choose The Right Analytics Option

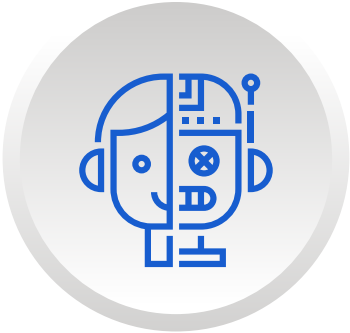
With the flood of data available to businesses and marketing operations these days, companies are turning to analytics solutions to extract meaning from the huge volumes of data to help improve decision making.

Looking at all the analytic options can be a daunting task. However, these analytic options can be categorized at a high level into three distinct types. No one type of analytics is better than another, and in fact,they co-exist with and complement each other. In order for a business have a holistic view of the market and how a company competes efficiently within that market requires a robust analytic environment which includes:

2.1 Descriptive Analytics:

90% of organizations today use descriptive analytics which is the most basic form of analytics. The simplest way to define descriptive analytics is that it answers the question “What has happened?”. This type of analytics, analyses the data coming in real-time and historical data for insights on how to approach the future. The main objective of descriptive analytics is to find out the reasons behind precious success or failure in the past.

2.2 Predictive Analytics:



The subsequent step in data reduction is predictive analytics. Analysing past data patterns and trends can accurately inform a business about what could happen in the future. This helps in setting realistic goals for the business, effective planning, and restraining expectations. Predictive analytics is used by businesses to study the data and ogle into the crystal ball to find answers to the question “What could happen in the future based on previous trends and patterns?”

2.3 Prescriptive Analytics:

Big data might not be a reliable crystal ball for predicting the exact winning lottery numbers but it definitely can highlight the problems and help a business understand why those problems occurred. Businesses can use the data-backed and data-found factors to create prescriptions for the business problems, that lead to realizations and observations.

03 How to start

Predictive analytics modeling is a statistical process that involves analyzing current and historical data to predict future behavior and outcomes.

You may use linear or logistic regression technique for developing accurate models for predicting an outcome of interest. Often, separate models are created for different segments. To judge their effectiveness, you can use the segmentation methods such as CHAID or CRT.

The following are four primary classes of predictive models for digital marketers:

3.1. Cluster models (segments) –

Used for customer segmentation; algorithms segment target groups based on numerous variables, everything from demographics to average order total.

Common cluster models include-

- Behavioral clustering
- Product based clustering (also called Category based clustering)
- Brand based clustering

Variables analyzed in a behavioral clustering model could include such behaviors as how frequently customers purchase from your e-commerce website, how much they spend, and if they buy your merchandise only when it's on clearance. For B2B business, it includes website visits, form submission, ad clicks and product purchase.

On the other hand, product- and brand-based clustering analyzes the types of products and brands of merchandise that your customers are most interested in purchasing. This helps you determine digital content, such as which product and brand offer to send to individual customer segments across all channels.

3.2 Propensity models (predictions) –

Propensity models analyze such customer data as past purchases and online behavior to predict a customer's future behavior. Using this information, you can target and segment these customers to communicate with them more effectively.

Common models include

- **Predictive lifetime value -** Algorithms are used to compare a new customer with customers who have purchased from your company in the past
- **Likelihood of engagement -** The likelihood of a customer to click on the links in your emails and advertisements
- **The propensity to unsubscribe -** Knowing how likely customers are to unsubscribe can help you determine the optimal frequency and cadence of your email send to them
- **CThe propensity to buy -** Probability of your customer to buy your product or services
- **The propensity to churn -**The likelihood of customers are ready to cease their relationship with your organization

3.3 Collaborative filtering –

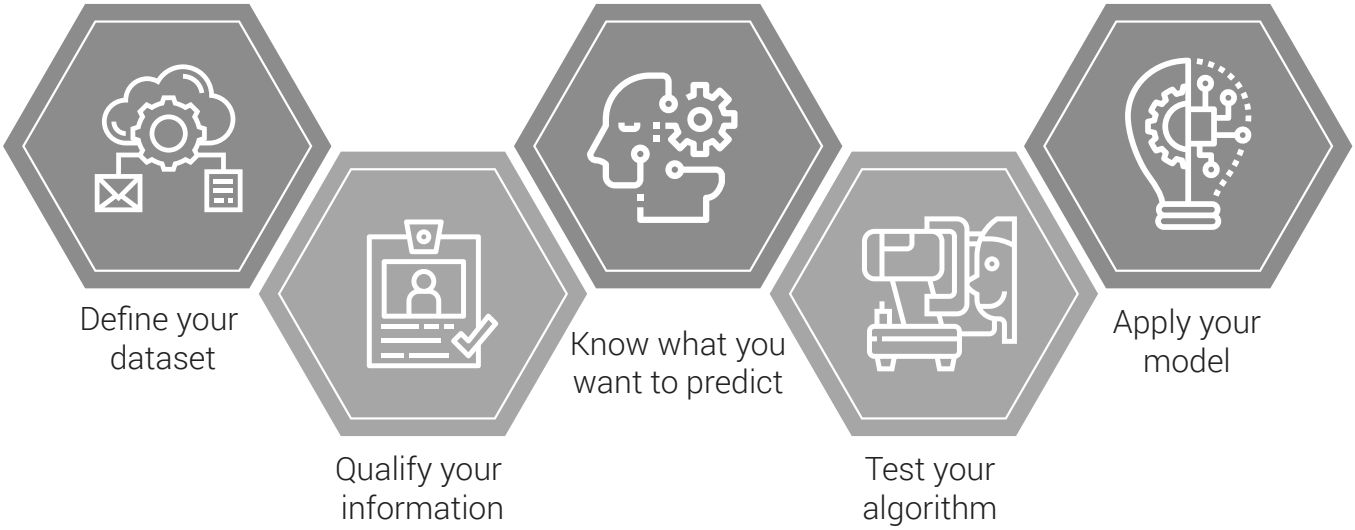
Used for recommending products, services, and advertisements to customers based on a variety of variables, including past buying behavior. Common models (like those used by Amazon and Netflix) include up-sell, cross-sell, and next-sell recommendations.

3.4 Regression Analysis -

It helps in building the correlations between specific customer variables with the purchase of a particular product; they can then use the "regression coefficients" (i.e. the degree to which each variable affects the purchase behavior) and create a score for likelihood of future purchases.

04 Stages

Aggregating customer data to predict audience behavior isn't as simple as pressing a few buttons. Although the technology behind forecasting is improving, marketers can't let the software do all the legwork.



4.1. Define your dataset –

A recent article from computing giant IBM described how to develop predictive models. The first step in doing so is to create a dataset that has a specific identity. This dataset describes a customer and may contain information such as gender, age, frequently purchased products, the value of items bought and so forth.

4.2. Qualify your information –

If you pull data from external sources, ensure those parties are reputable. In addition, clarify the manner in which an outside organization gathered and structured the material.

Highlight the attributes within certain datasets and create subgroups. Document these changes and note why you classified them the way you did. Format your data. This involves identifying their 'type' (Boolean, integer and real, for example).

4.3. Know what you want to predict –

Pick and choose relevant datasets from your data warehouse. So, if you want to know the answer to the first question introduced in this section, select datasets that describe patrons who have bought a specific item.

4.4. Test your algorithm–

Now is the chance to take your algorithm and 'train' it - to use TDWI's jargon - to scrutinize the information you've selected. If you don't know what an algorithm is, it's just a set of instructions for completing a process or solving a problem.

4.5. Apply your model -

Once you have a strong idea of how your algorithm will respond to the datasets you've selected for analysis, you can position your predictive model against them. Don't be discouraged if you don't receive an outcome that doesn't appear overtly valuable.

05 Key Benefits

5.1 Grow business pipeline –

Predictive marketing grows your pipeline. Not only does it provide you with net-new accounts and leads with predictive demand generation, but it also increases deal size because you are focusing on the right accounts.

5.2 Increase Conversion Rate –

In addition to revenue growth, conversion rate increase is also a benefit of predictive marketing. When you look at your model in a predictive marketing software application, you are able to see the average conversion rates for each graded bucket of accounts compared to your baseline average. In most cases, focusing on the A or B accounts yield a large increase in conversions.

5.3 Efficient–

The final, and often overlooked, the benefit to predictive marketing is increased efficiency within your sales and marketing teams. Marketing is able to focus their efforts on the right programs and messaging, and sales are able to spend less time prospecting and more time selling.

5.4 Improve Deal Velocity –

Another important metric that marketers track is deal velocity—how quickly an account moves through your sales funnel to close. In many B2B businesses, a deal cycle might be anywhere from a few months to well over a year. One of the important indicators that many demand generation marketers track is increased deal velocity over time. An increased deal velocity indicates that marketing and sales are working together to move deals along at a faster rate.

Conclusion

It is no surprise that 89% of B2B Marketers now have predictive on their roadmap (According to Forrester). Building a business case for predictive marketing is a key piece of the purchase process. In order to onboard a new technology platform, you need to get all of your key executive stakeholders on board. By focusing on the right messaging for each stakeholder, you can quickly be on the road to purchase. Remember that each executive cares about a different set of business attributes so tailor your discussions to what he or she cares about.

- Combine contact and account-level attributes to get a complete 360-degree view of all buying signals, not just those captured in marketing automation
- Uncover the true definition of a good lead through the use of data science rather than intuition or consensus
- Determine the actual probability of each prospect becoming a customer with unmatched precision