Building effective organisations

How corporations and charities get the most out of marketing

nsmc

Changing Behaviours. Improving Lives
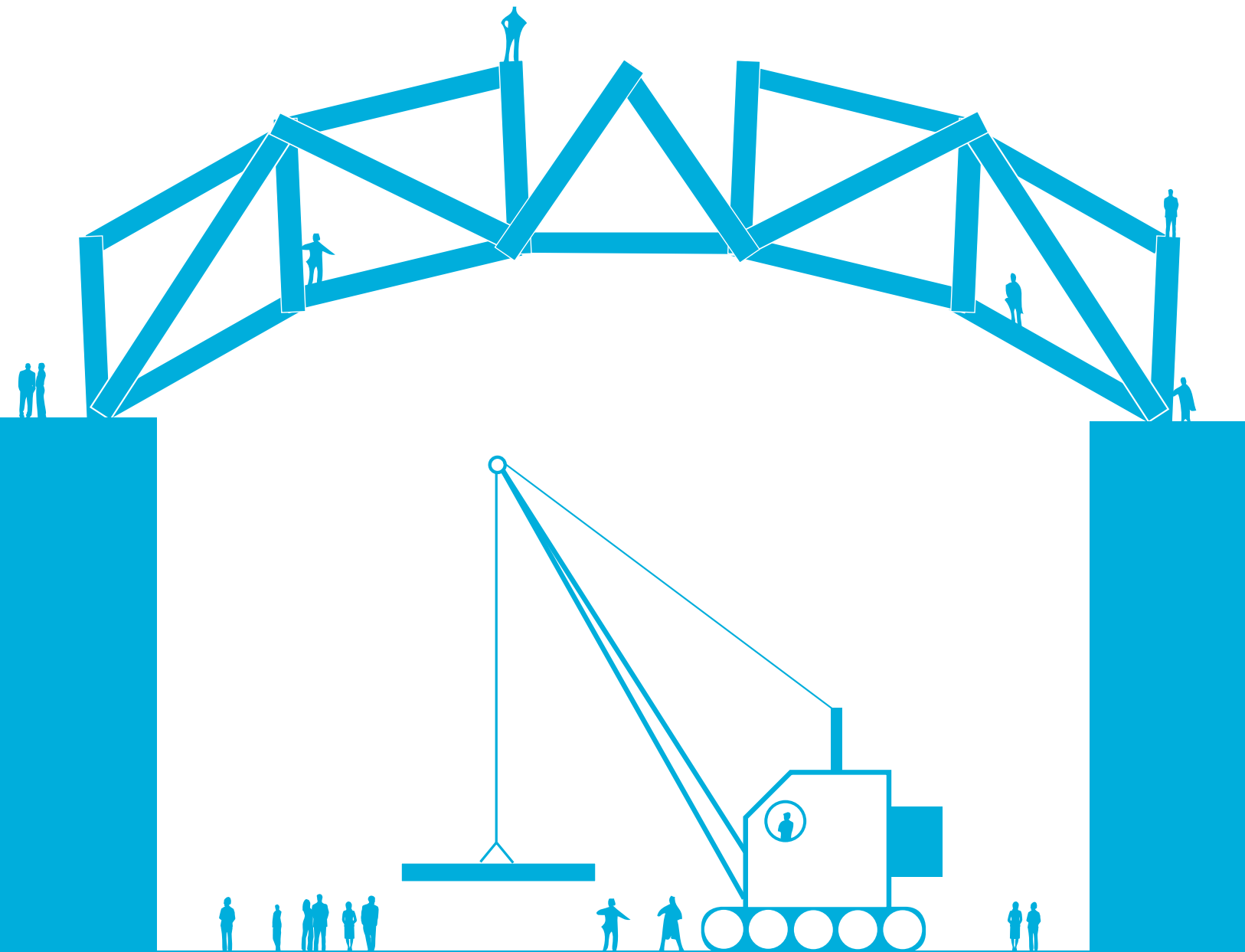
About The NSMC

The National Social Marketing Centre (The NSMC) was originally established as a Non-Departmental Public Body (NDPB) in November 2006 as a strategic partnership between Consumer Focus (formerly known as the National Consumer Council) and the Department of Health England (DH). Its origins lay in the *Choosing Health* Public Health White Paper (November 2004). This recommended that social marketing be used throughout the DH and the National Health Service (NHS) to develop effective behaviour change programmes that would contribute to better health for the nation.

The NSMC's original remit was to build social marketing capacity in England. Having achieved this objective, government funding of The NSMC came to an end in March 2011. Following a robust due diligence exercise, the Consumer Focus Board voted to close The NSMC and a new social enterprise was established to take forward its work. The NSMC's transition from NDPB to Community Interest Company (CIC) is in-line with current government policy and has its full support.

The NSMC CIC remains a world-leading authority on social marketing and behaviour change. We are an asset-locked non-profit company – all revenues generated are used to cover operating costs and to further develop the world's most widely used range of social marketing tools, resources and products (over 20,000 downloads in the past two years by users in over 120 countries).

The NSMC CIC is led by the same team of experts as its predecessor. At the behest of existing stakeholders and social marketing and behaviour change practitioners world-wide, we will continue to maximise the effectiveness of behaviour change interventions through policy, training and practice.

Mission
To maximise the effectiveness of behaviour change interventions through policy, training and practice.

Vision
We are dedicated to making change happen to improve people's lives.

What we do
We make change happen by supporting organisations to design and deliver cost-effective behaviour change programmes. We use a social marketing approach to focus on the changes necessary to encourage people to adopt desired behaviours.

Core competencies

- Enabling national institutions and NGOs to design and deliver their own behaviour change interventions
- Calculating the Value for Money (VFM) of behaviour change and social marketing projects
- Tailored and online training for practitioners, policy makers and senior managers
- Building social marketing capacity at local, regional and national levels
- Development and provision of 'best practice' social marketing tools and resources

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Executive summary

Marketing is invaluable to many commercial and third sector organisations. It is used to encourage behaviours among specific groups of people, such as purchasing products and services, donating funds or carrying out voluntary work. The NSMC undertook a study to learn from private and third sector marketing to see if these lessons could be transferred to public sector bodies. This resource sets out the findings, with informative case studies to illustrate them.

Key lesson 1:
value marketing as a central function
- Marketing plays an essential role in helping organisations to understand their customers and the interactions they have with the organisation and their products and services.
- Organisations have marketing departments with board-level representation or CEOs with marketing backgrounds, ensuring that marketing contributes to business decisions

Key lesson 2:
ensure marketing expertise is distributed across teams
- Marketing functions do not exist in isolation. They have productive links to other functions and departments
- Cross-team working is encouraged, ensuring that marketing's potential to enhance the full range of organisational functions is maximised

Key lesson 3:
create lasting customer relationships
- Organisations find ways of building deep and long-term relationships with existing and potential customers in the wider community. For example, O2 tries to create 'fans' of its brand – active advocates who will recommend the company to others
- Corporate social responsibility (CSR) activities help raise the organisation or brand's profile positively among existing and new customers
- Organisations strive to provide customers with a positive experience of engaging with their services and brand

Key lesson 4:
develop and use customer insight

- Organisations dedicate resources to generating and analysing information about their customers and have access to customer insight specialists
- Insight is gathered using a mix of internal sources and external agencies, depending on the type of information
- Information and insight is disseminated throughout organisations in a number of ways. This helps to keep a focus on research and insights across the organisation

Key lesson 5:
understand the customer journey

- Insight is used to build understanding of the whole journey taken by customers before, during and after use or purchase of services. This increases organisations' abilities to influence customers and encourage them to interact with their services more frequently

Key lesson 6:
manage customer relationships

- Organisations build personal, long-term, mutually-beneficial relationships with their customers. 'Cross-selling' of different supporting products and the 'lifetime value' of a customer's relationship inform operational and strategic decision-making
- Methods such as CRM databases are used to ensure that communications do not overload customers or fail to recognise the extent of their relationship with the organisation

Key lesson 7:
monitor the competition

- Organisations monitor the external environment and the activities of their competitors to maintain their competitive advantage and market share
- Competitor information is gathered in a number of ways and findings are shared with boards

Key lesson 8:
segment your audience

- Organisations segment their customer base to target marketing activities, including new product and service development and campaigns
- Segmentation is done using a number of criteria in order to effectively tailor products and communications
- Organisations with a global reach ensure segmentation models can be understood in many different geographic areas in order to permit local variations
- Segmentation models are not over-complicated to ensure they are workable across large markets
- Regular 'refreshes' of segmentation models are carried out to keep them aligned to the operating environment and reflect new insights

Introduction

Marketing is invaluable to many successful commercial and third sector organisations. It is used to encourage behaviours among specific groups of people, such as purchasing products and services, donating funds or carrying out voluntary work. Millions of pounds are invested by commercial sector organisations every year.

Much more than advertising, marketing ensures that business decisions are taken according to what consumers really want, rather than what they are assumed to want. It is used successfully to drive sustained, rather than one-off demand for products and services.

Marketing also has huge potential to enhance public sector working. Public services are increasingly moving towards being 'citizen-driven' rather than solely 'expert-driven'. Top-down, bureaucratic systems are being removed and control is transferred to people and communities.

Social marketing offers a powerful approach to changing behaviour. It can transform a process or product-led organisation into a truly customer-oriented one. By drawing on concepts and techniques from commercial marketing as well as social and behavioural sciences, social marketing focuses on people's needs to achieve specific behavioural goals for social good.

While use of social marketing has increased in recent years, it is yet to be truly integrated into public sector organisations. Often viewed as an add-on, it must be a core organisational function if it is to have the biggest and most beneficial impact. This organisational barrier limits its huge potential to develop behaviour change programmes, services, polices and strategies that are truly customer-

oriented, fit-for-purpose and cost-effective. The NSMC undertook a study to learn from the marketing experts – private and third sector organisations. Working with our research partners PricewaterhouseCoopers LLP, we gathered insights and learning on effective marketing techniques and structures from leading private and third sector organisations, exploring their applicability in the public sector.

This resource brings together key findings from the study. It sets out learning that can enhance the marketing efforts of other organisations. It is intended to inform management decision-making and provide insight into how public services, programmes and strategies can be truly customer-led, relevant, appropriate and cost-effective. Best practice is illustrated by a number of case examples from both private and third sector organisations.

Overview of methodology
The study focused on interviews with private and third sector organisations to inform further 'road-testing' discussions with public sector representatives. Details of the organisations that were consulted as part of this study are included in the appendix.

What is marketing?
In this resource the word 'marketing' refers to the processes used by organisations to:

- Understand their customers' needs
- Develop, provide and promote brands, products and services to meet those needs
- Foster an ongoing relationship between the customer and the organisation (or brand)

We assume that the specialist roles undertaken by marketing teams and functions will include some or all of the following:

- Development and implementation of marketing strategies
- Management of the organisation's or brand's visual identity (including in-house design functions) and key messages
- Market and competitor research, including customer insights
- New product development
- Management of the organisation's customer relationship management (CRM) database
- Customer service
- Development of communications plans (e.g. target audience, channel and media selection, response handling and fulfilment)
- Execution and evaluation of communications plans (internal and external)
- Management of the organisation's social media presence

Importantly, marketing does not refer solely to advertising and communications.

Key lesson 1:
value marketing as a central function

In successful organisations, marketing plays an essential role in understanding customers and their interactions with the organisation, its products and services. Because of this, it is seen as crucial to driving the organisation forward and helping to achieve its strategic objectives.

By identifying and assessing customers' needs, wants and the drivers behind their purchasing behaviours, organisations are able to increase sales and improve services. It enables them to both enhance their customers' experiences and influence their behaviour. In addition, the marketing function is able to identify and exploit gaps in the market. Because they are closely aligned to customers' needs, new services and products developed to fill these gaps are more likely to succeed.

"Fundamentally marketing is right at the start of identifying where the consumer need is, where the opportunity in the marketplace is and what we need to do to take advantage of that… We significantly contribute to the organisation's objectives because we [marketing] are involved in generating the idea for the product or identifying the gap or opportunity in the market at the start point and then in the specification of the product… right through to the marketing communications in order to sell."
(PRIVATE SECTOR ORGANISATION)

"Marketing is central. It is understanding our audiences; working out what they need from us and serving that need in as effective a way as possible. It meets all our organisational goals."
(ASTHMA UK)

Figure 1 illustrates the various roles of marketing that respondents identified as contributing to achieving strategic goals.

Figure 1: The role of marketing and how it links into strategic goals

Strategic goals

Role of marketing

Understanding total customer journey

Helping enhance customer experience

Influencing customer behaviour

Implementing /monitoring communication

Driving sales

Identifying opportunities for NPD/ growth

Guiding new product develpoment (NPD) for services
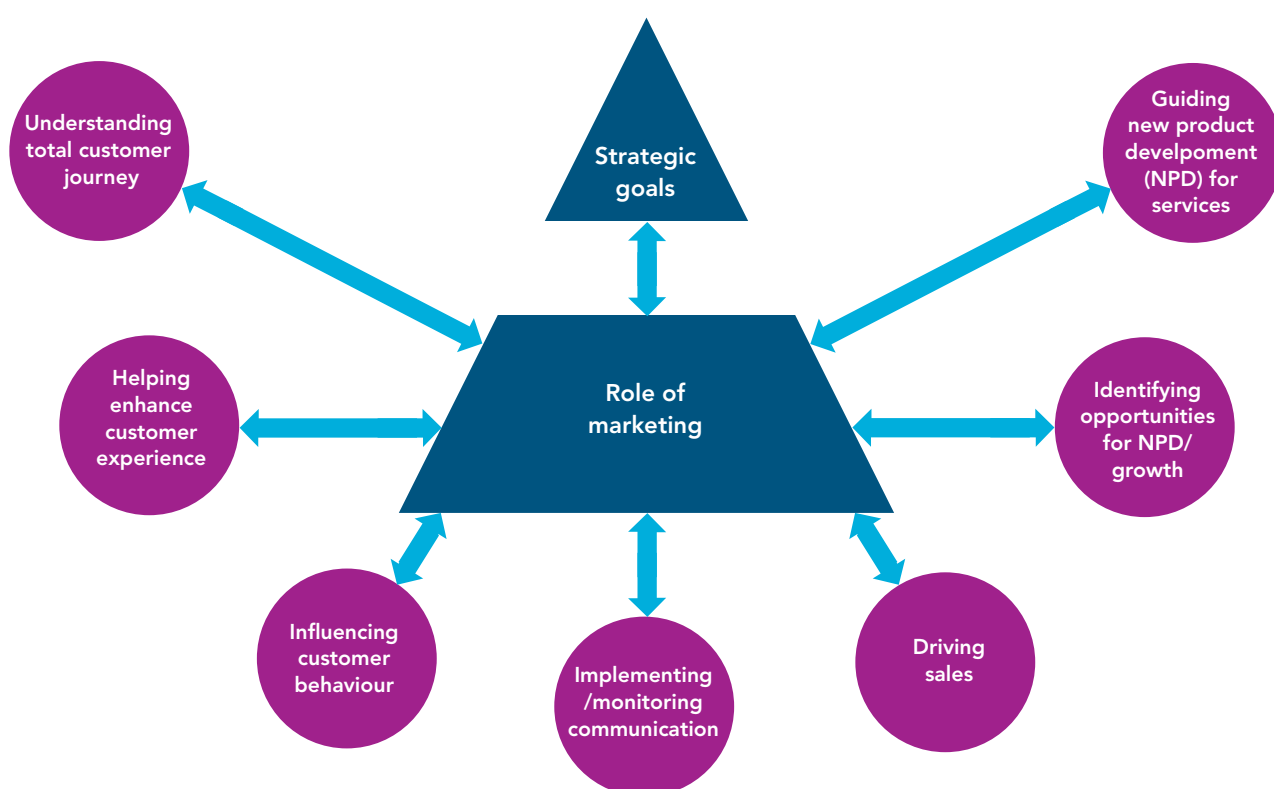
The word 'marketing' itself is not felt to fit with the culture of some third sector organisations (being associated with the 'hard sell'). Nonetheless, many aspects of marketing are undertaken and valued, while not necessarily referred to or understood as 'marketing'.

"We don't talk about it [marketing] as a word, but a significant amount of what we do could be described as marketing – our core activities, information provision, campaigning, public education only work with a marketing strategy to deliver them." **(Mind)**

Get the board onboard

As a core function in private sector (and many third sector) organisations, the marketing department has both a direct reporting line to the board and a physical representation there. Many organisations have managing directors or CEOs with marketing backgrounds. Having senior marketing champions is not only key to embedding a marketing approach throughout the organisation, but also in helping to ensure that it contributes to business decisions.
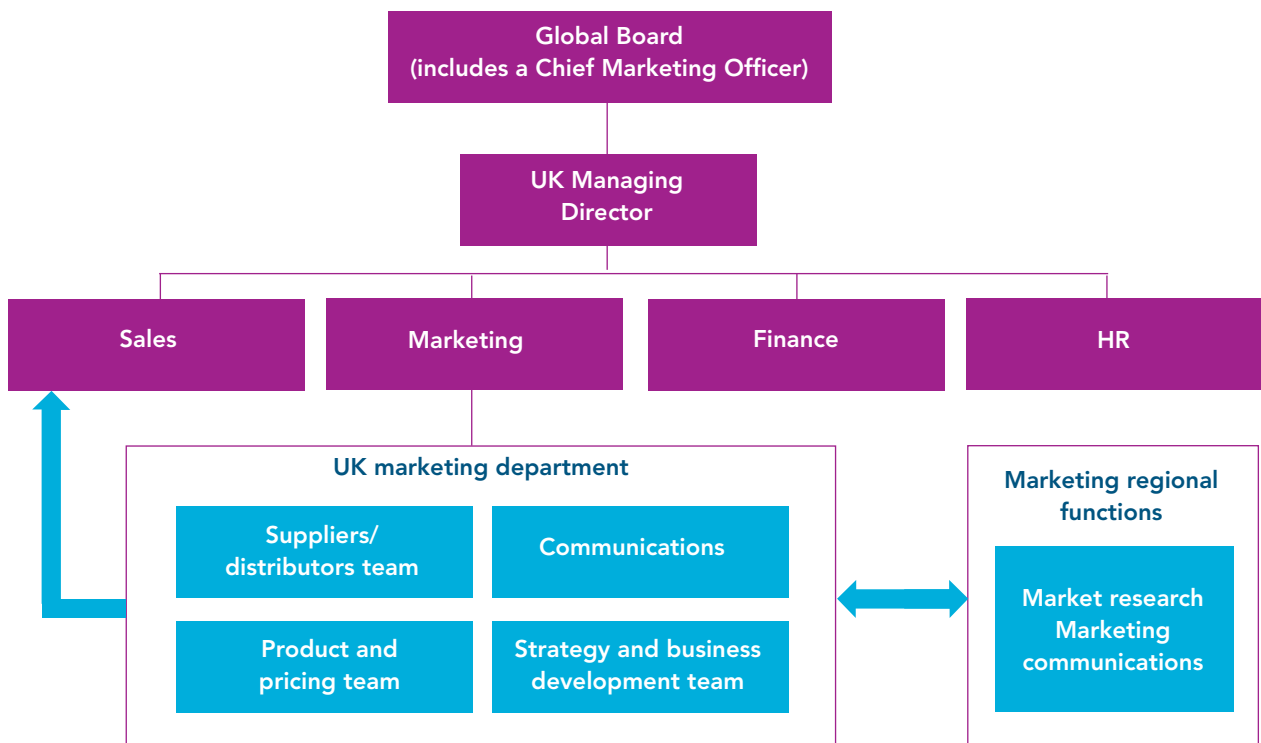
"Two or three of our trustees come from a marketing background and a few others from a general commercial background who are marketing literate, so there is reasonable representation of the skill set around the [Board] table. The Chair of the trustees is very supportive and our Chief Executive is a marketer, so there are many that are familiar with the specialism and understand its significance. I'm pushing against an open door to a degree, which is helpful." **(Age UK)**

"I think we are incredibly lucky and what makes my job much easier is the CEO…started life as a marketing person. Because of that she absolutely understands the value of marketing… And that makes a massive difference because I don't have to spend my life proving why we should be doing marketing. So that helps massively – with budget cuts and squeezes, it's not the first thing to be cut, despite often being the easiest thing to cut." **(Private sector organisation)**

Case study 1: Marketing as a core function with direct reporting lines to the board at a private sector organisation

- Marketing is set up as a discrete function which interacts directly with the board and other functions, such as finance and HR
- Marketing departments have four teams, three of which reflect the four Ps of marketing (product, place, promotion and price) tailored to the organisation's industry
- These teams are sub-divided into three areas. For example, communications is divided into advertising and media, CRM and Internet, and experiential (events etc.)
- Marketing acts as a distinct discipline servicing other areas of the organisation. For example, product or service streams are contained within the sales function

- Some marketing functions, such as market research, are considered to be a regional function or service that sits outside the UK structure, but which the UK company accesses
- All functions report into or interact with a regional or global function. The head of each function sits on the global board, including the Chief Marketing Officer, who has regular communications with each region's marketing function

Global Board
(includes a Chief Marketing Officer)

UK Managing Director

| Sales | Marketing | Finance | HR |

UK marketing department

| Suppliers/distributors team | Communications |
| Product and pricing team | Strategy and business development team |

Marketing regional functions

Market research
Marketing communications

Key lesson 2: ensure marketing expertise is distributed across teams

Most organisations that use marketing effectively give it a distinct role and department. However, an effective marketing function does not exist in isolation. Productive links to other functions and departments are crucial.

Have a centralised marketing function

Private sector organisations tend to have a centralised marketing function which is distinct and recognisable by staff throughout the organisation, which have clear reporting lines to the board or leadership team. In each organisation, there is a senior director with responsibility for marketing clearly designated in their title. Organisations that operate globally tend to have direct lines from regional marketing directors to the global marketing director, with formal reporting lines between regional and corporate boards.

The overall size of the marketing function varies, dependent on organisations' remits and whether they operate at a national or global level. For example, at the time of the interview, Ford and SSL International had between 20 and 50 staff. Sainsbury's had approximately 150 staff and O2 had 260 people working in its marketing functions.

While many organisations' marketing functions are small in relation to their total number of employees, most gain wider marketing support in a number of areas. This is most frequently centred on the purchasing of:

- Quantitative research to monitor or track customer satisfaction on an ongoing basis
- Qualitative research (such as focus groups or observations) to explore customer opinion and experience, either of existing products or services or new developments
- Omnibus or specialist survey data to aid decision-making (such as the New Car Buyer Survey)
- Other market research data (such as Nielsen data)

"We have a strong insight team here, but they don't do the research themselves. They commission research through other agencies and then they are responsible for managing the process for the research programmes we have and finding the right marketing research company to partner with. We tend to have partners which we use again and again." (PRIVATE SECTOR ORGANISATION)

Central marketing functions often have a number of smaller sub-functions or specialist teams, usually formed of between one and ten staff. The range of sub-functions or specialist skills found is shown in Figure 2.

Figure 2: Sub-functions and specialist marketing skills
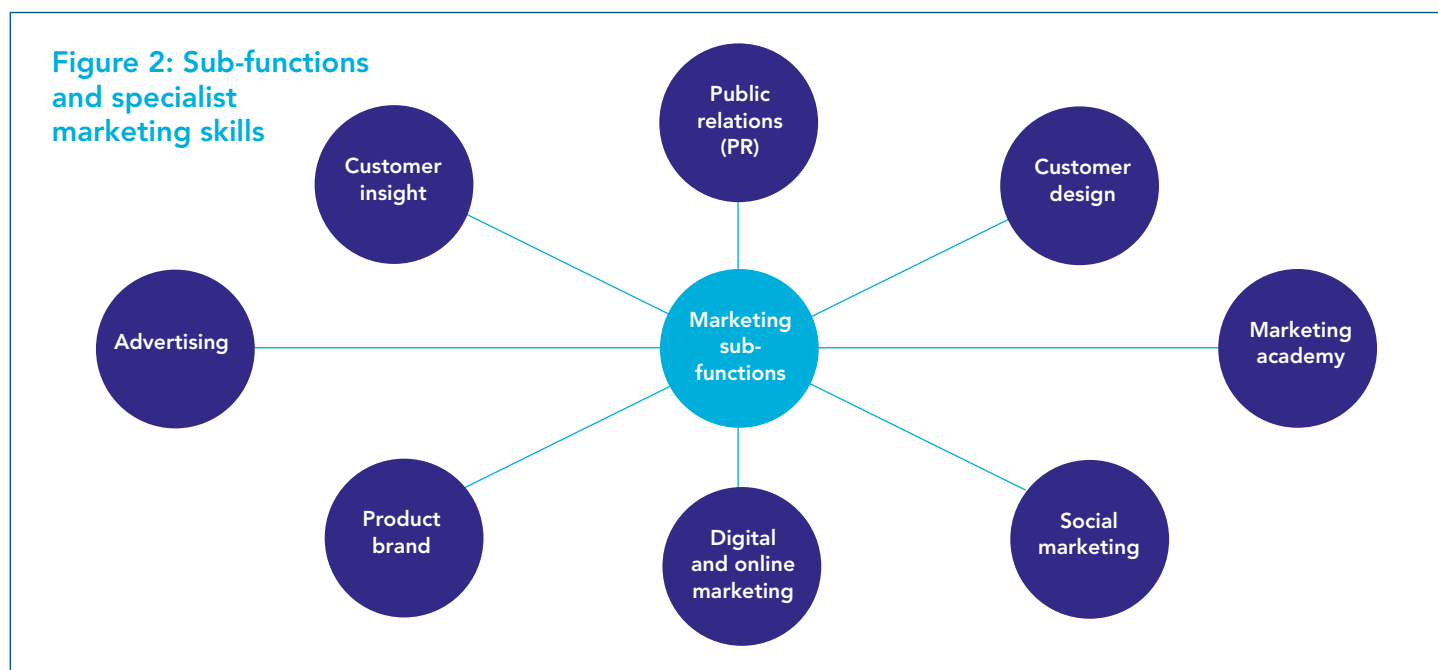
Case study 2: Sub-functions and specialist teams at O2

- Beneath the CEO at O2, the organisation is structured into a number of directorates
- The marketing directorate, which consists of around 260 people, has a number of specialist marketing teams (illustrated below)
- The various teams have set responsibilities: for example, the devices team is responsible for sourcing kit; the brand and advertising team generally initiate marketing ideas and run all of the brand spend (such as advertising campaigns for home broadband); and the customer design team undertakes pre-launch testing with all new products and marketing ideas before they reach the market
- A team of planners act as links between the marketing directorate and the three key business units within the organisation – home, consumer, and small business – through regular meetings and communications via e-mail and telephone. Overall, the team works together to deliver O2's marketing plan
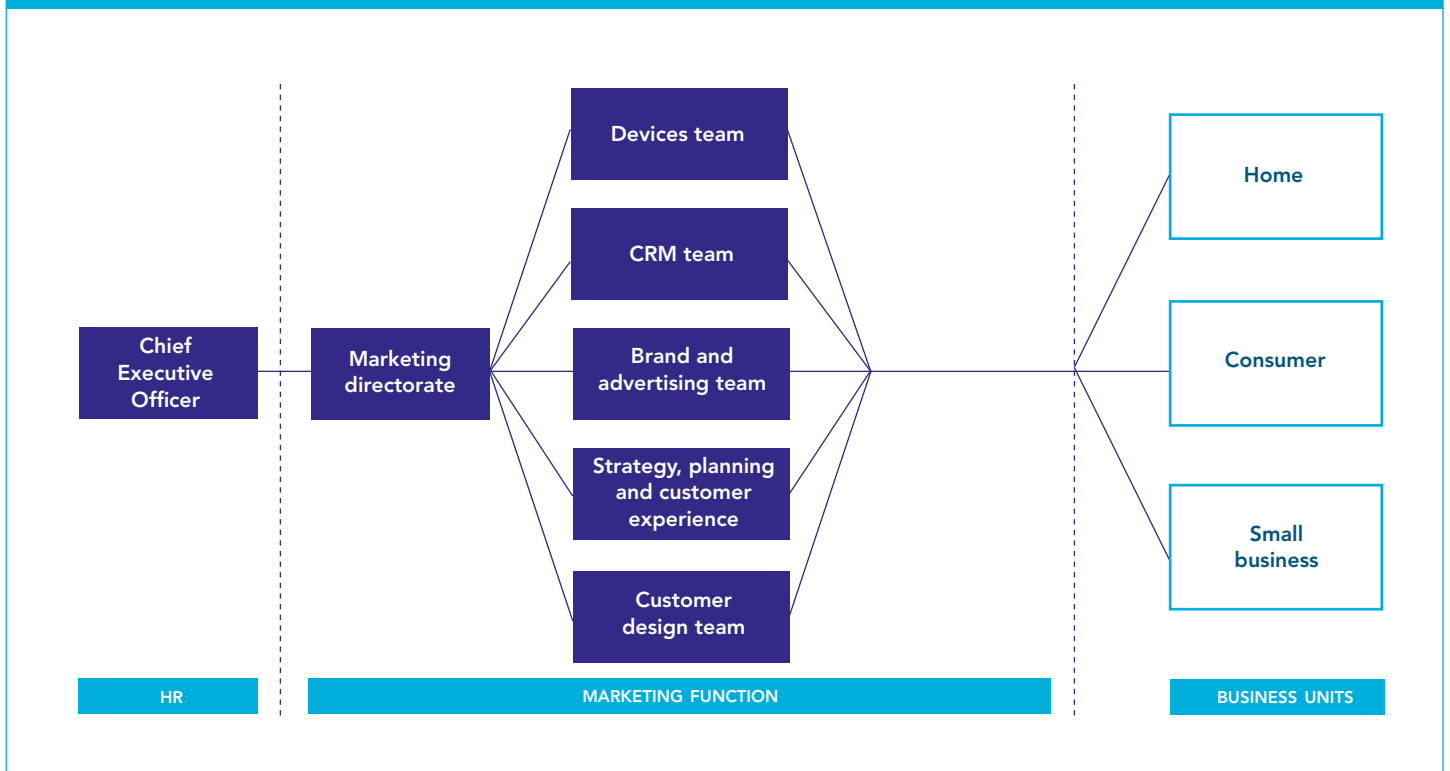
Work across teams

Cross-team working is encouraged at third sector organisations and all staff are given access to marketing resources. This is made easier when the organisational structure clearly defines marketing as a central resource (such as IT or HR) for everyone to draw on. It ensures that marketing's potential to enhance the full range of organisational functions is maximised. Alternatively, when it is a sub-function of a specific team, it can be associated solely with that team. For example, if the marketing function sits within a fundraising team, the rest of the organisation may assume that marketing primarily exists to achieve fundraising objectives. This limits its ability to add value to the delivery of other objectives.

"Marketing sits within fundraising – although marketing services the whole organisation it is in danger of being hidden." (ALZHEIMER'S SOCIETY)

At the National Trust, the Marketing Communications team acts as an internal agency, providing a marketing planning service for internal clients. Small teams based around different customer relationships (such as visitors, members, donors and volunteers) commission the marketing team to help deliver their strategies and plans, as shown in Figure 3.

Figure 3: Organisational structure of the National Trust
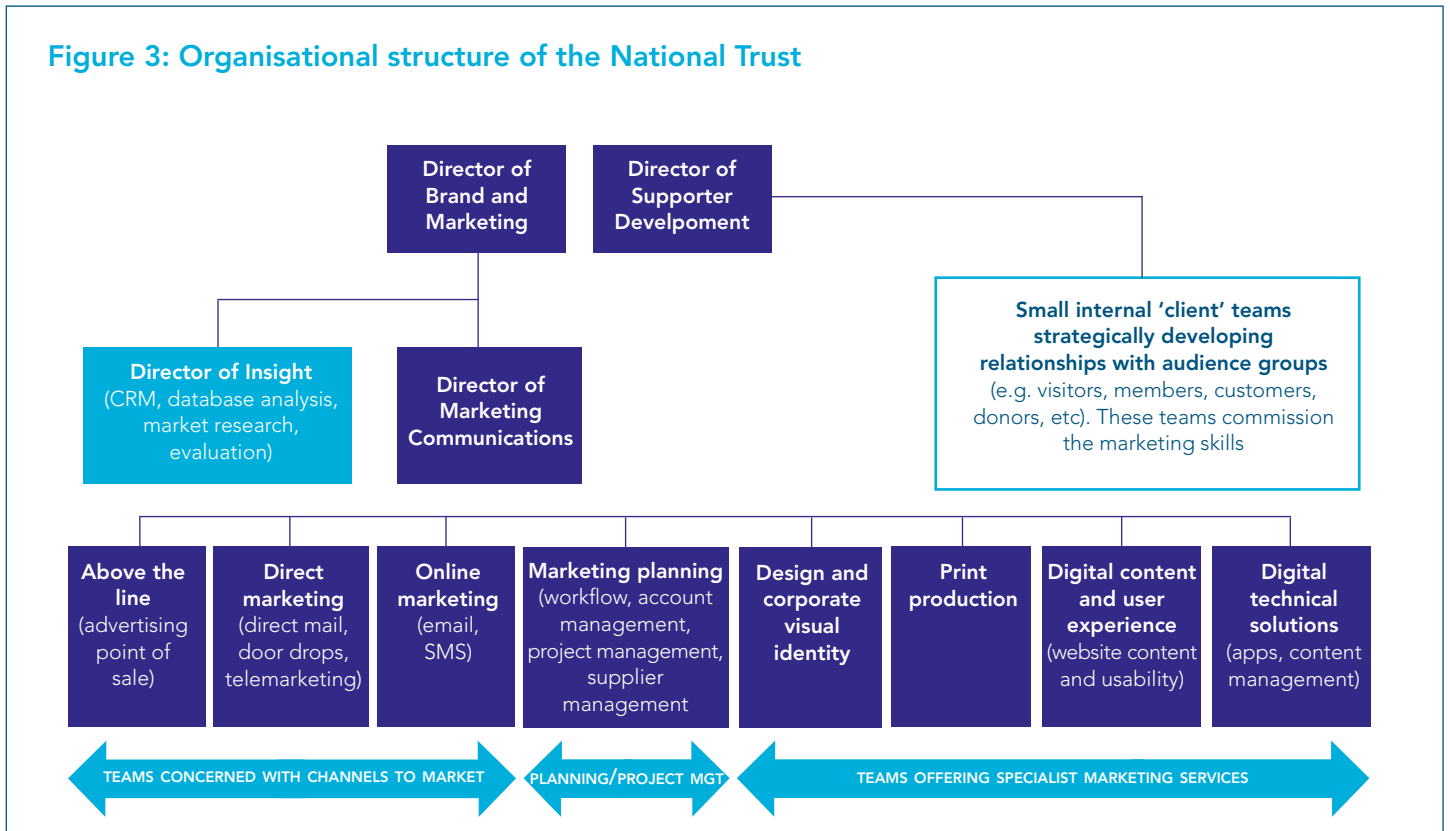
Close links to product development and sales

Marketing at most private sector organisations has links with teams concerned with product development and sales. A variety of mechanisms tend to be in place, including:

- Dedicated people who act as intermediaries between the marketing and other functions, who channel information and plans around the organisation

- Processes for communicating information to and from the marketing department, such as quarterly update meetings and regular briefings
- Reporting lines between senior marketing managers, the board and other senior managers across the organisation

Case study 3: Cross-team working and briefing at Ford

- Ford promotes regular communication between regional marketing functions through weekly webcasts from the Chief Marketing Officer. Beyond this, the company has a series of regular fixed meetings with their marketing colleagues across the European region
- The UK marketing function works closely with its stakeholders, such as product development and sales management, through frequent communications and communicates formally with the rest of the organisation on a quarterly basis
- The marketing function is involved at all stages of the product development process. For example, it provides customer insights into engineering and feature developments

- When new products are released into the market, communications between the marketing department and other functions are increased. A product committee, which includes a senior marketing representative, meets on a monthly basis to develop plans for those vehicles. These plans are then communicated to the operational directors, who discuss plans with their teams. As new products get closer to being released, the marketing department takes an increasingly prominent role and starts to hold field briefings and training sessions for all staff within the organisation

Idea generation

Product launch

MARKETING
Customer insight
Proposition development
Pricing
Communication

Product design

Product testing
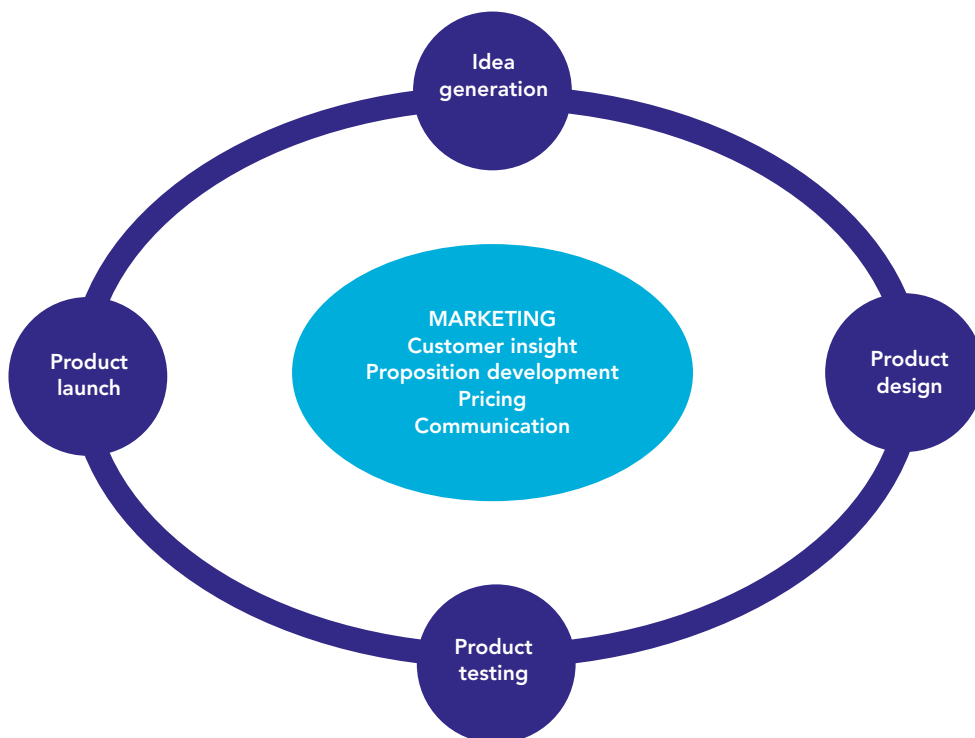
Key lesson 3: create lasting customer relationships

All organisations wish to drive sales and service provision by gaining a deeper understanding of their customers' needs. However, a number of organisations have started to consider how they can build deeper and longer-term relationships with existing and potential customers in the wider community. This is being done in a number of ways, including: creating 'fans' of the brand; corporate social responsibility; and ensuring a positive customer experience.

Create 'fans' of the brand

In a smaller number of instances, organisations are moving beyond measuring satisfaction with products or services to measuring satisfaction in terms of experience and advocacy. It involves delving deeper into what drives customer behaviours and what they are looking for from the organisation's products and services.

"Whilst we look at customer satisfaction, we want to be bolder than that – we want customers not to be just satisfied but to be a real advocate – we talk about 'delivering fans' of our brand."
(Private sector organisation)

The most advanced example of this is shown by O2.

Case study 4: Building long-term 'fans' of the brand – O2

- A key performance metric at O2 considers the extent to which the company is driving 'fans' of the brand. Whilst the company is interested in overall levels of satisfaction among its customers, it has enhanced its focus in this area on to delivering fans of the brand who are active advocates of the service that O2 provides and who will actively recommend the company to others

"We've been quite bold in saying that we need to deliver fans to O2… we are looking for that really strong relationship with our customers, which is pretty bold, ambitious and challenging"

- The concept of driving fans of the brand is well embedded within the marketing function and the wider organisation. The Customer Centred Design Team and the Customer Experience Team have developed local implementation plans to progress this area, which contribute to the wider brand strategy

Corporate social responsibility

Corporate social responsibility (CSR) activities have been introduced as part of wider marketing efforts. As they benefit the community, these activities help raise or deepen the organisation or brand's profile positively among both existing and new customers.

Case study 5: Creating relationships with customers via CSR activities – SSL International

Durex is part of a wider network of partners who are delivering a CSR campaign known as 'Dance4Life' in Brazil. It was founded by two international marketers in 2003 who wished to use their commercial expertise to tackle problems associated with the HIV pandemic. The programme is now a large-scale youth movement that seeks to encourage young people to say no to unsafe sex (to halt the spread of HIV and AIDS) and distribute condoms. The campaign has been evaluated to measure changes in attitudes to and awareness of sexual health issues amongst the target population.

Ensure a positive customer experience

Organisations also try to provide customers with a positive experience of engaging with their organisation and brand. This plays a huge part in building the relationship with the customer. In most cases, it takes the form of customer helplines that reach large audiences and through interaction at key events. The National Trust, for example, is in touch with its customers on a daily basis. These interactions are seen as crucial for developing relationships.

"Our volunteers are trained as visitor-oriented people who know how to 'read' a visitor and assess what sort of interaction with the brand they might want. The behaviour our volunteers exhibit is vital for the customer relationship as one bad experience will be remembered. It is increasingly seen as part of the brand. How we come across as an organisation is communicated not just through the quality of our marketing materials but the behaviours we exhibit at our places." **(The National Trust)**

Key lesson 4: develop and use customer insight

Customer insight is an integral element of effective marketing. Many organisations dedicate resources to generating and analysing information about their customers. Many also have access to customer insight specialists, either within their own local internal structure or via a centralised or regional team.
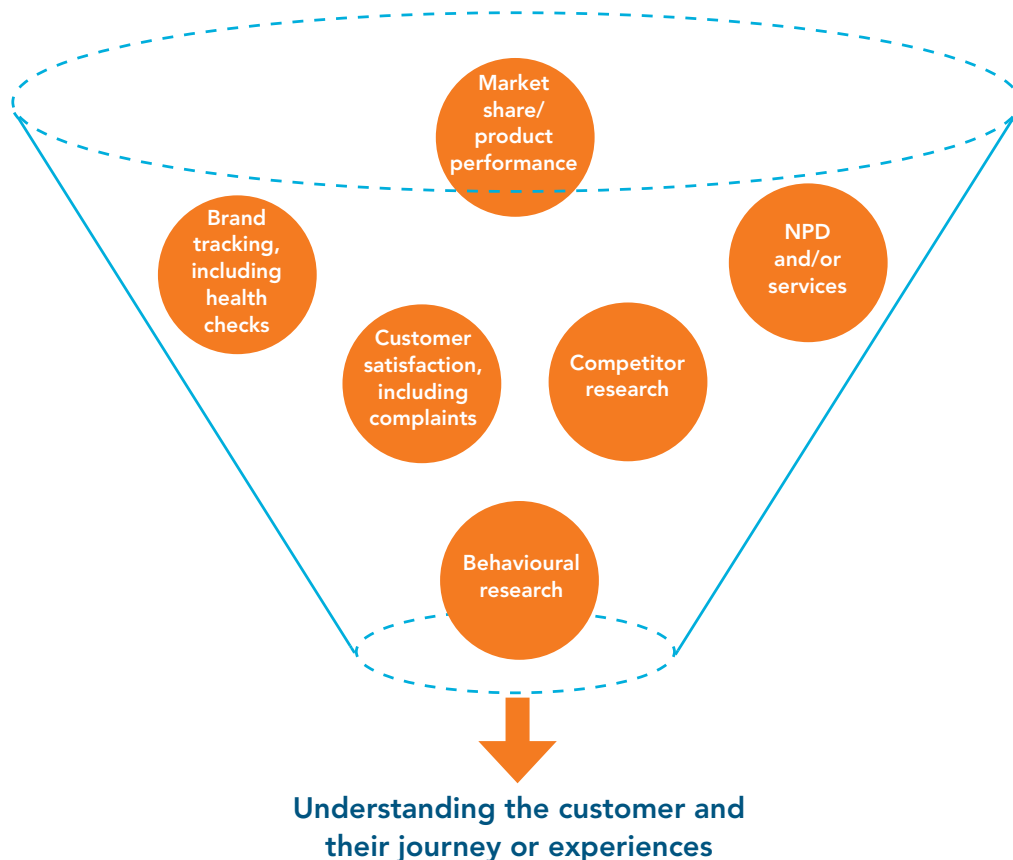
Gather insight

Private sector organisations have established processes and systems to gather information on customers and markets. Information gathering is completed on a monthly or annual basis and ad hoc research (generally qualitative) is carried out when required. In general, this information is gathered using a mix of internal sources and external agencies, depending on the type of information. For example, sales data is internally sourced; omnibus surveys are run by external agencies; and customer insight is generated.

Information from external agencies is provided through briefings for the marketing team and other key stakeholders (such as product managers). Marketing teams then synthesise this data with other customer information to provide progress updates to senior management. While monitoring product sales or brand awareness is important, an emphasis is placed on developing a clear understanding of consumers and their needs and wants in order to drive growth. A number of methods are used to explore this, as shown in Figure 4.

Figure 4: Elements of customer and market insights

Market share/ product performance

Brand tracking, including health checks

NPD and/or services

Customer satisfaction, including complaints

Competitor research

Behavioural research

Understanding the customer and their journey or experiences

Organisations gather insights using a number of techniques, including:
- Purchasing industry-specific omnibus surveys or market data, such as Nielsen data
- Bespoke research, such as focus groups, customer surveys, observation groups, brand tracking studies and consumer panels. It is generally outsourced to research agencies
- In-house research, including news monitoring, reviewing social media sites, published market reports and complaints monitoring

"I think that what we would always say is that getting close to consumers will typically involve three main avenues… Firstly you have what we would call your 'strategic understanding research', which would be things like segmentation studies, usage and attitudes studies, and also things like quantitative studies around what are the drivers of brand preference within a category etc… Then you will have 'qualitative understanding', which is around focus groups in particular. And then lastly you will have 'consumer closeness exercises', which involve marketers going out, on as frequent a basis as possible, and working with real consumers in their homes or going on company workshops with consumers as they do their shopping in order to be able to observe, ask questions and really understand firsthand what people are thinking and dealing with when they are either using a product or when they are buying it, or just in terms of the overall issues and challenges in their day-to-day lives that relate to our categories." **(Private sector organisation)**

"Our digital team are in constant touch with people via tweets and blogging." **(Alzheimer's Society)**

"We encourage feedback across all our digital channels so we can hear what is affecting people in the here and now." **(Mind)**

"In our research team, some specialists have developed software geared at trawling online communities to get feedback on our organisation via comments which are left on websites such as moneysavinexpert.com, on Twitter and on Facebook. Comments which are found are analysed in terms of 'virality', emotion and degree of negativity and we have devised a system for scoring this feedback online. Comments gathered can be shared throughout the organisation, dependent on the issue raised." **(Private sector organisation)**

Share customer insight across the organisation

Information and key research findings are disseminated throughout all organisations in a number of ways, as shown in Figure 5. Many private sector organisations also incorporate a key measure, such as market share, product penetration, brand equity or customer advocacy, into their strategic plans and cascade it into staff's personal objectives. This helps to keep a focus on research and insights across the organisation.

Many organisations recognise that sharing information throughout the marketing function and beyond is challenging. It is an area that is being continually improved on.

"The challenge with the consumer market insight group is to find ways to make sure that when we have new data on our consumers or our markets to present it in a compelling way with potential implications to the marketing community and beyond to the right people at the right time." **(Private sector organisation)**

"You can't over-communicate what marketing is trying to do. It can always be improved. Just when you think you have talked to everybody then somebody will not know about the information, so we are always looking at ways to improve this. The more [internal] people you have understanding what it is you are trying to do, the easier it is to do it." **(Private sector organisation)**

Figure 5: Sharing customer insights throughout the organisation

UPWARDS
Regular Board/
Executive updates
Specific briefings

ACROSS THE
MARKETING FUNCTION
Portals, intranets,
databases/information repositories
Email alerts
Internal meetings/webcasts

DOWNWARDS
Newsletters/email updates
Cross-functional teams
Staff briefings on new products/campaigns

Consistent and regular communication is crucial in all organisations. Cross functional working is again essential, as is tailoring information to different internal audiences, such as boards and delivery teams. Information portals or databases of previous research and campaigns are viewed by most organisations as the best way to share information across the marketing function. For global organisations, these are also used to bring together research and insights from the regions. To prevent these from becoming obsolete, relevant staff from the marketing function and elsewhere in the organisation are required to know the type and content of the information.

Examples of formal systems used for sharing insight across their organisations include:

- Incorporating the dissemination of findings into project management processes
- Internal presentations
- Regular insight updates
- Bulletins
- Intranet

Key lesson 5: understand the customer journey

Customer data, research and insights generated are key to all elements of customer engagement. Staff are encouraged to understand the whole journey taken by customers before, during and after use or purchase of services. They may be required to experience it themselves or accompany customers on their journeys. This increases organisations' ability to influence customers and encourage them to interact with their services more frequently.

Involve your customers

A strong customer-centred ethos exists within most organisations. In some third sector organisations, this extends to involving their customers in strategic decision-making concerning the direction and priorities of the organisation.

Organisations put customers at the centre of operational decision making. Customer research and feedback is used to design new products and services. Some have established groups of customers for this purpose.

"It is designed into the planning process that you consult your audiences and they are able to influence the product." **(Asthma UK)**

"I think the phrase 'the consumer is boss' is key. The organisation's intense focus is our purpose to improve consumers' lives in all parts of the world more completely. That's really what focuses and drives us. Our structure has been designed towards servicing the customer, putting the customer at the centre of it." **(Private sector organisation)**
Some third sector organisations also take opportunities to bring their staff and customers together directly. They use volunteers in their offices who are often services users, or invite them to sit on project groups or attend meetings.

"We've tried to step up the physical presence of people with asthma in the office, enabling them not just to tell their story, but to talk to and help teams on an ongoing basis." **(Asthma UK)**

"You are not a marketing person sitting in an office; hardly a day goes by without someone with dementia being here." **(Alzheimer's Society)**

RNIB: 40 'member forums' (consisting of people who are blind or partially sighted) were consulted about the priorities the organisation needed to address in its strategic plan

Mind: Stakeholders were widely consulted as part of its strategy development

"For our strategic review, every stage involved significant input at all levels from people with experience of mental distress: as customers of the services they help to shape our direction of travel." **(Mind)**

Case study 6: Using customer insights – Proctor & Gamble

The role of customer insights

The marketing structure is designed with customer insight at its core. This is to enable the organisation to get close to its consumers and innovate at the 'frontline' (in stores). By visiting stores and talking to shoppers, the organisation is able to understand both customers' and retailers' needs in 'real time'. This allows them to develop relevant and timely propositions for the marketplace which will encourage sales.

Insight practices

- The organisation uses quantitative research on a continuous basis to understand customers' buying behaviour, such as specific purchasing and shopping habits, and percentages of sales. This helps the organisation to have a clearer picture of what products are being purchased, the size of the item and the benefits of the product to the customer. Customer communications are also tested

- Qualitative research is used to explore the findings from the quantitative studies in more detail. It tends to be driven by the need to explore quantitative findings or what the organisation sees as strategically important

(Case study 6 continued)

Research is conducted to understand the 'total shopping journey' in order to influence customers and encourage them to buy more of the organisation's products. Research, such as the shopping habits practices study, tends to be conducted on an annual basis and supplemented as and when required

Incorporating customer insights into strategic and operational plans

- Key findings are reported to the leadership team on a monthly basis. Various teams take responsibility to report learning to develop their projects further. Based on this, the leadership team prioritises areas to focus on

- At an operational level, multi-functional teams are set up within product categories, such as laundry detergent. They consist of representatives from brand/product, customer insight, finance and sales and act on key insight by developing a new product or change in packaging. The team evaluates what the product change would entail, the cost implications and the returns (financial and non-financial) and determine what the best option to pursue is. This level of cooperation across functions allows staff from all areas of the organisation to be aware of the projects and activities that are occurring

Many organisations also use customer insight to improve marketing activity to existing audiences. RNIB and Mind have processes which escalate prioritised issues revealed by customer feedback to the senior management team. At Asthma UK, an 'issue selection process' clarifies which issues raised by customers need to be prioritised for action. For example, an online forum post from a customer raised the issue of people who do not wheeze when having an asthma attack, attracting responses from others. After a subsequent blog by Asthma UK's Chief Executive generated a larger response, the organisation carried out secondary research to explore the issue further. When this revealed people who do not wheeze are at high risk of being sent home by health professionals, Asthma UK developed a project to raise awareness with health professionals.

"We didn't sit around in the organisation and decide to do a project on wheezing. What is good about this is that it came up on the forum and we had a process in place that enabled us to build on that customer feedback." **(Asthma UK)**

Key lesson 6:
manage customer relationships

Organisations strive to build personal, long-term, mutually-beneficial relationships with their customers. 'Cross-selling' of different supporting products and the 'lifetime value' of a customer's relationship are well understood and used to inform operational and strategic decision-making.

A particular challenge for third sector organisations arises when customers have more than one relationship with the organisation. For example, a person may benefit from services and donate money. Such complex relationships are viewed positively as these customers are believed to have a deeper engagement and a potentially longer

relationship with the organisation. However, problems arise when different parts of the organisation want to communicate with the same individuals about different things, often within a similar timeframe. For example, the service team may want to communicate a new product while the fundraising team launches a new appeal.

Communications that overload the customer or that do not recognise the extent of their relationship are detrimental. CRM databases are crucial for highlighting where these relationships occur.

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Processes to manage multiple relationships with individual customers

- Some charities actively seek and record communication and engagement preferences from their customers

"With volunteers we enable them to select for themselves which part of the organisation they consume – so they define their preference." (Asthma UK)

- Others have a means of checking that communications are appropriately spaced

"We have a communications schedule and a cross-organisation communications calendar, so groupings of people get different contacts at different times." (Alzheimer's Society)

- Others introduce processes guiding how contacts on the CRM can be used

"The long-term responsibility for running the CRM database lies within the communications team who act as 'air traffic control'." (Mind)

Age UK
The centralised CRM team sits within the marketing team. It provides a service to other teams across the organisation by comparing requests for customer contact data and checking how those communications might impact on overall levels of engagement. They then discuss any overlaps with the teams involved and agree which customers should be included in each approach. The CRM team have also developed contact rules (for example, covering the minimum time allowed between contacts) to guide these decisions, which the client teams are aware of when they put together their communication plans.

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Organisations generate much of their customer insight from analysis of the transactions recorded on CRM systems. Most third sector organisations take a relationship marketing approach to building customer relationships, with CRM databases used to store and report on customer information. Analysis requests are generally made via the marketing team and can be carried out by either marketing or IT staff.

Many organisations have merged stand-alone, 'product based' databases into one central system, creating a single view on the entirety of an individual's relationship with the organisation. For example, volunteers may have previously been held on a database used by the volunteer management team; financial supporters on a database managed by the fundraising team; and individuals requesting information on one used by the enquiry handling team. By integrating different systems, organisations are able to understand the full breadth and depth of their customer relationships and adjust marketing strategies accordingly.

Examples of using CRM databases to generate customer insight

- Cancer Research UK has a CRM database of over 10 million individuals. The process of creating this single system has transformed the way they understand and interact with their supporter base. Previously, product teams started with the product, communicating it to as many people as possible. They now start from what is best for supporters. In addition to insight obtained through reporting on the database, Cancer Research UK conducts quantitative and qualitative research among existing customers and undertakes research to identify potential new audiences

- The National Trust has over one million inbound contacts per year. Its CRM system will, in time, capture data from scan-able cards used by members visiting its properties

"Our dedicated insight team is a fantastic resource. I'm really proud of the emphasis we place on insight. I'd be surprised if you spoke to anyone in the Trust and they weren't aware of the emphasis we place on understanding audiences, both potential and existing"

- Marie Stopes International UK: All data on the use of its information service is centralised. Reports reveal insight about those using the service, their age, where they heard about the organisation and the nature of their enquiry. This allows the organisation to monitor trends in usage and identify areas where GPs may not be referring to its service as expected, so that relationships with those GPs can be developed further

Key lesson 7: monitor the competition

All organisations monitor the external environment and the activities of their competitors to maintain their competitive advantage and market share. Some private sector organisations monitor competitors' prices, sales and services offered, as well as customer opinion of their own and competitors' brands. These activities are part of the organisations' standard insight practices and are therefore usually led by marketing's research and insight function.

"*There is a company which have produced industry data so we know where other's prices are, we know what their line-ups are and we know what prices they*

charge... so we understand where we sit and then can decide whether we react to that information or not." **(PRIVATE SECTOR ORGANISATION)**

Monitor other organisations

Most organisations share findings from competitor research with boards on a quarterly basis. Information tends to be gathered across a number of measures and in a number of ways, as shown in Figure 6. It is important to note that the approach adopted by these organisations is multi-faceted: both qualitative and quantitative; and comparative and absolute.

Figure 6: Examples of approaches to monitoring competitor and external changes

'We look at how competitors are performing in line with our performance'

'Our customer satisfaction index tracking is reported quarterly throughout the year'

Key perfomance indicators (KPIs) e.g. number of sales

Levels of customer satisfaction

Market rankings

Qualitative research on customer opinion

'We look at absolute numbers across a range of values... rankings are very important'

Via independently collated data

'We'll do qualitative research of competitor's product users to understand why they like the competitor's product so much'

'The continuous tracking, such as the Neilsen Household Panels, are going to have a competitive angle to them'

Most private sector organisations monitor the activities of a core or traditional group of competitors in their marketplace. Some also monitor the activities of other companies that are beginning to enter their market.

"Within the market it's the key players, but…one of the challenges within our space is that the number of competitors is getting more and more infinite… You never know what Google and the like might do next, so we're keeping a watchful eye on them." (PRIVATE SECTOR ORGANISATION)

Some third sector organisations have a different approach regarding competition, taking pride in the sector's collaborative culture. They accept that a variety of approaches, services or viewpoints are helpful for tackling challenging social issues. In service delivery, they tend not to see other organisations in the same field as competitors and are more predisposed to look for opportunities to work together.

However, some third sector organisations do compete more commercially. Competitor research similar to that of private sector organisations is conducted:

- **St John Ambulance:** Compares products and prices with commercial first aid providers
- **The National Trust:** Reports on selected other players in the 'days out' market
- **Marie Stopes International UK:** Monitors the provision of other contraceptive and pregnancy termination services, including using mystery shopper calls and visits to assess what their competitors are providing

Key lesson 8:
segment your audience

Organisations segment their customer base to support the effective targeting of marketing activities, including new product and service development and campaigns. Segmentation tends to be undertaken by the internal marketing function. Specialists from the research or insight sub-functions are often involved, drawing on expertise from the product or sales team and the wider marketing function (such as digital and online marketing or branding).

However, many organisations recognise that there needs to be a wider understanding of segmentation across the organisation. Many have ways to communicate this to staff more widely, such as newsletters and practical training sessions.
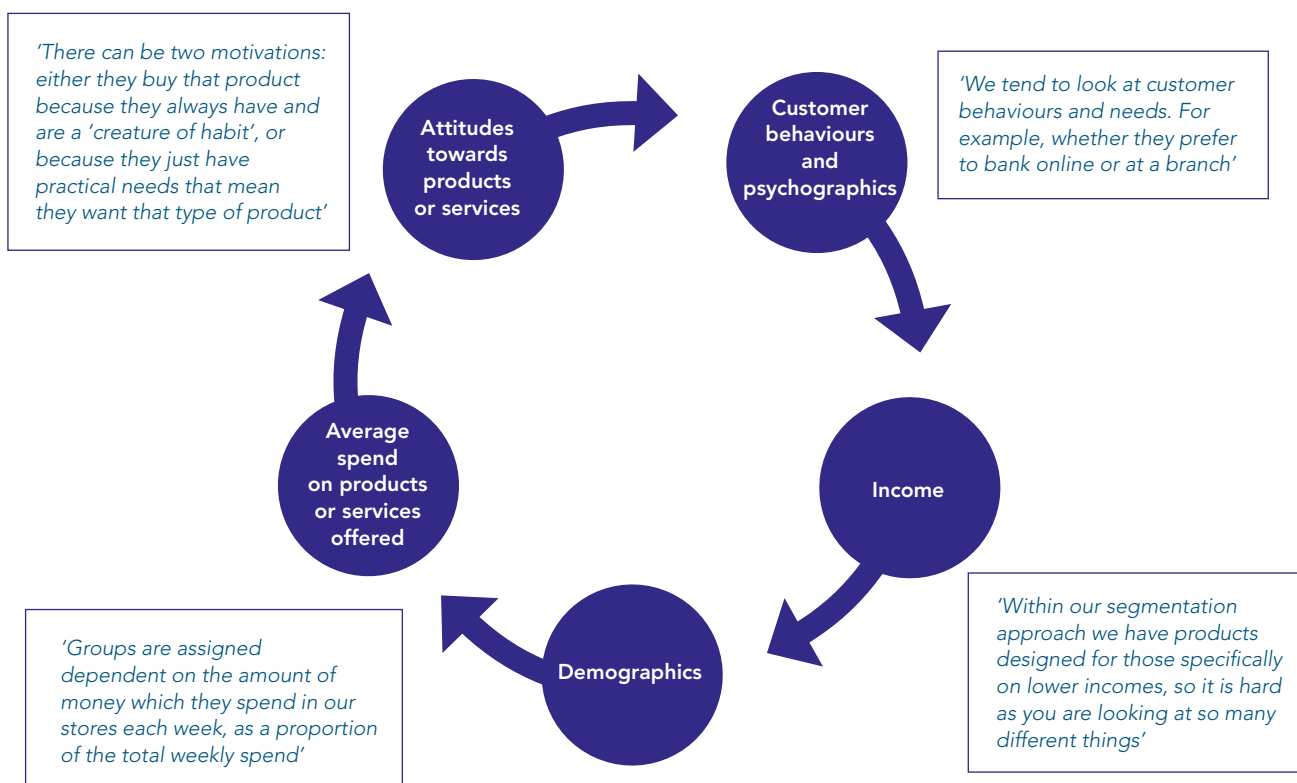
"It [segmentation] is done in three different areas of the business. In terms of the research it is done by the commercial insight team. In terms of the behavioural segmentation that is done within the product teams, because they think about the relationship between people's behaviour around products. And then there is a more strategic level (driven by the board) where they attempt to put a value on different types of customers."
(Private sector organisation)

Gather information from a range of sources

Information and data to drive segmentation is gathered in a number of ways. It is triangulated from a range of sources (such as loyalty cards and findings from quantitative and behavioural research) in order to develop a detailed understanding of customer groups and their unique behaviours. The type of information that is collated by a range of private sector organisations is shown in Figure 7.

Figure 7: Examples of information collated to drive segmentation across a number of private sector organisations

'There can be two motivations: either they buy that product because they always have and are a 'creature of habit', or because they just have practical needs that mean they want that type of product'

Attitudes towards products or services

Customer behaviours and psychographics

'We tend to look at customer behaviours and needs. For example, whether they prefer to bank online or at a branch'

Average spend on products or services offered

Income

Demographics

'Groups are assigned dependent on the amount of money which they spend in our stores each week, as a proportion of the total weekly spend'

'Within our segmentation approach we have products designed for those specifically on lower incomes, so it is hard as you are looking at so many different things'

Use the right segmentation criteria

Segmenting customers is also a key part of third sector organisation marketing. A high level segmentation of 'beneficiary', 'intermediary' (such as a health professional) and 'supporter' underpins the work of most organisations.

"We have eight key segments, but they are so large (millions of people) they could be described as 'markets'. They will be broken down further by different teams using demographics, recency/value, number of products, lifestyle factors, etc. We are also developing sub-brands to appeal to different people (e.g. by type of cancer, or 'young people and cancer')." **(Cancer Research UK)**

Segmentation is well established in individual fundraising teams. They segment supporters by factors such as recency, frequency and value of giving, tailoring their products and communications accordingly. Other criteria are also used, such as interest in a particular theme or the number of relationships a person has with the organisation.

Case study 7: Using a segmented approach – The National Trust

- The National Trust has fully embraced segmentation as a way of focusing work on prioritised audience groups within the 'days out' market. The organisation realised that a typical behavioural and demographic segmentation was not providing enough differentiation between its customer groups, so it developed a bespoke psychographic profile based on people's motivations to visit. The audience was categorised into seven groups, three of which were selected as organisational priorities at senior management level, following a consultative process. The basis of the selection was the ability of the National Trust to effectively meet the identified needs of the chosen groups. Groups whose needs could not be met without major organisational change were de-prioritised

- The three segments that were prioritised are:
  - 'Curious minds' – those whose visits are intellectually motivated
  - 'Out and about' – those who are more socially motivated, who may not want as much in-depth learning
  - 'Explorer Families' – described as values-led parents, for whom a day out is a thoughtful decision and who are looking for a discovery experience together, like a countryside trail
- An example of a segment that was identified but de-prioritised is 'Kids First', as the organisation chose not to compete with attractions such as theme parks. The prioritised segments have been promoted throughout the organisation, with internal guides produced for volunteers to describe the different segments and what they are looking for from a visit

Allow some flexibility

Some larger organisations adopt a global approach to segmentation to ensure consistency in the way that customers are identified and targeted. Global segmentation models are applied locally, sometimes adapted to fit regional circumstances or nuances. Global segmentation models demand processes to carefully manage interpretation and adoption at a local level. Understandably, some regions are keen to highlight the unique aspects of their local populations. Therefore, for segmentation to be successful, it needs to be understood in many different geographic areas, permitting local variations.

Case study 8: International and localised approaches to segmentation – Ford

- Ford has developed a series of 'archetypes' at a global level to segment its customer groups. Each archetype is assigned a name, nationality, job and family at global level, which can then be adjusted to suit local customers' needs. From this, when new products are brought to market the segmentation approach is used to tailor that product appropriately to different local markets

- For example, a new MPV vehicle is due to be released in both France and the UK. However, Ford's customer insight has allowed it to identify that the seven-seat option is more likely to be applicable to the French family market. The product will therefore be released in this format there, with marketing communications tailored accordingly. However, in the UK, research has shown that family sizes are smaller. Thus, a five-seat option is being released in this market, with communications tailored accordingly. Therefore there are two slight variations on the archetype used for this vehicle, although both are recognisable and identifiable at a global level

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Don't micro-segment

It is important to note that most organisations want relevant and straightforward segmentation models. Over-complicated, micro-segmentation can be impractical. A number of organisations also highlight that while it can be difficult to achieve the right balance when conducting segmentation, it is fundamental to its success.

"Because we have got 15 million customers just in the UK, on one level segmentation is particularly hard, but on another level it is important so there are certain segments which we peel off and deal with separately as they have different needs."
(Private sector organisation)

A number of organisations have undertaken multiple 'refreshes' of their segmentation models. This is to promote them, keep them aligned to the operating environment and also reflect new research or insight. Most revisit their segmentation models formally approximately every three years, but one has used the same segmentation model for nearly seven years.
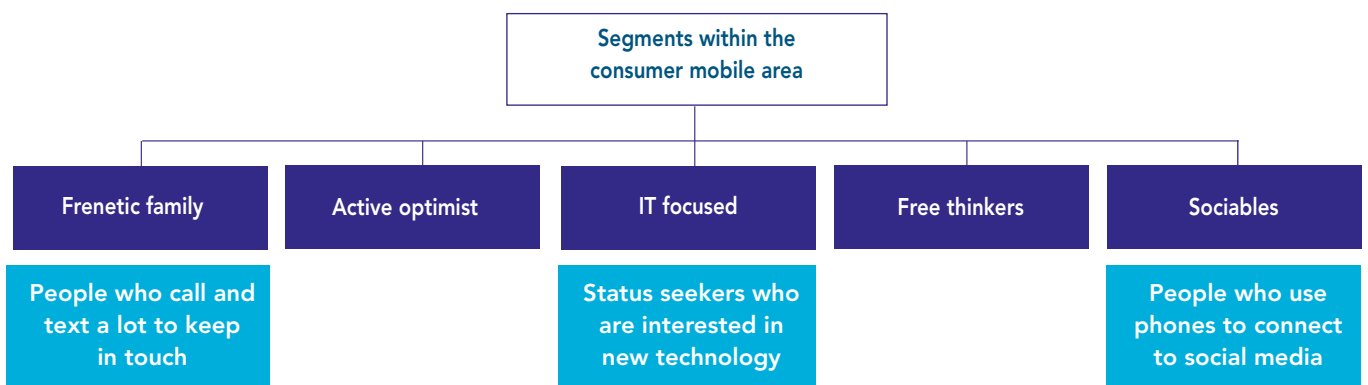
*"Our customer database is compiled from card data and could be cut any which way, but the risk of this is that you could verge into micro-*segmentation… about five to seven years ago we had a more complicated model with 12 customer segments. However, this was stopped as it was becoming too complicated and was contributing towards misleading customer behaviours. Now the segmentation model is more straightforward, with only four key groups, based on their weekly spending patterns."* (Private sector organisation)*

Two organisations indicated that they have had to update their segmentation more frequently than usual due to the accelerated rate of recent change.

Case study 9: Updating segmentation to reflect the changing environment – O2

- At O2, the business is split into three key business units – consumer mobile, small business and home. Each of the three business units has its own market segmentation model, which is updated on a regular basis. However, the consumer mobile business unit's segmentation approach was updated during the latter part of 2009, due to the impact of social media (Facebook and Twitter) and as smart phones began to enter the market. The model was refined, with some existing segments refocused and renamed and a new segment of customers devised

- The consumer mobile business unit now has a refreshed segmentation model that is applicable to today's mobile telephone market. The model has five key segments, each representing between 15 per cent and 23 per cent of the market within this category, as shown below

- O2 has also recently put in place a new Segment Marketing Team as a sub-function of its wider marketing department. It is responsible for looking at the overall marketing plan and relating it to the segments within the three key business units. There are now segment-specific marketing plans, as well as marketing plans within each of the business units

Segments within the consumer mobile area				
Frenetic family	**Active optimist**	**IT focused**	**Free thinkers**	**Sociables**
People who call and text a lot to keep in touch		Status seekers who are interested in new technology		People who use phones to connect to social media

Be prepared to modify your approach

No organisations have final, fixed segmentation approaches, accepting that they are likely to change or be adjusted in the future. However, their models provide them with a foundation for designing marketing campaigns to target either all or specific groups of customers. Some of the strengths and weaknesses of these segmentation models are shown in Figure 8.

Figure 8: Examples of strengths and weaknesses of segmentation
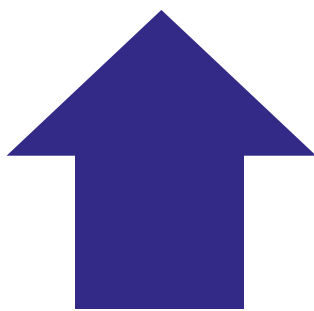
STRENGTHS

Segmentation provides a starting point for designing specific advertising campaigns.

A single approach allows you to simplify and scale communications, making marketing more efficient

When properly embedded within the organisation, one can truly understand the customer, and thus design products and services to meet their needs.

A straightforward and pragmatic approach helps to deal with the complexity of the marketplace.

WEAKNESSES

Every region believes that their consumers are different, so there is difficulty in getting buy-in to a global segmentation model.

Models can become over-complicated and veer towards micro-segmentation.

Complicated models and micro-segmentation can be resource intensive and costly.
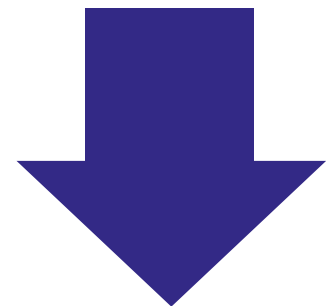
Conclusion

Marketing is shown to be a valued function in private and third sector organisations. It enables them to provide products and services that meet customer needs, maintain a competitive edge and develop and manage meaningful relationships with targeted customer groups.

The benefits are available to the public sector too. It need not be expensive, but it will require leadership from the top-level of management to properly embed marketing. The key lessons provided by the report should help public sector organisations become more customer focussed and provide services that achieve behaviour change and that are valued by their target audiences. The changing public sector landscape presents both challenges and opportunities. The Comprehensive Spending Review is already having a significant impact on budgets. Far from costly advertising, social marketing offers a comprehensive business planning process for efficient, cost-effective and consumer-centric services.

Appendix: list of consultees

Private sector organisations

Organisation	Name	Position
Financial sector company	Confidential	Confidential
BT	Dr Nicola Millard	Customer Experience Futurologist
Ford	Mark Simpson	Marketing Director
Diageo	Philip Almond	Corporate Affairs Director
Pharmaceutical company	Confidential	Confidential
O2	Caroline Bates	Head of Strategy and Insight
Proctor & Gamble	Kip Olmstead	Marketing Director
Sainsbury's	Claire Harrison-Church	Director – Brand Communications
SSL International	Mr Peter Roach	Vice President – Durex Network
FMCG company	Confidential	Confidential

Third sector organisations

Organisation	Name	Position
Age UK	Duncan Lewis	Group Marketing and Development Director
Alzheimer's Society	Lind Seaward	Head of Marketing and Publishing
Asthma UK	Neil Churchill	Chief Executive
Cancer Research UK	Richard C Taylor	Executive Director, Fundraising and Supporter Marketing
Marie Stopes International	Confidential	Confidential
Mind	Confidential	Confidential
RNIB	Wanda S Hamilton	Group Director, Fundraising
St John Ambulance	Scott Jacobson	Director of Marketing, Communications and Fundraising
The National Trust	Luke Whitcomb	Marketing Communications Director
A mental health charity	Confidential	Confidential