

## PRECISION MARKETING AS FACTOR FOR ATTRACTING, RETAINING AND LEVERAGING PROFITABLE CUSTOMERS

**SNEZANA OBEDNIKOVSKA**

*PHD, ASSISTANT PROFESSOR AT UNIVERSITY ST KLIMENTOHRIDSKI- BITOLA, FACULTY OF ECONOMY- PRILEP*  
obednikovskas@yahoo.com

**KAROLINA ILIESKA**

*PHD, FULL PROFESSOR AT UNIVERSITY ST KLIMENTOHRIDSKI- BITOLA, FACULTY OF ECONOMY- PRILEP*

### **Abstract**

*The basic function of marketing is communication between company and consumers. Seen from the scope of the company, customers can be divided as profitable and one with negative value. Profitable consumers are of particular interest for the companies and all marketing activities are made to keep them and turn them into loyal customers. The release of customers who have a negative value for the company is never a fun business for management. On the contrary, it even may look like breaking the rules of social ethics that are pointed toward the relationship between the company and the consumers. The economic value of the company tells us that replacement of the resources from consumers with negative value for the company to the consumers that have positive value for the company is required.*

*In such case, there is a need for learning and improving the concept of marketing that is understood as a tool for communication between company and market. Precision marketing is a concept that may help in promoting the collective thinking and understanding of the criteria used for segmenting and targeting, with the bottom line better to serve customers that will result in increasing the profit and profitability as a whole. The main purpose of precision marketing is to understand customers as a core value for the marketing, especially because nowadays there are much more products that customers on the market.*

**Key words:** precision marketing, segmentation, targeting, life value of the customer

**JEL classification:** M31, M390

### **Introduction to the idea for precision marketing**

In today's turbulent world, the change is the only thing that moves us forward. The ability to adjust with the change is not a new concept that may be applied in the economy as well. The companies should have the capacity, power and resources to adjust with the changes of the environment. Marketing is a tool for communication between company and market. The signals for change always come from the environment. There is a need for the company always to be open and aware for changes, since it is in direct contact with the environment through the marketing. The American Marketing Association (AMA) defines marketing as: "organized function and set of processes for creation, communication and adding value to the clients, as well as managing consumer behavior in a way in which both the organization and clients will benefit from."<sup>1</sup> Defined this way, the marketing is based on three steps:

1. Collecting and managing with market's data
2. Data analysis in order to achieve and improve marketing management strategy
3. Establishing more efficient and more profitable connection with the customers by using this strategy.

The customers are addressing market with most various needs, wishes, preferences, opinions and characteristics. The easiest way to serve the customers is to group them according such differences and characteristics, which will take small parts of the market. This is the reason that leads to segmentation of the market. Division of the market on smaller groups with clearly defined needs, characteristics or behaviors, who may need different products, or even different marketing mixes, is a process of market segmentation.<sup>2</sup> So the segmentation is done for better consumers' servicing on the market. As the consumers have different characteristics, so do the companies differentiate according their resource capacities and ability to service different parts of the market. In such case segmentation of the market benefits the companies also. The variables that are being used in the market segmentation or the division of consumers in groups can be very different: regions, populations, climate (geographic segmentation), age, gender, number of family members, income, occupations, race, religion, education, nationality (demographic segmentation), social class, life style, character (psychological segmentation) benefits, situations, attitude towards the product (behavioristic segmentation). These criteria were erect by

the fact that the buyers of a certain car model of average category (for example Chevrolet with Hyundai) are not significantly different from one another.

In the 1990s there is an emergence of new set of criteria for segmentation. The accent is being placed on the customers' loyalty i.e. on the importance to understand that it is more essential and important to retain the existent buyer than to acquire new ones. The reason for this is simple: the company has smaller financial costs if it communicates with the constant buyers and finds ways to turn them into loyal customers, than to invest in acquiring new customers which will need greater financial assets for commercials and other promotional activities. Customers' loyalty is very important for the companies because of a simple reason – the loyal customers are the profitable customers for the company which is a basic purpose of every economic subject. The loyalty of the customer as a criterion for segmentation opens up new perspectives in the marketing and creates a soil for development of precision marketing. If segmentation is the first phase, than targeting of the market is the second phase. Targeting is actually a selection of one or few previously identified segments on the basis of which the company will act.

Development of the companies and expanding on more domestic and international markets, companies have begun to practice mass marketing. According to the guru Philip Kotler mass marketing is a strategy for appearing on the market where company decides to ignore the differences in the market segments and provides one offer for the whole market. With this strategy the company seeks what is mutual for the customers instead of what is different. Because of this, they are approaching the market with a product that likely should be preferred by a great number of buyers. In the mass marketing strategy there are greater basic costs for the companies in terms of commercials and retaining of the interest of the mass population. In that manner, great number of kitten-lovers are bombed with commercials for dog food, great number of people that do not have any problems with their sight are presented with the activities that include glasses for clear eye vision, many diabetics are witnesses of commercials of deserts etc. Because of that every company tries to perceive the effect of the commercial. Greater number of the population is a Mc Donald's commercial lover, but not everyone visits these fast food chains and have a meal there, great number of people enjoys watching the commercials of Coca Cola, but not everyone drinks this product. It can be concluded that the mass marketing is correlated with the traditional media i.e. with outdated technology.

Changes in the manner of marketing functioning within the companies are along with technology changes. New possibilities are open for data gathering and data processing, new marketing campaigns and off course new applications that give free and easier way of managing the customer profile. Using these possibilities, companies can easily adapt their marketing activities in order to satisfy the needs and wishes of a narrow segment of customers. The individual communication is directed towards a narrow segment which in the end encourages the right answer of the segment and positive business outcome for the company. Because of such outcome, the companies are directed to a marketing strategy one-on-one. This marketing strategy has great advantages for the company. Nevertheless greater costs are being accumulated because it is necessary to invest in every potential customer so that his /hers wishes and needs are better discovered in order to design a product that will satisfy such needs.

The precision marketing emerges in a new era and is one level above marketing strategy one-on-one i.e. it is a type of an upgrade. The precision marketing is very like the marketing one-on-one, at least according to achieving the intimacy with the customers, but has a different approach as a concept.

### **1. THE BASIS OF THE PRECISION MARKETING**

The basic purpose of the precision marketing is to deter the ones that are not customers and to attract even more those that are constant buyers. This is a type of marketing management with the relations of the customers. Such customer relations management is a combination of business processes and technologies that are trying to understand customers more than real perspective in order to create more understandable, deeper and profitable relations.<sup>3</sup> When it comes to combinations of the business processes and technology, the precision marketing should be understood as a manner that influences on improving company's efficiency and effectiveness.

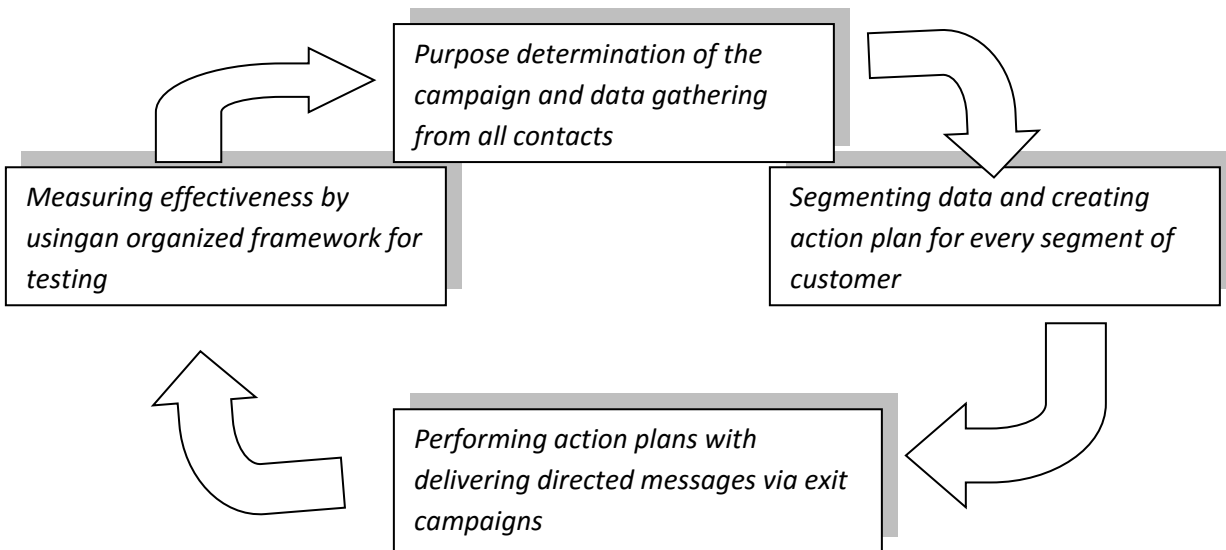
Efficiency means the job to be done better, i.e. reducing costs and increasing company profitability. From marketing aspects that would mean reducing the costs for commercials and promotional activities for those customers that do not intend to buy, which will lead to improvement of marketing productivity costs. Doing the right job represents the effectiveness of the company. As seen through marketing aspect, that would be selection of appropriate purposes and manners of their achievement that is actually redefining marketing process as a whole. Final purpose would be new source of profit and increasing the company's profitability. The new technology can be a source of greater effectiveness because it can be an initiator of new marketing strategies or initiator to provide ways of different marketing activities in the company. On the basis of the above presented, it is important to highlight that the profitable customers are at the center of attention for the precision marketing.

The people should be understood as complex personalities with different needs, wishes, characteristics, attitudes, interests, experiences and the like. The companies would attract profitable customers only if they own enough information to clarify such complex personalities. The combinations of media assets provides for such information which means that precision marketing uses traditional media, mobile phones, internet, email and other in the process of acquiring data for

their customers. This provides marketing to be result-oriented and to manage and measure marketing rentability. Because of this we can make the following conclusion: precision marketing enables company to come closer in achieving the HOLY GRAIL of the marketing: *delivering right marketing message to the right customer via the right channels in the precise time*<sup>45</sup>.

## 2. THE CYCLE OF PRECISION MARKETING

The precision marketing, as a new marketing positioning, has a necessity of new conceptual basis of the complete process that is alike to the Demingov's context for management of industrial operations. The cycle of precision marketing consists of four phases:<sup>6</sup>



### 1. Cycle of Precision marketing

Phase 1 – *Purpose determination of the campaign and data gathering from all contacts*- above all it is necessary to precisely define the specific goals of the marketing program. They should be clear, easily quantified and measurable. The main goal of this phase is attracting a greater number of people-customers that will buy this product.

In today's fast technological development there is a huge amount of data storage. Not all data are information-important for the company. This explains the fact that companies spend a lot on marketing campaigns that do not give appropriate results in respect to the profitable customers. This would mean that companies have greater number of data for greater number of customers, but among them it is very hard to separate the information that refers to profitable buyers.

Phase 2 - *Segmenting data and creating action plan for every segment of customer*- previously it was discussed about a segment of people- segmentation, but in this phase it is all about segmenting data for each customer's group in order to develop appropriate action plans. The greatest challenge in the segmenting is the "translation" of every segment on language that is intelligible i.e. that would have a practical meaning from the perspective of a salesperson. The segmentation should be considered as a set of strategic choices for the company, for which it is important to know precisely the good and bad side of every option. It is certain that the segment can always be redefined which provides the system with flexibility. It is important to choose the right combination of data for an appropriate segment of customers so that a specific marketing perspective (action plans) for the segment could be created.

Phase 3 - *Performing action plans with delivering directed messages via exit campaigns*- in this phase of the cycle information from the customers is being used so that a specific offer could be formulated. This reaches only the most profitable buyers and the other coincidental are being disregarded. Because of that, in this phase of the precision marketing there are strictly defined aim groups and promotions that are focused on upgrading and prizing loyal customers.

Phase 4 - *Measuring effectiveness by using an organized framework for testing*- the results from commercials and financial activities can hardly be measured. The precision marketing produces financial result that can be measured and compared. During result measuring, two clearly defined and identified groups are taken into account: the first is controlled group, and the other is monitored group. Effectiveness can be seen while comparing the behavior of those two groups in respect to that which can be achieved with the controlled activities or without them, which effect would be more positive at the placement of the brand of the company.

The advantage of the precision marketing is in combining the tactics, channels, schemes for segmentation during the placement of similar products with higher price to the customers. More data can be taken but still to end up with one or two activities on the market.

### 3. MEASUREMENT OF THE DEGREE OF INTEREST AND IMPLEMENTATION OF EFFECTIVE PRECISION MARKETING

The relationship between an effective precision marketing and attracting, retaining and leveraging profitable customers can be conceptualized at a fairly general level, where a set of factors was determined on a series of indicators for effective precision marketing and for attracting, retaining and leveraging profitable customers which in turn uncovered the outcome. It was recognized that the study would be undertaken across a set of companies, within a discrete point in time, resulting in quite different outcomes, according to companies' responses.

The analysis and results gave insights into the dimensions that should be highlighted in the study for both effective precision marketing and attracting, retaining and leveraging profitable customers.

The results from the preliminary study guided the researcher in determining the number of dimensions for each of the global themes that appeared in the according to companies' questionnaire.

Goal and hypotheses for research:

- Goal - identify and quantify the degree of interest and implementation of effective precision marketing for attracting, retaining and leveraging profitable customers
- Hypothesis:
  - There is interest for implementation of effective precision marketing
  - Implementation of effective precision marketing has an impact to the improvement the attracting, retaining and leveraging profitable customers

Research is conducted in the companies on the market of Republic of Macedonia (41 samples). Our case study indicates that according to companies' perceptions there is interest for implementation of effective precision marketing and implementation of effective precision marketing has an impact to the improvement the attracting, retaining and leveraging profitable customers.

In this context the F test between modalities for improvement the attracting, retaining and leveraging profitable customers and implementation of effective precision marketing shows high level of statistical significance for  $\alpha=5\%$ , which implies that we should reject the null hypothesis.

F-test- two sample for variances

Ho: There is no dependence (impact) between improvement the attracting, retaining and leveraging profitable customers and implementation of effective precision marketing

#### F-Test Two-Sample for Variances

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	<i>Variable 1</i>	<i>Variable 2</i>
Mean	2,634146	2,317073
Variance	0,387805	0,521951
Observations	41	41
Df	40	40
<b>F</b>	<b>0,742991</b>	
P(F<=f) one-tail	0,175701	
<b>F Critical one-tail</b>	<b>0,590738</b>	

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0.74 > 0.59  Ho is reject

According to our empirical analysis, there is dependence (impact) between improvement the attracting, retaining and leveraging profitable customers and implementation of effective precision marketing, and Ho is reject. So the companies must have interest for implementation of effective precision marketing for improve the attracting, retaining and leveraging profitable customers.

## Conclusion

Every company has a certain function. The direction of performing such function is satisfying the customers and the successfulness of every company lies in the way that provides more effective satisfaction of the needs and wishes of the consumers.

The marketing is a part of the company that involves better acceptance of the final results from market functioning of that company. The main purpose of the marketing is to continuously find ways for more effective serving the customers in order to turn them into loyal and profitable ones. The precision marketing is the concept that offers a different organization of activities in the company, concept that places all the attention on loyal customer and concrete result of such working. The precision marketing leaves space for focusing on part of market segment i.e. incorporates part of the consumers which would reduce the cost of the marketing and so, the results would be measurable. When the company has measurable results it can perceive its positive or negative activities in order to practice the positive ones in the future. This paper incorporates only the basis of the precision marketing which leaves space for further development of the concept in detail.

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<sup>1</sup>Piter J. Paul, Donnelly H. James, Marketing management: knowledge and skills, page 5, McGraw-Hill 2011

<sup>2</sup> Kotler P., Armstrong G., Principles of marketing, Pearson Education, 2008, page 184

<sup>3</sup> Kotler P., Armstrong G., Principles of marketing, Pearson Education, 2008, page 195

<sup>4</sup>Zabin Jeff, BrebachGresh, Precision marketing, 2004, Ars Lamina DOO, page 29

<sup>5</sup>Zabin Jeff, BrebachGresh, Precision marketing, 2004, Ars Lamina DOO, page 47

<sup>6</sup>Zabin Jeff, BrebachGresh, Precision marketing, 2004, Ars Lamina DOO, page 86

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