

Can Tactical Targeting Improve Bottom Line Profit?

Which customers will be the pioneers to buy my new product ? Who will incur less cost to my operations? Which customers are more likely to pay me sooner rather than later? Who is less likely to go bankrupt? These are some of the questions that need to be answered in everyday strategy meetings. I will try to provide some insight about these basic targeting questions.

What is Targeting?

Target means “A person, object, or place selected as the aim of an attack.” In business world targeting means “selecting the target”. Every company, every project, every campaign, ... starts with targeting.

Targeting has strategic and tactical aspects. Strategic targeting is mostly about where the company is heading while tactical targeting is about which customers to target in the daily operations. Today, I would like to talk about how tactical targeting can improve your business.



Targeting in Marketing

When it comes to maximizing profits, there are two ways of doing that: Increasing income and lowering cost. Even the largest corporations have limited resources and they need to get the most out of them. In order to achieve this, they should direct their sales and marketing force to the prospect/existing customers who will have the largest bottom-line impact for the company. Approaching the right customer with the right offer will increase the income but more importantly it will decrease the cost per sales by optimizing the sales operations. The bottom line is that, marketing departments can improve their return on investment rates by more efficient use of their budget. Targeting not only impacts budget but also increases customer satisfaction by eliminating unnecessary communication (noise) to the customer.

Targeting in Collections of Receivables

Collections operation is a hard ball for most of companies. Generally there is a large pool of customers with payment problems and not many resources to make them pay. In such cases, targeting the right customer becomes the key success factor. What are the main drivers for collections targeting?: Willingness to pay and ability to pay. Combination of those two parameters gives us the first insight about who to approach with what. If both ability and willingness are high, these customers can be approached by light measures; on the other hand if it is the opposite, immediate tough measures are usually necessary. For the ones in between, appropriate measures

are defined by company strategy and resources. The important question is: “Who are these customers?”

Targeting in Risk Prevention

It is quite common in Turkey to sell big ticket items in installments or fixed term. Having the chance of face-to-face interaction, merchants know that some of the buyers will not pay, but which ones?? Is there a way to approach or be approached by customers who are more likely to pay on time? If you have 50-100 customers, you can judge who can do that on your own because you have the advantage of face to face interaction. When the number of customers reaches thousands, and when hundreds of new ones are arrive at your doorstep every day, you will feel the need for predictive analytics to find out which customers are the ones you should avoid.

Targeting in Elections

When we dig into details of Obama’s 2012 Elections Campaign, although some of the methods they use remain secret, you might have noticed that Obama’s election team got praised there for heavy and effective use of targeting by the use of predictive analytics. Over 100 data analysts sifted through the data and to reach the undecided or likely – but not certain – voters, in order to make the most impact within a limited time frame. They took action on lists of voters by predicting (sometimes knowing) who are Republicans, who are Democrats and who are undecided. The primary target was undecided people and secondary was the Republicans. Representatives of the political party went through the list and visited the targeted homes only. Maybe, they even knew what they like, whom they voted for before, which income level they belong to, ... Who knows?