

## GIS for Marketing – Know Your Non-Customer

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### 1. Introduction

In the past few years, many organizations have established an infrastructure for collecting and analyzing information about their customers.

We know a great deal about our customers – personal and demographic information, mapping the customer's relationship with the organization, duration of that relationship, preferred products, reactions to marketing activities, and a variety of other details, consistent with the organization's structure, agenda, and time and resources it invests in the data collection and analysis processes.

The main flaw of this work method is that we can never effectively focus our marketing efforts beyond the limitations of the existing customer database.

Detailed as it may be, the customer's database is limited to retention activities and attempts of increasing revenues from existing customers, and does not provide a solution for the main objective of many organizations – recruiting new customers.

GIS for marketing is an analysis tool based on a geographical segmentation of the country's population – mostly used today for operational activities. It can also be used for marketing analysis and for learning more about the characteristics of the residents of the entire geographic area chosen, by combining the organization's data of its customers residing within the said area, with general data of the area.

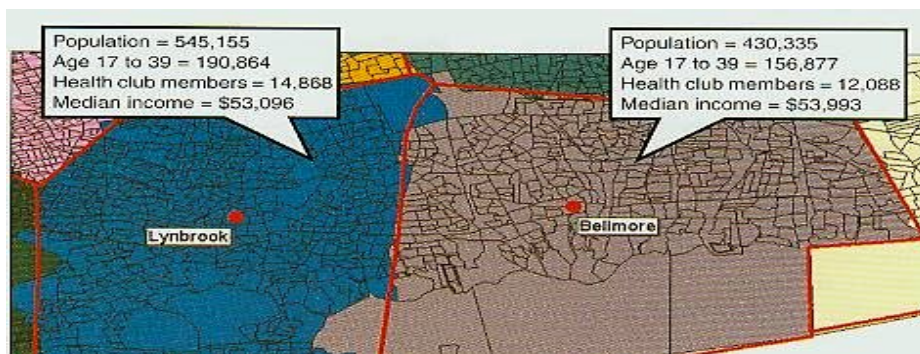
### 2. Definition – What is GIS?

- Geographic Information Systems, enables the management, retrieval, and analysis of information based on geographic parameters, while combining information from several data layers.
- Anyone with a residential address is assigned to a statistical – geographical area, defined by the Central Bureau of Statistics, whose residents are all of similar demographical characteristics.
- The desired actions are based on a combination of a fixed national data mapping array, and relevant data from the organization.

### 3. How Does It Work?

#### A. Stage one – mapping the organization's customers and their activities

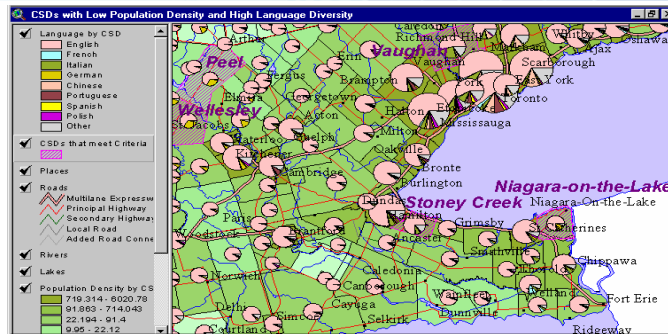
- In order to understand the results of the business actions in each statistical area in comparison to the rest of the area's residents, first we must map the relevant existing customers according to their residential address and the statistical area distribution.
- Mapping the organization's customers will immediately enable us to understand the business result of the organization's activities in the area in comparison to the rest of the relevant population residing in said area, and its future potential.
- After mapping the customers, additional layers of organizational data may be added, such as: duration of customer relationship, product/service usage, business activity, customer profitability, and more.



The outcome of this stage: the organization's customers are mapped according to statistical areas, including general (outer-organizational) information and according to the area's characteristics, and based on the organization's database. As a result, we better understand and know more about the needs and characteristics of the residents of each statistical area.

#### B. Stage two – identifying business opportunities

- After mapping the existing customer base and the different information layers according to geographical areas, we can perform a business analysis to better understand the position of the organization in each area.
- The mapping focuses us on the best areas to target, the suitable marketing activity, and the most effective marketing tools for these areas – identifying the problem and providing the solution.
- Based on an analysis of the area's characteristics – inner and outer-organizational information, we will be able to identify the general characteristics of the area's residents (whether they are our customers or not, or rather, not yet), as the basis of our acquisition activities. **That is, we will be able to understand the customers' needs, and how they should be addressed, even though we have never met them or had any sort of contact with them.**



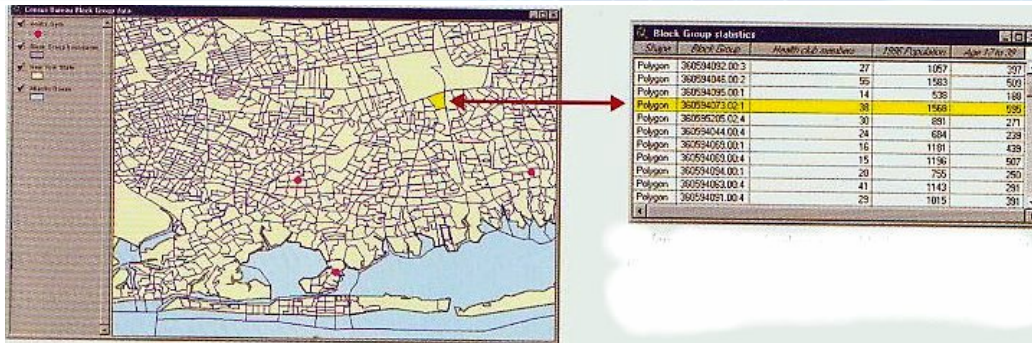
The outcome of this stage: identifying the most suitable marketing activities for each statistical area: Whether we should/shouldn't invest in recruiting new customers, whether we should invest in promoting a certain product, etc.

**C. Stage three – setting targets**

- After having identified the activity recommendations for each area / statistical area, we now turn to examining the potential contribution of each marketing campaign in each area.
- For each area with an acquisition recommendation, we define the number of potential customers.
- For each area with up-sale/cross sale recommendation, we will define the campaigns and their targets.
- For each area with a high churn risk, we will establish the retention targets and the suitable campaigns.
- After setting the goals, we will be able to identify the theoretical revenue potential of the statistical area, using the following formula:

$$\begin{aligned}
 &\text{Acquisition: number of area residents X the average revenue per} \\
 &\text{resident X percentage of penetration in the area after marketing activity} \\
 &\quad + \\
 &\text{Expansion: number of product/service owners in the area X average revenue per} \\
 &\text{product/service in the area X sales addition of service in the area} \\
 &\quad + \\
 &\text{Retention: number of residents in the area X average revenue per resident in the area X} \\
 &\text{decrease in churn rate after marketing activity} \\
 &\quad = \\
 &\text{Total potential revenues from the area}
 \end{aligned}$$

- After analyzing each area, we will be able to identify the areas in which the theoretical revenue potential is the highest, and target that area first.
- Naturally, we will be able to determine which activities we should focus on in each area (higher revenue potential), out of the variety of activities performed in each area.



The outcome of this stage: a list of the recommended activities for each area and the targets per activity per area. For instance: recruiting new "Type Y" customers by offering product "X".

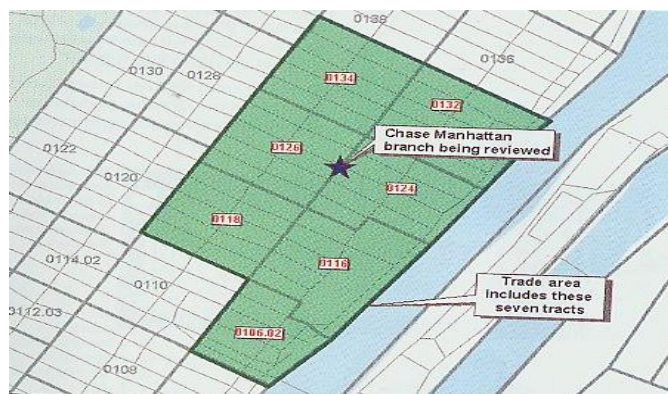
**D. Stage four – launching the marketing campaigns**

- After determining the statistical areas relevant for the relevant activity, we can legally purchase the list of customers residing in each area (depending on each country's laws), and refer to them with value propositions through the marketing channels suitable to their needs and to the area's characteristics.
- With campaigns targeting existing customers, we will be able to focus on those from our database residing in the relevant areas, according to the evaluated potential found.

The result: a focused, more effective targeting of new customers = a more efficient and beneficial recruitment process.

**4. The Visual Aspect**

- Think back to the last time someone tried explaining to you a new statistical model, customer mapping, economical calculations, etc. Normally, your reaction will be anything from a complete lack of understanding, through thoughts such as "why am I not lying on a beach in Hawaii right now?", to a distinct attempt to understand how to better implement the activity.
- One of the most significant advantages of using GIS is the clear and comprehensible intuitive presentation of the data. The presentation is based on visually colorful maps, enabling an immediate understanding of the analysis results and the required activities.



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## 5. Conclusion

- We've shown how an existing operational tool can be used for groundbreaking marketing analysis.
- Using GIS for marketing enables us to understand the needs and characteristics of each citizen, be it an existing customer or an unknown person, as well as what products and channels of communication are most suitable for them.
- GIS usage significantly increases the organization's database productivity, enabling us to maximize the activities of a data-based organization.
- Using the visual presentation, the GIS provides a clear and simple explanation of the analysis' results, and the best ways of implementing the information.

## About Synergy

**Synergy** is a consulting company specializing in information based customer management, assisting organizations to maximize the business potential of their end customers, while providing them with tools of improving their marketing, service and retention activities.

**Synergy's** solutions revolve around customer management, and include Analytical CRM, Operational CRM, Loyalty and Web solutions, as well as Marketing Resource Management solutions.

**Synergy** was established in 2003 and operates from Israel, the UK and Poland, working with local and international organizations. Among our customers are the foremost industry leaders in the Israeli and international markets, in industries such as communications, finance and retail, among which are banks, credit card companies, insurance companies, mobile operators, internet service providers, international call providers and television networks, as well as large membership clubs in the food, fashion and aviation industries.

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