Group Marketing Strategies – Design, Implementation, and Measurement

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Abstract

In the age of connected customers, organizations are increasingly devoted to social and group marketing. In doing so, firms need to consider not only interactions with customers but also interactions among customers. Such interactions among customers are dynamic in nature and thus create a dynamic structure of influences among customers. This article, using 27 years of data on university alumni donation and event attendance, highlights the importance of the interdependence that arises from joint event attendance among potential customers over time and the substantial effects such interdependence has on behavioral outcomes. Therefore, when designing group marketing strategies and deciding which customers to target, companies need to consider group similarities due to demographics, contacts and interactions among customers over time, and the synergistic effects between customers who interact with each other and also share similar demographics. Accordingly, this article provides guidelines on data collection, design, implementation, tracking, and fine-tuning of group CRM strategies.

Introduction

How does an international auction house such as Sotheby's decide whom to invite to its contemporary American art auction to generate record sales? In thinking about targeting customers, the company might refer to its customer relationship management (CRM) system where customers are finely segmented based detailed records of customers' interests, past bids, and purchases. Based on this information, the auction house would target those who would be considered a good fit given the current auction's theme.

A luxury watch company such as Audemars Piguet plans to hold a dinner party to present its new six-figure tourbillon watch. As the company's goal might be a mix of potential purchases and press coverage, it would make up its guest list via a mixture of wealthy potential clients and watch journalists who are not direct customers but might write about it later on.

Likewise, organizations such as philanthropic organizations, political organizations, and university alumni relation offices regularly hold events such as sporting events, dinners, and lectures, and invite members and their affiliates to attend with the goal of generating donations.

In the above examples across various industries, which customers to target and how to measure the success of the marketing events are traditionally thought of by marketers to depend on the interests of the individual customers and the quality of the events. However, the reality turns out to be much more social and nuanced – the success of these group marketing efforts depends largely on the similarities of the attendees and their interactions, and how well the firm acknowledges and captures such *interdependence* amongst its customers.

Consumers do not act in isolation – their behaviors are interdependent

As consumers become increasingly connected and empowered, they interact with one another when forming opinions and beliefs. Consumers' preferences and behaviors are influenced by their own taste as well as by the taste of others, and hence such preferences are *interdependent*. In recent years with technological advances, communications among customers have never been easier. Firms, in turn, are increasingly paying attention to the design and implementation of group marketing or brand communities. A survey of over 350 top U.S. marketing executives shows that 83% of them would allocate budgets for social to group marketing,[1] and both B2B and B2C firms have been modifying their business models and investing in brand communities to facilitate the interaction among their customer base.

Further, in recent years, as print media has expressed decline, advertising dollars have shifted towards offline events and in building stronger customer engagements. Hence, the event space has experienced unprecedented growth.[2,3] Furthermore, according to PR agencies such as BPCM, offline events, given their interactive, social, and involved nature, are more influential for complex purchases.

These brand communities differ in product types and hence purposes, from more functional and information-sharing (e.g., H&R Block, SAP, Sephora Beauty Board) to more social and identity-building (e.g., Pabst Blue Ribbon, Nike+, Harley Owners Group). They also differ in size, degrees of involvement, and consequently the impact that participants would have on one another. Whereas participants on online brand communities such as My Starbucks Ideas, Lego Ideas or Nike+ have lower involvement and might exert only a small amount of influence on others, companies that deal in niche markets and hold exclusive offline social events would exhibit much higher degrees of interaction and cohesiveness. For example, high-end spirits makers and wineries regularly hold special tastings and dinners, open to their members and their friends, with the expectation that a pleasant evening among like-minded connoisseurs will result in higher brand engagement and affinity. As a success story for a brand community, the motorcycle maker Harley-Davidson regularly hosts get-togethers such as barbeques, charity events, and riding parades for its customers, to foster a sense of identification among its customers. Such highly social and involved events may be one of the main drivers behind the high retention rate and fruitful cross-selling among Harley's customers.

In the age of the connected and interdependent customers, savvy marketers want to be able to say, using increasingly rich consumer interactions data, the following - *"Tell me who your friends are and how much they spend, and I will predict how much you will spend."*

Social psychologists have long identified that customers' behaviors are interdependent. In short, 1. they learn from others to make better decisions, 2. they wish to strengthen relationships, and 3. they wish to conform to others to either receive reward or avoid punishment. However, marketers and CRM practitioners have been lagging in incorporating these insights into how managers make decisions in group marketing strategies.

Thus, in reality, as shown in the examples of auction houses, the luxury watch company, and philanthropic and political organizations, companies often do not actively collect or leverage the wealth of information from customer interactions. Based on the forthcoming article in the *Journal of the Academy of Marketing Science*,[4] I show that if the firm neglects this customer interdependence, when such interdependence exists, it would overstate the effectiveness of direct marketing, distort the firm's understanding of what drives customer purchases, and miss the opportunity for group marketing - thus leading to marketing resource misallocation and biased marketing design.

How firms can capture static customer interdependence

To illustrate how interdependence data can and should be captured by marketers, let us consider a typical CRM database with three customers and three time periods using the context of Harley-Davidson. This database (shown in Table 1) contains purchase amounts for each of the three years for Harley merchandise, the number of marketing solicitations each customer received each year, and the location of the store (e.g., Denver store #1, and Denver store #3).

Table 1. Illustration of Static Interdependence

Customer	Purchases			Marketing Solicitations			Location
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	
1	$450	$500	$600	10	12	11	Denver Store #1
2	$200	$170	$210	11	10	12	Denver Store #3
3	$50	$70	$85	6	7	8	Denver Store #1

Traditional CRM would indicate that each customer's behaviors are independent of one another and that marketing actions and store effects explain all the variation in purchases. However, based on the data, we know that customer 1 and customer 3 visited the same store. Furthermore, based on institutional knowledge about Harley's business, we know that Harley stores are deeply rooted in the local community and that each local store organizes its own events and engenders a loyal local following. Thus, we can incorporate the customers' store location information in the CRM system via the following similarity table for the three customers (see Table 2).

Table 2. Location Similarity

Customer	1	2	3
1	0	0	1
2	0	0	0
3	1	0	0

The above table shows that customer 1 and 3's purchases are no longer independent - aside from the store's location effect, their purchases could be related because they might have potential interactions at Harley organized events or might have been exposed to the same unobserved local cultural factors near the store 1's location. Thus, one might better infer the purchase of customer 3 from that of customer 1, and the extent of interdependence due to location similarity can be empirically estimated.

How firms can capture dynamic customer interdependence from customer interactions

It is important to note, however, that the structures of the interdependence within a customer group might not be static over time, and thus the potential influence customers exert on each other also changes over time. For example, a Harley owner who attended many local events and has interacted with many customers last year might not attend any event this year due to idiosyncratic and often unobserved reasons - changes in work schedule, moved away, lost interest in the brand or the group. In this case, her influence on the group will decline over time if there is no renewed effort to maintain these relationships. Just like in any human relationship, over time some initial influencers fade away from the group and so do the influence that they have had in the past, while new influencers would emerge to take their places.

Therefore, staying with the same context, what if Harley-Davidson also records which customers attend its company-sponsored group marketing events (e.g., barbecues, local charity events). Could Harley use this information to understand how event attendance shapes purchase behaviors?

To illustrate, consider Table 3 - a three-customer, three-period example in a local market, where we record how many Harley sponsored events each customer attends. The observed database contains each customer's purchase amount, the annual number of Harley events attendance, and each customer's demographic information, in this case, gender.

When two customers attend events together, there is a potential for interaction between them (as the researcher often cannot observe customer interactions in typical CRM transactional datasets, I thus emphasize the word *potential*). Just like the store location similarity in the previous static example, if the firm believes that the observed joint event attendances between customers to be an essential determinant of their purchase behaviors, then it could record the influence structure and examine whether purchases could be affected by it. Such structure can be constructed as the cumulative number of events that each person attended with others up to the current year, and the structure can be updated annually as follows.

- In year 1, customer 1 attends one event jointly with customer 3.
- By year 2, customer 1 has had two cumulative event attendances with customer 3 and has had one cumulative event attendance with customer 2. Customer 2 and 3 have jointly attended an event for the first time.

- By year 3, customer 1 does not attend any event with customer 2 or customer 3. Customer 2 and customer 3 continue to attend events together.

Table 3. Evolution of Dynamic Influences over 3 Years

Year 1			
Customer	1	2	3
1	0	0	1
2	0	0	0
3	1	0	0

Year 2			
Customer	1	2	3
1	0	1	2
2	1	0	1
3	2	1	0

Year 3			
Customer	1	2	3
1	0	1	2
2	1	0	2
3	2	2	0

As Table 3 shows, the number of joint event attendances and the "face time" among the three customers change over time. If the firm ignores this dynamic aspect of CRM and incorporates interdependence based solely on observed similarity from one snapshot in time, then it will miss crucial customer activity information such as the divergence and convergence of interactions between customers over time.

Furthermore, by examining the dynamics of the group interdependence structure, firms can quickly identify, at each period, the "heavy attendees" who are more connected in the group. If the dynamic group influence is positive, then the identification of these "connectors" will allow firms to continuously update their marketing efforts to strategically target these people to encourage their involvement in the group. Therefore, first figuring out which dynamic group structure is effective in influencing behavior is vital for firms.

Uncovering the value of customer interdependence in the context of university donation

In the research article published in the *Journal of the Academy of Marketing Science,*[5] I investigate the phenomenon of consumer interdependence in the $41 billion annual market of U.S. alumni fundraising.[6] I show that if the firm (in this case, the alumni relation office) neglects dynamic interdependence, when such interdependence exists, it would overstate the effectiveness of direct marketing and distort the firm's understanding of what drives customer purchases, thus leading to marketing resource misallocation.

Specifically, using a Bayesian spatio-temporal statistical modeling framework and applied in the context of a rich dataset of alumni donation and university event attendance across 27 years from a large university. I show that alumni exhibit similar donation behaviors from "static" similarities due to common backgrounds (e.g., the same graduation year, degree and major) and also from "dynamic" interactions via a series of joint university event attendance. In addition, there is a synergistic effect between the static and the dynamic structures on alumni donations. In other words, alumni not only donate more as they attend more events and more intimate events together, but such impact is enhanced if the joint event attendees share common demographics (e.g., those that attend a smaller dinner who also happen to be the same age and same major).

Acknowledging and accounting for the dynamic interdependence structure in the CRM framework offers several distinct benefits. First, the firm can more accurately describe the underlying behaviors and can more accurately predict customer behavior by as much as 28% compared to the traditional CRM model that treats each alumnus as independent from one another. Second, the firm can have a better understanding of how a customer's behaviors might be influenced by others by looking at a) how much of the spending comes from her independent preference, b) how much others are influencing her, and c) how much she is influencing others. The independent and interdependent effects are disentangled to show that 58%

of the donation is attributed to interdependent effects and that investing in an additional properly placed group marketing event can result in an overall 25% increase in donation. These are substantial and meaningful improvements that lead to optimized managerial decision making and more effective resource allocation.

These findings provide evidence that putting "the right customers in the right rooms" is just as important as (and sometimes even more important than) the characteristics of the events themselves. If appropriately designed, group marketing has the potential to dramatically enhance the effectiveness of firms' direct marketing efforts.

Guidance for firms to test and improve their group marketing strategies

For firms interested in engaging in group marketing, they should first undertake more detailed recordkeeping on customer demographics and event activity information, then test the effectiveness of various "static" and "dynamic" relationship measures.

By keeping track of event attendance at each event and by examining the evolving group structure at regular intervals, the company can quickly identify, at each time period, customers who are more connected in the network. The identification of these active "connectors" will allow firms to adjust their marketing efforts to target these individuals. When interdependence among the group is found to be positive (i.e., customers who jointly attend events exhibit higher spending), marketing efforts should be targeted to "connectors" to encourage them to be more involved in events because other people's behaviors are partially dependent on their behaviors. Such targeting efforts will indirectly influence other members in the network to purchase the firm's product and services, thus increasing the overall effectiveness of firms' group marketing efforts. More importantly, the strong synergy between static and dynamic interdependence suggests that when a firm is planning group marketing activities with a long-term goal of building a cohesive brand community, it should proceed in the following manner.

First, the firm should assess different demographic similarities among participants and identify the dimensions that provide the most salient and robust identity norm for the group. Depending on the context of the business, this can vary across industries and cultures. This assessment can either be performed via survey, or A-B testing by organizing separate events for different groups (e.g., by age, education, profession, socio-economic status, product/domain expertise, prior affinity with the firm, or by other revealed preferences), observing their interactions at the event, and then measuring and comparing customer engagements before and after the event.

The demographic groupings that result in the most lively interaction and subsequent performance lift would suggest that the interdependence among the participants is positive. The firm can then rank these demographic groupings based on the resulting performance.

Second, the firm should then identify the type of group event/activity that generates purchases. Again, following the same logic, the firm can try out a series of events, record the response rate, observe and record interactions and subsequent customer engagement, and rank the activities accordingly.

Third, having identified the most effective demographic similarities and group activities, marketers should have separate events for people with similar demographics (or in an online setting, separate customers into different platforms/forums), and devote resources to encourage those customers with the most activities (the above mentioned “connectors”) to interact with the majority of customers with fewer activities. The demographic segmentation and the seeding of connectors at events would enhance the firm’s group marketing efforts.

Fourth, given the potential positive influence from observing others, firms should make purchase behaviors as publicly observable as possible, and emphasize those high-profile customers to whom others can relate. Traditionally this has been done in the philanthropic domain through marketing communications and “hall of fame” plaques. Recent digital platforms such as GoFundMe.com post donation and donor names in real-time and hence have shortened the time delay for influence to take place. Private industries could also adopt and adapt the practice of philanthropic organizations and carefully curate desired consumption outcomes among their users. Along these veins, innovative companies such as the eyeglasses seller Warby Parker and the watch brand Daniel Wellington have built their successful brands largely by encouraging sharing and curating of user-generated product usage scenarios on their Facebook and Instagram company accounts.

Finally, this research speaks to the immense value in integrating event-based data with customer performance data such as sales. Often, the invitations and event planning are handled by PR agencies who have infrequently updated guest list, who do not know the behaviors of the guests for the client’s business and do not synchronize the guest list with client firm’s CRM database. Because of this disconnect between event activity and purchase activity, PR agencies can only focus on ad-hoc or aggregate awareness key performance indicator (KPI) such as host’s satisfaction and social media buzz, instead of actual downstream consumer purchase behaviors.

According to discussions with several CEOs in the nascent digital event management industry such as zkipster.com, a technology start-up that focuses on guest list management for clients globally across private and public sectors, companies realize that there is value in "getting the right group of customers and potential customers together in a room". However, there is currently no systematic effort to the data collection and design of group marketing strategy. Furthermore, because event attendance information is scattered among public relation agencies who are tasked with hosting the events and the CRM data reside with the client firms, there is also no synchronization between the event attendee data with the subsequent purchase outcomes to measure the effectiveness of group marketing efforts.

The future holds potentials, thanks to portable hardware and cloud-based apps that enable real-time synchronization, event solution providers can now reliably track guest response rate, check-in time, and who else guests arrive with. These are good starting points that measure event engagement and co-attendance. Along the same vein, the firm can also collect richer yet minimally invasive data such as seating charts and spousal attendance. Furthermore, it is crucial to integrate these event data with performance measures. Linking these event journey data with customer journey data (e.g., inquiry, purchase, re-purchase) and customer demographics could paint a vibrant picture of how event dynamics influences purchase behaviors. Synchronization of event attendance data and CRM data would also allow the firm to more accurately update the values of its client base.

In the future, more information about the event's content and systematic recordkeeping by the management (either live or from event's video footage) on the interaction between the attendees, would provide a richer set of variables to determine the success of each event. The better data collection at the event level would enable managers to figure out which types of interactions would lead to positive behavioral changes, and inform firms to design events around these types of interactions. Of course, these data collection efforts have to be mindful of privacy considerations.

Therefore, going back to our original examples, Sotheby's, through its various relationship managers around the world, should also collect more social information and interaction information among its bidders – do some of them bid more lively in the presence of another bidder? Do some share similar backgrounds? Do some of them like or dislike each other? The watch company should take into consideration in the seating charts that the potential client could either be influenced by the blogger sitting next by to him, or by another client who shares similar backgrounds. Whatever the influence structures are, remain empirical questions to be tested and refined upon over time.

In the age of connected customers and as customer data to facilitate group marketing are more available than ever before, there exists immense opportunities to tap into the power of customer group interdependence in both online and offline settings. The framework of dynamic customer interdependence opens doors for a variety of organizations to rethink and redesign their marketing strategies in group settings, and this article provides managerial guidance to test and fine-tune these strategies.

Author

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Endnotes

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