

# WHAT WE KNOW ABOUT IMC

When innovative agencies and their clients began to practice integrated marketing communication (IMC) in the late 1980s, they took a leap of faith. At the time, there was no real evidence that the model would work. It was not until the early 1990s that formal studies on IMC and how best to implement it were carried out.<sup>1</sup> Since that time, IMC has been the topic of a flood of research and other writings aimed at both academics and marketing professionals.<sup>2</sup> As a result, a great deal is known today about IMC. Better still, existing research serves as a road map to help us identify aspects of the business model that are not yet fully understood.

To find out where we are going, we must first know where we have been. With this objective in mind, this chapter explores the development of IMC from three perspectives. First, we look at the results of a major benchmarking study that forms the basis for our recommended steps in developing a strategic IMC program for most types of organizations. Next, we examine the findings from a global study of advertising and marketing communication agencies to see how IMC is currently practiced in five English-speaking countries around the world. Third, we look at a recent study of how companies use technology to leverage customer information for the development of ongoing and rewarding customer relationships.

## Best Practice Benchmarks in IMC

In 1997, the American Productivity and Quality Center (APQC) initiated the first systematic study to benchmark best practices in IMC.<sup>3</sup> APQC is an American-based, nonprofit, membership organization that conducts benchmarking studies across a wide variety of business processes. Researchers first identified those firms perceived to have developed “best practices” in the implementation of IMC, referred to in the study as “partner firms.” Using extensive organizational data as well as intensive site visits, a team of researchers then analyzed an identified range of activities at each firm, benchmarking them against other partner firms included in the study as well as against “sponsor firms” that supported the study. Participating companies included Attorneys Title Insurance Fund, CIGNA Insurance, Dow Chemical, FedEx, Fidelity Investments, Hewlett-Packard, John Nuveen & Co., and USAA. The sponsors included Arthur Andersen, Baptist Sunday School Board, Bayer AG, Ernst & Young, GE Capital, GTE Services, Kaiser Permanente, Mutual of Omaha, Nationwide Insurance, Prudential Insurance, Public Service Electric and Gas Company, Texas Instruments, Texas Utilities, and The Mutual Group. Note that the study was based on a small number of nonrandom respondents. Its results, therefore, are based on a qualitative assessment of overall findings rather than on statistical analysis of quantitative data.

## Four Stages of Development

Since IMC was an emerging discipline at the time of the APQC study, there was no universally accepted definition of what the term represented. To give all participants a common reference point, the following definition was developed at the outset and used throughout the study:

*Integrated marketing communication is a strategic business process used to plan, develop, execute, and evaluate coordinated, measurable, per-*

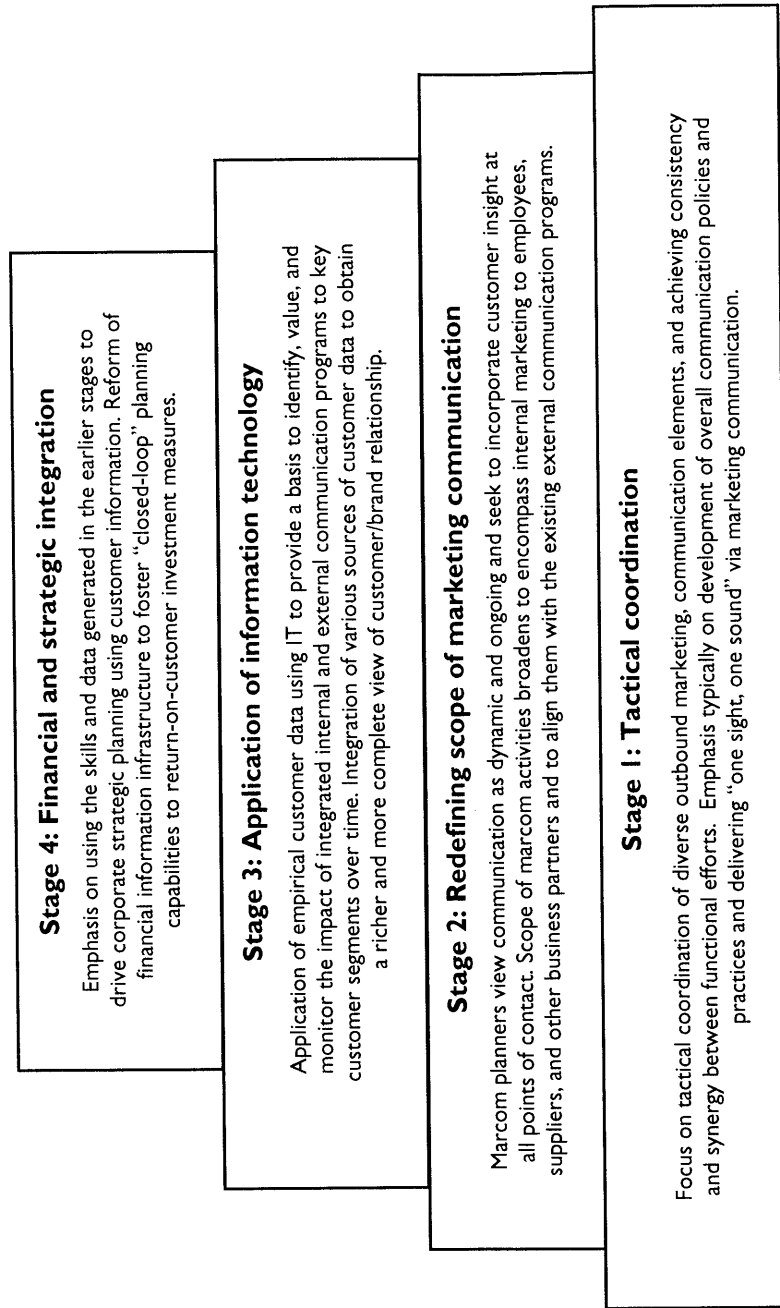
*suasive brand communication programs over time with consumers, customers, prospects, and other targeted, relevant external and internal audiences.<sup>4</sup>*

Further, since there was no framework for IMC and only anecdotal evidence of practical marketplace applications, the research team needed a starting point against which to evaluate how each partner organization implemented different aspects of IMC. They created a basic model that would capture the myriad marketing and communication activities of a firm. The model, which is shown in Exhibit 2.1, assumed that firms likely proceed through various stages of development and implementation, most likely driven by their organization-specific needs and capabilities.

In general, the model suggested four stages of IMC development, progressing from a highly practical, tactical orientation to one increasingly driven by an understanding of customers and their behaviors. As an organization gains IMC experience, the focus becomes more strategic and encompasses an ever-widening circle of activities within that organization. The research team observed how the model worked in several of its benchmarked “best practice” companies. In the early stages of IMC development, most companies addressed marketing communication activities with tactical “how-to” and “when-to” questions. Once an IMC program was in place, they moved progressively to questions about coordinating internal and external activities; using customer data to drive priorities; and finally applying IMC principles to strategic issues such as resource allocation, organizational alignment, and financial integration and accountability.

The best practices study amassed a substantial amount of information not previously known about the implementation of IMC. What follows is a summary of those key findings that are still relevant in today’s—and tomorrow’s—business environment. For clarity, the summary follows the same structure as Exhibit 2.1, identifying key insights at each stage of IMC development within organizations. Note that in many cases we have differentiated between performance at partner companies and sponsor firms to illustrate the varying levels of development.

### Exhibit 2.1 The Four Evolutionary Stages of IMC



From "Integrated Marketing Communication: Best Practices Report," American Productivity and Quality Center (Houston: APQC, 1998). Used with permission from American Productivity and Quality Center.

### Stage 1: Coordination of Tactical Communication Efforts

This is the entry point into IMC for most organizations. Commonly, an IMC initiative is driven by the desire to achieve better coordination, consistency, and synergy between the various tactical, external communication activities. At this stage, the organization is primarily focused on using IMC to achieve "one sight, one sound, one voice" in its outbound communication efforts. The goals are (1) to more effectively orchestrate the delivery of messages into the marketplace and (2) to apply the strengths of each communication discipline or technique so that the whole is greater than the sum of the parts and the optimal message impact is achieved.

***Finding 1:** Integration requires a high degree of interpersonal and cross-functional communication within the organization, across business units, and with outside suppliers. Integration cannot be driven by formal policies and procedures alone.*

Table 2.1 illustrates the various techniques both sponsors and partners use to achieve integration. Virtually all participating companies use some form of written policies, manuals, or procedural guidelines to achieve consistency and integration in their communication. While having such tools in place does not guarantee a successfully integrated outcome, it is considered by the best practice partners to be the minimum standard. However, best practice partners place much greater emphasis on the use of meetings and other forms of direct, personal communication in fostering IMC programs. They are more likely to use meetings productively and to communicate effectively with other areas of the organization, including research, sales, and customer service. A further organizational characteristic is the extent to which best practice partners expect their agencies and other marketing service suppliers to attend these cross-functional planning meetings.

***Finding 2:** Organizations are taking charge of the integration process themselves rather than looking to agencies or other suppliers.*

**Table 2.1 Practices Used to Promote Integration**

	Partners (n = 8)	Sponsors (n = 15)
Internal manual specifying policies, practices, and procedures for the tone, look, and personality of all communication efforts	88%	80%
Ultimate control and approval of all communication efforts centralized within the unit for which respondent is reporting	63%	53%
Regular cross-functional staff meetings to coordinate efforts among marketing communication specialists	100%	73%
Regular, interdepartmental meetings to coordinate efforts with other departments such as sales, research, customer service, and production	75%	40%
Written communication	88%	93%
Attendance of outside suppliers at cross-functional planning meetings	88%	40%

From "Integrated Marketing Communication: Best Practices Report," American Productivity and Quality Center (Houston: APQC, 1998). Used with permission from American Productivity and Quality Center.

Both best practice partner and sponsor firms strongly felt the integration of their marketing communication activities was a task the marketing group had to direct. Only 25 percent of partner firms reported that their ad agencies were responsible for overseeing integration and coordination of marketing communication programs. Most firms maintain control over the integration process themselves as a function of the marcom department, while orchestrating the work of multiple agencies, public relations firms, direct marketing providers, media experts, and so on. Note that this finding is supported by several other research studies (discussed later in this chapter).

## Stage 2: Redefinition of the Scope of Marketing Communication

During this stage of development, IMC-focused firms shift their emphasis from simple tactical coordination to more extensive communication activities in the following three ways:

- Organizations begin to look at more than just the marketing communication efforts managed by the marcom department; they

start to include all the possible information-bearing points of contact a customer may have with the firm.

- Organizations attempt to gather a broad and deep understanding of their customers and prospects, not just how they feel but what they do and why they do it.
- There is a concerted effort to identify, understand, and create cross-functional communication opportunities across customer contact points wherever they occur.

***Finding 3:** Organizations gather extensive information about their customers, using primary and secondary market research sources as well as actual customer behavioral data, and use that information in the planning, development, and evaluation of communication activities.*

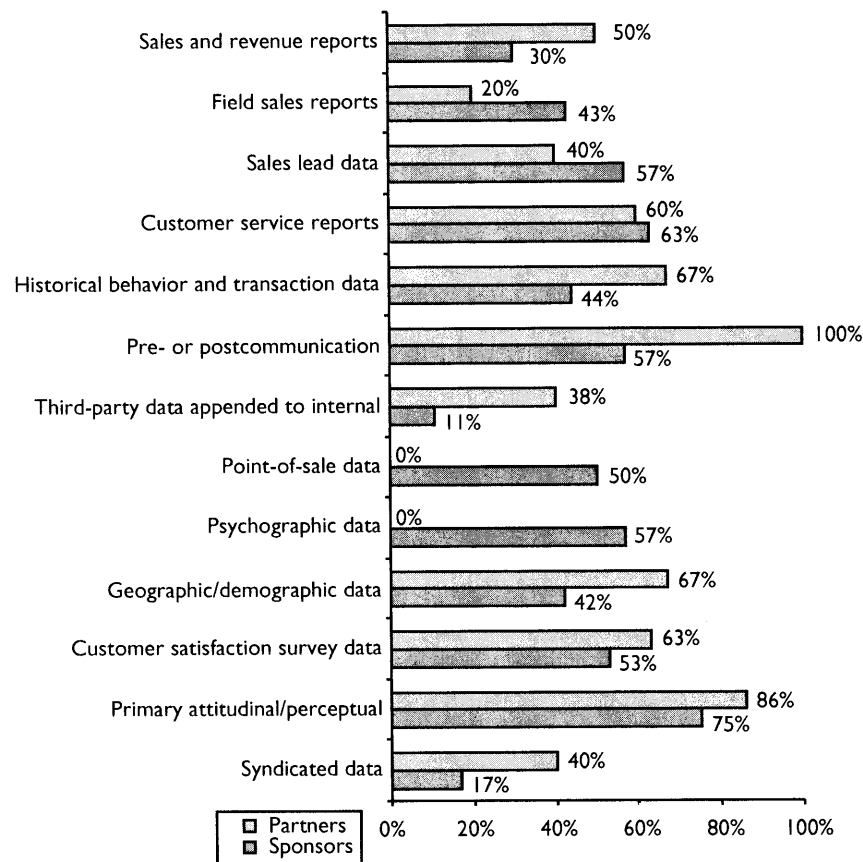
Both partners and sponsors capture and apply a variety of data on customers and prospects. Virtually all companies reported gathering and using data derived through market research, such as customer satisfaction data, primary attitudinal data and perceptual research, geographic and demographic data, and pre- and postcommunication research. Additionally, partner organizations were somewhat more likely to report extensive use of operationally derived data, such as transactional data, customer service reports, sales lead data, and so forth.

Perhaps just as important in the integration process is an understanding of how companies evaluate the usefulness of various types of data in planning communication programs. As shown in Exhibit 2.2, there are differences in how best practice partners and study sponsors look at the available data.

***Finding 4:** Best practice organizations create a variety of feedback channels to gather information about customers; they then use this customer feedback and share it throughout the company.*

Research into feedback channels illustrates some of the major differences between the best practice partners and the sponsor organizations, especially in how widely information is disseminated and with

**Exhibit 2.2 Data Sources Rated Above Average or Extremely Useful in Planning Marcom Programs**



From "Integrated Marketing Communication: Best Practices Report," American Productivity and Quality Center (Houston: APQC, 1998). Used with permission from American Productivity and Quality Center.

whom customer and prospect information is shared internally. Best practice partners make much greater use of customer feedback data and share more of it within the same department and with other departments. Notably, best practice companies are far more likely to agree with such statements as the following:

- Market research data are broadly disseminated so employees have a better understanding of customer behaviors and attitudes.

- We regularly apply feedback from sales and customer service regarding the concerns/needs/wants of our customers to fashion more relevant messages.
- We use toll-free numbers, coupons, the Internet, and other interactive media to encourage feedback from customers.

***Finding 5:** One of the most difficult challenges of integration is aligning internal practices and processes with external communication programs.*

At the second stage of IMC development, organizations expand their view of marketing communication to include more than outbound messages sent to customers. They recognize the need to establish an ongoing dialogue with customers and prospects. However, this also leads to recognition of the role that employees outside the marketing communication department play in sustaining that customer dialogue. Hence, there is a need to support these employees with internal practices and policies aligned with the promises that have been conveyed to customers through external communication.

However, even the best of the partner organizations ran into difficulties when it came to the question of effective internal alignment and getting employees to understand the firm's marketing mission. The APQC study revealed widespread agreement among participating companies that internal alignment presents a significant challenge on the way to integration. Additionally, it appears that few companies had experienced success in extending marketing communication to internal audiences. Thus, only about a quarter of participating firms could agree with the statement that "all employees—even those without regular customer contact—understand our marketing mission and their role in meeting customer needs."

The question of internal marketing and the alignment of internal processes and practices with external promises was just being recognized as a critical issue at the time this study was conducted. Thus, the few companies such as CIGNA Insurance, FedEx, and Hewlett-Packard who were already attempting to deal with this question were, in retrospect, pioneers in what would become an increasingly important aspect of IMC.

### Stage 3: Application of Information Technology

At the third stage of IMC development, organizations use the power and potential of information technologies to improve their integration performance. The use of technology seems to occur in the following three ways:

- The use of one or more databases to capture, store, and manage information about customers and prospects, particularly information about their economic value to the firm
- The use of emerging technology to improve how and when messages are delivered to customers, prospects, and other targets
- The use of electronic communication to facilitate internal dissemination of information for and about customers and to keep the various business units informed about what is occurring in marketing and communication throughout the firm

**Finding 6:** *Leading best practice organizations maintain a greater number of data sources, and their marketing communication personnel have greater access to the data for planning marketing communication programs than do the sponsor organizations.*

As noted earlier, study participants typically capture and maintain substantial amounts of customer information. Unfortunately, in many cases, that data is not available to the marketing communication group. In general, however, best practice firms allow fuller and more timely access to such data when compared to that allowed by sponsor organizations.

**Finding 7:** *Best practice firms are more likely to use finance-based approaches to targeting and segmentation.*

Stage 3 involves the use of data to develop economic and behavioral views of customers. The study showed that best practice partners are more likely to use statistical techniques based on behavioral data; such techniques include profiling and scoring, customer retention calculations, decile/quintile analysis, and the estimation of customer lifetime

**Table 2.2 Respondents Who “Somewhat” or “Strongly” Agree with Statements About the Use of Customer Data in Marcom Planning**

Statement	Partners (n = 8)	Sponsors (n = 15)
We regularly use customer data to assist in delivering communication messages.	88%	67%
We have formalized programs to identify and value the best, highest-spending customers and give priority to those relationships.	71%	20%
We can project a customer's long-term profitability to the organization.	50%	33%
We know the costs to acquire a new customer and/or retain an existing customer and use this data in developing communication budgets.	29%	13%

From “Integrated Marketing Communication: Best Practices Report,” American Productivity and Quality Center (Houston: APQC, 1998). Used with permission from American Productivity and Quality Center.

value, all of which are used to provide a better understanding of the economics underlying the company-customer relationship. Some companies, notably FedEx, Fidelity Investments, and Dow Chemical, have become quite sophisticated in their analytical techniques and have developed an infrastructure of analysts, statisticians, and researchers to support the ongoing process of understanding customer economics.

Simply having extensive data on customers and prospects, however, does not ensure integration, nor does it necessarily lead to high-quality customer insights. Table 2.2 demonstrates the level of analysis conducted by participating firms on the customer data they held at the time of the study. Clearly, partner organizations not only have more data available, but they generally apply a greater level of analytical resources to understanding their data. Even so, at the time of the study, only a relatively small number systematically determined the costs of attracting a new customer or retaining an existing customer. This indicates that there was considerable room for improvement, even among the best practice leaders.

### Stage 4: Financial and Strategic Integration

The highest level of integration occurs as organizations begin to operationalize the assets and skills developed during Stages 1 to 3. Once

managers have come to grips with the basic issues of integration, they can then begin to incorporate this understanding through all parts of the organization. Typically, the focus is on issues of strategic importance to the firm, such as investments and returns on marketing communication programs. In short, at Stage 4, IMC is concerned much more with the issues facing senior management than those facing the marketing communication group. Having said that, it is apparent that marketing communication managers must develop more strategic views of what they do and how they invest the firm's finite resources. Two major issues emerge during Stage 4:

- The need to upgrade systems and processes to measure the effectiveness of communication activities
- The need to apply IMC tools and principles to the firm's overall strategic objectives

In our analysis, those companies that achieved Stage 4 represented the leading edge of IMC at the time the study was conducted. Most likely, those same companies are ahead of the game today, too. However, the study reveals that few organizations successfully addressed all the strategic issues that developing an advanced, value-oriented IMC approach entails. The last three key findings point out some of the issues yet to be resolved.

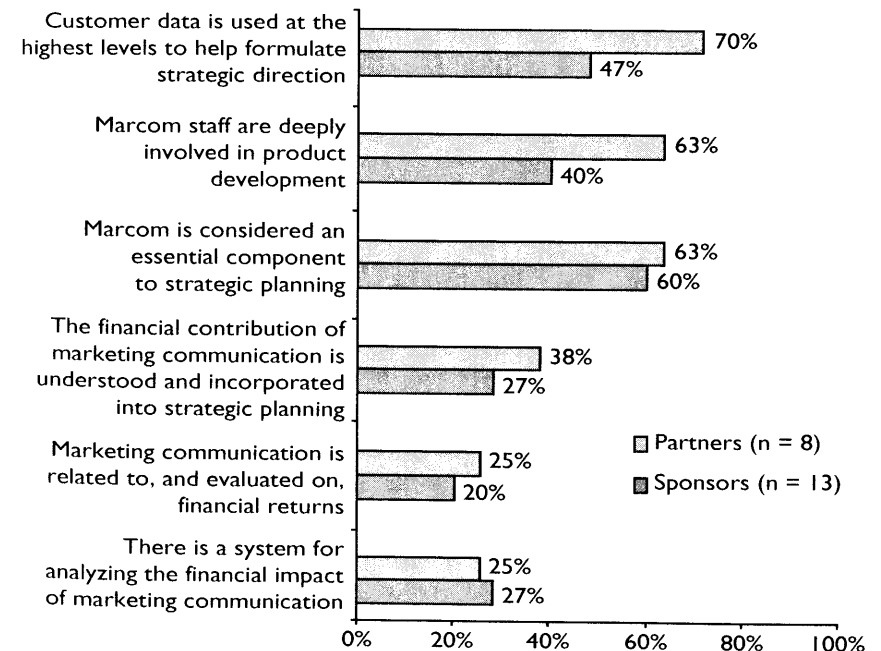
**Finding 8:** *The role of the marketing communication department is perceived quite differently at partner companies than at sponsor organizations. Marcom departments at partner companies more often have bottom-line responsibilities and a more prominent role in strategic planning and new product introductions than do the same groups in sponsor firms.*

The study found that while marcom departments at almost two-thirds of partner companies had bottom-line responsibility, that figure fell to less than one-fifth at sponsor organizations. Several best practice partners felt that their command of customer data and the related ability to measure the impact of marketing communication efforts had led to increased visibility of marcom, leading in turn to greater participa-

tion in strategic planning. At Fidelity Investments, for instance, marcom executives reported that the use of customer data and IMC planning meant they had become more deeply involved in the new product planning process.

Even so, only a minority of even the best practice firms had begun to carry out Stage 4 of integration in a serious and systematic way, at least at the time of the study. When participants were asked a series of questions regarding how IMC related to the financial and strategic direction of the firm—as shown in Exhibit 2.3—it was apparent that many firms (both partners and sponsors) were still tied to traditional views of their roles. Thus, while several firms felt that marcom was essential to strategic planning, few expanded the marcom role to encompass it.

**Exhibit 2.3 Agreement with Statements Relating IMC to Financial and Strategic Planning Practices**



From "Integrated Marketing Communication: Best Practices Report," American Productivity and Quality Center (Houston: APQC, 1998). Used with permission from American Productivity and Quality Center.

**Finding 9:** *Most organizations use a variety of tools to measure the effectiveness of marketing communication activities; however, relatively few incorporate financial measurement into the evaluation process.*

Not surprisingly, there appeared to be no common agreement on what tools or techniques are most useful in determining returns on marketing communication investments. Participants listed ten measurement techniques, ranging from measurement of customer responses to rate of customer acquisition and retention to costs of customer acquisition to long-term financial performance. Only four (measurement of response, short-term financial measurement, pre- and postcommunication effects, and measurement of communication output and efficiency) were used by more than half the participating companies.

**Finding 10:** *While organizations may claim to be customer focused, relatively few have fully grappled with the strategic and organizational implications of such a focus.*

Marketing communication is all about communicating with customers and prospects. If there is an area of the organization that should practice the marketing concept—that is, “be customer focused or customer centric”—it should be the marketing communication group. Yet it is clear from the study that while the concept of being “customer centric” was gaining popularity in 1997 from a practical standpoint, most companies still had not addressed the steps necessary to make it a reality.

As noted in Exhibit 2.3, the best practice partner organizations were far more likely to use customer data to form the strategic direction of the company. However, only about 13 percent of all participants reported that customer data was also used to guide such operational areas as production planning, distribution, human resources, and accounting. Additionally, respondents were asked the extent to which they agreed with the statement “Compensation and promotion policies have been reviewed for alignment and consistency with corporate customer development objectives.” Only about a third of partner firms and a mere fifth of sponsors felt they could agree “somewhat” or “strongly” with this statement, indicating that for many firms there was still a sig-

nificant level of nonintegration between internal policies and what the organization attempts to convey to customers. Many organizations felt that this nonintegration was a critical barrier to the successful implementation of their IMC programs, one that they were actively developing plans to address and improve.

## The Move Forward

Obviously, the 1997 study on the development of IMC contains a great deal more information than we are able to include here. These key findings, however, point to a number of issues that are explored more fully in the chapters that follow. When reviewing the results of the study, keep in mind that at the time it was conducted the full impact of the electronic communications explosion was only beginning to be felt. Note, too, that the study was limited to marketing organizations in the United States. It did not take into consideration changes that were occurring within ad agencies, nor did it look at developments overseas. The remainder of this chapter sets out to fill in the gaps by exploring the development of IMC from these two perspectives.

## The Agency Role: A Global Perspective

Most marketing organizations believe that it is their responsibility to integrate their marketing communication programs rather than leave the job to an external supplier, as has been borne out by the APQC study as well as studies conducted by the American Association of Advertising Agencies (AAAA) and the Association of National Advertisers (ANA). However, it is equally clear that advertising agencies have major contributions to make. To understand their role in IMC, we turn our attention to a major global study conducted among advertising agencies in the late 1990s.<sup>5</sup>

## Research Method and Participants

The research began as a series of exploratory studies among ad agencies in the United States and the United Kingdom; it was extended to



include agencies in Australia, New Zealand, and India. The research was conducted through a self-administered questionnaire that was sent to advertising agency association members in each of the five countries. Eighty-nine questions covered a variety of topics, including personal and organizational demographics, drivers for IMC, and beliefs about IMC implementation, as well as the perceived barriers to successfully conducting IMC programs.<sup>6</sup>

Agencies of all sizes were represented in the study, with mean gross agency billings ranging from \$28 million (NZD) in New Zealand to approximately \$162 million (USD) in the United States. More important than total billing, however, was the amount of the clients' budgets placed through the agency devoted to IMC activities. The highs were recorded at 52 percent for the United States, 42 percent for the United Kingdom, 40 percent for New Zealand, 22 percent for Australia, and 15 percent for India.

### Interaction Among Agencies

If the client managed the integration process, an obvious question was how well the various agencies could work together to develop and implement an IMC program. Responses showed that ad agency managers generally expected to offer clients a broad array of services beyond advertising. They also expected clients to allocate projects among a number of service providers. Further, ad agencies anticipated that as they developed IMC programs for their clients in the future, they would need to develop closer cooperation among various types of agencies, such as public relations, direct marketing, and sales promotion.

### Agency Perceptions of IMC

Agency managers responding to the survey generally believed that client organizations drove the IMC initiative. Further, as might be expected, marketing and advertising management departments within client organizations were perceived to be the main drivers. This result may reflect the contact points agencies had with their clients. Interestingly,

according to client companies included in the study, sales groups appeared quite prominently as IMC drivers. This may have been due to the move toward sales force automation, channel management, and other technology-driven customer-management programs.

Of particular interest, the agency study threw light on the perceptions of agency managers regarding how IMC programs might best be conducted. As Table 2.3 recaps, most ad agency managers in all countries surveyed believed an IMC approach greatly increased the impact and effect of the overall communication program. Further, they believed economies in time, effort, and perhaps even cost resulted from it. As might be expected, agency responses focused much more on the creative and communication aspects than on the business side of IMC.

### Barriers to the Development of IMC

As the APQC benchmark study reflected, marketing organizations frequently encounter barriers when developing IMC programs. Agencies appear to experience the same challenges, as summarized in Table 2.4. Note that the statements with which agency executives agreed most strongly were primarily focused on internal agency capabilities, such as requiring staff to be more generalist, the need to develop new skills, and a lack of talent in integrated agencies across all marcom areas. Ranking much lower on the agreement scale were those items directly related to client difficulties, such as going against a client's corporate culture and constraints generated by the client's organizational structure. Thus, from this study, it appears that advertising agency executives believe the challenges of developing and implementing IMC programs are on their own turf rather than a result of client difficulties.

### Leveraging of Customer Information: A Data Application Study

Having seen how agencies view IMC, let us turn our attention back to client organizations. Since customer information is key to initiating or

**Table 2.3 Internal Beliefs and Considerations About Conducting IMC Programs**

Abbreviated Statement	US	UK	NZ	AU	IN
Increased impact	9.4	9.0	9.1	8.5	9.1
Creative ideas more effective when IMC used	9.4	9.0	—	8.9	9.5
Greater communication efficiency	9.3	9.3	9.3	9.0	9.1
Increases importance of one brand personality, one voice	8.5	8.6	—	—	7.2
Helps eliminate misconceptions that can occur when several agencies are used	8.3	7.6	8.2	8.3	8.3
Greater client control over their communication budget	7.9	7.5	8.2	8.4	7.8
Provides clients with greater professional expertise	7.5	7.3	9.1	7.6	7.4
IMC necessitates fewer meetings	7.0	7.1	7.3	6.8	5.8
Enables client consolidation of responsibilities	6.9	7.0	—	6.6	6.9
Agency can provide faster solutions	6.9	6.2	6.9	6.9	6.9
Provides method for effective measurement	6.9	6.6	6.1	7.1	7.2
Reduces cost of marcom programs	6.8	6.9	6.8	6.3	7.6

Note: US = United States; UK = United Kingdom; NZ = New Zealand; AU = Australia; IN = India.

All figures are means based on a 10-point scale where 1 = strongly disagree and 10 = strongly agree.

From Philip J. Kitchen and Don E. Schultz, "A Multi-Country Comparison of the Drive for IMC," *Journal of Advertising Research* (January/February 1999). Used with permission from *Journal of Advertising Research*.

**Table 2.4 Perceived Barriers to IMC Programs**

Abbreviated Statement	US	UK	NZ	AU	IN
IMC programs at one agency help bring client's SBUs together	7.0	7.0	—	4.5	6.9
Requires staff to be more generalist	6.3	6.4	—	5.5	6.4
Integrated agencies do not have talent across all marcom areas	6.0	6.9	6.8	5.6	7.0
IMC means staff have to develop new skills	5.7	6.7	6.9	5.5	6.7
IMC gives a few individuals too much control	5.5	6.4	4.8	4.0	6.4
Clients decide the "what" and "how" of IMC programs	5.2	5.0	4.8	5.3	5.0
Client staff lacks expertise to undertake IMC programs	5.2	6.3	6.1	5.5	6.3
Client centralization difficulties	4.8	5.2	4.9	3.2	5.2
Client organizational structures constrain IMC	4.7	6.1	6.4	3.8	6.1
Goes against client's corporate culture	4.2	4.4	4.0	3.3	4.4
Overdependence on single suppliers	4.1	5.0	5.0	4.4	5.0
IMC implies additional staff to manage programs	3.7	4.2	3.9	4.8	4.2
IMC creates program modification difficulties	3.3	3.9	3.9	7.4	3.9
Provides advertising agencies with too much control	3.2	3.5	3.3	3.3	3.5
Increased cost	2.9	3.8	3.9	5.6	3.8

Note: US = United States; UK = United Kingdom; NZ = New Zealand; AU = Australia; IN = India.

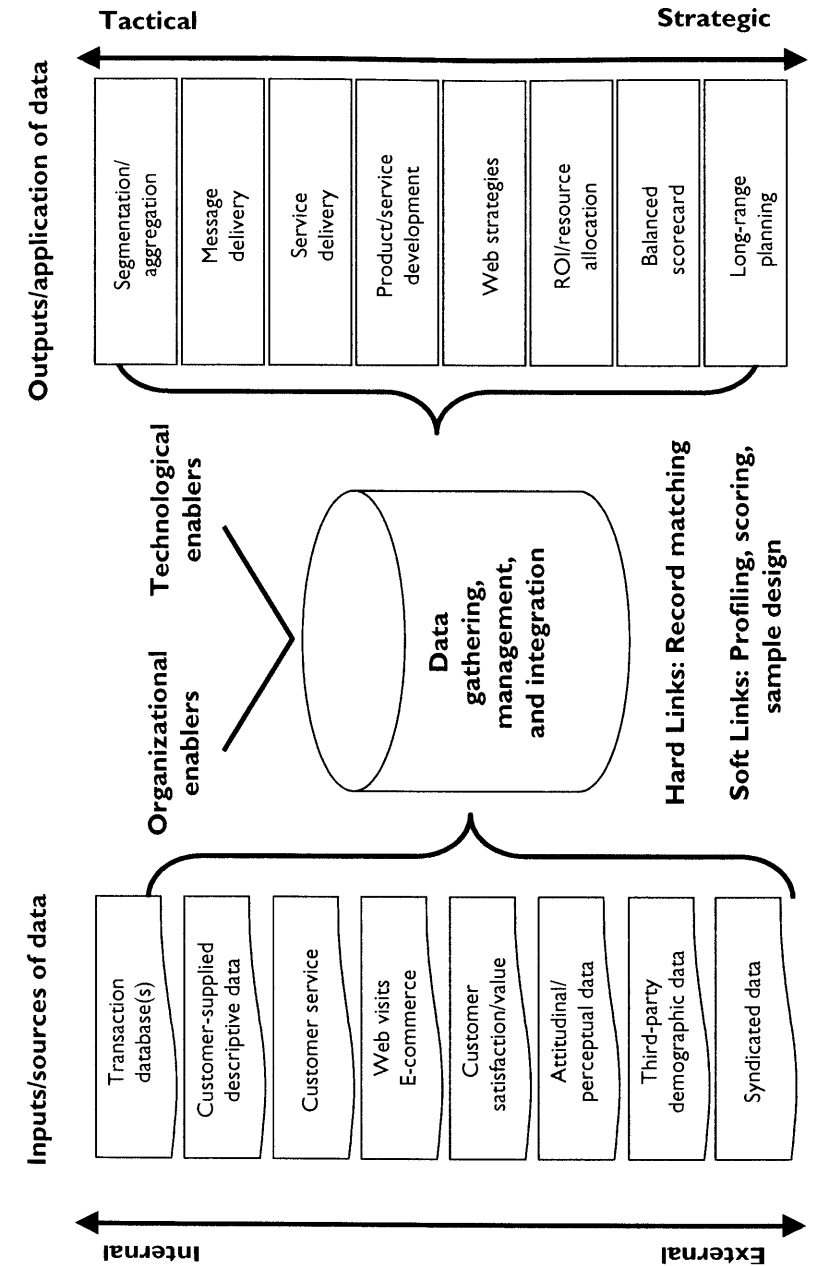
From Philip J. Kitchen and Don E. Schultz, "A Multi-Country Comparison of the Drive for IMC," *Journal of Advertising Research* (January/February 1999). Used with permission from *Journal of Advertising Research*.

implementing IMC programs, we now look at a third study that investigates how organizations acquire, manage, and use customer information to develop effective customer-focused, integrated marketing programs. Like the best practices study discussed earlier in this chapter, this study from the spring of 2000 was conducted by APQC in cooperation with the Advertising Research Foundation (ARF).<sup>7</sup> The study used the same benchmarking methodology as the best practices study.

The new research was prompted by the first APQC study of best practices, in particular by one of the key organizational differences identified among best practice partners and sponsor firms. As noted in Exhibit 2.3, 70 percent of partner companies agreed with the statement that "customer data is used at the highest levels of the organization to drive strategic direction," compared with only 47 percent of sponsor firms. This difference prompted researchers to take a closer look at how best practice organizations go about gathering and integrating relevant, diverse customer data and how they apply it to guide decision making. The companies participating as best practice partners for the study were BellSouth, Dow Chemical, Eastman Chemical, FedEx, Marriott Hotels, Prudential Insurance, USAA, and US West. (Dow Chemical, FedEx, and USAA had participated in the first IMC study in 1997. They were invited to participate in the new study on leveraging customer information because they had represented the highest levels of achievement in applying customer information to IMC Stages 3 and 4 in the earlier effort.) Sponsoring organizations included British Telecom, Compaq Computer, Fidelity Investments, GTE Services, Intel Corporation, Joseph E. Seagrams, Lifeway Christian Resources, Miller Brewing, Pillsbury Company, and Southern Company. The primary aim of the study was to focus on activities and practices at Stages 3 and 4 of the IMC development process to discover how data was being leveraged to enable strategic decision making.

Exhibit 2.4 illustrates the general model used in the study. As shown, it consisted of three parts: (a) sources of customer data, (b) the database(s) in which the information was stored, and (c) application of the data to operational and strategic decision making.

Exhibit 2.4 Model for Leveraging Customer Data



## Sources of Customer Data

The sources of customer data captured by the participating firms proved to be widespread and varied, including demographic, transactional, attitudinal, and customer satisfaction, as well as syndicated data. As important as the data captured, however, was the company's perception of the value of that data. The study revealed that partners put a great deal more reliance on customer data and used it much more than did sponsor firms. Yet only half of partner firms and fewer sponsors said data was readily available for those who needed it. Recall, accessibility, and use of customer data by participating firms was also an issue confronting many of the firms participating in the study. From this, it appeared that organizations that did not feel data was sufficiently available to those who needed it faced both organizational and technological barriers. For instance, in some cases data may be "hoarded" by a particular business unit, or in others it may be difficult or time-prohibitive to access for technical reasons.

## Data Gathering, Management, and Integration

Since this portion of the study dealt primarily with technology issues of how the data was handled, we summarize only a few points that are relevant to the development of an IMC program.

- Data integration needs organizational enablers—that is, steps the organization can take to facilitate the gathering, management, and integration of data—as well as technological enablers—that is, hardware, software, and systems that facilitate the combination of disparate data sets. Interestingly, best practice firms rely much more heavily on people and culture to understand customer data and gain insights than do sponsor firms, which tend to rely more on technological enablers of data integration to provide solutions. This is the same problem that seems to plague customer relationship management (CRM) initiatives around the world.
- Organizations used what are called "hard" and "soft" data links. Hard links primarily focus on data or record matching, while soft links

include profiling, scoring, sample design, and other methods to make inferences about large groups of customers.

- Less than half of the study firms were able to integrate their customer data to their satisfaction. Even among the best practice companies, half or less were able to link demographic data to basic customer identification or link demographic and behavioral data or customer satisfaction data to attitudinal data.

## Application of Customer Data

The third part of the study dealt with the uses of customer data to which the organization had access. The statements in Table 2.2 show how participating organizations used the data they had available by referring to applications ranging from the tactical tools used by marketing and communication managers to the more strategic tools used primarily by senior management.

Four data uses appeared to be key:

- To reach customers more effectively
- To become a learning organization, that is, to continuously improve contacts and relationships with customers and prospects
- To support the operations area of the firm, that is, to provide valuable information and background to managers in all areas
- To improve the allocation of finite resources against customers who are perceived to be the most valuable to the organization

Table 2.5 lists the perceptions of partner and sponsor firms in terms of their self-assessment regarding how they apply customer data in their organizations. The evolution of IMC since the first study and the increasingly sophisticated use of customer data is apparent in this chart. Whereas in the first study only a limited number of leading best practice organizations reported that customer data were widely used across all operational areas within their organizations, such application had become the norm in best practice firms by 2000. Additionally, a significant percentage of best practice companies reported that the use of cus-

**Table 2.5 Self-Assessment on Application of Integrated Customer Data to Decision Making**

	Partners (n = 8)	Sponsors (n = 10)
We have a strategic initiative to further integrate customer data.	100%	80%
Customer data is used by nonmarketing areas to guide planning and improve operational performance.	100%	50%
Application of customer information has helped improve customer retention/loyalty.	100%	40%
Use of information provides a competitive advantage.	88%	40%
We have used data to maximize resource allocation.	75%	60%
We have trained staff to use customer data effectively.	63%	30%

From "Leveraging Customer Information," American Productivity and Quality Center (Houston: APQC, 2000).  
Used with permission from American Productivity and Quality Center.

customer information had helped them gain a competitive advantage and maximize the allocation of their resources.

Additional findings from the study are discussed in Chapter 4, which addresses step 1 of the IMC process.

## Moving On

In this chapter, we have presented a model of how IMC has typically evolved within the organizations that began adopting it in the early and mid-1990s. We have shown how the view of advertising agencies has, at least at times, differed from that of marketing organizations. And finally, we have revisited some of the leading practitioners in IMC to see how they have incorporated advanced approaches to customer data and data integration into their IMC programs. With this review of what we already know about the development of IMC skills and practices, we are now ready to move to the implementation of a strategic, value-oriented IMC approach to marketing.