

MAGGIANO'S

▣ LITTLE ITALY® ▣

HOW MAGGIANO'S LITTLE ITALY IS TURNING DATA INTO ENGAGEMENT

BACKGROUND

A name and an email address...times millions.

Maggiano's Little Italy started collecting this information about guests back when email loyalty programs were in their infancy. Back when the theory was that you didn't ask people for more than their name and email or you'd never get them to enroll. Back when response to email marketing was measured in double digits.

Over the intervening years Maggiano's committed to developing Direct Marketing as their primary channel for sales lift and new guest acquisition. They used multiple sources of data, targeting analytics, many rounds of targeted direct mail, and careful analysis of results to develop a vigorous and successful feeder program. And yet, the Maggiano's/Marketing Informatics team knew more about prospective customers than we did about the Loyalty Guests.

It was time to change that, and RapLeaf data was the trigger.

THE WAY FORWARD

Maggiano's decided to morph their email list into a marketing database, and evolve their CRM communication from couponing to engagement. That would be a multi-step process:

1) **APPEND DATA WITH RAPLEAF DEMOGRAPHIC AND PSYCHOGRAPHIC ENHANCEMENTS.** The problem we'd faced in appending this data before was that we needed postal addresses for the match back to the enhancements and only a very small percentage of the file had postal addresses. That's a real problem today with email loyalty clubs and traditional enhancement sources.

To solve this problem we turned from those traditional sources to RapLeaf. RapLeaf has the capability of appending enhancements using email addresses as the matching link rather than postal address. This is a major evolution in the information industry. And while some other providers have similar capability, RapLeaf was the most comprehensive source. Plus, the mechanics of the append process were very simple and their customer service was spectacular.

So we appended the following RapLeaf data bundles to the Maggiano's email data: Basic, Premium, Professional, Interests. To increase overall match rate, and to use in our direct mail targeting, we also appended physical address. Matches came in at around 50% of the file – a quantity that assured statistical significance for the modeling.

2) **USE STATISTICAL MODELING TO IDENTIFY SIGNIFICANT GROUPS OF CUSTOMERS WHO SHARE SIMILAR TRAITS.** For two years we'd been developing and using customer profiles for Maggiano's direct mail targeting. These profiles were descriptions of "average" customers at both the national and individual restaurant location levels. And while these are very valuable for acquisition programs, analytics for CRM must be more granular. "Average customer" is not granular enough. For this task we now had to identify specific characteristics of the people who comprise the most significant customer groups or clusters.

To do that we turned to statistics. Beginning with simple summary descriptives, we moved through extensive cross-tabulations and significance trees to explore the data and understand what was there. We finished off with a cluster modeling technique, run separately for men and women. Here's a chart that shows how the female population naturally grouped:

Cluster Distribution, Females			
		% of Included Cases	% of Total
Cluster	1	32.4	22.5
	2	26.2	18.2
	3	13.2	9.2
	4	28.2	19.6
	Combined	100.0	69.4
Excluded Cases			30.6
Total			100

To translate, 69.4% of all records were “included,” i.e. they clustered statistically into 4 significant groups. 30.6% of all the records were “Excluded Cases” because they fell outside the 4 significant groups. That means that 7 out of 10 of Maggiano’s customers fell into 1 of 4 statistically related groups. But how did we move from this information to actionable intelligence?


3) CONVERT THE STATISTICAL CLUSTERS INTO FLESH AND BLOOD DESCRIPTIONS.

Here’s where the real fun began. Once we could classify each of the records into a cluster (or flag it as not-in-a-cluster), then we could explore each of the clusters. Here’s an example in which the cluster numbers are cross-tabulated against RapLeaf Homeowner/Renter/Unknown data:


Cluster	Distribution	Own or Rent			Total
		Own	Rent	Unknown	
1	% of cases within Cluster 1	68.9	28.3	2.7	100
2	% of cases within Cluster 2	96.1	3.0	0.8	100
3	% of cases within Cluster 3	48.2	6.0	45.8	100
4	% of cases within Cluster 4	99.6	0.3	0.1	100
Total	% of total cases	82.0	10.9	7.2	100

As you can see, female clusters 2 and 4 are almost 100% homeowners. Are these women married or single? Are there children in the home? What is their family income? Are there any significant interests that they share? What makes them different from one another? As we answer these questions, a solid picture of real people always emerges. Statistics convert to characteristics and a comprehensive view emerges.

Following are samples of two of the many full profiles. In both cases, percentage of loyalty guests and percentage of US households is masked because of the proprietary nature of the information. The first description is of female statistical Cluster #1, the only cluster that was composed of nearly 100% single women:

Established, Savvy, Single Career Women:		Well off working women with well developed careers, tastes, and influence. Mostly without children, these women lead active lives with a sense of responsibility to their employers, community, family, and self.	X% of Loyalty Guests Y% of US Households
Elizabeth			
	THINK AND DO	Elizabeth is part of a growing population of women: early middle aged singles with little interest in finding a mate but serious interest in succeeding in life and career. She's established in life; discriminating rather than aspirational in her tastes; successful and on the upward track in her career; active and responsible in the community, cultural and social interests she pursues. She is loyal to those brands that reliably deliver quality and value and is more likely to use coupons than her younger and less established counterparts. She enjoys an active lifestyle, strives to maintain a fitness regimen (though other things often get in the way), and as a homeowner also loves her nest.	
	SOCIO-ECONOMIC	<ul style="list-style-type: none"> • Estimated median age, 40 (ranging from 25-55) • Homeowner, mostly single family in nicer neighborhoods • Above average income, with estimated median at \$71,600 • Not as well educated as younger single women, with more of this cluster working their way up the corporate ladder on sheer performance • She is very stable in finances and in residence, with an average length of residence of almost 10 years • Mostly single (90%) and mostly without children (83%) • Second highest among women for Influencer Score 	
	LIFESTYLE/INTERESTS	<ul style="list-style-type: none"> • Invests wisely and regularly • Avid TV viewer when at home, mostly classic movies and programs that inform her • Loves reading, especially magazines • Ardent catalog shopper • Shops for her brand from Walmart to Nordstrom. Her sense of self and status is not derived from where she shops • Drives a luxury vehicle • Tennis rather than softball, exotic train travel rather than singles cruises 	

Compare the description of Elizabeth to another, this one of Female Cluster 2 and Male Cluster 3 which were statistically related:

<p>Flourishing in the Suburbs:</p> <h2 style="margin: 0;">Paul and Laura</h2>		<p>Well off couples in early middle age, for whom life is not kid-centric but for whom family is very important.</p>	<p>X% of Loyalty Guests Y% of US Households</p>
	THINK AND DO	<p>Paul and Laura are living the American Dream. They have plenty of disposable income, lives filled with family, settled in a nice home. They spend a lot, and because of their obligations, price is a consideration. But so are the benefits that come from that spending, like cash back and other rewards. Looking good and feeling good about themselves and their family are high priorities. They like to be ahead of the curve, so new product offerings connect well with them. They juggle lots in life, so easy and simple mean a lot in transactions and communications. They are heavy online users, but have only modest influencer scores because they see the internet more as service channel than community.</p>	
	SOCIO-ECONOMIC	<ul style="list-style-type: none"> Median age estimated at 43 for Paul and 35 for Laura, but widely ranging from 25-55 Virtually 100% homeownership, usually within a short drive from malls and warehouse clubs with average length of residence almost 10 years Affluent, with an estimated median income of almost \$105,000 The households are mixed for presence of children, with a little more than half with children and a little less than half without They are unremarkable in their relative education levels, but Paul tends to have a higher income job than Laura, though both do well 	
	LIFESTYLE/INTERESTS	<ul style="list-style-type: none"> They enjoy “wining and dining” both at home and in restaurants They are active in fitness and exercise activities Their family members tend to lead their own lives They look for amenities, extras, perks that befit their station Convenience and advantages are important They are computer savvy and heavy online users. That use tends more toward shopping and information. They are on Facebook, yes... but they spend more time online seeking information, shopping, and other practical uses than they do on Facebook. 	

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CLUSTER SEGMENTATION MODEL
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PRACTICALLY SPEAKING:

From the perspective of profiling the “average” customer for direct marketing among prospects, these three people are exactly the same. They fall into an above average income range. They are the same age range. Acquisition coupons are usually gender neutral. Treating them as part of the same profile produces solid results in such new customer acquisition programs.

But when you think about *engaging* these people and building relationships with them, profiling the “average” doesn’t cut it. But cluster segmentation modeling sure does. It opens a world of opportunity. How would *you* treat Elizabeth differently than you do Laura? With what would you incent each? What is it about the brand that appeals to each? How should you highlight that appeal?

NEXT STEPS:

Of course, once this stage is completed, it’s just the beginning. Among the steps that follow are these three simple ones (simple, but not easy):

- 4) DEPLOY THE CLUSTER INTELLIGENCE IN THE MASTER MARKETING DATABASE
- 5) CONDUCT RESEARCH IN EACH CLUSTER
- 6) ORGANIZE THINKING AND COMMUNICATION AROUND ELIZABETH, PAUL AND LAURA, AND THE OTHERS.

But those are all issues for later discussion.

FINAL NOTES:

The information in this case study about Maggiano’s Little Italy and its customers is shared by permission of Steve Provost, Michael Breed and the professionals at this great organization. Thanks to you, Steve and Michael, for the privilege of working with you and for the permission to share a glimpse into the organization that is a leader in your industry.

ABOUT RAPLEAF:

RapLeaf provides real time demographic data to help companies safely personalize experiences for their customers. As a consumer data company, RapLeaf's technology provides instant insight to help businesses better understand their customers in order to personalize content, show them more relevant deals and offers and give them a better experience – online and off.

ABOUT MAGGIANO'S LITTLE ITALY:

Maggiano's Little Italy® specializes in Italian-American cuisine served in a warm and friendly atmosphere. Each restaurant is open daily for lunch and dinner with a convenient carryout service as well as delivery, and offers beautiful and accommodating banquet spaces for special occasions. Maggiano's menu features both classic and contemporary Italian-American recipes – homemade pastas, signature salads, prime steaks, fresh fish, regular chef specials and specialty desserts, accompanied by a large selection of wines from acclaimed vintners as well as its own private wine label, Salute Amico. The food is made-from-scratch daily. Family style service or individual entrees are available.

ABOUT MARKETING INFORMATICS (Mi):

Marketing Informatics has been in the Direct/Database Marketing business since 1987. The company specializes in using database design and analytics to fuel "The Cycle of Engagement," i.e. the cycle of new customer acquisition, loyalty program capture, enhancement and segmentation for CRM, and program measurement. Mi has been recognized with three awards from the Kelly School of Business, Johnson Center for Entrepreneurship, Inc. Magazine's "Inc. 500 Fastest Growing Private Companies in America," and other industry recognition.