

# **EMBEDDING MARKET INTELLIGENCE INTO KEY BUSINESS PROCESSES**

**Andrea Goldberg  
Susan Toner**

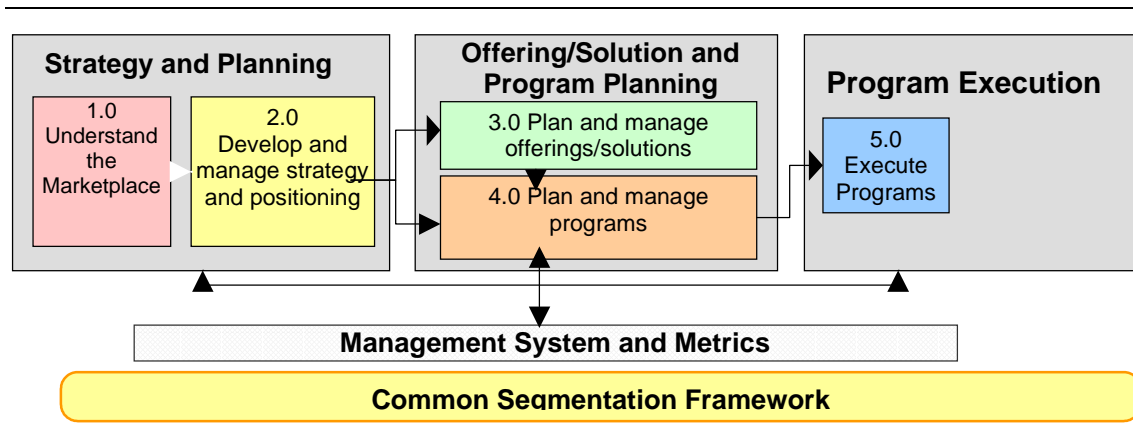
**This paper outlines the ways market intelligence has been used to help transform the marketing function within the IBM Corporation. Market intelligence provides the foundation for all decisions in the transformed end-to-end marketing process, from strategy development to effective program execution. Primary research and analysis play a significant role in business decisions as a result of a change from a siloed approach to the market, with uncoordinated and single purpose research studies, to one of cross-unit integration and multi-dimensional research. This has enabled the development of a unified segmentation framework, allowing a coordinated market approach and facilitating end-to-end marketing. With the introduction of branded, high quality quarterly publications, market intelligence has also achieved a “voice at the table”. Through collaboration with the CFO and legal council, market intelligence also plays a significant role in corporate governance issues. By embedding key information into existing sales processes and developing complementary new processes, market intelligence has been able to deliver insights for**

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growth directly to those who can take immediate action on the information.

## HOW DOES MARKET INTELLIGENCE SUPPORT MARKETING?

**Figure 1**  
**END TO END MARKETING PROCESS**



The Marketing framework currently used by IBM involves the gathering of market intelligence at multiple stages of the marketing process, with market intelligence playing a critical role in end-to-end marketing. Early in the marketing process, information and analyses are provided in the form of a marketplace assessment which provides the marketing community with a clear understanding of the markets served. This includes details on the decision-makers, the decision making process, the sizing of opportunities, growth patterns, technology and innovation, and macro and micro environmental trends.

While much of this information is gathered directly from the work of the market intelligence team, there are a lot of partnerships with other functions, such as finance and communications, which allow for the extraction of the distributed information existing within the corporation. Thus, by partnering with corporate economists, market intelligence is able to stay abreast of economic issues, potential market discontinuities and the impact of currency. Partnering with its marketing and communications colleagues throughout the world, the market intelligence community is able to project which countries will have emerging or declining markets and which types of products and services will play best.

Primary research is used, among other things, to provide insight into customer wants and needs, buying behavior, spending intentions and customer satisfaction. These data, while providing value on their own, contribute further

by being combined with opportunity projections and actual spending data. This information is fed into various databases, and models are created that project areas ranging from commitment to propensity to purchase a specific product or service. These types of data are also integrated into a segmentation database so that appropriate unit segmentations can be developed.

Market intelligence is also critical in the design and evaluation of marketing programs. While tracking studies and other types of research measure acceptance and reactions of the target audience, joint projects with finance provide a broader view on things such as customer and channel profitability. Thus, existing marketing programs, while well received by the target audience, can be adjusted if they are not achieving financial objectives.

### **A Common Segmentation Framework**

Market segmentation is one of the most critical aspects of the marketing process. In IBM, as in most organizations, marketing planning and activities, including product development, channel selection and messaging are based on a firmly grounded segmentation. Given the importance of segmentation to the marketing function it was acknowledged early on in the transformation of IBM's marketing function that the key to success would be to develop a common way of approaching segmentation, while providing a system flexible enough to support a large, complex organization. Prior to this a variety of approaches were in use at IBM, and there was a generally acknowledged weakness of many of these approaches.

To facilitate the development of the new common segmentation framework, corporate market intelligence undertook a segmentation review and analysis project defined by the following parameters:

The project followed a systematic approach of information collection, analysis, synthesis, collaboration and review which culminated in the development of a comprehensive position paper on segmentation. The existing approaches to segmentation were found to be problematic, with the most critical flaw being that the segmentation approaches in place throughout the organization didn't easily integrate. This was the result of a number of factors:

- A system of highly matrixed marketing organizations, each empowered and encouraged to define and segment "its own" market.
  - The lack of a centralized organization to guide and direct segmentation research – several integrative segmentation approaches proposed in the past have not been implemented.
  - The continued use of a number of "de facto" market segmentations which are embedded in the organizational framework (industry, country, company size, product line, etc.).
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- The lack of “common hooks” – basic account identifiers – which might serve to integrate disparate segmentation approaches.

Segmentation research had not been “actively managed” at IBM. There were a variety of vendors used, each typically using a different segmentation approach. In addition, basic customer, market and unit of analysis definitions had not been formalized nor uniformly applied across the organization. Additionally, some of the large, complex studies had been overseen by researchers with limited segmentation experience. Finally, there was little evidence of market effectiveness and/or efficiencies gained through segmentation research.

- Few if any quantitative studies of the impact of segmentation on marketing efficiency or effectiveness had been conducted.
- No standards were in place for evaluating the impact of segmentation on marketing practices.
- Consumer segmentation models were often mismatched to business-to-business markets.

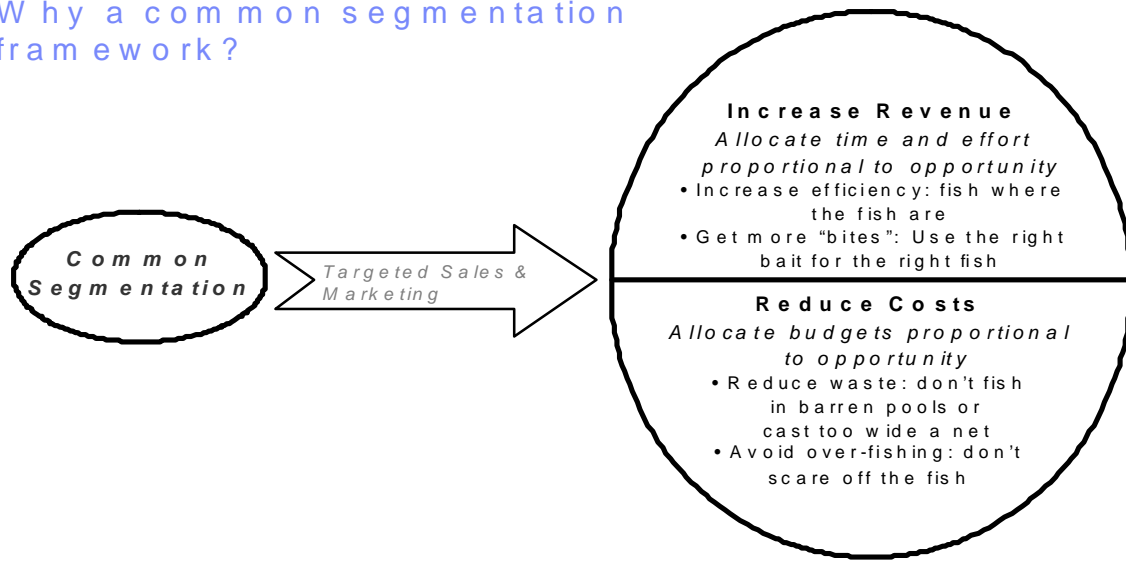
Thus, in spite of the fact that segmentation research had been practiced throughout the organization, the research was actually of limited use at IBM and few programs had been successfully implemented. In fact, many of these failures were due to the inability of the segmentation approach to identify key market targets at a tactical level.

Unfortunately, the lack of a common segmentation approach had a number of negative consequences for IBM, including the lack of a unified, integrative market view in planning and execution. In addition to wasted expenditure there was redundant and sometimes conflicting targeting of the same accounts. It was difficult to assess the “lost opportunity costs” which were not easily quantifiable. (See figure 2.)

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**Figure 2**  
**WHY A COMMON SEGMENTATION FRAMEWORK?**

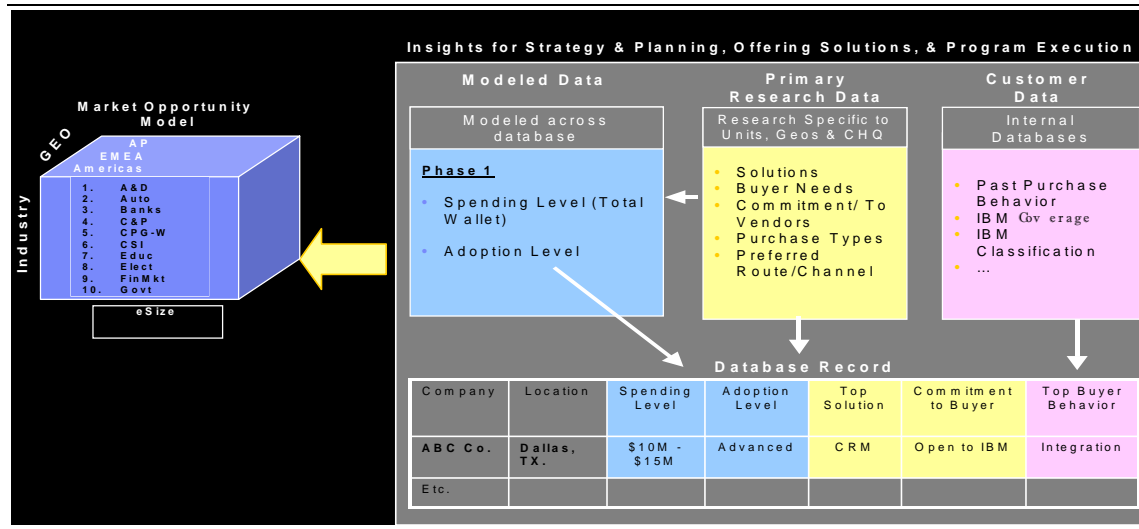
Why a common segmentation framework?



To rectify this situation it was recommended that a different approach to segmentation research and marketing at IBM be taken consisting of the following elements:

- Adoption of a high level "opportunity based" segmentation which focused on high value, growing and technically advanced segments.
- A common metric for enterprise size.
- Use of a common set of segmentation metrics already collected as part of the opportunity analysis program.
- Multi-dimensional views of the IT market provided in order to meet organizational requirements (e.g., geo, company size, etc.).
- Additional opportunity views provided at more granular levels (e.g., by product, solution, service, etc.) for use in specific marketing activities.
- A common segmentation methodology used across the company for all ad hoc segmentation research – most of this work focusing on "profiling" the opportunity segments which have been defined.
- A core set of standardized firmographic variables used as linchpins to tie together market research and the segmentation model at the enterprise level.
- A "center of competency" for segmentation established within the market intelligence community, led by a core group in corporate market intelligence.

**Figure 3**  
**WHAT IS THE COMMON SEGMENTATION FRAMEWORK?**



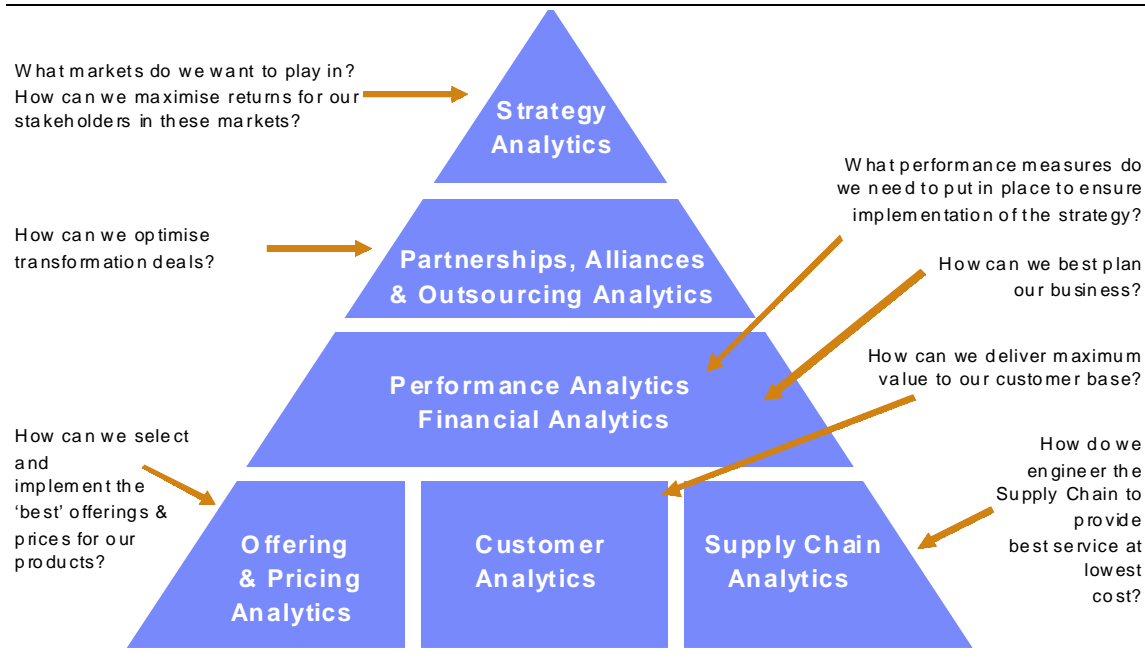
The common segmentation approach is being deployed in 2004 in ten top IT opportunity countries, based upon common definitions and language. This eliminates time spent reconciling different methodologies and will result in a full market view for all prospects and customers. This enables integrated marketing planning and execution, eliminating redundancies and conflicts.

### Advanced Data Analytics

Another approach that market intelligence takes is to exploit the data available in our customer databases and combine these with the appropriate research and analytics. This allows market intelligence answers to complex questions facing our company.

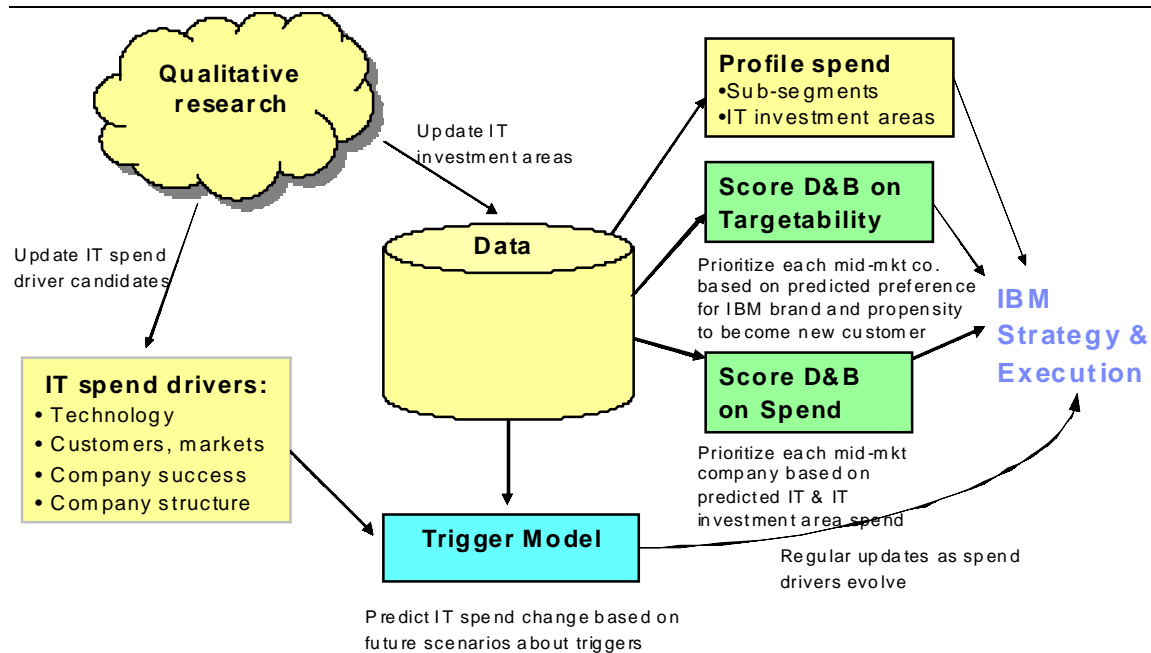
This approach was used to design and develop the Common Segmentation Framework, as illustrated above. In addition, as seen in figure 4 below, the type of questions addressed in our business intelligence analytics range from the strategic issues of which markets we want to play in going forward (Phase 1 of the Marketing Process) to basic questions on product development, asked as part of the middle stages in the E2E process.

**Figure 4**  
**DATA ANALYTICS: KEY QUESTIONS**



What has been found to be particularly effective is when primary research is combined with data analytics to allow for effective targeting. As figure 5 shows, developing an understanding of trigger events and the appropriate propensity models can lead to more effective execution. The sales force is keyed into what events to look for that can precipitate a sale, and direct marketing campaigns can be better aligned to the intended audience.

**Figure 5**  
**COMBINATION OF PRIMARY MARKET RESEARCH**  
**AND PREDICTIVE MODELING**



## Integrated Communications Strategy - Crow's Nest Publications

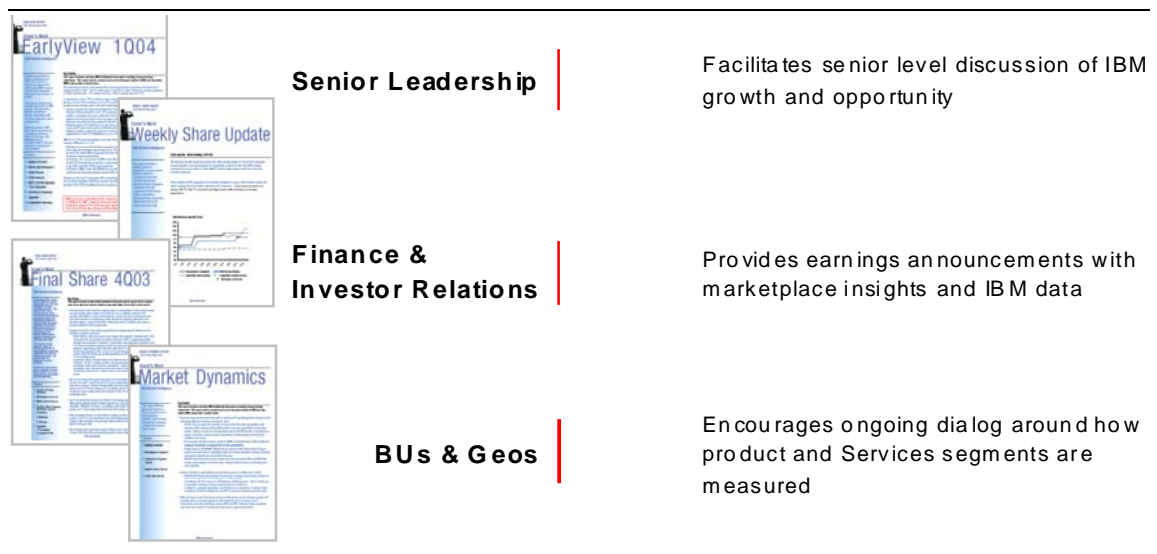
One of the innovations the market intelligence team in IBM has created is a vehicle that provides the organization with a forum to disseminate key data, influence decision makers and get a seat at the table. Through a series of branded (Crow's Nest) publications that are provided quarterly, and in some cases weekly, to IBM senior management, market intelligence has ensured that an objective view is provided. The content of these publications range from a discussion of market dynamics and trends to a fairly granular analysis of segment market share of IBM and its largest competitors. They are well read and have become part of the management system. The process of collecting revenue data and reporting market share numbers to the external community has changed as a result of market intelligence analytic work and these publications. Ownership has been transferred from Finance to Market Intelligence and they partner with each other to provide the appropriate context for the data.

The Crow's Nest work has enabled market intelligence to influence decision makers by providing an integrated view of the market and exposing all senior leaders to a consistent and holistic external view. Furthermore, by changing the way market share data are collected, calculated and disseminated, these

publications have contributed to IBM's compliance with various legislation (e.g., Sarbanes-Oxley). Having one source of market share data and a documented process has also led to the vastly improved data quality and better control of information internally and externally. The role of market intelligence and communications/PR has become significantly more coordinated and market intelligence has assumed a leadership role in determining what can be shared externally from a public relations and financial analyst perspective.

One of the other changes that has occurred through the improvement in communications and visibility of the market intelligence organization is that it has evolved into a more consultative organization. While still providing quality data and analysis, other functional areas and line management now seek out the advice and counsel of the market intelligence team to a much greater extent than before.

**Figure 6**  
**OPERATIONAL IMPACT OF CROW'S NEST REPORTS**



## **WHAT LEVELS OF ROI ARE BEING REALIZED?**

The value achieved by the application of market intelligence knowledge, analytics and research techniques to organization decisions is hard to quantify. One of the areas where this can be more easily measured is when analytic techniques are used for marketing programs such as direct marketing campaigns or direct sales efforts. By comparing how more sophisticated techniques yield sales vs. traditional methods, the economic value of market intelligence can be more easily demonstrated.

By using a combination of primary and secondary research to develop models to predict customer spending intentions and to target specific market segments, the U.S. marketing team was able to improve the ROI in both direct marketing and sales. Using techniques of propensity modeling and trigger event assessment, it was found that 2.5 times the number of opportunities were identified, with each having on average a larger revenue potential. The end result was that twice as much revenue attainment was achieved than when these techniques were not used. A process has now been developed to ensure that appropriate research data are collected, analyzed and supplied to marketing and sales professionals. These techniques are used for acquisition, retention and customer activation.

The lesson learned from the transformational activities described in this paper is that market intelligence adds the most value when what it provides is integrated, put in a holistic business context and tied in with key business processes. Integration is vital and this applies to primary research, segmentation, customer databases, and many of the other activities market intelligence engages in. Clearly a function such as market intelligence can vastly increase its influence if it can get senior management to pay attention to what it says. Having publications that are targeted to a senior audience and widely read is an asset.

These are not new lessons, but in a large corporation, achieving this requires an investment in time and resources. The key to influencing the organization and having a successful market intelligence organization is to figure out ways to integrate market intelligence information into the management system of the organization. Once market intelligence data are tied in to the organization, it is much easier to demonstrate value. We believe this is what has happened at IBM and we also believe we are making a difference.

## **THE AUTHORS**

Andrea Goldberg is Vice President, Market Insights & Analysis, United States.

Susan Toner is Vice President, Primary Research, IBM Corporation, United States.

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ESOMAR Office:  
Vondelstraat 172  
1054 GV Amsterdam  
The Netherlands  
Tel.: +31-20-664 21 41  
Fax: +31-20-664 29 22

Email: [email@esomar.org](mailto:email@esomar.org)  
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