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CLIENT CASE

## Online Brokerage – Past and Future Marketing Performance

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## Past and Future Marketing Performance

### Background

With the advent of the Internet as a popular channel for information and communication, many businesses have tried to integrate the Internet into its marketing mix. Online businesses in particular, rely more heavily on this channel, and therefore getting consumers to recognize their brand and search for it online is a major priority.

### Client Objective

Our client, an online Brokerage firm, felt that its technical prowess and low price offering would appeal to a mass market that is engaged in trading stocks. This firm believed that as long as the stock market continued to climb, its large expenditures on marketing was not only justified, but crucial to its growth. However, due to the market peaking, followed by a long downward slide, the firm decided to rethink its strategy.

What soon became apparent was that our client had little capability to discern what it was getting from its marketing investments, and therefore had little confidence in its ROI from future marketing spending. Our client agreed that it needed a better way to make its marketing investment decisions and commenced with a marketing mix modeling analysis.

### Our Solution

iKnowtion assembled a broad array of historical data, including business results information, media spending data, economic indicator data, and other market event data. The data we gathered covered a three-year time frame, bracketing the market peak, and was aggregated in weekly units. We were then able to develop a series a marketing mix models to help explain the impact of both marketing and non-marketing factors on business results.

The modeling analysis identified the strong effect of the stock market on new prospect and customer generation, pointing out that 30% of new accounts were the direct result of the favorable economic trends in the market. It also established a strong relationship between the company's marketing spending and the flow of new prospects and customers.

The biggest surprise was that online advertising was not as cost effective as the company had expected it would be. Online ads produced approximately 15% of the new accounts and had an exceedingly high cost per account generated. Further, analysis indicated that too much was invested in online ads before name recognition of the brand had reached a significant level.

To enable our client to assess the potential impacts associated with its planned marketing spending, we developed a forecasting tool and a process was established where monthly short-term business forecasts were generated using the marketing mix models.

The forecasts showed weekly totals over a three month period and gave the company valuable information to use for marketing program planning and call center staffing. The forecasts were updated each month and new scenarios were added periodically.

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### The Bottom Line

Based on these findings the company both reduced its marketing spending and shifted it toward the most cost effective media. It continued to monitor its brand indicators to ensure brand recognition was not eroding significantly. Spending was increased on customer development efforts in an attempt to get existing customers to trade more while acquisition efforts retreated. And, importantly, with the marketing mix models the company now had a capability to help it assess and plan its marketing investments more effectively.