

## **A Model to Measure the Performance of Direct Marketing Activities in the Chosen Service Company**

**Tjaša Tabaj Pušnar**

University of Primorska, Faculty of Management, Slovenia  
*tjasa.tabaj@gmail.com*

The objective of a direct marketing model is to select a subset of people who are going to receive an offer which has an aim of minimising expenses and maximising client response (Wong 2005). Thus, a direct marketing model must be able to predict the client response to the received offer and model the result as a linear combination of predictive variables defined by the model. Therefore, one of the most important objectives of organisations in the service industry is client data collection, as they encounter diverse client behaviour, demands and characteristics. As understanding your clients well is a competitive advantage, data-based marketing has become the basis for setting marketing strategy (Egan 2007). In order for organisations to find the hidden rules and patterns concerning customer behaviour, they must make use of data-mining.

The service company analysed for this study, award their guests' loyalty by offering them free plays, which are sent to the clients via email. Currently, this offer is sent on the basis of a RFM analysis of all club members who fulfil the minimum spending per visit, fulfilment of conditions of their last visit and have entrusted the company with at least one of their contacts.

The purpose of the research is to design a new strategy for sending free plays to clients. Offers will be sent only to those clients who are interested, thus the company will minimise the cost of sending offers.

The objective of the research is to develop a direct marketing communication model for existing clients. The model predicts the probability that the individual client will respond to the offer. It also determines the independent variables which should effect the decision of the client to respond to the offer.

In the development of the model, secondary data in the form of client details collected over a 48 month period from 2012 to 2015 is used. For each month, all clients who fulfil the defined requirements to receive offers are considered.

The model is developed with the help of logit regression, where the results are modelled as a linear combination of predictive variables. Due to the dependent variable being categorical, the factors influencing the benefit of the campaign are modelled with the logit multiple regression.

Gaming is closely linked to the financial status of the guest, which is constantly changing, hence the large fluctuation of guests. When using data to produce the model, only data collected over the 48 month period was used, this could consequently influence the accuracy of the predictions.

The model contributes to the improvement of direct marketing activities, to better awareness of gaming guests' behaviour, to establishing better direct communication with clients, in addition to assisting company management to make decisions based on the relevant factors.

*Keywords:* direct marketing, data-mining, logit regression, prediction model, gaming

*References*

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