

# How poker strategy can guide marketing decisions

Joe Zawadzki, Poindexter US, applies lessons from the poker table to help marketers play a winning hand online and offline

**T**HE SEARCH FOR MASTERY at any thing can lead into unexpected territory. Motorcycle maintenance got into Zen. Business warriors got into Sun Tzu. We in marketing have got poker. Putting a spotlight on America's favourite pastime teaches valuable lessons that can be applied both online and offline. Whatever cards you are dealt in the business world, knowing what a smart poker player might do in a similar situation can point the way to making sound marketing decisions.

## Good decisions from not-so-good information

Mike Caro, the Mad Genius of Poker, starts his seminars with a question designed to put students in the right frame of mind: 'What's the goal of poker?' he asks. When someone obligingly responds that it's about winning money, Caro has him right where he wants him.

Poker is not about winning money, taking pots, or even outwitting your opponents. Poker is mainly about making good decisions. You have no control over how the cards are going to come out or how someone else is going to bet. Making a smart decision is all you control in the game of poker, and over time it is the driving force that allows skill to overtake luck.

Sound familiar? It's very much the same when you are competing in your business category. You are blind to what the competition is going to hit you with next. Facing a similar level of uncertainty, poker players train themselves to make the most of whatever information is available. What cards do I have? What do I have reason to believe my opponent is holding? What is the size of the pot? How many of certain cards do I think are left in the deck? How much do I know about each player's pattern of behaviour? There are few perfect answers. The challenge is to make the best possible decision despite the reality of living with imperfect information.

So where does that leave you? The

Information Age arrived a generation ago, but your online and offline marketing data can often be less than ideal. Each source of data has different coverage with varying accuracy. For example, geographic information for anonymous web visitors exists from companies like Quova or Digital Envoy - but only to the zip or postal code level, and only 85% of the time. We've heard about imperfections in data as a reason not to bother even using them, but this reasoning is as dangerous for a marketer as it is for a poker player who decides to ignore all the information at the table except the strength of his own cards.

Winning poker players, and winning marketers, simply do a better job of compiling, interpreting and acting on imperfect information.

## Reading your competitor's hand

Poker is not played in a vacuum. Your top pair may look mighty nice, but if the tightest player at the table starts betting and raising you, it's time to rethink the strength of your cards.

When competing for market share, you may find yourself in a similar situation. Keeping a careful eye on what the other guy is doing can pay off in spades. Any time there is a change in your competitor's behaviour you want to be the first to know. Why was the change made? How does it shift the odds for or against your own success? Let's say that a major player in your category starts buying non-traditional keywords on Google. What is that telling you? What if you are both in automobiles and the other marketer starts buying 'spatulas'? Sounds crazy? Never mind - assume it's rational unless proven otherwise in your own testing.

Did you notice the competition starting to shift significant budget into or out of the most commonly used media channels? Pay attention. What do they know or what have they found out that you may be missing? With so many alternatives to traditional communication channels available today, observing the

media 'cards' your competitors are playing can point to some moves you might want to try yourself.

All the watchfulness doesn't have to be done on your own. In the US, companies like Compete or SiteInformant can automatically let you know any time a competitor's website changes its positioning, introduces a new product, adjusts prices or changes content in a significant new direction. SiteInformant delivers an activity report via email each time your competitor's website changes, and a summary report at the end of each week and month. Whenever there is an email alert, it includes three links enabling you to view what is new at the site to arm you with fresh insights. It's a way to keep track of the competition's strategic thinking as reflected in online activity.

## Learn to recognise consumer 'tells'

Poker 'tells' are those unconscious mannerisms that provide a window into the nature of a poker player's hand. Some competitors are talented actors and project strength when they have a weak hand or weakness when they are in a commanding position. There is one person I play with whose hands shake when he bluffs and another whose hands shake only when he has an unbeatable hand. Understanding how the same action tells a different story for each poker player is what makes the 'tell' so useful.

Something similar happens in online marketing. You can go a long way towards establishing a history for each individual by observing personal behaviour on landing pages, how shopping carts are used, what someone does as a registered member, and other click activity. These unique data reveal key patterns - or 'tells' - that drive response. The challenge, as in poker, is to be a keen observer and draw the right inference from the available electronic data.

What makes online marketing so powerful is the new-found ability to generate 'tells' in a continuous data flow that

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predicts future behaviour more reliably than ever possible before. As each individual reveals himself or herself, your pre-programmed software can take relevant, real-time action to improve overall results.

It's crucial to keep an open mind and follow the data to the insight reflected by the 'tells' for each segment, as well as for each individual.

### When not to bluff

Everyone's favourite topic in poker is the bluff. But as the following true story illustrates, bluffing when practised by a marketer is a dangerous way to play the game with a consumer.

A friend of one of my business associates, facing a hot and humid New York summer, decided it was time to install a Sharp air conditioner in his apartment. The problem was that he would have to turn the unit on its side to fit a particularly narrow window, and he wondered whether mounting the machine vertically was going to interfere with its operation. So he turned to the Sharp website, [www.sharppusa.com](http://www.sharppusa.com), for help before making a purchase decision.

There was no readily visible customer service phone number listed, but there was an email address to contact for technical support. Off went his email asking how to install the unit vertically.

But, as it turned out, the offer of technical assistance was a bluff. One week passed. Two weeks passed. And still there was no response from Sharp. Meanwhile, the apartment was getting warmer and warmer. So the next move was to seek out a local retailer for help in identifying and installing a unit that fitted the special requirements. The choice was not a Sharp air conditioner.

A few days after the new air conditioner began providing relief, the long-delayed information finally arrived from Sharp technical support...

Any time you make a promise to a consumer and don't have in place a process for prompt, effective fulfilment, you

stand in danger of having your bluff called. Any time you make a mind-boggling offer followed by a bait-and-switch qualifier in minuscule type, you are in danger of having your bluff called. Any time you make an advertising claim that stretches the truth a bit too far, you are in danger of having your bluff called.

Once consumers are on to your game, they know exactly how to play their cards.

### How to handle the semi-bluff

There is a subset of bluffing, the semi-bluff, that can actually work in your favour as a marketer. The semi-bluff is defined by another poker theorist, David Sklansky, as 'a bet with a hand, which if called, does not figure to be the best hand at the moment but has a reasonable chance of outdrawing those hands that initially called it'. No one ever accused David of verbal transparency, but he does pack a key concept within his description of the semi-bluff.

A semi-bluff in poker might be a raise with 4-to-a-flush but without a pair. It's likely that another player could be holding a pair. You're hoping that your raise alone will cause the other player to fold his or her better hand but, if this doesn't happen, the right suited card to complete your flush might still come later in the game and make you a winner.

Sophisticated theorists develop optimum frequencies for bluffing that are based on the size of the pot, the estimated chance of forcing the other player to fold, and the requisite bluff bid size. Sophisticated marketers, either explicitly or implicitly, can do the same thing.

Within the heavily saturated US financial services category, the semi-bluff is standard practice in the pursuit of new credit card holders. The consumer's mailbox is flooded week after week with tempting low-interest introductory offers. There's a good reason: the value of the pot - a completed credit card application - is worth hundreds of low-cost bets. With an inexpensive postal service and efficient credit scoring, sophisticated direct mail

theorists semi-bluff consistently, with a barrage of offers. The expectation is that one out of 500 will respond, and one out of five responders will be approved. The even lower cost of email augured the need for spam filters years ago ... if the pot has \$1,000 in it, and it costs you a penny for a 10% chance of winning, wouldn't you do this all day long?

### One size does not fit all

At the end of the day, the most significant likeness between poker and marketing is that there is no single right approach for all consumers at all times, just as there is no single right strategy to follow against each individual poker opponent. There are countless hands where the answer to 'Told, call, bet or raise?' is 'It depends.' A justification could be found for any one of a number of actions.

A deciding factor in poker is often how well you've segmented your opponents. Classic poker segmentation takes place along two axes: the loose-tight axis and the passive-aggressive axis. For example, a loose-aggressive player can be a maniac, always betting and raising, while a tight-passive player is a rock. A bet from the former and you raise; from the latter, you fold.

In marketing, whether you focus on building an insightful database, segmentation strategies, behavioural targeting, CRM or moving into mass customisation, the upshot is the same. When it becomes time to reach out to your target, one size does not fit all. All of these techniques use predictive analytics to understand this special individual in a way that may lead to a different specific action.

The poker player reads hands, recognises tells, understands bluffs and makes decisions by working backwards. When someone turns over their cards at the end of the hand, the smart poker player recreates how the hand played out - putting it into the larger context of how all the other 'competitors' around the table played their hands and handled other situations in the past. >

A similar methodology is seen when applying the new tools of behavioural online marketing. Marketers can look back at the web visitor and understand in exact detail the set of behaviours that identify prime prospects or, as powerfully, the set of behaviours that disqualify viewers as likely prospects.

At my company, Poindexter Systems, we constantly quantify and systematise a complex set of activities by leveraging both technology and intuition (what does it mean that the person came to my site from search, but has never clicked on a banner ad, and their previous direct visit resulted in a cart abandonment with the following products in the basket?). We are among a pioneering clan of internet entrepreneurs who translate a highly complex set of consumer actions into simple steps a marketer can take to lift performance.

## Keep the game moving

Unfortunately, neither poker players nor marketers have for ever to make decisions. In both realms, analysis paralysis is deadly. Just as some poker players endlessly debate the merits of a raise versus a call with a pair of aces in early position, many marketers spend too much time debating whether banner burn-out is taking place on a site that represents only 2% of the spend.

Since that pair of aces in early position happens only once every 1,100 times, and even the theoretically perfect answer to both this and the burn-out question might only increase aggregate performance by a fraction of a percentage point, what is important is to make a quick decision and move on. You must balance speed and accuracy with focusing on the move most likely to produce the highest potential return at the lowest risk.

As we're learning, both as consumers and marketers, our finite resource is attention. Use automation to take care of the millions of small details, and to provide information for your talented team to focus on the big decisions around the most profitable prospects, most cherished customers, and their most predictive behaviours.

You won't get it perfect in marketing or poker all the time, but in the long run you will walk away from the table a winner. •

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