

Customer Engagement: A new paradigm?

An Experian white paper



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Introduction

Whilst the core principles of marketing have not fundamentally changed over time, numerous models, theories and acronyms have entered our marketing lives. And as we have discussed in several other papers, the marketing world in which we work keeps getting more complex. The most notable change is the shift in consumer influence and power; you only need to look at the growth in peer reviews, Facebook, Twitter and concepts like Groupon to see this power shift.

But not only that, brands who did not traditionally use direct marketing techniques (as they had little or no customer data) are now keen to learn how to harness the power of data in the digital space and how they too can start to build direct customer relationships.

So what has this led to?

With more potential contact points with customers, more media channels for us to play with and greater opportunities to start and build two way communications, more brands are seeking to engage with their customers. But who should you engage with and how? One of the trends that we see is the move away from Customer Relationship Marketing (CRM), coined in the late 1990's as the 'in thing', to Customer Engagement. Is this the same concept repackaged or is there a fundamental difference in these concepts? This paper will look to discuss these ideas.

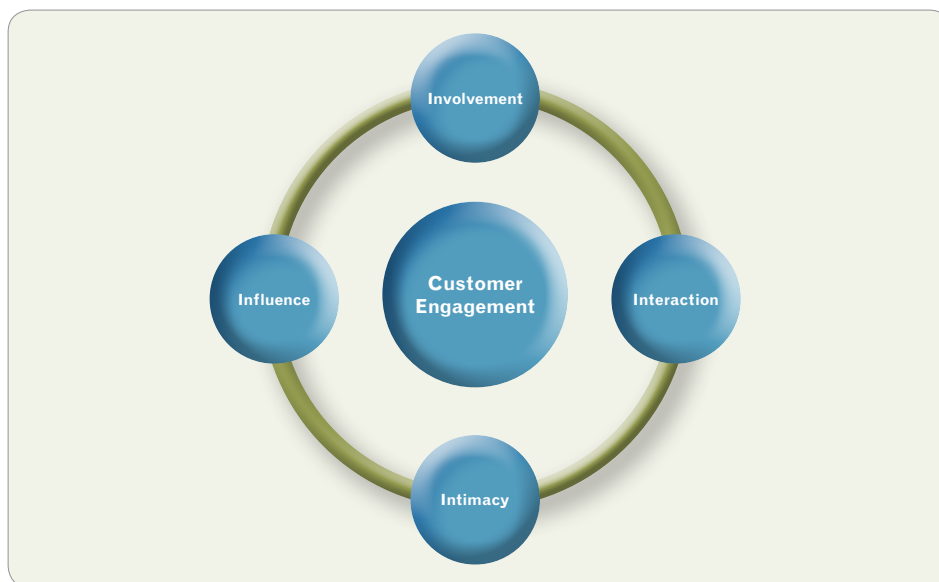
Is customer engagement the new CRM?

Both concepts promise increases in loyalty and customer profitability based on the delivery of continuous value to customers. CRM saw the first step away from one way, mass marketing techniques to two way dialogues and with it came new technologies to facilitate these relationships. However most of the relationship was still one way i.e. the company drove the conversations and not the customer. But with the advent of Web 2.0 and social media applications in particular, the power of the consumer grew. They are now more informed and have the power to express themselves. They can seek out advice and opinions from other consumers that brands have little or no influence over. These changes, coupled with advances in data processing technologies have led to strategic shifts; a move from relationship plans with customers to engagement plans with customers. This marks the next fundamental shift; we have now gone from mass to two way relationships to two way engagement.

But at the heart of it, we believe that engagement is fundamentally no different to CRM; it is still about the use of technology, data, processes and channels to drive value. The difference – or the devil, is in the detail. Forrester Research defined four key elements that need to be present for customer engagement to work.

Here is their interpretation of the 4I's:

The focus of CRM is in Involvement and Interaction. CRM has brought in technologies, techniques and best practices to attract and communicate with customers. Like many things, these capabilities are evolving; developments in the management of new interactions and data continue to push us towards this new engagement model. The need for greater automation backed by tried and tested decisioning techniques is now a must have.



But according to the Forrester Research where Customer Engagement differs from CRM is in the areas of Intimacy and Influence. This can only come about through greater interaction with customers, i.e. the creation of true two way conversations. The greatest step change will be allowing customers to proactively engage with your brand and not only that, being able to react to them. At the moment many brands have only just touched on social media and use these tools as a place to list or present the latest company news or views. Brands need to use Web 2.0 technologies and new processes to manage a true two way communication. But how will this affect your data strategy, management, analytics and campaign planning?

What does this mean in reality?

So what else will this mean for brands? It isn't a case of replacing existing activities with new ones; it is about evolution and integration. Where appropriate, relevant and feasible, existing activities need to develop to embrace new social and interactive capabilities and new techniques need to be added to the marketing tool kit.

Examples of changes include:

- **Marketing Planning** – needs to embrace social media as a new two-way communication channel, a new source of data and new place to manage content and drive greater traffic to your sites
- **Data strategy** – also needs to embrace new digital datasources and how they could integrate into your customer database (or not as the case may be) and the use of unstructured data from social tracking that does not lend itself to management within traditional databases
- **Customer Database Management** – where possible, new customer data feeds (from email, website) should be linked back to existing databases (this is more relevant where established and large customer databases already exist)
- **Non identifiable (or addressable) data management** – a greater challenge is how to manage the growing availability of behavioural data which is not linked to a person; how is this data stored and managed and how is it managed in relation to customer data
- **KPIs and dashboards** – need to step beyond the traditional methods and measures and incorporate new metrics which track and evaluate customer engagement (web and social data)
- **Satisfaction and loyalty** – as well as new tracking, these programmes need process and capability developments to allow the management of two ways customer communications; a challenging brief in terms of content management and control
- **Analytics** – whilst targeting, LTV models, RFV metrics and predictive models still have a role, analytics needs to take a step into the customer lifecycle and turn insights into customer events, needs and actions based on their particular behaviours
- **Social media** – consider this channel not only for content and managing two way conversations but as a source of new contacts, email addresses, customer data (consented) and leads. Like other new channels, this should be integrated into your plans as a new tool rather than be seen as a replacement for another channel or tool

Can the new learn from the old?

Some of the best practices from traditional channels such as data quality, data management, targeting, content quality, dashboarding, total quality management (TQM) and process controls need to be applied within the digital space. Recent work by Accenture showed gaps and weaknesses in quality management in digital applications eg 10-15% of pages/objects are missing tags/scripts, 15%+ of pages have one or more broken link and 50%+ of websites have a Personally Identifiable Information (PII) vulnerability with consumer data collected on non-secure forms. These weaknesses will not only lead to weak analytics and decision making but will lead to poor customer experiences and weaker customer engagements.

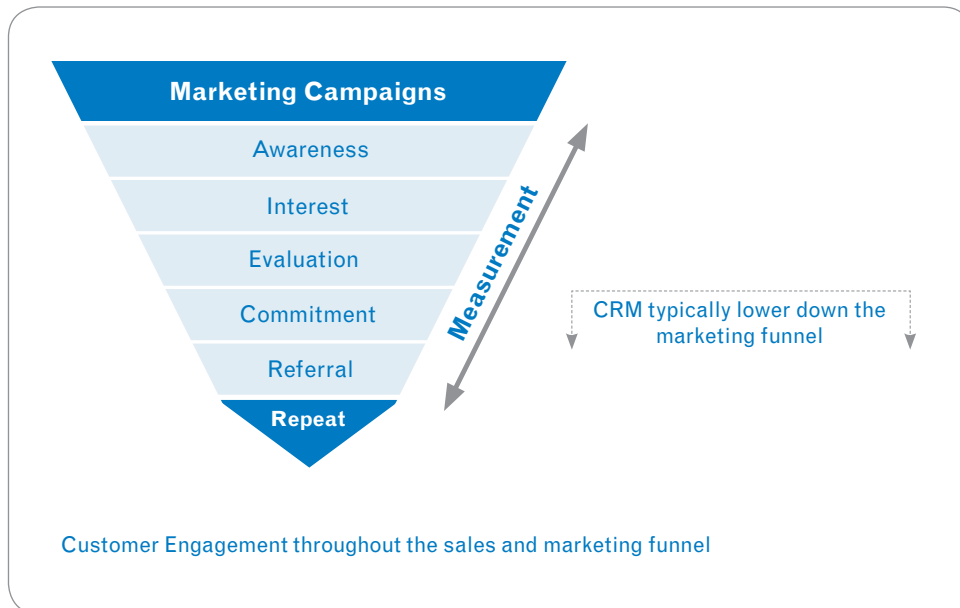
Digital touchpoints will no doubt continue to increase; each one needs greater personalisation and dynamic targeting to deliver greater relevance and timely content for customers. This can only be delivered through greater data management, insight and quality management of company interactions with customers. This is within the control of a brand; it needs to manage this and then seek ways to track and react to the ever growing amount of user generated and crowd sourced content – which they have little control over! The blend of the two is what the new world of customer engagement and social interaction will be about.

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Similarly for email marketing; like its predecessor direct mail, it has evolved from a blasting/untargeted approach to a relevancy approach. Many of the analytical techniques developed within direct marketing are easily transferred into email marketing; in fact much of the traditional data and techniques should underpin a good email plan. The more advanced techniques involve the integration of email metrics back in to customer level data. So rather than just looking at open, click through and conversion rates (which are still critical business metrics), companies need to look at converting event data back to the customer level and appending this data back to their customer database. That way you will see who is engaging with your brand. Who never opens your emails, when was the last time they did? Who only opens offer led emails? Who opens but doesn't click through? What content works for those customers that you really want to engage with? Recent analysis by Experian showed that 60% of those emailed over a 6 month period never opened an email (contact frequency was quite high).

What does Customer Engagement

In the discussion about the difference between CRM and Customer Engagement, we in effect recognised that brands now want to manage and engage with customers more directly lower down the traditional conversion funnel i.e. at the pre-registration phase. We know that someone is engaging with the brand on a site via their IP address or Cookies; but we don't know who they are (at a personal level).



This does not lend itself to traditional customer database management and analytics. In traditional CRM applications and models, we tend to know who the person is and traditional databases and analytics is founded on knowing the name, address and postcode of that individual (even if this is off a prospect list). That individual creates a unique reference within a brand and the typical challenge that we come across is the creation of a Single Customer View (SCV).

But we have by no means got this area done and dusted. This is still a challenge for many brands where disparate systems and silos exist; and these challenges still exist if we moved to a Customer Engagement model. Our view is that the difference between CRM and Customer Engagement lies in the growth of data and analytics challenges and opportunities. The new aspects that we are grappling with in Customer Engagement are how to manage data and customers more directly at the awareness and pre-registration stages of the lifecycle. Ideally this should seamlessly transition to more traditional customer management activities once the customer has shared their personal details with you and consented.

We've not got that cracked yet but it's this concept that we believe is an area for development. Just for now we're working with the lifecycle concept and whilst it isn't new, it is an approach that fits neatly with the Customer Engagement concept; it's about recognising customer needs at different stages and creating the triggers and content to enhance the engagement experience.

For now we see CRM analysis remaining a separate discipline to web and social media analytics (that deal with the pre-registration stages) and it is likely that the use of integrated dashboards covering key lifecycle (engagement) phases is the first step to take. For now, traditional customer database analysis needs to integrate digital data at the personal level – for instance with email metrics (as noted above) and with aggregated, relevant web metrics for registered customers.

The need for automation

As we've discussed, customer lifecycle management and managing the customer journey are established concepts. But this needs to go way beyond a simple welcome programme and some retention activity or winback campaigns. With the complexity of channels and higher needs for personalisation it doesn't take long before the number of campaign cells and options is huge and difficult to simplify. The degree of sophistication that an Excel sheet can be used to manage is capped; ultimately the number of 'what if's', decision trees, triggered responses and customer journeys is too complex. This is where campaign management and planning tools are required and in particular the need for capabilities to manage automated and wave campaigns.

Campaign management tools have been around for many years and the first basic step when using these is to replicate all existing manual selections within the software. These can be stored and reused though this does require manual intervention to deliver the process. The next phase is to start to add greater targeting and/or test and learn campaigns (always remembering to have the control cell). This step alone can lead to quite complex campaign activity and management of feedback loops and evaluation is critical for success. This type of activity will highlight 'bankers' and campaigns that you know will usually pay back; it is these that you should initially look to automate.

This area of automation is called wave campaigns. These are standard, well proven communications that form the basis of a brand's plans. They need no new analytics or targeting requirements; creative and content may be amended but the need for labour intensive campaign selections is removed. In the days when direct mail was the main channel, wave campaign concepts were much slower and needed sufficient numbers of customers to meet the selection criteria before a print run was viable. Whilst digital print has moved us along, the costs of these and the delay due to print and postage still means that email or SMS (if the message is short) are the prime channels. An interesting development is in the use of email to interact with social media (well Facebook) so that targeting could be to their Facebook pages rather than directly to their own email inboxes (of course Facebook has also launched its own email account).

Analytics should identify the more advanced trigger or behavioural changes that you know are predictive of a change in value to your business. These models should be routinely run and relevant customers who match that set criteria should be extracted and sent the appropriate message








Another area of automation is trigger campaigns. These are fairly common within email marketing; it lends itself to standard templates and fast turnarounds. Many of these campaigns may be created and managed within your ESP platform; the question becomes how that platform interfaces with the master customer database. SMS also lends itself as a useful channel for rapid trigger response activities and like email this goes beyond the standard service trigger messages (eg 'Thank you for your order'). Analytics should identify the more advanced trigger or behavioural changes that you know are predictive of a change in value to your business. These models should be routinely run and relevant customers who match that set criteria should be extracted and sent the appropriate message (again allowing for testing of different offers or creative).

Other contact channels such as call centres can also be used to support trigger or event campaigns and the channel lends itself more to greater engagement with the customer. Whilst outbound contacts can be discreetly managed through contact lists and messages (generated by the campaign management tool), the management of inbound contacts is more complex. Service centre systems are often separate to customer database systems – unless significant enterprise wide investments have been made in CRM platforms. Manual work arounds could be an option feeding campaign and contact details via batch processes from the marketing campaign tool into the service centre operating system. That way the service reps are equipped to respond to customer enquiries and at least have insight into the outbound contacts sent. Similarly any next best actions or other segmentation or predictive scores could be batch loaded into the service system from the database and analytics suite. This should facilitate improved customer engagement and value through the deployment of targeted and relevant offers and messages.

Summary

The scope to use existing database, analytics and campaign management tools in this new era is still central to a marketing plan. You can continue to exploit existing transactional and personal data to drive the engagement plan but can also begin to use digital data and automation techniques. But some things do not change; these tools and techniques will not be a success unless the right people and processes are in place and that the business seriously invests and focuses on the value of data and insight.

Our recommended approach is:

-  1. Ensure that relevant data capture management is efficient and captured at as many points as possible; including data that isn't at a personal level
-  2. Look at new forms of data that can be added to traditional transactional databases such as email and aggregated web behavioural data
-  3. Enhance analytical insights off the customer database using new data to improve customer engagement
-  4. Work with web and social media analytics to create a lifecycle or customer engagement dashboard as a step to integrating the different analytical disciplines and move to an integrated analytics approach
-  5. With added insights and data, look to more advanced campaign management techniques such as trigger and wave campaigns to automate the delivery of many communications
-  6. Ensure you have the right tools, people and processes to exploit this growth in data and contact points with your customers
-  7. If you start to work along these lines then we believe that you are ensuring that fundamental CRM practices are embedded putting you one step closer to a successful Customer Engagement strategy

A thought for the future

Let's look back again at non-personal data. Not only do we not know who an individual is in many digital applications, the wealth of data that sits behind each event or record is significant; this would soon swamp most traditional marketing databases, even if we identified a way to store records at different id levels. For many this data is managed via web analytics tools and managed separately from customer analysis. It is also used for many different purposes such as site conversion improvements, navigation enhancements, analysing sources to drive new traffic generating activities as well as content management and personalisation. The trick may be to see whether you can carry across some of this data and insight at the point that they raise their hands and let you know who they are; either by registering or buying from you. If at that point you could extract data (albeit in agreed aggregated formats) to your customer database you can start to track and analyse patterns of pre-registration behaviours (i.e. lower down the engagement funnel). Over time this will add richness to your engagement activities – for instance recognising certain behaviours or sources in pre-sales tends to lead to higher value and/or more loyal customers. It is simply one step on from analysing simple source codes.

One final thought about customer engagement

In this paper we have focused on the development of database, analytics and campaign management techniques in the area of customer engagement. By their nature they are company initiated and not customer led. We have touched on contact points and how to make them more relevant and targeted – processes and infrastructure will enable them to become more interactive and two way. Given that the contact could be about a whole range of things and circumstances brands can only start to use simple next best action tools to guide the responses and resultant actions. But as we have also noted customer engagement goes well beyond direct with consumer activities. The outstanding challenge still remains how to deliver the Intimacy and Influence factors and much of that sits outside the realm of pure data management and insight. Whilst these will help define requirements and targeting, the need for content, personalisation and management of feedback loops in social media are the final capabilities needed to truly deliver customer engagement.

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About the Author



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Marie has a wealth of client and supplier/agency experience in delivering data and insight driven actions and business benefits. A senior direct marketer with over 12 years experience managing and delivering large scale sales and marketing plans in the utilities (TXU and ScottishPower).

This is backed by over 7 years experience agency and supplier side ranging from a Senior Planner in a direct marketing agency to leading a consultancy team in the analytics sector. Able to adapt and apply her skills in other sectors with extensive Financial Services and Home Shopping experience as well as travel and now the luxury market; in fact any sector where customer data management and the application of analytics and research is key to added value. Marie backs these marketing credentials with a strong commercial background and extensive team and project management skills. Marie has a BA (Hons) Economics supported by professional diplomas in Management Studies, Chartered Institute of Marketing and the IDM Diploma in Digital Marketing (distinction).

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Experian iMarketer is a high performance, multi-channel analytics, reporting, modelling and campaign management database solution. A wealth of customer, account, transactional and product data can be integrated in one single database with the option of overlaying Experian's extensive range of enrichment and prospecting data. Extremely flexible, Experian iMarketer can be hosted either in-house or externally, and is easily configurable to any internal systems architecture. Experian offers a complete range of consultancy services to take you from business case, through implementation to tangible ROI.

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