

PART

One

CONNECTED CRM (cCRM)

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Chapter 1 History

There's Never Been a Better Time to Be a Marketer

Thinking back over my 25 years of leading a marketing services organization, I can't remember a better time to be a marketer. How did we get to this place of unprecedented opportunity? Today's leaders have always talked about some form of one-to-one marketing, target marketing, database marketing, direct marketing, customer-centric marketing, or customer relationship marketing (CRM). Whatever you call it, we've always known the importance of using customer data to create and manage lasting relationships. However, execution-wise, much to our chagrin, we were limited in our ability to make it real. We lacked the capabilities to utilize the massive quantity and diversity of available data in order to cultivate individual relationships across disparate customer segments, multiple channels and media, and divergent organizational silos. But now, marketers can achieve mastery over customer engagement and create lasting competitive differentiation for their organizations.

In the past quarter-century, those in the field of marketing have made tremendous progress in using analytics and

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information to create effective media targeting strategies and maximize media reach and efficiency. The use of data has had a meaningful impact on marketing and, in fact, led to the extension of the entire subindustry of direct marketing. From 1990 to 2010, that industry experienced immense growth, primarily as a result of the highly targetable nature of the discipline and the impact of advanced analytics, which have become the foundation of today's CRM. Historically, CRM has largely been about creating relevant messaging, effective targeting strategies, efficiency of marketing spend, and so forth. It was more about finding specific application vendors that could drive great results for more narrowly defined media and targeting objectives, such as boosting campaign response rates, improving call center efficiencies, and increasing sales conversions on the website. We became incredibly skilled at developing very sophisticated modeling techniques, which dramatically improved results. And the direct marketing industry exploded.

But the most important component of a truly customer-centric strategy remained elusive: the connections among all the working parts. We couldn't effectively bring together the comprehensive customer and prospect data from all the various media and channels—their characteristics and preferences, their expectations and demands, their purchase motivations and behaviors.

Even as access to more diverse sources of data from numerous online and offline customer touchpoints began to increase, we lacked the technology and expertise to process it in aggregate and gain insights from its bounty. The high-level models we were building were only as predictive as the data that fed them. Our analytics didn't incorporate the rich, powerful, and diverse data that today allows us to build the exceedingly complex models that drive more meaningful results. Where analytical proficiency traditionally drove results more narrowly centered around media and channels, it now encompasses the entire customer experience.

My prediction is that if we put that same analytic strength into the broader viewpoint of building customer strategy as a business strategy, we will see a similar explosive impact on industry growth. When I say “customer strategy as a business strategy,” I am talking about building the entire approach to business strategy based on the needs, behaviors, and lifetime value of customers across the gamut of the relationship, from marketing and sales to service and billing. A whole new breed of business model has emerged based on this concept.

A pioneer in building a world-class brand around a customer-centric business strategy, Capital One really got it right early on. From a media-based perspective, the financial giant took an unprecedented approach to building its business around direct mail and loyalty. Starting off as a small credit card spin-off of Signet Bank in the mid-1990s, the startup has become one of the most powerful players in a market full of deep-rooted giants. Its “What’s in Your Wallet?” campaign and corresponding rewards program uses an information-based strategy that revolves around the customer and incorporates analytics, technology, and a deep, vast proprietary database. As a classic channel example, think of Amazon, which built an empire by creating a world-class consumer experience and used information to create competitive advantage. The e-retailer came out of the gate with the ability to observe, analyze, and understand purchase behavior to expose customers to the most relevant content and make meaningful recommendations at every interaction. This placed it leaps and bounds ahead of less customer-centric competitors right at the outset.

At the risk of stating the obvious, it’s true that data capture is at the heart of CRM. To target at an individual level, you must have some way to connect each data point to the individual. In the early years of customer-centric marketing, all we had were names and addresses of customers and prospects. Our objective was to collect as many names and addresses as possible so that we could mail printed pieces to them. Then telemarketing

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evolved, and the effort shifted to compiling as many phone numbers as we could possibly connect to our customers and prospects. Then along came e-mail and the endeavor to bring electronic communication to scale. You get the picture.

With the proliferation of digital channels—indeed, the explosion of available data sources—analytic engines are now sifting through cookies, IP addresses, social handles, and any number of other digital identifiers. The granular-level data enables us to gain a more complete picture of the consumer; to allow for broader, yet more targeted, communication; to gain insights that show not just how, when, and where to reach them, but also what they're doing and what motivates them to act. We have come to a tipping point, where the amount and variety of data, combined with the analytical chops to build ever more sophisticated models, are enabling insights that drive savvy marketing decisions and ensure more meaningful customer interactions. What was only theory just a few short years ago is now a reality.

In the past 5 years, my team and I began to realize the planets were aligning in such a way that, for the first time, we would be able to create true multi-channel personalization and addressability, capabilities that we knew would fundamentally change the ongoing experience of each individual customer. We became determined to understand how to monetize this opportunity for organizations. Were we finally in the sort of new world in which we could create sustainable competitive advantage?

About that same time, as the economic downturn began to have massive implications on both the marketer (in terms of budget) and the consumer (in terms of behavior), organizations started requiring more accountability from the chief marketing officer (CMO). Marketing spend was studied with more scrutiny than ever before—and that trend hasn't let up. But I tend to look at that accountability from a different perspective. The way I see it, today's CMOs have a greater opportunity to play a critical role in the growth and performance of their organizations. The boardroom has never been more responsive, more

focused on achieving a common outcome of growth. Customer-centric marketing isn't merely a tactical marketing implementation plan; executed correctly, it's a fundamental shift in the enterprise framework, which in turn causes a forward shift in the organization's trajectory. It elevates the marketing discussion to the executive level of the business and becomes a key enterprise mission—and a new source of visibility and accountability.

The C-suite, the CMO in particular, is now at a critical juncture, with a real opportunity to take a strategic seat at the executive table. The CMO can take the reins of customer strategy and lead the organization in creating and driving accountable business performance through marketing. CMOs who are successful will be able to draw a straight line between marketing performance and customer behavior.

The challenge in entering this new level of visibility and accountability is that CMOs are now required to flex new muscles in broader business and finance disciplines. A prerequisite to success is understanding technology, analytics, and emerging media platforms and how they will drive performance. Financial acumen will be a new premium as CMOs validate and articulate how their work is directly affecting growth, profits, and ultimately shareholder value.

Shifts of this magnitude are rare but sweeping—and enduring. The current state of marketing can be compared with only two other major eras in the history of our line of work. Think about the brand revolution of the 1950s. The advent of national broadcast television and coast-to-coast distribution networks created iconic brands. Powerhouses such as Tide, Budweiser, and Chevrolet swept the nation, taking control of the consumer landscape. In a relatively short period, they put hundreds of small companies out of business. It was a *Mad Men* kind of world, where domination was driven by mass marketing and advertising strategies that the mom-and-pops just couldn't manage. Competitive differentiation was achieved not by quality or

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service but by pure reach. And the ride at the top was a long and profitable one for such mega brands.

As consumer information became more available to marketers and Internet commerce began to take shape, we entered another pivotal marketing era of direct response. The channel revolution of the 1990s and early 2000s was marked by more precise targeting and measurable outcomes, made possible by digital technology and the widespread adoption of the Internet. We watched as a new crop of e-commerce innovators such as eBay, Amazon, Netflix, and Expedia made website purchasing commonplace—and changed the meaning of “going shopping” forever. This was a major disruption, as these newcomers supplanted the tried-and-true mass retailers who couldn’t move fast enough to make the shift. Giants such as Borders and Blockbuster suffered the consequences. And by the way, when was the last time you stopped by your local travel agent’s office to book a family vacation?

From an organizational perspective, even the companies that were making the shift to digital were doing so with whole new divisions, erecting silos that inhibited enterprise synergies—silos that limited their ability to utilize all available customer data to its full potential and that made measurement and attribution nearly impossible, silos that would later prove arduous to dismantle and assimilate.

Throughout both the brand and channel eras, there were clear winners and losers, and the brands that gained competitive advantage were those that willingly and skillfully seized the opportunity presented by advancements in technology and shifts in consumer behaviors.

As the age of the channel progressed, the onslaught of social and other digital media steered the buying populace into uncharted territory. Today, we’re in the midst of an all-out customer revolution, fueled by empowered consumers who have a plethora of offline and digital tools to help them make their own purchase decisions—and they know how to use them. The

immediacy and diversity of these tools are driving consumers to take control of how and when they engage with brands, and with one another. As a result of such rapid and widespread change, according to a study of marketers conducted by Adobe, 76 percent of marketing decision makers say that marketing has changed more in the past 2 years than it has in the past 50.¹

The data story now flows both ways. It's not just about marketers having access to heaps of consumer data. It's about understanding that consumers also have access to volumes of information about your brand, your products, your reputation, your followers, and your haters. Of course, we all know that social networks have become heavily trusted purchase advisors. In fact, according to a recent consumer study, as many as 81 percent of respondents say their purchase decisions are directly influenced by the recommendations of their networking peers, and 78 percent said their purchase decisions were affected by social media posts from the companies.² Customer expectations are shifting as friends, business connections, bloggers, consumer advocacy groups, and yes, the brands themselves, share ideas and experiences that influence the consumer's feelings.

Historically, the mark of distinction among companies that have successfully navigated through these massive waves of marketing change is *competitive advantage*. Survival comes down to who can find the most effective ways to deal with change and capitalize on the opportunity it creates. I think today we are in the throes of another one of those pivotal eras. My guess is that over the next 5 to 10 years, the people who master marketing in the new age of the customer will have true breakout growth and differentiation within their competitive landscape. Marketers such as MetLife, GEICO, Zappos, and Netflix stand out for me as sitting among today's top contenders in their categories.

Digital media and channels continue to evolve into unprecedented levels of customer addressability at massive scale, with the advent and proliferation of digital "audience

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platforms” such as Facebook, Google, and Twitter. Even retailers such as Amazon and eBay are bringing together huge audiences on digital platforms, creating opportunities for big marketers to identify and market to individuals in ways they never could before—and at every level, from name and address, to cookie, to device ID. Aspects such as behaviors and intent can be predicted and targeted. We can target an individual based not only on who he or she is at an e-mail address level but even on what that person is shopping for.

Going forward, these platforms will be the stages upon which virtually all productive consumer engagements are performed. And they are changing rapidly; it seems new ones are emerging or evolving in their capabilities every day (think of the growing scope of Pinterest or Snapchat). In order to master the platforms and their capabilities, it is critical that customer-centric marketers also master their own ability to understand and capitalize on the scale and the massive opportunity that platform marketing represents.

Take Amazon as a platform; a life insurance company can target new mothers online based on the fact that they’re first-time buyers of parenting books, or a home improvement retailer can target shoppers based on the purchase of do-it-yourself idea books. The possibilities are virtually limitless, with a level of scale and precision that we only dreamed of five years ago. And over the next few years, we’re going to see a whole new breed of marketer, as the role transforms from the traditional brand or direct marketer to the platform marketer. Suffice it to say this is a game changing phenomenon, and it will be the impetus that creates the next generation of marketers.

It is essential that meticulous preparations be in place to take advantage of the opportunity. That’s not to say that every marketer needs to go about those preparations in the same way. Different industries lie on different planes of a digital transformation continuum (Figure 1.1).

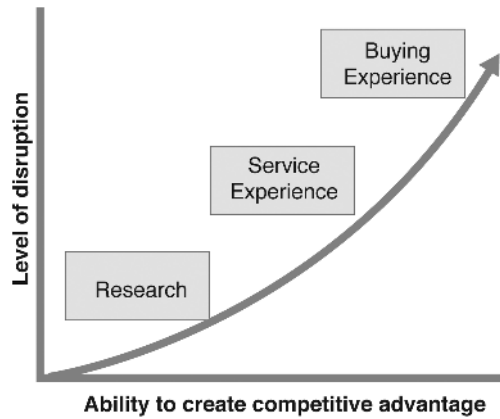


FIGURE 1.1 Digital Transformation Continuum

The continuum represents the degree to which digital is disrupting the relationship between the consumer and the marketer. The greater the disruptive force, the greater the competitive differentiation. At the most basic end of the spectrum is research. Here I'm referring to companies whose digital footprint revolves primarily around providing information for consumers who use the Internet to research a company and its products in the context of their own needs and desires. The automotive industry is a great example. I can't think of many people who would go to a dealership to buy a car without being forearmed with information such as MSRP, average price paid, warranty comparisons, competitive rankings, and even social feedback from current owners. Digital has caused a disruption in the role of the salesperson, but it hasn't fundamentally changed the service model or business model for how a car is purchased. It's still far from commonplace for consumers to buy a car online outright.

Those on the service level of the continuum have taken their digital presence to a new level but still have not made a complete business transformation. Banks come to mind. With online banking, the actual relationship between the bank and the consumer is changing. I wouldn't say consumers do a lot of research about

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checking accounts. They may look around a little at their options, but then they sign up for online banking and the gratification is an entirely new paperless, real-time service level with their financial institution. Today, online banking is taken for granted; banks cannot compete without a robust online service model. But still, the business model doesn't fundamentally change—the basic products of a retail bank are what they are.

On the high end of the spectrum, we would find the travel industry, which has experienced massive disruption in the relationship between the brand and the consumer. Every aspect of the research, purchase transaction, and ticket download can happen online. This new paradigm in travel planning has taken customer-centric transformation to a whole new level. It has given life to a completely new set of players that didn't exist 20 years ago, such as Priceline, Expedia, Travelocity, Orbitz, and Hotwire, which have essentially rendered the corner travel agent extinct. Not only has the general business model transformed, but new, more consumer-driven business models are popping up all the time. New sites, such as Trippy, Hipmunk, and Oyster, have launched with features that include social syncing for “checking in” during vacations and responsive design for mobile and tablet users.

In theory, most businesses strive to move along this continuum of digital transformation. The question is, in any given industry, who will be that organization that causes the disruption? Will it be a beloved, long-standing brand that makes a calculated and well-led transition to customer centricity? Or will a scrappy newcomer, with big ideas and nothing to lose, blindside the whole field? Bottom line, you can be the disruptor, or you'll surely be the disrupted—and I'd much rather be the former than the latter.

Of course, there are those industries, such as consumer packaged goods (CPG), that don't inherently lend themselves to a true one-to-one business model. But because of the digital emphasis in the age of the customer, even they are making strides toward the development of more direct relationships with their

customers. For example, who would have thought such a basic CPG staple as razors would ever be a direct-to-consumer online purchase? Dollar Shave Club is taking the iconic razor-and-blade business model to a whole new level, offering autodelivery of refills for only \$1.00 per month. Whether this radical model is sustainable remains to be seen, but it is evidence that even the least likely of industry sectors is recognizing the market shift toward customer centricity. And if it does take off, what impact could this have on Gillette, which has cornered the market with its premium-priced razors?

Our hypothesis is that moving away from the media/targeting mentality to a customer engagement mentality is the opportunity to create competitive advantage in today's customer-driven market.

I don't think anyone reading this book will say, "I don't really understand why customer focus is so important to my business strategy." Of course we should understand the behavior of our customers; how they interact with our brand; their preferences; needs; and desires; and their value to our brand. It's not as if anyone is going to cast doubt on these philosophies. The debate is more about the transformation and implementation.

So what's the secret to success that seems to come easy for some marketers and evade others? Building an enterprise-wide customer-centric strategy can be a very lengthy and complex undertaking, involving hundreds of decisions over a long period of time. The connection of customer centricity and business strategy is embodied in an approach my team named Connected CRM (cCRM).

This book will delve into the philosophy of cCRM, first exploring the macro trends that have driven its inception and will continue to shape its future throughout all industries. Then we will take a deep dive into an execution framework that answers the question of how, with specific strategies for enterprise implementation of the cCRM approach that will drive sustainable competitive advantage in the age of the customer.

