The One-to-One Future: Are We There Yet?

Three strategies for accelerating the customer-centric journey

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Executive Overview

The short answer is "no." We're not there yet. Since the concept of one-to-one marketing was introduced in 1993, some business verticals such as financial services and telecom have made great progress. Individual companies such as HSBC and Turkcell are further down the road than others. But in assessing the future, one-to-one marketing is still a continuing journey, not a destination.

The journey, however, is at a critical stage. It is more important than ever for companies to take a hard look at their customer strategy and the data that drives it. The world has changed dramatically since 1993. The rate of change driven by the Internet and globalization will only increase over the next ten years. The one constant over that period of time will be the importance of increasing customer value. Companies must have detailed answers to the questions: How valuable are my customers currently? How can I get them to buy more frequently? How are my sales and marketing initiatives affecting those numbers? This approach is the most consistently profitable one.

Driving Toward Relevant Relationships

Given current economic conditions, a company centered around short-term financial results is vulnerable to swings in domestic and global markets. Centering a company around mass-marketing risks a decrease in customer attention spans and media fragmentation. Centering a company around Wall Street value is even tougher because shareholders and analysts have proven to be a more fickle target than any end-user customer. In this climate of short-term uncertainty, lack of customer knowledge is glaring because companies will make uninformed decisions that will find their way quickly to the marketplace and the blogosphere. So the one-to-one future is about defining customer preferences, relationships and relevance.

This paper will not be a primer on one-to-one marketing. But it will re-position some of its basic strategies for organic growth and as a response to current challenges. The traditional definition of one-to-one marketing as articulated by Don Peppers and Martha Rogers in their 1994

Key Takeaways:

- Updating customer data in real-time will enable companies to move beyond the contacts, demographics and simple purchase data available from traditional systems. It represents a huge opportunity to understand current and future customer value.

- Many companies have increased customer engagement levels by sending more relevant and appropriately timed marketing messages—messages that show the company truly knows its customer.

- If customer value and relevant dialogue are considered, the typical *transaction* (one-way) can become a more valuable two-way *interaction*.

- Managing multiple touchpoints and taking advantage of the data available from them is a major factor in achieving the one-to-one future. It presents the entire picture of customer interactions.

book *The One to One Future,* predicted a recasting of the roles customers and companies play. Instead of customers finding companies and their products, Peppers and Rogers said companies need to find customers. That meant that companies needed to learn more about those customers' needs and values. As the resulting CRM business unfolded from the original one-to-one thinking, technology and strategies focused on enabling the consistent generation of data. And companies became good at it. But companies now need to find a higher level.

Organizations must move from data to insight. At a fundamental level, they can collect customer data from last quarter's sales transactions and use this purchase data and contact information to inform their decision-making. But a more insightful level of information is easily available. In fact, it can be immediate. Updating customer data in real time will enable companies to move beyond the contacts, demographics and simple purchase data available from traditional systems and generate insight from it. It represents a huge opportunity to understand current and future customer value. But the gap between generating data and generating insight is huge.

According to a CustomerSat survey released in May 2007, sales and marketing executives have a looser handle on the reasons customers stay with their companies than they did five years ago. This is despite the fact that more customer data is available. More than 71 percent of all sales and marketing executives surveyed in the report have "no process" for identifying lost or inactive customers, and 68 percent have no process for predicting how customers will behave before switching to a competitor.

A customer-centric company or even a company that is generating insight will not lack actionable data. Continued improvement in customer-centric technology and strategies have made one-to-one marketing achievable. This white paper will show how three core strategies must be deployed in order to address current and future business challenges, and to continue the journey toward the one-to-one future. These strategies are: achieving customer insight through real-time analytics, increasing customer value through a continuous customer dialogue, and managing the continuing multi-channel migration.

Three Strategies For the Future

Strategy #1:
Achieving customer insight through real-time analytics

The difference between generating data and generating insight lies in customer dialogue. It comes from engaging customers in learning relationships in which information travels on a two-way street. Many companies have found that this engagement comes from sending more relevant and appropriately timed marketing messages—messages that show the company truly knows its customer.

The most current development in this area is real-time analytics. "Customer dialogue has become the most important manifestation of one-to-one marketing," says Infor director of CRM Patric Timmermans. "Companies used to cheer about having updated data every six weeks. Then they felt great about updating customer data every week. Now we've progressed to the point where companies can have constantly updated customer information, but I don't think enough companies understand exactly how important real-time customer information can be."

Companies lack this understanding, according

to Timmermans, because they have never seen a living picture of whether or not a company's marketing initiatives are increasing customer value. That measurement differs for different companies. But the constants are customer profit, purchase frequency, and engagement. These positive metrics are balanced by the "cost to serve" or the amount of money a company spends to reach valuable customers. For example, an electronics retailer will judge customer value on total purchase, total profit, frequency of purchase, and frequency of engagement. Using real-time analytics, if this retailer sends an email campaign offering a discount on flat-screen TVs, within minutes, he will know how many drive a purchase, how many were opened, how many replied with a question, and how many were ignored. He can then optimize offers and communications in the online store for individual visitors in real-time based on that feedback. The dialogue is current; the engagement is measurable; and the communication is judged in terms of relevance.

"I still think real-time data is the biggest roadblock between companies and customers," says Infor customer advocate Alexa Rodriguez. "Customer dialogue can and should be a real-time scenario. A company cannot do a phone survey, or a door-to-door survey of its customers and then assume they can collect, analyze and respond to it two weeks later. A customer dialogue is immediate."

That period of time between "updated within a week" and "immediate" can mean the difference between a sale and sending that sale to a competitor. Real-time data gives companies the visibility into insightful strategies that Rodriguez calls "appropriate pressure." This means a company has developed the insight to know when a customer will respond to an offer or a communication, and when to back off that offer. The current 6,000 message-per-day marketing storm looks like constant pressure to a customer. "Appropriate pressure" means that the company has updated its

data on what the individual customer will respond to and more importantly won't respond to.

For example, if a telecom company has a new bundled product package (TV, Internet, phone) and a new pricing scheme, "appropriate pressure" is critical. If the customer database has been updated in real-time, the company will know the customers that have changed their purchase behaviors most recently as well as those that haven't changed at all within the past year. It will know which customers have switched to competitors. It will also know which customers have changed addresses most recently. With this knowledge and potentially hundreds of similar profile fields, the direct mail or email that reaches out to a customer that has recently moved can offer a relevant bundled pricing plan. Or the home page of the customer can be completely customized with personalized and targeted messages. If the customer responds, the next best action (or appropriate pressure) is served up. More importantly, this customer profile will be updated to show the preferred media for contact, the preferred time, and if applicable, the interactions the customer has had that did not result in sales.

Customer profiles are also updated via the Internet. For example, if the previously mentioned telecom had the ability to customize individual web pages it would be able to push valuable customers the next best action or even the next best link for more information. Analytics is not limited to purchase information or email response rates. Personalized Internet applications can drive more interactions, higher click through rates, and more valuable customer data as a result.

Next Step

"Appropriate pressure" means the response to offers are considered on the customer's terms. If email stimulates customer dialogue, do it again. If direct mail works, repeat it. Adding to the cacophony of marketing messages without

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regard for what the customer wants will not increase a company's value. "If a company puts appropriate pressure on a customer, it is trying to grow the value of the customer," Rodriguez says. "Inappropriate pressure results from activities that aren't informed by data. They drive customer value down and out."

Strategy #2:
Increase customer value through continuous customer dialogues

If a company can talk to customers on their terms, the likelihood for them to buy more often is increased. Customer dialogue creates relevant interactions that can be based on customer value if real-time analytics are deployed. For example, if a frequent, high-value bank customer approaches an ATM during her lunch hour the standard transaction goes something like this: Customer enters PIN; screen asks for directions; customer takes cash; transaction over. But if customer value and relevant dialogue are considered, the *transaction* (one-way) becomes an *interaction* (two-way). What if the customer, even if she's in a hurry, sees that the bank knows something about her needs, customer value and recent interactions? That customer becomes more likely to enter a dialogue. A dialogue can increase potential customer value.

In a two-way interaction, let's say the same customer received an email earlier in the day for a new debit card loyalty program. Before the screen requests direction on cash withdrawal, it could ask the customer if she received the email. Her response could be followed up with a few choices; a request for a new email, a flat "no thanks" or a short registration to accepting the card and loyalty program. You could even invite her to visit a branch officer or provide a number for the contact center.

"Here's what happens in that scenario," says Timmermans. "Not only does the company display knowledge of the customer and continue a dialogue, it increases the potential value. Maybe

that customer doesn't respond to the email or the ATM communication—now the company knows that the next offer to that customer should not replicate the previous. The company now knows more about the customer and can better predict what they will or will not want next. By staying with more relevant interactions the customer is more likely to stay a customer."

This process of increasing relevant interactions is called "optimizing." It gives customer interactions the potential to deliver data, and then turn that data into insight.

Timmermans believes retail will be the next hot growth area for these interactions, as will travel, healthcare, utilities, and consumer packaged goods. Infor has recently formed a partnership with data warehousing powerhouse Teradata to bring more information resources to its real-time solutions. According to Rob Tuttle, Teradata director of solutions marketing, recent internal surveys show that more relevant interactions have increased customer response rates by 60 percent; increased customer satisfaction and retention rates at the 98 percent level; increased profit more than 28 percent in the first six-month period of use; and in the case of one bank, generated 570,000 sales leads representing $4.4 billion in new business in one year.

"If our customer data is constantly updated, companies can spot a pattern in that data," he says. "That pattern will show them the next best thing to do. We're looking for behaviors that will add value. Maybe an airline customer has responded to a direct mail campaign offering family fares for the summer. Maybe that same customer has ignored recent emails about point-program enhancements. Those behaviors show that the customer is potentially valuable, but not yet engaged. By understanding those interactions, and responding with relevant offers, marketing increases the potential of higher customer value."

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Finding Relevance

Do you know what your customers are doing online? Data from the Online Publisher's Association shows that time spent viewing content is growing at a much faster clip than communications such as email or even search. This could affect the type and content of messages a company sends.

Share of Time Spent Online (%)							
	Oct06	Dec06	Feb07	Apr07	Jun07	Aug07	Oct07
Commerce	15.5	18.0	15.8	15.3	13.8	14.1	15.0
Communications	34.2	33.0	33.6	33.0	32.0	31.7	31.4
Content	45.4	44.3	45.9	46.5	50.9	49.5	48.6
Search	4.9	4.7	4.7	4.8	4.6	4.7	4.9

% Change in Share of Time, Month-Over-Month							
	Oct06	Dec06	Feb07	Apr07	Jun07	Aug07	Oct07
Commerce	3.3	4.7	1.9	1.9	4.2	0.0	2.7
Communications	2.6	2.1	0.3	0.6	3.0	4.3	1.3
Content	0.7	0.2	0.9	0.9	3.5	2.8	2.0
Search	2.1	2.1	0.0	2.1	4.3	2.2	2.1

*Excludes .gov and .edu Web sites, as well as pornographic domains. Percentage change indicates the percentage increase or decrease from the previous month's value (September 2006 values not shown). Share of Time data based on Total Time values.

Source: OPA and Nielsen//NetRatings

Next Step

If marketing budgets come under increased scrutiny in 2008, companies will need to magnify the relevance of their marketing initiatives. Irrelevant marketing will cause customers to ignore and even tell their friends and family to ignore a companies marketing. Apply "appropriate pressure." Use the knowledge gained from customer data to present the "next best action" to customers.

Strategy #3:
Integrate multichannel touchpoints

Research from many different corners continues to show that multichannel marketing is increasing customer relationship strength and the revenue that results. A late October 2007 study from Epsilon shows that 73 percent of all companies are using multichannel marketing approaches.

That group reports an 11 percent sales lift since integration initiatives, but the data still hasn't caught up. Epsilon found that 57 percent of its respondents still don't have a "good understanding" of customer data available from their multichannel efforts. And only 31 percent said they collect data at all available touchpoints.

Timmermans believes managing these touchpoints and taking advantage of the data available, is a major factor in achieving the one-to-one future. It presents the entire picture of customer interactions. For example, has a company worked mobile interactions into the data mix? Mobile interactions have added yet another channel to ATMs, call centers, online communications, and brick and mortar locations. If only 31 percent of all companies are collecting data from these channels, the

opportunity to develop insight from them is lost.

"There can be literally hundreds of profile fields relevant to find out how a customer would react, and to understand why customer A is interested in product Y and customer B in product X" he says. "You can't do that offline. You can't match people with data offline. You need the complete integration of inbound marketing and outbound marketing to do this. That two-way dialogue is only available through a multichannel approach."

Here's how this integration can work. If a frequent customer visits a pharmacy to pick up a prescription, the cashier can see that this customer received an email recently extending a new pricing plan for generic drugs. The employee can also see that this email was not opened. The employee can then tell the customer about the new plan, record her response, and even offer to follow up via email. Based on the response (or lack thereof) to the follow-up email, the contact center knows what to expect. Maybe the next "best interaction" for this particular customer is to offer premium brand prescriptions. If this approach garners no response, maybe a mobile alert is in order.

As the pharmacy example shows, the Internet is an important source of data. This goes beyond email. If the pharmacy had a consistent personalized home page for key customers, those customers could track their own prescription usage, insurance coverage, and money spent. Email and contact center interactions are undoubtedly useful sources of data. But other Internet interactions such as personalized home pages add an element of dialogue that provides more customer-centric touchpoints.

The Internet serves two more purposes. First, in businesses that have long sales cycles such as automotive and mortgage services, it provides an unobtrusive way for the company to stay in touch with the customer. It allows the customer to "come to" the company when information is needed. It does not depend on the disruption of an email or phone call. Second, it provides a simple communications platform for complex transactions. BtoB companies should take note of this. Personalized home pages for key accounts provide customers with transparency into their transactions with their suppliers and gives suppliers a window into key account behavior. Both sides of that dialogue the provides more information that adds to the real-time profile.

Next Step

Apply real-time analytics to see the channels customers are communicating through and purchasing from. Follow this with an enterprise-wide commitment to collect data from all of these channels. Then craft a plan to gain the insight that shows the next best action for the right customer through the right channel. ■

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Conclusion

The need for one-to-one marketing has never been more urgent. This urgency has been driven by economic conditions and competitive intensity; it can be addressed by using data analytics to generate customer insight. By deploying real-time data updates, then using insight from that data to build valuable customer interactions across multi-channel touchpoints, a company can truly say it is traveling toward a one-to-one future.

"All kinds of companies will use customer knowledge to provide a more valuable experience," says Timmermans. "It will be the competitive differentiator of the one-to-one future. We're going to reach a point where the consumer comes away from interacting with a company and asks 'how did they know that?'" ■

Q&A with Don Peppers and Martha Rogers Ph.D.

Fourteen years after *The One to One Future* was introduced, its key issues still resonate in the business world. We asked the authors of the book, and 6 more bestsellers since, how the one-to-one future can be achieved.

Q: You made many points in the book about how companies and their customers would interact. Which one has proven to be the most insightful? Which one has stood the test of time?

Martha Rogers Ph.D.: Many, of them did thankfully, but one that sticks out as particularly prescient was our prediction that companies would manage customers, not just products. If you look at the companies that have defined the last ten years, and have been successful over the past ten years, they have achieved this basic shift. We didn't even have the development of the Internet to point to when we wrote the book, yet it seemed obvious to us that the customer needed to replace the product as the focus.

Don Peppers: I agree with that, and when you look at the companies that you refer to Martha, they have all put the customer at the center of their management, operations, marketing, and sales. Look at Amazon. In fact, I think Amazon illustrates another point we made in the book originally that turned out to be very impactful and that was "take products to customers; not customer to products." That has turned out to be a game-changing strategy for financial services, retail, and even businesses that have long purchase cycles such as the auto business.

Q: You also wrote that companies needed to engage customers in dialogues. Where are companies achieving or failing that goal?

Peppers: They have come a long way toward achieving the goal of dialogue, especially through some of the inbound and outbound marketing tactics that have been developed. Without the right data, customer value is a guessing game. I don't think companies look

at customer dialogue as a source of innovation. The pace of change is accelerating, which means that unless your business is creative enough to innovate, you'll be toast. No matter how great or interesting your product is today, tomorrow it will be a commodity. Customer data simply will not fuel innovation by itself. If all you do is give customers back what they've said they want, either based on their purchase behavior or their suggestions, then you are condemning your business to a slow death by creative suffocation. As Henry Ford famously said, "If I had listened to what people said they wanted, I would have designed a faster horse."

Q: What can companies do in your point of view to make sure they're continuing the one-to-one journey?

Rogers: Understand the ramifications of customer connections. People around the world are talking, blogging, texting, emailing, posting and networking more than ever before, and in the future everyone will become even more connected to everyone else. One small aspect of this technologically-enabled social development is that your customers now find it much easier to connect with each other and share their opinions about your firm. Now that customers are so effortlessly connected, not just with the companies they do business with, but also with *other customers*, you can no longer manage your business just in terms of one customer at a time. You have to think about the customer's friends, co-workers, family members, and anyone the customer has on speed-dial—the customer's social network. But guess what? Networks aren't as rational as people are, and are prone to highly unpredictable behavior. That means predictive analytics become even more important.

Don Peppers and
Martha Rogers, Ph.D.

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