

# TECH CHOICES



June 5, 2007

## Eight Marketing Technologies That Enable Customer Centricity

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### EXECUTIVE SUMMARY

Many marketers are abandoning their traditional product focus and trying to adopt a more customer-centric one. But doing so requires the use of numerous technologies that facilitate deep customer understanding and better targeting of offers. To help, Forrester has identified the eight technologies that firms must master in their transition to customer centricity and offers advice on how to get started on the implementation.

### TARGET AUDIENCE

Marketing leadership professional

### DEEP CUSTOMER KNOWLEDGE IS ESSENTIAL FOR CUSTOMER CENTRICITY

Marketers recognize that building deep customer relationships will lead to sustainable long-term growth. Increasingly, they try to achieve this by embracing customer-centric marketing strategies instead of product-focused ones. But being customer-centric requires more than a clever marketing program. Marketers must invest in technologies that enable deep customer insight and support processes that place the customer and not the organization at the center of operations. These technologies can be classified into two categories (see Figure 1):

- **Infrastructure technologies collect, organize, and analyze customer data.** The process of developing deep customer insight doesn't happen overnight. Marketers should start by investing in technologies that collect and aggregate behavioral and transactional data from disparate channels and source systems. These technologies allow firms to create a complete profile of customers and their preferences.
- **Execution technologies make insight actionable.** Once the customer profiles have been created, firms must be able to act on that information. To do so, marketers should embrace technologies that positively impact the customer's experience with the organization and its touch points. These technologies use analysis to improve message relevance and engage customers on their terms.

**Figure 1** Eight Technologies Today's Marketers Must Have

Marketing technology	How it supports customer centricity	Key pricing factors	Example vendors
<b>Infrastructure</b>			
1) Customer data integration	Collects and organizes data from multiple systems to support customer analysis	<ul style="list-style-type: none"> <li>• Number of data sources</li> <li>• Number of customer records</li> <li>• Number of business units/subject areas</li> </ul>	<ul style="list-style-type: none"> <li>• Acxiom</li> <li>• Experian</li> <li>• Initiate Systems</li> <li>• Oracle</li> <li>• Siperian</li> </ul>
2) Predictive analytics	Supports modeling of customer behavior to improve marketing strategies	<ul style="list-style-type: none"> <li>• Number of users</li> <li>• Number of customer records</li> </ul>	<ul style="list-style-type: none"> <li>• KXEN</li> <li>• SAS Institute</li> <li>• SPSS</li> </ul>
3) Web analytics	Enables a deep dive into online customer behavior	<ul style="list-style-type: none"> <li>• Number of page views tracked</li> <li>• Number of additional modules</li> </ul>	<ul style="list-style-type: none"> <li>• Coremetrics</li> <li>• Omniture</li> <li>• WebTrends</li> </ul>
4) Brand monitoring	Funnels customer feedback and market intelligence to key stakeholders	<ul style="list-style-type: none"> <li>• Number of data sources</li> <li>• Number of brands monitored</li> <li>• Number, type, and frequency of reports</li> </ul>	<ul style="list-style-type: none"> <li>• BrandIntel</li> <li>• Nielsen BuzzMetrics</li> <li>• TNS Media Intelligence/Cymfony</li> <li>• Umbria</li> </ul>
<b>Execution</b>			
5) Contact optimization	Applies customer preferences and business objectives to determine optimal contact strategies	<ul style="list-style-type: none"> <li>• Number of customer records</li> <li>• Number of integrations</li> <li>• Number of users</li> </ul>	<ul style="list-style-type: none"> <li>• Fair Isaac</li> <li>• Marketswitch (Experian)</li> <li>• SAS Institute</li> <li>• SPSS</li> </ul>
6) Event-triggered marketing	Aligns content and timing of message with customer need	<ul style="list-style-type: none"> <li>• Number of customer records</li> <li>• Number of additional modules purchased</li> </ul>	<ul style="list-style-type: none"> <li>• Aprimo</li> <li>• Teradata, a division of NCR</li> <li>• Unica</li> </ul>
7) Interaction management	Delivers relevant and contextual content during the course of a customer's interaction with the organization	<ul style="list-style-type: none"> <li>• Number of customer records</li> <li>• Number of channel connectors</li> <li>• Number of CPUs of decision servers</li> </ul>	<ul style="list-style-type: none"> <li>• [x+1]</li> <li>• Infor CRM Epiphany</li> <li>• SPSS</li> <li>• TouchClarity (Omniture)</li> </ul>
8) Site optimization	Applies testing techniques to incrementally improve user experience with the Web site	Number of pages, sections, and areas optimized	<ul style="list-style-type: none"> <li>• Memetrics</li> <li>• Offermatica</li> <li>• Optimost</li> </ul>

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Source: Forrester Research, Inc.

## Infrastructure Technologies: Tools To Understand Customer Behavior

Infrastructure technologies help marketers anticipate customers' needs and react with the appropriate strategies. While many infrastructure technologies exist, the four below share a common thread: They all help marketers organize and analyze data at a customer level, regardless of channel.

- **Customer data integration (CDI) rationalizes disparate information.** CDI is a class of software that collects, cleanses, aggregates, and manages customer data. By combining operational data, streamlining customer data management processes, and presenting a single view of the customer, CDI allows marketers to manage compliance, improve customer service efficiencies, and focus on customer experience management.<sup>1</sup> For instance, retailers and financial services firms that rely on data from many source systems use CDI software from DWL and Oracle to consolidate and deliver customer information to and from call centers, branch offices, back-end administrative systems, and Web sites to support cross-sell and up-sell activities.
- **Predictive analytics facilitates decision optimization.** Marketers, particularly direct marketers, have long used data mining and statistical analysis to predict customer behavior like response likelihood and attrition. Today's predictive analytics helps marketers develop customer-centric programs by not only predicting behavior but also customer profitability, satisfaction levels, and contact fatigue. Credit Suisse, a leading financial services provider, uses SPSS Clementine to drive its loyalty-based management program, which tailors offers to customers based on past behavior and current preferences.
- **Web analytics supports online customer behavior analysis.** This technology has long been used to track Web site performance, but Web analytics also supports customer centricity. Increasingly, marketers are focused on delivering consistent customer experiences across multiple channels.<sup>2</sup> Web analytics supports this effort by: 1) delivering a comprehensive view into online customer activity and 2) helping marketers understand where, how, and why customers interact with other channels. Northern Tool + Equipment, a leading tools and equipment retailer, analyzed traffic to its product and store-locator pages to forecast demand for specific products in stores during the hurricane season. This analysis ensured that products in high demand were available where needed and reduced "out-of-stock" messages.
- **Brand monitoring software amplifies customer perceptions and feedback.** The growing influence of Social Computing technologies like blogs means that customers have numerous avenues to voice feedback — both positive and negative — about their experiences.<sup>3</sup> Marketers who recognize the shift in control over messaging from the organization to the consumers have begun to employ brand monitoring services like Nielsen BuzzMetrics that collect, process, and analyze data, and deliver insight about consumers' perception of the brand. Smart marketers

then use this feedback to fine-tune product, media, and customer strategies. Case in point: Chrysler used feedback and insight provided by BrandIntel to rethink positioning, media allocation, and product development strategies of its Dodge brand.<sup>4</sup>

### Execution Technologies: Applications That Make Insight Operational

Marketers have long invested in execution technologies such as campaign management and email delivery that reduce cycle times, improve process efficiency, and apply microsegmentation techniques to the customer base. So how is this class of execution technologies any different? Rather than focus only on company objectives like conversion rate, profit, and retention, these technologies also account for customer requirements like timeliness, relevance, and painless user experience.

- **Interaction management improves the relevance of inbound customer interactions.** As response rates to traditional outbound campaigns drop, marketers are using inbound channels to cross-sell products. But such efforts that ignore the customer's need and context of the interaction will fail. Interaction management technologies like Epiphany's use business rules, predictive analytics, and, just as importantly, interaction-specific information to identify, prioritize, and deliver the most appropriate message in any channel.<sup>5</sup> For instance, with interaction-specific information, a marketer can coordinate messages that target specific customers through scripts in the call center, coupons in the store, or offers on the Web site.
- **Event-triggered marketing addresses latent customer needs.** These applications identify explicit or implicit customer needs through the analysis of data. Event-triggered marketing supports customer centricity by matching the content and timing of the message with the customer's consideration cycle. So when financial services firms like SunTrust Banks or Scotiabank use events like unusually large deposits or change of address to tailor specific messages to customers, they are placing the customer at the center of their campaign strategy. However, not all event-triggered programs are made equal. To deliver a superior customer experience, marketers must go beyond simple triggers like warranty expiration dates and focus on individual customer attributes like change in income levels.
- **Contact optimization shifts campaign focus from product to customer.** Traditionally, marketers have taken a product-centric approach to campaign management by targeting, and often overloading, the best customers with multiple product-focused messages. Contact optimization — the use of mathematical techniques like integer programming to identify the best offer, while maximizing objectives and meeting business constraint — flips this model on its head by selecting the best offer for each customer rather than the other way around.<sup>6</sup> Originally adopted by high-volume direct marketers, contact optimization should be embraced by all types of marketers looking for scenario planning and frequency management tools.

- **Site optimization technologies incrementally improve online visitor experience.** Site optimization, also called experimentation or multivariate testing, remains one of the hottest marketing technologies.<sup>7</sup> And with good reason. As consumers, particularly young consumers, spend more time online, corporate Web sites become the primary customer communication channel for most organizations.<sup>8</sup> Site optimization helps marketers understand how customer experience is affected by changes to specific site components like offer, creative, and color. As the head of marketing for eBay Canada, Andrew Sloss explains, “Site optimization dynamically democratizes our design process, as only those features that match visitor expectation and need make it to the Web site.”

## RECOMMENDATIONS

### ESTABLISH TECHNOLOGY PARTNERSHIPS TO ENSURE SUCCESS

Each of these technologies demands different levels of financial commitment, organizational readiness, and technical sophistication. But many marketers won't know where to start. To prioritize their efforts, marketers must:

- **Assemble the right team.** Today's marketing departments aren't organized to implement complex technologies like CDI on their own. Marketers should create a team that focuses on technology strategy and implementation.<sup>9</sup> This team should blend product marketers with marketers who are comfortable with technology and have a deep understanding of enterprise data. Such marketers are generally found in customer and Web analytics teams or have responsibility for direct and database marketing. Include strategic partners who bring deep marketing technology expertise to the table. Potential partners include business-focused individuals from internal IT organizations like the applications or data warehousing groups or from external marketing service providers (MSPs) like Epsilon and Merkle. The first order of business for the team is to define a marketing technology strategy that prioritizes efforts based on business need, establishes the business case, and ensures a fit with broader enterprise architecture.
- **Redesign business processes to fit customer-focused strategies.** None of these technologies are a turnkey solution, and each requires significant process change to be successful. Why? The technologies go beyond “business as usual” and reshape how marketers view, analyze, and interact with customers. This means that marketers have to rethink existing processes, organizational structures, and measurement systems. New business processes are needed to facilitate technology adoption, eliminate product-centric inefficiencies, and reinforce a customer-centric approach. For instance, OCBC Bank created contact councils made up of segment and category managers that established business rules and norms to facilitate the adoption of contact optimization technology and counter the discontent of marginalized product marketers.

- **Identify a new set of metrics to define success.** Customer-centric technologies transform how marketers target and interact with customers. At first, these new approaches will challenge conventional wisdom. Marketers may find that they are contacting fewer customers to lessen contact fatigue or are offering different products to improve relevance. This means that marketers must rethink the metrics they use to measure success and long-term customer value. For instance, marketers planning to implement interaction management technologies in the call center should introduce new metrics that balance revenue generation goals with customer satisfaction, instead of old metrics focused on average handling times and after-call work time.<sup>10</sup>

## ENDNOTES

- <sup>1</sup> For a comprehensive evaluation of customer data integration technologies, see the June 13, 2005, “[The Forrester Wave™: Customer Data Integration, Q2 2005](#)” report.
- <sup>2</sup> Customer experience is a key theme driving marketing technology in 2007. Improving online experiences is the most frequently selected technology theme overall, and nearly half the respondents cite it as their No. 1 priority. Improving multichannel experiences is not far behind, with 88% of respondents selecting it as a major theme. See the April 26, 2007, “[Marketing Technology Adoption 2007](#)” report.
- <sup>3</sup> As Social Computing continues to manifest itself in society, communities will take a greater portion of power from institutions. This shift is well underway in the media industry in particular. See the February 13, 2006, “[Social Computing](#)” report.
- <sup>4</sup> Source: Gavin O’ Malley and Jean Halliday, “Can You Hear Them? They’re Talking About Us,” *AdvertisingAge*, October 12, 2006. <http://www.entertainmentmediaworks.com/pdf/ad%20age%2010%2012%202006.pdf>
- <sup>5</sup> Most firms use or are planning to use inbound interactions to market to customers. The technologies that support this tactic are categorized under interaction management. See the January 9, 2007, “[How Technology Enables Inbound Marketing](#)” report.
- <sup>6</sup> Firms that identify their most valuable — and loyal — customers inevitably face the same issue: Every business unit wants to communicate, often with conflicting messages, to these premium customers. Contact optimization helps direct marketers solve this problem by using a combination of predictive analytics, business rules, and mathematics. See the September 20, 2006, “[Understanding Contact Optimization Technology](#)” report.
- <sup>7</sup> Optimization technologies continue to intrigue marketers. Site optimization, contact optimization, interaction management, and Web interaction optimization all help marketers increase the relevance of customer interactions and communications, and all are among the top five planned technologies for 2007. See the April 26, 2007, “[Marketing Technology Adoption 2007](#)” report.
- <sup>8</sup> Forrester tracks the time consumers say they spend with seven different kinds of media. When we drilled into three activities — television viewing, PC use, and Internet use — it became obvious that on average the

PC and the Internet are much more important for young consumers than for older consumers. Consumers report that, over the past three years, they are watching less TV on average — 0.4 hours less in 2006 than in 2004 — while, over the same period, their Internet use has increased from 5.5 hours per week to 7.4 hours per week. See the January 4, 2007, “[Consumers’ Behavior Online: A Deep Dive](#)” report.

- <sup>9</sup> As marketers strive to integrate vast sources of data, present targeted messages to customers, and increase the measurability of marketing, technology is critical. But in many companies, IT and marketing have a dysfunctional relationship. In our 2004 interviews on this topic, we concluded that barriers to marketing technology like costs, ROI, and budget decreased dramatically when technology decisions were made by a cross-functional team. See the August 30, 2004, “[Seven Ways To Bridge Marketing And IT](#)” report.
- <sup>10</sup> Enterprising companies are turning to their sales and service interactions as a primary means for cross-sell, upsell, and retention activities. The migration from a pure service mindset to a sales mindset is a major transition for contact center agents, and marketers must train and empower service agents and create blended, results-based metrics to accelerate adoption. See the April 9, 2004, “[Why Marketing Should Own The Contact Center](#)” report.