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Not Your Typical Marketing Campaign *The Next Wave of Technology- Driven Marketing*

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EXECUTIVE SUMMARY

In a world overrun with marketing messages, the next wave of marketing technology will cut through the clutter, building automated marketing campaigns that address your customers' wants and needs individually. The result: greater customer intimacy, improved loyalty, and higher revenues. Moving quickly will gain real competitive advantage for you, so start planning for the future now. Here's how.

You're in the middle of a business trip. You've left your cell phone charger at home, your phone's battery is dead, and a big client is calling you in two hours. So you make your way to your mobile operator's nearest retail outlet to buy a new charger, and maybe a battery too. You walk in, hoping to complete this tedious errand quickly. Much to your surprise, you walk out 20 minutes later with a complete travel kit, including a spare charger, a battery, and a three-month trial subscription to the mobile company's basic e-mail and Internet service package. How did that happen? Chalk it up to next-

generation marketing IT: the new wave of technology-driven marketing.

Here's how it works. While your phone is charging, the sales agent enters your phone number into the sales terminal, activating the customer relationship software maintained on a global network. Its purpose is to help the clerk recognize your individual needs and predispositions, and to offer you products likely to interest you. While you wait, the program brings up your record and identifies you as a high-value client, who makes a lot of phone calls and occasionally runs over your monthly allotment.

You also do a lot of text messaging, regularly check your account online, receive your bills via e-mail, and have an up-to-date, multimedia-ready phone.

The system analyzes this information for a few seconds and then, based on pre-calculated scores, the campaign engine determines that you're likely to be an early adopter: the sort of person who is willing to try new technologies. In addition, the loyalty generated by the free travel kit should make it less likely that you would switch to a competitor, increasing your expected "high-roller" lifetime value to the company by a significant percentage. The system leads the agent, step by step, to make you a series of offers. A natural talent for salesmanship may play a part in the agent's success, but the real secret lies

in the information he or she receives from the computer. It tells the sales agent precisely what to offer you, based on the statistical likelihood that you (or people like you) will be interested in the product or service. Under the circumstances, how can you refuse? You're surprised and delighted by the travel kit, which in turn makes you feel more loyal to the company. Like many "high-value" users of the online trial, you will probably end up keeping the e-mail service, at the non-discount price, for many years to come.

None of those decisions—or the business results that followed—would have been possible without the help of the next generation of marketing technology. These new forms of information technology require a transformation of current direct

marketing technology architectures, with three primary goals in mind. The first goal is the ability to instantly collect data from a variety of channels—including retail outlets, the Web, or and the call center—and then to distribute relevant information back to those channels. The second is the capacity to compile and generate a coherent view of every customer, taking into account his or her histories and preferences. And the third goal is the creation of business rules that will govern every customer interaction, including which messages to send and which deals to offer. That's a tall order, and the only way to get there is to make sure CIOs work closely with marketers to lay out the overall marketing strategy, and then to translate it into the processes and rules that will play out at every point of contact.

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IN MARKETING, KNOWLEDGE IS POWER

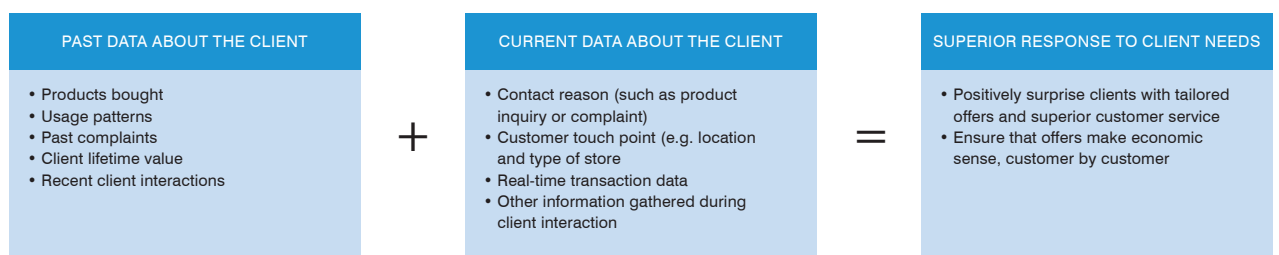
Consider how much more value your visit to the shop generated for the phone company than a traditional marketing campaign would have. Before that visit, you might have received dozens of generic mailings, at great expense, from the phone company. None of them illuminated your individual needs and interests. And you probably threw them all away with hardly a glance.

What are those traditional marketing campaigns missing? They lack the analytical rigor, driven by information technology, that might allow the company to establish a better dialogue with its customers. The next generation of marketing campaigns can go beyond today's rough efforts at customer segmentation, using IT to gather much more refined perspectives on customers and their behavior. Messages and offers can be generated through dynamic,

rules-based software engines, and tailored to a "segment of one"—that individual business traveler standing in the shop with a dead phone, for instance, or any one of hundreds of other people with different attitudes and needs—making the right offer to the right consumer at the right time (*see Exhibit 1*).

Next-generation campaign systems will give marketers the ability to integrate data into their calculations from all touch points—the Web, the phone, the physical retail outlet—through which they interact with their customers and learn about them. With that knowledge, marketers can also design flexible, real-time "inbound" campaigns that listen actively and respond to customer behavior and preferences. Should a customer complain about a product in an e-mail or during a customer service call, for instance, the business rules

Exhibit 1
The Next-Gen Campaigning Equation



Source: Booz & Company

programmed into the IT system might determine that he or she should be sent an offer for a product upgrade. In effect, this type of IT system maintains an ongoing conversation with customers, reacting to every customer action and learning more and more through each contact.

A large UK-based bank set itself the goal of achieving better customer insight in rethinking its marketing IT. After the implementation of a new design, the bank was able to gather transactional data and customer information across its entire product line, from mortgages to credit cards to savings accounts. That information enabled the system to generate a single view of each customer,

including an accurate portrait of the bank's profits from each customer, on a monthly basis. The bank now uses that portrait to segment customers, based on both their present and potential future value to the bank. For any given customer, a bank teller can bring up a screen containing detailed information about that person, his or her overall value to the bank, and the types of offer they are likely to consider seriously. Much of this information is based on "propensity analysis"—what this customer is likely to buy, based on how similar customers have behaved. The results so far have been strong, and the bank is now widely recognized as the most effective cross-seller of financial products in the U.K.

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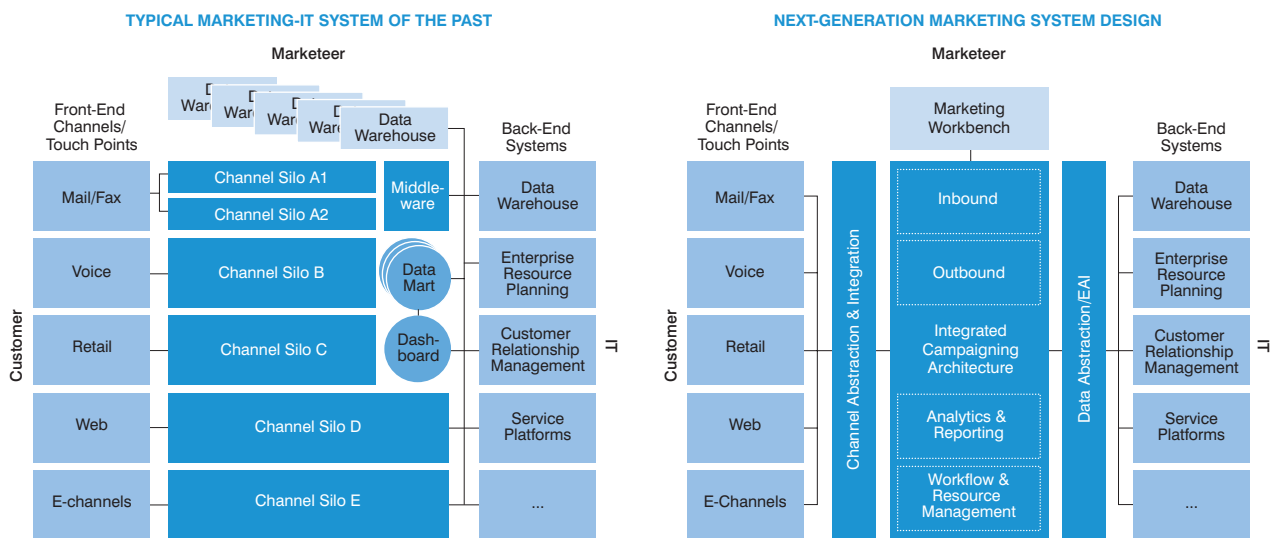
DESIGNING A NEXT- GENERATION ARCHITECTURE

Next-generation direct marketing demands a front-to-back rethink of the overall IT architecture, with the ultimate goal of better understanding the customer. Exhibit 2 lays out the essential differences between the old architecture and the new. In the past, each channel would feed customer information individually into the back-end customer relationship management (CRM) and enterprise resource planning (ERP) systems that processed transactions and held much

of the customer data. Using the new architecture, all of those channels now connect to a central integrated engine. This engine, available throughout the network, mediates between channels and the customer data and back-end processing. The central campaign engine also contains the business rules that govern every interaction with every customer.

Key to the success of the architecture is the creation of a flexible model of

Exhibit 2
Past- vs. Next-Generation Direct Marketing IT Architectures



Source: Booz & Company

the metadata that controls customer information. This gives marketers the ability to tap into any number of customer data warehouses, without the time and effort required to integrate all that information into a single database. This model also allows every channel to tap into the same collection of customer information. The single most critical innovation, however, lies in doing away with the typical siloed, channel-specific architecture on which most current direct marketing and campaigning technology depends. No customer-centric marketing effort can be truly successful if the technology is still organized around interaction channels, rather than those all-important customers who naturally interact with the business through multiple channels.

The new architecture also provides unprecedented flexibility. Because the system is increasingly integrated into a suite of marketing tools, campaigns can be designed and executed without needing to be tied to individual channels. All the business rules required by each channel are captured and integrated by the system, allowing

marketers to design cross-channel campaigns that can rapidly shift direction from one combination of channels to the next.

The system is designed to support all critical processes and workflows required by each campaign, from campaign planning and the building of the rules engines to campaign execution and the orchestration of multiple campaigns—even monitoring and reporting dynamically on the system’s success. Business users benefit further through increased usability: Users can create “dashboards” to aid in interacting with customers, managing campaign workflows, monitoring a campaign’s progress, and assessing its performance.

A large European mobile carrier, with more than 10 million customers, almost 4,000 call center agents, and 2 million monthly visitors to its Web site, was struggling to build the capability to accurately target its marketing campaigns in this way. Prior to its shift to next-generation campaigning, the company’s marketing efforts had been oriented around selling products

through mass mailings, rather than understanding customers’ behavior and buying patterns. Its call center agents had no access to truly useful customer information other than raw monthly bills, and its marketers had no faith in the concept of predictive analytics.

A re-architecture of the company’s direct marketing technology provided a new marketing portal to its customer service agents, which gives them up-to-date information on customers and their phone usage habits. Agents now have instant access to predictions of customer behavior, and more than 50 rule models are dynamically updated as new transactions are entered. Agents are instantly given offers to make to each customer (“Would you like to try our MP3 download package?”), a message to convey (“By receiving your bill via e-mail, you can do something for the environment!”), and a question to ask (“Would you mind sharing your e-mail address?”). The results have been impressive: The offer-to-sale conversion rate is now greater than 75 percent, while both customers and agents report significantly higher satisfaction with the new system.

THE PATH TO THE NEXT GENERATION

Success in next-generation campaigning depends on how you design the new system and incorporate it into your company. Each step of the way will require the willingness to rethink your overall marketing strategy, the tactical processes by which you plan and carry out each campaign, and the IT tools you need. You must develop the skills required to design and execute analytic campaigns and, of course, you will need to build the technologies to enable those campaigns. Most important, from beginning to end, the CIO and the CMO must work together as partners to design, build, and test the necessary infrastructure, and to expand it, step by step, throughout your company.

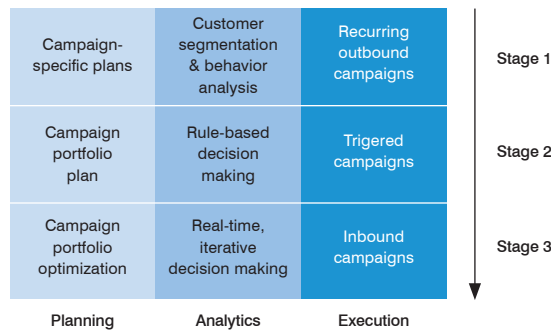
Sequence is critical. Think of the capabilities you've decided to build as a set of building blocks that must be put together in a certain order. These capabilities should be built in multiple stages, with each subsequent stage dependent on the success of the preceding stage, and all sharing in the final victory. Each stage

involves a refinement of three general campaigning requirements: planning, analytics and execution. The first stage, which many large companies have already built, provides the essential ability to design specific campaigns, analyze and segment customers based on their behavior, and create outbound campaigns. Exhibit 3 lays out the order in which these capabilities might be developed.

At the same time, it's critical to remember that next-generation campaign systems demand significant changes to marketing practices and processes, and they don't come cheap. CIOs and CMOs must think carefully about their company's real needs as they plan and design the system, and then evaluate the technology and software products on offer to see how closely they meet those needs. A lot of money can be saved by being realistic about your company's requirements, and not overbuying.

For example, is having the ability to process new inbound information in

*Exhibit 3
Campaign Capability Building Blocks*



Source: Booz & Company

real time, as soon as it is received, really necessary? Or might it be sufficient to use pre-calculated, batch-processed responses that correspond to real-time customer input? Truly dynamic real-time capabilities are relatively expensive to build, and companies need to consider carefully whether the difference between instantly updated customer profiles and hourly or daily updates, for instance, will make a significant difference in their overall success.

Similar trade-offs should be taken into account when considering the degree to which you want the system to support the marketing organization's workflow, and to what extent you want those processes to be automated. These decisions will be based, in turn, on the size of the marketing organization, the complexity of your campaigns, and the number of different channels you expect will need to be integrated into the overall system.

The more complex the requirements, naturally, the more support and automation you'll want.

The decisions you make about trade-offs between wants and needs will also affect how you choose your vendors. Should you buy a marketing suite or should you take a more open, best-of-breed approach? Many of the so-called suites came about as the result of vendors buying or merging with other vendors. Too often, such suites still suffer from poor integration of their various modules, and that can cause problems in areas such as the creation of working metadata models that pull data from various databases. That's why some companies may prefer to follow a best-of-breed approach, buying modules as needed, and integrating them into a preexisting campaign-management system, for instance. This approach is also beginning to look more and more attractive as technologies such as soft-

ware as a service and service-oriented architectures make integrating the various elements of a best-of-breed architecture significantly easier.

Whichever path you decide to follow, the time to think systematically about your marketing technology is now. Building the means to gather and analyze your customer data and then put it to work in clearly defined campaigns is no easy task. But you can be sure that your competitors are already at it, or at least thinking about the problem. To keep a step or two ahead of them, start working toward the kind of marketing campaigns that would really drive growth, and the IT systems and tools you'll need to drive those campaigns. Build a plan for achieving those goals quickly. And rally your marketing and IT troops to action now. The fast mover in the race to next-generation marketing will gain a huge competitive advantage. Don't be left behind.

From beginning to end, the CIO and the CMO must work together as partners to design, build, and test the necessary infrastructure, and to expand it, step by step, throughout your company.

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