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Beyond the Mass Mailing

*Next-Generation Campaign
Management in an Era of
Saturated Markets*

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BEYOND THE MASS MAILING

Next-Generation Campaign Management in an Era of Saturated Markets

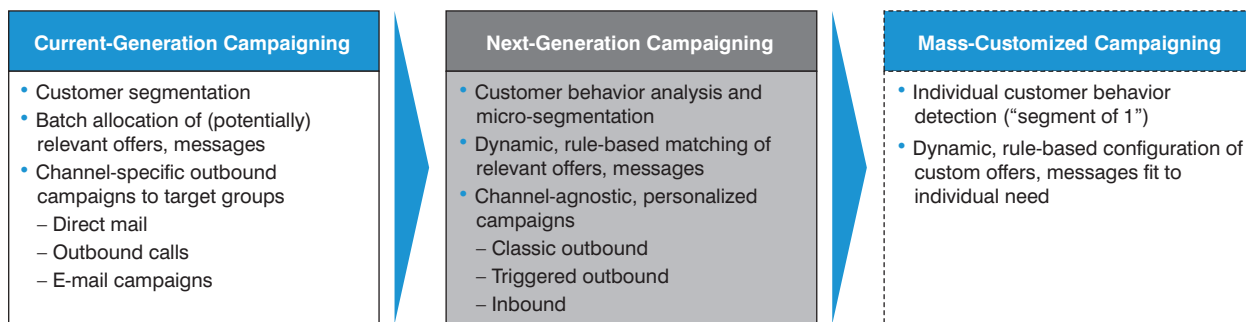
In an average city on an average day, the average citizen runs into some 5,000 marketing messages. The volume is astonishing—and daunting. With each and every consumer taking in five messages per minute—from traditional marketing channels as well as from the Internet, iPods, and mobile phones—it has never been more difficult for direct marketers to keep in touch with their existing loyal customers. Simply put, today's customers are harder to get, retain, and win back. And the task is not getting any easier: Markets are regularly becoming more competitive, growth curves are flattening, and it has never been more important for businesses to find new ways to make the best use of their existing customer portfolio for further growth. But in the middle of this critical challenge, the skills and science of direct marketing seem to be trapped in the 20th century.

Consumer-centric processes and practices, such as more sophisticated behavior analysis and tighter customer segmentation, present an opportunity to redefine direct marketing and make sure it becomes an integral part of a new data-driven marketing experience.

Realizing that goal will mandate changes that extend far beyond databases and technology. Indeed, it will call for a full-fledged transformation exercise that will touch management practice, operational skills, and business processes, and will reach into the core of corporate IT system landscapes. Therefore, it is nothing less than the next generation of campaign management (see Exhibit 1, page 2).

Knowledge—the ability to understand consumers and address their particular needs and interests—really is power. And, at long last, practices that capitalize on such knowledge, including loyalty management, customer retention, churn management, cross-selling, and up-selling, are getting as much attention as traditional customer-acquisition programs.

Exhibit 1
Campaigning Capability Levels



Source: Booz & Company

Current-generation campaigns (CGC) consist of mass-marketing initiatives to distinct audience segments. This “push” marketing is basic in comparison with the “pull” dynamics of next-generation campaigns (NGC), in which marketing messages and offers are constantly refined, depending on the consumer touch point, to create the most effective dialogue with the target audience. Ultimately—a prospect for direct marketers who master NGC—mass-customized campaigns (MCC) will spontaneously incorporate information supplied by consumers during communication not only for message or offer matching, but also for product and service configuration through on-the-spot packaging according to individual customer needs.

MCC can be regarded as a vision that marks the end point of a long journey. As most real-world businesses are still working hard to come to terms with CGC, NGC should be considered the first leg of a journey that will lead to higher relevance, true customer interaction, greater effectiveness, and improved efficiency.

Current-Generation Campaigns: The Way We Were

With the advent of newly empowered consumers who expect tailored messages that address their particular concerns, classic advertising and direct-marketing instruments are becoming overly expensive and imprecise in their targeting capabilities. These consumers perceive mass-market advertising as being irrelevant, intrusive, and, in many cases, annoying.

CGC relies on targeting customer segments with outbound broadcast campaigns, mostly through a single channel such as direct mail or outbound calls. Such broad-stroke approaches may build awareness and generate new business from a minuscule portion of the target segment, but they do not offer relevance to a customer who has learned to expect much more from marketers.

It does not matter how many people receive an advertising message. What counts is whether they are paying attention and responding. As marketers see the impact of traditional media decline, they

must begin moving toward two-way solutions that do not just address but actually engage the consumer.

Next-Generation Campaigns: A Dialogue with the Consumer

NGC management offers an unprecedented opportunity: the chance to build a direct-marketing capability that drives superior customer lifetime value by responding to individual customer needs in a dynamic way.

There is no question that NGC is a major shift in not just methods but also mind-set. It moves direct marketing from a push approach, in which companies speak to their audience, to a pull approach, which encourages companies to speak with consumers. NGC steps beyond CGC’s broad-stroke audience targeting, allowing it to match offers and messages to individuals with capabilities such as rule-bound interactions, in which customer service agents’ responses are based on events triggered by customer interactions.

This one-to-one capability all but shuts down the spam engine that too often compromised the integrity of CGC. Offers

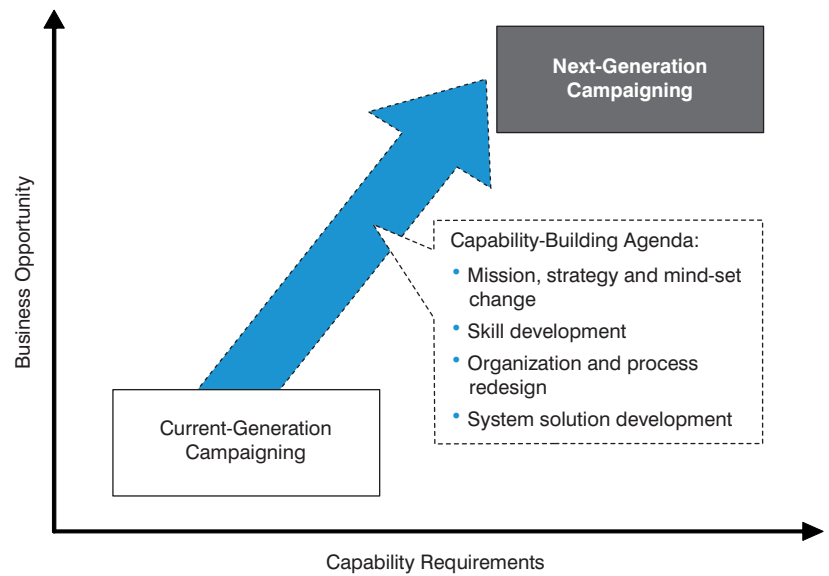
and messages are no longer simply forced onto customers; message recipients either choose to participate or opt out if the program does not speak to their specific needs. That means that the campaigns no longer have start and end dates. In the most efficient platforms, the consumer actually becomes the driver; the campaign essentially sits patiently in the background until the customer signals interest and provides an opening that allows the marketer to initiate dialogue.

It is an opportunity no business can afford to ignore: NGC is applicable in any business-to-consumer service-marketing context. From our experience working with leading organizations, NGC can improve campaign effectiveness—as measured by revenue contribution—by up to 20 percent. Furthermore, NGC moves the marketing mix away from expensive channels such as direct mail or outbound calls. Electronic channels, such as e-mail and short message service (SMS) or text messaging, can yield additional cost efficiencies of 15 to 20 percent on an average per-contact cost basis.

The immediate benefits of building NGC capabilities include:

- **Relevance:** Segmentation means that offers and messages are more targeted and, through rule-based matching and event triggers, more relevant.
- **Timing and Opportunities:** Because the customer is engaged through interaction (in contrast to anonymous broadcasting), offers and messages arrive only when a customer proactively has chosen to communicate with a business—an ideal foundation

Exhibit 2
Capability Requirements for NGC



Source: Booz & Company

for positive, constructive dialogue—or when a customer unknowingly signals a need—for instance, by increasing his use of a company’s products or services. In the latter instance, a message or offer can be a pleasant surprise that reinforces the perception of strong customer service, taking advantage of additional opportunities to engage with customers. In both instances, the customer is empowered to react immediately to specify other needs or even to move ahead to purchase.

- **Efficiency:** Fewer messages are communicated to more suitable recipients. The better targeted traffic translates directly into a more productive, revenue-enhancing interaction instead of just complaint management.

The NGC Business Opportunity

Every business has a unique starting point on its journey to NGC (see Exhibit 2). And

because the challenges of different industries demand different solutions, there is no cookie-cutter standard for NGC.

The potential return on a NGC investment can be substantial, both in terms of revenue upside and cost efficiencies. In the telecommunications industry, industry leaders have been able to achieve the following:

- Reduce churn by up to 20 percent as a result of early detection of churn probability. Companies presented the likely churner with better matched, more compelling retention offers.
- Improve the likelihood of new-service offer uptake by more than 25 percent.
- Increase ongoing customer revenue by 10 to 20-plus percent through targeted processes and tools to stimulate usage and through cross-selling and up-selling campaigns, as

well as processes and tools that stimulate customers to use more products and services.

- Decrease the volume of outbound call/ mailing volume by 20 to 50 percent by using more efficient, less expensive electronic channels and by decreasing the number of untargeted messages.

Similarly, NGC has helped retail banks, brokerage firms, and airlines realize these results:

- Double retention effectiveness by targeting potential churners with rule-based “early warning” systems.
- Improve cross- and up-selling conversion rates by as much as 75 percent.
- Achieve direct-marketing targets by tailoring a campaign’s messages to groups as small as 10 percent of their traditional advertising audience.

In the telecom, financial services, travel, tourism, utility, and media services industries, plus a variety of other consumer-facing service industries, the strength of NGC plays out over and over again. However, our experience shows that the complexities of NGC capability development call for a carefully planned journey. No one should expect overnight results.

Laying the Foundation for NGC

Businesses already have the essential building block of NGC: customer data. To begin to leverage this customer equity for sustained performance impact, however, they need to embrace the principles of NGC, which requires that management and teams

understand how to execute an interactive, analytics-based approach to campaigns.

In the past, marketers needed to be creative, driven by considerations of brand, message, and emotional customer perception. That is still the case in implementing NGC, but there’s an additional requirement: Marketers also need to be analytics-driven. They now need to think in terms of behavior patterns and structuring interactions so that a particular action by a customer triggers an automatic response by an agent. Campaigns are no longer sequential or one-off projects. Under NGC, direct marketing becomes a continuous dialogue with the consumer, not a series of random encounters.

To that end, NGC requires that campaigns are planned and executed differently from the way they have been in the past. It is a different kind of direct marketing that requires a different kind of direct marketer—someone with skills beyond CGC consumer marketing (see Exhibit 3).

Another important difference between CGC and NGC is that the latter relies on underlying data and channel infrastructure, which needs to be integrated into everyday direct-marketing programs. NGC dialogue is channel agnostic; there is no longer a series of freestanding channel silos of different people, organizations, processes, and systems. NGC is a conversation with the customer that is enriched by as many touch points as possible.

With CGC, customer information is available, but a marketer may have to go to three or four systems—and

then compile the findings—to create a full profile. To enable NGC, single-stop customer data must be available in real time. With NGC, static data dumps, batch loads, and complex data integration and replication will soon be statistical relics.

The Journey Toward Next-Generation Campaign Management

Stepping up to NGC doesn’t mean completely abandoning CGC. Nor is it as simple—as some software purveyors might suggest—as making some investments in the technology that drives your programs. In fact, it is a multistep capability-building process—along with a deliberate audit of a company’s current direct-marketing assets—that determines which existing program elements will help companies make the step from one tier to the next, moving all the while to real-time customer interaction (see Exhibit 4, page 6).

Capability Level 1: Make the Most of CGC. Fully developing CGC capabilities involves improving campaign planning and coordination. It also calls for more sophisticated segmentation and customer analysis, which should pay for itself by generating an increase in revenue.

Even more important than the additional revenue, however, is the learning process that goes hand in hand with the self-examination. Understanding and modeling customer behavior—your best prospect’s needs, buying habits, and churn patterns—is an essential precondition for stepping up to more sophisticated campaigns. This requires an integrated data architecture that consolidates customer and product information from customer relationship management

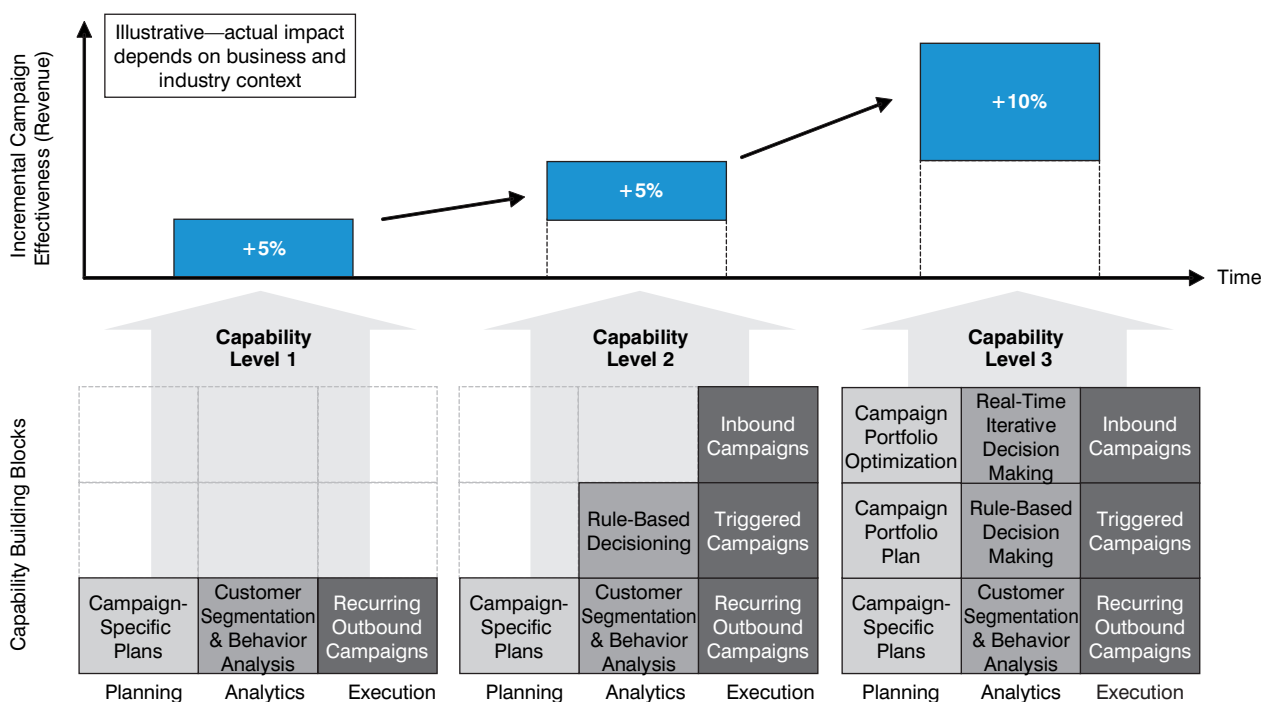
Exhibit 3

The Capability-Building Agenda: Key NGC Challenges

NGC Process		NGC Organization		NGC System Solution	
Analytics and Propensity Modeling	Make this a default step in the campaign process, not an occasional ad hoc request. Every campaign needs to be analytically grounded/justified. Decide/find out which customer behavior patterns, events, etc., you can leverage for campaigns.	Analytical Skill Base	NGC requires analytical marketing expertise that many organizations do not have today; in many cases, businesses have one or two analytics “gurus” they wish they could clone (and so do the gurus, because they just can’t go on vacation); to some extent, training marketing people can help, but in the end you will simply need to hire some “quantitatively minded” people, too—it is part of the business case.	Channel Integration	Service channels become sales channels and vice versa—this requires consistent and seamless channel content management, dialogue management, uptake management, and real-time cross-channel synchronization. In many cases, this means getting rid of a zoo of channel-specific silo solutions and putting in a service-oriented, channel-agnostic core with an adaptable API solution.
Channel Integration and Consistency	Make sure that messages are consistent across all channels and campaigns, and that you do not annoy customers with unnecessary duplicates.	Resource Management across Departments	Manage resource base in terms of call center capacity, mailing capacity, electronic channel capacity, and—last but not least—sales and marketing personnel capacity; these impose constraints on your campaign program, and are key cost drivers that need to be considered.	Campaign Design Workbench	Give marketers tools they can handle/that fit their needs: single-user interface, intuitive/drag-and-drop customer selection & campaign rule design engine, and a comprehensive reporting & analytics capability that combines a base set of standard reports with customizable reports. Only if they get what they need will they stop bugging you with support and change requests.
Closing the Campaign Cycle Loop	Ensure continuous learning to optimize individual campaigns (e.g., business rules, target groups, offer designs), and optimize across campaigns (e.g., combine messages/impact, align approaches, avoid conflicts).	Motivation Structures and Accountability	Make sure people are aligned to goals and benefit from campaign success. Put customer value (in terms of bottom-line impact) at the center of everything—measuring and rewarding based on customer adds or generated revenue doesn’t give you bottom-line transparency and goal alignment.	Marketing Workflow Workbench	Provide managers with an end-to-end view across the campaign portfolio: across all stages (plan/design/active/evaluation), channels (retail/Web/ mail/SMS), and types (retention/cross-selling/loyalty, etc.). The workbench supports monitoring, resource management & staffing, decision & approval processes, and reporting & analytics.
Campaign Portfolio Management	Approach and manage campaigns as a portfolio and make sure that messages are integrated/ consistent across campaigns. Many customers need to hear a message several times before they are convinced.			Consistent Customer View/ Customer Data Integration (CDI)	Come up with a customer-data-management model that makes consistent customer data available at all system touch points; this requires discipline (rigid, standardized data, taxonomy management), a clever data architecture (i.e., metadata model), AND buy-in and support from marketing.
Governance Structures and Workflow	Redesign/adapt/build standard business processes and routines for campaign portfolio planning, campaign design, execution, and post-review/learning, including clear decision rights and approval procedures.			(Near) Real-Time Data Feeds	Do not rely only on providing data through multiple data marts or ad hoc batch loads—the workload will become unbearable once marketing cranks up the NGC engine. Put everything on regular feed schedules, but be smart about true real-time feeds—in many cases, frequent updates will do.

Source: Booz & Company

Exhibit 4
The Journey Toward NGC



Source: Booz & Company

(CRM) and enterprise resource planning (ERP) databases, data warehouses, billing systems, and wherever else it may be hiding.

Many marketers are already taking advantage of the insights they have gained from a rich variety of consumer touch points and applying that knowledge to classic mass media marketing. Moreover, they are supporting that effort with analytics and customer-focused market research. But only a few have extended the exercise to include direct marketing.

Capability Level 2: Moving from Push to Pull Campaigning. Transferring knowledge of customer behavior from CGC into NGC is a bold move that begins by moving from a push- to a pull-campaigning approach. By linking rule models to inbound channels or

automatically detected behavior pattern triggers (e.g., everything from birthdays and address updates to changes in service usage or spending patterns), NGC enables companies to select and match offers and messages to fit customer-behavior profiles.

This second capability level is largely about taking the insights from Level 1, automating them, and linking them to live systems to create a seamless experience across integrated channels. In doing so, it steps away from a hardwired batch-type approach into a cleaner, automated approach that is grounded in specific, predefined rules. Marketers no longer push a message or offer to a preselected segment, however granular. They merely develop the logic and propensity models that define which customer should receive what offer or message based

on the most suitable behavioral indicators or triggers.

For example, at Level 1, companies send out a mass mailing that is somewhat more targeted than a completely anonymous program. The customer feedback—and the actionable campaigning feedback—is specific to that mailing or that campaign. Moving ahead to Level 2, companies can also process customer-specific insight provided via three or four different channels (including customer-initiated dialogue) and a variety of campaigns that apply to a particular customer. That information, based on the set of rules defined by the automated approach, provides a much wider set of criteria to help create relevant messages to capture attention on a per-customer basis.

Capability Level 3: Arriving at Next-Generation Campaigns. The next step toward NGC adds a real-time, always-on component to campaigning, and brings a portfolio perspective to the direct-marketing effort. As information becomes available—be it in retail settings, on the telephone, or online—it is assimilated in a decision engine with iterative, real-time processing capability. Incoming customer information—for example, customer preferences mentioned in a call center conversation—can be incorporated to determine the best offer or activity based on constantly updated customer-specific propensity ratings.

Individual campaign-level improvements are supported by self-learning algorithms that allow for the optimization of campaigns across the entire portfolio—which, of course, requires that campaign-planning processes are geared toward integrated campaign portfolio management with formalized pipeline planning, resource and capacity management, and key performance indicators that allow monitoring, analysis, and optimization.

Making NGC Happen

NGC is not about a new piece of customer relationship management software. It is not about simply refining direct-marketing prospect lists. It is a full-fledged strategic transformation exercise that touches marketing, sales, customer service operations, and IT. And because it is so comprehensive, it demands a systematic transformation approach with a clear vision, financial targets, and broad, cross-functional ownership and buy-in.

There is no tried and true way that works from one business to the next. Some businesses will discover that they can reach 60 percent of their full NGC upside potential at Capability Level 1; for others, comparable success will require moving all the way through to Capability Level 3.

For a successful approach, a number of activities have to work in concert. These include understanding:

- The full range of campaign types you want to be able to run at every step of your program
- The revenue and cost-efficiency targets you want to reach by every step
- The capabilities you need at every step to ensure that you are able to fully execute the campaigns
- The investments in people, procedures, and tools the full program will require.

A road map for NGC provides businesses the discipline to get down to the specifics of their capability transformation programs (see Exhibit 3, page 5):

- *Vision:* the adoption of an NGC mission and mind-set;
- *Skills:* a commitment to NGC skill development
- *Processes:* campaign organization and process redesign
- *IT:* system-solution development.

Defining the Vision. The shift to NGC requires an integrated approach, unhampered by the

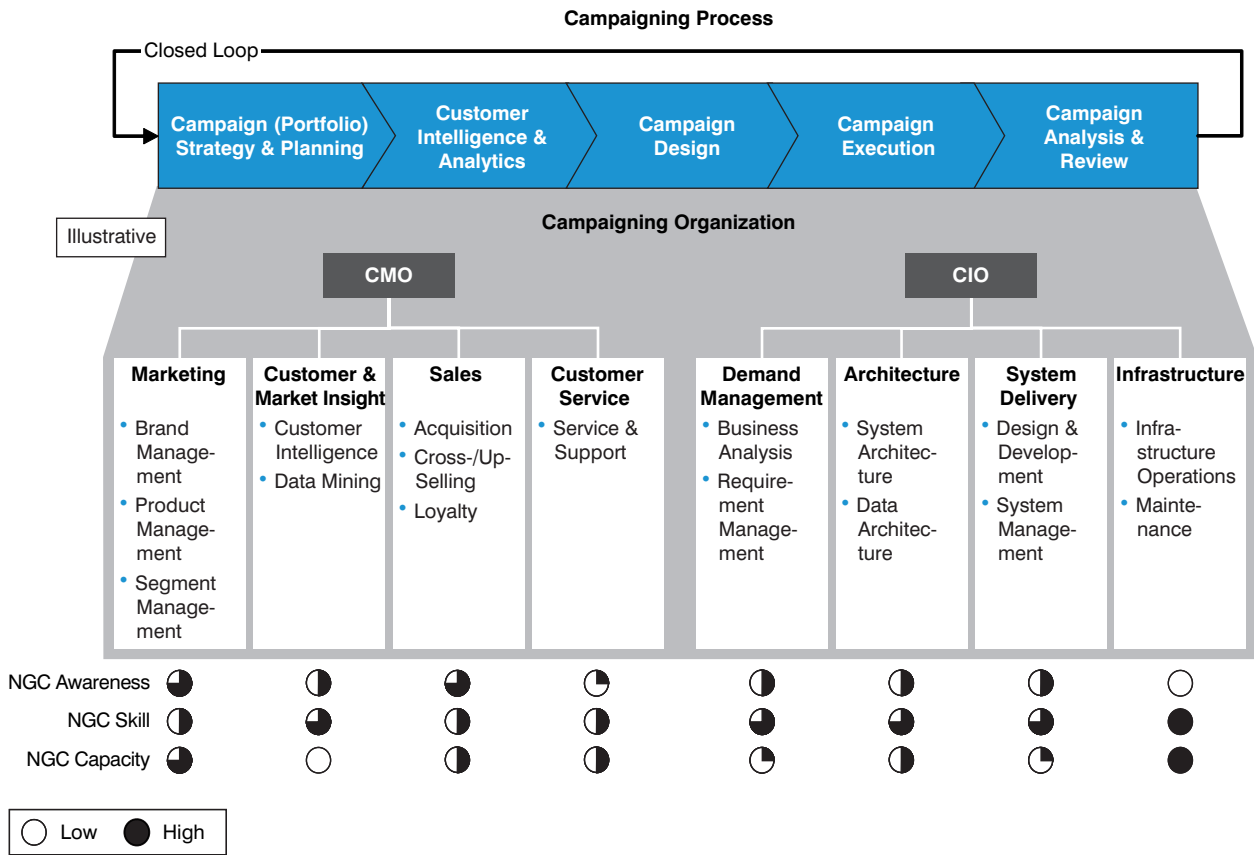
narrow, department-based thinking that so thoroughly defined past direct-marketing programs. NGC is more than a commitment to learning how to use a new piece of software: It is a top-to-bottom realignment of missions and incentives that starts with management and includes campaign strategists in marketing and sales, business analysts, IT delivery experts, and frontline staff in stores and call centers.

Updating Skills and Processes. The program drivers will need to transition their organizations' skills from creative marketing to analytically grounded creative marketing—a nuanced difference, indeed, but a necessary change if the marketing strategists and campaign managers are to interact seamlessly with their peers in IT, sales, customer service, and—last but definitely not least—their customers.

In addition to aligning decision-making mechanisms, workflows, and tools under a cross-departmental campaign management framework, NGC may well require new people with fresh knowledge and skills. In our experience, many businesses approach NGC with existing strengths in generalized technology and traditional marketing, but sometimes significant gaps in other critical areas, such as consumer insight, demand management, and system delivery (see Exhibit 5, page 8).

Building NGC IT Systems. Similarly, the channel silos that dictated the IT structure of generations of direct-marketing efforts will need to disappear. NGC is about defining business requirements centered on

Exhibit 5
NGC Organizational Pain Points



Source: Booz & Company

customers, not channels; about creating a seamless architecture that integrates all channels and customer data sources to build a system solution that meets NGC functional, performance, and commercial objectives.

By integrating legacy silos into a seamless solution (see Exhibit 6), NGC can find a place to thrive within the typically complex context of companies' CRM and enterprise application environments.

To make this difficult transition, businesses will need to shop for external solutions. After all, businesses that go after NGC should focus on selling their

products and services, not on developing software. Selecting the right technology from a tremendous variety of products that today's CRM and enterprise marketing software market has to offer is not a trivial task.

What works will depend on strategic objectives, business requirements, industry-specific factors, internal legacy, broader architecture considerations, and performance requirements, not to mention value. To get it right, companies must have a thorough understanding of the current and future enterprise architecture; a highly professional sourcing and vendor management approach

is equally essential. Simply handing a "pile of legacy" to a vendor, or buying the biggest and shiniest CRM suite in the store creates many things, but NGC capability is usually not one of them.

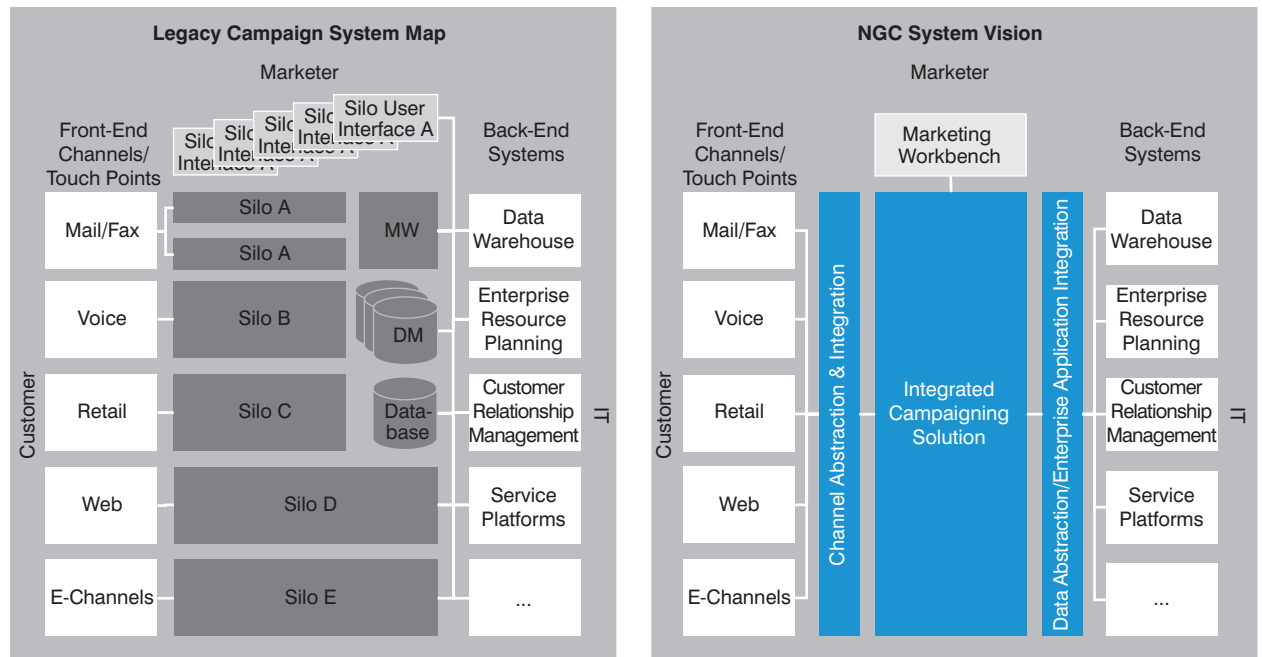
NGC in a Nutshell

From one organization to the next, the only constants of an NGC transformation are the complexity of the exercise and the number of parties involved (e.g., marketing, customer service, and IT). Done right, the rewards are substantial.

Customer-centric direct-marketing capability can drastically improve customer

Exhibit 6

NGC System Vision—From Channel Silos to an Integrated Solution



Source: Booz & Company

relevance, direct-marketing timing, and operational efficiency at the same time, and create new opportunities to interact with customers. Making customers happier, boosting customer value and revenues, and streamlining costs are strong arguments to embark on the journey toward next-generation campaigning.

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