MASTERING ADAPTIVE CUSTOMER ENGAGEMENTS

A Look Into How Today's Marketing Leaders Are Driving Business Performance Across the Customer-Centric Enterprise

Executive Summary | September 2014

CMO COUNCIL™

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INTRODUCTION

Call it the "age of the customer" or the era of the "Internet of me"...just don't call it an engagement landscape that brands control. Customers are absolutely in the driver's seat, defining which channels they want to use and what experiences are most valued as part of their own self-discovered customer journeys. In a landscape where no single customer's journey is identical, the new mandate for marketers is to develop, orchestrate and optimize an ever-agile, flexible and nimble customer engagement strategy.

These adaptive customer engagements must be fluid in the eyes of the customer yet structured, architected, intentional and measurable in the eyes of the business. Simply put: Marketers need to be ready to engage with customers like never before.

Customers are already making their intentions known, connecting with brands when they choose and in the channel that is the most relevant and convenient at the moment of engagement. McKinsey released data indicating that as much as 70 percent of a customer's buying experience is based on how the customer feels he or she is being treated. Gone are the days of lengthy cycles of building loyalty. Advocacy is being built and traded in a matter of seconds.

In a recent *Forbes* article, it was revealed that some 86 percent of customers said they were willing to pay more for a better experience, but only 1 percent felt that vendors consistently met their expectations. What customers want most is for brands to understand that the customer's time is the most valuable commodity being traded in any transaction. In fact, a Forrester study showed that 74 percent of consumers said the most important thing a brand can do to provide great service is to demonstrate it values the customer's time.

That is not to say that customers don't also expect highly relevant experiences. In fact, according to Gartner, 46 percent of consumers consider personalized, tailored offers as extremely significant to maintaining or growing their relationship with a brand. And a recent Janrain study indicated that 74 percent of online users get frustrated when websites deliver content that has nothing to do with their interests.

This trend of the "Internet of me" is not going to slow and will likely extend to the "omni-channel experience of me" as customers will expect highly relevant, highly personalized and highly interactive engagements when and where they want them. According to Forrester, by 2020, customers will expect companies to know their individual needs and proactively personalize experiences to address both current and future needs.

For some, this calls for a mystical crystal ball or a magic wand, at minimum, as the aspirational goal of always-on, omni-channel personalization seems as far away as a

unicorn. Yet we can all see the writing on the wall: The age of the customer is here, and marketers must respond with highly adaptive customer engagements.

The CMO Council, in partnership with SAP, set out to gauge how close organizations were to achieving these adaptive customer engagements. Are we ready to proactively engage both online and offline? Are our organizations set up for success, with the people, the processes and the technology platforms required to meet the needs of today's customer and the scale to meet the needs of tomorrow's advocates?

What follows is a summary of the findings of an online survey fielded by the CMO Council during the second quarter of 2014. The findings include insights from 319 senior marketing executives. Some 39 percent of respondents represent organizations with more than $1 billion USD in revenue, with 52 percent representing B2B brands, 19 percent from B2C brands and 30 percent whose companies are a hybrid of B2B and B2C. Also included are quotes and insights from marketers who agreed to be interviewed and profiled as part of this research. Brands participating in the qualitative interviews include Cardinal Health, h.h.gregg, MasterCard, Nine West, Prime Therapeutics, Quicksilver, Sears Holdings, Sony Electronics, Western Union and more.

KEY FINDINGS

Customer Centricity Confidence is on Solid Ground...or Is It?

Marketers define customer centricity as having a senior management team that is committed to understanding the needs of the customer, with teams that are functionally aligned and synced to a unified, holistic customer experience strategy. Other key hallmarks of customer centricity include a corporate culture that puts the customer first (and not stock price, for example) and uses customer data in a highly responsible manner for the purpose of advancing the customer experience.

For the most part, marketers feel they are doing a pretty good (if not great) job of engaging with their customers in a manner that is customer-centric. In fact, when asked to think about the key attributes of customer centricity, some 45 percent of respondents feel their levels of customer centricity are good, if not high. And marketers have a high degree of confidence that their customers would agree with this assessment as 45 percent believe their customers would say that customer centricity levels are good to high.

From one marketer's perspective, the customer experience is really more of an ongoing journey to perfect rather than a one-time point of measurement. "Customer centricity is an ever-moving target based on customer expectations, so it's always a journey," says Ingrid Lindberg, Chief Customer Experience Officer with Prime Therapeutics. "Although we are exceptionally responsive, we are still forced to evolve as the definition changes. Luckily, we are agile and able to adapt to those changes quickly."

These high marks are good when you consider that marketers believe that customer centricity—and the customer's belief that they are engaged with a customer-centric organization—is critical not just to the business, but also to the individual marketer's success. Only 7 percent felt that customer centricity, while it would make their lives easier, was simply not the only factor needed for success. Even fewer, 2 percent, felt customer centricity was nice to have, but certainly not critical to success.

There are also those who not only view customer centricity as critical, but as a valuable part of the team. "We designed our customer experience strategy to be a decision maker, a tie breaker to guide for us," Lindberg explains. "It is a constant topic at our weekly executive leadership meetings and in our employee meetings. We know that it is how we differentiate ourselves in the market."

Yet despite this positive outlook, there is a looming sense that there is a greater need for improvement if organizations are truly going to capitalize on customer experience as a real revenue driver and not just a cultural mantra. Upon closer inspection, the cracks that lie below the surface may have more impact as the customer's expectations for service, engagement and experience grow.

Marketing's Engagement Foundation Is Showing Some Cracks

The delivery of customer experience is not a marketing-only endeavor. Marketing clearly identifies core business functions, including customer service, sales and IT, as being the stewards of those attributes that sit at the core of an optimized customer experience. For example:

▪ Some 66 percent say quick response times to customer requests or complaints are core to demonstrating customer centricity. This function is often owned by customer service.

▪ Nearly half (47 percent) say products that reflect a customer's own needs and wants are central to demonstrating an organization's customer focus. Product development, R&D teams and operations most often own this process.

▪ Always-on access to products, account details, profile information and customer support is seen as another key component by 36 percent of respondents. This requires partnership across IT, customer service and marketing to execute properly.

But when asked how well aligned functional heads of business were around a customer experience strategy, 17 percent said they were only moderately aligned, with another 26 percent saying that the groups needed to be much better aligned. In fact, only 12 percent said that functional teams were strongly aligned around a holistic customer experience strategy.

"Although our customer experience strategy flows down from the C-suite, all functions are involved in delivering on our brand promise," says Jennifer Dominiquini, CMO of BuySeasons and EVITE. "We cannot have a good e-commerce or digital experience with our users if we don't have product, IT, creative, merchandising and inventory all working together."

The lack of a clear strategy could be to blame for this lack of total alignment. Only 25 percent of companies have a formal customer experience strategy. While 35 percent say that the strategy is in development, some 34 percent admit to simply not having this formalized and centralized view.

But even for those few who do operate with a formalized strategy, there is little alignment across the entire organization, with only 14 percent expressing that each employee understands their own role in delivering on the customer experience strategy. The majority (24 percent) actually feel that department heads on the senior level are well aligned around an overall customer experience strategy but that the execution and management of the processes are left to be handled by the silos of individual teams or departments.

This fragmented view has the potential to further challenge the mastery of a customer engagement that depends on cross-functional collaboration, cooperation and execution.

The Disconnected Customer Experience

The true state of customer experience management can be seen more clearly in the areas where marketers are failing to engage and optimize rather than the points of service that customers may be tapping for service needs. Take, for example, these key gaps in strategy and engagement:

- Fifty-six (56) percent of marketers are only moderately satisfied with their company's ability to listen and respond to the needs of the customer.

- Only 20 percent of companies have a comprehensive view of engagements and touchpoints across the stages of the customer lifecycle.

- Forty-five (45) percent of respondents do not have a unified view of the customer or a single version of customer truth.

- Only 10 percent of marketers are highly confident in their organization's ability to leverage data and turn it into actionable intelligence.

What is most evident is that despite marketing's desire to deliver an exciting, omni-channel and ever-available customer experience, there are key gaps in strategy and ability holding back the best of intentions.

Take, for example, the ability to deliver a personalized experience to engage with customers on a more one-to-one basis. According to 63 percent of marketers, their customers' expectations for personalization are higher than ever, while 30 percent say that their customers do not expect a one-to-one experience all of the time. But only 5 percent feel they are excelling in the delivery of a data-driven, personalized experience. Furthermore, while customers may be expecting that personalized touch both online and offline, only 28 percent of marketers are able to deliver a personalized experience, regardless of channel.

But in the end, marketers understand that personalization leads to a bigger imperative for the customer: the transition from a "one-to-many" approach to a true one-to-one dynamic between brand and customer. "Engaging customers through a personalized, highly targeted approach is key," shares Erika Szychowski, Senior Vice President of Marketing for Nine West, part of the Jones Group. "Tailored content development and execution are incredibly critical to reaching customers today."

Blame It on the…Well, Everything

It would be easy to say that the shortcomings in mastering more adaptive customer engagements are directly linked to a lack of budget to bring on technology platforms to enable these experiences. But in reality, technology is not necessarily the root of our turmoil. In fact, when asked to identify the greatest area of challenge when executing on an organization's customer experience strategy, the answer points to a far more extensive and complex breakdown.

▪ Twenty-two (22) percent of marketers point to challenges with people: having the right talent and the right culture to reach success.

▪ Twenty-two (22) percent indicate challenges with processes: developing the right processes and operations to ensure that people are directed and that systems are being properly used across the organization.

▪ Five (5) percent blame technology for their customer experience challenges, specifically that they need to have the right technology platforms in place to deliver and measure.

▪ The majority (52 percent) say that it is a combination of all three: The people, the processes and the platforms needed to properly develop, manage, measure and continue delivery of the customer experience.

Most interesting is that among those who say that all three factors are challenges, the most pressing among all factors is having a culture that is focused on the customer and values a customer experience strategy. Other key challenges to customer centricity and the delivery of a customer experience strategy are the alignment of teams to work synergistically, establishment of processes to track customer experience and business goals, prioritization of customer experience strategy and processes over others implemented by the company, and hiring the right talent needed to execute on these programs.

Those who are leading the customer experience charge believe that investment and strategy around all three key areas are necessary as no single aspect will solve the engagement dilemma. "As we invest more in platforms that shape our customer experience strategy, we must also invest in the people that know how to leverage the data from these platforms in order to optimize the experience for our customers," says Don Fotsch, Vice President of Customer Experience with Sears Holdings. "While technology plays a role in shaping the customer experience, it's important that the good digital experience complements the experiences in our physical stores. A customer's experience should be consistent across all touchpoints."

Moving Forward to Capture Opportunity

What comes across most clearly from the research is that marketing not only understands where the challenges exist, but they also understand that finding quick paths to optimization will be key to success. Consider Forrester's "Customer Experience Index" study, which shows that a 10-percent improvement in a company's customer experience score can translate into more than $1 billion in revenue.

But where can marketing really shift and move to empower the whole organization to center around a customer experience strategy that looks to deliver adaptive customer engagements?

1. Spearhead the Development of a Single View of Customer Truth.

As only 7 percent of marketers feel they have achieved this single view of customer truth, marketers understand that the customer is actually driving the need for companies to fall in line. More than half (54 percent) agree that the customer is demanding more digital experiences, especially via social and mobile channels. And 28 percent agree that by delivering on these personalized, data-driven experiences, customers have repaid companies not just in revenue, but also in advocacy.

2. Understand the Customer Journey…and Know That It Is Channel-Less.

The customer doesn't start separate relationships with a brand's email, a brand's social media and a brand's in-store presence. In fact, in this era of the "Internet of me," the only boundaries and limitations are those that the customer is defining and establishing. The customer is defining when, where and how to start and stop engagements. Marketing's role must be to make sure that the preferred channels of engagement are present and functional, filled with relevant content and experiences. But without a map that clearly defines and understands the myriad directions that a customer journey can take, there is no way to achieve relationships with the customer; you can only manage touchpoints with a user.

3. Personalization Is the Expectation, Not a Perk.

Some 32 percent of marketers agreed that their companies failed to develop a culture that places the customer's voice at the center of every business decision. Part of this failure is manifesting in a lack of personalization and intimacy with the customer. Basic human nature leads customers to want to be known and acknowledged for continued loyalty and ongoing relationships. As one marketer expressed in a written response to the survey, "Customers don't want to explain themselves every time we decide to introduce ourselves." Personalizing experiences and empowering teams with the right data, intelligence and tools to deliver on those person-to-person exchanges will soon be the basic cost of business—not the extreme example of outliers who are viewed as leaders.

4. Align Around the Customer's Vision.

In order to align around the customer's vision of need and expectation, you need to be able to listen to the customer's voice, yet few marketers are using the very channels to listen that their customers value most. While 62 percent of marketers use their website to engage with customers, only 37 percent see it as a listening channel. Events raise the most surprising gap in engagement versus listening, with 60 percent saying that events are a prime way to engage with customers, but only 40 percent use these events as a listening post for customer needs and expectations. The largest gap appears in a technology that customers themselves are saying is one of the most important to power their experiences: mobile. While some 71 percent are using mobile (either mobile app, mobile web or SMS/MMS messaging), only 29 percent are leveraging those channels to listen to customers. In order to rally around the customer's voice, that voice must be properly aggregated and shared across the company.

CONCLUSION

While marketing has a great deal of room to grow specific to developing and advancing the customer experience, what is most evident from this research is the incredible opportunity marketing has to become the orchestrator of real change in advancing the adaptive customer engagement. While 39 percent of respondents agree that the very definition of customer centricity is being established at the very top of the organization with the president/CEO, it is the CMO who is at the helm of translating that definition into a holistic strategy that the entire organization can then rally around.

This is not a call for the CMO to "own" the customer experience. Rather, it is an opportunity for the CMO and marketing as a whole to help amplify a strategy that can then be executed by every person in the organization. What will be required is a single source of truth—a unified view of the customer that the entire organization can access and enhance. Agility will also be a requirement, with marketing being able to empower teams to quickly act and react to the shifting needs of the customer. Most importantly, strong leadership will need to be present, and the resolve to remain a customer-centric organization will be tested. But by paying attention to the core foundational principles of customer experience success—namely the people, processes and platforms that power engagements— organizations can more rapidly advance strategies to stay ahead of customer needs and keep pace with growing expectations.

Melanie Shook, Vice President of Client Support at NeuStar, said it best: "We're very aware that the ways of the past—where you had months to define and develop requirements—no longer exist. In today's age, by the time you take a strategy to market, the market has already changed. Therefore, we recognize that being agile is critical to our success. We will continue to adjust in order to make the shifts of the market space and our customers."

EXPERT PERSPECTIVE:
BUILDING A SOLID FOUNDATION FOR SEAMLESS CUSTOMER ENGAGEMENT

BERNARD CHUNG
Senior Director
Solution Marketing, SAP

Winning in today's competitive business environment requires successful customer engagements throughout the customer journey. Customers want a consistent, seamless experience across every channel, and marketers are responding to this challenge. However, as this study reveals, many organizations struggle with developing and executing a strategy to systematically deliver engaging customer experiences across all channels.

Obviously, there is a greater need for improvement if organizations want to capitalize on the customer experience as a revenue driver and not just a cultural mantra. When embarking on a customer engagement transformation, there are three areas that marketing organizations should consider: people, processes and technology.

People: A Call for New Skill Sets

As organizations increasingly turn to technology and analytics to help drive customer engagement strategies, the need for new skill sets emerges. Organizations are looking for people who are open to technology and have analytical minds. According to Gartner's "U.S. Digital Marketing Spend Report 2013," 81 percent of marketing organizations have a chief marketing technology officer on staff. As marketing becomes more of a science than an art, the need for marketers with an analytical bent becomes greater. Marketers don't need a PhD in statistics, but understanding the basic principles of analytics can help predict customer behavior and enable intelligent decisions.

Equally important is your employees' passion. Among the job candidates who have the right skills, hire the ones who love your brand and believe in your strategy and vision. Take into account Apple, Inc. Many people think that the company employs only the best designers and engineers. However, according to a Fast Company article titled "4 Myths About Apple Design, From an Ex-Apple Designer," this isn't necessarily true—Apple hires people who love Apple.

Processes: Mapping the Customer Journey

Most modern business processes have been adopted by re-engineering efforts from the '80s and '90s. The primary focus of these efforts was to increase organizational efficiency and cut costs, with less regard for the customer experience. I am sure we have all experienced this with call centers. Until recently, the success of many call centers was measured by how many calls each agent handled. This metric required agents to get customers off the phone quickly, with little concern for the experience provided.

Organizations need to reverse-engineer current customer processes by looking at everything from the customer's point of view. By identifying and mapping out the key steps of the customer journey, you can pinpoint bottlenecks, issues and barriers that prevent the delivery of great customer experiences.

Technology: A Foundation for Customer Engagement

Customer engagement efforts should span all customer interaction points and processes. Therefore, marketers need a platform designed to consolidate data, facilitate processes and support integration with other systems. In addition, the platform must be able to support three capabilities: insight-driven marketing, delivery of engaging experiences, and quick and agile marketing efforts.

- **Insight-Driven Marketing:** Marketers must gain detailed insights about their customers and markets to better engage with them. Most marketing organizations have several silos of customer interaction, technology and data. To get started on a consolidated view of their customers, marketers must identify relevant customer data across multiple sources—internal and external—and build a unified view of the customer. Once the data is in one place, you can leverage advanced analytics to convert data into insights.

  However, do not pursue data just for the sake of having data. Obtain only the information that can help identify unprecedented insights, discover hidden trends and uncover granular customer segments.

- **Delivery of Engaging Experiences:** Marketers need to think beyond single transactions and engage customers with experiences that are contextual and personalized. In addition, these experiences should be orchestrated across all channels throughout the buying process. These two objectives require everyone who interacts with a customer to take into account and share past interactions, social data, analytics and session information. Having real-time access to the complete customer view empowers the organization to deliver engaging customer experiences.

- **Marketing With Speed and Agility:** Today's business environment is accelerating, and marketers need to be able to react quickly to market opportunities before they disappear. They need tools to monitor opportunities; better collaborate with key stakeholders; and increase transparency over marketing processes, plans and outcomes. Having the ability to react faster than your competitor to market opportunities can be a huge advantage.

A Mobile Carrier Case Study in Next-Generation Customer Engagement

A leading provider of wireless voice, messaging and data services is disrupting the mobile carrier industry through an "uncarrier" strategy that is centered around a customer engagement program, which aspires to make everything easier for customers. However, the company knew it needed a foundation for customer data and analytics to be a truly customer-centric company. The sheer volume and variety of data—from more than 44 million customers using multiple interaction channels—were staggering. This situation presented the company with a complex customer data management challenge.

Customer Intelligence Platform

By partnering with SAP, the carrier consolidated its customer data into one source. Through the use of analytics capabilities (such as social media listening, customer segmentation and targeting) and visualization tools, its marketers now have unprecedented insight into their customers and a deeper understanding of their needs and preferences.

Customer Engagement Platform

The company retired its use of multiple systems and created a single, centralized customer engagement platform to serve the entire customer base. By using customer data to build precise segments and run analytics, it now offers customers the best promotions at the right time and in the right channel.

Each time a customer interacts with the carrier, the company records a "touch" that can be visualized, helping employees understand a customer's history and behavior. Whenever a customer interacts with the company, the conversation starts where it left off, and the collection of touches is analyzed in real time to drive a personalized experience.

Accelerated Marketing

The mobile carrier has shortened its go-to-market campaign cycles from months to a few days. The increase in marketing speed is facilitated by campaign workflow improvements, the reuse of campaign components and more efficient marketing processes. In addition, less time is needed to onboard and train employees.

A Successful Transformation

Overall, the customer engagement program has transformed the company by reducing churn rates and enabling it to acquire a record 2.4 million new customers in just one quarter. And more importantly, its employees understand their customers intimately—empowering them to engage with customers in the right way at the right time and develop lasting relationships that drive bottom-line results.

Conclusion

The holy grail of marketing is seamless customer engagement throughout the buying journey. When you look at the people, processes and technology involved, this is not an easy task. It requires executive support, alignment across organizations, and a clear and comprehensive strategy. However, the competitive advantages can be game-changing when your marketers can take decisive action with improved insight, deliver engaging customer experiences, and react to market opportunities with greater speed and agility.

Start your journey to building an adaptive customer engagement organization. Evaluate your existing systems with the marketing foundation gap analysis tool to determine the key areas your business should review closely.

Feel free to engage with me on Twitter @marketingissues.

DEMOGRAPHICS

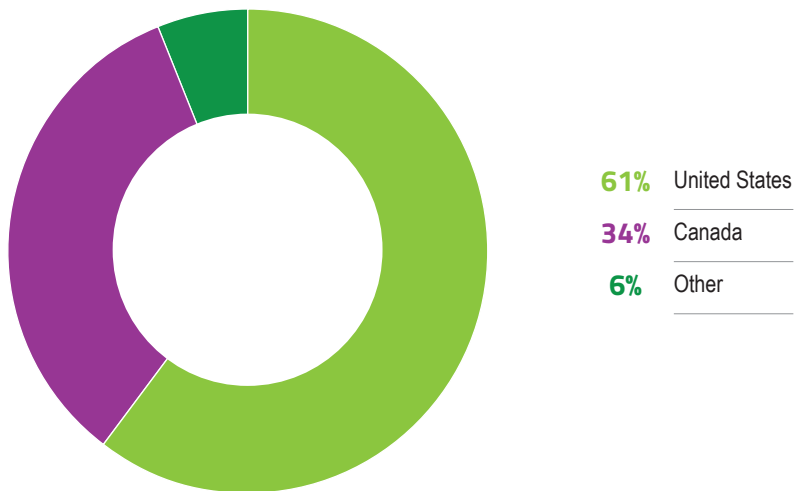**What best describes your company's industry sector?**

ANSWER	RANKED SELECTIONS
Information technology	12%
Banking	9%
Professional services	9%
Retail	7%
Telecommunications	6%
Entertainment	4%
Insurance	4%
Media and publishing	4%
Manufacturing	4%
Media agency	4%
Education	3%
Electronics and miscellaneous technology	3%
Healthcare	3%
Packaged goods	2%
Travel and hospitality	2%
Transportation	2%
Wholesale/distribution	2%
Food and beverages	2%
Construction	2%
Consumer durables	2%
Energy	2%
Automotive	1%
Aerospace and defense	1%
Pharmaceuticals	1%
Other	10%

How large is your company?

SIZE OF COMPANY	%
Less than $50 million	29%
$51 million to $100 million	11%
$101 million to $250 million	4%
$251 million to $500 million	7%
$501 million to $750 million	3%
$751 million to $1 billion	7%
$1.1 billion to $5 billion	18%
Greater than $5 billion	20%

In what country do you currently reside?

61% United States

34% Canada

6% Other

What best describes your company type?

52% B2B

29% B2C

18% Hybrid
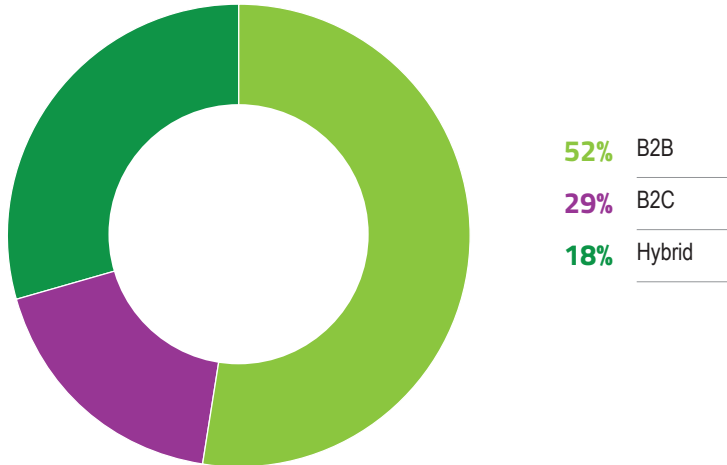
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ABOUT THE CHIEF MARKETING OFFICER COUNCIL

The Chief Marketing Officer (CMO) Council is the only global network of executives specifically dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide range of global industries. The CMO Council's 7,500-plus members control more than $400 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include more than 35,000 global executives in more than 110 countries covering multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia-Pacific, Middle East, India and Africa. The council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Mobile Relationship Marketing (MRM) Strategies, LoyaltyLeaders.org, CMOCIOAlign.org, Marketing Supply Chain Institute, Customer Experience Board, Digital Marketing Performance Institute, GeoBranding Center and the Forum to Advance the Mobile Experience (FAME). For more information, visit the CMO Council at **www.cmocouncil.org**

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