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The Weight of Smoke

Viral Marketing has become the defining marketing trend of the decade. Brands big and small launch viral videos via YouTube, post new product information on their MySpace pages, court the blogosphere and send forth armies of evangelists to spread the gospel by word of mouth. But without customer identification and access to customer data, are viral marketers just blowing smoke? Join COLLOQUY as we weigh the buzz.

Don't Take the Call

When the CEM salesman calls, put him in voice mail

BY JIM KUSCHILL

Companies that stumbled down the CRM technology path might soon be faced with a new glittering tech bauble: CEM—Customer Experience Management. Join COLLOQUY's technology editor as he surveys the customer tech road ahead and outlines the common ground between CRM, CEM and loyalty. While CEM isn't an abbreviation of caveat emptor, it might as well be.

It's a sad fact that the software industry rarely gets something right the first time. About ten years ago, when I first heard the phrase *Customer Relationship Management*, I thought, "Wow—a concept more encompassing and customer-centric than loyalty marketing." I'm a technology guy, so I couldn't wait to dive into the software that claimed to implement CRM and its components: sales force automation, warehouse management, channel management



and the like. As I read articles and a book or two, I encountered numerous claims that CRM would revolutionize customer-centric marketing. All you had to do was buy a large piece of software, spend lots of money implementing it, and *ta-da!*, you could collect a lot of data.

Sadly, few of these software capabilities had anything to do with the customer. The only customer-facing CRM capabilities I could readily identify were the various inbound contact management packages, which at the time primarily dealt with call centers. That was it.

And when a solution doesn't actually solve the problem, what's the easiest thing to do? Redefine the problem. CRM, the software makers said, is focused on data, transactions and analytics because the problem has always been how to drive efficiencies in those areas. Now the experts tell us that all the "softer stuff" required to build customer loyalty—such as the brand, customer recognition and the retail experience—more properly resides under CRM's customer-facing cousin: *Customer Experience Management*, or CEM.

OK, then. What's one more acronym among friends? But

more important, how should we react when the inevitable CEM software salesman calls?

Deposit, but no return

CRM failed because it violated a fundamental theorem of loyalty marketing: in order for data to have value, you must analyze and act on it so as to change behavior. The “virtuous circle” of data collection, analysis, hypothesis, and testing creates success. If CRM deployments merely stopped at the waters of data collection, then how could these various CRM projects hope to build a bridge to financial return?

Hindsight allows us to answer that question: They couldn’t. As a result, many of those back-office projects simply weren’t completed. Others were scaled back and eventually deployed, but few contributed materially to the bottom line. Admittedly, CRM software providers brought much of the problem on themselves by promoting CRM as a loyalty solution, when in fact most CRM packages were merely business-process tools designed to deliver efficiencies and improve record-keeping. Companies bought in to these packages believing that CRM deployment was a strategy rather than a collection of tactics. Certainly CRM software could facilitate a solution—but it could never be the solution.

Some ideas are overcome by events; others should never have seen the light of day in the first place. But many ideas silently retreat out of sight, and if they retain merit, they eventually reemerge in a new form. In this way, CRM technology is making its way back by placing the emphasis squarely where it belongs: on the customer. New modules include analytical capabilities, contact tracking over multiple channels and improved communications capabilities. Collectively, the new

line of CRM packages still doesn’t do justice to the phrase *Customer Relationship Management*. But progress is being made.

What’s in a name?

So now we’re back scratching our heads. How does good old-fashioned loyalty marketing currently relate to CRM and CEM? And does the relationship matter?

In the original vision of CRM as a set of tools designed to manage customer relationships, loyalty marketing was clearly a subset of CRM. When you look at the actual marketplace implementations, however, then CRM and loyalty became only tangentially related, in the way tomatoes and apples are both types of fruit. Now that CEM has become the hot new way to describe customer-facing

program requires the marketer to focus on tactics that touch upon all five of these areas. So maybe CEM and loyalty marketing really are two phrases that describe the same thing.

While the point is still open for debate, I tend toward the narrower definition of loyalty as a subset of CEM. Good loyalty programs—ones that focus on the core principles of identification, recognition, reward and value-added dialogue—enable many CEM tenets, but it requires a level of commitment above and beyond the loyalty program to effect positive change in the overall customer experience with the brand. The problem is not the semantics argument—it’s that distressingly few organizations can claim a substantially complete CEM deployment.

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operations, many organizations recognize traditional loyalty marketing as a subset of CEM rather than of CRM. The philosophical debate, such as it is, revolves around whether the definition of loyalty marketing is now broad enough to encompass the brand and is therefore *synonymous* with CEM, or whether it should be more narrowly defined as a component of CEM.

Either way, the overlap of CEM and loyalty appears to be substantive. According to Live Path founder Leigh Duncan, CEM encompasses five key areas: the customer, the brand, the brand environment, the platform or operational infrastructure that delivers the brand, and the interface through which the consumer experiences the brand. Implementation of both a CEM strategy and a loyalty

CEM: tool or mantra?

OK, *technology guy*, you’re saying, *what does all this have to do with me?* At first blush, CEM is less amenable to automation (or even automation support) than CRM. Let’s consider one of Duncan’s five keys—customer insight—and see whether technology might meaningfully support CEM. Duncan writes: “CEM analysis focuses on developing a multidimensional understanding of customers. This understanding includes cultural, sociological, behavioral, and demographic analysis and culminates in a detailed ability to articulate needs, wants, desires, expectations, conditions, context, and intentions of various customer groups.” Certainly, technology can’t contribute much in terms of understanding the cultural or sociological dimensions of your

customer base. Clever analytical processes that traditionally live in the realm of CRM might uncover some relationships; there are many ways of classifying behaviors, from classic RFM segmentation models to lifestage or lifestyle analysis to more advanced representations such as affinity networks. Demographic data can augment transactional and other behavioral data to enrich data mining and other techniques that help further classify customers according to their propensity to buy. The most experienced marketers understand that the brand and the customer base are one—and technology can help you enhance that understanding.

But is data analysis enough to implement CEM? By not only collecting a lot of data but also extracting actionable information from it, we have left the realm of traditional CRM—but we still haven't closed the loop. The next step—and it's a doozy—is employing that information to facilitate the customer experience. This is the hurdle that CEM must overcome—and it's where loyalty marketing is most useful. *Why does my customer service get such bad marks? Why can't I get customers to upgrade within my brand rather than switching to a competitor's brand? Why is my customer attrition risk rising in some geographies?* These are questions that loyalty programs and their

associated technologies are designed to answer.

The unifying theory

Closing the loop, therefore, means simply that we're coming full-circle back to that original vision of CRM as a customer management strategy enabled by technology. This noble theory was usurped by software vendors who, because they failed to deliver on their promises, doomed the concept. Early definitions of CRM were therefore all over the map, but now the generally accepted definition of CRM holds that it is squarely an IT function. Talk about redefining the mission to declare victory.

Now that the concept has reemerged as CEM, it's more clearly defined as a business problem and is therefore less susceptible to the snake-oil salesmen. Not only is CEM much better defined than CRM was, but the definition is also actionable. It reads almost like an equation: do "1" to achieve "2." *Use data to drive customer service decisions, and more profitable customers will result.* As it happens, technology can enable many of the "1s". But the "2s"—the interpretation, the calls to action—require bright people and creative thinking.

So where does this leave us? To effectively implement the rather

intangible concept of CEM, marketers will continue to benefit greatly from both CRM and loyalty-marketing technology. You can likewise bet the farm that we'll soon see CEM software on the market—and some of them will be nothing more than repackaged CRM suites with the word *brand* wedged somewhere in the name. Companies flush with venture capital will design completely new packages that claim to implement "real" CEM.

For the time being, save your money. Don't take the call. Let's not make the CRM mistake again. Just as CRM failed to become the revolutionary force its proponents predicted, neither will CEM technology become your just-add-water panacea for the challenges of customer-centricity. If you want to pursue enterprise loyalty, you must tackle it directly as a strategy using the combined force of your CRM and loyalty technology as enabling tools. Putting your customer front and center to increase satisfaction and retention and build customer value is an organizational challenge, not a technology fling. ◀

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Investigations of COLLOQUY's Googlinator:

Just how overexposed is the talk of "Customer Service Management," and how much room is there to be similarly deluged with "Customer Experience Management" chatter? COLLOQUY editors recently ran Google searches on the following phrases. Results numbers are a bit frightening, especially those that reveal what the COLLOQUY editors spend most of their time Googling.

