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Customer Relationship Management

Will marketing get the message?

By Nick X. Smith and Paul F. Nunes

In a growing number of organizations, marketing is assuming a commanding new role—not only executing strategy but increasingly shaping it as well. As these leading growth companies redefine the marketing function, they are focusing on four key areas of competency.

Consulting • Technology • Outsourcing

Few of the recent economic downturn's many consequences are likely to prove more significant—or enduring—than the change in customer expectations.

When Accenture recently surveyed some 400 marketing executives from a wide range of companies, industries and geographies, a substantial majority agreed that the customer quest for value—getting better-quality products and improved service for less—would be lasting. Moreover, well over half of them reckoned that escalating customer requirements will change the marketing function fundamentally over the next five years (see chart, page 3).

The customer, in short, is putting marketing center stage in post-recession decision making.

In a growing number of organizations, marketing is now responsible not only for executing strategy but increasingly for shaping it as well. In some companies, marketing actually *owns* the growth agenda. At British Gas, for instance, chief executive Phil Bentley regards his marketing director as the company's "chief growth officer." And that kind of attitude promises to make marketing powerful indeed.

Yet within many organizations, the marketing function seems ill-prepared to take on such a commanding new role. Less than 12 percent of our survey participants said that they plan to devote significantly more resources to any marketing initiative in the coming year. The top three areas identified to receive significantly more resources are "streamlining all marketing processes" (11 percent); "investing in digital advertising/online presence" (9 percent); and "developing and training our marketing team" (9 percent).

In fact, most told us that they anticipate no increase at all in

investments. And fewer than one in five expressed confidence that they have the skilled resources necessary for the marketing function to perform effectively.

But doing more with less (or the same) is a post-recession necessity. Leading growth companies—those that managed to increase sales revenues in the challenging environment of the past fiscal year—know this. They are more oriented toward driving profitable growth through operational efficiency, for example. What's more, these leaders are notably more confident about their strengths in four key areas of marketing competency—operations, customer analytics, innovation and customer engagement.

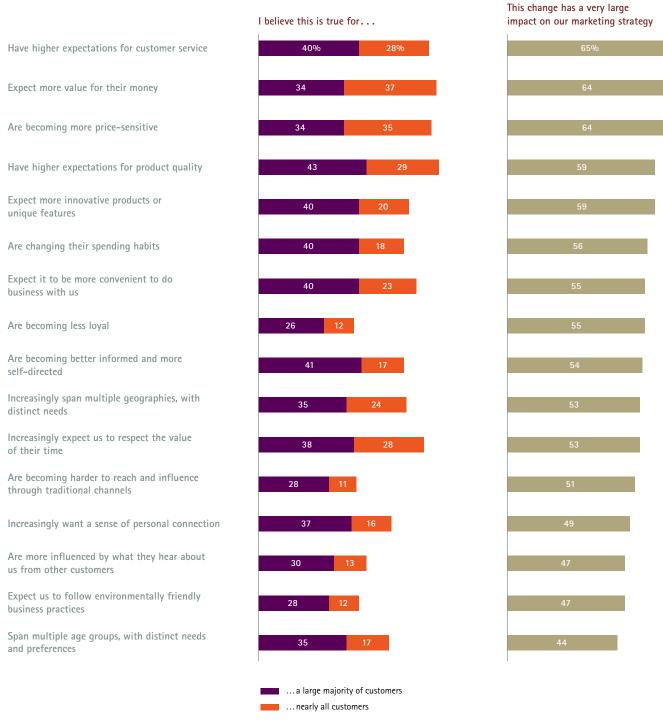
Consider these facts. Leading growth companies invested more in improving marketing ROI and in productivity initiatives like streamlined processes than those that lost revenues last year. Far more of them reported making effective use of digital marketing channels. And 59 percent said they extract and translate customer and market data into strategic insight—11 percent more than those that reported revenue losses (see chart, page 5).

Growth companies, in other words, have taken marketing to a new level of rigor. They have recognized that digital technologies and social media, and the vastly more interactive customer experience that these forces enable, have boosted the power of what we call scientific marketing.

By investing in customer data management, these leading companies are improving their marketing effectiveness. And by optimizing the data-driven insights that analytics deliver, they are engaging successfully with today's demanding customers. Perhaps most important of all, by adopting such

How the customer calls the shots

According to Accenture research, marketing executives have observed profound shifts in customer attributes and behaviors, many of which are having a significant impact on marketing strategies.



Source: Accenture analysis

scientific tools and techniques, they are freeing up the marketing function to focus on what it does best—thinking creatively. Here is a more detailed analysis of how some of the world's savviest marketers are putting these tools and techniques to work.

Reinventing operations

Inefficient marketing processes are a major headache for many of our survey participants. No surprise, then, to see that leading marketers have made their function more efficient, more effective and more scalable. For many, that has meant revamping antiquated processes—in short, reinventing operations.

A leading European financial services group, for example, found itself saddled with a marketing program originally built for direct mail that just wasn't up to meeting the challenges of the bank's modern, multichannel focus. So a couple of years ago, it decided to completely rebuild its marketing technology infrastructure and organization. The upshot: faster campaign cycle times, higher customer response rates to product offers and lower direct-marketing costs.

By centralizing its decision making and automating its processes, the group also gave its marketing executives more time to focus on strategic issues—a top goal for most of our survey respondents. And more efficient operations are the key as well to an outcome deemed equally desirable for most of those we polled—better coordination between marketing and other parts of the organization, including the C-suite.

Sometimes, reinventing operations puts marketing directly at the center of strategy formulation. One global food company, for instance, has been implementing a complete makeover of the marketing function. Designed to sweep out inefficient practices and make marketing central to business strategy, the project has put the function at the heart of such key areas of decision making as the sustainability and financing of supply strategy across the company's three core markets. Meanwhile, the company's brand managers have become virtual CEOs of their respective categories-an empowerment that has significantly raised marketing's game at the organization.

Customer analytics

To be sure, marketing's core challenge remains understanding the customer. And today's customers can be extraordinarily difficult to fathom—not least because they are so demographically diverse and their preferences are constantly shifting.

Marketers need to keep track not only of who their customers are but also who wants what and why. Most organizations are drowning in customer data of all kinds. But not many are using it to their advantage. Leading organizations, however, have harnessed the power of analytics to deal with all that

data efficiently and effectively. Indeed, Accenture research shows that high-performance businesses are five times more likely than low performers to use analytics strategically.

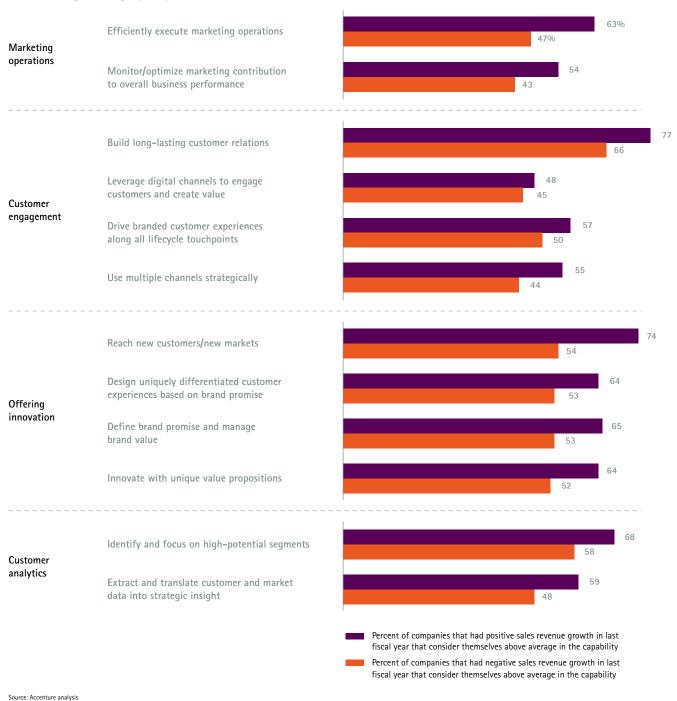
The data-driven insights that analytics deliver are critical to identifying the sweet spots that power profitable growth. By using descriptive analytics to segment customers accurately, for example, companies can gain detailed insights into what each segment really wants and values.

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The confidence factor

Companies with recent sales growth are more confident about their abilities in key marketing areas than companies with recent negative sales growth.

How would you rate your organization's performance in each of the following marketing capability areas?



Sephora: Leveraging the power of customer analytics

Since opening its first store in France more than 40 years ago, Sephora has revolutionized the global beauty business. The company's predominantly female customers are allowed to experiment with Sephora's huge product assortment and learn about cosmetics in a no-sales-pressure environment—something that more traditional outlets deny them.

Small wonder, then, that the Sephora name—an amalgam of *sephos*, the ancient Greek word for pretty, and the Biblical name Zipporah (Moses' wife, who was known for her beauty)—is now synonymous with fun, high-quality cosmetics shopping for women in more than 20 countries.

Personal attention is central to Sephora's success, and the company's marketing team takes a multichannel approach to delivering it. Sales consultants trained in skincare, haircare, makeup, fragrance and general beauty know-how are on hand to help in the stores. Email and web marketing, via Sephora.com and Facebook, reinforce and continue the personal attention that customers receive in Sephora's distinctively designed stores.

And customer analytics—the key to identifying individual tastes and preferences, and to keeping pace with them (see story)—play a critical role in securing customer loyalty. Indeed, Sephora has one of the savviest and most sophisticated customer relationship management programs to be found in any industry.

Customer analytics are fundamental, for example, to the success of Sephora's customer rewards program, Beauty Insider.

The loyalty program gives customers a compelling reason to provide the retailer with basic personal information by combining rewards, like discounts, samples and invitations to store events, with relevance—personalized beauty advice. A client's online profile might reveal that her principal skincare concern is dryness, for instance, and her purchase history both online and in-store reveals a preference for organic products. In this case, Sephora's direct-response marketing strategy gets straight to work, letting her know about the launch of a new and especially appropriate moisturizer, or even offering it as a gift.

This finely tuned ability to view a single customer over time and across different touchpoints has paid off handsomely. Sephora's survey response rate is one of the highest in the retail industry. What's more, Sephora has increased its profits from recurring operations and boosted revenues in all its markets—despite the economic downturn.

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Witness how Foxsports.com is using a new web analytics tool to deepen its understanding of who visits its popular site and how different sorts of visitors use the site at different times. The company's goal: to optimize site content and target advertising more effectively.

Predictive analytics, meanwhile, dig deeper still, allowing marketers to more accurately anticipate shifts in customer behavior—and alter their value propositions accordingly. At Sephora, for instance, the analytics team has leveraged the predictive insights from multichannel direct-response marketing, including direct mail, email and in-store communications, to help give the French beauty and personal products retailer one of the most loyal customer bases in its industry (see "Sephora: Leveraging the power of customer analytics," above).

HarperCollins: Engaging teens with an interactive dialogue

HarperCollins Publishers is no slouch when it comes to digital marketing. The New York-based trade publisher was the first in the industry to digitize its content, for example. And by responding to mounting consumer demand for online services with the creation of a global digital warehouse, HarperCollins has generated additional business growth opportunities with interactive initiatives, including Book Army, an online book recommendation site, and Authonomy, which invites aspiring writers to submit their work online and readers to review it.

The company's latest digital initiative is probably the most ambitious yet. Inkpop is the first interactive writing platform by and for teens that is backed by a major US publisher; it enables writers to reach teens and also allows teens to publish their works, tapping directly into one of the most robust and fast-growing categories in publishing—teen fiction.

The site combines user-generated content, community publishing and social networking—the sine qua non for young

consumers—and its attractions for literary–minded teens are compelling. Inkpop not only connects writers with readers; it also gives them feedback from a select group of HarperCollins editors who review the site's top five monthly selections, and provide feedback and mentorship opportunities. In some cases, they may also consider the work for publication.

Any teenager 13 or older can submit their creations. And more than 10,000 have done so since the site's soft launch in November 2009.

HarperCollins, meanwhile, gets direct, deep insights into what these lucrative young consumers care about, as well as the chance to build brand awareness for its authors and forthcoming books. Indeed, the success of inkpop has persuaded HarperCollins to enhance the site's capabilities. The publisher plans to add other formats, including photography, video and artwork—all creative endeavors that young people seem keen to share.

Insight into innovation

Leading companies are also adept at turning the insights that analytics deliver into action through more relevant and thus more profitable innovations. In fact, they formalize the process of insight management, turning innovation through marketing insight into a proactive and targeted process—one that is sustainable over time.

More often than not, this involves enhancing existing offerings to make them more relevant to specific customer segments. Consider, for example, how patiently analyzing the data about local sensibilities enabled Procter & Gamble to develop a more subtly fragranced version of its Febreze air freshener, which Japanese women had found cloying. Or how Kraft Foods has captured the

attention of Hispanic consumers in North America—a rapidly growing customer segment. The company responded to what analytics revealed about this segment's preferences by setting up *Comida y Familia* magazine and the ComidaKraft. com website, offering Latina cooks bespoke recipes and other information about how to use Kraft products in ethnic meals.

For its part, Batteries Plus, one of the largest such retail and B2B chains in the United States, has leveraged predictive analytics to track failed customer searches and offer shoppers what they are looking for, both online and in-store. And StubHub, the world's leading online ticket market-place, is using its email marketing channel to address the problem of customers abandon-

For further reading

"How to turn data into a strategic asset," *Outlook*, June 2010

"Onward and Up: How Marketers Are Refocusing the Front Office for Growth," Accenture, 2010

The Future of Marketing, The Marketing Society, 2009

ing their virtual shopping carts when they can't immediately find all that they're looking for.

By integrating real-time analytics data with a recommendation engine,

StubHub has been able to target customers who abandon their carts with relevant email offers—and boost revenue per email by an astonishing 2,500 percent.

Customer engagement

A customer-led growth strategy will hinge on the ability to generate long-term relationships with those customers. And marketing organizations that deliver highly relevant experiences consistently—across multiple channels—will achieve customer engagement and secure customer loyalty.

For many, creating a dialogue with customers through social media has become the name of the game. Virgin America, for example, has galvanized (in part, by offering the incentive of a free flight) a Twitter following so loyal that when new-comers tweet to ask if they should fly the airline, fans commonly close the sale. Book publisher Harper-Collins, meanwhile, has sought to create a community of interest with young readers—and aspiring writers—by recently launching inkpop, the first interactive writing platform for teens that is backed by a major US publisher (see "HarperCollins: Engaging teens with an interactive dialogue," page 7).

The marketing executives we surveyed all indicated that innovation and analytics were among their top priorities. These tools enable predictive management of the brand experience through all the operational processes that influence today's value-seeking consumers' interactions with the enterprise. And the most successful marketers are actively using them in response to constantly escalating customer requirements.

Yet more than 70 percent of our survey respondents also cited the ongoing importance to successful marketing of in-person contact with frontline employees. Investment in people, in other words, remains crucial. And so does the support of senior leadership—especially if marketing is to fulfill its strategic destiny at the heart of the business.

About the authors

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