

# 2017

## MARKETING IMPERATIVES

THE ACTIVATION OF  
PEOPLE-BASED MARKETING








# FOREWORD

“It’s about seeking truth in the data and finding proof through performance.”





## REAL PEOPLE, REAL MARKETING:

The complete customer experience.

Welcome to the sixth installment of the Marketing Imperatives, a yearly thought leadership series that examines key considerations and competencies for marketers in their pursuit of more valuable customer relationships.

Merkle's constant study of consumer trends, marketing techniques, and cutting-edge technologies informs our point of view about a brand's best path to competitive advantage. Over time, the Imperatives evolve, grow, and build upon each other from year to year. But they are always rooted in a single idea: that delivering highly customized, individual experiences to customers requires a deep understanding of their unique characteristics. That understanding is the key to driving increased purchase velocity, better retention, higher customer satisfaction, and ultimately, greater shareholder value.

Since the series began in 2012, we have explored the importance of customer strategy as business strategy, using data and analytics to tell a 360° story of the customer, and enabling enterprise-wide customer relationship marketing. We have brought that customer-centric philosophy to life, with a framework for building and executing a *Connected CRM® strategy*. We defined the competencies of *the Platform Marketer™* – necessary to take advantage of the opportunity of addressability enabled by digital audience platforms like Facebook, Google, Twitter, and others. That story line was expanded to investigate the broadening of the addressable mid-funnel and the marketer's ability to influence consumer behavior at every stage of the customer life cycle. Last year, we studied the latest generation of people-based marketing, seeing digital platforms mature to allow for

*true addressability*, enabling marketers to harness their own first-party data and safely combine it with third-party publisher data to create more meaningful customer experiences.

Our 2017 Imperatives delve into that customer experience itself, and how marketers can activate real people-based marketing. We lay the groundwork for establishing an enterprise customer strategy; explore the fundamentals of both addressable advertising and personalized experiences, making each moment relevant to the individual; and discuss the management of customer relationships over time, to identify and build value for the business. We hope you enjoy reading this book and refer to it often for inspiration as your people-based marketing journey unfolds.

## **DAVID WILLIAMS**

President & CEO



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# EXECUTIVE SUMMARY

“Technology is giving modern marketers the ability to put into practice what direct marketers have done for years – *marketing to the known.*”



## CUSTOMER STRATEGY & ACTIVATING PEOPLE-BASED MARKETING

As marketers, we have long benefited from the power that media and channels provide. We target audiences in our advertising. We tailor creative, messages, and offers to the unique characteristics of each tactic. We optimize our websites, our apps, our call centers, and our direct response marketing. We capture customer data to build lasting relationships and drive advocacy. And we test and invest in new formats, new technologies, and new platforms – to connect with customers as their behaviors evolve.

Today, we are moving toward true people-based marketing, innovating and creating more intimate moments with our customers. But we find ourselves burdened by increasingly fragmented marketing landscapes filled with platforms that don't talk to each other, programs that overlap or compete with one another, and metrics that fail to help us identify competitive advantages or overall customer and business value. At the same time, we are living in the midst of an inflection point, as technology transforms the power and potential of media. Technology is giving modern marketers the ability to put into practice what direct marketers have done for years – marketing to the known. We can now create more meaningful moments than ever, across every channel, every device, at any point in time – all uniquely designed for a specific, real person. This leaves many marketers asking an awkward question: “how do I do it?” The good news is there is an answer:

### **Put people first.**

It might seem like a novel idea, or even an obvious one for marketers, but the digital economy requires a fundamental shift that does exactly that – moving to people-based marketing. You may be asking – what does that really mean? It means brands must develop an enterprise customer strategy and elevate it to the top

of their marketing agenda. Our experience has shown that when brands begin with a deep understanding of their customers, built from real data, then design holistic marketing programs around those customers, and finally activate those programs using that same data – they outperform marketers who focus only on incremental improvement in individual tactics. A customer strategy moves beyond the optimization of individual tactics and charts a course for optimizing audiences across the customer journey.

## **So what is a customer strategy?**

A customer strategy is informed not simply by proxies or panels, but by real people. A customer strategy leverages a brand's first-party data, collecting and aggregating that data from vetted and valued sources as the basis for its insights. A customer strategy defines an audience segmentation that determines the value of those various audiences. A customer strategy provides a framework for how to prioritize investments and market to those audiences with precision, with relevance, and with results. Ultimately, a customer strategy informs nearly all of the decisions brands make about media, channels, creative, content, and the technology needed to make those moments happen.

## **What do I need to craft my customer strategy?**

Unfortunately today, most marketers lack a formal customer strategy. To get there, brands need three key capabilities working in harmony with one another. First, you need a unified customer data platform, or “stack,” for collecting, analyzing, modeling, and syndicating audience data out to each and every platform that touches the customer. You also need a unified people-based planning process that utilizes audience data and designs programs around those specific audiences. The last component of a formal customer strategy is organizational alignment both among internal teams and between clients and their agencies and other suppliers. This specific recipe of people, process, and technology provides the necessary elements to drive comprehensive people-based marketing.

## How do I activate my customer strategy?

A formal customer strategy equips brands to effectively deploy integrated people-based programs across their marketing ecosystems. It allows you to execute advertising that is fully addressable, experiences that are effectively personalized, and customer relationships that are properly valued and managed over time. The classic marketing funnel is reborn as a true customer life cycle where every moment, experience, interaction, or touchpoint is informed by data, created for the individual, and designed to move the customer toward a deeper relationship with the brand. This year, we examine each of those three people-based marketing imperatives:

1

### Make your advertising more addressable

World-class marketers are seizing the opportunities that media platforms now provide – targeting customers one-to-one, efficiently, and at scale.

2

### Make your experiences more personal

Data-driven marketers are taking advantage of the decisioning power technology provides to deliver more meaningful, relevant moments.

3


### Manage your customer relationships over time

The modernization of CRM and loyalty programs helps brands improve their understanding of lifetime customer value and prioritize marketing investment.

With our 2017 Marketing Imperatives, Merkle focuses on how brands can leverage the true power of their data assets to design, deploy, manage, and measure world-class people-based marketing programs across all their activation efforts.

The imperatives will help marketers focus on how to improve their targeting in paid media, better orchestrate decisioning across owned properties, and better manage to the value of their audiences over time.

Success in people-based marketing requires understanding these imperatives, embracing their call, and persisting in every effort to make them a reality. We are convinced that those who do will win.

A close-up photograph of a woman with long dark hair, looking down at her left wrist. She is wearing a white smartwatch with a black screen. Her right hand is resting on a white surface, with her index finger pointing towards the watch. The background is a soft, out-of-focus beige color. An orange border is visible on the right side of the image.

1 Make your advertising  
more addressable

## THE FIRST IMPERATIVE:

Make your advertising more addressable.

“ . . . brands can fulfill the promise of advertising as valuable content, rather than merely an interruption that consumers want to avoid. ”

Chief marketing officers are keenly focused on delivering the right message at the right time, place, and context to precisely the right audience. In a world of digital-centric, platform-based advertising where data reigns supreme, this has become virtually every marketer's number one priority. In fact, the power of first-party CRM data has never been more valuable or important than it is today. Marketing organizations are converging with technology and data organizations in order to become more customer centric. Agencies and consultancies are placing data and technology at the center of their approach to better understand, reach, and influence consumers. The scale of platforms like Google and Facebook, where billions of people spend vast amounts of their time, is helping advertisers deliver more relevant, real-time messages to larger and larger audiences. Software companies like Adobe, Oracle, Salesforce.com, and IBM continue to build their marketing clouds to automate the process of audience-based planning, targeting, and measurement. Meanwhile, marketers continue to be concerned about ad fraud, viewability, and ad verification as they try to prove the value of audience targeting and programmatic media. It's easy for a marketer to be overwhelmed, confused, even frustrated about the current state of advertising.

## What is addressable advertising?

All this noise and complexity are taking the marketer's focus away from the most important driver of true competitive advantage: addressable advertising. The term "addressable" is defined as "capable of being reached by an address; the place or the name of the place where a person, organization, or the like is located or may be reached." Addressable advertising marries the scaled buying of media across all formats with the capability of personal, one-to-one precision targeting. This begs the question – can a marketer reach an individual via outbound advertising, with this level of precision, and do it at great scale? The transformation we are experiencing in the world of media today says "yes."

## Let's talk about fidelity.

Fidelity is the new battleground in advertising. When we think of fidelity in music terms, we think about the exactness by which a voice or instrument can be replicated or recorded. In advertising, fidelity is the level of exactness by which a person can be persistently identified and tracked across the digital and physical interactions with the marketer. So an anonymous visitor to your site would be an example of low fidelity. In this case, the visitor is likely being tracked by a cookie placed on her browser. But we know little about that visitor, nor even who she is. That visitor can also easily wipe out that cookie, or switch devices, leaving us no persistent understanding of who she is, her behaviors, interests, or intent.



**FIGURE 1.1** *Marketers need high-fidelity audiences*



- Individual, 100% coverage
- Based on personally identifiable information (PII)
- Persistent across channels
- Persistent across devices

High-fidelity definitions look different (**Figure 1.1**). One example is a customer's relationship with a bank. When a consumer visits an ATM, pays a bill via online banking, or walks into a branch, she is identified by a personal ID (unique to her), along with various passwords and PINs for security.

The bank knows it is dealing with a specific, unique individual at each of those touchpoints. Fidelity has become the new currency of addressability in advertising. It is not enough to simply make a commitment to embrace “audience-based advertising.”

What marketers need in order to truly transform their advertising is improved fidelity. High fidelity is best achieved when you understand and reach **real people, not proxies**. Reaching real people at any point in the customer journey – whether it’s aiming to change brand perception, entertain or engage, solve their problems, influence their purchases, or motivate them to act – always produces a better result when the fidelity is higher.

“*Real audiences beat proxies every time.*”

### It’s time to move beyond the proxy.

Most advertisers have continued to rely on proxies, such as research panels or anonymized cookies, as their basis for planning and buying advertising across outbound paid media – and as the method by which they target advertising and measure its impact. Unfortunately, the industry has continued to behave like low-fi marketers in a high-fi world. We can do better. For the past 50 years, the television buying ecosystem has been driven by the viewing behaviors of a mere 10,000 US households that agreed to participate in a panel. More than twenty years ago (1994), the cookie was developed by Netscape as a method for recording a browser’s behavior on the web. The cookie remains a standard for recognizing a user’s web behavior and also for anonymously reaching them with ads. But it’s been reported that every individual can receive as many as a dozen cookies from a single site or ad network<sup>1</sup>. Studies also continue to show that individuals move across devices constantly throughout their decision journey<sup>2</sup>. Neither panels nor cookies serve as precise identifiers of real people or behaviors.

1. Johnson, Keith. “Online Marketing: When the Cookies Crumble (Delivering consumer value in a post-cookie online marketing world).”  
<http://www.targetmarketingmag.com/article/delivering-consumer-value-post-cookie-online-marketing-world/all/>.

2. IBM Corporation. “Five Best Practices for Understanding Customer Journeys.” June 2016.  
<https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=IMW14854USEN>

## Publishers and media companies are modernizing.

Through most of the last two decades, publishers and other media companies, like advertisers, continued to rely primarily on those same panels and cookies as the currency for audience targeting. We have lacked publishers and media companies that were able to provide personally identifiable information (PII) about their audiences, as a basis for targeting. Additionally, they were unable to match an advertiser's first-party data (e.g., email addresses, name, physical address, phone number) to their known users. So even if an advertiser knew who its customers were, it was unable to leverage that information when targeting its advertising.

That is, until Facebook unveiled its Custom Audiences program, allowing brands to “bring their own CRM data to the buy” and match those IDs against Facebook's own users. Twitter (Tailored Audiences) and Google (Customer Match) followed suit. Nearly every other publisher or media company is now rushing to provide similar ID-based targeting. Finally, it has gotten to scale.

## What's old is new again.

This ability to use PII about real people to target at that individual level, knowing the person you intend to reach is actually that person – might sound familiar. Database marketers look at the rise of this targeting and think “we've been doing this since the 80s; it's called direct marketing.” The USPS allowed us to target individuals with mail, the telco companies allowed us to target by phone number, and the email service providers gave us the ability to target by email address. Now we have the person ID (**Figure 1.2**). The difference is that the data sets are radically larger, the speed of delivery is near real time, and the technology to analyze it all (machine learning, AI, etc.) is significantly advanced. All of this gives marketers the opportunity to see results that eclipse the outcomes of the past.

**FIGURE 1.2** *The Person ID*

WHAT'S OLD IS NEW AGAIN

NAME & ADDRESS



PERSON ID



## Addressable advertising is now at scale.

The rise of login-based platforms has proliferated across the digital ecosystem, comprising companies like Facebook, Twitter, Amazon, Google, Apple, Snapchat, AOL, and Pinterest, as well as TV providers who possess a household ID (street address and set-top box). They are engaged in a battle among media owners and publishers which is largely based on fidelity. Those who build a scaled, cross-device footprint of authenticated, PII-based audiences will be able to provide their advertisers with more accurate targeting and measurement of their ad inventory and programs. Media owners and publishers are getting smarter, and so are advertisers. We can see a media market in which every impression that can be addressable will be.

This digital economy is a “me economy,” so for advertising to be relevant to me, it must be able to identify and reach me as a person. This is especially true on mobile devices as they mushroom into the primary method of media consumption, engagement, and utility. Cookies don’t work here. Marketers who are striving to be “mobile first” in their advertising need to shift to a people-based approach in order to understand and reach mobile consumers.

Furthermore, this world of addressable digital advertising effectively eliminates ad fraud and immediately solves cross-device identity management. An impression becomes a true impression, as platforms continue to require an authenticated session through site, mobile, and app. Fraudulent impressions are no longer a problem in this new world. And more and more inventory continues to move in this direction.

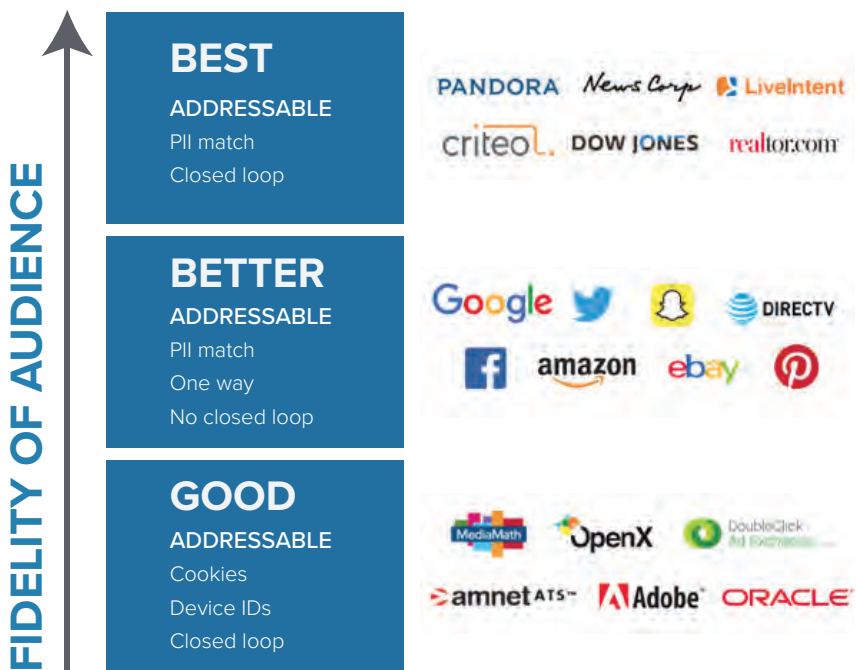
## How do we do addressable advertising?

So, what's a marketer to do to win in 2017 and beyond? Today, it's possible to deeply understand the behaviors and motivations of consumers at the person level, know where they can be reached, create addressable advertising that's more relevant, and deliver it at scale with better outcomes. The key to enabling this is a master identity management capability that links third-party consumer data with the advertiser's customer data, across online and offline touchpoints, allowing true people-based audiences to be created and targeted across the largest media ecosystems and the wider web.

Advertising in this model starts with real people and the power to glean insights on a variety of individual and household-level attributes like demographics, purchases, digital engagement behaviors, lifetime value, and advanced attributes like propensity to convert, media consumption, and more. Now with these people-based audiences, each with a unique ID matched to various media publishers and platforms (as well as cookies), advertisers can be armed with a good, better, and best fidelity approach to audience planning and targeting.

Good addressable advertising allows marketers to match their person IDs to cookie-based media. Better addressable advertising matches the marketer's person IDs to the media partner's user IDs, for true people-based targeting. The best addressable advertising gives the marketer not only that two-way ID sync as a method of targeting – but also supplies data back to the marketer, allowing the brand to “close the loop” on marketing measurement (**Figure 1.3**).

**FIGURE 1.3** *Good, Better, Best*



Decisions are made to maximize the true one-to-one addressable reach of outbound media through tools that can verify ads were delivered to actual people, therefore reducing fraud, maximizing relevance, and proving impact.

**Activate high-fidelity audiences.**

Starting your advertising with third-party, cookie-based audience definitions, and then buying media based solely on matching to cookie-based impressions, is a lower-fidelity approach to people-based marketing. Defining your audiences with first-party data, having IDs for those individuals, and purchasing inventory that is




matched ID to ID, is real high-fidelity addressable advertising. When buying media in the more open, cookie-based programmatic media marketplace, advertisers can gain an improved level of fidelity in targeting and measurement as first-party audiences are created before syndication into data management platforms (DMP) and demand-side platforms (DSP). For those advertising on major media platforms like Facebook, Google, Twitter, AOL, Amazon, and others, advertisers get addressable targeting at scale. However, they must sacrifice a level of fidelity on the reporting and verification of ads delivered to real people — because these platforms aggregate reporting without passing back the actual IDs of the exposed audience.

## **Extend your high-fidelity audiences.**

These high-fidelity audiences extend beyond activation. People-based data can be linked to qualitative panels that identify motivations, lifestyle, behavior, offline attributes, and more. This connection powers a new breed of communications, content, and creative planning associated with advertising — using targeting in conjunction with messaging to drive results that far exceed what targeting alone can provide. This concept of people-based audiences is also beginning to penetrate beyond addressable digital platforms. The promise of addressable TV is almost at hand. With the rise of set-top-box viewership data at a known household level and smart TV content recognition systems, getting to true people-based linear TV buying is a nearly a reality. Providers like Fourth Wall and Rentrak have the ability to match household-level set-top-box data to first-party CRM databases to understand what your customers are watching and when. When viewers register their TVs with manufacturers, advertisers can determine what is being displayed on the TV (e.g., set-top box, on demand, DVR, OTT apps, etc.). Similar known matching capabilities have been available in print magazines for years and even the radio landscape is now changing with the proliferation of Apple Music, Pandora, and Spotify.

## Addressable advertising has arrived.

Individual-level, high-fidelity data drives a much deeper understanding of the consumer, enabling marketers to create a new level of relevance. As a result, brands can fulfill the promise of advertising as valuable content, rather than merely an interruption that consumers want to avoid. With the convergence of advertising and content, driven by rich new video, social, and native ad formats and delivered across mobile devices and screens, awareness and engagement are much closer to, even integrated with, transaction functionality. These new ad experiences, combined with the ability to improve traditional advertising placement with people-based data, are the future that is here today.

A man with a beard, wearing a grey beanie and glasses, is looking at a smartphone. He is wearing a dark jacket over a light-colored sweater. The background is a blurred museum setting with a large, light-colored coat on display.

## 2 Make your experiences more personal

## THE SECOND IMPERATIVE:

Make your experiences more personal.

“ *Our focus must be on using that data to make the experience as relevant, intimate, and meaningful to the customer as possible, recognizing the expectations of the customer, regardless of the channels or devices they use.* ”

Let's shift from addressable advertising and the power of advanced targeting via outbound media to the broader set of interactions that customers have with brands. Traditionally, marketers focused on customers' experiences as they moved through a relatively linear sales funnel. Those experiences no longer align to customer expectations – or how those customers behave and engage. Today, a customer's ability to choose the time, place, and means of engagement has forced the marketer to refocus from a fixed campaign strategy into an always-on, responsive conversation. To that end, brands must create personalized experiences – defining, managing, and interacting with an always-on customer who is constantly maneuvering among channels and across devices.

Addressable advertising provides a powerful stimulus to trigger a customer to action. Once the customer chooses to interact with a brand (via an inbound channel), the relationship between customer and brand must evolve into an orchestrated personalized experience. Marketers today have more and more valuable

data (web behavior data, motivational and intent data, as well as demographic and other data sources) to help inform and deliver the customer's experience. Our focus must be on using that data to make the experience as relevant, intimate, and meaningful to the customer as possible, recognizing the expectations of the customer, regardless of the channels or devices they use.

## **Move from messages to conversations.**

In that always-on life of the modern consumer, personalized experiences have become not only appreciated, but expected. They are the new norm. Regardless of industry, when consumers engage a brand through any number of inbound channels, they expect consistent, relevant, and useful experiences that reinforce their relationships with those brands and their selection of products and services. Consumers expect to be spoken with, not talked at. They require a beneficial dialogue where the brand converses with them directly throughout their journey – a journey that recognizes them personally during each interaction and through the full progression of that journey.

## **Shift from targeting to decisioning.**

As we said earlier, when brands utilize people-based marketing strategies, their advertising efforts are transformed by advances in targeting. While knowing the “who” is also fundamental to the experiences you provide, *the capability that most affects the customer experience is “how” you orchestrate decisions*. What do you know about your customers’ wants and needs? What messages, offers, content, creative, services, or functionality are most relevant to them? How do the data and intelligence you have at your disposal help inform these decisions? Are you prepared to make decisions in the moment? Are you equipped to dynamically deliver against the expectations that the customer has in that moment?

## What is decisioning?

Those questions have long been at the heart of the marketer's challenge — once you know who the customer is, how do you give him precisely what he most wants and needs? How do you make the moment a valuable one, and one that will drive that customer to desired behaviors? Today, that challenge is multiplied by the diversity of media, channels, and devices, along with the seemingly unpredictable and non-linear nature of the customer journey. All in real time. To meet the challenge, marketers have to possess modern decisioning capabilities. *By decisioning, we mean the capacity to draw from the same customer intelligence used for targeting your addressable advertising, weigh that understanding against the current context to predict behavior, and issue guidance or commands to inform the best experience possible — all in a moment.*

## Have a common intelligence platform.

We've already discussed the power of real people-based data. Leading marketers have recognized the value of the customer data assets they already possess, and are rapidly finding ways to improve, expand, and deploy those data assets into their modern marketing ecosystems. Meaning, marketers are working hard to make sure that the knowledge they have about their customers stays current and correct and functions as a "single source of truth." And this knowledge is syndicated to all the systems that need it, to inform every in-the-moment marketing decision that must be made. *Those who lag behind, or don't have the deep insights about their customers, will find themselves inefficiently investing in experiences that may not be what the customer wants.*



## **Our decisions have improved.**

Some of the greatest advances in marketing have been happening in the decision-making arena. No more *Mad Men* saying, “It should be red, no blue.” Today’s marketers have adopted and progressed through advances in testing and optimization. In the creative field, we’ve built on basic format testing, mastered the practice of A/B tests, and made our way to multi-variate testing programs to optimize landing pages, emails, direct mail pieces, and more. We’ve created models that tell us the next interaction should be a direct mail piece rather than an email (or vice versa), or to wait three weeks vs. three days before the next “touch.” We’ve built algorithms that tell us which product the customer is next most likely to buy. Our ability to predict outcomes has grown significantly.

## **The evolution of “deciding.”**

But now improvements are poised to come exponentially. Advances in computing power, data processing, software, and “live” media formats that allow for dynamic experiences – all have given marketers new powers of reason. They have enabled advanced capabilities to make incredibly precise decisions, and to do so in mere milliseconds. Machine learning and artificial intelligence have made their way into marketing, and we see it in the application of products like IBM’s Watson, Salesforce’s Einstein, and others. Today, we can make better decisions, faster and more accurately than ever.

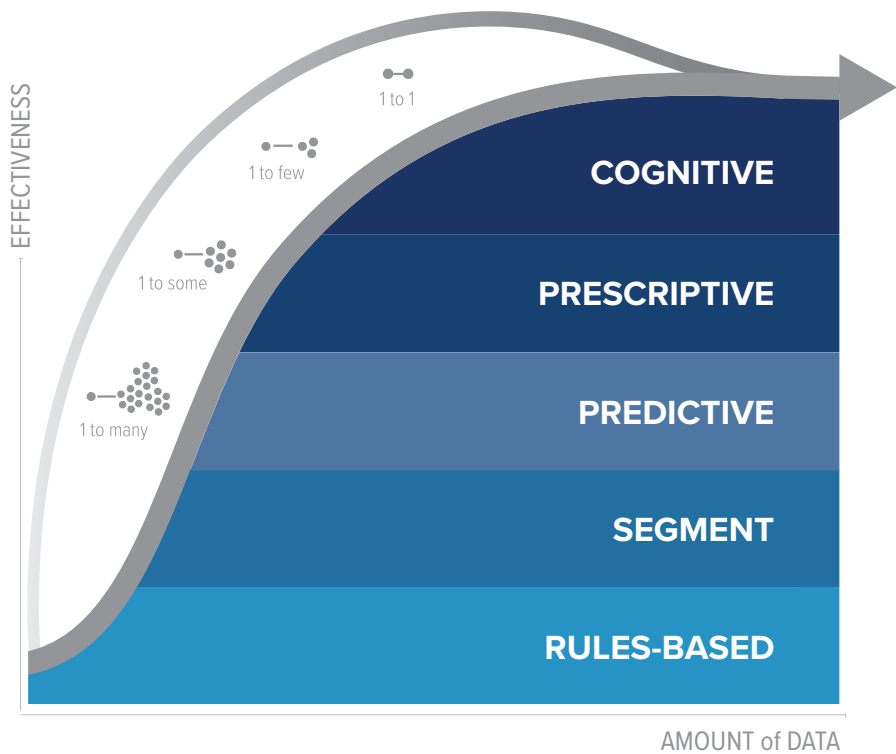


# Assess your orchestration maturity level.

So, how do you know where you stand? How sophisticated do you have to be to satisfy the customer and beat the competition? *How good of a decision do you have to make?* To get to the bottom of that question, we developed the Orchestration Maturity Model (Figure 2.1).

**FIGURE 2.1 – Orchestration Maturity Model**

Data-driven orchestration enables marketing to move personalization from one-to-many to one-to-one. Personalization is delivered via a hybrid of orchestration techniques.



**RULES-BASED**  
Leverage business defined rules in decisioning



**SEGMENT**  
Develops audience segments for decisioning



**PREDICTIVE**  
Automated algorithmic decisioning engine selects next best offer



**PRESCRIPTIVE**  
Detailed interactive data provides customer intent



**COGNITIVE**  
AI understands customer intent / manages conversation

## **Harness the power of modern decisioning.**

Our modern marketing stacks need this decisioning power to provide personal experiences. At Merkle, we call these systems decision optimization platforms (DOP). Perhaps you've historically activated CRM data to conduct direct marketing. Maybe you have audience segments coming from your DMP for your digital marketing efforts, or you've fully integrated your CRM data with your anonymized digital audience data. All good. But without the ability to decision the next moment, your marketing will fall short.

Your decisioning system has the capacity to make that call for you. And while some platforms today can provide rules-based, or even predictive decisioning, marketing is rapidly moving to systems that reach beyond those methods – shifting from following rules and predicting, to anticipating and actually knowing what the customer's next need will be. Companies like Adobe, Pega Systems, IBM, Oracle, and Salesforce.com are providing ever-more powerful software to make these sophisticated decisions possible. Brands must start integrating these new “superpowers” into their marketing infrastructure.

## **The decision directs the experience.**

Once your decisioning systems are in place and powered by the right customer intelligence, you can deliver the right experience. As marketers, we live for those moments when the right person gets precisely the right message, in the right format, at the right time and place. It may be the holy grail the marketer seeks. And with the right customer intelligence, the right technology to tailor an experience in the moment, and the decisioning power to know what experience is the correct one – marketers may have found their moment. Media technologies (ad servers, DSPs, etc.) give the marketer the ability to serve (or not serve) an impression in milliseconds. Email platforms can be set to fire off communications based on a myriad of triggers. Creative and personalization tools can assemble unique ads, emails,

landing pages, direct mail pieces, and even TV spots – tailored to the unique context of the customer. Other systems can tell the call center representative exactly which message or offer will be most relevant. In effect, marketers have the tools to deliver real one-to-one custom experiences, synchronized and orchestrated to maximize both customer satisfaction and business value.



3 Manage your customer relationships over time

## THE THIRD IMPERATIVE:

Manage your customer relationships over time.

### Value is created over time.

Addressable advertising and personalized experiences are critical for marketers to get right. They are point-in-time capabilities that drive value with each distinct interaction. But without a defined customer strategy that spans the customer life cycle, they can be unrelated and disconnected experiences that come up short in delivering optimized results. To address this challenge marketers must define and execute on a strategy that values customers in meaningful ways, orchestrates retention efforts to keep valued customers, and stimulates the relationship to increase value over time.

Brands often attempt to address customer strategy by building siloed customer relationship marketing (CRM) and loyalty programs. Traditionally, CRM endeavors have been heavily focused on promotion and discounts. Meanwhile, loyalty efforts have historically been run separately, and usually as a points-based program to incentivize desired behaviors such as purchases, engagement, or referral. This separation is exacerbated in large organizations that have multiple brands or divisions, because it is very common to have multiple CRM programs and loyalty programs under the same roof.

### The time has come: unifying CRM and loyalty.

It's time to start looking at CRM and loyalty in unison, as the connection of addressable advertising and personalized experiences over time, with traditional loyalty programs functioning as a component of overall CRM efforts. In this people-based marketing approach, you must build experiences that are informed by data and analytics to meet people where they are, as they go up, down, and sideways in the purchase cycle. To do this, you must: understand the impact of coordinating CRM and loyalty, take a data-driven approach to building a customer journey, determine the right approach to loyalty for the business, integrate your CRM and loyalty platform and processes, and organize to drive collaboration.

## **Disconnected CRM and loyalty can be costly.**

There are a number of reasons why CRM and loyalty programs are most often built and managed separately: organizational design limitations, timing and sequence of program inception, diverging priorities, and budgets. Reasons aside, operating separate programs ultimately causes increased costs and decreased enterprise effectiveness. Add to this a common situation where one or more loyalty programs are separate from one or more CRM systems, and the result is even more costly and ineffective. Similarly, data is moved around from system to system, creating risk, redundant technical licenses, management costs, and data latency.

Meanwhile, there are many benefits to coordinating these programs – not the least of which is the decreased cost of funding new initiatives. Bringing the data together also reduces the total cost of ownership (TCO) for the same effectiveness and reduces data latency among systems. Money saved can be used toward accelerating insight and action on prospects and the existing customer base.

## **CRM + loyalty yields a better customer experience.**

A second and even more impactful advantage of a coordinated approach is the improved customer experience achieved by marketing to the person, not a persona — by marketing based on the customer's needs, not the product's budget goals. Unless your company sells only one product or service, your known prospects and customers bounce around in the funnel and in their product life cycle. A single person may be nearing a renewal or replenishment cycle on one product and in the consideration phase on another. At the same time, they may have had a really good or really bad customer service interaction on another product. All of this information impacts his or her view toward your company and products. Only with an integrated view of the information can you

**FIGURE 3.1 - A Unified Approach to CRM and Loyalty**





test and measure the impact of a customized experience over time. Without it, you are trying individual tactics based on incomplete information and measuring against unlike populations.

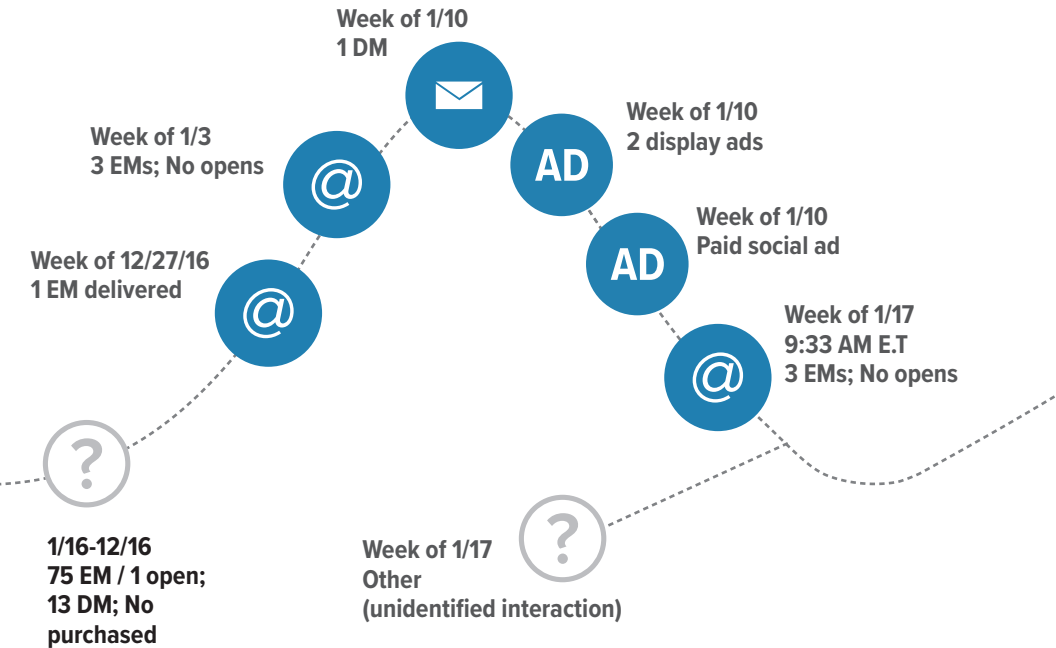
## Take a data-driven approach to building a customer journey.

A thoughtfully planned prospect and customer journey is the foundation of an integrated CRM and loyalty program, beginning with a thorough understanding of the current state. Often companies make the mistake of skipping to brainstorming and designing the future state without grounding themselves in what's working and what's not. Let the data speak for itself – both at a segment and individual level. Ideally, you have direct access to a complete contact history and are able to conduct a review of every communication, contact, and interaction with the individual over a period of time. Even without a centralized repository of contacts, you should be able to manually pull together an inventory of touches for a select number of customers.

The example in **Figure 3.2** is adapted from an actual customer record that has been anonymized. It illustrates a combination of people-based and cookie-based interactions associated with a specific customer across various online and offline touchpoints.

## The problem:

The current experience is largely unmanaged.



**FIGURE 3.2** — *The Non-Linear Customer Journey*

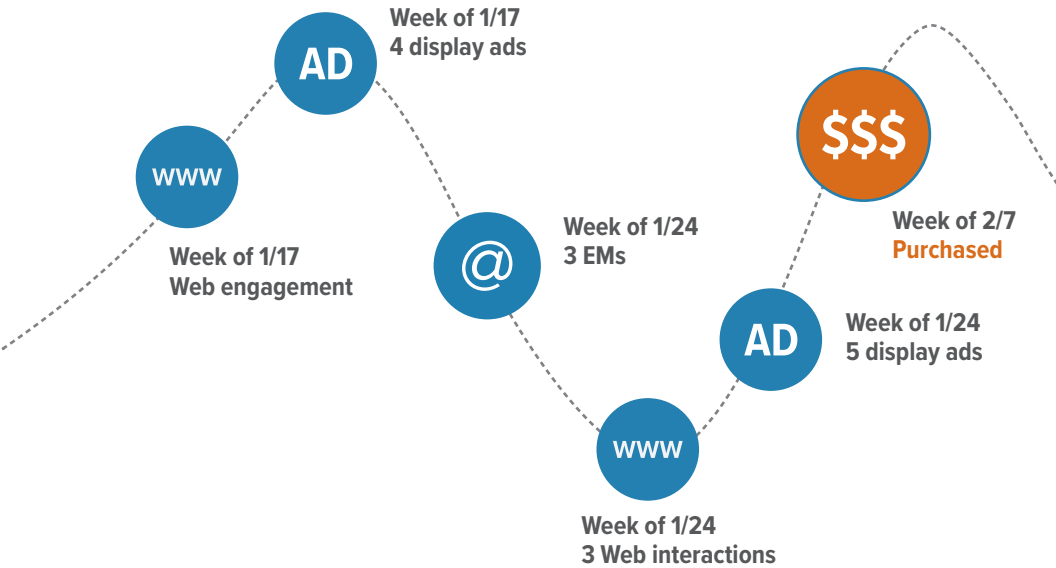
The next step is to use this information to probe for opportunities, asking questions such as:

- Which programs are over/under represented in frequency and volume?
- What are the programs with the highest degree of overlap?
- Are the channels and programs interrelated or completely independent?



**RID:** 500000987654321  
**Name:** John Adams  
**Location:** Elkridge, Maryland  
**Age:** 25-35

**Income:** 75-100k  
**Segment:** Young Upcoming  
**Last Purchase:** Laptop



● KNOWN TOUCHPOINTS

○ UNKNOWN UNMANAGED

- Is there a linkage between customer behavior and communications?
- Are there significant differences across customer segments?

**The analysis will allow us to hone in on the touchpoints and interactions that require optimization in the prospect and customer journey.**

## Determine the right approach for the business.

A well planned and documented enterprise loyalty plan means the value proposition is built on sound financial and economic goals. Those goals become lofty and are only attainable if the technology team can implement the vision through its systems and all consumer channels. Those systems and channels are bolstered by a CRM/ marketing communications plan that promotes program engagement through all forms of media and the company's team members. A dedicated operational focus will also drive learning and continuous improvement.

There are several aspects that define a successful loyalty program. First is the value proposition that incentivizes consumer behavior to earn some form of currency. Second is the frequency by which that currency is minted. And third is the utility of the currency generated by incremental activities of customers. With an effective loyalty program in place, brands can understand not only who is responding to their marketing media, but also what consumers are buying in response to a specific loyalty campaign, how often they are engaging in these purchase behaviors, and how those purchase and engagement behaviors track over time. The insights derived from this data allow marketers to tailor their marketing and ad spend into the channels and consumer segments that successfully drive the business and financial objectives of the organization.

## Leverage the loyalty framework.

To determine the right approach for loyalty for the business, companies should leverage a loyalty framework as a blueprint for success (**Figure 3.3**). That same framework can be used as a scorecard for success over time as the program evolves. Smart loyalty marketers can create their strategies underneath these banners and implement them according to both their budgetary needs and the cadence of their business.

**FIGURE 3.3** *Blueprint for an effective loyalty strategy*

**Operations**

Support elements from launch to stabilization to program optimization

**Enterprise**

Conduct qualitative and quantitative assessments in order to establish a foundational understanding and to capture context and perspective that help identify key program opportunities



**Technology**

Navigate technical capabilities, requirements, and integration to correspond to program design components and execution

**Economics**

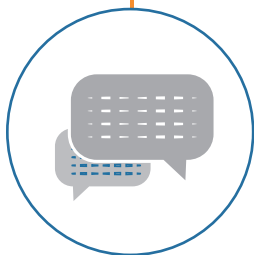
Reflect business case modeling, projecting the impact of the program across key business drivers

**Marketing**

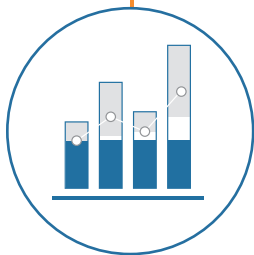
Evaluate and develop options from an ideation perspective, refining to identify a recommended approach to enhance & refresh the program



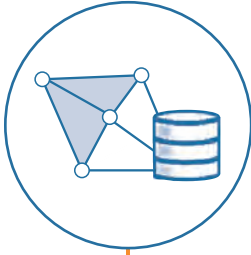
**ENTERPRISE** – The loyalty initiative has champions dedicated to its success, from the C-level suite to the internal teams supporting the program, as well as the stores, branches, locations – all of the places the company employee has the potential to interact with the consumer as a front-line representative of the program. Enterprise also means the thoughtful roadmap of products, services, and partners that can and should be integrated into the loyalty program value proposition – either initially or over time.



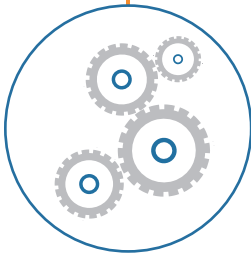
**MARKETING** – The program is supported with campaigns to build awareness and engagement of the consumer in the program – through all forms of marketing media available – both proactive and reactive to interaction with the program. Marketing goals are a continuous test-and-learn engagement strategy driven by the data and insights.



**ECONOMICS** – The program has defined economics and logic behind the consumer value proposition that is offered, as well as the predicted goals and financial targets the program wishes to achieve. The underlying program economics should be foundational to all consumer marketing, technology, and operational initiatives.



**TECHNOLOGY** – A technology platform enables front- and back-end capabilities to offer incentives at the consumer segment level. It maximizes the company's existing assets, such as POS systems, inventory systems, data warehouses and BI tools, mobile applications, web sites, call center applications, card production, data processors, finance and accounting systems, training tools, e-commerce sites, and partner sites.



**OPERATIONS** – The best laid loyalty implementation plans only matter if you can execute against them throughout the enterprise; implement them on time, on budget, and within an established technical framework and roadmap; and integrate marketing and finance mandates. The loyalty operations hub becomes the center of excellence to continuously drive the enterprise mandate, through the triumvirate balance of finance, technology, and marketing.

## **Integrate CRM and loyalty platform and processes.**

CRM and loyalty platforms have slightly different purposes. Both are intended to enhance marketing to customers, but they differ in their membership and how they provide incentives. We view loyalty programs as a subset of customers in a CRM program. Customers sign up for a specific program and provide personal and transaction information in exchange for specific benefits. As noted earlier, the intricacies of a loyalty program are particular to an individual business and what behaviors it wants to drive. In practice, loyalty program members should have communications, content, and incentives that are distinct from those CRM members that are not in the loyalty program. But your marketing should leverage the whole of the CRM data set to determine best offer(s), tone, and cadence.

Integrating the two happens at multiple layers. In the simplest iteration, both programs have access to the same data and can leverage the data at the same time. An example is the ability to provide a real-time loyalty balance in every email to provide a sense of recency and consistency across communications. The same information can be used in display marketing to enhance a bid for a particularly valuable product set to a loyalty program member of the highest tier. The implications are many. The starting point is bringing the data together so that you, as the marketer, can plan, test, act, measure, and refine. But you can't do it alone.



## Organize to drive collaboration.

Along with a technology platform, the other key enabler of a cohesive prospect and customer experience is the organization itself – factors including sponsorship, people, and processes.

***Sponsorship and executive buy-in*** – Collaboration starts at the top. The leaders of a company must be aligned on the importance of an integrated approach to CRM and loyalty programs and be committed to driving this change through the organization. It starts with an executive sponsor who will establish the vision, lead the charge for change, educate his or her peers, and establish a steering committee of cross-functional executives to provide oversight.

***Customer advocate*** – In addition to existing program and channel-focused delivery teams, there needs to be a single team tasked with owning the experience from the customer's perspective.

### **Responsibilities of a customer strategy team**

#### **Customer segment strategy**

- Establishing segment portfolio strategy
- Owning multi-dimensional segmentation
- Guiding channel selection by segment

#### **Customer experiencing planning**

- Developing and maintaining customer journeys
- Managing message prioritization rules
- Designing integrated communications plans



***Formalized collaboration through a CRM and loyalty center of excellence*** – The lack of collaboration across CRM and loyalty teams often stems from the existing organizational structure. For companies where CRM and loyalty teams are organized and operated independently, a center of excellence (COE) model offers a way to coordinate and collaborate across the teams.

The existing CRM and loyalty teams, as well as the customer strategy teams, would comprise the core of the COE. Others to include are representatives of channels, products, technology, and measurement functions involved with the delivery and support of people-based marketing. The purpose of a COE can span a range of responsibilities, dependent on the business context and challenges of a company:

#### **Inform & Educate**

- Gathering and disseminating latest CRM methodologies, innovations, and best practices
- Managing a comprehensive, up-to-date inventory of people-based marketing programs
- Providing guidance on design of new CRM and programs



### **Prioritize & Arbitrate**

- Driving coordination through identification of gaps/overlaps across programs, including arbitration of conflicting objectives
- Prioritizing new CRM initiatives and investments based on corporate objectives

### **Build & Execute**

- Leading new CRM technology acquisition and development
- Providing shared CRM services across the organization

Ultimately, reorganizing to a centralized CRM and loyalty model may make the most sense; but in the interim, a COE allows a company to have a way to override the challenges of its existing model to drive an integrated prospect and customer experience.

## CONCLUSION

We know these challenges aren't easy to solve. They are complicated, requiring talented people, evolved processes, and the introduction of new technology. But we also know the imperatives are true must-do's to achieve or maintain a leadership position in your marketing efforts. Customers are coming to expect advertising that is extremely relevant, and experiences that are deeply personal. And in a crowded, noisy world, your customers expect you to know who they are, value them appropriately, and treat them in a way that corresponds to that value. Best-in-class marketers know their outbound and inbound marketing efforts have to work in concert, as one fluid experience for the customer, powered by a common high-fidelity data set that informs each and every interaction. The shift to true people-based marketing has already started. Are you ready?

## **Find out more about the 2017 Marketing Imperatives.**

To learn more, visit [\*\*www.merkleinc.com/imperatives\*\*](http://www.merkleinc.com/imperatives). You'll find links to the 3-part on-demand webinar series, as well as an online assessment that will help you gauge your organization's people-based marketing readiness.

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## **Evaluate your organization's people-based marketing readiness.**

Adopting a customer-centric business strategy requires a specific set of capabilities and a carefully planned and executed organizational transformation. Determine your organization's readiness by taking this quick 10-minute assessment. [\*\*Take Assessment\*\*](#)

The imperatives that we've outlined over the past six years are as relevant today as they were when they were first published.

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**2016**  
Winning with People-Based Marketing



**2015**  
Mastering the Addressable Customer Experience



**2014**  
The Rise of the Platform Marketer



**2013**  
Connected CRM



**2012**  
Blueprint for CMOs

If you'd like to talk to us about your company's people-based marketing initiatives, contact us at 1-800-9-MERKLE, or visit us at [www.merkleinc.com](http://www.merkleinc.com).

## ABOUT MERKLE

Merkle is a leading data-driven, technology-enabled, global performance marketing agency that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 25 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The agency's heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive people-based marketing strategies. When combined with its strength in performance creative and media, Merkle creates customer experiences that drive improved marketing results and shareholder value. With more than 4,100 employees, Merkle is headquartered in Columbia, Maryland with 16 additional offices in the US and 8 offices in Europe and Asia. In 2016, the agency joined the Dentsu Aegis Network. For more information, contact Merkle at **1-877-9-Merkle** or visit [www.merkleinc.com](http://www.merkleinc.com)

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