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Title

All Things Considered:

HOW AUTOMATION CREATES RELATIONSHIPS THAT IMPROVE THE EFFECTIVENESS OF CONSIDERED PURCHASE MARKETING

Body Copy

ABSTRACT

The dynamics and mechanics of marketing have changed irreversibly. Yet the change, thanks to the Internet, is an enormous improvement over the traditional ways in which considered purchases have been marketed and sold from one business to another.

It is now possible to create targeted, one-to-one messages that can be delivered to a prospect's desktop in seconds and, when a reply is sent back, responded to (or modified) just as fast. Information can be delivered, requested, and enhanced – and marketing messages made more effective – without the usual lag time required for Sales or Marketing personnel to react to a customer's response.

By automating marketing processes and accelerating the pace of interaction between a company and its prospects, businesses can augment (and, in some cases, replace) certain phases of in-person selling while reducing both the cost of marketing and the cost of sales by as much as 98%. Yet the quality of the interactions can be very high initially – using best practices adopted from a company's top Marketing and Sales personnel – and can be improved on an individual, "personalized" basis as more information about each customer becomes available.

The result is that complex, considered purchase products and services can be explained more effectively in less time, at less expense, and with more relevance to each prospect than ever before. For companies, marketing automation preserves human and financial resources, shortens sales cycles, and generates revenues faster. For customers, the availability of information that is customized to their interests and needs, the ability to

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have requests fulfilled in a fraction of the usual time, and the opportunity to make decisions (and implement solutions) faster lets them function more effectively and regain the time they need to focus on their core obligations.

INTRODUCTION

Computer databases were not designed with marketers in mind, and Enterprise Resource Planning (ERP) systems, which rely on databases to streamline operations, were never considered appropriate for marketing use. Both of those technologies, however, evolved throughout the 1990s and, by the middle of the decade, database marketing was a necessary discipline for attracting new customers (and retaining existing ones). ERP technologies took on new functionality, as well.

From its back-office origins, where ERP systems correlated sales orders, manufacturing processes, and order fulfillment with the customers involved in each transaction, ERP was expanded to track post-sales activities. The first new applications were in customer service and support. These new systems brought together customer data, purchase histories, product information, problem reports, and a record of solutions which was made available to service reps to help them solve similar problems.

At their best, these Customer Service and Support (CSS) systems let service and support staff give each customer a level of personal attention that, before CSS, seemed to be in danger of extinction. Incoming phone calls could be automatically associated with a customer, allowing reps to address the individual by name and have all the essential customer information displayed on their computer screens.

That kind of "up close and personal" approach spread quickly to Sales, resulting in Sales Force Automation applications. Those programs tracked each prospect and customer, let salespeople categorize them based on virtually infinite criteria, track communications that took place and, in most cases, tie into larger ERP systems for accessing product information, incentive program options, order status, and similar data.

The only problem at this point was that each type of system, though dependent on the others, addressed different aspects of the customer lifecycle. There was no comprehensive customer-centric system that was designed to ensure that, once a customer was obtained, that customer was retained over time. The response was the rise of the Customer Relationship Management application.

CRM let companies see a complete picture of each customer – before, during, and after a purchase was made – and take the initiative to reach out to customers before their next purchase… and give them a reason to make that purchase from the same company. The contact wasn't always sales-related. It could have just provided information that was relevant to a buyer's perceived interests (based on items they'd bought in the past) or a message about developments in their industry. It was simply meant to develop a bond between the buyer and the seller – to convey that the company didn't forget them as soon as the last sale was done.

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CRM System Growth (in billions)
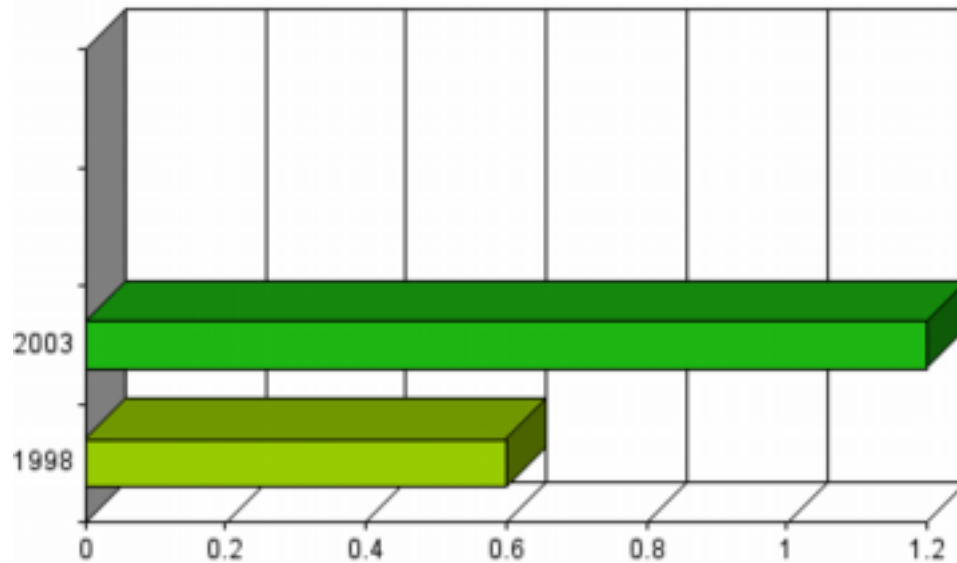
Source: Forrester Research

Though Marketing departments were often in charge of the "loyalty" initiatives, nothing had changed in the way that outbound marketing generated interest in considered purchase products and services. Campaigns were developed in print ads, direct mail and, to some extent, collateral, but everything was finite. The objective was determined, the creative was developed, the material was produced, it was published or printed and, if everything worked right, the results were tracked and measured. In the best of all possible companies, the leads were fed to Sales and, when sales were made, the information was sent back to Marketing. It was a process that, even when using database segmentation techniques and reliable tracking and measurement metrics, took months to provide information about success or, worse, failure.

While all of this was happening, the world changed.

THE ARRIVAL OF http://

The graphical simplicity of the World Wide Web transformed the Internet. Instead of remaining the private domain of scientists, scholars, and government types, the Net became easy enough to use for anyone who could point and click a mouse – something that Windows and Macintosh users had been doing for a decade.

Ironically, it was not the Web's graphics that kept people glued to their online connections. It was email. By the millions, business people abandoned letters and the telephone to communicate through their computers, never having to worry about making the last mail pick-up of the day or calling during business hours. Now they could make contact electronically, regardless of the time, and they could send "file attachments" that overcame the telephone's voice-only limitation.

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There were cost considerations, as well. Instead of sending a 100-page report through a fax machine or, for an extra few dollars in postage (plus supplies, manpower, etc.), through "snail mail" or, for many extra dollars, using overnight couriers, email pushed the cost of information-sharing down into the fractions of a penny range – from a low of $.01 to a high of $.20, according to eMarketer.

Average Message Cost
Low | High
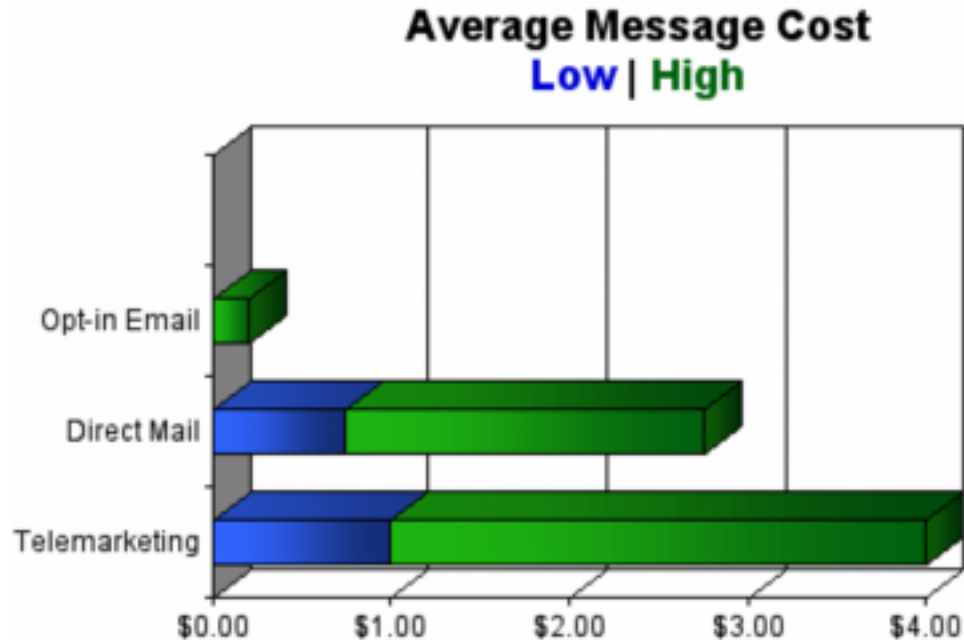
Source: eMarketer

TARGETED OUTBOUND COMMUNICATIONS

Marketers quickly grasped the power of the Internet to push information to consumers, and the banner ad was born. It did not take long, though, for the novelty of "Click Here" to wear off, and the rate of response fell well below 1%. Now, instead of focusing on mass market advertising – a single message to many recipients – marketers combined three simultaneous trends – database-driven direct marketing, CRM, and one-to-one (or personalized) marketing – to deliver a relevant message customized for a specific individual who was likely to be interested in that message.

In spite of the bad taste of "spam" – the unsolicited, untargeted, and decidedly unpersonalized offers for everything from ink cartridges and get-rich-quick scams to luridly suggestive pornography – targeted email proved extremely effective, especially when it was "permission based." Permission-based email, also referred to a opt-in email, is only sent to recipients who have requested it, usually by providing their email address through a website. In return, companies send information that the individual has specifically requested, whether it is a newsletter, product offers, news reports, and so on.

There is, of course, ample room for abuse. As soon as someone says that it's O.K. to send them messages on subjects that they care about, their permission is often subjected to the broadest interpretation. The first thing that happens – if they did not expressly limit

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their permission to correspondence from a specific company – is that their name is sold to list brokers. The brokers then resell the name to anyone whose message even vaguely resembles the subject. For example, if a recipient checked "automobile racing" on a website form, business reply card, or any other medium that is used for opting in, they are likely to get messages about grand prix, stock car, drag, and every other kind of car race. Yet, in the hands of a list broker who claims that the recipient wants information about "automobiles" (because the broker has a category called "automobile" and not one for "automobile racing"), that poor consumer will probably be barraged with new car promotions, parts specials, auto club memberships, alarm systems, and anything else that relates to cars and driving.

In spite of the license that some list brokers take, marketers now had a receptive audience; the technology to segment that audience by demographics, interests, past behavior, and similar traits; and, thanks to new auditing software, a way to calculate how many people responded to a particular email message. According to a study by IMT Strategies, 36% of email users have a positive reaction to permission-based email
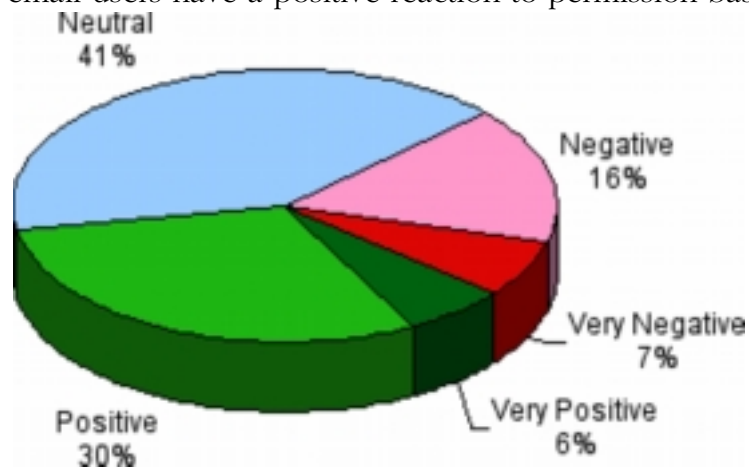
Source: IMT Strategies

and 66% are either curious or eager to read the message.

Source: IMT Strategies

In a separate study, IMT found that 86% of all email users volunteer their email address to establish a permission-based relationship with vendors. As impressive as these numbers may be, Forrester reports even better results – when email marketing delivery and lists are properly managed, the purchase rate is 428% greater (6% versus 1.4%).

Inside the Marketing department, however, the advantages of automation were almost impossible to find. The traditional, project-based approach was still in place. Email would go out, be measured in terms of response, and either passed along to Sales or fulfilled, depending on the nature of the offer in the message. Marketing was ripe for a change.

THE DEVELOPMENT OF INTERACTIVE MARKETING

The marketing and sale of "considered purchase" items, such as jet engines, medical MRI scanners, and construction cranes, is not a one way affair. It is a dialogue. That is why such high ticket goods have almost always been handled, start to finish, by a direct, in-person sales force. The Marketing department might place ads in trade magazines, create product brochures and specification sheets, and conjure up the tradeshow promotions. Sales, though, did all the heavy lifting. And there was a lot to lift. Capital investments, according to Commerce Department estimates, represent half of the industrialized nations' gross domestic product.

With salespeople traveling to onsite meetings, losing productive time in transit, and often making only incremental progress during each visit, the costs were considerable and climbing. They either drove prices up or forced margins down. During the 1990s, it is estimated that the average cost of an in-person sales call rose from approximately $375.00 to more than $850.00… per person. When teams of engineers, executives, and consultants participated in sales presentations, the total costs were impossible to ignore. The bottom line impact grew more severe with each successive visit.

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Even when everything was "going according to plan," the very best salespeople could be sideswiped by changes – changes resulting from corporate dynamics beyond their control.

- Managers and decision-makers would change
- Reorganizations would put purchases on hold
- Budgets could be frozen or reduced

The clear implication was that time was a problem. Reduce the time required to put essential information in decision-makers' hands and you raised the potential for success.

Toward the end of the 1990s, software vendors saw a chance to improve this scenario. Since so much of the early activity in a considered purchase involves a two-way exchange of information, application developers saw a workflow evolving – a chance to

- present an offer
- receive a reply (often in the form of a request for more information)
- respond to the feedback
- simultaneously, improve the original offer before extending it to additional prospects.

All of it could be accomplished before anybody had to make a personal (and costly) appearance – if you could reach your target market from the start.

The usual solution would be database analysis. Considered purchase transactions, however, when compared to consumer transactions, are relatively few (even though their value can be huge), and that makes the available data less reliable for detecting common patterns of buying behavior. Business information is also far more fluid – contact information changes at four times the rate of consumer data (12% versus 3%) due to job changes, relocation, and similar causes. Again, time is a factor.

THE CONQUEST OF TIME

If time could be condensed by making interactions happen faster, the sales cycle could shrink. Revenues would accrue faster. Additional sales activity could occur without hiring new sales representatives. And software would be pivotal in making this occur.

With the software in charge of disseminating messages, tracking responses, reacting to those responses, tabulating results, and determining which offers and/or content were most successful, it is possible for Marketing to create a closed-loop system. Such a system enables the outcome of a campaign to be used to determine how to structure the next round of activities – a continuous process of interactive communications. And all of it could happen in "Internet time" – taking action in seconds, as soon as any input was received.

These capabilities and the resulting time, relevance, and cost benefits have fueled the growth of marketing automation. With their speed, responsiveness, and ease of implementation, the finite projects – the campaigns that are sent, maybe tracked (with

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leads forwarded to Sales), and analyzed weeks or months later – are now transformed. They are part of an ongoing process that can be modified, improved, and made more effective in minutes or hours, instead of "sometime in the future."

CYBERELATIONSHIPS

The software, of course, would not be smart enough to function on its own, but it could be given "intelligence" by utilizing rules that emulate an industry's or even a company's best practices and allow for the give and take nature of considered purchase marketing and sales. That ongoing input/feedback cycle, unfortunately, is not continuous. It is interrupted constantly – on the buyers' side, at least – by meetings, trips, conflicting priorities…. So it is essential for any interactive, software-driven marketing solution to compensate for the stop and start character of the relationship.

If a prospect has asked for information on a generating turbine, the software (using a best practices routine) might query the prospect for application details – how the turbine will be used, the power source, the output required, and so on – to ensure that the information which the seller sends back is appropriate. Yet, when the prospect is called away for several hours and his or her Internet browser session times out, the software should be able to pick up where the prospect left off. Otherwise, the relationship – however virtual it may be – is negatively affected, just as if a sales rep couldn't remember the prospect's name, the product or service being considered, or the problem that needed to be solved.

MORE EFFECTIVE INTERACTION AND VIRTUAL MULTITASKING

At its best, marketing automation software should be able to function even better than the most compulsive record keeper in Marketing or Sales. It needs to determine – from the interactions it has tracked and analyzed – what the customer cares about. It needs to remember what actions have occurred – what information has been sent, what input has been received, what activities were completed – to avoid duplicating efforts that indicate to the buyer that "the vendor isn't paying attention." And it needs to learn from experience so that each marketing effort can be made more effective than the one before.

When all of these things occur, the marketing automation application becomes a *de facto* customer relationship development manager. It is not a replacement for a real person. No software is ever likely to take the place of human interaction completely. It can, however, extend the effectiveness of marketers, helping them do more, target with far greater precision, respond faster, and reduce the time between first contact and final sale. For salespeople, the software can keep track of interactions, react with consistent reliability, and allow one person to be in multiple places at once… even if those places are on the phone, at the fax machine, and in front of a keyboard, instead of (or as well as) in a face-to-face meeting.

**Projected Growth of Marketing Automation
(in millions)**
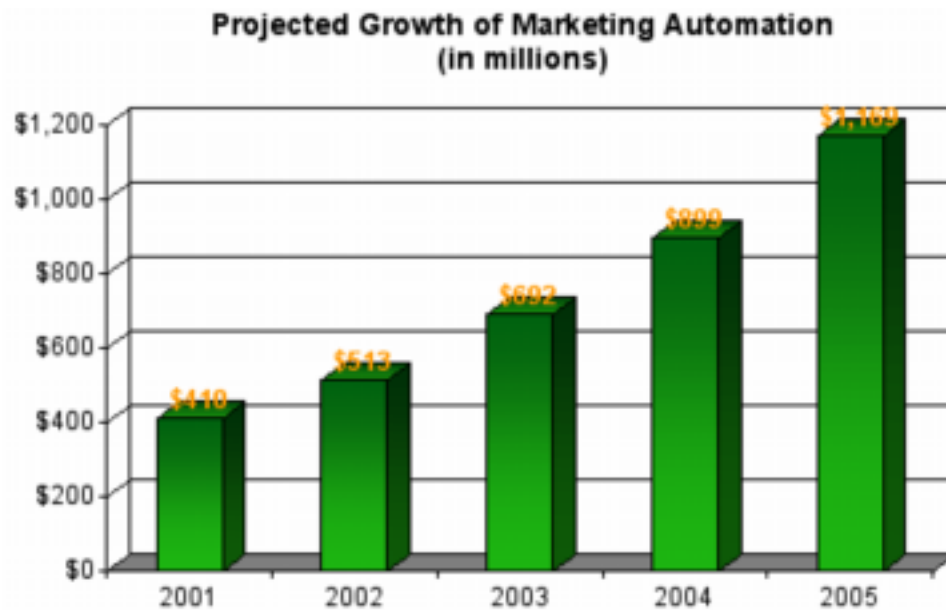
Source: Aberdeen Group

As effective as this can be for considered purchase communications, it is now a realistic option for consumer goods, as well. Those products, ranging from laundry detergent to automobiles, are commonly "moved" through promotion – two-for-one specials, sale pricing, limited time offers, low rate financing, and the like – because consumers usually know the essential details about the products through other media. Those media include the Web, which is encyclopedic in its supply of information about product features. Yet little of the Web's interactive potential has been exploited when consumers look up the details about a DVD player or a shampoo's chemical content.

For existing customers or people who have opted in to a company's emailing list, promotion-based email is effective… but no more so than print and broadcast advertising. As a method for attracting – and retaining – new customers, it offers no benefit. "Cents off" coupons are better at generating product trial, but rarely convince a consumer to abandon a favorite brand when the competitors' pricing is the same.

So, with no feedback required – the promotion goes one way without requiring feedback from consumers – there has been no need for automation when selling directly to the person who makes the decision to buy. If, however, consumer products companies are willing to evolve beyond the "offer a promo to boost short term sales" tradition, then an interactive, automated marketing program can both capture and retain a loyal customer base.

Not long ago, this was cost-prohibitive. The time and manpower required to establish and maintain contact with mass market customers would have driven up the cost of operations substantially and, in turn, forced up prices. Now, with software guiding the interactions, providing information on demand, permitting the development of online communities, and making it easier for consumers to provide input about a company's products and services, companies can affordably develop the kind of personal

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relationship with customers that has been all but forgotten since our grandparents patronized their town's general store.

Whether in the consumer products or considered purchase markets, the net effect for vendors is savings. By

- improving productivity at every stage of the marketing and selling process
- shortening the sales cycle
- accelerating revenue generation
- maintaining contact with customers during and after a sale

a full-featured marketing automation / customer relationship development application can lower the cost of doing business by raising the level of activity – and of those activities' effectiveness. For customers, an automated system

- simplifies and speeds up information gathering
- requires less time
- responds virtually on demand
- personalizes interactions and makes them more individually relevant
- shortens the time between a problem and its solution.

Taken altogether, these advantages can translate into fewer manhours and lower costs. Those savings, in turn, can be used to be more price competitive without sacrificing responsiveness and personal attention.

So, for companies whose individual "considered purchase" sales can be large enough to directly affect the bottom line, any method for establishing relationships more quickly, developing them more responsively, and maintaining them more conscientiously can provide additional benefits – intangible characteristics that can make a good price even better.