# Conversational Marketing: What's Next in Customer Engagement

*Moving Beyond Cross-Channel Marketing to Making the Most Out of One-to-One Personalization and Interactivity*

**FEBRUARY 2011**

When we first started talking about the concept of cross-channel marketing, it was still a relatively nascent market. Over the past several years, global marketers have realized the core advantages that this fully integrated approach provides. It breaks down channel silos and combines the attributes of multi-channel marketing with tools that manage customer information and marketing performance—extending across multiple channels, including traditional and emerging technologies, to deliver meaningful content to customers and prospects.

We talked in terms of consistency and coordination, and the value of a centralized data mart and the importance of establishing a single marketing view of the customer and data. These attributes all signaled a dramatic shift from previous marketing strategies. Enterprise marketing technology was a significant enabler of the shift from single- and multi-channel approaches, it drove organizations along a cross-channel maturity curve (figure 1) where marketers maintained a focus on the customer experience, no matter how many new channels were incorporated into the mix.

Today, as marketers reach the top of the cross-channel maturity curve, they must transition into the next phase of customer engagement: conversational marketing.
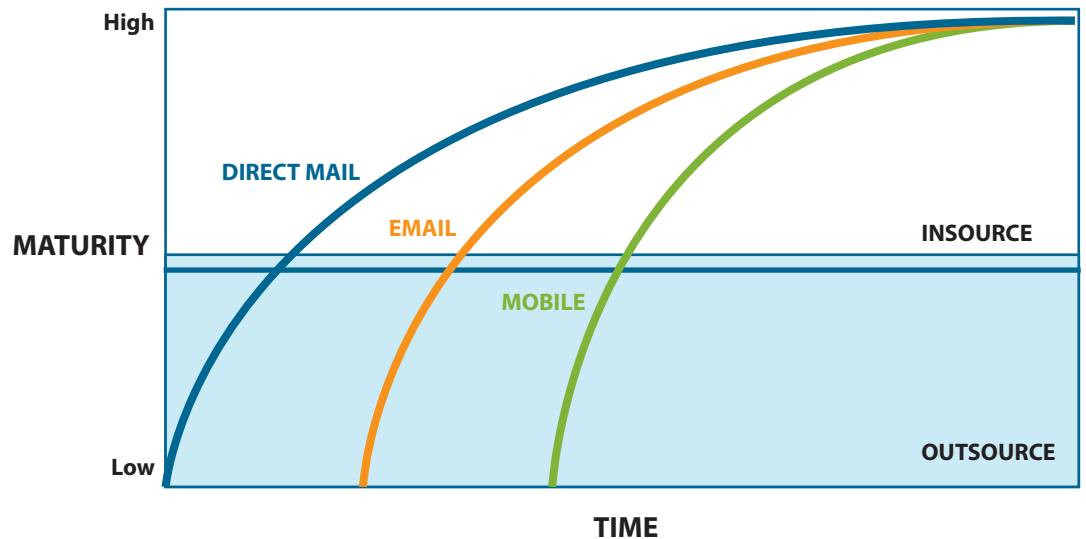
## TYPICAL CROSS-CHANNEL MARKETING MATURITY CURVE



Figure 1

Conversational marketing is about building and sustaining one-to-one personalized lifetime dialogues across all marketing channels to drive revenue and marketing effectiveness. It means unifying inbound and outbound communication strategies, by tracking and managing all marketing activity data to generate targeted messaging and making the best, most relevant offers based on customer behavior and established preferences.

Marketing and conversations have always gone hand-in-hand. **But now it's time to have fewer communications and more conversations.** It's a subtle, but important distinction:

From Wikipedia:

> *"Communication is a process whereby information is enclosed in a package and is channeled and imparted by a sender to a receiver via some medium…. All forms of communication require a sender, a message, and an intended recipient, however the receiver need not be present or aware of the sender's intent to communicate."*

> *"Conversation is communication between two or more people. Conversations are the ideal form of communication in some respects, since they allow people with different views on a topic to learn from each other…"*

We are at the dawn of a new era in marketing—conversational marketing—where creating one-to-one dialogues with customers and prospects is not only achievable, but also sustainable.

## The Challenges of Channel Fragmentation: What's Stopping Inbound/ Outbound Coordination?

Marketing platforms have traditionally focused on servicing and automating direct communications via "outbound" channels such as direct mail, email, mobile messaging and outbound telemarketing. However, for the most part, they have not turned their attention to circumstances where it is the individual who makes contact with the brand, on so called "inbound channels," such as a website, a point of sale or a call center. Inbound visitors usually have an intention—to learn about or buy a product or service, or to compare them with the competition. Study after study concur that inbound visitors presented with a relevant offer are more inclined to respond, compared to recipients of direct outbound communications. Therefore, inbound contacts offer multiple, incremental opportunities to capture information about prospects and customers in real time—and to make timely, relevant offers.

## Fragmentation Prevents You from Tapping Promising "Response Inventories"

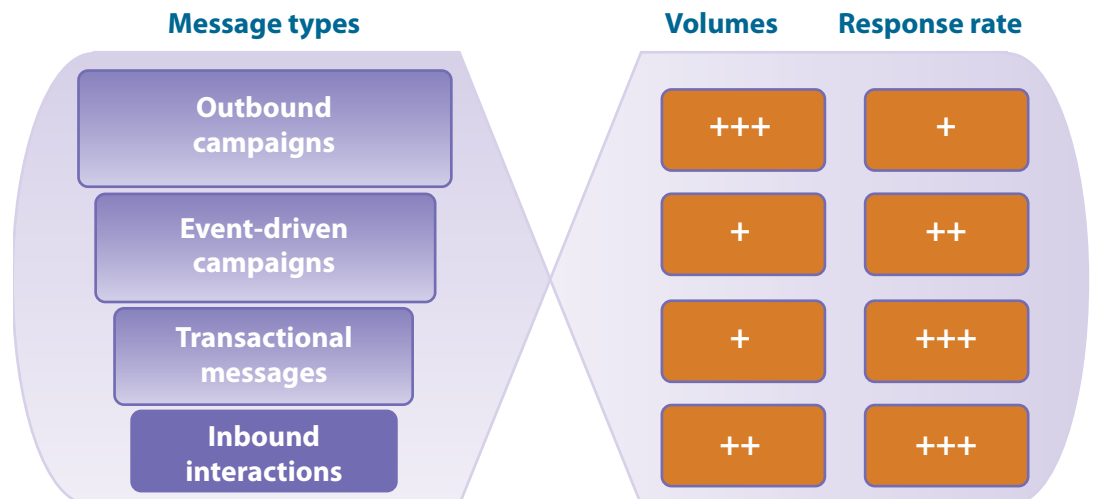| Message types | Volumes | Response rate |
|---|---|---|
| Outbound campaigns | +++ | + |
| Event-driven campaigns | + | ++ |
| Transactional messages | + | +++ |
| Inbound interactions | ++ | +++ |

Figure 2

Increasing channel fragmentation has challenged marketers from utilizing inbound interactions to drive marketing activities that ultimately drive better response rates (figure 2). Marketers using outbound campaigns en masse know that the response rates today are very limited. More mature marketers have moved to increasingly event-driven campaigns over time, and even to using transactional messaging for marketing purposes. But there are limits to these approaches, and consumers expect a deeper level of personalziation and service from vendors they interact with.

As a result, marketers who continue to focus on the outbound "spray and pray" approach—which many still do—have created frustration with buyers. And, for inbound interactions, not coordinating past history results only aggravates customers who feel like their time is being wasted.

## Why Conversational Marketing Is Different

With the continued emergence new technology and channels, including social media, mobile, avatars and more, the relationship between brands and their customers and prospects has been forever changed and requires marketers to make yet another shift —to conversational marketing. Marketers who embrace this next phase, which is built on heighted interactivity and personalization, will be rewarded with customer share of mind and wallet.

To further illustrate the need for a new marketing model, independent research firm, Forrester Research, Inc. "believes the funnel's value as a framework is finished, and new model – the customer lifecycle – provides a better fit with modern marketing, as it puts the customer at the center of the effort, involves the entire brand experience, and describes an ongoing relationship with the customer. Just as the funnel infused every aspect of marketing historically, the customer life cycle will transform how marketers talk and think about their discipline in the digital world."[1]

**The Customer Life Cycle Is A Better Fit With Modern Marketing**

Awareness

Consideration

Preference
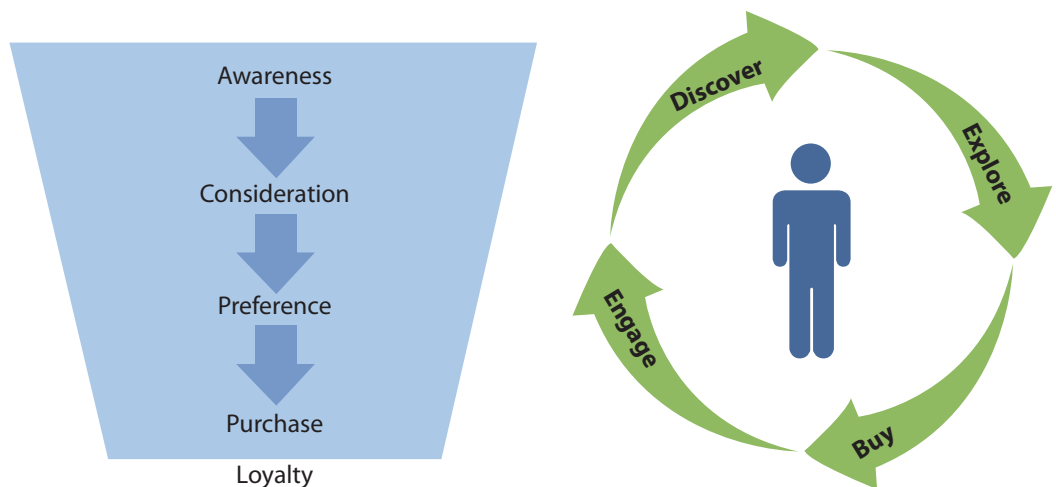
Purchase

Loyalty

Discover

Explore

Buy

Engage

Figure 3
Source: Forrester Research, Inc.

Forrester defines the customer lifecycle (figure 3) as:

*"Customers' relationship with a brand as they continue to discover new options, explore their needs, make purchases, and engage with the product experience and their peers."*

According to Forrester, "the customer life-cycle model is a better fit for how leading marketers conceive, execute and measure in the 21st century..."

This perspective from Forrester directly aligns with the business case being made in this whitepaper, which suggests that marketers must move beyond traditional approaches that will soon lag in their relevancy and effectiveness. Conversational marketing is all about the customer and addresses three core requirements that every marketer should adhere to:

- Know every individual before you engage them with outbound messages (email, SMS, etc.)

- Respond to inbound contacts (call center, Web, store) with real-time offers

- Optimize channel capacity, offer coherence and marketing pressure; monitor results and fine tune tactics

Conversational marketing has the power to influence the customer lifecycle and represents the next generation of customer engagement: It empowers marketers to master complexity, drive agility and generate sustainable revenues.

### "Markets Are Conversations"

*"Networked markets are beginning to self-organize faster than the companies that have traditionally served them. Thanks to the web, markets are becoming better informed, smarter, and more demanding of qualities missing from most business organizations."*

The term conversational marketing has been through an evolution over the past decade. For the purposes of this paper, we focus on its application to marketing, not advertising. When the term was written about several years ago, we believe it was ahead of its time, a concept without the technology backing to make it a reality, and therefore considered "hype" in some circles. Social media adoption had just begun, and the challenges facing marketers related to channel diversity and customer expectations were just starting to show signs of modern day complexity.

Perhaps one of the early influencers of the concept of conversational marketing is "The Cluetrain Manifesto: The End of Business as Usual.[2]" First introduced in 1999, many of its lessons still ring true today in the era of Facebook and Twitter and have inspired many other writings. The Manifesto asserted that "networked markets are beginning to self-organize faster than the companies that have traditionally served them. Thanks to the web, markets are becoming better informed, smarter, and more demanding of qualities missing from most business organizations."

What's missing you ask? The ability to converse as "humans." Several of the initial 95 theses include statements such as: Markets are conversations. Markets consist of human beings, not demographic sectors. The Internet is enabling conversations among human beings that were simply not possible in the era of mass media. As a result, markets are getting smarter, more informed, more organized. Participation in a networked market changes people fundamentally.

Today, conversational marketing technology is available and capable of pushing the next phase of customer engagement—and human interaction—beyond previous boundaries.

## What's Behind Conversational Marketing Technology?

Conversational marketing technology empowers B2C and B2B organizations to build and sustain one-to-one personalized lifetime dialogues across all marketing channels that drive revenue and marketing efficiency. It enables users to unify inbound and outbound communications strategies by providing a centralized system to track and manage all marketing activity data to generate targeted messaging and the best, most relevant offers based on customer behavior and established preferences. This type of personal relationship with each customer was only achievable in the past on a small scale; conversational marketing technology now makes it possible for organizations to automate and sustain personalized relationships with every customer, whether they are the first customer or the millionth.

To be effective, conversational marketing technology must provide the following:

- A real-time, single view of the customer

- A central catalog of marketing offers

- The ability to manage eligibility rules, priorities, rendering and channel capacity; simulate alternatives, control pressures and measure effectiveness

- Real-time recommendation engine integrated with inbound and outbound channels

- Offers personalized based on individual profile and behavior

- Audit trail for all interactions: recommendations and responses

Conversational marketing technology has two long term goals with regards to marketing channels: make the most of their personalization potential, and maximize their real-time interaction potential. What we mean by interaction is the ability to suggest offers and capture a response in real-time (millisecond) to put marketers in position for a new "speak-listen-get ready to speak" cycle, with as many "speak-listen-get ready to speak" cycles as possible within a few seconds on an interactive channel. Marketers can then automate journeys and steer individuals in a direction that has been predetermined by taking advantage of every opportunity to converse with them. It's essential that all channels – Web, social, avatars, mobile, email and more – take their full and rightful place in the chorus of conversational communications.

Mastering lifetime conversations hinges on the ability to master the "instant." With conversational marketing technology, organizations can maintain a real-time view of the individual and are able to absorb new information about the individual in real time to make timely offers that positively impact lifetime customer journeys.

## Building Blocks for Conversational Marketing Campaigns

In B2C organizations, conversational marketing technology should create value by influencing individual customer lifecycles – taking every opportunity of contact with the individual to steer the right message and the right offer, via the right channel.

Conversational marketing technology must support individual value creation journeys (figure 4) through a strong foundation of services that enable marketers to create and maintain a single, real-time marketing view of the customer. In addition, there must be the capability to develop a centralized offer catalog and utilize a real-time recommenda-

tion engine that enables a unified offer strategy for steering and guiding individuals at every opportunity of contact. The real-time recommendation engine offers advanced simulation abilities to anticipate and prepare for interactions.

The recommendation engine is designed to generate individual messages containing the best offers for a given contact in a given context, and can be triggered by either inbound communications (website, agency, call center) or outbound communications (such as follow-up campaigns or e-mailing), so that all communications are fully consistent. For example, for a call center it would be the customized script, for Mobile it would be a personalized SMS message, and for the POS in a store, it could be a text message displayed at the cash register.

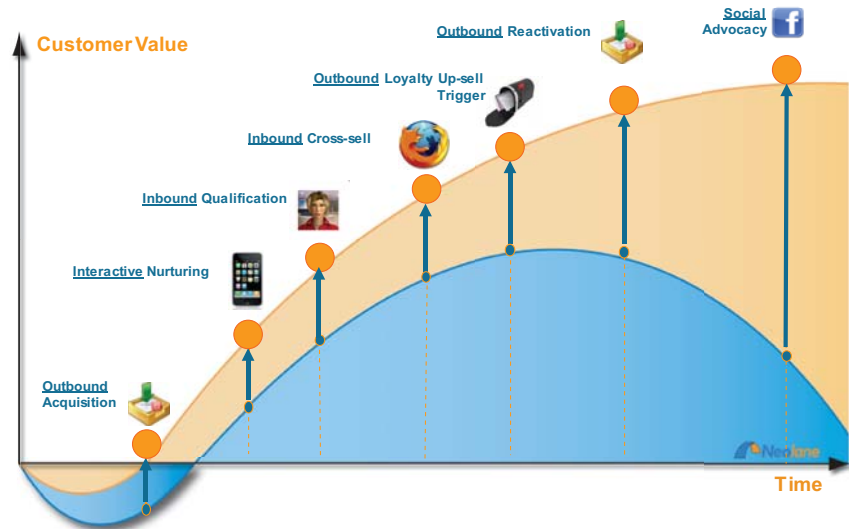## B2C: Guide Every Individual on a Unique Value Creation Journey



Figure 4

During an inbound contact (such as the Web), marketers can automatically send out a message (offer, product, promotion, marketing message, etc.) that is relevant to the customer, and potentially leverage recently updated data. For example, if a customer of a bank gives their new address to the call center and then logs onto the bank's website one hour later, the company can offer a personalized banner to promote a home insurance policy. For outbound, such as email, the offer is also customized based on the most recent information available on the customer.

Consider this real-world example involving the world's second largest cooperative banking group that is active in retail, private and investment banking. With recent consolidation in the banking industry, increased competition in the retail banking sector and, of course, with an eye to marketing effectiveness and improving the bottom line, the bank wanted to increase the number of marketing campaigns and to leverage its nationwide network of 4,700 branches to get closer to its customers. They were using already outbound marketing, but wanted to move to an inbound-outbound mix.

The bank invested in conversational marketing technology to form a central repository for all offers and messages, so that in addition to their existing outbound marketing, they could coordinate and be consistent with inbound offers via the Web and their call center.

By coordinating offers across all inbound and outbound channels they have been able to increase their sales in terms of up-sell and cross-sells. Additionally, it has enabled them to implement corporate level business rules but give flexibility at the local level in order to stay close to their customers.

Another example of conversational marketing excellence is Mornay services, a personal insurance company. Mornay employed a special channel to drive sales: a personalized avatar. This Avatar, that they named Julie, is not just a talking head, instead, she is a fully personalized channel – recognizing visitors and their associated past history and behaviors. Julie the Avatar assists in self-qualification for rather complex financial products. This Avatar is not supposed to replace the call center, but complement it – along with other outbound channels such as email and direct mail. So, all of the offers and messages that are coordinated across other inbound and outbound channels are also coordinating with Julie. The intent is to have her facilitate navigation of the website, optimize sales processes, ensure cross-channel message consistency, and to cross-sell.

By coordinating their marketing messages and offers across call centers, direct mail, email and Avatar, Mornay achieved significant results. Not only did requests for applications increase by 75% and time on website increase by 400%, but net sales conversion rates also increased by 300%.

## Inbound/Outbound Fusion and One-to-One Marketing in B2B Environments

B2B buying patterns have changed. The broad availability of online sources of information, including corporate websites and social communities mean that it is now prospects that initiate contact with organizations. Inbound call center inquiries are critical to most B2B businesses. But inbound processes are often out of synch with outbound marketing initiatives. Regardless of inbound channel, first time enquiries must be captured. Later inbound interactions represent many opportunities to gain intelligence on prospects, and present them with tailored offers that progress them down your marketing pipeline.

For B2B marketers, conversational marketing technology must support the ability to augment one-to-one marketing capabilities with real-time marketing offer recommendations across outbound and inbound channels, bringing together offers such as white papers, event invitations, case studies, video testimonials and on-demand Web seminars in a central catalog.

All offers are qualified with easy to define "eligibility rules" such as "this white paper is eligible for any C-Level decision maker in whose organization a lead is currently identified for solution alpha," or "this case study is eligible for any Director of Engineering in whose organization a lead is currently identified for solution beta."

## Conclusion

We are at an exciting marketing crossroads where traditional single-, multi- and cross-channel approaches are poised to evolve to the next level of customer engagement that is shaped by heightened interactivity and personalization. Empowered by conversational marketing technology, B2C and B2B marketers now have the tools and the confidence they need to fuse inbound and outbound channels, increase effectiveness and agility, and build sustainable one-to-one personalized lifetime dialogues. So what are you waiting for? It's time to stop talking at your customers, and start having meaningful conversations that drive revenue.

To learn more about how your organization can benefit from conversational marketing technology, contact Neolane at 866-882-6821 or visit www.neolane.com

## About Neolane

Neolane provides the only conversational marketing technology that empowers organizations to build and sustain one-to-one lifetime dialogues, dramatically increasing revenue and marketing efficiency. Born digital, with best-in-class email and inbound-outbound channel fusion capabilities architected into a single code-based platform, marketers achieve results in record time. Neolane is easy to use for both power and casual users, but powerful enough to drive the most sophisticated marketing strategies. Future proof, Neolane has a track record of enabling its customers to adapt to new customer engagement challenges and exploit opportunities more quickly than their competition. Neolane is used by more than 300 of the world's leading companies including Sony Music, Alcatel-Lucent, Orange, Sears Canada and Sephora. Visit www.neolane.com and read our blog **The Cross-Channel Conversation**.

1 - "It's Time To Bury The Marketing Funnel," Forrester Research, Inc., October 28, 2010

2 – "The Cluetrain Manifesto: The End of Business As We Know It," by Rick Levine, Christopher Locke, Doc Searls and David Weinberger, published in 2000 by Perseus Books (ISBN 0-7382-0431-5)

### Neolane, Inc.

One Gateway Center - 7th Floor
300-334 Washington Street
Newton, MA 02458

Office: +1 617 467 6760
Fax: +1 617 467 6701
info@neolane.com
www.neolane.com

*United States*

*United Kingdom*

*France*

*Scandinavia*