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How Technology Enables Inbound Marketing

Evaluate Interaction Management To Optimize Real-Time Recommendations

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EXECUTIVE SUMMARY

Most firms use or plan to use inbound customer interactions as an opportunity to cross-sell and upsell their products and services. Inbound channels are attractive to marketers — there's no clutter to cut through. But, marketers that use these channels just to push more products risk creating negative customer experiences, lowering customer satisfaction, increasing attrition, and degrading their brands. To avoid these potential pitfalls, firms should evaluate interaction management software which applies business rules and real-time analytics to a customer profile made up of historical and contextual data.

TARGET AUDIENCE

Direct marketing professional, interactive marketing professional, marketing leadership professional

INBOUND MARKETING IS HOT

Last year, we surveyed marketers about their plans to target messages in inbound channels like the call center, Web, point-of-sale, and ATM. At the time, 85% of marketers said that they were already practicing inbound marketing or planning to in the near term.¹ Why? Growing consumer impatience with the volume and irrelevance of outbound communications, the desire to enrich the experience of each interaction, a captive and attentive audience, and the opportunity to reinforce the brand all make inbound marketing a compelling solution.² But, inbound marketing tactics will fail if they:

- **Are irrelevant.** A contact center manager for a large financial services firm told us, "Our customer service representatives don't have the confidence to extend cross-sell offers to callers due to the annoyance factor." The mistake? The firm was simply pushing offers rather than working within the context of the customer interaction. Inbound interactions — like an online transaction or a customer service call — are initiated by a customer with a specific need. Firms must first ensure that the customer need is addressed by positioning offers or other marketing-driven content in the context of the interaction.³
- **Don't account for the overall relationship with the customer.** Inbound marketing tactics that don't incorporate knowledge of the customer and his or her relationship with the company can also backfire. According to a marketing executive from a large telecommunications firm: "We used to make static offers to customer service callers driven by rudimentary business rules. As a result, we often presented offers that the caller had already signed up for." Throwing a misdirected piece of

mail in the trash may not upset most customers. But wasting time trying to get customers to sign up for products and services they already have will.

- **Interfere with what the customer wants to accomplish.** Customers initiate interactions to accomplish specific tasks. Marketing offers that interrupt or co-opt what the customer wants to accomplish will have a negative impact on the customer's experience. An interactive marketing manager at a financial services firm told us: "We spent a significant portion of our marketing budget getting customers to enroll in our online services. Unfortunately, when we got customers online, we spoiled their experience with too many untargeted offers and pop-ups." The net result? Poorly served customers with low satisfaction scores and limited continued use of online services after enrollment — a direct impact on the company's business.

INTERACTION MANAGEMENT TECHNOLOGY ENABLES SMART INBOUND MARKETING

Most firms use simple business rules to drive their inbound marketing activities.⁴ Unfortunately, rules-based solutions lack the flexibility to manage thousands of real-time interactions that incorporate customer profile information, contextual data, and hundreds of potential offers. Enter an emerging category of analytic marketing software we call interaction management. These technologies:

- **Create a real-time customer profile based on historical and contextual data.** Interaction management technologies provide easy data mapping and abstraction capabilities that enable marketers to tie relevant data into a single view optimized for rapid decisioning. A leading cable provider uses Infor's Epiphany CRM Inbound Marketing application to pull data from its enterprise warehouse (transaction history and offline scores), eMarketing warehouse (clickstream data), and operational systems (most recent address) to identify relevant offers to customers that contact customer service.⁵
- **Apply business logic and real-time analytics to make decisions.** Interaction management applications apply business rules in conjunction with predictive models to determine the best possible message to extend to the customer at a point in time. An online media company uses the predictive analytics capabilities in [x+1]'s technology to drive content and programming recommendations given a combination of the visitor's recently viewed programs, subscription levels, and time of visit.
- **Provide tools that allow marketers to plan, test, and execute programs.** Homegrown applications and multipurpose business rule engines lack interfaces that allow marketers to define and launch campaigns without IT support. According to an executive at a major financial services firm: "We needed to design, plan, and simulate interactions before making them operational. Each time we wanted to tweak a campaign, we were at the mercy of our IT group and were stuck in time-consuming projects." Interaction management applications bridge this gap by providing interfaces that enable business users to define messaging strategies, apply testing scenarios, monitor results, and make changes as they see fit.

Interaction Management Comes In Two Flavors

The interaction management vendor landscape broadly splits in two categories:

- **Channel-neutral vendors.** Solutions like Infor's Epiphany CRM Inbound Marketing and Oracle's Real Time Decisions are designed to be deployed in any channel. These solutions are all premise-based software and, although the vendors in this category have emphasized the call center in recent years, many of the technologies grew up out of Web-based solutions. The key benefit? These solutions enable integration and coordination of customer experiences across channels. Case in point: Customers of a leading financial services firm that check their account online may be presented with targeted offers. If a customer clicks on an offer and later calls customer services, the contact center agent knows the customer was on the site, what offer was presented, how the customer responded, and is prepared to reinforce the offer (see Figure 1).
- **Channel-specific vendors.** Vendors like [x+1], Touch Clarity, and Kefta offer solutions specific to the Web channel.⁶ Others like Austin Logistics have solutions specific to the call center. Several solutions in the channel-neutral category have been acquired into broader customer relationship management (CRM) and enterprise resource planning (ERP) solutions — and therefore run the risk of losing their marketing focus and expertise. In contrast, the vendors in this category are still emerging. The primary benefits of these solutions? They are generally services-based, have a light technology footprint, and the vendors possess significant domain expertise in their channel of focus (see Figure 2).

Ultimately, we believe that marketers should move toward channel-neutral solutions in order to achieve the vision that many firms have: coordinated and relevant multichannel customer experiences. However, for most firms, the siloed nature of marketing functions, the complexity of managing programs across channels, and the fundamental differences in data structures in these channels prevent the vision from becoming a near-term reality. These challenges give channel-specific vendors, which have deep domain expertise in their channel of focus, an opportunity. However, in the long-term, we expect these vendors will be acquired into a broader solution.

Figure 1 Channel-Neutral Interaction Management Vendors

	Est. clients using the technology	Cost to license module [†]	Automotive	CPG	Finance	Manufacturing	Media & Communications	Retail	Telecom	Travel & leisure
Chordiant Software/Decision Management	7	\$1M			Y				Y	
Description: Chordiant extended its CRM platform with functionality acquired from KiQ to deliver a real-time decisioning engine that combines adaptive learning with a modeling platform. The vendor's strength is in call center deployments.										
Key pricing factors: # of call center agents, # of unique customers, # of CPU's of decision server										
Largest deployment: > 2 million offers a month Example clients: Barclays, Deutsche Bank, O2, T-Mobile										
Infor/Infor CRM Epiphany Inbound Marketing	80+	>\$750k			Y			Y	Y	Y
Description: Infor's Epiphany CRM has the most interaction management deployments across all of the vendors. It delivers recommendations through a black box learning engine that combines business rules with arbitration logic and real-time self-learning analytics.										
Key pricing factors: # of call center agents, # of CPUs of decision server, # of offers delivered, # of channels										
Largest deployment: > 30 million/month (online) Example clients: HSBC, Bell Mobility, Wells Fargo, Washington Mutual, Vodafone										
Oracle Corporation/Real-Time Decisions (RTD)	10	\$1M			Y	Y				
Description: Oracle's RTD prepackaged decision service is a black box solution that combines self-learning analytics, business logic, and touchpoint integration. The vendor has some significant call center deployments focusing on call routing.										
Key pricing factors: # of decision server CPUs, # of channel connectors										
Largest deployment: > 11 million/year (call center) Example clients: none provided										
Portrait Software/Interaction Optimizer (IO)	1	\$300k			Y					
Description: Portrait Software, headquartered in the UK, combined its process management expertise with analytics acquired with Quadstone to launch Interaction Optimizer in March 2006.										
Key pricing factors: # of decision and analytic servers, # and type of channel, # of records analyzed										
Largest deployment: > 40 million/month Example clients: Nationwide Building Society										
SPSS/PredictiveMarketing	15	>\$250k			Y					Y
Description: SPSS combined its legacy analytics expertise with technology acquired from Data Distilleries to develop scheduled learning solutions for inbound marketing.										
Key pricing factors: # of decision server CPUs, # of call center agents, # of customers										
Largest deployment: > 2 million/year (call center) Example clients: ABN Amro Bank, AEGON, Center Parcs Europe, Corona Direct, FBTO, Natexis Assurances										
Unica/Affinium Campaign Interact	10	>\$150k			Y			Y	Y	
Description: Unica's Interact is an add-on to Affinium Campaign and uses much of the core functionality to deliver recommendations using business rules and predictive analytics from Affinium Model.										
Key pricing factors: # of call centers agents, # of customers, # of channels										
Largest deployment: 200 offers/second [‡] Example clients: VTR Group										

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Source: Forrester Research, Inc.

Figure 2 Channel-Specific Interaction Management Vendors

	Est. clients using the technology	Average cost of solution*	Channel support	Automotive	CPG	Finance	Manufacturing	Media & Communications	Retail	Telecom	Travel & leisure
[x+1]/Site +1	>20	\$0.3M-\$1.2M/yr	Online	Y	Y	Y	Y				
Description: [x+1] has a legacy in ad targeting and uses data from multiple online and offline sources to create predictive models that determine the offers to deliver each visitor to the Web site.											
Key pricing factors: # of content sections optimized, # of pages viewed, professional services fees.											
Implementation: On demand											
Largest deployment: > 1 billion offers/month											
Example clients: AOL, Match.com, Toyota, Vonage											
Austin Logistics/Valeo	1	>\$500k	Call center			Y				Y	
Description: Austin Logistics specializes in collections and call center operations. Valeo uses predictive analytics to identify cross-sell and retention offers, balanced with agent capacity for efficient call routing.											
Key pricing factors: Number of agent seats											
Implementation: On premise†											
Largest deployment: 500 offers/minute											
Example clients: none provided											
Kefta/Dynamic Targeting	30	>\$300k/yr	Online			Y		Y	Y	Y	Y
Description: Kefta focuses on online retailing. The product creates real-time visitor profiles and uses a foundation of statistical analysis to deliver offers across online channels (email, Web site, offsite banner ads).											
Key pricing factors: # of pages targeted and viewed, modules used, full/self-service, change management.											
Implementation: On demand											
Largest deployment: >300 million offers/month											
Example clients: GM, Overstock, Qwest Communications, Verizon											
Touch Clarity/Touch Clarity Targeting	30	\$300k-\$350k/yr	Online	Y		Y	Y	Y	Y	Y	Y
Description: Touch Clarity, headquartered in the UK and establishing a presence in the US, uses self-learning predictive models that access individual visitor profiles to deliver content and offers on the Web site.											
Key pricing factors: # of campaign containers, # of page views											
Implementation: On demand											
Largest deployment: >1 billion offers/month											
Example clients: BT Group, HSBC, Lloyds TSB, RBS, Travelocity UK											

*Total cost of solution including implementation (Forrester estimate)

†On demand through partners

RECOMMENDATIONS

USE INTERACTION TECHNOLOGY TO COORDINATE THE CUSTOMER EXPERIENCE

Firms considering inbound marketing should:

- **Adopt a mindset of proactive service.** The goal of inbound marketing should be to provide the best possible customer experience, not just to make a sale. A large bank wishes customers “Happy Birthday” when they call close to their birthday. A telecommunications firm offers breaks on monthly bills and additional minutes to valuable customers it identifies as attrition risks. Smart marketers view the role of the inbound channels as an opportunity to establish an emotional connection with the customer, build trust, capture information, and — in some situations — deepen the financial relationship.
- **Pay attention to the data needed to support it.** Identifying relevant inbound marketing messages requires that firms have a good grip on the customer data that helps identify the message. Incomplete or inaccurate data can result in poor decisions that affect the success of the program. A marketer for a large financial services firm said: “We should have started our requirements gathering and data preparation project at least a quarter before deploying the solution. We ended up delaying the project while waiting for IT to help us organize our data.”
- **Deploy technology incrementally.** Inbound marketing is complicated enough without having to worry about cross-channel issues like program transparency, data sharing, and customer identification. Although cross-channel coordination is the ultimate goal, marketers should start with and master a primary channel rather than attempting to do it all at once. A financial services firm that has been rolling out a successful inbound marketing program over the last few years suggested: “Look for the easiest business case to prove or the least complicated channel. These are often unmanned channels like the Web and ATM.”

ENDNOTES

- ¹ Fifty-eight percent of database marketers report that their firm already targets marketing offers in one or more inbound channels. Another 27% say that they intend to do so within the next 12 months. Forrester defines inbound marketing as: “The delivery of targeted or customized marketing messages and offers within the context of a customer-initiated interaction.” See the September 19, 2005, Trends “[Inbound Marketing Goes Mainstream](#).”
- ² Enterprising companies are turning to their sales and service interactions as a primary means for cross-sell, upsell, and retention activities. These channels present an opportunity where: 1) the customer is actively engaged — by choice; 2) customer needs are more transparent; and 3) the “right time” might be now. See the April 9, 2004, Forrester Big Idea “[Why Marketing Should Own The Contact Center](#).”
- ³ Firms implementing inbound marketing in their call centers should adopt a philosophy of proactive service: “How can we help the customer get more value out of her relationship with us.” See the April 9, 2004, Forrester Big Idea “[Why Marketing Should Own The Contact Center](#).”

- ⁴ Ninety-five percent of marketers who use inbound marketing on the Web use business rules and pre-existing profile data and 93% state that they do the same in the call center. See the September 19, 2005, Trends “[Inbound Marketing Goes Mainstream](#).”
- ⁵ Infor announced the acquisition of SSA Global (which previously Acquired Epiphany) on May 15, 2006.
- ⁶ We find that there is some overlap and confusion between the Web interaction management vendors and site optimization vendors like Optimost, Memetrics, SiteSpect, and Offermatica. Web interaction management vendors like [x+1], Touch Clarity, and Kefta target content and offers to individual visitors. Site optimization vendors like Optimost and Offermatica offer multivariate testing solutions aimed at optimizing the experiences of the typical visitors.