



CRM Initiatives: Taking it Personal

7 Key Steps for
Personalization
Success

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What comes to mind when you hear the word *relationship*? For most people this word conveys a feeling of trust, understanding, and familiarity. When companies start down the road of Customer Relationship Management (CRM), they are attempting to gain loyalty by implementing business processes that focus on enhancing the relationship with their customers. CRM is not about implementing better technology; it is about building the process that fosters longer, more profitable customer relationships.

Enhancing customer relationships requires a better understanding of customers. Analysis of a given customer's profile and of every interaction with that customer will provide predictive information on his or her behavior and how he or she prefers to be treated. Only after this has been completed, will a company be prepared to personalize that customer's experience through all customer touchpoints.

Personalization is not only a critical cornerstone of CRM but also one of the most challenging to accomplish. A company must be able to effectively learn from each customer interaction, record the results of that learning to gain a better understanding of each customer's preferences, and determine how the company can best serve that customer over his or her lifetime. This understanding will allow the company to communicate the right information to the customer at the right time using the right channel, and will ensure that all of those interactions are complete and consistent. As one would imagine, this repeated analysis and tuning of business processes requires time and money. There is considerable effort involved with capturing each and every customer interaction and then attempting to build customer loyalty through a personalized experience.

Is personalization worth the effort? The answer is yes, for two very important reasons. First, precisely targeted marketing pays off by reducing marketing expenses. Next, one must consider the competitive environment and the costs of falling behind. The overall marketplace is raising customer expectations at the same time that brand loyalty is decreasing. With the competition as close as a mouse-click away in some cases, customers have come to expect that a company will completely understand their needs and preferences, and remember every contact regardless of the channel used. Customers quickly lose patience with companies that do not learn from each contact with that customer.

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7 Key Steps for Personalization

As a company leverages that learned information into a personalization strategy, it creates barriers to competitors who cannot offer the same experience.

Companies that listen to customers and react to what their customers are saying enjoy higher profit potential. These companies will easily increase customer retention and satisfaction, and in the long run value, by enhancing this customer relationship. As a company leverages that learned information into a personalization strategy, it creates barriers to competitors who cannot offer the same experience.

Companies that want to enhance customer relationships with personalization are dependent on taking certain actions *before* moving into implementation. As obvious as some of these actions may seem, many companies still experience problems that keep them from realizing the full benefits of a personalization strategy. Outlined below are some pre-implementation actions that have the greatest impact on the project success.

- 1 Assess data quality.** Is a personalization strategy possible? Without data that is reliable and accessible, moving forward with personalization will be futile.
- 2 Set objectives and measures.** What is the business need or opportunity? The objectives and measures of success form the foundation for the strategy.
- 3 Build a comprehensive team.** Who needs to be involved? The team must include representatives from business, technology, and all groups managing the customer touchpoints.
- 4 Choose the personalization model.** How will offers and content be matched to customer needs? Dynamic personalization based on self-learning analytics is emerging as a favorite over rules based profiling.
- 5 Define the strategy** – How will personalization analysis translate into changed customer behavior and increased profits? The strategy must be designed to profitably meet customer needs for long-term satisfaction and loyalty.
- 6 Outline the project scope.** Where is personalization first implemented and to what level? The goal of a corporate-wide personalization effort may begin on a limited scale for learning, testing, and budget purposes.
- 7 Design the infrastructure.** What technology will meet the needs for short-term and long-term personalization strategies? Data flowing into and throughout the organization is essential to establish a single dialogue between the customer and company.

Moving carefully through these actions by using the checklists that follow will position the company for a quality implementation and greater success.

Action Step 1

Assess Data Quality

It is important to remember that the quality, not the volume, of customer data is the key ingredient to personalization.

Can you trust the reliability of your customer information?

The foundation of any personalization strategy is having robust and reliable customer data. Early in the process the project team must understand the accessibility and integrity of this customer intelligence. It is important to remember that the quality, not the volume, of customer data is the key ingredient to personalization. Inconsistent and conflicting customer data will quickly derail any personalization effort. There is no quicker way to convince a customer that they are not understood than by providing them with irrelevant messages based on bad or stale data.

The importance of understanding the quality and credibility of the company's data should not be underestimated. Companies have invested millions of dollars in CRM initiatives only to find that the system could not deliver on the strategy due to issues with data reliability. Before moving to the implementation stage, assess the customer data to determine if it can be trusted enough to achieve the desired personalization strategy. If data cannot be trusted, a plan must be put in place to increase data reliability.

Checklist

- Identify all relevant sources of data (i.e. customer data, transactional data, product data, partner data). This data will likely reside in multiple systems and diverse formats.
- Review the accessibility, integrity and freshness of each data source. How often is each source accessed and updated?
- Identify where data is overlapping. Is the same piece of data stored in multiple systems? For example is a customer's phone number stored in the call center database as well as in the sales database?
- Determine which version of each piece of overlapping data is the most reliable, taking into account that data quality decays at varying rates over time (i.e. mailing addresses decay at a more rapid rate for individuals under 25 years old than they do for individuals over 25 years old).
- Develop a central enterprise data store that contains merged and standardized versions of the most reliable pieces of data.
- Design a strategy for sharing updates to the central datastore with the enterprise.

Action Step 1 cont'd

Assess Data Quality

Recent advancements in technology have made managing data integrity much easier and more reliable. One highly effective solution for managing information reliability is the CMX platform, offered by industry leader and Chatham Systems Group strategic partner Delos Technology. CMX is used to consolidate and manage dispersed corporate-wide information in a centralized data repository. It allows customization and flexibility in resolving data conflicts so that companies can make decisions based on trustworthy information.

Delos
t e c h n o l o g y

Action Step 2

Set Objectives and Measures

Since the true value of personalization will take time to be recognized, it is important to establish short-term objectives as indicators that the project is on the path to success.

How will you define and track success?

When implemented consistently, a more personalized experience for customers will lead to increased sales, reduced marketing expense, greater lifetime value and, as a result, greater profits for the company. As with any project, the goal is to show a positive return on investment. Since the true value of personalization will take time to be recognized, it is important to establish short-term objectives as indicators that the project is on the path to success.

With clear objectives in place, the team can manage the strategy and implementation and establish the measurement process. Financial measures will be used to capture the value of changes in purchase behaviors, while customer perception measures will gauge the degree to which customers perceive value in the personalization efforts. Perceived value must be measured over time, since the personalization experience is dependent on interactions and learning throughout a series of communications.

Checklist

- Determine where personalization can impact the revenue, profit and expenses for the company. Will more customers be retained or acquired? Does the value of each customer increase through improved cross-selling? Can orders be processed more profitably? Can customer service costs be reduced?

Action Step 2 cont'd

Set Objectives and Measures

- Analyze the ROI potential. The investment in personalization technology and resources must have a clear financial return. Where will the return be generated? Over what period of time? Are the investment expenses complete and can they be kept under control?
- Set the financial objectives that drive the value of personalization. What percent of customers will be retained or acquired? What improvement in customer lifetime value can be achieved?
- Determine the metrics that will track the initial program success. Are response rates to offers increasing? Are customers visiting the website more frequently? Is customer satisfaction increasing?
- Define the measurement methodologies and frequency. How will sales be measured for the segment of customers receiving personalized interactions? How will customer perceptions and loyalty be measured? What behaviors will be indicators of future value?

Action Step 3

Build a Comprehensive Team

Representation of these groups from the beginning of the project will help to ensure that the resulting personalization strategy is consistent and cohesive across customer touchpoints.

Who should be involved from the start?

Planning and implementing a quality personalization effort will require teamwork between the business and technology organizations. Each organization brings unique perspectives and insights that are critical for success. In addition to the organizations responsible for managing the personalization development, sponsors need to be involved from each area that the personalization effort will impact. This includes teams such as those responsible for call centers, marketing, online channels, and business development. Representation of these groups from the beginning of the project will help to ensure that the resulting personalization strategy is consistent and cohesive across customer touchpoints.

As the business sponsors are devising the personalization strategy, it is important to involve the technology team so that informed decisions can be made on the value of each requirement relative to the cost, effort, and potential trade-offs. When the business and technology teams do not make these decisions in concert, the risks are great. Successful teams stay in step and count on the each other's expertise.

Action Step 3 cont'd

Build a Comprehensive Team

Checklist

- Identify the business, marketing, service and sales channel sponsors for all affected customer touchpoints. Which organizations drive the strategy for the customer segments or product lines included in the personalization effort? Will customers contact the company through sales personnel, call centers and online channels? Which marketing organizations will reach these customers with outbound communications?
- Identify product sponsors to support the personalization of content and offers. Who can determine what discounts or special offers can be made to different customer segments? Who can customize offers and products for specific customer segments?
- Identify IT sponsors for infrastructure and data as well as back office systems specialists who are familiar with the data and how to interpret it. Who will manage the personalization technology and integration? Who understands the data sources? Who can represent the systems that will be impacted?
- Bring together the team to discuss the vision for the personalization effort and to surface potential issues.
- Maintain open communications and ongoing meetings with the team.

Action Step 4

Choose a Personalization Model

Is a dynamic or rules based personalization model right for you?

The analysis process has evolved from personalization based on business rules to a dynamic model based on self-learning analytics. The personalization model drives how the company will translate key points of customer intelligence into a selection process that matches customers with the appropriate content, a process called “arbitration.” The arbitration process relies on analysis of customer data such as purchase history, web site activity, call center history, and demographic profiles to determine which content and/or offers to present to an individual.

Looking back historically, the first wave of personalization efforts relied on the definition of hard coded business rules to determine

Action Step **4** cont'd

Choose a Personalization Model

The system will continually fine-tune the arbitration process with each customer interaction, reflecting changes in customer behavior based on changes in market conditions.

which content should be presented to users. This “rules based” personalization attempted to group users with similar attributes and then present content based on that profile. The obvious issue with this strategy is that the level of personalization gained will only be as targeted as business rules allow. The process for implementing this strategy involves determining which attributes are important, and then grouping those attributes into profiles. Rules are then defined which determine which profile each individual most closely matches. As companies try to become more focused and targeted with their personalization efforts, the development team is forced to continually refine those business rules.

Dynamic personalization uses “self-learning analytics” to drive the arbitration process in real time. This technique allows companies to define a small set of rules, and then allow the personalization engine to monitor actual customer behavior in real time to adjust the rules. The system will continually fine-tune the arbitration process with each customer interaction, reflecting changes in customer behavior based on changes in market conditions. This process can be designed to present the best offer to an individual based on specific business objectives such as the acquisition of new customers, driving the most profitable sales, or generating the greatest customer lifetime value.

Checklist

- Determine the complexity of your personalization strategy. For companies with limited product sets or for companies that do not capture rich customer data, rules based personalization may be more appropriate. More advanced strategies will require dynamic personalization.
- Run a cost-benefit analysis. How does the added cost to regularly redefine the rules compare to the incremental up front cost of a dynamic personalization engine? What is the estimated loss in sales and profits as fixed rules decline in effectiveness?
- Consider organizational change management issues when looking at both options. You may opt to start with the rules based approach and migrate to the dynamic. Any software selected should have the ability to handle both.

Action Step 5

Define the Strategy

A good personalization strategy requires a balance of what's best for customers and what's best for the company.

True personalization comes by presenting a unified dialogue between the company and the customer, and from continually learning from that dialogue.

How will personalization translate to profits?

The personalization strategy is likely to evolve right from the beginning of the planning process. With the data quality confirmed, the objectives set, the team identified, and the personalization model established, the strategy can now be defined with confidence. The strategy needs to establish the target audience, offers, communication channels, positioning, and desired customer experience.

A good personalization strategy requires a balance of what's best for customers and what's best for the company. The goal is to maximize profits over the long term, which means keeping customers satisfied while presenting them with profitable offers that are relevant. The strategy must identify what information is needed and how it will be collected. Some information is collected by tracking behaviors and other information is captured through a dialogue with the customer.

In addition to managing the collection of information to drive the personalization, there must also be a plan to disseminate the personalization results to all customer touchpoints. True personalization comes by presenting a unified dialogue between the company and the customer, and from continually learning from that dialogue.

The strategy must be shared with the project team prior to defining the project scope and moving into implementation. Issues quickly arise when personalization efforts do not have organization-wide commitment. Imagine for example the negative impact of an uninformed customer service representative has when he or she is caught off-guard by offers presented through targeted direct mail. Or consider another situation where the strategy to present personalized offers to website visitors was sidetracked when the site's transaction processing system could not apply the discounts associated with those offers. Getting up front buy-in will make it much easier to deliver the unified voice that is so important.

Checklist

- Determine the level of personalization that should be offered. What level of personalization will drive loyalty and increased customer value? What is most important to the customer?
- Identify gaps in customer data that may prevent the system from delivering the desired level of personalization. Are there customer

Action Step 5 cont'd

Define the Strategy

touchpoints that will not be personalized? Will this disappoint the customer or fall short of customer expectations?

- Ensure that customer privacy is not being violated and that the company's privacy policy clearly states what data is being captured and what it is being used for. How can the personalization be structured so the customer perceives the use of personal information to be valuable?
- When designing the strategy, ensure that the end to end business processes are taken into consideration. Can the strategy be executed as planned?

Action Step 6

Outline the Project Scope

The project scope for the initial implementation should align with the long-term vision for creating a personalized experience.

Where do you begin with personalization?

The challenging aspect of a personalization initiative is that it takes a critical mass of contact channels and communications before it begins to make an impact. Phasing personalization into an organization must be done carefully to achieve a base level of success.

The project scope for the initial implementation should align with the long-term vision for creating a personalized experience. Personalization could begin for a specific segment of customers, a product line within the company, or select communications channels. It's easy to see that gaps in the overall experience need to be managed if all products or channels are not covered. When framing out the project scope, take the customer's perspective and create a personalization environment that is as complete as possible.

Checklist

- Determine which customer touchpoints will be personalized and the priority of each. Will the personalization strategy be perceived as consistent across all customer contacts? What are customer expectations with regards to the knowledge within each touchpoint? Can the personalization strategy be rolled out in such a way that a limited scale implementation achieves the desired impact?

Action Step 6 cont'd

- Ensure that all other marketing efforts are included in the process. Will the company take a single view of the customer in its communications efforts?
- Establish a clear plan for the flow of this “learned” information through the organization. Once information is collected, how will it be disseminated and used with consistency throughout all touchpoints?
- Identify all of the cost considerations for the strategy. Has each member of the team reviewed the strategy to identify implementation issues and the costs involved?

Action Step 7

Design the Infrastructure

The technology is facilitating the company's learning process as well as its ability to leverage that customer data.

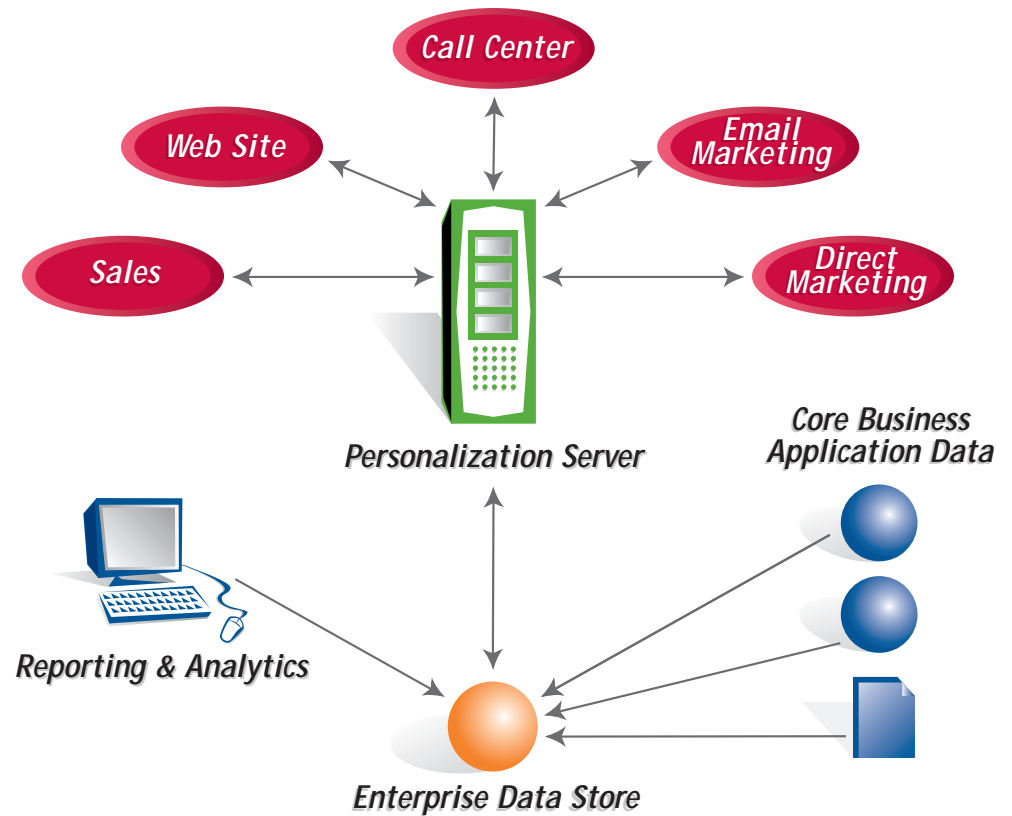
What technology is required for data consolidation, personalization analysis, and customer knowledge access?

The technology infrastructure must take into account the flow, application, and management of customer information. The process begins with the consolidation of existing customer data that feeds the initial personalization analysis. The output flows to the systems that support outbound marketing efforts such as campaign management systems, web personalization technologies, or customer segmentation models. The infrastructure should facilitate information flow to and from customer touchpoints. In combination, the technology is facilitating the company's learning process as well as its ability to leverage that customer data.

The following diagram shows one example of the technology infrastructure needed to support a comprehensive personalization strategy.

Action Step 7 cont'd

Design the Infrastructure



Checklist

- Determine what technology will be implemented for data consolidation, personalization, customer intelligence and executive reporting. Is the solution scalable to meet short term and long term needs?
- Determine the hardware and connectivity needed to support that technology. Keep in mind that personalization efforts typically require additional hardware investments.
- Determine which existing systems will be impacted and ensure that the technology selected has the ability to integrate with those systems. How will technical integration hurdles be identify and resolved throughout the implementation?
- Determine the complete cost of the solution including hardware, software and consulting services needed. What technical expertise is needed?
- Determine how data will flow throughout the organization and the timing of that flow. How will data trustworthiness be managed as new information is collected? Will updated data flow back to the sources of the original data?

Conclusion

Personalization must be viewed from the customer's perspective, keeping in mind the characteristics of trust, understanding, and familiarity that make up strong, lasting relationships. A solid competitive advantage comes from learning about customers and leveraging that learning to create a personalized experience that competitors cannot replicate. When customers perceive added value based on their overall experience with a company, they will be less likely to consider the inconvenience of "teaching" a competitor about their needs and preferences.

About the Authors

Tom Hannigan is Senior Consultant and Christina Palendrano is Senior Project Manager at Chatham Systems Group. Christina manages major large scale projects for financial and retail clients, bringing a strategic business perspective and technical expertise. She has a 13-year track record as project director, software developer, and systems consultant. Tom has specialized in CRM systems and consulting since 1993. He has delivered customized CRM implementations for many Fortune 500 and emerging businesses.

About Chatham Systems Group

Chatham Systems Group is a recognized leader in designing and deploying sophisticated Customer Relationship Management (CRM), personalization and data warehousing solutions, serving Fortune 1000 firms. Through our comprehensive approach to personalization, we bring insight into the strategy process, help guide the organizational process, and ensure quality throughout the implementation. Our experienced team has brought personalization to e-commerce ventures, marketing campaigns, and call-center environments for major corporations in diverse industries.

Chatham Systems Group, a privately held company founded in 1986, was ranked in the 2001 Inc 500 list of America's fastest growing companies, joining the ranks of Inc 500 technology alumni such as Microsoft, Oracle, Intuit, and E-Trade. Strategically partnered with E.piphany, Delos Technology, and Crystal Decisions (A Seagate Company), the company is rapidly expanding to serve the continued demand for improved customer relationships and marketing profitability.

The company is headquartered in Madison, NJ and has offices in New York and Boston. Customers include Johnson & Johnson, Lehman Brothers, SBLI USA, Pioneer Investments, Trilegiant, TD Waterhouse and McGraw Hill.

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