

# RealTime Interaction Management

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## Introduction

Analytical Customer Relationship Management (aCRM) has become a vital link in creating, developing and maintaining long life customer relationships. Recent developments reveal that the potential of aCRM goes beyond its original analysis function. Looking for unexpected patterns in the database, explaining behaviour and producing predictive models has made way for direct and interactive use of the predictive customer information obtained. The new generation of aCRM is focused on making the dynamic interaction process with the individual customer predictable, with opportunities and threats being flagged up in real time and exploited immediately. The real-time exploitation of opportunities is achieved by generating the best propositions automatically, and distributing them via central control of the distribution channels. The development reveals that aCRM is even more the engine initiating interactions with customers, providing and promoting a personal response, everywhere and at all times.

A second interesting development is the change that marketing itself is experiencing. The marketing function is slowly changing from an “art” with a large measure of “gut feel”, into a controllable, manageable process which needs proven measurable results. This trend started with customer lifetime value marketing (CLTV) where companies opt for a clearly different approach to customers. The (expected) profitability of the customer and the (expected) lifespan of the customer relationship take pride of place with customer lifetime value marketing. CLTV marketing is designed to maximise customer relationships. It calculates the net cash value of the expected profit during the life of the customer or customer group. The company then tailors its investment per individual customer accordingly. In the process, the company seeks to achieve maximum profit at minimum investment.

## Targeted approach

Companies are seeking to use analytical CRM as a means of making (outbound) marketing campaigns more effective. The first step is often to test out what is possible with the analytical CRM. What could analytical CRM mean for the company? Does it create money? If so, how much? What investment is entailed? Companies are accustomed by virtue of their profession to store large amounts of customer details. They understand that the data that they have stored on the various databases yield money. But the data only achieves real value when it is given meaning. ACRM is required for this “translation exercise” to enhance the effectiveness of marketing efforts, but also to discover new sales opportunities in the customer base. The database is examined for commercially interesting and surprising

(customer) segments. The point is to achieve interesting commercial success in order to induce the company to further investigate the potential for analytical CRM.

The effectiveness of marketing-initiated (outbound) activities is enhanced by looking to see which customer best fits with a particular product or service. Or to put it another way, finding the right customer and the right offering. The benefit of such score models is that the company can approach its customers in a much more targeted manner. In this way, costs are reduced and at the same time a larger volume of contracts is signed. Score models are drawn up for this purpose to predict who in all likelihood will purchase the specific product. The models are produced by comparing customers who give a smart response with those who do not respond. This enables customer characteristics to be identified that have the greatest predictive value for evoking a response. The same commercial result, or even a better result can be achieved using a score model, with significantly lower runs and/or contact frequency. Higher sales are therefore achieved, at lower cost. It also offers the major benefit that the customer is subjected less frequently to campaigns, which she wasn't sitting waiting for.

## **Closed-loop Multi-Channel Marketing**

The success of aCRM is enhanced if it becomes a structural part of the marketing and sales process. With the rise of new distribution channels such as the Internet and mobile phones, companies are expanding their distribution channels and integrating aCRM with the existing marketing and sales process. On the one hand to gain maximum benefit from the revenues by consistently using aCRM in the multi-channel marketing process. On the other, to be continuously evaluating and further refining forecasting models that have been developed. Integration ultimately leads to major improvements in the marketing and sales results.

"Closed loop marketing" is the aim. This entails ongoing improvements to the quality of the models, to the creation of more models for new target groups and for other products and earning higher sales volumes. Or, to put it another way, continuity in optimising the commercial process.

The right mix of customers, products and channels is sought with a view to coming into contact with the customer through a wide range of channels for integrating aCRM into the multi-channel concepts. Marketers will then no longer make open-ended use of score models for approaching client groups. Instead, for each campaign there will seek out the highest-scoring target group in the database. Their aim is to optimise campaigns as far as possible by using score models.

By making customer contacts structurally more effective, aCRM clearly adds greater value compared to operational applications (often already in place) such as campaign management, sales force automation, call centre and web applications). As the customers with the highest likelihood of conversion or response are identified, more and profitable products can be sold to the most profitable and loyal customers. The maximum result is obtained where there is seamless technical integration between the aCRM application and the existing infrastructure.

The predictive quality of existing models is enhanced by using them and testing them against old models. Ultimately, these cycles lead to a set of good-quality prediction models for most “standard” computerised campaigns. The ultimate result is a smooth-running campaign management process, ongoing monitoring of the quality of selections and effective distribution of customers among marketers’ campaigns. In short, an instrument for processing existing customers in an effective and efficient manner.

### **Example Closed-Loop Marketing**

*An example of a successful application of aCRM concerns a large financial institution which uses direct marketing as its main means of serving its eight million-plus customers.*

**Objective:** *to optimise the direct mail processes by means of an integrated aCRM solution.*

**Application:** *Data Distilleries software is used in combination with campaign management software. As a result of the integrated aCRM solution, database marketers are actually in charge of defining customer selections for direct mail campaigns. Data Distilleries software rapidly analyses the whole customer database and presents the results in the form of clear customer profiles. The solution offers database marketers the possibility of analysing customer data and incorporating the results of these analyses more rapidly in new campaigns.*

### **How is aCRM used?**

*The bank uses DD/ Marketer, a special module for marketers, in order to analyse the whole customer database more quickly and to export the results with the associated scoring probabilities quickly and easily to the campaign database. The integration has made the building of mail models a simple process and one which can be carried out independently by the database marketers. In order to select the most promising customers from the database, the database marketers apply various types of analysis. For example, they can first carry out a trial mailing, and analyse the response to this mailing. The Data Distilleries software then generates a model which specifies which customers will show most interest in the bank’s financial products. Alternatively they might use the so-called propensity analysis. Here the software analyses product purchases by current customers, in order to produce a model for target group selection.*

### **In the example of this Dutch bank:**

Direct mail process before aCRM was used:

- the building of models took over 4 weeks,
- this was very labour-intensive and required effort on the part of several departments,
- only 30% of the mailings sent out were based on models,
- no customer knowledge was built up by the database marketing department.

Direct mail process after implementation of aCRM:

- the building of models takes only a few days,
- the customer data is always ready,
- the data can be used immediately in the campaign management software, in this case, Vantage from PrimeResponse,
- 70% of the mailings sent out are based on customer models, enabling more targeted mailing,
- the database marketing department learns more about its customers with each direct mail action.

*The bank uses Data Distilleries software to distil usable customer knowledge from the enormous volume of available customer data. This results in a shortening of the database marketing process so more campaigns can be implemented on the basis of models by the same number of people. The benefits of this operation are obvious: a higher response, less irritation among customers and a reduction in waste. The large numbers of mailings which the bank sends out in the form of leaflets with statements, further reinforce this effect. If the waste can be reduced by just a few per cent, this will quickly lead to annual savings of many millions.*

## **Real-Time Recommendations**

The customer is increasingly taking the helm, specifically in the interactive distribution channels such as call centres, voice response units and the Internet. The customer or prospect is himself taking the initiative to contact the company. That is the ultimate moment for marketing. Real-Time Recommendations is a suitable approach to adopt here.

The concept remains the same whether one is dealing with a call centre or the Internet. At the time when the customer seeks contact with the company, existing knowledge of that customer must immediately lead to a personal, commercial proposition tailored by the company. In itself, not a problem. Selecting the best approach on the basis of a battery of scores would appear to be the solution. But what if the customer comes to make a complaint or order a product, making the proposed approach pointless? The customer is taking the initiative to make contact and will therefore first be asking something of the company. This information is essential to determining any commercial approach towards the customer. Pre-calculated scores on the basis of score models are insufficient. The real-time calculation of score models, with existing customer information along with information that has just been obtained (in real-time) is therefore a must; hence the term Real-Time Recommendations.

Real-Time Recommendations are highly lucrative. (See example) It is a simple matter to flag the best cross-selling and up-selling opportunities for inbound customer contacts and to use them directly, driven by underlying score models. Sales are directly and visibly increased, because the customer is given a product offering that best suits him, and he receives the product offering at the time when he is actually receptive to it. In addition, using Real-Time

Recommendations focuses inbound marketing activities on the most profitable and most loyal customers in the database. Marketers can opt to sell the products with the highest margin. They are given the opportunity to give a higher priority to recommendations which will increase the profitability and loyalty of these most valuable customers.

### ***Example: Real-Time Recommendations***

*A good example of a successful ROI is the case of a financial organisation which does not operate through intermediaries - a direct writer.*

**Objective:** *to exploit a percentage of the incoming customer contacts for cross-selling to promote the most profitable product.*

**Application:** *Data Distilleries software in the call centre. As soon as an attractive opportunity arises, the software gives a suggestion for a product to be offered by means of real-time recommendations. In the corner of the screen a separate small screen appears. This states the name of the product and the probability of success. With a double-click the employee gains an insight into the structure of the underlying model and a number of product-specific sales arguments, and he sees a possible opening sentence.*

### ***What was measured?***

*Prior to the actual measurement, the 'autonomous' response was measured over a certain period. This data made it possible to determine the extra returns of real-time recommendations. After all, the real return is equivalent to the real-time recommendations results minus the autonomous response. In addition, two groups of call centre agents were defined: one group used real-time recommendations, and the other engaged in cross-selling without the software. This structure made it possible to take account of the difference in the selling quality of the agents. Three sets of measurements were then taken:*

- 1) The number of times an opportunity arose; how often the suggestion was presented; how many telephone calls were received for the agents connected to the system and how often the suggestion actually appeared above the threshold value.*
- 2) The number of times the call centre agent took up the suggestion; how often he was presented with a suggestion and did nothing with it, and how often the agent tried to do so, but without success.*
- 3) How often success was actually achieved. This figure was broken down into commercial successes (leads created, brochures sent out, information provided, a product sold other than the proposed product) and genuine success (actually selling the proposed product).*

### ***In our example of the direct writer:***

- a suggestion was presented in 15% of the telephone calls,
- 30% of these were taken up by the agent in order to make an offer to the customer,
- 50% of these were commercially successful,



- 50% of these were successful sales of the proposed product.

The precise figures were:

- 50,000 telephone calls per month (via the connected agents),
- 7,500 telephone calls were potentially attractive for sales,
- agents made offers to customers on 2,250 occasions,
- 1,125 successes were achieved, and
- 563 contracts were concluded.

With a profit margin per contract of 500 Euro (spread over 20 years), this generated an additional profit contribution of more than 3.3 million Euros per year. And that was just for one product and a small group of approximately six call centre agents.

*The software has a very favourable ROI which is relatively easy to achieve. Good results can be achieved in a very short period even with a limited number of products. In order to gain an even better picture of the ROI, the measurement can be regularly repeated for different products and across several channels.*

## **Real-Time Analytical Interaction Management**

The logical step after implementing Real-Time Recommendations is to use aCRM for real-time control of all marketing activities. Companies wish to get a better grip on the dynamic process of interaction with the individual customer (including the interactions initiated by the marketer himself). They want to be able to control and adjust the process rapidly and be better able to predict the results of the interactions so as to bring the objectives at customer level in line with corporate objectives. The aim is to actually maximise total yield and profit over the long term for each individual customer (Customer Life Time Value).

Real-Time Analytical Interaction Management allows a marketer to pursue a wide range of objectives, and define them in various personal, real-time interaction strategies with the customer. Targeted propositions aimed at the individual customer are developed for this purpose. These propositions cover a specific action in which a product or service is offered, expressed in a particular message. Various propositions are related to different corporate objectives (such as cross-selling, up-selling, cost reduction, retention, penetration and profitability). The interaction strategies are complementary.

Interaction strategies are defined, or may be defined covering a wide range of distribution channels (= multi-channel), contact moments in time (= multi-step), for various customer segments, in a combination of inbound and outbound contacts. Predictive models are used to do so. The models are easy to use and provide a stable prediction of customer behaviour, evolving over time, among the various distribution channels and in a rapidly changing environment.

Interaction strategies are implemented automatically. The situation is constantly being analysed to see whether there are opportunities and/or threats. On the basis of the complete (including the most recent) information, changes in the customer situation are

flagged that provide good grounds for communicating a specific proposition. This information may emanate from the customer himself (if for example he calls, visits the website or responds to an offer). It is information stored in the databases that generate interesting events (such as a birthday, wedding day, Valentine's day, etc.). It may also be information which is initiated by the company (defined interactions for direct mail, or a phone call to the customer).

In addition, companies are prepared to exploit opportunities/threats that may arise at any time and for various propositions and company objectives. This requires pro-active preparation for interaction with the customer. The best proposition for this specific customer is generated at the time of interaction. This means a dynamic weighing-up between various customer objectives such as cross-selling, up-selling, cost savings, loyalty and customer value. This is based on a consistent customer picture which changes (in real-time) to the new situations. Only then is it possible to exploit opportunities in time.

Furthermore, the propositions are constantly being disseminated by central control of the various distribution channels by automatically providing the best propositions, at the right time. Customer knowledge is collected and disseminated in turn among the various distribution channels from this central position. This calls for customer knowledge to be integrated from/in this central position. A clear understanding of all activities targeted at the customer enables every customer to be approached to best effect and consistently via each distribution channel required and at each desired moment. Only then is it possible to flag opportunities and threats in a timely manner from analysis and to make pro-active preparations at every interaction with the customer.

If supplier wishes to make the central position of CRM a reality, he must be able to collaborate. Apart from the functionality listed above, the application will have to integrate with any application, database or infrastructure. The source of the supplier determines the technical possibilities that can be achieved in this central position. The fact is that the technology could soon become outdated because the wrong architecture was adopted in the past. Technical developments are proceeding so quickly that incorrect choices at the heart of things are virtually beyond rectification. The technology for the CRM engine must in any event be easy to expand across all distribution channels, and easy to integrate with the existing infrastructure in line with generally accepted standards.

To achieve the objectives set, the results of the strategies are evaluated continuously in real-time, and the marketer is given the opportunity to adapt the strategies "on-the-fly". How does one work towards achieving customer objectives?

Real-Time Monitoring and Real-Time Alerts are deployed to remain abreast of the result. Performance being achieved with the strategies is monitored by a number of pre-defined key variables. These mainly focus on the results during the period in which the strategy is active. The information is presented to the marketer in real-time, i.e. in (milli-)seconds by means of a monitor/dashboard. Various types of monitors may also be developed (for example for marketing and sales directors, marketing analysts, call centre managers, etc.) to monitor their specific area. To be able to flag (significant) deviations, the results are compared directly with the forecasts, expectations and/or objectives previously made.

Concrete modifications to ensure that the objectives are attained are proposed on the basis of historical data/results. An organisation can learn much from customer contacts. One condition is that the communication with the customer is logged as far as possible via a wide range of distribution channels, contact moments, for various customer segments and propositions. Analysis of the contact data shows which desired changes can be implemented by the marketer. A number of levels are available here: strategy, contact and model level. In the first instance, the strategy is modified. For example, the respective priorities between the strategies are changed, the influence of general business rules weakened/strengthened, or strategies halted or started. At contact level, distribution channels are removed or added, response options changed, more specific contacts deferred or advanced. At model level the definitions of the predictive models are altered. Generally by producing a new predictive model which forecasts who responds, with which offering, via which distribution channel and when. After implementing the changes, a new balance is achieved in communication with the customer, which takes account of previous propositions.

## Conclusion

Analytical CRM is gaining a place for itself as the brains in the centre of any CRM business strategy. It is an essential link in establishing, developing and maintaining customer relationships by the real-time flagging of opportunities and threats, and directly exploiting these moments. Mainly by generating the best propositions automatically and distributing them by a central control of the distribution channels. Interactions with the client are initiated dynamically, dealt with and promoted, everywhere and at all times.

The central position is needed to achieve real competitive advantage with Customer Life Time Marketing. ACRM is needed to identify who the (potentially) profitable and loyal customers are. Furthermore, activities can be initiated with aCRM which are designed to maximise the customer's lifetime value. This is achieved by anticipating expected customer behaviour by analysing historical customer behaviour and predicting future behaviour. But what the new generation of aCRM most achieves is that it puts the marketer (back) in control.