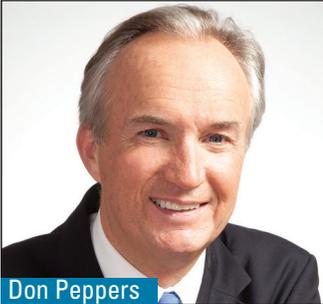


Connecting with the Digital Customer



Don Peppers

Recognized for more than 20 years as one of the world's leading authorities on customer-focused business strategies, Don Peppers is an acclaimed author and a founding partner of Peppers & Rogers Group, the world's premier customer-centric management consulting firm. The Times of London has listed Peppers among their "Top 50 Business Brains," while Accenture has included him in its global list of the "Top 100 Business Intellectuals." With co-author Martha Rogers, Ph.D., Peppers has produced a legacy of international best-sellers that have collectively sold well over a million copies in 18 languages. Peppers' and Rogers' newest book is *Extreme Trust: Honesty as a Competitive Advantage*.



Julie Roehm

Julie Roehm is currently the "Chief Storyteller" and SVP of Marketing for SAP. In this role, Julie and her team are helping to humanize the SAP brand via the stories of their customers and their customers' customers. Before starting her own consulting firm in 2007, Ms. Roehm was the Sr. Vice President of Marketing Communications for Wal-Mart Stores. She also served as the Director of Marketing Communications for Chrysler Group with responsibility for all branded communication efforts for the Chrysler, Jeep[®] and Dodge brands. In 2004, Julie was named as the Marketing All-Star for 2004 by Automotive News, Automotive Marketer of the Year by Brandweek.

Marketing leaders who leverage omnichannel customer insights can look beyond a single interaction with customers, develop relevant and engaging messaging, and build long-term loyalty

The technological revolution has changed the way individuals interact with friends, family, and the brands with which they do business. As customers move from channel to channel, they leave a wide digital footprint in their wake. Marketers who can follow the data trail, and have the means to interpret the data, will uncover a treasure trove of customer insights.

By gathering, analyzing, and acting on the insights from customers' omnichannel activities, marketers can gain a much clearer picture of each customer, including their needs, preferences, behaviors, and even their motivations. Arming marketers with these precious insights enables them to craft customized campaigns and communications in order to orchestrate more personalized and relevant experiences that can lead to higher levels of engagement, driving greater loyalty and customer lifetime value.

Evidence shows that a growing number of marketing leaders are beginning to recognize the opportunities that the use of omnichannel customer data can provide them. In a recent study by MarketingSherpa, marketing leaders cite the ability to act on customer data to improve marketing performance as their number one objective for marketing analytics in 2013.

Setting goals and objectives around the use of customer data from across the multiple customer touchpoints is the first step toward connecting the customer experience across the enterprise. Businesses, however, remain challenged in how to harness customers' digital footprints, and then turn that insight into competitive advantage. Having the ability to analyze customers' omnichannel interactions in a real-time basis can be the key to connecting the customer experience across the enterprise.

In this 1to1 Executive Dialogue, industry thought leaders Don Peppers, Founding Partner of Peppers and Rogers Group; and Julie Roehm, Senior Vice President, Marketing and Chief Storyteller at SAP, offer their advice to marketing leaders for leveraging omnichannel customer data and analytics, and recommendations for connecting the dots between customer experience and business performance.

How is the changing business landscape impacting the way that companies need to interact with customers?

Julie Roehm: The advent of social media is unique not just because it's the latest hot trend, but because it's the first time where we really have something that's truly mass marketing on an individualized level. The focus has been really geared toward understanding how can we use our customers to talk about the value that we bring—from their voice, not ours. Today, customers own the message—they drive it, they dictate it, whereas with other mass media, it's really been largely under the control of the company or the corporation. We are now looking to empower and embrace the voice of our customer.

At SAP, we have something called the SAP Community Network that's made up of 2.5 million people who are saying what they want. We're able to join the conversation but we certainly don't own it because it is in a social space.

The conversations we see going on with people, who in some cases are our customers, give us a great amount of insight and value that help build better relationships through relevant marketing. Companies should participate in online communities to help influence the discussions and address issues. In addition, organizations can identify and engage key customers to help convert them into advocates, and then reward them for increased advocacy.

When you think about some of the most popular mobile and social platforms available today, such as Yelp or Uber, they are all being driven by the customer who is controlling her own destiny.

It's amazing. It's really a brand-new era. And, it's fun to be a part of it.

Don Peppers: Because we're all more interconnected, the atmosphere for what is acceptable information has changed. As customers, we're surrounded by this

ocean of incoming information now, and no one has time for it, so you filter that information. The first filter you apply is its trustworthiness. Can I trust this information? If it's information from a brand I know and trust, I'll trust the information. But often it's just information from a brand that's trying to get me to buy something, so I don't trust it. The information that I do trust typically is social. I'll trust what my friend tells me because he's got no hidden agenda. He may be inaccurate. He may be wrong. But it's not intentional—it's not a bias that has a goal. He's not using me in an instrumental way.

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What are some ways in which marketers can make better use of the information that's available about customers to connect with them on a deeper level?

Peppers: Most marketers are still looking at this information through the wrong end of the telescope. They're trying to parse the information analytically to determine which customers are the most valuable. The right way to look at this, especially with the amount of customer data that's now available, is to examine the opinions and the other voice of customer data that's being shared in social media platforms. The real customer differentiator ought to be trying to get a better picture of what each individual customer needs. What are the motivations behind an individual customer's actions? Most companies are still in the Stone Age when it comes to differentiating their customers by their needs.

Companies ought to be running toward this goal to try to understand individual motivations of different customers.

Roehm: When we think about Amazon with their recommendation engine, they are trying to deliver what people need based on past purchase history. But, how can you tell what is motivating people to buy? To determine motivation, you need to look not only at their past retail purchase cycle, but also at the social connection and other external data. Once companies are able to understand customer motivations, marketers can create customer engagement that's relevant and personalized which can lead to conversion and revenue growth. As we all know, marketers in the world are not lacking information or data. What we're lacking are true insights that help us to be more understanding and realize the motivations of our customers.

What do you find are the biggest challenges that companies face in gaining a complete view of each customer?

Roehm: For big companies, the amount of data is massive, so we have to be able to differentiate between the customer data sets that will make the most impact. What's key is the speed in which companies can identify and understand what's fresh and what's relevant right now. Customer interaction data from a week ago, or even a day ago, may be irrelevant and even inaccurate. Companies need access to real-time data to make right time decisions.

You've also got to be able to blend the internal customer data that companies have with the external data. The ability to combine these two types of customer data enables marketers to come up with something meaningful on a moment by moment basis.

The marketer's job has never been more challenging simply because of the requirement to quickly and accurately synthesize and analyze that internal and external data.

Peppers: Data analytics is a skill set that is going to be much more in demand in a few years, and there's already a shortage. But, while data analysis is a skill set that's required, the whole population, especially managers and business managers, have to become mathematically literate. You had to be able to read and write to get a job in management a hundred years ago. You should have to be able to know your way around a statistical chart and the flaws of statistical analysis to get a job today.

What are some effective approaches that marketers can take to work through some of these challenges?

Peppers: Senior management needs to understand the importance of numeracy. Even just a few sessions on statistical reasoning would really help. To address the lack of statistical reasoning capabilities, senior leadership must take an active role in improving the skill set of their current management.

Roehm: Technology is the key to providing the ability to capitalize on big data insights and to champion customer experiences throughout the organization. We need to educate on the benefits of today's technology and develop analytical skills so we have marketers who can make decisions based not only on their gut instincts, but also based on quantifiable facts.

In addition, we need people who understand how to innovate--not just in the content that's developed, but also on how the target audience experiences it. It is about being crafty and creative in the ways we approach our marketing world. Instead of waiting for things to come to us in the 9-to-5 chair, we need to recognize that this is a 24/7 world and we've got to deliver consistent customer experiences 24/7 and be ready at a moment's notice to take advantage of opportunities that arise for our customer and our brands.

Given this giant omnichannel footprint that customers are leaving about themselves, can you offer some examples as to how companies can use this information to gain a competitive advantage?

Peppers: The question really is: How do you take customer data that's available to any competitor and turn it to your competitive advantage? Companies must somehow combine that data with internal data. Every time customers specify their preferences, it creates an inherent potential for competitive advantage. When you combine that data with the insights you get from external data, then you could, in fact, create an iterative relationship with the customer in which the customer cites her preferences, and then you tailor your activity to that. The more a customer tells you, the more loyal that customer is going to be. Even if your competitor has the same level of service and same outside data that you have, the customer would first have to teach the competitor what she's already taught you.

Roehm: The key to any successful relationship is openness, and in the digital world, sometimes marketers and

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big companies are reluctant to be open. Asking customers for their feedback is a way to ignite the conversation. While it puts a company at risk, because the customer feedback could be hugely negative, every negative is an opportunity to flip into a positive.

Creating that open relationship promotes trust and loyalty. For me, it's almost a new and augmented form of research.

By listening and putting things out there in a more public way, companies receive feedback, which is as important in relationship building as providing customers with a coupon or an offer.

Can you share with us some ways in which gaining a deeper understanding of each customer can help marketers drive better business results?

Peppers: Different customers need different things. They want different attributes of your product or your service, and the more insight you have into how to treat different customers differently, the more success you can have as a company. Treat all customers the same and you're not treating anybody special. But when you treat different customers differently based on what can be learned about them, then you have some leverage. It's about gaining a competitive advantage over other companies that are trying to build the same customer relationships by providing customers with differentiated experiences.

Marketers often wrestle with how to connect the dots between customer experience and business performance. What are some recommendations you can offer on how to go about doing this?

Roehm: You can't have positive business performance without having a good customer experience. Customer experience is the metric of business performance. From a marketer's perspective, you don't want to be invasive or intrusive, but you need to find ways to be there when the customer needs you. Active engagement and the way your customer connects your brand with her life is a great measure of the kind of customer experience and satisfaction that you are, or aren't, providing that marketers can learn from and build upon.

Peppers: Good customer experience is synonymous with good financial results. Businesses have difficulty making that connection, however, because providing good service costs money today, while it delivers a benefit in the future, in the form of a customer who returns for more, or who recommends the brand to another customer.

Customers create two different kinds of value – they buy things today, *and* they change their opinion of you today in a way that might increase or decrease what they buy from you later. Suppose a valuable customer calls in with a complaint, but you don't do a good job handling it and the customer hangs up even angrier. Didn't your company just lose a bit of its economic value from that customer? The value of your firm is measured by the cash flow you anticipate receiving in the future, and now you can't be anticipating

quite so much, because that customer isn't going to be shopping with your company as frequently, and maybe some of his friends or colleagues might not, either. And, even though you won't realize the cash effect of this poorly handled call until sometime in the future, the value was destroyed today, with the call.

Companies that do a really good job of connecting the dots are ones that realize the connection between good customer service and future cash flow. They do an even better job when they make an analytical distinction and try to calculate customer lifetime values on a regular basis and measure and track the changes in those lifetime values. When lifetime values go up or go down, that's real shareholder value for the business.

What are some examples of companies that are doing an exceptional job of

leveraging customer information to strengthen relationships with customers?

Roehm: One SAP client is a grocery cooperative in Europe. They wanted to provide a better customer experience by providing a convenient and easy method for their customers to interact through mobile commerce, so they built an iPhone app that enables their customers to order groceries from their smart phones. They were able to increase their revenue by 22 percent and the average order size increased by 41 percent. It's a terrific way to improve customer experience by providing a more convenient way for customers to engage with them. And, the added data from this new channel is being captured and leveraged to send customers relevant promotions and coupons based on what they know their customers like, based on the insights that have been shared by their customers. ■



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