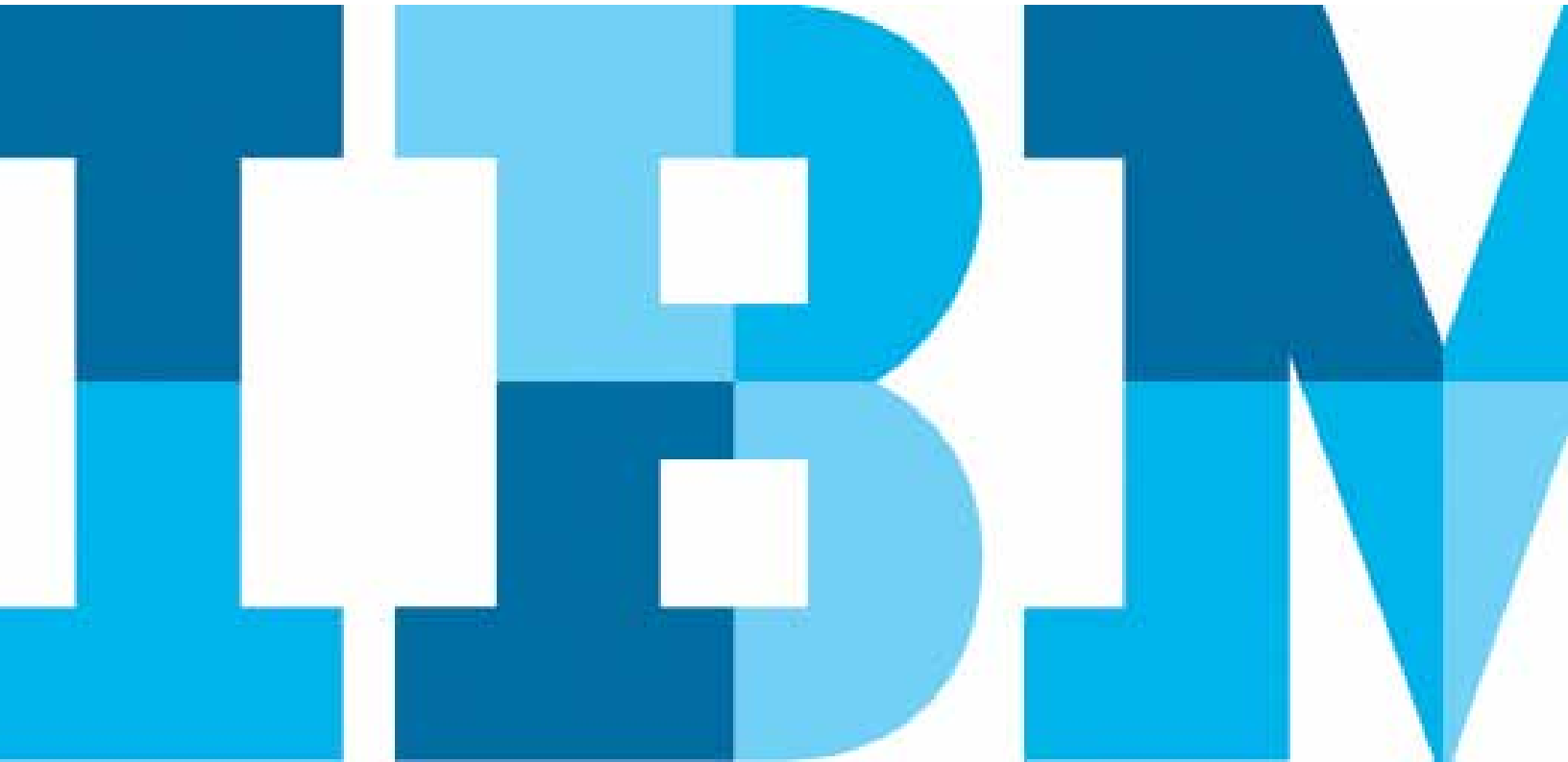


The case for Centralized Customer Decisioning

*A white paper written by James Taylor, Decision Management Solutions.
This paper was produced in part with funding from IBM.*



Customer dialogues are desirable but difficult

Marketers know that they are most effective when they can engage their prospects and customers in an ongoing, interactive dialogue.

In the past, it was not easy to create such a dialogue because traditional marketing channels were not interactive. The Internet, social media, mobile devices and technology are highly interactive. Yet they create a multi-channel environment that makes sustaining such a customer dialogue difficult, because customers interact with so many different channels. As a result, most marketers struggle to sustain an effective dialogue with their customers across channels and across time.

Customer treatment decisions can make or break your dialogue

A good customer dialogue develops over time and across channels. Along the way, marketers can make many decisions about how to treat customers—what to say next, what to offer and how to respond to inquiries. If these “customer treatment decisions” are not managed systematically and made in a way that truly engages customers, marketers cannot establish a dialogue nor build a relationship of value.

A good marketer anticipates customer needs based on past and current behavior to create and maintain an effective dialogue.

Consider the last piece of “junk mail” you received. The odds are good, given the typical response rates on direct mail campaigns, that you simply threw it in the recycle bin. But think about how you felt. You probably felt irritated and frustrated—why do these people never learn, why do they keep sending you this junk, do they not know anything about you?

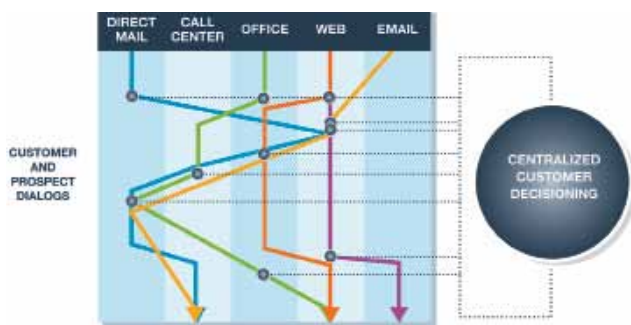
When people receive offers from companies, they respond as though those offers are personal and deliberate. Building a dialogue requires clear decisions.

Centralizing customer treatment decisions

Customers interact with companies and brands across multiple channels and in complex ways—such as using the Internet, mobile devices, and networking with their peers in addition to more traditional channels. They perceive the companies they interact with across all these channels as a single entity. But poorly managed customer treatment decisions fail to support this view, making messages and offers seem inconsistent and incoherent across the channels, confusing customers at best and making them feel exploited at worst. Customers might get an email offer, perhaps associated with their monthly statement, then see a different offer when they go to the website to check into it, and then use an inbound channel like a call center, only to find no awareness of the offers made through email or web. Customer treatments ought to be managed systematically across all your channels to build a dialogue with customers—call it “Centralized Customer Decisioning.”



A lack of cross-channel orientation also means that marketers ignore customer information. Information about the customer that could have been used to make a more personal decision is left unused. Instead of all the information from all channels being fed into every decision, each channel uses its own information set. And even when information is integrated across channels, companies do not apply it systematically to improve customer treatments across all those channels. At best, companies pull data from one or two additional channels when making decisions. Integrated data can and should be used to improve a dialogue with your customers. Customers expect you to remember what they have told you.



Marketing should own Centralized Customer Decisioning

Many different groups want to make decisions about how to treat customers. They want to make them offers, send them information, or prompt them to take action. Customer service might care most about retention offers, while call center managers might prioritize cross-sell offers. In addition, multiple teams will deliver these decisions to customers: the website team will need to integrate customer treatment decisions into its systems, sales will have to handle customer responses to offers, and so on.

Case example

The power of personalized, targeted customer decisions should not be underestimated. One large retailer was trying to turn single-category purchasers into multi-category purchasers. It replaced its traditional blanket marketing campaigns with Centralized Customer Decisioning. It used a combination of analytics (to predict likely purchases and cross-over products for instance) and business rules and logic (around location, personal preferences and more) to generate personalized, targeted communications. It saw a nearly 2000 percent improvement in response rates. And customers who responded to the personalized direct mail had bigger baskets, too.

While all these groups have a legitimate say in the process, they cannot be allowed to make their own customer treatment decisions. Teams focused on a single channel cannot make customer treatment decisions effectively because dialogues cross multiple channels. Those focused on a particular stage in the customer relationship, such as acquisition, do not see the whole dialogue. For true Centralized Customer Decisioning, a single owner is required, and that owner should be the marketing department.

At the most basic level, marketing departments know their customers best. Marketing collects data from every channel, as well as from surveys and direct customer outreach. Marketing analyzes customers looking for trends and segments. Marketing cares about acquiring, developing, and retaining customers and interacts with customers at every stage—including before they even become customers. No other group has this holistic view. Marketing can ensure that customer treatment decisions balance the various constraints on the business and contribute to overall business goals.

Of course, marketing cannot own every single decision about customers. For example, companies in financial services, insurance and telecommunications need to effectively manage risk decisions. Similarly, companies in retail and manufacturing have supply chain and manufacturing decisions about products, orders and resources. While marketing cannot own these decisions, it will need to take account of them. Customer treatment decisions must be made in the light of these other decisions. Centralized Customer Decisioning, managed by the marketing department, should be able to reach out and include the results of these decisions.

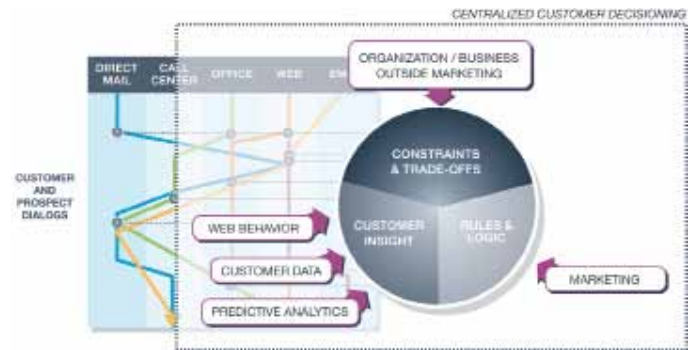
Effective Centralized Decisioning

Effective Centralized Customer Decisioning has four essential components:

1. A sense of the dialogue desired and how customer treatment decisions will guide the dialogue
2. The rules and logic that power each decision
3. An understanding of the ever-changing trade-offs and constraints that form the context in which decisions need to be made, and the ability to optimize results based on these constraints
4. The ability to leverage complete customer information, especially the history of interaction with each customer leading up to the decision, and the immediate context of the current interaction

Case example

A financial institution was struggling with customer retention—in particular, with the trade-offs between attrition and profitability. Using a Centralized Customer Decisioning platform that supported optimization among constraints and gave the marketing department what-if analysis tools, it was able to proactively manage retention scenarios. The end result? It increased retention offer acceptance by 33 percent.



A sense of the dialogue

Effective dialogues require managed, thoughtful, appropriate customer treatment decisions, and marketers should develop the business discipline to identify and focus on these decisions. Once identified, these decisions can be mapped to the customer lifecycle and the desired customer dialogues to ensure the best possible outcomes.

Part of this discipline includes constant analysis, testing and learning. What makes a decision a good one changes over time as markets change, competitors change and customers change. As new information is gathered, new approaches become possible. Good marketers run experiments constantly, and those experiments involve trying new decision-making approaches for customer decisions.

Rules and logic

At the heart of any decision is a collection of business rules—the logic of a customer treatment decision. This logic makes the decision, matching a message or offer with a customer and his or her circumstances. This logic relies on classification or segmentation, as well as other analytical approaches, to refine the decision based on the specifics of each individual customer. These decision-making rules that make up the logic must be

flexible and easy to change so they can be updated whenever necessary, and need to be visible and available for re-use to ensure consistency. Managed business rules are the basis for Centralized Customer Decisioning.

Decision-making also involves learning from the past—what has worked (or not worked) before. The rules and logic in Centralized Customer Decisioning should leverage data mining and predictive analytics so that historical information can be turned into usable insight. Predictive analytic techniques can, for instance, use historical churn data to turn uncertainty about who will churn in the future into a usable predictor of what characteristics are an indicator of churn. And these predictions can then be used to create better rules and logic.

Trade-offs and constraints

Some decisions must be made in the context of complex trade-offs and constraints. These include company policies (“we do not send more than one offer a month to any given customer”), regulations (“certain states require an explicit opt-in”) and limited resources (such as a finite number of call center staff or the size of the marketing budget). Finding the most valuable way to apply these resources to meet overall goals requires optimization. A platform that brings business rules and logic and optimization together is essential for Centralized Customer Decisioning.

Complete customer information

The final, essential component for effective decision making is a rich information context—as complete a set of information about the customer as possible. In particular, the status of each customer’s ongoing dialogue with the company must be the basis for decisions. Information about the customer and his or her interactions comes in many forms. Information about offers presented and customer responses are core, as is information about products purchased. When and where a

customer purchased a product might not be information that sits in the marketing department, but it makes a huge difference to the relevance of future offers. Customer service calls might be in a different system, but knowing about problems contributes to decisions about cross-sell or up-sell. It is vital that information from front-office and back-office systems is available, so that decisions can reflect everything known about a customer. Increasingly, information about a customer’s behavior on your website is vital to developing a complete understanding of who your customer is.

Case example

One financial institution was able to deliver growth in revenue of 8 percent in just 6 months, thanks to an integrated technology platform for Centralized Customer Decisioning. The platform allowed it to develop more sophisticated customer segmentation models and update them regularly in its production environment. These regular updates, combined with champion/challenger testing, let it move rapidly towards a more optimal segmentation and focus analytic effort on the specific segments where it made a difference.

Historical data is essential for making decisions but is not the only kind of data required. Timeliness and context make a big difference to customer perceptions. A customer who is in the middle of researching a particular topic on a company’s website should be treated differently than customers who are not. Similarly, if he or she has been on hold for a long time or has just made a complaint to a call center representative, this context should be considered.

Customer treatment decisions can and should be centralized. You need the right management discipline and a suitable technology platform—a platform that brings together the business rules and optimization that good decisions require, and puts them to work on all your historical data and a real-time context.

Centralized Customer Decisioning requires an integrated technology platform

When it comes to managing customer treatment decisions, many technologies have something to offer. Data mining and predictive analytic workbenches can build models that target, segment and predict customer behavior. Business rules engines can personalize decisions and ensure consistency. Optimization engines can balance constraints and objectives to deliver the most profitable solutions. Data integration technologies can pull disparate data sources together, while channel-specific applications can bring recent conversations into the picture. But applying each technology independently will not deliver Centralized Customer Decisioning.

Different decisions require different combinations of technology. Some will be driven only by policy, by rules. Some will be largely analytic, driven by a response model, for instance. Many will require multiple techniques to be applied to ensure the best possible decision—rules to ensure compliance, analytics to predict opportunity and optimization to balance constraints. Centralizing the management of decisions on a platform that integrates these technologies is essential.

Centralized Decisioning has clear ROI

Implementing Centralized Customer Decisioning has a great potential ROI. And, like any project, it needs to be able to demonstrate this ROI incrementally. Companies are rightly wary of large projects that show no return for an extended period of time, preferring those with a series of steps where each shows a return. Centralized Customer Decisioning offers just such an incremental approach.

The ROI for Centralized Customer Decisioning comes from:

- Improved marketing to prospects and customers
- Reduced costs for IT and marketing
- Better customer lifecycle management, from acquisition to retention.

Improved marketing

Centralized Customer Decisioning allows marketing to manage the ongoing dialogue with customers. Using a Centralized Customer Decisioning platform to create a next best offer, or better yet a next best action, mindset means that each customer treatment decision builds on the last and prepares for the next. This kind of integrated decisioning drives an ongoing dialogue with customers and maximizes their value.

Centralized Customer Decisioning empowers the marketing department to make its own changes, reducing the time to implement new offers, new campaigns. For the first time, the marketing department can manage how customers are treated in every channel and at every step in the dialogue. Business agility, strategic alignment and customer-centricity are all a direct consequence of this kind of control. Reducing the time to market for new offers reduces losses by minimizing the time to respond to competitors, and maximizes marketing's ability to respond to opportunities as they occur. More consistent offers build customer trust and improve margins.

Reduced costs

Centralized Customer Decisioning is also a very cost-effective approach for marketing. Changing the decision making logic, the business rules, in a centralized decision platform is quicker and cheaper than changing such logic when it is embedded in a call center or website application. And centralizing the decision means only paying to change it once no matter how many channels or processes use the decision. Integrated data mining and optimization reduce the time and effort (and cost) of deploying analytic models. Consistency of decisions avoids the costs of explaining inconsistencies while boosting effectiveness.

Centralized Customer Decisioning is not only more effective in marketing to customers, it is also cheaper than piecing together all the technology and process components that would otherwise be used.

Better customer lifecycle management

Finally, Centralized Customer Decisioning has a positive impact on the whole customer lifecycle. Customer acquisition is more targeted and takes account of prospects' future profitability. Centralizing acquisition decisions ensures that a long term, valuable relationship will get off to the right start and not be hamstrung by an ill-judged opening gambit. Profitable customers are retained and customer retention budgets are focused on the high risk/high value customers. And consistent, targeted, customer-centric decisions in the context of a managed customer dialogue mean better results at every stage in between.

Case example

A major consumer packaged goods company was challenged to market directly to young consumers as its products were sold entirely through retailers. They developed a loyalty program and then used Centralized Customer Decisioning to constantly update and evolve content displayed on the loyalty redemption site. Eliminating blanket messaging completely, they integrated these targeted decisions with non-web channels and used this personalized content to engage with young consumers. This approach yielded much higher participation rates than any previous program and yielded a treasure trove of information about what worked and what did not

The Centralized Decisioning Imperative

As marketers strive for a genuine dialogue with their customers, an interactive and personalized experience that builds brand and develops relationships, they need to identify critical customer treatment decisions. In particular, they ought to look for opportunities to make decisions customer-by-customer. They should seek out manual decisions that prevent first contact resolution, inconsistent decisions that frustrate customers, and hidden decisions like those embedded in kiosks, websites or ATM displays. Only when these decisions are understood and managed, mapped to the processes, systems, and channels that use them, will marketing be able to systematically improve them.

Marketing understands customers better than any other single group, and should own these customer treatment decisions. Establishing marketing ownership of these decisions is crucial if they are to be managed successfully. Bringing these customer treatment decisions into a Centralized Customer Decisioning environment allows marketing to apply its know-how and information from every channel to improving these decisions. And, it allows it to bring the right group of supporting players into each decision.

Centralized Customer Decisioning is the end objective, but companies need to generate an ROI as they develop this capability. Successful Centralized Customer Decisioning projects begin with a single high value, measurable decision. Focusing on each decision and using decisions to provide a context for investments in automating logic, analytics, optimization and data ensures that the return on this investment will be achieved.

About the author

James Taylor is CEO of Decision Management Solutions and works with clients to develop effective technology solutions to improve business performance. He has over 20 years experience in developing software and is the foremost thinker and writer on decision management. James was lead author of Smart (Enough) Systems (Prentice Hall, 2007) and is a passionate advocate of decision management. James is a consultant, speaker and author. He writes several blogs and his articles appear in industry magazines and on leading industry and technical websites.

Decision Management Solutions provides consulting and implementation services in all aspects of decision management. Decision Management Solutions improves business performance by identifying the key decisions that drive value and improving on those decisions by leveraging a company's assets: expertise, data and existing systems.

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July 2011
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