A Silver Lining for Communications, Media, and Entertainment Companies

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Introduction: The Shrinking Consumer Wallet

The current recession affects virtually every sector of the American economy, but businesses in the communications, media, and entertainment (CME) industries experience some of the greatest impact because of their deep dependence on the consumer's ever-shrinking pool of disposable income. According to the NPD Group, total restaurant traffic declined 2.6% for this year's spring quarter compared to the same quarter last year—the sharpest decline since 1981.[1] Another report states that 37% of Americans are cutting spending on entertainment due to economic concerns.[2] Faced with constrained discretionary spending, millions of consumers are scaling back on everything from cell phone plans to family vacations while showing new interest in dining and entertaining at home.

For CME companies, this shift in consumer spending clearly presents some challenges, not the least of which is that virtually every telecom, cable, Internet provider, media company, and movie studio is vying for a greater share of the consumer's curtailed entertainment budget. However, this storm cloud contains a silver lining: a CME company can successfully outmaneuver the competition by improving its knowledge of the entertainment products consumers prize most, then cost-effectively targeting buyers with products that meet their needs for affordable, yet compelling, entertainment. Those businesses that can improve their ability to target customers, understand customers' entertainment desires, and market offerings across multiple touch points will be well-positioned to reap considerable rewards today and as the economic climate improves.

Leading CME companies employ customer relationship management (CRM) solutions to help them connect with customers, anticipate their needs, and deliver the products and services they want through multichannel environments. According to a recent Gartner study, companies that fail to invest in CRM strategies because of the tough economic climate will delay perceived benefits by at least 12 months once the economy recovers, giving rivals an advantage in the market.[3] Approximately 40% of companies surveyed for the report will use the current economic slump as an opportunity to generate post-recovery growth via effective use of CRM strategies.[4]

By taking a CRM best practices approach to multichannel environments, CME companies can adapt to new constraints in consumer spending and emerge from the recession with a loyal base of high-yield customers; a means to reach new prospects; and a method to integrate, share, and take advantage of rich customer data across the enterprise.

> ⮑ According to a recent Gartner study, companies that fail to invest in CRM strategies because of the tough economic climate will delay perceived benefits by at least 12 months once the economy recovers.

[1] NPD Group, "NPD Reports U.S. Restaurant Traffic Decline Steepest in 28 Years" [http://www.npd.com/press/releases/press_090720.html], July 20, 2009.

[2] Nathesh, "Report: Consumer Spending on Entertainment Decreases in the U.S." [http://www.tmcnet.com/voip/ip-communications/articles/26148-report-consumer-spending-entertainment-decrease-the-us.htm], April 24, 2008.

[3] Gartner, Inc., "Gartner Highlights Five CRM Strategies That Cost Little to Nothing, but Will Generate Positive Results," May 26, 2009, press release.

[4] Ibid.

The Evolution of CRM

In 2000, most organizations viewed CRM as unlikely to deliver business benefits, according to a recent report. But in 2009, the majority of these companies expect to succeed with CRM solutions, because in the last decade CRM projects have become less risky and more predictable.[5] Today, companies see CRM as not just a pure IT solution, but a set of business processes, workflows, and best practices that dictate the efficient implementation of a CRM system.[6]

As CRM practices have evolved from IT solutions to effective business strategies, the delivery channels for these practices have expanded to include traditional and emerging communication tools. Businesses now have myriad ways to communicate with customers: over the web, in person (retail locations, trade shows, physical offices, and kiosks), contact centers, mobile phones, email, and direct mail. The availability of multiple channels enables CME marketers to target prospects and existing customers with a new level of specificity, flexibility, and measurability that would have been impossible even a few years ago. Of course, these same channels come with their own set of challenges: how to aggregate, analyze, and redistribute rich customer data in order to further refine and develop marketing approaches. In fact, one study reported that 87% of organizations struggle to measure and compare online and offline return on marketing investments (ROMI). [7]

Ultimately, a successful CRM solution will help CME companies improve their ability to target customers, understand their needs, and tailor offerings across multiple touch points. This implies a cross-channel approach that executes a single-structured, collaborative marketing campaign across numerous channels and drives consumers to a common goal: a promotion, a purchase, or the consumption of information. Organizations that demonstrate a structured approach to leveraging multiple channels in collaborative marketing efforts gain higher response rates from consumers, higher ROMI, and higher customer profitability.[8]

For example, EMI Music traditionally relied on mass market brick-and-mortar retailers to drive market share and revenue. Faced with declining revenue and lagging consumer demand, EMI realized that the mass market approach was not building one-to-one relationships with customers. To reach consumers in a new way, EMI embraced digital channels, including email, mobile marketing, websites, and registration (online and offline), capable of capturing information on individual customers. Next, they implemented an enterprise marketing solution to centralize the customer data they captured from various marketing channels. EMI uses this cross-channel information to gain insight on purchasing behavior and customer preferences, which it can apply to more relevant, personalized outbound interactions. As a result, EMI can execute collaborative campaigns across multiple channels to reinforce messaging and build long-term relationships with existing customers.[9]

[5] Gartner, Inc., "Gartner Says Reviewing the State of CRM in 2000 Foretells Its Future in 2020," February 26, 2009, press release.

[6] Peter R. Dickson, Walfried M. Lassar, Gary Hunter, and Samit Chakravorti, "The Pursuit of Excellence in Process Thinking and Customer Relationship Management," Journal of Personal Selling & Sales Management, Spring 2009.

[7] Ian Michiels, Aberdeen Group, *Cross-Channel Campaign Management: Next Generation Multichannel Marketing*, October 2008.

[8] Ibid.

[9] Ibid.

Technology Challenges of Implementing CRM

In a perfect world, a CRM implementation would integrate smoothly with a CME company's existing IT infrastructure, which would itself be a model of seamless data sharing and efficiency. However, the reality of heterogeneous legacy systems acquired by different departments—each with its own procurement processes and technical requirements—can make the data sharing and optimization at the heart of CRM a real challenge.

A recent survey indicates that data sharing issues are an important factor for many marketers. Nearly half (45%) of respondents cited "Data integration/Disparate systems" as their top multichannel marketing challenge. A lack of technology to centralize multichannel management was the most pressing concern for 44% of respondents, while just over one-third of respondents (34%) cited organizational or departmental silos. [10]

Even if an airline is able to overcome the data sharing challenges by centralizing and aggregating data from disparate IT systems and departments, it may not have the analytical tools necessary to make good use of that data. A company must be able to perform robust reporting and real-time analysis on its data and redistribute those findings to all parties in the business decision-making process—from the contact center employee on the phone with a prospect, to the marketing director trying to finalize next year's online advertising budget.[11] Research shows that there is often a disconnect between the type of customer information captured and the information actually used, because companies store information in multiple databases throughout their organizations. [12]

Another obstacle is implementation: taking the results of an enterprise analysis and actually using the findings to drive marketing initiatives. It's essential for businesses to track not only the data leading into a customer interaction, but also its outcome—and to use the resulting information to influence future outcomes. For example, hospitality organizations use online customer reviews to identify positive trends useful to marketing efforts and also to contact unsatisfied customers to resolve problems and enhance loyalty.[13]

[10] Ibid.

[11] Tim Montgomery, "Focusing on the Real-Time Customer: How to Keep Pace with Rapidly Changing Needs and Demands," International Customer Management Institute, December 2008.

[12] Aberdeen Group, *CMO's Strategic Agenda Series: Creating a Customer-Centric Marketing Organization*, November 2006.

[13] Connie Lewis, "Web Reviews Can Trip Up Hotels," San Diego Business Journal, February 23, 2009.

Decisions, Decisions: Setting the Right Goals and Metrics

A CME company looking to enhance its multichannel marketing efforts must first determine where it wants to end up. Does it intend to drive repeat business, acquire new customers, and/or increase the average revenue per interaction? Research shows that among those companies with the highest year-over-year increase in annual revenue, customer profitability, and marketing investment—what the Aberdeen Group calls "Best-in-Class"—the focus tends to be in increasing ROI via unique marketing to high-value customers. Companies also choose to improve their marketing effectiveness through measurement and analytics across channels as well as personalized content that improves relevance. [14]

In this current economic climate, where consumers show an increasing willingness to change brands or service providers based on price, and where even reliably profitable consumers may require more persistent marketing efforts to make a purchasing decision, companies need a combination of strategies to build relationships that are both stronger and more profitable.[15]

So how does a company go about pursuing and measuring its goals, once they've been set? It must recognize that different goals call for different approaches. Increasing customer loyalty will require paying special attention to existing customer interactions, particularly service-related interactions, given the historical correlation between customer service quality and customer loyalty. Price may be more influential in a difficult economy, but nonetheless those businesses that can point to a highly satisfied customer are more likely to retain their loyalty.

Online information sharing can help a hospitality firm measure not only direct feedback, but the information that consumers share with each other. A bad review on one of many sites dedicated to first-hand reports on restaurants, hotels, and travel providers can seriously damage a company's reputation. Similarly, a positive review—or a swift and personalized response to a bad review that clearly outlines the efforts the company will make to rectify a complaint—can help reinforce customer loyalty. [16]

A telecom firm chose to implement a customer management tool to enable its service reps to better understand customer inquiries and respond to requests. They tracked five key metrics: number of repeat calls, number of topics discussed per contact, hold time, call time, and customer satisfaction. These measures helped the company know how well reps were performing and whether the technology investment contributed to that performance.[17]

Regardless of a company's aim, it's vital to establish the metrics by which they will define success. Do they seek reduced cost per lead, increased average sale value, increased return on marketing investment, reduced cost of churn? Knowing precisely what to measure proves invaluable when it comes to evaluating results.

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[14] Ian Michiels, Aberdeen Group, *Cross-Channel Campaign Management: Next Generation Multichannel Marketing*, October 2008.

[15] Tim Montgomery, "Focusing on the Real-Time Customer: How to Keep Pace with Rapidly Changing Needs and Demands," International Customer Management Institute, December 2008.

[16] Connie Lewis, "Web Reviews Can Trip Up Hotels," San Diego Business Journal, February 23, 2009.

[17] William Band, "38 CRM Metrics to Keep Your Organization on Track," CustomerThink—CRM, CEM & SocialMedia, Forrester Research [http://www.customerthink.com/blog/38_crm_metrics_keep_ organization_track], September 9, 2008.

Best Practices for Multichannel Marketing Environments

While most CME companies currently employ CRM solutions to leverage multiple channels, many of them tend to be stronger in one channel than another, and thus struggle with cross-channel marketing efforts.[18] The most successful organizations use collaborative marketing efforts in their multichannel campaigns for higher response rates from customers.[19] A business intent on fully realizing the benefits of multichannel CRM employs real-time analytics and decision-making; integrates data across all channels; creates tailored, highly targeted, measurable multichannel campaigns; and delivers personalized customer service.

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Implement Real-Time Decisioning

One of the best attributes of a multichannel marketing approach is that it constantly generates data from different sources. A hospitality company with e-commerce capabilities is automatically a 24/7 business. Add information from a contact center or in-person facts gleaned from personnel at the front desk, and a hotel chain's database suddenly becomes a repository for valuable customer data.

In this data-rich and interaction-intensive environment, real-time decisioning across all channels is essential to success. Customers are impatient; competitors are swift; and the value of customer data decreases as it ages. Therefore, contact center personnel must have instant access to web data, so customers don't have to repeat information they've already provided to a company.[20] CRM solutions must deliver relevant entertainment offers with contextual information to get the most out of each customer interaction. A CRM solution should be bi-directional to ensure that insights gained from outbound marketing are available for inbound marketing. It should provide a comprehensive view of customer trends and interaction effectiveness based on experiences across all channels and touch points. Finally, it should contain a self-learning engine that uses information from customer interactions in any channel to determine the best characteristics for future entertainment offerings and the ability to execute targeted campaigns within hours.

Some airlines are rolling out real-time decisioning technology that tells airport agents a customer's ticket-buying and travel history, flags key customers to flight attendants, or prompts sales offers targeted to vacation patterns. After boarding, Alaska Airlines flight attendants can thank elite-level customers for their business by delivering their favorite drinks, even when they're sitting in coach.[21]

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[18] Ian Michiels, Aberdeen Group, *Cross-Channel Campaign Management: Next Generation Multichannel Marketing*, October 2008.
[19] Ibid.
[20] Barton Goldenberg, "Is Your Contact Center Built for Multichannel Customers?" Customer Relationship Management, May 2008.
[21] Scott McCartney, "Your Airlines Wants to Get to Know You," Wall Street Journal [http://online.wsj.com/article/SB123785242956819529.html], March 24, 2009.

Integrate Information Across Channels

If time is of the essence for multichannel marketing campaigns, then so is integration of customer data. In fact, a true multichannel experience requires proactive implementation processes and technology to facilitate the sharing of real-time information across multiple touch points. [22] CME companies around the globe have commented that this is the most challenging aspect of their IT initiatives, due to disparate, legacy, external, and non-integrated systems. Today's reality is that most companies must unify customer data from numerous systems and databases. And they will need to continue this practice to meet compliance regulations and other requirements.

New technology approaches, such as web services and service-oriented architectures, are making this process easier and more efficient than in the past. A robust CRM solution should collect and aggregate information about multichannel performance from such sources as web analytics, email marketing, lead management, customer database, and campaign management. It should update customer profiles based on multichannel interactions, then centralize the customer database to offer one view of customer data. It doesn't help a media company to collect detailed customer information if all relevant parties cannot access that information in real time at every stage of the sales cycle.

The use of a single centralized, constantly updated customer database that integrates information from all channels while offering a single view of the customer is not only a best practice, it's a key enabling capability for the most successful organizations. [23] For example, Amtrak currently sells tickets at its train stations and travel agencies via kiosk machines, via contact centers, and, increasingly, via its website. By seamlessly tying together these channels, the transportation provider is in a unique position to capture customer behaviors and desires and, in turn, to design unique products/services that customers receive via their preferred channel. [24]

Create and Analyze Targeted Campaigns

A targeted multichannel campaign allows CME marketers to speak to individual consumer needs and preferences, increasing the chances that they'll receive a message that resonates and provokes the desired response. The more a company knows about a customer, the more marketing initiatives it can use to keep a continuous dialogue with them. Having an ongoing interaction with customers over multiple channels improves the decision-making process and helps create successful targeted campaigns. Customers who have a positive experience with a company tend to buy more products.

In creating targeted campaigns, a CRM solution should provide business-specific campaign management, integrated online analytical processing, and predictive analytics along with multichannel execution and built-in closed-loop reporting. Functions such as automated business rules and system-wide opt-in/opt-out functionality help CME companies enforce marketing policies. And tightly integrated, permission-based campaign management, reusable marketing components, robust analytics, and an intuitive interface help businesses rapidly develop campaigns and deliver them at the best time via the best channel.

For example, a newspaper chain, faced with declining circulation and advertisers, used data mining to create customer profiles and identify which customers were most at risk to churn. Using data from a variety of individual promotions, the newspaper identified the most effective channels for targeting "at-risk" customers, which resulted in an active relationship that increased customer satisfaction at lower cost. [25]

[22] Barton Goldenberg, "Multiplicity Means More," DestinationCRM.com [http://www.destinationcrm.com/Articles/ReadArticle.aspx?ArticleID=47136], February 1, 2008.

[23] Ian Michiels, Aberdeen Group, *Cross-Channel Campaign Management: Next Generation Multichannel Marketing*, October 2008.

[24] Barton Goldenberg, "Put Your Call Center at the Core of Your CRM Strategy," International Customer Management Institute, September 2008.

[25] Candace L. Gunnarsson, Mary M. Walker, Vern Walatka, and Kenneth Swann, *Lessons learned: A case study using data mining in the newspaper industry*, Database Marketing & Customer Strategy Management, July 2007.

Fast food chain Burger King launched an iPhone application in an attempt to drive sales and win customer loyalty. The campaign allowed customers to locate nearby stores via GPS, to automatically place orders, and to receive targeted incentives based on their mobile ordering history.[26] In a similar campaign, publisher Conde Nast released a limited-time iPhone campaign that allowed readers to find and reserve shoes listed in one of its publications.[27]

Gaining customer insight to create targeted campaigns requires analytical capabilities for developing predictable customer behavior. A system with self-learning analytics can output relevant feedback, including characteristics that are most predictive of customer acceptance and adjust targeting for all subsequent interactions. Results from self-learning analytics can help organizations receive significant "lift" in campaigns deploying multiple channels.

Deliver Seamless, Personalized Customer Service

Technology has enabled CME companies to increase the frequency, reach, channels, and types of interactions they have with customers; it has also raised customer expectations. Consumers expect companies to develop a relationship with them through multiple, relevant interactions via various channels. These consumers have been conditioned to expect a seamless "brand experience" no matter which channel they choose for purchasing or requesting services.[28]

Each customer-initiated contact—whether it is through the web, contact center, kiosk, or retail outlet—is more than an opportunity to address a specific transactional need. It's an opportunity to strengthen emotional ties with the customer. Customer-initiated interactions are proven to be several times more effective and efficient than sell-initiated interactions. Though customer contact through a contact center may be focused on a specific problem, the knowledge and attitude of the contact center employee and the efficiency with which the employee resolves the problem contributes to the customer's overall impression. Because of this, it is vital to make a concerted effort to use all inbound interactions as opportunities to build customer trust.

For example, a large telecommunications provider realized that it was missing a valuable opportunity every time a customer called in to a contact center. With several services to offer, the company was not taking advantage of the inbound interaction to increase average revenue per user. The company now offers additional services in real time that meet the specific needs of individual customers. In fact, this particular operator has realized a 15% increase in average revenue per user, a 75% increase in campaign velocity, and a 50% offer response rate versus the industry average of 35%.[29]

To provide the most satisfying customer experience, service representatives need the empowerment that comes from real-time, cross-channel data access offering a 360-degree view of the customer and enabling representatives to create customized offers and solutions that quickly resolve service requests.

[26] Retailer Daily, "Burger King Eyes iPhone Users" [http://www.retailerdaily.com/entry/38886/burger-king-iphone/], May 27, 2009.
[27] Ibid.
[28] Aberdeen Group, *CMO's Strategic Agenda Series: Creating a Customer-Centric Marketing Organization*, November 2006.
[29] Coreen Bailor, "Not Fade Away," CRM Magazine, February 2007.

Conclusion: The Silver Lining of Multichannel Marketing

In this time of economic scarcity, consumers are pulling back on leisure and entertainment-related spending. A report by NDP states that consumers not only feel the impact of rising food and oil prices, but with the economy still uncertain, they are spending their entertainment money carefully.[30] What budget they devote to CME-related activities currently focuses on the necessities, such as basic telephone, cable, and Internet services, leaving little left over for other entertainment expenditures. With their budget constrained, the affordability of discretionary spending takes on new importance.

To win these remaining dollars, CME companies must deliver a consistently positive experience to the customer through an ongoing, multichannel dialogue that enhances value for both the consumer and the company. According to Aberdeen, best-in-class companies use a cross-channel approach that delivers higher response rates and ROMI as they engage customers and prospects across multiple mediums with consistent, relevant, timely messages. These successful organizations achieve the highest customer acquisition and top-line revenue performance from their multichannel marketing efforts.[31]

A cross-channel approach can help CME companies increase customer retention and loyalty, streamline marketing processes, and overcome the numerous technical, organizational, and logistical barriers to an effective multichannel environment. Those businesses that take this methodical and systematic approach, powered by the right CRM tools, will be far better positioned to create new marketing opportunities, reach prospects, and satisfy existing customers than those businesses that do not.

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[30] Nathesh, "Report: Consumer Spending on Entertainment Decreases in the U.S." [http://www.tmcnet.com/voip/ip-communications/articles/26148-report-consumer-spending-entertainment-decrease-the-us.htm], April 24, 2008.

[31] Ian Michiels, Aberdeen Group, *Cross-Channel Campaign Management: Next Generation Multichannel Marketing*, October 2008.

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