



DECISION
MANAGEMENT
SOLUTIONS

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The Case for Centralized Customer Decision Management

An Imperative for Every Channel, Every Interaction

Marketing understands customers better than any other single group, and should own customer treatment decisions.

Effective acquisition, retention and development of customers has never been more important. Leading companies regard every interaction with a customer as an opportunity to establish a dialogue and build or extend a relationship.

A good customer dialogue develops over time and across channels. Along the way, marketers must 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, no dialogue can be established and no relationship of value can be built.

Customers interact with companies and brands across multiple channels and in complex ways, such as using the Internet, via mobile applications, and networking with their peers in addition to more traditional channels. Customers 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

For customer treatment decisions to be managed systematically across all channels, building a dialogue with customers, leading companies are implementing **Centralized Customer Decision Management**.

Centralized Customer Decision Management delivers consistency, maximizes the value of customer information and ensures business control. 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.

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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. It gives them time to develop a relationship, time to establish the likes and dislikes of an individual, and time to build awareness of their brand and their product's value proposition in the minds of customers. Developing and conducting a dialogue with customers has far more value than a one-way message stream from marketer to customer.

In the past, it was not easy to create such a dialogue because of the lack of interactivity of most marketing channels. Postal mail and TV commercials are not at all interactive. The phone can be very interactive, but it's hard to build on these interactions afterwards. 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 have not yet established 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 must 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, no dialogue can be established and no relationship of value can be built.

Consider a good butler and all the decisions he makes about how to treat you as his employer. A good butler will anticipate your needs almost before you are aware of them. He has learned from his time working for you and from his overall experience to predict what you might want next, be it a hot bath, a ticket to a show or a quiet afternoon with no interruptions. Sometimes the butler needs to factor in both what he knows about you from the past and what he senses about your needs at the particular moment he is with you. A good marketer must do the same when dialoguing with customers and prospects.

In contrast, think back to 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. This is no surprise, certainly not to anyone in marketing. But think about how you felt. You might have felt indifferent, expecting that most direct mail you receive will not resonate with you. Instead, you probably felt

irritated and frustrated – why do these people never learn, why do they keep sending you this junk, don't they know anything about you?

When people receive offers from companies, they respond as though those offers are personal and deliberate. Too many companies treat people as groups, not individuals, and treat each communication separately rather than as part of an ongoing dialogue. As a result, they make decisions that seem impersonal and accidental. And this is why people's reactions can be so vociferous – there is no context for these communications and no sense that the person is being valued or that an attempt is being made to understand the person's needs. Customers are going to respond to your treatment decisions as though they are personal and deliberate. To build a dialogue, you must ensure your decisions are.

Customer Treatment Decisions Must Be Centralized

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 via email or Web. Customer treatments must be managed systematically across all your channels to build a dialogue with customers – call it “Centralized Customer Decision Management.”

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 Decision Management. 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.

The result: nearly 2000% improvement in response rates. And customers who responded to the personalized direct mail had bigger baskets, too.

A lack of cross-channel orientation also means that marketers drop the ball on 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. They respond better when you use all the information you have, and use it effectively to target them.

Marketing Should Own Centralized Customer Decision Management

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 must 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, etc.

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, don't see the whole dialogue. For true Centralized Customer Decision Management, a single owner is required, and it 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 can't own every single decision about customers. For example, companies in financial services, insurance and telecommunications must 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. A decision to use a lower cost supplier might eliminate the option of a special offer on rush delivery. A decision that a prospect is too risky for certain financial products might mean that the optimal up-sell cannot be made. Customer treatment decisions must be made in the light of these other decisions. Centralized Customer Decision Management, managed by the marketing department, must be able to reach out and include the results of these decisions.

Effective Centralized Customer Decision Management

Effective Centralized Customer Decision Management 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 must 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.

A Sense of the Dialogue

Marketers are used to thinking about customers and customer lifecycles. They know the kind of dialogues they want to have with customers and how those dialogues will help them acquire, develop and retain customers. Effective dialogues require managed, thoughtful, appropriate customer treatment decisions, and marketers must 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.

Case Example

A financial institution was struggling with customer retention – in particular, with the trade-offs between attrition and profitability. Using a Centralized Customer Decision Management 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%.

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 must be visible and available for re-use to ensure consistency. Managed business rules are the basis for Centralized Customer Decision Management.

Decision-making also involves learning from the past – what has worked (or not worked) before. The rules and logic in Centralized Customer Decision Management must 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 don’t 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 Decision Management.

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. Information from front- and back-office systems must be 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% in just 6 months, thanks to an integrated technology platform for Centralized Customer Decision Management. 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 Decision Management 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 Decision Management.

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 Customer Decision Management Has a Clear ROI

Implementing Centralized Customer Decision Management has a great potential ROI. And, like any project, it must 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 Decision Management offers just such an incremental approach.

The ROI for Centralized Customer Decision Management 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 Decision Management allows marketing to manage the ongoing dialogue with customers. Using a Centralized Customer Decision Management 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 decision management drives an ongoing dialogue with customers and maximizes their value.

Centralized Customer Decision Management 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 Decision Management 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 Decision Management 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 Decision Management 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 Decision Management 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.

An Imperative

As marketers strive for a genuine dialogue with their customers, an interactive and personalized experience that builds brand and develops relationships, they must identify critical customer treatment decisions. In particular, they must look for opportunities to make decisions customer-by-customer. When customer decisions are understood and managed, mapped to the processes, systems, and channels that use them, 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 Decision Management 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 Decision Management is the end objective, but companies must generate an ROI as they develop this capability. Successful Centralized Customer Decision Management 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.

The author would like to acknowledge the sponsorship of Unica (now IBM) for the original paper.

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