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Target Marketing

Cover Story : Big Ideas ...

Experts predict 2010's key trends

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It's as if marketing experts have been fooling around in the chemistry lab, mixing up potions to try to figure out what strategies will work best. And it seems as though they've discovered the future: integrated, customer-centric marketing.

Tracking back to figure out what these experts did practically involves a flowchart of the process. But, they insist, the procedure is quite repeatable, and good ingredient blending does consistently boil down to a result of integrated marketing with strong, lifelong customers at the center—who ideally are even involved in the process.

The experiment sounds simple enough. Start with direct marketing the way it is today, then add in customer centricity and creative ideas. Using the catalyst of privacy, heat up the mix and stir in some continuing conversation between businesses and customers. What should be taking shape about now is the beginning of customer insight, which can solidify into research ranging from behavioral to demographic to attitudinal—even to psychographic. But marketers have to keep the process going, so analytics professionals need to come and advise on how best to form the bubbling mixture into a cohesive strategy.

Still yet, this newly formed integrated marketing strategy must cool off and be absorbed into the company infrastructure. At the same time, up-and-coming marketers who've observed the nascent process can come in and help improve it. And so the process begins anew.

Big Idea: Integrated Customer Marketing

Many direct marketers understand that they must integrate channels to succeed today. And many within that group comprehend that they have to integrate disciplines, as well, such as pulling skills from or working with people in public relations, finance and so forth. This expert calls on them to do much more.

"If you look at what my definition of integrated marketing would be, I think it's really important right now to put the word customer into that statement," says David Williams, chairman and CEO of Columbia, Md.-based Merkle, a "customer relationship marketing agency" per its September rebranding announcement. "I think integrated marketing is a marcom strategy, not a business strategy ...

"And the reason I think the word customer is so important is because it helps you frame the level in which you're having this conversation," he continues. "So the truth is, most direct marketers, when they're talking about their activities in their daily lives, they're talking about advertising activity. They're talking about direct marketing medias and how they're targeting those medias to create behaviors that they want—purchase behaviors, engagement, whatever it might be. But if you raise that conversation up a level, you would really raise that conversation up into a marketing conversation vs. an advertising conversation. Now we're talking about all four P's, not just one of the P's. We're talking about a pricing conversation, we're talking about a product conversation, we're talking about a placement or a retail conversation, and lastly, a promotion conversation, which is where advertising would connect to."

Further, Williams says, it's time for direct marketers to mix it up with the brand camp—in a good way. "The single most important issue is that there is an integrated dialogue amongst the primary entities of an organization."

He details three "currencies" that allow an organization to have a common language to use to talk about customers.

Segmentation, which provides a way to talk about the attitudes, needs and values of customers across the organization.

A customer value metric, which is an enterprise-level, department-neutral way of organizing around the customers in order to be relevant to them and understand and drive their behaviors over time.

Incremental measurement capability, which means averages must depart in favor of more accurate customer value measurements. "If I can't measure the incremental impact of the next dollar spent, then I can't truly optimize across dollars available to me," says Williams.

Big Idea: Measure Success by Customer Value

While it took half a decade for the industry at large to catch up, most direct marketers now agree with Martha Rogers and Don Peppers, the founding partners of Norwalk, Conn.-based customer-centric marketing strategy consultancy Peppers & Rogers Group. They think it's important for companies to know who their customers are and to build their businesses around leveraging this insight to better serve them.

Rogers says she and Peppers first began talking about the concept of one-to-one marketing in 1993. Since then, they've taken deep dives into ideas like "return on customer," which means that a company should sell the right products to customers instead of finding customers for the products they want to sell, and taking the long view, or emphasizing lifetime value. That last idea deals with beating "the crisis of short-termism" among companies, to paraphrase the title of their latest book.

"So how many companies really practice one-to-one in a model way?" is her rhetorical question. "I'd have to say, none. Including my own, I'm afraid. Because it's very hard. It's an aspirational kind of thing to be able to do."

But the process of attempting to achieve perfection greatly improves a company, Rogers adds. And the next steps in improvement will come in the return on customer metric, balancing short- and long-term goals while keeping customer trust in mind, and seeing the entire company through the customer's eyes.

All that takes integrated marketing skills. And integrated marketing absorbs all channels, all company divisions, all lines of business, "everything," Rogers says. "If a company is customer-centric, then the heart of every decision is this or that customer. That's it."

Big Idea: Violate Privacy, Lose Customers

Consumers have become wary of companies that violate their trust by sharing data about them or misusing the information, even if it's only through incompetence, these experts say. While that's the biggest "don't," there's plenty more happening in privacy.

Larry Ponemon, chairman and founder of Traverse City, Mich.-based independent privacy research and consulting group Ponemon Institute, points to his iPhone as an example of just

one of the new technologies that open up a new world of data collection and marketer-consumer interaction opportunities.

Even as these wonderful technologies come along, some marketers will make mistakes that turn off consumers. Ponemon cites the Facebook Beacon program, which passed into history in September, as a good marketing idea gone bad. The idea was that those on the network would learn that one of their friends, for instance, bought a pair of sneakers online. "The reason for doing that, of course, is mimicking is very common, especially around younger people," he says.

But more troubling stories emerged of men buying diamond rings that were meant to be surprise gifts, only to be surprised themselves when their purchases were announced to all their friends—including the intended recipients—through the Facebook news feed.

The Beacon mistake highlights another fact about modern life. "I think one of the trends in privacy is, believe it or not, accepting the reality that privacy is out of the control of the individual," Ponemon says. "There's just too much information out there. So the horse has left the barn."

For the short term on the legal front, direct marketers should be focused on the Federal Trade Commission and "Exploring Privacy: A Roundtable Series." The roundtables that start this month and roll into 2010 have a worrying tone to them, in that the language in the commission's announcement hints the FTC may already have decided what privacy practices cause consumers injury, says D. Reed Freeman Jr., a partner in the Washington, D.C., office of law firm Morrison & Foerster. Freeman, who also is on the board of directors of the International Association of Privacy Professionals, specializes in consumer protection law.

"Next year, with Congress looking at online advertising ... at data security, with the FTC re-evaluating its entire privacy enforcement agenda and with the states adopting information security practices that differ from those in other states, we are at the outset of probably the most dynamic regulatory environment for direct marketing since the implementation of the telemarketing sales rule in 1995," Freeman opines. "But this sweeping change will be cross-industry and focused on not just telemarketing, but on all aspects of contact directly with consumers."

Big Idea: Research, Research, Research

Baby boomers have gone digital, and even though they represent 25 percent of the U.S. population, they represent half of its consumer spending. The Hispanic American population is growing and choosing to buy mostly the same things the average consumer buys, and will spend more than \$1 trillion in 2010. Millennials, the generation known for loving everything digital, will be the majority U.S. age demographic by 2011. However, there's just one catch for marketers looking to reach millennials—research shows they generally hate advertising, they don't value print or radio channels, and they "say that nearly all TV advertising annoys them," says Rick Erwin, president of the data division for Experian Marketing Services, a marketing services provider based in Costa Mesa, Calif.

Um. OK, then. Now what?

"What's happening in integrated marketing is the ability to target almost every form of media at the granular individual or household level is now technologically possible," Erwin says. "So what's really happening is while marketers make important insights and conclusions from the kind of demographic and behavioral analysis I just gave you on those three segments, what

they're really doing is they're targeting very small, very granular segments of individual populations. And they're targeting all of their media activities against the exact same granular, individual profile."

In other words, marketers need multiple levels of research in order to target consumers. Attitudinal research, such as factoring in political beliefs and media consumption choices, is the first step in customer insight, he says. Then combining demographic, behavioral, attitudinal and psychographic data can help businesses market to individual consumers or tight consumer segments.

Big Idea: The Continued Rise of Data

It's almost eerie the way Eric Schmitt's predictions have come true since he penned his 2004 Left Brain Marketing report for Cambridge, Mass.-based independent research company Forrester Research.

"Three technology trends—media fragmentation, addressability and interactivity—are converging on the world of marketing and advertising. In a new era of Left Brain Marketing, analytical strategies grounded in deep audience knowledge will rise to predominance. Creative will remain essential but will play a smaller, more sophisticated role. The looming transformation of TV into an addressable medium marks the inflection point in the shift," he wrote five years ago.

Now Schmitt, executive vice president of Naperville, Ill.-based marketing services provider Allant Group, can say, "I told you so." But he's more gracious than that.

"I think, broadly, data is more influential in marketing now than ever before," he says. "What previously were mass media, analog media, are now becoming digital. And when they become digital, they become addressable and targetable. And in many cases, they become interactive. And those types of qualities are what lend themselves best [to generating] a lot of data, and they benefit from the intelligent use of data. So the hygiene and the quality of the data is still important. But I think even more ... more important than that now is just the continued integration of new sources of data. And then the application of that combined database to drive intelligent communications through these new channels."

Cable providers, for instance, now can target commercials to the household level. Soon, consumers will buy products and services through interactive commercials, he adds.

Big Idea: Creative Needs More Big Ideas

What if companies pictured each customer standing in the middle of Times Square, surrounded by flashing lights and advertisements, bombarded by shouts from street vendors and buskers, watching traffic and readying to cross the street, all while trying to make a cell call? While this might be an average moment in the life of a New Yorker, that type of sensory overload is actually very real for many other consumers, too.

So Nick Moore, executive vice president and chief creative officer at New York-based direct marketing agency Wunderman, says clever ideas have to do double duty to cut through the clutter. First, they have to be amazing. And second, they have to last.

"We need to think beyond the project into long-term relationships with consumers," he says. "We need ideas that can live over time and ideas that are strong enough to adapt and flex to consumers' responses, to consumers' experiences with the brand. And yet the idea is to still maintain a core DNA."

To a customer, interacting with a company is a branded experience—he or she is interacting with, for example, Land Rover, not some silo thereof.

"We are in a creative business," Moore emphasizes. "Data alone merely gets you to the right place at the right time. But if you say something boring, nobody's going to listen to you."

Big Idea: Hire Integrated Marketers

So how about Schmitt's "Left Brain Marketing" prediction that creative professionals would be paired with statisticians to build marketing message strategies?

In perhaps the most apparent display of integrated marketing efforts, companies are mainly hiring analytical professionals with creative bents, says Jerry Bernhart, owner of the Owatonna, Minn.-based digital and direct marketing recruitment firm Bernhart Associates Executive Search.

Through a combination of his own observation and findings in the quarterly surveys his firm conducts about digital and direct marketing employment trends, Bernhart can say that the same basic categories are holding true. Companies are hiring analytical and creative professionals.

But more and more, they want both talents in the same individual, he says. Part of it may be due to economic conditions, but much of it is due to the increasing need to have customer insight from team players. So it's a good thing the top universities seem to be teaching integrated marketing skills.

"It's what I call the 10-check-box syndrome," Bernhart says. "You've got 10 boxes that need to be checked in order to hire this person. We want all 10 checked, right? Right."