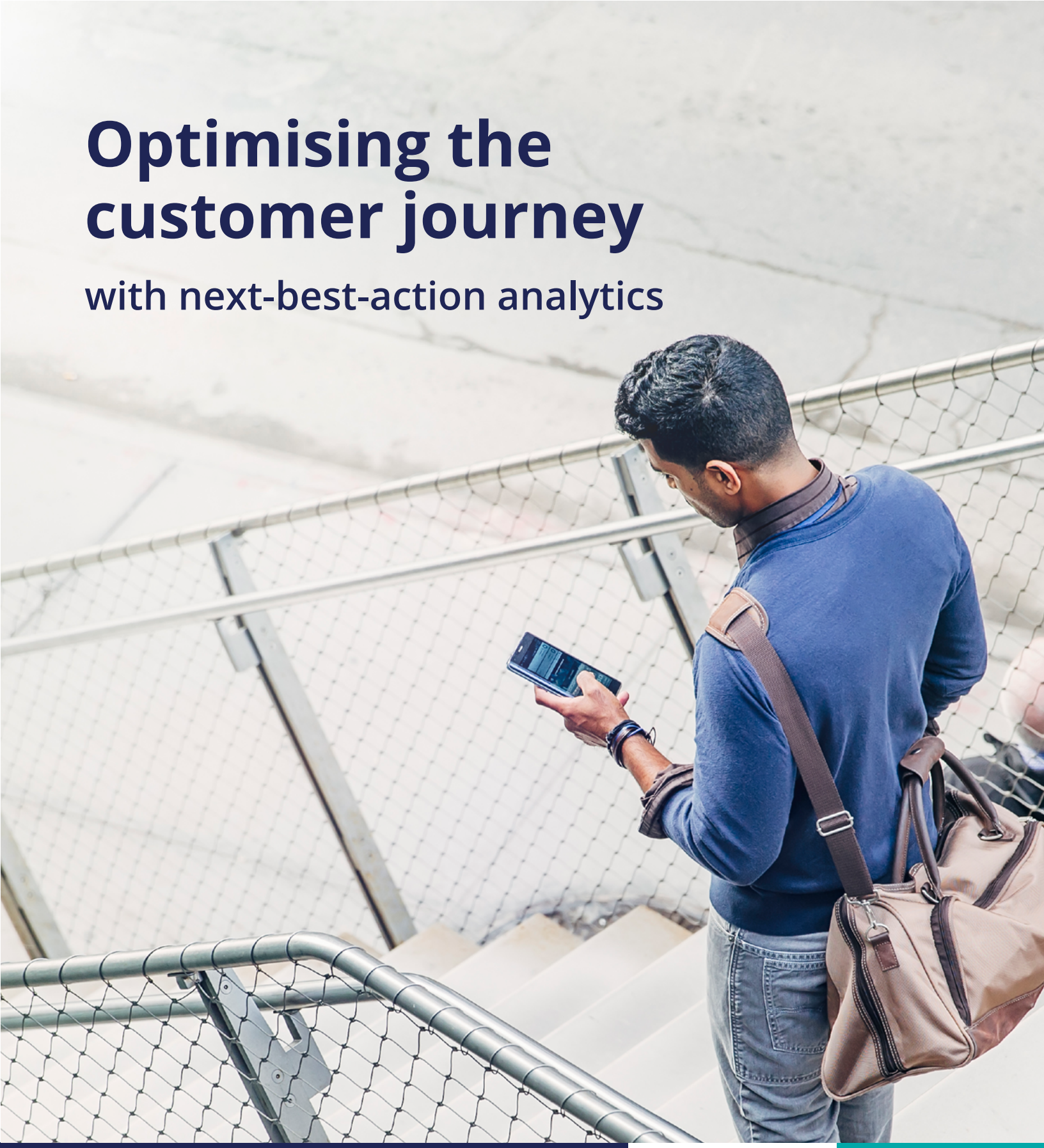
Optimising the customer journey

with next-best-action analytics



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Modern businesses spend tremendous time and resources every year – mapping, analysing, and optimising the customer journey.

Introduction:

The customer landscape

Modern businesses spend tremendous time and resources every year, mapping, analysing, and optimising the customer journey. Organisations want to understand the paths their customers take to purchase products, learn which channels, offers, and treatments are most effective at certain stages, and understand where individuals get stuck, and drop off the grid completely.

The objective of many companies is to build the "perfect" journey – to design an elegant, seamless experience that eliminates all of the noise disrupting the customer engagement process. The problem is, while some journeys are simple – customers interacting in a single channel, for example – those simple journeys are the exception, not the rule.

Today's connected customers choose their own path, researching and interacting with brands on their own terms. They flow across channels, shift their preferences, and take unpredictable routes to a fluid destination. They expect brands to know and understand them, adapting constantly even as they change course and advance down hundreds of possible paths. And while so much data is available about customers, brands are blind to much of their experiences – organisations often have no insight into one-to-one conversations with personal contacts, interactions with competitors, research done on third-party platforms, and so on. And while these interactions might be highly valuable to the customer, to brands they make the customer journey seem more complex, erratic, and disjointed.

In addition, organisations are also very fluid, which adds complexity. The journeys they enable must balance customer needs with a variety of corporate objectives such as customer acquisition, growth, retention, and risk mitigation. These objectives, however, change from quarter to quarter, as do the tools used to action them. For example, an upsell-oriented journey may change multiple times within a given year as new lines of business, offers, and shifting commercial drivers are introduced into the landscape.

In essence, trying to predict and script out these modern, complex journeys beforehand is impossible. Instead, the optimal customer journey must be dynamic – flowing and changing with the customer, whilst at the same time maintaining accountability to the business. As an individual interacts across channels, an organisation must constantly learn, reading and reacting to that customer's signals, resisting the temptation to push them, rather than guide them. The best journeys – those that are both profitable and sustainable – shape a relevant, timely, and consistent experience for the customer, while also furthering the brand's business goals.

Macro vs. micro-journeys

At a high level, the concept of customer journey management seems very simple – enabling the customer to progress down the "right" path. In reality, a customer's journey must be viewed from at least two perspectives.

Proficiency in customer experience is mission critical for every type of organisation.

Macro-journeys

Use cases for delivering value along a customer's journey abound. However, real experience-wide adoption only comes when consumers themselves are open to these techniques. Research shares that there is good news in this respect: Macro-journeys - the series of consumer/brand interactions through which an individual progresses from awareness and consideration of a brand to evaluating that brand, to a product purchase, potential advocacy, and eventual re-purchase from that brand - has been coined by McKinsey & Company as the "customer decision journey."[1] And it can be considered as a form of customer experience management (CEM).

Gartner, a U.S. research and advisory firm, defines customer experience management as:

"The practice of designing and reacting to customer interactions to meet or exceed customer expectations and, thus, increase customer satisfaction, loyalty, and advocacy."[2]

Proficiency in customer experience is mission critical for every type of organisation, as it is a major factor in optimising customer lifetime value (CLV), and ultimately both revenue and profit margin.

The components of customer satisfaction, loyalty, and advocacy are each highly-desirable end goals, but only represent the "customer side" of the equation. Ultimately, a brand must build a sustainable balance between the needs of its customers (who require the brand to provide value through relevant, timely, and consistent interactions) and its own business needs, which include cost-effective customer acquisition, retention, growth, and so on.

To achieve this balance, every customer interaction becomes critical, and must be seen as a potential tipping-point through which the brand can either reinforce its value or create barriers between itself, the customer, and financial success. To ensure each interaction is positive, a centralised, fully-informed, intelligent, and "always on" decision-making process should take charge – a process which takes into account all of the available information about the customer, and then arbitrates through each of the possible interactions, before making a prescriptive next-best-action decision.

[1] McKinsey & Company (Edelman & Singer), "The New Consumer Decision Journey", 2015 http://www.mckinsey. com/business-functions/ marketing-and-sales/our- insights/the-new-consumer- decision-journey

[2] Gartner Inc, http://www. gartner.com/it-glossary/ customer-experience- management-cem/

Any basic product purchase can be broken down into dozens of micro-journeys.

The following are a few examples of high-level, "macro" customer journeys, each of which is comprised of a series of customer interactions, which occur over a period of time:

- A first-time customer purchasing a product or service from a company.
- A customer purchasing cross-sell "add-ons" to the original purchase.
- A customer upgrading to a new service or product level.
- A customer renewing a subscription service at the end of a contract.
- A customer "opting" into a brand loyalty program.
- A customer advocating directly on behalf of a brand.

This list is simple, but even within this limited set, there are many situations in which the experience is inherently non-standard, more complex, or more "painful" than is desired. In these situations, a brand must dive deeper to ensure the balance – a focus on the micro-journey is required.

Micro-journeys

Each customer journey is made up of many interactions through a variety of channels, with multiple steps and stages. Together, the net of those experiences makes up the whole and any one difficult step by itself can become a major barrier to customer satisfaction. These "micro-journeys" are the level at which a brand must focus and operate – taking care to streamline the process, being mindful not to push the customer where they aren't ready to go, and constantly adapting to that individual's shifting context.

Any basic product purchase can potentially be broken down into dozens of micro-journeys. For example, when purchasing a new tablet computer, a consumer's engagement with product and brand extends far beyond the initial point of purchase, and may ultimately impact the purchase decisions of other consumers down the road. Customers may choose to:

- Use a search engine to identify brands and models of interest.
- Read online reviews to gauge past owner satisfaction.
- Use online comparison tools to evaluate features.
- Build a virtual product with personalised features and pricing.
- View current offers and upcoming promotions on retail websites.
- Read online adverts from dozens of brands and retailers.
- Opt-into email, SMS, or direct mail offers.
- Enter a retail shop to touch and feel the product.
- Talk with a sales agent to learn more about the product and ask questions.
- Purchase the product online, in the shop, or via a call centre.
- Buy add-ons at the point of purchase, such as batteries, a data plan, or a warranty.
- Utilise a voucher or loyalty card.
- Register their product with the retailer or manufacturer.

This macro-level journey, a relatively simple tablet purchase, has more than a dozen different stages, each of which introduces both opportunity and risk for the brand. Each tiny step that the customer takes can impact not only whether the organisation makes a sale, but how that individual perceives and interacts with the brand moving forward.

"The journey itself is becoming the defining source of competitive advantage."[1]

Identifying customer journey gaps

Ultimately, when evaluating the effectiveness of any journey and deciding whether it needs optimisation or how to do so, a brand must consider, from a customer perspective, questions such as:

Brand visibility and access

- Is the brand visible on paid third-party networks, with a viable value proposition, and is the consumer aware?
- Is the consumer able to search for and navigate to the brand easily, using keywords and terms linked to their value proposition, in a compelling and relevant way?
- Is the transition from paid-to- owned channels easy to navigate for the customer?

Is the actual purchase process simple and elegant?

Interaction intelligence

- When interacting directly through the brand's "owned" channels, are individuals able to find the information they need easily, without distraction or interference?
- Is content personalised, based on their individual interests and propensities?
- Is the brand empowered to collect quality data about the customer before, during, and after an interaction?
- Can the brand instantly translate data into relevant actions or offers that are timely, align with the consumer's needs, and match the context of specific interactions?
- Is data collected about the customer on one channel immediately used to add intelligence on other channels?
- Can customers move across channels and still maintain their "conversation"?

Sales conversion

- Is the actual purchase process simple and elegant?
- Is the sales process the same in every channel or do individuals have to jump through hoops to make a purchase in their preferred manner?
- Are customers forced to restart as they cross channels?
- What barriers exist that may stop the consumer from completing the sales process?

Onboarding and support

- Is the activation process simple?
- Is a new customer able to start using the product quickly, and immediately receive value?
- How does the brand optimise non-transactional experiences, such as resolving service or hardware issues, changing account information, or resolving login issues?
- Is the brand easy to do business with, or does the concept of "nurturing" customers fail to expand beyond the initial purchase?

Cross-sell and upsell

- Is it simple for the customer to expand the relationship? Do they receive incentives for doing so?
- Can customers add products or features and upgrade seamlessly?
- Do customers know what's available to them, do they see relevant offers, and are those filtered based on their eligibility?
- Can information be relayed proactively by the brand, leveraging the customer's channel preferences, in a subtle way that doesn't push?

The holistic experience

- Does the sum total of those interactions resolve to a positive customer experience?
- Is the experience consistent across channels and business divisions?
- Are customers willing, able, and enabled to advocate on behalf of the brand and product? Do they have a forum to do so?

Like most things in life and business, optimising the customer journey is not necessarily a "big picture" initiative.

It's more likely a series of small, focused efforts, which, when strung together, shape a positive customer perception of the brand.

Current technology has improved to the point where brands today should not only react to shifting customer needs, but also actively shape those journeys.

Where technology becomes important

Unfortunately, technology supporting the customer journey has historically struggled with the dynamic nature of the customer: the market has been saturated with solutions that oversimplify the journey concept, essentially creating more problems than they solve. They use pre-calculated propensity scores, static "best practice" templates, canned visualisations, and pre-scripted journey paths that rely on just one or two customer channels for engagement – and by doing so, ignore the individual needs of the customer, "turning them off" to the point where they disengage from the brand.

But as stated in the article by McKinsey & Company, current technology has improved to the point where brands today cannot only react to shifting customer needs, but must also actively shape those journeys.[1] That technology can enable an organisation to engage with customers in a more progressive manner, but it must apply intelligence in the following ways.

1. Surface next-best-actions, not just offers

In journey design, it is mission critical that the software recognise the context of the customer interaction, adapting as necessary to educate, service, retain, or initiate a collections process with a customer, rather than simply attempting to push a product to them. When the customer's situation dictates a non-sales action, very little diminishes the experience more than a badly- timed, irrelevant offer. For instance, different strategies are required when a customer is calling because of a service outage or hardware problem, or when they're searching the website for an instruction manual, as opposed to when they're chatting with an agent about a new promotion they just saw online.

Learn more about next best action and its potential value to a brand:

Video: Contextual next best action

Whitepaper: Always-on engagement

2. Operationalise real-time decisions (advanced analytics)

To stay in tune with the customer, analytics must be executed in real time, at the exact point of interaction with the customer (or as close to it as possible). A great experience can't use pre-defined model scores and "wisdom of the crowd" algorithms to guide actions. These approaches fail to capture changing customer needs and context, and cannot manage a rapid-fire series of cross-channel interactions. As such, a calculated next action becomes irrelevant each time the customer makes an unexpected decision, or suddenly changes directions.

The ability to adapt instantly to shifting context, and to offer the most relevant proposition (that is in tune with this interaction, right now) is where businesses see lift in acquisition, cross-sell/upsell, retention, and average revenue per user. Traditional outbound campaigns, where a brand simply pushes messages at the target, fail to resonate with today's connected customer. Instead, by listening closely to each individual in real time, it is possible for brands to offer delightful customer experiences, while building more profitable relationships.

For example, here are a few scenarios where real-time adaptation/recalculation is critical to the journey:

- Guiding agents through an intelligent conversation when they're "live" with a customer in the call centre or branch, interpreting give-and-take dialogue as it happens to adapt the agent's script and next- best-action recommendations.
- Setting email content at the point the customer opens it, rather than when it's sent, enabling a shift in the next-best-action offer or treatment to align with any activity that's occurred in the interim.
- Personalising web content as a known or anonymous visitor interacts with the website, so that all of their previous activity is applied to recalculate actions dynamically, as they advance.
- Orchestrating next best-actions across multiple channels simultaneously, as customers often view or reference online content at the same time they interact with an agent.

In each of these instances, an organisation must access, analyse, and apply data to make immediate decisions, which increases the relevance, timeliness, and consistency of their actions, and ensures that they align with the context of the customer's situation.

The brand must be able to track the customer through multiple journeys simultaneously.

3. Arbitrate multiple journeys simultaneously, for each customer

With customer journeys being highly complex, it is usually difficult for the brand to determine what specific journey a customer is undertaking, at least until they are underway. In many cases, the customer will change their mind, and shift directions as they receive, collect, and process new information. To this end, the brand must be able to track the customer through multiple journeys simultaneously, and arbitrate the next best actions associated with each of those journeys.

For example, a customer may place a product in an online shopping cart, then abandon that cart immediately thereafter. The brand may want to encourage the customer to complete that transaction, and thus prioritise actions that motivate the customer to do so – but at what point does that abandoned cart action become stagnant? When should they shift from focusing on that shopping cart conversion journey, to another journey that customer may also be engaged in?

This is a good example of why business rules alone aren't enough: it's the customer's unique situation and their response to the brand's subsequent actions that must drive this decision. The accepted approach is to utilise predictive modelling to drive complex decisions, rather than applying static, arbitrary business rules – but unfortunately most organisations do not have the resources to build and maintain the huge library of high-value predictive models needed to support contextual, journey-specific decisions.

There is significant revenue opportunity available to brands that can operationalise real-time decision-making.

Unlike conventional predictive models, adaptive models will update themselves automatically as the system interacts with customers, gathers responses, and operationalises that intelligence.

For example, in the situation above, adaptive models can be used to evaluate the efficacy of any offers used to promote the shopping cart journey. Those models will take into account the products, timing of the cart abandonment, past customer interactions in that context, and score each option. The scores will then be used by the

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next-best-action strategy to make the best decision possible for the customer at that particular moment.

Adaptive models are self-updating, and do not require up-front FTE labour for algorithm creation or "model refreshes" like predictive models do, so they can be used to cost-effectively evaluate situations that normal predictive models cannot, and do so with a high degree of reliability.

4. Integrate all customer touchpoints

Nearly all of the customer journey tools available on the open market were originally developed from a channel-centric point solution (by a brand specialising in email service provision, ecommerce, web personalisation, agent-facing applications, etc.), and tend to stick firmly to their roots. They're geared to manage either inbound or outbound interactions, not both, and as such, fail to seamlessly connect data across all inbound and outbound touchpoints to show a holistic customer progression. This severely limits their effectiveness in optimising anything but a simple journey.

Feedback from marketing organisations supports this point. In a study by the CMO Council, just three percent of marketing professionals felt they truly could get a "comprehensive view" of their customers' journeys; most times, the data was either "too complex" to integrate, or it was stored and analysed in silos – both of which limited their insight and revenue potential.[3]

Ultimately, effective software must track and visualise interactions across every channel that customers use to interact with the brand, show the flow between touchpoints, and map those interactions to journeys and stages that can be optimised.

Also, the next best actions on each individual channel will be significantly enhanced by integrating data from other channels – that data provides product interests, helps identify situational context, identifies the customer's current journey stage, can detect potential retention issues, and can identify high-potential events to trigger additional engagement. For example, the brand can use events on the website to initiate an outbound email campaign, then adapt the timing, cadence, and messages of that campaign dynamically, as it gathers information from other customer touchpoints.

[3] Predicting Routes to Revenue", Pegasystems and the CMO Council, 2016, page 14, https://www.pega. com/sites/pega.com/files/docs/2016/Jan/predicting-routes-to-revenue-report.pdf

5. Account for paid channel

On owned channels, a brand controls the data, but it can't afford to ignore its paid touchpoints. Each time a customer interacts with an organisation on a paid platform (via a mobile Facebook Ad, Google search, a banner on The Wall Street Journal, etc.), that information must be tracked and accounted for in its customer interaction history.

Paid interactions are often ignored because the information can be difficult to obtain and integrate, but that data is well worth the effort.

It can add tremendous intelligence to a brand's owned channels – uncovering unrecognised customer interests, preferences, and context. Vice-versa, data from owned channels is a critical part of optimising paid media spend, as it provides insights to optimise paid targeting, selection, and bid levels.

Some key benefits of integrating paid media channels and data into the customer journey include:

- Increasing the relevancy and timing of paid advertisements.
- Reducing paid spend on adverts for products that customers have already purchased.
- Increasing conversion rates, by shifting ads to relevant cross sell/upsell content.
- Adding intelligence to the advert-buying process, to avoid overspending on low lifetime value customers.

Learn how technology is evolving to integrate marketing and advertising analytics and decision making:

Video: Paid media and next best action

To provide real value, journey software must go beyond simple aggregations of impressions and click-throughs by stage.

6. Evaluate actions in a journey context

While understanding customer purchase paths is critical, it's a descriptive starting point, not the end goal. Many journey tools emphasise form over function – providing aesthetically rich and beautiful visualisations, but fail to provide what's desperately needed – a normalised ranking and scoring of the brand's actions, offers, and channels, within that journey context.

To provide real value, journey software must go beyond simple aggregations of impressions and click-through by stage. For example, a system user must be able to identify a journey, see all its component stages, and quickly understand which of their actions were impactful in each stage, and which failed to support the customer, so they can adapt their strategy accordingly.

For example, if a brand typically had 10 possible next-best-action options available for a certain stage of a journey, which score well? Which of those 10 are performing at a high level? Which are underperforming?

Certain offers, messages, channels, and content types perform well in a general sense, but add less value in a certain context. If the customer is trying to activate their phone, educational actions will often perform much better than promotional offers. In this case, the key is identifying the channels and treatments through which those are best positioned to help the customer.

The financial impact

Journey optimisation will provide tremendous benefit to your organisation if you're invested in the right technology, commit to a focused approach, and apply the right level of resources. Those benefits include significant lift in offer conversion, up- sell and cross-sell, retention, customer satisfaction, share of wallet, and both top and bottom-line revenue.

For examples of how top-tier organisations are optimising their customer journeys and realising significant impacts to their business, we recommend the following:

Forrester: Proven business value of Pega Marketing

Video: Oi: Simplifying marketing

Case Study: Delivering personalized experiences at RBS

Case Study: Award winning, personalized, real-time marketing at PNC Bank

Conclusion

When embarking on an initiative to optimise the customer journey, keep the following in mind:

You cannot "script" the perfect journey – customers will choose their own path, and the ecosystem is too complex to predict exactly where, when, or how they'll act.

Your journey software must be able to do six critical things – surface next best actions (not just offers), operationalise real-time decisions, arbitrate multiple journeys for each customer, integrate data from paid channels, optimise across all touchpoints, and score all of your potential actions in a journey context.

Your focus on "micro-journeys" is critical – it's much simpler to fix small steps in the process than to try and overhaul a broad-spectrum journey or experience all at once.

You should identify three to five "high-impact" journeys to prioritise, and as you improve each experience, you can leverage your learnings and approach thereafter.

Even after you've optimised a journey, you're never truly done – journeys will evolve and change right along with the customer and the organisational context, and must be managed proactively.

A great customer experience requires that every interaction is relevant, timely, and consistent across channels, and at all times aligned with the context of the customer's situation.

Merkle is a leading data-driven, technology-enabled, global performance marketing agency that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 30 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The agency's heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive people-based marketing strategies. Its combined strengths in performance media, customer experience, customer relationship management, loyalty, and enterprise marketing technology drive improved marketing results and competitive advantage. With more than 5,500 employees, Merkle is headquartered in Columbia, Maryland, with 24 additional offices in the US and 26 offices in EMEA and APAC. In 2016, the agency joined the Dentsu Aegis Network.

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