

The “New” Channels of Communication ... What’s Their Impact on the Future of Business?

An Interview with James Semenk, Director, Media and E-Business Consulting, Teradata, a division of NCR

NOTE: James Semenk, with 24 years of experience applying business solutions to technology industry problems, has worked directly with many media and e-business companies consulting in the areas of data management, database marketing, subscriber management and best practices in Customer Relationship Management (CRM). Digital asset management – applying CRM principles to improving database marketing in the areas of email marketing and direct marketing – is one of his current areas of focus, as is applying marketing automation best practices to the media industry. In addition, he focuses on leveraging digital click-stream data (e.g., Internet and set-top box) to enhance business results.

1. Why are these channels – web, wireless and today’s TV – so different from the communication channels of a few years ago – TV-then, telephone communications, and print (direct mail or newspaper/magazine ads)? What are the distinguishing characteristics between the “new” and “old” channels of communication?

The new channels are all interactive and digital – those characteristics change the dynamic of communications to enable real-time interactions with millions of people, simultaneously, on an individual level. Those characteristics also provide for almost limitless re-purposing of media content.

The other valuable characteristic is that these new channels are highly trackable. Traditional channels are significantly less so – they can only push messages out, not receive feedback on those messages and thus build a dialogue. Broadcast TV and print are examples of this one-way communication.

The new channels allow companies to build more personalized interactive relationships with their customers, and that’s why they’re so powerful. In some sense it’s like re-creating the dynamic of the old local merchant that remembered your name and things about you.

Today, a company can, for example, track browsing behavior on the web, responses to e-mail messages, or responses to content delivered on wireless media. Another developing new channel is the evolution of TV into iTV, or interactive TV. iTV enables viewers, for example, to click on icons presented during a commercial. The viewer can click on a menu of options to download more detailed information and actually make a purchase.

Another example is the ability of digital cable to offer real-time advertising insertion into programming. Thus cable TV providers will be able to tailor advertising more locally, down to the set-top box level. For example, in a vacation commercial, the cable providers would be able to insert frames into the commercial that show the fares from the closest airport from your home. Taking this example further, the cable companies would be able to insert frames into the commercial depending on the type of household.

Using the same commercial example, a retired household would get frames in the commercial that show activities such as golf and romantic dinners, while a household with children may, using the same commercial, see frames of children in the pool or mom relaxing in a spa. This last example is dependent on the choice of households to “opt-in.” Privacy is a very sensitive issue, generally, with these new channels.

This interactivity means that individuals can respond to advertising or messaging content, in real-time. And companies can tailor their offerings to individuals based on those responses. Interactivity is very

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powerful for both parties – individuals can fine-tune the messaging they wish to receive through these new channels, while companies can focus their messaging in a much more efficient and effective way.

2. Are the “traditional” channels (non-interactive TV, print, telephone) for communication becoming methods of the past?

Not at all. These traditional channels will continue to be effective for marketing programs that need to reach a broad audience, such as brand marketing. And brand marketing will definitely always be an important part of the marketing mix. In brand marketing, enterprises are not as interested in tracking. The objective is to get the brand message to as many people as possible. And the traditional channels are perfect for cost-effectively reaching a broad audience with a brand message.

But the key here is to realize that a marketing mix is crucial to a company’s marketing success. Targeted marketing that focuses messaging on the needs, concerns and interest of specific groups is also essential. Generally, people respond most positively to advertising when they are getting the appropriate messages at the time they are most interested. Using traditional channels for this type of marketing is just not as cost-effective or efficient as using the new, interactive channels. Getting out messages that positively impact retention, up-selling, or cross-selling can best be done through the new channels – for example, follow up e-mails that thank recent purchasers of a cell phone and suggest appropriate accessories are opportunities for up-sell. The more targeted and timed such messages are, the more successful they are. And the new, interactive channels are the only conduits that allow for such tight targeting.

3. There’s an old saw in advertising that 50% of anything you do has an impact; you just don’t know which 50%. Do these new channels of communication make this statement obsolete? How do we measure for results with these new channels? And how do we know whether the impact we’re having is positive or negative?

There’s a new push in business to make marketing more scientific, to track results, to track ROI on the marketing investment, so I think that that adage is going to have less and less relevance. The new, interactive channels lend themselves to tracking; thus, ROI will be easier to calculate, and it will be easier to know what does work and what doesn’t work.

For example, these channels allow companies to do much more retention marketing, to understand purchasing trends or demographic attributes, to track responses and make decisions about what those

responses mean, to test one set of messages with a control group, and then fine-tune future messaging based on all this input. Companies can also know if e-mail messages have been opened, if they’ve been responded to, if links have been clicked on. This kind of knowledge enables enterprises to determine how successful their messaging is in attracting attention as well as responses. And this kind of trackability is possible and highly efficient with the new, interactive channels.

4. Is enterprise data warehousing (EDW) essential to making these new channels effective? If so, why? And how can companies use EDW to get the most out of these new channels of customer communication?

In response to your first question – Yes!

In response to your second question, the only way to leverage the most value – and the drive the highest ROI – from the new communication channels is to turn the all that detailed data gathered from these new channels into actionable knowledge.

To do that, an enterprise must be able to manage the massive quantities of data it will gather, day after day, from these channels along four key dimensions. First, an enterprise must be able to easily develop an integrated view of its customers and its business. This integrated view of the customer may include life-time value, channel interaction profiles, usage and behavior profiles, purchase history, and preferences and interests profiles, to name a few.

With these new channels, it is critical to load this data quickly to obtain maximum value, as it has temporal value. For example, studies show that 90% of people who will respond to e-mail offers do so within the first 48 hours of receiving the e-mail, so it’s important to be able to quickly track responses and then use that data to refine the communication.

Thirdly, the company’s data must be of high quality. The new channels require that more than ever, to be effective, the company must have up-to-date, correct and rich profiles of the people they are targeting. That may require that companies supplement their in-house data with third party enrichment data. Additionally, because targeted and personalized communications require that you do not send incorrect or inappropriate communications to an individual, it is imperative that data on individuals is absolutely correct.

And finally, a company should institutionalize closed-loop tracking of all communications. Closed-loop tracking does require a discipline around collecting and analyzing responses from all interaction channels for all communications, and then leveraging that information to optimize future marketing and communications interactions.

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5. What are the top mistakes companies should take pains to avoid when using these new channels of customer communication?

Do not try to use the new channels in the same way as the traditional channels! The new channels really serve a different purpose – focused, interactive messaging and communication with very specifically segmented groups of customers or prospects.

Privacy is a big concern and companies need to ensure that their privacy policies are well thought out and are being implemented and audited, as appropriate.

6. What are the first steps companies should take to embrace these new channels of customer communication?

Companies should take an honest look at how these new channels really fit in their overall marketing mix and adjusting the marketing

mix as appropriate. Then, companies should reevaluate their marketing processes and make sure they are using the new channels both appropriately and to full advantage. Where are you misusing the new channels? Where are you missing opportunities to use them appropriately to develop important, key relationships?

Finally, companies really need to take a look at how the data from the usage of these new channels is being or not being used. Because these are new channels the usage data generated by these channels may not be being leveraged fully. Not fully understanding the nuances of these new channels could lead a company to miss out on identifying key opportunities that could make important strategic differences to its competitive advantage, its bottom line, and its future prospects.



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