The Evolution of Internet Marketing

From Silo'ed to Integrated Cross-Channel Marketing

Paper at a Glance: As multi-channel commerce (i.e., the ability to purchase goods and services via, for example, the Web and the call center) becomes increasingly ubiquitous, technology (now indistinguishable from the processes it enables) has become the means to instant gratification. However, the Web as a standalone channel presents as much of a liability as it does an opportunity because best business practices for cohesively exploiting the internet and systematically thriving in cyberspace have lagged. Not least of all in the marketing arena. The "old" Internet laid the foundation for the most critical mistake organizations have made with the Web to date: failing to integrate the Web into their overall channel structure. The "new" Internet presents a new set of opportunities if marketers realize that decisions of online searchers are influenced by a broad number of offline sources and vice versa.

The Take-Away: Brand, relationship and internet marketers must break through (often artificial) boundaries to coalesce around the customer as the design point. Organizations must plan to be customer-proactive as commerce paradigms shift from push to pull. Cross-channel integration will enable organizations to optimize the way they treat customers and right-size costs.

Introduction

For too many organizations, "cross-channel integration" is simply a buzzword-compliant trend du jour, and little more than lip-service is paid toward implementing it. However, from the customer's perspective, this lack of integration is aggravating an already frustrating problem when interacting with multi-line, multi -channel organizations, leading customers to wonder, "Why don't they know me HERE when I've already told them about me THERE?"

The Internet Has Changed the World

Well, maybe not the world, but the Internet has clearly gained momentum as it has moved from being a commercial experiment to a legitimate, mission-critical, business engine in almost every business sector. Among other statistics supporting its significance, the U.S. Census Bureau reports that U.S. retail e-commerce sales in the fourth quarter of 2005 continued its steady climb, accounting for 2.4 % of total retail sales (up from 1.6% and 1.9% over previous years, adjusted for seasonality). And that's just in the retail sector. However, the Web as a standalone channel presents as much of a liability as it does an opportunity because it offers consumers anonymity until the moment of purchase. This, in turn, limits the ability of the enterprise to motivate (re)-purchasing based on the buyer's pain and needs - in turn, contributing to diminishing consumer loyalty and lower switching costs. Unfortunately, best business practices for cohesively exploiting the Internet and systematically thriving in cyberspace have lagged; not least of all in the marketing arena.

"Old" Internet Marketing

In the beginning, the Internet was cool. In a nod to modernization, many Global 2000 companies dabbled in the Web with experimental web sites, often nothing more than technology-lite brochure sites. These experiments were purposely separated from day-to-day operations given all the unknowns relative to business impact, claiming dedicated people, business processes, technology, and information. The Web was commonly run by the jeans-wearing ponytail set as opposed to the blue suits carrying sales bags. Throw a pizza into the "conference-room-cum-web-lab" now and again and all was right with the world. Web marketing largely consisted of mass, outbound e-mail blasts and getting e-mail right became a huge focus of Internet marketing. E-mail technology jockeys found themselves acting as new-age marketers and it became more about crafting the perfect e-mail than about getting the right message to the right customer via the right channel. Thus the foundation was laid for the most critical mistake organizations have made with the Web to date: failing to integrate the Web into their overall channel structure.

Indeed we thought we were making things better by bifurcated marketing disciplines based on channel (e.g., online vs. offline) and formalizing the discipline of online or Internet marketing. We scoffed at the idea that a relationship or a brand could be enhanced through the Internet, and Internet marketing evolved separately from Relationship Marketing and Brand Marketing. Online marketing sub-specialties evolved (e.g., search marketing), business disciplines were replicated (e.g., order management, online customer service, revenue tracking) and voila! we created parallel e-businesses. Remember the pre-dot.bomb days of Internet spin-off businesses? Still, Internet marketers were not blind to the exigencies of cross-channel marketing; it's just that to them, cross-channel was integrating Google to Yahoo!, rather than web activity to point-of-sale. Marketing was all about "pushing" messages to customers, and most marketing efforts were (and still are) designed with the channel as the primary

Definition Check — "Channel"
The channel is the "marketplace" in which a deal is made or where a handshake takes place (virtual or otherwise). Channels usually have:

- revenue targets
- organizational constructs
- ability to deliver "something," e.g., a contract, a downloadable file

Different industries use the word channel differently: sales channel vs. delivery channel for example. A channel-consistent message and branded experience are essential to cross-channel harmony.

Definition Check — "Interaction Point"
An interaction point is how the customer physically interacts with the channel, e.g., telephone.

consideration, and the customer as a secondary design point. All we were really doing was reinforcing the Internet as a separate and distinct element of business. We assumed that lack of access to technology and fear of the unknown would prevent customers from truly embracing (or even demanding) the Internet as a legitimate means of transacting business *in combination with other channels*.
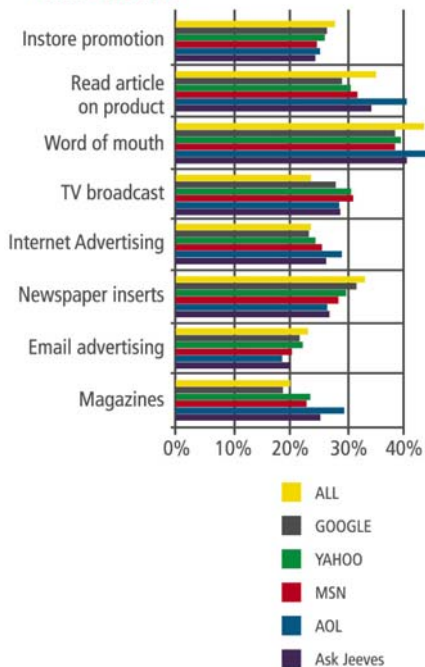
Figure 1: The Commerce Life Cycle

The Commerce Life Cycle is a process framework for customer-facing business processes.
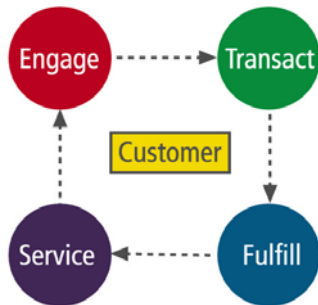
Engage: Capture customer mindshare
Transact: "Currency" exchange
Fulfill: Product/service delivery
Service: Post-sale service and support

Source: Customers Incorporated, LLC

Things improved with the advent of "pull" marketing and all its implications: customers would proactively pull companies *(see Figure 1)* to them on their terms, via their preferred channels, and when they are ready. Banner ads are a classic example of pull marketing: the banners are ubiquitous (and presumably targeted at a user's current behavior), but a customer can choose to click through or not. Even with this evolution to pull marketing, customers remained subservient to the channel due to a dearth of information that could be culled from across channels and integrated into a "panoramic view" of the customer. The panoramic view of the customer is an enterprise's "corporate memory" of a customer across time, channels, and business lines. Also called the "360° view," its purpose is to optimize customer interactions for maximum segment profitability. To create the panoramic view, organizations must have a consistent approach to collecting accurate customer information, reaching beyond traditional transactional and demographic information to include information about all interactions whether or not a sale resulted. Indeed, marketing has remained largely static and reactive because channel/ customer/offer combinations usually differ by point-in-time, channel-specific, predefined rules. However a customer's behavior can and will deviate from these rules and the lack of a panoramic view of the customer will gate an organization's ability to effectively respond. This is a two-way street: the enterprise doesn't have a panoramic view of the customer, but the customer doesn't have a single view of the enterprise either. This matters because to the customer, there is frustration associated with not being known across channels, leading to dissatisfaction and diminished loyalty.

"New" Internet Marketing

We now know the Web experiment has succeeded, and the Internet as a commercial tool is here to stay. Consumers are purchasing goods and services more than ever via the Internet, and marketing spend on media such as online classifieds, search marketing, and display advertising is fast following. Indeed spending on Internet marketing is projected to increase, depending on who you believe, between 7% (Winterberry Group) and 20%+ (eMarketer) over the next 4 years. But just when we think we've got it figured out, consumers tell us otherwise. Customers understand that businesses operate through multiple channels, and they will leverage whichever channel is most appropriate to task. Studies show that Internet marketing is driving offline efforts; and there is a significant missed opportunity if all channels are not integrated. *(See Figure 2).* As such, organizations must begin to regard the Web (some call it the e-channel) as just another channel in its channel mix, as opposed to treating it as a separate business unit, operating company, or division. The integrated channel system itself must be economically optimized, versus optimizing the use of a single channel (e.g., the Web) within a channel system.

We also know that while the Web is a huge marketplace, 90%+ of the online purchasing and consideration process is occurring beyond the corporate website. Studies show that while customers may seek information from a corporate web site, the sale through this same channel rarely follows. So it would seem on the surface that the Web is an ineffective revenue-generating channel. But we know it is a very effective channel when taken as one element of the channel system. So looking at the Web from a different perspective, a consumer's abandoned shopping cart may indicate the existence of a

Figure 2: Decisions of Online Searchers are Influenced by a Broad Number of Offline Sources

Source: BIGresearch SIMM VI Media Study, May 2005

commerce life cycle *(See Figure 2)* and not merely an aborted transaction. If viewed in this way, an organization has the opportunity to influence purchase even if the Web isn't the right channel for that consumer at that moment in time. In this model, the efficacy of the Web increases exponentially as it is causally linked to transactions in other channels. Indeed millions of these telling web interactions go unnoticed every week and harvesting this kind of information will lead to a more focused, productive marketing effort where coordinating online and offline marketing involvement drives mindshare and ultimately transactions across channels.

Example — The Cross-Channel "Richter Scale"

Apply your imagination to the cross-channel "Richter Scale" *(See Figure 3)* which illustrates a consumer's "engage" process for purchasing a vehicle. The green line represents this consumer's activity from the perspective of an auto dealer's web site, while the red line represents all activity related to the transaction with the auto dealer (and others), from the consumer's point of view.

Scenario — Suppose you own an auto dealership, and your web jockeys pick up activity for Consumer ID ABC123 on the site via site registration. You see ABC123 for the first time and see he's spending a fair amount of time looking at economy cars and SUV's. However you don't know how long ABC123 has been actively engaged in new vehicle research or what else he's been doing to facilitate purchase of a new vehicle. With this type of information, you would have the ability to interact more frequently and reinforce messages about the more expensive vehicle and the value of purchasing at your dealership.

Activity for Consumer ID ABC123

Oct 25 — Researches SUVs on Edmunds.com

Nov 03 — Visits YOUR economy car pages

Nov 08 — Google search on "Top SUV's"

Nov 10 — Researches SUV's at CarTrader.com

Nov 11 — Visits YOUR SUV pages

Nov 11 — Compares SUV's at competitor's web site

Nov 12 — Visits YOUR dealership to test drive SUV and an economy car

Nov 13 — Attends the annual Auto Show and swipes card at YOUR booth

Nov 14 — Visits competitor's dealership to test drive SUV

Nov 15 — Visits YOUR economy car pages

Nov 16 — Visits YOUR economy car pages

Nov 16 — Buys an SUV at a competitor

The Missed Opportunity — The Cross-Channel Richter Scale demonstrates that while ABC123 visited your web site several times, there were also several periods of intense activity that you had no visibility of, both with your organization (e.g., the dealership, the booth at the auto show) as well as with other organizations. You missed several key opportunities to influence ABC123's purchase decision and as a result ABC123 bought the lower priced vehicle elsewhere. As previously discussed, online searches are driven by 'offline' brand awareness and other types of marketing activities first. The point is that the web search may not necessarily indicate the beginning of the commerce cycle, nor should it be assumed that consumers utilize only one channel throughout the entire commerce life cycle.

Figure 3: The Cross-Channel "Richter Scale"

CUSTOMER ACTIVITY
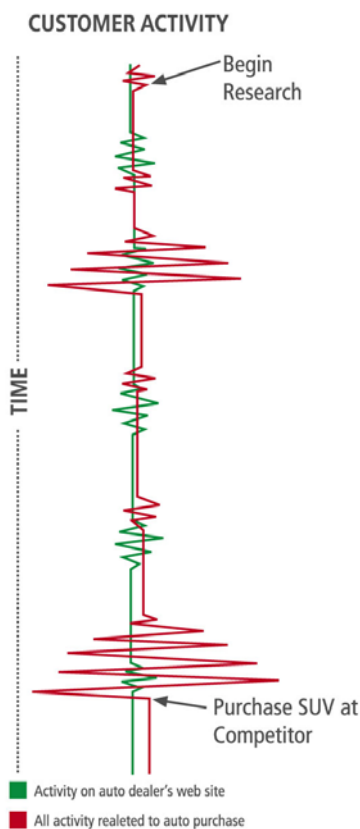
Source: Customers Incorporated, LLC

What's Web 2.0 Got To Do With It?

Web 2.0 is a buzzword referring to whatever is newly popular on the Web (e.g., blogs, podcasts); its meaning is still in flux. To be fair, Web 2.0 denotes an improved form of the Web, generally referring to a second generation of services that enable people to collaborate and share information online. It is important for marketers to understand the potential of this next-generation Web, as it provides the foundation for true (and seamless) cross-channel process and information integration. Web 2.0 enables marketers to predict and respond consistently to customer needs in every channel and across every stage of the commerce life cycle.

Why Should a Marketer Care?

It's clear that the (often artificial) boundaries among Relationship, Brand, and Internet Marketers are blurring in the world of Web 2.0. *(See definition check).* Business usage of the Web typically trails consumer adoption, which lags significantly behind Internet technology advances. And social adoption of new Web capabilities is skyrocketing as increasing numbers of Internet users become indoctrinated. According to IDC, the number of unique global Internet users will grow from approximately 820 million in 2004 to over 1.3 billion in 2009. So it's time for businesses to move beyond the Web as "brochureware" (i.e., Web 1.0 and static HTML pages) and exploit the interaction and social networking features of Web 2.0.

Creating Pervasive Relationships

The underlying features of Web 2.0 support the creation of pervasive, cross-channel customer relationships. A pervasive relationship is an "always on" conversation ("dialog") which transcends individual transactions and interactions across all channels. The dialog is informed by the panoramic customer view and a customer's strategic value, and is considered by the customer to be useful, unobtrusive, personal, and respectful. To get this right, marketing must become the "air traffic controller" of pervasive customer processes and interactions across every channel. In this way, all marketing disciplines work together to act on the panoramic customer view, providing the right information to the right channel at the right time.

Defining the Dialog

As discussed above, consider the dialog to be an "always-on campaign." Sometimes called event-based marketing, the conversation is predefined by marketing based on anticipated life cycle events. However messaging and triggers must be built around the consumer's behavior and profile, and not around arbitrary time-triggered events. *(See Figures 4, 5).* As such, transforming one-off interactions into meaningful dialogs requires the context of the conversation be maintained and transferred from one channel to the next; and that requires cross-channel integration.

The Cross-Channel Marketing Playbook

Businesses whose customer relationships consistently thrive must be prepared for marketing to act as an air traffic controller of sorts, providing consistent visibility of customers in every channel and across every stage of the commerce life cycle. Cross-channel integration enables organizations to optimize the way they treat customers and right-size costs. The following general imperatives must be executed to succeed with successful multi-channel systems and cross-channel integration:

Understand the commerce life cycle and associated events — Because marketing is ultimately about supporting revenue through proactive management of the ETFS

commerce life cycle, organizations must create and apply the right business processes to the right channels in a way that builds exit barriers and switching costs into the relationship. In addition, the multiple channels through which an organization goes to market must be integrated with one another in support of a single ETFS process to present a consistent image to the customer as well as an integrated customer experience.

Create a business strategy and value proposition for cross-channel interaction — The objective for multiple-channel programs is to make the sales, marketing, and service mix work together as a single, highly efficient execution system that delivers seamless service, rapid growth, and appropriate cost of sale/cost to serve. Facilitating multiple sales and service channels to work more closely requires new norms around channel compensation and tighter territory "rules of engagement." Furthermore, the exponential growth in customer interaction points means that an understanding of customer interactions is as critical to a cross-channel strategy as are transactions for the following two reasons: 1) there is important behavioral information impounded in a customer interaction even if (or perhaps especially if) it does not result in a transaction; and 2) organizations that do not tightly enforce consistency across every channel risk compromising their brand equity. Organizations must also assess channel efficiency economics as part of a cross-channel strategy.

Transform channel-specific business processes — Cross-channel strategies are often inhibited by channel-specific business processes (e.g., marketing supports "push" strategies not "pull"). Perhaps the most important task is for organizations to bring the Web channel into the channel-management fold. The business model should also rightsize channels to ensure the selling system has the capacity to handle a growing number of transactions and customer interactions.
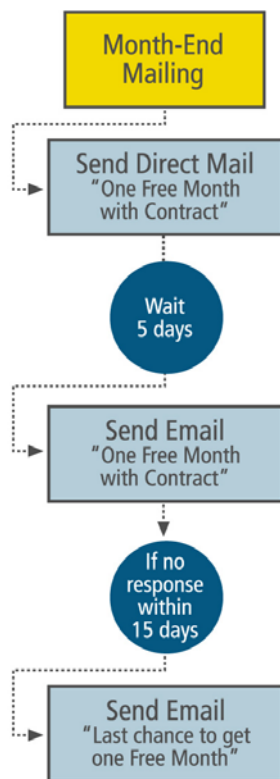
Embed Analytics Into the Business Processes — Predictive and declarative analytics (distinct from pure transactional reporting) must be embedded into the DNA of business process and then deployed through the operational environment. Technology solutions must enable this tight coupling of operational and analytical processes so that knowledge and experience can be deployed into the business, independent of people and systems.

Personalize the Experience, the Offer, and the Product — The ubiquitous notion of "one to one" marketing does not obviate segment-based approaches if personalization is applied to participants within the segments. Also called "mass customization" (or indeed "mass personalization"), technology solutions must be tailorable so that customers perceive an individualized treatment that is meant explicitly and uniquely for them - even if the treatment is meant for a number of individuals just like them.

The Technology of Cross-Channel Marketing

The foundation for implementing cross-channel marketing includes an Enterprise Marketing Management (EMM) platform. To fully deliver on the cross-channel promise organizations must get their arms around this type of technology. At a high level, EMM comprises technology that automates processes involved in planning, analyzing, executing, monitoring, and managing an organization's marketing efforts. It is important to note that cross-channel marketing relates to customer strategy across the entire commerce life cycle, not just the engage processes (where marketing is often relegated). As an organization considers how best to implement cross-channel marketing, it becomes clear that, though not all customers will be treated the same, each customer's experience must be optimized (where "optimized" does not necessarily

Definition Check — "Blurred Boundaries Among Relationship, Brand and Internet Marketers"

What does it really mean to have the boundaries among marketing specialties blurring? By way of example, consider Tide, P&G's cash cow laundry detergent. According to a recent Business Week article, ("Detergent Can Be So Much More," May 1, 2006), P&G is out to transform Tide from a mere brand into an important relationship by tapping into the deep connections women in particular have with products in this category. So is an exercise like this within the domain of a brand marketer? Absolutely. But it is also within the purview of relationship marketers. And since relationships exist across many channels, limiting an entire discipline (i.e., internet marketing) to single-channel will not be as effective as it otherwise could be.

Figure 4: Arbitrary Time-Triggered Customer Dialog
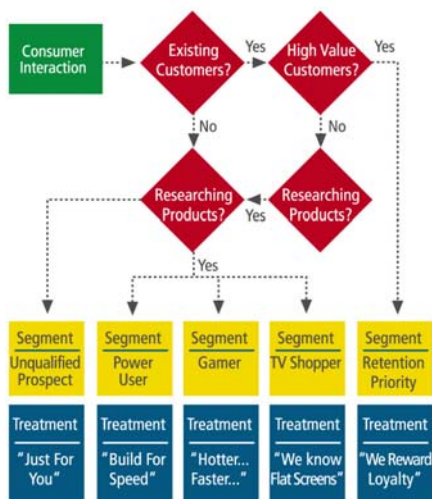

Source: Customers Incorporated, LLC

mean "maximized"). A complete EMM solution enables an organization to consistently execute on this customer strategy. However EMM will be just another silo if seamless integration and data sharing across all pieces/solutions within an EMM suite does not exist. The elements of a complete EMM suite include:

- Marketing Operations Management — processes and technology related to managing the marketing function itself (e.g., planning, budgeting, resources, production workflow & digital asset management)

- Behavior Monitoring and Event Detection — processes and technology to detect and respond to changes in customer behavior

- Campaign and Interaction Management — processes and technology designed to positively impact customer behavior across channels (e.g., internet, direct mail), and whether inbound, outbound, or real-time.   Fueled by customer and web analytics, campaign and interaction management is moving beyond being cast primarily as an activity of the "engage" phase of the commerce life cycle to also participate in the "service" life cycle stage (in the form of cross-selling and up-selling)

- Lead Management — processes and technology involved in qualifying a lead as an opportunity and then passing it to an opportunity management system, where the lead must retain the link to the source campaign or dialog to determine campaign effectiveness measurements

- Marketing Analytics — processes and technology to transform raw data into useful information. Two different analytical form factors are required for comprehensive analytics: (1) reporting - static information relative to a specific point-in-time ("realtime" is key here). The actual results are fed back into models; (2) Analysis – information collected over a period of time which is useful as input into trend analysis. Common analyses include scenarios related to customers, products, retention, performance, financials, channel productivity, cross-channel efficacy, etc.

As the air traffic controller, marketing must constantly monitor and react to every customer interaction across all channels and all customer-facing business processes *(See Figure 6)*, as the customer experience affects future company revenue and profit. EMM ensures that these customer experiences across channels and marketing media reinforce the organization's basic brand value proposition and differentiate its business. However different types of marketers will bring different priorities to bear in implementing an EMM solution. For instance, a relationship marketer will emphasize elements of campaign management (e.g., modeling, event and behavior detection, real-time personalization) and lead management (e.g. lead referrals, analysis of lead generation effectiveness). A brand marketer will emphasize marketing operations management (e.g., event management), campaign management, but with a different focus (e.g., marketing content). And an internet marketer will focus on things like web channel campaign deployment, web analytics and online customer collaboration. Today, each type of marketing has its own objectives, success metrics and often their own departments (especially in the case of Internet marketing).

If we are to deliver on the promise of cross-channel integration and the customer as the design point, then making marketing the relationship "air traffic controller" for engage activities must include creating an integrated channel system (or integrated marketing system) where the Internet is one of many information inputs.

Figure 5: Behavior, Profile, and Event-Based Dialog

Source: Customers Incorporated, LLC

Putting the Playbook into Action

The previous section enumerated the fairly high-level principles for getting started with cross-channel marketing. Here are a few steps you can take to begin planning for and implementing internet-involved cross-channel marketing.

If Your Internet Strategy is Sales or Lead Generation

A sales-oriented web presence (think financial services, automotive) is all about capturing leads, qualifying them and passing them on to the right channel for follow-up. The lead is essentially the hinge between marketing and sales and as such, the handoffs represent the greatest risk (of a customer falling through the cracks) and also the greatest opportunity (to present a unified face to the customer). Priorities for integrating a sales-oriented site with other channels include:

- Provide information on relevant product specials (from your Brand and Relationship teams) for customers that demonstrate an interest
- Detect individually meaningful changes in behavior over time and share with other systems
- Combine historical offline data with current web data for sales and lead generation
- Prioritize leads and lead distribution
- Manage referrals
- Automated B2B lead detection and prioritization
- Integrate into opportunity management processes and systems
- Automate abandoned shopping cart follow-up campaigns and share resulting information
- A sales-focused site should become one step in a multi-channel process vs. the only (silo'd) step

If Your Internet Strategy is Service

A service-oriented web presence (think health insurance, banking) is all about capturing information about known visitors to deliver self-service. Priorities for integrating a service-oriented site with other channels include:

- Share key web learnings (e.g. interested in product x, y or z) with Brand and Relationship marketing teams for targeted, fast follow-up
- Provide information on relevant product specials (from your Brand and Relationship teams) for customers that demonstrate an interest
- Integrate customer-facing self-service processes into back-office service fulfillment capabilities
- Combine historical and predictive data and share with other systems (e.g., mine web self-service activity to enhance customer attrition prediction, implement web analytics to capture known visitor behavior)

If Your Internet Strategy is Content

A content-oriented web site (think research sites such as Edmunds.com, webmd.com) is all about presenting information relevant to particular visitors. Knowledge of the visitor's interests is helpful, but not required. Priorities for integrating a content-oriented site with other channels include:

- Integrate customer-facing self-service processes into back-office service fulfillment capabilities
- Use marketing content management to store, track, and manage marketing assets
- Integrate usage information with relationship and brand marketing strategies
- Combine web analytics with brand and relationship analytics to improve content delivery

Figure 6: Macro Level Customer-Facing Business Processes
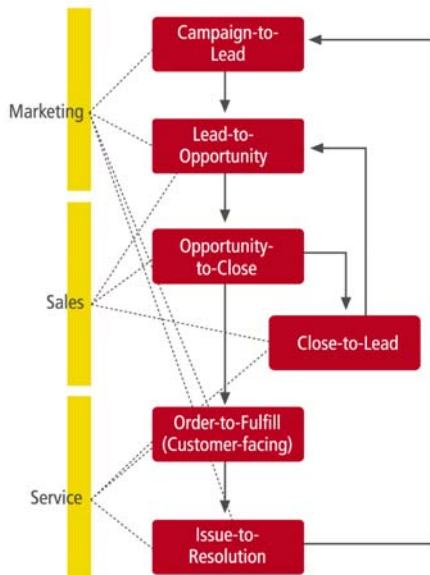
Source: Customers Incorporated, LLC

Conclusion — The Transformation Checklist

As Internet, Brand, and Relationship Marketing coalesce, so too will marketing strategy:

- Marketing strategy will evolve from channel centric to customer centric
- Customer conversations will evolve from predefined workflow to predictive dialog
- Campaigns will evolve from "one and done" to "always on" and from time-based to event-based
- Branding will evolve from perfect creative to perfect conversation
- Marketing analytics will evolve from channel-specific reporting to cross-channel analysis

About the Author
Liz Roche is an industry recognized expert in the design and delivery of comprehensive, high-value customer relationship management (CRM) business systems. Liz has 20 years of IT experience managing strategic enterprise technology and business programs, and has worked in the CRM field for the past 10 years. A leading authority on CRM business principles, enabling technologies, and related technology architectures, she is a frequent industry keynote speaker and author.

About Unica
Unica Corporation (NASDAQ: UNCA) is a leading global provider of Enterprise Marketing Management (EMM) software. We focus exclusively on the needs of marketing organizations. Our Affinium® software addresses the principal functions of EMM including marketing and customer analytics, demand generation, and marketing resource management.

Affinium provides a complete platform to transform the entire marketing process including planning, budgeting, project management, execution and measurement for brand, relationship and internet marketing. Over 500 companies worldwide rely on Unica's solutions to manage the complexities and processes of marketing and facilitate the operations of a customer-centric business, including ABN AMRO, Bank of Montreal, Best Buy, Capital One, Choice Hotels, Cinergy, Debitel, E*TRADE, Lands' End, Medco, Monster, Orbitz, Vodafone, and Wells Fargo.

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About Customers Incorporated LLC
Customers Incorporated is a business and technology consulting firm with a singular passion — to help our clients maximize their customer equity. We start with a very simple premise: a business and technology strategy should be designed around the customer rather than an individual department, a particular product line, or a specific technology. Using a customer life cycle lens (engage, transact, fulfill, service [ETFS[SM]]), we help our clients compete and win by balancing their investments in customer relationships with optimizing the return on those relationships; investing in the right products with the right feature set in the right market. Our business experience is proven. And so are the results we bring to our clients. We've helped them unlock value in areas such as sales, marketing, customer service, sell-side commerce, order management and fulfillment, enterprise architecture, application provisioning and procurement, and CRM business strategy. We've shown them how to transform their business, their thinking — and their bottom line.

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