ISSUE 3 | Q2 2018

HHQ

HARTE HANKS QUARTERLY

NOTES FROM THE FIELD

Exploring the marketing challenges facing businesses in 2018.

PLUS

Driving Engagement With a Datamart

Brian Carrier explains how Xerox is using data and technology to drive growth.

The Future State of Retail

Retail certainly isn't dead, but it is changing like never before.

CRM 3.0

Are we seeing the start of smarter marketing?

wipro

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MORE MEANINGFUL MARKETING.

WELCOME TO THE SPRING 2018 EDITION OF HARTE HANKS QUARTERLY.

What an exciting and yet challenging time to be in marketing. The demands placed on today's marketers are constantly expanding and are being driven from all areas that impact our customers' and potential customers' lives. Perhaps none is more top of mind at the moment than trust. People share their information with us in the two-fold belief that we first will respect it, and second, that we will use it in a way that is genuinely relevant to them. The failure to keep this compact can have enormous blowback—the team at Facebook has been dealing with that over the past several weeks.

Respecting the privacy of our clients and ensuring the security of the information they share with us is a sacred trust. It is table stakes to creating truly personalized marketing: but as John Deighton notes in his article on retail brands, customers actually prefer anonymity, which is the antitheses of personalization. If we want clients to share information with us, we need to use it in a way that is truly helpful. It must drive our marketing and provide context for what we say and why we say it. Using a client's data without understanding the context of their journey is just a form of stalking.

And speaking of the journey, Alan Kittle, Harte Hanks' SVP of Global Creative and Strategy, identifies clients' desire to understand their customers' journeys as one of the most prevailing trends he's seeing as he travels around meeting them. He shares his insights in an interview with Dr. Karl Hellman. The effort to use data in a way that is meaningful to our end customers is a continual journey, not a specific destination. It takes organizational evolution, data sourcing, technology deployment and marketing adaptation. Brian Carrier, Xerox's VP of Global Demand Generation, Data Insights and Marketing Technology, shares their specific journey towards using clients' data to make Xerox's marketing more relevant. A common theme is how we can be good stewards of the data customers chose to share with us. We need to earn their trust and continue to deserve it, and we need to use the information they give us to deliver real value back to them; or the cycle of trust will be broken.

We hope you enjoy all of the articles we are sharing with you in this issue. It is genuinely an exciting time for marketers. We need to embrace the opportunities presented to us to build closer, more relevant relationships with our customers!

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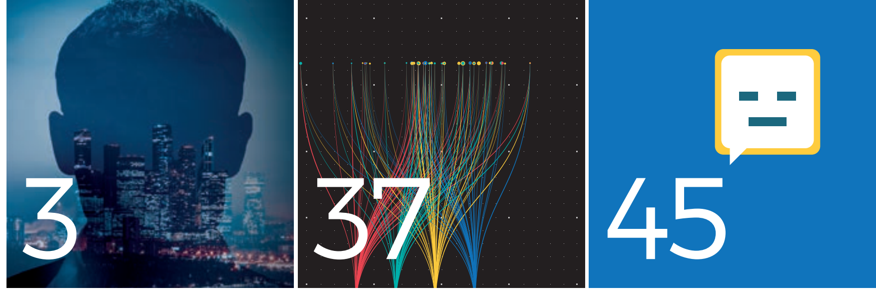

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A CREATIVE PERSPECTIVE

MARKETING NOTES FROM THE FIELD

ALAN KITTLE
SENIOR VP STRATEGY AND CREATIVE, HARTE HANKS

DR. KARL HELLMAN
PRESIDENT, RESULTREK INC.

The following is an interview by Dr. Karl Hellman with Alan Kittle, SVP Strategy and Creative at Harte Hanks. Karl was curious about Alan's perspective after an extended series of meetings with clients across the USA and Europe. Karl's question topics ranged from Harte Hanks' 5 Pillars of Best-in-Class Marketing to social issue advertising.

CLIENT VISITS

Karl: Alan, I am told you visited numerous companies over the last half-year. About how many clients did you visit, and can you give us a sketch, maybe by industry or size?

Alan: I'm into double digits for client visits and meetings over the past six months. We've made pitches and capabilities presentations, and also conducted workshops. The clients cover the map in terms of sectors: retail, home security, consumer products, financial services, insurance, and high tech. We visited more B2C than B2B firms. The small B2B brands had a mix of B2B and B2C interests. Small business owners seemed to think, act, and buy like consumers most of the time. So a lot of what we discussed with these clients boiled down to the same challenges.

5 PILLARS INTEREST

Karl: If you had to make a guess, which of the 5 Pillars (Segmentation, Personas, Buyer's Journey, Content, Data & MarTech) tended to generate the most interest among the companies you visited? Does the answer vary by industry or company size?

Alan: All of the clients we talked to had strong areas to build on. But the hottest issues were primarily related to journeys and content.

Some clients had a lot more confidence in their personas than we did. To me, some of the personas did not come alive or convey rich, data-driven insights. Instead, they seemed more like names and photos taped to generic market segments. I think this reflects the personalization learning curve that marketing is going through.

Clients are investing a lot in data enrichment and martech and they recognize they are not using it to its full capability. Once they move through a few more iterations of making their data actionable and tailored to specific customers, they will be able to circle back and enrich their personas.

Another headache for clients is understanding just how much and what type of content they need to really ensure each part of the buyer's journey is well served for each audience group. There's a perception that it becomes very expensive to build a full content stack, and that could be true if agencies and clients use the same model for content as for other types of campaign assets. So, rethinking the creative process to not just build content via agencies—but rather through influencers, syndicators, users, and more—can help create that "stack." Then look to optimize rather than build from scratch.

> All of the clients we talked to had strong areas to build on. But the hottest issues were primarily related to journeys and content.
>
> Alan Kittle

PERSONALIZATION

Karl: What were some of the most obvious examples of where personalization could have impact? What did you think was keeping those companies from getting more personal with their customers?

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Alan: For one client, the most "personal" level was understanding the household. They tracked families that recently moved, but not what would motivate specific buyers within that household to consider their services. They had moved beyond simple demographics and integrated multiple types of buyer data, but they needed to drop into the next level of granularity and get to know individuals within the household much better—their prejudices and perceptions of what a product could offer them. Emotional and rational decision-making were just not well understood yet.

In another case, even if you signed up for specific emails from one of their brands, you still received a generic email from the parent company. A B2B brand tracked SIC code per customer, but hardly anything else that would tell you about specific customer needs or issues. Overall, I concluded that personalization, at an atomic "moment" level, is still a future—hopefully not too distant—aspiration for most clients.

BUYER'S JOURNEY

Karl: Did you get a sense whether companies have much data about the buyer's journey and how to better serve those journeys? What would be the single most important step forward for those companies to better serve buyers during their journeys?

Alan: Most companies are using sticking plasters (that's British for Band-Aids) to try to create satisfying journeys for their customers. I'm really passionate about this. If customers are not happy at various points along the journey, then you have to make changes and start doing what is most helpful to them.

Even the most progressive companies experience resistance in redesigning their buyer's journey to better meet customer needs. They experience internal resistance to overhauling their touchpoints (phone, site, store, etc.) to do what's most helpful for their customers. Internal silos find it easier to force customers down the most convenient chute, and then they try to back-engineer a journey from there. It's very frustrating when you see the difference it makes for leading brands or sectors, where you can see measurable success, but status quo wins the internal political battles in too many companies. If you're not willing to disrupt yourselves, others will do it to you.

ATTRIBUTION

Karl: Was attribution a pretty common frustration for the clients you visited? Did they know what prevents them from seeing the full picture of all the influences on buyers, and why they make the choices they do during their journeys? What was your sense of how hard companies will work to fix the attribution problem?

Alan: Like the situation with journeys, clients want to improve attribution. Clients see value in it, but I'm not sure they're passionate enough about metrics of success to overcome internal resistance. Our analytics teams do a great job of creating attribution models and establishing causality for our campaigns. But it's tough in such fragmented channels, and with limited data, to really identify which interactions are driving behaviors and how to test to improve results across the journey.

In most cases, it will take even more data and martech investment, and that is a tough pill to swallow. Sometimes I think there is so much pressure on CMOs to show a positive impact or to show they are "doing something"—and I know this is controversial—that the importance of attribution gets pushed to the side and short-term results dominate the agenda.

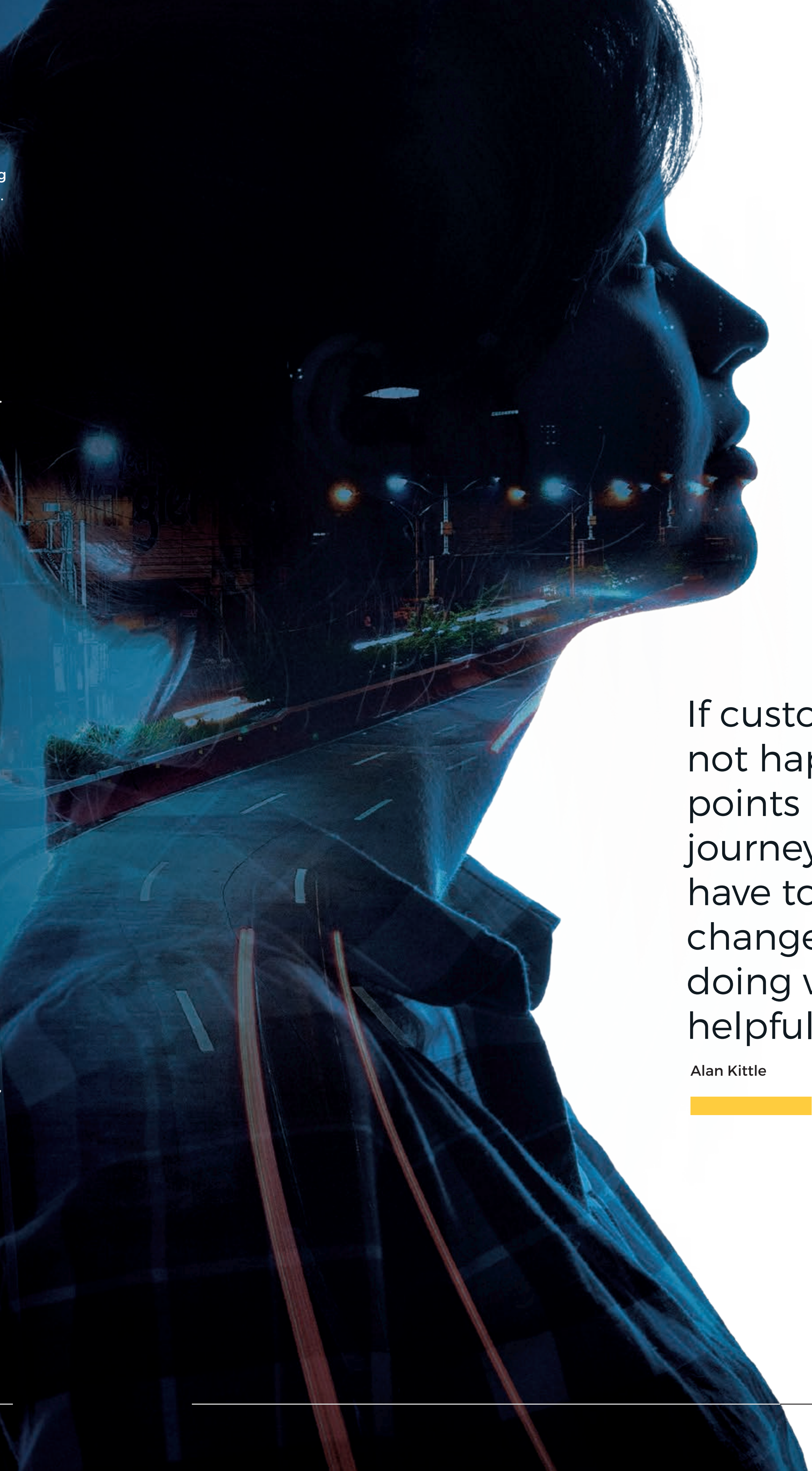
I know my teams care deeply about attribution. They want to know what worked and why. They look for iterative improvements and to continually raise the bar. But we often hit a wall of political resistance, typically from outside the marketing department, when we challenge clients for measurable results. The most "mature" clients know this is an issue and they work with us to move their organizations in the right direction.

SOCIAL ISSUE MARKETING

Karl: Was social issue marketing a hot topic during your visits? Do clients see it as a creative technique for taking advantage of current events, or something more strategic? Are political issues something you do not address in a business conversation, or does it seem to be a more normative marketing topic these days?

Alan: The topic did not surface on its own for these clients. I brought it up in a few cases and tested the waters when I thought there might be an authentic connection to their brand purpose. For a home security brand to extend their brand purpose into personal security, for instance.

I'm not a fan of "borrowed interest" marketing of any type, so I would not suggest any old issue be capitalized on. If it makes sense strategically, then that's fine. It has to feel genuine, though, or consumers will see straight through it and the campaign will probably be more detrimental than beneficial. Consumers are sharp enough to see through false campaigns. A few ads were pummeled on social media during the Winter Olympics, while a few others were widely praised. If the company's connection to the issue is organic and sincere, then it has the potential of being very powerful. ■



If customers are not happy at various points along the journey, then you have to make changes and start doing what is most helpful to them.

Alan Kittle

ROADMAPPING YOUR WAY TO MARTECH SUCCESS

KAREN PUCKETT
CEO, HARTE HANKS

> "We have two ears and one mouth so that we can listen twice as much as we speak."
>
> EPICTETUS, GREEK PHILOSOPHER

This applies to us as marketers too—to be more human in our marketing, we must listen to what our customers are telling us and react appropriately. But many of our interactions with customers now happen in the digital world. We're no longer just listening to words with our ears. Instead, we're listening to data with our marketing technology (martech).

This puts marketers in a tricky spot, because most marketers haven't quite mastered martech yet. According to Gartner's recent CMO Spend Survey, this is the first year in the recent past in which budgets have fallen. This is due largely to the fact that marketers are struggling to show return on the investments they have made in various forms of martech. One of the reasons for this is because marketers are not typically technologists at heart. We know what we want to accomplish with our technology, but not necessarily how to get there—and especially not in the expeditious or agile fashion expected of CMOs.

To make more effective decisions around martech acquisitions, and to deploy those acquisitions to the brand's advantage, brands should consider one or both of the following strategies:

1. Bring on or assign a dedicated Chief Marketing Technologist (CMT) who brings a deep understanding of martech to the board, and ties major martech initiatives to marketing and business strategy.
2. Bring on a martech partner that offers both marketing and technological expertise.

By coalescing traditional marketing expertise with deep technological expertise, brands can outline an effective martech roadmap and progressively check off meaningful achievements along the way. This will allow the marketing organization to show continual advancements in, and return on their technology investments.

It will also allow marketers to listen more effectively to the customers on the other side of the technology and react in a way that show we are listening—exactly what all of us humans are looking for in our interactions. ■

By coalescing traditional marketing expertise with deep technological expertise, brands can outline an effective martech roadmap and progressively check off meaningful achievements along the way.

AN INTERVIEW WITH XEROX'S BRIAN CARRIER:

DRIVING CUSTOMER ENGAGEMENT WITH A GLOBAL MARKETING DATAMART

NICOLE BUMP
DIRECTOR, CONTENT MARKETING,
HARTE HANKS

Brian Carrier is the Vice President of Global Demand Generation, Data Insights and Marketing Technology at Xerox. Reporting to Xerox's CMO, Toni Clayton-Hine, Brian is responsible for the company's global demand generation and marketing technology/data strategy, including the company's big data datamart, Salesforce.com and Marketo integration, as well as their technology roadmap. We interviewed him about his key challenges and the innovative technology he's employing to solve them.

What are the biggest challenges you're currently facing in your role?

The first challenge, or opportunity, is making sure that we have a personalized, data-driven demand generation journey and engagement with customers. That's job one. Based upon the data we have on a given individual—demographics, firmographics, transactions, and all of their digital interactions with sales and customer support—we can engage that individual with the right targeted offer, messaging and web experience at the right time.

We talked about job two at the last Harte Hanks Marketing Advisory Board meeting: demonstrating tangible, measurable revenue contribution. Not just attribution—marketing must show contribution to leads, pipeline AND closed revenue. Many companies just look at pipeline attribution or 'influenced revenue,' which, frankly, can be fudged to make marketing look good.

Beyond attribution, marketing must show an equal to or higher return on marketing investment versus investment in other go-to-market programs, more sales people, etc. That's the ultimate measurement. We must look at actual closed business and do it in an investment model so that it's 4:1 to 10:1 profit ROI.

These are the three things I think about every single day.

Speaking of ROI, it's a challenge for a lot of marketers to get value out of and show return on their investments, especially marketing technology investments. How are you working to make sure you're getting value out of your investments and that they actually deliver against your business objectives?

First of all, organizationally, we consolidated four key functions into a central group at headquarters—including their budgets and roadmaps. This included: 1) our global demand gen campaign management functions; 2) a demand gen center of excellence where we execute all of the global, region and line of business campaigns (including list management, Marketo, analytics and dashboards, etc.); 3) our marketing technology group; and 4) our global datamart and data analytics functions. This is critical versus having everything strewn across different, siloed groups. Getting these four pieces together has been critical.

The second piece of making sure we get value from our investments—technology and otherwise—was to create a demand gen operating model that is driven by sales' priorities. This model starts with interlock with the regional and country level sales and channel teams. We ask them: What solution/product mix do you want? What route to market mix? What lead objectives do you want for the campaigns that are mapped to your quarterly/annual sales goals? Once we know what three to four global campaigns we need, we know exactly the solution/product mix, the route to market mix, the contacts we want to target, the competitive analysis—THEN we go into campaign design. Our campaign prioritization and execution are truly sales-driven.

The third piece of getting value from our investments is creating a global datamart that provides us with a 360-degree view of customers and prospects, and will ultimately drive our digital experience, demand gen campaigns, and 'always on' nurture programs—such as new customer/purchase, loyalty/retention, cross/upsell, competitive take-away, and cloud/services renewal programs. The datamart is the foundation of our entire strategy.

Talk to me about the work you're doing with your datamart, or what we call Signal Hub. What are the problems this technology is helping you to solve?

As far as challenges go, we had a limited view of prospects and customers—we could not get a holistic view of a given individual. We also didn't have this view at site level or account level. The second was that we had 30+ disparate databases, data quality issues and siloed investments against these databases. Third, we didn't have a data-driven capability to target new prospects or drive retention/loyalty because of these other challenges.

We're therefore working with Harte Hanks as a strategic partner to deliver four things through a global datamart:

1. Global data integration of 30+ databases into a common datamart structure and technology base
2. 360-degree view of all prospects and customers, including interactions and transactions
3. 'Always on' marketing and sales alert services driven by automated triggers
4. Actionable and predictive insights based on our integrated datamart

Regarding the 'always on' marketing and sales alert services, the datamart provides daily, automated data triggers to place customers and prospects into nurture programs based on different characteristics, behavioral interactions and transactions of individuals or accounts. For example, it could be a new customer purchase or a new purchase for an existing customer. We could then put them into a nurture stream that welcomes them, helps them get the most value out of what they just bought, makes suggestions for how to use unused features, or simply provides them with thought leadership content.

Another example would be competitive take-away nurture program. We've done some work where we've used third-party data to know when a company's lease contract expires with competitors. We executed a competitor-targeted demand gen program nine to 12 months in advance of this known 'sales event' (i.e., competitor lease expiration). The automated triggers for the demand gen program are driven by our datamart, which sends these triggers to Marketo to execute the program, event/webinar invitations, etc. In addition, the datamart sends an automated sales alert to the sales rep calling into the account (sent through Saleforce.com) about six months before the expiration date.

Where are you in the implementation of your datamart?

We delivered our first set of automated, 'always on,' demand gen and nurture efforts in January and February for six different programs. We've started to integrate some of the databases, which we're finishing this year. We hope to have a 360-degree view of our millions of contacts by end of year. Our goal is to finish all database integrations in the fall, and deliver these value-add marketing services and sales alerts across all lines of business by the end of the year.

The initiative is not about awesome architecture, and it's not about awesome technology. It's about using that technology and actionable data insights to deliver value-add marketing, demand gen programs and digital experiences globally, across all lines of business, to drive measurable revenue. This really is the foundation of the marketing house. We're not quite there yet, but we're going to be soon.

What are you most excited about being able to do with this datamart? Do you have a vision in your head?

This is a two- to three-year journey. You start with this single data view, then you evolve to actionable insights and automated programs. Then the next step is truly predictive. Based upon interactions, transactions, and contact/account level insights, you predict the next best offer to give someone. You predict who to target. You can even predict attrition and jump in with sales engagement to retain customers. While it will take some time to get there, this is the vision, and this is what I'm excited about achieving—driving personalized customer experiences and measureable marketing-driven revenue for Xerox. ■

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IT'S TIME TO TALK ABOUT THE CURRENT AND FUTURE STATE OF RETAIL

FRANK GRILLO
CMO, HARTE HANKS

I recently had the pleasure of meeting with Kimberly Whitler, Assistant Professor at the University of Virginia, Darden School of Business, to discuss the current and future state of retail, both digital and physical.

The result was a lively and insightful exchange of ideas, as any good conversation should be, that touched on everything from the necessity of focusing on the customer and their buyer's journey, to the many possible futures of brick and mortar (B&M), and even how competitors should expose the weaknesses of Amazon (yes, believe it or not, Goliath has a weakness).

Frank:
The common narrative we're seeing right now—that retail is dead—is crazy. It's not the demise of retail we're seeing, it's the radical change of retail.

We had an analyst from Forrester do a read-out to our entire management team, and he pointed out how much digital has truly skewed the conversation. Everyone is focused on the growth there. However, when you take the entire retail marketplace and look at true digital commerce (buyer's journeys that begin and end online) you'll see that it made up 13%* in the U.S. in 2017.

Where we see the largest dollar growth in the retail marketplace is a buyer's journey that begins digital but ends physical. These are customers doing their research online, but following up with an in-store purchase. According to Forrester, the projected growth rate for pure digital in 2018 is $48 billion, but the projected growth rate of in-store purchases that begin digitally is $69 billion.*

From a hard dollar standpoint, the largest dollar growth is from people still buying in store. But because digital's growth is a high percentage on a small number, everyone tends to focus purely on the digital conversation. They're missing the fact that the majority of what we buy is still in store. We're using the retailer a bit differently and looking for different things out of the store itself.

The real issue is there are retailers that don't have any relevance in the market. They're searching for relevance, don't have a good digital or physical experience, and they're not fulfilling anybody's needs, so they're going away.

Where we see the largest dollar growth in the retail marketplace is a buyer's journey that begins digital, but ends physical.

Frank Grillo

*Source: Forrester Data: Digital-Influenced Retail Sales Forecast, 2017 to 2022 (US)

That's the conversation we've been having and we're looking for your insight to see what you think is going on and how should retailers be thinking about the future.

Kim:
I think it's actually fairly simple—digital has exposed the flawed way in which retailers historically thought of themselves. The point of retailers in 1950 or 1970 was to create a mechanism for consumers to simply go and buy products. They were basically a distribution solution.

What happened with digital (Amazon) is that shoppers no longer need a store to provide distribution because they can get the products they want delivered right to their front porch. For many consumers who don't like shopping, the need to have a physical store for distribution is going to become less important. Grocery stores, for example, were just a mechanism to get fresh fruit to consumers. Today, Amazon will find a way to get that to my front door. There are good retailers (and there are still a few) who always understood that it's about more than distribution, but there are many who are going to be faced with the reality that they have to create value beyond a distribution solution.

For brick and mortar to win, it's not just about being relevant, it's about understanding their target customer and figuring out how to create unique value that can only be served through a physical location. The process is to identify how to create unique value for consumers and then to understand what the role—if any—of brick and mortar is in delivering that value. The problem is that many brick-and-mortar-centric retailers focus on how to make the physical relevant. This is a problem because they are product-centric rather than consumer-centric. In some cases, retailers should acknowledge that a physical presence isn't critical in delivering a superior, differentiated, unique, and valuable consumer experience.

Consider Sephora. They are as much about advice, counsel and guidance as they are about the distribution of products. Customers who go into the stores can explore different products, become educated on different solutions to specific problems, and get tips/advice on application. The physical location then becomes a training and advising center. It's easier to order the products online, but the value created in store is different, more likely ensuring the viability of the B&M.

Throw away the idea that you have either brick and mortar or digital. Start with your customer. Figure out how you can create value for them, and then figure out where the right location is as a retailer.

Frank:
What about brands, like a Warby Parker, moving from digital to include a physical location? How would you address this move we're seeing as digital retailers move into physical?

Kim:
In some cases, there seems to be a belief that moving from digital to B&M is easier than extending B&M into digital. And this simply isn't the case.

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As an example, a board member who had created and sold a company that was essentially an aggregator (i.e., a website), demonstrated in discussions a lack of understanding of the complexity associated with creating product, sourcing product, getting it delivered to a location, hiring store labor, satisfying hourly workers to reduce turnover, making real estate decisions, creating superior in-store experiences, creating pricing corridors, and integrating this with a website. While developing a website is clearly challenging, there seemed to be an under-appreciation for the unique and equally challenging process of winning in B&M. In contrast, B&M-originating companies seem to understand and appreciate the challenge associated with going digital.

The bias I'm seeing is: "I've been successful in digital, so brick and mortar should be easy." I think it's as hard for Walmart to go digital as it is for Amazon to go physical. And we don't seem to value the migration equally.

Frank:
Do you think buying your way into it fixes that? By not doing it organically, but by buying someone who already runs brick and mortar and having them do it for you?

Kim:
Potentially it can. But there are a lot of questions. Are you buying somebody who's really good at it? Are you buying a firm who is a great strategic fit with your operation? What is the synergy?

Frank:
What about the reverse? Amazon buying Whole Foods—arguably a good retailer in a lot of ways. Does it help or hurt?

Kim:
I know a lot of people think that was a great strategic purchase. But I think it depends on what you're talking about: core strategy, marketing strategy, distribution, efficiency, finance. There's a lot of different angles on whether it was a great purchase.

Do the two companies have a similar consumer or a complementary customer? Are they positioned similarly? For instance, how does Whole Foods' superior quality, superior management and quality in sourcing products, superior in-store service and customer experience that consumers are willing to pay more for fit with Amazon's positioning? Something as simple as the belief about employee treatment—how does Amazon fit with the Whole Foods employer brand? When you purchase a firm, you have to make sure that the acquisition is net positive. I think there are clear pros in the merger, but there are clear negatives. I haven't seen data on the brand image of Amazon, but I think it is more similar to Walmart—large number of product options at low prices. Does a Walmart-Whole Foods make strategic positioning sense?

Frank:
I like where you're going. I'd like to interject with a statement and then a question. You say that you hate to shop, so you use Amazon. I like to shop, and I have certain items I care about that I wouldn't shop for on Amazon.

I heard John Deighton, Baker Foundation Professor of Business Administration, Harvard Business School, make a bold statement two years ago: "Amazon is where brands go to die."

His assertion was that Amazon's job is to deliver the lowest-price product that fulfills your need that's easiest for them to get to you. They're about operational efficiency and putting the best price out. And they don't want brand to be between you and them.

Whereas brands (which is different than retail) have a different goal. They want customers to be loyal to them.

Is there another disintermediation hitting retail right now? Are brands also trying to get retailers out of the way as the go-between in the distribution channel?

Kim:
Yes. And Unilever and Dollar Shave Club are good examples of getting rid of the retailer. Manufacturers have wanted to get rid of retail for a long time, if they could find a way. The retailer controls shelf space, distribution location, owns a lot of knowledge about the customer because they own the data, and is an expensive intermediary. But they have been a requirement. Finding alternative routes to control the customer-brand experience would be desirable, if possible.

Frank:
Right. Amazon isn't giving the advice to which product (cheap or branded) you as a customer may prefer—something with tons of pieces to put together versus something useable right out of box. If you're a brand, you want to express your meaning to your customers. Amazon can't convey this. Brands are wanting to have a direct conversation with their customers. That's why Birkenstock left and why we see L'Oréal opening a store for the first time.

They're saying: "Retailers aren't proving my brand value to customers, so I need to do it for myself."

Retailers are now squeezed between brands saying, "I own digital experience, but maybe I need to build my own physical channel, too."

> According to Forrester, the projected growth rate for pure digital in 2018 is $48 billion, but the projected growth rate of in-store purchases that begin digitally is $69 billion.*
>
> Frank Grillo

*Source: Forrester Data: Digital-Influenced Retail Sales Forecast, 2017 to 2022 (US)

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Kim:
There is a cost of going your own way. Few people understand the complexity of having both your own brick-and-mortar store while also distributing your product through retailers who sell your brand and a variety of other brands. Select Comfort is an example of this, as well as high-end fashion designers. They have their own stores, but they also sell their product through retailers who sell other brands. This becomes problematic. A retailer distributing your product is also competing directly with your store. It is easier to do this in the digital realm.

Frank:
They do. L'Oréal, for example, has a spot on their website where customers can build a profile, experiment with products, and have a palate to work with. But if they walk into a Nordstrom or Macy's store, they don't have any access to that. Because of this, the buyer's journey is broken. The customer wants the in-store representative to know what they've been working with online. Retailers, brands and manufacturers have to make this more seamless—the consumer doesn't want to have to redo everything, or they will start to pick which journey they prefer.

Kim:
You bring up a good point. Hopefully the L'Oréal's of the world will think it through: how do we create mechanisms to make it easy, no matter where our product is sold?

Frank:
The big takeaways: retail needs to rethink its reason for existence—and it's not distribution. They need to focus on where they are adding or creating value beyond just being a source for distribution. And as you emphasize, some of them aren't going to survive that transition.

There are some older models that cannot survive—or can't recover from their lack of relevance in the modern world. It's basic physical distribution, not even well designed. They need to create a reason for their existence separate from the distribution, though they might be out of time.

What would you say is the question that retailers need to ask in order to rethink themselves?

Kim:
Too often retailers want to start with the question: "How can I make my store more relevant?" That's not the right question.

The right question is tiered: "Who is my target? Is that who I want my target to be? And do I understand what they want?" And what if you find out that most of your target is not like Frank (someone who likes to shop), but instead they're people who don't have time to or don't like to go from physical store to physical store to shop? In a world where these kinds of consumers have an option to never step in a store again, they would take it. Then you've got a problem, and you have to rethink your business model, and if you don't you'll become obsolete.

You need to be anchored on the consumer and what they want and how you create value. Then ask the question: "How does brick and mortar fit into that?"

It's very externally focused versus navel gazing. Many begin by asking the following question: "I have stores; how do I make my stores relevant?" This is a product-centered way of thinking, not a customer-centered way of thinking. These retailers are not focusing on the customer journey, they're focusing on product—which is their stores—and trying to figure out how to improve relevancy, and I think that's a mistake.

Frank:
Perfect. I love that! The flipside is that the digital world is coming to understand that, for some of their customers, there is a required brick-and-mortar component to the journey. However, there's a real risk of them not understanding the complexity of operating a brick-and-mortar environment.

For example, Amazon is used to offering a management environment, not an advice-driven environment. How are they going to make the transition to operating a brick-and-mortar environment that is inherently a bit less efficient and more challenging, and that functions very differently in the buyer's journey? They need to ask: "What am I trying to do in a brick-and-mortar space?"

Your assertion is that as digital looks to potentially open brick and mortar, it could be fraught with peril because it's so different than the world they grew up in?

Kim:
Yes. There seems to be some arrogance oftentimes within the digital realm. In the website example I mentioned earlier, a lot of it is coding. It's one-dimensionally complex. It's very different when you're talking about a physical retail experience.

I'll use my time at David's Bridal as an example. We sourced the material, we created the designs and we manufactured the garments, we shipped them and made sure they were in the right location at the right time for women to try on, and then had to customize them for weddings. We had to think about pricing versus local, national, and digital competitors. We had to manage integrated communications in store, through our associates, our call center, and marketing materials. How did we modernize the stores? By creating enhanced in-store experiences that interacted with the digital experience to create a seamless journey that brought joy to brides. Digital alone was hard. B&M alone was hard. But it seemed to me that the complexity of B&M was far greater when you add in the hourly labor/physical location-related challenges.

Frank:
Sure. Even the people management. There are customer-facing salespeople to manage, not just coders and technical support. There's a whole different personnel aspect to the business.

Kim:
Definitely. Companies are miscalculating all of these challenges within the brick-and-mortar environment.

Frank:
Are there other issues that may arise—as digital retailers like Amazon look to move into physical locations—that you can think of?

Kim:
While Amazon is doing a lot right, let's look at some of their challenges. A significant one is their basic search function, which oftentimes is poor. Many times, you have to go outside of Amazon's search to Google to find the right item on Amazon. That's compounded by the fact that Amazon takes advertising dollars and sponsorship. So, no longer is Amazon actually feeding you what you're looking for—they now have a compromised position where they have to feed you solutions that they're being paid to feed you even if they're not exactly what you want.

Imagine if I went into a store and I wanted to see everything, but the store is, in fact, hiding different products. Sure, end caps and shelf positioning may be somewhat like this, but it's pronounced online when you have 25 pages of solutions to a query to scroll through.

Frank:
Yes, from the physical perspective, it's a lot easier to get around the end cap than it is to get around Amazon's prioritizing of all those pages of content.

Kim:
Right, so if I were a competitor of Amazon's, I would attack this. Can you trust the solutions that Amazon feeds you? Why hasn't their sorting functionality improved in the past several years? Why can't I sort on basic features such as color or size? Look at Zappos' functionality when searching for shoes versus Amazon. There is no comparison in terms of the ability to find what you are looking for. And Amazon owns Zappos.

Zappos features a search function where the consumer can filter on size, color, size of the heel, even primary benefit (i.e. comfort). That search is sophisticated. Yet Amazon hasn't progressed in years. You get the same limited functions: average customer review, low-to-high price, high-to-low price, etc.

It's not a very good search function, which actually means that they're failing at what they are there to do: help the consumer find what they want quickly. They have some vulnerabilities that a smart competitor could potentially take advantage of. Yet nobody is talking about the downside or negative experience of Amazon.

> Throw away the idea that you have either brick and mortar or digital. Start with your customer. Figure out how you can create value for them, and then figure out where the right location is as a retailer.
>
> Kimberly Whitler

Frank:
That's a great point. And it will be interesting to see what will happen over time. **Will competitors become aware of the opportunities to attack these weaknesses?** And using the ideal Amazon customer (someone like you who only wants to shop online)—do these people start to put up their guard? They want to buy everything digitally, but then they find out there are only certain things they can safely buy digitally, some that shouldn't be bought digitally at all, and others that are probably better off not bought digitally. But if they're looking for maximum convenience they'll take the risk. **In other words, will these consumers start to self-gate their own Amazon experience?**

Kim:
Again, I think a lot of this boils down to the fact that you have to know the nature of your target. Some shoppers like you consider it enjoyable. I consider it a root canal. My mother considers it sport.

Consumers who want the story, the sport, want a brick-and-mortar experience because it's part of the value they get from shopping. But if you have the Kim Whitler consumer, you also have to understand how you're going to create value for them.

Retailers are acting like they can't compete with Amazon. That's not true. They may not have the breadth of selection, but we know from research that too many options isn't always better and can create cognitive overload.

TAKEAWAY

As you can see from the conversation, retailers have plenty to unpack in 2018. Most importantly, retail is not dead. It continues to grow. And as it does, it changes and presents new, exciting and unique opportunities. Because of this, it's time to move beyond traditional approaches to retail marketing—and focus on serving your customers and creating value for them. Deliver experiences that grab their attention and engage them by providing real value throughout the journey.

"A journey is like marriage. The certain way to be wrong is to think you control it."

JOHN STEINBECK
AMERICAN NOVELIST,
PULITZER PRIZE WINNER

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THE TOP ISSUES AND OPPORTUNITIES FACING AUTO MARKETERS IN 2018

MICHAEL HASTINGS
GENERAL MANAGER,
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As automakers gathered in Detroit for this year's North American International Auto Show, they were able to celebrate impressive 2017 sales—especially of trucks and SUVs, which generate big profits. But the outlook for the rest of 2018 and beyond is a little less clear.

Consumers aren't buying as many vehicles overall, oil prices are rising (recently hitting their highest prices since 2014), and manufacturers continue to rely heavily on discounts to "move metal." This could be compounded as interest rates rise, young consumers show less interest in buying cars, and the supply of used cars grows. In the face of these challenges, automakers acknowledge they need to gain share of a shrinking market. And much of this burden falls to their marketing teams.

Original equipment manufacturers (OEMs) that want to succeed moving forward will have to take advantage of several trends in the auto industry that present significant new opportunity. **This article outlines three key industry evolutions that may be keeping automakers and their marketers up at night—but actually present the opportunities they need to gain that coveted market share:**

1. **The changing retail experience**
2. **The connected car and Internet of Things (IoT)**
3. **Changing mobility behavior**

1. THE CHANGING RETAIL EXPERIENCE

One of the biggest things happening in the auto world that's perplexing marketing teams is that customers are changing the way that they buy cars. Dealerships used to be where the buyer's journey started. **For many, the dealership has now become the last step in the journey after doing research on financing, reliability, warranty, maintenance, etc.** By the time they visit the dealership, consumers have often narrowed their selection down, and they know what they want and what it will cost them—making the test drive and dealer experience all about closing the deal.

The savviest OEMs are beginning to adapt to this new paradigm by using their dealerships to deliver engaging experiences rather than just to sell cars and provide repair services.

BMW, for example, has turned dealerships into experience centers that let customers immerse themselves in the brand and what it means to be part of the BMW family—rather than pushing car sales. For people that have never engaged with a brand before, this is a great way to bring them into family and get them engaged at ground level.

Many other dealers have created cafe-style environments where customers can sit and relax while cars are being serviced. These spaces can include multiple TVs, gaming for kids, and more accessories to browse through.

The ongoing challenge will be not only how to deliver a delightful experience at the dealership, but also how to engage more consumers earlier in their journey with the brand.

2. THE CONNECTED CAR AND INTERNET OF THINGS

IHS Markit predicts that by 2020, there will likely be a market generating approximately $14.5 billion in revenue from data assets created by the auto value chain.

The potential for incremental revenue based on data generated by connected cars and the IoT is big, to say the least. But most of the data generated today isn't going anywhere or benefiting anyone.

For example, one large OEM that I've worked with has a homegrown database that's about 10 years old, with 75 different data sources flowing into it—they do not have a single view of the customer. They cannot look at an individual driver in the moment and know what's happening with them. The data is there, but they are not using it to their advantage.

OEMs have a new revenue channel opening up for them with the connected car, a subscription model similar to cell phones. Monthly data service packages like GM's OnStar will grow exponentially, generating huge revenue for automakers. Being able to harness that data will provide perspective into driving behavior that has never been available before.

Automotive marketers are challenged now—and will be challenged increasingly in the future—to make better use of the IoT and the data it generates to drive consumers toward a desired action. The low hanging fruit is using data to generate service visits for the dealership. Driving behavior (such as what geography the car is being driven in and how aggressively it's being driven) affects the frequency in which vehicles will need new brakes, transmissions, etc. Auto marketers should be harnessing this driving behavior data from the connected car to recommend appropriate services that the car may need in the near future. The more information automakers can glean about how the customer is driving, the more they can use this knowledge to educate the owner about how to keep the car running as well and as long as possible.

With the amount of data that cars generate, the opportunity for highly personalized communication with their owners is huge. Consider being able to identify specific lifestyle segments of drivers, such as "weekend warriors," who drive little during the week but hundreds of adventurous miles on the weekends. Marketers could use information like this to maximize communications with these drivers to encourage proper service, but also to market new cars that may be a good fit for their lifestyles.

3. CHANGING MOBILITY BEHAVIOR

Consumer mobility behavior is also changing, which is mostly cost-driven. Services like Uber and Lyft are making it cheaper than it has ever been before to travel with a ride service. For example, I live in New Jersey; if I were to drive to the Newark airport and park overnight, it would cost me about $60. I can hail a ride through Uber both ways for more like $15. Ridesharing services like Zipcar are making it possible for consumers to avoid buying a car altogether, allowing them to borrow vehicles as the need arises.

Overall, people are beginning to look at cars differently than they used to—they're no longer a requirement for getting around on your own terms. This trend is leading to up to one out of ten cars sold in 2030 potentially being a shared vehicle and the subsequent rise of a market for fit-for-purpose mobility solutions (McKinsey).

This is a tricky problem for OEMs and their marketers to address. One place to start may be altering our approach to segmentation.

While we may have done fairly well segmenting by country or region in the past, it will likely be necessary to begin segmenting our audiences more granularly, looking at the type of city or town they live and work in.

Is it a city with a well-developed public transit system? Do ridesharing services operate successfully in this town? How many Uber and Lyft drivers are registered to drive in this geography? All of these factors may influence mobility behavior and could call for different vehicle product offerings and messaging. This ties back into IoT—marketers could be making use of vehicle-generated data to better understand the driving behavior in different locales, segmenting these drivers more effectively and subsequently offering more relevant conversations.

But OEMs will likely need to go beyond better segmentation to solve for this trend. They will need to consider deeper product and service innovation to meet changing customer needs. Book by Cadillac is one such innovation and reinvents the traditional model of leasing a car. With Book, you pay a monthly fee to keep a car—a Cadillac—but any time during the month, you may swap for another car. Remember that "weekend warrior"? He may want an economic sedan as he commutes to the office during the week but trade for a rugged SUV to hit the backcountry slopes on the weekend.

This approach by Cadillac diverges sharply from the typical mindset of just pushing cars off the lot. Other OEMs need to look carefully at their customers' unmet needs and think on this scale to earn their mobility business. For example, another opportunity is for OEMs to be able to harness the in-car experience. If fewer consumers will purchase cars in the near term, they'll still need to use cars and will likely purchase cars at some point in the future. Being able to capture all in-car behavior data (driving, locations, infotainment, etc.) will be key intel to use for future marketing campaigns.

IT ALL COMES DOWN TO KNOWING THE CUSTOMER

What all of these automotive trends point to is the need for auto marketers to have a better understanding of the customer and operate in a more agile and innovative manner to meet their needs. It's a new world out there for OEMs, and making the transition to a more customer-centric approach to business and marketing will be challenging. But it's possible—and it will eventually be necessary to survive. ■

Being able to capture all in-car behavior data (driving, locations, infotainment, etc.) will be key intel to use for future marketing campaigns.

ONE DAY in the TWITTERSPHERE

IAIN FULLER SENIOR COPYWRITER, HARTE HANKS

What are Twitter's thought leaders really talking about?

In the last edition of Harte Hanks Quarterly, we profiled some of the most interesting CMOs on Twitter. In this issue, we thought we'd delve a little deeper and find out what they've been sharing with their followers since then.

MOTIVATING MARKETERS

MARC MATHIEU
Samsung's CMO is always keen to provide a bit of inspiration for his followers at the start of the working week.

@marcfmath – We rely on technology for much of our work, but it's the magic of the brain that produces greatness #MondayMotivation.

CHANGING CONVERSATIONS

DAVID EDELMAN
Aetna's CMO was eager to pose a question about the relationship of tech within the customer journey.

@davidedelman – As consumers continue to embrace #digital and #mobile channels, the question remains: how can brands nurture their trust and emotional attachment? http://bit.ly/2pcQ9u6 #CX #branding via @samsmythpaxson

WOMEN IN TECH

LORRAINE TWOHILL
Google's CMO was enthusiastic in expressing her long-standing desire to get more women involved in the tech industry.

@LorraineTwohill – 49% of gamers on @GooglePlay are women, yet only 23% of game developers identify as women. Let's change that.

WORKPLACE WELL-BEING

RAJA RAJAMANNAR
Mastercard's CMO took a slightly different tack than a lot of our tweeters, preferring to address the topics of workplace well-being.

@RajaRajamannar – In this age of constant connectivity and high work pressure, #Meditation is such a simple way to reduce stress, increase creativity and promote balance and an overall sense of well-being.

TALKING TECHNOLOGY

KAREN WALKER
Perhaps unsurprisingly, **Cisco's CMO** was keen to share her thoughts on the use of technology in the world of marketing.

@KarMWalker – Great examples of #AI use cases in @martech_today. If you haven't already started thinking about how to leverage – no time like the present.

ENCOURAGING SUCCESS

KIMBERLY WHITLER
This former CMO, and now **Assistant Professor, University of Virginia, Darden School of Business,** offers some helpful advice to marketers and how they can enhance their influences.

@KimWhitler – How can mktrs increase influence? A Case Study about "little wins" @mnburgess @Ckburgess http://ow.ly/SJyX30iQnx2

MARKETING PRINCIPLES

ANTONIO J LUCIO
HP's CMO was just one of a number of our tweeters busy discussing all things marketing-related.

@ajlucio5 – The 5 "be's" of @BestBuy CEO. Purpose, clarity, service, values, authenticity! Could not agree more. Via @THHassan cc @WomeninMarketin

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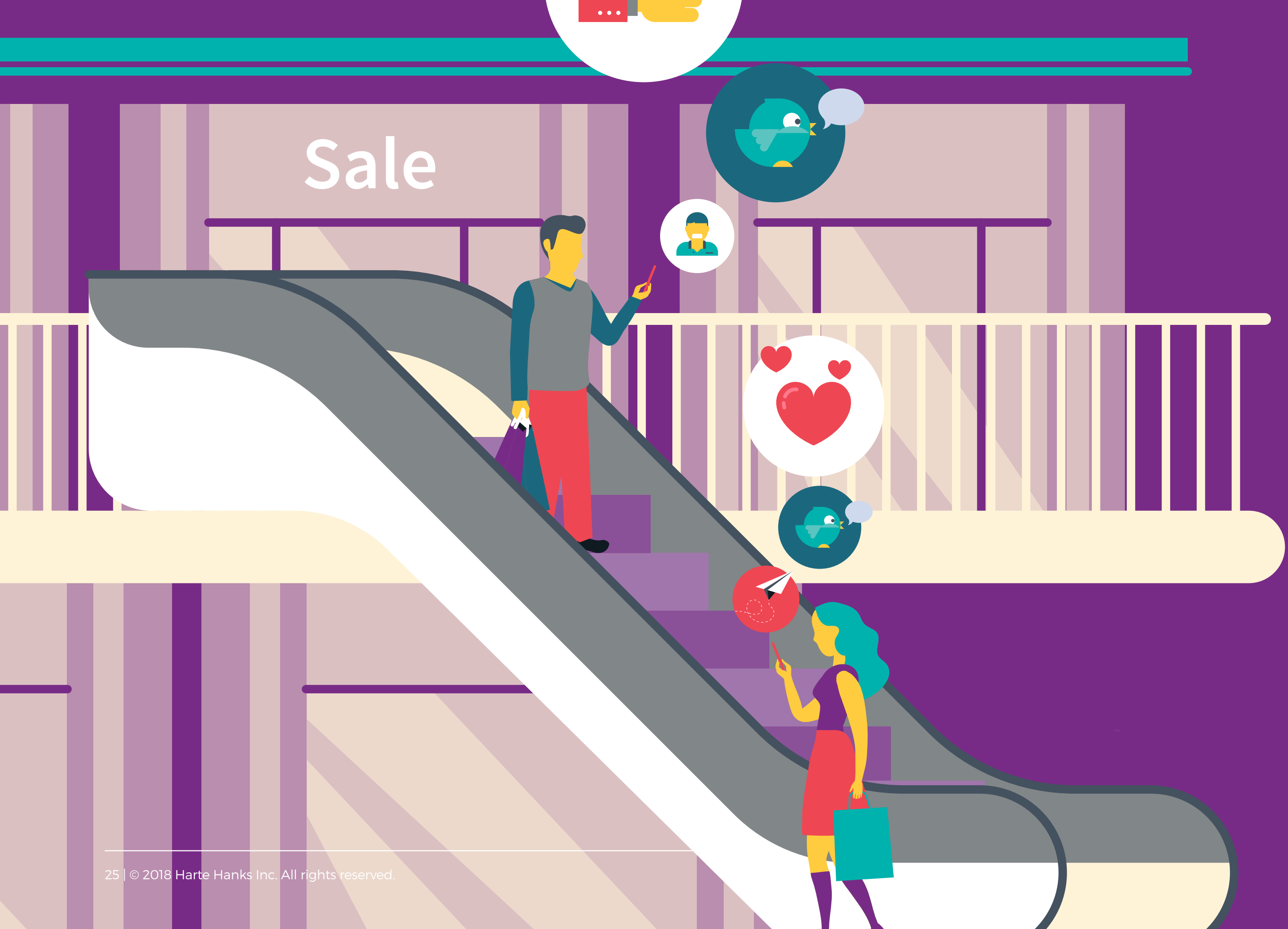
HOW RETAIL BRANDS SHOULD BE CREATING CUSTOMER EXPERIENCES

JOHN DEIGHTON
BAKER FOUNDATION PROFESSOR
OF BUSINESS ADMINISTRATION,
HARVARD BUSINESS SCHOOL



Before the great recession of 2007, retail was quite adventurous. The idea of retail as theater was explored in everything from Niketown to American Girl to the Lego Store in Chicago's Watertown. The recession forced us back to safer territory.

Perhaps it's time to venture out again.

Why? Because invoking a customer experience, by which we mean the sense of having encountered something out of the ordinary, needing to be made sense of, something fun, is deeply rewarding. Jerome Bruner, the Harvard psychologist, conceived of an innate human "predisposition to organize experience into a narrative form." The narrative can be boring—I went to the drugstore. Or it can be challenging—I walked into a drugstore where there was a weird assembly of elements: a medical student's skeleton in the doorway, people grinding compounds in mortars and pestles. A culture carries ideas about what is normal or ordinary, and when events occur that depart from the norms, there is a compelling need to make sense of them in story form.

In the world of restaurants, an exotic branch of retailing, story frames can be very explicit. Rich Melman, a very successful Chicago restaurant owner and manager, once told the Chicago Tribune that he designed restaurants much as Steven Spielberg did movies. "I do it in paragraph form, but essentially it's the same thing as a screenplay. I pick the setting, the era, a leading character and a story line. For example, when I was planning Ed Debevic's (a Chicago retro-themed diner) I took the year 1952." The fictional Ed, so the script ran, was born in Chicago of Polish stock, went to public school, and after a spell in the army, returned to open a diner. He wasn't very good at it. His mantra was "Eat and Get Out." Brassy table servers snapped gum, talked loudly, and disparaged patrons if they dared to decline the meatloaf. Melman claims that customers often assumed the mannerisms and language of the era, as if playing bit parts in his movie.

Restaurants may have more latitude to be playful than retail, but after a trip to Lululemon you may ask, do they really?

To underscore the value of stories in making experience memorable, think of the obverse. As the cognitive scientist Roger Shank put it, "We fail to create stories if we want to forget them. When something unpleasant happens to us, we often say, 'I'd rather not talk about it,' because not talking makes it easier to forget."

THE FUTURE ROLE OF BRICK-AND-MORTAR STORES

For shoppers, brick-and-mortar retail is the last refuge for those seeking anonymity in a world of perpetual surveillance, which may be attractive to privacy advocates but is hardly a basis for competition with digital retailers. When Best Buy competes with Amazon in the sale of electronics, Best Buy looks out at a sea of shoppers in its stores, almost every one of them totally unknown to the retail clerks. Amazon watches its online visitors fully informed of their past Amazon browsing behavior, their demographics and likely their Facebook psychographics. To gain further customer insights, it may well have bought, from third-party data brokers, their histories in other digital retail environments and their exposure and response to ads. Brick-and-mortar retailers have no choice but to know their customers as individuals if they are to compete with digital stores.

We continue to watch how born-digital operators go physical. When ecommerce comes down from the cloud, it brings its data with it. Look at Amazon, Nasty Gal, Everlane, Bonobos and Birchbox. The stores greet their customers with some form of identity elicitor and take the conversation from there. The sales associate at an Amazon store knows as much about someone who walks into the store as the online algorithm knows of a visitor to the site and deploys the same customer support tools. "Based on past buying and browsing history, you might like this."

Invoking a customer experience, by which we mean the sense of having encountered something out of the ordinary, needing to be made sense of, something fun, is deeply rewarding.

“Use data like a butler, not a stalker.”

Ana Andjelic and Rachel Conlan of Havas

With Amazon’s acquisition of Whole Foods, we now have the opportunity to study the most elaborate instance to date of an offline operation with online insights. It’s quite possible to imagine that in that case, data insights won’t only flow from online to off, but these insights may even allow Amazon’s ecommerce operation to benefit from what it learns from in-store performance.

INTEGRATING DIGITAL INTO THE PHYSICAL EXPERIENCE

Almost every customer entering almost every kind of retail store does so carrying a so-called phone—in fact a computer transmitting a signal that can be read by in-store beacons. Shopkick is one of the startups that tries to take advantage of this digitally enhanced consumer. The Shopkick mobile phone app was launched less than two years after Steve Jobs announced the Apple iPhone in 2007. It was intended initially to drive people into stores. The trick was to entice them in with “kicks,” a form of rewards currency. Once in stores, shoppers often found something to buy. In fact, conversion from entering a store to making a purchase was close to 20% in the fashion industry, 50% in electronics and 95% in the grocery category.

Once shoppers had been nudged to enter a store, the vision was to deploy some of the methods of online commerce. The data profile linked to their phone identifiers gave brick-and-mortar retailers insights previously available only to digital retailers. The app could direct them to parts of the store most likely to interest them, or encourage them to pick up a new product and photograph its barcode in exchange for more “kicks,” or to buy a product that they likely would find appealing. The incentives could be varied in experimental designs with real-time data on what worked and what didn’t for each individual shopper. The computer in the shopper’s pocket was the key to ending shopper anonymity.

Some retailers like Starbucks and malls like Simon Property Group’s Simon Malls have their own apps, and some have their own location sensor systems. There are competitive systems such as Ibotta, with inducements to consumers to install these competing apps. There is also the prospect that, as augmented reality headsets fall in price, the mobile phone can be the foundation for an augmented retail environment.

Virtual reality has made an appearance at Home Depot, first in what it calls a micro-content hub on Pinterest, where users can explore room ideas through a series of video pins, and soon in selected stores, where shoppers can “step inside the pin in real life.”

HOW/WHY RETAILERS SHOULD GET TO KNOW CUSTOMERS BETTER

Anonymity is the state of being unrecognizable in a second encounter. For retailers, where anonymity is the norm, that’s as good as saying you get one shot at every shopper. Once they leave the store, that’s it. Yet even when the customer is persuaded to carry a loyalty card, few stores ask to see it until the shopping expedition is over, by which time it is too late to use the information in the shopper’s history to the shopper’s advantage.

That’s not to say that shoppers like to be identified. They don’t. In fact, many hate the “can I help you” question. It is just that without individually identifying information, one size has to fit all. The retailer can’t experiment with alternative ways of being helpful.

I really like the slogan recommended by Ana Andjelic and Rachel Conlan of Havas, “Use data like a butler, not a stalker.” But just what is the difference between being helped and being stalked? The answer requires a lot of experimentation across methods and across individuals. **Anonymity is the enemy of relationships both good and bad and is a crippling obstacle to experimentation.**

BUILDING RETAIL BRANDS: THE ROLE OF CONTENT MARKETING

Content marketing has worked very well for product brands. Red Bull is best in class, in my view, but there are so many others. Leading edge brands have realized they are better off speaking to potential customers not through advertising, but through thousands of ‘amateur’ creators. These creators have built their audiences not through traditional broadcast media, but by speaking directly about brands they like to the fans they have built, for content that is often unrelated to the brands they like. I investigated the detail of content marketing in a case I wrote on the Ford Motor Company’s launch of the Ford Fiesta by enlisting so-called Fiesta agents, who had built significant social media audiences.

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Marriott is another effective user of content marketing for its brand. (Is it a retail brand? Certainly, it’s a service brand.) My colleague and co-researcher Leora Kornfeld wrote in CMF Trends, October 19, 2017:

“If you’re a hotel chain, don’t talk about the quality of your mattresses or the attentiveness of your front desk staff. Those are features and benefits which are much less important today than they once were because such product attributes are easily found by people on their own in a search-at-your-fingertips world.

“This is one reason why, since 2015, Marriott Hotels has taken a very different approach to its online marketing. In a bold move, the company set up its own content studio, placing its bets on attracting consumers’ attention not with interruptive ads but with high-production-value content that incorporates the themes of the drama and adventure of travel without overtly touting their brand.

“Speaking at Buffer Festival’s Industry Day, David Beebe, head of Marriott Content Studio, pointed to its Two Bellmen series of videos, which range from 30 seconds to over 30 minutes in duration and have racked up millions of views.

Mainstream retailing has an enormous opportunity to shape what it means to its shoppers by bypassing media and taking content direct to consumers.

“The videos’ YouTube page introduces the series as follows: ‘Meet Gage and Christian. Gage is serious, focused and wholly committed to the Bellmen Way. He studies and trains for this job. Christian is, well, he’s in it for the fun. Together, they are the Two Bellmen and they do more than just carry your bags. They save the day, every day, through a stunning performance of parkour, dance and martial arts.’

“The most watched of the Two Bellmen videos clocks in at 35 minutes and has been viewed over 9 million times.”

Why don’t more retailers either enroll agents to create content or develop viral content for digital media? Lululemon has. In the past few years, the athleisure trend has exploded, and Lululemon has responded by doubling down on creation of content for their community of followers. The retail brand has over two million followers on Instagram, over 18 million video views on YouTube, and regularly publishes original content that educates their community on topics that relate to yoga, travel, nutrition, and their products. Kiehls and Sephora have also moved in the direction of content marketing. **But mainstream retailing has an enormous opportunity to shape what it means to its shoppers by bypassing media and taking content direct to consumers.**

CONCLUSION

Technology has transformed brand-building as dollars have flowed from broadcast media like television to media that work in both directions, like search and inbound methods. It’s starting to transform retailing, too. Particularly in physical retail spaces, the shopper is becoming part of the interactive show. It’s not the ‘retail as theater’ movement of the early part of this century. This time it is ‘retail as festival,’ with none of the division between front stage and back stage, the audience and the show. Technology, particularly when it is driven by personal data, places the shopper in the action, on the stage, in the experience. The future of retailing is as promising as the future of technology. ■

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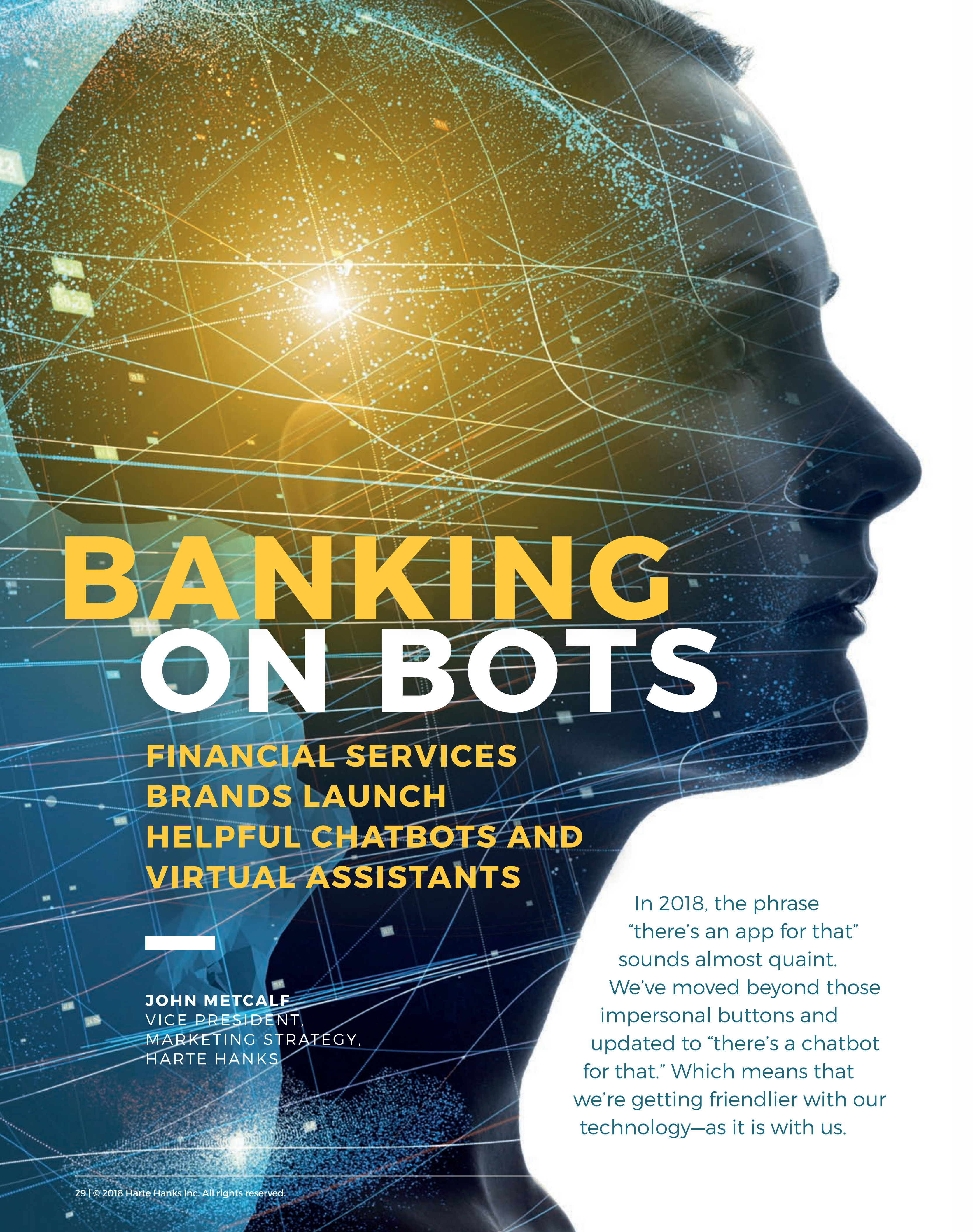


BANKING ON BOTS

FINANCIAL SERVICES BRANDS LAUNCH HELPFUL CHATBOTS AND VIRTUAL ASSISTANTS

JOHN METCALFE
VICE PRESIDENT,
MARKETING STRATEGY,
HARTE HANKS

In 2018, the phrase "there's an app for that" sounds almost quaint. We've moved beyond those impersonal buttons and updated to "there's a chatbot for that." Which means that we're getting friendlier with our technology—as it is with us.

Not only do chatbots (text-based) and ultimately next-level virtual assistants (voice interactive) connect us directly with our favorite brands, they simulate a personalized, customer-facing conversation. From pizza delivery to ridesharing, we're letting bots know what we need, and they're answering.

Sales data from MyBuys' database of some 250 million shoppers shows that customer-centric, marketing-like chatbots can provide a 25% increase in total online sales and a 300% improvement in customer lifetime value. In turn, these automated, personalized experiences generate 50% more leads at a 33% lower cost, on average.

MACHINE LEARNING AND THE CHATBOT

It may seem ironic that artificial intelligence (AI) is helping to facilitate bringing the human back to marketing. But by combining functions of machine learning, intelligent automation and predictive modeling, AI allows digital conversations to more naturally unfold, in the way a human conversation would, with moment-specific messaging at an individual level—all done with a high degree of accuracy.

AI is the wizard behind the curtain, enabling access, retrieval and use of massive amounts of data at amazing speed to leverage digital enhancements, with offline interactions, online tools used, content reviewed/downloaded, customer service applications, financial systems and a wealth of other data to draw context. It feeds that info to chatbots and virtual assistants, allowing them to react more intelligently and serve up appropriate, moment-specific marketing communications on a one-to-one level.

Imagine the chatbot as the neighborhood corner grocer. After getting to know you over a period of visits, he greets you when you walk into the shop. As your relationship develops, he knows your favorite cut of meat, preferred method of payment and that the kids may want some ice cream.

It's an Amazon-like, go-to-market process, leveraging technology, data and real-time predictive and behavioral analytics to optimize the touch-point with customers—whether serving up a marketing email or educational micro-content—to transform the customer experience.

AI allows digital conversations to more naturally unfold, in the way a human conversation would, with moment-specific messaging at an individual level.

BOTS ARE THE FUTURE IN FINANCE

In the financial arena, banks have already seen the potential benefit of experimental chatbots and virtual assistants that function inside existing apps or on Facebook Messenger (e.g. Wells Fargo, JP Morgan Chase, Capital One and American Express). Acting as the friendly local teller with 24/7 capability, bots can help customers manage their finances, covering tasks such as customer service, P2P transactions, account balances, deposits, alerts, general help and more.

In fact, Gartner reports that consumers will manage 85% of the total business associations with banks through chatbots and virtual assistants by 2020.

Further, a recent report from Juniper states that chatbots will be responsible for reducing the amount of human time required with each customer interaction, resulting in more than $8 billion per year in cost savings by 2022. The same report notes that on average, a chatbot transaction saves customers more than four minutes in comparison to traditional channels.

From a bank-centric perspective, chatbots are not putting real employees out of a job. The fact that they are able to streamline and personalize the experience for all customers at an individual level on certain tasks frees up the humans working at the bank, allowing them to go deeper with and spend more time with customers that visit the branch, improving their experience. It's operationally a great saver of both cost and time for businesses and helps customers to complete their jobs in a new, convenient and novel way.

* Source Juniper

Someone is out there thinking about how to transform your business—even if you're not—so now is the time to move on technological innovations that will improve your customer experience and drive revenue.

TIME TO GET CHATTING—WITH A PARTNER

The cost and complexity of implementing this kind of Amazon-like technology is significant, to say the least. How can a company without a lot of extra cash laying around in the marketing department determine whether a chatbot is right for them? How do you figure out where to get started on your way to transforming your customers' experience?

Following in the footsteps of Amazon and building from scratch is likely to leave brands way behind the competitive eight ball with an unrealistic path that includes years of development and millions of dollars of catch-up.

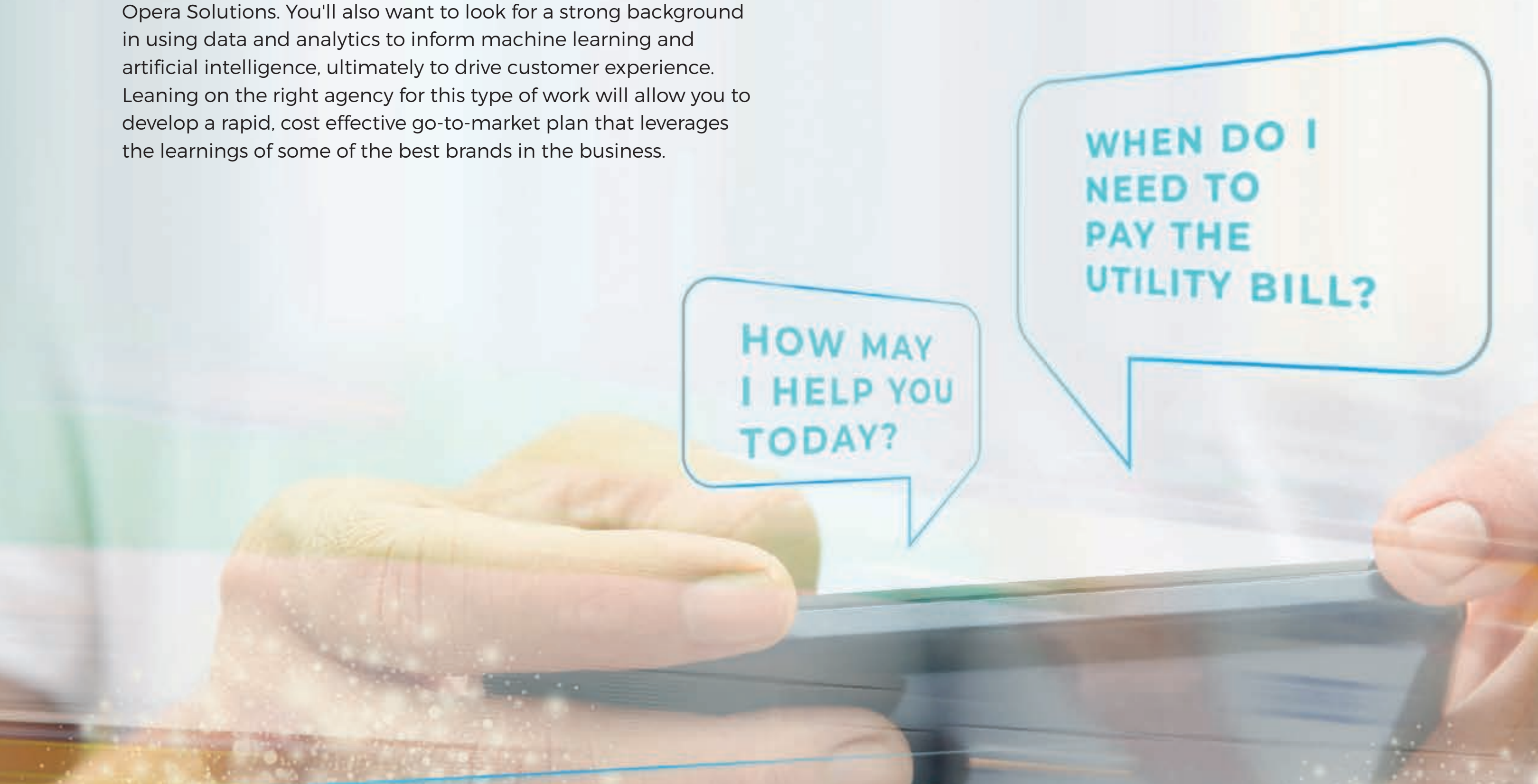
If creating a chatbot sounds daunting to your brand, you should consider an agency partner. Look for an agency with expertise in marketing technology or partnerships with technology leaders that specialize in customer experience—such as Wipro, SAP and Opera Solutions. You'll also want to look for a strong background in using data and analytics to inform machine learning and artificial intelligence, ultimately to drive customer experience. Leaning on the right agency for this type of work will allow you to develop a rapid, cost effective go-to-market plan that leverages the learnings of some of the best brands in the business.

INNOVATION WORTH CHATTING ABOUT

Someone is out there thinking about how to transform your business—even if you're not—so now is the time to move on technological innovations that will improve your customer experience and drive revenue. Financial institutions strategizing to use chatbots and virtual assistants are presented with the opportunity to provide:

- High value for their customers' time
- Personalized interactions with accurate identification
- The ability to anticipate customers' needs
- An enjoyable, engaging experience

In return, this inspires confidence in the brand across every touch point while providing a competitive advantage for your brand—and that's something worth chatting about.



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AGILITY IS EVERYTHING

Agility is everything in this new age of agency. Customers expect to be spoken to in the moments that really matter to them, so brands have to be prepared to respond—and rapidly—creating content that is relevant, timely and, above all, engaging.

Here are our top rules for producing agile creative that pushes boundaries and ensures you really stand out.

REACT

Be ready to create content—in any form—at a moment's notice. Not everything you make has to be ready for prime-time TV.

ANALYZE

Explore the brief, get to know your audience, and be sure you're solving their problem first time around.

PLAN

Don't let tight deadlines stunt your ambition. Give yourself time in between creative sprints and review your work.

ORGANIZE

Break large or ambitious creative projects into mini sprints so they can be developed more quickly.

INSPIRE

Clients need to be involved from the very start. It helps them buy into the creative concept and ensures a quicker sign-off.

COLLABORATE

In the agile world, there are no more teams. Everyone—and that means everyone—has to work together.

SUPPORT

It's not just 'creatives' that can come up with creative ideas, so make sure everyone, no matter their role, has input.

TALK

Catch up. And do it daily. It's the easiest way to make sure everyone knows what needs to be done.

ADAPT

Create. Measure. Develop. Improve. Repeat. Constantly. And quickly. This is agile creative, after all.

If you'd like to find out how we can help you create agile creative content that makes an impact, get in touch with us at **hartehanks.com**

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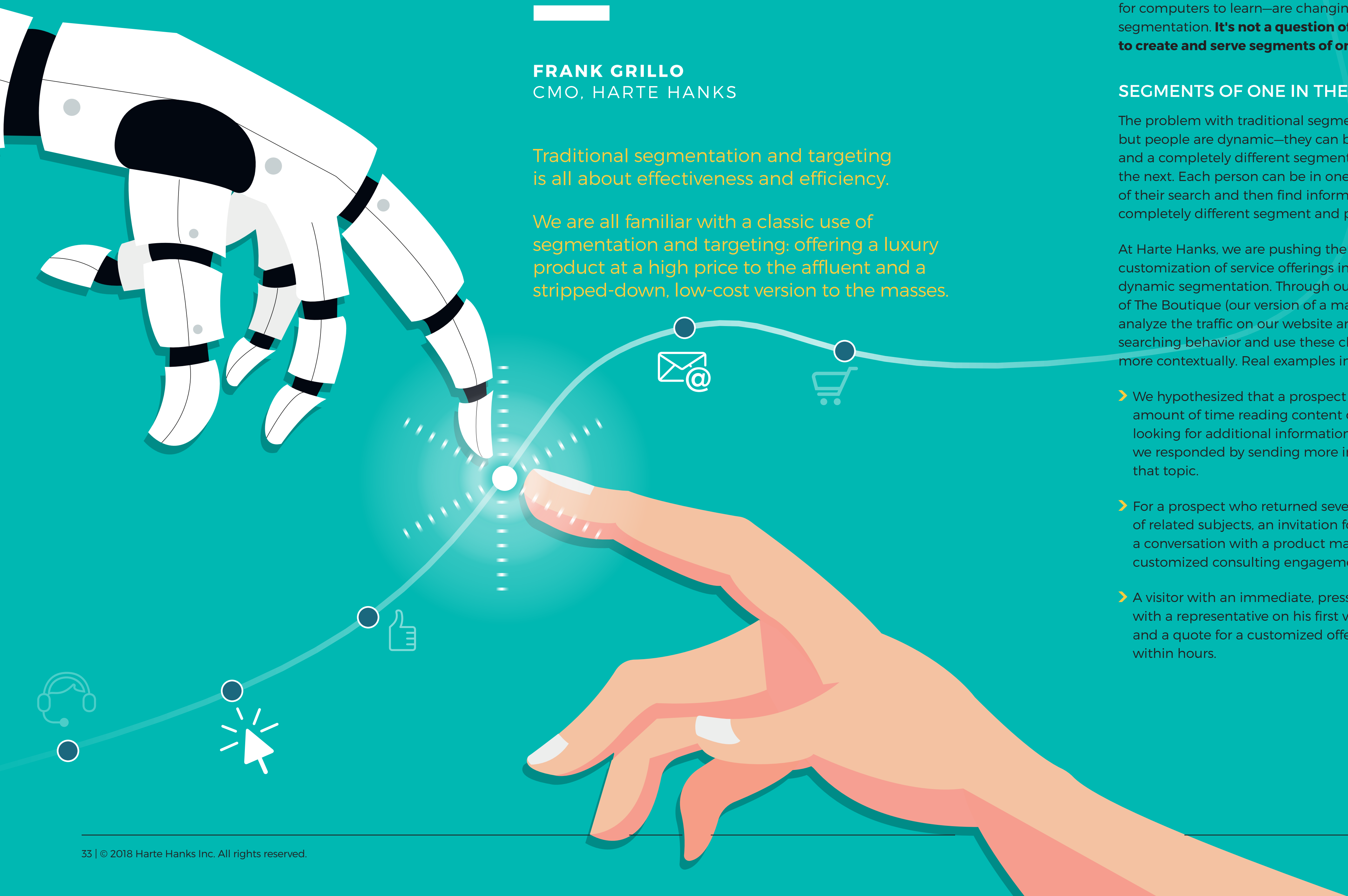
EVOLVING FROM TRADITIONAL SEGMENTATION TO SEGMENTS OF ONE

FRANK GRILLO
CMO, HARTE HANKS

Traditional segmentation and targeting is all about effectiveness and efficiency.

We are all familiar with a classic use of segmentation and targeting: offering a luxury product at a high price to the affluent and a stripped-down, low-cost version to the masses.



Alfred Sloan of General Motors provided us one of the first examples of segmentation when he developed a strategy to compete with Henry Ford's, "You can have any color as long as it's black." Sloan created brands to serve different segments better than the black-only Ford: Cadillac for the wealthy, Buick for the doctors, Oldsmobile for the executive, Pontiac for the sporty, and Chevrolet for the masses.

But there are diseconomies of multiple brands. During GM's 2009 bankruptcy, Oldsmobile and Pontiac were discontinued. Buick was saved only by its popularity in China. It was just too expensive to have so many offerings.

Now we are entering a period where the plummeting cost of computer power and the dramatic increase in artificial intelligence—in self-programing computers and the ability for computers to learn—are changing the economics of segmentation. **It's not a question of if but when will we be able to create and serve segments of one with our communications.**

SEGMENTS OF ONE IN THE BOUTIQUE

The problem with traditional segmentation is that it is static, but people are dynamic—they can be in one segment one day and a completely different segment, solving a different problem, the next. Each person can be in one segment at the beginning of their search and then find information that shifts them to a completely different segment and process.

At Harte Hanks, we are pushing the segment-of-one customization of service offerings in order to address this dynamic segmentation. Through our efforts in our daily meeting of The Boutique (our version of a marketing war room), we analyze the traffic on our website and blog to discern clues about searching behavior and use these clues to speak to our visitors more contextually. Real examples include:

- We hypothesized that a prospect who spent a substantial amount of time reading content on a specific subject was looking for additional information to continue their journey: we responded by sending more in-depth content about that topic.
- For a prospect who returned several times to explore a series of related subjects, an invitation for a real-time chat led to a conversation with a product manager and eventually to a customized consulting engagement.
- A visitor with an immediate, pressing need, chose to speak with a representative on his first visit. The need was identified, and a quote for a customized offer was made and accepted within hours.

FROM MANUAL TO AUTOMATED

We are just moving from a completely human (read: manual) process to the first steps of automation. We'll be using algorithms to identify browsers and shoppers who visit our digital boutique. So far, the humans and the machine agree 60% of the time, which is a great start. By having a machine identify the browsers and shoppers, it will free up the boutique members to spend their time trying to understand the visitors' journeys and to decide on the next best conversation.

Moving through the year, we will be deploying machine learning and AI to have the machine take on more and more of these steps. This includes not only identifying the journeys, but also making decisions on what the potential client is looking for and deciding on what conversations should happen next, whether that is customizing the web page they are on, sending an email or direct mail outreach, or even directing a business development person to contact the visitor directly.

When we achieve that level of automation, this will become a marketing process than can be done at scale. And at each step, we free up our human marketers to do higher level work, evaluating the conversations taking place, identifying content gaps in these conversations and introducing new types of conversations to be used in the process.

The paradox here is obvious. We are using automation and AI to make the dialogue between a potential customer and us (and ultimately our clients) feel like it is personalized in the moment—just like the visitor is speaking to a sales person in the store.

Online retailing, for example, has made great strides in using AI to improve the process of buying books, home furnishings, the perfect gift—so many categories—online. It is just a matter of time before AI enables the creation of customized, complex offers in an entirely automated process. And that time is drawing near.

We are using automation and AI to make the dialogue between a potential customer and us (and ultimately our clients) feel like it is personalized in the moment—just like the visitor is speaking to a sales person in the store.

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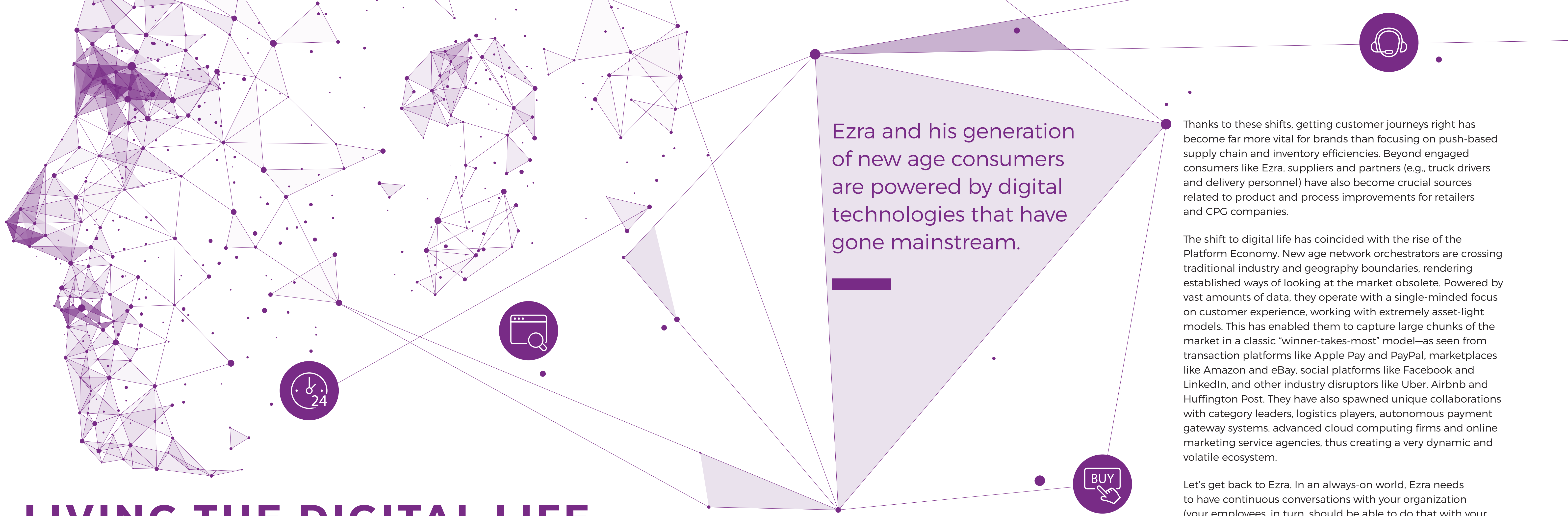

LIVING THE DIGITAL LIFE—
CREATING VALUE WHERE CONSUMERS, TECHNOLOGIES AND NETWORKS MEET

SRINI PALLIA
PRESIDENT, CONSUMER BUSINESS UNIT
WIPRO, LTD.

Ezra is 25 and a millennial. He's single, college educated and working as an analyst in a Wall Street financial services firm.

A child of the internet era, Ezra lives his life on the smartphone. As a consumer, Ezra is starkly different from his parents' generation or even those who came of age a decade earlier than him. He prefers to consume "experiences" as opposed to accumulating possessions. For big-ticket assets like a house or even a car, his preferred option is to rent, not buy. While Ezra is in a steady relationship, marriage or starting a family is not a priority for him—he sees those a good ten years on.

Ezra is by no means unique. According to a recent Deloitte report, consumers like him are no longer passive recipients of marketing and retailer-designed buying processes. In developed markets, at least 70% of consumers now lead their own shopping journeys. This new age consumer searches for products and services in online marketplaces and search engines (rather than using retailer websites), browses the catalog from his shortlist, relies on online peer reviews for selections and pays using a digital wallet.

> Ezra and his generation of new age consumers are powered by digital technologies that have gone mainstream.

Interestingly, consumers like Ezra take this behavior to their workplaces as well. Hence, corporations are also slowly becoming more cost-conscious and consumption-conscious with respect to non-essential purchases. Once you start buying fewer and lower-priced products, that behavior lingers on even when the economy improves.

Klaus Schwab, founder and executive chairman of the World Economic Forum, said he believes we are experiencing the fourth industrial revolution, which will fundamentally change the way we live, work and relate to one another. This is a revolution at the trijunction of millennial consumer behavior, democratized digital technologies and global-scale new age networks that is blurring the lines between physical, digital and biological spheres.

Ezra and his generation of new age consumers are powered by digital technologies that have gone mainstream. The traditional one-way information flow from brands to consumers is not for him. He prefers hundreds of digital micro-conversations. He prefers hundreds of digital micro-conversations in multiple directions and in a many-to-many format, breaking down access barriers and simplistic pre-defined customer service paths. Crucially, Ezra believes in being heard and in being a significant influencer of business processes, products and experiences as opposed to being just the last link of a forward supply chain.

Thanks to these shifts, getting customer journeys right has become far more vital for brands than focusing on push-based supply chain and inventory efficiencies. Beyond engaged consumers like Ezra, suppliers and partners (e.g., truck drivers and delivery personnel) have also become crucial sources related to product and process improvements for retailers and CPG companies.

The shift to digital life has coincided with the rise of the Platform Economy. New age network orchestrators are crossing traditional industry and geography boundaries, rendering established ways of looking at the market obsolete. Powered by vast amounts of data, they operate with a single-minded focus on customer experience, working with extremely asset-light models. This has enabled them to capture large chunks of the market in a classic "winner-takes-most" model—as seen from transaction platforms like Apple Pay and PayPal, marketplaces like Amazon and eBay, social platforms like Facebook and LinkedIn, and other industry disruptors like Uber, Airbnb and Huffington Post. They have also spawned unique collaborations with category leaders, logistics players, autonomous payment gateway systems, advanced cloud computing firms and online marketing service agencies, thus creating a very dynamic and volatile ecosystem.

Let's get back to Ezra. In an always-on world, Ezra needs to have continuous conversations with your organization (your employees, in turn, should be able to do that with your partners, as well). If Ezra complains about faulty packaging or a cumbersome in-store return process, that's an opportunity for improving a product and/or process.

If you're a product company or a retailer, why should he engage with you? We recommend evolving along three core axes. First, you need to be "experience-led," to let Ezra find things he's looking for quickly via simple, easy-to-use, high-performance front-end touchpoints. The second would be "high velocity." Ezra demands real-time or near real-time responses, so traditional ways of "electronic but offline" working needs to be rewired around speed and responsiveness. The third and final axis would be "global scale." Once the user engagement is in place, you can look at building capabilities to scale globally in a non-linear fashion, without relying on the traditional levers of labor and capital.

We believe that any organization not focused on these three axes would be a ripe target for disruption. A niche platform player may be sniffing at your heels, completely reimagining the way you've always performed a specific function—anything from order fulfillment and marketing campaigns to supplier relationships, warranty management and even employment contracts. And when Ezra walks the "path-to-purchase" to upgrade to a smart TV or subscribe to his grocery staples, you need to be right there offering experience, velocity and scale so you can grab the one and only chance you'll be given. ■

Sources: https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Consumer-Business/gx-cb-global-digital-divide.pdf
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CRM 3.0: FROM RAW DATA TO MARKETING SIGNALS

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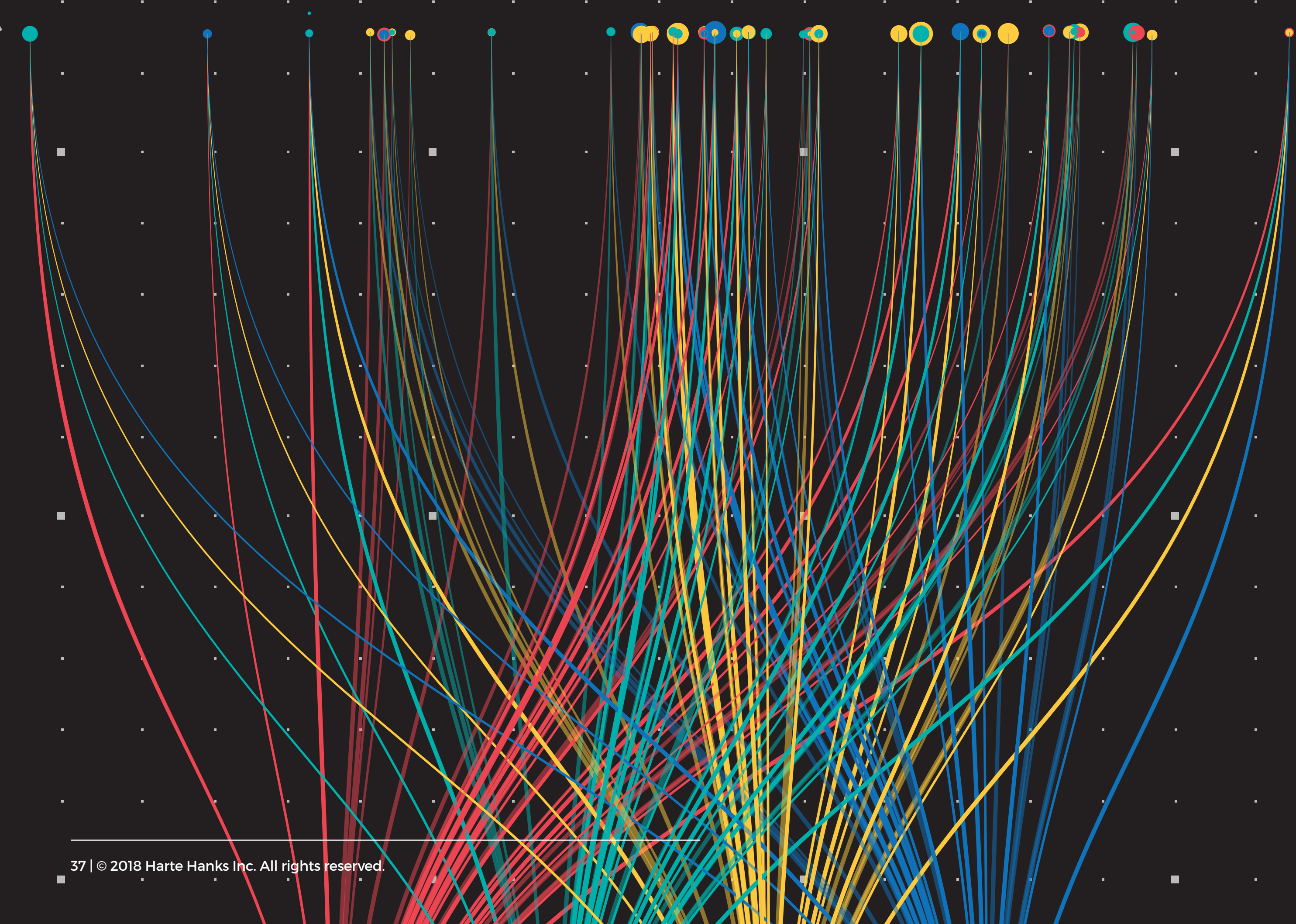


In the not-so-distant past, the standard methodology in marketing analytics was to input raw data variables into statistical programs to generate marketing insights. This approach was a core element of what is referred to as CRM 2.0.

For example, customer data variables were uploaded into cluster analysis programs to identify market segments. Customer purchase data plus demographic or firmographic data were read into regression programs to estimate customer lifetime value. New lead datasets were compared to current customer characteristics to score leads or estimate their future value.

The common denominator for CRM 2.0 platforms was the raw data variable. Each analysis started from scratch with raw data. This consumed considerable time and resources.

What if you could skip the raw data starting point and start marketing analysis with smart data? This is one of the main features of CRM 3.0 platforms: they let marketers work with pre-analyzed "smart variables," or marketing signals.

Marketing signals help marketers leap into the world of conducting highly personalized conversations in the moment. They allow you to sense customer activity and, with the help of signals, select the next best thing to "say" to the customer.

SMART DUMMY VARIABLES

An analogy for explaining the creation of marketing signals is the dummy variable. Their value is well established among sales forecasters. Forecast accuracy for a string of monthly sales numbers can be increased by simply adding an on/off promotion variable. A forecast based on sales plus a promotion dummy variable typically produces far more accurate sales forecasts than a simple forecast based on sales only. In other words, the promotion dummy variable is also a marketing signal.

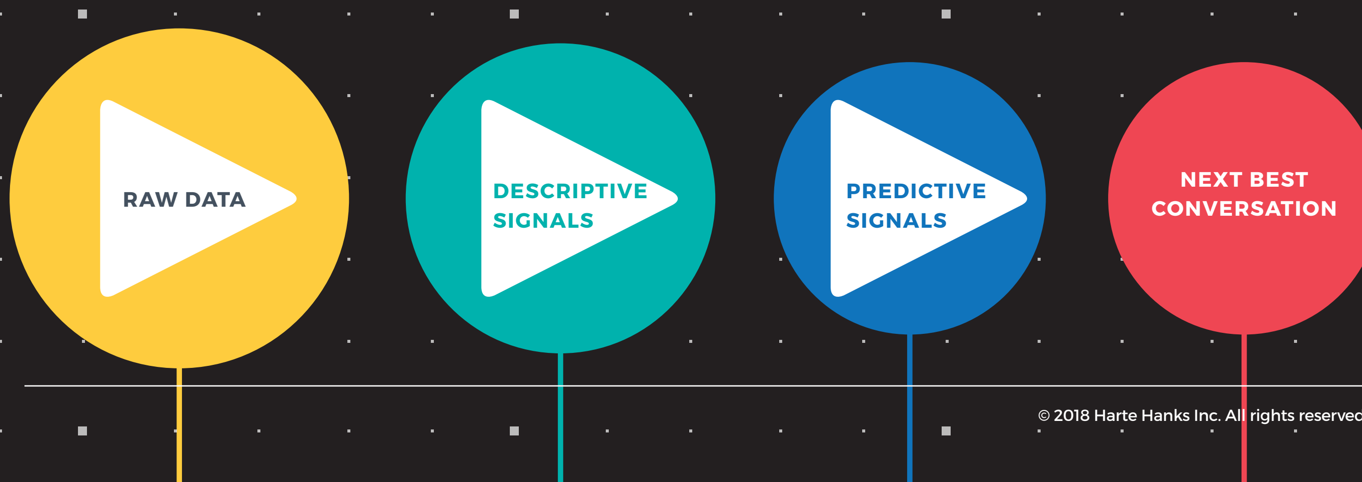
Promotions are highly complex. Was the promotion a simple price discount or a buy-one-get-one free offer? If it was a price discount, was it described as cents off or percent off? How deep was the discount? Which products were covered by the discount? What steps were required to qualify for the discount? Where did the promotion run? How long did the promotion run? And so on. All of these questions have precise answers and are relevant to an analysis of promotional effectiveness.

DESCRIPTIVE SIGNALS

CRM 3.0 platforms help the marketer synthesize vast sets of complex raw data into a smaller number of signals. The first step in the synthesis is moving from raw data to descriptive signals. One descriptive signal could be all of the features that together describe a particular promotion. Or, it could be that one descriptive promotion signal covers multiple sets of raw data relating to the final price paid by the customer. Then other sets of raw data could cover product, geography, duration, ease of redemption, and so on.

CRM 3.0 platforms can work with company-defined descriptive signals or they can analytically determine the optimal combinations of raw data into descriptive signals. Once the descriptive signals are set, the hunt for insight is now more efficient and effective because the analysis-to-response cycle skips raw data and starts with descriptive signals.

FROM RAW DATA TO NEXT BEST CONVERSATION



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PREDICTIVE SIGNALS

The second type of signal is predictive. They can be thought of as an aggregation of various descriptive signals. A predictive signal can be a simple combination of certain descriptive signals, or it can be the result of a more complex statistical process, such as weightings, regressions or other statistical treatments of descriptive signals. The table below illustrates descriptive and predictive signals for a price promotion.

SIGNALS FOR A PRICE FEATURE

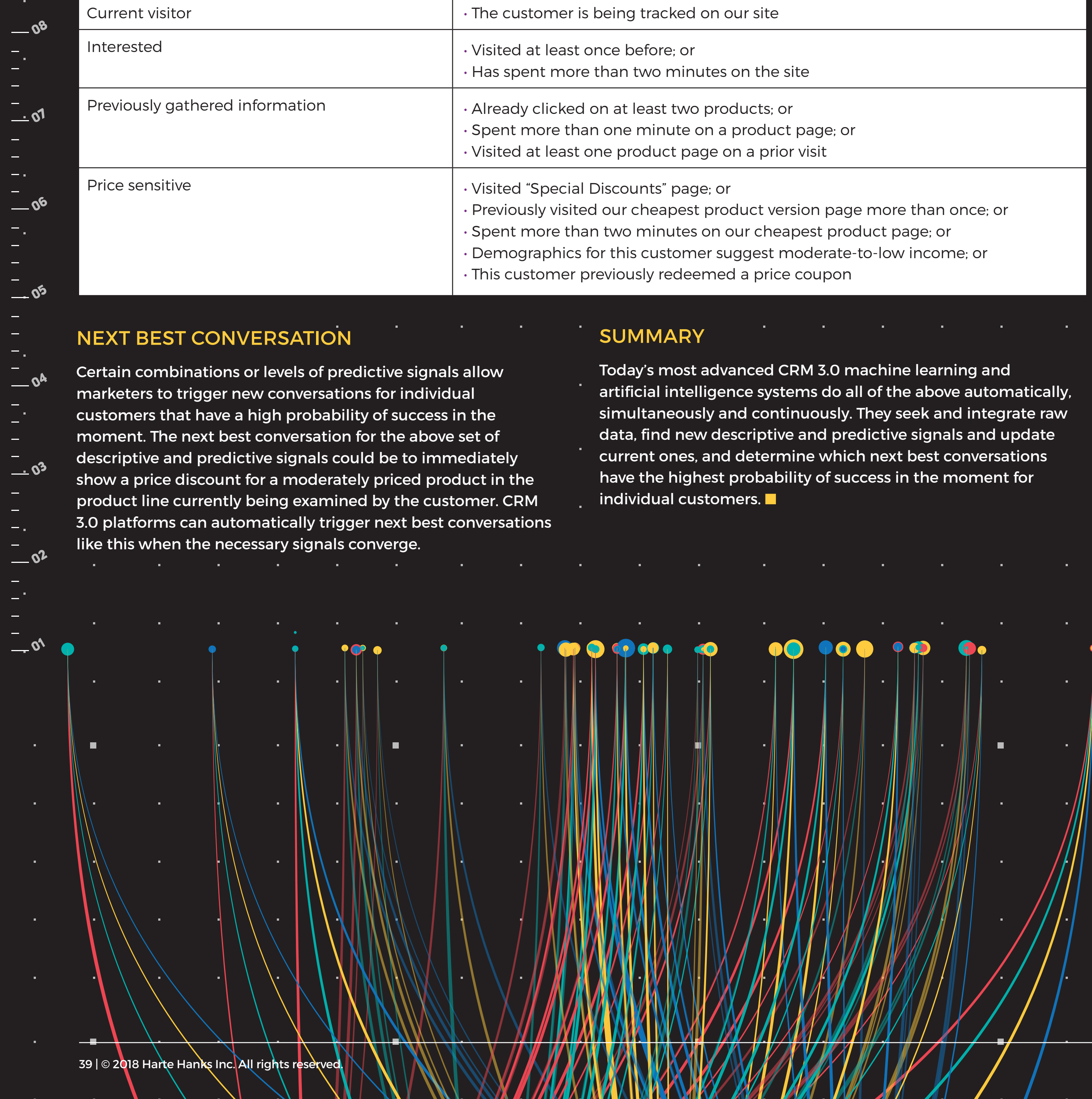
Current visitor	· The customer is being tracked on our site
Interested	· Visited at least once before; or · Has spent more than two minutes on the site
Previously gathered information	· Already clicked on at least two products; or · Spent more than one minute on a product page; or · Visited at least one product page on a prior visit
Price sensitive	· Visited "Special Discounts" page; or · Previously visited our cheapest product version page more than once; or · Spent more than two minutes on our cheapest product page; or · Demographics for this customer suggest moderate-to-low income; or · This customer previously redeemed a price coupon

NEXT BEST CONVERSATION

Certain combinations or levels of predictive signals allow marketers to trigger new conversations for individual customers that have a high probability of success in the moment. The next best conversation for the above set of descriptive and predictive signals could be to immediately show a price discount for a moderately priced product in the product line currently being examined by the customer. CRM 3.0 platforms can automatically trigger next best conversations like this when the necessary signals converge.

SUMMARY

Today's most advanced CRM 3.0 machine learning and artificial intelligence systems do all of the above automatically, simultaneously and continuously. They seek and integrate raw data, find new descriptive and predictive signals and update current ones, and determine which next best conversations have the highest probability of success in the moment for individual customers.



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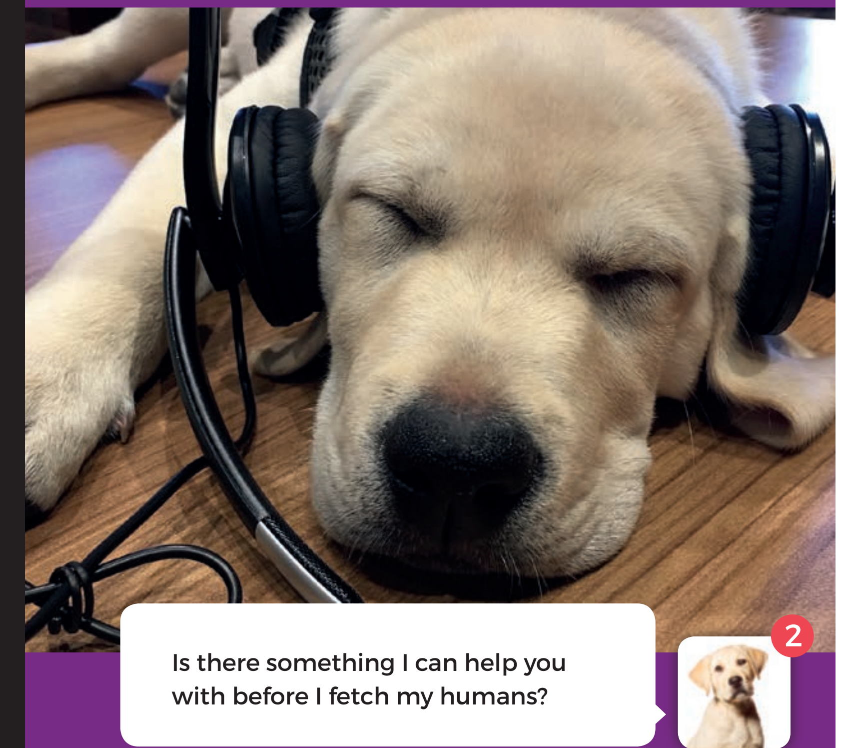


CHATBOT A MARKETER'S BEST FRIEND

Chatbots are popping up everywhere—including the Harte Hanks website.

When it came to creating ours, we wanted to make it memorable. So, a unique personality was a must.

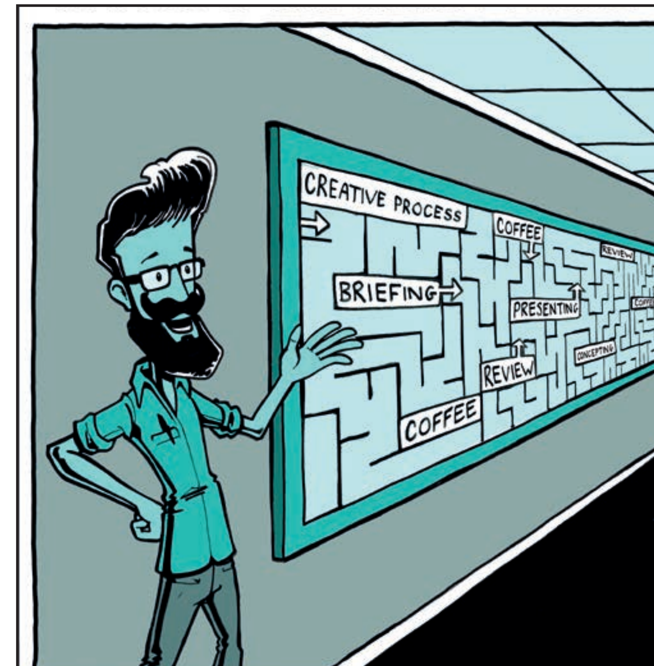
One of our favorite Harte Hanks personalities is Rocky, the yellow lab puppy. An indispensable part of our team, he's well known for very enthusiastically greeting visitors. The perfect choice for a chatbot personality then, we're sure you'll agree.

When programming RockyBot, we wanted to make sure he was as fun and playful as the real thing. That's why he greets visitors by saying, "Is there something I can help you with before I fetch my humans?"

You can find out more about RockyBot, including the process we went through to make him, at **hartehanks.com**.

HOW NOT TO DO...

CREATIVE SERVICES



"We're very proud of our creative process. It's easy to get lost in, there are lots of dead ends, and plenty of hoops for you to jump through — what more could you want?!"

That's not how we do things at Harte Hanks. We believe flexibility is crucial when it comes to creating truly creative work. That's why we employ an agile process that allows us to react at a moment's notice. Because to reach your customers, you need to create relevant, engaging content—and you need to do it quickly.

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“Either write something worth reading or do something worth writing about.”

BENJAMIN FRANKLIN

BEST PRACTICES FOR DEVELOPING MARKETING TALENT

KEN BERNHARDT
REGENTS PROFESSOR OF MARKETING EMERITUS, GEORGIA STATE UNIVERSITY

One of the goals of the Harte Hanks Marketing Advisory Board is to provide value to our professional members and those like them. Developing talent is a common challenge that most marketing leaders face. How do we grow the next generation of marketers? And how can we continue to develop ourselves as leaders?

At our latest Marketing Advisory Board meeting, Ken Bernhardt, Regents Professor of Marketing Emeritus, Georgia State University, shared a best practices for marketing talent development that he collected from a group of senior marketing executives who convened on the topic at Georgia State's Robinson College of Business. Ken outlined these best practices in an article for the *Atlanta Business Chronicle* and has given us permission to republish here.

DEVELOP A SPIRIT OF CONTINUOUS IMPROVEMENT

The company's leadership must role model what they want everyone else to do. This may include such activities as going back to school periodically, reading important business books, being active in professional associations, being willing to try new things, serving on non-profit boards, mentoring others, and working on improving their own weaknesses. It is important to note that senior people have just as much need for professional development as junior people, perhaps even more.

SUPPORT EMPLOYEE DEVELOPMENT ACTIVITIES FINANCIALLY

This means paying for executive education courses; attendance at professional association meetings, workshops and seminars; and graduate degree programs. Each of the Atlanta-area universities offers a portfolio of short, non-degree courses in everything from project management to Six Sigma and finance for the non-finance manager. In marketing alone there are numerous professional associations with local Atlanta chapters, including the American Marketing Association, Business Marketing Association, Atlanta Ad Club, Atlanta Interactive Marketing Association, Direct Marketing Association, Sales and Marketing Executives International, and Public Relations Society of America. There are equivalent organizations in most other disciplines (and locations).

ENCOURAGE AND SUPPORT PEER-TO-PEER LEARNING

This can include company book clubs, lunch-and-learn sessions taught by employees, and podcasts created by employees and placed in a company podcast library. The key here is to encourage people to share best practices, to grow beyond their own functional area, and to help them understand the fundamentals of the total business. Vendors can often be helpful in supporting this learning.

JOB SWAPS

How about putting people into temporary assignments outside their comfort zone? For example, have a sales person and a marketing person swap jobs for a period of time. At one Atlanta learning organization, a vice president of marketing and a vice president of operations have swapped jobs for two years. Not only have these two individuals grown personally, their peers in their new departments have benefited from new perspectives, as well.

PROVIDE OPPORTUNITIES FOR PERSONAL GROWTH

When the company sponsors non-profit or professional organizations or events, ask for committee and board representation and assign these positions to high-potential people in your organization. These positions enhance the leadership skills of your people, help them build their networks, and develop their talent for getting things done through other people. Assign high-potential junior people to lead the organization's United Way campaign, upcoming retirement dinner, employee outing or planning retreat. Encourage your team to accept speaking engagements at universities or professional associations and offer them public speaker training to support this effort.

ASSIGN IMPORTANT PROJECTS TO CROSS-FUNCTIONAL TEAMS

As an example, push strategic planning down into the organization by forming a planning team consisting of high-potential people from throughout the organization. This will force these people to take a broader view of the company and its environment, enable them to learn from peers in other parts of the organization, and help develop the next generation of leaders in the company. A couple of senior people from different functional areas can coach the group through the process.

DEMAND PERSONAL DEVELOPMENT PLANS FROM EVERY EMPLOYEE

In many companies, there is a lack of accountability with annual development plans. It is important that these be made a part of the annual performance evaluation process, with employees being held accountable and rewarded for their professional development initiatives. If large companies like GE can review every employee annually, certainly smaller companies can do this. Instead of the infamous forced rankings used by GE, the goal can be to identify people with gaps in their development and help them fill these gaps. This is especially important to do for the highest potential future leaders, to ensure that their professional development activities prepare them for the increased responsibilities they are capable of taking on. There needs to be connectivity among the company's talent reviews, development plans and execution of the plans. ■

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CHATBOTS ARE ALL THE RAGE—HERE'S HOW TO TRAIN THEM

You might have trained people at work. You've possibly trained or know how to train a pet. But do you know how to train a chatbot?

ANUBHAV MISHRA
HEAD OF CONNECTED CUSTOMER EXPERIENCE FOR AMERICAS, WIPRO LTD.

The consequences of getting it wrong are similar to the consequences of any poor training. A chatbot's not going to bite a postal worker. But it could say the wrong thing. And with chatbots becoming more central to the customer experience, saying the wrong thing could cause you real problems. Microsoft discovered the consequences of rogue chatbot chat when 'Tay' turned racist in 2016 and 'Zo' insulted Windows 10.

That said, many global brands are already realizing the benefits of chatbots. For instance, Facebook Messenger users can now hail an Uber using a chatbot within the messaging app. Rides can be requested by starting a conversation with the Uber chatbot, which will also provide instant status updates.

As Head of Connected Customer Experience for Americas at Wipro Ltd., part of my role is to build and train chatbots that provide customers with valuable experiences, like Uber's use case. Here's an overview of how that works.

NATURAL LANGUAGE PROCESSING (NLP)

First you need to make sure your chatbot is speaking the right language, and the right national version of that language. We know that "pants" and "chips" mean different things to American and British English audiences. Your chatbot needs to master all required languages and regional variations.

Then there are cultural nuances. People attribute personalities to those they interact with. So, you have to decide whether you want your chatbot to be formal, informal or even "street." Plus, every sector has its own specialist terms. These need to be included.

Once it's ready to communicate, your chatbot has to learn how to act. It's like teaching a child—but without the years of tantrums.

There are two parts to this training—understanding the intent and extracting the entities. Intent is the objective of the human interaction. Once it understands this, it must extract the relevant information from that conversation (entities).

INTENT

Efficient communications thrive on empathy and intuition. These abilities strengthen relationships and help us quickly identify what people want.

A chatbot needs training to do things that human beings do naturally. It needs to learn to understand the intent of a message. A customer might get annoyed providing too much information. If that happens, they could drop out of the communication funnel. So Chatbots need to learn ways of quickly grasping the intent of a message.

ENTITIES

Once the chatbot has worked out what you want to achieve, it needs to extract the pertinent information. This is what you do when a mechanic is overloading you with details about your car's fault—you detune from the detail and listen out for the entities: when it can be done, and how much it will cost.

The entities the chatbot extracts are labeled for use. Effective extraction and labeling solves customer problems, improves the customer experience and drives sales.

SPECIAL CAPABILITIES

An employee might be tasked with moving products around a warehouse. But you'd also expect them to close the door behind them to prevent theft. A chatbot has no idea what else might be expected of it. You have to train and equip it.

Being a piece of software, it can go beyond providing regular expected behaviors. It can be supercharged. Your chatbot could additionally be a security expert or pre-disposed to a particular sentiment—responding to bereavement, for example. A chatbot could even identify with a customer's sentiment and, if necessary, trigger a human call rather than try to resolve a sensitive issue itself.

CORRECT AND RETRAIN

Like any new employee, your chatbot needs to learn about your business activities. Fortunately, you don't need to spend forever writing new training materials. Reference data can be provided in the form of existing communication assets—such as chat samples or voice transcripts written for human customer contact agents.

Once these assets are loaded, your chatbot is technically in its probationary period. The next phase, like with human employees, is to correct its mistakes. This is an iterative process, but, over time, your chatbot gets increasingly better at representing your business.

ARTIFICIAL INTELLIGENCE (AI) INTEGRATION

The final phase of training the perfect chatbot is AI integration. Here's where it becomes a senior employee—gaining knowledge and perfecting its business practices. During AI integration, your chatbot uses machine learning to improve its communication and business skills. From the customer viewpoint, it learns how to better identify and respond to their needs.

There are two parts to this process. Firstly, natural language processing is fine-tuned to get to the heart of customers' problems. Do they want more information, product support or to make a purchase?

The second element is the AI engine. Using this, the chatbot interacts with other AI systems to deliver outcomes. If a customer wants to meet a mortgage advisor, the chatbot can connect with the advisor's booking system to facilitate this. Or, if the customer is simply enquiring about mortgage rates, the chatbot can provide the relevant information. Once the customer's request has been actioned, the chatbot can also determine whether this was the most appropriate action by analyzing the customer's response, enabling the chatbot to learn on the go and optimize future interactions.

CUSTOMER SATISFACTION

The focus of your chatbot training regime should be to deliver the same (or higher) standards of customer satisfaction as human customer contact agents. When these standards are achieved, your chatbot has the additional benefits of being able to respond at almost limitless scale, 24/7 and in a predictable way. This level of service meets the customer need for support to be available anywhere and everywhere. Plus, there's the added benefit that you don't need to keep hiring and training new customer contact recruits.

Overall, chatbots are a powerful tool to enhance brand-to-customer communications, especially as instant messenger apps and social media are replacing emails and phone calls. The novelty of chatbots allow consumers to experience businesses in a completely new way—and, once set, chatbots are likely to become some of your most trusted and reliable employees. ■

Efficient communications thrive on empathy and intuition.

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THE MOST IMPORTANT CONTACT CENTER TRENDS FOR 2018

TERRY ARNOLD
SENIOR DIRECTOR,
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HARTE HANKS

Brands are under constant pressure to adjust to the changing expectations of their customers. They're expected to deliver worthwhile interactions across every aspect of the customer journey. But as technology alters outlooks, brands can struggle to keep up. So, what challenges can they expect to face in 2018?

GREATER FOCUS ON GREAT CUSTOMER EXPERIENCE

How would you feel if your customers switched to a competitor who charged more—all because of a better customer experience? It's a scary thought, but it's becoming a reality as customers place greater importance on great experiences.

With this trend really set to take hold in 2018 and beyond, contact centers need to understand the value of the customer experience and realize the direct effect it has on loyalty.

THE ALL-ENCOMPASSING OMNICHANNEL

While a customer's journey may begin on one channel, it's increasingly common for insight and feedback to take place on another. An omnichannel approach to support is therefore only going to increase in importance.

By providing a more complete view of the customer experience, this approach can help you provide your customers with a quick, highly personal resolution to any challenge they may face.

TRULY SOCIAL CONVERSATIONS

Negative feedback can be a killer—especially online—with unanswered negative comments making potential customers very wary. If you can resolve issues quickly and in a way that makes it clear the customer is important to you, it helps demonstrate that your brand cares.

Social media is the perfect platform if you're looking to improve customer experience in this way. It helps to deliver personal, two-way conversations, which also show other customers just how you solve problems.

CONNECTING WITH GENERATION Z 24/7

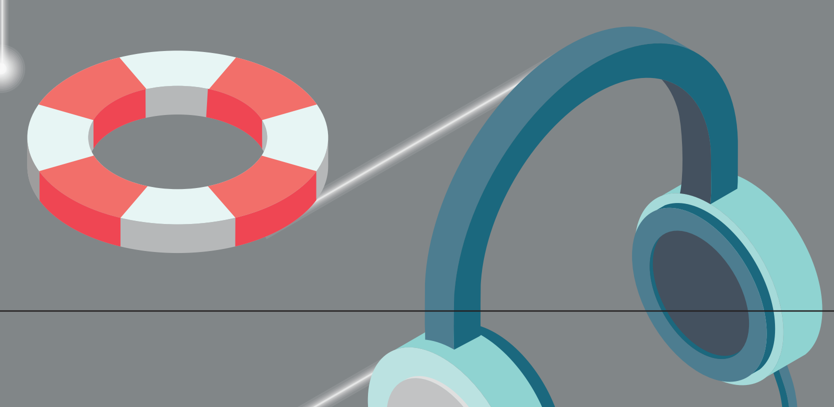
Generation Z—those born between the mid 1990s and mid 2000s—will replace Millennials as the most common demographic in the workplace by 2020, and they'll expect more than ever when it comes to the service they receive as customers.

This younger generation is the first to have grown up without any knowledge of pre-internet life. As a result, on-demand, 24-hour service is already a perquisite for these mobile-first customers.

THE ESSENTIAL EVOLUTION OF CHATBOTS

It's almost impossible to find someone who hasn't had an interaction with a chatbot. Whether voice- or text-based, they're quickly becoming invaluable to the customer experience, helping people find solutions on any device or channel faster than ever.

With the increasing scope of AI, it's almost inevitable that chatbots will soon answer customers with increasing empathy and personalization, while also tracking their journey more accurately. ■



MAKING MARKETING HUMAN

We are a global marketing services firm that helps you win attention, build trust, and earn loyalty in an increasingly connected world.

Creating marketing that matters is a global mission and requires a personal touch. Our team is based in 21 offices in 5 countries across 3 continents. We unite via our expertise, insight and a shared ambition to create the best work at the heart of every project, every time.

That's why we're now changing the game, upping the ante, and holding on to what it's all really about. We're bringing the human back to marketing.

Our 5 Pillars of Best-in-Class Marketing

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- PERSONAS
- BUYER'S JOURNEY
- CONTENT
- MARTECH & DATA ECOSYSTEM

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Marketing Strategy
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Established: 1923

Employees: 5,000+

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A writer at heart, Nicole is responsible for developing the Harte Hanks content strategy, bringing this strategy to life through the editorial board, as well as generating much of the company's content and managing the company's social presence.

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Brian's 20+ year leadership background is rooted in building, innovating and scaling Go-To-Market, Marketing, and Sales/Channels programs and systems with a laser focus on driving business transformation and accelerating measurable revenue growth. Brian has held a variety of leadership roles across the Sales/Marketing lifecycle including Global Demand Generation, Product/Industry Marketing, Marketing/Sales/Data Platforms, and Business Development.

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With a decade of experience across B2B and B2C, Iain's obsession with the written word has helped a huge variety of companies bring their brand to life.

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With more than 25 years of sales and marketing experience, Frank's focus on creativity and customer centricity has helped many brands expand and transition their marketing strategies through periods of significant change, innovation and disruption.

Michael Hastings
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As the General Manager of Marketing Operations, Michael leads the delivery of our marketing services to our clients. He brings over 20 years of experience leading CRM, as well as direct and digital marketing programs that deliver results. Michael has held both agency and client-side roles, allowing him to understand and cater to the challenges each partner faces.

Dr. Karl Hellman
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President of Resultrek Inc., a marketing and sales consulting firm, Karl is the author of The Customer Learning Curve (with Ardis Burst, 2004) and works with clients that include best-in-class companies such as JP Morgan Chase, Wells Fargo, UPS, and Coca Cola.

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As SVP Creative and Strategy at Harte Hanks. Alan believes in big ideas that deliver tangible results across many channels at once. He seeks to create an emotional connection with an audience; believes in single-minded propositions and in benefits not features. He believes in strong thought leadership and visual narrative that can tell a story in seconds.

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As the Vice President of Marketing Strategy at Harte Hanks, JD specializes in marketing in the financial services industry, and has a consistent record of creating and executing marketing strategies that achieve industry-leading performance.

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Jennifer brings 13+ years of marketing and product management/innovation experience to Harte Hanks. As Director of Innovation and Growth, Jennifer leads the positioning of Harte Hanks' marketing technology solutions—which includes the modernization of our customer data, data management, and advanced analytics platforms.

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Anubhav has worked in the IT services industry for almost two decades, supporting multiple businesses as a technology advisor and partner. Having helped and contributed to first of its kind, award winning programs for customers around digital, transformation and customer experience, he now evangelizes and enables Wipro's customers on everything from modern applications to the cloud.

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With 20 years working in IT consulting, technology startups and telecommunications, KN has proven-success in leading global IT organizations and transforming them into cost-effective "strategic assets" for business imperatives. His experience includes: software development, cloud services, technology acquisition/integration and strategic planning.

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President of Wipro's Consumer Business Unit, Srini is responsible for serving clients across a range of consumer-focused industries, including retail, CPG, new age, and media and entertainment. He's responsible for setting the vision, as well as shaping and implementing growth strategies for each industry vertical.

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Karen brings nearly 15 years of COO and president experience in the telecom, cloud and managed services industries. She has a track record in growing companies, both organically and through acquisitions, and navigating businesses through shifts in industry dynamics.

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THERE IS PLENTY MORE TO COME

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