

Real-time Dialogue: Re-establishing a Conversation with your Customers in a Digital World



INSIGHTS & DATA

Companies aren't yet getting the returns they want from digital channels. A major obstacle is that with current technology it's hard to conduct a real-time, two-way dialogue with the customer – or to create targeted offers that are relevant to a given customer at a given moment.

To reopen the conversation, there are three requirements: first, a new channel strategy to break down the barrier between digital and non-digital channels; second, adoption of real-time analytics; third, a rethink of the whole organization and its technology landscape around the need for dialogue with customers.

These requirements are not standalone. They, too, require an integral approach. With dialogue re-established, it becomes possible to present customers with ever more individualized and relevant offers.

Companies need to make the most of digital marketing

In response to increasing market competitiveness, companies are trying to build their digital edge. They are leveraging their online presence, via both social and traditional channels, to serve all customers in the best possible way.

For companies of all sizes, then, the main focus is now on digital channels. 2017 is predicted¹ to be the first year that digital advertising expenditure will overtake spend in "traditional" channels such as television. This is due to the consistent trend towards increased use of mobile platforms, the cost of video advertising, and the decline of organic social in favor of paid displays.

Research shows that marketing budgets are on the rise. Gartner says, "The 2016-2017 survey confirms the third consecutive year of budget increases. Larger companies (>\$5 billion revenue) spend 13% of revenue on marketing versus smaller companies (\$250 million to \$500 million revenue) that spend roughly 10% of annual revenue."²

With these levels of spend, companies urgently need to realize every opportunity to save on marketing activities – especially digital ones – and increase their efficiency and effectiveness.

Digital makes staying in touch with customers harder

This move to being relevant to your customers in the digital world isn't easy. Knowing what a customer wants and delivering on that requirement is something that virtually all businesses struggle with. Historically, the solution has been to engage in conversation with the customer, and this contributes to some remarkably high conversion rates in physical stores – reportedly as high as 30% for the most successful retailers³. This isn't a statistic you'll see in relation to digital channels, where the average conversion rate could be less than 1%.

At Capgemini, we've observed this apparent limitation of digital channels when working with our clients. Customers of a large bank barely respond to online advertising; the click-through rate on its owned channels (on displays) is approximately 0.5%; and the corresponding conversion rate is lower than 0.007%. A large global clothing retailer finds that, even though more people visit its site through use of handheld devices, the conversion rates stay low. And the cost of clicks is significant – as Figure 1 shows, the cost per Facebook click ranges from \$0.45-3.77.

It is clear from these examples that the online channel has a downside. It's still not as familiar to customers as classic channels such as storefronts, and it can definitely lack their effectiveness. Capgemini believes that the problem lies in the fact that companies have adopted an approach of talking at customers, rather than with them. A fundamental human characteristic has been forgotten: We like to engage in conversation, where we both hear and are heard.

Figure 1: Click-through rate, cost per click and conversion rate for Facebook advertising

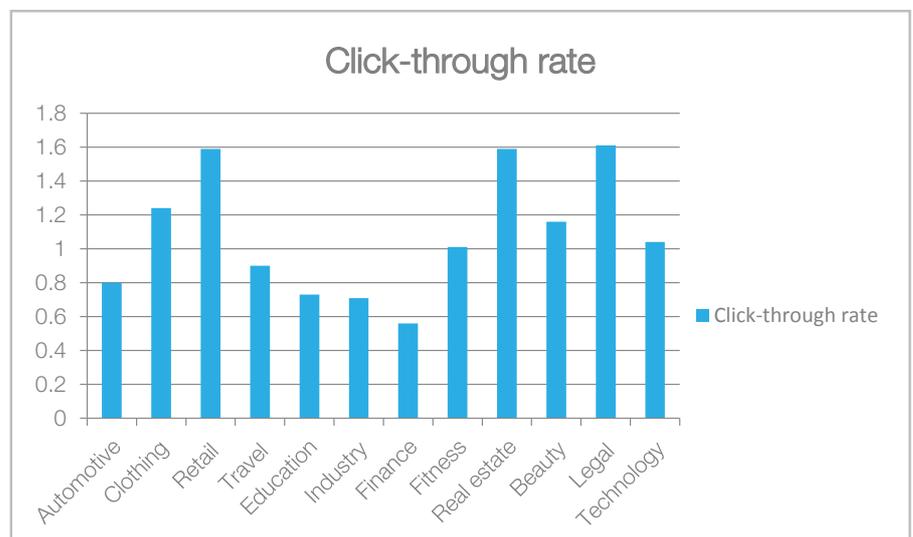
Source: Wordstream "Facebook Ad Benchmarks for YOUR Industry [New Data]" (blog entry), last updated March 28, 2017

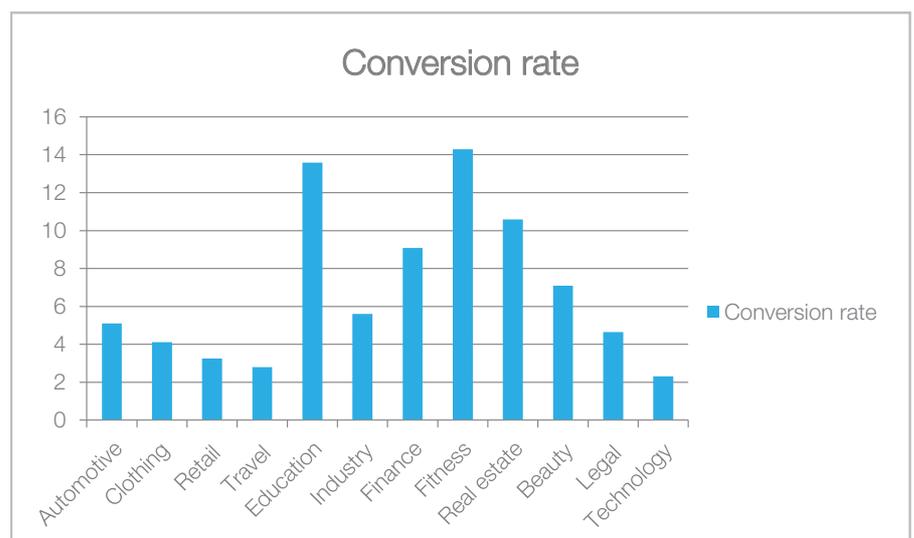
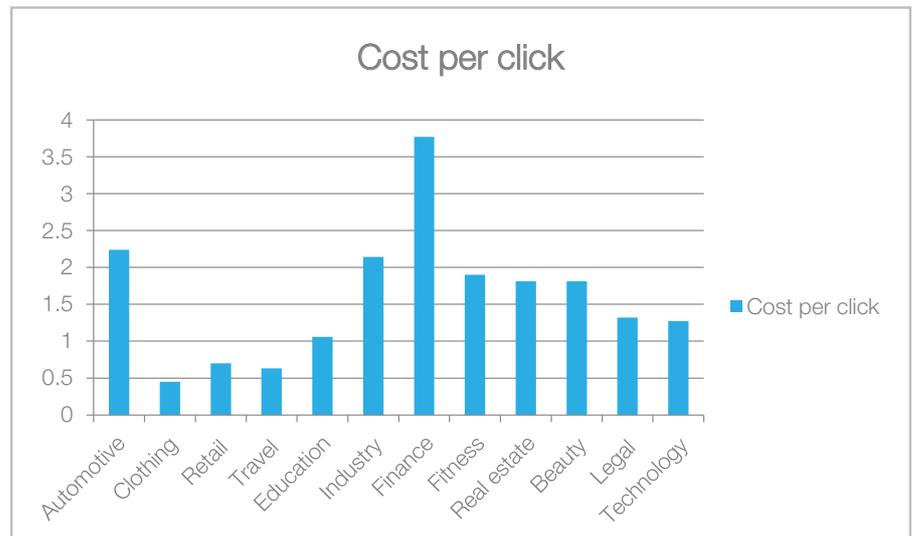
¹Forbes: "Digital Ad Spending Will Surpass TV Spending for the First Time in US History," Brandon Katz, September 14, 2016.

²Gartner, Inc.: "Gartner CMO Spend Survey 2016-2017 Shows Marketing Budgets Continue to Climb," Chris Pemberton, December 12, 2016.

³<https://www.quora.com/Whats-the-average-conversion-rate-for-offline-retail-shops>

⁴Ecommerce Europe: "Ecommerce Benchmark & Retail Report," 2016





The reason: The lost art of conversation

Philosophers in ancient Greece understood the power of conversation. Socrates believed that knowledge transfer and the acquisition of new knowledge took place through dialectic⁵ – joint enquiry and conversation with his students. This idea has proved valid through the ages. Understanding comes through conversation, through listening, through interaction with the other person; one-way communication cannot achieve these results. These beliefs are clearly reflected in the recent move by universities to adopt more hands-on exercises, group work, and small seminars instead of the one-way communication of a lecture⁶.

The effect of conversation (or lack of it) is seen not only in academia, but also in virtually all buyer-seller interactions. Customers used to engage in conversation with the local drug-store owner, the baker, and the barmaid, but contemporary customer experience is getting less and less personal. Supermarkets are growing in size and often the only interaction is at the end of your “journey”. Online sales channels seem devoid of conversation.

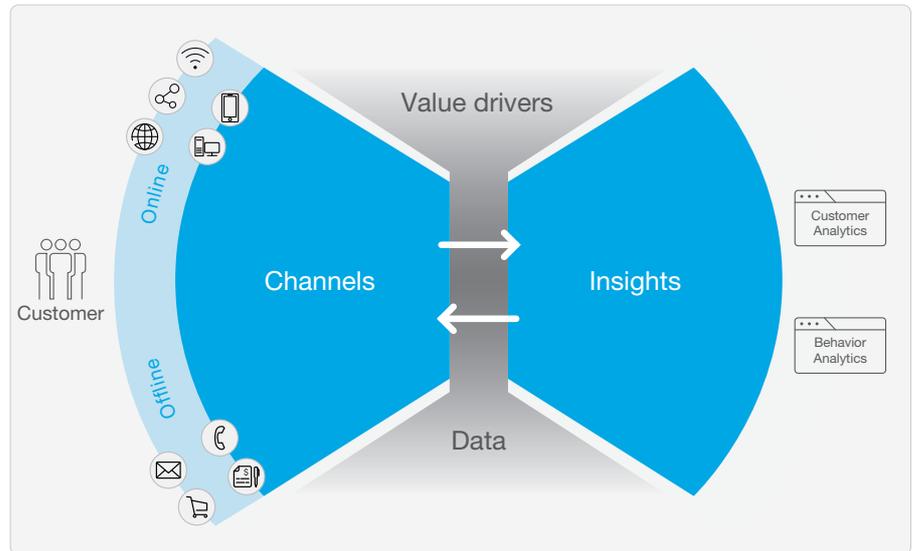
This trend is affecting many of Europe's largest corporations. While there are good reasons for the decision to move to and invest in digital, it is clear that many companies are struggling with this migration and, as a result, losing touch with their customers. Customer interaction is one-sided, and analysis of customer responses only takes place when it is too late to act on the insights provided.

⁵Stanford Encyclopaedia of Philosophy: “Dialectic School,” August 11, 2011.

⁶Delta: “Het Hoorcollege is een Povere Informatiedrager.”

Figure 2: Analytics lie outside the conversational realm
 Source: Capgemini's Real-time Dialogue Framework

Figure 2 shows why this is happening. Most organizations' analytic capabilities lie outside the conversational realm, whereas they should be an integral part of it.



This is mainly because the companies typically use campaign management software that analyzes data from digital channels in batch mode, overnight. That means they are only in a position to make targeted offers 24 hours or so after the customer has shown interest, by which time their circumstances may well have changed; for example, they may have made a purchase elsewhere.

Other barriers to real-time dialogue include the fact that companies find it difficult to track customers when they switch from one channel to another, and also that the analytics are not properly integrated into their other IT systems, or into the business itself.

The result is that instead of receiving timely personalized responses, customers get bombarded with untargeted offers, and "buried" in campaigns that are of little interest. This is a serious challenge because relevance – offering customers what they want, when they want it – is key to customer satisfaction.

Inadequate analytics affect customer experience in other ways. A customer might raise an issue or question that should be easily resolved, but no help is at hand; perhaps the company only spots the issue later that day, when the nightly batch is processed. The result is that another prospective customer is lost. The customer is asking for interaction – wanting (or needing) to be engaged – and the company simply can't provide that kind of personalized and timely dialogue.

In addition to the direct impact on customers, the slow flow of information causes additional headaches for company management, as we can see by considering classic dashboarding tools – see panel.

Slow analytics limit management dashboards too

Dashboarding tools traditionally import batches of data and use them to provide insight into how the company is performing with respect to its KPIs.

In companies that only update their analytics through nightly batch runs, the data displayed in the dashboard can be a day old. That means decisions are made after the fact – like driving a car by looking in the rear-view mirror.

Given that the vast majority (77%) of respondents to a Capgemini survey⁷ indicated that real-time data would be beneficial to the running of their business, something better is needed.

⁷Capgemini: "New Global Study by Capgemini and EMC shows Big Data Driving Market Disruption, Leaving Many Organizations Fearing Irrelevance," Press Release, March 2015.



How to re-establish the conversation

Some companies are attempting to mitigate the loss of customer interaction through loyalty programs, but in many ways, these are just a means to mollify customers who are already dissatisfied.

A much better choice would be to tackle the root cause of dissatisfaction. The way to do that is to establish a genuine dialogue – a conversation that can take place at least partly via digital channels – with the customer. This means tracking customer behavior in real-time and triggering a direct and relevant response to every click or action.

Before companies can achieve real-time dialogue, they must take three steps:

1. Review their channel strategy in order to break down barriers between channels, and track customers across multiple channels;
2. Overhaul their analytics so that they can instantly make relevant offers to customers, based on up-to-date information;
3. Realign the technology landscape, and the business as a whole, around real-time dialogue with customers.

We'll outline each of these steps below.

1. Bring channels together

The issue here is that most companies find it difficult to maintain a dialogue when customers browse and shop across the various online and offline channels. For example, they may struggle to deal effectively with a customer who decides to purchase a product on their mobile phone while in a physical store. Even if the customer is standing in front of the product, the transaction effectively starts from scratch when the customer switches to the mobile channel. One reason for this difficulty is that companies have recently tended to focus on digital channels at the expense of conventional ones.

Capgemini and other leading commentators firmly believe that companies need to break down the boundaries between online and offline channels⁸. Already, large fast-moving consumer goods companies are leading the way, shifting to an end-to-end, omni-channel solution: one that combines the ease of online with the personal contact of physical channels.

For many companies, the best way to achieve this is to adopt a data management platform (see panel). After taking that step, companies can engage in real-time dialogue using real-time analytics, and/or set up robotic advisors (which for maximum benefit should be integrated with the main enterprise systems).

Data management platforms

Tracking customers across journeys that move from online to offline channels is an important challenge for marketers today. It's also necessary to track customer journeys between owned and paid channels, since the ability to discover and engage with customers outside a company's owned channels is key.

When it comes to understanding, knowing and serving your customers, digital marketing vendors often provide valuable marketing information, but correlating this information is time-consuming, expensive and often chaotic. Acting on the information procured is also problematic.

A data management platform (DMP) can help overcome these problems. Perhaps better described as a digital marketing platform, it's a digital marketing hub in the cloud. It allows clients to integrate third-party data with known customer profiles, all in a secure cloud environment and with full CRM or call center integration if required. Such a platform also provides clear action rules to help you take the right next step with the right customer at the right time.

⁸Forbes: "10 Tips for Building a Successful Digital Marketing Campaign in 2017," Promise Phelon, December 1, 2016.



2. Adopt real-time analytics

The next step is to move to a state where your data is updated, and then analyzed, in real-time. As Figure 2 illustrates, too often no real dialogue is happening between companies and their online customers. Instead, customers are on the receiving end of monologues that make sense to the retailer but not to them. The reason is clear: The current IT landscape does not allow true dialogue, and most software suites are not yet mature enough to make this possible. Too often, the insights needed to respond to customer needs and wishes are delayed by some 24 hours.

The solution lies in the *real-time analytics engines* that are now available from a few vendors. These analytics engines are capable of processing data in real-time and propose, for instance, a “next best action” with minimal delay. By using this type of solution, you gain instant insights, based on the latest information. These help you to take the context of each customer interaction into account so that you can respond with a personal and relevant offer every time, immediately and via the customer’s chosen channel.

3. Realign around real-time dialogue

The third and final step relates to the wider IT landscape, and the business as a whole. Current software and infrastructure are not designed to cope with real-time, conversational interaction, or provide relevant offers instantly. Many companies, too, are focused on digital as if it were an end in itself, rather than focusing on the customer.

To achieve real-time dialogue, companies need to integrate their channel interactions with their analytical capabilities, and to design marketing campaigns that leverage their data. This adds up to a significant undertaking, since few software solutions are capable of presenting relevant and personalized offers to customers. However, solutions are emerging that offer highly personalized (although not yet individualized) campaigns over digital channels.

Solutions such as data management platforms and real-time analytics engines need to be fully integrated into the organization’s IT landscape, but that’s not enough. We’re talking here about a multi-way integration of channels, analytics, strategy and data, to enable a truly insights-driven business. We’re also talking about shifting the business’s focus from the purely digital back to the customer, regardless of their choice of channel. The old saying “the customer is king” has never been more true.

To make this work, it is vital that the whole business is committed to the change. The transition from data-driven or experience-based campaigns to real-time offers targeted at individual customers is a paradigm shift – one that can only succeed if business stakeholders are fully engaged.

A practical approach to transition

Positioning an organization to re-establish a genuine dialogue with the customer requires a significant transition, not just in terms of the organization’s technology but also its business focus.

This is why Capgemini has developed a Real-time Dialogue self-assessment app (Figure 3). With the app, you can assess your company’s current state, and so help set priorities to achieve the ultimate goal – real-time individualized offers.

Figure 3: Capgemini’s Real-time Dialogue application





Implementation of the solutions described here requires knowledge and experience. Once again, there are a number of tools that can help. For example, in conjunction with the app just described, Capgemini uses a Real-time Dialogue framework to create a clear roadmap to achieving the essential elements of a solution. These elements include accurate data management, alignment between business and IT, and an overall commitment to moving to real-time. Capgemini has found that many clients can achieve near real-time offerings, but require more integration if they really want to transform to real-time dialogues.

Capgemini's approach to real-time dialogue brings several major benefits:

- By switching from a “one size fits all” approach (which in reality fits nobody) to a highly interactive dialogue with the customer, you open the way for ever more individualized offers that are relevant to the customer;
- Rather than following the classical segmentation of the audience by, for example, demographic, age and technology, real-time dialogue allows for a highly granular analysis of the audience. Tracking the behavior of individuals rather than cohorts enables more targeted campaigns;
- Companies can interact with their customers on a more personal level. For example, rather than passing the customer on to a generic helpdesk, they can be connected immediately to the right department.

Let's get the conversation going

Bringing back dialogue, merging online customer journeys with personal service, and bringing together the campaign and the customer – these ideas add up to much more than an industry fad. Dialogue has been part of human history, and is one of the things that sets us apart from other animals. It's high time we started doing it again by engaging in meaningful conversation with our customers.

Find out more

Interested in finding out more about how Capgemini can help your company engage in more meaningful and relevant dialogue with target customers?

- Contact us to arrange a half-day or one-day workshop to see how Capgemini can help you ignite your company's journey to re-establishing a conversation with your customers
- Download the Capgemini's Real-time Dialogue self-assessment app from Google Play or the Apple App Store.





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Capgemini Insights & Data

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