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WHITEPAPER / **NEW WORLD OF MARKETING**

Business Brief: The Rise of Relationship Marketing

Marketing Intelligence Can Help Build Trust and Keep Customers Engaged

ABSTRACT:

According to the latest research, people are bombarded with more than 3000 messages every day, and more than 80% of them trust word-of-mouth more than any other resource.

Messages, positioning and brands are suddenly in the hands of millions of people and largely beyond the marketer's control. With brands in the hands of consumers, organizations must approach customer engagement and acquisition in a whole new way.

Marketing professionals are being forced into a new era of communications, that of crowds talking to crowds about products, services and brands. Technology has enabled the transformation from One-to-Many (1:N) marketing to Many-to-Many (N:N) within the past ten years. Today, marketers and their IT partners are grappling with the tools to analyze, measure and react in this brave new consumer-driven world.

The traditional Four P's of marketing (Product, Price, Place and Promotion) are transforming into the Four R's of marketing communications (Reveal, Reward, Respect and Retain). Webtrends has caught on quickly, and is leading the development of a marketing platform that turns data into information and insight for marketers to use accordingly.

1945-1985: AN ERA OF 1:N MARKETING

BRANDING AND DEMAND GENERATION

50 years ago, the communications world was simple, where marketers found success in a formulaic, predictable brand "push." Messages went from marketers to their target customers en masse—promoting the brand through magazines, television, radio and outdoor channels; resulting in 1:N marketing.

Back then, marketing success was dependent upon the Four P's: Product, Price, Place and Promotion. By balancing the Four P's, marketers would theoretically move a prospect through a traditional response flow of Awareness, Interest, Desire and Action. Their tools included print collateral, print and broadcast advertising, direct mail, telemarketing, news releases and media pitches.

Marketers were marketing the known to the unknown. They knew exactly what messages they were placing on which billboards or into which magazines. And they also knew the size of the audience they might reach—after all, they bought advertising space using cost-per-impression measurements. But what they didn't know is who saw their ads... or what those people did afterwards.

1985-2005: THE 1:1 MARKETING ERA

SEGMENTATION AND PERSONALIZATION

With the arrival of digital print technology and later, email, marketers were able to define and segment their audience and therefore, narrow the focus of their programs based on segmentation rules. They were then able to send personalized materials directly individuals: “Dear Mrs. Smith, you may have already won \$25,000 in a Reader’s Digest Sweepstakes.”

Permission-based marketing bloomed in the mid-1990’s, largely due to mistrust of marketers and their personalized messaging. In fact, during that time, a McKinsey study found that only five percent of consumers trusted what they saw in advertising.

As a result, permission-based or “opt-in” marketers worked from the premise that consumers were much more willing to trust marketers than surveys or studies indicated. They believed that customers would be willing to provide personal information as long as they were approached respectfully and their information was treated with trust and security.

(Today, our email boxes are filled with pseudo-personalized offers we now call SPAM, which has caused a rise in “double-opt-in” information gathering methods like RSS feeds.)

Peppers & Rogers Group, the acknowledged experts in 1:1 marketing, spelled out the four key steps of 1:1 marketing:

- Identify your target customers
- Differentiate your customers by their needs and their value to your company
- Interact with your customers to form a learning relationship
- Customize your products, services and messages

Soon, marketers could communicate the known to the known. The importance of respectful, trust-based relationships with consumers became increasingly evident during the late 1990’s. Strict privacy policies became de rigueur, and customers were given the chance to opt in to targeted marketing campaigns. Web sites began to include data collection and privacy statements, stating that the company would: “not share this information with anyone without [their] permission, but use it to gain a better understanding of who is visiting our site.”

Web analytics solutions began to provide marketers with “rear-view mirror” viewpoints of who visited their properties, where they came from, and at what points they entered and exited their sites. Marketers and their IT partners in organizations began to team up in order to read and measure those data trends and attempt to segment and position outbound marketing efforts to engage with visitors and get them to opt-in to direct relationships, or leads.

This is the period in which we started to see technology’s real influence on the marketers’ ability to turn data into information. And with that, the current era of marketing (that of N:N marketing) was being ushered in.

2005-PRESENT: THE EMERGENCE OF THE N:N MARKETING ERA

BUILDING CONVERSATIONS AND COMMUNITIES

In today's marketplace, control of your messages has shifted to consumers. Anyone with an Internet connection can find nearly anything they want and easily compare offerings. This new marketing era is built around the online conversations of millions of people. They're connecting, communicating, consuming and sharing information. In other words, marketers are dealing with crowds talking to crowds about their products and services.

On one hand, marketers (and their sales counterparts) now have access to a huge pool of potential customers. On the other hand, they've lost control of their messages. Today buyers and sellers, friends, fans and flammers are using cheap, ubiquitous technology such as blogs and social networking tools to connect, create, share and communicate with each other—regardless of the time and place.

Messages, positioning and brands are suddenly in the hands of millions of people and largely beyond the marketer's control.

At the same time, in a February 2006 report on Social Networks, Forrester Research stated that today's consumers are considerably less brand conscious and less trusting of traditional media than they were ten years ago when McKinsey measured trust in advertising at less than five percent.

According to Forrester's Charline Li, consumers are now:

- Not as brand loyal. Since 2000, consumers are increasingly likely to say that price is more important than brand, and are less likely to stick with a brand— even one they like. This does not mean that brand is unimportant. It simply indicates that brands have to meet higher standards to ensure customer loyalty. In the words of NewsCorp President and COO Peter Chernin, "mediocrity is dead" for today's typical brand.
- Less trusting. Most individuals do not trust any form of traditional media— and trust levels in all mass media are dropping. The Internet is the only form of media in which trust is rising—albeit from a smaller base. Dropping levels of trust across industries and institutions, accompanied by higher levels of trust for peer-to-peer information sources like the Internet, inhibit companies' ability to form and maintain relationships with new and existing customers.
- More independent. Across media, financial services, healthcare, IT, retail or travel, consumers show clear signs of becoming more self-reliant and less dependent on so-called "experts." Buoyed by the power of online information, users act as their own journalists, healthcare advisors, product experts, installers, repairers, financial advisors and even online security guards. They also create their own products: By some accounts, 10% to 40% of customers customize products or services for their own use.

CREATING RELATIONSHIPS AND BUILDING TRUST

In a world where people are bombarded with more than 3000 messages every day, where more than 80% of people trust word-of-mouth (WOM) more than any other resource, and with brands in the hands of consumers; marketers must approach customer engagement and acquisition in a whole new way.

No longer can they depend on simply turning data into information or a "rear-view mirror" approach to segmenting and positioning in order to engage with consumers.

Today's marketer must utilize technology and their own insights in order to engage customers: to Reveal their most valuable visitors, Reward their actions, Respect their time and Retain their interest in products and services in order build brand trust.

Reveal: Using a combination of web analytics, behavioral analysis and data mining techniques, marketers now have the ability to turn data on web site visitors into actionable information and insights. Customer habits can be turned from anonymous interactions into rich customer profiles. For example, a national restaurant chain has the ability to segment down to the customer level using online tools and a real-world database:

CUSTOMER XXX7852

- **Habits:** Visits two locations for lunch (42% of time) and dinner (58% of time). Responds to free food—visit frequency increased by 540% and purchase amount increased 380% during a “free cookie” promotion (from 0.52 visits per week to 3.33 visits per week)
- **Favorites:** Favorite sandwich is BLT; second favorite is ham and swiss
- **Average spend:** \$11.48 per visit (42% greater than the average customer)

Reward: Once such detailed profiles are captured and segmented, marketers can reward behaviors with offers and information to further engage and delight the customer. In the example above, customer xxxxxx7852 (and others like him) might receive special emailed promotional offers on BLTs (or more free cookies) to entice him in on a weekend; while other segments might receive offers based on their favorites revealed.

Respect: Highly relevant, targeted offers will result in increased trust and respect of the customer toward the marketer's brand. Relevant, personalized messages have been proven to advance from awareness to action. From there, they can progress beyond the mediocrity of the masses to meet today's higher standards.

Retain: As we saw in the example above, the free cookie offer stimulated increased interactions by more than 380%. As switching costs become lower for most brands, and as the cost of customer acquisition grows, the value of current customers becomes more important.

A MARKETER'S DASHBOARD:

THE ESSENTIAL PLATFORM FOR SUCCESS

As marketers implement the Four R's of marketing communications, technologists are developing platforms to facilitate and ease these new interactions.

Today's marketers are using web analytics to include the results they're achieving in other areas of online marketing, such as search engine marketing (PPC) campaigns, banner ads and email tools; as well as measuring consumer engagement and behaviors offline in brick-and-mortar brand counterparts.

As a result, they're not just looking for tools that measure their web property performance, but also a way of bringing together the point solutions they use to measure and track all marketing campaigns in one single system.

Webtrends is taking a leadership position by introducing this new level of customer engagement marketing across the enterprise. With Webtrends solutions, organizations can gain actionable marketing intelligence from web analytics. With this level of insight, marketers get a complete picture of their customer interactions so they can quickly turn

data into results. They can reveal, reward, respect and retain customers across every marketing channel, interaction and touch point—whether 1:N, 1:1 or N:N—no matter who's driving the conversation.

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About Webtrends Inc.

Webtrends is a trusted analytics advisor in the business of collecting, analyzing, delivering and ultimately transforming data into understanding. Webtrends delivers the industry's most recognized search engine marketing, visitor intelligence, and analytics solutions to enable companies to understand their customers, drive engagement, and enhance marketing and brand awareness. Thousands of global organizations, including Microsoft, Reuters, General Mills and Ticketmaster have chosen Webtrends business solutions and client services expertise to optimize their customers' online experiences. Webtrends was the first web analytics company, founded over 15 years ago.

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