Interview

Customer experience management: Industry trends – An interview with Bob Kennedy of Tealeaf Technologies

Bob Kennedy

with more than 25 years of sales and customer consultation experience in high technology and Internet market segments, Bob Kennedy is currently a regional sales director for Tealeaf Technology and a board of directors member for the Atlanta Interactive Marketing Association. For the past 12 years, Bob has held positions with leading enterprise software companies providing solutions for online marketing and customer management, including Covario (formerly SEMDirector), WebTrends, SAS and Art Technology Group. Bob has a broad network of professional associates managing some of the largest online brands in the world and working for many of the leading marketing agencies. He is frequently consulted on trends, emerging technologies and methods to increase customer success and satisfaction.

ABSTRACT Michael Moon interviews Bob Kennedy, Sales Director for Tealeaf Technologies, on topics around customer experience management, business intelligence and the future of web analytics.

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MM: We're here with Bob Kennedy – Sales Director for Tealeaf Technologies.

Bob, let's start off with a little bit of your background and where you are now, with the idea that it will really provide a context for sharing some of your insights about customer experience management (CEM), web marketing and IT trends and some of the related industry consolidations.

BK: Thanks Michael! It's great to speak with you today. To begin, I'm presently employed as a regional sales director with Tealeaf Technology. Just briefly, Tealeaf is the industry leader in CEM software solutions.

As well, I'm presently a member of the Board of Directors for the Atlanta Interactive Marketing Association. In particular, I chair the Web Analytics Special Interest Group. That provides a fantastic opportunity to interact with 70-plus industry leaders and web analytics professionals in the Atlanta marketplace; and, to keep my finger on the pulse of trends in web analytics and interactive marketing.

Before Tealeaf, I worked with Covario, an industry leader in solutions and services for online marketing analytics. Specifically, Covario

provides a unique technology for auditing and interacting with Search Engine Optimization (SEO), Search Engine Marketing (SEM), Competitive and Channel 'campaigns' utilized to drive visitors to a company's web sites.

MM: Bob, as I recall – one of the larger users of Covario is Intel. They manage an inventory of some 50 000–60 000 keywords across 15 languages. They create more of a dynamic marketplace around those 50 000–60 000 keywords. They use measurable traction behavior in any particular market as a way of subsequently buying into that keyword, and provisioning it in or out. Is that a fair summarization?

BK: Like many of enterprise and global companies, Intel does manage thousands of keywords, on multiple search engines, in multiple languages, around the world. As well, this size organization will typically have multiple agencies serving them in various markets geographically and vertically.

The challenge for these organizations is large, and includes: accurate reporting of campaign spend and effectiveness; elimination of internal competition; brand consistency; global and local

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competitive planning; and, strategic as well as tactical visibility.

MM: Great! And before Covario?

BK: Before Covario, I spent worked with WebTrends, a leading provider of web analytics and consumer-centric marketing intelligence solutions. And before WebTrends I spent several years with SAS Institute, a leader in business intelligence and predictive analysis solutions. I also spent a couple of years with Art Technology Group, selling the web personalization and eCommerce technology.

MM: As I recall, one of the areas we'd worked many years ago was with a company called Inso. They had a couple of software solutions – one of which was a Digital Asset Management (DAM) system by the name of MediaBank.

BK: That's correct. MediaBank was an early DAM solution primarily used by print/publish organizations.

MM: Also, as I recall, Inso had an XML content repository?

BK: Yes. Inso had a product known as DynaBase that was a very sophisticated XML repository or content management product and it was a powerful XML 'dynamic' publishing solution.

MM: This provides an unusually broad and varied range of experiences that today really come back to, 'How is it that companies create online customer experiences in terms of technologies and management systems?'

Could you take us perhaps a little deeper into the examination of CEM?

BK: Absolutely. From my perspective companies are finding more and more of their customer interactions to be online. Whether B2C or B2B, there is a great opportunity to attract, serve and interact with customers in a brand-consistent and cost-effective way when done electronically.

The biggest challenge companies face in these online interactions is insuring satisfaction. Did the visitor find your site and the appropriate page in your site using the search terms or affiliates desired? Once on your site, did they successfully 'convert'? This might be a sale, a self-service activity, conducting research, or any number of varied interactions.

For years companies have been buying technology and creating process around Customer Relationship Management (CRM).

To many, CEM is the next generation of that same practice. I disagree.

To me, CRM is internally focused. How do we as a company collect and leverage customer information to our benefit? CRM provides great insight into customer behavior, marketing effectiveness, buyer demographics and so on, allowing our company to better tailor our products, services and go-to-market strategies.

By contrast, CEM is externally focused. With CEM technology and processes our company takes the customers' perspective of our products, services, people, partners and so on. CEM in the online world is focused on how customers choose to interact with our company and were they successfully served.

As mentioned previously, I presently work for Tealeaf providing a software solution for CEM. We leverage Forrester Research data that indicates 91 per cent of executives' surveyed view CEM as very important and even critical to success in 2008 and beyond.

The Tealeaf solution provides companies a means to replay web visitor interactions so our customers can rapidly resolve online issues and so they can assess behaviors that will help them improve their online environments. Having the ability to watch every customer on your site provides unique insight otherwise not available.

MM: Can you give me a specific example?

BK: Sure. Let's say you run the new credit card customer department in a bank. You develop web pages optimized to attract online shoppers for a new credit card and the subsequent pages to capture these visitor's applications and to provide approvals. Part of the site logic might be an up-sell procedure after the visitor has provided income feedback.

During development the designers instituted logic that would offer someone with a six-figure income a platinum card if it weren't their original selection. While the code for this application was tested before launch the designers never considered an applicant for a base line card would have the income to qualify for this platinum offering.

After the site launches you begin to get multiple calls to your call center from customers who are unable to complete the application process. By replaying these callers' sessions you quickly see the up-grade offer is not executing properly and with a view of all visitors who failed

to complete this process you find many more visitors than the few who call the call center.

This example is in line with a recent Harris Interactive poll that found nine out of 10 web users have experienced problems. Of these, 41 per cent immediately abandon the site in which they had the problem. Of those remaining, only 47 per cent will contact the company to report their problem and close to half of these will not get resolution.

MM: So from a baseline of 100 per cent, we're down into the low 20s or high teens.

BK: That sounds right! But companies using Tealeaf have an opportunity to improve their understanding of these problems and the scope beyond what might be only a few calls to customer service. In many cases this insight has saved companies millions of dollars and has provided an opportunity to re-engage otherwise dissatisfied customers.

MM: For the most part, Bob, most companies that are not taking a second-by-second movie of a session ... these companies have no idea why somebody took off.

BK: That's right! Without this insight several things happen. Customers who do contact the company are asked to help diagnose the problem. Often the customer's feedback is not sufficient to help the company find a specific issue. Hundreds of man-hours can be spent trying to recreate a problem. And even when found and resolved the scope of the impact and those visitors affected can't be determined.

MM: In the IT service management area they refer to that commonly as, 'problem determination' – with a specific goal of root cause analysis – what actually precipitated that as an event or a disruption. So in many respects, without the data, you really can't do any problem determination. Nor can you identify the root cause for this very significant abandonment rate.

BK: That's absolutely true, Michael. But it maybe even larger than that. Again, if we've only got a small percentage of users who take the time to give me notification or send me an e-mail or respond to a survey or pick up the phone and call my call center, the question is, 'How big is the problem?'

We've heard from some of our Internet system management folks that they can come in one morning and they've got green lights across

the board on their IT infrastructure. All the servers are up and running. Performance is great. There's no lag time. The applications are all interacting appropriately. All green lights! All good!

But the phones ring and the e-mails are coming in from the marketing department or call center that, 'Hey. We've got problems on the website.'

The next day, they can come in and there are no e-mails or calls from the marketing department or from the call centers. Everything seems to be great. They look at the board and the IT systems are red lights. There are things that aren't talking to each other. Servers are down.

So where's the breakdown? Where's the disparity here?

We've been told specifically by our customers that having Tealeaf, and being able to either troubleshoot those calls that are coming – those feedback mechanisms from the call centers – from marketing and so on ... or having the mechanisms to look at systems from the IT perspective is imperative to fixing whatever's broken. That's probably half the game.

MM: I would guess, Bob, that it only compounds and manifests when we start talking about 'composite applications.' That is, customer-facing dashboard or cockpits that are syndicating in several dozen different applications from a dozen different systems of record.

BK: Sure. Absolutely.

MM: So the composite applications basically make it even more difficult to understand any one particular session and what precipitated someone bouncing out or abandoning the session.

BK: As mentioned, the feedback from visitors tends to be inadequate to understanding the problem and being able to recreate it. With session playback the customer has all the in-bound and out-bound information so they can fully research what has occurred and what did not perform effectively.

Another powerful capability of Tealeaf allows call center agents to replay sessions in real-time, meaning when the visitor calls in you can pull up their session and see what they saw. This adds visualization to the discussion and allows the call center to better communicate the findings to the web team.

MM: It would seem to me that the examples you've used so far have really been transaction-intensive.

BK: Only because they're familiar I think to everyone of us.

MM: Sure. Then there's the adjacent, which is getting someone to consider buying something. So what articles, what Blog posts, most induced someone to step forward and opt into the newsletter or download the white paper or whatever. There's all that kind of presale activity that, for the most part, goes on unmonitored. This gets into the larger area of what I'll call content analysis as opposed to transaction analysis. Right?

BK: That's a great transition to the other half. I said a minute ago that this break-fix analysis of problems is half of what CEM is about. The other half is behavioral analysis. It's proactively analyzing what brought visitors to your site; what they wanted to do; what they did; and, how you can make your site better at serving visitor needs.

Web analytic solutions collect a huge amount of data defining what campaign, keyword or affiliate directed a visitor to your site. Further this data can show you click-path and conversion funnel analysis allowing web marketers to understand past behavior.

In conjunction with web analytics companies are using A/B and multivariate testing solutions to serve, test and evaluate the effectiveness of various content on driving desired behavior. As well, many companies are using voice-of-the-customer systems to garner direct feedback from their online visitors.

All these solutions feed into a CEM model for those organizations that want to improve the experience their customers have with them as a company. As you know this leads to great brand loyalty and even affinity where our customers lead others to us for service.

MM: Right. In fact, I report in our Blog of *Your Google Strategy* – how one particular marketing executive tested almost 1025 unique combinations of, 'Did it have a picture, did it have a quote, and did the quote come from a customer or an analyst?'

He was able to deduce over the course of 4 or 5 weeks the optimum configuration of content, price, quotations, pictures and so on. He got almost a 10 per cent lift as a function of

just optimizing the presentation of the content with real customers.

BK: That's fantastic feedback!

MM: You know, Bob, this might be a good time just to do a quick sidebar on web analytics. Where it's been; where it's now; and, where it's going to be. Which are the firms that are the innovation leaders?

BK: Well, I'm not qualified to speak to whom the innovation leaders are but I can certainly offer my perspective of where web analytics is today. The market leaders include Coremetrics, Omniture, Unica and WebTrends. These companies have somewhat similar offerings if you're just looking for a core data collection, analysis and reporting for web traffic, but each has unique strengths that largely go beyond this core functionality.

I would be remiss if I didn't also mention the great strides Google continues to make in web analytics. Their solution continues to mature and as far as I know they continue to offer significant functionality for free.

Historically web analytics was an IT tool for reporting on baseline site statistics – numbers of visitors, numbers of pages viewed, data usage volumes and so on. Today marketing tends to be the primary consumer of web analytic data and they're more interested in campaign reporting, keyword and affiliate leads, content consumption and click-path analysis, and conversion funnel reporting.

But web analytics is no longer a stand-alone solution. Rather, and as previously mentioned, this is one of many data sets used to assess the success of attracting and effectively serving web visitors.

MM: Right. In the analytics space, it seems to me that there's a quadrant. Basically, you've got log analyzers and then you've got tag-based solutions. They're tagging specific pages or applications. Then you've got hosted SaaS solutions and maybe hybrid or traditional software. Traditional, on-premise software, with maybe a SaaS back-end or something. Can you take us through the thinking – the strengths and weaknesses of those approaches?

BK: In my opinion it all comes down to the customers needs. The first questions a company needs to answer include: what information do I need to capture and report on, and why? Depending on the size, sophistication and

importance of a company's web infrastructure they will define the investment they're willing to make in technology and the manpower to implement web analytics.

Obviously log-file analysis is less expensive to purchase, implement and support. But the data set is less robust and may not answer all the open questions to improve online interactions.

Page-tagging solutions are more expensive primarily because of the time and knowledge required to properly implement them, but the data are much more robust and should provide answers to most of the previously mentioned marketing questions.

The decision for software (on-premise) or SaaS (hosted) largely comes down to a couple of questions the customer has to address around security, data access and integration, and the resources to support the solution. In my experience most companies today are finding ways to outsource every IT solution they can.

MM: Sure. So aside from regulated industries – be it health care or finance, the trend, if I understand you, will continue to accelerate more toward a SaaS and/or a hybrid SaaS.

BK: Well, that would be my assumption from conversations with IT directors. I hear constantly that Service Level Agreements (SLAs) are being increased and budgets are being slashed. IT has to evaluate what is a core competency or competitive advantage and keep those in-house. All else can probably be handled less expensively out-of-house.

MM: Just from what you know directly or indirectly from what you've read, have you seen much activity in terms of taking web analytic data and correlating them into more traditional analytic database of customer records needing transaction histories and so on?

BK: There's often a conversation about integration of web analytic data into business intelligence systems for improved holistic reporting, but very few organizations that I've dealt with are actually doing this. The question becomes 'what is the value of these data to ERP, CRM, BI and other existing data structures?'

MM: We've seen tremendous progress in that area from the direct marketing side of the marketing ecosystem. Those are the big database compilers – Epsilon, Experian, Targetbase, Axiom, Merkle and so on – which have

compiled huge, very rich databases on households, car ownership, as well as credit card history and transaction reports.

They're now putting them into special analytic databases. Then integrating these really rich customer masters to a lot of this more transient web behavior stuff, and starting to develop more meaningful multi-channel marketing analytics. They really start to describe who this customer is. Not as a transaction point, but as more of a multi-dimensional relationship over time.

BK: So that's different that the response I just provided. 'Yes' there is a desire to capture specific customer interaction data for use by the organizations you've mentioned and others, including ComScore and Nielsen. As most companies will see their visitor data as proprietary they're more than likely not sharing it with an outside information provider.

DoubleClick is an example of one company that captures some of this data via their ad services and I'm sure there are many others that aren't coming quickly to mind.

MM: But you and I both invest with Schwab, for example. So when we go onto Schwab, they've got a lot of the most sensitive data about us already. So if there are offers they could make that speak to my role as an economic actor, I'd say, 'Yes. Hey – good! Bring it on!'

BK: So that's more about internal personalization rather than industry persona development. Right?

As a matter of fact we've discussed this very topic several times in my web analytics group in Atlanta. Companies are constantly trying to define a manageable set of personas that represent the majority of their site visitors so they can fine-tune content creation, marketing campaigns, product or service offerings and so on.

MM: In that context, a persona would represent a facet of my social identity.

BK: It might. Or, it might speak to your behavioral trends specific to one company or organization.

MM: So what kind of trends have you seen in terms of developing these personas? For example, I just read that MySpace has now spent a tremendous amount of time and money developing what they call

‘micro-niches’ – about 1000 or so very specific interests that they’ve mined from the profiles on MySpace pages. They’re then able to offer very specific activity-based or identity-based groups to advertisers seeking to get into that group.

BK: This isn’t at all an area of expertise for me but organizations like MySpace will certainly have interest and resources to develop such micro-niches beyond what a typical business would have. In the web analytic SIG discussions mentioned previously, corporations seem to be struggling to keep these personas in a manageable – 6 to 12 – range rather than building out hundreds or thousands of micro-niches. To me the question is ‘what’s the value of sub-divided users to that level unless you have products or services that are so unique?’

In your example, MySpace is looking for more and more exclusive groups of subscribers that will appeal to a large and diverse audience of advertisers. This makes sense for them to have thousands of personas.

MM: Yes. This might be a great place to segue into another sidebar, into search engine marketing. Can you give us a little bit of a history in terms of search engine marketing – both in terms of practice and vendors, current state and what you anticipate will emerge or continue to emerge as a future state?

BK: Sure. To my knowledge search marketing evolved in the mid- to late 1990s, as the number of search engines increased and marketers saw an opportunity to influence the search results on these engines. Today search marketing is defined by a couple of categories – SEO, also referred to as natural search, is an effort by site creators to insure that the structure and content of their pages will properly ‘feed’ the search engine spiders so their company’s pages get top ranking. On most search engines these results comprise the lower, left body of the results content.

Search Engine Marketing, also referred to as paid search, is an environment where keywords are bid on for ranking. These results typically display at the top, left and down the right hand side of the search results content and most often have a shaded background and even a ‘sponsor’ designation title.

In my experience SEO is handled by a combination of in-house personnel and outside consulting or agency expertise depending on the

importance of search rankings and the volume of keywords an organization is managing. SEM, by contrast, is almost always handled by an outside agency and sometimes by several when there are unique industries, product lines and/or geographies being served by a company.

Earlier I mentioned working for Covario that provides a suite of software solutions to help companies audit the effectiveness of their SEO and SEM processes. As the volume of keywords under management increases the need for automation becomes important and even mandatory.

My impression of future state is one where technical solutions, consulting and services will be imperative to successful attraction of site visitors. More and more social media infrastructures will play a role in site attraction success so look for an ever-changing landscape.

MM: This parallels, as I was about to say, the traditional role of a full-service agency. Specifically, this would be a group that is expert in understanding the syndicated research and the various research sources as a way of slicing and dicing the data to achieve an optimum media mix. That traditional analytic tradition has – I think – moved toward some of these more digital things. Be they SEO or SEM and other forms of online or engagement services.

Do you think it holds, then, Bob – in terms of the future – given that it really is an analytic-based practice and that those skills tend to be pretty rare generally ... Does it then follow that the SEM trend will continue to favor or move toward specialized agencies?

BK: I do think the trend is for companies to hand off or outsource SEM to agencies with a specialization in Internet marketing. There’s a lot of money in play. Companies spending these dollars need to have a high degree of trust they’re getting proper positioning for the dollars invested and that this positioning is driving the desired visitors to their site.

I believe agencies must build or license technology to improve their ability to manage these processes. I also believe agencies or some form of service provider needs to ‘mentor’ online marketing best practices to their clients for a couple of reasons.

If online marketing is viewed as a black art then it will be difficult to view it as a strategic initiative of the company. If the agency holds all

the skill or knowledge about these practices then in-house champions can't articulate value or influence KPIs that are span online and offline initiatives.

Google and others are actively taking on this consulting role in competition with agencies and in support of company in-house plans so again the agencies need to transform from exclusive outsourcing to more of a mentoring partnership.

MM: Yes. This goes to a conversation I've been having with other innovation leaders now for several years. In one sense, Google really owns that whole keyword/adword space. And the organic search that makes it relevant.

The second thing it has as an ad network. Both adwords, as well as banner ads and rich media things, in terms of animation and things like that.

The challenge that Google has in terms of growing its business is that online only represents one portion. Granted, a significant and rapidly-growing portion, but a portion nonetheless of the total spend.

So there's a still tremendous – many hundreds of billions of dollars – spent in print, broadcast, out-of-home as well as direct mail and catalogue and so on. They've made moves to say, 'Let us create a marketplace kind of network for that.' Be they spot display ads in print magazines with a barcode reader in it, so that consumers can scan the barcode with their mobile phones and get a coupon or whatever.

This comes back to what Google just recently announced. I don't know if it's a formal announcement or a beta announcement, but essentially a dashboard by which to integrate the Google analytics or Google scene in terms of 'What's going on,' in my website, as well as in the marketplace as it relates to concepts and products listed on my website. With the ability then to buy things.

Now we're talking about a market planning desktop.

Can you validate pushback? Refine that narrative? And then perhaps explain how you see it working in the realities of the clients with whom you work?

BK: I can't really comment on those statements as this is outside my area of knowledge. In my opinion this plan makes a big assumption that the creative capabilities and the experience of an agency are of less value than the automation of

those processes and the buying power of a market maker like Google.

MM: I think that heightens a narrower, deeper, slice of creativity. That would highlight the price premium that someone who really understands a very specific part of an overall engagement theater.

I'm really talking more about disintermediating the traditional media planner who – for the most part – was the only one able to translate the analytic insights into concrete action items.

BK: Agreed.

MM: Can you summarize some of the vendors that are leading the way in terms of SEM? You mentioned Covario. Any others in that space?

BK: Covario's the only software solution I know of that provides automation and auditing solution for SEM versus the placement solutions offered by companies like Omniture and WebTrends.

MM: Great. I'm going to use this opportunity, Bob, to circle back on a topic that you introduced earlier. The term that you used was, 'Voice of the customer.'

BK: Yes.

MM: I'm familiar with the term from my exposure into Six Sigma and Lean Six Sigma. More of a formal quantification of customer satisfaction and utilization rates and things like that. What do you mean, when you're using 'Voice of the Customer,' as it relates to CEM? What does that entail? Where's it been and where's it going?

BK: 'Voice of the Customer' speaks to technologies that allow for direct customer dialog in an online environment. Primarily this takes the form of surveys and direct customer feedback. In particular there are two companies leading in this solution space: iPerceptions and ForeSee Results. Both have compelling solutions and back it up with consulting from business analysts helping clients to take action on the data collected.

Another emerging opportunity for customer feedback is mining content in social media environments including Blogs, Chat rooms, Facebook and MySpace and so on. Gaining access to this data and being able to aggregate remarks into categories could provide online marketers with tremendous insight about brand perception and loyalty, competitive and

complimentary products or services, and many other associations.

The bottom line is companies need to get direct customer responses to add with statistics gathered in other interactions so they have a complete 360-view of their online visitors.

MM: Yes. Early in our corporate history we did a lot of surveys. There were several almost axiomatic truths that have distilled from having surveyed over 50 000 people. I personally have interviewed probably 3500 or 4000 people.

Surveys are highly structured, scientific collections of bullshit. They give you top-of-mind associations and more specifically speak to the expectations of the person asking the question.

Most of the survey data rarely come back to anything meaningful or insightful in terms of buyer behaviors. This really relates to the superficial, although necessary, task of understanding what your customers are thinking about. Understanding what customers think very rarely correlates to what they actually feel and do.

BK: So in this online context you not only ask the question and get the response but you also correlate this Q&A to what they were doing during the session and what they did after the question was asked and answered. Perhaps this will provide valuable insight for CEM.

MM: The thing that I've tracked now for going on a year and a half is that companies have begun to do extended, open-ended interviews with customers at various stages of what I'll call the 'customer journey to success.'

In some cases, they're not yet customers. In some cases, they've just bought something but they haven't really yet made an emotional commitment to buy it again or to use it. All the way through arm-waving evangelists.

These interviews then get transcribed. Often, verbatim – with all the broken grammar and syntax that it often entails. These transcripts then move into a specialized content database, using a text-mining engine. We start doing semantic tagging, so as to identify topics and trends and topics. And some more advanced text analysis. We start to understand and to quantify things like sentiment. Keywords and phrases that are positive, negative and neutral, as they relate to a particular policy, program,

product, technology, market, demographic segment.

So these text-mining and special voice-of-the-customer databases have really started to document and crystallize the taxonomy of awareness, consideration, trial, purchase and advocacy.

I say the taxonomy of that meaning that there are specific keywords and phrases. Some of them are related directly. Some of them are only indirectly related. This taxonomy of satisfaction then becomes the basis for social media monitoring, by which to start tracking the conversation about your product market customer segments, relative to those keywords that you've identified – and then starting to really build more meaningful dynamic day-to-day dashboards.

The idea is then to identify who in your market really has emerged as an advocate for a particular type of application or for product usage.

BK: This sounds much like the interaction you would want in a BLOG or social media interview. To get the best perspective you should engage with Jerry Tarasofsky (iPerceptions), Larry Freed (ForeSee Results) and even Rand Nickerson (OpinionLab).

MM: In my conversations with folks in Europe, who really seem to be ahead of us, in terms of really understanding the 'R' in CRM, really understand that first of all, you need to have a life cycle model for what it means to be in a relationship with a brand. But also, do we have an explicit data collection model for collecting what I call 'brand interaction data,' very early on in the awareness and consideration process?

Something else that I've seen in this area that's really been a startling breakout success for some of the digital agencies is the use of viral videos that are part of a guerilla-marketing program. Viral videos explicitly designed for presentation and consumption at YouTube, FaceBook and some of these other video-sharing sites.

Then, tracking who actually downloads or posts or syndicates in those videos of their Blogs and writes about it. Then making an outreach to the people that posted favorable things about these humorous product placements. Almost like a paid feeding of viral videos.

BK: I'm sure it won't surprise you to know that Coca-Cola spends a lot of time and energy monitoring that very thing. Feeding that very engine. You didn't mention it, but I'm sure you're aware of Second Life. Burger King, in particular, spends a great deal of time and money on Second Life, which doesn't immediately correlate back to store sales, but certainly does speak to that lifetime brand.

How do we find our customers in their place of preference and continually reinforce the brand? There are certainly some forward-thinking companies that don't necessarily interact and sell stuff on the web, but they're certainly using those mediums to solidify that brand loyalty.

MM: I'm glad you mentioned Coca-Cola. They were one of the early adopters of this smart promotional platform from a company that's since gone out of business. It's part of ePrize, now.

It was an interactive, smart promotions platform. It had mathematics underneath it that came from two PhDs in Mathematics and game theory. Preference options would be similar to when you get an e-mail from Amex or Delta Airlines and they say invite you to make a bid on these four packages.

They invite you to make a bid, combining n -number of airline frequent-flyer points, membership points as well as hard dollars. They will choose five people over all the contest participants who got those packages.

BK: Cool.

MM: The net result is they end up collecting a lot of data from you. After you do several of these preference options they know, for example, that you're single and that you have a proclivity for fun in the sun.

There are probably three or four more meaningful things they've learned from you as a function of your preference options or preference bids. It goes to the underlying game theory of how you elicit truthful information from anonymous actors.

So, game theory is just the mathematics or science of incentives to induce a particular behavior.

Coca-Cola was one of the very first adopters of this very sophisticated gaming platform. The challenge, of course, of that otherwise elegant concept is that it takes real rocket science. It

takes somebody who's got a PhD in quantitative methods and game theory to really understand how to construct and design these interactive promotions such that it produces the desired result.

BK: Agreed.

MM: As web analytics goes from more or less forensic reporting of anonymous behavior to now predictive models of what customers are likely to respond to, the underlying analytic discipline shifts from quantitative methods to things that are more forward-looking – be they game theory and predictive modeling.

When we talk about, 'Who has skill sets in predictive modeling and econometrics?' Aside from analysts that are working at hedge funds and in New York City, and getting paid \$300 000–\$500 000 a year, it seems to me that agencies will step forward into that opportunity with a founder or some equity participant. Secondly, it seems to me that there'd be a natural gravitation toward the largest concentration of PhDs in Mathematics – India. And India may emerge, in fact, as the center of excellence for more prescriptive analytics and modeling of games, promotions and brand interaction through a life cycle.

BK: I guess in response I'd say that the challenge the web analytics vendors play or have right now is that, by and large, customers – people using web analytics tools – are implementing 20–25 per cent of the capability of the solution to begin with. Limiting their use to data collection, analysis and reporting.

So, the more advanced, predictive modeling that you're speaking to ... while it might be something that they'll ultimately build toward, the question is, 'Will a majority of companies take on the task of implementing this capability?'

MM: I think that the agency will make that an opportunity and will invest in the tools and technologies to automate the tagging of your pages, and the reporting that comes from that, as well as the interpretation of what that means with very specific prescriptive outcomes in terms of what we need to build next.'

BK: I totally agree with you. I think it's going to have to be a service provider. It's not going to be the end company that's going to try to have that expertise in-house.

MM: Yes.

BK: That argument could be fought from the other side, you should talk to SAS Institute where they have hundreds of Analytic PhDs on staffs that are building very robust predictive models. The question is, 'How many commercial companies are sophisticated enough to take advantage of that technology.'

In traditional modeling, companies continue to struggle with defining appropriate and actionable conversion funnels. Marketing is typically concerned with getting more visitors to the site and at the top of the funnel. And Marketing tends to be satisfied if somewhere between 2 per cent and 4 per cent of this top-of-funnel visitors make it all the way through as that meets with 'industry standards.'

But who in the organization is focused on increasing that conversion percentage? It seems to me it would be more cost effective and more brand desirable to get a larger percentage rather than focusing on drawing more visitors in. Particularly in an environment of great noise, over lapping options and fickle consumer behavior!

MM: Yes.

The Miller and Heiman folks that came out with that canon of sales management strategic selling that came out in the 1980s – Miller recently wrote an article in *Brand Week* in which he describes the sales funnel. You call it the conversion funnel, which I guess is a little further down.

He said that most companies – especially younger companies – have these wicked peaks and valleys in their monthly revenue, as a function of spending too much time in the bottom third of the funnel – which he characterized as 'closing.' In his model, he simply trisected it into prospecting, nurturing and then closing.

He said it's very common for a company to spend most of its time-resource-money on the closing function – which leads to these wicked swings in revenue on a month-to-month basis. He said that ideally, you want to have an equal distribution of time, money and resources.

He was advocating – to contradict you a bit – to put more people into the funnel so that some number of them will bust the rate and zip right down to the transaction, because they're so desperate to do something.

I think to your point Bob, most companies do a mediocre-at-best job of nurturing deals already in their pipeline.

BK: I would fully agree with you.

MM: I concur that for incremental investments, it would seem to me that if you could reduce your attrition rate by just 10 per cent, you could in effect double a conversion rate.

BK: Yes.

MM: In terms of gain-for-pain, it seems to me that getting the easily implemented solutions done first would probably result in a very noticeable and tangible return on investment.

BK: Agreed.

MM: So as a way of starting to summarize these points – what are the things that a proactive eBusiness manager would want to do in terms of maximizing the efficiency of their nurturing process? Clearly we need to monitor what's going on. Right?

BK: Yes. I think we need to monitor it at a very tactical level. Internet managers should spend more time answering the 'why' questions that come from campaign reports, analytic reports, voice-of-the-customer responses, social media pages and so on.

'Why aren't we getting the response that we expect on campaigns?'

'Why are lengths of visits, page views, returns by recent visitors surprisingly up or down?'

'Why is customer feedback so infrequent?'

MM: I've got data that say, 'Oh. I've got a user experience or a user interface problem here; I've got fuzzy, indistinct content and product descriptions here; I've got an SLA that needs to be improved because I've got too many timeouts or I've got a server overload.' Something like that, right? So, in monitoring, you want to identify some number of things to do. Right?

BK: You're right. In the beginning it's about structural and technical issues that tend to be the 'fires' that keep most organizations in perpetual reaction mode. Next the organization will focus on product, segment, campaign and other sub-groups to improve interaction and success.

At some point it should become important to transition from being reactive to being proactive. At some point in the life cycle

companies will proactively focus on customer experience and improved satisfaction with an eye on turning customers into ‘raving fans.’

MM: This mirrors what we’ve seen in the IT service management area. Specifically around self-managing autonomic computing, advanced by IBM and other vendors. The core building block concept of self-managing systems is something that they call the ‘MAPE’ loop. That’s an acronym for Monitor Analyze Plan Execute.

If I can apply the MAPE loop to your conversion funnel, we need to do a better job of monitoring what’s going on in the conversion funnel.

The analyze part then really starts to ask – to your point – ‘Why are we only getting 3 per cent? Why not 10 per cent? Why not 20 per cent?’

This will go back and forth between the IT service management and the equivalent of a service level agreement. What set of ongoing benchmark scorecards can we establish with the idea that, ‘If we can measure it, we can improve it?’

Having really good performance indicators or performance benchmarks as part of that analysis becomes critical.

The other part then entails understanding what the data’s telling me. Back to the MAPE loop – the ‘P’ of ‘planning.’ Planning really entails having a framework by which you can execute. So it seems to me that once I’m monitoring customer experience and engagement success, now it shifts.

From, ‘Okay. Here’s what we need to do,’ to, ‘Now, let’s do it.’ That puts emphasis on engagement systems. Some of that maybe entails some sort of a dynamic messaging system. But it’s driven by some sort of analytic profiles or personas, and it has a bunch of content in the newsletter that was really optimized for the intended person, given their customer profile or session behavior.

That then suggests that as I start to react almost in second cycles, as they begin to receive these bounce-back or outreach confirmation e-mails, there are click URLs in the newsletter that if they click, basically validate, ‘Yes. We’re on-target.’

So there’s a closing of the loop between something that happened, some behavioral data

generated, some analysis of that data in terms of, ‘Here’s what it likely means. Let’s go probe and test it – either as a function of something that was served on in the session, or something that was served by means of a messaging system subsequent to the session.’ Closing that loop and then also validating that, ‘Yes, you are who you are, and you’re still interested in Category X or Y or whatever the criteria is,’ that you’ve associated with a particular persona.

Then ultimately, we’re talking about maintaining that data in a useful way. Such that when you come back and visit again, there’s even a further tighter loop. Ultimately driving us all toward individualized content, where every page is my home page. Where all search engines in a faceted search framework reflect the needs or the taxonomy of awareness, consideration, desire and satisfaction of ‘me.’

Based not only on my transaction, but my brand interaction histories. That thereby closes the loop of what I’d call an overall engagement cycle.

I know that was a lot to listen to, but does that make sense?

BK: That makes sense. In my experience, the handicap to implementation or improvement is a culture of change. It’s an environment where you can be agile enough to ask those questions and then make the appropriate changes. That might be something as simple as, ‘Why is this page not optimizing correctly,’ and then having an infrastructure where you don’t have to wait weeks or months for a web development team to make desired changes in order to have an impact.

I think the desired environment is something everybody would sign up for. Automating it or having technologies to support it would be a desire as well. Now it’s a matter of, ‘Can I get any bang for the buck if I spend moneys on systems?’

MM: Yes.

BK: Is that fair?

MM: That’s completely fair. Lastly, I’d like to address the culture of change.

BK: Yes. That’s been the big frustration as a technology salesperson for 20-plus years. Technology should stay ahead of actual implementation, or I wouldn’t have anything to sell tomorrow. But being on the bleeding edge in most cases with these technologies, it’s been

frustrating to find that getting folks to embrace change – not necessarily just technology – they expect, ‘I’m going to buy your stuff and I’m going to get all this great insight, and therefore, things are going to change.’ Well, they’re never going to see improvements if the organization isn’t structured such that we’re going to take that information and make use of it.

MM: This gets to a real focus of ours around what I call, ‘Innovation Leadership.’

I’ve found that many product companies – whether Apple or HP or Bose or Ford Many product companies have well-documented, structured and repeatable innovation processes for product innovation.

But when it comes to process innovation and service innovation, I’m finding that most companies are completely out to sea. Almost completely bereft of any structured or repeatable processes for innovating new processes.

As it relates to new technology, most senior-level executives – specifically those who are signing checks or releasing funds – tend to see their organization in terms of operational capabilities. They consist of systems, processes and accountabilities. I’d define an account-ability as an agreement by and between an employer and an employee. The account-ability is not just a role and responsibility but also explicit daily reporting requirements by which an employee reports on a daily and weekly basis some number of facts that – when rolled up – indicate an aggregate process toward strategic planning. Or progress toward objectives of the strategic plan.

But Bob, I’ve found that most companies have very fuzzy, indistinct, if not conflicting, accountabilities for people in their groups that work for them. As a function of not really having an explicit by and between an employer and an employee with a focus on not just, ‘Here’s what you do,’ but, ‘Here are the five business facts that you agree to provide on a daily basis,’ that will then roll up into some overall organizational performance scorecard.

As a function of indistinct, incomplete non-existent or conflicting account-abilities, it’s very difficult to introduce any proposed change into that organization. As soon as you say, ‘Well, let’s do this,’ all of a sudden, you get a whole

bunch of people in the room starting to turn funny colors and looking down at their shoes and saying, ‘But you don’t understand!’ Right?

BK: Absolutely.

MM: For me, I take this notion of a conversion funnel and call it a ‘buying funnel for new technology.’ Most of the hindering forces to change really come back to fuzzy accountabilities. There isn’t anything that you as a vendor can do about the accountabilities, and therefore, the lack thereof in a buying organization other than to suffer RFIs. These are all endless sales cycles.

BK: Yes. I couldn’t disagree with anything you just said, because that’s the environment. I guess we’re starting to slip away from a technology discussion into a social behavioral discussion. I can only bring this back to my personal world.

MM: Right.

BK: I sell technology with a hope and an assumption that it’s going to improve processes and effectiveness, and make somebody’s life at the company I’m selling it to better. The personal account-ability and responsibility I want to take is constantly educating myself on trends, best practices and impact. And the result of that education and knowledge, I want to bring to the market by saying to my customers, ‘I’m not just selling you technology that I know has worked for others and I hope works for you,’ because I can’t control you changing. Rather, ‘I would like to sell you technology as the first phase of a process of engagement that is continued consultation and mentoring on implementation and best practice.’

MM: Yes. That really defines the role that I might refer to as a ‘trusted technology advisor.’ That really emphasizes facilitating or enabling a new or enhanced operational capability of the firm. So getting people to choose what works almost always comes back to communication, interaction and collaboration that a trusted advisor would hold the context for. It’s about always having the next step clearly identified with some sort of 30- or 45-day plan that is moving you toward that particular step. Does that kind of describe your role, at this point?

BK: Absolutely. That's a role I love to have. I think the challenge is always that vendors are looked upon as providers – not necessarily consultants or advisors.

MM: I think the vendor that succeeds in moving forward will, in fact, have to become a trusted technology advisor and an enabler of change – and a facilitator of the communication,

interaction and collaboration that must occur across functional lines or lines of business within an organization, so as to unlock the value of the technology that they bought.

BK: Agreed.

MM: Fabulous. On that note, I'd like to conclude our session today. Thank you again.

BK: Absolutely, Michael. It's been my pleasure.