Editorial

‘Have a nice day.’

Is this the sort of heart-warming sentiment that sends you on your way with a smile on your face and a lift to your step?

Or, conversely, does it immediately fill you with loathing for the spotty-faced youth handing over your hamburger and having the effrontery to imagine for one moment that you are in the least bit impressed by his (or her) ability to remember to end the transaction with a clichéd and rote-learned valediction?

Strong stuff. Though whenever the subject surfaces in casual discussion, it has been my experience that strong emotions are stirred by such simple pleasantries.

In part, I suspect, it is a cultural thing. If you live in the UK, you soon become used to our meanness with words. For sure, we remember and extol the virtues of small traders who greet us cheerily, talk openly about the work to be done, and sign off in similar fashion. For it is one thing for us to be on the receiving end of genuine cheerfulness from someone doing a real job for us, but it is quite another to put up with the faux bonhomie that seems to be the increasing trademark of all manner of franchises and phone sales teams that do not know us at all. We do not like being treated to an over-familiar first name assault by some anonymous insurance salesperson, whose only claim to know us is that our phone number just popped up on their computer screen.

If I had to put a finger on what we dislike about it, it is too impersonal, too

dehumanised. It is automated personalisation masquerading as the real thing. It is not true.

That is a significant warning for anyone thinking of moving over to automated customer relationship management (CRM). Because for many companies, CRM and automation have become almost synonymous.

And therein lies the rub: people like to have a relationship with suppliers. But the degree and depth of that relationship needs to be gauged very carefully. It must strike the right chord. It must be appropriate. For in this game, the greatest sin of all is to be — or to appear to be — inappropriately personal.

It is a conundrum that leapt out at me as I reviewed the papers published in this issue. It begins with Bruce Ratner’s consideration of the GenIQ genetic algorithm, designed to maximise expected response and profit from solicitations. Similar issues are raised by Linder, Geier and Kölliker, who look at three of the most commonly used modelling methods for targeting customers in direct marketing: neural networks (ANN), classification trees (CT) and logistic regression (LR).

Don’t get me wrong: this is a very valuable approach to take. You cannot have worked in CRM or direct marketing for long without sooner or later being asked to develop mechanisms for targeting your message better.

Where this starts to become of concern is when response optimisation is coupled to automated systems for generating communications. Sometimes

the system just decides it is time to communicate. In other cases, it will decide the tone and content of the communication as well.

Magson and Dipple provide a case study that hints at another part of the overall picture. They explain how their agency, Talking Numbers, approached a modelling task in the travel sector. The key point here is that, although theirs is a fairly classical approach to the issue, it emphasises human involvement.

Here is the nub of the problem. As technology advances, it becomes easier and easier to build tools that will score, segment and target our customers automatically. There are significant advantages to a GenIQ type of approach — not least that it reduces the need for employing quite so many expensive data analysts.

Having analysed our customer database, we may sit down and plan who to approach and how to approach them. Again, though, this part of the task is handed over, increasingly, to automated software. To date, it is the selection rules that tend to be automated. But selection engines, coupled with some of the latest breed of campaign management tools, are also capable of determining tone and even content of the approach.

Finally, as the response comes back, it is to automated systems once more that we entrust our decision making: automated credit-scoring programmes decide who to accept, who to reject. Automated profitability calculations may take the process a stage further, so individuals may be accepted or rejected as customers for reasons that have little to do with their creditworthiness.

The onward march of technology cannot be stopped. Nor would I argue, for a moment, that it should be. As always, though, I would counsel caution. Because there are many things wrong with an approach that relies too much

on automation, too little on intelligence and common sense.

First comes a salutary reminder. The law on data protection makes it illegal to rely solely on automated decision making. It does not forbid it; however, it does require organisations to have put in place non-automated systems to deal with customers who demand to be treated in such a way. As ever with data protection, this is unlikely to happen: most consumers do not stand on the small print of their rights. But it will happen occasionally, and it is always better not to be the company that becomes the legal test case.

Secondly, if one is to rely on automation, it is important to ensure that the system is getting decisions right — or at least, more right than the marketing department used to. Otherwise, you have taken a very large investment, and used it to embed your company in a sub-optimal performance framework.

Thirdly — and this goes well beyond software and brings us back to false personalisation and the over-familiar salesperson — if you are going to script every aspect of your sales process effectively, then automate your salespeople, and be very aware that most customers have an exceedingly fine nose for insincerity.

It is nearly 15 years now since I was involved in research by one of the UK's leading direct marketing agencies into issues raised by personalisation. The conclusion — which probably did not need quite so much or such expensive research to produce — was that personalisation raises response rates. Unless people can see through it, whereupon it seriously depresses rates.

Few organisations possess good customer data. Even fewer possess data that is good enough, without significant extra work, for automated processing.

Yet more and more organisations seem determined to carry out this process.

The two remaining papers in this issue provide elegant reminders of the dangers involved in this approach. Behram Hansotia shows us how customer lifetime value is the company's customer equity: by implication, reducing lifetime value is to reduce your equity and to damage your business.

And Chen and Chen look in some detail at what is not working in eCRM. It should come as little surprise that amongst the factors that contribute to success are customer knowledge, and

customer-focused IT effort.

As always, the issues and the answers are complex. Automation is a double-edged approach, bringing benefits; but equally, if misapplied, bringing damage, too. It is a tool, like any other, needing to be used and guided by intelligent humans.

By all means automate your CRM. Just don't automate it to the nth degree.

Have a nice day!

JOHN OZIMEK
Managing Editor