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with cross-selling?

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DATA



Will telemarketers switch to delivering a targeted offer over the phone instead of mass cold calling? Robert McLuhan considers how outsourced contact centre and telemarketing suppliers are responding to the rapidly-evolving UK market.

Is the future inbound?

On the surface, the UK's contact centre industry is in rude good health. A survey by Contactbabel published in February showed it growing by 5.5 per cent last year, not far behind the seven per cent rate recorded in 2004, assuaging fears that it would succumb to cheaper competition from India and other offshore centres. The report attributes much of the growth to the continued rise of Internet shopping, which has now almost reached the level of high-street department stores and requires a major call centre resource to support.

Not all positive

But look more closely and one sees that the industry is in a stage of major change. Because of profligate and undisciplined use of the telephone for selling by many companies over the past five years consumers are in a state of open revolt. Registrations to the Telephone Preference Service (TPS) are expected to

account for three-quarters of the available UK prospect pool by the end of this year, raising fears that the phone could end up becoming purely a service medium, and one with limited interest for marketers.

Of course, companies will not give up a promising sales medium without a fight. But while for some this will involve harassing the dwindling pool of non-opted-out consumers until they too are driven into the arms of the TPS, others are looking at sustainable long-term solutions. The name of the game now is to take a more gradual approach, nurturing contacts with willing customers with a view to getting sales further down the line. Outbound activity will continue to customers and prospects who have given permission to be contacted on the telephone, but more and more selling activity will be conducted on inbound calls, by the "blended" agent combining service and sales.

If making this adjustment is troublesome for some companies, they have only themselves to blame. Tim Beadle, managing director at Marketing Improvement, says: "The telemarketing industry has been consistently shooting itself in the foot for the last five years. They have been carpet bombing the world, when they should be using data intelligently."

As an example of what can be achieved, Beadle cites the profiling activity his agency carried out on behalf of a Bournemouth-based insurer, to identify which of its customers were most responsive to telemarketing, and those who preferred direct mail. Not greatly to its surprise, it discovered that there was a clear distinction between the two groups. Acting on this information, the company stopped calling as many as two million people and sent them a mail piece instead. This had two effects: response rates shot up, and the ongoing damage to the brand caused by consumers receiving unwanted calls ceased.

Beadle stresses that it does not necessarily matter if a call fails to result in a sale, as long as the agent can gather crucial data that may bring success later on. A key to selling insurance is to know when the consumer's existing policy comes up for renewal, so that they can be called at exactly the right time. In this case agents went out of their way to get the renewal date, building up a 15-million strong database.

"If you ring someone and tell them their insurance is due next month and you can give them a better deal, it's a much better way to start a call than to ask what they plan to do about their insurance," Beadle points out.

Poor timing is also an issue for Caroline Worboys, managing director of Broadsystem, who criticises the way organisations expect consumers to jump to their command. People are signing up to the TPS because they don't like this 'one hit call', not necessarily because they don't want the product or service, she argues.

"For instance just now a lot of people are worrying about energy prices going up and would be receptive to being called with a cheaper offer. But if they are called at six in the evening when they are trying to put the kids to bed they won't respond."

Rather than calling to try to make an immediate sale as has been standard practice for decades, Worboys recommends that organisations simply keep in touch, and wait until the time is right before making an offer. This is something that many companies lamentably fail to do, which means they miss out on obvious opportunities. When Worboys moved house recently she became exasperated at the difficulty of registering her change of address with her credit card company, since no one there seemed to care about it. Eventually she stopped paying her monthly bill, which soon triggered a call, but no other marketing

action to result from the house move, despite it being a classic marketing trigger event.

Having the right information is an essential precursor to moving to making more timely offers. A customer's transactional behaviour can be used to help decide how to approach them in an informed manner and get their buy-in, either to talk now or to send an email later on and be called back. An issue here – and one which many companies are likely to find difficult – is that it involves a departure from conventional performance measurements.

Instead of focusing on getting calls done in under two minutes, the priority shifts to the quality of the customer experience and achieving the desired outcome. "There's a very fine tightrope to walk there, how to satisfy the consumer without compromising financial efficiency. It's not easy, and may require a change of business culture," Worboys says.



Bright, well-trained professionals don't need scripts

Sureya Landini, managing director, Blue Donkey.

Vodafone sells on inbound

Vodafone has been successfully using predictive analytics to make relevant offers to inbound callers. Although the company recognised the need to treat every customer contact as a sales opportunity, it relied on the quick thinking of agents to identify cross- and up-sell opportunities. But it was proving difficult for agents to assess a customer's individual situation and choose which of a growing number of products to offer.

It now uses a solution provided by PCA Group that combines the current customer data with dynamic offers and offer rules. The software prompts the agent in real-time with the best offers for the customer, based on a combination of probability of take-up, value to the customer, and value to the organisation. Scripts detailing the content of the offer and the rationale for mentioning it accompany the offers.

An initial pilot developed to support 1000 simultaneous users achieved 10 recommendations per second. The take-up on offers is typically between 65 and 85 per cent. The system is also being used to aid staff in retail stores.

Mobile users that have a personalised answerphone message tend to receive more messages, and as a result spend more time on the phone, increasing the company's revenue. One objective therefore is to identify callers who had yet to create a personalised message and offer to help them with it. This is achieving a take-up of around 70 per cent.

Another benefit is to increase customer satisfaction, as customers are pleased that the organisation knows them as an individual and is identifying relevant services. There is also a reduction in time wasted attempting to sell services that are not suitable or are already used by the customer.

"Outbound marketing will not go away but it clearly faces challenges in the form of customer fatigue and increasing regulation," explains Martin Dixon-Tyrer, director of customer relationship marketing at Vodafone UK. "This solution gives us a different way of getting our message across to our customers in a way that benefits both them and us." The results have been "phenomenal", he says.

"By treating each customer contact as an opportunity to deliberately engage in a meaningful dialogue, we are able to build true relationships and lasting loyalty," says Dixon-Tyrer. "Customers feel valued because the interaction is not simply a hard sell but an informed discussion about them and their situation. This in turn inspires our staff to use the system."



The telemarketing industry has been consistently shooting itself in the foot for the last five years

Tim Beadle, managing director, Marketing Improvement.

Inkfish is starting to see more companies follow a programme of contact that starts with an initial welcome call to new customers, and follows with a three-month health-check before attempting a cross- or up-sell after six months. That is preferable to a one-off short sharp shock that risks failure, and puts the customer off further contacts.

Director of sales Ray McDiarmid says: "If the first call is to check that everything is OK, and that the service provider is meeting the consumer's expectations, they feel less threatened in subsequent calls, making it easier to gain a sale."

For instance, automotive customers have typically no sooner bought a car than they have someone ringing them up to try to sell an enhanced breakdown package. That can leave a bad taste. An alternative is to ring up to ask about the quality of the dealership and offer to ring again in a year to check that the customer gets booked in for their first annual service. The customer is then left with a positive feeling about an outbound contact, and will respond more readily to an offer further down the line.

Similarly, a telecoms company might provide a residential landline as the core service and then seek to sell the customer a broadband or mobile package. The opportunity here is to make a courtesy call shortly after the customer has received their first bill, since this can be a moment when they are in need of explanation or reassurance.

"What you're really doing is earning the right to sell to the customer," McDiarmid says. "You differentiate your service through an outbound call, build the relationship, and record all the relevant information, and only then do you start having a cross-selling conversation."

For appliance manufacturer Indesit, a breakdown in a customer's equipment will lead to customer contact, and serves as an opportunity to upsell an extended warranty. The advantage to the customer is the ability to spread the cost of the repair across the next twelve months, so there is plenty of potential for a sale. But the firm has only recently taken full advantage of this.

"For the past five years we used the inbound call from the customer simply to arrange a visit by an engineer, and then placed an outbound call on the day of the visit to make the offer," explains contracts manager Paul Lewis. "The problem was that agents often ended up talking to someone who was there to let the engineer in but who had no authority to make the purchase." Since last year the company has extended the customer's original call reporting the breakdown to offer the warranty, taking advantage of the fact that the agent is talking to the decision-maker.

Indesit's agents have been trained by Inkfish in

the tricks involved in selling extended warranties, understanding what interests customers and how to deal with their objections. Lewis says: "We have achieved success rates we didn't think we would with this product, upselling to around half the customers that call in with a repair problem." Another valuable benefit is that it helps prevent customers taking out similar insurance with another company, or deciding to get rid of the appliance and buy a different brand.

When it comes to making calls to customers and prospects companies need to stop relying on smart systems, and focus instead on the quality of the agent, argues Sureya Landini, managing director of outbound specialist Blue Donkey. "Technology can never replace the power of a true two-way conversation," Landini says.

"If you need software to drive a call with prompts or scripts, it means the person generating it is simply not up to the job. Bright, well-trained professionals don't need scripts: they interact, build rapport, ask questions and develop the relationship. My favourite clients will say 'forget the numbers and look at the quality' and would rather end up with 100 great leads than 1000 useless ones."



What you're really doing is earning the right to sell to the customer

Ray McDiarmid, director of sales, Inkfish.

However on inbound calls, technology arguably has a vital role to play, and more and more companies are taking advantage of predictive analytics to aid cross and upselling. The process starts with capturing data about customers, then moves to segmenting past purchases and from that to predicting future behaviour. The final step involves using those predictions in real time to actively manage the dialogue when customers call in.

Consultancy PCA Group reports a rapidly growing uptake of predictive analytics systems such as Chordiant, Epiphany Interaction Adviser (now part of SSA Global), and Data Distilleries (now part of SPSS), which offer the agent badly needed aid. "In most cases when someone puts a call through to a company, the screen the agent sees will be optimised for solving problems, not for selling," says solutions director Allan Engelhardt. "Frankly in many cases, the interface is horrendous. What is needed is a series of prompts and scripts that enable the agent to guide the dialogue."

The great value of inbound over outbound, Engelhardt stresses, is that the initiative is coming

from the caller, who as a consequence is in the mood to talk and do business. When intelligently directed, the take-up on offers is inevitably vastly greater than when they are not. "It's very targeted: you don't spam people, and you don't get into a situation of giving them exactly the same offer every two months," he says.

Success in selling and delivering quality service is rightly considered to be a matter of creating empathy with consumers. That would seem to limit the usefulness of offshore operations, as these throw up cultural barriers, and as a result are often characterised as ideal for handling simple activities, such as directory enquiries, ticket sales and brochure requests, while the tricky stuff is better handled at home.

But Rajiv Dey, managing director of Gurgoan-based NIIT Smartserve, claims that Indian call centres are picking up a good deal of high-level work in these areas, dealing with outbound sales as well as inbound sales and service.

"We are doing quite a bit of that as British companies become more comfortable with off shoring," Dey states. Certain brands will not want to talk to consumers with a foreign accent, he concedes. But he disputes the notion that Indian agents lack the skills to be successful to gain sales on either inbound or outbound calls. He adds that, "more and

more companies are relying on Indian agents to gather profiling data to use for cross and upselling", an area where his firm has a growing number of clients.

Because of consumer disenchantment some organisations are reported to be becoming nervous about the future of telemarketing. Marketing Improvement's Beadle says he knows of one large telecoms company which is considering pulling the plug on its considerable activity in this area altogether, for fear that unwanted calls are damaging its brand.



The screen the agent sees will be optimised for solving problems, not for selling

Allan Engelhardt, solutions director, PCA Group.

But although the industry faces difficult challenges telemarketers still have plenty of options, and this might perhaps be an overreaction. By developing new approaches, and above all by seeking the trust and consent of consumers before pitching offers, this is a sales channel that will continue to bring results. ■

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Database Marketing is the only UK magazine that covers the tools and techniques used for both business-to-consumer and business-to-business customer management today. Every month, it addresses critical topics like customer retention, profiling and segmentation, data selection, site location and campaign management through a combination of regular software reviews, articles and opinion. If you want to know more about tools like data cleansing packages, OLAP analysis software and GIS, this is the magazine to read.

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