Achieving Unprecedented Customer Engagement Through Personalization & Real-time Service

Presenters

Ernan Roman
President
Ernan Roman Direct Marketing, (ERDM)
Recognized as the industry pioneer who created three transformational methodologies: Integrated Direct Marketing, Opt-In Marketing, and Voice of Customer Relationship Research.
Will be inducted into the DMA Marketing Hall of Fame in October, 2011.
Named to "B to B's Who's Who" as one of the "100 most influential people" in Business Marketing by Crain's B to B Magazine.
ERDM provides marketing consulting services for Fortune and Growth companies such as Microsoft, QVC, NBC Universal, Hewlett-Packard, Walt Disney, IBM, MSC Industrial Direct, and Songza Media, Inc.
His latest book on marketing best practices is titled, "Voice of the Customer Marketing: A Proven 5-Step Process to Create Customers Who Care, Spend, and Stay".
He is also the co-author of "Opt-In Marketing" and author of "Integrated Direct Marketing".
erman@erdm.com
www.erdm.com

Jessica Harley
Vice President of Customer Marketing
Gilt Groupe
Jessica Harley joined Gilt Groupe as Vice President of Customer Marketing in July, 2011.
Immediately prior to joining Gilt Groupe Jessica was the VP of Online Marketing at FTD.com, and prior to that she held the position of VP Acquisition and Retention Marketing at Borders. Jessica has a career track record of building profitable and engaged consumer businesses in retail, ecommerce and direct-to-consumer.
Her passion lies in maximizing customer experience at all touch points from initial brand experience to direct acquisition efforts, social media, website experience, CRM communications and customer service.
Harley holds a master’s of business administration (MBA) degree from the Stern School of Business, New York University.
jharley@gilt.com
www.gilt.com
Among the things that keep marketers awake…

#1. The Silence

The Long Silence
Which occurs between customer transactions.
For Some

The Silence can span months or years

- During The Silence, what do you know about your customers?
- Not much, since transactions do not == customer insights!

So, you are making a lot of guesses during The Silence.
Another worry that keeps marketers awake…

#2. The Clutter

#2. The Clutter
What’s a marketer to do?

Some Critical Learnings from Voice of Customer (VOC) Relationship Research
4 Recent VOC Learnings

1. Insatiable Appetite
   for Consumer Managed
   Multichannel Information:
   
   • Consumers have shifted from
     being passive recipients of
     “push” marketing to:
     • Creating and managing
       information networks
       from...

   • Value added
     multichannel sources
     they define.
   • Opportunity: How do
     you gain entry into their
     online and off-line
     worlds?
"How did you find out?"

31% Twitter
20% Facebook

In a Marist poll of 28,000 readers, the majority of you said you found out about the death through Twitter or Facebook.
“…multichannel customers spend two to three times more than single-channel shoppers. Consumers who engage with the company across three or more channels spend six times more than the average consumer.”

- Glen Senk, CEO, Urban Outfitters

2. Voice of Customer-Driven Relationships:
- Where marketers trust the needs and wisdom of customers to drive: engagement, communications, offers, and customer experience across all points and channels.

- This quality of VOC-driven engagement goes straight to the bottom line.
- Has been proven to achieve consistent double-digit increases in response and revenue.
After listening carefully to all your feedback, we’ve come up with a new and improved shipping-and-returns policy that I think you’re going to love. Here’s an overview of the changes we’ve made:
3. Reciprocity of Value Equation:

• Recognition that in order to receive or access increasingly relevant information, consumers must share increasing amounts of information regarding their preferences.

• If they trust the marketer and see a useful value proposition, people will Opt-In and self-profile significant amounts of information.

• Many customers are eager to tell you how they want to be treated/served.

• They will also share whether they are:
  • **Proactive** users; will engage and contribute.
  • **Passive** users; “I want to be spoon-fed content”.

*Both are good potential customers.*

• Think about the bottom-line results from using this self-profiled information to drive how you engage with customers!
• The Pay-off:
  • Consumers finally receive *truly personalized* communications and offers.
  • Marketers finally stop “spray and pray” marketing.

A Big Takeaway:

*Reciprocity of Value Equation:*
Consumers opt-in to share increasingly detailed personal preference information *in exchange* for marketer’s promises to deliver relevant information and offers.

Without this data, true Personalization and Customer Experience marketing cannot achieve full success.

• eHarmony: *profile asks 436 questions.*

• Microsoft: Microsoft’s VOC-driven Relationship Marketing program (Business Resource Center) requests answers to 14+ detailed business questions in order to deliver targeted and relevant information / education.
Microsoft’s Results

• Opt-in rates up to 95%.
• Open rates greater than 50%.
• Response rates performing in the double-digits.
• Volume license revenue from those in the VOC-driven program is 2X greater than the control group.

But, marketers who disregard the Reciprocity of Value Equation are causing damage!

• Per VOC, during the past 12 months, significant increase in consumer concerns about allowing companies access to their Facebook accounts.

Two consumer concerns about marketer’s misuse of personal information:

• Personal security and irrelevant information.
• Social responsibility “I’m afraid my friends will think I am spamming them”.
4. Customer Service as A Marketing Strategy:

- Decent customer service is an exception.

- Good customer service is a powerful differentiator.

- Customer service is not an 'Operations' function.
  
  *It drives revenue!*

The 4 VOC-Driven Strategies Drive Results:

- **HMS National, Inc.**
  - 25% increase in average renewal rates.

- **Life Line Screening**
  - 50% increase in repeat customers.
4 VOC Learnings To Improve Your Marketing:

1. Insatiable Appetite for Consumer Managed Multichannel Information
2. VOC Driven Relationships
3. Reciprocity of Value Equation
4. Customer Service as A Marketing Strategy

Jessica Harley
Vice President of Customer Marketing
Gilt Groupe

Jessica Harley joined Gilt Groupe as Vice President of Customer Marketing in July 2011. Immediately prior to joining Gilt Groupe Jessica was the VP of Online Marketing at FTD.com, and prior to that she held the position of VP Acquisition and Retention Marketing at Borders. Jessica has a career track record of building profitable and engaged consumer businesses in retail, ecommerce and direct-to-consumer.

Her passion lies in maximizing customer experience at all touch points from initial brand experience to direct acquisition efforts, social media, website experience, CRM communications and customer service.

Harley holds a master’s of business administration (MBA) degree from the Stern School of Business, New York University.

jharley@gilt.com
www.gilt.com

Using Voice of Customer to Increase Engagement & Drive Sales
Jessica Jaye Harley, VP Marketing
Agenda

- Who We Are
- How We Measure Voice of Customer
- What Our Customers Are Saying
- 3 Key Insights
- How We Use Voice of Customer
- 5 Tactics to Apply

Who We Are

- Launched in 2007
- Curate broad range of daily sales to serve invitation-only membership
- Named by Fast Company as one of the Top 25 Innovative Companies, #1 in Fashion
- Evolved beyond women’s fashion to Men, Home, Kids, Travel, Food & exclusive local offerings
- Category founder in US and leader with over $500,000,000 revenue
How We Measure Voice of Customer

- Online Advisory Panel
- Qualitative Research – Usability & Focus Groups
- Quantitative Research – 3rd party to understand how consumers view Gilt vs. Competitors
- Post-Purchase and Post-Fulfillment Satisfaction Surveys
- Social Media
- Customer Service Feedback
- Customer Opinion Polls

What Our Customers Are Saying

Gilt is a **knowledgeable resource** and a **reputable brand**.

**Knowledgeable:** “You definitely seem to have the most up-to-date and knowledgeable stylists working for you.” – Loyalist

**Resource:** “I use the site as a resource to learn about new brands, often doing internet searches of the ones that are new to me.” – 1-Time Buyer

**Reputable:** “I see a lot of brands on Gilt that I have never heard of before, & as a result of Gilt’s good reputation, I am willing to take a chance on brands that I am not familiar with.” – Male Buyer

What Our Customers Are Saying

- What causes customers to shop Gilt...

  **What they shop Gilt for:**

  - Necessities
    - Wardrobe Replacement 46%
    - 52%
  - Splurges
  - A specific brand 45%
  - A specific style or “look” 55%

  **Motivation to shop Gilt:**
What Our Customers Are Saying

Members non-urban areas love Gilt’s access to brands that otherwise have little availability

“I live in Tennessee where I do not have access to a lot of designers clothing lines. This especially holds true for less established/up-and-coming designers. Gilt has introduced me to them and in other cases given me access to designers that I already know about.” – Male Buyer

“Living in Omaha, we don’t have anywhere that sells truly fabulous designer apparel. I like the accessibility Gilt provides me.” – 1-Time Buyer

“I live in a rural area and don’t find many of the brands Gilt features in nearby stores.” – Male Buyer

3 Key Customer Insights

1. Implied voice of customer can be as powerful as stated, used together they are strongest
   - Verify insights from qualitative or quantitative sources with site behavior or marketing response split testing
   - Chicken vs. the egg – implied alone won’t do it either, they can only shop what you give them

2. Humility takes you a long way with customers
   - If you are surprised by feedback, dig in further
   - Admit fault – it is harder for customers to be mad

3. Segmentation is the key to pleasing
   - Growing as fast as we have, can’t be all things to all customers, and not lose core customers
   - To keep up we test, segment, test, segment...

How We Use Voice of Customer

- Personalization
- Merchandising
- Segmentation
- Policies
- Loyalty Benefits
- Social Engagement
- Customer Service
- Launch of New Businesses
How We Use VOC – Personalization

• Use a combination of stated and implied preferences to drive email and website personalization of offers

• Also rolling out global preference center to gather even more feedback on brand and product preferences

How We Use VOC – Merchandising

• Use Facebook Voting on Product Preferences to curate online sales

How We Use VOC – Merchandising

• Created Customer Personas for Buyers to understand who they were buying for, used VOC + purchase data + demos

<table>
<thead>
<tr>
<th>Personas</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upscale</td>
<td>Lynn, 43 years old, married with two teenage kids. She is a high-powered attorney, lives in Connecticut, and enjoys a comfortable lifestyle. She likes to spend her leisure time getting exercise – jogging, biking, skiing, tennis – or shopping for the latest in-fashion attributes. She is very much fashion-conscious, and likes to patronize “cool” contemporary designers on Gilt: Helmut Lang, Alexander Wang, Marc by Marc, Rebecca Minkoff, Botkier, Cynthia Steffe, designer denim. She loves to go out to fashionable restaurants and dress for the occasion. She feels strongly about the environment, and donates her time and money to the cause. She prefers magazines and cable TV channels that cover business, fashion and the arts. She is also an omnivorous web user who goes online for everything from banking to downloading music and buying merchandise.</td>
</tr>
<tr>
<td>Aspirational</td>
<td>Katie, 27 years old, single. She is a high-powered attorney, lives in Manhattan, and enjoys a comfortable lifestyle. She likes to spend her leisure time getting exercise – jogging, biking, skiing, tennis – or shopping for the latest in-fashion attributes. She is very much fashion-conscious, and likes to patronize “cool” contemporary designers on Gilt: Helmut Lang, Alexander Wang, Marc by Marc, Rebecca Minkoff, Botkier, Cynthia Steffe, designer denim. She loves to go out to fashionable restaurants and dress for the occasion. She feels strongly about the environment, and donates her time and money to the cause. She prefers magazines and cable TV channels that cover business, fashion and the arts. She is also an omnivorous web user who goes online for everything from banking to downloading music and buying merchandise.</td>
</tr>
<tr>
<td>Core</td>
<td>Jessica, 34 years old, married with a toddler. She is a VP in a financial services firm, lives in Manhattan, and enjoys a comfortable lifestyle. She likes to spend her leisure time getting exercise – jogging, biking, skiing, tennis – or shopping for the latest in-fashion attributes. She is very much fashion-conscious, and likes to patronize “cool” contemporary designers on Gilt: Helmut Lang, Alexander Wang, Marc by Marc, Rebecca Minkoff, Botkier, Cynthia Steffe, designer denim. She loves to go out to fashionable restaurants and dress for the occasion. She feels strongly about the environment, and donates her time and money to the cause. She prefers magazines and cable TV channels that cover business, fashion and the arts. She is also an omnivorous web user who goes online for everything from banking to downloading music and buying merchandise.</td>
</tr>
</tbody>
</table>
How We Use VOC – Segmentation

- Loyal customers are passionate about Gilt and what it means
- Need to continue to satisfy needs of loyal customers while also reaching new audiences
- Hence rolling out new categories of brands in a testing mode, excluding a group, based on our brand clusters work

"The world is not skinny, and 20. I find that most of the clothing is bare arms, short, and on 20 year. Why can we have clothing that works for lots of women. I am not fat, nor over the hill, but I wear Eileen Fisher and love her clothing."

"I hate to say it Gilt is for fashionable brands and Eileen Fisher is not one of them. I’m going to be a little harsh here, but I would be very unhappy if Gilt started carrying lower end frumpy brands, that’s not what it’s all about…"

How We Use VOC – Policies

- Online Panels, Customer Service Feedback and Research told us that Shipping Fees were biggest customer pain point – increasing dramatically as our business has grown
- Verified with quantitative research and testing as well as pro-forma financial analysis and reduced fees

How We Use VOC – Policies

- Once rolled out, we gage Consumer Awareness and Satisfaction with policy changes

"In general, the cost of shipping on Gilt is:"

- Old Policy
  - Which is too high: 16%
  - Somewhat too high: 52%
  - Just right: 16%
  - Lower than you expect: 6%

- New Policy
  - Much too high: 18%
  - Somewhat too high: 33%
  - Just right: 38%
  - Lower than you expect: 11%
### How We Use VOC – Policies

- Uncertainty about sizing is another pain point
  
  "Offering a more accurate sizing chart for each brand would help instead of a generalized one."

- We conducted research with panel to get feedback to new charts we were developing, verified with usability and finally split testing before rolling out new charts and enhanced brand-specific copy

- Followed up post launch and confirmed increased awareness and satisfaction

---

### How We Use VOC – Loyalty Benefits

- Use Customer Surveys, Social Media and Customer Service Feedback to shape Loyalty benefits

- The benefits we thought would be most valuable turned out not to be

---

### How We Use VOC – Social Engagement

- Full-time Managed communities
- Customer Service Interface in Facebook
- Proactive Monitoring and Response
- Tap into Viral with Referrals
- Sweepstakes
- Photo Sharing
- Contests
How We Use VOC – Social Engagement

Big Bag Giveaway:
• Drove customer excitement, referrals and viral discussion
• Thousands of entries

How We Use VOC – Social Engagement

Gilt Children: Halloween Photo Contest
• Capitalized on what these customers like to do most on Facebook
• 4X more votes than entries
• Increased Social Graph awareness

How We Use VOC – Social Engagement

Customer Service tab
• Self service option allows customers to Share ideas, Give praise, report a problem
• Transparency and Personalization are the keys to successful resolution
How We Use VOC – Customer Service

• Pain point meetings: Weekly presentation by the CS team regarding a specific pain point to senior management
• Customer First Experience: 1-day mandatory experience for all Gilt Employees focused on connecting employees with actual VOC
• Disposition Reporting: To keep management in touch with what customers are saying
• Empowered Agents: Customer Care has access to entire customer history and authorization to re-send, re-ship, send gifts at discretion

How We Use VOC – New Business Launches

• Gilt Taste idea originated from Gilt Employee
• Within 5 months business was launched
• With that speed VOC was crucial to getting it right:
  • Customer Surveys
  • Advisory Board
  • Usability

5 Tactics to Leverage Voice of Customer

1. Listen and Invite Feedback
2. Respond, always, and make responses personal
3. Drive Awareness of VOC in organization, make it core to Culture
4. Synthesize across Multiple Sources, VOC is neither beginning nor the end
5. Follow up, we are sometimes wrong and so are customers

Bonus: Operate your business as if you live in a Glass House
QUESTIONS?

Jessica Jaye Harley
VP Marketing
jharley@gilt.com

Additional Information for Participants:

• 14 Step Checklist for Breakthrough Multichannel Opt-In Marketing
• 7 Marketing Mistakes You Need to Avoid
• Case studies
• Power Point
Contact Info:

- Ernan Roman
  President
  Ernan Roman Direct Marketing
  718-225-4151
  ernan@erdm.com

- Jessica Harley
  Vice President of Customer Marketing
  Gilt Groupe
  646-524-9718
  harley@gilt.com

Achieving Unprecedented Customer Engagement Through Personalization & Real-time Service