The *Connected* Business

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Sales moves from art to science

Customer relationship management software led the way in the 1990s. Digital media are transforming techniques again. **Paul Taylor** reports

For years, sales and marketing was a pretty haphazard affair in most companies, more art than science.

Sales directors kept contacts in a Rolodex file or on their computer and sales staff worked the phones or hit the road with samples in a suitcase.

Marketing usually meant commissioning an advertisement in newspapers, magazines or broadcast media and perhaps organising a direct mailing campaign.

IT began to change corporate sales and chief marketing officer (CMO) roles in the 1990s with the introduction of more sophisticated contact management and customer relationship management (CRM) systems and salesforce automation tools.

CRM software, in particular, has become a key IT tool to improve efficiency and customer focus.

Harris Products, the metal working products company, chose the CRM suite of SAP, the German software company, to improve control over sales processes and give a more accurate view of prospects.

Lincoln Electric, Harris's

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parent company, was able to build a common customer database, establish a standard sales methodology to provide greater accountability, eliminate duplication in reporting and provide better information about sales opportunities.

"We needed one complete version of the truth about our customers, as we couldn't manage what we couldn't measure," says Greg Langston, vice-president of sales at Harris.

"[It] changed the way our sales reps sell and we are collec-tively now more in control of revenue and forecasts. It is also helping us to focus on our customers, and invest in the aspects of the business that directly impact our success.

"It's all about results and accountability driven by supe-rior information and process."

Harris reps, who sell a lot of welding equipment, can now see full details of contacts and previous dealings with customers in one place, instead of having to look in various files and databases.

Companies, particularly those in customer-facing industries such as retail and entertainment, and their CMOs are also having to adapt to fundamental changes in media consumption, the rising power of the consumer and the growth of social networking.

Donovan Neale-May, executive director of the California-based CMO Council, says globalisation of markets and digital channels mean that senior corporate marketers are having to develop new skills and redirect marketing spending.

New software tools are helping. "Sales and marketing campaigns haven't historically always been that easy to monitor or measure," says Bill Ogle, Motorola Mobility's CMO, who is in charge of building the smartphone maker's brand.

"However, new tools – most noticeably salesforce automation and CRM – as well as search marketing measurement, together with the emergence of social network channels, have had a huge positive impact in terms of campaign return on investment, " he says.

Like other companies, Motorola can now much more accurately measure the effectiveness of its marketing.

The worst thing is to ignore your customers

Social media

Jane Bird says it is best to respond to both positive and negative comments

Comment on a product or service using Twitter or Facebook and within minutes your words could have been read by thousands.

This benefits business when the comment is favourable, but customer complaints can rapidly acquire huge momentum.

Many companies are using social networks, blogs and other online forums both to keep in touch with customers and as a vehicle for sales and marketing.

The challenge is to handle the vast volume of messages that can result.

When you start to participate in social networks, you open the floodgates to what your customers want to say, says Graham Murphy, senior community developer at Grooveshark, an online music service. "It can be a blessing or a curse."

Grooveshark has benefited from networks, which have helped build registered users to almost 8m with negligible advertising.

It is certainly a disadvantage that people can so loudly voice a negative opinion, says Mr Murphy.

"But there's the opportunity to flip it in our favour. If we solve a billing issue in 20 minutes, they'll post something great about us. Suddenly we look better than we did before."

When Grooveshark has server problems, it is alerted in minutes by its followers – 200,000 on Facebook and 50,000 on Twitter.

"Their voice gives valuable insight into our website."

The company uses software from California-based Assistly to aggregate all messages it receives into one inbox, where they can be prioritised and acted on swiftly, generating a "virtuous circle" of positive comments.

Alex Bard, Assistly's chief executive, says the aim is to help companies turn customer service into sales and marketing. "If customers are going to gang up on you, they'll do it anyway," he says.

"Customers are a core asset that you can learn from, creating a better relationship. The worst thing you can do is ignore them, and the best is to respond."

Mr Bard encourages companies using Assistly software to let a broad range of employees participate in customer dialogues, rather than just the service team. "This gives engineers or product developers insights that help them make better decisions."

The real prize is to get customers to recommend you to their friends, says Gail Goodman, chief executive of Massachusetts-based Constant Contact.

It provides polling, monitoring and tracking tools that help companies set up surveys on social networks and understand which postings generate most discussions and traffic.

Dingo, a pet food distributor, used the software to extend its fan base from 350 to a target 5,000 in three days last August, by asking fans to get their friends to sign up. It offered a $20 coupon for everyone if the target could be reached. A further promotion brought fan numbers to 25,000 by the end of February.

"Forty per cent of US households have dogs, so we knew we had a big opportunity, and dog-owners often know other dog-owners," says Mike Halloran, online marketing manager. "We wanted existing fans to tell their friends about us."

Brands are working out rules about how far they can go, because people do not want to be advertised to, says Ms Goodman. "Your page will be dormant and deserted very fast if you do this. You need to be engaging, fun and provocative – create a destination for conversation, not a push-marketing venue."

This is no small challenge, because consumers are busy and there is huge competition for their time online, she says.

Grooveshark's Mr Murphy sees social media as a way to "personify" the company.

Its Facebook and Twitter postings tend to focus on third-party products, service updates, or blog posts, for example, about the company's presence at a festival. "We did a post on our campaign to help victims of the BP oil spill in the Gulf, and one to promote an artist we are interested in," he says.

His company won't take payment for a posting. "We want to be objective and informative rather than self-promoting, so that people have a positive feeling about us and tell their friends," he says.

One problem with using social networks for sales and marketing messages is that they accumulate quickly and are often ignored. More than three items posted a day could be seen as a "spam blast", says Mr Murphy, and will drive followers away.

Mr Halloran favours e-mail for sales and marketing promotions, but says Twitter is ideal when you want things to be instant.

"The nice thing about Twitter is that messages tend to be looked at a bit more quickly and regularly and in-boxes are less cluttered."
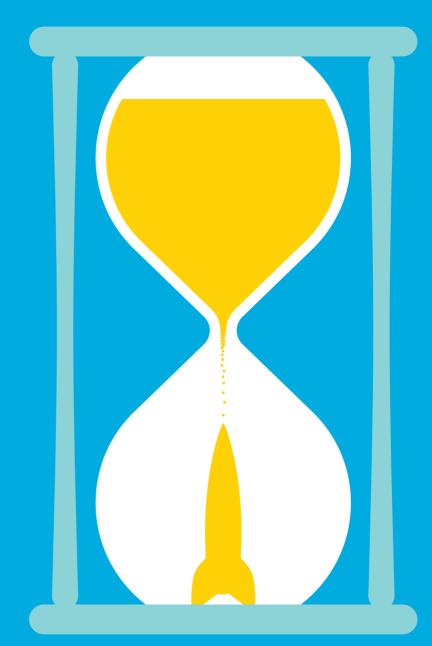
Dingo plans to use Twitter for customer service, so people can send questions and receive rapid replies.

"A dog might have just stained a carpet and the customer wants to know how to remove the mark," says Mr Halloran.

"If we post a solution to this on Twitter it will be seen by many people and picked up in search engines such as Google and Bing long afterwards.

"We are looking at anything where posting answers creates 'breadcrumb trails' that link back to us."

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International multimedia technophiles required

Chief marketing officer

David Gelles considers the challenges for this underappreciated boardroom stalwart

The chief marketing officer is among the least appreciated company executives.

Unlike the chief executive, who is the face of the organisation, or the chief financial officer, the CMO toils in relative obscurity in an ever-changing sea of shifting metrics, new products and seasonal campaigns.

There is no management role more changeable, says Kendall Collins, CMO of Salesforce.

"The traditional Mad Men approach of print advertising is not the way to get your message out in the world today."

Instead of artfully constructing a company's identity via eye-catching advertising campaigns, CMOs must now consider data-driven marketing initiatives, the internationalisation of products, and a rapidly evolving technological landscape.

Donovan Neale-May, executive director of the California-based CMO Council, says: "It's not about the brand, it's more about revenues and yield and value, and how you optimise those through technology, new organisational structures, and metrics."

"Today's CMO is someone who is measured by their ability to deliver results.

"It's someone who is going to set the strategic goals for the company, develop tight sales relationships, and show evidence where marketing spend is driving the business."

CMOs might question where they fit in. "These days [they] are under pressure to justify their existence," says Jeremy Burton, CMO of EMC, the data storage company.

"If you go back 10 or 15 years, marketing was very much an art. It was about sitting down with an agency and creating a Zen environment to create the brand image. These days, marketing is a much a science as an art."

The CMO is less of a brand architect and there is far more focus on driving growth, says Mr Neale-May. "A big part of that is being smart and adept at how do you use technology. Everything today is underlined by technology, whether it's campaign execution or supply chain management."

A big part of any CMO's job is allocating the marketing budget.

At large consumer-facing companies, that can stretch into billions of dollars.

And while television adverts still consume the bulk of many advertising budgets, a mix of online, outdoor, print and radio advertising compete with it.

"Our mix has changed enormously over the past five years towards the web, digital and social media," says Tony Palmer, CMO of Kimberly-Clark, the consumer products group.

Nonetheless, television is still the most popular medium to convey a company's message.

"It's a great medium for telling a story in an entertaining way that can bring to life a brand beyond some words you might put on the front door of your site," says Robert Birge, CMO of Kayak.com, a travel website.

In an increasingly fragmented media landscape, television still

> A lot of CMOs are hampered by the fact that they have no experience outside North America or maybe Europe

provides the best opportunity for brands to reach a large audience at once, even if it is costly.

During the US Super Bowl, 30-second advertisement slots cost $3m.

Despite these complexities, the task is clear to some CMOs. "We define marketing as the object of selling more stuff to more people for more money more often," says Mr Palmer.

A strong partnership between the CMO and the chief executive is often essential to advancing the company's aims.

Jim Farley, CMO of Ford, has a close relationship with Alan Mulally, the car company's chief executive. He says this helped Ford emerge from the economic crisis as the strongest auto company in the US.

"As soon as I met Alan, I understood his vision for the company," says Mr Farley. "We both feel the same about including everyone. We included the dealers in the brand campaign, the creative, and the tag line. Both of us approach work the same way."

Other CMOs, however, say some creative tension can be beneficial.

"People talk a lot about needing to have the chief executive back you, but I'll take a counter view," says Mr Palmer.

"It's important, but no more important than that a group president has the support of their chief executive. The important thing is to have the confidence of your peers, so they see you as a partner."

Another important role is making sure the company's message doesn't get lost in translation.

"Today, it's a much more globalised market, so an international background helps," says Mr Neale-May.

"A lot of CMOs are hampered by the fact that they have no experience outside North America or maybe Europe. But today, the action is in Africa, Asia and the Middle East as well."

Salesforce's Mr Collins, for example, says he spends a good deal of his time travelling internationally.

"In Japan, our number two market, they are using a different mix of products from their US counterparts."

He tailors campaigns to each market.

"There are a lot of nuances when you think about managing a global team, but at the end of the day, you are working to create a consistent message across your brand."

Online revolution for rotary club

Chesapeake Rotary Club, Virginia, US, used to rely on word of mouth and letters to local businesses to promote its fundraising activities.

A spaghetti dinner that raised $4,000 had been its biggest event.

But by using online social networks to let people know about its first wine festival last October it was able to donate $150,000 to six local charities.

Roland Davis, the club's secretary, says: "Word spread about the event rather in the way protesters in Egypt used Google.

"In just six or seven months, it was possible to achieve what would have taken five or six years in the past."

Mr Davis began by setting up a Facebook page in March 2010, announcing the one-day wine and music event with details of wineries, musicians, and caterers expected to attend, and inviting further suggestions.

"The advantage of this approach was that, from the outset, we could start to plan an event that would meet people's expectations, rather than hearing afterwards that they wanted Spanish wine in the international village or Mediterranean food to be available," he says.

A link from the Facebook page enabled people to buy tickets directly, helping ensure they did so before the event.

"If we hadn't taken this approach, many people might have waited until the day itself," says Mr Davis.

"Then, if the weather had been bad we would have sold far fewer tickets." Online visitors were encouraged to submit their e-mail addresses so they could receive electronic updates on how the festival was developing.

So successful was the event that the club wants it to become an annual occasion, and is keeping its 3,500 fans regularly updated about this year's much grander plans via Facebook.

As the site administrator, Mr Davis can monitor activity and spot which pages attract the most interest.

It makes a strong foundation for further events, he says. "By engaging our fans, we are continuing to provide a conduit for community involvement as well as being able to capitalise on our success."

The fact that Facebook visitor numbers have not dropped off suggests he must be doing something right and is managing the site correctly, he says.

Visitors can also put up information on musicians, food, wines, sponsorships and suggestions to improve the event.

But Mr Davis bars anyone trying to exploit the site commercially. "A handful of people try to take advantage of the audience to sell something, but we just remove them."

Organising this year's event will be easily accomplished because all the information is in one place, Mr Davis says.

Moreover, administrative costs are negligible because Facebook is free.

Jane Bird

Cultural change can be the hardest kind to implement

Salesforce automation

Reps want software to offer rich information, not micromanage them, says **Jessica Twentyman**

Most companies deploy salesforce automation (SFA) tools to achieve one or more of three goals: better tracking of sales leads, improved management of existing accounts, and deeper insight into the sales pipeline.

Most mature SFA software, whether installed in-house or – in an increasing number of cases – accessed via the cloud from a third-party software-as-a-service (SaaS) supplier, can deliver all three

In fact, today's SFA packages are "commodity items" in terms of features and functions, according to Robert Desisto, an analyst with Gartner, the IT market research company.

What should not be underestimated, however, is the amount of "tweaking", or customisation, that may be needed to make SFA tools reflect an individual company's size, sales processes and its customer base.

Peter Bull, a sales and marketing expert at PA Consulting, points out that a corporate law firm may sell to a low volume of high-value customers, while a mobile operator selling to consumers will deal with a high volume of low-value customers.

Both companies could use the same package, but the way it is configured will need to reflect these differences.

"Until you start using a package, you never quite know how it's going to fit your business. And as your business changes, you'll probably need to make ongoing changes to the package too," says Bernard Kent, head of sales and marketing at Premiere Kitchens, a £16m ($26m) company where a small sales team of five uses Sage's Saleslogix SFA package to sell fitted kitchens to the social housing market.

Premiere Kitchen's client base generally consists of local authorities and housing trusts, government-funded bodies that have strictly defined procurement processes and expect suppliers to jump through a certain number of hoops in order to win their business.

Sales cycles vary in length from client to client, says Mr Kent, and in most cases, involve negotiating with multiple decision-makers at an individual agency, culminating in a group decision over whether to buy or not.

For these reasons, Premiere Kitchens has done much additional work to its Saleslogix package since implementing it five or six years ago, with the help of systems integration company Pinnacle Computer Solutions.

For example, the package has been configured to reflect the five stages in the sales cycle: prospect, qualification, analysis, negotiation and close.

"Generally speaking, a complete sales cycle should be about 126 days, but this varies. At the start of a sales cycle, each opportunity is linked to one of a predefined set of processes, which outlines the time frames expected for each stage," Mr Kent explains.

"When each time frame has elapsed, the system alerts us. For example, the time between identifying a prospect and qualifying it is usually 28 days. The system of alerts is what keeps us moving forward with each deal."

Premiere Kitchens has made other customisations to the package. A bespoke sales forecasting module enables management better to understand likely sales patterns for a given period.

Because the company surveys every property before building a kitchen for it, a surveying module has been developed that integrates with the SFA applications.

And because sales executives need to know approximate delivery times when negotiating a deal, a logistics module has been built, too.

In recent years, many companies have opted for SaaS-based SFA tools, with Salesforce.com leading the field.

While the SaaS option does little to reduce the need for tailoring, it does at least offer organisations the opportunity to experiment, according to Ian Cohen, chief information officer at Jardine Lloyd Thompson, an insurance

Warm welcome: robust leads and sales messages that will work always help
Alamy

broker and pensions administrator and Salesforce.com customer.

"What SaaS gives you is the opportunity to try [SFA] quickly, learn quickly and see what works and what doesn't," he says.

Because a hosted package means there is no hardware to install and no upfront capital expenditure, he continues, "your SFA isn't set in stone from its roll-out date, resulting in a system that no one is using 24 months down the line."

Mr Cohen's remarks pinpoint one of the biggest challenges of SFA and one that has generally proved far harder to handle than customisation: the necessity for cultural and process change.

This, says Mr Desisto, is where many implementations fall down. "The one thing that companies don't do in nine out of 10 cases is figure out how the implementation will benefit the individual sales rep. Implementations focus

> 'The one thing that companies don't do in nine out of 10 cases is figure out how the implementation will benefit individual sales people'

too much on managing sales reps and not enough on helping them," he says.

So what do sales people want from an SFA system? Mr Desisto says they want robust leads, preferably ones that are qualified, prioritised and enriched with information that goes above and beyond simple contact details.

They want advice on which products to sell to a particular customer and the key sales messages, or "silver bullets", that they should use in their pitch.

They want quick approvals from their company, so that when a customer requests a special discount or asks a technical question, they can get back to them quickly. And above all, they want access to the system wherever and whenever they need it and applications that are easy to use.

Without these features, says Mr Desisto, SFA will never catch on with the people who should benefit the most from its deployment: the salesforce.

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Sales continues to move from being an art to a science

Many of the technology tools used by marketing and sales professionals are also moving rapidly online and into "the cloud", where software and IT services are provided over the internet rather than in-house.

Traditional CRM software packages have helped companies manage their interactions with customers and sales prospects by co-ordinating business processes – including marketing, sales activities, customer service and technical support.

But some packages earned a reputation for being difficult to implement and use and for being expensive. These concerns have been a driving force behind the success of cloud-based CRM offerings, pioneered by Salesforce.com.

"The problem with traditional sales and marketing apps was actually getting sales and marketing people to use them," says Alex Dayon, executive vice-president of CRM at Salesforce.

"That's because the apps were cumbersome and didn't always share data across departments, making it difficult for managers to have insight into business performance. Traditional sales and marketing apps were also incredibly expensive and difficult to install."

By contrast, cloud-based packages promise fast implementation, do not require hardware investment and can be automatically updated. "With a cloud app, you just open a browser, log in and start using it," says Mr Dayton.

Recent converts include NBC Universal, the media and entertainment company, which wanted to change its advertising sales business.

The company went for Salesforce's cloud-based CRM service. "Four weeks later, we had 75 per cent user adoption [among the sales team]. That is unheard of," says John Sabino, senior vice-president of commercial operations at NBC.

Instead of grappling with software, reps can look at all relevant information in one place and have time to focus on clients and identify opportunities. "It gives us a competitive advantage," says Mr Sabino.

Other companies have found innovative ways to speed up the sales closing process.

Groupon, the deal-of-the-day website that offers local discounts to online consumers, discovered that its sales teams were spending up to 25 per cent of their time chasing and signing contracts. The company turned to AppExchange – an online marketplace for cloud computing applications – and found a digital signature app, EchoSign.

"The normal process for our sales force across the UK and the world, was to get the Groupon contracts signed in person or follow the tedious process of scanning, mailing or posting the contract," says Ash Mahmud, head of CRM at Groupon UK.

"It wasn't unusual for a rep to visit a client two or three times to negotiate all the details."

The sales reps have managed to cut the time taken to close deals to just under three hours.

Businesses are also learning how to tap into social networking and use the

> 'The problem with traditional sales and marketing apps was actually getting sales and marketing people to use them'

online customer relationships they can create for commercial gain.

"Social networks promise to be the next generation of e-commerce engines," says Matt Anderson, a partner at Booz & Company.

While commerce mediated by social networks is still nascent, some companies are already testing the waters.

For example, 1-800 Flowers, the online florist, has a fully functioning Facebook store where customers can buy and pay for flowers to be delivered.

CMOs are also beginning to tap into social networks to guide product development, attract customers and boost sales.

Dell, the computer company, is using Twitter, to offer customers Twitter-only deals on equipment.

In December, the company also launched a social monitoring centre, Ground Control, designed to track and analyse the more than 22,000 daily topic posts related to Dell, as well as any mentions on Twitter.

"Digital channels have transformed the way customer interactions are recorded and reported back," says Patrick James, head of marketing, sales and service at Capgemini Consulting.

He says: "We can track when, how and where customers enter digital channels as well as what they do, when they exit and where they go next."

With sophisticated IT, including superfast memory-based databases, companies can now mine that data in near real time to detect trends and adapt their marketing strategies accordingly.

Better, cheaper but a bit of a mystery

Focus on the cloud

Paul Taylor kicks off a continuing series that will aim to blow away tech fog and clarify business benefits

For many corporate executives, cloud computing is an impenetrable mystery.

From this month, The Connected Business in print and online (www.ft.com/connected-business) is launching "Focus on the cloud" to try to demystify the subject.

What is "the cloud", what are its advantages and drawbacks, and how are some companies using it to overcome real-world problems?

In its simplest form, cloud computing enables IT to be used as a utility, a bit like electricity, with customers buying in computing services but paying only for the resources and software they use (*see the article below for* more information on how the cloud works).

What are some of the benefits of cloud computing?

Cost savings and flexibility are often cited by business users as the main reasons for moving to the cloud.

Last year, the UK Royal Mail group signed a six-year cloud computing contract with Capgemini Consulting.

"Once the migration is complete, we will be paying for the IT we need as and when we need it, so that for the first time we can bring our IT costs firmly in line with revenues," said Stuart Curley, Royal Mail's chief technology architect at the time.

Patrick James, head of marketing, sales and service at Capgemini says cloud computing "provides quicker support for critical customer projects and enables a faster go-to-market process."

He adds: "It brings the business and IT closer together, ensuring that the solutions applied are the right ones for the business, as purchases are based on demand. As such, IT becomes a function required only for integration rather than selection, design and build."

Brian Jones, chief information officer of Smiths Group, the engineering company says: "The cloud is starting to allow us to free employees from being tied to individual devices to access vital information."

Other companies, including Delta Air Lines, have used cloud computing to overcome IT integration problems following mergers. When Delta and Northwest Airlines announced a merger in 2008, they faced a problem because they were using incompatible systems to handle their air cargo.

"We needed to integrate air cargo without affecting our customers," explains Neel Shah, senior vice-president and chief cargo officer at Delta.

Working with Unisys, he was able to move to a more efficient and easier to use web-based integrated cargo management system in just eight months. In addition, he says, "the cloud-based system provides significant flexibility in incorporating new functionality and accommodating local requirements."

So is the cloud just about cost saving?

No. Most cloud providers and IT consultants emphasise that the benefits of cloud computing are not limited to cost savings.

As Peter Coffee, head of platform research at Salesforce.com, said at a recent conference: "If we talk about cost reduction, the most I can do for you is cut your IT spending by 100 per cent. Then we're done. If we talk about value creation, I can keep on delivering value with no upper bound. That's a much more interesting conversation."

Tom DeGarmo, a principal in PwC's advisory practice and leader of the firm's US technology consulting solutions group, goes a step further. "The key strategic driver for cloud cannot be cost alone. Like all IT initiatives, the success of cloud depends not only on getting the technical aspects right, though that is important, it lies in securing engagement from the business.

"[The cloud] requires business leaders to reconsider what they need to deliver improvements for their customers.

"That means going beyond generalities such as greater flexibility or lower cost services.

"The business needs to focus on more specific requirements, such as how to provide self-service customer access to processes buried in complex legacy applications, or how to improve the management of customer relationships through more joined-up access to data that are spread across existing systems."

What about the risks?

The most common business worries relate to performance and regulatory issues, security and control of customer data.

Most cloud advocates claim these worries can be addressed with good planning.

Finally, what are the broader implications of the "race to the cloud"?

Some vendors and most consultants argue that the real benefits have little to do with technology and come instead from the potential to make businesses change entire processes, such as invoicing.

"Rather than approaching cloud computing from a technology perspective, it should be approached from a business change standpoint," says BMC Software.

IBM notes: "The impact of the cloud will be felt well beyond IT . . . It will help transform the way services are delivered in industries as diverse as healthcare and banking, mobile communications and government."

Delta Air Lines used cloud computing to overcome IT integration problems for air cargo when it merged with Northwest Airlines

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'It is a service, not a technology'

Chief executives and finance directors are understandably cautious when the IT industry waxes enthusiastic about the next "breakthrough", **writes Charles Batchelor.**

What are they to make of cloud computing, the latest big technology idea to come to mainstream business attention?

Simply put, cloud computing is the use of off-site servers, routers and databases that are not "owned" by the business, to handle all, or large parts, of a company's computing needs.

Instead of managing requirements in-house, with all the costs and hassle involved, a company will outsource operations such as e-mails, enterprise resource planning and data storage.

Factories used to generate their own power on-site, but now routinely buy in electricity and gas.

Cloud enthusiasts believe that, in future, companies will buy computer capacity in the same way.

Executives may be unfamiliar with the cloud but many will have been using it for years without realising it.

E-mail providers such as Google, social networking sites including Facebook, and Flickr, an online photo and video-sharing service, are all run from global data centres, many of which are owned by companies such as Amazon and Microsoft.

The e-mails or photographs that appear to be stored on your desk- or laptop are actually held remotely.

The term "cloud" comes from the technical diagrams used to represent telecommunications and computer systems, which traditionally enclosed networks within cloud shapes.

Cloud computing represents a development of previous arrangements such as "managed services", where a company handed the operation of its IT network to an outside supplier.

It also piggybacks on "virtualisation" technology, which allows users to get more out of their network by squeezing several applications on to a single server.

"Research has shown that [in-house] data centres do not use more than 20 per cent of their capacity," says Michael Kogeler, director of cloud strategy at Microsoft International.

It was the idea of putting all that unused capacity to work and the growth of the internet that led to the birth of cloud computing.

"The cloud is a service, not a technology," explains Rupert Chapman, a cloud specialist at PA Consulting. "You only pay for what you use" and access the computer power over the internet.

Cloud computing is sometimes seen as of particular benefit to small and medium-sized businesses that lack the resources to set up their own IT departments but it is also used by large companies.

It allows businesses of all sizes to acquire computer capacity to launch products and services quickly.

There is little or no capital expenditure involved and costs are based on transactions completed or volume of data stored and should be lower than if managed in-house.

Because the capacity of the cloud is, in theory, unlimited, companies can store far more data and handle far more transactions than might be possible on their in-house system.

They can also back up data on a remote site for security. Because data are not kept in house, they can be accessed from anywhere with an internet connection, so are available to executives on the move.

Going to the cloud for capacity also means the IT department is not constantly updating servers and software to keep up with technology.

A large cloud provider can also devote more resources to maintaining the security of the network.

"From customers' perspective there are three ways to use the cloud," says Mr Chapman.

"They can use it to dip their toe in the water to test an application. If it meets their needs, they can bring it in-house and run it on their own machines. The test environment has traditionally been expensive but one client achieved an 80 per cent cost saving.

"Alternatively, customers can use the cloud on a selective basis for particular services. A market information organisation used a customer relationship management system to suck in just the customer information they needed."

Finally, companies can take a "transformational" approach, opting to use the cloud for most of their applications, retaining direct control only of those that make a real difference to their organisation. Relatively few companies do this as yet, says Mr Chapman, because they often have a big investment in their legacy systems or are tied into managed service contracts.

Problems companies should watch out for include legal ownership of data, security and the risk of getting locked in to a service provider.

An appropriate contract should resolve ownership issues. Security should be better at a dedicated cloud provider, but hackers have attacked networks and sensitive data should be encrypted in transit and storage. The contract should also allow a customer to change providers easily.

Rupert Chapman: 'You only pay for what you use'

The Connected Business

How to make web shoppers buy, rather than move on

Customer service

Jane Bird details some techniques for converting online viewing into purchases

The internet has given companies a powerful tool to find customers, but many online visitors still drop out before the final check-out.

This may be because they cannot find what they want, they have security worries, other sites offer a better deal, or the site responds too slowly.

A bricks and mortar shop typically converts up to 20 per cent of people who come through the door into customers, says Andy Henshaw, founder of Vee24, a software company based in the UK.

"Online, the proportion is typically just 2 per cent."

Vee24 helps companies create the web equivalent of a human shop assistant, where customers simply click on a link for live video conversation. The customer does not need any special software such as Skype – the assistant's face simply appears in a corner of the screen.

The "video chat" software was developed for Toyota, to help increase the proportion of visitors to the website booking a test drive. "Once people start looking, they have questions," says Mr Henshaw.

Video chat is no more intrusive than a real live shop assistant asking if they can help you, Mr Henshaw says. "We're not haranguing people and there's no pressure, it's just the next generation of customer service."

Unlike many text-based online help services, the assistant deals with one customer at a time, viewing the same screen and opening new pages for that customer to see. A travel agent can show pictures of holiday destinations, or an insurance broker help a claimant complete a form onscreen.

Already in use at companies such as Lands' End (Sears), the online clothing retailer, Thomson Holidays and Lexus, the luxury car marque, the service is proving popular with customers. Video chat makes customers eight times more likely to buy, and 97 per cent give it a five star rating, says Mr Henshaw.

"Having someone to speak to helps customers feel special and often they will buy from that individual." In feedback they often say things like "it was so nice to meet you," although no meeting has occurred.

To strengthen customer relationships, and avoid losing out to rivals, companies are also using loyalty schemes enabled by software from companies such as Welcome Real-time.

Its applications help financial institutions implement reward points and joint-marketing programmes with retailers, restaurants and entertainment venues.

Andy Henshaw: having someone to speak to via live video on a website helps customers feel special

One such is Kazkommertsbank (KKB), Kazakhstan's largest bank, which has been using a loyalty reward and cashback scheme to incentivise its customers use of credit and debit cards for several years.

In 2010, KKB realised that its most profitable customers were those who used home banking.

Last year, it started rewarding customers that went online to check their balance, make payments, open accounts and sign up for other KKB products such as insurance services.

The loyalty scheme has attracted enthusiastic comment from customers on KKB's blog, says Yermek Shamuratov, the bank's managing director. "We are now using Twitter and Facebook to provide news about updates to the service."

By driving this change in behaviour, the bank is moving from a focus on card loyalty to gaining customer loyalty across a range of services, he says.

Many financial institutions are still organised in separate departments and unaware of which other services a customer uses says Sebastien Slim, Welcome Real-time's vice-president of global marketing. "KKB has been able to use its loyalty and reward scheme to move customers from one channel to another and increase their value by cross-selling them other products and services."

Crucial to winning and retaining online customers are websites that are fast, secure and reliable. The amount of time customers are prepared to spend waiting for a website to respond has reduced significantly in the past few years, according to research by Akamai, an internet optimisation company.

Six years ago, people would wait up to eight seconds, three years ago it was four. Now 40 per cent say they will not wait longer than three seconds and 47 per cent expect a response in less than two seconds.

The trouble is that the internet can be chaotic and unpredictable, so a message might take 10 milliseconds or three seconds, says Martin Haering, Akamai's vice-president of international marketing. As websites get more sophisticated and visually attractive, this can further increase response times.

Customers are also deterred by worries that their credit card or bank account information could be intercepted by electronic eavesdroppers.

Akamai helps its clients speed up response times using its network of 75,000 servers that replicate data and are constantly identifying the fastest route to send messages. It tackles security problems by converting customer details into random numbers that only it can decode.

"We also convert images from a company's website, such as videos, product displays, diagrams and colours so they will look their best whatever device or web browser the viewer is using," says Mr Haering.

Better strategy comes from a dogged approach to your data

Analytics

Information is gathered and reports produced but business leaders can be unwilling to act on them, writes **Stephen Pritchard**

John Wanamaker, the 19th century US retailer, is famous for saying that half his spending on advertising was wasted, but the trouble was he did not know which half.

Today's marketers should not face his dilemma. Sales and marketing mangers have more data than ever at their disposal, whether on advertising, customer behaviour, macroeconomic trends or even the weather.

In practice, however, the abundance and richness of data pose their own problems. Businesses are capturing ever more information, through logistics and point-of-sales systems, website analytics, and even social networks. Retailers, airlines and car makers have built vast data warehouses based on information from their loyalty, frequent flyer and even service and maintenance programmes.

Larger data sets should lead to better decisions, but unless a business invests carefully in technology for processing and analysing information, there is a risk that its ability to capture it will outstrip the ability to process it.

In some industries, such as financial markets, data capture now exceeds the human ability to read the results, forcing firms to rely instead on complex computer algorithms to spot problems.

Because they have a more strategic outlook, sales and marketing executives might have less need to work with real-time data than those in other parts of the business.

But there is a trend for sales and marketing teams both to look at more data more quickly, and to bring together "hard" or transaction- and event-based data, such as information from the supply chain, and more subjective signals, such as market research results or sentiment feedback from social networks.

This is a process that Julio Hernandez, global lead for customer analytics at Accenture, the consulting firm, describes as applying "more rigour" to sales and marketing. "They are becoming much more analytical when it comes to looking at which markets, and which customers, to target."

One reason for this, suggests Mr Hernandez, is that chief executives and chief financial officers are putting pressure on marketing teams to bring costs down, or at least to ensure that businesses are maximising the return from any campaign. But companies are also able to learn more about their customers by combining data sources.

A drawback of primary research, such as focus groups, suggests Mr Hernandez, is that interviewees sometimes say what they think researchers want to hear.

Combining this information with sales data or even forecasts gives a more accurate picture overall.

In a project carried out by IBM for a consumer electronics company, analysts combined public data from US government sources with client data, to improve understanding of buying trends. The manufacturer was able to reduce its advertising spending, ensure the money it did spend was targeted, and tie inventories more closely to forecast demand.

"The forecasts were out by 5 to 7 per cent, and we reduced that to 1 per cent, which makes a huge difference," says Michael Haydock, who led the work.

Such research, suggests Giles Warner, a partner specialising in data analytics at Deloitte, is part of a wider shift from conventional business intelligence, to forecasting and predictive modelling. Businesses are using data, not just to target customers, but also to understand how profitable they are.

"If you look at most data mining applications, they are driven by marketing and sales imperatives," says James Kobielus, customer relationship management lead at Forrester Research. "Businesses want to get their heads round buying patterns, which customer is what, what is their socioeconomic group, and what did they buy in the past?"

They then use this information tactically – for cross-selling – but also more strategically, to plan marketing campaigns or to develop products.

Although the main tools are data warehousing and modelling, marketing teams are also turning to more sophisticated statistical tests to see behavioural patterns.

One example, says Mr Kobielus, is the "churn" model developed by mobile phone companies, to predict when a customer might leave. Businesses can use the model, along with an analysis of that customer's lifetime value to the business, to decide whether to offer incentives such as a better tariff or a new handset.

But improved analytics and reporting tools that allow analysis to be shared more widely do not always lead to changes in company strategy.

There is a problem when data are gathered, trends analysed and reports produced, but business leaders are still unwilling to change course.

"Many organisations I have worked with are not exploiting their data," says Deloitte's Mr Warner.

In fact, some organisations have found that, as the amount of data available grows, the quality of decision making can fall.

Technologists are looking to automated solutions, such as complex event processing (CEP) and business activity monitoring to automate analysis. But according to Peter Bull, an analytics specialist at PA Consulting Group, cultural barriers in an organisation can still block change.

"Whether it is business to business or business to consumer, the ability to translate that [insight] into practical outcomes is the greatest challenge."

Information conveyors: retailers have vast databases on their customers Getty

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It is hard to tell if the ads work

Online advertising

Measuring impact is a young and inexact discipline. **David Gelles** looks at some approaches

As advertising dollars speed to the web, marketers are scrambling to find ways to measure the effectiveness of their search, display and social media efforts.

While companies such as Nielsen and Omniture provide some ways of doing this, they give an incomplete picture of online behaviour.

In addition to the "last click" (which records how a user came to a site, and if it was from an ad), the bigger question of how online advertising influences brand awareness is exceedingly hard to address.

Measuring the effectiveness of online advertising is "very difficult," says Tony Palmer, chief marketing officer of Kimberly-Clark, a consumer products group. Mr Palmer's team has developed a strategy that is tailored to each product launch or new campaign.

And yet, even years of internal development have not delivered an adequate solution. "We're probably at 50 per cent of where we want to be in being able to measure our media mix," he says. "It's a competitive advantage to have better analytics."

In an effort to close this gap, new companies are emerging with the aim of providing more "holistic" measurement systems.

MarketShare, which tries to measure how online spending works in concert with offline campaigns, has lured half the Fortune 50 as clients. Wes Nichols, its chief executive, says: "Rather than look at just who's seeing something from outdoor, or online or in-store, we're looking at how does it drive sales? How do they combine to create a reaction?"

Mr Nichols cautions that it "is not as simple as looking at media mix". Instead, he likens it to the human genome project. "It's not like one gene causes cancer," he says. "It's a combination of factors."

For example, a consumer might see a Toyota ad on Yahoo, do a Google search for Toyota later and then go to Edmunds.com, the car guide, to look at ratings.

"There are a lot of things that impacted what got that person to the dealership, but it's usually the last click that gets all the credit," says Mr Nichols.

Another way that brands are working to get more out of online adverts is by rigorous experimentation and testing.

"Kayak is a brand that lives online," says Robert Birge, chief marketing officer of travel website Kayak.com. "Like many internet start-ups, we took an approach that was very online-focused."

Mr Birge says Kayak initially invested in paid search advertising, and relied on reputation and word-of-mouth. Recently, the company has invested in display adverts.

But Mr Birge concedes that "online display is very complicated", even for professionals. Kayak works with MediaMath, a company that provides advertising management services and technology, to buy search advertising.

Equally important, is brand awareness.

To hone this, Kayak runs experiments to test which adverts are most effective and how many clicks and sales different versions of adverts can generate.

Some marketers think social media are an online arena that provides more

Wes Nichols: looking at how a mix of media can combine to drive sales

clarity on what works.

Nielsen has partnered with Facebook to track the effectiveness of adverts on the social network, and companies avidly count their Twitter followers, retweets, mentions, and "shares" on Facebook.

Salesforce, the web-based customer management software provider, has embraced social media. "YouTube is transformational for us," says Kendall Collins, chief marketing officer of Salesforce.

"An event with our chief executive on stage is great, but a video is super-high fidelity, and the cost per video engagement can be very [low]."

Mr Collins has sought to tie engagement in social media and the web to conversions into customers.

"If you're statistically minded and have the tools, you can correlate behaviour on your website with other behaviour," he says.

In 2007, Salesforce integrated its CRM system with the Google AdWords service. That allowed it to see quickly which keywords attract customers.

But not all brands are rushing to social media.

"[It] is a very hard nut to crack," says Mr Birge. "The challenge is turning it into something that has a material impact on business. It's hard to be a CMO and say social media aren't your top priority."

In the absence of established metrics for online advertising, some marketers have created their own.

Jim Farley, CMO of Ford, says his European team has developed a metric for the company: "cost per minute of engagement".

Encompassing the benefits of social engagement, the cost of producing content and the need to drive sales, Mr Farley says more companies may use this type of metric in years to come.

"This is a highly relevant new metric in the world of social media," he says.

"If 6m people watch a minute-long video on YouTube, how does that compare with an advert on TV? The number of engagements, and the amount of time people spend with your content [can be much greater] online."