Sitecore 8:
Simplifying the extraordinary

The integration and automation marketers
need to win customers for life

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Own the experience®

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I. Introduction: Life cycle engagement, decades in the making

The science of customer loyalty isn't new—marketers were introduced to it more than 20 years ago.[1] But the pursuit of loyalty is an ongoing struggle; marketers still grapple with disjointed, and even dysfunctional, toolsets as they attempt to engage each customer in a personal, long-term relationship with a company or brand.

With Sitecore® Experience Platform™ Version 8, marketers' time has finally come. It provides the industry's first single, fully connected customer experience platform that also integrates with other customer-facing platforms. In doing so, Sitecore 8 creates a single view of the customer in a big data marketing repository, eliminating much of the extraordinary complexity that has been marketers' biggest constraint.

With Sitecore 8, marketers have at their fingertips the complete data, integrated tools, and automation capabilities to engage customers throughout an iterative life cycle—the technology foundation absolutely necessary to win customers for life.

New research from Forbes Insights and Sitecore

Sitecore recently teamed with Forbes Insights to better understand how organizations nurture the customer life cycle, the tools used, the strategies employed and the decision-makers involved—and where gaps exist between intention and implementation. The report provides important insight for any organization interested in moving away from a transactional model toward a customer-centric one—and practical recommendations for how to go about it.

One of the main findings from Forbes Insights' extensive research:

Marketing organizations are focused on customer journeys. The top priorities are attracting new customers, turning them into customers for life, and developing a single view of each one.

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To learn more from this comprehensive report, "Forbes Insights: Customers for Life: Technology Strategies For Attracting And Keeping Customers," download it now at sitecore.net/forbes

[1] "Loyalty-Based Management," Frederick F. Reichheld, *Harvard Business Review*, March 1993.

II. Beyond the purchase:
   Extending the customer journey

Customer experience, as a key determinant of loyalty throughout the customer life cycle, is a proven critical differentiator and driver of company value. In fact, according to industry analysts, by 2020, customer experience will overtake price and product as the key brand differentiator.[2] Consulting firm Walker Information predicts:

Customer expectations in the future are the outcome of movements that have been underway for decades... The customer of 2020 will be more informed and in charge of the experience they receive. They will expect companies to know their individual needs and personalize the experience. Immediate resolution will not be fast enough, as customers will expect companies to proactively address their current and future needs.

Yet, as marketers universally lament, very few companies manage the customer life cycle well. Among the executives surveyed, Forbes Insights recently found that:

Loyal, regular customers are seen as a key revenue growth area: 38% of respondents say it is the customer segment their organization is most focused on for revenue growth.

But retention is still second to acquisition; 49% of respondents identified new customers as their organization's revenue growth focus.

When the cost of customer acquisition generally outweighs that of customer retention, are companies focusing too heavily on new customer acquisition for revenue growth, missing an opportunity to maximize the growth they achieve?[3]

Figure 1 illustrates the customer life cycle. By framing the phases of the customer journey as a clock, it's easy to see that Purchase occurs between the "hours" of four and six. Most companies concentrate tremendous marketing resources in the Awareness and Consideration phases; their main goal is to woo prospects to the all-important Purchase.

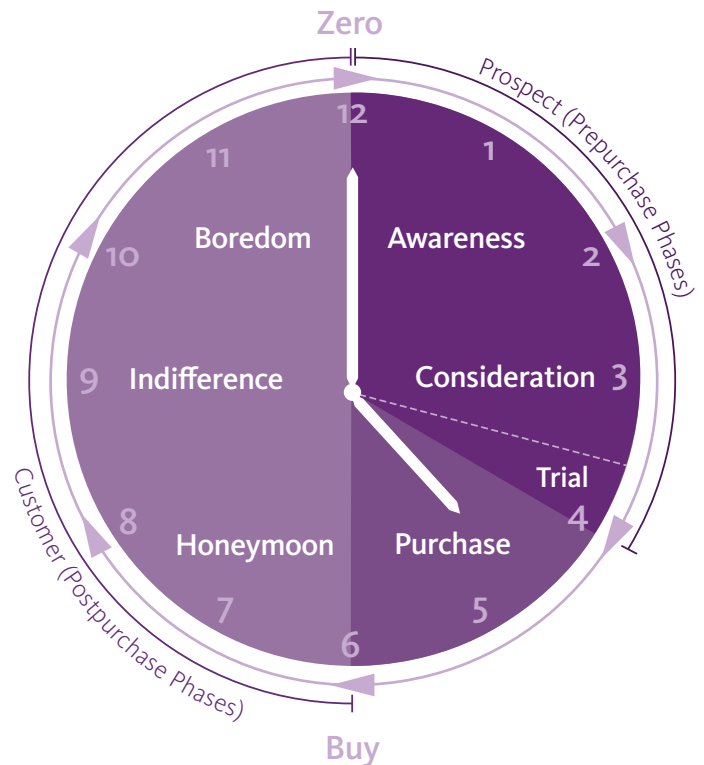What about the remaining "hours" in the life cycle, between six and 12? What happens then?

Figure 1: Like a clock tracking time, the customer life cycle is ongoing. Yet most companies focus marketing resources almost exclusively on the Awareness and Consideration phases.

Marketers are constrained by fragmented data and clumsy tools

Empirically and anecdotally, optimizing the customer experience is very difficult to do at any point in the customer journey, let alone throughout the entire life cycle. Data from Forbes Insights again provides support:

Developing a single customer view is a top organizational priority, but fragmentation of data and the resulting silos slows their progress.

The biggest challenges to developing this 360-degree view are difficulties keeping track of data between multiple systems, data redundancies, and silos. Only a quarter (24%) felt customer communications and data gathering systems were fully integrated for the purpose, with 13% reporting no level of integration at all.

Silos and a lack of integration among systems and the teams that use them is a major barrier to seamless, personalized customer interactions.

Just 37% of respondents say the teams responsible for customer acquisition and interaction are fully integrated, and 49% say marketing and data teams are siloed.[4]

Today's marketing initiatives require marketers to use highly complex tools that are costly and must be run by developers. Specialized analysts must be called upon to derive value from the data these marketing systems produce, then sharing this knowledge with marketers. Furthermore, the analytics tend to be backward-facing; marketers can't leverage any of these insights at the point of interaction.

Given these challenges, it is perhaps miraculous that marketers can create experiences that compel customers to the point of making *any* initial purchase. And beyond the moment of purchase, marketers are relatively powerless to work their craft; they have neither the necessary data nor tools.

[4] Ibid.

III. Influencing the "loyalty loop"

1. The consumer considers an initial set of brands, based on brand perceptions and exposure to recent touchpoints.

2. Consumers add or subtract brands as they decide what they want.

Active evaluation (Information gathering, shopping)

Loyalty loop

Initial consideration set

Moment of purchase

Trigger

4. After purchasing a product or service, the consumer builds expectations based on experience to inform the next decision journey.

3. Ultimately, the consumer selects a brand at the moment of purchase.

Postpurchase experience (Ongoing exposure)

Source: McKinsey & Company

Figure 2: The decision-making process is now a circular journey with four phases: initial consideration; active evaluation, or the process of researching potential purchases; closure, when consumers buy brands; and postpurchase, when consumers experience them. [7]

Marketing researchers have long posited that loyalty is fostered by customers' postpurchase experience. In 2009, McKinsey & Company analyzed the customer journey and noted, "When consumers reach a decision at the moment of purchase, the marketer's work has just begun: the postpurchase experience shapes their opinion for every subsequent decision in the category, so the journey is an ongoing cycle."[5]

In McKinsey's view, the ongoing journey includes the "loyalty loop," the portion of the journey when the customer's consideration is again triggered, resulting in a repeat purchase. In the past, the loyalty loop was largely driven by the customer, who uses the product, exchanges word-of-mouth with friends and family, and initiates research. McKinsey's 2009 article notes that more than 60% of consumers of facial skin care products, for example, go online to conduct further research after their purchase.[6]

Left to their own devices, humans naturally progress from postpurchase happiness (the Honeymoon period) through Indifference and Boredom. Once-enthusiastic customers revert to prospects, and the wooing begins anew. This never-ending cycle has resulted in lopsided spending: although

existing customers provide 65% of most companies' revenues, organizations routinely spend three to 30 times more to attract new customers than to keep current customers satisfied.[8]

Influencing the "loyalty loop"

Today, in theory marketers are in a much better position to influence the "loyalty loop" by using many of the very same mechanisms used to drive preference in the Consideration phase. These include:

- Discovery platforms such as Pinterest
- Influencers and bloggers
- Affinity groups and communities
- Social networks
- Social media platforms
- Consumer reviews
- Direct communication
- In-store via mobile[9]

The key enabler for these mechanisms is Sitecore 8, a single, connected platform that marketers can use to drive exceptional experiences that win customers and keep them for life.

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[5] "The consumer decision journey," David Court et al., *McKinsey Quarterly*, June 2009.
[6] Ibid.
[7] McKinsey, *op. cit.*

[8] "Cost of customer acquisition vs customer retention," The Chartered Institute of Marketing.
[9] "The Eight Touchpoints of a Customer's Consideration Phase," Alex Gonzalez, MarketingProfs, February 25, 2014.

IV. Sitecore 8: Making customer experience goals achievable

Sitecore® Experience Platform™ Version 8 is the realization of Sitecore's product vision: all the capabilities marketers need are included, built in and connected. This is in sharp contrast to other offerings, provided by vendors that are struggling to acquire and rationalize point capabilities based on different technologies. With Sitecore 8, the connected experience—including integrated commerce—is achievable by marketers, today.

Understand the whole experience

Sitecore 8 enables marketers to understand the entire experience that customers have with a brand, wherever those interactions may occur, and fosters ongoing revenues. Using an automotive company as an example, the interactions can include:

- All prepurchase digital interactions, including use of a product configurator
- Sales and finance records, for example, if a car is bought or leased
- Any follow-up conversations with the sales rep who sold the customer the vehicle
- Service visit records, including the service rep's notes
- Postpurchase digital interactions
- Permission-based social media interactions

Marketers can collect any experience data inside Sitecore and use it to know customers better and provide highly relevant, personalized interactions. Data from other customer-facing platforms such as ERP, CRM, customer service, and non-Sitecore websites, can be stored in the Sitecore® Experience Database™. This allows marketers to:

- Associate an extremely robust data set with a single customer, affording a view of the individual customer's experience, who they are, and what they need.
- Share what is known about customers with other systems.

Sitecore 8: Complete with Commerce

Sitecore 8 integrates Commerce Server with the Sitecore Experience Platform. The combined product provides enterprise-grade commerce capabilities that enable organizations to offer exceptional commerce and customer experiences throughout the customer life cycle, driving short- and long-term revenues. Commerce Server also provides catalog, inventory, and order capture functionality to the Sitecore Experience Platform.

To learn more about Sitecore's integrated commerce capabilities, download the Sitecore Commerce brochure now at sitecore.net/ecommerce

Automated testing and optimization

With Sitecore 8, all testing and optimization happens automatically. Marketers don't need to set up, run, or monitor testing ever again. Sitecore will recommend the best content, best segments to target, and the best paths to conversion. Sitecore 8 then automatically writes rules to optimize the new information; all marketers need to do is review and choose.

Marketers now can be confident that they are providing the optimal experience to every customer, every time because:

- Every bit of content is automatically tested and optimized
- Sitecore recommends the best content, paths, and segments to target for maximum optimization
- Deep-dive capabilities are available for more extensive study by analysts

In the automotive example, Sitecore could help marketers determine which web pages, email campaigns, social media posts, and other digital assets are most effective in bringing customers to the showroom—automatically.

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Customized for each business

Sitecore 8 allows marketing organizations to decide how to customize their customer experience management platform, based on how the business operates and how customers choose to interact. Nothing is limited to "out-of-the-box" functionality. With Sitecore 8 marketers can:

- Break down silos among organizational functions. Multichannel campaigns can be connected in a single tool, enabling joint planning that covers the entire experience. Content development can operate in a more connected, coordinated fashion, and results aligned.

- Easily enable workflows, taxonomies, and processes that precisely line up with the way the marketing team operates, not what the software dictates.

- Enable only what each business user needs, and hide the rest.

- Continually optimize how the wider corporate team drives customer experience processes with simple changes to UI, workflow, and more.

The right insight at the right time

Much more than reporting on past behavior, Sitecore analytics provide the critical information marketing teams need to inform the dozens of decisions they make every day. The integrated analytics in Sitecore 8 provide:

- Easy, clear insight into what happened yesterday, what's happening right now, what's most likely to happen tomorrow.

- Analytics integrated right at the point of decision; marketers don't need to flip back and forth between reports.

- A simple question-and-answer format: "What do you want to know? How would you like the answer displayed?"

- No need to manually tag content or paths, run reports, or choose results. With Sitecore 8, it all happens automatically.

The benefits of Sitecore 8

The new features of Sitecore 8 translate into strong, tangible operational benefits for marketers:

- With automated testing and optimization, marketers can feel confident that the customer experience is being optimized constantly, in real time, through every interaction, over any platform. This confidence travels up through the marketing organization, all the way to the Chief Marketing Officer.

- Because customer experience testing and optimization occurs effortlessly, marketers can now focus on other critical tasks.

- The customer experience can be managed based on how the business runs, not how the software dictates.

- Sitecore 8 breaks down the silos among functions, enabling them to work together to create a consistent customer experience.

- Marketers gain a complete view of how customers are interacting with the company, even in other systems, websites, or with other permission-based, customer-facing functions.

- Marketers can provide insight about customer interactions to other organizations/functions within the company.
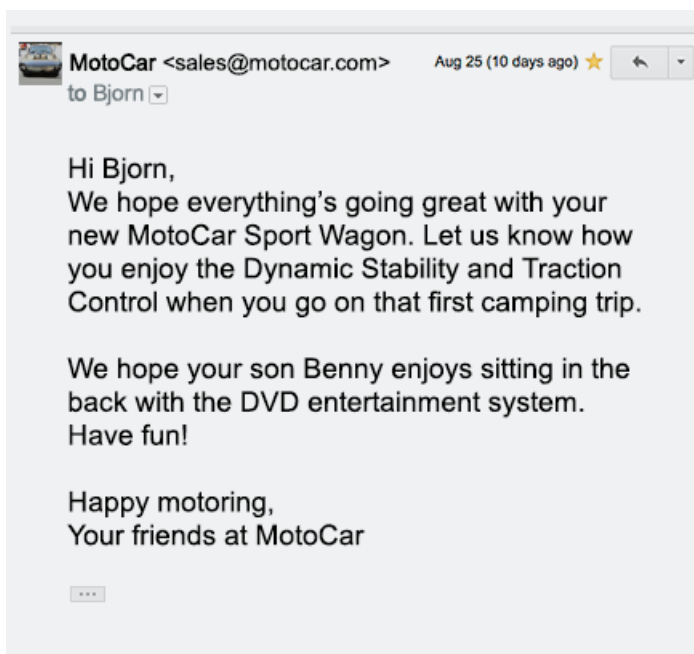
V. After the purchase: Building loyalty and new awareness

With Sitecore 8, marketers no longer need to be resigned to customers' drifting away after the Honeymoon period is over. Sitecore 8's new capabilities enable marketers to transform Indifference and Boredom into Contentment and Curiosity. The personalized communications described below are examples of how Sitecore 8 can empower marketers, today.

All the example communications[10] are based on information or permission that has been explicitly provided by the customer (again using an automotive example), either through digital activities in the Awareness and Consideration phases, or through the Purchase process at the dealership. These data points include casual conversations with sales and service representatives, notes of which were subsequently entered into the customer record.
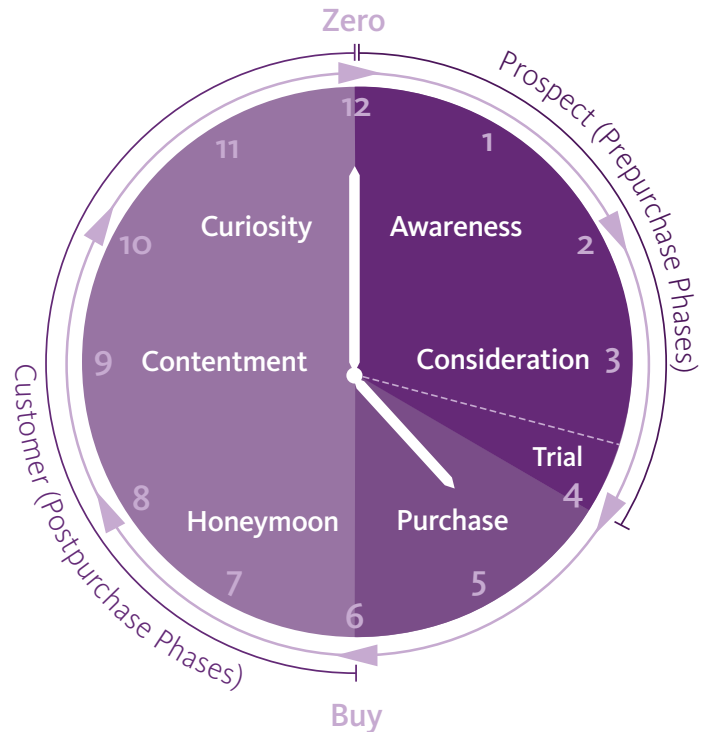
Purchase

The car company (in this example, MotoCar) can send out automated emails based on the date the customer, Bjorn, drove the car away from the dealership:

MotoCar <sales@motocar.com>   Aug 25 (10 days ago)
to Bjorn

Hi Bjorn,
We hope everything's going great with your new MotoCar Sport Wagon. Let us know how you enjoy the Dynamic Stability and Traction Control when you go on that first camping trip.

We hope your son Benny enjoys sitting in the back with the DVD entertainment system. Have fun!

Happy motoring,
Your friends at MotoCar

Figure 3: Fueled by the connected marketing that Sitecore 8 enables, marketing organizations can now fully engage customers into the "loyalty loop," instead of leaving this critical period to chance.

Honeymoon

During this phase, the car company could send out sequences of automated, consumption-based communiqués based on knowledge of the customer activities.

Bjorn's first service at the dealership is performed at 6,000 miles. It takes most people nine months to reach this milestone, but for Bjorn, it only takes four. That gives MotoCar additional information about Bjorn, from its service system, putting him into a customer segment of frequent drivers.

This knowledge about Bjorn can translate into presenting specialized information to him when he visits the car company's website—such as how to preserve the oil between service appointments, or how to maximize gas mileage on trips. MotoCar can also send Bjorn suggestions for long-distance camping trips he may enjoy with his family on holiday and weekends.

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[10] All examples contained herein are fictitious.

Turning Indifference into Contentment

After approximately a year, most lessees begin to lose interest in their vehicle. The novelty may have worn off. The vehicle may have picked up some dings and other minor blemishes on the doors or fenders. At this point, many drivers also start to lose enthusiasm about the brand. Sitecore 8 can allow MotoCar to transform Indifference into Contentment by:

- Emailing Bjorn an offer for a service special at his local dealership, to "get back that new car feeling" with exterior and interior treatments.

- Inviting Bjorn to attend a meeting of a local affinity group, such as Stockholm MotoCar Dads, by posting the invitation on his Facebook wall. This invitation is a natural extension of his "liking" MotoCar's Facebook page.
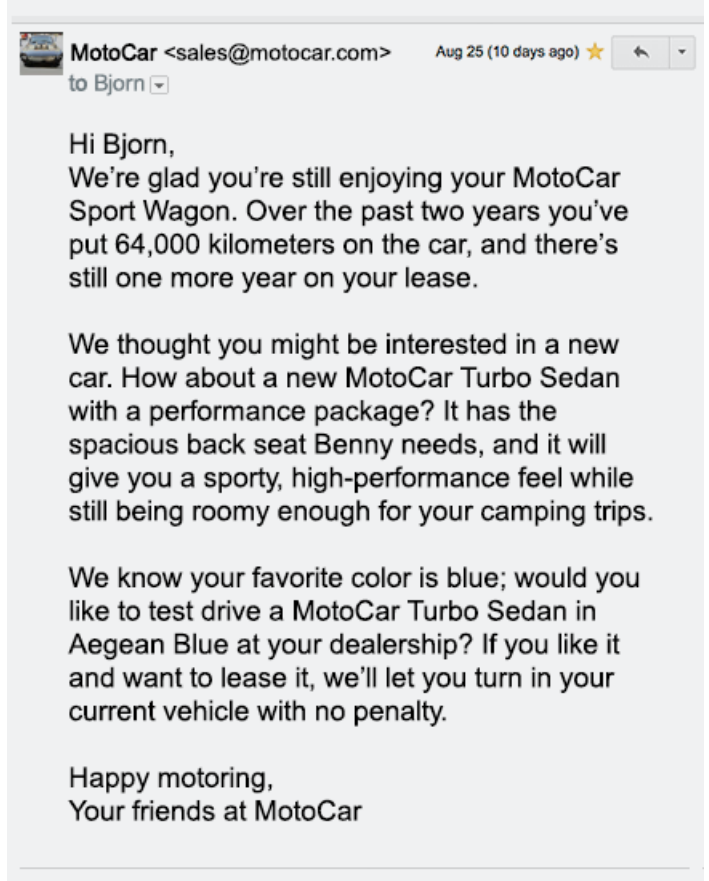
From Boredom to Curiosity

As people enter the final year of a lease, many begin to feel negatively about their vehicle, and resolve to get a different brand and type of car when their lease expires.

Bjorn, a heavy driver, is not looking forward to paying a penalty when he turns in the Sport Wagon. He starts thinking that the Sport Wagon is not very sporty, after all. He starts thinking that he needs a newer, even sportier car.

Because MotoCar's service system communicates with Sitecore, Bjorn might receive an email such as the one over to the right.

With clever, connected marketing, MotoCar is able to use the loyalty loop mechanisms outlined in Section III to transform Bjorn's Boredom into Curiosity, propelling him into Awareness again. He is aware of new needs that he has, which a MotoCar Turbo Sedan perfectly fits. After driving the Aegean Blue Turbo Sedan at the MotoCar dealership, Bjorn leases the new vehicle—and falls in love with MotoCar all over again. He is a customer for life.

MotoCar <sales@motocar.com>   Aug 25 (10 days ago)
to Bjorn

Hi Bjorn,
We're glad you're still enjoying your MotoCar Sport Wagon. Over the past two years you've put 64,000 kilometers on the car, and there's still one more year on your lease.

We thought you might be interested in a new car. How about a new MotoCar Turbo Sedan with a performance package? It has the spacious back seat Benny needs, and it will give you a sporty, high-performance feel while still being roomy enough for your camping trips.

We know your favorite color is blue; would you like to test drive a MotoCar Turbo Sedan in Aegean Blue at your dealership? If you like it and want to lease it, we'll let you turn in your current vehicle with no penalty.

Happy motoring,
Your friends at MotoCar

VI. Summary: What is the value of "customer for life?"

Examples such as Bjorn help illustrate the monetary value of customer loyalty. Customer Lifetime Value (CLV) is the numeric expression of customer loyalty; it quantifies the reward companies can receive when the experiences customers have win them for life.

Like loyalty itself, market researchers and statisticians have pondered CLV for years. The extremely complicated equation at the bottom of the page (for illustrative purposes only) is one way to calculate CLV over a year-long period.[11]

Not many companies have the data or quantitative resources to derive such exacting metrics. But even looking at CLV in a simpler way—such as, "How many cars will Bjorn buy over a lifetime? Pairs of skis? Insurance policies? Video games?"—yields insight into the out-of-the-box relationship-building power of Sitecore 8, which any company can apply. This complete, connected platform uniquely provides rich capabilities to engage customers in meaningful conversations that extend long past their first purchase and into subsequent iterations of the customer journey.

The connection between customer experience and financial performance is significant. Research performed by Watermark Consulting found that, for the six-year period from 2007 to 2012, the customer experience leaders in the study outperformed the broader market, generating a total return that was *three times higher* on average than the S&P 500 Index.

"I think what firms are recognizing is that simple metrics like cost of acquisition and churn rates are incomplete, and that you really need to think about the entire revenue stream of a customer. Customer Lifetime Value exactly balances cost of acquisition, retention, and future spending—it incorporates them all into one number."

— Eric Bradlow, Professor of Marketing at Wharton School of Business and Co-Director of the Wharton Customer Analytics Initiative

$$CLV = GC \cdot \sum_{i=0}^{n} \frac{r^i}{(1+d)^i} - M \cdot \sum_{i=1}^{n} \frac{r^{i-1}}{(1+d)^{i-0.5}}$$

Legend: **GC** is yearly gross contribution per customer, **M** is the (relevant) retention costs per customer per year, *r* is the yearly retention rate, *n* is the horizon (in years), and *d* is the yearly discount rate.[12]

[11] Paul D. Berger and Nada I. Nasr, "Customer lifetime value: Marketing models and applications." *Journal of Interactive Marketing,* 12:17–30. 1998.
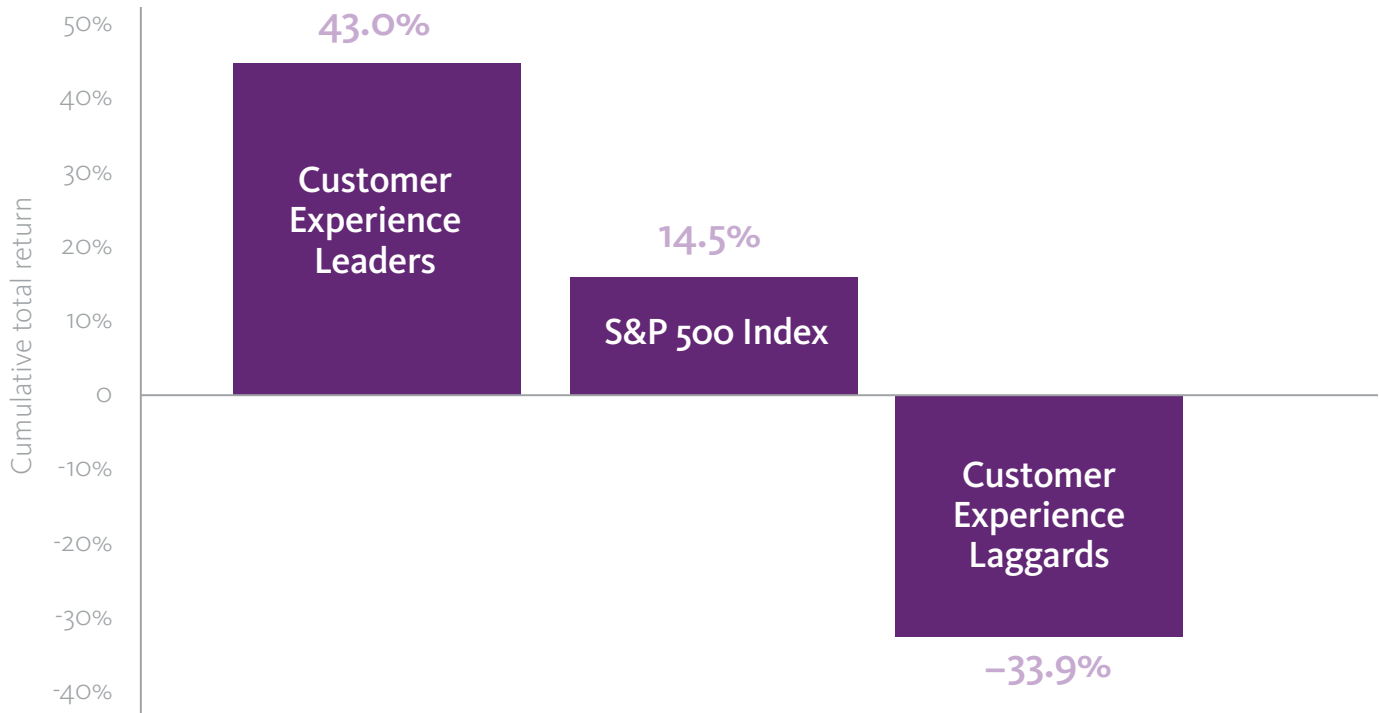
[12] This formula assumes the retention activities are paid for each mid-year and they only affect those who were retained in the previous year.

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Customer experience leaders outperform the market

6-year stock performance of Customer Experience Leaders vs. Laggards vs. S&P 500 (2007–2012)

Source: Watermark Consulting

Watermark defines Customer Experience Leaders and Laggards as the top and bottom ten rated public companies in Forrester Research's 2007-2013 Customer Experience Index studies. Comparison is based on performance of equally-weighted, annually readjusted stock portfolios of Leaders and Laggards relative to the S&P 500 Index.

Furthermore, while the customer experience leaders handily beat the S&P 500, the laggards in the study trailed it by a wide margin.[13]

These proof points underscore what savvy marketers already know: that long-term revenues are driven by lifetime customers—and winning those customers is not a one-time effort, but an ongoing cycle that can (and should) last a lifetime.

Sitecore helps marketers to create personalized conversations with each and every customer to win and keep them for a lifetime. To learn more about Sitecore® Experience Platform™ Version 8, please visit sitecore.net

"The reason analytics has become so popular today is that technology has enabled firms to collect data at the level of the individual customer. With that data you can now predict and give an estimate of customer value, which means you can optimize against that."

— Professor Eric Bradlow, Wharton School of Business

[13] "The Watermark Consulting 2013 Customer Experience ROI Study," April 2, 2013.

About Sitecore

Sitecore is the global leader in customer experience management. The company delivers highly relevant content and personalized digital experiences that delight audiences, build loyalty, and drive revenue. With the Sitecore® Experience Platform™, marketers can own the experience of every customer that engages with their brand, across every channel. More than 4,000 of the world's leading brands—including American Express, Carnival Cruise Lines, easyJet, Heineken, and L'Oréal—trust Sitecore to help them deliver the meaningful interactions that win customers for life.

For more information, visit sitecore.net