

AdAge

Despite the progress marketers have made to know their customers better, a new study reveals they still have far to go.

Relationship marketing: The human approach to personalization

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As marketers scramble to know their customers better and increase engagement, a new study reveals the progress they're making—and how far they have to go

Navigating today's marketing landscape is a tricky task. Marketers are feeling the pressure to increase results, but the martech and advertising infrastructure they've leaned on for years is rapidly becoming obsolete. Personalizing across multiple channels is difficult, and retaining customers can be a challenge without the right foundations.

Changing your strategy to one rooted in relationship marketing, which puts the customer at the center of everything, is proving to outperform traditional marketing tactics based on stalking customers around the internet and relying on third-party data.

However, according to "Relationship Marketing at the Crossroads," a new study from Cheetah Digital and Ad Age Studio 30, many marketers seem to have an overly narrow view of what relationship marketing really is—or can be. A more human approach to personalization is critical today, especially in a world where consumers can (and will) easily switch brands if they don't receive the experience they hope for.

For marketers to gain customers, maintain their loyalty and continue to grow their businesses, they need to foster personalized relationships through an understanding of consumer likes, interests, history and preferences. But are they doing so?

Marketers are in the midst of a transition.

Some know what they're doing, some think they know what they're doing and others are trying to figure things out. One thing the study makes clear: A new reconsideration of relationship marketing is due.

The crossroads challenge: How to address it

Here we'll address several issues derived from "Relationship Marketing at the Crossroads" and map out a path forward. The study's general findings reinforce the following:

- **Marketers who have deployed relationship marketing strategies are appreciative of its most important benefits**, including creating an emotional connection with customers that can lead to an increase in sales and stronger customer lifetime value.
- **Despite this, marketers are decidedly unsatisfied** with their relationship marketing results so far.
- **This may be due to how the term is defined by study respondents.** Overwhelmingly, most indicate that relationship marketing means primarily customer retention. As the balance of the study confirms, this ignores a fuller role that relationship marketing can fulfill.
- **Marketers must know their customers better and offer a value exchange that incentivizes long-term engagement.** But

strikingly, a large proportion of respondents don't think zero-party data (ZPD) is important, and some say it's irrelevant to their marketing efforts.

→ **Only about half of study respondents say they are “just starting” to devote marketing budgets and efforts into their customer databases.**

“It's fascinating what marketers are saying about the benefits of relationship marketing, but at the same time they are lagging behind in their customer databases,” said Cheetah Digital VP of Content and Data [Tim Glomb](#). “The fact is, you can no longer buy or broker data, and frankly, that was probably a bad practice from the beginning. We got fat from eating all those cookies. We can no longer advertise at people. We must really understand them and their needs, and redefine relationship marketing for the new reality.”

This white paper delves deeply into the study's findings, the role that relationship marketing is playing in many chief marketing officers' game plans and a path forward that places relationship marketing in the center of every step of the consumer's journey—from acquisition and engagement to retention and loyalty.

“To me, relationship marketing is everything from the introduction of a customer to your brand, all the way down to ‘We're best friends; see you next week,’” said Lindsay Eichten, director of CRM, loyalty and media at restaurant chain TGI Fridays, a Cheetah Digital client. “Relationships need to be nurtured and cared for with nuance. The important thing marketers miss is focusing on a channel strategy. What you want is a *customer* strategy.”

Progress is being made

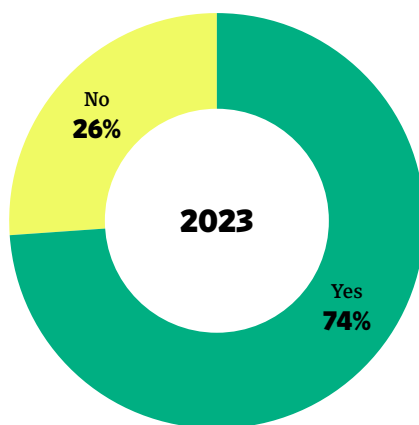
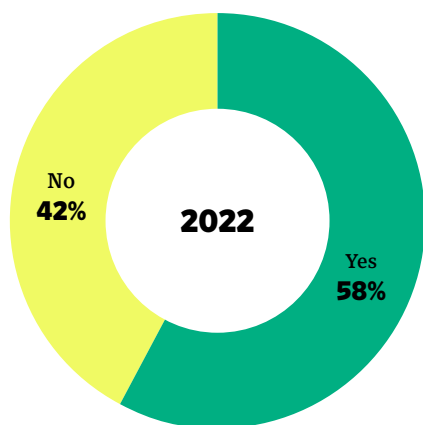
To be sure, Cheetah's new study uncovers some promising findings in how marketers and agencies view the shifting marketing and advertising landscape from a customer engagement standpoint. Positive trends include a strong familiarity with the term relationship marketing. Further, the use of relationship marketing is on the upswing, at least in terms of what marketers believe it to be.

More than half said it already is part of their 2022 marketing strategy, and more promising, nearly three-quarters say they plan to make relationship marketing part of their 2023 strategy (see chart below):

In addition, on all issues respondents felt that their relationship marketing performance

Relationship marketing as part of marketing strategy

People were asked if relationship strategy was part of their marketing strategy in 2022 versus if they plan to include it in 2023.



SOURCE: “Relationship Marketing at the Crossroads,” Cheetah Digital, September 2022

was improving, in particular when creating an emotional connection with customers and in marketing across all channels (although they're still disappointed with their results; see below).

Red flags

Despite this, of those marketers not currently or planning to make relationship marketing part of their strategy, budget constraints, lack of personnel skills and tech obstacles were cited. Remarkably—given the inexorable push toward marketing personalization—16% simply dismissed the idea of relationship marketing entirely (see chart, top right).

While there will always be constraints, the move to relationship marketing is one that should be at the core of any CMO strategy, Cheetah's Glomb said.

"No matter what business you're in, and no matter how you derive your revenue streams, you need to engage unknown contacts and turn them into known consumers," Glomb said. He noted that this refers to potential customers who even may be completely unknown to you but who may—through the establishment of a relationship, even if tenuous and nascent—can provide awareness and appreciation.

"Even before they become a customer you have an opportunity to start a relationship with any consumer by starting a conversation," he said.

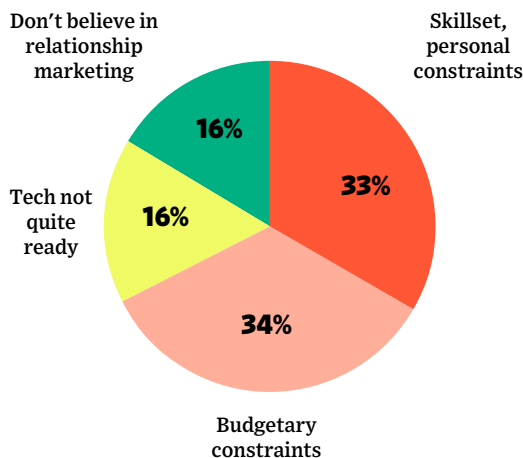
Perhaps the most telling finding of how relationship marketing is at a crossroads is the restricted focus respondents have of the very concept. Such KPIs as "generating greater brand awareness and equity through customer referrals" along with "scaling up cross-selling and upselling opportunities to customers" were cited as important. While these qualities are essential, they address customer retention and loyalty almost exclusively, and not how communications and engagement can be realized across the funnel.

Further, when asked if they could pick only one of a variety of choices, four out of the five choices focus on engagement only after someone is a customer (see chart, right).

Analysis indicates this may be out of step with evolving modern marketing realities. There is an emerging understanding of

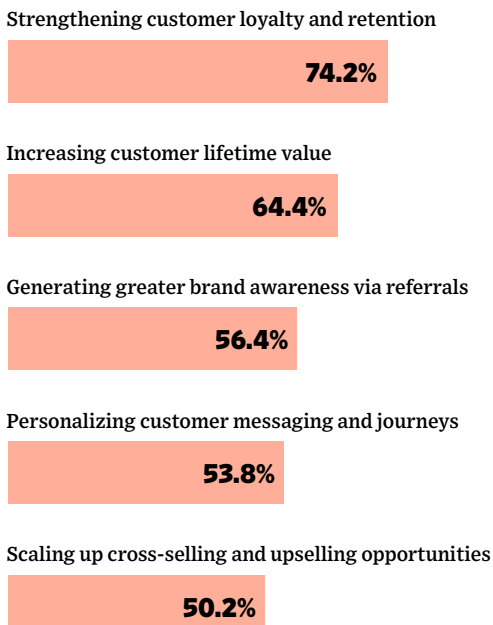
Why haven't/won't you include relationship marketing as part of your marketing strategy?

Four out of the five choices* focus on engagement only after someone is a customer



*Excludes "Other."
SOURCE: "Relationship Marketing at the Crossroads," Cheetah Digital, September 2022

What are the primary reasons for using relationship marketing as part of your 2022 or 2023 marketing strategy?



SOURCE: "Relationship Marketing at the Crossroads," Cheetah Digital, September 2022

the basic building blocks that form a solid relationship marketing strategy, and the current approach of far too many marketers—focusing on the end, rather than the entire spectrum of customer interactions—isn’t ideal.

“There must be an enlarged sense of [relationship marketing],” said Chris Muscutt, head of marketing technology at Cheetah client PepsiCo. “Yes, our goal is to get them to buy more products or stay longer on our brands’ sites. But we want to focus on what’s in it for the consumer, and whether we’re delivering value and promoting offers that are relevant. I think another loyalty program isn’t what they need.”

This may be revealed best by marketers’ general dissatisfaction with their relationship marketing efforts. Presented with a list of 10 relationship marketing objectives, they were asked to rate the importance of each on a scale of 1 to 10. Secondly, they also were asked to rate their satisfaction with the performance of each. *On each and every one, satisfaction was ranked lower than the actual importance of the issue.*

Perhaps not surprisingly, the gap between importance and satisfaction is greatest among *the top four most important issues* (see table below).

Zero-party data is a no-show

The most surprising finding, however, is the general dismissal of zero-party data—ranked dead last in the table, in the list of desired marketing goals. ZPD collects customer preferences, motivations and purchase intent that is willingly declared by the consumer. The most impactful ZPD is rooted in psychographic metrics that cannot be inferred by customer location, income, age or by tracking behavior. That’s in distinction to first-party data, information that is collected from a consumer by a voluntary entry, usually by simply providing a name or email address or from transactional information.

Google’s decision to eventually stop selling ads that target users’ browsing habits, and to no longer allow third-party cookies that collect that data via its Chrome browser (along with stricter regulations on customer data privacy) mean companies need to find alternate ways to personalize their marketing and advertising. Both zero-party and first-party data, and the tactics marketers use to gather that information are increasingly considered by many as table stakes for modern marketing and as cornerstones of relationship marketing.

Continued on page 7

Relationship marketing objectives

Relationship marketing objectives ranked by importance and satisfaction of each on a scale of 1 to 10. On each and every one, satisfaction was ranked lower than the actual importance of the issue.

Desired goals	Importance	Satisfaction	Gap
Creating an emotional connection with customers	7.74	6.46	-1.28
Marketing across owned channels	7.66	6.54	-1.12
Personalizing marketing efforts across owned channels	7.19	6.15	-1.04
Adapting to consumer wants/needs to deliver real-time, personalized brand journey	7.17	5.95	-1.22
Messaging triggered by actions consumer takes	6.89	5.96	-0.93
Personalizing marketing efforts across paid channels	6.80	5.99	-0.81
Rewarding customers with loyalty points, discounts or other tangible value	5.28	5.24	-0.04
Enriching consumer profiles with other data streams	6.26	5.75	-0.51
Using machine learning & data to inform & activate marketing efforts	6.07	5.45	-0.62
Enriching consumer profiles with ZPD (zero-party data)	5.95	5.57	-0.38

SOURCE: “Relationship Marketing at the Crossroads,” Cheetah Digital, September 2022

How to build a path to customer obsession

With relationship marketing ripe for reconsideration, here is a recipe for a four-stage foundation and how small changes can deliver big results.

1. Acquisition: Stage 1 is about acquiring contacts and enriching the data you have on them continuously.

Gather zero-party data by offering a value exchange using surveys or competitions while tracking digital signals along with basic contact details. Map all of this to your database and start a new record on each person who engages with your brand. Append other data streams to these profiles, such as web browsing behavior, transactions (online and in-store) or engagement in your app, site or loyalty program.

2. Engagement: Stage 2 is about establishing an intelligent messaging strategy.

Now that you've made contact and consumers are in your marketing mix, continue to learn about them and start engaging across all channels. Owned channels include email, SMS/MMS, website, apps, wallets, chatbots and direct mail. Use

your data to deliver a cohesive message across multiple channels.

3. Personalize: Stage 3 is using your data to create truly personalized experiences.

Add next-gen personalization tactics. Listen to signals in response to trigger messaging, content and offers based on the customer's own individual path. Respond in real time with contextual experiences that drive results, along with intelligent offers to mobile wallets or in loyalty programs.

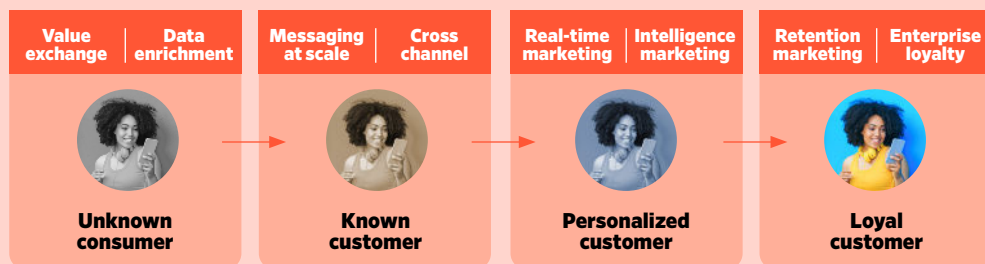
4. Retention: Stage 4 is building loyalty via emotion and connection.

Use your loyalty program to ask customers to take non-revenue-based actions, like choosing their favorite sauces for QSR companies or submitting images of your products in use. Recognize those actions and call them out by name in triggered personalized emails or via pop-ups and personalized HTML copy on your website.

[See here for a full rundown](#) of these relationship marketing steps, plus multiple case studies on how they can succeed.

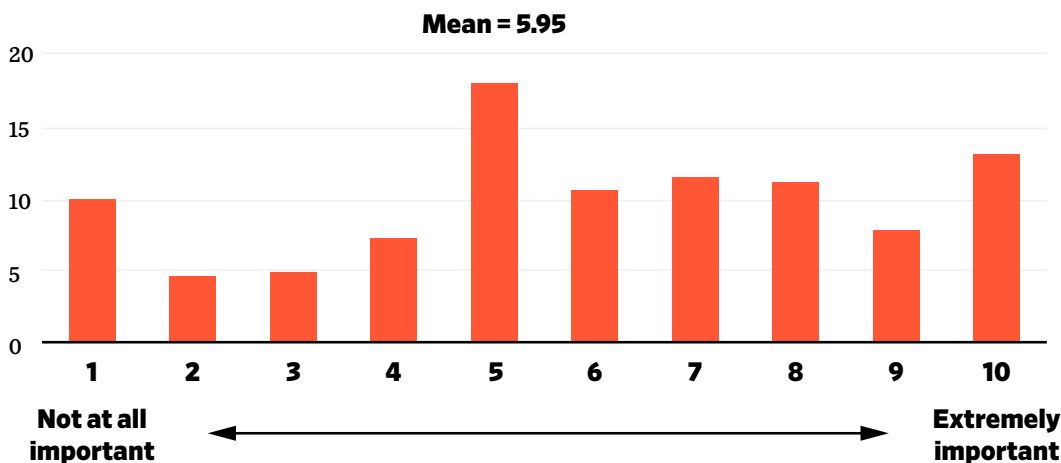
A personalized path to customer obsession

Drive revenue, create personalized experiences and deliver unique value exchange across the entire customer lifecycle



Zero-party data

How important to your relationship marketing program is enriching customer profiles with zero-party data?



SOURCE: "Relationship Marketing at the Crossroads," Cheetah Digital, September 2022

Continued from page 5

Many marketers seem severely behind the curve here. Study respondents were asked to rate on a scale of 1 to 10 the importance of zero-party data to their relationship marketing programs, with 1 signifying no importance and 10 extreme importance. While a mean rating of 5.95 would seem to indicate a modest appreciation of ZPD, fully 60% consider it either completely unimportant or are undecided (see chart above).

It's surprising that marketers aren't taking advantage of what zero-party data offers. It's the foundation of a relationship marketing strategy. Without that accurate data—eagerly given by consumers—marketers can never hope to build personalized campaigns that make an impact or spark a relationship.

Acquisition is never just a one-time thing; marketers should consistently be gathering this

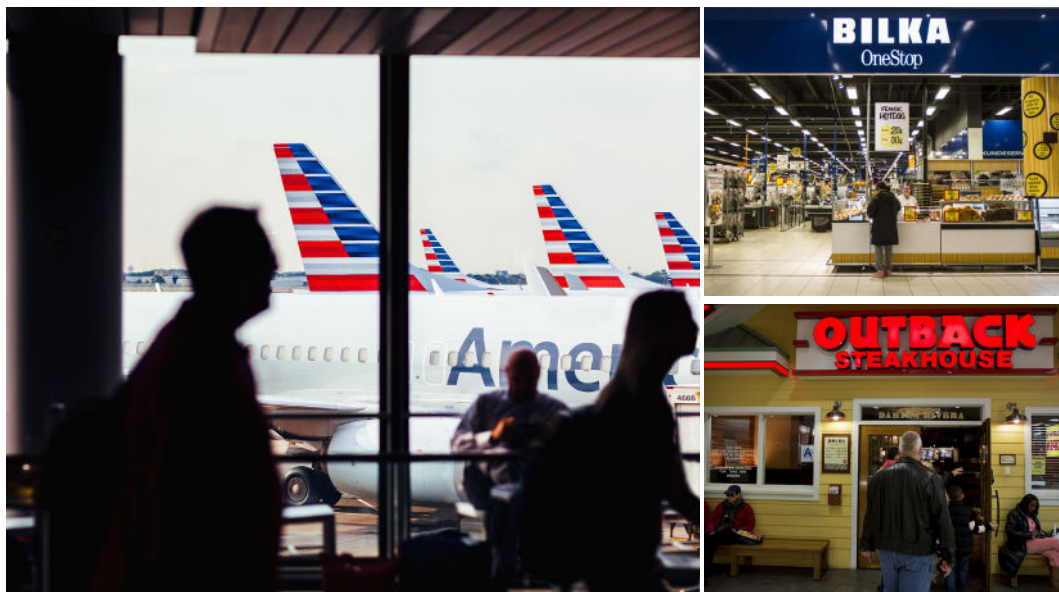
zero-party data to enrich the profiles they have on their customers and further customize offers and content to them. [Cheetah Digital's original research](#) has shown that people will give you their data to receive something in return. By creating this value exchange with the customer, both the brand and the consumer gain.

"Relationship Marketing at the Crossroads" reveals a vast underappreciation of this fact.

"I was quite shocked by these findings," said PepsiCo's Muscutt. "We will never have all the data that we need, but I like the idea of having more information from and about the consumer than someone else has. We run some competitions and games, and the data gathered from entries can allow us to match an audience within a time zone and maybe a cell phone number. I think that's the kind of space we want to play in, and how I view the need for zero-party and first-party data."

"We will never have all the data that we need, but I like the idea of having more information from and about the consumer than someone else does."

Chris Muscutt, head of marketing technology, PepsiCo



Clockwise from left: American Airlines moved from the typical “batch and blast” email to deliver instead personalized, real-time offers based on known psychographic data declared directly from the customer. Denmark’s Salling Group, whose retail empire includes stores such as Bilka OneStop, launched an app-based loyalty program that helped the company achieve a tenfold lift in daily active users. Outback Steakhouse parent Bloomin’ Brands’ data analysis revealed that customers who dine using multiple ordering channels generate eight times the revenue than those who don’t.

Charting a path forward

Relationship marketing is about the customer lifecycle, from initial awareness to conversation and frequency of messaging. That takes a lot of work and comes down to understanding who your customers are. It can be said that when businesses aren’t doing well, they become more focused on driving revenue than on customer relationships. These companies have to decide on what business they’re in. Having a relationship with customers pays off much better in the long term.

Let’s examine some examples:

American Airlines. Email is a huge driver of revenue for the brand. Knowing this, the airline launched an email pilot program looking to increase revenue per customer while adding a deeper level of personalization based on individual customer preferences.

The Cheetah Digital Strategic Services Team developed a strategy that used its Customer Engagement Suite to reach that goal. First, Cheetah Experiences was deployed to collect zero-party data, including psychographic

information about how, when and where customers would plan to fly. Those insights fed into Cheetah’s Journey Designer, which put each customer on a unique email path that included hyper-personalized content and offers that matched their needs.

American Airlines essentially moved from the typical “batch and blast” email with a one-size-fits-all offer, and instead delivered personalized, real-time offers based on known psychographic data declared directly from the customer. This led to increased open rates, a lift in engagement scores and ultimately a lift in revenue per member. [Check out the details here.](#)

Salling Group. Denmark’s largest retailer owns chains of stores throughout much of Europe. The company was looking to develop a loyalty program that was easy to use and that could deliver intelligent, contextually relevant, highly personalized offers to customers—treating each and every customer as an individual.

Partnering with Cheetah Digital, Salling built an app-based loyalty program as an owned, digital personalized communication

“Relationships need to be nurtured and cared for with nuance. The important thing marketers miss is focusing on a channel strategy. What you want is a customer strategy.”

Lindsay Eichten, director, CRM, loyalty and media, TGI Fridays

channel, helping the retailer understand its customers beyond transactions. The app can scan and pay for purchases and trust is gained with a simple returns process.

Upon launching the app, Salling smashed its loyalty registration goals in just four weeks. It quickly rose to the No. 1 most-downloaded app in Denmark, and by weaving digital payments, coupons and gamification into individual brand apps, the company achieved a 10-times lift in daily active users, resulting in a significant increase in revenue and engagement. [For more details, click here.](#)

Bloomin’ Brands. This parent company of such brands as Outback Steakhouse, Carrabba’s Italian Grill and Fleming’s Prime Steakhouse was already heavily involved in building its customer databases. During the pandemic and all the woes that entailed, the company decided to dig deeper into the data it already had to discover new meanings and opportunities.

With Cheetah’s assistance, the data revealed that customers who dine using multiple

ordering channels generate eight times more revenue than those who don’t. Analysis showed that the brands should encourage purchases in new ways—for example, dine-in patrons were served emails with carry-out options, and for phone-in carry-out orders to be directed to online ordering as well.

The payoff was apparent on several fronts. Despite a 31% drop in same-store sales across its casual-dining brands during the pandemic, the company was able to keep virtually all of its restaurants open because of strong takeout and delivery sales. Further, Bloomin’ Brands did not furlough any of its 90,000 employees. [Learn more here.](#)

Cutting through the noise to win the future

Regardless of what industry you’re in or what media channel you’re advertising in, the story of marketing today is hyper-personalization that’s accomplished through relationship marketing. It’s a noisy world. There are myriad technologies and information/entertainment platforms vying for consumers’ attention every day in every way. The brand marketers who connect the dots between acquiring the right kind of data and translate those findings into the tailored campaigns and marketing strategies that reach their targeted audiences will win the hearts of consumers and turn them into the loyal customers they seek.

“What’s going to happen to those marketers that don’t lean into relationship marketing?” asked Cheetah Digital’s Glomb. “They’re going to be left behind, plain and simple, spending money on campaigns using third-party data that won’t convert like they want them to, and even damage their brand reputation as customers become turned off by non-personalized messaging and privacy violations.

“Relationship marketing strategies provide sustainable yields for those companies that have embraced it. Those that don’t will fade to the background of relevancy.”

Ad Age Studio 30

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About Cheetah Digital

Cheetah Digital by CM Group is the leader in Relationship Marketing solutions enabling global enterprise brands to acquire, understand, engage and retain customers across the entire lifecycle. By bridging the gap between data and contextual engagement, Cheetah Digital ensures that you can easily understand your customer, activate insights, and deliver a unique value exchange across all channels and touchpoints.

Unlike tired and monolithic marketing clouds and niche point providers, Cheetah Digital provides the most unified data, insights and engagement solution in a single platform. Many of the world's best brands, including Starbucks, Hilton, American Airlines, and Williams-Sonoma trust Cheetah Digital to create personalized experiences and drive revenue throughout their marketing programs. For more information, visit www.cheetahdigital.com.

About CM Group

CM Group offers a suite of world-class martech solutions that help marketers create and foster relationships with consumers across the entire customer lifecycle. CM Group now includes Campaign Monitor, Emma, Vuture, Liveclicker, Sailthru, Selligent and Cheetah Digital. By joining together these leading solutions, CM Group offers a variety of relationship marketing use cases that can be used by marketers at any level. Headquartered in Nashville, TN, CM Group has offices globally across the United States, Europe, Australia, New Zealand, South America and Central America, as well as in Japan.