

LoyaltyOne

The Dwindling Art Recapturing the art of the aha

by Bryan Pearson

Each year, the COLLOQUY Loyalty Marketing Summit brings together 100 or so of the best minds in loyalty to focus discussion on the art and science of a particular aspect of loyalty marketing—in 2007, our theme was building customer advocacy. As I prepared my welcome speech for the 2007 Summit this past August, one thought became increasingly obvious to me. With apologies to Strother Martin in the Paul Newman classic *Cool Hand Luke*: What we have here is a failure to innovate.

I'm not claiming that loyalty marketers are in any way devoid of imagination. In fact, the industry was founded on innovation—the pioneers in the airline and hotel industries in the 1980s made up the best practices of our industry as they went along.

Thus established, the industry prospered and innovation became daily routine. As marketers honed the science of loyalty through database development, transaction analysis and customer segmentation, they faced increasing danger of becoming not only number crunchers, but also people crunchers. Instead of developing real relationships with our best customers, we often reduced them to mere ones and zeroes. We trapped them in the data. Today, the balance between art and science has teetered inexorably toward science as the true artistry we develop dwindles. The flow of data is vital to our industry—but it is only as vital as the differentiated programs and relevant offers that we draw from the well.

Take, for instance, Colleen Ryan's article "Reading the Customer Oracle," which outlines the best practices of predictive modeling. Custom analytical models that forecast customer spend, customer retention, campaign profitability and other factors are essential tools in managing the return on investment of your customer strategy. The numbers facilitate the science.

But leveraging the science to its full potential requires close coordination between those who collect and analyze the data and those marketers responsible for transforming that data into actionable strategy and tactics. Going in, what are your actionable objectives? Coming out, what insights and aha's can you glean that will transform customer behavior? To apply the science strategically, the art of insight must drive your marketing plan.

Fortunately, this decade has seen companies in a variety of industries begin to employ greater sophistication in their data-mining techniques. This next generation of innovators works aggressively to apply information overlays to transactional behavior to create richer, more actionable customer and market insights. These artist-analysts have led the migration away from traditional behavior-based models such as RFM to dynamic, innovative velocity, attrition and customer equity scoring.

But when data complexity overwhelms actionable marketing analysis, innovation often stalls. The danger is always that science will overwhelm art. Predictive models are among the most powerful tools in our marketing toolbox, but like all tools, they are only as useful as the hand that wields

them. They're invaluable in enabling marketers to make better decisions and allocate finite marketing dollars more effectively. But they can't help you be a better communicator — or a better listener. Scientists can explain the world, but only artists can give it meaning.

In an environment in which loyalty marketing programs have become increasingly commoditized and ubiquitous, we can never renounce our innovative heritage. Each year at the Loyalty Marketing Summit, we immerse ourselves in the artistic spirit of our speakers, presenters and attendees. The ability to network with other marketing innovators outside your own industry is the Summit's most powerful draw.

So wherever you call your business home, take time to network with other loyalty practitioners. Find those seeds of imagination in the work they do. Share your own ideas with them. Partner with them and collaborate to put profitable ideas to work for your respective organizations. After all, both scientists and artists thrive on collaboration.

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