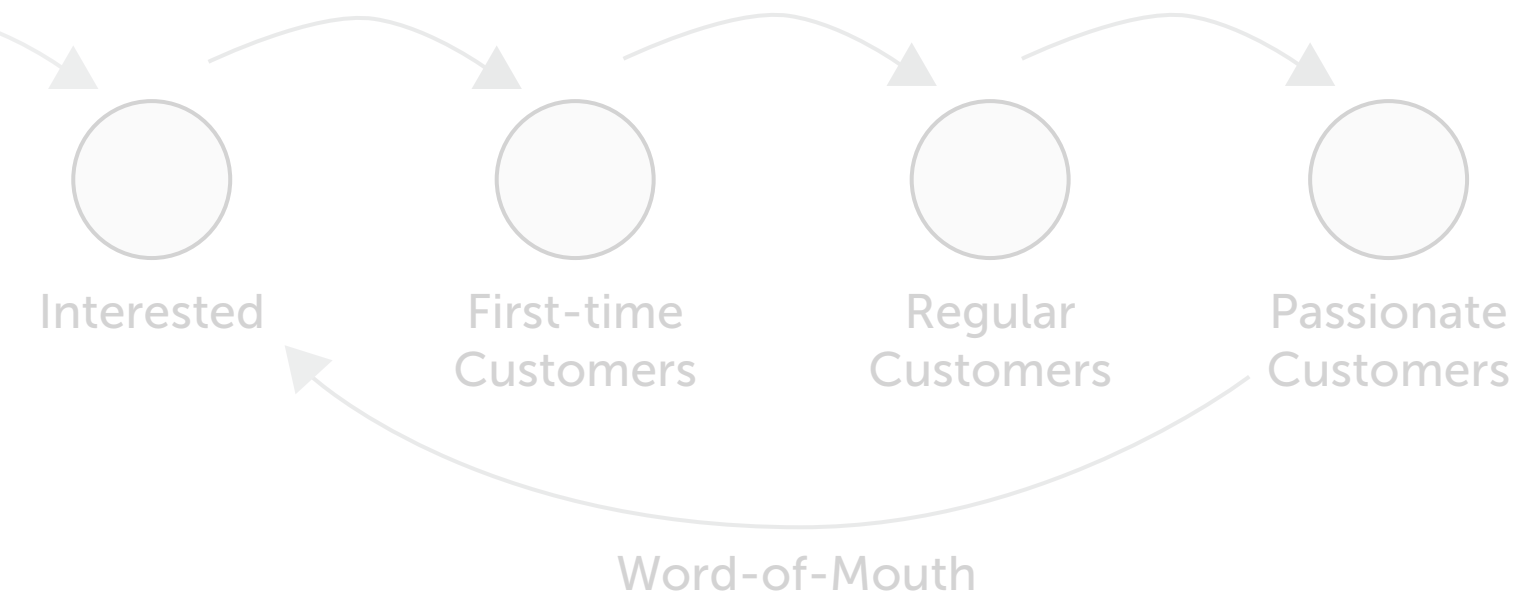


Lifecycle Marketing

Why traditional marketing is broken and how lifecycle marketing can fix it.



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Executive Summary: Professional marketers have long used a funnel-based marketing model to guide their marketing activities. For many years the funnel served us well, giving us a way to think about our potential customers. Over time, however, the funnel-based approach has proven good in theory, weak in practice. It fails to model today's sophisticated social and mobile customers who want a real relationship with the people they do business with. It also fails to focus on providing a great customer experience, a focus that defines the best brands of today.

Lifecycle marketing, or marketing focused on the entire customer experience from beginning to end, is more efficient and more valuable to your business. In this white paper we describe how funnel-based marketing is currently broken, how lifecycle marketing addresses these shortcomings, and how Performable is building tools to support today's lifecycle marketer.

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The Traditional Approach: Funnel-based Marketing

Most online marketing activities today are modelled around the concept of the marketing funnel—the process of taking a large population (comprised of people who may or may not be familiar with your company) and funneling them through the sales process. The levels in the marketing funnel are often communicated using the concept of AIDA:

Awareness: Marketers first create campaigns aimed at gaining new visitors by making people more aware of what they offer. This often takes the form of advertising, writing content for relevant publications, and other brand-building activities.

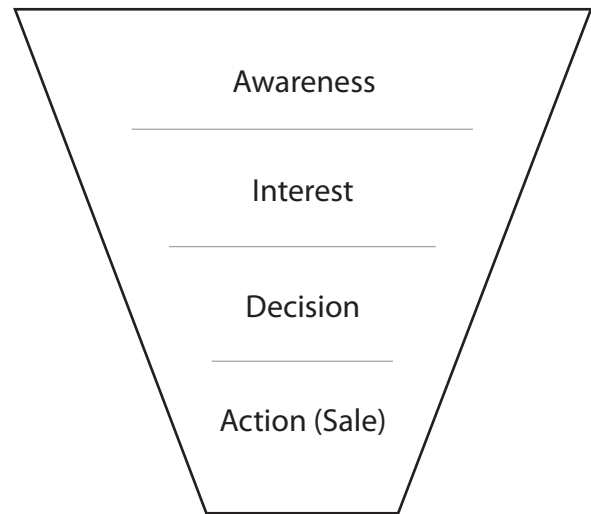
Interest: The awareness-building leads potential customers to a website or landing page where they can visit and explore. The marketer hopes this initial discovery period results in increased interest and motivation toward a purchasing goal.

Decision: If a marketer can successfully build up enough interest in their product or service, a potential customer will decide to either take action or abandon the interaction.

Action: The goal of the funnel is to get a person to purchase or take some other important action. If they do so, they are considered a sale and the marketing toward them is considered a success.

After the sale is made, the marketer's attention is turned back to acquisition and the top of the funnel. The cycle begins anew and a fresh load of leads is brought in to turn into sales.

In general, the marketing funnel helps marketers wrap their heads around the decision-making process that customers go through...it helps illustrate a messy process. That's why it has been the defining model of marketing for the past 100 years.



The Traditional Marketing Funnel

A typical marketing funnel, focused on attracting visitors and turning them into sales.

The marketing funnel is characterized by the following:

- Mostly focused on building awareness and directing attention at a product or service.
- Mostly focused on people who are not already familiar with the business.
- Treats interactions as one-time occurrences that happen in a short period of time.
- Generally stops the interaction at the sale and considers it a success at that point.
- Invests first in driving new traffic and/or customers vs. retaining existing traffic or customers.

The Symptoms of a Broken Model

The marketing funnel sounds sensible in theory. Unfortunately, in practice the funnel is broken. Years of focus on the top of the marketing funnel have led to an enormous amount of interruption, confusion, and poor user experiences. The symptoms of the broken model can be seen everywhere.

- 1. Increasingly interruption-driven.** To cast an ever-wider net and fill the top of the funnel, marketers are forced to interrupt people more and more. Blinking advertisements, flashing images, interstitial screens, pop-overs, pop-unders, and distracting animations are common symptoms. Nobody likes these elements, and their effectiveness is short-term.
- 2. Over-reliance on SEO and other tactics.** When you start hoping that your SEO campaigns will start saving you each quarter, you know you're in trouble. Ideally, SEO should be an optimization you do to make your search signals stronger. Relying on it is a game you can't win.
- 3. Focus on quantity of content over quality.** The proliferation of poorly-written blog posts with no deep content in them attests to the desire for more content at any cost. While this may drive short-term eyeballs, it is wasted effort in the long run as the lack of quality takes its toll. Taken to the extreme we get the rise of content farms...the natural progression of low-quality but high volume content.
- 4. Reliance on Other People's Email Lists.** Instead of cultivating their own marketing lists, many marketers are forced to borrow someone else's to fill their funnel requirements. An ever-increasing appetite for leads means that efficiency of the funnel is the real problem.
- 5. Too Much Outbound Marketing.** Costly and impersonal outbound marketing tactics result from the need to continually feed the funnel. With each added outbound marketing campaign, the quality goes down, resulting in ineffective practices like outsourced telemarketing and cold calling.
- 6. Too much focus on inbound marketing and "getting found".** Inbound marketing is about "getting found" by producing lots of content so that you will eventually get attention from folks looking for it. But the resources necessary to do this correctly are huge...most companies simply don't have the time or people to commit to producing quality content.
- 7. SPAM, SPAM, and more SPAM.** Not all marketers send SPAM, but enough do that the noise of SPAM has drowned out the signal of good marketing campaigns. In addition, people's tolerance for SPAM is going down, so something that wasn't considered SPAM a few years ago is now seen as a nuisance. SPAM results from marketers who don't have the tools they need to send targeted, relevant messages and resort to sending mass emails to people who don't care.

6 Reasons Why the Funnel is Broken

The symptoms of a broken funnel model are clear: we deal with them each and every day. But why exactly is the funnel system broken? Here are five reasons:

1) The Funnel doesn't reflect customer behavior

The funnel model assumes that customer behavior is linear, rational, and orderly. But every successful marketer knows that real customer behavior is complex, impulsive, and unpredictable. Real customer behavior occurs over multiple platforms and channels, with people seamlessly interacting via mobile, email, and web simultaneously. Simply put, the funnel cannot model this increasingly sophisticated behavior.

2) The funnel focuses on a very small window in the lives of your customer

The funnel is merely the first step that customers go through as they decide to use your product. It's like a first date! Thus it models only a small subset of the overall customer experience, which lasts months, years, or even decades! Issues like customer loyalty and long-term engagement aren't a part of the funnel model because those come later in the lifecycle.

3) The funnel does not focus on providing a great experience for your customers.

The goal of funnel-based marketing is to get a sale. Period. It doesn't model how well that happens, only that the sale was made. There is no consideration about how good the user experience is or how happy the customer is...crucial factors in whether or not you'll continue to get business from the customer.

4) The funnel does not model social interaction

Perhaps the biggest disruption of the Web has been the massive social interaction among customers, who now talk and learn with each other in near real-time. As customers share their

successes and failures instantly, they're affecting the future interaction of others. This process is unpredictable, and can't be modeled by something as predictable as the funnel.

5) Marketers don't have the right data to make informed decisions.

Another reason why we're seeing the symptoms of the broken funnel model is that few marketers have easy access to existing customer data. Most customer data stays locked up in databases far away from marketers. Administrators are the only ones who can access this important data. Over time, this has prevented marketers from even asking important questions like: "How engaged are our customers?" or "How long does it take for someone to become our customer in the first place?"

6) Marketers are further away from customers than ever.

While the Internet has allowed businesses to interact with a global audience, it has also pushed businesses away from customers. But current marketing practices, led by the funnel model, push marketers even further away. The promise of optimizing a funnel to work repeatedly leads to a false sense of automation, which in turn leads to fewer actual interactions between the company and its customers. After all, if it's automated then that means I don't have to get involved, right?

Further Reading

We're not the only ones who believe the funnel is broken and a lifecycle model is the way forward. In an October 2010 Forrester Report, Steven Noble makes a similar case, arguing that the funnel model is antiquated and out-of-date.

Read the Forrester Report here: [It's Time to Bury the Marketing Funnel](#) (requires purchase)

The Importance of Customer Experience

It's well known that satisfying existing customers is a much more efficient way to do business than gaining new ones. Existing customers are much easier to make happy, tend to purchase more than new customers, and are generally more valuable than somebody new.

The most important moment for marketers is post-sale...how the customer is treated as they use your product or service. The data backs this up. Customer Satisfaction metrics clearly show that focusing on customer experience and delivering over time add up to stronger businesses:

- **Higher Profits:** Companies who prioritize the customer experience generate 60% higher profits than their competitors. [Gartner Group]
- **Lower Costs:** It costs 6-7 times more to acquire a new customer than it does to keep an existing one. [Bain & Co.]
- **Saving Customers:** 68% of customer defection takes place because customers feel poorly treated. [TARP]
- **Increased Profitability:** a 5 percent increase in customer retention can increase a company's profitability by 75 percent. [Bain & Co.]
- **Repeat Business:** Repeat customers spend 33% more than new customers. [Retail Active]
- **Focus on Loyalty:** When companies identify and respond to loyal customers, they reduce their customer acquisition costs by 27%. [Jupiter Research]

Marketers who continue to focus on the marketing funnel are neglecting the value of making current customers happy. Not only does focusing on your customer experience make your current customers happier, it leads them to talk to others and bring them into the fold.

On the other hand, if current customers are not happy then it is marketing folly to invest more in acquiring new customers, as they will suffer the same dissatisfaction. That is the critical insight about customer experience...it is so crucial for your customers to have a good experience that it must become the highest priority of marketers, product developers, and everyone in the company. Otherwise, your marketing efforts are going to replicate a poor customer experience.

One person having a great customer experience is worth 10 people having mediocre experiences. Not only will that customer with a mediocre experience not give you as much business, they will also fail to tell anybody else, crippling the best opportunity a company has of driving new business.

Marketing guru Seth Godin (one of our favorites here at Performable) suggests that many businesses just don't understand how much their customers are worth:

"Few businesses understand (really understand) just how much a customer is worth. Add to this the additional profit you get from a delighted customer spreading the word--it can easily double or triple the lifetime value." - Seth Godin

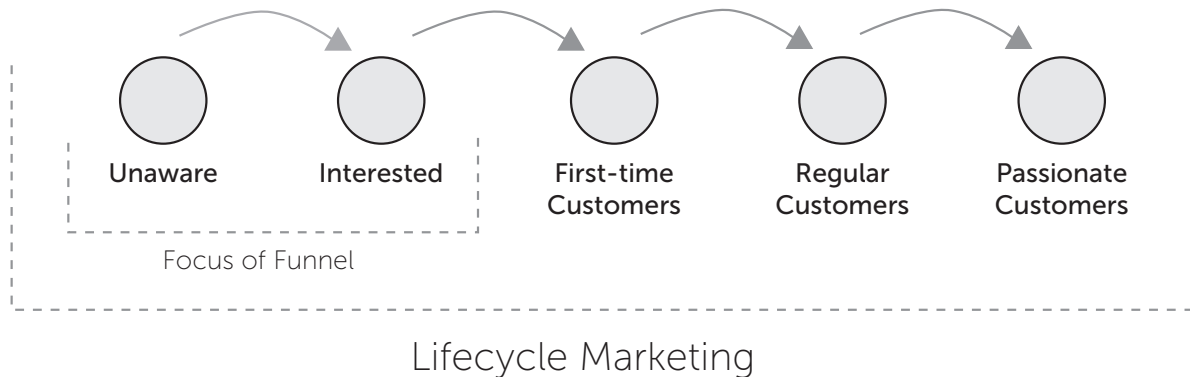
Critical Insight:

If your current customers aren't happy using your product then your marketing is simply sending more people into a bad experience.

Introduction to Lifecycle Marketing

Lifecycle marketing focuses on the entire customer experience, from the very first time someone hears about your product, all the way through to when they become passionate users who recommend your product to their friends.

Lifecycle marketing starts with the customer lifecycle, or the process people go through as they use your product or service. It is similar to the funnel model, but covers the entire customer experience, not just the initial sales process.



The Customer Lifecycle is made up of the following stages:

Unaware - People are unaware of your product and don't yet know that it exists.

Interested - People know that you exist but are still considering your product against their other options. This includes almost everyone in the traditional funnel model.

First-time Customers - People have decided to start a relationship with you by trying your product or service for the first time. This stage is crucial to get right.

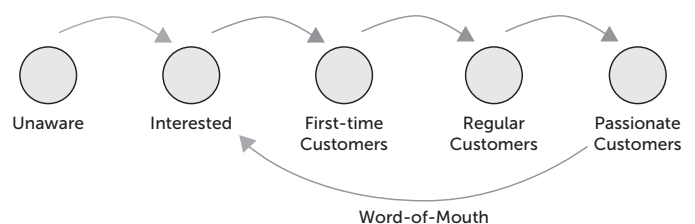
Regular Customers - People are now active customers and use your product or service regularly. This includes both new and existing customers.

Passionate Customers - People have taken the next step and are passionate advocates of your product or service. Getting people here is the goal of lifecycle marketing.

Word of Mouth

Not a stage, but the outcome of having passionate customers. Once your customers are so happy they become evangelists, they start telling others about your product and the cycle begins anew. This is what makes it a lifecycle!

Via social media or just in casual conversation, your satisfied customers tell their friends, colleagues, and business contacts how great your product is, and all of a sudden you've got new customers who understand exactly what your value proposition exactly. No advertising needed.



7 Steps to Lifecycle Marketing

Now that we've described what lifecycle marketing is, the next question is how to start putting it into practice. Here is a simple guide to getting started with the lifecycle:

1) Identify your lifecycle stages

The first step is to simply discover your lifecycle. Start with the high-level model we've provided and fill in the details of your business (every lifecycle is different). What are the major steps that people take throughout their time as customers?

By the way: We help people do this all the time at Performable...let us know if you would like some help doing it for your business!

2) Include all your channels & platforms

Next, identify all the channels and platforms that your customers use (and you've decided to embrace). This list might be longer than you would expect...it's very common for channels to creep in over time. Include all mobile, social, and offline channels.

Steps 1 & 2 are critical because they help you get a clear picture of all the interaction points (touchpoints) people have with your business. Only by identifying and understanding all of these touchpoints can marketers start to measure and optimize them.

3) Start recording lifecycle events from all touchpoints

For each touchpoint you identify, start recording interaction events in your analytics platform. This means that whenever someone interacts with you on the Web, via email, on a social network, or via their mobile phone, you record it as an analytics event. This will immediately give you a sense as to where and how people are interacting with your business.

Yes, it's possible to do lifecycle tracking with extreme customization of existing web analytics tools...we got tired of doing that so we built the Performable platform!

4) Gather data over time

Now that you have identified your important touchpoints and have set up your analytics tools to track them, you simply start gathering data. The data you collect will reflect actual interaction with your business, and after enough time will include every single one of the touchpoints in your lifecycle. This lifecycle data will be the crucial information on which you'll base all of your future marketing efforts on.

5) Identify your most successful customers

After you've gathered data over a couple weeks, you'll be able to start analyzing what channels and platforms drive your best customers. Your best customers are those who keep you in business. If you're doing e-commerce, it will be those people who spend the most with you or have the largest order value. If you're delivering Software-as-a-Service (SaaS) it will be those with a highest lifetime value. Additionally, it will be those who are most engaged and most passionate, the ones who share their excitement with others via social media and word-of-mouth.

6) Replicate the experience of your most successful customers for everyone

Identifying your best customers gives you a template from which to work: simply apply that template to your other customers. If your best customers come from a certain channel, invest more in that channel. If your best customers complete certain events that others don't, redesign your customer experience toward those events.

7) Avoid Negative Experiences

Additionally, you'll want to look at the other end of the spectrum: people who don't become good customers. Don't replicate their experience: turn off channels that provide no value, and de-emphasize events that don't lead to someone becoming a customer.

Performable's Lifecycle Marketing Platform

At Performable we've built an analytics platform that supports lifecycle marketing. It focuses marketers on the long-term experience of the people who make them successful: their customers.

We built it after becoming frustrated doing "export to Excel" over and over and over again with existing analytics tools and then performing very sophisticated analyses to find answers to really simple questions. So we built software that would do it for us. We built Performable for us but offer it to any marketer who needs a tool to engage in their own lifecycle marketing.

The Performable Platform supports:

Multi-channel: Performable supports multi-channel tracking so that you can get insights from your customers from anywhere they choose to interact with you.

Segmentation: You can easily segment your customers based on what lifecycle events they've completed. View people who have not yet completed an action or those who have done it 10 times. This helps you identify and focus on those folks who aren't yet having a great customer experience.

Customer Profiles: You can optionally have Performable create a customer profile for each and every visitor to your web site and supported platforms.

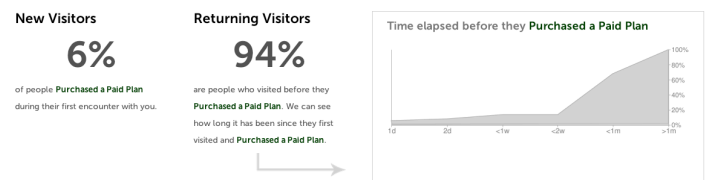
Landing Page Creation & A/B Testing: With Performable's CMS capability you can create and test web and landing pages to see what messages and designs work for your audience.

A sample of our analytics reports you can't get anywhere else:



First Touch Report: Find out how people first touched your company, whether it was yesterday or 6 months ago. Performable keeps first-touch data forever, so you can be confident which channels are the most effective at generating awareness and leading to eventual conversion later in the lifecycle.

Did you know? Most analytics packages follow a last-touch conversion attribution model, not a first-touch.



Time Elapsed Report: Find out how long it takes people before completing a lifecycle event (could be at the start or end of the lifecycle). This helps you plan your marketing around that event...predicting the future of your company based on real evidence from the past.

Find out more about Performable Analytics at:

<http://www.performable.com>