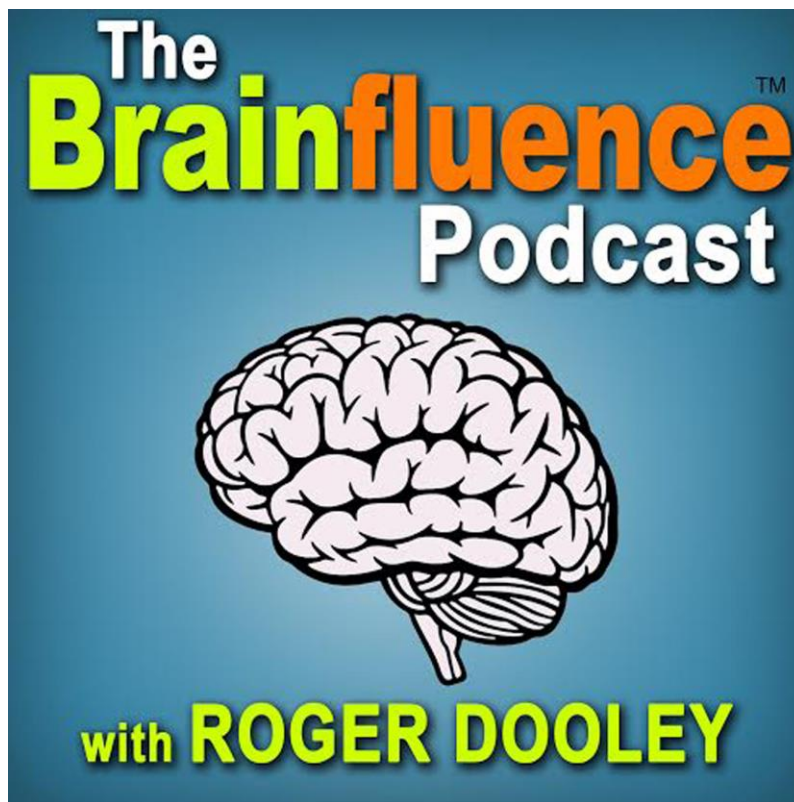


Ep #51: Customer Experience and Engagement with  
Andy Frawley



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**Roger Dooley**

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## Ep #51: Customer Experience and Engagement with Andy Frawley

Welcome to the Brainfluence Podcast with Roger Dooley, author, speaker and educator on neuromarketing and the psychology of persuasion. Every week, we talk with thought leaders that will help you improve your influence with factual evidence and concrete research. Introducing your host, Roger Dooley.

Roger Dooley: Welcome to the Brainfluence podcast. I'm Roger Dooley and today's guest is Andy Frawley. Andy is CEO of Epsilon, a marketing data and technology firm. He's got a long history in various technology marketing and finance roles and he's the author of a new book, Igniting Customer Connections: Fire Up Your Company's Growth by Multiplying Customer Experience & Engagement. Welcome to the show, Andy.

Andrew Frawley: Thanks for having me, Roger.

Roger Dooley: One of the things I found interesting, pretty early on in your book was you talk about the convergence of direct marketing and mass media. I'm a direct marketer from way back when, from pre-Internet days when direct marketers actually printed stuff on real paper and I had a lot of respect for that field as being the most quantitative kind of marketing available back in the day. Tell me a little bit about how you think direct marketing and mass media are converging and really what that means to marketers.

Andrew Frawley: I think it's really the start of this whole conversation around how to operate in an omni-channel world. Our view is, and I think what's going on, is you've got two disciplines that have historically been fairly separate. Mass media was focused on really trying to drive an emotional connection with the brand, doing it on a broad

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basis, usually pushing messages out and to large audiences, which were generally a target. They didn't know specifically who they were talking to. Direct marketing was the world where we had an addressable universe. As you said, it used to be with ink on paper. Now it includes things like texting and email and a variety of digital channels, but where we're targeting a particular individual looking for a specific call to action or a specific response.

As you said, direct marketing was historically highly measurable. We knew for every dollar we spent how many people opened and bought, converted. Whereas mass media historically has used more broader based metrics. What's happened with the digital revolution is we can now start to target messages. It's really two things. One is we can target messages across a broad set of medium, and so we can target people both when they're in an identified state, where they're authenticated and logged on to a website, and say, "Hey, this is Andy Frawley." We can also target them with a fair amount of information when they're anonymously on the Web. Soon we'll be able to do that same sort of digital targeting through television.

The degree of the target has increased greatly. The other dynamic is the medium is much richer now. We can create a content that historically was the domain of TV advertising where we all remember the highly emotive commercials we saw for iconic brands like Budweiser, Coca-Cola, that create a real emotional connection between a consumer and a brand. We can now deliver that same sort of content through digital channels in a highly targeted way. That convergence opens up a whole

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new conversation with marketers, with brands, that we can focus not just on trying to drive activity, what people do, a la direct marketing, but we can also incorporate how people feel about a brand, what's their emotional connection with a brand. What we're seeing through our work and our research is when you work both of those together you get a much better financial result.

Roger Dooley: Right. There's been a lot of discussion about that. I speak to a lot of people from the neuromarketing space and that seems to be the next frontier is combining some of the tools like big data and what we know about a particular individual with a neuromarketing type appeal, where we're somehow understanding what their emotional state is or connecting with them on a more personal level. That's interesting. Budweiser perhaps, at some point, might start doing cat videos instead of Dalmatians for those people who really like cats.

Andrew Frawley: Exactly. I think our Executive Creative Director here did all the Budweiser real men of genius campaigns in a prior life. Brave, emotive commercials and what we're doing now here at Epsilon and what we talk about in the book, Igniting Customer Connections, is how you can create that sort of content, that sort of things that really engages consumers but deliver them on a mobile phone, on a website, through a Facebook interaction.

Roger Dooley: One term that I found interesting that you threw out in the book was "an atomic moment of truth." What did you mean by that, Andy?

Andrew Frawley: We use the term "atomic moment of truth" to really capture the essence of the game and the challenge that marketers have today. As we sit here, having this

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conversation, our clients here at Epsilon are having billions of atomics of moment of truth with their consumers. There's a moment where they're touching a consumer, and it might be consumers buying something, it might be they're researching something on the Web; it might be that they're talking to a friend or talking to a call center operator. We choose the language "atomic" in that these interactions need to be captured atomically, one at a time and in real time.

In those interactions, a brand can either create value in their brand or in a customer, or they can very possibly destroy value in a customer. Today's conversation is really around how do you version every one of those interactions to the degree in which you can, so you're at the margin driving the most effective and profitable outcome between a brand and a consumer?

Roger Dooley: Just what would be an example of that? In either a real or imaginary brand, at the ground, what would be an example? I'm logged onto my computer and I'm surfing around. How would I be a participant in one of these that a brand would want to create or deal with?

Andrew Frawley: One of my favorite examples is Federal Express. Federal Express, they sponsor a lot of events, the PGA Golf Tour, NASCAR, NFL. They have a lot of rich content that they have at their disposal as part of that. They're constantly looking for these atomic moments of truth with people who ship, and particularly they're looking for these atomic moments of truth for people who ship exclusively with their competitor or split their shipping volume. What they've been able to do is find these atomic moments of truth when somebody's at a consideration point.

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Maybe they're at a tipping point of volume and for example, offer up, if I'm an auto parts dealer and I split my demand between Federal Express and UPS, when I'm at a decision point, if I could be entered into a sweepstakes to get my logo on a NASCAR car on a nationally televised race, that is something that creates a real emotional connection between the brand and that consumer, in that case that small business.

Federal Express is constantly intercepting atomic points of truth, figuring out which ones they may want to use something highly engaging like that, and then deploying it. Once they do that, they've been able to generate hundreds of millions of dollars in incremental shipping value.

Roger Dooley: One thing that you bring out is an interesting statement which I think you do for effect, then you explain in a little bit more detail, but "ROI is DOA," and I think one thing that I've seen, particularly in larger organizations sometimes, you can have this sort of a hardening of the arteries set in where everything's evaluated on short-term ROI. If it doesn't have a payback in the next 6 months or 12 months, let's not do it. To me that seems really short-sighted. What's your take on ROI being DOA, Andy?

Andrew Frawley: Yeah. There's really two dynamics to that. One is the one that you mentioned, which is most of the marketing that, at least large companies do today, is still very campaign-centric. They'll have a campaign, they may do 10 campaigns a year, they may do 100 campaigns a year, but campaigns have a beginning, they have an end, and a typical measure of a campaign's effectiveness is return on

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investment. I spent \$1000 on marketing; I got \$1200 of revenue back, or obviously things on a much larger scale.

To your point, that ignores the long-term effect of communicating and marketing to clients. You can acquire a really good customer who stays forever, you can acquire a customer who stays for a short period of time, you can acquire a customer who is a long-term customer, but never profitable. Those are very different business outcomes. Expanding that time horizon is part of that statement.

The other part of it is ROI is purely a financial measure, and so it ignores things like emotion and engagement. What we've found in the research that's in the book is that the ability to either understand empirically and predict emotion is much more powerful in driving the long-term value of a customer or the long-term performance of a marketing dollar.

Roger Dooley: For a technology guy you talk a lot about emotion, which is a good thing. How do you measure emotion, or how do you characterize it? In the past it's been this nebulous thing that you could create a feel-good sensation if you had a funny commercial or an emotionally engaging commercial, or a few brands perhaps were able to invoke some kind of emotional tie. How, as a data-based market, or how do you deal with emotion?

Andrew Frawley: It's a great question. That's one of the other big changes that's happened over the last 5 years. It used to be that the way brands measured emotion is through focus groups or relatively small market research panels. Those of course still have a role today, but today when we open up the pipe to the social feed, Twitter or Facebook, we're

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sucking a lot of information that gives brand new information about how I feel about a brand.

If I like something, if I don't like something, if I'm viral about it, if I'm sharing it with my friends, those are all indicators of emotion and emotional intensity. We combine that sort of information with the other information that a more data-based market traditionally would have had, demographics, psychographics, purchase behavior, other behavioral information. That's how we get to that blend of emotion and engagement.

Roger Dooley: What's the state of sentiment analysis these days? Are you doing some of that? You talk about social interactions and whatnot, and I think that measuring what a social interaction means can often be difficult just because of the complexity of language. Are you doing that and what's your take on how well it works these days?

Andrew Frawley: Yeah, I think traditional sentiment analysis is useful. We certainly use it when we, to look at macro-level issues and sometimes to test particular ideas, but again, we tend to take that down to the individual level where possible. We're actually looking at individual consumers and their emotional response. Then what we had a fair amount of ability to do is to also predict emotion. We won't have that sort of granular emotional data about everybody, but if we have enough of it, we've proven our ability to sort of predict emotion using statistical techniques or advanced machine learning techniques. We really do have a pulse on how an individual's feeling about a brand or a category.

Roger Dooley: Andy, in the title of the book and then of course, throughout the book, you talk about experience plus

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engagement. What do you mean by those two and how do they combine?

Andrew Frawley: Engagement is sort of the what you do. You buy, you open, you respond to things. Again, that's very much the purview of more traditional direct and data-based marketing. Engagement is more of this emotional piece. How engaged am I with the brand? What we've found, when you dig into the research that's in Igniting Customer Connections is that engagement and emotion are somewhat synonymous. It's really that emotional connection is what trumps other aspects of engagement.

Again, what we've found is when you can identify consumers who are engaged, and who either are or have the propensity to be emotionally connected with a brand, a dollar spent communicating with those customers will outperform a dollar spent communicating with the average customer by not 10 or 20% but often 3 or 4x. Dramatic differences in financial performance.

Roger Dooley: The experience piece, customer experience gets thrown around a lot these days as being significant. How do you characterize and craft that experience?

Andrew Frawley: Sure. We spend a lot of time with our clients, who range everything from the largest marketers in the world to the small and medium-sized businesses, trying to determine what the ideal customer experience is across channel. A lot of people do that and I think a lot of people equate customer experience just to the usability of a channel, a website, a mobile app, or visually what it looks like. Those are certainly important aspects, but we again, use the deep data around both engagement and experience and emotion to further version and change what the customer

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experience is. We view customer experience to be a very data driven thing, not just how do you create a good looking website.

Roger Dooley: One thing that I found interesting was your suggestion that brands are kind of coalescing into discount brands that have relatively low emotional connection with their customer and then more premium brands that have higher emotional connection and I know you also have a little section on supermarkets. Here in Texas, which is where I'm located, in Austin, we've got a chain called H-E-B that I've written about, that I guess for somebody from the East Coast would be the Wegman's of Texas.

You go in and it's a really great experience. They do a lot of things right. Then I would contrast that with Walmart, where really it's a very bland, almost unpleasant customer experience when you go in there. Is that the sort of thing that you're talking about, that you're going to be at one end of the spectrum or the other?

Andrew Frawley: Yeah, and I think it is. Again, what we see is that if a brand can create that emotional connection, like a Wegman's, Whole Foods is another one in that category, who does it very well.

Roger Dooley: A fine Austin firm.

Andrew Frawley: Yep. People who have that emotional connection will ignore all kinds of functional considerations, in that category most importantly price. They will pay more because they like the experience and I think what happens is if people or brands aren't able to create that sort of experience, in today's economy, the default is to go to low price. Then, I think we've seen a lot of iconic

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brands, like a Sears who got stuck in the middle, and not being able to get to either side of that, and I think that's a dangerous position to be. We saw that relationship between emotional connection and functional sensitivity across all through the categories we researched: grocery, travel, and auto.

Roger Dooley: Right. Really for both large brands and smaller entities, trying to really establish that position is important because I think, and if you're going to pursue the discount approach, then you really have to define your business around that. You've got to have the systems in place and do a lot of things right because you're probably going to be operating at relatively low margins and if you're not doing it right, you'll simply go into a death spiral.

Andrew Frawley: Yeah. You've got to be the low cost divider in something close to it.

Roger Dooley: Or move upscale with higher emotional connection but try and avoid that mid-point where you're sort of everything to everybody and you end up really winning neither.

Andrew Frawley: Yep.

Roger Dooley: Yeah. I know you've spent time in loyalty. Talk about rewards programs and whether they're a good way to build loyalty or not.

Andrew Frawley: I've spent a lot of my career in loyalty and loyalty is really a microcosm of what we've been talking about. It's how a lot of brands have implemented these concepts in a more controlled environment over the last 20 years, because loyalty in a big way, and at least loyalty often had its own website and its own contained infrastructure. I think

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certainly a traditional points-based loyalty program can play a powerful role for a brand. We've done that at places like Hilton, City Bank, Walgreens, but and we see that trend continuing.

What's exciting about loyalty as we sit here in 2015 is we now are starting to have the ability to reward or again, expand that emotional connection, on things beyond buying something. Whether that's being viral, which is obviously a behavior that a lot of brands value, whether it's just understanding more about the people.

One of my favorite loyalty stories is Walgreens, so the Walgreens program is one we partner with Walgreens to run, at the heart of the program, you go into Walgreens, you swipe your card, you'll get discounts based on what you've bought. You may get discounts based on future items you might buy. We evaluate 500,000 business rules every time somebody swipes their card in a Walmart to figure out what the optimal offer, incentive communication is, and that's a very sophisticated, but pretty traditional loyalty program.

What they're now doing is if you have Fitbit and you go for a run, you can download your Fitbit data into the Walgreens loyalty program and get points for going for a run. We think about the emotional connection with a brand. You go for a run, you feel great, you download your Fitbit stuff, you get all this positive reinforcement. Next time you go in Walgreens, you're offered fitness, health products that maybe you're buying at a different retailer, but Walgreens actually has in the store, and it's a win for everybody. I think we see the future of loyalty as it will include more of these behaviors that reflect outside of

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just the traditional "I bought something and I get a point for buying it."

Roger Dooley: Right. That makes a lot of sense because you're tying the loyalty or the rewards program, and I think it's always important to distinguish between rewards and loyalty. People think, "Oh, we've got a loyalty program." Well, you've got a rewards program that may or may not create loyalty.

Andrew Frawley: That's a good point.

Roger Dooley: Yeah, but by tying it into external things that have a positive emotional impact. That really makes a huge amount of sense. I think something else that I see as a problem in rewards programs, is unnecessary friction. I guess I'd contrast Starbucks, that really figured this out a while ago, where they've got their mobile app where it keeps track of your rewards points. You can always check your status instantly. It keeps you logged in. You can pay that way, too. It's fully integrated with their payment system. Then, my other favorite local coffee hangout is Panera, which I really like their ambience and their food and everything, but the rewards program is totally separate from their payments program at the moment.

I got a notification the other day from them that hey, I had earned a reward. It didn't tell me what and it sent me with a link to their website, where I had to log in and, of course, I have no clue as to what my log-in information was for that, so I basically just said, "Okay, well maybe next time I go in there I'll ask them what it is, if they can tell." I think that the more friction that can be eliminated in this process, really the more effective it'll be. I'm thinking

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about things like the Walgreens Fitbit example, too. It's got to be really simple for people to do that.

Andrew Frawley: Yeah. Now and that comes back to, I think, the term customer experience, specifically as it relates to organizations that have retail outlets. The customer experience has to be completely frictionless because all of us consumers tend not to have the patience for, and then you can't slow down the point of sale very much in most retailers. That's where again, the Panera example, and I'm not personally familiar with their program, but you need, there's two important concepts. One is, mobility is everything these days. If it doesn't work on a mobile phone, then it probably doesn't really work from a customer experience standpoint.

Second is you've got to have data. Mobile phone's got to be aware of who you are and where you shop and what kind of coffee you like and what your preference in rewards needs to be. I think that's where a bunch of companies fall down, is they create something that's visually a nice customer experience, but it doesn't really work for the consumer because it doesn't connect back with the rest of the information about them.

Roger Dooley: Andy, we've been talking a lot about big brands and big companies that have really large-scale infrastructure and can afford to develop really novel things. Do you have any suggestions for entrepreneurs and smaller scale businesses? How can they implement some of the same kind of thinking?

Andrew Frawley: It's a great question and I think in some ways all this stuff may sound sort of daunting to a small business owner, but the reality is that the digital channels have really

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broken down the barriers. I've got a friend who runs a thread company in northern Maine, literally thread like you would sew with. It's both for consumer use and industrial use. Through social media, he has customers in 40 countries around the world. That's something that 10 years ago wouldn't even have been remotely possible. He's been able to go out and again, create content.

A lot of these people are crafters, if you will, from a segmentation standpoint. Find them, create content on Facebook, through other digital channels, that's engaging for them enough, they will buy thread from some guy in northern Maine that they've never heard of before. The technology's a great neutralizer of company size. You can do relatively simple things at very low cost, which is wonderful if you're a small business owner. There are some great tools out there that are simple, compared to what a Fortune 500 company would use, but still very effective.

As a small business owner, you can target an audience on Facebook. You can go buy 1000 customers you think are good prospects for your company and target them when they're on Facebook. It's easy to do now. You can get great web, if you have a website, web performance statistics from a company like HubSpot, who has a small business offering. There's a lot of tools out there.

I think all the analytics and machine learning and that stuff, obviously is probably not appropriate, but a basic concept of, "I want to identify some consumers who I think have a like nature to my good customers. I want to try to engage them. I want to try and expose them to some content that's going to create an emotional connection

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with them, and then I want to have a rational communication plan that includes frictionless ways for them to buy," I think is something that a lot of small businesses can do.

Roger Dooley: That's great. We'll have to wrap up there, Andy. Let me remind our audience that we're speaking with Andy Frawley. He's the author of Igniting Customer Connections: Fire Up Your Company's Growth by Multiplying Customer Experience & Engagement. We'll have links to Andy's book and the other resources we discussed on the show notes page at [rogerdooley.com/podcast](http://rogerdooley.com/podcast). There'll also be a text version of our chat there. Andy, how can our listeners find your stuff online and connect with you?

Andrew Frawley: They can go to [ignitingcustomerconnections.com](http://ignitingcustomerconnections.com) and they can see information about the book there and they can also contact me.

Roger Dooley: Okay, great. Thanks so much for being on the show, Andy.

Andrew Frawley: Thank you very much, Roger.

Thank you for joining me for this episode of the Brainfluence Podcast. To continue the discussion and to find your own path to brainy success, please visit us at [RogerDooley.com](http://RogerDooley.com).