eJournal | *Distributed monthly*

Subscribe

○ ○ ○ ○ ⦿ ○ ○ ○   ❮ **PREVIOUS**   **NEXT** ❯

Contact Us

November 2013. In This Issue:

EDITOR'S CUT

GET TO KNOW A CMO - Q&A
Shelagh Stoneham, Senior Vice President and General Manager of Brands and Marketing Communications, Rogers Communications Inc.

IN THE SPOTLIGHT
What a B2B CMO Needs to Know—Now
By Debbie Qaqish, Chief Strategy Officer, The Pedowitz Group

FEATURE ARTICLE
Big Data: Panacea or Pandora's Box?
By Chris Malone, Managing Partner, Fidelum Partners

1   Upcoming EVENTS

REPORTS & SURVEYS

BOOKS we recommend

10.07.13
AMERICA'S INNOVATION SHOWCASE™ KICKS OFF IN SAN FRANCISCO ON OCTOBER 16
Michael Tchong's Social Revolution and the CMO Council Partner on Inaugural Event to Celebrate and Inspire the Next Wave of Tech-Driven Innovations
Read More »

Feature Article: Big Data: Panacea or Pandora's Box?
By Chris Malone, Managing Partner, Fidelum Partners

The ongoing flood of big data is being viewed these days as a panacea to some and a plague to others. McKinsey & Company has hailed big data as "the next frontier for innovation, competition and productivity." Meanwhile, governments around the world are clamping down on big data's intrusions into citizen privacy. In the U.S., the Federal Trade Commission has brought more than 40 data security cases against large data companies, including LexisNexis, ChoicePoint and Twitter, for failing to provide reasonable security safeguards. Richard Chew, Senior Analyst at Emerald Management Group, has said that for some enterprises, big data can be "a Pandora's Box of compliance and runaway investment."

Big data's number crunching represents an attempt to get to know customers in a way that's scalable and actionable. But like so much else that companies do today, the automated approach remains a hollow substitute for actual human contact and trust. Big data proponents need to face the fact that most current practices provoke feelings of suspicion and distrust that are deeply ingrained in our humanity and actually rooted in our prehistoric past.

Social psychologists have deduced that primitive humans developed a primal, unconscious ability to make two specific kinds of judgments with a high degree of speed and sufficient accuracy: What are the intentions of other people toward me? How capable are they of carrying out those intentions? Today, social science research tells us that more than 80 percent of our judgments can be predicted by these two categories of social perception, which are known as warmth and competence.

We apply warmth and competence judgments in *all of* our relationships, including those involving companies and brands. Three years of collaborative research with Princeton University Social Psychologist Susan T. Fiske involving 45 major companies confirms that warmth and competence perceptions are the dominant drivers of customer loyalty. When we applied warmth and competence dimensions to Coca-Cola's customer loyalty model, the predictive validity of the

el among Coke's most fervent drinkers increased by 146 percent. We vered the direct correlation between customer loyalty to Hershey's olate and awareness of the philanthropic activities of its parent company. studies also revealed warmth and competence to be major factors behind Johnson & Johnson has been able to maintain its favorable reputation wing disastrous product failures while BP and others have not.

important implication of this research is that if companies want to develop ger and more profitable relationships with their customers, they should use ata to actually talk to customers and pay attention to their interests, not just mage through their digital trash. Customers today expect to be able to municate with actual people at companies, and they expect companies to . That two-way communication is the basis of any relationship, whether it is people, brands or even companies. But most proponents of big data are k in an "I don't really want or need to know who you are" mentality rather using the data as a way to start and build a direct relationship with omers. That's why customers find big data's intrusions on privacy so creepy voyeuristic. We are naturally predisposed to engaging in relationships only those whose words and actions suggest worthy intentions.

al networks now make it possible for companies to establish and maintain e kinds of one-to-one interactions more efficiently and conveniently than before. However, a 2012 study by the Simply Measured consulting group ved that while nearly all of the companies represented by the Interbrand 100 Twitter accounts to broadcast marketing messages, only 23 of them also maintain Twitter accounts dedicated to handling customer service questions and complaints. These efforts, used by only a minority of major companies, demonstrate the best relationship-building capabilities of social networks.

Admittedly, meeting customer expectations for these accounts can be a challenge. About 42 percent of customers expect responses to their tweets within an hour whereas only 9 percent of brands say their average response time meets those expectations. Twitter accounts @NikeSupport and @AskAmex are among those that attract the highest Twitter demand of more than 200 messages per day. They also manage average response times of three hours or less.

What better way is there to get to know customers as people and learn what they care about than through their social network profiles? What better and more convenient place is there for brands to ask for feedback on problem resolution and how much warmth and competence we see in them and how much loyalty we feel toward them? There is enormous potential for Facebook and Twitter to help companies and brands establish and maintain these kinds of direct relationships with customers.

For example, it would be great if customers could ask a question or register a complaint with an employee who is known by name and face, directly from the company's Facebook page. But Facebook allows only one voice (the administrator's voice) for each company or brand page. So customers are left to talk to a faceless monolith, which often isn't the company or brand anyway, but rather a digital marketing agency hired to keep customers away from their client. If social networks did more to improve the ability of brands to get to know their customers, then—with the help of big data—any number of loyalty insights and metrics would be available to allow companies to communicate with customers.

Instead, for all its technical sophistication, big data still represents an old and wasteful way to communicate with customers. During the heyday of the Industrial Revolution, mass production required producers to lose direct contact with their end customers, and mass marketing filled the gap. But now, with the digital revolution, it's just foolish and lazy for marketers to keep customers at arm's length through big data and mass media. The Internet and social networks have made it possible once again for the employees of companies and brands to have direct, interactive conversations with customers in ways that are efficient, scalable and trackable. This is something companies must do because their customers' expectations for warmth and competence are innate aspects of their humanity. Over time, customers will naturally gravitate toward companies that resist using technology for exploitive purposes.

Rather than trying to minimize interactions between humans through automation, companies and brands should be seeking to maximize these interactions using technology. Big data can play an important role in maintaining these relationships by enabling companies to demonstrate warmth and competence by showing that they know and care who their customers are.

When companies and brands seek to balance the convenience and efficiency of e-commerce with one-to-one human interactions, their customers can enjoy the benefits of low prices, wide selection and personal service. It's a best-of-both-worlds result that was previously unattainable before the emergence of social networks and big data.

Chris Malone is co-author of The HUMAN Brand; How We Relate to People, Products and Companies. *He is also Managing Partner of Fidelum Partners and was previously Chief Marketing Officer of Choice Hotels International and Senior Vice President of Marketing at ARAMARK Corporation.*

© 2007-2014 CMO Council.   Legal Notice | Privacy Policy | Contact   CMO COUNCIL