

Beyond personalisation An Italian perspective on contextual marketing



Italian companies collect plenty of contextual information, but the fear of intruding into customers' lives is preventing them from putting it to use

Understanding your customers is one of the core principles of marketing. Digital technology has allowed marketers to learn a lot about their customers and prospects, but so far this understanding has been limited to their demographic profile—their age or their sex, for example.

Now some marketers are using digital channels to learn not just who their customers are but also what they are doing, how they are feeling, and what their plans are at a given point in time. This is known as contextual marketing.

A survey by The Economist Intelligence Unit reveals that Italian companies, like their peers across Europe, are already collecting a great deal of contextual information about their customers. However, much of this information is not used for marketing purposes. This reflects a particular concern among Italian companies about making customers feel uncomfortable by misusing their data.

Compared with their peers in other European countries, Italian marketing executives are not especially concerned about reaching a deeper understanding of their customers. Only one-quarter of Italian marketing executives surveyed (25%) say that understanding customers better is one of their strategic marketing priorities, compared with 41% of respondents across the rest of Western Europe.

This is surprising, as based on their current marketing channels, Italian companies have a relatively limited understanding of their customers. For example, only 38% of respondents say they can pinpoint when a customer intends to switch to a competitor, notably less than the pan-European average (53%).

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About the survey

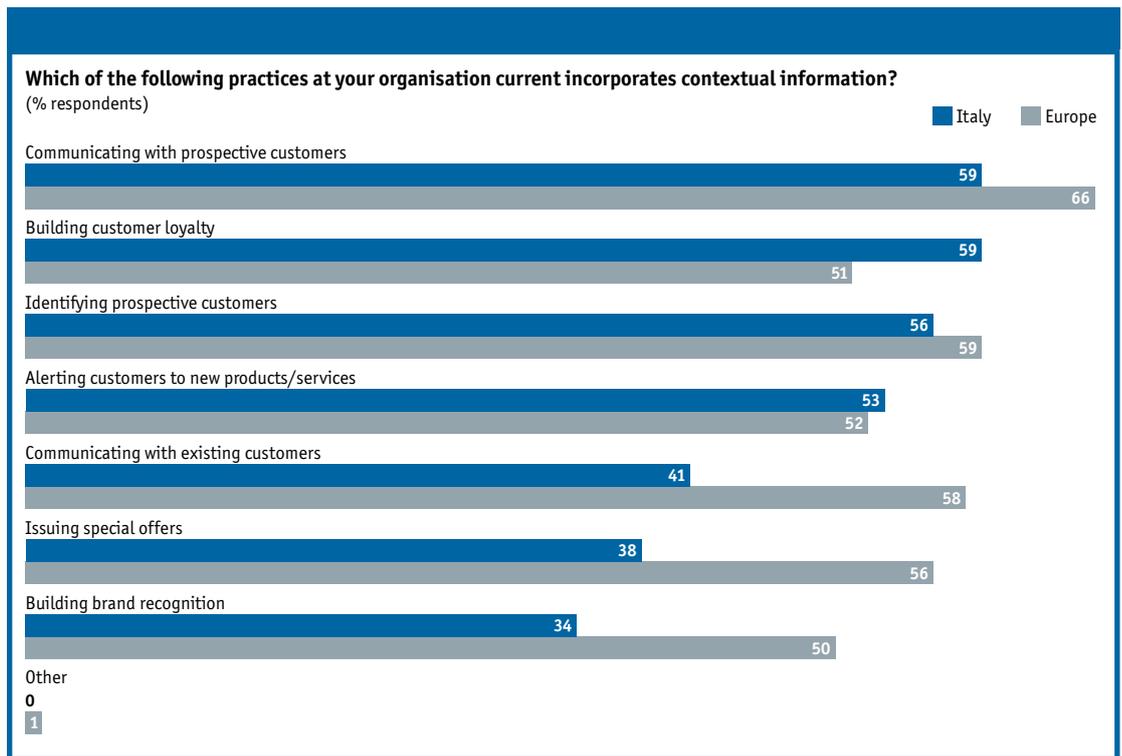
This article draws on a survey of 165 chief marketing officers conducted by The Economist Intelligence Unit in the summer of 2015. In addition to 32 marketing executives from Italy, the survey includes respondents from France, the Netherlands, the UK and the Nordics (Denmark, Norway and Sweden). One-half of respondents represent organisations in the retail sector, with the remainder drawn from a range of industries. Of these, just under one-half (47%) represent companies with US\$100m-500m in annual revenue, the remainder companies with US\$500m and above.

This suggests that some Italian companies are still working to digitise their marketing channels. One example is Coop Nord Ovest, the co-operative supermarket. “Our marketing is based on personal relationships with our associates,” says Claudio Marengo, the company’s head of promotion advertising and loyalty.

“I am fighting to modernise our relationships with customers, to be more online. We would like to use our database for marketing—to understand the purchases of our associates and then contact them with targeted advertising and promotions,” he explains.

The company is currently held back by the availability of resources, however. “We estimate that to make it work well we would need 20 people to work on it every day,” says Mr Marengo. “Right now, we have only one person who works on this part-time. That is one reason why we can’t start yet.”

Other Italian companies have made more progress. Nearly six in ten survey respondents (59%) say they use contextual information to communicate with prospective customers and to build customer loyalty. Nearly as many (56%) are using it to identify prospects.



For telecoms operator Wind Group, contextual information plays a critical role in interacting with existing customers. “Contextual marketing is the way we reinforce our relationship with our customers,” says CRM manager Elvira Petaroscia. “We provide a superior user experience with tailor-made selling propositions and understanding of our customers’ needs.”

By tailoring marketing messages to match the needs of customers in context, the company has improved the success of its marketing efforts, Ms Petaroscia adds. “This maximises customer satisfaction and increases the success rate of our marketing campaigns.”

Putting contextual information to use

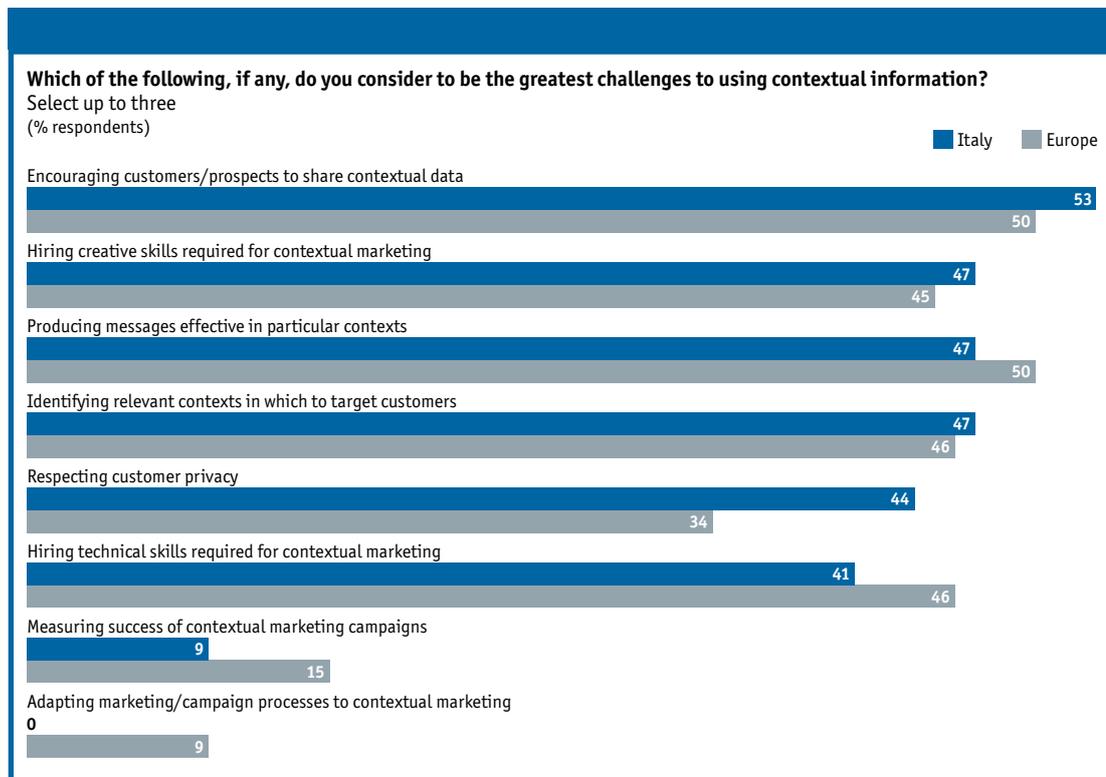
Despite the fact that they are less focused on understanding their customers than firms in other countries, Italian companies are collecting a considerable amount of contextual information.

For example, nearly nine out of ten respondents (88%) say they collect information about customers' current location, roughly in line with the European average (91%). And two-thirds (66%) collect information about their customers' current online behaviour, slightly more than the European average (62%).

Italian companies use the full range of sources to collect these contextual data. Around six in ten use their company website (58%), social media (61%), in-store personnel (58%) and channel partners (61%) as sources of contextual information.

According to Ms Petaroscia, using many sources helps a company to build a rounded understanding of what customers need in a particular context, and how their company can provide relevant and effective marketing messages. "Information from our network [of partners] is very effective in understanding our customers, as are our customer care departments, our shops and our digital channels," she says.

But in many Italian companies much of this information goes unused, at least for marketing purposes. For example, only half of the companies that collect information about their customers' current location use it for marketing.



This is not because they have no wish to do so, as the example of Coop Nord Ovest shows. “Actually, we can read information like location and what customers purchase, but we do not use this for advertising or promotions now,” says Mr Marengo. “We surely plan to in the future. It is impossible to stand alone while all the world is going in this direction.”

So what is holding Italian marketing executives back from putting the contextual information they collect to use? The biggest risk they associate with contextual marketing, the survey reveals, is damaging the brand by making customers feel uncomfortable, as identified by 34% of Italian respondents. Meanwhile, 44% identify respecting customer privacy as one of the greatest challenges of using contextual marketing—a greater proportion than in any other country included in the study.

This suggests that the fear of making customers feel uncomfortable is one reason why Italian companies are not using the contextual information they already collect. So how can they overcome this fear?

At Wind Group, contextual marketing is underpinned by a robust privacy policy, according to Ms Petaroscia. “Our privacy policy is very transparent,” she explains. “We acquire customer permission for marketing purposes with an opt-in process, which can be revoked easily at any time. Data are completely anonymised and encrypted during profiling activities to comply with privacy rules.”

Achieving this has required a substantial process of change within the company, Ms Petaroscia adds. “Contextual marketing requires a complete change of our CRM process. The quality of the entire process is a fundamental requirement of success.”

This kind of organisational discipline can give marketers the confidence to use contextual information without fear of intruding into customers’ private lives. But this is still an emerging field, and businesses must learn over time what level of contextual interaction their customers and prospects are comfortable with. And if they wish to earn customers’ consent to using their contextual information, companies must also learn how to offer greater value in return. Only when they feel it is worth their while will people welcome marketers into the context of their everyday lives.