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Consumers rating brands as friends or strangers

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Business Intelligence

The 2013 Customer Intimacy Index

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Abstract

In the difficult economic climate currently facing businesses of all sizes, focusing on marketing efforts that retain customers and build strong, profitable relationships has become more important than ever. This research, commissioned by database marketing and customer insight company GI insight, surveyed a cross-section of 1,000 UK customers on how well they felt the organisations they regularly deal with know them. The results, used to compile the 2013 Customer Intimacy Index, reveal which sectors are succeeding in winning over consumers and which are failing to do so. The findings highlight that while some sectors are effectively building strong relationships with customers by utilising their data to create personalised content and offers that earn customer loyalty, others are not doing a good enough job of building meaningful relationships with customers.

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Introduction

GI Insight produced the first Customer Intimacy Index in 2010, carrying out a UK-wide survey of consumers asking them to assess the companies they regularly buy from on a sector-by-sector basis to determine how well customers feel these organizations know them. The ratings scale used ranged from a familiarity worthy of ‘a close friend’ to the lack of intimacy shown by ‘a total stranger’. With the consumer landscape and the mix of tools companies use to build customer relationships changing considerably over the last 3 years, GI Insight recommissioned the research to update the findings and see which sectors have cleaned up their act, which have maintained their position and which have slid down the rankings since the previous Index.

The research

The overall aim of the 2013 Customer Intimacy Index is to provide a well-grounded picture of whether companies in various sectors are using their data effectively to establish a level of intimacy with their customers through personalized and targeted communications and how this has changed 3 years on. The consumers surveyed were asked to base this rating

Measuring changes in data-driven marketing

Table 1: Overall intimacy scores 2013 versus 2010

Sector	2013	2010
Supermarket	132	126
Bank	125	116
Mobile service provider	116	109
Entertainment provider	114	116
Smartphone makers	111	n/a
Internet service provider	109	117
Holiday, hotel and travel	105	108
General insurer	103	98
Utilities provider	100	103
Clothing companies	100	103
Food brands	99	88
Charities	86	97
Home furnishings/DIY	79	n/a
Computer/tablet manufacturer	78	78
Car manufacturer	76	80
Alcoholic drinks	62	72

on whether the communications they received — by mail, email, telephone or mobile — indicate that their data is being put to good use in helping to build and maintain ongoing relationships with customers. Since the previous Index, smartphones, social media, tablets and other developments in the era of big data have transformed the marketplace.

The results of the new study — based on a survey of 1,001 consumers who were representative of the United Kingdom in terms of gender, region, age and social class — were used to calculate an average score for all sectors. GI Insight used these figures to create the Customer Intimacy Index, with a score of 100 representing the total overall average (see Table 1). Smartphone makers and Home furnishings/DIY were added as new categories in 2013 — the rest appeared in the original 2010 Index. The 2013 Index revealed some expected results and reflected the impact of some of these changes, but some sectors were surprisingly — even shockingly — weak relative to others given the data capture capabilities and the communication technologies at their disposal.

‘Knows me like close friend’

Despite developments in the marketplace since 2010, this year’s results confirmed the dominant finding of the previous Index: that consumers feel the closest connection to companies in sectors that involve frequent transactions, provide regular customer contact and have strong loyalty offerings. Supermarkets held on to the top spot, with banks moving up from third to second. The high scores awarded to these sectors — which left the others trailing by quite some distance — indicate that consumers recognize companies operating within them as the ones that are using their data effectively. As a result, the respondents expressed the feeling that these brands seem to ‘know me like a close friend’.

Other sectors that fared well in the Index were mobile phone companies, entertainment providers and smartphone manufacturers. The results reveal that these firms are taking a sophisticated approach to the interactions

Supermarkets and banks leave others trailing

they have with their customers through comprehensive loyalty schemes, data-driven CRM programmes and effective database analytics.

‘Treats me like a total stranger’

Low frequency leads to alienation

At the other end of the spectrum, the industry sectors that were seen to treat their customers more ‘like a total stranger’ included ones characterized by high-value, low-frequency transactions such as car manufacturers and computer/tablet brands. Also faring badly, however, were home furnishings and DIY companies which, despite sometimes representing large, one-off purchases, also involve more regular, lower-cost transactions — rendering their showing particularly disappointing, as some players in this sector operate well-known loyalty schemes or have the capability to do so.

Charities feeling impact of under-investment

Languishing at the very bottom of the pile were alcoholic drinks brands whose score plummeted to an overall 62 — 38 points below the average. But the biggest drop in relation to 2010 was in fact seen in the charities sector, which fell by a full 11 points in the Index to 86 from a near average score of 97 just 3 years earlier. This result is an indication of the devastating impact the ongoing economic downturn has had on the ability of charities to invest in database marketing and sustain donor engagement.

‘Acts like a friendly acquaintance’

Could do better with their data

The sectors hovering around the Index score average, which respondents said were more likely to treat them as ‘friendly acquaintances’, were firms in the holiday, hotel and travel sector, insurers, clothing companies and food brands. The mid-table position occupied by these companies indicates that, while they show some degree of sophistication in personalizing their customer communications, they could make better use of the data they have to establish genuine connections with consumers.

Gender differences

Men score intimacy higher than women

In general, the research revealed that women feel less warmly embraced by the companies they have dealings with than men. Male respondents gave all sectors an average Customer Intimacy Index score of 106, whereas women rewarded them with a rating of just 94 — scores that were fairly consistent with the 2010 results (see Table 2). Statistics showing that women drive e-commerce may help to explain this finding: they spend more time browsing and buying online (*Source: Forbes, Why women are the rocket fuel of eCommerce*, March 2011) and are thus more likely to expect brand communications — through any channel — to take this history into account.

Moreover, GI Insight’s own research last year into consumer attitudes to commercial messaging on social media (*Social Control*, October 2012) showed that the number of women who had ‘liked’ brand pages (68 per cent) exceeded the number of men (59 per cent), indicating that women are more attuned — and more exposed — to communications from companies. As a result, they have a higher expectation that these

Table 2: Gender differences in intimacy scores

Sector	Male	Female	Total
Supermarket	130	134	132
Bank	130	120	125
Mobile service provider	122	110	116
Entertainment provider	120	108	114
Smartphone maker	122	101	111
ISP	120	99	109
Holiday, hotel and travel	109	101	105
General insurer	112	94	103
Utilities provider	103	97	100
Clothing companies	96	104	100
Food brands	99	97	98
Charities	93	78	86
Home furnishings/DIY	86	72	79
Computer/tablet manufacturer	91	66	78
Car manufacturer	85	68	76
Alcoholic drinks	73	51	62
Average	106	94	100

Figure 1: Gender preferences by Index score

communications will be more tailored to their preferences. Accordingly, men were more satisfied with customer communications in every category except supermarkets and clothing companies, sectors with which women may traditionally have more regular contact (see Figure 1).

Age profiles

Younger consumers see brands as friends

Personalization efforts were received much more appreciatively by younger consumers, who evidently feel more like they are treated as ‘close friends’ by the companies they deal with than consumers in older age groups do (see Figure 2). This means that some companies — particularly

Figure 2: Customer Intimacy Index average scores by age

Table 3: Customer Intimacy Index scores by sector and age

Sector	18–24	25–34	35–44	45–54	55–64	65+
Supermarket	133	143	137	105	129	117
Bank	119	134	125	115	116	122
Mobile service provider	140	127	124	87	103	92
Entertainment provider	126	127	121	88	99	92
Smartphone maker	120	128	109	62	86	99
ISP	113	116	120	81	95	107
Holiday, hotel and travel	111	120	109	79	93	83
General insurer	91	113	100	87	106	101
Utilities provider	85	114	96	79	90	107
Clothing companies	108	121	107	61	92	68
Food brands	103	121	104	68	79	64
Charities	98	97	82	61	83	82
Home furnishings/DIY	97	99	83	48	60	49
Computer/tablet manufacturer	98	102	81	46	59	41
Car manufacturers	80	94	80	48	51	64
Alcoholic drinks	81	93	68	19	24	22
Average	106	116	103	72	86	84

those operating in new, technology-driven sectors and those that tend to be very youth-oriented, such as fashion — risk alienating older consumers (who are more numerous and have greater disposable income) by focusing on them less.

The fact that businesses seem to be doing a better job of connecting with younger consumers may be due to the fact that, although companies have had less time to gather data on people in these age groups, their digital footprint is much deeper — a major factor in today's marketplace. Their familiarity with and immersion in digital media means the volume of fresh data that certain types of businesses can gather on them is huge. For instance, the two youngest demographic groups rate suppliers in the mobile and smartphone sectors — whose offers and communications are largely fed by transactional behaviour as well as lifestyle data freely given

in exchange for relevant information on products and deals — much more highly than the older age categories (Table 3).

**Device choice could
alienate older
consumers**

Digital natives

The under-35s are largely digital natives who grew up sharing personal information online and using a variety of digital devices. It may also be the case that marketers are being influenced by the buzz around smartphones and tablets and are relying much more on marketing through these youth-friendly gadgets. Thus, companies of all types may be having great success in engaging the young due to their choice of device, but alienating many older consumers who are not comfortable interacting with businesses over the small mobile-device screen.

Younger consumers are also likely to have less variety in their circumstances and needs than older, more complex demographic groups, making it more straightforward for companies to target them accurately with relevant offers and communications. Low scores among older consumers, especially the 45–54s, may indicate that their circumstances are more variable and complicated to predict than those of younger consumers.

**Families more dynamic
in requirements**

Consumers who are 35 or older — particularly those with families — have constantly evolving circumstances that are more difficult for businesses to track unless they have extremely sophisticated data, such as those from a loyalty programme. The findings may also demonstrate that older consumers with longstanding customer relationships have higher expectations than younger people when it comes to interactions with firms they have been dealing with for years (sometimes decades) and that firms really need to make sure that they use all the data they have to hand to reflect the enduring ties they have with these customers.

Regardless of the reasons, companies in every sector across the board are doing a much better job of engaging younger consumers, even though the more numerous part of the population and greater spending power lies with the older demographics. Indeed, the findings indicate that companies of all types appear to be focusing attention on the smaller, more tech-savvy younger customer segments with less money and are not making enough effort to engage fully with the wider audience, particularly the older parts of it with more money.

**Intimacy varies by —
and within — sectors**

Conclusion

The 2013 Customer Intimacy Index reveals an uneven landscape when it comes to the effectiveness with which different sectors are connecting with their customers. While supermarkets and banks are forging ahead of the pack, other sectors are faring less well, indicating that more work is needed to convince consumers that companies in these areas know them well and value their custom. And this patchy performance is evident within sectors as well as between them, with industries impressing some groups more than others with the levels of personalization and targeting achieved in their communications.

Data infrastructure necessary for loyalty

The disparities in scoring between older and younger consumers, in particular, indicate that some companies are, understandably, focusing their attentions on those who have the greatest exposure to and experience of new technologies. But this strategy can be misguided. Even if younger consumers spend more per person in particular sectors than their elders, the sheer volume of shoppers from older demographics means these people remain a key economic engine that brands ignore at their peril.

The 2013 Customer Intimacy Index shows that companies must be attentive to the needs and wants of all their customers and use consumer data to inform marketing strategy intelligently. It is therefore crucial that companies have structures in place both to gather the necessary customer data and to put it to good use. The results of the Index suggest that loyalty schemes have emerged as the most effective mechanism by which companies can achieve both of these goals, allowing them to collect increasing amounts of customer data and to respond to the patterns and preferences they observe with well-informed and relevant communications. Indeed, the Index rankings demonstrate that it is the industries in which loyalty schemes are prevalent that are most successful at forging stronger and more lasting bonds with consumers.

For companies in sectors that performed badly in the Index, the fact that firms like theirs are doing a poor job of communicating with consumers presents a golden opportunity for them to shine by establishing a level of intimacy with their customers that will leave competitors trailing in their wake. For firms in sectors that performed well in the Index, it is equally important to continue developing new ways to stay ahead of the competition. Ensuring that they are applying the insight gleaned from the data they hold on their customers will enable firms to hit their sweet spot with informed and personal communications, ensuring that they earn — and keep — their loyalty.

For any company, just ensuring that consumer data — specifically information that can be utilized to engender loyalty and boost margins — are being captured and applied is essential in today's marketplace. Any company that does not believe that the precise targeting, tailoring and personalization made possible by database marketing — especially initiatives supported by loyalty schemes — are necessary in today's unsparing business environment is destined to struggle as better-equipped competitors employ the full range of weapons at their disposal. With new technologies constantly altering the consumer landscape and a bewildering quantity of data available, companies need a sophisticated multi-channel strategy in place, underpinned by robust data analysis, if they are to hold onto the customers they already have and even grow those relationships.