Making customer analytics work for you!

Received: 18th March, 2005

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For years, marketers have preached the virtues of 'segmentation'. Learned professors have written boring books on the subject, identifying 101 routes to segmentation heaven. For most companies, the result has been a batch-based pigeonholing of customers according to needs revealed by out-of-date market research and old customer data. This is not to imply that batch-based segmentation is wrong — done well it makes a big difference to the relevance and timeliness of the proposition put to customers. Sadly, however, for most customers, it has meant receiving the wrong offer, at the wrong time, with the wrong creative, in the wrong medium and/or through the wrong channel. In fact, research from QCi, an OgilvyOne company, and IBM shows that many companies are finding it hard to manage customer relationships effectively, as the complexity of channels increases, while consumer expectations relating to service delivery, product differentiation and relevance are increasing. Indeed, it could be argued that the success of comparison websites

such as Kelkoo and the increasing propensity of customers to piece together suppliers' modular propositions (eg in travel) is partly driven by suppliers' failures in relevance.

Slowly but surely, the 'segmentation' tanker is turning. Leading companies have realised that this poor performance not only damages their relationship with customers, it also damages their brand. For a brand is not just a product, it is an experience. For some products, the brand experience is confined to what happens when the product is picked off the supermarket shelf, or when it is consumed. Such products, however, are a much lower proportion of the economy than they were when branding was invented, and their importance continues to decline as our complex service economy continues to develop. Whether in financial services, travel, leisure, health or even in public services, the experience of the brand is increasingly conditioned by the relevance of the treatment meted out to the consumer by the brand. Relevance demands more than batch segmentation. It demands a combination

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of good prior data management and analysis (the batch process, with good real-time analytics, using data given during the current interaction, perhaps modifying the conclusions of batch analysis).

Fortunately, the days of pure batch segmentation are over. Our customer facing systems — whether in branches, contact centres or on the web, can now use the latest information our customers give us, including information gathered during the very transaction that we or our customers want to complete, to tune the relevance of the offer. This is not the future. Some leading-edge companies are doing it now, for example, Orange, HBoS, HSBC and Tesco. Using customer data intelligently does not mean using them simply. The result for the customer may be simple — we make them the right offer, they can buy what they want. The clever stuff, however, comes when we analyse what we know about the customer to decide what to offer them. Evidence is mounting, in areas as far apart as mobile telephony, banking, book and CD buying, that immediate relevance brings results.

There are now many examples — particularly in the internet world — of use of real-time analytics without batch segmentation. Here, the offer (indeed the whole proposition) is attuned to the customer's need using only data given during the immediate transaction. This works well where customers definitely do not want a relationship eg for simple 'real' products like books and CDs. In more complex areas, however, where what the customer wants depends on, for example, life cycle issues, combining prior batch analysis with real-time analysis is the magic combination.

That is why analytics capabilities are moving beyond this basic model — segmentation has moved in the direction of *on demand*. Leading analytics software

vendors are even now helping companies to fuse real-time deployment with what-if scenario planning, resource optimisation and complex clustering. This is being driven by the increasing complexity of doing business in a world where goals are often conflicting and constraints can be found at all levels of customer communication and the enterprise. Some leading banks for instance, have had to transform their marketing and offer allocation so that it works for several hundred different propositions, in real time. This demands an entirely new type of capability, to ensure immediate customer relevance and marketing effectiveness.

If we are going to get this right, we first need to take a step backwards. Focusing on the customer's experience of the brand means doing just that. It means looking at who are customers for the brand — in particular which the most important customers are, and who will be our next generation of important customers. It means analysing their typical patterns of interaction with us. We need to use research to find out what they think of their experience before, during and after their contact with us. We need to identify what their expectations are. We need to analyse what their need is for the category of product or service within which our brand sits. We need to examine their pattern of media and channel use, particularly when they are looking to spend more on our category and ideally on our brand. We need to understand their service requirements. These are all classic marketing requirements. There are a few rare examples of brilliant analysis helping companies make more out of their customers in the short term, just by responding better to what customers are saying. But the best examples of using analytics to tune relevance come from companies who have done their

marketing homework, so they know not only what to market when, to whom, but also how. They realise that a moment of truth can be followed by a lifetime of disappointment if the brilliant relevance of the initial sale is not followed up by sustained relevance of offer and timing, and continued value. In some markets, such as financial services and telephony, issues of permission and trust are at play. Nothing destroys these two so quickly as irrelevance. The most often-quoted example is a bank trying to market loans to people with large deposits.

In management terms, relevance builds brands through combining insight with operational delivery. It is no use having the brilliant insight unless we can deliver it to the point at which it can be used. It is no use having the ability to manage customers relevantly unless we have the analytics that enables us to make the right offer, at the right time, to the right customer. Smart dialogue, as we call it, comes from a smart relationship between analytics and operations. For the operations, it is necessary to have a solid CRM platform, working across all channels, particularly those the company and its most valuable customers use to talk to each other. It must maintain relevance in each channel, and knowledge of what went on in previous contacts in the same and other channels. Processes need to work smoothly and without breaks. People who know what they are doing are needed. And, as the firm is probably improving its capability most of the time, it needs to know what its capability is, in different channels, branches, areas etc at any one time, or it will end up trying to create relationships which the firm's operational capability cannot sustain. The analytics must work as an integral part of this capability, so that if the customer conversation takes another route, the analytics will tell the

operations people how that route can lead to a different offer being made.

Today, advanced CRM systems incorporate the latest analytics. This means firms can make the improvements described above. Companies using such systems are getting the benefits of improved up-sell and cross-sell performance. Just as importantly, because they are fulfilling their customers' category needs better, they are keeping their customers happier, and so retaining them better. The category dissatisfaction that comes from poor performance from a preferred brand in meeting category needs can be abolished. The dissatisfaction that comes from having needs met in one channel but not in another can be disposed of. Where products *can* be customised — whether they be cars, computers or camping — the firm can make sure that it *does*. Customers will feel that their behaviour and preferences are acknowledged and understood, not overlooked. They will feel that the firm is interested in their needs, that it is working hard to meet them rather than overlooking them, that it is seeking their permission to talk to them about different things, and that when they give it, the firm uses it appropriately. Most importantly of all, the firm can ensure that it knows more about what its customers value, and that it provides them with what they value.

Case study 1: British Columbia Automobile Association provides roadside assistance, auto travel and insurances services to over one million customers. Their challenge was to protect market share while growing and improving customer marketing. By using marketing and analytics provided by Siebel with IBM, they were able to increase campaign revenue by 68 per cent and produce a spectacular 442 per cent campaign return on investment (ROI).

In the boiler room, things change too.

Customer insight is more than simple analysis and reporting. It is made up of several things — data gathering, data warehousing, analysis, data mining, predictive modelling and then making the results of the insight available at the point of contact with the customer so that it can be modified according to what the customer says or does during the interaction. Of course, the relative importance of these different components varies from sector to sector, and company to company, according to a whole range of factors — channel development, competitive situation, nature of product or service, maturity of customer base. We have not got the space to deal with all this in this short paper. These factors mean, however, that firms may need some help in determining precisely what their approach to analytics should be.

Case study 2: One of the best examples of using data warehousing as a foundation for advanced analytics is the airline Cathay Pacific, which had 38 ‘islands of information’ about their customers so it was impossible to identify and target their most profitable ones. In 1998, by implementing an enterprise-wide customercentric data warehouse, they were able to determine the key performance indicators such as booking patterns, travel agency performance, customer satisfaction and customer service levels. The new data warehouse provided better decision support, more personalised customer service and improved target marketing — and generated a 300 per cent ROI in two years. It was also the basis for their Campaign Management System, which allows Cathay Pacific to run over 150 campaigns a year — with a 50 per cent increase in campaign-generated revenue through better targeting.

The deployment of analytics results from the interaction of several different

system modules and several different processes. They include the firm’s analytical platform, its dialogue management, its decisioning and recommendation, its fulfilment, its marketing resource management (which includes its ability to get the right collateral, scripts and offers to the right customer in the right channel). They also include the processes for ensuring that the right offers are actually made and the results recorded, your reporting systems and processes and, in the most advanced cases, the firm’s processes for modifying offers based on the latest results from previous customer contacts.

Simpler things should not be ignored — even those that are part of classic contact centre management, like scheduling of next contact based on the outcome of the current contact, and the incentive systems that allow staff to sell to the customer what the customer wants to buy as opposed to what the product manager wants to sell. As the firm become smarter at this, its customers need to learn how to get smarter too. After years of being sold to irrelevantly and defaulting to an automatic ‘no’, customers will need to learn how to carry on a relevant dialogue, exploring their needs.

Management too needs to change. Gone forever are the days where product managers can mandate targets irrespective of customer needs, leading to channel managers bending incentives to meet the targets, even if the net result is loss making. Companies using the new analytics capabilities move from being product-centric, through focus on data, the immediate interaction or channel efficiency, to focus on successful management of the customer experience over the lifetime of their relationship with the supplier — not just the management of individual interactions. Measures of success change too. Suppliers

need to rebalance offers, mixing and matching offers of different kinds, such as immediate value-based offers and life-cycle based offers. Marketing resources may need to be allocated according to the actual and forecast success of this approach to managing customers, rather than according to product targets.

In the 1990s when companies started to talk about customercentricity, they had in mind a rather customer service-based idea. Today, the focus is back on

whether the company meets the customers' needs overall, not just at the moment of interaction but through a lifetime of interaction, through the many different experiences customers have with the company during their various journeys, from simple product purchase or service receipt, through to that rarest of all occurrences, a lifetime relationship. That is the vision of the new real-time analytics. It delivers insight into marketing action at every customer touch point at every decision level.