SUGI 28 Emerging Technologies

CUSTOMER INSIGHTS

In today’s highly competitive and economic times, focusing on the customer, a number one priority for CEOs, has become a daunting task. A number of factors have begun influencing the consumers buying decisions including the number of companies, products and service, the amount of advertising and marketing done by companies, the increased sophistication of the consumer and the technology used by the consumer as well as the recent downturn in the economy.

The sheer number of companies trying to get the customer’s attention and win their loyalty and dollars is overwhelming. Customer loyalty is down significantly from the 1970s and 1980s where consumer’s shopping habits were highly influenced by the company name or the product brand.

Today’s consumer has more choice than ever before. The number of companies as well as the number of products and services has exploded over the past two decades, and as a result customers are doing a lot more shopping around.

In addition, the number of marketing messages to which the consumer is exposed has increased through marketing and advertising, e-mails, phone calls, web advertisements, etc. Cable television alone sends a plethora of messages out to the consumer every day.

Today’s consumer is using more sophisticated technology and expects more from the companies he or she patronizes in terms of service, price, and reliability. The ability for consumers to use the Web to search for value in pricing and to be able to shop online has made a tremendous impact on what a consumer expects. Consumers are no longer willing to settle for the status quo. They are now, more than ever, able to evaluate and compare the goods and services of numerous companies at the touch of a button.

The recent downturn in the global economy has also changed the relationship consumers have with companies. Companies are more heavily scrutinized and users are more cautious about where and how they spend their money. Because consumers are less likely to spend their money, companies have to work harder to stimulate demand for their products in these tough economic times.

In order to combat these many challenges faced by the organization, many companies have focused on information technology (IT). Just as companies during the 1970s faced with manufacturing challenges focused on Manufacturing Resource Planning (MRP) packages, today’s companies, faced with customer challenges, have turned to Customer Relationship Management (CRM) packages.

Many companies have embraced Customer Relationship Management (CRM) as a critical component of their business strategy. CRM can be thought of as a collection of applications, either interactive or analytical, that are designed to increase customer satisfaction.

Spending on customer relationship management and sales and marketing automation has grown substantially every year. But customer retention rates are still low and brand loyalty is still declining.

The CRM phenomenon has worked its way through 2 phases and is now embarking on a third phase. The first phase in the early 1990s focused on boosting the effectiveness of the call center and sales force. The second phase in the late 1990s focused on helping companies integrate their various customer interaction channels; customers had more points of contact with the company, but their experiences were fragmented across contact points. As CRM enters its third wave, companies must create the ability to engage in intelligent conversations with customers, and that means creating a seamless, integrated customer experience across all interaction channels.

Many of the CRM initiatives have helped companies improve how they sell and service their customer, but a lot of the applications do not share information and do not allow an integrated view of the customer. For example, a company may have a web application, which captures information as a customer interacts on line and the company may get calls on the help desk, which goes through the service center, but the two groups may not interact and know that a customer has accessed the company in multiple ways.

The deeper benefits of CRM applications lie in the integration of data across all channels, including over the phone, through e-mail, via the internet, on site, etc. Even though the CRM applications have provided for better sales and service functions, the technology has not been able to transform the customer’s experience into one that is seamless and will translate into lasting customer relationships. The company is still failing at integrating marketing, sales and service.

Through Accenture’s comprehensive research on marketing, sales and customer service activities at organizations around the world, we have identified a number of leading companies that are adopting a new approach to provide the missing link that thus far has kept CRM from living up to its potential. Using this approach, these companies are creating meaningful dialogues with customers at all interaction and transaction touch points, and in the process, they are establishing lasting and profitable customer relationships.

The creation of a single view of the customer based on historic and real-time data will provide customer insight and is essential to improving retention, acquisition and sales. The need for an integrated view of the customer has becomes increasingly critical to a company’s primary objective: increased customer satisfaction.

INTEGRATED VIEW OF THE CUSTOMER

Integrated View of Customer is a concept that seeks a holistic picture of a company’s customers. Vying for customer loyalty in this competitive marketplace and economic climate has become more difficult and customers are now demanding improved customer service, value and personal attention.

Companies must create the ability to engage in intelligent conversations with customers – and that means creating a seamless, integrated customer experience across all interaction channels.

Integrated View of the Customer (iVoC) provides the connection between customer interaction channels and customer strategy. It involves collecting customer data from a variety of sources to develop a deeper understanding of each customer. It also involves identifying the company’s most profitable customers and segmenting the customers into groups based on marketable...
INTEGRATE DISPARATE CUSTOMER DATA

In a recent year-long research study done by Accenture, establishing a single view of the customer was one of the primary challenges to creating effective marketing campaigns among executives participating in the survey. While this challenge has existed for years, and has become even more difficult to address today as the Web has emerged as yet another channel in which customers can interact with the company (not to mention another source of rich customer data).

The primary challenge that companies face is the lack of data integration across multiple disparate sources of information in the company. Many leading companies are solving this issue with the use of a data warehouse. Data Warehouses began in the 1980s and have been growing in popularity, and size, ever since.

Conceptually, a data warehouse is an application that provides for the extraction, transformation and storage of data from multiple disparate sources into a common platform. This includes various forms of customer transactional and operational data from a variety of sources including transaction systems, internet and web-based applications, purchased data, market research, customer calls, etc. This data is extracted and loaded into a data warehouse and consolidated into a consistent form and format. Data in the data warehouse can then be analyzed to provide a more complete and consistent view of customers, which can improve subsequent interaction with the customer.

Like CRM applications, data warehouses have gone through numerous stages over the years. Data Warehousing began in the 1980s and focused on information access. It provided online access to business information contained in the system of record. At the time, these data warehouses were plagued with poor performance and system availability, and online query and analysis was limited. Most reporting was batch in nature. There was no methodology for developing the data warehouse and no real solution for inconsistent data across multiple systems.

In the 1990s, a data warehousing methodology emerged and focused on answering specific business problems. Data warehousing tools became more sophisticated and the advent of front end tools for on-line query and analysis provided access to data that users did not have before. Data was a point in time and the results of the data could be used to better shape the client experience.

The third stage in data warehousing encompasses the Integrated View of the Customer. It provides for the integration of data about the customer across contact channels and product lines.

A data warehouse is essential to creating the type of integrated view of the customers that is critical to understanding patterns of behavior in today’s customers. For many companies, the data warehouse has become an indispensable part of their business.

Simply collecting critical customer data is only part of the battle. The bigger challenge for companies these days is what to do with the data once they’ve got it.

For years, companies have lamented, “If we only had the information, we could do a better job”. Well, now many of them do have the information, yet they are still challenged to put it to good use. Grim statistics on the failure rates of large data warehouse projects including some industry observers noting that more than 50% of such efforts either fail outright or fall well short of expectations.

And the situation gets worse as data warehouses get bigger. The challenge of generating insights from corporate data becomes magnified the more data one collects – in part because accessing specific bits of information in an extremely large database can be a very difficult and time-consuming process.

The good news is that many companies have figured out how to capture, analyze and use this data. These organizations are using sophisticated data-mining tools and analytical applications to help them create more powerful strategies by segmenting their customers by various attributes and enabling a more personalized interaction with the end customer.

CUSTOMER SEGMENTATION

The concept of customer segmentation is not new. For years, companies have organized customers by ZIP codes, titles and other such high-level characteristics. In today’s environment, companies are able to narrow their definitions of customer segments, making it possible to target customers more accurately and react to the customer more appropriately.

Traditionally data was only housed in various databases or applications across the company with no way to access and analyze the data. As data warehouses began growing in popularity, the data from multiple disparate sources could now be housed in one common environment, but until recently there have been few tools that would provide a user friendly was to gain valuable customer insight. In fact, to do so required a strong background in statistics or programming. And users in the company for marketing, sales and services had to request reports from the IT department in order to get any information. This approach is slow, inefficient and not conducive to the user. It often times would take days or even weeks to get the information requested.

Today, there are a number of user friendly analytical and data mining tools that allow end users to analyze data from these large databases and create customer segmentation based on a large number of criteria. Using this data, the company can develop a strategy for managing and interacting with these customer segments.

PERSONIZATION

Once a company has a more integrated view of the customer and is able to segment their customers to develop their customer strategy, the next step is to focus on doing what is necessary to create a positive customer interaction with the company. This is the idea behind personalization.

Leading companies realize that harvesting and collecting data as well as mining the data provides a key role to customer interaction, and are converting this data to meaningful insights that are vital to making a customers’ experience with the company a positive experience. These companies also understand the value that this has on linking their sales, customer
service and marketing departments, and the important role this plays in interacting with the customer.

How many of us have recently purchased books online and have been provided recommendation the next time we visited the site on which other books we might enjoy? This process is using customer insights to collect information about our purchases and making suggestions that might increase our chances of buying another book.

This type of transaction also holds true for call center representatives who receive a call from a customer. Based on data about previous transactions by that customer, the call center representative is better prepared for providing the individual with the product or service they would be most interested in buying. It also allows opportunities for up selling and cross selling. The more you know about a customer, the better the customer interaction will lead to a win-win situation for both parties.

Consider the major automotive manufacturers. In most of these companies, there are separate databases for each of the major types of customer interaction: warranty, service history, recall notices, website visits and inquiries, call center activity and contact with dealers. As a result, a call center employee handling a customer question about a certain issue would have little or no knowledge of the caller or his history with the company without asking him a string of questions – which is something that few, if any, call center employees have time for and most customer have the patience for.

Now, what if the same call center employee could, from their desktop, access the electronic files of all the customer’s interactions with the company? They would know within seconds that the caller has had his car in for service five times in the past four months, that has tried to get the issue resolved at the dealership but wasn’t satisfied and that they had visited two competitor’s websites after stopping at the company’s homepage. Perhaps most importantly, the call center employee would also know that the caller was a longtime customer who had purchased four vehicles from the company. With all this information at their disposal, the call center employee would be better prepared to address the caller’s concerns and head off a possible switch to a competitor by a valuable but unhappy customer.

In fact, many leading companies are employing such personalized conversations with customers and are reaping the benefits from it. Furthermore, these organizations are implementing measurement mechanisms that enable them to understand how effective these conversations are at any given time and to make adjustments – both on the fly and to future efforts – to improve them.

Once a company has integrated its customer source and segmented its customer base into manageable clusters, it can take advantage of a powerful marketing tool: personalization. The most progressive companies have found that segmentation, combined with interactions that are tailored to the need and behavior of each segment are much more effective in capturing customers’ attention in today’s noisy, cluttered marketplace.

In many ways, today’s personalization efforts hearken strongly back to the past – in the days before globalization and national chains, when the world was simpler. Then, most companies had nearly perfect knowledge about their customers: when and how often they shopped, what they wanted and how goods and services fit into their lives and filled their needs. In such an environment, it is easy for companies to give their customers highly personalized service. The local butcher always knew which cuts of meat each customer preferred. The suit salesman would set aside certain new items for particular customers for based on what he knew of their styles, occupations and past purchases.

The bank teller knew customers’ investing habits and financial needs at particular moments in their lives and would look out for ways to help them through demanding times.

Today, the butcher, suit salesman and bank teller more than likely have been all but subsumed by large regional or national companies that have been forced to sacrifice personal service in the name of scale and efficiency. While such practice may have benefited customers by providing consistency in product quality or lower prices, it has also alienated many customers, who have ended up feeling like another faceless, nameless customer who’s getting the same homogeneous direct-mail piece, hearing the same radio ads and being offered the same merchandise or services as their counterparts in a city 3,000 miles away.

But companies don’t have to choose between consistency and personalization. New tools are making it possible for companies – regardless of their size or geographic coverage – to gain deeper understanding of their customers’ needs and behavior, and tailor their messages and offerings to an increasingly granular customer segment.

Importantly, the efficacy of personalization efforts will be compromised if they’re not based on real-time access and analysis of customer data. In essence, personalization can be seen as part of the company’s conversations with its customers across all channels. But these conversations will only become an ongoing dialogue that’s meaningful to the customers if they are based on the most up-to-date knowledge of each customer. Typically, companies attempt such conversations based on ‘batch’ analysis of data, which, because of the lag time between the requests, doesn’t always provide the most current picture of the audience. In such instances, the results can range from embarrassing to offensive to even a termination of the customer relationship. With real-time analytics, customer-facing employees always have access to the latest information on every customer and his or her most recent interaction with the company, which enriches the conversations and reinforces customers’ perception that “they really do know me”.

Personalization is proving to be one of the most potent weapons that companies have today to address the myriad challenges they face. It helps companies demonstrate an effort to get to know their customers, and to serve as their agent in sorting through the choices available to them, which, in turn, generates a high degree of customer loyalty and helps retain valuable customers.

CONCLUSION

With the number of companies marketing to customers today, the increase in products and services, the amount of advertising and marketing done by companies, the increased sophistication of the consumer and the technology used by the consumer as well as the recent downturn in the economy, success in today’s environment is reached not by buying a software application or preching to the buzzwords of CRM and ‘customer insight’ but by practicing the techniques to create a customer-centric organization.

Think about the manufacturing organization in the 1970s. These companies bought manufacturing resource planning (MRP) packages, trying to solve their manufacturing problems. They understand now that buying a software package wouldn’t solve the company’s manufacturing issues. They focused on using the information from that application to better streamline their processes and improve cycle time and labor efficiency.

CRM applications and Data Warehouses can be viewed in much
the same way. Simply implementing these applications will not help a company acquire new customers or keep existing customers. It won't improve marketing and selling techniques. These tools must be used to provide better customer insight and integrate data across all channels, provide for proper segmentation of the customer and focus on personalization of the message to the customer. This in conjunction with the company’s customer strategy and the interaction between a companies’ sales, marketing and service departments will provide a winning combination to better interaction with the client.

This is a future in which marketing, sales, customer service, and IT all work together to deliver a seamless, consistent customer experience across all channels. It’s a future in which the analytical, creative and operational marketing capabilities are integrated to strengthen a company’s brand position, enhance customer value and spark intelligent, profitable interactions with every customer across every channel. And it’s future that’s close at hand for companies that are serious about maximizing the return on their existing CRM investments. 1
REFERENCES

The majority of this paper was based on articles and publications developed by Accenture. As noted below, the following article was used as a primary source for many of the sections. Many sections of this paper are a direct extraction from this article.

1 “Insight Driven Marketing”, Copyright © 2001 Accenture.
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In addition, the following articles and publications provided a strong influence to this paper.
“Capitalizing on Customers: An ROI-based approach to CRM implementation and management”, Copyright © 2002 Accenture.
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The Ultimate CRM Handbook, Copyright © 2003 Accenture.
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John G. Freeland (Editor), 2003

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