

Leveraging Customer Data and Analytics to Drive Growth

Creating A Five Point Checklist

The technology era has made an overwhelming amount of customer data available to companies of all kinds. How this data is used varies widely - some industries benefit most from using data and analytics to reduce costs, while others focus on driving revenue and profitability. Cost reductions may be realized by leveraging customer insights to reduce or eliminate extraneous and non-value adding processes and marketing investments. Revenue and profitability improvements may be realized by uncovering insights that lead to the development of more attractive products and offers.

In the health care industry, data analytics are used to target care and reduce cost. Providers like United Healthcare use disease-specific analytics to create triggers that drive early patient interventions. These interventions improve the quality of patient care, and prevent costly, avoidable hospitalizations and emergency room visits. In the financial services sector, companies like Chase Bank use data analytics to help reduce investment risk and credit card fraud. In contrast, in the online retail sector, companies like eBay use customer analytics to increase bottom line profitability and drive revenue. For example, eBay uses analytic insights to drive add-on purchases, enhance customer retention and improve the effectiveness of targeted offers.

Optimal Strategix Group (OSG) clients are at different stages of collecting data, applying advanced analytics, and generating, and leveraging advanced analytics. Some clients, like a “B2B” manufacturer, are beginning their data analytics journey by combining proprietary “outcomes based” segmentation data, transaction data, and customer relationship management data. This manufacturer is leveraging OSG mobile application and back-end predictive analytics to profile and segment their individual customers and present targeted, high value collateral and messaging. More “advanced” clients (in the Life Sciences/Pharmaceutical market), are now beginning to correlate transaction data, clinical data, and third party data to improve efficacy of treatment and patient outcomes.

No matter what the industry, objective, or “progression on the data analytics journey,” the success of any customer data analytics program is heavily dependent on the following key factors:

1. Clearly defined business objectives
2. Clearly defined customer outcomes
3. Understanding of data sources and their limitations
4. Close attention to organizational alignment
5. Careful selection of the right outsourcing partner

Step 1: Clearly Defined Business Objectives

A critical first step with any analytics effort is to agree on the business objectives and ensure that the initiative aligns with broader-based enterprise goals. Once the organization defines the kind of information that it is trying to uncover, what new facts it wants to learn and what business objectives it wants to achieve, internal departments can collaborate with external

partners to build the appropriate models. Organizations that are new to using predictive analytics often start with smaller, more focused projects, in order to raise the visibility of new analytical methods and secure buy-in across the enterprise. Without organizational alignment around the value and meaning of data analytics, program outcomes may be elusive.

Step 2: Clearly Define Customer Outcomes

Predictive customer analytics uses business information to accurately predict what current and future customers want. Companies can use predictive customer analytics to improve marketing campaign results, boost customer satisfaction, produce the right products and align operations more closely with the rest of the business. In addition, predictive analysis can help attract new customers and grow the existing customer base. Different analytic approaches apply, depending on specific goals and the nature of the business. In some cases, the goal is to directly influence a particular transaction. In others, it is to increase the quality of the overall customer experience.

Converting the One Time Buyer

For online retail businesses, an effective approach for driving more repeat business transactions combines business intelligence with predictive tools. It is possible to rank customers according to their likelihood of making repeat purchases. Those who are unlikely to return can be incented with significant discounts, free trials or other incentives at the time of the initial transaction. This approach boosts revenue while minimizing the chance of offering unnecessary discounts or incentives to likely repeat buyers.

Preventing Attrition

For subscription services, characterized by ongoing customer relationships, predictive analytics are also powerful. For example, in the case of cable television or cellular telephone service providers, the combined customer database may be leveraged to identify likely behavioral precursors of contract cancellation. Such indicators may include decreasing usage of a service or downgrading to a less expensive plan. Using predictive analytics applied to longitudinal transaction data, customers may be scored on the likelihood of attrition. Rather than attempting to respond with incentives after customer terminates service, companies can predict termination and intervene proactively. Interventions may include a higher level of customer service, discounts or other special offers, such as free trials of premium services.

Boosting the Effectiveness of Marketing Campaigns

Another common customer objective for predictive analytics is to attract new customers by boosting marketing campaign results. Predictive analytics applied to historical data can drive effective segmentation of target markets. The insights generated make it possible to predict which marketing channels and marketing investments will be most effective for particular customer segments. In other cases, predictive analytics may be applied to the results of primary research to help determine customer preferences for, and ranking of, product attributes – for existing or new products.

Increase Revenue per Customer

To achieve greater sales per customer, online retailers like Amazon use predictive modeling to

drive recommendation engines. The engine leverages historical data across multiple customer transactions to predict the likelihood of future purchases of specific, additional items.

Targeted product development

A life sciences company may initiate primary research to better understand its target market, and to make better choices in product development. Research may be designed to measure multiple attributes of a potential new product. Advanced analytical techniques make it possible to compare and rank key product attributes to optimize product development and positioning.

Step 3: Understanding Data Sources and their Limitations

For analytics programs to succeed, it is essential to choose the “right” data for analysis. In fact, data selection often determines the success or failure of an analytics program. Therefore, it is essential to understand that every data source has unique characteristics, limitations and biases. For example, while social media data is a popular foundation for customer analytics, it is biased and historic, not forward-looking. The popular press tends to over-emphasize the utility of social media data as means for improving customer experiences and defining new product characteristics. While social media is effective for learning about current customer experiences, such information is often insufficient for creating proactive solutions or designing new products. Like social media data, customer transaction data is limited in its utility. Data about current customers cannot be extrapolated to predict the needs or behaviors of new customers in untapped market segments. It is necessary to reach beyond current customers, and analyze competitors’ customers, in terms of their behaviors, needs, desired benefits, and desired outcomes that are not currently satisfied.

Step 4: Tightly Integrated Organizational Alignment

For a data analytics program to be successful there must be internal organizational alignment. Perhaps the most critical area in need of alignment is the interplay between marketing, sales and IT. Such alignment is necessary to design and execute customer-centric marketing strategies, tactics and campaigns. Alignment is also necessary for extracting key data from disparate sources, so it can be analyzed and translated into actionable insights. If chief marketing officers (CMOs) and chief information officers (CIOs) collaborate effectively, the likelihood of achieving business objectives is high. However, if they do not collaborate effectively, the reverse is true. At many companies, the relationship between the marketing and IT functions – in particular - is dysfunctional. IT departments complain about marketing departments that forge ahead with technology implementations without IT involvement. Marketers complain about insufficient technical and budgetary support from IT departments. This divide may be exacerbated by the lack of a common language and a classic case of right brain verses left brain thinking. As one marketing executive observed, “CMOs and CIOs just come from different planets.” Whether differences in language, brain function or planetary or origins is the cause, greater collaboration results in more effective, customer-centric organizations. By partnering with marketing and enabling business results, CIOs gain recognition from upper management and make the IT function more strategic. Likewise, marketing departments can stretch further to embrace data-driven strategies, analytics and marketing process integration. Organizational alignment ultimately results in more profitable organizations that serve customers more effectively.

Step 5: Careful Selection of an Analytics Partner

Most organizations do not have the internal capacity and capability necessary to identify and exploit key market opportunities:

- Strategic Alignment: Business/Data Analytics
- Data Lifecycle Management: Ongoing Access, Integration, Analysis, Archive
- Advanced Predictive Analyses: Organizational skills and enabling technologies
- Organizational Alignment/ Change Management to assist in interpreting insights, gaining organizational alignment, and action plans to leverage insights
- Program Management, with Scorecards/KPI's, to assure ongoing sustainability of insights, knowledge transfer, and business results

Therefore, companies should select partners carefully, keeping in mind that not all analytics companies are created equal. The breadth of their capabilities and the inherent strength of their methodologies can vary widely. There is a critical distinction between a partner that is capable of analyzing the past and a partner that also excels at forecasting the future. Future-looking predictive analytics identify where the most critical growth opportunities exist. Furthermore, effective partners help clients forge the necessary internal harmony to ensure program success.

OSG provides advanced analytics and forecasting based on both historical and likely future behavior. We help clients grow their businesses by helping them become more customer-centric - through our insights, analytics, advisement and technology. Using proven, proprietary methodologies and proprietary technologies, we build a rigorous fact base that enables customers to make critical strategic decisions and drive activation efforts. We deliver world-class results by leveraging the latest market research techniques, data analytics, frameworks, and enabling technologies on a project or continuous basis.

Key Takeaways: No matter what the industry or objective, the success of any data analytics program is heavily dependent on the following key factors:

1. Clearly defined business objectives
2. Clearly defined customer outcomes
3. Understanding of data sources and their limitations
4. Close attention to organizational alignment
5. Careful selection of the right advanced data analytics partner

Moving Forward

We hope this information has been interesting and valuable to you. Please, feel free to share it with colleagues and other people in your network. We look forward to starting a dialog with you about this topic and sharing more information about our knowledge and experience in this field.

Start the conversation with us by emailing us at contact@optimalstrategix.com



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About OSG

OSG is a Catalyst for Customer Centered Marketing. We help companies to become truly Customer Centric through a blend of marketing research with consulting services that define strategies and develop operational plans. Whether rolling out new products to market or reshaping market positioning, our clients rely on us for gathering the information necessary to make strong strategic business decisions.

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