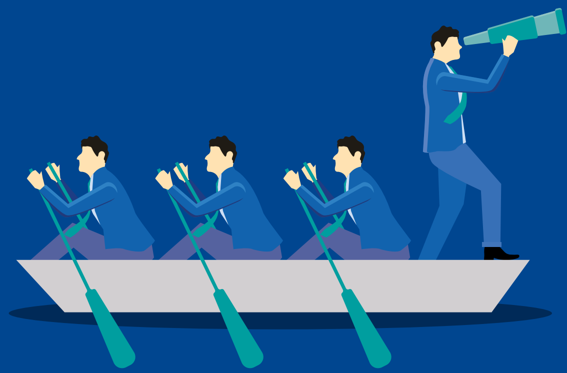
Turning customer insight into action

Redefining customer series

Global Strategy Group



In the new age of the customer, the winners will believe in the power of segmentation, and view the accompanying insights as a source of competitive advantage, putting the full weight of the company behind achieving a great customer experience.

Getting value from customer analysis and segmentation

Big data, along with increasingly sophisticated analytical tools, has given us a wealth of information on customer behavior and attitudes. However, if companies want to gain value from segmentation, it must become a dynamic part of business decision-making — rather than an occasional research exercise.

For a customer-centric business, customer insights are pivotal for market success. At a financial and strategic level, the customer should be a constant reference point and an integral part of planning and decision-making processes. At an operational level, segmentation should be the driving force behind differentiated pricing and channels, innovative sub-brands, and up- and cross-selling of a wider range of products and services. This helps to deliver more value to customers and ultimately to the organization.

Segmentation acknowledges that groups of customers want and need different things, and are willing to pay more, or less, based upon the perceived value of a product or service. Only by fully comprehending the desires of customers in different segments — and their associated perceptions of value — can businesses produce reliable demand profiles to optimize price, and, therefore, margins.

This means blending quantitative data ('what customers do'), qualitative data ('what customers say') and financial data ('what customers will pay') to address unmet customer needs. However, to sustain a superior customer experience and associated outcomes, segmentation cannot be a singular exercise.

All too often, companies treat segmentation as a one-off activity, providing only a snapshot of key customer attributes. Poorly implemented, segmentation could become a series of dull presentations about broad, often out-of-date customer stereotypes, which are promptly forgotten. Segmentation in customer-centric organizations needs to be live and dynamic, kept up-to-date to reflect the latest trends in customer behavior and attitudes. Employees should speak the language of segmentation, continuously putting customer trends at the centre of financial, strategic and operational decision-making.

Keep it live: dynamic segmentation

Segmentation must evolve with changing customer expectations and behavior, to ensure that brand propositions, routes to market, and other components of the customer experience remain relevant. This is especially important in the digital age, where consumers' buying and browsing history is tracked and updated by the second.

A. Dynamic data gathering and analysis

Increasingly powerful data analysis tools make it easier to gain real-time, incisive and practical insights into what makes different customers "tick," and avoid stereotypes or caricatures. Organizations should seek to build active, cost-effective segmentation models, drawing on multiple sources of internal and external data, blending quantitative, qualitative, and financial information, and updating frequently.

With this level of sophistication, organizations can look at clusters of behavior and build a believable picture of how consumers act, what they are seeking, and why they make certain choices. It's then possible to map organizational competencies against unmet needs, and formulate an appropriate strategy.

Collecting and analyzing the information, however, is just the first step.

B. Dynamic decision-making processes

If customer segmentation is to play a more central role in business decision-making, then resulting data and insights should become an intrinsic part of strategy development and day-to-day execution

Many organizations fail to even share, or utilize internal data, ultimately falling short of the desired benefits of a dynamic data collection and analysis approach. Useful findings end up gathering dust with the Analytics team, and not being shared with Sales, Marketing and other functions. To bring tangible value to customers, insights need to be delivered to internal users across the organization in a timely fashion and usable format that enables real-time decision-making. Teams with the responsibility to generate segmentation data and insight should be clear about who their internal 'clients' are, what they need to know about customers, and how they intend to use the information. Analytics team members should be 'embedded' within other departments to deliver a steady flow of customer insights to key decision makers.

C. Dynamic measurement and learning

By integrating customer insights into decision-making processes, organizations can continually measure and learn how their actions impact customer behaviour and attitudes. This approach can help identify where to cut costs (recognizing where the customer no longer values an aspect of the offer), push more product or service, or price differently. It can highlight any declines in types of customer, satisfaction levels, profit margins or other parts of the wider value chain. In this way, segmentation becomes a continual learning process,

For example, within one major telecommunications provider, the Analytics team sat on opposite sides of the building to the Sales and Marketing department, and the latter was constantly frustrated at receiving analysis that didn't meet its requirements, and failed to arrive when needed. The analysts, in turn, felt that they were not given clear instructions and that demands were constantly changing mid-project.

By restructuring the teams and physically placing them side-by-side, analysts became a part of the commercial, front line teams, attending their meetings and building an understanding of their goals and incentives, creating a shared culture that led to dramatically better results.

helping companies understand the impact of their decisions and maintain a close focus on customers.

Building on this knowledge, organizations should look to continuously improve their use of customer data, speed of analytics and insight generation, and application of customer knowledge to inform strategy and business decisions.

Technology: an enabler, but not the answer

Businesses often presume that technology alone can solve all their analytics challenges. While it's true that evolving tools and 'big data' analytics are becoming faster and more sophisticated, they are not the whole story. Dynamic segmentation also calls for:

The right attitude: acknowledge that today's customer is different from yesterday's — and that tomorrow's customer will be different again. Of course, attitude must be supported by actions, by constantly testing and exploring whether the business is still relevant and able to create value in the market.

The right approach: always look for ways to capture and synthesize information that can add to an understanding of the customer. This applies whether one has a huge consumer base with vast quantities of real-time customer data, or a business-to-business operation, with a small number of high-value customers and mainly qualitative information sources.

The right culture: treat customer insight as one of the most valuable resources and always seek to learn from it.

Leadership buy-in: a critical component of a customer centric organization

To reinforce the required attitude, approach, and culture, executives should be measured and rewarded for achieving strong customer metrics such as satisfaction, churn and lifetime value. A useful test of customer-centricity is to ask the following questions of the Board:

— Do senior executives use customer insights to make a case for change?

— Do business cases routinely contain customer metrics?

— Are customer conversations based on data and evidence, or hunches and stereotypes?

— Are customer metrics part of the senior team's balanced scorecard, with incentives for achieving specific customer-related goals?

If the answer to any of these questions is 'no,' it is important to consider whether customers are really central to the business.

Concluding thoughts

Segmentation must evolve with changing customer expectations and behavior, to ensure that brand propositions, routes to market, and other components of the customer experience remain relevant.

In the new age of the customer, the winners will be those that believe in the power of dynamic segmentation, and view the accompanying insights as a source of competitive advantage, putting the full weight of the company behind achieving a great customer experience. Key steps to consider for any organization looking to become more customer-centric:

— Adopt a dynamic approach to capturing and analyzing data

— Ensure business processes and operational structures integrate customer insight into day-to-day decision making

— Commit to continuously evaluating and improving insights, based on effective measurement and learning

— Don't rely exclusively on technology — encourage the right attitude, employ the right approach and foster the right culture

— Encourage executives to lead with customer-centric thinking by linking executive reward with customer metrics.

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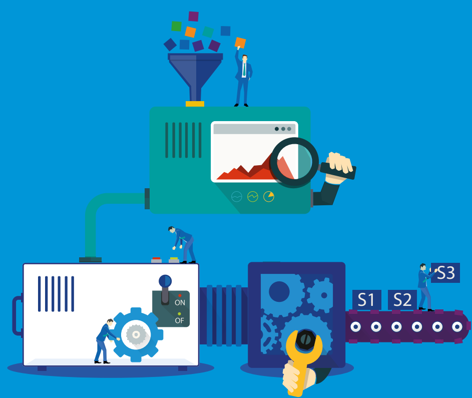

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