

The Power of Analytics

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in Re-defining and Re-inventing Customer Relationships

By Graeme Butterworth, VP Global Process Services, IBM Europe

According to findings from the 2010 IBM Global CEO Study, getting closer to customers and re-inventing customer relationships is the single most important theme for CEOs today. In this article, IBM's **Graeme Butterworth** explains how businesses want to understand customer needs better through collaboration, information sharing and exploiting the information explosion to deliver unprecedented customer service.



In our survey this year, nearly 9 in 10 CEOs told us that they are focusing on getting closer to their customers and an astounding 95 per cent said that “getting connected” with customers is their top priority. Importantly, this close connection with customers is permeating the entire organisation, from the CEO down. As a banking CEO in Europe stressed, decisions need to be guided primarily by customer needs... even at the CEO level.” Furthermore, as a utility CEO in the United Kingdom acknowledged, “There is a whole new generation of customers we must learn to engage with; they’re all ‘twittering’ and we’re not.”

Businesses are looking to engage customers in new ways to build customer interest and generate new business demand and revenue streams. Some are involving customers more directly in product and service development. Others are investing in cutting-edge technologies to hear their customers’ voices. For example, one of our automotive customers is taking advantage of text mining solutions to measure customer feedback and generate insights from volumes of unstructured text data. Another, in the health insurance space, is leveraging analytics-led services to convert voice-based customer calls to text and perform root-cause analysis on claims filed by patients. Companies like these are using predictive analytics to drive greater revenues and minimise customer churn.

The age of mass market and utility or commodity services is over - organisations want to get closer to their customers. With the shift towards personalised services and “the market of one”, IBM believes that businesses’ experience and intuition must be augmented through the power of data and analytics. While gut-feel and experiences can provide the hypotheses, analytics can be leveraged to prove, and provide continual, fact-based improvement opportunities on these hypotheses.

CHANGING CONSUMER TRENDS & RELIANCE ON INFORMATION FOR DECISION-MAKING

Businesses state the need to find new ways to bring “innovations in every aspect of our business”, especially when it comes to understanding, interacting with and serving their customers. Consumer trends at the forefront of re-defining and re-inventing customer relationships are:

- **Share of Time:** People face a multitude of choices on things to do with their time. In the past, shortage of disposable income was the critical constraint but, as channels proliferate and compete to capture attention, customers



COMMUNITY COMMENT

Alan Parker, Former CEO, Whitbread plc

“The significance of data in running businesses has increased as time has gone by, particularly as the world has become faster, more complex and more competitive. The use of data in Whitbread therefore has become overwhelmingly important in how it works with its customers - analytics are simply pre-eminent to the relationship. For example, with Premier Inn, 50,000 customers are surveyed every month. There are 3.5 million customers with a Costa Club Card and Whitbread communicates with most of them on a monthly basis. Also, in terms of quality control, every outlet and every unit is assessed monthly, based on data.”

are constrained by a shortage of time. Now, more than ever, share of time determines share of mind and wallet. It has been said that the marketeer who owns the customer’s time, owns the customer and their wallet.

- **Power of Shared Interest:** The proliferation of consumer options to create and contribute to online communities is changing the way customers interact with each other. These communities are enabling any consumer to be a producer or creator, distributor, buyer or seller; a critic or an opinion maker. Customers are using the power of these networks to take charge of their consumerism... and companies are responding to this new breed.

- **Transparency Tyranny:** Today’s consumers are empowered with access to a world of information, just a click away. They are able to evaluate every aspect of their purchase decision, make informed choices on all kinds of products, and look for aggregated information to reduce the barriers between them and what they want. Businesses that provide more transparency into their goods and services, cut down the evaluation cycle for consumers, and therefore attract more business.

- **Less is More:** Consumers today have more choice and more freedom than ever before. Information on anything and everything is readily available. Consumers research extensively before making purchase decisions and are moving from ‘not enough’ to ‘too many’ choices. There is a shift in the burden of decision making with more choices starting to cause consumer vertigo. For instance, more choice is leading to more dissatisfaction, from making the wrong choice, or escalation of expectations for the perfect good or service. Companies are going back to basics where simplicity is the key.

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COMMUNITY COMMENT

**Rob Crossland
CEO, Parasol**

“Analytics are, of course, very powerful and almost mandatory for a growing business. At Parasol, we use analytics both as an internal tool and in helping recruitment businesses understand sales performance. Analytics and business intelligence are at their most powerful when they combine all aspects of business performance to deliver a single version of the truth in real time. Key inputs such as CRM, telephone, financial performance and personal performance can each be mapped out to illustrate how a business is performing. But we are passionate about that being a personal experience, just as much as it demonstrates a corporate version of the truth. Without individual buy-in, the representation of the data can be less impactful.”



COMMUNITY COMMENT

David Turner
CEO, HEROtsc

"At HEROtsc we have been investing in analytics to inform us how our customers behave. In fact we have used them to change our type of business, no longer considering ourselves a customer contact centre, but rather a data centre. Businesses often confuse and therefore misuse the term 'customer insight', usually referring to that which drives the customer to use their service (ie, 'service insight'). I believe that those companies that will be successful in the future will be those that not only have good service insight but also spend time understanding what drives customer behaviours.

Today, customers are likely to provide tips on what products to buy and what not to buy, as well as obtaining solutions to problems from each other. The barriers to exit for customers have never been so low and therefore their ability to switch to alternatives is immediate. Moreover social media platforms such as Facebook and Twitter mean that they often take other customers along with them.

Analytics need to inform companies about those customers that are more likely to be an advocate for your company (rather than the detractors). Why?

- Promoters have a tendency to have higher annualised spend (buy more and more often)
- Positive word of mouth referrals (gain new customers)
- They have a lower cost to serve (complain less)
- They have lower debt (pay up more readily)
- They have higher retention (churn less and stay longer)

Paradoxically, detractors tend to do the exact opposite and, in our experience, are four times more likely to make a negative recommendation than promoters are to make a positive one.

However, having this type of analysis, allowing you to understand customer behaviours, is only part of the solution. It is no good having the information unless you have the ability to interrogate its meaning. Thus, having people who can interpret analysis is as important to solving the problem as having the data itself."

Companies are using predictive analytics to drive greater revenues and minimise customer churn

Businesses are investing time and resources to understand the implications of these changing consumer trends and how they influence the way they serve their customers. For example:

- Retailers are generating insights from online conversations among customers to understand their needs and preferences and then design the right product, service or promotional campaign.
- Banks are exploring ways to combine insights from the community assets to own the customers share of time and they are leveraging analytics to evaluate the various customer touch-points, channels and media for communication.
- Telecom companies are using predictive analytics to identify influential networks of shared interests; leveraging customer data to identify alpha users of new products and services.
- Other businesses are using analytics to identify the needs of customers to provide an enhanced customer experience and proactively craft data with analytics into actionable information for decision making.

The value these investments are delivering ranges from improved customer acquisition, retention and extension, customer-led enhancements to product design to accelerated time-to-market and increased sales and profits.

THE POWER OF ANALYTICS

In the last few decades, businesses (large & small) have invested in ERP (Enterprise Resource Planning) and CRM (Customer Relationship Management) technologies, to integrate their business processes, achieve an end-to-end view across

different lines of business, streamline global operations and drive efficiencies. Automation of business process and integration with external and internal transaction systems and devices - such as Point Of Sale machines and RFID devices - have, in turn, led to the accumulation of massive volumes of rich data.

Businesses want to exploit this data using analytics. The joint forces of cheap storage and ever faster computing power is making it possible for organisations to identify insights beyond gut-feel hypotheses on what the data might show. Today organisations are able to understand why customers do what they do, or what they might do next, and they are equipped with tools and techniques to track and measure it with unprecedented accuracy.

Customer data on behaviour, transactions and preferences are increasingly viewed as competitive assets and the power of analytics is helping organisations translate these unique business insights into customer-focused actions. Analytics are empowering organisations to leverage tools, techniques and approaches as a sustainable source of competitive advantage.

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Graeme has been responsible for leading several large, long-term and complex business process outsourcing deals and sits on many of the ongoing management boards for these deals. Prior to joining IBM, Graeme was a Partner in PricewaterhouseCoopers in the Management Consulting Division as well as in the Business Process Outsourcing Division.

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