CUSTOMER ANALYTICS: HOW TO MAKE BEST USE OF CUSTOMER DATA

July, 2015

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Report Highlights

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96% of companies struggle with making effective use of customer data.

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Companies using customer analytics report 58% greater improvement in employees' ability to do their jobs well.

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Customer analytics users are 89% more likely to map buyer journeys to tailor business activities.

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Customer analytics users are 87% more likely to identify how each channel contributes to their business results.

Aberdeen research shows that 96% of companies are not fully satisfied with their ability to use data (both customer and operational) in CEM programs. This report highlights how Best-in-Class firms overcome this challenge by using customer analytics. We'll specifically highlight how customer analytics helps firms improve performance and how savvy organizations incorporate it within their business activities.

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Poor customer data management practices are not just a nuisance; they are a crucial challenge impacting organizational health.

Definitions

For the purposes of this research, Aberdeen makes the following definitions:

Customer Experience Management (CEM): Aberdeen defines CEM as a continuum of business activities across multiple touch-points (channels and devices) that are executed on an enterprise level to manage business activities across the entire customer lifecycle.

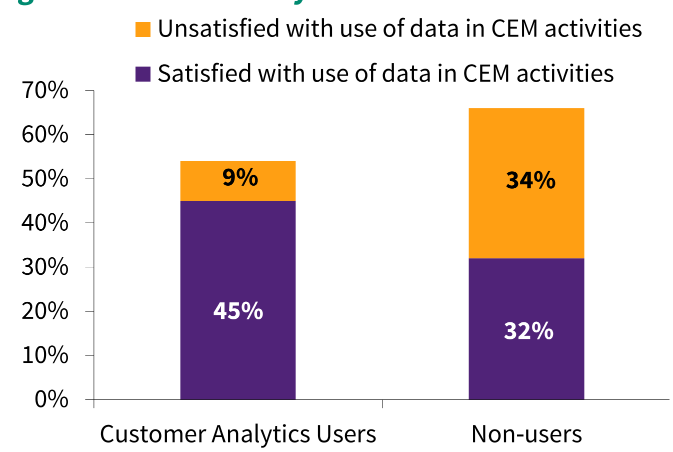
Customer Analytics: The use of analytical tools to analyze structured and unstructured customer and operational data in order to manage (and fine-tune) buyer interactions (e.g. marketing, sales, commerce and service) across multiple channels.

Companies Struggle with Putting Customer Data to Good Use

What's the first step to succeed in meeting and exceeding customer expectations? For many firms, the answer is following and implementing the latest buzzwords and best practices (e.g. omni-channel and journey management). While it's certainly valuable to know 'buzzword du jour,' Best-in-Class firms excel by first handling the basics: getting data right.

Findings from Aberdeen's March 2015 *Big Data in CEM: The Path to Productive Employees & Happy Customers* study revealed that businesses incur approximately $1.45 million each year in unnecessary costs. This results from employees' inability to easily access the right information needed to manage customer conversations. Additional findings from the aforementioned study revealed that 96% of organizations suffer from ineffective use of data in CEM programs. This is where customer analytics (see sidebar) comes into the picture. Figure 1 shows that as a percentage, customer analytics users are 41% more likely to report being satisfied with their ability to use data in CEM programs, compared to non-users (45% vs. 32%).

Figure 1: Lack of Analytics Results in Poor Use of Data



Percent of respondents, n=211

Source: Aberdeen Group, July 2015

Note: Respondents were allowed to select a range of options to indicate their satisfaction levels (1: Not Satisfied, 5: Fully Satisfied). Companies in the satisfied category are those that selected 4 or 5 while those in the unsatisfied category are those that selected 1 or 2.

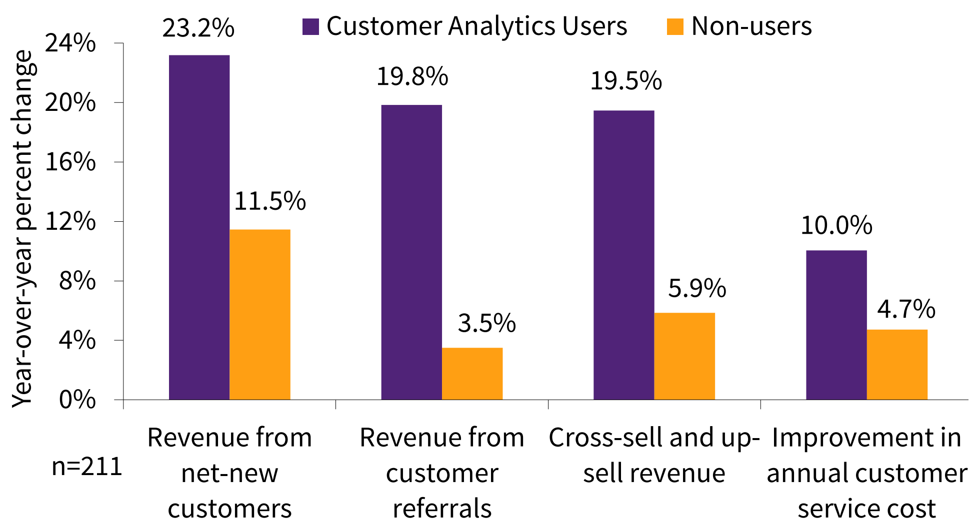
It's also important to point out the wide gap between the percentages of firms not satisfied with use of data. To this point, non-analytical firms are nearly four times more likely to struggle with establishing a data-driven CEM infrastructure, compared to those that use analytics (34% vs. 9%). In other words, **analytics is a necessity for organizations to make better use of data.**

Analytical tools help firms enhance their ability to generate vital insights from customer data. As a result, they pave the way for personalized omni-channel interactions resulting in better business performance.

The Financial Value of Customer Analytics

Now that we have uncovered that analytics is a must-have for firms aiming to build and sustain a data-driven CEM infrastructure, let's also observe the financial benefits associated with this savvy approach. Figure 2 shows a series of financial measures influenced by CEM activities where customer analytics users outperform non-users in year-over-year improvement.

Figure 2: Customer Analytics Users Maximize their Revenue



Source: Aberdeen Group, July 2015

How Customer Analytics Helps Reduce Costs?

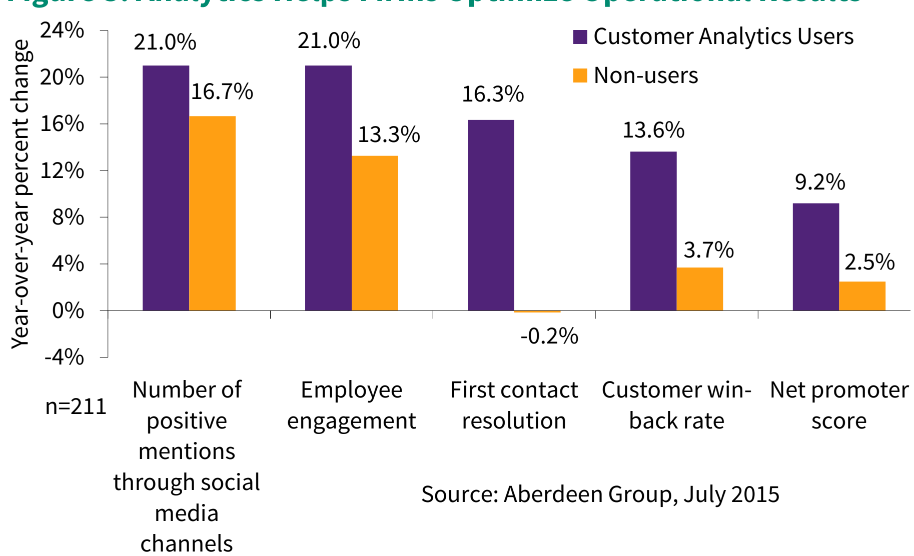
While growing revenue is important, controlling business costs is equally crucial for long-term health of businesses. **Companies empowered with analytics are able to trim their service costs by more than twice as much year-over-year, compared to those lacking analytics** (10.0% vs. 4.7%).

Success in reducing service costs is enabled by using analytics to identify root-causes of issues leading to customer frustration and unnecessary costs, and taking appropriate actions to mitigate these problems – hence decreasing costs.

As depicted above, the benefits of customer analytics extend through both the top line and bottom line of an organization. As for the former, firms putting analytical firepower on their side boost revenue from net-new buyers, expand share of customer wallet through cross-sell and up-sell effectiveness, and drive incremental spend through referrals from loyal buyers. Customer analytics help firms improve their performance across these revenue-centric metrics by more than twice year-over-year, compared to non-users. Organizations aiming to grow their revenue should take note of these findings (also see sidebar).

Financial benefits are often the first criteria companies evaluate before deploying or renewing technology spend. The findings above help companies alleviate questions related to the monetary benefits of investing in customer analytics, but what about operational benefits such as net promoter score (NPS – see sidebar on next page), first contact resolution rates and employee engagement? Figure 3 shows that analytical firms also enjoy far superior outcomes across these metrics, compared to their counterparts.

Figure 3: Analytics Helps Firms Optimize Operational Results



Source: Aberdeen Group, July 2015

Findings from Aberdeen's March 2015 *CEM Executive's Agenda 2015: Leading the Customer Journey to Success* study show that balancing buyer needs while enhancing financial results is the top objective driving modern customer experience programs. The performance findings depicted in the above figure show that analytics-enabled businesses are indeed optimizing their operational activities to meet evolving customer needs. For example, they enjoy far greater annual increase in NPS, compared to their peers (9.2% vs. 2.5%). They also report 58% greater year-over-year improvement in employee engagement rates, compared to non-analytical firms (21.0% vs. 13.3%). This latter metric reveals that **enabling employees with relevant insights derived from analytics helps these knowledge workers be more satisfied in their roles as well as be more attentive to the needs of customers.**

Let's now observe how customer analytic users attain the financial and operational results that differentiate them from competitors.

How to Differentiate your Business through Customer Analytics?

As a reminder, the ability to enable employees with relevant and timely insights - derived from analytics - requires organizations to first ensure the accuracy and relevancy of data. A common challenge companies face when doing so is the ability to **integrate data captured across multiple interaction channels** such as the web, social media, email and in-store point-of-sale (POS). According to the *Big Data in CEM* study, more than half of all (56%) businesses lack a unified view of the data captured across multiple channels and stored in systems such as customer relationship management (CRM), marketing automation, e-commerce and enterprise resource planning (ERP). This increases the risk of organizations delivering inconsistent messages to buyers.

Definitions

For the purposes of this research, Aberdeen makes the following definitions:

Net Promoter Score (NPS): A performance metric used to gauge customer satisfaction – see related article to learn how it's measured.

Employee Engagement: A performance metric that also defines a state of being by the employees. It's often measured through employee feedback surveys where companies identify the percentage of employees who identify themselves as highly or fully committed to organizational goals and values, while being satisfied in current roles.

"Our customer insights capability – driven by analytics – provides us with rich data on buyer behavior, trends and expectations which we use to deliver better interactions. Blending these insights with the introduction of a 'customer fairness' approach helps us meet expectations throughout the customer journey."

~VP of Operations Strategy in Large Global Energy Company

Which Technologies Do the Best-in-Class Use to Convert Data into Insights?

Web reporting & analytics: Best-in-Class: 84% vs. All Others: 61%

Business intelligence: Best-in-Class: 82% vs. All Others: 45%

CRM: Best-in-Class: 79% vs. All Others: 69%

Database Management: Best-in-Class: 67% vs. All Others: 49%

Real-time reporting & alerting: Best-in-Class: 62% vs. All Others: 28%

Data quality / integration: Best-in-Class: 58% vs. All Others: 34%

Digital dashboard / visualization tools: Best-in-Class: 58% vs. All Others: 27%

Customer sentiment intelligence: Best-in-Class: 49% vs. All Others: 16%

Predictive analytics: Best-in-Class: 46% vs. All Others: 11%

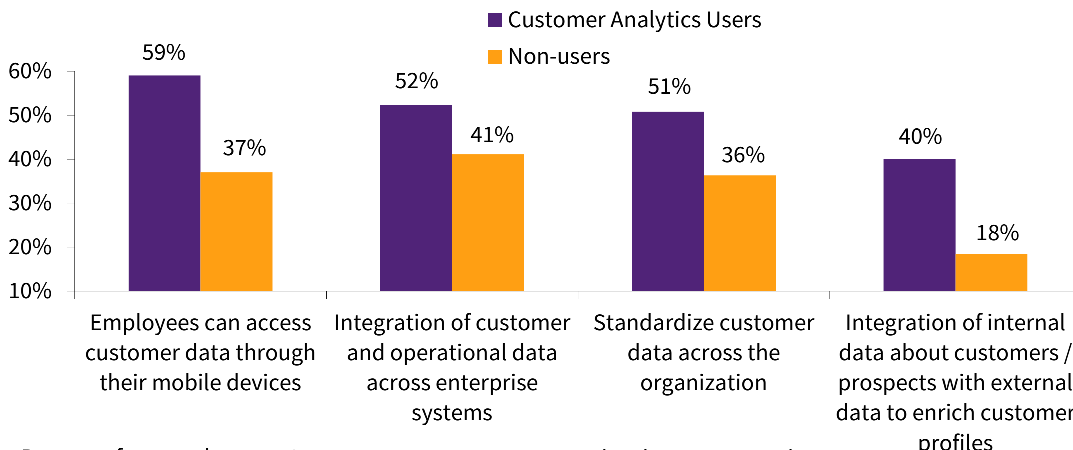
Offer optimization: Best-in-Class: 45% vs. All Others: 12%

Speech analytics: Best-in-Class: 32% vs. All Others: 10%

Real-time decision assist & guidance: Best-in-Class: 29% vs. All Others: 7%

Customer analytic users understand the importance of getting data governance right, and are therefore 42% more likely than non-users to **standardize data captured across multiple channels to ensure ease of integration** (51% vs. 36%) – Figure 4. They are also 27% more likely to indicate that employees are able to have a unified view of the customer data facilitated through integration of disparate systems (52% vs. 41%). See sidebar for the wide range of technologies used by analytical firms to capture, store and manage data.

Figure 4: First Establish a Unified View of the Customer Journey



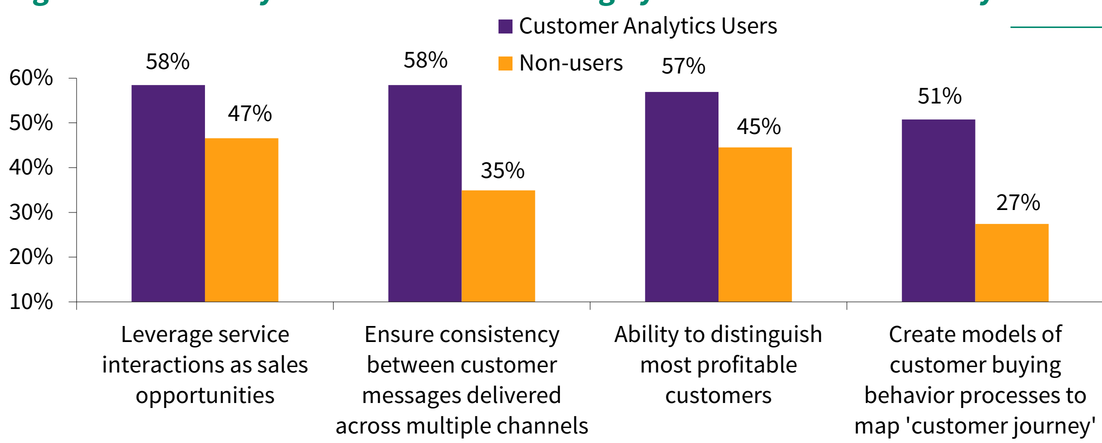
Percent of respondents, n=211 Source: Aberdeen Group, July 2015

Capturing and integrating new insights on customer behavior and feedback are important; however, companies must tie those insights with historical buyer data in order to have a clear view of the customer journey. This requires organizations **to integrate existing data captured and stored across enterprise systems with new insights to develop and enrich customer profiles**. Analytical businesses are more than twice as likely to have this capability as their less savvy counterparts (40% vs. 18%).

Customer profiles are dynamic; they evolve over time based on changes in buyer needs as well as the dynamics of the overall marketplace. As such, companies must **use technology tools such as journey analytics** to identify commonalities between how behavior of customers with similar profiles evolves through various stages of the buyer's journey. Customer profiles can be observed through numerous perspectives, including geography, product purchase, total spend and demographics. Figure 5 shows that analytical firms are 89% more likely than non-users of analytics to map the journeys of different customer groups (51% vs. 27%).

Don't forget that each customer has unique needs. Segment your customer base, and use analytics to map the journeys of buyers within the same segments.

Figure 5: Use Analytics to Uncover & Manage your Customer's Journey



Percent of respondents, n=211 Source: Aberdeen Group, July 2015

Mapping the customer journey provides employees with numerous advantages. If a customer is unsatisfied, these insights help employees track back historical interactions and **determine root-causes of issues resulting in negative results, and alleviate these problems to reduce the likelihood of them occurring in the future**. Insights into the customer journey also enable organizations to identify the paths leading buyers to become happy and loyal to the business.

We recently invested in a technology that helps with rich insights into customer data captured across multiple channels. Before deploying the technology we had information on only 5% of our buyers whereas today it is 18% of our clients. This enhanced visibility helped us grow annual sales by 3% since deploying the technology.

~VP of Marketing in Small Software Firm

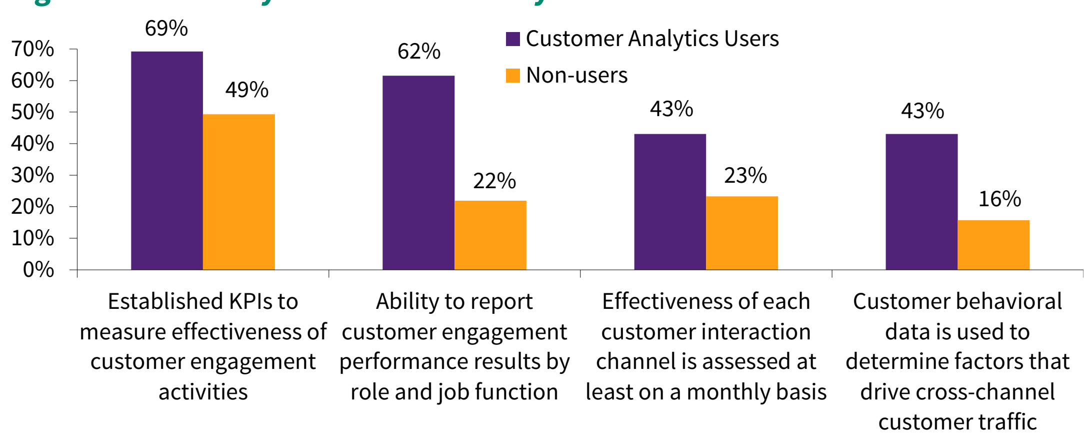
The aforementioned analyses are done through using analytics to identify the correlation between certain activities and customer behavior. The findings from this process are invaluable in customer targeting activities highlighted in Figure 5. These include identifying the most profitable buyers and having relevant insights on client needs in order to convert a service interaction into a sales opportunity. Those are key activities that help firms **guide customers through a specific journey aimed at driving loyalty and greater client spend**.

"Lack of visibility into understanding which activities drive desired CEM outcomes resulted in focusing on wrong parts of the business that have the greatest impact. As a result, we created products and solutions that aren't aligned well with customers' problems, and have experienced erosion in our bottom-line."

~VP of Large Global HR Services Company

Figure 6 shows that firms with analytical firepower are putting their data-driven strength to use by also **identifying the factors driving cross-channel customer traffic**. For example, if a business uses six channels to interact with buyers, it's crucial to understand which of those six touch-points are preferred by customers across various stages of their journey. This helps the organization use the right channels for specific activities, and hence reduces unnecessary costs related to using the wrong channels. Customer analytics users are far more likely to have this capability in place, compared to non-users (43% vs. 18%).

Figure 6: Use Analytics to Uncover Buyers' Cross-Channel Habits



Percent of respondents, n=211

Source: Aberdeen Group, July 2015

Savvy firms enabled by analytics also use their technology capabilities to **gauge the effectiveness of each channel in driving desired results**. This means having established key performance indicators (KPIs) to assess how the firm performs in meeting buyer needs. Examples of these metrics include customer satisfaction, customer lifetime value, return on marketing investments and first contact resolution. Each business is unique and, therefore, most businesses are likely to have a unique combination of metrics they use to assess how they meet the needs of buyers within their target markets. However, once these metrics are in place, it's vital to utilize analytics to determine how each channel contributes towards specific objectives throughout the customer journey. This helps firms understand if they are using the right channels through various phases of the buyer journey and, if not, allows them to fine-tune their activities accordingly. Analytical organizations are 87% more likely than their counterparts to have this activity in place (43% vs. 23%).

Don't use multiple channels without knowing how each one fits through the customer journey. Use analytics to determine the impact of each channel, and tailor your activities accordingly to utilize the right channels for the right activities.

Recommendations

Never in history have buyers had as much (and as easy) access to information to make educated buying decisions as they do today. This drives significant changes in the business landscape. Companies that fail to understand and address the needs of their buyers are quickly disappearing. Even those operating in industries with oligopolies are merging with others or going out of business. In other words, no business relying on profits to survive and thrive can afford to ignore meeting and exceeding the needs of empowered customers. However, Aberdeen research shows that only 4% of organizations are fully satisfied with their ability to use data to accomplish this goal.

Use of customer analytics helps businesses excel in building a data-driven infrastructure for their CEM programs. If your business is not among the 4% of organizations that have truly mastered how to capture and use data to manage omni-channel interactions through the buyer journey, then we highly recommend you adopt the following activities to join the ranks of these savvy organizations:

Even if you have the most sophisticated analytics capabilities, the results generated will only be as effective as the accuracy and timeliness of the data used to do the analysis. As such, build and maintain healthy data governance practices that will help you maximize your investments in analytics.

- **Establish and maintain a single view of customer data.** Multi-channel is the new normal for all businesses. The *CEM Executive's Agenda 2015* study shows that 100% of businesses are using at least two channels as part of their CEM programs – in fact, an average business uses four channels. The specific channels used by each firm vary; however, a common challenge among all organizations is the ability to establish a unified view of all the interactions taking place across multiple touch-points. If employees in your business have different views of the customer interactions, then we recommend working with your IT team to identify the enterprise systems used to capture data across all CEM channels. Once you do, leverage the data management prowess of your IT team to synchronize data capture and flow through disparate systems to eliminate data silos within your business.
- **Use journey analytics to map the progress of different buyer groups.** Customer behavior is influenced by myriad factors; however, buyers with similar characteristics (e.g. demographics and geography) tend to be more likely to have similar preferences compared to buyers with different characteristics. As such, it's vital to segment your customer base and apply analytics to determine commonalities and trends between how buyers within a specific segment progress through the journey of their interactions with your business. This sheds light into their preferences, and helps you identify and execute targeted strategies designed to lead similar buyers through specific stages to increase the likelihood of their journey, leading to loyalty and greater spend. If you haven't yet mapped the journeys of your buyer segments and created tailored workflows to help

employees guide customer interactions, we highly recommend you to do so.

➔ **Assess and optimize your CEM activities through analytical tools to drive maximum results.** Understanding the needs of customers and the journey they take while interacting with the business is helpful; however, equally important is organizations' use of these insights. Analytics helps firms with the invaluable intelligence needed to personalize customer interactions, increase client spend and enhance brand awareness. Accomplishing these results hinges on companies regularly tracking and measuring how each CEM activity influences their KPIs. The resulting insights enable firms to repeat successful activities, and abandon and replace those that don't yield desired outcomes. Laying this foundation will help you set your business on course for continuous performance improvements and long-term success.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

Customer Analytics for the CMO: Happy Customers, Greater Revenue; July 2015
Customer Analytics for the Modern Sales Leader: Use Data, Sell More; July 2015
Analytics in Customer Service: Data-Driven Service Excellence; July 2015
Voice of the Customer: How to Convert Feedback into Better Results; April 2015
CEM Executive's Agenda 2015: Leading the Customer Journey to Success; February 2015
Big Data in CEM: The Path to Productive Employees & Happy Customers; February 2015
Flash Forward: 2015 Customer Engagement Channels Adoption; November 2014

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