Leverage Marketing Analytics to Improve Customer Experience

Insights from a presentation made to the Customer Experience Professionals Association (CXPA)

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Introduction

How much do organizations really know about their customers’ experiences today? It’s not enough to just know where customers shop or what brand of jeans they purchase. The key to competitiveness is being able to understand why customers make the choices they do, how they feel about their choices, and what they experience at each step when they engage with your organization. When accurate, that understanding can give marketers the “holy grail” of being able to predict customer behaviors and positively manage customers’ experiences. It’s a goal that is within reach today.

Thanks to rapid increases in computer processing power and a multitude of data sources, marketers can find out what time of day their customers prefer to eat their favorite meal at a certain fast food restaurant – and what they tell their friends about it. And they have the ability to learn if a customer would rather get an email or a text to find out about an upcoming sale. They can learn through analysis how certain types of customers are likely to respond to specific offers, and even how to time those offers and what “catch phrases” to use. And that’s just for starters.

The possibilities herald a golden age when customers can expect relevance and positive experiences, and organizations can align to deliver on those expectations more efficiently to create value for all parties. That brighter future will happen sooner than we expect – but how it plays out is the tricky part.

Keep Up or Lose Out

Today, the speed of innovation is quickly surpassing the capabilities of traditional organizations. And the amount of data that’s being created is soaring in parallel. Just keeping up with it all is a challenge for most organizations. Being able to effectively analyze all the data is an endeavor most marketers have just begun to address.

In today’s competitive environment, it’s vitally important for organizations to be able to use their data to create an outstanding customer experience, said Brian Vellmure of Innovantage/Initium. Why?

“The customer experience is arguably the last remaining bastion of true differentiation,” Vellmure emphasized, because everything else can be quickly and easily duplicated. Only by providing an exceptional customer experience, he said, can companies build a true competitive advantage.

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How much content is shared in any given 10 seconds?

- Eight hours of content is uploaded to YouTube.
- Almost 8,000 apps are downloaded from iTunes.
- More than 114,000 items are shared on Facebook.
- More than 16,000 posts are shared on Twitter.
- More than 333,000 search queries are sent to Google.
Consider the fact that many large, well-known companies are losing their leadership positions. The average lifespan of an S&P 500 company 75 years ago was about 75 years. The average lifespan of an S&P 500 company today is about 15 years. At the current churn rate, 75 to 80 percent of the S&P 500 will be replaced by 2027.\(^1\) Competitive intensity has more than doubled in the past 40 years – and increased access to information and choices have boosted consumer power to an incredibly high level.

The reason all this is happening, said Vellmure, relates to access. Storage, for example, is no longer a gating factor to what we can do. In 1980, a terabyte of disk storage cost $14 million. Today, it costs just $30. Processing power is also readily available. In 1980, the processing power of an iPad\(^2\) cost about $100 million. Today, it’s about $300. And processing power is expected to rise exponentially over the next three or four years.

It’s shocking to consider the far-reaching effects change and innovation will have on our future. “The pace of innovation over the next 10 years will be similar to the last 100,” said Vellmure. “The rate of change over the next 25 to 30 years at its current trajectory will be similar to the previous 1,000 years. That’s mind-blowing.”

Fast-paced trends like these have led to an environment Vellmure calls “micro-everything.” Through greater access to technologies and tremendous processing capabilities, he said, we can measure virtually everything at a highly granular level. Where we go, what we look at, who we know and what we say can be measured. Down the road, even what we think and what’s happening inside our bodies might be measured.

The audience was asked about marketing analytics (“analytics” for short) and how they use it to improve the customer experience. Sixty-five percent rated themselves as “early” or “basic,” so there is room to improve.

\(^1\) [engageinnovate.files.wordpress.com/2012/03/creative-destruction-whips-through-corporate-america_final2012.pdf](http://engageinnovate.files.wordpress.com/2012/03/creative-destruction-whips-through-corporate-america_final2012.pdf)

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Audience Poll 1

How would you rate your organization’s maturity in using analytics to improve the customer experience?

- **Early.** We’re just beginning our journey.
- **Basic.** We’re using basic analytics on customer data (e.g., customer interactions/transaction data); and we review reports quarterly/annually.
- **Advanced.** We’ve consolidated a near-real-time dashboard of multiple sources of internal and external data, and we use it to adjust/respond to customer preferences on at least a quarterly basis.
- **Cutting edge.** We’re using real-time analytics on structured and unstructured data across most channels to dynamically influence our customer interactions and offers in near-real time.

**Measuring the Customer’s Journey**

As a marketer, Vellmure stressed, the ability to understand and measure your customer’s journey at every touchpoint across multiple channels is key to your success. Because if you can’t measure the journey in terms of revenue and profit, you’ll have no idea of where you are, how you’re perceived or how to improve – and you’ll end up on a rapid downhill spin.

Historically, most companies have used structured data to map out and inform this understanding. That approach has typically included demographic, transactional and log data, email data and event data. But today there are many types of emerging data sets to help you learn about your customer’s journey: social media, video, RFID, sensor data, geolocation data, audio, image data and external structured data. These new data sets can help you see more clearly what the customer’s journey looked like, where they came from, where they’re going and which points within their journey actually made a difference.
Audience Poll 2

If you could gain access to and merge your existing data with just one of the following data sources by the end of the year, which would you choose?

A. Social media. 28%
B. External structured data. 28%
C. Other digital unstructured data. 24%
D. Geo-location data. 8%
E. RFID data. 4%
F. Audio data. 4%
G. Video data. 4%
H. Sensor data. 0%
I. Image data. 0%

Focus First on the Big Rocks

Even with the surge of available data, the fundamental things you need to know about your customers still come from the structured data in your core systems. You could compare structured data with big rocks, Vellmure said.

Think about filling a jar with rocks. To get everything in the jar, you need to add your big rocks (your core data) first – and then fill in around it with the small rocks (newer data types, like social media, video or sensor data).

The role of the small rocks, said Vellmure – which represent big data – is simply to augment your core data set by providing added texture and color. While the new data can expand your understanding of customers, unveiling new insights and delivering a “wow” factor, it can never replace the fundamentals.

Focus on the Big Rocks

Small data = Big rocks.
Core customer information is the foundation.

Big data = Small rocks.
New types of information augment your fundamental data set.

Ask Better Questions, Get Better Answers – with Marketing Analytics

There’s such an abundance of data at our fingertips today that it raises the question: “What are we going to do with it all?” People don’t have the capacity to sort through all the data that’s available today, said Vellmure. And a lot of it is garbage anyway – it’s not valuable in any way.

Fortunately, you don’t need more data to improve your marketing efforts. You just need good data that can help you get better answers to important questions so you can discover new patterns and generate new insights. This is where technology can help.
Leverage Marketing Analytics to Improve Customer Experience

Marketing analytics can pull out the right information and lead you to the right insights. As you apply analytics to the customer journey, the results can help you see which people are influential hubs in the network. It can show where groups are forming around content or people, and whether there are any correlations that might lead to product or service innovations, etc.

Using analytics to analyze traditional, structured data in conjunction with newer types of data, you can:

- Learn how to improve the customer experience at specific touch points.
- Understand the main things your customers want you to do for them – primarily, to accomplish what they’re trying to do and to help them feel good.
- Make better decisions – faster.

Through good data and analytics, said Vellmure, “We have the ability to ask questions that we’ve never had the ability to ask before. And by asking better questions, we can find better answers. We’re not relegated to just finding just the answers that are sitting there in our emails or in our ERP, CRM or transactional systems.”

This new world of analytics and unstructured data give us the capability to discover new patterns and garner new and deeper insights. When we go to the moon, Vellmure said, we don’t necessarily go there to solve a specific problem. We go there to discover new frontiers that we didn’t know were possible before. The same is true with analytics.

Using Marketing Analytics to Predict What’s Next

The next big step with analytics, Vellmure said, is to predict what’s going to happen down the road. Consider the popularity of predictive algorithms. Amazon, for example, does a great job of telling you what books or content you might be interested in buying, based on your previous behavior.

But the results of predictive analytics aren’t always what we expect. Someone recently asked: “What’s a good predictor of future major league success in football?” Most people would expect a player’s skill set and performance in college to be good gauge of future success in the major leagues. But analytics showed that where a person grew up was actually a better predictor.

Marketing Analytics and the Customer Journey

In the world of marketing, predictive analytics allows you to ask: What’s my customer’s journey as it transcends different channels? What contributed to her actions, and how much, in terms of each touch point?

Predictive analytics can help you understand who people are connected to on the social Web, what they’re sharing, and what influence those shares have on the marketplace.

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Marketing analytics enables you to:
- Ask better questions.
- Find better answers.
- Discover new patterns.
- Generate new insights.
- Make better decisions.
If you knew what your customers were looking for next, you could chart their journey and anticipate their next action. You could say: “She’s gone to our website, she's interacted with us on social networks, she's gone for peer review. So here's what I expect next: I expect that within three weeks she’ll show up in a retail store and buy our product.”

As Google’s Eric Schmidt said recently, “I don’t really think people want us to answer their questions or give us information about what they're searching for. I think they want us to tell them what they should do next.”

While that’s a debatable statement, it’s a powerful metaphor for marketers. If you could understand what’s happening within the context of your customers’ lives, you could look for exceptions and opportunities to improve their experiences. You could even nudge them along to something that might be better for them, or to what they might be expecting to do next.

Predictive analytics is a great frontier – a great opportunity – for marketing organizations to create a stellar customer experience.

**Putting Marketing Analytics into Action**

In light of faster processing and real-time analysis capabilities, the challenge for most marketers is to align the rest of the organization with what the data says you need to do, said Wilson Raj of SAS. But how do you get started using predictive algorithms, doing scenario planning, and making real-time recommendations for customers and employees?

Customer experience is no longer a nice-to-have, said Raj, so you have to make it an integral part of your corporate strategy. That way, you can develop a customer experience so exceptional that competitors have difficulty replicating it.

To get there, consider the customer experience from a business and financial perspective. Forrester research reveals how much customer experience affects revenue and profitability. For several years, Forrester examined three categories related to customer experience:

- Willingness to consider the company for another purchase.
- Likelihood to switch business to a competitor.
- Likelihood to recommend to a friend or colleague.
The results showed that the higher the number, the more positive the financial effect on the business, whereas those with a negative experience had a negative effect on the company's financial standing.

The financial gains arose from several areas. For example, organizations in the telco sector enjoyed as much as $788 million in additional revenue by providing a positive experience. In the retail sector (for incremental purchases), the revenue gains ranged to about $15 million. For health insurance plans in the medical industry, companies on the positive side saved about $4 million annually. And in the hotel sector, the revenue saved by lower churn was about $825 million.

**Mapping Marketing Analytics to the Customer Life Cycle**

To deliver the most value at each customer touch point, map analytics to specific stages in the customer life cycle as a way to improve the customer experience. Although the cycle is considered an infinite loop, it can be broken down into four major phases:

- **Initial consideration set.** When a customer first enters into the experience, he is considering a set of brands or companies based on some preexisting perceptions and exposure to that brand.

- **Active evaluation.** At this phase, the consumer is starting to add or subtract to the brands they’re evaluating. If your brand didn’t make the initial consideration set, you still may be able to influence the customer in some way so he will add you to his list.

- **Moment of purchase.** This is the point at which the consumer selects the brand to buy.

- **Post-purchase experience (ongoing exposure).** After purchasing a product or service, the consumer continues to build expectations based on his experience. These experiences will inform his next purchase decision.
After going through the loop for one cycle, if your customer’s interactions and experiences have been positive, the “loyalty loop” comes into play – so your organization will be considered again in the initial consideration set. If the experiences have been negative, there’s likely a trigger point at which the customer will boot you out of the loop. Your job at that point is to figure out appropriate analytic triggers, based on your data, to get your brand or organization back into the initial consideration set at the beginning of the customer life cycle.

Analytics can help you reduce disparity in your customer’s mind about competing brand choices – because it can help you see how to create a unique experience that cannot be duplicated easily by any of your competitors. To build loyalty:

- Define the problems you’re trying to solve.
- Ask provocative questions – you’re no longer limited in finding answers to questions that were previously impossible to answer.
- Assess your internal capabilities.
- Find out from your IT department what data they currently have access to, and what types they plan to access in the future.
- Try to align the rest of your organization with the business objectives the data says you need to meet.
Real-World Success in Applying Marketing Analytics to the Customer Journey

Another way some organizations view the customer journey (or customer life cycle) is by breaking it down into the phases of discover, explore, buy and engage. Many organizations have achieved success by applying analytics to the appropriate phase of the journey.

Audience Poll 3

What phase of the customer journey are you prioritizing currently as the focus area for customer experience?

- **Discover.** Word of mouth, advertising, distribution, etc.
- **Explore.** Content placement, test campaigns, package design, etc.
- **Buy.** Site/store design, pricing/promos, campaigns, merchandising, etc.
- **Engage.** Communities, loyalty programs, re-marketing, support, etc.

A Case Study from the Discover Phase

A large US health insurer knew it had some issues with the “discover” phase of the customer journey. By applying the right analytics to its data, the company was able to reduce the cost of sale to those customers by 70 percent. As a result, its acquisition costs went down. The insurer was also able to expand the number of campaigns it launched – these engagements went from 25 to about 300. The company shifted to micro-targeted campaigns that were more relevant for the individuals targeted. The results included a response rate that increased by fourfold.
A Case Study from the Explore Phase

In the explore phase, the goal is to be able to analyze responses and reactions, optimize the mix, and engage in test marketing. For example, a German retail bank used market mix modeling and A/B testing to improve its “findability” for customers. As a result, it achieved a campaign success rate of 65 percent, which gave an incremental return of about 10 million euros just for that campaign alone.

A Case Study from the Engage Phase

In the “engage” phase, the goals are to expand the breadth and depth of customer interactions. For example, a large online retailer had to manage about 6,000 phone calls, 400 to 500 chats, and 1.1 million social interactions daily. Those engagement opportunities could, of course, be positive or negative. By using analytics (attrition models, loyalty models, VoC and lifetime value models), the retailer was able to promote more stickiness with social media. It also found that it could resolve issues faster. As a bonus, customers posted a lot of great content on Facebook about the company.
View Customer Experience Management in the Right Context

Delivering a unique customer experience can happen most effectively if you consider it in the context of a broader branding ecosystem that might be called the four C’s: customer experience, commitment, customer intelligence and competency.

• **Customer intelligence is having the right insights.** In the future, customer experience will be driven in large part by customer intelligence – enabled by analytics. It’s the part of the customer experience management ecosystem that’s rooted in the data and the insights it delivers. But the other aspects – competency and commitment – are important as well.

• **Competency is doing things the right way.** For effective marketing, you need to use existing resources to be as efficient and effective as possible; it all plays a part in the customer’s experience. For example, you may have a nice website, but that won’t be enough to satisfy your customers if your operational processes and analytics are broken.
• **Commitment is doing the right thing.** Do things right operationally, and the brand commitment and good customer experiences will follow. For example, you need to make the right refunds if needed, and be proactive in dealing with churn.

• **Customer experience happens in real time.** As a result, customer experience simultaneously validates competency and commitment while informing customer intelligence for an ongoing loop of brand management and improvement. In today’s world of empowered, social-savvy customers, customer experience is also the point in the cycle where brand advocates are either created or destroyed.

Being able to add new and different types of data to the mix will be tremendously important going forward. “The more [sources] you can add to your unstructured data, the more you can apply analytic models for the four phases, and really dial up the customer experience,” said Raj.

**Audience Poll 4**

Are you able to capture structured and unstructured data and integrate it with your marketing processes?

A. All or most of the time.
B. Some of the time.
C. When we can.
D. Not currently able to do it.
How to Orchestrate Marketing Analytics with Your Context

To get the best results from analytics, you need to connect each point in the customer journey with the appropriate data sets, planning stages, business processes and actions.

- First, understand the customer journey and how you can influence it using data and analytics.
- Next, connect these four key areas of your marketing planning:
  - Strategy.
  - Information and analytics.
  - Orchestration of campaigns, touch points, etc., with customer interactions.
  - Customer experience.
- Third, align all your data sets with the right business process for each phase of the customer journey. Don’t forget to examine your customer-facing processes and ask who really owns them. For example, it’s not always marketing that owns a process; it might be customer service, sales, human resources or finance. Depending on your situation, you need to identify which business processes align with which customer phase. Then you can understand what data is flowing in and out of each phase.
- Once you’ve orchestrated all of this, you’re ready to make good suggestions to customers, design better campaigns, and determine what decisions you need to make to get the best possible value from the customer experience and to make it valuable for the customer.

Figure 5: The analytics process is iterative and ongoing.
Final Thoughts

To future-proof your business today, one of the most important things you can do is recognize that customer experience is the ultimate strategic differentiator in the foreseeable future. Everything else has gone to a common denominator. The only way you can differentiate is by delivering a unique customer experience that’s based on a solid, connected business strategy driven by marketing analytics.

To do it, you should view your customer experience as one strategy across all media. Keep it focused on the customer and the context in which the customer operates. Use your data to maintain that focus, and continue to enrich your existing (core) data with new sources. And align the marketing process with the customer journey – remembering to measure your effectiveness from both an operational and a financial perspective.

The end result can be a dramatic improvement for your customers, realized by unlocking the full strategic value of your data. Your business can move from basic reporting to predictive analytics, and eventually to transformative analytics. That is the final goal – to be able to use marketing analytics in a way that influences business processes to deliver the right customer experience.

For More Information

For more details about marketing analytics:

sas.com/software/customer-intelligence/marketing-analytics.html

To read more thought leader views on marketing, visit the SAS Customer Intelligence Knowledge Exchange:

sas.com/knowledge-exchange/customer-intelligence

To get fresh perspectives on customer and marketing analytics from marketing practitioners writing on the SAS Customer Analytics blog:

blogs.sas.com/content/customeranalytics
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