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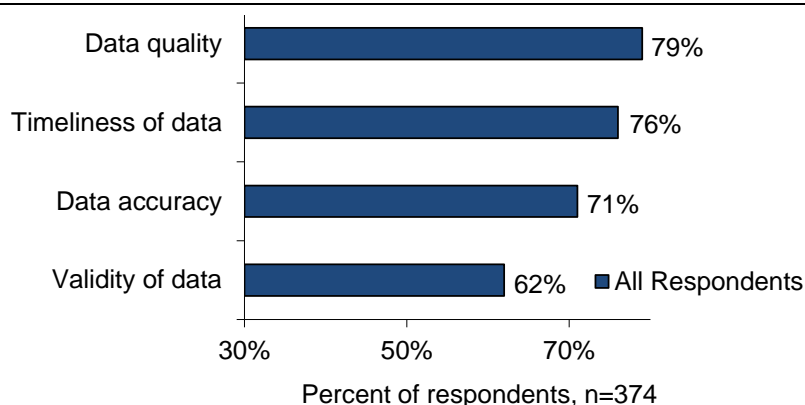
## Customer Analytics: Converting Data into Insight for Superior Customer Experiences

Customer experience management (CEM) efforts in many businesses have significantly evolved as customers become more demanding. The top challenge impacting CEM activities today is increasing buyer expectations in getting their precise needs addressed in a timely and relevant fashion. Accomplishing this goal requires companies to have sufficient data regarding customer preferences and convert it into intelligence to tailor the context (e.g., timing, message, and channel) of each customer interaction based on precise client needs. To this point, findings from Aberdeen's March 2013 *Next-Generation Customer Experience Management* research shows that only 15% of businesses are challenged with lack of data. Meanwhile, only 7% of businesses indicate that they are extremely satisfied with their ability to use customer data to make timely and quality business decisions — a clear indicator that businesses are not challenged by lack of data but rather by the ability to effectively use it. This Aberdeen Analyst Insight will highlight how customer analytics helps companies convert data into actionable insight, allowing top performing businesses to improve customer satisfaction by 17.6% year-over-year while increasing annual company revenue by 19.0%.

### Making Smarter Use of Data

Figure 1 below demonstrates the top factors impacting organizations' ability to utilize existing data within customer interactions.

**Figure 1: Challenges Impacting Data Usage**



Source: Aberdeen Group, March 2013

As reflected above, companies face a number of challenges hindering their customer data management activities, ranging from quality, to accuracy of data within enterprise systems. Research shows that the challenges

### Analyst Insight

Aberdeen's Insights provide the analyst's perspective on the research as drawn from an aggregated view of research surveys, interviews, and data analysis.

### Definition: Customer Experience Management

Aberdeen defines CEM as a continuum of cross- and multi-channel business activities that are executed on an enterprise-level to manage business activities across the entire customer lifecycle.

### Definition: Customer Analytics

Customer analytics programs are a set of business processes and technologies (e.g., data cleansing and scrubbing and business intelligence tools) used to reveal insights based on customers' behavioral and feedback data.

impacting use of customer data are not solely confined to a specific factor. Fifty-two percent (52%) of respondents indicate that they are struggling with all four of the above challenges. This is an indication that companies need to adopt an end-to-end focus that will help them determine the sources of inefficiencies within their customer data management efforts.

The ability to adopt such an end-to-end approach and address pain points noted above requires companies to deploy a set of best practices. These differentiating factors are determined through the lens of organizational success in accomplishing improvements across several key performance indicators (KPIs). Companies that outperform their peers in these KPIs are termed as Best-in-Class businesses (see sidebar).

Aberdeen used three KPIs to assess organizational success in customer analytics initiatives; customer retention rate, annual company revenue and customer satisfaction — metrics measured by more than 90% of all businesses. Table I illustrates the performance gains enjoyed by Best-in-Class firms in comparison to Average and Laggard firms. These performance gains streamline the customer data management activities of Best-in-Class firms through analytical tools and processes that will be outlined in detail.

**Table I: Top Performers Earn Best-in-Class Status**

Definition of Maturity Class	Mean Class Performance
<b>Best-in-Class:</b> <b>Top 20%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 88% customer retention rate</li> <li>▪ 19.0% average year-over-year improvement in annual company revenue</li> <li>▪ 17.6% average year-over-year improvement in customer satisfaction</li> </ul>
<b>Industry Average:</b> <b>Middle 50%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 74% customer retention rate</li> <li>▪ 5.9% average year-over-year improvement in annual company revenue</li> <li>▪ 2.9% average year-over-year improvement in customer satisfaction</li> </ul>
<b>Laggard:</b> <b>Bottom 30%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 30% customer retention rate</li> <li>▪ 1.2% average year-over-year <u>decline</u> in annual company revenue</li> <li>▪ 5.1% average year-over-year <u>decline</u> in customer satisfaction</li> </ul>

Source: Aberdeen Group, March 2013

Findings indicate that top performing firms' success in delighting their buyers (as evidenced by retaining 88% of their customers year-over-year, compared to 30% by Laggards) ultimately impacts their top-line revenue. Best-in-Class organizations were found to enjoy 19.0% year-over-year growth, compared to 1.2% decrease by Laggards.

#### Aberdeen Methodology

The Aberdeen maturity class is comprised of three groups of survey respondents. Classified by their self-reported performance across several key metrics, each respondent falls into one of three categories:

- ✓ **Best-in-Class:** Top 20% of respondents based on performance
- ✓ **Industry Average:** Middle 50% of respondents based on performance
- ✓ **Laggard:** Bottom 30% of respondents based on performance
- ✓ **All Others:** Industry Average and Laggard combined

In the next section we'll observe the building blocks that help Best-in-Class organizations achieve the results noted thus far. The technology tools that will be highlighted allow companies to address their pressures, while the business processes help organizations successfully put the resulting data into action.

## Building Blocks of Best-in-Class Customer Analytics Programs

### Key Technology Enablers

Table 2 below demonstrates the technology tools Best-in-Class organizations utilize to overcome their challenges in managing customer data.

**Table 2: Technologies Enabling Best-in-Class Results**

Adoption of Technology Enablers (n=374)	Best-in-Class	All Others
Customer Relationship Management (CRM)	92%	62%
Business intelligence tools	83%	72%
Data quality / integration tools	81%	58%
Enterprise search	65%	39%
Real-time reporting and alerting	54%	39%

Source: Aberdeen Group, March 2013

CRM systems allow companies to maintain a system of record regarding prior and recent customer interactions across numerous touch-points with the business. It is the backbone of customer analytics initiatives, as establishing a "single source of truth" or "unified view of the customer" accessible to all the relevant stakeholders within the business helps companies improve the accuracy and timeliness of customer data. To this point, research shows that companies using CRM are 25% more (50% vs. 40%) likely to be satisfied with their ability to adopt a data-driven approach in their customer interactions, compared to those that are not using this technology.

While deploying a CRM system helps companies establish a centralized method used to capture and store customer data, accomplishing Best-in-Class results requires companies to optimize use of this data. To this point, Best-in-Class firms support their CRM deployments through data quality and integration tools as well as real-time reporting and alerting. The use of data quality and integration tools helps companies scrub customer data stored across disparate enterprise systems in order to improve its accuracy, validity and quality. This allows companies to provide their employees with the most relevant client data in order to tailor customer engagement activities. Research shows that companies using these tools enjoy 43%

### Additional Differentiating Technologies

Research shows that in addition to the key technology enablers in Table 1, Best-in-Class organizations utilize a set of additional technologies to support their customer analytics efforts.

These technologies and their deployment figures are as follows:

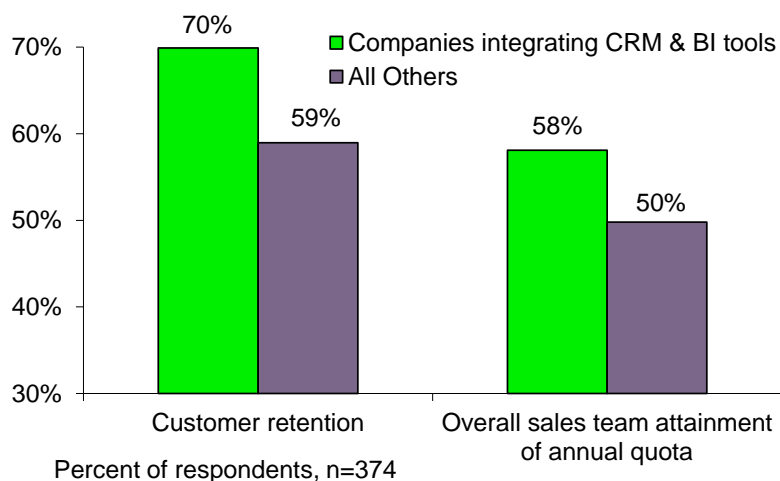
- ✓ **Customer feedback management** – Best-in-Class: 88% vs. All Others: 62%
- ✓ **Social media monitoring** – Best-in-Class: 71% vs. All Others: 46%
- ✓ **Web reporting & analytics** - Best-in-Class: 70% vs. All Others: 55%
- ✓ **Digital dashboard / visualization tools for reporting customer activities** – Best-in-Class: 68% vs. All Others: 32%
- ✓ **Master data management (MDM)** – Best-in-Class: 55% vs. All Others: 34%

greater (50% vs. 35%) satisfaction from the quality of their CEM data, compared to those that are not using it.

The use of real-time reporting and alerting technology helps businesses share instant updates with key stakeholders within the organization in order to proactively manage customer interactions. For example, if a customer completes an online survey regarding a recent contact center interaction, the resulting feedback data would be immediately stored in the CRM system. The CRM system would then serve as the system of record that a contact center agent or supervisor could use to take action. The use of real-time reporting and alerting technology helps companies establish better organizational visibility into each customer interaction. For example, if a sales rep was planning to contact the above mentioned client, the feedback data would be immediately available through the CRM system in order to tailor the sales conversation.

In addition to enhancing their CRM deployments through data quality and integration tools as well as real-time reporting capabilities, Best-in-Class firms further differentiate themselves through their focus on effective integration of the CRM system with business intelligence (BI) tools. This integration allows companies to analyze historical customer data to determine specific trends and correlations that indicate the effectiveness of activity results. As well, the integration of the CRM system with BI tools helps organizations to develop forward looking predictions on how to effectively engage customers through future communications (e.g., marketing campaigns). Figure 2 shows that companies with such integration achieve far superior results, compared to their peers where the CRM system is not integrated with use of BI tools.

**Figure 2: Integrating CRM & BI Tools Delivers Results**



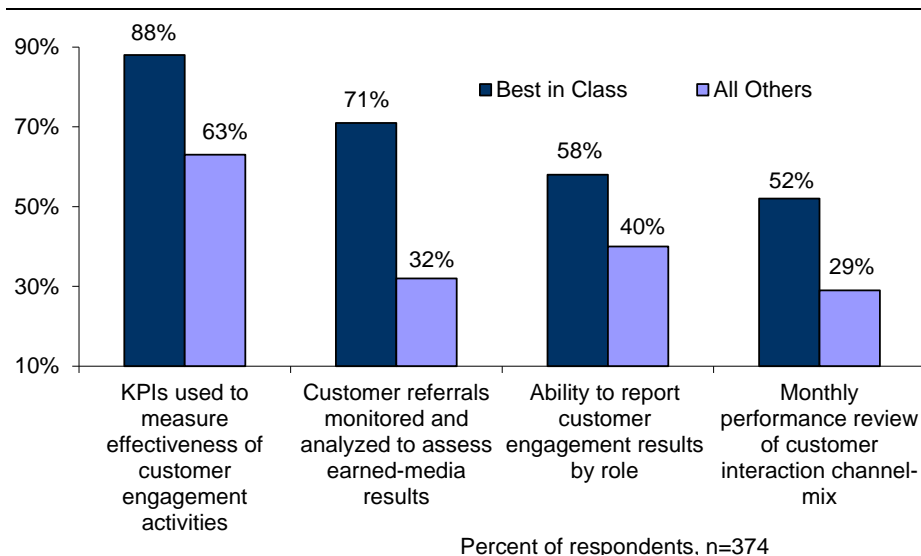
Source: Aberdeen Group, March 2013

Having observed the technology tools that help organizations address their customer data management challenges, let's now focus on the best practices that allow them to effectively put the resulting high-quality data into action.

## Business Processes

Figure 3 demonstrates the key activities Best-in-Class organizations utilize to adopt a data-driven approach in managing their CEM performance results.

**Figure 3: Managing Performance Strategically**



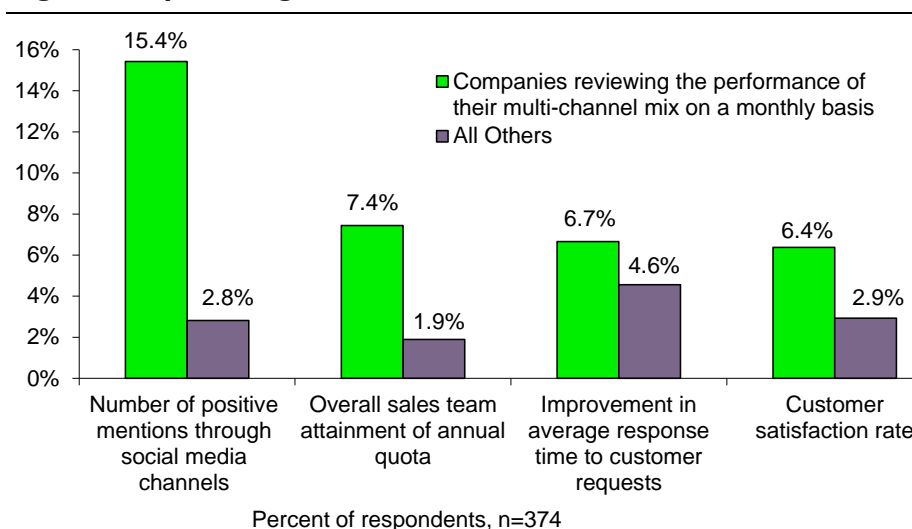
Source: Aberdeen Group, March 2013

As reflected above, top performers are 40% more likely (88% vs. 63%) than their peers to have established key performance indicators (KPIs) used to assess their CEM activity results. These metrics vary from business to business as the nature of most businesses is distinct and requires the use of relevant measures to better assess performance. These measures can range from service-level agreement (SLA) compliance to customer profitability and sales uplift from marketing campaign results. Findings from Aberdeen's January 2012 study, [\*Customer Experience Management: Using the Power of Analytics to Optimize Customer Delight\*](#) shows that more than 65% of companies are using a combination of customer lifetime value, customer retention, customer satisfaction and response time to customer requests as key metrics to measure their overall CEM results.

Once companies determine the relevant metrics to gauge their performance, the next step is utilizing them effectively to determine the specific activities contributing the desired results for the business versus those that do not contribute. Best-in-Class implement this activity through different methods. One of these is role-based reporting of CEM program results. These top performing organizations are 45% more likely (58% vs. 40%) than their peers to customize their reporting of CEM activities based on different roles within the business. For example, while a CMO would see a summary view of the weekly campaign results and their impact on overall sales uplift, a marketing staff member would see a detailed view of the response rates for a specific marketing campaign.

Another use case of KPIs is understanding the effectiveness of each channel used to listen and engage customers. Sixty-five percent (65%) of businesses today are using at least six channels as a part of their customer interaction programs. As such, it is crucial for these companies to ensure determining the optimal channels that yield the greatest success in meeting their CEM objectives. Data shows that Best-in-Class are 79% more likely (52% vs. 29%) to monitor and measure the effectiveness of their channel-mix at least on a monthly basis, compared to their peers. Figure 4 below validates that use of this activity helps businesses select the right channels to listen to and engage with customers. The outcome is superior results in measures such as customer satisfaction, and social “buzz” related to company products and services.

**Figure 4: Optimizing the Channel Mix for Better Results**

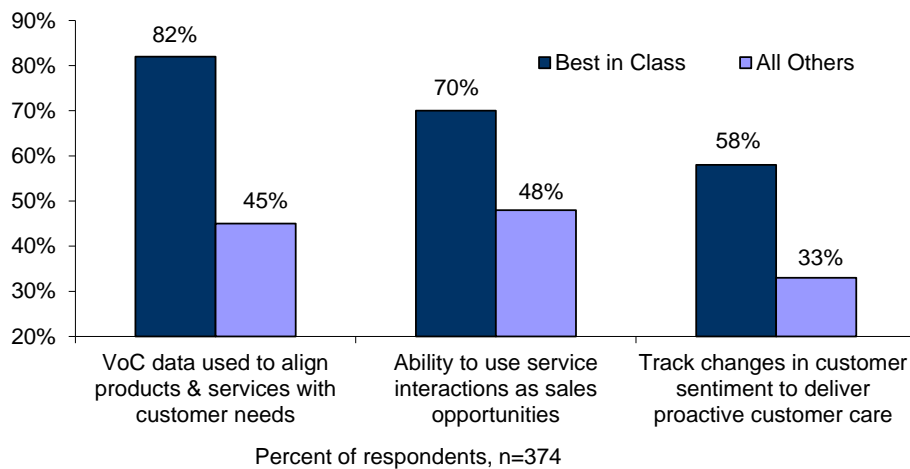


Source: Aberdeen Group, March 2013

The value of numerous technology tools, including BI and social media monitoring were observed earlier in this document. Several additional best practices that closely align with these technologies are presented within Figure 5. Changing customer demands for personalized interactions influence product and service development activities. In order to stay relevant in the eyes of their buyers, businesses today need to keep in tune with the rapidly changing needs and wants of their target market. One of the activities that helps them do so is analyzing voice of the customer (VoC) data to determine customers' product and service preferences. The insights gleaned from the process helps organizations to ensure that they follow a truly customer-centric approach in developing, marketing, and selling their products and services.



**Figure 5: Using Analytics to Transform Organizational Structure**



Source: Aberdeen Group, March 2013

## Key Takeaways

Findings from Aberdeen's Next-Generation CEM study shows that 65% of businesses today are using at least six channels (e.g., web, email, social media and phone) to listen and engage customers. Furthermore, data indicates that 81% of companies are planning to use 10 channels to engage their buyers by the end of 2013.

By the end of 2013, 81% of companies are planning to use 10 channels to engage buyers.

This signals that the sources (and volume) of customer feedback and behavioral data will continue to increase for most organizations. As a result, the ability to successfully use this data within CEM activities is increasingly becoming a key differentiator for businesses.

Aberdeen recommends that companies adopt and nurture the following activities in order to support their customer analytics efforts.

- Determine the most relevant KPIs to assess the effectiveness of your CEM results.
- Provide each stakeholder with role-based visibility of the customer interaction activities. Use digital dashboards and visualization tools to help with these activities.
- Integrate your CRM system with BI tools in order to capture intelligence from customer data available within your enterprise systems.
- Utilize analytical tools to correlate customer behavioral and feedback data with the results of interactions taking place across different channels. This will yield invaluable insights on the effectiveness of each channel used as a part of your CEM programs.

- Don't ignore customer feedback. Utilize it in your product and service development activities to ensure your current products and services are addressing the buyer needs.

The activities outlined above will help organizations identify sources of inefficiencies hindering their ability to convert customer data into actionable insights. They will ultimately also help companies reap the benefits associated with Best-in-Class performance in key measures such as customer satisfaction and annual company revenue.

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com)

Related Research	
<a href="#"><i>Real-time Customer Information Management Delivers Financial Gains</i></a> ; April 2013 <a href="#"><i>Next-Generation Customer Experience Management</i></a> ; March 2013 <a href="#"><i>Multi-Channel Contact Center: Delight Customers where they Live</i></a> ; November 2012 <a href="#"><i>Speech Analytics: Listen to your Customers</i></a> ; September 2012 <a href="#"><i>Contact Center Analytics: How the Best-in-Class Reduce Operational Costs through Contact Center Data</i></a> ; July 2012	<a href="#"><i>Customer Analytics: Leveraging Big Customer Data to Achieve Big Results</i></a> ; June 2012 <a href="#"><i>Customer Experience Management: Using the Power of Analytics to Optimize Customer Delight</i></a> ; January 2012 <a href="#"><i>Web Analytics: Marketing Beyond Online Customer Data</i></a> ; January 2012 <a href="#"><i>Customer Feedback Management: Leveraging the Voice of the Customer to Amplify Business Results</i></a> ; April 2012 <a href="#"><i>The ROI of Best-in-Class CEM Programs</i></a> ; March 2012
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