

# Customer Value Creation

Leading Edge Practices for Customer Analytics and Personalization



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CHAMPS

## Introduction

During the dot com boom and the corresponding Y2K investment that followed, businesses spent with wild abandon, mostly out of fear of not wanting to be left behind by Internet upstarts. During this investment boom, hard dollar business benefits and ROI justification for IT projects was done either quickly or not all. Without a proper ROI assessment, it became difficult to measure the effectiveness of these investments. Most CFO's were left wondering if the investment had paid off or if they had sunk money into an unending project.

Today, the investments that pass the scrutiny of CFO's are those that balance a company's technology investment against cost and risk. Since most investment decisions today are driven by real value creation and focus on establishing competitive advantage, executives are finding it imperative to establish a direct linkage between marketing technology investments customer value creation.

With limited marketing dollars to spend, some executives have found that Customer Analytics can help make better decisions regarding revenue growth thereby maximizing the ROI of marketing technology spend. By streamlining marketing investments to maximize effectiveness, enterprises are using Customer Analytics to do more with less.

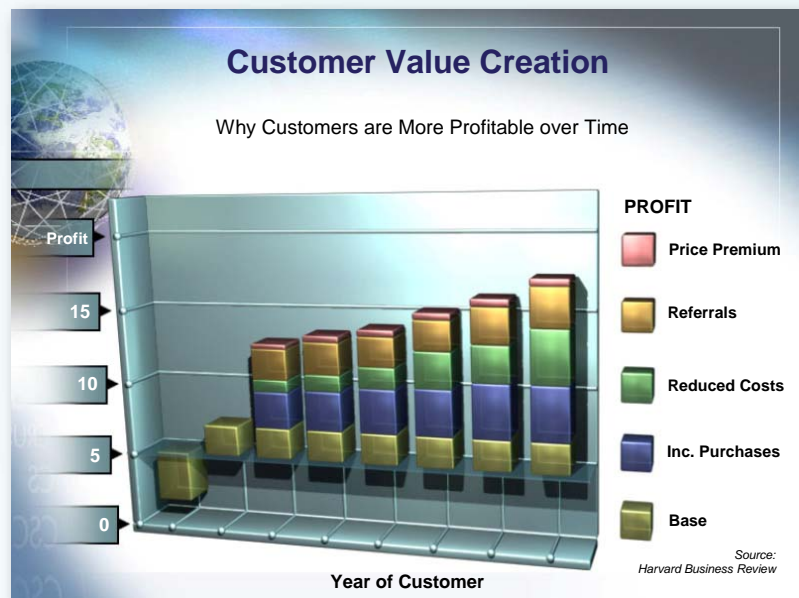
**The Purpose of this White Paper is to outline the Critical dimensions of Customer Value Creation.**



## Customer Value Creation: A Contemporary Definition

“Customer Value Creation (CVC) is a business strategy aimed at understanding and anticipating the needs of an organization’s current and potential customers in an effort to maximize Customer Lifetime Value (CLV). From a marketing technology standpoint, CVC involves the consolidation of all internally and externally acquired customer-related data in a central database, analyzing the consolidated data and using this information in all forms of customer interactions and offers. Use of customer lifetime value as a marketing metric tends to place greater emphasis on long-term customer satisfaction, retention and growth rather than on maximizing short-term sales”.

Many forward thinking and progressive marketing organizations are actively implementing a customer personalization strategy. These strategic initiatives are at a critical stage as a result of the current economic recession. In today’s economic environment it is more important than ever for marketing executives to take a hard look at their customer strategy and the data that drives it. The pace of competitive change driven by the economic recession and globalization will only increase over the next several years. The one constant over that period of time will be the importance of creating customer value. Companies must have detailed answers to the questions: How valuable are my customers currently? How can I get them to buy more frequently? How are my sales and marketing initiatives affecting those metrics?



## Driving Toward Personalization

Given current economic conditions, a company centered around short-term financial results is vulnerable to those market trends that impact the basis of competition. Companies now need to move from data to insight. Business Intelligence Systems and Customer Analytics Tools are becoming increasingly prevalent as progressive marketing organizations seek competitive advantage.

At a fundamental level, these system can collect Customer data from last quarter's sales transactions. And use this purchase data and contact information to inform their decision-making. But a more insightful level of information is easily available. In fact, it can be immediate. Updating customer data in real time will enable companies to move beyond the contacts, demographics and simple purchase data available from traditional systems and generate insight from it. It represents a huge opportunity to understand current and future customer lifetime value. But the gap between generating data and generating insight is huge.

A customer-centric company or even a company that is generating insight will not lack actionable data. Continued improvement in customer analytics programs have made Personalization Strategies achievable.



### Dimension #1:

#### Achieving customer insight through real-time analytics

The difference between generating data and generating insight lies in customer dialogue. It comes from engaging customers in learning relationships in which information travels on a two-way street. Many companies have found that this engagement comes from sending more relevant and appropriately timed marketing messages—messages that show the company truly knows its customer. The most current development in this area is customer analytics.

Customer dialogue and social media marketing tools have become the most important trends for Personalization. In the social media world, the dialogue is current; the engagement is measurable; and the communication is judged in terms of relevance. Customer dialogue can and should be a realtime scenario. A company cannot do a phone survey, or a door-to-door survey of its customers and then assume they can collect, analyze and respond to it two weeks later.

A customer dialogue is immediate. That period of time between “updated within a week” and “immediate” can mean the difference between a sale and sending that sale to a competitor. Real-time customer data gives companies the visibility into insightful strategies.

If the customer database has been updated in real-time, the company will know the customers that have changed their purchase behaviors most recently as well as those that haven’t changed at all within the past year. It will know which customers have switched to competitors. It will also know which customers have changed addresses most recently.

With this knowledge and potentially hundreds of similar profile fields, the direct mail or email that reaches out to a customer that has recently moved can offer a relevant bundled pricing plan. Or the home page of the customer can be completely customized with personalized and targeted messages. If the customer responds, the next best action (or appropriate pressure) is served up. More importantly, this customer profile will be updated to show the preferred media for contact, the preferred time, and if applicable, the interactions the customer has had that did not result in sales.

Customer profiles are also updated via the Internet. For example, if the previously mentioned telecom had the ability to customize individual web pages it would be able to push valuable customers the next best action or even the next best link for more information. Web Analytics is not limited to purchase information or email response rates. Personalized Internet applications can drive more interactions, higher click through rates, and more valuable customer data as a result. Next Step

“Appropriate pressure” means the response to offers are considered on the customer’s terms. If email stimulates customer dialogue, do it again. If direct mail works, repeat it. Adding to the type of marketing messages without regard for what the customer wants will not increase a company’s value.



## Dimension #2:

Increase customer value through continuous customer dialogues enabled by Email Marketing and Social Media Marketing Systems

If a company can talk to customers on their terms, the likelihood for them to buy more often is increased. Customer dialogue creates relevant interactions that can be based on customer value if real-time analytics are deployed. Those behaviors show that the customer is potentially valuable, but not yet engaged. By understanding those interactions, and responding with relevant offers, marketing increases the potential of higher customer value.

As marketing budgets continue to get reduced during the current economic downturn, companies will need to magnify the relevance of their marketing initiatives. Irrelevant marketing and value prop messaging will cause customers to ignore a companies marketing. Apply "appropriate pressure" by using the insight gained from customer data to present the "next best action" to customers.

## Dimensions #3:

Integrate multichannel touchpoints

Research from many different corners continues to show that multichannel marketing is increasing customer relationship strength and the revenue that results. Managing these touchpoints and taking advantage of the data available is a major factor in pursuing personalization business strategy because they presents the entire picture of customer interactions.

Email and contact center interactions are undoubtedly Useful sources of data. But other Internet interactions such as social media interactions and personalized home pages add an element of dialogue that provides more customer-centric touchpoints. The Internet serves two more purposes.

First, in businesses that have long sales cycles such as automotive and mortgage services, it provides an unobtrusive way for the company to stay in touch with the customer. It allows the customer to "come to" the company when information is needed. It does not depend on the disruption of a phone call.

Second, it provides a simple communications platform for complex transactions. BtoB companies should take note of this. Personalized home pages for key accounts provide customers with transparency into their transactions with their suppliers and gives suppliers a window into key account behavior. Both sides of that dialogue provide more information that adds to the customer profile.

Apply web analytics to see the channels customers are communicating through and purchasing from. Follow this with an enterprisewide commitment to collect data from all of these channels. Then craft a plan to gain the insight that shows the "next best action" for the right customer through the right channel.

The need for Customer Analytics and Personalization has never been more urgent as a result of the economic recession and the corresponding competitive intensity. These trends can only be addressed by using customer analytics to gain the necessary insight to build valuable and customer interactions.



## The Critical Role of Customer Analytics

Marketing is crucial in the role of gathering and distributing customer data within the organization. At the same time, marketing remains the customer-facing business unit that must represent the entire company to form lasting and satisfying relationships with customers. In fact, marketing should lead the organization to create a broader, more holistic view of customers and create new, dynamic value propositions to help meet changing customer needs.

Today's customers are more knowledgeable, more demanding, and have gained more marketplace power. In this changing marketplace, businesses require a unified marketing strategy to acquire, retain and expand B2C and B2B customer relationships.

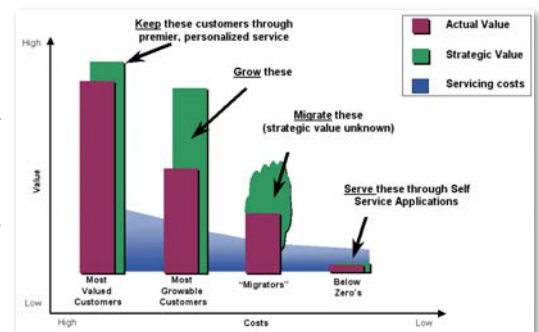
Technology solutions focused around marketing campaigns and analysis can help to improve the efficiency of marketing campaigns and reduce costs through:

- Customer segmentation to increase revenue
- Decreasing time to develop marketing campaigns
- Reducing reliance on purchased marketing lists
- Decreasing potential for fines related to privacy laws

A successful Personalization Business Strategy can help reduce marketing costs. Customer Analytics can enable an organization to get to know their customer base more intimately. This often requires a change in thinking for a company as old metrics and ways of analyzing customer data may need to be restructured to allow for deeper customer insight.

For example, a company may have previously looked at customer profitability as a key metric saying; "83% of our customers are profitable". Yet, which of these customers can be made more profitable by reducing transaction costs and which can be made more profitable by increasing the product portfolio? Which of the unprofitable customers have deep relationships with the company, but also have high transaction costs - can the transaction costs be reduced to make the customer more profitable? Making sense of customer profitability contributions allows the development of marketing and loyalty programs that can increase revenue and decrease transaction costs.

Customer Analytics can help a company gain a single view of the customer allowing better segmentation of the customer base into groups that look and behave similarly. This segmentation allows a company to market to customers more effectively by putting the "right" message in front of the "right" customer at the "right" time through the "right" channel.



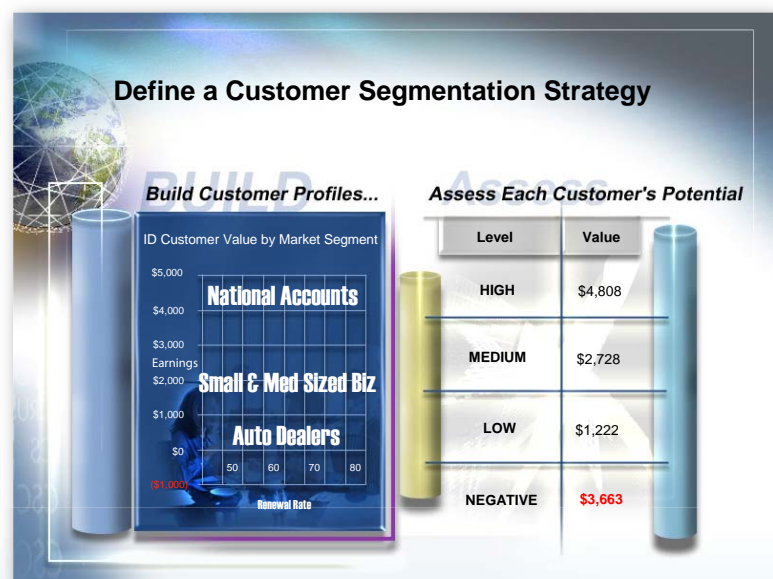
## Decreasing the Time to Develop Marketing Campaigns

Developing effective marketing campaigns takes the time and resources of many marketing professionals. Often campaigns are coordinated and measured for effectiveness using spreadsheets. To reduce the time in developing campaigns and determining marketing ROI, some progressive marketing organizations are investing in a campaign management system that allows marketing staff to develop and execute campaigns from their desktop. Campaigns can be saved and reused and target lists can be managed more effectively. In addition, "What-if" analyses can be conducted in near real time to allow for quicker start and stop of campaigns based on market conditions, customer response, and campaign expectations. Through decreased campaign development cycle time, a company can reduce the number of personnel required to manage such campaigns.

## Reducing the Reliance on Purchased Marketing Lists

Customer lists purchased from outside vendors are often inaccurate, expensive, and generally require a thorough data cleansing. Developing and refining your own customer and prospect lists allows marketing associates to require fewer outside list sources, resulting in improved marketing campaign effectiveness. Additionally, through response analysis, associates can better understand the type and characteristics of successful outside lists, allowing for the purchase of only those lists which provide results.

An advanced database, with effective household and address maintenance, will reduce the number of duplicate mailings to one address, of undeliverable address mail pieces attempted, and of attempts to known "non-responders." With a campaign management system, associates can actually create and deliver a processed file to a mail house, removing some of the costs associated with typical merge/purge and list processing.



## **Our Customer Value Creation Framework Can Help You Make this Economic Downturn Work to Your Advantage**

Top executives are demanding a quantifiable return on investment from marketing and IT expenditures. Our industry-focused teams have developed a value-based business framework essential to rapidly creating customer value. We refer to this business framework as Customer Value Creation (CVC). Using this business framework and its proprietary tools, our teams can help you translate your company's strategic marketing objectives into a cohesive set of performance measurements that target market segments and optimize core business processes.



Our team can help you identify, qualify, execute, and measure the compound results of multiple projects in parallel by using our proven methodology to produce tangible, near-term results that justify your marketing technology investments and deliver the most value to your company.

### **The benefits of working with us**

The Business Intelligence Division of CHAMPS Software is one of the industry's most respected systems integrators.

We build enduring relationships with our clients by helping them create new business models and innovative solutions, enabling organizations to leverage technology for stronger return on investment and enhanced service to their customers, vendors, and employees.

From business systems strategy to implementation, we combine our industry knowledge with technology experience to deliver results-focused solutions quickly. By partnering with technology leaders, we provide leading business and government organizations around the globe with best-in-class solutions across every industry segment.

### **The next steps**

If you would like to learn more about how we can help your organization, please contact us at 1-770-495-5883 or visit our Web site at [www.champsinc.com](http://www.champsinc.com)

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## About the Author

Dean Herington brings over 15 years of CRM Industry Leadership and Consulting Experience to the CRM Industry. He is an established authority in the CRM Industry with proven experience as a Strategy Consultant and Business Analyst.

Mr. Herington has had a privileged career in the CRM Industry; one that has enabled him to participate in pioneering some of today's most advanced Marketing & Sales Effectiveness Methodologies. As one of the industry's early pioneers, he approaches Customer Relationship Management as a competitive business "Strategy", not a technology "Project".

As an early pioneer in the Sales Automation and CRM Industry, Mr. Herington has worked closely with dozens of client companies to define their overall marketing strategies and improve organizational effectiveness through the implementation of customized CRM Systems including Siebel, Salesforce.com, Citrix Systems, SalesLogix and Pivotal.



## About Champs Software, Inc.

CHAMPS Software, Inc. (CHAMPS) and Sage Software have partnered in providing CRM solutions for companies all over the country. The importance of retaining existing customers and expanding business is priority one. CHAMPS resells, implements and supports leading Customer Relationship Management solutions developed by Sage to help businesses foster and manage interaction with prospects and customers to grow revenues, manage pipelines and deliver outstanding customer service.

CHAMPS has partnered with the world's fastest growing Business Intelligence application provider, QlikTech. CHAMPS is a leading implementer of QlikTech's QlikView solution that allows companies to rapidly consolidate CRM, Financial, Operation and other types of complex data and quickly generate easy to use Dashboards and Analysis tools to visualize, spot trends and interact with their data.

By utilizing QlikTech, companies dramatically reduce the burden on the IT department for pulling data for ad-hoc reporting, analysis and running old fashioned paper and text based reports. QlikView users can run their own queries and perform powerful analyses on the data that is important to them, thereby increasing operational efficiency, improving insight into the operations, and reducing costs.