CVMPeople

CUSTOMER INSIGHT

POCKETBOOK

“It is, however, reasonable to have perfection in our eye; that we may always advance towards it, though we know it never can be reached.”

Dr Samuel Johnson

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INTRODUCTION

Data analysis is about inspecting, cleaning, transforming, and modelling data with the goal of discovering useful insights, informing conclusions, and supporting decision-making.

In today's business world, data analysis plays a role in more scientific decision-making and helping businesses operate more effectively through insights into their customers, market and operations.

This pocketbook is intended to introduce the principles, science and real-world applications of data and customer insight to drive better decision-making within a business.

The content is aimed at those in charge of all or a part of customer experiences such as in sales, marketing, digital, customer services, account management, CRM, retentions, and overall base management.

We've included the core concepts, capabilities, and ways used by companies that successfully use data and insight to help their business grow.

TERMINOLOGY

ACTIVITIES Initiatives, outreach campaigns, inbound prompts, triggered messages and actions used to communicate, manage, administer, grow, retain and engage customers.

BUSINESS INTELLIGENCE (BI) Standardised reporting of operational performance metrics such as KPI around sales and channel volumes.

CAPABILITY The tools (or systems), skills, techniques, processes and management oversight required to achieve functional objectives.

CUSTOMER EXPERIENCE (CX) The overall feeling a customer gets from interacting with the business and its products and services.

CUSTOMER JOURNEY Visual representation of the customer experience that maps every interaction, touchpoint, message and emotion.

DECISIONING Process for determining the right decision in, e.g., customer management, using business rules, predictive models and smart optimisation techniques.

ENGINE Automated self-contained system for configuring and applying operational processes as used in, e.g., ecommerce or customer management

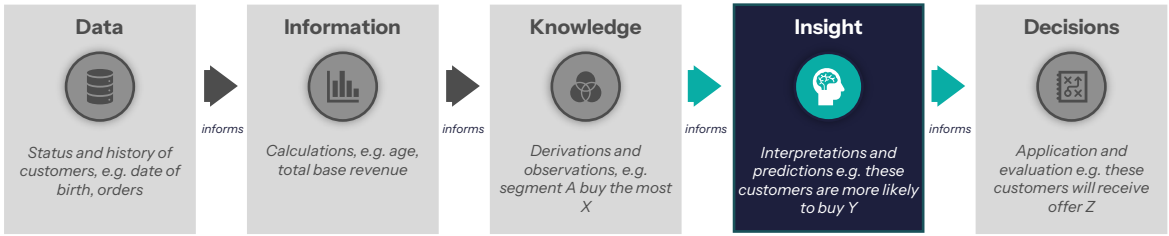
EXPERIMENTS Analytical tests designed to understand the effects of activities and processes on customer behaviour and performance.

NEXT BEST ACTION A decisioning engine that selects the next recommended action(s) to be applied to a customer, e.g. offer X, admin Y

REPOSITORY Somewhere to keep pertinent data that is used in, e.g., insight or deriving next best actions.

WHAT IS CUSTOMER INSIGHT?

Making sense of customer data to drive more informed customer decisions and focus action. Insight is gleaned from analysing and interpreting human behaviours through patterns in consumer and customer data such as purchasing, usage, interactions, circumstances, preferences and interests.



Insight gives better understanding of trends, risks and opportunities in customer needs that can be used to drive more effective strategies, but it is not a singular event. To be successful, organisations need to develop and embed the right insight into their customer experiences, measure impact, and continuously adapt and refine based on results.

Many businesses want better information to inform their market and customer strategy, and improve decision-making across account management, customer service, and marketing activities, but it can seem like a challenging mountain to climb.

Whilst new data and insight technologies are making things more accessible, companies still need answers to specific questions which cannot be easily or wholly satisfied by their existing data capabilities.

In the last few years, we've seen many businesses start or accelerate the journey towards better understanding and monetisation of data.

The motivations are manifold, but it usually comes down to:

i. **digitalisation** and changing customer expectations, and

ii. **competition** from disruptive brands, unencumbered by legacy, 'stealing' customers by offering improved agility and more compelling offers.

Both are underpinned by more modern data and technology foundations.

"Consumer data will be the biggest differentiator …whoever unlocks the reams of data that we're all collecting on consumers, and then uses it strategically, will win."
Angela Ahrendts
CEO, Burberry

"Get closer than ever to your customers. So close that you tell them what they need well before they realise it themselves."
Steve Jobs
CEO, Apple

EXAMPLE QUESTIONS CUSTOMER INSIGHT COULD ANSWER

- Which are our most compelling and successful propositions?
- How is the base changing between joiners and leavers?
- Which customers offer least growth potential?
- Who are most at risk of leaving, or bad debt?
- Which customers are most expensive to serve?
- Why are sales down for a particular product?
- How is the brand perceived by an audience?
- How to outperform the competition?
- Which are our key journeys for engagement?
- How do our customers like to engage us?
- How can we incentivise loyalty in our customers?
- If we did X, what would happen?

EVERYDAY CHALLENGES

Whilst data can tell you much about your business and customers, there are often challenges in its veracity that weaken its use and value in decision making, resulting in unknown opportunity being left on the table. E.g.:

- Data is not a strategic business asset
- Disparate silos of business operations
- Inconsistent experiences across channels
- Planning/execution strategy disconnect
- Marketing sells rather than grows value
- Superficial knowledge of customer potential
- Disparate technologies and functions
- Only Excel, BI and core data tools available
- Development mostly focused on high spenders
- No specialist analytical experience
- Data missing or known to be incorrect
- Outdated or infrequently refreshed data
- Different data sources tell different stories
- Different interpretations of same data
- Difficult to use data in operations or analysis
- Limited data coverage or detail
- A few staff know a lot about a few customers
- Inherent wisdom is favoured over evidence
- Minimal understanding of real customer needs
- Rules of thumb, gut feel, and intuition prevail

WHY INSIGHT MATTERS

Data is probably the most important asset a business can have. It can help solve problems, improve efficiency and customer experiences, and be the source of competitive advantage.

It can tell you what has happened and happening now, why things are happening or not, what could happen in the future, and what should happen next...but only if used in the right way.

Data can also be manipulated and misrepresented to support a specific agenda or, when treated like a commodity or technical liability, it can have little value.

Ultimately, data and insight is only valuable when you govern its use and adapt and implement new strategies and actions to make use of such knowledge.

"Data is the new oil. It's valuable, but if unrefined it cannot be used. We need to develop the tools to process it into gas, which is gasoline for the ideas economy."

Clive Humby OBE
Mathematician and data entrepreneur

BENEFITS OF CUSTOMER INSIGHT

Customer experience
Understanding what customers need so that products, services, processes and interactions can be tailored to better meet expectations, and lead to improved satisfaction, loyalty, and advocacy.

Product development
Identifying missed opportunities could give competitive advantage when developing tailored and unique propositions and experiences.

Marketing
Understanding an audience's preferences and pain points means more targeted and relevant marketing campaigns can be created with a greater degree of personalisation and resonance, and lead to higher return on investment (ROI).

Retention
Understanding why customers leave and which are at risk means mitigation strategies can be defined.

Sales
Insight can reveal trends in consumer behaviour and predict customer needs, which means the business can better understand what drives sales and profitability and anticipate customer preferences and tailor propositions accordingly.

ACTIONABLE INSIGHT

Actionable customer insights are valuable observations or findings that businesses can use to make informed decisions or drive positive changes. They go beyond just understanding customers and instead provide a clear direction on what could be done about it. Here is what makes insight actionable:

- **Based on credible data** obtained through research, feedback, observation and internal data.
- **Specific and clear** about what the problem or opportunity is and how widespread or impactful it is.
- **Informative and relevant** to formulate specific steps based on the specific situation and context.
- **Timely** using the latest information to ensure relevance for decision-makers to react quickly.

E.g. 65% of new customers that sign-up on a mobile device cancel within 30 days due to the multi-step onboarding process.

Explains what the problem is, where it happens, and how big an issue it is so that appropriate action can be taken to mitigate.

BEST PRACTICES OF INSIGHT-DRIVEN BUSINESSES

Insight-driven businesses exhibit these 10 distinguishing practices:

10. Embedded insight into business as usual
9. Joined-up decision-making
8. Incorporated robust analytics processes
7. Created an insight repository
6. Mapped and understood existing data assets
5. Insight has commercial purpose
4. Identified and engaged ambassadors
3. Committed to a scope and driving change
2. Instigated a customer base strategy
1. Aligned objectives and strategy

1. ALIGNED OBJECTIVES AND STRATEGY

When identifying where to begin, people easily get overwhelmed and side-tracked by the sheer range of options. It sounds obvious, but keeping strategy aligned to overall objective is key to maintaining a 'north star' focus on positive commercial outcomes…and keeping the initial scope achievable.

As with any significant change, it is important that relevant business leaders and teams are briefed, bought into the vision, and actively promote the importance and benefits from day one. Anyone responsible for measuring, analysing, forecasting, engineering or governing data, or target or serve customers must be aligned with this vision.

Partnering with IT teams to provide data is vital…but, successful thinking and strategy is always led by the business, not IT, and focuses on commercial and customer goals, not technology costs or limitations.

IT functions are at their best with a clear goal and set of requirements to deliver and maintain. They're not data content experts, but do know how to store, move and process it when the business defines the need.

The business must own the end-to-end definition of data and be responsible for its verification and use, whereas IT own the technology that captures, processes, validates and deploys data according to those business requirements.

2. INSTIGATED A CUSTOMER BASE STRATEGY

Articulating and documenting the overarching strategy for managing customer experiences means setting high-level objectives for different groups of customers and then defining the service, sales and marketing treatments and levers that could be flexed to achieve those objectives.

Ultimately, insight allows you to refine this strategy, but an initial draft helps identify and prioritise your insight needs, such as which customers are, or are not, strategically important today or have potential to be so in the future.

For example, the very best customers today will receive the best service; customers with the highest potential will get special sales opportunities; the remaining customers will be cost-efficiently serviced and only receive standard offers.

This informs what data should be captured, measured, and learned to implement the treatments.

3. COMMITTED TO A SCOPE AND DRIVING CHANGE

The reported failure rates of insight focused projects are startling, but the reasons behind those failures are often very avoidable.

87% Of data and analytics projects never make it to production[1].

Firstly, set an achievable scope, with clear business benefits and realistic expectations.

This should be done up front, with any changes robustly challenged and vetted against pre-agreed principles to assess value vs impact.

Secondly – vitally – is a commitment to change starting at the very top of business leadership and cascading down through management to individuals within all in-scope teams.

1. VentureBeat 2022

4. IDENTIFIED AND ENGAGED AMBASSADORS

Appointing one or two people from each of the customer-facing teams and including them from early in the design process pays dividends in the long run.

As well as a valuable source of requirements, this is a powerful change tool, as it creates an early sense of ownership among users, allowing them a voice in the process, and avoiding a sense of insight being dumped on them without consultation.

Ambassador, *noun*

(i) 1-2 people from each customer facing team, most suitable to the task of identifying insight requirements and influencing peers to adopt said insight.

(ii) A rich source of valuable input into what insight will have the biggest impact during customer engagement interaction.

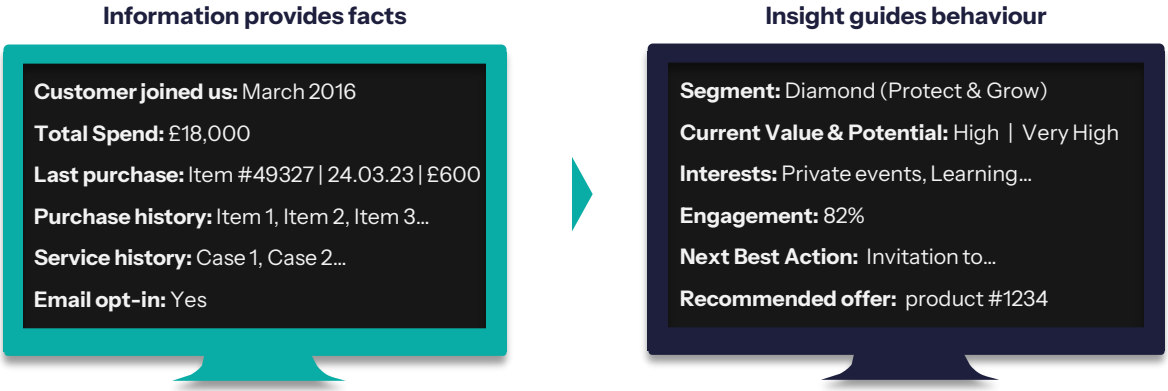
Ambassadors help:

- Define and provide context for user requirements
- Prioritise value-add information and insights
- Test and refine the insight tools in operation
- Communicate the benefits of insight to peers
- Senior management acclimate to new insights in action
- Increase velocity of insight adoption
- Embed insights into business as usual
- Increase success of data-driven customer engagement

5. INSIGHT HAS COMMERCIAL PURPOSE

The focus, priorities and design of insight must be dictated by business objectives and commercial benefit, and tempered and informed by the specific needs of the customer-facing teams who will consume it.

This means moving from facts to insight designed to improve commercial productivity. E.g.:



6. MAPPED AND UNDERSTOOD EXISTING DATA ASSETS

Mapping and understanding the dynamics and lineage of customer data across source systems and databases is important.

It provides a baseline for identifying quick wins and restrictive gaps, and acts as a fundamental input when it comes to thinking about the size and shape of requirements.

Information that should anchor any insight includes identifying a customer and their account status, payments, demographics, and contact permissions.

High priority data for analysis should include a record of the customer's purchases, usage and holdings, and their sales interactions with the business. This information starts to reveal the value of what different customers buy and how.

Medium priority information for analysis should include records of digital and service interactions, and service history. This information starts to reveal customer pain points and cost impacts.

Low priority information for analysis should include preferences, interests, and marketing history. This information starts to reveal more nuanced customer opportunities and potential.

7. CREATED AN INSIGHT REPOSITORY

It may not be the most exciting element of insight, but a properly constructed and maintained repository for it is certainly the most critical.

Too often overlooked, rushed, over-complicated, or simply not prioritised, this stage is key to delivering a sustained, impactful, and trusted capability from which insight can be generated.

Planning a repository should bring together all customer related data into a single view with the primary purpose of analysing customer information data, generation of insight and tracking customer performance.

Operational reporting (e.g. BI) should have its own fit-for-purpose repository.

Most value comes from end-users with specific insight requirements and a commercial justification of impact. However, the business may not know what it needs so, may need to be led.

Not all data is needed immediately. Initially focus on that which delivers value quickly, then prioritise based on business strategic need.

Similarly, not all data will be available or perfect from the get-go for any number of reasons. Focus on the critical data first, then use ‘good enough’ principles coupled with an enhancement plan to work through the prioritised needs.

8. INCORPORATED ROBUST ANALYTICS PROCESSES

The generation of customer insight requires an analytical process and ongoing improvement programme to ensure the results remain valid and pertinent whenever the business requires answers.

For example:

1. **Clarify -** Agree the objective and how to measure it. Check the question will produce the expected type of answer.
2. **Triage -** Check information and knowledge is available to answer, whether definitively, partially, or directionally as an interim.
3. **Prepare -** Collate relevant information and knowledge, validate assumption, remove anomalous and irrelevant information, and minimise background noise.
4. **Analyse -** Explore the data, including trends, patterns, correlations and drivers, to isolate potential answer scenarios.
5. **Interpret -** Review different scenarios to determine which best answers the question, noting any limitations and opportunities.
6. **Package -** Prepare the answer for the intended audience through description, visualisation, commentary and recommendation.

8. INCORPORATED ROBUST ANALYTICS PROCESSES (CONTINUED)

Considerations for ongoing improvement:

Knowledge – gaps in understanding of needs, expectations, behaviours, and experiences can cause insight blind spots and inferior decisions. Filling gaps with new or enhanced data enables more complete and accurate insights.

Timeliness – the business, markets & customers all constantly change so, answers can become outdated. How often to refresh insight depends on business need for updates, and how often the underlying data changes. The former dictates the business priority for enhancing the latter.

Effectiveness - measuring activity impact enables decisions to be refined. A 'control' group of similar customers excluded from the activity enables comparison against those included. If the rate or value of the outcome differs then the activity is having an effect.

Capability - questions become more astute over time. The team's skills and tools need investment to keep up with more complex questions, as well as new techniques (e.g. AI), more capacity (e.g. resource), or efficiency (e.g. automation).

Application – the most effective insight is that which can be used at the point of decision. Making pertinent insight available to end-users in a usable form, as guidance or instruction, means objectives are directly linked to actions.

9. JOINED-UP DECISION-MAKING

The insight repository is the single source of truth for customer insight, feeding metrics and indicators into management dashboards and informing all areas to ensure an aligned and unified customer, and staff, experience. It is also where outcomes and performance are tracked.

10. EMBEDDED INSIGHT INTO BUSINESS AS USUAL

Maximising the benefit of insight requires concerted effort to drive change into BAU at all levels, embedding new language, concepts, and measurements into strategic and day to day thinking:

- **Lead from the front.** Successful change hinges on top-down application and adoption of the new insight and ways of working. Using new assets such as strategy segments, and customer KPIs as the framework for objective setting, performance tracking, etc.
- **Invest in the right expertise.** The successful stewardship, innovation, and application of analytical insight requires a blend of subject matter expertise, curiosity, and stakeholder management. Identifying and hiring the right person to lead analytics is critical.
- **Embed concepts at onboarding.** Ensure onboarding content for new staff is reworked to include a proper introduction to key metrics, objectives and analytical assets, and how to apply to tasks.
- **Align staff incentives to insight.** Incentivise frontline customer staff with rewards for activities beneficial to, and informed by, new metrics – such as gathering important data or driving positive change on a specific metric.

- **Train teams with positive examples.** Create accessible, relevant training content for teams impacted by the new insight, we recommend both workshops and self-serve content, contextualising it with clear examples of how its inclusion benefits day to day activities.
- **Link Objectives and Key Results to key customer metrics.** Set management OKRs in line with customer objectives and metrics, such as improving segment profitability, high value satisfaction, etc.
- **Publish & promote customer metrics.** Track and publish key customer metrics, linked to corporate objectives, against which business performance can be measured.
- **Shout about your successes.** Create a medium for sharing the impact of new insight with the wider business, improvements to campaign results, sales targeting, service satisfaction, team member testimonials, etc.

DATA ANALYSIS

Data can be used to answer a wide variety of questions. For example, identifying trends in customer behaviour, determining the effectiveness of marketing campaigns, assessing risks, predicting sales opportunities, and optimising processes.

It can also be used to identify root causes of problems, influence development of new products and services, improve customer service, enhance market understanding, and inform decisions about the business' future.

Data analysis is a powerful tool that can be used to gain insights that reveal opportunities and threats so that the business can make better decisions, improve operations, and gain competitive advantage.

The process of data analysis typically involves the following steps:

- **Collection**: The first step in data analysis is to collect and connect data to be analysed. Data can be collected from a variety of sources, such as surveys, experiments, databases, and social media, then each source needs to be connected to create a joined-up view.
- **Cleaning**: Once the data has been collected, it needs to be cleaned. This involves removing any errors or inconsistencies in the data.
- **Transformation**: Once the data has been cleaned, it may need to be transformed into a format that is more suitable for analysis. This may involve converting the data from one format to another or creating new variables from existing variables.
- **Exploration**: Once the data has been transformed, it can be explored to identify patterns and trends. This can be done using a variety of statistical and visualisation techniques.
- **Modelling**: Once the data has been explored, it can be used to create models that can be used to make predictions about future events.
- **Communication**: The results of the data analysis need to be communicated to others. This can be done through reports, presentations and visualisations, or dashboards.

TYPES OF ANALYSIS

Descriptive analysis summarises data and describes its main features by calculating statistical measures such as the mean, median, and standard deviation.

Inferential analysis infers conclusions about a population based on data from a sample using statistical tests such as hypothesis testing and confidence intervals.

Reactive analysis is the basic level of insight by answering questions about what happened in the past.

E.g., how many customers clicked on a link in an email? Or how many customers abandoned their shopping carts?

Reactive insight goes one step further by answering questions about why things happened from a customer perspective.

E.g., why did some customers click on the link in the email, while others didn't? Or why did some customers abandon their shopping carts?

Proactive insight looks for and evaluates opportunities to improve efficiency and effectiveness in any activities.

E.g., identifying a pain point in the customer journey and ways to improve it. Or identifying customers who are not reached by current marketing and suggest ways to target.

Strategic insight is the most sophisticated level of insight that considers the implications of potential changes to the market, the competition, or the company's strategy.

E.g., it might predict the impact of a new product launch on the company's revenue, or it might identify a new market opportunity for the company to pursue.

Data science fuses scientific methods, processes, algorithms, and systems to extract knowledge and insights from data.

Data mining identifies hidden patterns and insights from data which can be used to better understand customer behaviour and monetise less obvious opportunities.

Business Intelligence productionises standard reports and dashboards that can be made available regularly or on-demand to different internal audiences.

Machine learning develops models that learn from data and make predictions which can be used in, for example, fraud detection, customer segmentation, propensities, and product recommendations.

Visualisation is using charts and images to represent data in a way that makes it easy to understand by an audience.

FINDING INSIGHT

Customer insights are the gold mine of any business because they identify what customers want, need, and feel so that products, services, and marketing strategies can be tailored for best impact. There are two main ways to discover these insights:

Customer feedback through surveys, polls, interviews, reviews and social commentary.

These are great for spotting areas of improvement or opportunity from quantitative and qualitative data on customer preferences, opinions, interests, rationale and satisfaction, and monitoring consumer trends and sentiment.

Customer behaviour through analysis of what they do, where, when and how, rather than relying on what they say they would do when asked.

This can consider all customer data sources such as sales and service interactions, purchase and usage behaviours, and positive and negative outcomes throughout the customer's journey.

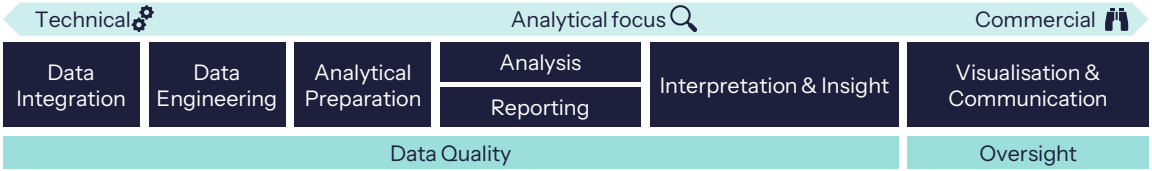
Don't rely on just one source of data, instead use a combination of quantitative and qualitative methods to get a well-rounded view. Make sure survey and interview questions are clear, concise, unbiased and ask the right question. Pay attention to what your customers are saying, both explicitly and implicitly, and then take action to improve rather than just collecting insight.

ROLES AND RESPONSIBILITIES

Data Engineers support data sourcing, integration, cleansing, enrichment and manipulation, ensuring consistency and accuracy and working with IT and suppliers.

Statistical Analysts provide analysis expertise to ensure validity and robustness of outputs and develop and maintain segmentation and scoring models.

Insight Analysts scope, analyse, interpret and visualise data into insight, provide commentary and answer 'what if?'.



Data Analysts support the team with ad-hoc data preparation for analysis and reporting, and data documentation, quality and in-depth knowledge.

Data Scientists are a hybrid of engineering and analytical roles but can be less productive and more expensive than a small collaborative team of specialists.

Reporting Analysts prototype and productionise regular business, channel and segment performance reporting and commentary.

Head of Insight prioritises and steers the day-to-day development and application of insight in support of decision making.

Director of Insight / Data Strategy shapes and prioritises use of insight across the business.

ALIGNING INSIGHT ACROSS THE BUSINESS

Whether introducing new or replacing existing insights in the business, it is not always easy. There are usually myriad sources of information available through existing reports, dashboards and embedded knowledge. This means introducing any new information could cause confusion or just get lost in the existing noise.

Similarly, it could be ignored by staff that have preconceived ideas about how things work and make it difficult for them to accept if it contradicts their understanding, leading to delays in implementation.

Aligning insight across the business can help to overcome these challenges. By ensuring that everyone in the organisation is using the same data and definitions, it becomes easier to communicate and collaborate on new insights. This can lead to more efficient, consistent, and effective use of the information.

Follow these tips to ensure the benefits of insight are realised:

1. **Audit** what insight, analysis and reporting exists already, how it is generated, who owns it, and who genuinely uses it.
2. **Identify** who in the business will be interested in, or need to know, the insight.
3. **Consider** what insights should / shouldn't be published to the different types of users.
4. **Review** which existing information sources could benefit from replacement or enhancement (or removal) with new insight.
5. **Determine** how each source would need to change to incorporate new insight, e.g. data feeds, processes, screen changes.
6. **Prioritise** changes based on customer need, and business return, i.e. is benefit in strategy design, or supporting customer-facing staff?
7. **Prototype** information with new insight to catch any issues and to demonstrate potential and use.
8. **Assess** impact on end-users, i.e. the briefing, training and process changes that are required to enable the insight.
9. **Brief** users on proposed changes and sell the benefits to them, avoiding jargon and technical terms.
10. **Establish** a change programme to plan and co-ordinate changes to systems.
11. **Create** materials to support embedding into BAU, e.g. awareness, training, demonstrator.
12. **Communicate** regularly on progress and a reminder of the benefits that are coming.
13. **Introduce** through piloting prior to roll-out, including training and documentation.
14. **Go big** by rolling-out the new information either as one mass switch on, or phased over a period, e.g. by team.
15. **Track** results to ensure the new insights are having the expected impact.

SEGMENTING CUSTOMERS

Customers are unique. Their individual needs for products and services, their ability to satisfy those needs and wants, their motivations and interests, their perception of the brand, their relationship expectations, and their other circumstances, make them all different in some way.

In an ideal world, without resource constraints, we would want to treat every one of them as an individual to provide them with highly personalised experiences like no other.

However, with thousands or millions of customers, designing and managing individual experiences at scale would be a significant challenge, even with perfect data and systems, and unlimited resources.

Customers also exhibit many similarities at a high level so, could be grouped together with other like-minded individuals to make it easier to understand, prioritise and manage them. These customer groupings are referred to as segments.

Segmentation is about dividing a broad target market into smaller groups with similar characteristics, which allows tailoring of marketing efforts, service levels, product development, contact strategy and overall treatment to better resonate with each group.

By understanding specific needs and preferences, messages and offerings can be crafted that are more likely to appeal to each segment.

Segmentation helps focus marketing efforts on the most promising customer groups, maximising the return on investment and increasing resource efficiency.

Customer insights from segmentation can inform decisions and guide product development, pricing strategies, and distribution channels.

TYPES OF SEGMENTATION

Descriptive segments use differentiating characteristics, such as geo-demographics, behaviour, interests, personalities, status, or financial value to describe audience personas or profiles of groups, such as New customers, or High spenders. These are used to describe what customers look like and do to help the business understand potential motivations for behaviours and possible opportunities.

Predictive segments use statistical models to determine propensity or likelihood to do something, such as High churn risk, Product X Buyers. These are used to determine the probability of a customer doing something or to prioritise competing activities.

Prescriptive segments classify customers according to tactical activity to be applied. E.g. High value retention group, or product X cross-sell group. Typically, these are used to inform the next actions and recommendations for a customer in digital, direct and assisted channels.

Demographic groups customers based on age, income, gender, education, etc. It's a classic starting point as demographics often influence buying decisions.

Geographic is based on location and allows tailoring of approach to regional preferences and needs.

Psychographic dives deeper to explain motivations regarding customer lifestyles, values, interests, and personalities.

Behavioural segments customers based on their purchasing habits, usage patterns, and loyalty.

Value groups customers based on their sales and revenue levels, their potential to continue and grow.

TO BE USEFUL SEGMENTS MUST BE...

Specifically similar so that customers in each group are broadly similar and can be treated in a similar way.

Acutely actionable so that information about the groups is valuable to marketing, product, content, sales and service teams.

Discernibly differentiated so that the groups have different needs and that different strategies will resonate.

Readily reachable so they can be accessed as a group or individual easily and affordably.

Manifestly measurable so the groups can be quantified and evaluated to inform plans and actions.

Commercially copious so the groups are large enough to provide significant revenue opportunities.

CUSTOMER VALUE

The value of the customer to the business in financial terms. Knowing how much each customer is worth to your business can inform decisions about where to focus marketing, sales and service efforts.

That knowledge can be used to identify customers who are not profitable and see if there's anything to be done to improve it.

Individual customer profitability will vary from customer to customer, and over time, depending on, e.g., behaviour, costs to serve, and business decisions made, but there are four factors to consider:

Revenue: How much money the customer has spent, or will spend, with you over a consistent time period, such as a year.

Cost: How much money you have spent, or will spend, on acquiring, serving and maintaining a customer over the period.

Tenure: How long the customer is expected to stay with you. This can be an average or an analytical prediction.

Time value of money: A longer period, e.g. 3 years, should account for the time value of money, such as the effect of inflation, and the cost of capital. Also referred to as the net present value (NPV).

DEFINING CUSTOMER VALUE

Customer value is not an exact science, nor is it a static number.

Firstly, it's based on whatever data is available so, each factor can start as an estimate, proxy, or assumption to provide a guide. Over time, as data and analytical sophistication increases, its derivation and accuracy can evolve using, e.g., propensities, and marginal costs.

Secondly, it's definition changes over time as customers' purchase behaviour changes or the business introduces new data, products, services etc. This means recalculating regularly and update the definition to reflect market, trading or systems change.

Defining Customer Value depends on the factors available and their accuracy. A simple start point for any business is to just use individual customer revenues (i.e. spend), which assumes all customers have equal costs and tenure.

A more sophisticated approach might be to calculate a customer lifetime value (CLV), e.g.

((Expected Revenue – Expected Costs) * Expected Tenure) * NPV Factor

Example cost factors

- Number, type and frequency of spend
- Number, type and use frequency of product
- Risk and value of churn
- Likely bad debt amount
- Geographic location
- Number, type and duration of contact with assisted channels
- Type, number and profile of deliveries
- Acquisition cost, e.g. targeting, onboarding
- Retention costs, e.g. proposition, effort
- Commissions paid
- Disconnection value
- Refund value
- Discounts applied
- Net present value, cost of capital
- Fixed costs, e.g. of infrastructure, product development, staff, capabilities

Example revenue factors

- Spend
- Subscription amount
- Interest charges
- Duration of relationship or agreement
- Referrals
- Interchange fees
- Product margin
- Commission
- Supplier discount

POTENTIAL VALUE

Consumers have needs that someone in the marketplace will satisfy. A customer's potential value is an estimate of how much money they could spend with a business based on their needs and interests.

There are a few ways to assess a customer's potential value depending on the data available and analytical sophistication.

One way is to ask the customer about their preferences, interests, and motivations, either directly during an interaction, through commissioned research, or 3rd party enriched data appending. This information can be used to identify gaps and opportunities to fulfil more of their needs.

Another way is to use data analysis to estimate their propensity, or likelihood, to buy or spend more with your business. It can be estimated using statistical models that consider all the factors that might influence a customer's decision to buy, such as their demographics, purchase history, and browsing behaviour.

Once a customer's propensity is estimated, it can be combined with the typical value of the products or services they are interested in to get an estimate of their potential value.

Another way to assess a customer's potential value is to compare their spending to the average of a group of similar customers. If a customer's spending is below the average, it means they have the potential to spend more.

The propensity values for each specific product or service can be compared to determine what the customer has the highest propensity for. This information can be used to make product recommendations or to target offers and services.

The different methods for assessing a customer's potential value can be used together to get a more complete picture of their value to the business.

Example estimate of potential

Profit contribution of product A = **Propensity to Purchase Product A** x **Average Value of Purchase of Product A** - **Cost to Sell Product A**

ENGAGEMENT VALUE

Customer engagement is how much a customer cares about your business and its products or services.

Measuring engagement can be done by directly asking the customer, but it can be difficult determining the right question, and awkward asking it repeatedly to track changes.

A practical alternative is to use a proxy by assuming engagement is a function of how much they interact with your business in either a positive or negative way: The more positive ways, the more engaged they are and the more negative ways, the less engaged they are.

Each way they interact is a factor in engagement, such as buying and using products, responding to outreach messages, or leaving feedback.

The amount a factor affects customer engagement is its weighting and depends on how important it is to the overall relationship.

For example, a complaint is more important than an email unsubscribe because it indicates a more serious problem that should be more highly weighted as being negative.

Customer engagement is also affected by the volume, value, type, breadth, depth, frequency, recency, and lifecycle stage of interactions.

For example, a customer who makes lots of purchases and leaves positive reviews is more engaged than a customer who only makes few purchases and never leaves a review.

EXAMPLE ENGAGEMENT FACTORS

- Recent or repeat purchases
- Browsing on the website, e.g. depth, frequency
- Utilisation of functional web/app features
- Service interactions in a period, e.g. self-serve
- Sales interactions in a period, e.g. calls
- Transactions in a period, e.g. baskets, recency
- Product mix in purchases and in holding
- Cancellations and returns
- Lapsing and renewals
- Level of consumption, e.g. live content
- Paid-for services used
- Interest and preference information
- Content sharing, e.g. social media
- Feedback, e.g. NPS, CSAT
- Company and product reviews, e.g. star rating
- Support requests and resolutions, e.g. number
- Complaints, e.g. recorded
- Marketing opt-out/in
- Subscribes/unsubscribes
- Marketing opens / click-throughs
- Relationship tenure
- Propensity – churn, sell etc
- Referrals, e.g. number
- Price sensitivity, e.g. recency of price rises

ALGORITHMS

An algorithm is simply a set of sequential steps or rules that must be followed to solve a problem or achieve a desired outcome. This means a food recipe, Lego instructions, or route directions are all, essentially, types of algorithm.

In the context of data analysis, an algorithm nearly always means using logic, equations, probability, and/or arithmetic or other, more advanced math to codify instructions.

An algorithm must have a definite end point to achieve the goal, which could be to calculate a probability value, recommend offers for agents to prompt customers or simply solve a math problem.

The techniques used in an algorithm can range from being explicitly codified by humans, e.g., 'if this, do this…', to being self-learned by a machine, e.g. 'do whatever works to achieve this outcome…'.

Algorithms can be broadly described in four different applications: Categorisation; Association; Ordering; and Grouping. The type of algorithm used will depend on the purpose, as some are more suited to certain types of applications.

Categorisation algorithms map input data to predefined categories. These are used in, e.g., evaluating propensity to do something, deriving customer segments, or determining interest profiles for targeted advertising. Example techniques include Rules/Logic, Logistic Regression, Naive Bayes, K-Nearest Neighbours, Decision Trees, and Support Vector Machines.

Association algorithms identify nuanced connections, relationships and patterns in input data. These are used in, e.g., basket analysis to find products typically bought together, and fraud detection to identify transactional patterns that may lead to a suspicious event. Example techniques include Apriori, FP-growth, Eclat.

Ordering and prioritisation algorithms determine the order in which something should be done and are used in, e.g., deriving the priority of Next Best Offers, Agile Back-log Schedules, or dynamically finding the best route from A to B in a SatNav. Example techniques include Weighted Rank Ordering, Hill Climbing.

Grouping algorithms group or filter input data based on its similarities or differences are often used to segment customers, e.g., based on demographics or behaviour, or to identify outliers and anomalies, e.g., removing unwanted information. Example techniques include Clustering, Similarity Matrices, Euclidean Distance, Thresholding, Moving Average.

MODELS

A model is essentially a simplified representation of a real-world problem or system. An algorithm is used to analyse data and produce a model to make it easier to understand and predict how things work.

Models help make sense of complex datasets by simplifying the patterns and relationships hidden in data into the key variables that influence the outcome, e.g., wind, temperature and humidity patterns in a weather forecast.

Models are trained using known input and outcome data so, once built, it can predict future outcomes using new data. E.g., using historic purchasing data to predict a customer's future purchase propensity.

There are many different types of statistical models, each suited for specific purposes. Some common examples include a linear regression model that predicts a numerical value, such as the probability of churn, and classification models that are used to categorise data.

Non-experts often describe models as black boxes because it's not always easy to explain how models arrive at an output. Models are great at prediction or classification, but understanding the exact reasoning behind each outcome can be difficult or even impossible.

Some have extremely intricate internal workings that involve multiple layers of interconnected pathways so, the way data is processed to reach the outcome is mathematically complex. This makes it hard for experts to identify the cause of an unexpected outcome so, or to rationalise an outcome.

If we don't understand how a model arrives at a decision, it can be hard to trust its fairness or identify potential biases or errors that might be built into the data it was trained on[1].

In some applications where safety is important, like medical diagnosis or autonomous vehicles, or in regulated applications like credit lending decisions, a 'black box' model could be dangerous or biased if we don't fully understand why an outcome was produced.

1. See Professor Hannah Fry's excellent book 'Hello World' for examples of algorithmic bias, fairness and accuracy

PROPENSITIES

Propensity is the likelihood of an event, such as a customer making a purchase, signing up for a service, or churning. A propensity model is a statistical algorithm used to predict that event.

There are many different statistical techniques to create a propensity model, including decision trees, logistic or linear regression, and neural nets. The best technique depends on the specific problem to be solved and the data available.

All techniques rely on historical behaviour, status and other customer profiling data to estimate the probability of the event by identifying factors that may have influenced the customer's decision.

Propensity models are used in a variety of business functions, including marketing, sales, and customer service, and help to, e.g.:

- Identify high-value customers who are more likely to take a desired action.
- Target marketing campaigns more effectively to improve conversion, cross-sell or up-sell.
- Prioritise and personalise offers and services to individual customers.
- Identify high-risk of customer churn to better target retention activities.

Propensity models are not perfect, but they can be a valuable tool for businesses that want to understand and influence customer behaviour.

For example, a bank wants to build a model to predict likelihood of a customer defaulting on a loan.

The model is trained using historical data on other customers about their status, demographics, financial history etc, and whether they defaulted or not.

The model can then be used on new customers to spot those most likely to default, so that the bank can take steps to prevent or mitigate.

The factors that feature in a propensity model will vary depending on the data and objective, but the result is typically converted into a probability to make it easier to understand.

Propensity models can be a powerful tool for a business that wants to understand and influence customer behaviour. However, there will always be some customers who do not behave as the model predicts, particularly when insufficient data is available to train the model.

Consequently, it is important to use propensity models in conjunction with other data and insights to make informed decisions.

EXAMPLE PROPENSITY OBJECTIVES AND INPUTS

OBJECTIVES

- Buy product X
- Churn
- Convert from a prospect list
- Opt-out from marketing
- Subscribe/Unsubscribe
- Have interest in Orlando holidays
- Upgrade service to Y
- Default on repayment
- Lapse on policy
- Be price sensitive
- Click-through from an email
- Read content Z

INPUTS

- Previous purchases
- Type of purchases
- Volume of purchases
- Cadence of purchases
- Basket contents
- Purchase mix
- Basket value
- Digital interactions
- Assisted interactions
- Interaction mix
- Payment methods
- Demographics
- Account type
- Contact preferences
- Financial history
- Interests, motivations
- Message history
- Message mix
- Marketing outcomes
- Agent notes (i.e. sentiment)
- Asset mix
- Service requests
- Complaints
- Interests
- Motivations
- Social media activity
- Feedback (NPS, CSAT)
- Permissions (opt-out)
- Subscribe/ unsubscribe
- Segment

EXAMPLE: PREMIUM EXTREME VACATIONS

Situation

Traditional lead generation through generic offer outreach programmes was producing mediocre results.

A change in business ownership required a fundamental shift in leveraging data to drive higher sales and revenues from both existing and new customers.

Objective

Increase repeat customer rate and value, and new customer conversions.

Approach

Customer analysis revealed vacation interests to guide service, sales and marketing engagement activity.

Propensity models were trained using booking histories and previous outreach outcomes to predict the most likely interest in specific vacation style, type and destination.

The models were used to drive content recommendations for each customer in outreach comms and agent discussions, whether as inspiration or for offer selection.

Outcome

Deeper insight into customer behaviour, e.g., most likely to book, when likely to be in-market, which are lapsing etc.

Lead generation increased by over 15% and repeat customer bookings increased by 2%.

CUSTOMER RECOMMENDATIONS

Businesses typically want to encourage their customers to consider additional opportunities to increase their value and loyalty. Customer recommendations are a powerful tool to drive sales, increase customer satisfaction, and boost engagement.

One method is to proactively promote relevant products, service, offers, and information to customers to help them make more informed decisions. For example, suggesting which product to promote in an outbound contact by a relationship manager, or through direct marketing.

Another approach is to promote opportunities in response to an inbound contact from a customer. For example, triggering a specific offer to be displayed when a customer visits the website, or prompting a service agent with a suggested next best action when a customer calls.

Recommendations can be derived within a channel, e.g. ecommerce engine, but for multi-channel businesses it's better for strategic control to derive them centrally using a decisioning system and then deploy to each channel.

Good examples of recommendations in practice are Amazon's 'Frequently bought together', 'Compare with similar items' and 'What do customers buy after viewing this item?' areas that are interspersed throughout each product's page on the website.

Other examples include:

- Customer-specific up-sell prompts for call centre agents to discuss at the end of service calls.
- Holiday destination ideas for sales agents fielding enquiries from repeat customers looking for new experiences.
- Customer-specific recommendations for non-regulated investment products for relationship managers to use during client calls.
- Customer-specific opportunity and service prompts for bank branch staff to introduce during their next customer conversation

EXAMPLE SOURCES FOR RECOMMENDATIONS

- Ask independent experts to suggest products for different occasions or situations
- Group similar products by range or type
- Group products that have the same purpose or motivation for purchase
- Consider the customer's needs based on their lifestage and existing product holding
- Ask customers about their preferences through questionnaires, surveys and commissioned research
- Ask customers browsing, or during check-out, or after sale, why they are buying a specific product
- Encourage wish lists, fantasy holdings, discussion forums, user content etc.
- Review basket content to identify products typically bought together
- Use statistical analysis to look for common product and service associations
- Create a predictive model to assess the customer's propensity for each product or service

CREATING RECOMMENDATIONS

Businesses use a multitude of techniques to identify relevant content using available data such as purchase and usage history, channel usage, web clicks, views and dwell time, demographics, search queries, reviews and social shares.

The data is analysed using simple rules, data mining and modelling, including:

Rank ordering that recommends items based on a commercial hierarchy of those the customer doesn't yet have.

Rule-based that recommends items based on predefined rules (e.g., "Customers who bought X also bought Y").

Collaborative filtering that recommends similar items based on what similar customers have bought.

Content-based filtering that recommends items with similar attributes (e.g., genre) to what the customer has previously interacted with.

Hybrid approaches combine collaborative and content-based filtering for a more comprehensive approach.

Propensity models identify the customer's likelihood of buying or using a product, which can be combined with rank ordering to determine the recommended option.

Test and learn that recommends random items to start with and, over time, builds its own picture of what works with different customers and constantly challenging it to avoid bias and ensure improvement.

MEASURING PERFORMANCE

Measures are indicators calculated from individual customer data to understand what's happening in the business at an aggregate level.

Performance indicators, like total sales, total revenues, total assets and total customers, are shown in dashboards and operational reporting, and usually referred to as KPI: Key Performance Indicators.

KPI are calculated by totalling all individual customer-level input data so, for example, total sales is the total of all individual customer sales.

The resulting measures are published on dashboards, in reports, and in deriving and setting objectives and strategies.

Whilst most performance indicators focus on an operational view of the business, a customer performance indicator looks at metrics from a customer perspective.

This means the indicators are geared towards understanding what customers are doing, rather than the business.

EXAMPLE CUSTOMER PERFORMANCE MEASURES

- Number of customers or accounts
- Sales rate per segment
- Take-up rate per interaction
- Number of net adds per segment
- Churn rate per segment
- Total and average revenue per customer
- Revenue per recommendation
- Total value of assets or holdings per customer
- Customer lifetime value
- Change in revenue per customer
- Potential value per customer
- Support tickets per customer
- First-contact resolution per customer
- Engagement score
- NPS, CSAT score
- Segment migrations

REPORTING CUSTOMER PERFORMANCE

Reports are documents that summarise information about a particular part of a business and are used to track performance, identify trends, and make decisions.

Dashboards are a type of report that presents the most important information concisely for the intended audience.

Reports and dashboards can be produced regularly to track changes and trends between periods. Whilst dashboards are usually periodic, such as hourly or monthly, reports are typically produced on demand as one-off snapshots of performance, e.g. showing outcome from a recent campaign.

Both reports and dashboards rely on data that may be collected from different sources, and then summarised and presented in a way that is easy to understand.

Whilst most dashboards focus on an operational business view of the data, a customer dashboard looks at metrics from a customer perspective. This means it features customer performance indicators geared towards understanding what customers are doing, rather than the business and its operational efficiency.

PRINCIPLES FOR CUSTOMER DASHBOARDS

Customer-centric: The dashboard should only include KPI relevant to managing customers, such as their activity, satisfaction, lifetime value and churn. Only include operational metrics such as sales, revenues, channel and product mix from the customer's perspective, e.g. by segment.

Actionable: It should highlight key customer metrics and trends to allow identification of areas for improvement and enable data-driven decisions about customer experience, marketing campaigns, and product development. Including a commentary helps the audience identify its implications.

Timely: A dashboard should be reproduced periodically to show the effect of business strategies and market conditions on the customer base over time. This means refreshing it regularly, e.g. monthly, using data from trusted sources.

Visual: The dashboard should convey pertinent information succinctly and make it easily accessible to non-experts. Using consistent visualisation techniques such as charts and just the critical numbers will help the audience quickly understand the implications.

WHAT TO INCLUDE ON A DASHBOARD

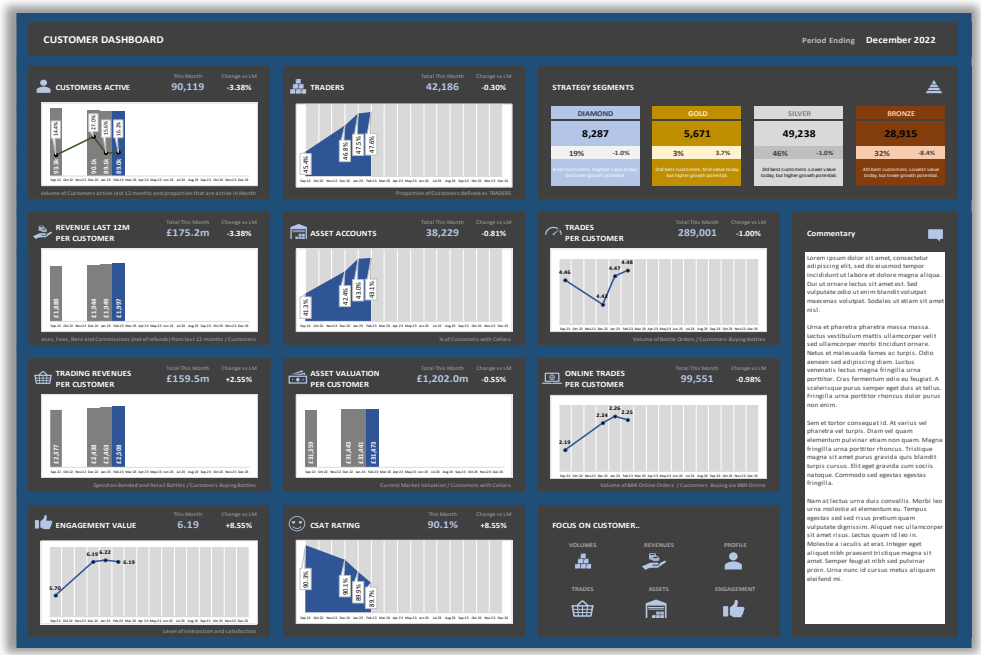
Customer Dashboard, e.g.:

- Top 10 Customer KPI
  e.g., Active vs inactive, Purchasers, Sales, Revenues per customer, Margin per customer, Holdings, Engagement, Feedback, Channel usage
- Visual charts as well as counts and % values
- Trends and changes over time
- Strategy segments
- Commentary about key insights gleaned
- Drill-down into more detail, e.g., Segments, channels, product categories, customer profiles

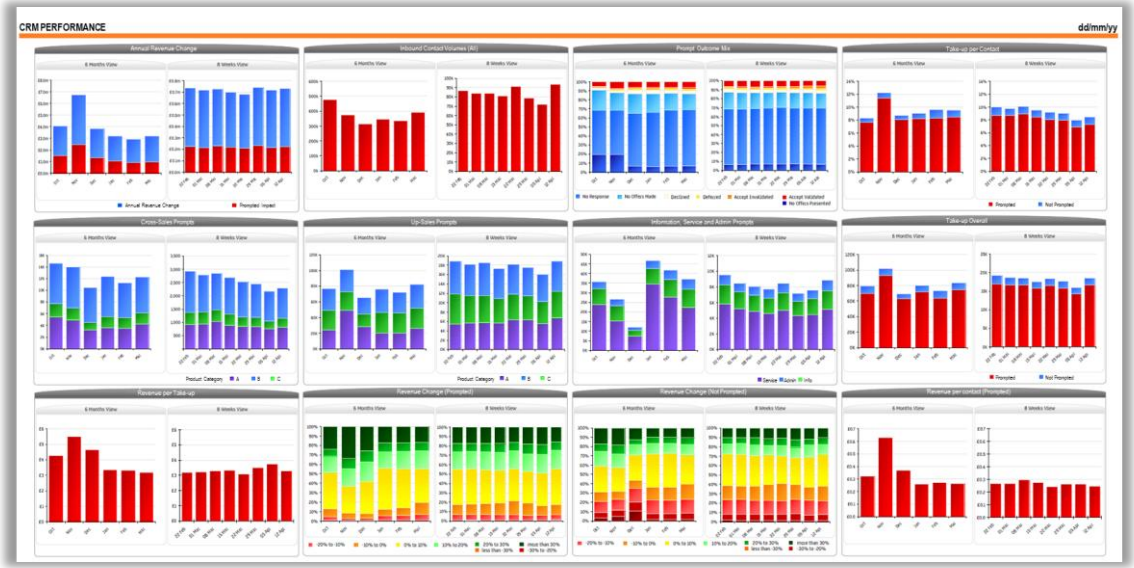
Activity Dashboard, e.g.:

- Top 10 Activity KPI
  e.g., Activity volumes, Activity impressions, opens, clicks etc, Responses by channel, Cross-Sell and up-sell volumes, Revenue per sale, activity spend, return on investment
- Visual charts as well as counts and % values
- Trends and changes over time
- Commentary about key insights gleaned
- Drill-down into more detail, e.g., activity performance, channel performance, sales mix, sale profiles

EXAMPLE CUSTOMER DASHBOARD



EXAMPLE ACTIVITY DASHBOARD



MEASURING REAL PEFORMANCE

In today's complex world there are myriad internal and external factors that can influence the results of any customer management activity. If those influences are not filtered from the results of those activities, then the true performance may be overstated.

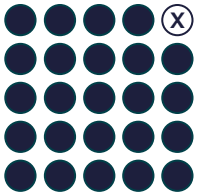
This means those activities may not be as effective as you are led to believe and could, potentially, be having no effect. They could even be having a negative effect. For example:

- Would targeted customers have bought the product anyway without the offer?
- Was the success of a new offer due to the incentive, the creative, or the weather?
- How much is this activity contributing to customer sales?
- Is direct response breaking even?

Understanding the true impact of activities requires a baseline comparison to establish what would have happened without the activity. This baseline is typically referred to as a control group and is made up of customers eligible for the activity but excluded from it to see how they perform without the influence.

There are two types of control group: universal and activity.

THE UNIVERSAL CONTROL GROUP



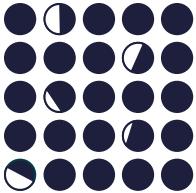
This is used to measure the overall effect of a programme of activities, such as the entire digital marketing plan. It is a single group of customers selected at random from the whole, eligible base and excluded from as much influencing activity as reasonably possible. It is sometimes referred to as a fallow group.

Universal control group size should be sufficient to be statistically valid and is typically around 2% to 5% of all customers that would otherwise qualify for at least one targeted activity in the overall programme.

Customers in the universal control group do not receive any targeted discretionary activities for a defined period. This means excluding customers from all targeted sales and marketing comms but not mandatory service comms, or above-the-line advertising that cannot be easily prevented or restricted.

It is typical for the universal control group to be refreshed periodically meaning customers are excluded for, say 6 months, before a new group replaces them. The universal control group enables longer-term and strategic measures to be validated, like the overall channel response or whether marketing is affecting spend, churn, NPS etc.

THE ACTIVITY CONTROL GROUP



This is used to measure the effect of a specific activity, such as a campaign or action. An activity control group excludes a random proportion of eligible customers.

The excluded customers form a baseline comparison to see what they do differently without being influenced by that specific action. It is sometimes referred to as a hold-out sample.

Control group size should be statistically valid, but it is typical to see 10% to 50% of customers excluded depending on how many customers are eligible in total.

In essence, the less eligible customers there are, the larger the activity control group must be to be valid.

This approach is good for determining, in isolation, whether a specific activity is working well or not, and enables shorter-term measures to be validated, such as response, cost per sale, or usage changes.

Activity-level control groups are best practice in conjunction with test and learn experiments and are often used in tandem with the universal control group.

TEST & LEARN

Test and learn is a data-driven scientific approach to experimenting with different ideas or solutions to see what works and what doesn't. It is a reliable and effective way to inform decisions, help avoid costly mistakes and improve chances of success.

The principle is to optimise efficiency and effectiveness by designing an experiment, collecting the data, analysing and interpreting the results to learn, adapting to implement the learnings, and then repeating.

For example, Amazon uses test and learn to optimise product recommendations and improve its search algorithm. Netflix uses test and learn to determine the movies and TV shows will be added to its service.

A simple place to start is by trying different ideas to improve conversion or reduce cost of a marketing campaign, such as different email subject lines, imagery, copy text, layouts and offers.

Other areas include different prompted recommendations during inbound calls, different landing page content on the web, different call scripts in outbound calls, or different offers in the app.

A/B SPLIT TESTING

A simple approach is to use A/B or split tests that randomly try one or more variations, options, or 'challengers' against an established 'champion'. For example, testing different subject lines, call-to-actions, images, or price points.

The champion and challenger(s) are then randomly assigned to the target customers based on, e.g., volume of visitors, customers, clicks or views.

The proportion that should receive the champion or challenger depends on how much evidence is needed to ensure the results are accurate. It is typical for each to receive an equal proportion of the total volume.

The results of the challenger and champion can be directly compared to see which produces the better result.

If it's the challenger, then it becomes the new champion against which future challengers are tested.

If there is no champion to start with, then all options are considered equal challengers and randomly tried until a champion emerges. For example, if there are 4 challengers then each would be allocated 25% of the total volume.

The downside of A/B testing is that it doesn't reveal how effective a decision is, just whether it is better than the last one.

Also, it does not help isolate whether the improvement was due to the change itself, or some other external factor such as seasonality, the economy, website traffic patterns, or the skill of the person conveying it.

EXPERIMENTAL TESTING

A more sophisticated approach to embed a structured experimentation approach to learning that is continuously repeated to ensure learnings don't go out of date as the business changes. This scientific approach to decision-making follows the process of designing a test, collecting data, measuring and analysing the result, and then deciding the next step.

1. **Identify specific hypotheses for test**, i.e. the question to be answered
2. **Establish controlled environment for test**, i.e. to minimise direct and indirect influences that may skew the results
3. **Configure test**, i.e. to prepare the inputs, data and get it ready for trialling
4. **Run trial of test**, i.e. to apply the configured test within the controlled environment
5. **Track results**, i.e. to observe outcomes and any significant and unintended influences
6. **Analyse results**, i.e. to reveal insights that inform how the business should proceed.
7. **Adapt and repeat**, i.e. to implement changes and continually learn.

WHAT TO TEST?

- Is the creative packaging working for the customer?
- Is the message the right one for the customer?
- Are the propositions, offers, etc, correct for the customer?
- Are we using the right channel (e.g. email vs post) for the customer?
- Is this campaign the best option for the customer?
- Are the contact frequency, recency and repetition rules appropriate?
- Are the customer targeting rules correct?
- Is now the right time/day for this type of campaign?
- Are the predictive models working efficiently?
- Is doing campaign 1 before campaign 2 better than campaign 2 before campaign 1?
- Is the layout, imagery and copy working?
- Is now the right time of the year for this type of campaign?
- Are the treatments appropriate for the customers and our objectives?
- Are the segment definitions correct?
- Is the principle of managing customers in this way the right one?
- Are there external factors, like the weather, that influence the outcome?

TIPS FOR DESIGNING TESTS

Start with a clear goal
What do you want to achieve with your test? Why is it important to know the answer?

Be clear on the question
What is being tested? Will the design of the test provide a degree of confidence in the answer?

Choose the right metrics
What data will you collect to measure the success of your test?

Plan testing into the calendar
Learning is not always a commercial priority so, reserve time in the BAU campaign schedule.

Be willing to trade-off benefits
Longer-term strategic benefits may only be possible by sacrificing short term sales.

Create a feedback loop
Ensure results can be analysed, e.g., through match back and accurate outcome attribution.

Try doing nothing
Sometimes, actively doing nothing with a group of customers can be a good learning experience.

Create control groups
A comparison is essential to get a true read on whether the test or other influence made a difference.

Keep a record of learnings
A library of learnings is an accessible source of insight, but can go out of date so, refresh often.

Be willing to fail
Not every test is successful, but each test can teach something that can be used to improve the next.

Be patient
It takes time to gather sufficient data to draw statistically significant conclusions and learn from tests.

Check for happy accidents
Mistakes can still be fruitful when something unusual is seen in the result. Check a missed opportunity.

PROFILING CUSTOMERS

Customer performance measures can be used in combination with other indicators to better understand the similarities and differences between customers.

The measures and indicators provide a consistent way of comparing different groups of customers to form a profile that helps non-experts understand what their customers look like, what they do and how they impact business profitability.

A customer profile paints a data-driven descriptive picture of an audience within the customer base, such as your highest spending customers, or those with product X, or customers that have just joined, or those that have potential for growth.

Profiles include customer data on topics such as aspirations, needs, demographics, purchasing and usage behaviours, interests, preferences, and satisfaction.

A customer profile helps inform propositions, service design, opportunities and risks, making it easier to spot commercially interesting areas to explore, e.g., looking at Leavers vs Joiners to understand how the base is changing.

Customer profiles can help answer questions such as:

- Which are the most important audiences?
- How does an audience differ from the brand overall?
- What do the most profitable or loyal customers look like?
- How are interests, motivations, and engagement changing?
- Which groups does the proposition appeal to most?
- Which are the right customers to prioritise with the right service and opportunities?
- What do the customers in my portfolio look like?
- What are the customers in my portfolio buying, how often, how much, and where?
- How is the base changing between joiners and leavers?
- Which customers offer more, or less, potential growth value?
- Which customers are most likely to repeat purchase?
- Who are most at risk of leaving, or bad debt?
- Which customers are the most expensive to recruit or serve?

EXAMPLE PROFILING CHARACTERISTICS

- Volumetrics, e.g. customers, accounts
- Purchasing, e.g. volume, type, timing
- Usage, e.g. activity, changes
- Holdings, e.g. content, changes
- Channel, e.g. transactions, interactions
- Account Status, e.g. managed, unmanaged
- Financials, e.g. revenues, margin
- Lifecycle Status, e.g. new, in-life, lapsing, lapsed
- Preferences, e.g. motivations, interests
- Digital engagement, e.g. app usage, website browsing
- Demographics, e.g. research, 3rd party, personas
- Communications, e.g. contactability, read, responses
- Success, e.g. sales, retention, churn
- Feedback, e.g. overall, specific interactions, survey
- Current value and potential value
- Engagement score, e.g. digital, feedback

COMPARISON INDEX

A comparison index summarises the difference in each characteristic's set of bands or categories between one or more audiences into a single value showing the significance of the difference rebased around 100.

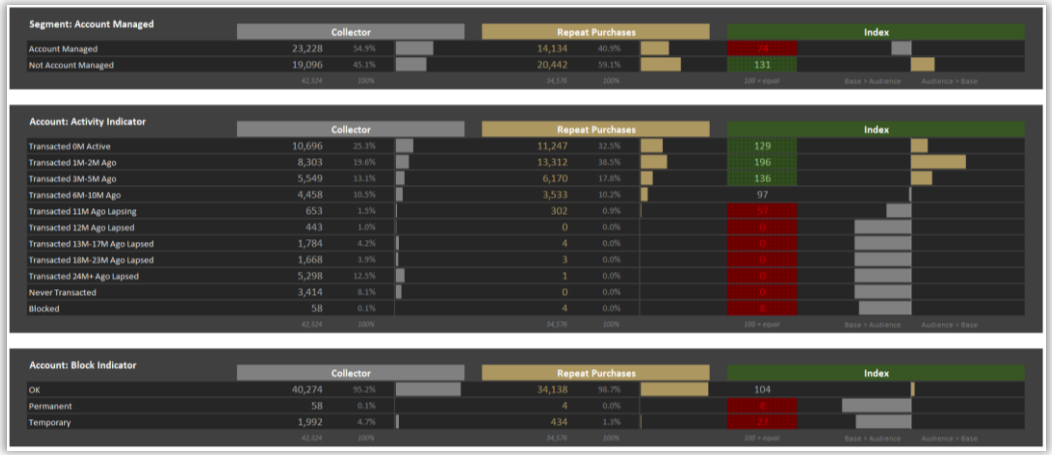
This makes it easier for non-experts to see the characteristics and the values within them that stand out as features of an audience. The bigger the index, the larger the difference, and vice versa.

For example, the customer age characteristic includes a '30-40' band that is used to compare two audiences, X and Y. If the index is over 100 then audience X is over-represented in the 30-40 age band so, for example, an index of 200 means there are proportionally twice as many within audience X than Y.

However, an index under 100 indicates audience X is under-represented compared to audience Y so, for example, an index of 50 means there are proportionally half as many within audience X compared to Y.

EXAMPLE PROFILE

In this example, two audiences are compared across three characteristics showing the comparison index for each band, expressed as both a number and chart, to highlight the key differences.



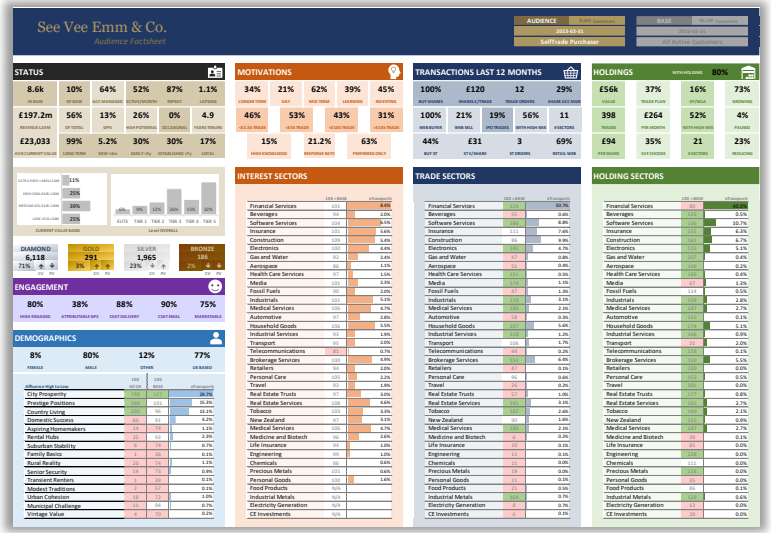
Segment: Account Managed	Collector		Repeat Purchases		Index
Account Managed	23,228	54.9%	14,134	40.9%	74
Not Account Managed	19,096	45.1%	20,442	59.1%	131
	42,324	100%	34,576	100%	100 = equal

Account: Activity Indicator	Collector		Repeat Purchases		Index
Transacted 0M Active	10,696	25.3%	11,247	32.5%	129
Transacted 1M-2M Ago	8,303	19.6%	13,312	38.5%	196
Transacted 3M-5M Ago	5,549	13.1%	6,170	17.8%	136
Transacted 6M-10M Ago	4,458	10.5%	3,533	10.2%	97
Transacted 11M Ago Lapsing	653	1.5%	302	0.9%	57
Transacted 12M Ago Lapsed	443	1.0%	0	0.0%	0
Transacted 13M-17M Ago Lapsed	1,784	4.2%	4	0.0%	0
Transacted 18M-23M Ago Lapsed	1,668	3.9%	3	0.0%	0
Transacted 24M+ Ago Lapsed	5,298	12.5%	1	0.0%	0
Never Transacted	3,414	8.1%	0	0.0%	0
Blocked	58	0.1%	4	0.0%	8
	42,324	100%	34,576	100%	100 = equal

Account: Block Indicator	Collector		Repeat Purchases		Index
OK	40,274	95.2%	34,138	98.7%	104
Permanent	58	0.1%	4	0.0%	8
Temporary	1,992	4.7%	434	1.3%	27
	42,324	100%	34,576	100%	100 = equal

In this example, an audience factsheet provides status, demographic, engagement and behaviour insights for a subset of customers compared to the overall base.

This includes comparison indexes to show where and how the subset differs from the base.



THE FUTURE OF INSIGHT AND ARTIFICIAL INTELLIGENCE

Artificial intelligence (AI) is significantly transforming the field of analysis and insight generation. For example:

Increasing efficiency by automating repetitive tasks like data cleaning, sorting, and report generation. This frees up analysts' time to focus on higher-level analysis and strategic thinking.

Increasing scale by being able to process vast amounts of data and uncover hidden patterns and trends that humans might miss using traditional approaches.

Increasing accuracy by continuously learning and improving automatically from new data, leading to more accurate insights over time.

Increasing speed of decision-making by being able to generate insights in real-time.

Increasing accessibility to non-experts by packaging advanced data engineering and analytical know-how into a simple set of questions about the objective.

Reducing interpretative bias by analysing data objectively and reducing the risk of human bias in the resulting insights. This does not, however, remove bias that may be inherent in the data itself.

Increasing new opportunities by helping to uncover entirely new patterns and relationships in data, which can lead to groundbreaking discoveries and solutions.

1. See our *Artificial Intelligence Pocketbook* for more information about this topic

If the reality lives up to the promises, then businesses should be investing in AI to reduce operational costs, enhance customer experiences, and improve efficiency and competitive advantage.

Consequently, one of the most important decisions that businesses must make right now is whether and how to use AI in their companies. Some companies have lost huge value because they mentioned that they might be threatened by AI, whilst others say that AI is the key to their future success.

Overall, the impact of AI on analysis and insight is diverse. Whilst it can automate tasks and improve accuracy, it's also about spotting new opportunities and ensuring responsible use.

It's important to remember that AI is a tool, and the quality of the insights it generates depends on the quality of the data it's trained on.

Additionally, human expertise remains crucial for interpreting AI-generated insights and making informed decisions.

Whilst AI capabilities are smart tools that need specialist implementation skills, most of what they do can be achieved with more traditional tools and techniques if coupled with the right know-how.

It's a good idea to start simple and experiment with a single application of AI to gain first-hand experience of the implications and opportunities before embarking on major transformation.

ACCELERATING YOUR CUSTOMER MANAGEMENT

CVM People fuse innovative thinking with proven expertise to help companies realise value from their data and customer management capabilities. Our unique transformation to operation approach means we can fluidly provide specialist consulting expertise through to executive recruitment services that accelerate customer growth ambitions.

TRANSFORMATION

Strategic direction	Consulting	Expertise-as-a-Service	Executive Recruitment
Identifying and designing the right customer management and insight capabilities for growth.	Selecting and configuring customer management and insight capabilities to meet your needs.	Adding time-boxed expert resources quickly to your teams to boost your delivery and operational capacity.	Hiring the right talent to build your team, knowledge and expertise for ongoing customer growth.

OPERATION

CVM People has worked with brands such as Virgin Media, Santander, Experian, Centrica, Travelopia, Vodafone, Camelot, The AA, LGU+, Centrica, Berry Bros & Rudd. We also partner with vendors such as Adobe, Salesforce, Dynamics, SAS, HubSpot, SugarCRM, HCL Unica, Bloomreach, Creatio, Knime.

To discuss how we can accelerate your ambitions, please contact **Karl.Dixon@CVMPeople.com**

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