



## Six Proven Steps to Growing Your Business Through Customer Intelligence

### YOU WILL LEARN

- The six steps to creating successful customer intelligence programs
- How to determine your customer intelligence budget and ensure you get a **positive** return on your investment
- How to make customer intelligence a core competency of your business
- Detailed cost models to help you choose between in-house or outsourced customer intelligence solutions
- The latest research from the Aberdeen Group and the CMO Council on driving higher **customer acquisition rates and revenues** with customer intelligence

### Executive Summary

Quit guessing and start growing.

You *can* generate and maintain consistent, stable growth for your business. But only if you have the right plan. Use this paper as your roadmap to developing a plan to grow your company through one of the most under-utilized and powerful marketing tools available—customer intelligence. The following six steps can help you build greater insight into what your customers are thinking, doing and planning, which will empower you to generate higher acquisition, retention and loyalty rates in the process. Failure is not an option anymore.

**Actionable Intelligence<sup>SM</sup>**



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## Customer Intelligence = Growth

Every company wants to grow. But not every company understands the most important asset they need to develop a successful growth strategy—their customers. They simply don't know the answers to the most essential questions such as:

- What are customers thinking?
- How will they react to a new product or service?
- Are they truly satisfied with the current service they receive?
- What messages will resonate with them?

The Aberdeen Group, a Boston-based research firm found “best in-class-leaders” in customer intelligence experience a **“25% year-after-year performance improvement in customer retention and customer acquisition rates, and revenues.”**<sup>1</sup>

These are the questions that must be answered if a business wants to succeed and grow. And the answers to these questions are delivered through the science of customer intelligence (CI).

### The Six Steps to Successful Customer Intelligence

Building profits shouldn't been an act of chance or hope—not when it can be generated consistently by using customer intelligence to understand the inner workings of your customers.

Use this paper as your guide to get serious about customer intelligence. The following six steps will show you how.

#### Step 1: Make Customer Intelligence a Core Competency

Customer intelligence is not for the faint of heart, but the rewards are significant. It requires dedication and commitment on the part of your organization to make it a core competency of your business and the cornerstone of all your marketing initiatives.

When the Aberdeen Group released a study on best-in-class leaders in customer intelligence, the group found that for 74% the decision to improve customer intelligence management was the “direct result of increased corporate focus on customer-centricity and a desire to provide a 360° view of the customer to all customer-facing functions.”<sup>2</sup>

The power of customer intelligence is that it's more than just a survey. A survey provides limited data. Customer intelligence provides answers and insight into your customers' thought processes, their motivations and what will ultimately connect with their needs, wants and desires.



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When a company only conducts a survey, it's missing out on:

- The ability to mine data and run analytics against it
- The ability to put data in a clean, centralized repository to continually mine and enhance it
- Reporting and metrics to continually track and optimize company performance
- The insight, experience and intelligence to make data truly valuable

A survey alone is a limited snapshot. Customer intelligence is a comprehensive program to build results-driven marketing based on evidence and insight, not guesswork.

### Step 2: Make Customer Intelligence a Program, Not a Project

#### **Customer Intelligence vs. Simple Survey Data: Defining the Difference**

A prominent web hosting company used to rely solely on customer satisfaction surveys. In fact, the company sent out a survey every time a customer was reached over the phone.

This business had the impression that their customers were very happy with one product in particular, so much so that they launched this product into international markets—and the customer churn rate went through the roof!

This company approached Vantedge thinking that just the survey was the problem. Vantedge went beyond the survey altogether, with a complete customer intelligence program that determined that while the web-hosting company's customers were somewhat satisfied with this product, they weren't particularly loyal to it—opening the door for a competitor to steal them away.

This comprehensive, full-service approach to customer intelligence enabled the company to really understand what they needed to do to build customer loyalty and adjust their business accordingly. The end result was a **30% reduction in their customer churn rate within the first 6 months.** That's the power of customer intelligence.<sup>3</sup>

Many companies tend to view customer intelligence as a project—a single answer to be found for a single problem. Nothing could be further from the truth.

Customer intelligence should be viewed as an ongoing program where business objectives are defined, strategies and actions are targeted to those objectives, and continual measurement and reporting are used to keep refining and improving the entire process. Here's the best comparison:

- "Project design" results in stand-alone data that is used once or twice, and then is discarded.
- "Program design" integrates into the marketing structure of a company and is continuously improved with each piece of new information.

There is no start and finish to customer intelligence. It is the perpetual foundation of successful marketing, with new bricks of intelligence constantly making the foundation stronger and better.

### Step 3: Build a Well-Defined Customer Intelligence Program

The next component of successful customer intelligence is a well-defined program, where you outline your customer acquisition, customer retention and customer growth goals. Customer intelligence can then be broken out into several distinct, and equally important, phases that you should follow. To create a winning CI program you should:



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**Assess your intelligence**—In this phase current data sources are identified that align with the requirements of the primary objectives. Gaps in knowledge and insight are also mapped in order to target further research and analytics to fill in missing information. Metrics and reporting criteria are also outlined to ensure that the program continues to improve over time.

**Create a centralized intelligence repository**—All of the intelligence you build and collect on your customers' needs should be accessible in a central repository. This repository should give you the ability to capture and clean different data sources to enable single-source querying, analysis and reporting. This resource should never be static—always update it with the latest information assets and intelligence discoveries.

**Mine your data with effective analytics**—In this phase you identify opportunities, discover trends and measure results. This is where sophisticated expertise comes into play, and you'll need the experience of data modelers, market segmentation specialists and experts with frontline business know-how to take your data and transform it into the intelligence you need to make actionable decisions.

A study by the Aberdeen Group found that best-in-class leaders in customer intelligence are more likely to use customer data integration (CDI) tools prior to analysis. These leaders are also more likely to use operational and predictive analytics to better understand their high-value customers.<sup>4</sup>

**Keep the process ongoing with metrics and reporting**—When you get to this step: analyze, track, report, repeat. Remember, the process of customer intelligence never stops. It is an ongoing evolution where you optimize your intelligence and keep adding to the strength of its foundation.

When customer intelligence is structured in this way, what it yields is reliable results, rather than random guesswork. It's the formula for gaining the information you need to make sound business decisions.

#### Step 4: Spend Wisely on Your Customer Intelligence Program

No self-respecting marketer would have read this far without considering the impact of developing customer intelligence on their budget. Just what should you spend to build effective customer intelligence assets? We have found that:

- Best-in-class leaders in customer intelligence spend 5% of their total marketing budget on CI.
- An average company spends about 2-3% of their total marketing budget on CI.
- A laggard in the customer intelligence will probably spend less than 2% of their total marketing budget.<sup>5</sup>

As stated earlier, according to The Aberdeen Group, best in-class-leaders in customer intelligence experience a **"25% year-after-year performance improvement in customer retention and customer acquisition rates, and revenues."**<sup>6</sup>

#### ***How Marketers are Spending Their Dollars in 2009***

According to a 2009 study conducted by Alterian, 67% of marketers declared that database and analytics are the most sought after skill set and warrant the heaviest investments. Responding to this trend, David Eldridge, CEO of Alterian said, "The focus of this year's survey is clearly on making that first step on the journey to customer centricity, whatever that starting point might be for your company. Marketing that is led by an integrated database and analytical foundation will continue to drive online programs, and increased spending in this area will continue to improve the customer experience."<sup>7</sup>



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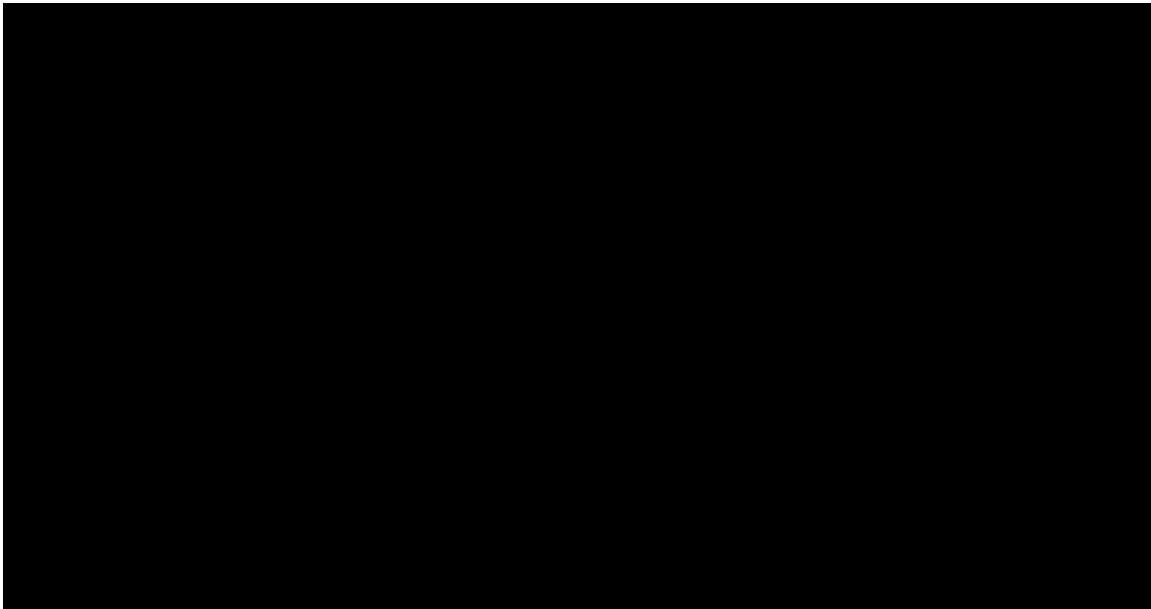
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## Step 5: Execute Your Customer Intelligence Program Smartly

The one challenge to getting a solid payoff from customer intelligence is obtaining the hardware, software—and most importantly the expertise—to deploy your customer intelligence program with excellence. Many companies attempt to accomplish this internally. Let's take a look at what that costs:

### Doing Customer Intelligence on Your Own: What it Costs

This analysis demonstrates typical costs incurred by a company launching their own CI program internally.<sup>8</sup>



As you can see, performing customer intelligence internally can be an expensive proposition. In fact, many companies find that they consume the money allocated for customer intelligence just setting up their program. Their budget is spent before they even begin any actual research.

According to the CMO Council, customer intelligence is an area of focus for staff development and recruitment by marketers in 2008.<sup>9</sup>

Fortunately, there is another option.

### ***Trust an Experienced Customer Intelligence Provider***

With a customer intelligence provider, you're gaining the expertise of someone who executes CI programs every day. A quality provider will already have the technology, systems and processes in place to build up the CI assets you need, enabling your program to launch and start producing results in a very compressed timeframe. And the cost benefit cannot be ignored.



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## ***Customer Intelligence: The Cost of In-House Vs. Third-Party Provider***

This analysis demonstrates typical costs incurred by a company who utilizes the services of a customer intelligence provider compared to a company that sources the CI functions internally.<sup>10</sup>



Beyond cost savings, a customer intelligence provider delivers two other substantial benefits:

- The insight, experience and expertise of specialists in the multi-faceted disciplines of customer intelligence.
- Customer intelligence on demand—When you use a CI provider you access their expertise and solutions on an as-needed basis instead of staffing resources full time.

With the right provider, you can execute your customer intelligence program in the smartest way possible.

### **Step 6: Trust the Right Expertise when Deploying Customer Intelligence**

Utilizing a customer intelligence provider simply makes the most sense when rolling out your CI program, but it's critical to choose a provider with the right expertise, insight and wisdom to draw the right conclusions from your data. When selecting a provider, here are some helpful questions to ask:

- Do they have best practices, processes and a proven track record?
- Is there senior-level involvement in all work?
- Do they think in terms of a program, not a project?
- Do they have the comprehensive capability to do intelligence gathering, analytics, predictive modeling, reporting and analysis?
- Do they have the technology to offer any kind of centralized repository?

A final important consideration is to determine if your CI provider is willing to, and capable of, growing with your business. As your customer intelligence knowledge improves, you'll want more access and control over your customer intelligence assets.

A customer intelligence provider should be willing to develop your centralized knowledge repository so that it grows, evolves and gets better over time. And that provider should be willing to give you access to the repository so that you can perform your own dissections and analysis of the data.

After all, the relationship between you and your provider is a partnership, and a quality CI provider should be willing to include you in every phase of your customer intelligence program.

## What You Can Accomplish with Successful Customer Intelligence

When you and your customer intelligence provider work together, you can gain access to the information that drives solid decisions, including:

### Customer Acquisition

- Market Segmentation
- Target Buyer Profiles
- Driver Analysis
- Needs Assessment
- Offer/Price/Channel Optimization

### Customer Retention

- Customer Segmentation
- Customer Pulse
  - Satisfaction Scores
  - Net Promoter Analysis
- Customer Defection Analysis
- Predictive Churn Models
- Cross-sell/Up-sell Models

### Customer Growth

- Concept Testing
- Product Evaluation
- Price Testing & Optimization
- Share of Wallet
- Next Product to Buy Models
- Purchase Interest & Intent Analysis
- Key Driver Analysis

### ***Customer Intelligence in Action***

A healthcare technology company was about to launch a new product that focused on the idea of “simplicity.” Everyone at the company was behind the idea. Then Vantage came in.

Vantage Group put together a customer intelligence program to get inside the thinking of 100 key CEOs. What they found was that the idea of simplicity did not resonate well with this audience at all. The fact was that the product dealt with very complex issues, and the CEOs didn’t trust anything that claimed to “make it simple.”

What did make a connection was the idea of the product “reinventing a core process and empowering the user to be more proactive.” This was the message that the CEOs wanted to hear.

The company adjusted their message to target this new strategy, and a near disastrous product launch was avoided. That’s why this company keeps customer intelligence as one of its core competencies.<sup>11</sup>



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Customer intelligence really is a predictable platform to consistently—and measurably—grow your business. You don't have excuses anymore. Develop a plan, follow these guidelines, and generate the revenue stream you've always wanted for your company.



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## Find Out More

We hope you've enjoyed this paper on growing your business with better customer intelligence. Clearly, it's an enormous topic, and charged with nuance for each individual company.

If you're a marketer and would like to discuss the approaches and insights in this white paper, I invite you to call a customer intelligence consultant at Vantage Group. We can talk you through how this approach has succeeded for dozens of companies like yours, and have a conversation about meeting your specific challenges.

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## Author Bio

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Read is the President and Founder of Vantage Group, the leader in designing and delivering Actionable Intelligence<sup>SM</sup> solutions for growth-oriented companies. Read has more than 20 years of experience as a business leader and entrepreneur developing high performance sales & marketing teams in the communications, software, and technology industries. His first-hand experience provides the catalyst for a new class of intelligence solutions designed to arm businesses with vital information to make more effective decisions that result in greater ROI, increased company performance and higher value customer relationships.

With particular expertise in acquisition marketing, brand strategy, customer loyalty, and product management, Read has a passion for helping companies capture and activate market insights that produce new opportunities for growth. He began his career developing some of the first competitive telecommunications products and brands and was also a pioneer in the electronic bill payment industry, helping to launch and grow one of the industry's first electronic billing companies.

Read is an active member of the Atlanta community where he resides with his wife and two children.



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- <sup>2</sup> "Customer Intelligence Management Benchmark Report: Converting Data to Profits," The Aberdeen Group, (December 2009), <http://www.aberdeen.com/>
- <sup>3</sup> Case study based on actual Vantage Group client. Name withheld to protect confidentiality.
- <sup>4</sup> "Customer Intelligence Management Benchmark Report: Converting Data to Profits," The Aberdeen Group, (December 2009), <http://www.aberdeen.com/>
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- <sup>10</sup> Information based on research and experiences of The Vantage Group
- <sup>11</sup> Case study based on actual Vantage Group client. Name withheld to protect confidentiality.

## Contact

Smart companies build intelligence for the practical world. Start building the customer intelligence assets you need to thrive in 2010.

Contact Vantage Group for a conversation about how we can help you mine your own data today to get the answers you needed yesterday.



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