



COMPETING ON CUSTOMER INTELLIGENCE

Leveraging insight, interaction and continuous improvement
to drive customer centricity



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Executive Overview

Since the beginning, most marketing business models have been built around organizational structures, management and incentive plans, financial systems and the four P's of marketing: product, price, promotion and placement. The focus was completely on the product.

Many organizations have professed to shift their attitudes, claiming to be “customer-focused,” “customer-obsessed,” “customer-driven” or whatever. But even to this day, the heart of most business models remains product-centric.

Instead of having a primary focus only on the four P's, organizations can enhance their marketing by evolving to a customer-centric business model that focuses on insight, interaction and improvement - the three I's. These companies will exploit readily available capabilities to excel in all three dimensions:

- **Deepening customer insight.** Manage data, profile and segment customers, and predict customer behavior.
- **Choreographing customer interactions.** Develop and optimize strategies, and manage customer engagement at the enterprise level.
- **Continuous improvement.** Measure and report KPIs that matter, optimize investment of sales and marketing resources, and continuously learn from every customer interaction.

This white paper is a practical guide for senior marketers and decision makers across the enterprise. It provides straightforward advice on how to build a more durable and profitable customer base by:

- Building a more competitive business model based on the three I's of marketing.
- Fostering customer-centric business strategies in a product-centric organization.
- Transforming volumes of customer data into insight that can be used to make smarter decisions.
- Taking a progressive strategy for implementing the technology to get there.

When a company uses customer insight for their customer interactions and utilizes a closed-loop system of continuous improvement, customer-centric strategies can succeed even in the most product-centric organizations.

Is your company really customer-centric?

Are marketing programs delivering all that is expected of them, or all that is possible? The rest of the executive team doesn't seem to think so. In a *BusinessWeek* Research Services study, 55 percent of C-level executives surveyed said marketing plays a vital role in achieving their strategic goals, yet less than half were satisfied with their organization's ability to increase revenue from new and existing customers. Only 43 percent of respondents said they were satisfied with their customer loyalty/retention rates. Only 34 percent were satisfied with their ability to acquire new customers or expand relationships with existing customers.

Clearly, executives are not happy with the results of marketing efforts. "They're not even happy with the way they're measuring their marketing initiatives," said Chris Rogers, Research Director at *BusinessWeek* Research Services. A mere one in 10 claimed to be "very effective" at it. "This is very striking, given the amount of money spent on advertising, marketing and promotional activities," which is an estimated \$1.2 trillion dollars a year worldwide.

This deficiency and dissatisfaction may help explain why CMOs have the shortest tenure in the C-suite. This may also explain why marketing and advertising budgets are typically the first to get cut when times are tough. The message is clear: CMOs need to reshape their marketing processes to deliver and validate better results, and they need to do it fast.

The case for change

Since the dawn of the Industrial Age, marketing has been guided by the four P's: product, price, promotion and placement. Develop a product, price it appropriately, promote it effectively and place your marketing presence where customers are likely to buy. However, this product-centric business model reflects a company that is inwardly focused on what it wants to sell, rather than outwardly focused on what customers want to buy. When your nearest competitor was an hour's drive away and choices were limited, this business model could fly. But the new marketing scene is a far more demanding place.

Customers are empowered. They have more choices and channels, available on demand. With a few clicks of a mouse, they can compare your offerings to competitors worldwide, and they can publish opinions that sway millions of other consumers. You must earn their goodwill with every interaction.

Increasing marketing complexity. The proliferation of customer channels and touch points makes it harder than ever to manage and synchronize the customer experience. The growing diversity of media channels fragments the audience and dilutes your advertising messages. Your innovative product or service can be quickly copied to become tomorrow's undifferentiated commodity.

Demand for accountability. CEOs, CFOs and shareholders are demanding greater transparency and proven ROI from marketing investments. Who can blame them, when marketing budgets can represent as much as 20 percent of revenues? Marketers that don't have empirical evidence to justify their spending face shrinking budgets and diminished clout in the organization.

The good news is that these challenges also bring opportunities:

- The technology that empowers customers also enables you to involve them more deeply. New digital media forms are providing marketers with volumes of customer data - and the potential for deeper customer insights and smarter decision making.
- The emergence of new media forms and channels are providing marketers the opportunity for interactive dialogues with customers as well as improved measurements. Smart marketers are seizing the natural collaboration that is possible with these new multimedia communications.
- Credible measurements of marketing performance lead to keener insights about the real sources of customer value, the real impact of marketing costs and the future behavior of customers - all of which can be exploited for powerful results.

Under pressure to prove the value of marketing spending, savvy marketing executives are realizing that marketing must be part creativity and innovation, and part quantifiable science.

COMPETING ON CUSTOMER INTELLIGENCE

Achieving that balance between art and science requires a shift in focus: Deepen customer insight. Choreograph the most effective customer interactions. Continuously improve marketing performance.

In order to ...	you must be able to ...
I. Deepen customer insight	1. Manage quality customer data. 2. Predict customer behavior. 3. Profile and segment customers.
II. Choreograph customer interactions	4. Manage and optimize strategies. 5. Engage high-potential customers.
III. Continuously improve marketing performance	6. Measure and report results. 7. Optimize marketing investment. 8. Apply lessons learned.

When you link these competencies together, it produces a closed-loop business process that manages organizational activity around the customer. This is not a direct-marketing model, but rather an enterprise business model that aligns the organization (and the delivery of its products and services) around the customers that represent the best opportunities for profitable, long-term growth.

By focusing on insight, interaction and improvement, customer-centric strategies can succeed even in product-centric organizations. Read on for a high-level look at the opportunities, key steps and technology enablers that support marketing success.

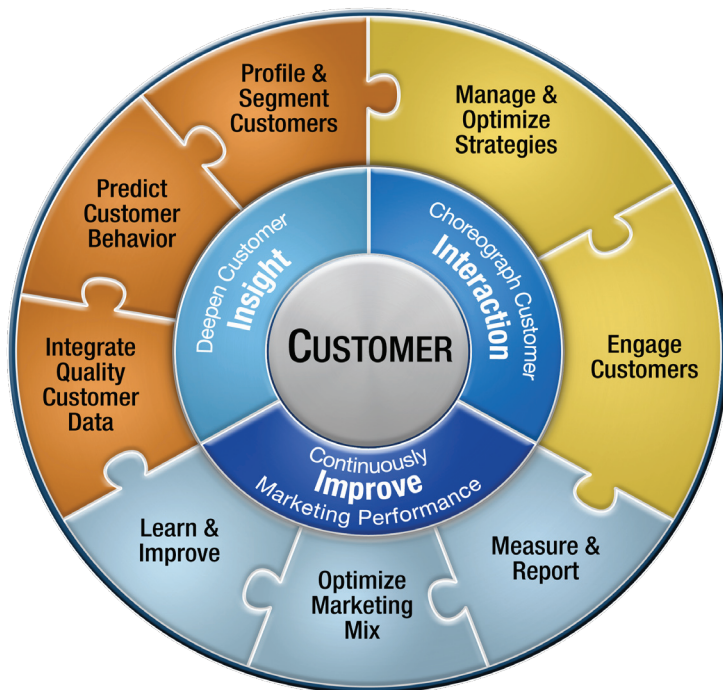


Figure 1: Closed-loop, customer-focused marketing process

Customer Insight

Deepen customer insight with superior data management and predictive analytics

The opportunity

Every interaction with a customer represents an opportunity to capture data that leads to deeper customer insight. And increasingly, companies are turning to analytical insight as the path to competitive advantage. Never before could marketers compile so much information about customers and markets, transfer that information into knowledge that can be acted upon and guide the investment of resources with precision.

The process

Deliver deeper customer insight through the implementation of these key steps:

Integrate quality customer data. Accessing virtually any database to create a customer-centric data repository, moving data between operational and marketing systems, and cleansing the data to ensure decisions are made using the right data.

Predict customer behavior. Exploit predictive analytics to truly understand customers - not just past behaviors, but likely future preferences and purchase patterns. This knowledge enables you to anticipate customer needs, improve customer retention and identify opportunities to cross-sell and up-sell.

Profile and segment customers. Develop effective customer profiles and segments based on a customer's historical behavior, profitability and future potential. Historically, segmentation has been used to support product-push marketing models; today many companies are using it to more closely understand customers and drive customer-centric strategies, even in a product-centered organizational structure.

Enabling capabilities

The capabilities that allow you to develop customer insight represent the foundation of an extensible customer intelligence platform:

Data integration pulls data from nearly any source and applies proper data quality techniques to ensure customer information is in the best possible state.

Customer analytics transform customer and market data into insights that can guide decision making. Companies that successfully "compete on analytics" use both descriptive and predictive analytics - descriptive to clarify performance results and understand the present value of the customer base; predictive to understand preferences, tendencies and potential (the lifetime value of a customer whose needs are not static).

Armed with this information, you can create highly tailored marketing campaigns and identify high-value individuals, instead of inundating customers with irrelevant offers.

Customer profitability solutions calculate profitability at multiple levels, including: customer, household, product, channel, sales representative and geographic profit centers (e.g., stores, branches). In the process, it provides new insights into the actual costs of selling to and serving each customer. With a new understanding of customer lifetime value, you can segment customers by their potential value and measure and improve results.

Online analytics deliver customer intelligence from the digital data created by customer visits to online channels. This information can be used to proactively target outbound sales and marketing activity or to better understand customers' buying processes. Online analytics also reveal how well the Web site is performing from a technical and marketing standpoint.

Social marketing analysis identifies patterns and gleans customer intelligence from enormous volumes of text, such as e-mails, call center agent notes from customer interactions, warranty claims and millions of active blogs on the Internet.

Credit risk analysis and assessment capabilities help more accurately develop and track credit risk scores.

Forecasting allows you to identify previously unseen trends in customer data – helping you to make marketing decisions accordingly.

The most customer-centric organizations use analytics to predict customers' needs and respond proactively. Analyzing and predicting customer behavior is the new currency - enabling managers at all levels to make smarter decisions. And because much of this knowledge is created at the customer level, today's predictive analytics set the stage for being truly customer-centric by understanding and responding to customer needs one-to-one.

Validation

Read how the following companies have successfully deepened their customer insight:

[1-800-FLOWERS](#)

[Cabela's](#)

[Harrah's Entertainment](#)

Interaction

Choreograph customer interactions to improve the customer experience at every touch point

The opportunities

Customers expect to receive a consistent experience across every channel, and the sense that the company knows them. As a result, many companies are moving from transaction-based business models to relationship-based models that view the customer's total relationship with the company over time, in holistic context. This represents a significant shift for marketers and their entire organizations.

The process

To get the most value from customer interactions, and avoid wasting resources on interactions that will not be fruitful, organizations need capabilities that help them successfully execute these key steps:

Manage and optimize segment strategies. What unique treatments should each customer receive? What's the best bundling of price and promotion? What is the best strategy for up-selling, cross-selling and retention efforts?

Armed with richer customer insight and targeted customer segments, marketers are becoming more selective about where they invest resources - including which customers they will even accept.

They can now accurately determine how much time, effort and resources to put into each segment - a mathematical optimization of revenue, profit, price, channel capacity, budget and other factors. And they can track relationships on a one-to-one level and as they evolve over time.

Engage effectively with customers. Naturally, marketing success stems from targeting the right customers with the right offers at the right time - even in real time - while prudently avoiding spending on unprofitable prospects.

With deep customer insight and the appropriate enabling capabilities, marketers can effectively manage the customer dialogue across multiple products and channels, balancing the realities of budgets, sales capacity and other constraints.

Enabling Capabilities

For decades now, marketers have relied on technology to manage customer interactions. Recent advances have raised the bar, redefining the possibilities.

Advanced campaign management enables marketers to plan the most effective campaign offers and strategies, target campaign activities to tightly defined market segments, act on those plans and learn from the results:

Campaign management automates campaign processes, such as pulling lists, managing communications with customers across multiple channels, tracking responses, and consolidating and reporting results. Modern campaign management systems enable marketers to:

- Manage customer relationships at an individual level.
- Measure the relative effectiveness of various offers and creative treatments.
- Compress their learning cycles to avoid wasting marketing dollars.
- Rapidly test and learn.

A key asset of campaign management is its ability to manage customer contact across all channels (Web, direct mail, e-mail, etc.), ensuring that customers do not receive conflicting or too-frequent offers.

E-mail/mobile marketing automates the process of planning and implementing digital communication campaigns, reducing time and bringing analytic insight into the equation.

Event-triggered marketing solutions provide real-time marketing triggered by specified events, time or behavior. This solution monitors the behavior of customers around the clock and alerts you to activity that represents either a risk or an opportunity.

You can reduce customer attrition by identifying customers that are about to defect, in time for preventative action to be taken. And you can identify otherwise hidden sales opportunities by getting early alerts to triggers, such as large money deposits or purchases of complementary products or services. By reaching out to a customer at the right time, positive response rates can be 20-30 times higher than with traditional direct marketing. More importantly, customer affinity increases because customers perceive the contact as timely and valuable.

Real-time decision management provides recommendations on how to treat a customer during a live interaction with the customer. For example, a customer may be on the phone with a call center agent. The agent may receive several screen pops to ask specific questions. The customer's responses are collected, and the system uses predictive and descriptive analytics to calculate the best action, all in real time during the interaction.

Marketing optimization increases marketing ROI by determining the best offers for individual customers. It also delivers analytic insight into the value of business constraints such as channel capacity and contact policies. It gives marketers the ability to maximize economic outcomes by making the most of each individual customer communication while considering business drivers, such as the company's resource and budget constraints, contact policies, the likelihood that customers will respond and more.

Validation

Read how the following companies have successfully choreographed their customer interactions:

[Swinton](#)

[US Bank](#)

[Wolters Kluwer](#)

Improve

Don't just defend marketing performance; continuously improve it

The opportunities

The results of every campaign can be captured to help refine customer segments and marketing activities the next time around, for a continuous cycle of improvement. At a higher level, when specific metrics or key performance indicators of the marketing organization are tracked, the measurements can deliver rich insights about the real sources of customer value, the real impact of marketing costs and the future behavior of customers - all of which can be exploited for powerful results.

The process

More and more, marketers are embracing measurement, analytically driven decision making and continuous improvement programs. In an era of accountability, marketing executives are starting to measure their initiatives more effectively. More marketing executives are adopting best practices that create a culture of automatic, ongoing improvement. This requires excellence on these key steps:

Measure and report on all aspects of the marketing organization to align activities to strategies and goals, and improve the performance and accountability of marketing, sales and service. Deliver the information that marketing team members need, in a form they can use to support decisions and understand their contributions to overall success.

Optimize investment across direct and indirect marketing. Analyze and optimize marketing mix elements, such as advertising, promotion and pricing; media plans by medium and market; and customer segmentation and treatment strategies.

Continuously learn and improve through a closed-loop system - leading to a knowledge-based relationship with your customers that will differentiate you from your competitors.

Enabling Capabilities

The good news for marketing executives is that marketing activities yield an abundance of data that can be transformed into valuable insights for continuous improvements - and the technology for uncovering those insights is better than ever:

Advanced [campaign management](#) enables marketers to learn from campaign experience by measuring campaign results and automatically feeding that intelligence back into the system to fine-tune future campaigns.

A comprehensive [business intelligence framework](#) provides a unified environment for managing data, converts it into intelligence that can be acted upon and disseminates it to decision makers. In marketing context, a business intelligence framework is the basis for an integrated suite of customer intelligence applications that share a trusted data foundation. Easy-to-use, self-service interfaces enable users of differing skill levels to do their own reporting, guiding them through without requiring assistance from IT.

[Marketing mix optimization](#) analyzes marketing mix elements and calculates ROI by any number of factors, such as advertising medium or geographic area. Insights from this solution can maximize ROI on market investments, reduce wasted investments and integrate new learning for continuous improvement.

[Marketing performance management](#) provides marketing-specific key performance indicators (KPIs), generates dashboards and scorecards that provide an at-a-glance view of performance on those key metrics, and supports greater accountability and continuous improvement.

Validation

Read how the following companies have continuously improved their marketing performance:

[Pão de Açúcar](#)

[Ogilvyone](#)

[Touring Verzekeringen](#)

The SAS® Difference

SAS Customer Intelligence solutions provide the most comprehensive enterprise marketing solution for your customer-centric marketing process. While other vendors provide components to satisfy some of your needs, SAS delivers the only complete set of capabilities available on the market. For your organization, the SAS difference means you can:

Continually make smarter decisions. Using SAS Analytics, you'll gain the knowledge and insight needed to make smarter decisions and have a complete understanding of your customers. Whether it's building predictive models for campaign response rates, using optimization to maximize channel ROI, forecasting to predict sales, or managing and maintaining your existing models, SAS is the proven leader in providing analytics to help you make smarter decisions.

Solve more marketing challenges. Only SAS provides a complete set of capabilities to solve more of your marketing challenges. As you develop strategies and activities to fulfill the needs of your customers and marketing organization, you can count on SAS to deliver the solutions and technology you need for success.

Evolve your marketing organization's capabilities. SAS Customer Intelligence is structured to provide a growth path that addresses all stages of your marketing organization's development. Whether you need to develop an accurate view of your customer, or focus on executing and optimizing your customer communications, SAS has a solution that fits your organization's needs.

Conclusion

This white paper has discussed how marketing innovators are building new customer-centric business models that are focused on developing customer insight, connecting that insight to customer interactions and integrating learning to continuously improve results.

Insight and knowledge fuel innovation and success. What's different? Instead of focusing insight and knowledge entirely on products and services, marketers today are realizing that customer insight and knowledge can enhance the value of product knowledge. More importantly, to build a long-term customer base, companies understand that their customers' wants and needs change as they move through life stages, so deeper customer knowledge is what aligns their company's products and services to their customers.

About SAS

SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market. Through innovative solutions delivered within an integrated framework, SAS helps customers at more than 45,000 sites improve performance and deliver value by making better decisions faster. Since 1976 SAS has been giving customers around the world THE POWER TO KNOW®.



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SAS Institute Inc. World Headquarters +1 919 677 8000

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