IBM Institute for Business Value

Customer analytics pay off

Driving top-line growth by bringing science to the art of marketing

Overview

Businesses today have a plethora of customer data available from an increasing number of sources. While most organizations certainly appreciate the potential benefits such data can reap, many face difficulties effectively turning information into actionable insights. However, an effective customer analytics strategy can help drive top-line growth, avoid unnecessary costs and increase customer satisfaction. To help organizations in their pursuit for deeper customer insight, we have identified four stages of organizational capabilities and associated customer analytics strategies.

Every day consumers and enterprises create 2.5 quintillion bytes of data. In fact, 90 percent of data in the world today has been created in the last two years.[1] This data comes from everywhere: sensors used to gather climate information, posts to social media sites, digital pictures and videos posted online, point of sale (POS) data, transaction records of online purchases, e-mail content and cell phone GPS signals – just to name a few. Thanks to affordable Internet-enabled devices and cloud services, the world has gone from connected to hyper-connected, generating more customer-related data than ever and doing it in shorter and shorter time frames.[2]

Today, most business executives understand the value of collecting customer-related data. However, many struggle with the challenges of leveraging the insights from this data to create smart, relevant and proactive pathways back to the customer. They are unsure how to effectively use their customer data to make decisions that turn insights into sales growth. Business analytics makes extensive use of data, statistical and quantitative analysis, explanatory and predictive modeling and fact-based management to drive smarter decision making in today's complex environments.[3]

In the full IBM Institute for Business Value executive report, we combine expertise gained through years of experience with quantified research and case studies to provide our point of view on some of the more effective customer analytics strategies. Organizations can deploy these strategies as a competitive differentiator and an engine for sales growth.
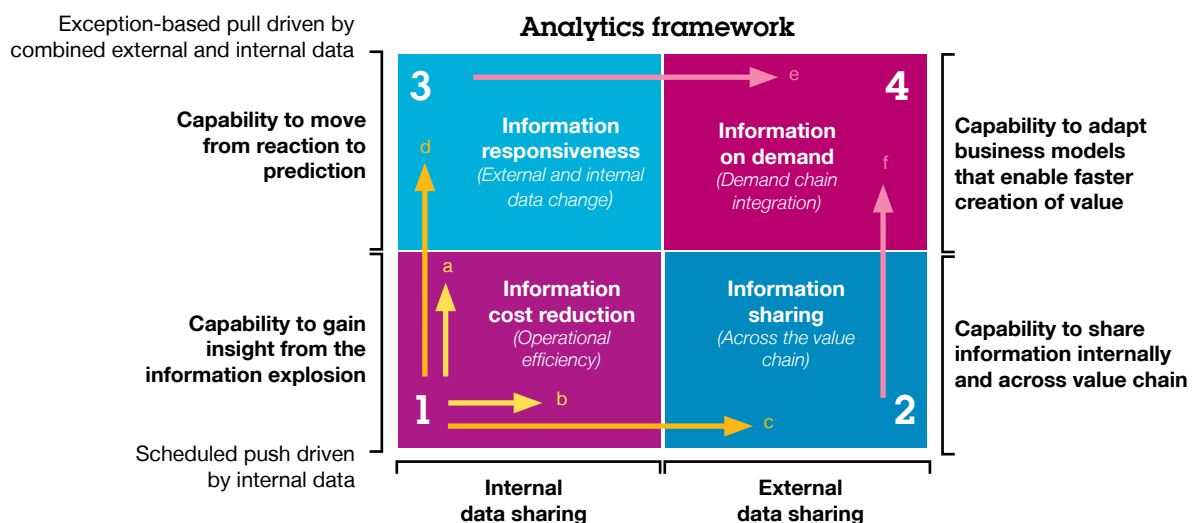
Navigating stages of the analytics framework

We employ a conceptual framework that describes four stages of organizational capabilities and how they are enabled by four customer analytics strategies (see Figure 1). To create a path for growth through the framework, companies have to navigate the different stages. Experience has taught us that – typically – leaders and innovators intuitively understand that they should only "bite off what they can chew."

In Figure 1, cost reduction strategies are characterized by the a and b arrows. Leading companies seek to move beyond the boundaries of quadrant (1), improving effectiveness as characterized by arrows c and d. From a starting point in the lower-left quadrant (1), we observe that most organizations choose to drive strategic change by making a move to the lower-right quadrant (2) or the upper-left quadrant (3).

1. **The capability to gain insight from the information explosion and develop deeper customer understanding.** These organizations are applying a *customer analytics strategy to gain information cost reduction.*

2. **The capability to share information internally and across the value chain.** Organizations in stage two must have a clear customer analytics strategy that enables *information sharing*.

3. **The capability to move from reaction to prediction.** The third customer analytics strategy within the framework shifts toward enabling *information responsiveness*.

4. **The capability to adapt business models that enable faster creation of value.** In the fourth stage, the most successful marketing organizations execute a strategy that enables *information on demand* and an analytics-driven approach called multichannel next-best action (MNBA).

Source: Teerlink, Marc. "Turning Data into Dollars, Consumerism and Beyond." Ongoing research in cooperation with leading U.S. and European business schools. 1995-2011.

Figure 1: **Analytics strategies that successfully enabled the realization of growth-driving organizational capabilities.**

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Managing change: Ready for the pay off?

An analytics-driven transformation isn't a one-step trip; on the contrary, it is an ongoing journey with a series of destinations – each a staging post for the next. Along such a journey, many questions will emerge. Companies must be prepared to make the numerous changes – both in processes and corporate culture – that are required.

Once a strategy is in place, the next challenge is successfully executing that strategy. A governance checklist can assess current organizational capabilities and help companies more reliably determine the value and priority of customer data-related projects. Whether you are in stage one of the framework or well beyond, the tool could provide answers to help further propel your organization down the path toward customer analytics-driven growth.

How can IBM help?

IBM can help your organization transform its use of information through the following Business Analytics and Optimization services:

- **Business analytics and optimization strategy** – Realize business objectives faster with less risk and at a lower cost by defining and helping to implement improvements in how information is identified and acted upon.
- **Business intelligence and business performance management** – Improve decision making with relevant, actionable and timely information.
- **Advanced analytics and optimization** – Improve operational efficiency through the use of analytics, data mining and statistical models.
- **Enterprise information management** – Achieve data integration between disparate systems to improve business processes, decision making and total business performance.
- **Enterprise content management** – Reduce processing cycle time, improve customer service and compliance, and establish agility and flexibility with the technology and processes to capture, manage, store, preserve and deliver unstructured content.

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Notes and Sources

1   "Bringing big data to the enterprise: What is big data?" IBM Web site.
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2   Friedman, Thomas L. "A Theory of Everything (Sort of)." T*he New York
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3   Shmueli, Galit and Otto Koppius. "Predictive vs. Explanatory Modeling
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