

IBM Institute for Business Value

Benchmarking data demonstrate the benefits from cross-channel visibility into customer interactions



The data explosion and channel proliferation are key opportunities to leverage analytics

Overview

The IBM Institute for Business Value provides a business process benchmarking service that helps clients measure their current state and compare their performance against peers; these benchmarking services can be provided as part of a process transformation initiative or similar engagement.

A recent benchmarking program survey of 800 sales and marketing managers provided insights about their organizations' practices and performance. Statistical analysis of the data provides an indication of the benefits an organization can gain through superior cross-channel visibility into customer interactions.

Separately, IBM conducted interviews with more than 1,700 Chief Marketing Officers (CMOs) to capture key issues and trends they are facing, and how they are responding to those challenges. This paper references some of the key findings from the CMO Study related to channel proliferation, the explosion of data, and companies' ability to leverage that data using customer analytics.

Today, businesses have an unprecedented opportunity to understand more about their customers than ever before. Yet, ironically, the sheer volume of customer data available via different channels can quickly overwhelm companies seeking to uncover meaningful insights about customer preferences, behaviors and trends.

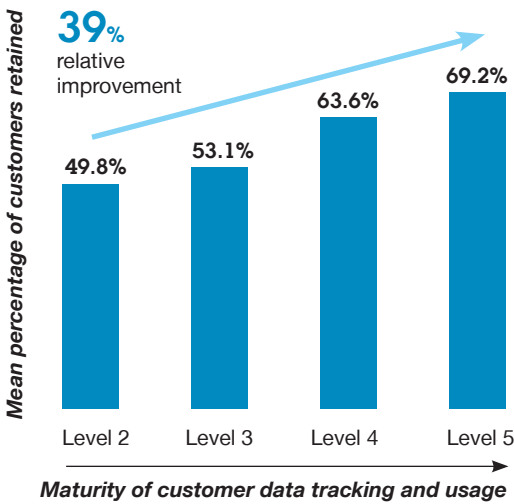
The 2011 IBM Global Chief Marketing Officer (CMO) Study revealed more than 70 percent of CMOs believe they are underprepared to manage the data explosion marketing is facing. Furthermore, 61 percent think the growth of channel and device choices will be among the top market factors impacting their marketing function. But, as many as 65 percent confess they are underprepared to manage this, as well.¹

Clearly, if marketing is to capture data across channels – traditional and new digital ones – it needs to have the right analytics tools and skilled data analysts and strategists to put customer data to good use. Keenly aware of their gaps, the vast majority of CMOs interviewed (more than 80 percent) plan to increase their use of customer analytics in the next three to five years.²

A benchmarking study from IBM demonstrates those companies that successfully capture cross-channel customer data and use it effectively are far more likely to reap the benefits of increased customer retention and sales.



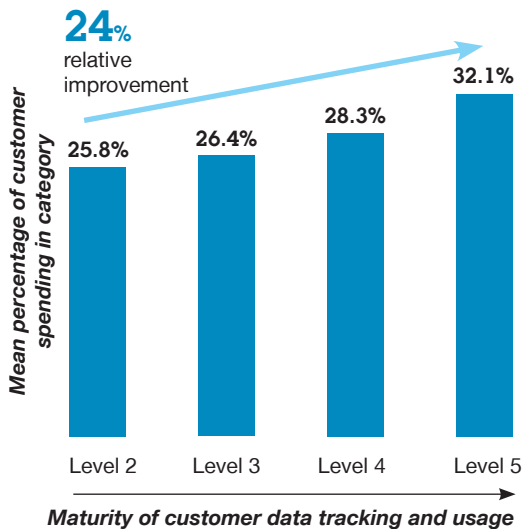
Three-year customer retention



Notes: Coefficient of correlation = .299 Significance = .000 (less than .05 statistically significant). N = 371.

Figure 1: Comparison of average three-year customer retention within each level of maturity for customer data tracking and usage.

Customer wallet share



Notes: Coefficient of correlation = .143 Significance = .002 (less than .05 statistically significant). N = 488.

Figure 2: Comparison of average customer wallet share within each level of maturity for customer data tracking and usage.

Eight hundred sales and marketing managers were surveyed in early 2011, providing information about key practices within their organizations, as well as key performance indicators. Respondents were from a variety of industries including retail, travel and hospitality, banking, insurance, communications, and media/entertainment.

Statistical analysis of the data revealed that respondents with better cross-channel visibility into customer transactions, and better ability to analyze and present that customer information to sales staff in a usable format during the sales cycle (as well as information about their own products or services), tended to have better outcomes for customer retention, customer wallet share, and cross-sell/up-sell rates.

Organizations with better cross-channel visibility into customer transactions reported higher customer retention and wallet share

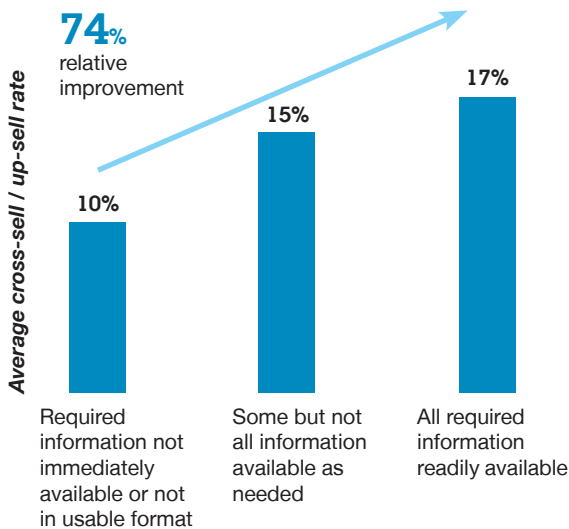
Respondents who reported better tracking of customer transactions, and better visibility into these interactions across all channels, tended to have higher customer retention (see Figure 1). Those at the highest end of the continuum, with all activity details and communications, including teaming with external partners, visible across all channels, had on average a three-year customer retention of 69 percent; this compares to an average three-year customer retention of 50 percent for respondents at the lower end of the scale, who had information and analysis only at the departmental level (a relative improvement of 39 percent).

In addition to retaining more of their customers, those respondents with better tracking, monitoring, and measuring of customer interactions, also reported capturing more of each customer's spending in the relevant category. Respondents with the best and most integrated visibility into customer transactions reported an average customer wallet share of 32 percent, while those at the lower end of the scale had an average of 26 percent (see Figure 2).

Maturity level descriptions for customer data tracking and usage, in descending order of maturity:

- **Level 5:** All activity details and communications, including teaming with external partners, are available across and between all channels, such that we can seamlessly monitor customer interactions across our entire enterprise.
 - **Level 4:** Enterprise wide, we track customer interactions across channels, and we use this as an input to continuous improvement. Customer activities on one channel are visible to all channels in a timely manner.
 - **Level 3:** We have an enterprise-wide program to track interactions and evaluate outcomes. We are able to understand all customer activities across channels in a single view.
 - **Level 2:** Departments or business units are responsible for broad tracking and analysis of customer interactions.
 - **Level 1:** Some efforts are made to track customer interactions and understand pain points. Customer activities are logged by channel. **
- ** Level 1 omitted from graphs due to limited sample size.

Cross-sell / up-sell rate for inbound contacts



Availability of customer and product info in sales cycle

Notes: Coefficient of correlation = .171 Significance = .003 (less than .05 statistically significant). N = 305.

Figure 3: Comparison of average cross-sell/up-sell rates within each level of maturity for availability of customer and product information during sales cycle.

Organizations with better availability of customer and product information during sales cycle reported higher cross-sell/up-sell rates

While it is critical for companies to understand their customers, it is equally important that the sales staff understand the company and the products and services it offers. Respondents who indicated that all required customer and product information was immediately available during the sales cycle, reported on average a cross-sell/up-sell rate of 17 percent, compared to 10 percent for respondents who reported that required information was generally not available or not in a usable format (see Figure 3).

The findings from this study provide an indication of the value of benefits realized from better visibility into information. Of course, it is not sufficient simply to capture transactional data. The data must also be structured in a way that permits analysis across the entire enterprise and across channels; and the organization must integrate the results of predictive analytics into their decision making processes and sales cycles. Results from the CMO study suggest outperforming organizations are more likely to use data across all points in the customer life cycle.³

To learn more about the IBM Institute for Business Value Benchmarking Program, visit ibm.com/iibv.

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October 2011
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Notes and sources

- 1 IBM Institute for Business Value. “From Stretched to Strengthened: Insights from the Global Chief Marketing Officer Study.” October 2011. www.ibm.com/cmstudy2011
- 2 Ibid.
- 3 All references to outperforming and underperforming organizations in the 2011 Global Chief Marketing Officer Study are based on how CMOs assessed their own enterprises. For more detail on that methodology, please see the full report at www.ibm.com/cmstudy2011



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