

## Understanding Hearts and Minds

***Taking a strategic approach to customer intelligence can result in a range of benefits, says Dorothy Kelly***

As the recession continues and with marketing budgets under sustained pressure, now is a good time to assess the value that can be released from a company's most valuable existing asset - its customer base. In a shrinking economy and with less opportunity to win new business, a company's existing customers are the key to its survival as well as being the cornerstone of all future potential growth.

At a recent British Retailers Consortium conference, the CEO of Tesco, Terry Leahy made the point that being customer-centric and doing all you can to develop loyalty becomes vital in a global downturn like this. The Tesco case study is well known - the foundation of their success is in the recognition that understanding customers is integral to releasing their value.

Customer intelligence helps you answer key questions such as who your company's most valuable customers are; what they need from your business; how your company's proposition meet their needs; how are they behaving now and how would you like them to behave in the future; as well as the underlying thoughts, beliefs and values that underpin their behaviour.

Traditionally, companies have depended upon market research to answer these questions but how effective has this method been? Even with the best of intentions, research is often commissioned on an ad-hoc basis and is frequently used for one purpose only, or forgotten about as soon as it is delivered. As market research budgets are slashed in many companies, now is a good time to review and evaluate how that spend can be used more effectively and how it can be made to work harder for your business.

Before research is commissioned, it is imperative to hold a review meeting to build a gap analysis of the customer understanding needed to meet your business objective and what already exists in the organisation. This can take the form of previous research studies, secondary research reports, business intelligence reports and the tacit knowledge that every organisation has stored in the heads of employees.

The simple act of building a matrix consisting of the key questions to be answered and the existing sources of information available, identifies if research is actually required. If there are notable gaps in your knowledge, then the matrix and questions help to focus brief definition and ensure that you end up with a more valuable output. There could be value in including your market research provider in these sessions - the more context they have, the better the end result.

### ***From the inside out***

Customer analytics is another means of answering these questions. In larger organisations, if such a function exists in within the business, it often sits within operations and is used only to respond to customer issues or resolve technical issues. There is often untapped potential sitting in the various pieces of data generated by your customers' interactions with your organisation. Analytics can give you a view on what segments of customers you currently have, their value to you, the costs associated with dealing with them, how they behave, how they use your products and how they interact with you. Advanced analytical techniques can also be applied to your data to predict how customers will behave in the future or identify their propensity to respond to your marketing activities.

To generate true customer intelligence it is important to combine good quality research with customer analytics. This helps build a holistic view of the customer in terms of their stated behaviours and beliefs, as well as their actual behaviours and interactions with your organisation. There are also other sources of information that can be relatively cost effective such as secondary or syndicated research, customer closeness exercises such as shadowing retail staff and internal focus groups with customer facing staff. The combination of these various sources of customer intelligence can act as the catalyst for generating genuine customer insights.

Customer insight is a much used phrase, but how do you define an insight? It is not a flat fact or figure, for example, the number of customers who use a certain product or what percentage of your customer base left you for the competition this quarter. Instead, it is a key customer truth that you can act upon in order to change customer behaviour. It goes a lot deeper than the output of standard research or analytics.

The FMCG sector has been the forerunner in embracing the concept of customer insight for communications and proposition design. Companies such as Procter & Gamble immerse themselves in consumers' lives and homes to generate insights that form the foundation of the product development and communications to their customer. For example, they reinvented the nature of fabric conditioner advertising with their Lenor 'First Day at School' campaign. This signalled a move from the 'man in white coat' approach to communicating product benefits such as linking the smell of fabric conditioner with a mother's need to be close to their child even when they are not physically with them.

A powerful means of generating customer insight is to hold cross functional workshops using sources of customer intelligence from various perspectives as input. Creative and lateral thinking techniques are used to turn the intelligence you have on its head, combine unusual sources and identify hidden gems. A great example of this is the insight behind the controversial Pot Noodle campaigns. Unilever embraced the insight that people viewed Pot Noodle as something 'dirty', but suggested this is what makes it irresistible. This campaign works due to the combination of the intelligence regarding who the market for Pot Noodle is, i.e. groups like students and young males, as well as the general attitudes to the product as a food. Rather than trying to ignore the low end view of Pot Noodle or to change this attitude, Unilever grasped a negative to make it a key insight.

### **The bigger picture**

To move to a holistic view of customer intelligence, marketing staff, market researchers and data analysts need to work closely with one other. This can be a challenge as each area learns how to communicate with one other and understand how the different areas work. Technical data analyst resources need to start thinking like marketers and marketers need to appreciate the value of customer understanding from sources other than market research. There will be effort involved in getting the structures set up to building holistic intelligence, but there are many potential benefits, including the following:

- **Cost effectiveness:** Building the gap analysis approach to research design ensures that you re-use research that has been run in the past. As research re-use becomes part of how you work, marketers will find that they start to define briefs in the context of the future value of the research rather than being one use only. The bringing together of market research and analysis ensures research is designed in context and is not used to answer questions that can be address through potentially less costly analytics

- **Holistic understanding:** The bringing together of multiple sources of customer intelligence helps marketers to develop a 360 degree view of the customer. For example, a piece of research may indicate that there are key requirements in terms of meeting a certain segment of customers' needs. However, analysis of your customer data may reveal these types of customers tend to be low value with a high cost to serve. The combined understanding of the customers' value and needs can help inform your strategy for that segment
- **Insight:** The changes discussed here enable you to move from reactive ad hoc work that addresses narrow business objectives, to proactive , genuine, insights generation.

Finally, when you have generated all this fantastic customer intelligence and insight, what do you do with it? The key question to ask of every piece of customer information is 'So What?' Fascinating facts may have been generated as part of the process but this is not an academic exercise. It is important to build your action plan from the intelligence and insight. This can start with insight driven proposition development and end with your operational plan as to how the proposition will be marketed. This plan will define:

- Who you are targeting
- Why they would be interested in the proposition and the insight behind it
- What you are targeting them with
- When you will target them

To conclude, now more than ever it is vital that you sweat the asset of your customer base. In the current environment, if you can't win new customers, you need to make the ones you have more profitable for your business. The generation of customer intelligence helps build strategies, propositions and campaigns based on customer understanding. Approaching the answering of customer questions with a clear process that involves the use of a range of sources is cost effective, provides a 360 view of the customer and can help generate insight. There will be effort involved in establishing the structures and developing new perspectives in staff, but this ultimately will result in the benefit of true customer intelligence. The long term effectiveness of adopting a strategic approach to customer intelligence will be seen in reduced costs, better insights and increased customer retention – not a bad first step in starting the fight-back against the recession.

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