



Controlling Access

Analytics isn't just about marketing any more, it goes under the name of customer insight and should be applied to service, sales, risk management, product development and many other functions. James Lawson asks, if you want to apply customer intelligence across the company, then who should run the show for maximum business benefit?

Throwing money at a problem is seriously out of fashion. As any management consultant will tell you, think first about how you will get value from your investment. This applies to spending on corporate customer insight (or analytical CRM if you prefer) as much as it does to any other infrastructure investment: effective management of initial change is essential while ongoing success requires clear communication and trust. Software purchases should be relegated to the back of the queue.

Walking before running

The potential for analytics, properly applied, to influence corporate strategy and departmental tactics is impressive, but considerable effort will be needed to transform the results of different kinds of analysis into real changes in the way the company does business. Apart from anything else, persuading all involved to fall in line is a huge political challenge.

There's no doubt that effective use of customer analytics can make a huge difference to the bottom

line, particular in the largest b2c businesses. Myriad examples bear that out, from reducing attrition and cutting outbound mailing costs to cross-selling in the call centre or even adding the value of the customer base to the balance sheet. An improvement in retention rate of just one or two per cent over 12 months could be worth hundreds of millions of pounds in extra income to one of the UK's four leading mobile telcos, for example.

"People are now starting to move away from cutting costs to starting to look at increasing revenue," says John Radcliffe, analyst for Gartner. "There are still some negative views towards the term CRM but the idea of analytical CRM is very hot, at least judged by the number of hits on our server for that subject. It's seen as something that is linked to a corporate-wide need for analysis."

Analytics itself ranges from simple concepts such as reports and reporting to more complex work like profitability scores, data mining and real-time personalisation across multiple channels, but customer

insight isn't just about analysing the customer database, it can encompass market research, sales and service information, and much else besides. The theory is great, as CRM theory often is but, given that this capability can be justified and built, perhaps in the form of some kind of central function, how should it be administered to best effect?

In *Customer Insight Management and Communication*, a recent report by Steve Wills and Sally Webb of Strategic Research, the authors state that what is needed is a transformation of the role and perceptions of Customer Insight in order to bring the right information to the right people at the right time and in the right format. "The most important step is to recognise the need for a Customer Insight Management role," they say. "It must be a high level, pro-active role, where insight is actively generated, coordinated and distributed throughout the organisation, and where it is resourced to generate maximum return on investment."

The role is likened to that of an IT director that should first look to where systems, software and data can provide competitive advantage and then make sure they are procured, installed, adopted and maintained. The notional leader of Insight Management would do the same: identify where insight can improve business performance, and to then ensure it is supplied and used. The department with the best customer database, that is, the one containing cleanest single customer-referenced data, will often find itself as the *de facto* guardians of insight.

"Multichannel data collection has exploded and has created a whole set of new jobs which are needed to manage its coherent application," says Chris Duncan, managing director of Alchemetrics. "If you control the data, you probably control the analytics and in the majority of companies, it's still the marketing director who owns them."

The marketers are also usually the most skilled in pulling value from customer data and, with some good targeted marketing results under their belts, are often in the strongest position to become the evangelists for data within an organisation. But their appetite for the contest is often in doubt.

"Data literate marketing directors are still rarities, so they often don't have the interest to push it," continues Duncan. "Three layers down you may have the data manager who doesn't have the clout to push it, so it gets lost. Even the largest companies with customer insight departments aren't as focused as you'd expect."

Aside from start-up companies that can begin with a clean sheet, the legacy of years of "siloes" activity often leads to a variety of tactical analytics implementations spread across different departments and in diverse channel applications. Pulling

these together and trying to control them centrally is a major task and, in many cases, may not be feasible or even a desirable goal.

"Realistically, analysis will end up in a few different places in most companies," says Alterian's managing director David Eldridge. "Most of the work could be done by marketers themselves, with maybe some of the work building propensity models given to internal stats people. You have to ask, what is the primary use of the data? If you do it centrally, there is a risk of creating a system that isn't optimal for anyone."

Empire building

Mamdouh Refaat, director of professional services for Angoss Software, again points out the importance of ownership to the success of analytics deployment. "We always ask managers who owns what in the data mining process, aside from the technical side," he says. "It works well when the technical manager is one of the marketing director's subordinates, for example. If he is his equal, it doesn't. If one person is responsible for everything, it works better because they focus on their own issues and agenda."



You can take the carrot and stick approach to make sure that analysis is properly used

Mark Robinson, director,
Marketing Databasics.

Splitting the sponsorship and ownership of an analytics project and widening its application therefore increases the risk of failure. Though marketing does often take the corporate lead, activity that looks like political empire building certainly can be dangerous – another reason for a centralised insight function to be given board level authority. Radcliffe highlights the difference in culture found in high volume b2c companies, where marketing is more involved in directly driving revenue, and in b2b operations where the sales team holds the balance of power.

"This tends to lead to conflict," he says. "If sales people are targeted with product-based incentives and the marketing department are saying, 'but we don't want you to sell those products to those people because they aren't profitable', in the long term or perhaps because of returns, they are likely to be told, 'who are you in marketing to tell me what to do?' It is only in the most advanced companies that it is getting to be channel or function neutral."

Financial services companies are generally



Realistically analysis will end up in a few different places in most companies

David Eldridge, managing director, Alterian.

acknowledged as the leaders in using insight. With experience in applying measures such as credit and high volumes of potentially valuable customers, they will already have analysts working in-house. However, this doesn't mean that insight is used correctly. Culture clashes between the "mad scientists" focusing on building the perfect model and the sharp-suited marketers that want to get that campaign out of the door on time are notorious.

"The most successful companies are where analysts and marketing are on a par," says Mark Robinson, director of Marketing Databasics. "There has to be a free flow of information between them and marketing has to listen to what the analysts are saying, otherwise there is wastage." He emphasises that to make this happen, the right incentives have to be in place.

"In one general insurance company, their business measures are wrong," Robinson adds. "They are currently volume-based which makes it extremely difficult to change marketing's point of view. They are still trying to win the argument about targeting effectively. Analysts have to raise their credibility and sell their skills internally, just like an external supplier would."

Making the leap to centralised insight becomes harder as the size and complexity of a company increases. "There's a point at which analytical and certainly operational CRM is beyond you," says Duncan. "It's hard to control and there's no point in doing it unless it's actionable."

Refaat describes how multinationals such as American Express, Visa and Citibank use a two-tier insight model to cope with their widely distributed operations. "The corporate analytical department builds a general customer segmentation with very few variables and indicators that is enforced on the whole company. Small groups in each country can use the corporate scores as starting points for their models. You can see this happening slowly."

In order to instill intelligence in large operations, Robinson offers the novel idea of an internal market. "You can take the carrot and stick approach to make sure that analysis is properly used," he says. "If your marketing budget started to diminish because you weren't taking the right approach then it would concentrate the mind a tad."

But traditional incentives are often set against the use of insight rather than encouraging it. "You often see marketing managers rewarded for acquiring new

Mixing and matching at ING Direct

With control of the analytics process in safe hands, those in charge can then concentrate on delivering analysis and

reporting to different functions across the company. With the advent of low cost, high bandwidth links and technologies such as .NET, it is becoming ever easier to build a mix of in-house capabilities and outsourced services that appear as one homogenous system to users. This applies particularly to well-developed outsourced applications like entering and transferring response data from fulfilment houses back to clients and in offering access to remotely-hosted customer databases.

A good example is financial services start-up ING Direct's use of ClarityBlue's outsourced Customer Intelligence Platform (CIP) to get its direct marketing prospecting up and running. Launched in May last year, the UK subsidiary is the eighth to be set up by its Dutch parent.

"We're a small company and very focused on our cost base," says customer database manager Desmond McDaid, adding that the company's costs are around a quarter of the typical high street bank's. "Going into a mature market, we're very focused on acquisition and gained 250,000 customers in the first six months of operations."

Above-the-line work has taken most of the budget in order to build the brand, but, "as we have become slightly more mature, we have moved into DM and online marketing," says McDaid. "DM has been a very successful channel for us. But when some lists worked better than others and we tried to buy similar ones, we ended up continually list hunting. ClarityBlue has all the names in one place."

With only a few campaigns under their belts, work so far has concentrated on profiling responders

using the variables contained on the CACI PeoplesUK data set, and using those profiles to select new prospects. "It means you're comparing apples with apples," says McDaid, "and it's an opportunity to learn for us."

Consultancy support comes from both ClarityBlue and CACI, while the CIP also offers built-in modelling, mapping and reporting functions delivered as part of the ClarityQ suite. All data and applications are remotely hosted and accessed online. "We do daily reports ourselves on response and cost," says McDaid. "We get a fortnightly report on responder profiles which gives you a very good idea of the kind of people we're pulling in. We can look at the different types of offer they are responding to and try different types of offer."

Some third party lists are used for triggering communications which are easily added to the prospect database, according to McDaid. The outsourced operation will link with the in-house customer database now under construction. This has its own reporting and analysis infrastructure and will support cross- and upsell offers. "We'll pipe extracts from the customer base to the ClarityBlue system to look at profiles," says McDaid. "We only have one product to cross-sell so it's not a major issue at the moment. We're building up the armoury of the tools we want and will definitely build our own models." The control of the insight function is, "very much in marketing at the moment," states McDaid, "but we work hand in hand with service."

customers and not retaining old ones, so retention is not a priority," comments Refaat. "You need to know who gets the reward for it, who gets visibility because of the success of a data strategy."

So setting up an insight department won't, on its own, make any difference at all. In their report, Wills and Webb float the idea of a parallel company, with its own sales, marketing and service functions, whose task is to "sell" insight to the rest of the business. In one example, the Insight team tethered invitations to a key presentation to balloons and left them on the desks in the marketing team department; attendance was excellent.

Making the change

The Britannia Building Society is a leading example of an insight-driven company and has won numerous awards for its customer management programme. The central CRM system holds all personal, product, contact and marketing information for its 2.1 million members and is used by over 1200 staff across two head offices, the call centre and 188 branches.

"CRM is taken very seriously at Britannia," says senior CRM manager Dave Crawshaw, who heads up the department and who also has a seat on the board. "Because of the direction we were moving in with a corporate focus on the customer, it made

sense to put CRM on its own and give it a clear role or it would just be absorbed into everything else that was going on. You've got to have vision and planning to succeed. We work as a team with marketing and we're also a support group for service."

The results of analysis – in the form of a core behavioural segmentation along with other scores from a variety of models – are deployed in direct mail programmes, through telemarketing and in the branch. Crawshaw emphasises the need to train people highly and to evangelise the benefits of new systems and processes to make sure that they are accepted. A series of UK tours were made to encourage branch staff to use the CRM system and also to feed back the results of interactions to help improve the system. By showing what the feedback was used for and offering bonuses for leads, staff realised the benefits of working with the analysts.

Applying insight at a large organisation is not a trivial task but more successful examples like Britannia are appearing. As in all business, final success depends on good management and real changes are slow in coming. "You hear about segment managers from CRM vendors but it's not really happened yet," says Refaat. "You might have different job titles but you look at the structure and see the same old tree. It's still the manufacturing model, not customer-centric." ■



You hear about segment managers from CRM vendors but it's not really happened yet

Mamdouh Refaat, director of professional services, Angoss Software.

THIS ARTICLE
ORIGINALLY APPEARED IN

database
marketing

Database Marketing is the only UK magazine that covers the tools and techniques used for both business-to-consumer and business-to-business customer management today. Every month, it addresses critical topics like customer retention, profiling and segmentation, data selection, site location and campaign management through a combination of regular software reviews, articles and opinion. If you want to know more about tools like data cleansing packages, OLAP analysis software and GIS, this is the magazine to read.

Not afraid to mix data warehouses with targeting or statistics with geodemographics, *Database Marketing* bridges the gap between sales, service, marketing and IT to inform both those that work directly with these tools, techniques and data, as well as board level executives that have to decide which systems and services to choose for their company.

Why not register for a free trial copy?

For a sample issue:

Contact 0115 989 5445 or email
info@dmarket.co.uk.

Visit www.dmarket.co.uk for more information and to register online.