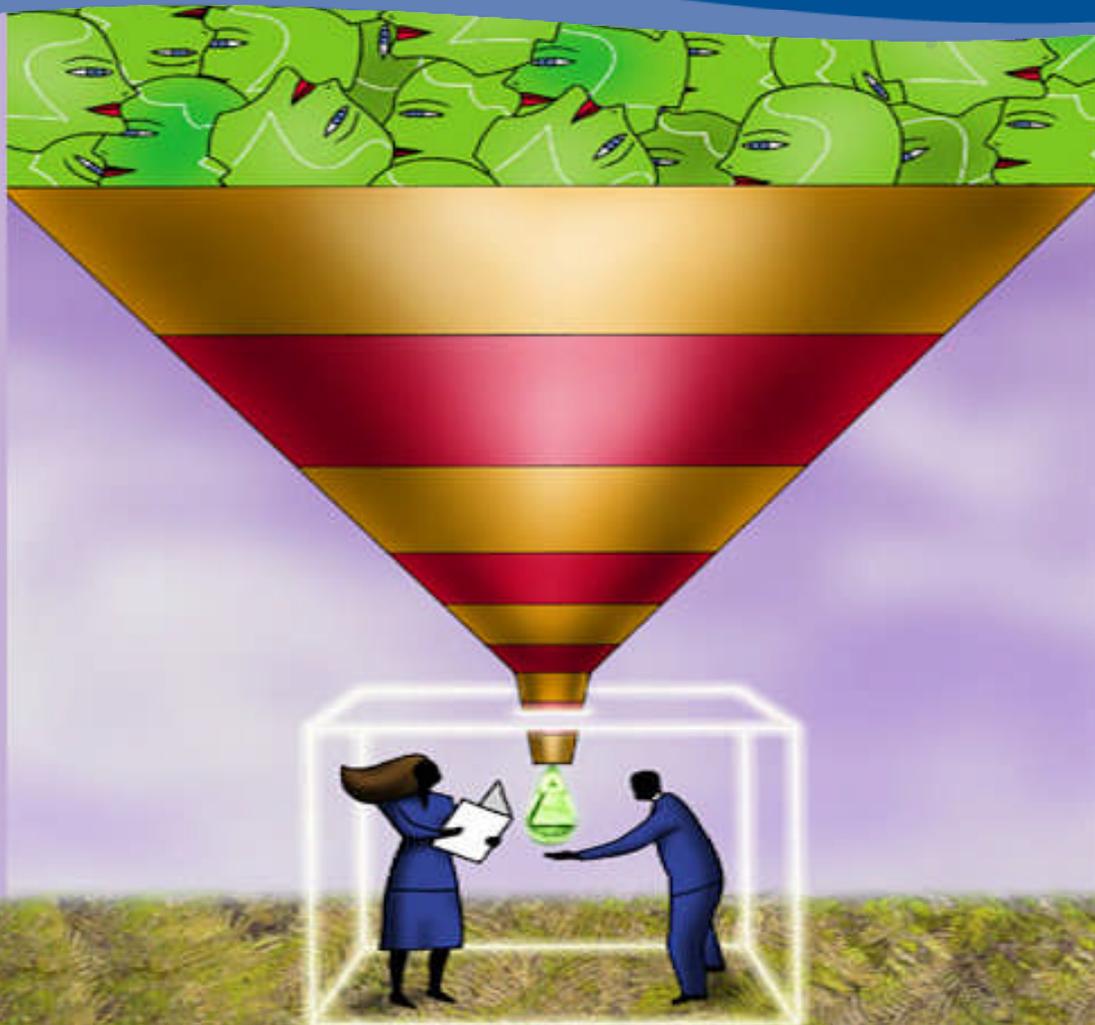


How companies use customer insight to drive customer acquisition, retention and development: an exploratory multiple case study

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Table of Contents

1. Executive summary.....	1
2. Introduction	5
2.1. Why this topic is so important	5
2.2. Specific purpose of the project.....	6
2.3. Definition of terms.....	6
3. Method	7
3.1. Selection process	7
3.2. Interview schedule.....	7
4. Findings	9
4.1. Case overviews	9
4.2. Types of data collected.....	11
4.3. Types of customer insight generated	21
4.4. How customer insight is being actioned.....	33
4.5. Organisational context.....	40
5. Discussion of findings.....	48
5.1. Theoretical framework for actioning customer insight	48
5.2. Reflections on each case.....	48
5.3. Relationship with previous literature	52
6. Summary and implications	56
6.1. Summary	56
6.2. Implications for practitioners	56
7. Bibliography	58

Table of Figures

Figure 1: Framework for actioning customer insight	48
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Table of Tables

Table 1: Types of data collected in the customer insight generation process	12
Table 2: Types of customer data collected.....	13
Table 3: Types of customer insight generated.....	22
Table 4: How customer insight impacts on strategy	33
Table 5: How customer insight impacts on operations.....	35
Table 6: How customer insight impacts on marketing.....	36
Table 7: How customer insight impacts on sales.....	37
Table 8: How organisational context impacts the customer insight process	41

1. Executive summary

The purpose of this research was to explore how companies use customer insight to drive customer acquisition, retention and development and to propose a theoretical model for generating and actioning customer insight. More specifically, answers to the following questions were sought:

- What types of data (inputs) are companies feeding into the customer insight generation process?
- What types of customer insight (outputs) are companies generating?
- What actioning of customer insight takes place and for what purposes?
- What is it about the organizational context that helps or hinders the process of generating and actioning customer insight?

Using the qualitative methodology of case research, 25 in-depth interviews with five UK-based large companies from multiple industries were undertaken.

Findings

Previous studies suggest that customer insight arises from 'multiple data sources' but there is no comprehensive list and the categories identified are broadly described as 'market and customer data'. This study found that companies are synthesizing data from five areas and sub-categories:

1. Competitive data
2. Customer data (interactions; transactions; satisfaction; opinions)
3. Market data (market share; market issues; social, economic & political trends; demographics/population profiles; company profiles; attitudinal data)
4. Employee data (staff feedback; mystery shopping programmes; retail standards audits; service performance data; employee satisfaction surveys; buddy programmes)
5. Channel data

There is very little reference in academic literature to 'customer insight' and there is no clear list of the different types. This research proposed four categories of customer insight:

1. Market predictions
2. Customer segments
3. Propensity models
4. Customer analytics

Only two out of five companies (BT and O2) were found to be making extensive use of propensity models, confirming previous suggestions that most companies do a poor job predicting the behaviour of their customers.

Regarding the use of customer insight, there are no examples of a broader use beyond marketing decision-makers. This study found that customer insight is actioned across six areas:

1. Strategy
2. Operations
3. Marketing
4. Sales
5. Product portfolio management
6. Customer service

From an organisational standpoint, this study confirmed Smith et al's (2006b) finding that leadership commitment is one critical success factor that influences a firm's ability to create and use insight.

Wills & Williams (2004) proposed that insight should be treated as a business, with the Head of Insight taking on the role and responsibilities of a Chief Executive. Post Office was the only case in this study where the insight function was a profit and loss operating unit. However, all cases proposed that having a central insight team was a critical success factor.

All companies agreed that effective communications play a critical role in the insight to action process and all firms invest heavily in this area. This research builds on existing literature (Wills & Williams, 2004) by providing a list of the different types of communication methods deployed, as well as offering suggestions for 'best-practice' communications.

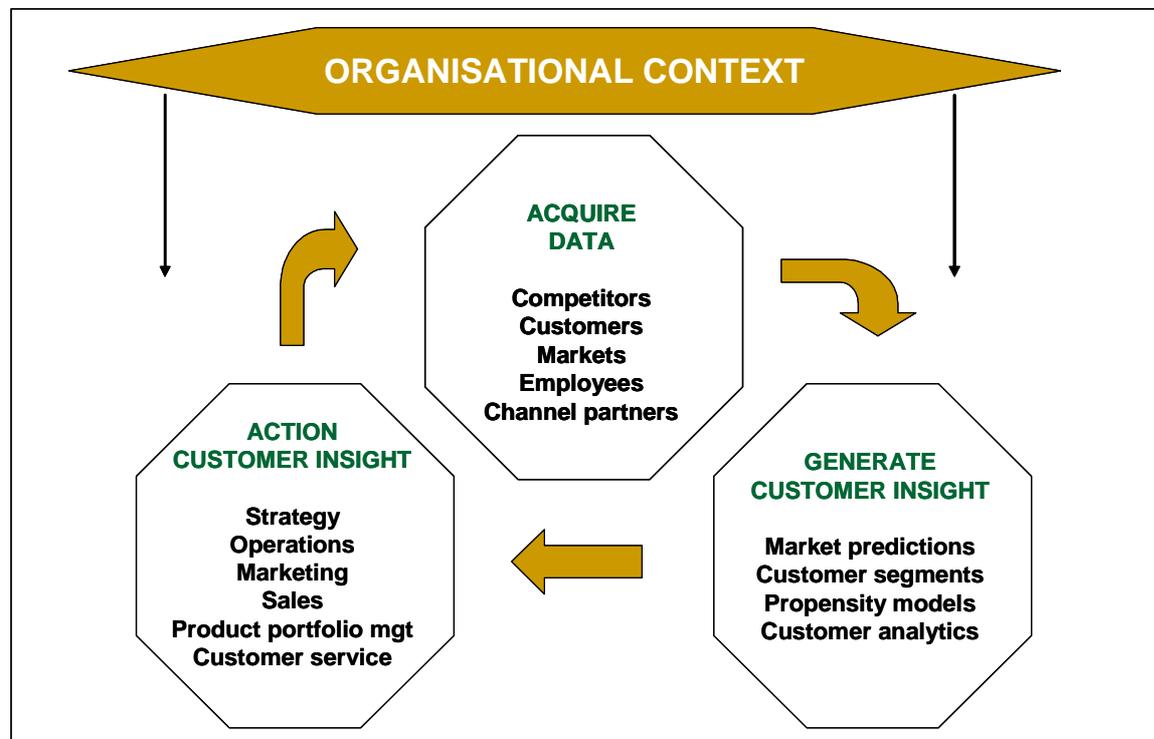
Wills & Williams (2004) concluded that the keys to successful communications were 90% structural and process oriented, with the remaining 10% coming from creativity and presentational techniques. All companies in this study experienced some difficulty in being able to 'operationalise' customer insight and inevitably all firms experienced some process issues. This study builds on existing literature by offering some observations around organisational structure, process hindrances and collective advice for best practice processes for turning insight into action.

Wills & Williams (2004) proposed that the skills required of those responsible for customer insight must include an understanding of business processes and the strategic as well as political skills to ensure that insight is communicated and actioned. All of the case studies agreed with the above findings. More specifically, this study has built on the above proposal by producing a more detailed description of the 'right type of people'.

This study also agrees with Wills & Williams' (2004) finding that corporate culture is a major determinant of the likely success of any insight function and builds on this by proposing a list of characteristics of cultures that are most supportive of the insight process. It also proposes a list of characteristics likely to be displayed by companies whose culture is *not* supportive of the insight process.

Framework

This study proposes the following framework for the generation and actioning of customer insight:



Reflections

This study agrees with Wills & Williams' (2004) proposal that companies that genuinely put the customer at the heart of their business are more likely to be successful at actioning customer insight. In this study, the company with the most customer-centric culture (O2) was the most advanced in terms of understanding and acting upon customer needs. All other firms in the study were moving towards a customer-centric culture and acknowledged that understanding customer needs was a high priority.

Practical implications

In today's environment of fierce competition and intense cost pressures, it is no longer enough to merely acquire, retain and develop customers – the focus has moved to acquiring, retaining and developing the *right* customers. The impact of customer insight is extending well beyond marketing programme dynamism to guide strategy, operations, marketing, sales, product portfolio management and customer service. Organisations therefore need to develop a common understanding of what customer insight is and does throughout the organization. It helps if the organization puts a central insight team in place.

The skills requirement for marketers of the future is changing and analytical skills and thinking are becoming an imperative. All companies in this study practiced event-triggered marketing, which according to Gartner Group yields a response rate five times greater than that of traditional marketing.

Increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound)

How companies use customer insight to drive customer acquisition, retention and development.



is contributing to a growing trend towards inbound marketing. This trend means that the role of customer service agents in the sales process is becoming increasingly important.

Finally, the sales role is changing dramatically as sales people are required to change their focus from product features and benefits to understanding and responding to customer needs.

2. Introduction

2.1. Why this topic is so important

Back in 1954, Peter Drucker (1954) proclaimed that the prime role of business was to acquire, develop and retain customers. This still holds true today, although the prime role has evolved to acquiring, developing and retaining the *right* customers (Kumar & Petersen, 2005). In the race for market share and profitable business growth, it's simply too expensive to market and service *all* customers in the marketplace. The winners will be the companies who use a deep understanding of their customers to market to the right customers, at the right time, through the right channels, with the right messages, taking into account the financial impact of all the relevant decisions.

Unfortunately, understanding who the 'right' customers are is not that easy. As companies have grown they have become further removed from their customers, and in reality many now don't truly know them (Wills & Williams, 2004).

Numerous firms offer specialist technology to help companies manage their customer data and Forrester Research (Aug 3 2005) estimated that \$13 billion would be spent on CRM initiatives worldwide in 2005. Theoretically, firms should be able to identify the "right" customers in the future, understand their needs, predict their behaviour, develop tailored products and propositions and have more relevant conversations with them (Payne & Frow, 2005).

However, Kumar et al (2006) argue that in reality, despite the abundance of data that many companies collect, "predicting customer behaviour is so difficult that companies spend millions inundating – and alienating – customers". The authors argue that the poor predictions cannot be blamed on the CRM systems or the failure of the predictive power of past behaviour. "Rather, the problem lies in the limitations of the mathematical methods most companies use to interpret data." In other words, most companies do a poor job of generating customer insight.

Scase (2004) agrees that "marketers are failing to make the connection between data and insight.....When most brands with databases talk about customers, they really mean the data they have about transactions. Subsequent strategies are based on assumptions made about consumer behaviour based only on those transactions, hence revealing nothing about spending potential."

The problem does not just lie in generating customer insight. Venkatesan et al (2004) proposed that one of the key challenges facing marketing managers today is how to action this insight at the points where the firm interacts with its customers. To compound this problem, today's customers have growing expectations of suppliers, in terms of depth of advice, product and service quality, price transparency, warranty and post-sales service (Knox, Maklan, Payne, Peppard, & Ryals, 2003). There is now wide-spread demand for personalisation and customisation of products and services (Kumar & Petersen, 2005) and customers expect to be dealing with firms that listen and respond.

In today's world, bad news travels fast! The growth of social media such as blogs and online chat rooms means that negative customer experiences spread quickly and widely. Companies can no longer get away with not listening and responding to customers.

2.2. Specific purpose of the project

Despite the importance of the topic, academic research on customer insight is very limited in scope. The purpose of this project is to investigate how companies are using customer insight to drive customer acquisition, retention and development. More specifically:

- What types of data (inputs) are companies feeding into the customer insight generation process?
- What types of customer insight (outputs) are companies generating?
- What actioning of customer insight takes place and for what purposes?
- What is it about the organizational context that helps or hinders the process of generating and actioning customer insight?

These answers will help to refine and build a model for generating and actioning customer insight.

2.3. Definition of terms

Few academic papers attempt to define the term “customer insight” and those that do are imprecise. Practitioners use terms that are not yet defined and addressed in academic literature. Therefore it makes sense to define key terms relating to this topic:

Customer insight

“A detailed understanding of customer profiles and behaviour, drawn from multiple data sources, that is potentially actionable through the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition”.

Actioning

Actioning customer insight is “the use of customer insight for the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition.”

Front line

The ‘front line’ is a practitioner term for staff or computers deployed in communication and/or interaction channels through which a customer can contact a company. For example, the sales force, field service engineers, technical support, outlets, call centres, mobile commerce, web site etc.

Customer Relationship Management (CRM)

“The actioning of customer insight [at an individual customer level], in order to contribute to the acquisition, retention and development of profitable customers”.

3. Method

3.1. Selection process

A case-based research approach was taken, involving semi-structured interviews with four to six interviewees at each of five companies.

The non-probabilistic technique of purposive sampling (Gill & Johnson, 1991), where a certain sample is taken to be representative of the whole population, was used to select respondents. At an organisational level, purposive sampling was used to ensure that 'best practice' companies were selected and at a respondent level, purposive sampling was used to ensure that people responsible for generating insight and actioning insight were represented.

The selection process initially identified 15 companies. To ease concerns about confidentiality, non-competing companies were selected where possible. There was inevitably a degree of convenience sampling, due to knowledge of best practice and considerations of access.

Senior personnel from the disciplines of marketing, customer insight, CRM, call centres and sales were approached via email. Responses to the email initiated conversations to further explore whether the company was an appropriate case study for this research project.

The following five companies were included in the final selection: Barclays, BT (Global Services, Major Customers), Cisco Systems, O2 and Post Office.

3.2. Interview schedule

Twenty five semi-structured interviews took place, each lasting an average of 53 recorded minutes (this does not include time taken to introduce concepts and explain the research process). Three of these were telephone interviews, either due to location or to delays caused by cancellations. The interviews were scheduled at the convenience of the respondents and were undertaken in parallel i.e. one case was not completed sequentially.

<u>Company</u>	<u>Title</u>	<u>Date</u>
Barclays (5)	Commercial Manager, North East*	18.04.06
	Director of Marketing Services	20.03.06
	Head of CRM**	12.07.05
	Senior Manager, CRM Delivery	15.03.06
	Commercial Director, Direct Channels	05.04.06
BT (4)	Programmes & Campaign Analysis (Reporting)	04.04.06
	Head of Marketing Information Management & Systems	12.04.06
	Senior Market Sizing & Segmentation Manager	25.04.06
	Insight Manager, UK Major Customers	04.05.06

How companies use customer insight to drive customer acquisition, retention and development.



Cisco Systems (4)	Market & Customer Understanding Manager	14.03.06
	Head of CRM	14.03.06
	Call Centre Manager	13.04.06
	Head of UK Marketing	25.04.06
O2 (5)	Head of Insight	13.04.06
	Head of UK Channel Marketing	13.04.06
	Head of Real-time Marketing	25.04.06
	Head of Business Customer Service*	18.04.06
	Head of CRM, Strategy & Architecture***	23.03.06
Post Office (7)	Head of Insight Products, Consumer	20.04.06
	Director of Customer Insight	24.04.06
	Head of Insight Products - Business	27.03.06
	Segmentation Manager	12.04.06
	Senior Insight Manager	24.04.06
	Network Specification Manager	11.04.06
	Senior Insight Manager*	26.04.06

* interviews conducted via the telephone, either due to location or timeframes

** interview was conducted last summer as part of a pilot project

*** following this interview, O2 also presented at two events including the Henley Centre for Customer Management. Therefore in addition to the hour interview information was also gathered from two presentations lasting one hour each.

4. Findings

Firstly, a brief overview of each company is provided for context. As the cases were not researched sequentially and the goal was to build and refine a model for actioning customer insight, the findings are written up in sections to best describe the different components of the model:

- types of data being collected, in order to generate customer insight
- types of customer insight being generated out the data
- how insight is being actioned across the organisation
- what elements of organisational context influence the insight to action process

4.1. Case overviews

4.1.1. Barclays

Barclays plc is a UK-based financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. With over 300 years of history and expertise in banking, it is now one of the top ten largest banks in the world in terms of market capitalisation.

Operating in over 60 countries and employing over 113,000 people, Barclays moves, lends, invests and protects money for over 25 million customers and clients worldwide. That includes approx. 14 million retail customers (current accounts, savings, mortgages and general insurance), approx. 566,000 small business customers, approx. 273,000 affluent customers (premier and wealth customers) and approx. 180,000 larger and medium-sized customers. Other businesses include Barclays Capital and Barclaycard.

The UK market has become increasingly competitive – not only with traditional competitors (High Street banks) but also with new entrants such as ING Direct. It is becoming increasingly difficult to acquire and retain customers. When Barclays implemented its first Teradata warehouse in 1992 it was one of the first European banks to develop a specific customer analytics capability.

4.1.2. BT (Global Services, Major Customers)

BT is one of the world's leading providers of communications solutions serving customers in Europe, the Americas and Asia Pacific. Its principal activities include networked IT services, local, national and international telecommunications services, and higher-value broadband and internet products and services. It has approx. 104,400 employees, operations in 70 countries and a turnover of £19.5 billion (year ending March 2006).

In the UK, BT serves over 20 million business and residential customers with more than 30 million exchange lines, as well as providing network services to other licensed operators.

BT's strategy is to build long-term partnerships with its customers. With their support, BT aims to maximize the potential of its traditional business – through a combination of enhanced quality of service, creative marketing, innovative pricing and cost efficiency – while pursuing profitable growth by migrating its customers to new wave products and services such as networked IT service, broadband, mobility and managed services.



BT Group consists principally of four lines of business: BT Retail, BT Wholesale and Openreach (which operate almost entirely in the UK) and BT Global Services, which addresses the networked IT services needs of the top 10,000 multi-site organizations worldwide. This study focused on a division of BT Global Services, looking after approx. 4,700 major accounts (business-to-business), representing between £4 and £5 billion of revenue.

4.1.3. Cisco Systems

Cisco Systems, Inc. is the worldwide leader in networking for the Internet. Founded in 1984 by a small group of computer scientists from Stanford University, Cisco engineers have been leaders in the development of Internet Protocol (IP)-based networking technologies. Today it has more than 48,000 employees worldwide and revenue of \$24.8 billion (fiscal year 2005 ending Jul. 2005).

Cisco has been at the heart of many historic changes in technology, and that continues to be true today. Now, at a time when the technology industry is going through a period of dramatic change, Cisco is the market leader in multiple areas, such as routing and switching, unified communications, wireless and security. The company helped catalyze the industry's move toward IP and, now that it is fully underway, the company is at the centre of fundamental changes in the way the world communicates.

Cisco received nearly 50 awards and accolades for business and technology excellence in 2005 alone, including Fortune Magazine's list of 'most admired companies'.

4.1.4. O2

O2, a wholly-owned subsidiary of Telefónica S.A., comprises mobile network operators in the UK and Ireland, along with integrated fixed/mobile businesses in Germany and the Czech Republic (Cesky Telecom). It is headquartered in Slough, UK, and has more than 35 million customers across Europe (17 million in the UK) and revenue of £3,615 million for the 6 months ended 30 September 2005.

Building on the O2 brand, the company aims to become the mobile operator of choice through a commitment to offering high quality products and services as well as leading customer retention and loyalty programmes. O2 is committed to demonstrating clearly and powerfully what customers 'can do' with new data services, devices and technology.

As part of an enlarged company, the combined entity is the second largest global wireless operator outside of China (in terms of active subscribers) with more than 116 million mobile customers. In addition, the combined group is also the world's second most valuable telecom operator with an enterprise value of €120 billion.

4.1.5. Post Office

Post Office Ltd is a separate company within and part of the Royal Mail Group, a public limited company wholly owned by the Government, employing over 196,000 people in the UK (almost 1% of the working population). Post Office is the largest retail and financial services chain in the UK – serving 28 million customers each week through 14,500 Post Office branches across the country.

Post Office network faces unprecedented challenges. Almost all 8,000 rural branches are loss-making and it takes some £3 million a week to run the rural network, money which comes from the Government's annual £150 million Social Network Payment, approved until 2008. Meanwhile, the network overall continues to make a loss on its operations of some £2 million a week.

A key challenge facing both urban and rural branches is the decline in Government business going through Post Office network. Ten years ago, the majority of business transacted across its counters was on behalf of Government departments. When the Government withdraws Post Office Card Account in 2010 (one of its most important products, used by 4.5 million customers), the network's revenue from work done for the Government will shrink to less than 10% of overall business.

Post Office and its partners offer over 170 products and services. It believes that its business is all about its people and that its technology currently lags behind that of its competitors (it needs to spend around £2 billion on modernising the company, renewing its premises and equipment).

With the switch to payment of pensions and benefits directly to bank accounts now complete, the network has already lost the £400 million a year income it earned from this work. Post Office Card Account has replaced some of this revenue and it has also developed new revenue streams from the development of new financial products, such as car and home insurance, and other new products, such as HomePhone. But there remains a revenue shortfall.

4.2. Types of data collected

When the literature talks about 'multiple data sources' (Wills & Williams, 2004; Smith, Wilson, & Clark, 2006a) providing input into the insight generation process, it only talks about 'customer and market data' and does not provide a definitive list. This study found that companies are collecting data in five main areas: competitors, customers, markets, employees and channel partners.

The following table summarises the different types of data collected. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively. One tick indicates that this data type inputs into the customer insight generation process. Two ticks indicate that (in comparison to the other cases) this data type is extensively collected.

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Table 1: Types of data collected in the customer insight generation process

Category	Data type	1	2	3	4	5
Competitors	All types	√	√	√	√	√
Customers	Interactions/contact details	√	√	√	√	√
	Interactions/expanded knowledge	√	√	√	√	√
	Interactions/activity history	√	√	√	√	√
	Interactions/inbound contact	√√	√	√	√√	√
Customers	Transactions/sales	√√	√√		√	√
	Transactions/bookings			√√		
	Transactions/till data				√√	
	Transactions/product holdings	√√	√√	√	√	
	Transactions/'did u buy' audits			√		
Customers	Satisfaction/General	√	√	√	√	√
	Satisfaction/Competitive		√		√	
	Satisfaction/EDCSM	√√	√	√	√√	√√
	Satisfaction/Service stability				√	
	Satisfaction/Entry & exit interviews				√	√
	Satisfaction/Customer complaints					√
Customers	Opinions/Focus groups				√	
	Opinions/values		√			√
	Opinions/brand trackers		√		√√	√
	Opinions/usage, behaviours & attitudes	√	√	√	√	√
	Opinions/reasons to call		√		√	
Markets	Market share	√	√	√	√	√
	Market issues	√	√√	√√	√√	√
	Social, economic & political trends			√	√	
	Demographics/population profiles	√	√	√	√	√
	Company profiles		√	√	√	
	Attitudinal data			√		
Employees	Staff feedback				√	√√
	Mystery shopping programmes	√			√√	√√
	Retail standards audits					√
	Service performance data	√	√	√	√	√
	Employee satisfaction surveys	√				
	Buddy programmes				√	
Channel	Data from channel partners	√		√		√

4.2.1. Competitors

All five companies collect information on their competitors and see it as a rapidly expanding area due to increased competitive pressures. For example, Barclays has seen increased competition from traditional competitors as well as new entrants. At BT, part of the transformation from 'old style telco' to 'new wave IT networked services provider' is bringing it up against a whole new range of competitors. Post Office's move into financial services has created demand for competitive intelligence in this area.

As well as competitor profiles, some companies have access to richer data. For example, Post Office knows what direct mail consumers receive from competitors and Barclays is able to ascertain competitor product holdings through an analysis of customers' bank statements.

How companies use customer insight to drive customer acquisition, retention and development.



4.2.2. Customers

All five companies use technology to store customer data, although the business model dictates the richness of the data. Customer data fall into four categories: Interactions, Transactions, Satisfaction and Opinions.

Table 2: Types of customer data collected

Interactions	Transactions	Satisfaction	Opinions
Contact details	Sales	General	Focus Groups
Expanded knowledge	Bookings	Competitive	Values
Activity history	Till data	EDCSM*	Brand trackers
Inbound contact	Product holdings	Service stability	Usage, behaviours & attitudes
	'Did u buy' audits	Entry & exit interviews	Reasons to call
		Customer complaints	

*EDCSM = Event Driven Customer Satisfaction Monitor

INTERACTIONS

Contact details: At a very basic level, all companies hold contact details on either prospects or customers for as many channels as possible (name, address, job title, phone numbers, email address etc).

Expanded knowledge: All companies are able to extend basic contact details with information such as company demographics, budgets, responsibilities, and information on the decision-making process. Most companies acknowledged its sales force as a valuable source of additional knowledge, including meeting notes, verbatim comments, next call objectives etc.

Activity history: All companies record outbound activities that 'touch' the customer, for example, sales force visits, marketing campaigns or events.

Inbound contact: This is becoming a valuable source of new data. 'Inbound' is when a prospect or customer approaches the company (as opposed to the other way round). Sources of inbound data are website visits (recorded by every company), and calls to the contact centres (Barclays and O2 are particularly sophisticated in this area).

TRANSACTIONS

Sales transactions: The business model dictates the extent of transactional and revenue data held. For example, those with a direct sales model (Barclays & BT) are in possession of a full transactional history and sales data down to a customer level. BT records approx. 15 million transactions in its Siebel CRM system every day. Post Office has only recently started to collect transactional data since its expansion into other products and service areas. On the whole it still struggles to know which customers have bought what products through its branch network.

Bookings: Due to its indirect model, Cisco relies on its channel partners to identify sales to the end user. Called 'bookings' or POS (Point of Sales) data, it goes through a cleaning, de-duping and matching process to try and identify the end customer based on address or other information supplied. This process also identifies the reseller and distributor. Cisco currently has approx. 350 million rows of bookings data.

Till data: O2 buys into all of the EPOS (till) data, so it knows what's happening in real-time in the marketplace. On a weekly basis it knows the most popular tariff, the best-selling contracts, and who's outperforming which network. This complements its own sales data.

Product holdings: Those companies with a direct sales model have the best information on what products are held by which customers. Since the implementation of a Siebel CRM system, BT now has a holistic view of its customers and the products and services that they've purchased. Barclays is able to go a step further and build a picture of what competitor products a customer is holding elsewhere e.g. lending, mortgages, insurance and savings products. This is possible via a detailed analysis of direct debits, standing orders or payments recorded on bank statements.

O2 knows what handsets its customers have, because the handset transmits an 'INEI number' - a code in the phone that tells you what it is.

Although Cisco does not directly have product holdings information, it does know who has bought a support contract or training services. As a group it is starting to synthesise a lot more information from the business units at the company level.

'Did you buy' audits: Cisco conducts what it calls 'did you buy' audits for all major marketing campaigns that cost more than \$100,000. Outsourced to Hart-Hanks, calls are made to find out what recipients thought of the campaign, whether they bought anything as a result, and if so, what? Also, if they bought something other than what was in the original message, what made them do it?

SATISFACTION

General customer satisfaction: All companies have extensive customer satisfaction programmes involving customer interviews.

BT has a number of continuous research programmes which involve interviews with multiple levels of respondents from UK major customers on a regular basis to find out their perception of BT and what they think about elements of the service that they're getting from BT.

At Cisco, everyone has an element of their compensation tied to the results of an annual customer satisfaction survey, "so it's something the company takes very, very seriously".

At O2, every individual account manager's bonus is linked to customer relationships. Each quarter they carry out a 'health-check' in addition to an external Customer Satisfaction Index (CSI) survey, where an external company sends out surveys to a cross section of O2 customers on a quarterly basis. This is to gain insight into their experience not only of customer service, but a whole range of things like the tariff they're on, network quality, advertising above and below the line, and generally the whole impact of the customer experience. Finally, every new customer is given the chance to participate in a customer satisfaction survey, so that O2 can measure satisfaction from acquisition right through to when they've been with O2 for a long time.

Post Office runs a very comprehensive on-going customer satisfaction programme with both its business and consumer customers, as well as a large number of different ad hoc research projects for specific events, products or audiences.

Customer satisfaction versus competitors: BT also measures customer satisfaction of its competitors in a monthly ongoing survey. O2 benchmarks itself against the competition increasingly outside of its traditional industry.

Event-driven customer satisfaction: All five companies have event-driven customer satisfaction programmes, commonly called the Event Driven Customer Satisfaction Monitor or EDCSM.

Barclays' employs an independent company to call customers who have interacted with a branch and have transacted either a) over the counter, b) with a seller, or c) if they've actually taken on the specific product as well. Feedback on their customer experience translates into scores for each branch and each area across the region.

Cisco always measures and tracks feedback and satisfaction with events or marketing activities, from one-to-one customer sessions through to large events.

O2's monthly EDCSM survey is conducted by an external company and is driven from customer service data. Customers who have contacted O2 within the past two weeks are contacted to find out about their recent experience – "how was the contact handled, how was the call (or email) handled, did it answer your query, did you get the response in an appropriate length of time, did you have to call back again?" The EDCSM is more detailed than the general CSI measure and is much more about understanding the experience – not

How companies use customer insight to drive customer acquisition, retention and development.



just whether the customer was 'satisfied', but whether they would act as an advocate for O2 e.g. by recommending O2 to others. The full results are fed back monthly, with an interim report every two weeks.

Post Office's EDCSM programme also tracks the experience that consumers have had when they have contacted Post Office via a variety of channels e.g. they've gone on the website and looked at travel insurance; they've called a call centre to enquire about Home Phone, or they've done a transaction in branch. The EDCSM method matches the original contact method i.e. if the original enquiry was online, the EDSCM would be conducted via electronic means, or if someone contacted the call centre, they would receive a call to ask them about the experience. If the contact was via a branch, survey teams will conduct the inquiry.

The purpose of the EDCSM is to find out what people thought about the product, did they buy it (or if not, why not) and what their overall experience was. The EDCSM covers people who did *not* make a purchase, as well as those who did. It is as important to find out why people *didn't* purchase and why – did they go somewhere else and if so, why?

The programme covers 800 – 1000 people every month, usually with a particular product in mind. Post Office also has a kind of 'pre-event' customer satisfaction monitor to check how customers feel just before a significant event is about to happen. For example, car insurance customers are called to find out how they feel about the product just before the contract is due for renewal.

Service stability: This summer O2 introduced a 'service stability programme' where a proactive outbound activity team from within customer service call customers on a quarterly basis to conduct a 'health-check' i.e. are they on the right tariff, are their bills OK, are their handsets OK, do they need an upgrade? The team will do their homework in advance, by actively looking for the length of time that the customer's been with O2, to determine if they're eligible for an upgrade. The goal is to proactively offer customers things like upgrades, international travel services or other services that the customer may have either in passing made a comment about, or that O2 can see that the customer's eligible for.

Entry & exit interviews: As well as entry interviews with new customers, O2 conducts exit interviews across a variety of channels (retail, online, customer service) to find out why people have left, where they've gone to, and why they've gone there, and believes "it's arguably more important to know why people have left us than why they have joined us".

Post Office also interviews customers who have left (to get an understanding of what their issues are), as well as customers who haven't, to see what might push them to it.

Customer complaints handling: Interestingly, only Post Office mentioned its customer complaints handling process as "a key area of insight that has a tendency to get missed by some companies".

OPINIONS, BEHAVIOURS & VALUES

Focus groups: O2 takes all of its existing and proposed products and services, out to research and focus groups. The aim is to put them in front of customers and say ‘which one works best for you?’

Values: BT has a Customer Value Management (CVM) programme which looks at what is important to the customer in terms of value. For example, one customer might value a dedicated relationship manager whereas another customer might just want the cheapest price.

Post Office is currently undertaking research to find out what matters most to people in terms of delivery times (having recently moved to one delivery a day rather than two) and where the cut-off points are. From its customer satisfaction survey it was able to conclude that people are more interested in the predictability of the arrival of their post than the actual time, but it didn’t know the cut-off points. The findings from this study will be used to work out who gets the first deliveries.

Brand Trackers: Three out of the five companies studied talked about their brand tracking programmes:

BT has a separate set of customer interviews that look at its brand and marketing communications – to find out how BT is perceived and whether its marketing communications are successfully repositioning BT as a networked IT services provider.

O2 conducts “massive brand tracking and brand perception programmes” so it understands how customers feel about O2. The brand is tracked across all the variables e.g.” how innovative are we? Do we feel creative?”

Post Office has a continuous brand and advertising tracker, which covers approx. 720 ‘UK national representatives’ face to face each month. It is used to look for themes, to track spontaneous consideration of products or to evaluate the success of specific initiatives. For example, last year Post Office was trying to get its branches to focus more on selling, so it asked questions like “were you sold to, were you offered other products and services while you were in the branch?” There is also a whole list of prompted questions around product attributes, and uncovering of opinions about new services launched versus competitor products e.g. how do people feel about Post Office credit card, versus the Virgin credit card or the Halifax 1 credit card. There are also more traditional ‘awareness and preference’ questions i.e. have people seen the TV ad and what did they think of it.

Usage, behaviours & attitude: All companies undertake research to understand buyer behaviours, product usage and attitudes. For example, Barclays analyses transactions to identify behaviour patterns e.g. which cash points students use on a Friday night in Newcastle and BT uses buying behaviour to help it determine which customers might respond better to email rather than face to face or other media.

How companies use customer insight to drive customer acquisition, retention and development.



O2 makes good use of its billing data to uncover product usage and behaviour patterns. For example, are customers phoning premium rate numbers, are they roaming abroad, are they using the phone for business or pleasure? If they've bought a new product, are they actually using it? This is linked to attitudinal data from its satisfaction surveys – what customers think about particular products, what they like and don't like etc.

O2 uses various methodologies to investigate shopper behaviour - to understand how people shop, why they like to shop, the decision hierarchy, the triggers and what's happening all around that point.

Historically Post Office's travel and leisure team has undertaken an annual U & A study to understand the travel market e.g. understanding where people are going for travel insurance, what's changed over time, what channels are they mostly using. Now it's more tied up with their work in understanding the customer experience i.e. how did they feel about their interaction (mainly via the queuing areas, via signage, via point of sale), what products and services are they aware of, what do they do when they leave the branch (do they tell everybody else?), did they want to stay in that branch or did they want to go out as soon as they got in?

Reason to call: Both telco companies in this study collect 'reason to call' data. O2 has a system where it registers the type of call received and the nature of the query. This helps O2 understand what's actually driving contact and how it can improve the customer experience.

4.2.3. Markets

Market share: As you would expect, all companies source data on their market share from companies like Dun & Bradstreet, Moray Financial Services and analyst firms such as Gartner Group, IDC, Ovum etc.

Market issues: All companies receive newsletters or bulletins to keep them abreast of market issues and/or new legislation. BT, Cisco and O2 all buy into analyst reports from companies such as Datapro, Gartner Group, IDC etc to help them understand the marketplace. BT provides access to about thirty suppliers via a secondary research portal called Intellact that is accessed through its intranet.

Social (lifestyle), economic & political trends: Both Cisco and Post Office specifically mentioned that they collect data on social, economic and political trends or events that may have an impact on their business. For example, the impact of an event such as the World Cup on Germany's economy, or the impact of a water shortage or terrorist attack. O2 has just started running a lifestyle tracker, which looks at key trends in the market – "what people are doing, what's important to people's lives, what are their mind-settings, what are their mind-states, how can that technology fit into that?"

Demographics/population profiles: All companies source information in this area. For Barclays, this could be "anything from simple demographics such as ACORN and MOSIAC

How companies use customer insight to drive customer acquisition, retention and development.



right through to information about house prices by postal sector”. BT purchases data to find out where all the senior managers are (which postcode do they work in?).

Cisco collects basic demographic details as well as more general population trends -

“we’re not really sure yet exactly how it’s going to make a difference, but we’re pretty sure that the ageing of original EU populations, versus the youth of the new EU accession countries will have an impact”.

Company profiles: Three of the five companies invest extensively in this area. BT buys into external sources such as Dun & Bradstreet, Hart-Hanks and Hoovers to find out where customers are in their own lifecycle, how their business is performing, what direction they’re going in and what their objectives are. It also tries to find out how much money companies are spending/have to spend in certain areas. Contacts are also bought on a regular basis, particularly if BT is expanding into new areas.

Cisco also buys company data from sources such as Dun & Bradstreet, Compass, Compubase and Hart-Hanks to put together what it calls the “company landscape” - “that begins with very simple things, so how many companies are there, what size bands are they, what verticals are they in, how many PCs do they own”. Cisco uses Hart-Hanks to collate these multiple sources and rationalise them into a single database. O2 uses Experian to populate its prospect database (mostly for small to medium businesses).

Attitudinal data: Cisco was the only company that specifically mentioned the purchase of attitudinal data from various sources.

4.2.4. Employees

Employee data is a category that is often overlooked as an input to customer insight. However, as this research demonstrates, it can be an extremely rich and cost efficient means of collecting data.

Staff feedback: Barclays conducted focus groups with contact centre staff in the past, but witnessed “waves of disinterest”. O2 has been more successful in eliciting feedback via focus groups from the 8,000 staff that work in retail and customer service. It sees it as a fundamental wealth of knowledge and employees are proud that their opinions count.

Post Office makes extensive use of employee feedback. It has a programme called ‘Have your say’ which goes out across the group as well as something called STAR panels (Strategic Tactical Actionable Research) that any employee of the Royal Mail Group can volunteer to take part in. There are two components to the programme – online questionnaires and staff focus groups. Every month the panel is sent an email link to a questionnaire which takes five to ten minutes to complete. It is either used to give feedback, for example, on what employees think about new products and how they think their customers have reacted, or to check understanding, for example, just before a product launch to check that people know about it, what it’s used for, how to sell it etc.

The staff focus groups look at strategic issues for the business and are conducted on a monthly basis by an external agency. For example, “how important is community to the brand? When people give us nine out of ten what does it mean? What influences that and how can we protect that?” There are also more tactical groups, for example when Post Office re-launched its post shops “things like DVD players and kettles suddenly started appearing”. It used the focus groups to check reactions to these products.

Mystery shopping programmes: Three out of five companies (all selling directly to consumers) have mystery shopping programmes. Barclays sends mystery shoppers into its branches to check the quality of the service they receive.

O2 has an extensive mystery shopping programme for three purposes: to understand and monitor the customer experience, to monitor the performance of staff and for training purposes. O2 takes the customer experience very seriously – “I think that’s a big difference that I’ve seen between our organisation and some others”. Staff takes the programme very seriously too - anyone that fails gets another one, and if they fail again then they get a big black mark against their name and they don’t get their bonus. Performance is tracked monthly and management action is taken on the back of it to correct the low stores and develop the high stores.

O2 has also recently introduced video mystery shopping (videoing with lapel pins containing cameras!) for training purposes. This is seen as much more constructive – “it’s all very well seeing scores go up and down, but it’s much better to be able to go back to the sales person and say ‘look, you could have done this differently, this is how you should have done it’.

Post Office has an extensive mystery shopping programme run by an external agency. Of the 15,000 branches across the network, 3,000 are chosen (based on their high potential) every month, including all 540 directly managed branches. The main goal is to understand whether people are following sales models and values in a four stage process (1) connecting with customers i.e. smiling and being friendly at the beginning (2) finding out what that customer needs (3) matching those needs to a Post Office product and (4) closing the sale (mystery shoppers have to get a till receipt to prove that they actually completed the transaction).

Usually it is product specific – for example, going in to pay a BT phone bill and seeing whether counter staff recognize and take the opportunity to offer Home Phone from Post Office.

The overall results are communicated with Head Office and more specific results are sent to General Managers, Heads of Sales and sales account managers on a monthly basis – sometimes faster to the sales account managers, who receive get text messages telling them the results. Everyone has access to the results on the company intranet.

The branch managers display posters and reports in the back office, together with action plans based on the results. For example, it discovered that although Post Office staff has traditionally been quite good at greeting customers at the counter, it falls down when it is required to take a “more sales pushy approach” i.e. offering new products and services. This has prompted a training effort to improve in this area.

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Retail standards audits: Post Office also has retail standards audits conducted by an independent company. The directly managed branches are checked bi-monthly and a selection of 10,000 franchised branches are checked annually. Once they're finished, the auditor goes in to talk to the sub-postmaster to say "you scored a three on this because you did this, you scored a five on that because you've done that. Here's ways of improving your score".

Service performance data: all companies operating have all the usual operational performance metrics in their contact centres in terms of actual dropped calls, time to answer etc.

Employee satisfaction surveys: Only Barclays specifically mentioned this as a source of data – "happy people mean happy customers, so that's why we do it". On a six monthly basis it generates an employee opinion score to a team leader and manager level (not agent level).

Buddy programmes: O2 has a very innovative 'buddy programme' aimed at getting as many O2 employees as close to the customers as possible. 500 customers have been 'buddied up' with an O2 employee and they will follow them throughout the year on their customer journey – holding quarterly sessions, face to face briefings and generally "being their buddy". This supports O2's strategy of "making sure that the customer is at the heart of everything we do".

4.2.5. Channel partners

The fifth area where companies collect data is from channel partners. For example, Barclays collects data from Barclaycard's lifestyle partners, Cisco collects data from its resellers and distributors and Post Office noted access to 3rd party transactional data.

4.3. Types of customer insight generated

The diversity and scope of the data collection described above leads us to agree with the literature that insight is more likely to arise when data from multiple sources and of multiple types is aggregated and synthesized. All companies in this study are combining multiple data sources to generate customer insight. Sometimes this was a purely manual process, other times this was calculated using sophisticated technology. The insight fell broadly into four categories: Market predictions, Customer segments, Propensity models and Customer analytics.

The following table provides a summary of the different types of customer insight generated by the five cases. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively. One tick indicates that this type of insight is generated. Two ticks indicate that (in comparison to the other cases) this type of insight is extensively generated.

Table 3: Types of customer insight generated

Category	Data type	1	2	3	4	5
Market predictions	Various	√	√√	√	√	√
Customer segments	By business type	√		√		
	By attitudes	√				√√
	By events & triggers	√√	√		√√	√
	By value		√		√	
	By vertical		√		√	
	By needs		√		√	
	By customer lifecycle			√		
	By buyer behaviour			√	√	√√
	By geography			√		
	By demographics	√				√√
Propensity models	Respond, churn, purchase etc	√√		√	√√	
Customer analytics	General customer measures			√√		
	Customer profitability	√		√		
	Product profitability	√			√	√
	Customer lifetime value			√		
	Share of customer wallet				√	
	Customer lifecycle analysis				√	

4.3.1. Market predictions

All companies are aggregating and synthesizing data extensively to identify and size market opportunities. Traditionally the domain of market research, this area has been expanded to include actual customer data to help make predictions not just about the total market size and current market share, but about their sales potential and the market trends and issues likely to affect their ability to achieve this potential. This generally still involves a manual process of pulling together information from different data sources.

This has risen in importance due to intensified competition and the need for speed, constantly shifting customer demand, cost pressure to invest wisely and diversification into new markets. There is a notable shift from a product-driven to a customer-oriented approach, where customer insight is truly driving strategic decisions about what markets to operate in and what products need to be developed (as opposed to designing great products then deciding who to sell them to).

BT notably invests a lot of effort in this area. One of the people interviewed described the process – “my team sizes IT services, mobility and the CRM market for companies that have 500 employees and above. We use internal and external market analysts’ reports to look at not only the total market size, but the account size, segment size and potential for BT. Part of the process is to check whether our internal view agrees with the external view. So we use a lot of data cut in different ways to look at potential, actual and growth potential from a vertical level down to an account level.”

Cisco’s ability to generate insight in this area is restricted by its ‘go to market’ model, via channel partners, meaning it’s “quite difficult for us to get a lot of real direct customer information”. In many cases “it would be a triangulation of data from numerous sources that

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we would be dependent on to be able to draw realistic conclusions or draw insight from any of that data”.

Cisco admits that “an obsession of ours is addressable market, based on the predictions of the analyst community”. The central CRM team provides the countries with market sizing information, opportunity analysis, business intelligence and customer metrics to help them answer the following types of questions:

- What is the size and structure of my market?
- What do I want/need it to look like in the future?
- How many companies are there in targeted size-bands and verticals?
- What is my customer coverage, both historical and forecast?
- Have I reached targeted customer share, or number of customers?

Post Office also acknowledges the importance of ‘sales potential data’ i.e. how individual branches should be performing relative to their peer groups, relative to the environment, customers in the local branch and competitors in the area – “rather than look at a branch and say that branch is great because it’s selling 1,000 units and that one’s not good because it’s selling 100, if actually the branch with 1,000 has the potential to do 2,000 and the other one actually only has a potential of 50, it suddenly flips vice versa. And I think that’s often forgotten when calculating market sizes – potential is as important (if not more) than actual”.

4.3.2. Customer segments

This is a key area of insight for all companies involved.

Barclays

Barclays described this as “one of the areas where we’ve struggled the most to implement and make it stick”. In the past Barclays generated attitudinal profiles, but struggled to actually attribute those profiles back to the customer base. Current thinking is around a hybrid model, which brings in some of the attitudinal profiles, but in a more attributable way. It is looking at how that can be used across channels (particularly direct mail), “but also starting to think about how we could use that in inbound contact services as well”.

The hybrid model has four main dimensions:

- By business type (personal, premier, private, small business)
- Operational segmentation by age and wealth (used for strategy & marketing planning and strategic evaluation)
- Attitudinal segmentation (used for proposition development, media planning & communication treatment)
- Executional segmentation, operationalised as ‘events, triggers and models’, based on customer needs (used to optimize customer base management)

To expand on the last category, Barclays is “not necessarily sure what that customer’s need is but we can make an educated guess around the range of products that we want to talk to them about”. For example, a customer who has just taken out cash on their credit card has an urgent need for credit and could be a target for a loan.

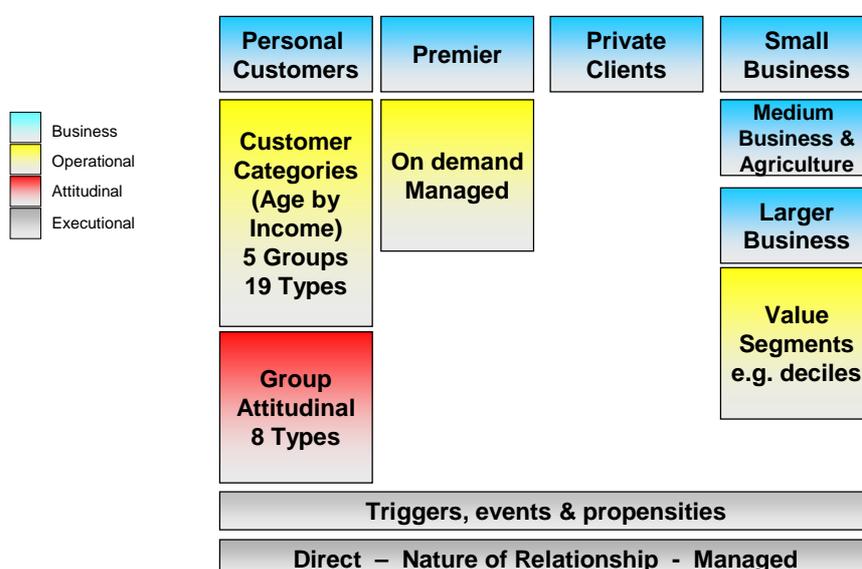
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An 'event' is something like a customer's insurance is coming up for renewal or their mortgage is coming to the end of its term, for example, a two year fixed deal. Or it could be that the customer is coming to the end of a twelve month loan that they have successfully repaid. Other non-product-oriented events are things like moving house, getting married or having a child ("we see a credit going for child benefit").

A 'trigger' is effectively something out of the ordinary that's happened on the customer's account that Barclays would want to talk to them about. "So that might be we've charged them a late payment fee or they've got a significant credit in, which might indicate that the customer's need has changed in some way".

Segmentation Frameworks



Barclays may need to combine the trigger information with additional data. For example, if Barclays charge a customer for going over their overdraft limit, it can add that to other information to look at how credit-worthy they are as a customer. This helps determine whether a loan would be an appropriate offer for this particular customer, or an overdraft extension.

Barclays is also able to analyse direct debit streams to identify people who've got competitor holdings. For example, "if it says on your Barclays current account 'Halifax home insurance' we know to target you with our home insurance products"

A review is currently underway of what the branches prefer to receive and demand is moving towards delivering more triggers and less events. The branches find these triggers much more useful than an event such as "the customer has not had a service review for the last 12 months". The other issue with events is that it's sometimes a challenge from an operational perspective to get to the customer quickly enough after the event has happened.

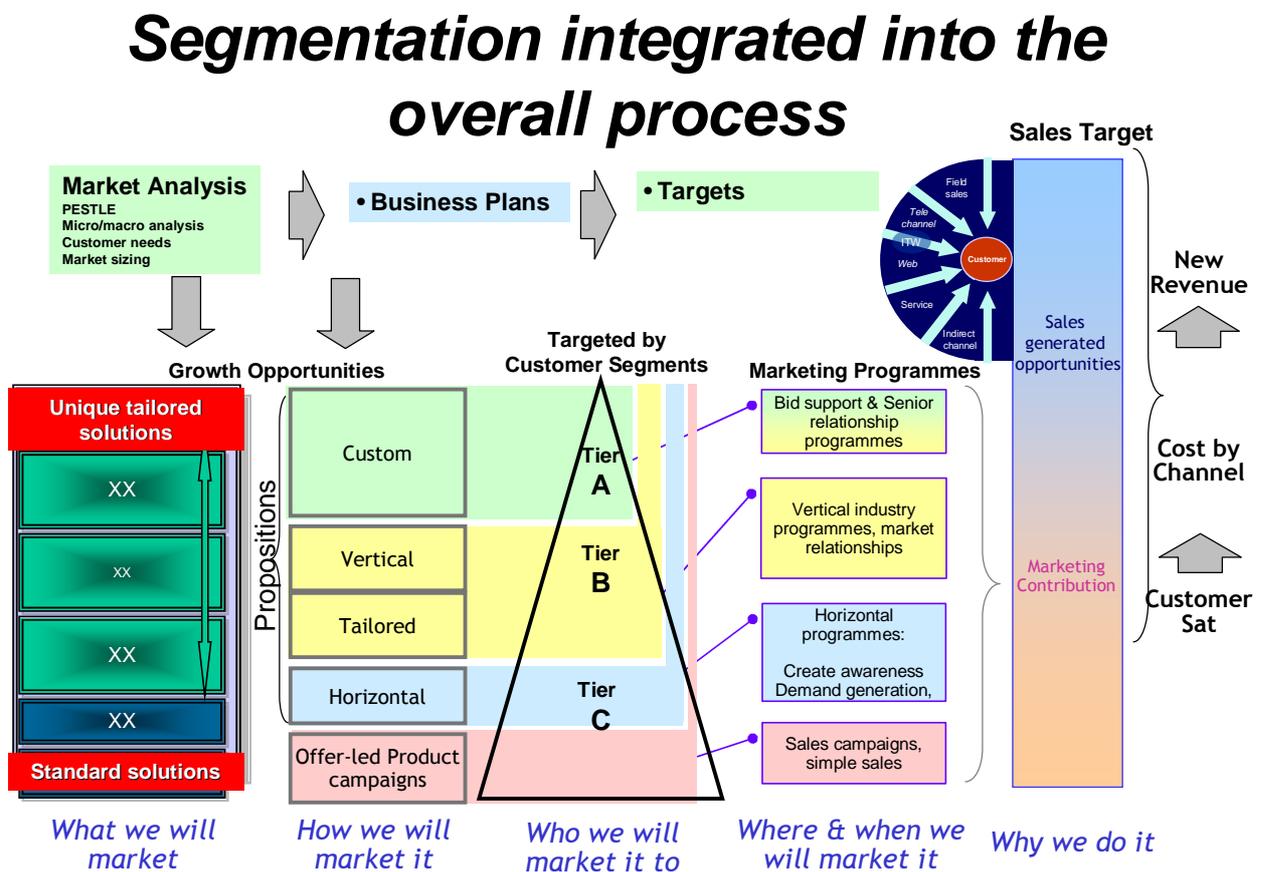
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Barclays observed that it hasn't aligned organisationally to the segments – it is organised around business segments, not around customer-centric segments – “I don't think it's an easy question and I know that a lot of organisations struggle with that”.

BT

BT has three means of defining customer segments: by value (tier A, B & C taking in account both current and potential value), by vertical (transformational, high growth and horizontal, complimented by supplier needs), and by business needs (Expanding, serving consumers/citizens, running the business and low needs/DIY, aligned to Gartner Group's 45 secondary verticals).

As the following diagram illustrates, segmentation is integrated into BT's overall marketing process:



The business needs segmentation is calculated using a mixture of customer interviews as well as 19 key questions from BT's "client landscape survey" which is conducted by the account managers on an on-going basis. Once a year the account managers run their accounts through the segmentation model, to check whether the allocation is still correct – “this has been a slower process than doing the value segmentation but it's more complex”.

How companies use customer insight to drive customer acquisition, retention and development.



The business needs are complemented by four supplier segments: low involvement buyers, demanding buyers, relationship seekers (want to be in a lot of contact), and transactional buyers (“who just want the range but don’t want a relationship. They will contact you when they want something”).

Although this is still in the early stages of development, it demonstrates that BT is starting to use segmentation not only to determine *what* to sell, but also *how* to sell. At the moment it is only used when BT is developing a new proposition – “as a basis of cutting down a potential list of contacts to identify early innovators”.

BT clearly takes segmentation very seriously – it has a segmentation governance board, consisting of heads of marketing from each of the verticals, the segmentation manager, a strategy representative and sales representative. The board is responsible for agreeing the overall segmentation model, communicating it and getting buy-in from the sales community. It also governs a customer base team who run new accounts through the segmentation model before allocating them to a sales group and making recommendations about how the account should be managed. This is also communicated to BT’s service billing and customer satisfaction team.

Although BT did not specifically mention events & triggers in connection with their segmentation strategy, they do use this as a means of responding to customer needs. For example, when a contract is coming up for renewal (or has lapsed) it triggers an activity in the Siebel CRM system, to prompt the account manager that there is an opportunity for relevant dialogue with the customer.

Cisco

Cisco has traditionally segmented markets by geography and size of company, but has recently added two dimensions – technology type i.e. customer life-cycle based on where the company is in terms of its adoption of technologies and buyer behaviour (with the help of a company in the US called AMI partners), because “buying behaviour to us almost 100% correlates into the profitability”. With these added dimensions Cisco believes that it is “at the beginning of understanding customers’ next best move.”

Customer lifecycle: Cisco is moving to a position where it is able to predict that a particular solution is going to be needed for certain types of businesses, depending on where they are in their company lifecycle. For example, data from Companies House can pin-point companies with 150% increase in earnings year over year – these companies probably need some of the technologies that help deal with growth and expansion, such as call centre technology with call waiting and call queuing. They may want to introduce workflow technology “so they can start diverting some of the queries onto their website, or maybe home-workers in other parts of the company who you’ve hired on a pay per call basis”.

More mature companies are more likely to need technologies that help diversification, or entry into new markets.

Within the customer lifecycle segmentation, Cisco identifies ‘events & triggers’ i.e. compelling events that are driving the purchase. These could be ‘inherent and known’, ‘inherent but unknown’ or ‘created and unknown’.

'Inherent and known' events are within the business itself, for example, an office move. A lot of Cisco's solutions apply very readily to companies that are either starting up or moving premises, so it purchases lists of office movers and targets them with outbound calls. This is proving very successful – "I think in Hungary we're getting a 45% lead rate so nearly half of everybody we call is becoming a lead".

'Inherent but unknown' events are events that may be known to Cisco, but not necessarily known to the customer. For example the service contract on a product has expired and Cisco could call and try and get them to renew the contract. 'Created and unknown' events are where Cisco creates a customer need that they were not previously aware of.

Buyer behaviour: customers can buy products in a number of ways: purchase and install on their own premises, have the service provided by someone like BT, or either of those models with a lease plan, as opposed to paying for it outright.

So far this segmentation model has been rolled out in six European countries, where the Small & Medium-sized business (SMB) has been divided into four tiers. Tier one tends to be 'experimenters', tier two tends to be people who would be considered the 'early majority' in a typical lifecycle, and tier three typically purchases from a service provider.

The tiers direct Cisco's approach – for example, tier two tends to be the most profitable, "so if a country has a limited marketing budget, they'd be encouraged to focus on tier two". 'Experimenters' are service-heavy, so Cisco needs to concentrate on selling a service contract to this tier, because if they don't take one out there is a risk that they're going to go to the press and say 'I've got this solution and it doesn't work'. To maximize their margin in tier three, Cisco concentrates on working effectively with the service provider to make sure they're carrying enough off-premise equipment to service the demand. It makes sense to ask the service provider to go to market and Cisco will spend its time marketing to the service provider, "because that's where we're going to get most of the value for it".

Cisco's challenge (as with other companies studied), is "how can we support the collection of data that drives these insights, and how can we apply those insights under a framework, without over-administering the whole thing. Because the danger is that as you get down to smaller and smaller segments the budgets just don't support what you're trying to do."

O2

O2's segmentation strategy is currently under re-structure. Up until now, it has been used pre-dominantly to guide the acquisition process and to assist in outbound activity, rather than to define segments in the customer base. The segments were determined as follows:

By value, to determine the highest value customers. For example, 'young socials' were one of four or five segments targeted across the consumer business. O2 has "consciously built propositions that are aimed at young socials".

By vertical sector, particularly in the corporate business ("so we will say financial services - what are the characteristics of businesses operating in that sector? What are their needs? They're very different from people operating in Media and Leisure so we've got six or seven

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vertical segments like that.”). Often bespoke solutions are built for corporate customers because of the size and scale of the business.

By needs i.e. looking at the needs and the attitudes that customers have, and how that fits into how they use their phone, in order to “prioritise them based on their mind-states” At the moment the needs-based segmentation is used very much at a strategic level i.e. to understand “who do we want to target and why? Who’s going to make us the most money and why?” It is currently not very operationally actionable in the customer base, hence the current need to restructure.

By behaviour (particularly in the SME business). These segments are calculated by analysing the behaviour of existing customers, combined with data from external sources such as CACI, Acorn, TGI and others. The behavioural segmentation is used to drive the actual communications.

O2 is currently moving to a segmentation strategy for the customer base that is driven more by events & triggers. For example, targeting individuals whose contract is up for renewal, or corporate accounts which have been dormant for a period of time (e.g. they haven’t upgraded their handsets for a while or reviewed their pricing structure).

This will be explained more fully in the next section on propensity models.

Post Office

Back in 2003 Post Office decided that it wanted to develop a detailed strategic segmentation strategy for the consumer side of the business that would be used pre-dominantly by the marketing teams, but that could be understood and used throughout the business to help:

- Design products
- Size markets
- Differentiate marketing messages
- Understand which customers are buying which products

When it was launched in 2004, Post Office had no real products where it owned the customer data – only ‘anonymous transactions’. Therefore it had to rely on data from external sources such as Millward Brown to understand product usage, attitudes and behaviour etc. Based on a relatively small base of people (750 questionnaires about people’s interaction with Post Office), it identified nineteen segments organized into eight groups. These were then clustered and scaled up to the population (using data from Experian).

By 2006 things had moved and Post Office decided it was time to refresh the segmentation strategy by adding increased insight from its own data sources, as well as those from Hall & Partners (Brand & Communications), Forrester (technology & internet), Millard Brown (Post Office usage), Experian Canvase Lifestyle (UK level database of lifestyle characteristics), Experian UKCSD (UK level database of demographics & classifications) and MFS (financial services).

The refreshed segmentation contains over 1,000 main variables (compared to just eight variables previously) and is based around three key things: demographics, attitudes and behaviours. For each segment, Post Office understands: what percentage of the UK

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population they represent; their dominant age, income and lifestyle; their preferred channel, what Post Office products they have purchased and when; how often they visit a branch and the main reason for their last visit. It is able to list detailed key features of each segment. It understands how the different segments relate to each other and customer progression over time.

All adults over the age of 18 in the UK are now classified into one of the 19 segments or eight groups, plotted against two key demographic variables: affluence and lifestyle.

On the corporate side, The Royal Mail segments by value, by size of company, by vertical sector and by the type of relationship ("whether it's more because they have to or because they want to i.e. do they just want us to give them the cheapest deal possible on delivering their post or do they want a long-term relationship with us")

Events & triggers

Post Office is also starting to identify events and triggers in certain markets. For example, school and public holidays trigger demand for travel products.

4.3.3. Propensity models

Both Barclays and O2 regularly make extensive use of predictive models to determine propensities e.g. propensity to respond to an offer, propensity to purchase, propensity to churn etc. Cisco occasionally uses an external agency to calculate propensity to purchase.

Barclays

Barclays has built over 20 models with literally thousands of attributes. One model looks at customers who've taken out a particular product, to try and build a profile of them using a number of different attributes. For example, Barclays can build a profile of a typical loan customer, then use that profile to identify and target other customers with similar profiles who don't yet have a loan product. Or Barclays can calculate how much a customer would save by bringing their credit card balance and overdraft into a loan from Barclays.

The models work in conjunction with a sophisticated optimization engine, which combines multiple variables such as: likelihood to respond; value of the offer; cost of contact by channel; likelihood of delivery, response rate, operational capacity and volumes required. It can calculate the most profitable product to offer to a customer (if there is more than one choice), taking into account contact and business rules. "So say if this month for instance you score for a loan offer but we also know that your insurance is up for renewal, we'll actually talk to you about your insurance because that's the relevant thing to talk to you about at the time."

The engine also takes into account a customer's values and behaviour to personalize the offer. For example, "if I've targeted you for home insurance, are you a convenience shopper or are you a price tart? What should the offer be? Should I leap in with a message that says "it's really easy to take home insurance from Barclays" or should I offer a really cheap home insurance rate".

The optimization is refreshed daily using a product called MarketSwitch which uses non-linear modeling. Barclays admits that “optimization is both conceptually and mathematically complex and the interactions of rules and propensity scores are hard to visualize”. Such rules include:

- quarantine rules (how often can we contact this customer?);
- campaign selection rules (multiple campaigns may run in one time period – which will be the best for each customer?)
- total budgets (total budget for all campaigns must not exceed £x million)
- maximum/minimum contacts (what are the ‘desired minimum’ and ‘allowed maximum’ contacts per customer or segment?)
- Campaign minimum volumes (a campaign cannot run unless it has a min of X contacts)
- Campaign timings (some campaigns may only run at certain times of the year)
- Cross-campaign rules (customer may receive up to N contacts from campaigns A, B, C, D, E within one quarter)
- Channel priority rules (if a customer has two equally good ‘best campaigns’, channel X takes precedence over Channel Y)

The models “only deliver value when they are operational”. At the moment they are broadly being used for direct mail and bank telephony (both outbound and inbound).

Direct mail: Up-sell and cross-sell offers are usually made alongside bank statements. An ‘up-sell offer’ might be prompting a current account holder to upgrade their account to one of Barclays ‘additions’ range. A ‘cross-sell offer’ might be offering a current account holder a loan for XX amount (if they have pre-scored for a loan).

Outbound: The models drive thousands of outbound calls every day. For example, targeting customers who have the propensity to top up their loan the next month, or inviting customers who have been regularly overdrawn on their current account in for a financial review.

Inbound: The focus is shifting from outbound to inbound communications i.e. targeting customers with a tailored message when they contact Barclays (as opposed to the other way round). Barclays handles over 200 million inbound contacts and has seen the ratio of sales increase from one sale per 14 inbound calls to one sale per 11 inbound calls since the introduction of ‘Customer Action Prompts’ or CAPs.

When a customer phones Barclays (typically with a service request to transfer money or check account balance), their record pops up on the agent’s screen (depending how they’ve identified and verified themselves). The CAP will then advise the agent what to talk about. For example, the agent might say, ‘I notice that you’ve got a payment going out to Lloyds TSB. Can I ask you what that’s for?’ And the customer might say, ‘oh yes, it’s for a loan.’ And the agent will say ‘would you be interested in seeing if we could help you get a better price for that loan, because you’ve got a personal rate of x. Or similarly it might be that a

customer's home insurance is up for renewal next month. In that case the CAP would advise the agent to check with them that they're happy with the service that Barclays is providing and make sure that they re-purchase.

O2

Two or three years ago, O2 had a large department of analysts carrying out project-based analysis of their customers in order to create specific segments and targeting models. However, this approach was too slow and did not deliver actionable results immediately. Hence O2 installed predictive data mining software from Chordiant, which enabled it to produce large volumes of predictions, very quickly. These were used primarily to drive outbound campaigns.

In February 2005 O2 moved to 'real-time' with the launch of a new programme called 'VISION' - enabling O2 to make the right offer in the right place at the right time to improve the customer experience, engagement and loyalty.

"VISION" was first piloted in selected call centres. It uses over 35 predictive models to continually assess each in-bound caller in real-time, profile their characteristics and usage and warn of possible issues. It also reports the history of decisions for the caller.

During the call, VISION continually assesses the caller's concerns, interest, risks and responses to offer advice on handling service enquiries and problems; on dealing with actual and potential churn and payment risks; and on offering the most appropriate product or service for each sales opportunity. The system ranks the top three things to talk about, and provides a script to help agents to talk about the top one.

Where appropriate, questions (with possible answers) are asked to capture key information. In negotiation with callers, selected information can be varied on a 'what-if' basis to arrive at a mutually beneficial conclusion.

Every time a reason, an answer or a sales proposition is chosen, or the caller's response is recorded, the decision logic that drives this intelligence reassess the callers concerns, interests and risk to determine what is the next best thing to do. Every choice and response is recorded for subsequent reporting. The decision logic is configured by marketing to reflect the way in which products and services are to be offered and the way these recommendations are presented is configured by the contact centres to reflect how the propositions are to be conveyed to the caller.

There is a lot of complexity behind the models. For example, O2 uses univariate analysis to rank the top ten attributes for each prediction (if you were predicting somebody's likelihood to take a handset upgrade, the proximity to the end of their contract would be a predictive value). Univariate analysis also tells O2 what things are most likely to cause behaviour, for example, churn, which is invaluable for the marketing people.

The challenge is that all the models must be 'in play' at once to determine which factor is the most important in any given conversation (it can also change throughout the conversation). For example, "one model that predicts how likely you are to take a handset upgrade. And then I have another model that predicts how likely you are to churn. And then if I combine those two together I could find that there's certain segments of customers that may churn but won't take a handset upgrade. How do we save those people?"

Therefore the propensity models have to be calculated in real time and must not be scored. O2's solution was to matrix all the models together and then overlay these with business rules.

“VISION was designed and focused on getting the customer's agreement to anything and everything. The conversational model works like a real interaction between two people – the customer says something, VISION ‘hears’ it, takes it into account, applies logic to make sense of it, which then prompts the next step of the conversation.”

There are currently six different versions of VISION, according to different product lines, being used by the sales teams and in outbound call centres. Next steps are to roll it out to every call centre agent, then start using it in the online and retail channels.

There is also something called the ‘deal calculator’ which is used by all agents in the retention centres to help them find the most effective way of saving customers, based on their past behaviour and value to O2

The results are compelling. The prediction process now takes one-seventh of the time it used to. In April 2006, 75% of inbound calls were handled using VISION and there was an amazing 85% conversion rate on offers made. And if O2 can use VISION to reduce churn by one percent for one month, that equates to £30 million.

4.3.4. Customer analytics

The fourth area of insight is around customer analytics. Cisco European HQ delivers a ‘customer pack’ to the country regions providing answers to the following types of questions:

- How many customers do we have and have many of them are new or existing?
- Have we been losing many customers? Who are they? Who are the partners that are losing customers?
- Is the customer base growing over time?
- Who are my ‘best spenders’ and how much do they contribute to bookings?
- Who are the resellers that contribute most to increasing the number of SMBs with Cisco Advanced Technology products?
- What is the customer purchase cycle? What affects this cycle i.e. Seasonal budget allocation.
- What are our customers buying? Has the percentage of customers buying a certain technology increased or decreased over time?

Customer profitability and customer lifetime value are notoriously difficult to calculate (van Raaij, 2005; Wang & Hong, 2006). Only Barclays and Cisco claimed to calculate customer profitability and three companies calculated product profitability (Barclays, O2 and Post Office). Only Cisco mentioned customer lifetime value, and only BT and Cisco are trying to measure share of customer wallet.

O2 looks carefully at “who’s spending what; what are they spending it on and how they’re spending money with us”. It looks at life-cycle in terms of how long do customers stay with them; how much money they spend; which channels acquired them and overall where should O2 be spending its time and effort. “So do these types of customers stay longer and generate lots of revenue, do these types of customers leave quickly and not spend so much?”

4.4. How customer insight is being actioned

Having examined the types of data that companies collect and the types of customer insight that is generated from that data, the next stage was to look at how customer insight is being actioned. The findings of this study show that insight impacts on:

- Strategy
- Operations
- Marketing
- Sales
- Product portfolio management
- Customer service

4.4.1. Strategy

Not surprisingly, considering the size of the companies I interviewed, all are using insight to inform and drive their strategy and to understand their customer base and how it is evolving. Insight is also being used to determine which customers prefer to buy through which channels (face to face, call centre, web etc.) High value customers can then be directed through high value channels. Also, it helps companies to decide which channels to invest in, if particular channels consistently serve high value customers.

The following table provides a summary of when the five cases specifically identified that insight is being used to inform strategy. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Table 4: How customer insight impacts on strategy

Area	1	2	3	4	5
Inform and drive strategy	√	√	√	√	√
Understand customer base & how it is evolving	√	√	√	√	√
Solve specific business issues	√			√	√
Move into new markets		√	√		
Direct channel partner strategy			√	√	√
Drive employee satisfaction/motivate staff				√	

As Barclays observed, “we have to get closer to our customers to understand what they want, and what we need to provide for them. We have to change our approach, we have to change our product set, we have to change the way our distribution channels are set up, to capitalise on all this stuff. And contact centres can’t be a cost centre any more - they’re not just there to answer the phone and deal with the transaction”.

Barclays draws on insight to solve specific business issues, for example, counter queuing time, by overlaying service interviews with behavioural and third party data (to look at how branches were used, the efficiency of counters, profile of staff etc). Barclays discovered that “although some branches did need more people, actually where we have the greatest variance in counter queuing time was when the ethnicity of the staff on the counter was

different to the ethnicity of the customer-base". Armed with this insight, Barclays was able to successfully address the problem.

For BT, the biggest strategic issue is a decline in traditional markets and it acknowledges that "without insight you can't move into new markets. Our strategy is also driven towards becoming more of a service organisation and without insight there is no real service". Also, as the only pure "business to business" company in this study (and therefore most likely to value long-term relationships) BT was the only one to acknowledge that "without insight there's no relationship".

Cisco is also suffering from a decline in traditional markets - the days are gone when "customers just kept buying and more and more came". Now Cisco has to "give the market the freedom to pick us because we're the right guys, not because we think they should buy it from us. It's a real flip". The focus is switching from sales to marketing and executives are saying "we've got to be a bit smarter about how and when we talk to customers and what we say to them". Cisco sees insight as "a robust platform for decisions, not just based off what's in my own brain". It is also driving an IT overhaul.

Cisco relies on insight to direct its channel partner strategy. It needs to know which resellers are performing (who is acquiring and/or losing customers) and tries to correlate this back to customer data. Cisco is able to share customer insight with its channel partners, giving it competitive advantage in terms of its relationships with its partners.

O2 also sees the sharing of insight with channel partners as a source of competitive advantage. O2 agrees that insight "sets the context of the whole strategy for the company – our key strategy at the moment is to differentiate the customer experience and to truly understand customers and make them feel valued so that they're likely to stay longer". O2 observed a shift of emphasis from acquisition to retention – "if you walked into the market a year or so ago everything was about acquisition. I think everybody's finally waking up to the fact that that's probably not the best way to manage the base, and from a customer perspective there's no emotional loyalty built. You're just constantly churning the numbers, and that's not an effective way to run a business, really." For this reason, O2 draws on customer insight to address the on-going issue of churn.

O2 was the only company to consider the impact of insight from a motivation and moral perspective – its insight-driven VISION programme is ensuring that advisors "actually feel as though they're contributing and are adding value to the customer, rather than just dealing with queries and problems". Not surprisingly then, that O2 UK has been named among the top 30 'Great Places to Work' in a list published in the Financial Times in May 2006.

For Post Office "insight has become an essential part of the business. Just to help people make better decisions is a goal in its own right. If it doesn't make or save money for the business we don't do it".

Without insight the business can't learn about who its customers are, who its competitors are and then use that to help make strategic decisions for the business. For example, insight was behind its decision to move into financial services – "people were saying 'I don't like or trust my bank', yet 96% of people were saying that they trust Post Office. That gave us the opportunity to move into that market". Also, when Alan Cook took over, he used customer insight to help answer the question "what's Post Office for?"

How companies use customer insight to drive customer acquisition, retention and development.



Post Office also uses insight to address specific issues, such as counter queuing time and regards the ability to share customer insight with its channel partners as a source of competitive advantage.

4.4.2. Operations

The following table provides a summary of how customer insight is being used for a variety of operational purposes. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Table 5: How customer insight impacts on operations

Area	1	2	3	4	5
Audit resources & capabilities (can we produce or deliver what customers are asking for?)		√			
Check compliance (are the front line following the sales model? Do we need to change the measures or the reward system?)					√
Determine operational priorities (do we need to answer the phone quicker, do we need more counter staff or more staff handling web queries?)				√	√
Increase inter-departmental alignment (using segments as a common currency)		√		√	
Identify customer service issues and understand their impact on customer satisfaction		√		√	
Understand the impact of new legislation on operations		√			
Increase efficiency & effectiveness (use insight to work faster and smarter)				√	
Increase speed of response to competitive opportunities/threats				√	
Train staff	√			√	√

To take an example from O2: “in the customer service channel, if you discovered that for MMS (Multi-Media Services) we have 40% conversion across three quarters of our areas, and the remaining quarter has really low conversion rates, then we would know that’s down to agent knowledgeability and skill levels. So you can then investigate why that is, give them the information about who is getting high conversions and who isn’t, conduct a skills assessment and pull people directly into a training and development programme”.

Post Office communicates insight extensively for training purposes, particularly because it has such a long established brand – “both employees and customers have fixed mindsets about what people must think about Post Office, which aren’t necessarily true”.

4.4.3. Marketing

The whole ‘raison d’être’ of marketing is to “acquire, develop and retain customers” and to do this in today’s marketplace means the extensive use of insight throughout most stages of the marketing process (apart from ‘support’ and ‘measure’). Marketers don’t have unlimited market budgets and so need to maximize and prioritise spend. Cisco for example, believes that the CRM role is to “increase marketing effectiveness, in all segments, by driving greater lead volumes; greater lead value; improve speed to market and become a centre of excellence.

How companies use customer insight to drive customer acquisition, retention and development.



The following table provides a summary of where each of the cases is using insight extensively for marketing purposes. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

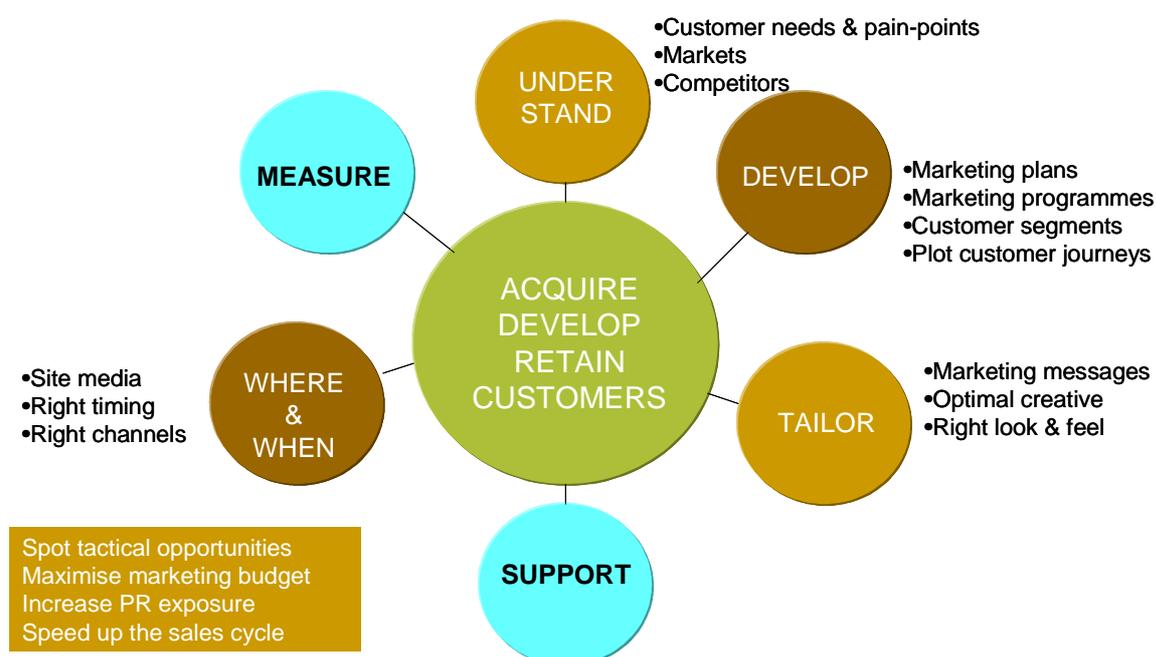
Table 6: How customer insight impacts on marketing

Stage in marketing process	1	2	3	4	5
Understand			√	√	
Develop		√	√		
Tailor				√	
Where & when	√		√		√

Understand: Marketers have traditionally always been concerned with understanding markets and competitors, but according to Cisco and O2, there is an increasing trend towards understanding and predicting customers’ future needs, pain-points and behaviour. Instead of talking about “features and benefits”, marketers need to understand what needs, issues and pain-points their products are addressing; and how their customers are likely to behave or respond.

Develop: This deep understanding of customers, markets and competitors; combined with an understanding of business strategy and operational capability, enables marketers to develop marketing plans and marketing programmes. They can start to define customer segments, plot out typical customer journeys and develop propositions. As Cisco observed “we’re not detached from the business anymore. It will be our numbers and our insight that drives both the business and the marketing plan this year. It wasn’t last year”.

Barclays discovered that the biggest churn rate is probably in the first twelve months, hence they put in place an ‘on-boarding’ programme for new customers that places calls to customers after nine days, nine weeks and nine months. It has also identified “cautionary signs” to help spot problems e.g. customers haven’t used their bank card or their salary is not being paid into their current account.



Tailor: The days have gone where ‘one size fits all’ although most companies admitted that they could do better in this area. Marketers need to personalize and tailor messages and contact strategies to customer segments or even individuals, but both Barclays and Post Office admitted that campaign selections are still being made on the basis that “I need to send this to XX people” (particularly when there is pressure from the product teams).

O2 is arguably the most advanced in this area, as it uses models and hierarchies of rules “to determine eligibility and relevance and to decide what type of offer we should make to somebody. In some cases we’ll tailor the script to make sure that the end message is actually really relevant to the person that we’re offering it to”.

Getting the ‘right look and feel’ across different channels is also important. For example, Post Office knows that it needs to ‘smarten up’ some of its branches if it is to successfully sell financial services. Marketers need to design the optimal creative for different segments and different channels.

Where & when: Insight is being used to drive decisions about when and where to place advertising and outdoor media. For example, Post Office knows that “young families tend to buy bureau and travel insurance between January and summer” and Barclays can tell you “where all the students in Sunderland go out on a Friday night, because we can see their cash withdrawals at 8.30 and we can see them at 2.30. We’re starting to use that data to decide where to put our poster sites”.

Cisco discovered that it dramatically increased the conversion rate on inbound calls (from 0.1% to 33 – 34%) if it placed the freephone number on their website at level four (product pages), as opposed to higher up (generic pages).

Most companies now have a central contact strategy to ensure that people are receiving the right messages at the right time through the right channel.

4.4.4. Sales

All companies said that improving commercial performance was a main driver of their customer insight programmes. The following table provides a summary of where insight helps to improve commercial performance. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Table 7: How customer insight impacts on sales

Area	1	2	3	4	5
Setting accurate targets		√			
Focusing sales effort on the right accounts/segments	√	√	√	√	√
Equipping the salesforce with appropriate tools					√
Increasing efficiency				√	
Helping match sales behaviour to clients’ buying behaviour and values		√			
Alerting salesforce to customer satisfaction issues that may potentially impact sales		√		√	
Helping to have better and more relevant conversations with existing customers, driving increased sales	√	√		√	

Barclays: According to Barclays, “the majority of our analytic focus is about spotting better opportunities to talk to customers about our products”. To do this, it has to equip its salesforce with the tools to do the job i.e. help them to have more relevant conversations. This is the main purpose of CAPs (discussed earlier in the section on generating insight) that are refreshed daily and advise the sales teams of the ‘next best product or offer’ to talk to customers about, in the holistic context of the contact history.

This is particularly important in the call centres, where “we’re asking an eighteen to twenty-four year old earning between £12-14,000 a year to sell relatively complex financial products to customers who are mass-market. Insight helps them to build rapport and empathy and ultimately sell more”.

Head office also delivers each sales person in the branch network twenty quality leads fortnightly. The lists arrive on a Monday, and the sales people have to report back by the following Thursday, enabling the lists to be accurately recalculated for the following Monday.

BT: Marketing and sales work in close co-operation at BT. The market sizing information helps to set sales targets and allocate resources. Following feedback from customers that they valued knowledge of their marketplace, last year BT launched ‘client dashboards’ (one per account). These dashboards not only provide the account managers with basic customer information, but also information about the market that the customers are operating in (what are their key issues? Who are they competing with? Are they being affected by changing regulations?). The account managers can also see if an account is experiencing service issues, or if there have been changes to the contract terms. To increase the accuracy of the dashboards, the CRM system contains smart script to prompt the account managers to ask their customers certain questions.

The desk-based account team use the CRM system to view a matrix of what they’ve sold, what’s outstanding, what campaigns the customers have been included in, as well as what opportunities are open at the moment. BT is not as advanced as Barclays and O2 in that the ‘next best offer’ does not appear on the screen – they have to consult the ‘Sales Zone’ in the internal intranet and make a decision themselves. However, they do receive events and triggers – for example, prompts that a contract is up for renewal or that an account has been dormant for a while.

Finally, having conducted needs-based segmentation, the next step for BT is to help its salesforce to adapt their behaviour according to different customer values.

Cisco: Cisco has traditionally been a sales-driven company, although this is changing due to worsening market conditions. The sales teams are now asking marketing for help in defining markets, segments and customers. European HQ has just started to deliver “customer packs” to the countries, designed to help the sales teams to “plan their operations, workforce and activities around market objectives”. For some of the larger customers, the Key Account Managers receive a matrix that identifies where they are in terms of what Cisco thinks the offering is, versus where that customer is in deployment”. So the account will have flags to indicate where the customer is in terms of the value spectrum, to help the sales force to focus their conversations.

O2: In O2's highly competitive environment, alignment and cooperation between sales and marketing is a must. The sales teams are used to "coming off the road for a day" while the marketers come along and say 'we're going to tell you what the plan is for the quarter; we'll talk you through what we've learnt about the customers and where the market's going and what that means we need to do and we'll tell you why we've built what we've built. Now we need you to go out and sell it. Here are the slides to help you position that with your customers and explain why and what we've done.'

If there are any customer satisfaction issues, O2 has a real-time solution whereby the account managers can see immediately if there is a problem and deal with it. And of course the VISION system has delivered massive improvements in efficiency (it used to take sales people 30 minutes to prepare for a call, then they would make the call, wouldn't be able to get through, and have to spend another 30 minutes preparing for the next call). VISION takes away that preparation time, so that sales people can place calls immediately and consecutively. Also the conversion rate is so much higher because the offers are relevant and timely and it is easier to build rapport.

Post Office: The insight team provides the sales teams with numerous tools to help them sell more efficiently and effectively. For example, the branch managers can use the segmentation tool to determine what products/propositions are most likely to appeal to the segments that are most represented in their postal area. They can check their actual performance to identify windows of opportunity. They therefore don't waste time and resources trying to sell products and propositions that won't appeal to the segments in their postal area. The segmentation tool hasn't been fully rolled out, but "everybody I've shown this in sales, their eyes light up and their head spins round".

The mystery shopping programme is used for training purposes, to help the sales people to understand if they're selling in the right way to customers and to help them improve. The refreshed segmentation is helping to retrain the sales people to focus on understanding and identifying customer needs, as opposed to selling features and benefits.

4.4.5. Product portfolio management

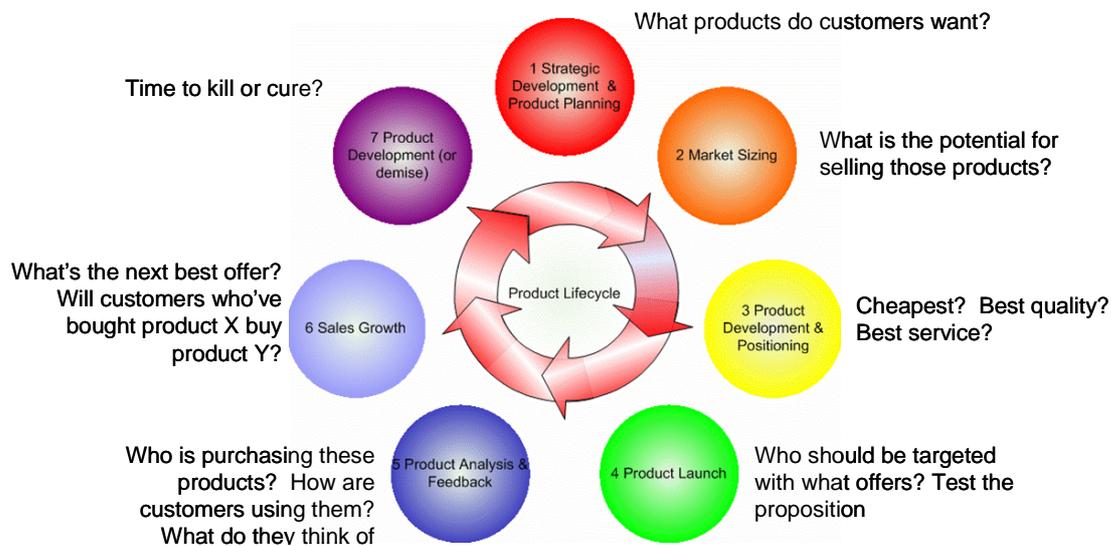
Insight is being used at all stages of the product lifecycle, by all companies. In fact, there is a noticeable shift towards leading with customer needs, as opposed to product development. As BT observed, "in the past a new product was often developed because somebody thought it was interesting, without finding a need for it. We still do get new ideas coming through from the development team, but if we don't identify a need for that product, we reject it."

Cisco has recently developed a proper security assessment tool, as a result of feedback from the call centre manager that "security is selling like hotcakes".

At O2, all proposition development is led by insight – "our consumer marketing team will be getting under the skin to identify gaps in the consumer market. What tariff opportunities might there be? There'll be a lot of proposition type research that drives their product and service development."

How companies use customer insight to drive customer acquisition, retention and development.

This modified diagram from Post Office sums up the process very well:



As evidenced by the above diagram, Post Office uses insight extensively throughout the product life-cycle. “In the last couple of years we’ve launched half a dozen different financial service products, flowers, a home phone service, directory enquiries, a travel money card and a new instant access savings account, all in response to insight into customer needs”

With the Travel Money card (one that you can load up), research was initially conducted to understand the concept, the competitive landscape, the potential market size and the impact it would have on existing products. Insight then influenced the design of the card, which was piloted in 200 branches. The segmentation tool helped to select 200 branches that were visited by segments who were likely to buy the Travel Money card (hence making the pilot more effective). The EDCSM programme was used to understand customer satisfaction with the new product and the mystery shopping programme was used to see how the front line were selling the product. This was presented together with sales data back to the board.

4.4.6. Customer service

As explained in the section on propensity models, insight is having a significant impact on the customer service function, particularly in companies like Barclays and O2, where front line staff is making offers which are leading to sales.

4.5. Organisational context

The literature (Wills & Williams, 2004; Smith et al., 2006b) tells us that the ability of firms to generate and action customer insight is strongly influenced by certain aspects of firm and market context. As this final section revealed there are many inconclusive aspects of organisational context across all five cases, this report focuses and builds on those aspects already identified in the literature.

The following table provides a summary of the different cases' beliefs about how organisational context impacts on the customer insight process. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Table 8: How organisational context impacts the customer insight process

Area	1	2	3	4	5
Leadership commitment	√	√	√	√	√
Insight as a strategic asset	√	√		√	
Human resource management	√	√	√	√	√
Insight function as a pro-active unit					√
Central insight team as critical success factor	√	√	√	√	√
Effective communications play critical role	√	√	√	√	√
'Getting buy-in' is output of effective communications	√	√	√	√	√
Corporate culture is a major determinant of success	√	√	√	√	√

4.5.1. Leadership commitment

Smith et al (2006b)'s research into what makes some firms better than others at turning information into value, revealed that leadership commitment is one of two critical success factors that influence a firm's ability to create and use insight (the other being synthesis of multiple data sources).

This study supports this - all companies cited leadership commitment and/or executive support as a critical factor.

- “where you get senior buy-in it works; where you don't, it doesn't” (Barclays)
- “senior buy-in is critical” (BT)
- “if it starts from the top and then follows down it really does work. And I've seen some big decisions reversed because it's got customer impact” (O2)
- “some of that is just verbal, and it would be better if there was more money and people behind it, but we have enough to be able to make progress” (Cisco)
- “customer understanding and customer experiences are taken very, very seriously, which isn't the same everywhere. Fundamentally my view is that if we weren't getting this stuff into the board and being used in strategic decisions we shouldn't be doing it. I'd say we're very, very close to the executive committee here and can pick up the phone any time and gain access” (Post Office)

4.5.2. Insight as a strategic asset

Wills & Williams (2004) propose that customer insight is a strategic asset, as important to a business as its IT and Smith et al (2006b) agree that irreversible changes in the social, legal, economic, political and technical environment mean that competitive advantage no longer comes purely from Research & Development.

However, Wright and Calof's (2006) research revealed that in practice, only 28 per cent of UK respondents reported that competitive intelligence (CI) was always used for strategic purposes. The authors suggest “it is possible to conclude that the incorporation of CI as part of the normal management process in corporate UK has yet to emerge”.

How companies use customer insight to drive customer acquisition, retention and development.



Barclays, BT and O2 all confirmed that customer insight is seen as a strategic asset in their organisations and claimed to “put the customer at the heart of everything we do”.

4.5.3. Human resource management

Wills & Williams (2004) proposed that the skills required of those responsible for customer insight must include an understanding of business processes and the strategic as well as political skills to ensure that insight is communicated and actioned (and not just generated). Smith et al (2006b) added that the right type of people were those capable of analytical thinking and the ability to synthesise intuitively multiple sources of information.

All of the case studies agreed with the above findings, although BT admitted that it had gaps in its analytical skills.

More specifically, a more detailed description of the ‘right type of people’ has emerged:

- ‘heavy hitters’ or ‘influencers’ who are capable to standing up to the product teams and arguing their case (Barclays, O2, PO)
- intelligent people who don’t just ‘crunch the numbers’, but are capable of synthesis and interpretation (PO)
- excellent communicators (O2, PO)
- ‘genetically modified marketers’ i.e. people with the right blend of business and technical skills (Barclays)
- right attitudes and behaviours more important than technical skills (O2)
- investigative minds (Barclays, O2)
- ability to think laterally – “prepared to suspend belief in their own hypothesis and explore multiple hypotheses. Then begin to work out which is the thing that has the greatest correlation between what’s practically happening” (Barclays)
- entrepreneurial and capable of handling rejection (Barclays: “not the classic project manager. It isn’t the person that just turns the data round and hands it over to somebody else to do something about”)
- inspirational and motivational (Barclays, O2)
- apolitical and without ego (O2)
- forward-thinking and passionate about the business (PO)
- Able to ask better questions and to look at things from a fresh perspective (O2)

4.5.4. Insight function as a proactive unit

Wills & Williams (2004) proposed that insight should be treated as a business, with the Head of Insight taking on the role and responsibilities of a Chief Executive. In other words, the insight function should be a proactive unit focused on value generation, rather than a reactive one with a service mentality.

Post Office was the only case in this study where the insight function was a profit and loss operating unit. However, all the firms in this study were unanimous in agreement that having a central insight team is a critical success factor for a number of reasons. For example, having a central team helps to establish a common understanding and true meaning of the term insight. As BT said, “otherwise there’s a danger that everyone in the organization thinks they’re generating ‘insight’”.

O2 agrees: “one of the big constraints we have is that everybody likes the term ‘customer insight’. It’s the buzzword of the moment. If you’re not careful, everyone thinks that they’re insight experts, so it’s our job to make sure that the true voice of the customer is heard, as opposed to ‘my mate down the pub said yesterday ...”

As Cisco wryly observed, “I think it was Churchill who said that rumour is half way round the world before the truth’s got its pants on. That’s what we’ve had. If somebody says the average sales value in SMB is \$5,000, suddenly you see it appearing on charts and powerpoint slides. At least with a central team you can control that better.”

Having a central team also tends to help secure budgets and allows more freedom to decide how the money will be spent. It also gives more accountability to the insight function, which, according to Post Office “is a very good thing”.

Another benefit is the ability to share research methods and insights from across the business and work with like-minded colleagues. As BT pointed out “you do build up a good network. At least it means you’re not reinventing the wheel”. Colleagues at Post Office agree that having a central team enables them to “get a view from all angles of what’s going on”. A dozen of the most senior insight managers “regularly meet and discuss what’s going on within all the different areas and talk about what important meetings are coming up, so people can see how it links together and how we can action things”.

Finally, having a central team ensures that customer insight has a stronger voice, which is good for team morale. As Post Office said, “you can see people making decisions by what we’re doing, so it’s not research for research sake. And certainly it’s the first place that I’ve worked at, where I really feel I’m making a huge difference to the organization”.

4.5.5. Best practice communications

In their first research project, Wills & Williams (2004) set out to identify best practice in communicating customer insight and found that it is the simple ideas such as mini-newsletters and laminated one-pagers that can have great impact.

Post Office agreed with this. It advocated communicating in a digestible format, for example, one-page summaries (“because they are more likely to be read”), as well as communicating insight “in an interesting way that people can engage with”, for example, using music and pictures.

All companies agreed that effective communications play a critical role in the insight to action process and all firms invest heavily in this area. The following list shows the diversity of methods deployed:

- Company intranet (Barclays, BT, Cisco, O2, PO)
- Team meetings (Barclays, BT, O2)
- Training courses - both e-learning and face to face (BT, O2, PO)
- Input into 15 mins’ ‘buzz’ sessions (Barclays) or ‘ropes’ for call centre staff (O2)
- ‘Knowledge calls’ with account managers (BT)
- Webcasts (BT)
- Briefing packs (BT, O2, PO)
- Workshops (Cisco)

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- 'Desk drops' of printed material (O2)
- Internal newsletters (O2, PO)
- Plasma screens in open plan areas (O2)
- Emails (PO)
- Large events (PO)
- Video (PO)
- Buddy or 'adopt a branch' programmes (O2)
- Sketches, role-play and 'game shows' (PO)
- Mouse-mats (PO)
- One-page summaries of key findings and recommendations (PO)
- Call centre site visits (PO)

All companies regarded 'getting buy-in' as an output of effective communications. The following advice was collectively offered in terms of helping to get buy-in:

- Get feedback from front-line staff before developing new systems and/or engage them in pilot projects (Barclays, O2)
- Involve the right people (using the insight) right from the beginning. One way would be to set up a governance board (BT)
- Feed the front-line staff with "reasons to learn" e.g. success stories to encourage them to use the system, to build trust in the insight (Barclays)
- Make it competitive and 'real' e.g. branch X is doing better than branch Y because....(PO)
- Communicate in a very adult way – tell people why they're being asked to do things differently (Barclays, BT)
- Make it personal - ensure everyone in the organization understands "what's in it for me" (Barclays, BT, PO)
- Use case studies from other companies to demonstrate the value of customer insight (PO)
- Make action plans individual and specific (PO)
- Use the right language e.g. "we're doing this to enrich the customer experience, not just to sell more stuff" (O2)
- Choose your trainers and ambassadors wisely (O2)
- Make the focus of training on soft skills, not technology (O2)
- Provide quick results (O2)
- Create a brand for the insight programme (O2)
- Make it clear that "it's not just about selling. It's very much about promoting relevance and creating dialogue" (O2)

4.5.6. Factors influencing best practice communication

Wills & Williams (2004) concluded that the four main influencing factors on best practice communication were resource, skills, organisation and planning. The keys to success were

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90% structural and process oriented, with the remaining 10% coming from creativity and presentational techniques.

All companies in this study experienced some difficulty in being able to 'operationalise' customer insight. This is particularly acute when front-line channels such as call centres or branch networks have different operating models.

Barclays summed up sentiments by saying, "you can train people in how a system works, and you can train people in the logic behind the data, but actually integrating that with the way they do their job on a daily basis, (the way they talk to customers) and getting them to change those mechanisms is actually the hardest thing to achieve".

This study offers the following observations around structure:

- The size and complexity of large organisations impacts on speed and ability to make changes (BT, PO)
- Organisational structures are not aligned to customers (O2)
- There are often legacy billing and infrastructure issues that prevent easy sharing and integration of data (O2)
- Different operating models between call centres mean that processes are not always customer-friendly (e.g. can't transfer calls) (Barclays, PO)

Inevitably all firms experience some process issues. The following hindrances were identified:

- Sales people are used to going to finance for information because they're the people who paid them their commissions (Cisco)
- Actioning insight is not in everyone's KPIs (O2)
- Compliance issues mean that that some customers can't be signed up immediately and have to be directed to another channel (PO)
- Bookings data is set up so that sales can get paid, not so that marketing can use the data (Cisco)
- No process for the front-line to request the type of insight they'd like (often they "get what they're given") (Barclays)
- No matter how good a planning process you have, you still get "product teams rolling up to marketing and asking them whom they can flog their product to" (Barclays)
- people generating the insight don't always have enough ownership or control over how insight gets actioned. For example, Barclays' insight team "might deliver a whole load of insight to the front line that they chose to willfully ignore, if they think they can meet their targets another way"
- Arguments over 'who owns the customer' can delay action. The customer service teams may feel they need to respond to customer satisfaction feedback, whereas the relationship managers feel it is their responsibility. Relationship managers may also place restrictions on how many times marketing people can contact customers for proposition testing (BT)
- the central insight team doesn't usually have the authority to impose the measures it would like on front-line staff. This means that most insight teams are unable to provide

concrete evidence that insight has a) led to specific action b) produced measurable results (PO)

Collective advice is:

- Have a good process from proposition development to getting it out to customers (BT)
- Have a defined process for acting on customer satisfaction issues (BT)
- Keep management information separate from customer insight (Barclays)
- Have a good feedback mechanism for the front-line (Barclays)
- Keep following up to check that the business is actioning the insight (PO)
- Always go back and check that your insight was correct (PO)
- Ensure that requests for new research are accompanied by an action plan (not just “nice to know”) (PO)
- Get 3rd party research agencies to work in partnership with each other, not in isolation (PO)
- Ensure research methods and approaches are consistent , so that data can be pooled together (PO)
- Get insight embedded in change processes (PO)
- Implement closed-loop reporting, so that agents’ reporting can be validated with actual sales and the conversion rate on offers made on both outbound and inbound calls can be measured (Barclays, O2)

4.5.7. Cultural influences

Wills & Williams’ (2004) first and second best practice projects highlighted that corporate culture was a major determinant of the likely success of any insight function. They proposed that companies that genuinely put the customer at the heart of their business are more likely to be successful at actioning customer insight.

Stoica et al (2004) agree that data analytics will be culturally influenced and Wright and Calof (2006) confirm that a supportive culture is essential if firms are to utilise their competitive intelligence efforts successfully. Smith et al (2006b) found that successful companies had an organisational culture that supported intra-organisational knowledge flows.

The companies in this study proposed that cultures that are most supportive of the insight process are likely to display the following characteristics:

- People are used to ‘making things happen’ (Barclays)
- People willingly embrace change (O2)
- Personal development and training are encouraged (Barclays, O2)
- People are adventurous, open, willing to try new things (O2)
- The organisation is either ‘customer-centric’ or ‘marketing led’ (Barclays, O2)
- Fresh thinking is not only encouraged, it is expected and taught (O2)
- Employee satisfaction is a high priority (O2)
- People are supportive to each other and there is a strong sense of ‘team’ (BT, PO)

How companies use customer insight to drive customer acquisition, retention and development.



- Open-minded (O2)
- People are inquisitive, with a hunger for knowledge (O2)
- Creative (O2)
- People are empowered to 'do things differently' (O2)
- There is a strong sense of trust (BT, PO)
- People are expected to 'test and learn' (Cisco)
- There is a sense that 'it's OK to experiment and get things wrong sometimes' (O2)

The companies in this study contributed suggestions about cultures that hinder the insight process being likely to display the following characteristics:

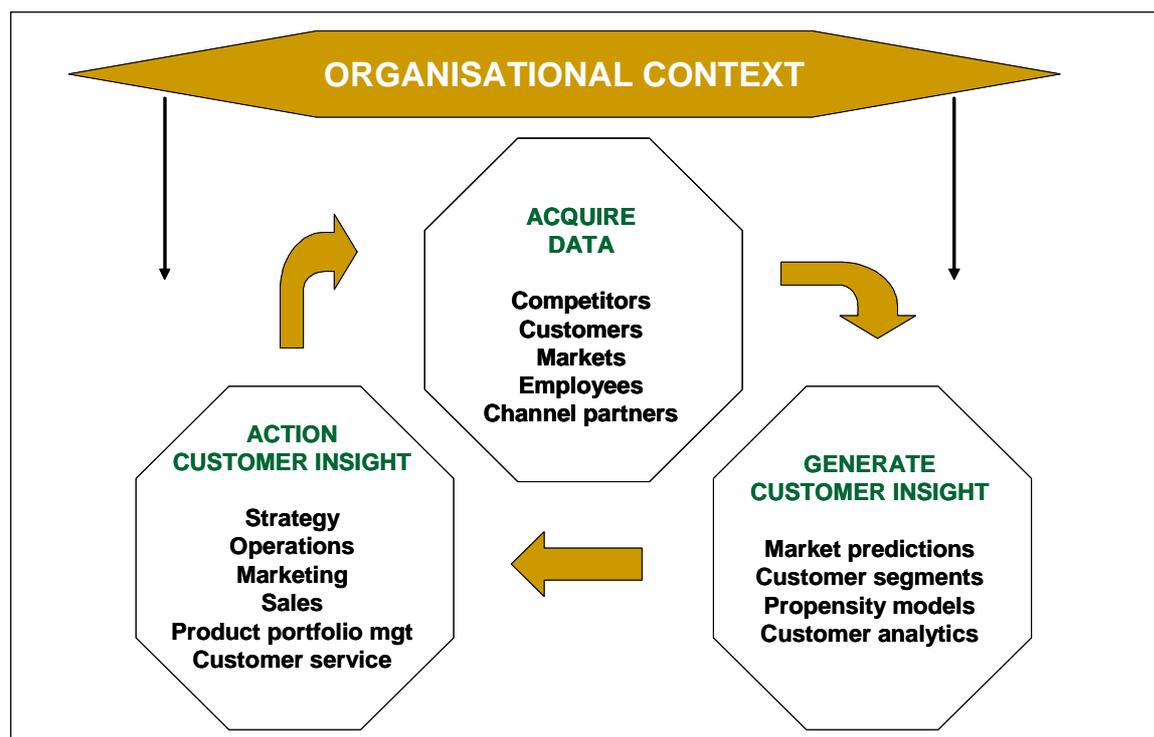
- People are stuck in the past (PO)
- People are suspicious/sceptical about new things (O2)
- People feel threatened by change (O2)
- There is a culture of arrogance and a feeling of 'I know best' (Barclays)
- People need 'reasons to learn' (BT)
- The organization is 'sales led' or 'product-centric' (Cisco)
- People are punished if they get things wrong (Cisco)

5. Discussion of findings

5.1. Theoretical framework for actioning customer insight

Based on the findings of this study, a framework for generating and actioning customer insight is proposed:

Figure 1: Framework for actioning customer insight



5.2. Reflections on each case

In their recent research, Smith et al (2006b) found that the extent to which firms use data to drive their offer to the marketplace is quite limited. They described three stereotypes:

1. Those firms that use data only to focus and improve their marketing communications. Such approaches are the *most common* use of data in marketing.
2. Those that use data to focus and improve their marketing communications but also to improve “outer” aspects of the offer, such as service and packaging. Such approaches are *less common, but not rare*.
3. Those firms that use data to tailor the entire offer and customer experience, within very broad limitations implied by fixed assets and infrastructure. Such approaches are *rare*.

As the companies in this study were from different industries and had different business models, they were at different stages of their customer insight journey. However, four of

How companies use customer insight to drive customer acquisition, retention and development.



them have advanced to a point between the second and third stereotypes, with the fifth (O2) arguably having reached the third stage already.

Each of the cases is now reflected on individually:

5.2.1. Barclays

All interviewees at Barclays agreed that Barclays was “on a journey” driven by an increasingly competitive market, particularly in UK retail banking (a flagship area) where it lost market share and has only just recovered profitability. Although some interviewees said that the “customer is at the heart of everything we do”, others admitted that in the serious reality of the banking environment, Barclays is “very operationally driven” and “at most customer-friendly”.

Needless to say, Barclays has come a long way on its customer insight journey and compared to BT, Cisco and Post Office, it is very advanced. It is generating all four types of customer insight and is actioning insight at the front line (although not quite in real-time). It sees real growth potential in inbound marketing, where improved analytics has enabled Barclays to close one sale per 11 inbound calls (compared to one sale per 14 inbound calls). It is also moving from sales campaigns to customers, to customer programmes blending sales and services.

In terms of next steps, the branch network and contact centres are ‘high on the agenda’, building on the work it did last year. It wants to “get ourselves to a position where we can really say we are delivering world class inbound marketing through the contact centres”. Its priorities moving forward are “inbound: more sellers, better productivity; much better experience online for the customer, simpler journeys; outbound: bigger”.

To conclude, Barclays sees analytics as “an-going journey” and “can’t see how the business can work in any other way now”.

5.2.2. BT

According to one interviewee at BT, “customer insight has been taken seriously for probably about ten years and I think that it’s been around in different shapes and forms before that. But I still think that we’re quite ... immature in terms of how we’re really using it, particularly true insight”.

BT is very comprehensively collecting data and is generating insight in the areas of markets and customer segments (and touching on customer analytics). There is a noticeable movement from a “product-centric to a customer-centric” orientation and insight is definitely driving the development of new products and propositions.

However, BT acknowledges that it could do more “to integrate insight even further into business as usual - trying to strengthen the link between insight and action or impact if you like. There’s always a priority to get more for our money (or spend less). To be more innovative in terms of how we’re generating and communicating the insight. We’re still using some very old-fashioned techniques to generate insight, particularly for business customers. The BT consumer team is more at the cutting edge - doing modelling, ethnographics and

How companies use customer insight to drive customer acquisition, retention and development.



more sophisticated work on needs and behaviour. I don't know how we introduce that into the business market".

5.2.3. Cisco

Everyone at Cisco described the company as having a "sales-driven culture", which is consistent with the finding that it is probably the most immature company in this study in terms of its customer insight journey. However, customer insight is rapidly rising in prominence and importance, although "it's happened quietly. There's been no major revolution. There's been no senior VP come in and say this is way we're doing it now. It's been a sort of quiet progress over a number of quarters".

Cisco, by its own admittance, "likes to be the best at everything" it does and is starting to lay the foundation stones - "my genuine belief is that most of the things we're talking about now will become table-stakes over time, and the only real way we're going to be able to differentiate five years from now in most industries is customer knowledge. Because it won't be product knowledge anymore, and it won't be industry knowledge, it will be customer knowledge".

Cisco has had limited access to customer data due to its indirect sales model. Despite this, it is one of the most advanced companies in the study in terms of generating customer analytics and defining metrics. There is still plenty of scope though, to generate propensity models and develop more sophisticated customer segments. Arguably the biggest opportunity is to better leverage millions of inbound contacts. This is partly restricted by IT conditions, although there is a major initiative underway to change the current IT infrastructure.

Cisco sees exciting times ahead: "we will get there. We will absolutely achieve it, and we will have an insight capability that's second to none. And I reckon within the next twelve months it's just not going to look anything like it looks now. We'll have full propensity modelling, we'll have customers' next best move and we'll have a prospect database".

5.2.4. O2

O2 is the most advanced company in this study. Each interviewee consistently said "we put insight and understanding our customers and the experience they get at the heart of what we do".

As one person commented, "it's [insight] just what we do. And there's a hunger for it and sometimes we don't have as much of it as we'd like and we're very demanding about more of it, pushing the agenda but it's kind of the way we do business. We're never going to be 'Hey! Here's some insight, we need to suddenly do this.' It's just what we do".

The customer-centric culture really does seem to be embedded – "it is intrinsic within everything that we do and we're constantly reminded to challenge the way in which we operate to make sure that it is part of our every day work".

As well as generating all four categories of insight, O2 is particularly good at actioning insight at the front line using its VISION system. People attribute this success to their focus on

service rather than selling – “I think one of the reasons that VISION’s been as successful as it has is because it isn’t about selling. It’s very much about promoting relevance and creating dialogue”.

As another person confirmed “lots of companies talk about it, but not actually that many are prepared to put their money where their mouth is and make changes dramatically to service the customer. O2 is very dynamic in that respect. We’re very clear about what we want to achieve with customers and it’s actually happening.”

All interviewees at O2 were very passionate and proud to be working for O2. As one person observed, “development-wise O2 is focused on the employee, as much as the customer. You have to; you can’t get one without the other”.

This focus on customers and employees is reflected in its results. It is number one in the UK marketplace in terms of number of customers (16 million out of a total pool of 55 million), number one in terms of customer satisfaction (measured by an independent third party) and has just been voted one of the “best places to work”. It is experiencing a daily conversion rate of between 75 and 80% on offers made using the VISION system and a corresponding nine percent uplift in the average bill value (not all offers made are revenue-generating). From the £10 million it cost to implement the VISION system, it has so far generated £75 million in return.

In terms of next steps, O2’s priorities are to complete the roll out of VISION “so that everybody’s trained and able to use Vision effectively”. After that, O2 wants VISION “to be a world-class reporting dashboard with all our financial and company metrics on it so that we can twist the levers if you like at a very micro level and see the impacts it will have across the base”. From a “next roll-out perspective it’s about getting retail and online using VISION and also about getting some of the basic infrastructure in place for campaign integration, so that we can start proper customer lifecycle communications”.

5.2.5. Post Office

When asked to describe their company culture and organization, people gave very mixed answers, ranging from “old-fashioned oil tanker” to “changing” to “it feels like a start-up company.” This appears indicative of the turbulence and change that Post Office is experiencing at the moment.

In terms of the proposed theoretical model, Post Office extensively collects all types of data and is generating insight in terms of markets and customer segments. It is not really producing customer analytics yet and it is not using propensity modelling. In terms of actioning insight, it is using insight to drive strategy, marketing and new product development, but is not yet making use of insight to maximize inbound contacts. This is largely due to a historical operating model (particularly in the call centres) and lack of investment in technology to bring insight to the front line.

As one person summed up, “I think as a team we’re really great at doing the research and getting it communicated, but I think we are lacking in making sure that people are actually acting upon the research as well”.

As a public sector company, historically the focus has been on the customer rather than commercials. For this reason, “particularly at the front line, the people are most interested in

the best interests of the customers rather than business profits". Cost pressures in recent months has changed this focus so "currently we have been quite short-termist. The strategy for the last five months has been to sell as much as we can of these three products, which doesn't give a lot of room for insight".

The access to real customer data and the move into financial services products is driving real change at Post Office. The customer insight function has recently been amalgamated into one team covering the whole of Royal Mail group and the team came across as very bright, very motivated and very well managed. The segmentation model is extremely powerful and will be applied more extensively to drive sales over the next twelve months. To overcome the lack of technology, the team has come up with very innovative ways to communicate insights, including role-play, music, 'game-shows', one-pagers etc.

To summarise, Post Office is as advanced as it can be in its customer insight journey, given the constraints of disconnected call centre operating models and lack of investment in technology to bring insight to the front line to maximize inbound contact.

5.3. Relationship with previous literature

5.3.1. Multiple data sources

The literature (Nemati, Barko, & Moosa, 2003; Wills & Williams, 2004; Smith et al., 2006a) proposes that in order to generate customer insight, multiple sources of data need to be aggregated and synthesized. All cases in this study were found to be doing this in practice.

Existing literature does not provide a complete list of the 'multiple data sources'. Instead, academics mostly refer to 'customer and market' data. The most extensive list that exists to date (Wills & Williams, 2004) is limited to customer database analysis, market intelligence, competitor intelligence, feedback from sales and customer service staff, including customer complaints, financial and planning data etc.

This research builds on the above literature by confirming that all of the above types of data are collected and by proposing that they are incorporated into five main areas and sub-categories:

1. Competitive data
2. Customer data (interactions; transactions; satisfaction; opinions)
3. Market data (market share; market issues; social, economic & political trends; demographics/population profiles; company profiles; attitudinal data)
4. Employee data (staff feedback; mystery shopping programmes; retail standards audits; service performance data; employee satisfaction surveys; buddy programmes)
5. Channel data

5.3.2. Generating customer insight

As discussed earlier, there is very little reference in the literature (Wills & Williams, 2004; Hirschowitz, 2001) to 'customer insight' and there is no clear list of the different types.

In his conceptual paper, Hirschowitz (2001) goes the furthest by citing examples of customer insight as:

1. Strategic segmentation, such as socio-demographic, geo-demographic and value based
2. Loyalty indicators: how likely a customer is to defect to another supplier
3. Channel propensity: how likely a customer is to use particular channels such as the Web, email etc.
4. Campaign propensity scores: how likely a customer is to respond to a particular campaign
5. Response value scores: the estimated value of a positive response to a campaign

This research confirms and expands on the above list by proposing four categories of customer insight:

1. Market predictions (not covered in above list)
2. Customer segments (point one in above list)
3. Propensity models (points two, three and four in above list)
4. Customer analytics (point five in above list)

Kumar et al (2006) found that most companies do a poor job predicting the behaviour of their customers. This study confirms this, as only two out of five companies (BT and O2) were found to be making extensive use of propensity models.

Smith et al (Smith et al., 2006b; 2006b) also found that most practice was hindered by lack of appropriate data and lack of understanding of needs based segmentation. Again, this study confirms this, as only two out of five companies (BT and O2) were found to be segmenting by customer needs.

5.3.3. Actioning customer insight

When the literature talks about the use of customer insight, it is usually in a marketing context (Tan & Ahmed, 1999). Payne & Frow (2004) talk about 'touch-points' (where the customer interacts with the supplier in multiple channels) representing the most crucial opportunities to leverage advantage, but again in a marketing context. There are no examples of the broader use of customer insight beyond marketing decision-makers.

This study builds on previous literature by suggesting that customer insight is actioned across six areas:

1. Strategy
2. Operations
3. Marketing
4. Sales
5. Product portfolio management
6. Customer service

Other academics (Smith et al., 2006b) make very general statements about how to action customer insight.

5.3.4. Organisational context

This study provided some support for Smith et al (2006b)'s finding that leadership commitment is one critical success factor that influences a firm's ability to create and use insight. This study builds on this research by proposing that having a central insight team is another critical success factor.

Wills & Williams (2004) proposed that the skills required of those responsible for customer insight must include an understanding of business processes and the strategic as well as political skills to ensure that insight is communicated and actioned. Smith et al (2006b) added that the right type of people were those capable of analytical thinking and the ability to synthesise intuitively multiple sources of information.

All of the case studies agreed with the above findings, although BT admitted that it had gaps in its analytical skills. More specifically, this study has built on the above proposal by producing a more detailed description of the 'right type of people'.

Wills & Williams (2004) also proposed that insight should be treated as a business, with the Head of Insight taking on the role and responsibilities of a Chief Executive. Post Office was the only case in this study where the insight function was a profit and loss operating unit.

In their first research project, Wills & Williams (2004) set out to identify best practice in communicating customer insight and found that it is the simple ideas such as mini-newsletters and laminated one-pagers that can have great impact. This research found some evidence to support this, for example Post Office advocated communicating in a digestible format, such as one-page summaries.

All companies agreed that effective communications play a critical role in the insight to action process and all firms invest heavily in this area. This research builds on existing literature by providing a list of the different types of communication methods deployed, as well as offering suggestions for 'best-practice' communications.

Wills & Williams (2004) concluded that the keys to successful communications were 90% structural and process oriented, with the remaining 10% coming from creativity and presentational techniques. All companies in this study experienced some difficulty in being able to 'operationalise' customer insight and inevitably all firms experienced some process issues. This study builds on existing literature by offering some observations around organisational structure, process hindrances and collective advice for best practice processes for turning insight into action.

Sheth et al (2000) proposed that companies evolving to a more customer-centric focus should be using CRM to manage relationships with customers and as a means to learn about their needs and how best to satisfy them. Several academics (Rigby et al, 2002) (Wilson et al, 2002) have since agreed that firms must organize around and be driven by an understanding of customers' evolving needs and that this is best accomplished by firms that boast a customer-centric culture. Wills & Williams (2004) later proposed that companies that genuinely put the customer at the heart of their business are more likely to be successful at actioning customer insight.

The above was confirmed to be true in that the company with the most customer-centric culture (O2) was the most advanced in terms of understanding and acting upon customer needs. All other firms in the study were moving towards a customer-centric culture and

How companies use customer insight to drive customer acquisition, retention and development.



acknowledged that understanding customer needs was a high priority. Barclays, BT and O2 all agreed with Wills & Williams' (2004) proposal that customer insight is a strategic asset. All of these firms claimed to "put the customer at the heart of everything we do".

Wills & Williams' (2004) first and second best practice projects highlighted that corporate culture was a major determinant of the likely success of any insight function. Stoica et al (2004) agreed that data analytics will be culturally influenced and Wright and Calof (2006) confirmed that a supportive culture is essential if firms are to utilise their competitive intelligence efforts successfully. Smith et al (2006b) found that successful companies had an organisational culture that supported intra-organisational knowledge flows.

This study confirms these findings and builds on them by proposing a list of characteristics of cultures that are most supportive of the insight process. It also proposes a list of characteristics likely to be displayed by companies whose culture is *not* supportive of the insight process.

5.3.5. Links to performance

A few academics have investigated links between customer insight and company performance. For example, Nemati et al (2003) found that organizations that integrate data from various customer touch-points have significantly higher benefits, user satisfaction and return on their investment (ROI) than those that do not and Zahay and Griffin (2004) concluded that learning about customers plays a vital role in contributing to performance.

This study found some evidence from Barclays and O2 that customer insight had led to a higher conversion rate on offers, increased revenue and higher customer satisfaction, but further research in this area is recommended.

6. Summary and implications

6.1. Summary

Following the identification of several gaps in the literature, the purpose of this exploratory research was to investigate how five large companies from a variety of industries are using customer insight to drive customer acquisition, retention and development. Specifically, this report addressed four key questions:

1. What types of data (inputs) are companies feeding into the customer insight generation process?
2. What types of customer insight (outputs) are companies generating?
3. What actioning of customer insight takes place and for what purposes?
4. What is it about the organizational context that helps or hinders in the process of generating and actioning customer insight?

The study provided enough answers to the first three questions to populate a proposed theoretical framework for actioning customer insight. Answers to the fourth question have enhanced knowledge in this area, although further research is recommended to provide more clarity and evidence.

6.2. Implications for practitioners

This study has several important implications for practitioners:

1. In today's environment of fierce competition and intense cost pressures, it is no longer enough to merely acquire, retain and develop customers – the focus has moved to acquiring, retaining and developing the *right* customers. Ever demanding and well-informed customers expect companies to make the right offer at the right time, through the channel of their choice. They also expect companies to listen, remember and respond to their needs. All of the above is not possible without the generation and actioning of customer insight.
2. The skills requirement for marketers of the future is changing. Analytical skills and thinking are becoming an imperative. For example, according to Gartner Group (2006), event-triggered marketing (practiced by all the companies in this study to a greater or lesser extent), yields a response rate five times greater than that of traditional marketing. Barclays coins the marketer of the future as the “genetically modified marketer”, requiring skills in:
 - o Customer portfolio management
 - o Data based technology
 - o The use of digital channels
 - o Customer operations
 - o Customer centric processes
 - o Test and learn principles

- Applied analytics and dynamic segmentation
 - Optimisation
3. Increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound) is contributing to a growing trend towards inbound marketing. According to Gartner Group(2006), companies can expect 10 – 20 times the response rate on analytical inbound marketing compared to traditional marketing. Two companies in this study (Barclays and O2) were found to be exceeding this.
 4. The growing trend towards inbound marketing means that the role of customer service agents in the sales process is becoming increasingly important. Typically, front-line service staff is often reluctant to engage in activities or conversations that constitute “selling”. Therefore it is important to position the use of customer insight at the front line as an enabler of “better, more relevant conversations that will enhance the customer experience, increase loyalty and therefore customer lifetime value” (O2).
 5. The sales role is changing dramatically. Sales people can no longer rely on their knowledge of product features and benefits to make their quotas - they need to be able to identify customer needs and match products and services that fulfill those needs. They also need to be able to adapt their behaviour to match customer values. For example, if a customer values price above everything, the salesperson does not need to invest in a relationship, they just need to offer the best price. Vice versa, if the customer values personal engagement, the sales person needs to invest in building a long-term relationship.
 6. The impact of customer insight extends well beyond marketing programme dynamism. It is guiding strategy, operations, marketing, sales, product portfolio management and customer service. Organisations therefore need to develop a common understanding of what customer insight is and does throughout the organization. It helps if the organization puts a central insight team in place.

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