

THE TRANSFORMATIVE POWER OF **CUSTOMER-CENTRICITY**

The 3 Keys to Greater Customer Lifetime Value

What would it mean to your business if you could identify opportunities and concerns associated with each of your customers before they happen—and then take action by delivering relevant, valued offers to them in real time? You could increase retention and loyalty, reduce churn and attrition, and make every interaction more profitable.

Simply speaking, that's how customer-centricity should work—and it's becoming essential for virtually every company.

Customer centricity is not just an attitude. It's not a matter of making vague commitments to “put the customer first” or “provide outstanding service.” It's about literally building your business around the needs, preferences, and actions of your customer on an ongoing basis.

When you truly become customer centric, you gain unprecedented power to transform your business and achieve new growth:

- According to Dr. Peter Fader of The University of Pennsylvania's Wharton School of Business, companies that are able to identify and maximize the value of their best customers have the potential to **increase sales by 17%**.
- Frederick Reichheld of Bain & Company has conducted research that shows increasing customer retention rates by 5% **increases profits by 25% to 95%**.

- A Deloitte & Touche report calculated that customer-centric companies are **60% more profitable** than their peers.

Add to that the ability to identify and target at-risk customers with timely offers to retain their business, and you can understand why customer centricity is so powerful.

In today's world, companies are amassing behavior- and preference-related customer data like never before – filling their many silo'd internal systems. Within this trove of information are nuggets of insight to drive greater customer centricity.

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A Convergence of Key Trends

To see the value of customer centricity, one need look no further than the business headlines, where a growing number of innovative companies are disrupting the established competitive landscape across even traditional industries and markets.

Many of these companies are proponents of “digital business,” defined by Gartner as “the creation of new business designs by blurring the digital and physical worlds. Digital business promises to usher in an unprecedented convergence of people, business, and things that disrupt existing business models.”¹

With digital business, technology is not simply an enabler of business; it is the primary driver of value through new products and services, new business models, improved business processes, and the creation of new niche markets.

EXAMPLES



Uber provided a favorable alternative to traditional taxi service by putting the user in greater control and making the process of getting transportation simpler, more affordable, and more convenient. According to Business Insider, Uber will reach a \$10 billion revenue run rate by the end of 2015.



Airbnb has had a similar effect on the hotel business, making it possible for people seeking lodging to connect directly and efficiently with private property owners with rooms to rent. Investment bank Piper Jaffrey estimates that Airbnb enabled 40 million room nights in 2014.



Ingenie Insurance took a different route in disrupting the automotive insurance market. In exchange for installing data-collecting “black boxes” in the cars of younger, high-risk motorists, Ingenie offered premium discounts of up to 21% for good driving behavior, and is now the number-one auto insurer for young drivers in Britain.

1 <http://www.gartner.com/technology/research/digital-business/>

These three innovative companies have several things in common, including:

1

All data-driven

A continuous stream of data—from users, service providers, vehicles, GPS systems, and more—enables and drives their businesses, providing the means to deliver their services, identify opportunities and issues, gauge success, track demand, and plan for growth.

2

Focused on delivering an omnichannel experience

All three businesses collect and distribute information through the most appropriate channels, making the user experience consistent across these channels, including mobile devices.

3

Overturning the established order in traditional industries

The lodging, taxi, and auto insurance businesses are established and mature industries in which the business models have remained essentially unchanged for decades or longer.

4

Built around understanding and satisfying the needs of the individual

In each case, their success has come from turning a “one size fits all” business into one in which the individual customer’s needs and preferences drive everything. Their services are personalized.

Even in mature industries such as these, opportunities exist to leverage customer centricity to deliver greater value and disrupt the competitive landscape. If startups with limited resources and zero name recognition can have an outsized impact, then it is not unreasonable to think that established players who commit themselves to customer centricity can go even further – or suffer at the hands of these new companies.

How Technology Is Enabling Greater Customer Centricity

In the past, businesses practiced customer centricity the old-fashioned way—by interacting personally with each customer, learning about them, and remembering what products and services they liked, and what their habits were.

That sort of neighborhood service experience is near impossible to deliver as companies expand and grow. But it's coming back as businesses begin tapping into the growing customer data resources available to them. Many companies collect and store a vast amount of customer data, but it is fragmented—stored in discrete, application-specific silos that prevent a full understanding of each customer. By freeing this data—and merging it with additional data from external sources—to better understand and appeal to customers at the individual level, companies are able to recapture that degree of personalized service. They are being aided by a growing range of enabling technologies, including:

- Mobility
- Social Media
- The Internet of Things
- Big Data
- Advanced Analytics



Mobility

According to Forrester Research, global smartphone penetration by population was 28% in 2013, and will grow to 50% by 2017. With 3.5 billion subscribers expected by 2019, smartphones and other mobile devices are rapidly becoming the primary means by which people manage their daily lives—communicating, navigating, capturing images, making purchases, and more. In the process, they are also generating a massive—and growing—amount of data of potential value to the businesses that serve them.



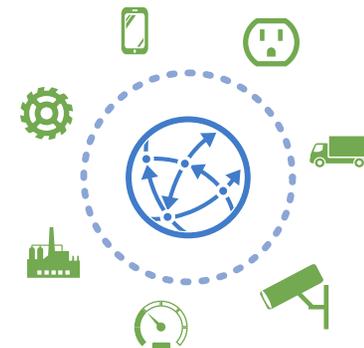
Social Media

A timeless business maxim says, “Word of mouth is the best advertising.” Today, “word of mouth” is happening more and more on social media, from Facebook to Twitter. According to research reported by global management consulting firm A.T. Kearney, social networking is the #1 online activity worldwide, consuming an average of 48% of people’s Internet time. Kearney’s research also reveals that social media has a significant impact on consumer buying decisions, particularly among the young. More than half of consumers under the age of 46 responded that they frequently or occasionally base their purchase decisions on what’s happening in their social network, and among those aged 16 to 25, the response was 67%. Companies that seek to reach, understand, learn from, and influence these consumers need to master data collection and analysis from social media sources.



The Internet of Things

Ingenie’s black-box auto insurance solution isn’t the only innovative business enabled by remote data collection. According to Cisco, the number of Internet-connected devices will grow from 13 billion to 50 billion between 2013 and 2020. As Internet-connected sensors get embedded into more physical objects, companies that can collect and analyze that data will find new ways to anticipate customer needs and deliver value to them at the right moment.



Big Data

Fueled in part by the Internet of Things, social media, and mobility, the amount and variety of data being generated globally is rising at an astronomical rate. It's estimated the **digital universe will grow from 3.2 zettabytes to 40 zettabytes between 2014 and 2020**. Companies like Netflix, Zipcar, and Spotify are capturing significant amounts of detailed information about their customers and using that information to deliver better, more personalized service to them.

Add to this the rapidly-growing amount of customer data that companies are collecting and storing in their silos or data warehouses, including credit card transactions, product preferences, and purchase behaviors. Within these torrents of information are nuggets of data about each consumer, which can reveal their habits, preferences, dislikes and needs.

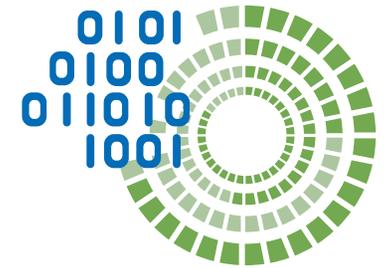
A number of technologies have been developed to enable organizations to better manage their Big Data assets. Prominent among them is the open-source Apache Hadoop ecosystem, including: Apache Hadoop for distributed storage and processing of very large data sets; Apache HBase non-relational distributed database, which provides a fault-tolerant way of storing large quantities of sparse data; and Apache Spark, a cluster computing framework that supports repeated querying of data in cluster memories, which is particularly suited to machine learning. Together, these technologies provide the means to extract insights from Big Data.

Advanced Analytics

To gain benefits from Big Data, advanced analytics is required. As Alexander Linden, research director at Gartner, points out, "Normal business intelligence and descriptive analytics, and even traditional software engineering, can't handle those situations."²

According to Linden, "Advanced analytics solves problems using predictive analytics and prescriptive analytics. Predictive analytics predicts future outcomes and behavior, such as a customer's shopping behavior or a machine's failure. Prescriptive analytics goes further, suggesting actions to take based on the predictions."³

These actionable insights drive even more effective marketing campaigns to increase customer lifetime value.



² <http://www.gartner.com/newsroom/id/2950317>

³ Ibid.

Gartner sees a corresponding growth in demand for “citizen data scientists,” business-savvy individuals throughout an organization who can perform analytics tasks that would previously have required the expertise of a highly skilled data scientist.

Taken together, these developments provide a rich, previously-untapped, and growing opportunity for companies in industries of all kinds to achieve greater customer centricity and open doors to new revenue and profit growth.



6 Key Opportunities & Challenges for Customer Centric Businesses

The seismic shifts being driven by digital business are leading to some inescapable conclusions about the business environment going forward:

1 Barriers to market entry are lower.

When virtually any company has access to computing resources on demand and prospective customers as close as the nearest smartphone, new competitors can more readily enter the market with disruptive innovation. These new competitors include not only agile startups, but high-growth companies from other industries. For example, we've already seen technology companies—from Apple to Google to Facebook—making inroads into the financial services industry.



2 Established incumbents no longer have a clear advantage.

Simply having a strong market position is not a bulwark against increased competition. The more customers are empowered and provided self-service tools, the easier it is for them to take their business elsewhere.



3 All communication channels matter.

Growth in the use of social media, mobile devices, and the Internet as primary sources of information and entertainment is altering how customers consume and share ideas and experiences. Companies seeking to be more customer-centric need to utilize these channels, both to gather information about the needs and preferences of their customers, and to reach out to them effectively.



4 The value of data only continues to grow.

In the past, companies used data to support business processes; today, data is the greatest source of value within business processes. As organizations gain greater access to fresh, personalized data from more sources and the analytical tools to find actionable insights in real time, they can achieve a powerful competitive advantage over less data-savvy rivals.



5 The imperative to strengthen customer loyalty and to find ways to attract new customers is intensifying.

According to the Harvard Business Review, reducing customer defections by as little as five percentage points can double profits. Best-selling author Emmett C. Murphy claims that a 2% increase in customer retention is equivalent to a 10% decrease in costs. In an age when a disgruntled customer can defect with as little as a tap on a mobile phone, organizations need to work at retention, continuously and assiduously.



6 Opportunities are multiplying to achieve growth with new, data-driven, personalized products and services.

The challenges ushered in by digital business are far outweighed by the opportunities being created. Companies now have the means to innovate in previously unavailable ways, appealing to customers on a one-to-one basis with tailored products, services, and offers that anticipate and fulfill their needs and preferences at the moments when it matters most.



Leading consulting firms agree. In a recent report, Perspectives on Digital Business, McKinsey & Company put it this way: “Technology is essential to the customer experience, especially as the expectations of consumers and corporate customers continue to rise.” The report identifies two trends: companies “creating a single view of their customers, complemented by seamless multi-channel sales and support capabilities,” and “increasing the value of their customer interactions. By going beyond traditional broadcast venues and one-way websites to use social media and Web 2.0 tools to connect and engage with customers, companies are gaining increased insights into wants and behaviors.”

TECHNOLOGY IS ESSENTIAL TO THE CUSTOMER EXPERIENCE, ESPECIALLY AS THE EXPECTATIONS OF CONSUMERS AND CORPORATE CUSTOMERS CONTINUE TO RISE.

McKinsey & Company

The Customer-Centric Enterprise

Customer centricity is a way of thinking and acting whereby individual customer needs and preferences effectively drive all business processes and functions. That includes:

- Interacting with customers via the channels they prefer
- Tailoring product and service offerings to each customer according to individual needs and preferences
- Anticipating—and fulfilling—customer needs at the right time and place

For many product-centric enterprises, this is a very different way of operating.

Gathering, sifting, and modeling the data necessary to support customer centricity is beyond the capabilities of any organization without automated tools. Business professionals who are able to embrace and use these tools are becoming more highly valued in the enterprise. Gartner predicts that through 2017, the number of citizen data scientists will grow five times faster than the number of highly skilled data scientists.

By distributing these citizen data scientists throughout the organization —particularly in customer-facing areas of the business —data scientists and chief data officers can gain an even more nuanced understanding of customer needs.

Product-Centric Enterprise

Same for everyone
Slow
Static
Siloed
Have to search for what I need
Doesn't surprise me

Customer-Centric Enterprise

Personal
Fast
Intuitive
Integrated
Everywhere
Relevant



Traditionally, forging customer connections was left to dedicated call centers or support functions. That is no longer the case. Because it drives business processes across the enterprise, the reach of customer centricity extends to all key departments:

Marketing: Connecting with customers individually via their preferred channels, delivering tailored offers at the right time and place. Regardless of the engagement – over the lifespan of the customer relationship, and/or at the time of initial purchase.

Sales: Sales executives are now able to leverage social media and internal backend systems to analyze successful sales programs and profitable interactions between sales representatives and customers, which can drive improvements in customer satisfaction and profitability.

Product Development: More companies are appealing directly to their customers to provide input –or even collaborate –on the development process. Knowing emerging customer preferences earlier makes it easier for product managers to formulate needs requirements and deliver products – in a timely manner- that will be well-received.

Manufacturing: A surge of startups have hit the market with custom-manufactured goods, such as individually tailored menswear. Other companies are altering their production processes using digital technologies and innovations such as 3D printing to enable “mass customization.”

Customer Service: Customer-centric companies enable customers to access service from anywhere on any device, and ensure that call center staff have relevant customer data at their fingertips and anticipate needs as calls are answered.



One Platform to Power Exceptional Customer Experiences



Companies have an opportunity to forge greater customer centricity throughout the customer lifespan, from activation to attrition.

In all of these cases, the single most important key to enabling customer centricity is user-level data. Organizational structures may be changed, business processes may be reconfigured, and new innovation teams may be formed—but those efforts can only succeed when fueled properly with user-level data.

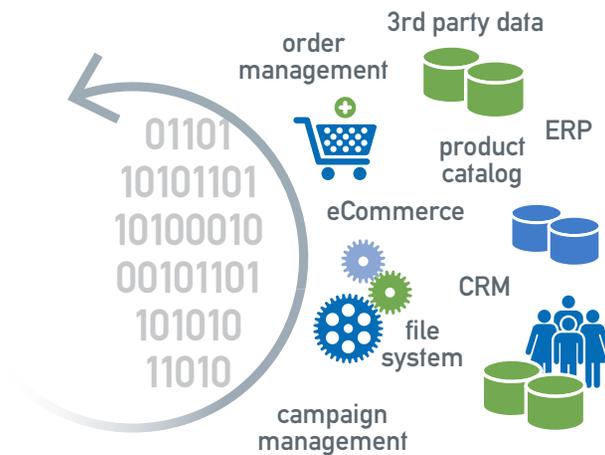


The Three Keys to Customer-Centricity

What does it take to become a customer-centric enterprise? As noted above, there are many actions companies can take across all departments to put the customer at the center of everything they do. However, there are three essential keys to making those actions effective:

1 Access to all operational and marketing data

In most companies, data is stored in operational silos with little or no connections among them. Enterprises need to be able to draw freely from all data sources – social, operational, CRM, marketing, etc. —to effectively put the customer at the center of their businesses. When this data is aggregated and organized in a highly usable manner, companies can take advantage of drawing from these sources to gain a single, more complete and nuanced customer view.



2 Understanding the customer at the individual level

In the past, companies created targeted marketing programs by segmenting customers collectively —by age range, zip code, etc. For true customer centricity, this level of segmentation is inadequate. To understand which offers are relevant and will appeal to each customer, and how and when those offers should be made, enterprise systems need ongoing access to customer data and automated processes to address each customer at the individual level. The more an enterprise can understand the customer as an individual, the greater its ability to support relevancy —knowing which offers to deliver at the appropriate time and place to be most meaningful to that individual customer.



3 The ability to track trends

Traditional Business Intelligence systems can tell you what happened in the past and why. That approach delivers insights —snapshots of understanding based on past events. However, without the ability to track trends, and thus, make accurate predictions about future behavior, insight isn't enough. Enterprises need to be able to track trends in real time to answer the questions, "What will happen?" and "What will we need to do?" Having those answers is the only way to be relevant and therefore to achieve real impact. Both of which contribute to make customer centrality a reality.

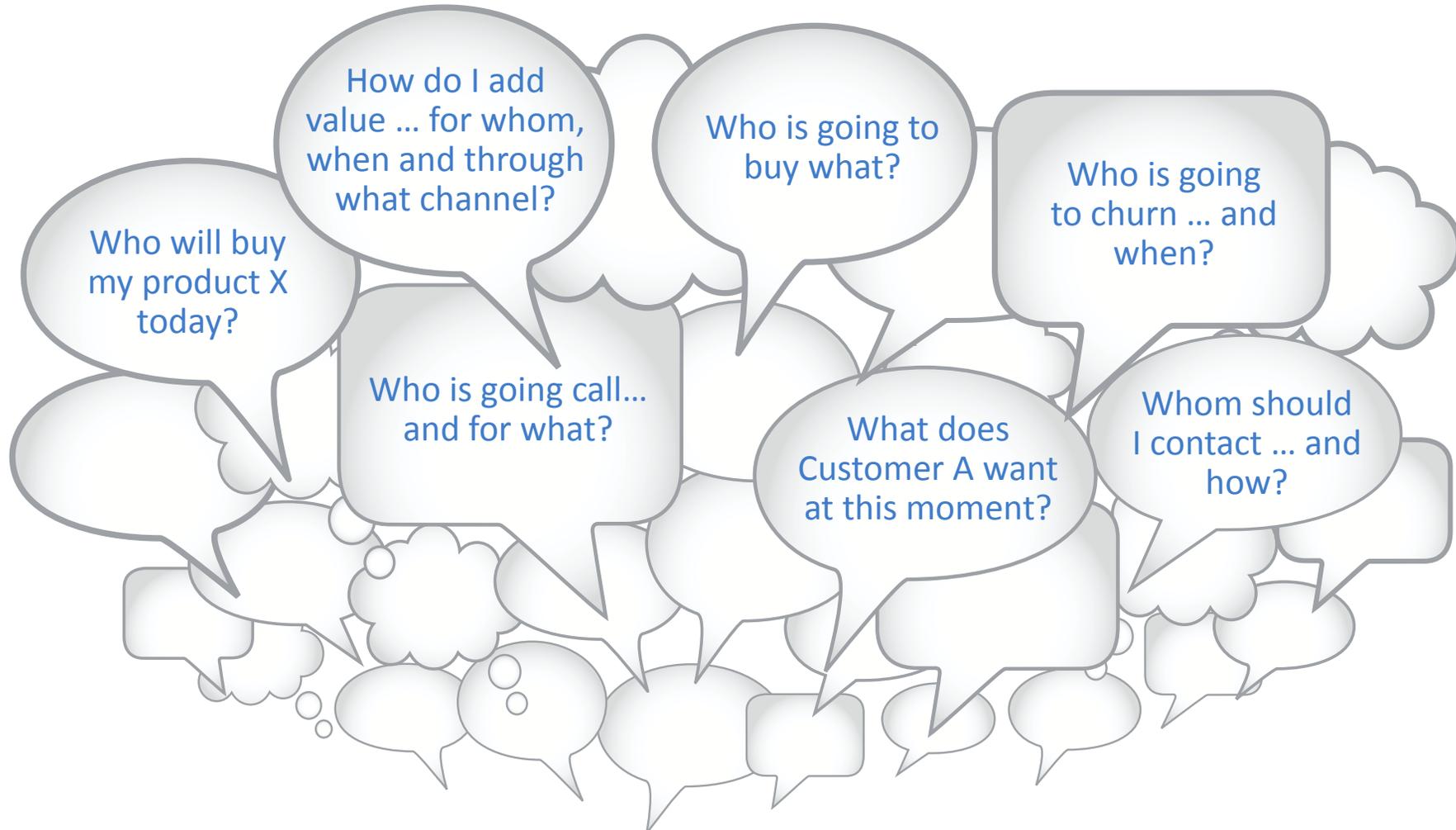


With all three keys in hand, companies gain the ability to:

- Build an individual, complete and timely understanding of each customer
- Turn interaction data into standard metrics that provide actionable marketing insights on individual customers
- Act on customer behavior in real time by looking at trends and triggering alerts for more proactive marketing and customer service over time
- Create one-to-one marketing campaigns that go beyond traditional segmentation-based marketing for more effective inbound and outbound marketing

Get Answers to Your Questions

With these capabilities, enterprises have the tools and resources to answer what were once impossible questions, such as:



Having the right answers—at the right time—to these questions provides the basis for real customer centricity, and a powerful competitive advantage.

Customer-Centricity in Action

Companies across industries are already realizing improved business performance through greater customer centricity. Here are a few brief examples:



A **publishing company** from the traditional print realm sought to shift more of its business online, but lacked an in-depth understanding of the 1.3 million visitors frequenting its website. Non-targeted mailings were costly and delivered mixed results. By analyzing online customer behavior and interactions around two of its brands, the company was able to achieve a 700% increase in targeting efficiency. The program has since been expanded to the publisher's other brands.



A leading **broadband services provider** wanted to improve the effectiveness of its customer marketing by targeting individual customers more directly. Applying analytics to customer data on usage, network, interactions, and product preferences, the company was able to feed event-based marketing actions to stimulate subscription renewals. This resulted in a 10-fold increase in marketing frequency and a 400% increase in response rate while cutting marketing costs in half.



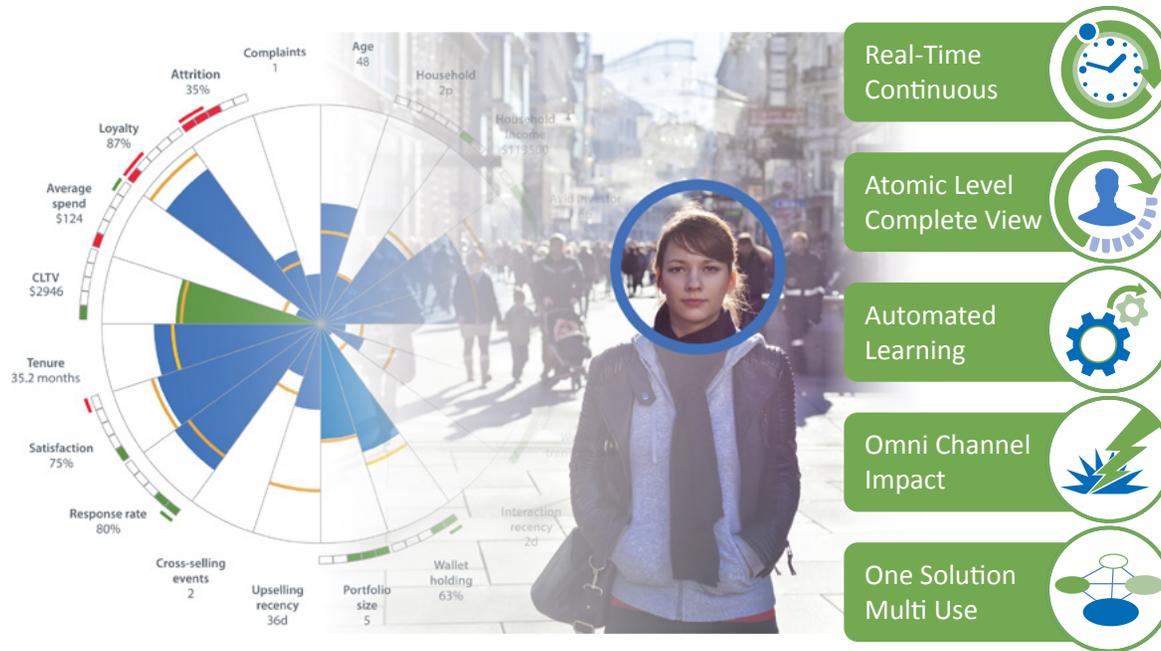
A **large wealth management bank** sought to improve its ability to offer the right investment at the right time to the right customer. By analyzing individual investment histories and gaining deeper knowledge about each customer through their interactions and product usage, the bank enabled its agents to provide better, more targeted advice to each customer and build greater customer loyalty.



Unleash the Transformative Power of Customer Centricity

Customer centricity is attainable-- and NGDATA can help. We're the customer experience management solutions company, enabling organizations to maximize the value of their customer relationships. Through our breakthrough solution, Lily Enterprise™, you can now create and maintain individual and actionable customer profiles or DNA, in real time, resulting in highly effective targeting and more personalized customer experiences-- the kind of experiences that deliver the power of customer centricity.

Lily Operational Analytics for Business Users



For more information on how to turn your enterprise into a customer centric company, visit www.NGDATA.com.

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