



Corporate-wide customer analytics strategy doesn't start with data, tools

A customer data analytics strategy should begin by identifying which area of analysis offers differentiation, such as operational efficiency, customer intimacy or product leadership.

In this E-Guide, readers will learn:

- Best practices to better understand what data is best suited for their analytics projects.
- Key insights into data tools and decisions that will improve customer understanding
- Tips to lay the ground work for successful customer analytics to improve the bottom line

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Corporate-wide customer analytics strategy doesn't start with data, tools

By Barney Beal, News Director

Organizations establishing a customer data analytics strategy need to look first not to the data they've accumulated or the software that's available, **but rather the questions they want to answer**, according to Gartner Inc.

"There's almost no question in the marketplace you cannot ask and get an answer to," said Gareth Herschel, principal analyst at the Stamford, Conn.-based research firm at its recent Customer 360 conference. "If you want to put the resources into it, you can analyze it and understand it. So, what prioritizes what we analyze? It's a question of what decisions do you want to take. The decisions are the center of our business strategy."

Companies competing in the same market often collect similar data about their customers and have the same access to analytical tools. Typically, organizations have the same type of data on the same type of customer as their No. 1 competitor, Herschel said. So, competitive differentiation comes with how they conduct analysis.

"To boil down 'what is your strategy,' it has to be about 'what is the decision,' not the data," he said.

Getting started with a customer data analytics strategy

A customer data analytics strategy should begin by identifying which area of analysis offers differentiation, such as operational efficiency, customer intimacy or product leadership.

"Analysis does not equal customer intimacy," Herschel said. "Analyzing customers will support all these dimensions, but prioritization is key. Start with a business strategy. Hopefully, that gives us a slight edge in more customers."

Identifying that initial focus was a clear takeaway for Marsha Perry, IT business relationships manager for CMS Energy, a utility company in Lansing, Mich., and an attendee

at the conference. CMS Energy is in the midst of an upgrade from SAP CRM 4.0 to CRM 7.0 and is looking for a campaign management tool to connect and analyze multiple channels.

"We are looking at what channels to look at for feedback," Perry said. "We need to figure out where we want to be, to predict what's going to happen. We're just starting to learn."

Trust in the data

More data is better than more customers, Herschel said, though when questioned during his presentation, he admitted that too much data can be a problem as well. What organizations want to do is understand what data is best suited for their analytics projects. That is much more difficult if you don't have it, he said.

Additionally, it isn't necessarily the most complicated analysis that wins out.

"It's not the companies that do the most sophisticated analysis [that win]," Herschel said.

"It's the questions companies could have asked but didn't."

With an understanding of what sort of questions and information an organization needs to differentiate itself, it needs to ensure that the relevant data it collects is trusted. **Multiple industry surveys suggest that few in the organization trust their corporate data. Around 20%, on average, say they have a high level of trust in the data, according to Herschel.**

"That high level of trust is critical," he said. "The whole point of analysis is to disconfirm our assumptions. You're looking for what you didn't know or what you thought you knew."

If people don't trust in the data, then they won't believe it when it disconfirms their assumptions."

How to structure customer data analytics teams

Traditionally, analytics teams have been closely aligned with the IT organization, but that's not the way to move forward.

"It's very important we position the analysts between IT and business," Herschel said.

In fact, organizations are increasingly outsourcing their customer analytics or at least a portion of it.

At CMS Energy, Perry is dealing with disparate levels of analytics expertise spread across departments.

"Some business partners are at the report level; others are better able to visualize opportunities," she said.

The analytics software vendors have focused predominantly on the business user, Herschel said, providing things the business user wants -- ease of use, prepackaged reports, prepackaged integration. What IT wants, Herschel noted, is vendor viability, scalability and integration with published standards.

Herschel offered a series of steps organizations can take to initiate an analytics strategy. Companies should track their capabilities. For example, is the marketing or sales organization conservative or aggressive with change? What about IT?

"In theory, these two should match, but in reality one falls off," Herschel said.

If IT lags behind, outsourcing or Software as a Service may make sense. Other times IT may have built a sophisticated data warehouse but can't get the business side to make use of it. A stakeholder analysis will inform an organization what areas it needs to address.

Additionally, organizations should prioritize what area it wants to analyze -- the organization itself, the market in which it operates or its customers. Armed with a sense of what areas to address, organizations can simplify the technology purchase.

"Say you have customer churn problems," Herschel said. "Different vendors will all tell you they have case studies proving they have the answer. But the objective is to identify what drives customer dissatisfaction. Real-time decisioning won't help there, but social media analytics will."

Finally, an organization can take the step of making a technology purchase, and many Gartner clients wonder whether they should go with a platform or choose components. The answer is both, Herschel said.

Ultimately, organizations are going to need to turn to multiple vendors for customer analytics. While the analytics market has undergone a wave of consolidation with SAP buying BusinessObjects, Oracle buying Siebel and Hyperion and IBM buying Cognos and SPSS, new niche categories and vendors will emerge.

"You cannot expect a single analytics solution to emerge unless your requirements are standardized and consistent -- which goes against the idea of specializing," Herschel said. "You cannot assume working with a megavendor will solve all your analytics needs."

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Forrester: Decentralized approach to customer data analytics the norm

By Jeff Kelly, News Editor

Companies that view customer data analytics as a strategic asset tend to favor a centralized approach to customer intelligence. But most companies don't fit that criterion.

Just three in 10 companies have a single, centralized organization responsible for collecting, analyzing and disseminating customer data, according to a recent survey of customer intelligence professionals by Forrester Research.

The main benefits of a centralized approach to customer data analytics, according to respondents, is that "it ensures that functional expertise is shared across the company and that it provides efficiencies of scale," according to an accompanying report by the Cambridge, Mass.-based research firm.

Of those respondents whose companies have achieved "a strategic [customer] intelligence level," more than 54% employ a centralized approach, wrote Forrester analyst Dave Frankland.

"We used to have multiple teams capturing and analyzing customer data. By bringing them together onto the same team, we cut down on the replication of tasks and ensure each task is performed by the specialists in each function," one respondent, head of customer intelligence at an insurance company, told Frankland. "As a result, all of our business units benefit from a higher standard of intelligence."

A majority -- 55% -- of respondents said, however, that customer data analytics teams are fanned out across their enterprises, with many reporting to line-of-business managers and department heads. While respondents recognized the benefits of a centralized approach, they also reported that a decentralized corporate culture prevented it.

Another of the 300+ survey respondents said: "Regardless of my appetite for the centralization to drive cost savings and efficiency, our broader corporate culture encouraged

decentralization. Selling the centralization of critical insight functions is an insurmountable task.”

Forrester includes marketing analytics, Web analytics, and customer feedback analytics among the disciplines that make up customer intelligence.

That’s not to say that a decentralized customer intelligence approach lacks benefits of its own. A majority of respondents that employ a decentralized approach agreed it “provides business unit(s) with control over the function” and “ensures functional expertise is delivered where it is most likely to be acted upon.”

It is also easier to align decentralized or departmental analytics teams with business-unit goals, according to 46% of respondents that sport a decentralized approach.

Still, “firms demonstrating a strategic intelligence level share some common tendencies,” Frankland concluded. “Customer [i]ntelligence teams in these firms tend to be larger and more centralized and wield far more influence across the firm.”

Resources from IBM



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