



# The Role of Predictive Customer Analytics in the Evolution of Customer Engagement

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## **EXECUTIVE SUMMARY**

The landscape of customer engagement is changing rapidly. That is largely because the customer has changed, due to the choices, options, information and connectivity, that the web has bestowed.

The expectations of the customer have changed - she expects businesses now to know what she wants, when and where. She wants her purchasing to be pre-empted with personalized communications and offers that she is really interested in. 'One size fits all' customer engagement approaches will not do any more.

This calls for an investment from businesses into a new strategic approach to customer engagement, one that is built on a revolutionary new customer data ecosystem and customer engagement framework.

Predictive Customer Analytics is the solution and the way forward for businesses and marketers, looking to maximize their customer lifetime value returns.

## A PORTRAIT OF THE 'OLD'


Marketing has always sought to influence consumer behavior, to stimulate customer behavior, to induce conversion or purchase. It has done this, through the broadcast media, print, outdoor advertising campaigns, and through seasonal offers. Sales figures were all the indicators they had to go by, in terms of performance metrics.

Likewise, with existing customers, marketers have sought to get repeat conversions, to cross or up sell, or sought to maintain the customers, through loyalty programs, membership programs, offering discounts, valued added services for loyal customers, such as offered by the 'frequent flier' programs.

Marketing's understanding of consumers and market reality, has come from market surveys, conducted on a 'done once and again, if need be' basis. Besides this, it has typically come from customer service calls or call center calls or emails or visits to the premises.

Customer interaction with the company was limited, happened one customer at a time, with a specific department (customer service, sales, etc.), and the communication was usually bound within the service request boundary.

These interactions whilst more personal, were also time consuming and businesses often struggled to keep up. Consequently, businesses tended to be occupied with customer service and not so much with customer experience.



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## A NEW CUSTOMER IN A NEW WORLD

The Internet has changed the world significantly. With the rise in connectivity, there is the emergence of the 'connected' citizen, inhabiting the online or virtual world for a significant slice of her life.

A Forrester Research's North American Consumer Technology Adoption Study showed that people in the 18-26 age group spend more time online than they do watching television. Besides connecting people with each other, the Internet has ushered in a culture of online interactivity, a collapse of communication barriers and boundaries, and an explosion of information and online experiences.

Connectivity has not only brought people together, it has also brought customers and businesses closer. Businesses now reach out to and interact with their customers *directly*, through their websites, their web based service applications, as well as through the proliferating social media platforms.

At the same time, the customer now has many more businesses scrambling to reach out to her, with offers. Lowering of entry barriers to businesses with the proliferation of the Internet, has meant increased competition, many more customers switching brands and an erosion of brand loyalty.

Shikhar Ghosh, from Harvard Business School, noted that a significant number of tech startups failed, because they could not get high value customers to return.

The new empowered customer is much more aware. This new customer is also reading reports, reviews and reactions shared by other customers about products and services and businesses. A 2011 market analysis revealed that 80% of online customers, after reading negative online reviews, report making alternate purchasing decisions, while 87% of consumers said a favorable review has confirmed their decision to go through with a purchase.

Eighteen percent of U.S. consumers say that issues not being resolved in time or lack of information in time, are the most frustrating aspects of a poor customer service experience.

The new customer has many options and has different expectations entirely from her predecessors. The new customers now expect businesses to:

- Solve their problems and answer their queries immediately
- Reach them and communicate and interact with them, where they are - online and offline
- Provide a seamless, unified identity and memorable experiences across different channels and touch points
- Not add to the information 'noise' that they are already subject to, by sending them communications or offers that they have little or no interest in
- Above all, know and understand them; pre-empt their preferences and attitudes, and prompt them at the right time and in the right place, with personalized and tailored experiences, communication and offers

## THE CHALLENGE BEFORE CUSTOMER ENGAGEMENT TODAY

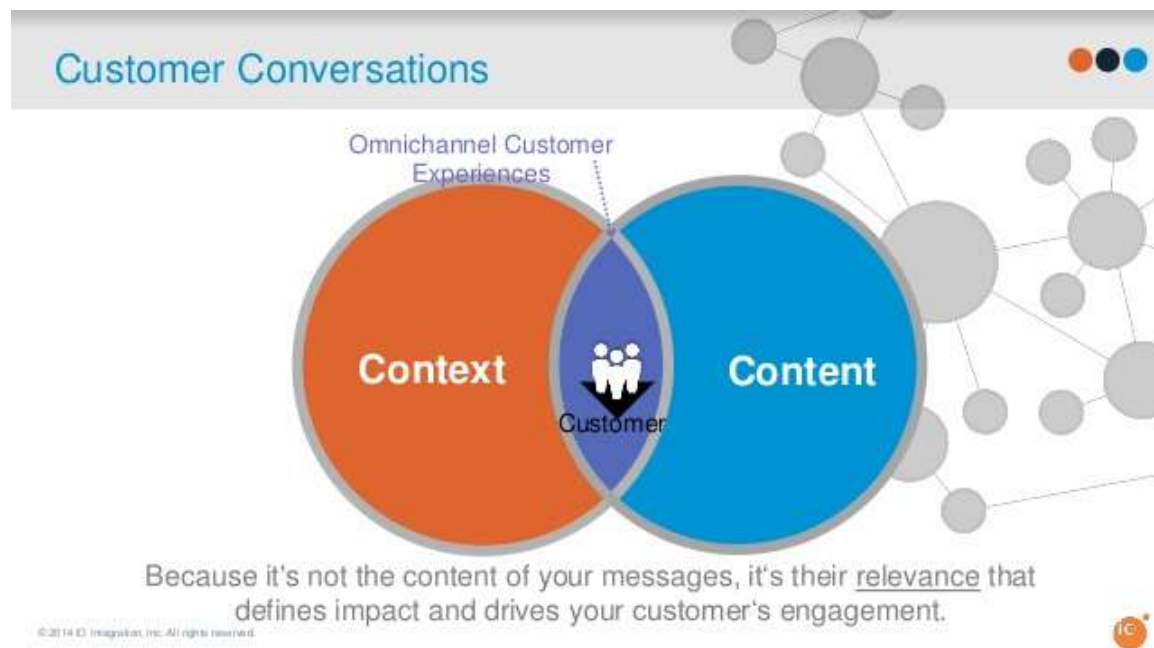
*"The probability of selling to an existing customer is 60–70%. The probability of selling to a new prospect is 5-20%*

The challenge before marketing and customer engagement is building strong and personalized connections with the customer, based on a better understanding of customer expectations, attitudes and behavior.

This connection can be a reaction, interaction or overall customer experience, which takes place online and offline. These connections are the context in which marketing needs to operate in.

The imperative for marketing is to build such connections, to build such stable contexts of relationship and interaction.

In such contexts, it becomes possible for businesses to relate to individual customers on their terms, to understand them individually, to pick up clues about their needs, desires, attitudes and preferences, and finally to make customized offers that fit their needs and desires, and finally to retain, grow, and acquire customers.



## CUSTOMER CENTRICITY WITHOUT CUSTOMER IN SIGHT

This is easier said than done, when the customer data is spread across multiple channels, touch points and platforms. It is estimated that, over 40% of customers now use several different channels to interact with brands, from chat to email, social media to SMS.

This customer data is structured as well as unstructured data, historical and demographic data, as well as behavioral and attitudinal data from the customer generated content and interactions on various social media platforms.

In fact, estimates are that over 80% of data generated is unstructured. All this data is a resource for businesses to analyze to better understand customer expectations, mind sets and behavior, not only 'once and for all', but dynamically, as these are shifting and changing.

But how does a business understand a customer and build a strong connect with her, when it cannot clearly view or identify a clear and coherent customer profile, across the multiple channels and touch points and devices? Ninety per cent is the percentage of customer engagement center leaders who say they struggle to recognize customers across multiple devices.

Each of the devices and channels offers its own set of diverse scenarios for linking to other devices and channels, making no two customer experiences the same.

The not-so-good news is that businesses are still grappling with issues to understand customers' actions across these various touch points. They need to leverage data but, in fact, 43% of companies currently obtain little tangible benefit from their data, while 23% admit they derive no benefit whatsoever.

Organizations are struggling to create a data strategy that delivers the insights needed to drive anticipatory engagement and repeat spending.

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## **PERSONALIZATION & SUPERIOR EXPERIENCE**

Up until some years ago, businesses looked at their customers through a transactional lens. They had a certain demography, belonged to a certain segment. They had certain needs and desires that needed to be fulfilled for a value. As individuals they did not have any distinctive traits, or attitudes, or attributes; only group attributes.

With the emerging imperative of building a closer and stronger connect or bond with them, customer engagement is faced with the challenge of recognizing that customers had different traits, attitudes and behaviors, they had different expectations individually, and they responded differently to business interactions, communications and experiences. They now have the challenge of interacting and relating with individual customers differently, according to their personality profile, their traits and their behavioral disposition.

Creating communications and experiences that appeal to individual customer emotions that brought a warm and human touch, now are an important part of relationship building, of building connect and loyalty.

Customer engagement has to become micro segmented, highly individualized, personalized, and contextually dynamic, if it had to retain customers or get new ones.





## ENTER PREDICTIVE CUSTOMER ANALYTICS

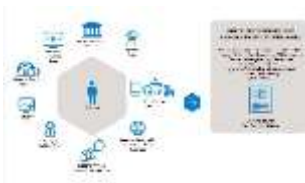
Traditional customer analytics based on demographics or website activity, such as clicks, shares and traffic no longer suffice as prime indicators of customer engagement.

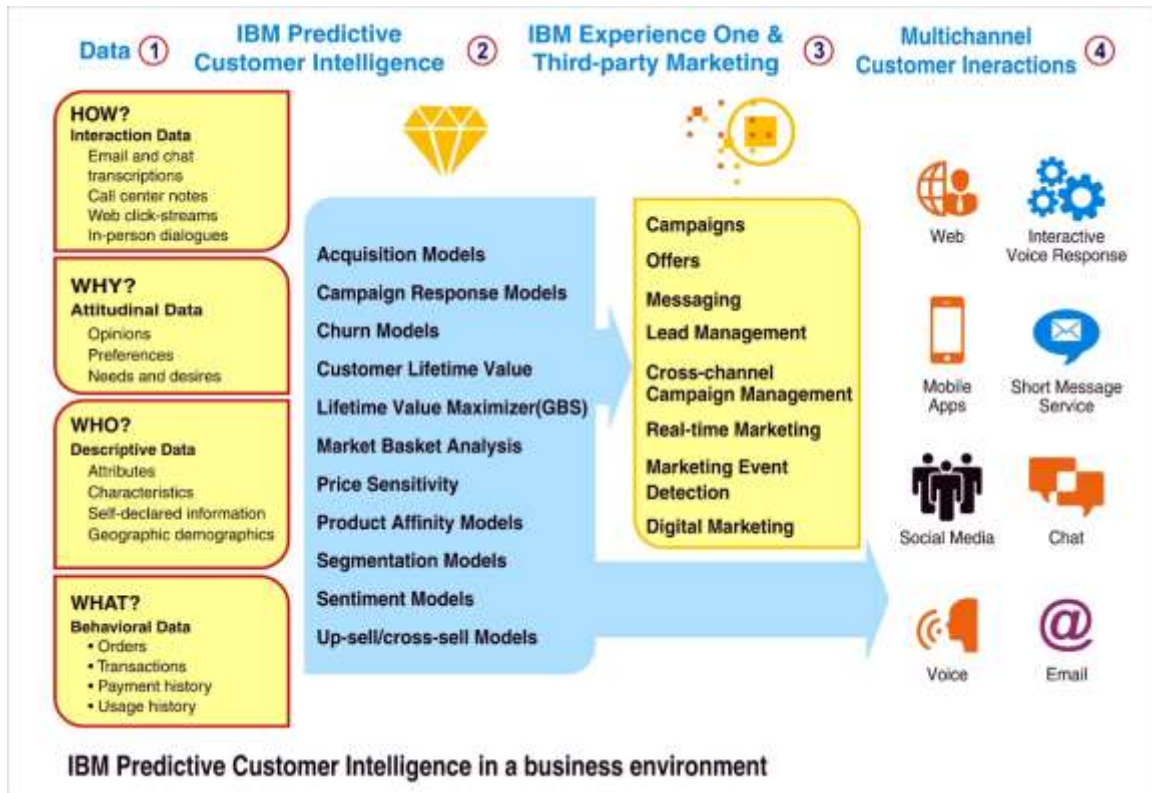
Businesses need to understand customer behavior, i.e. what channels they are using, for what, what their communications and content are saying about their mind set, attitudes and preferences, what sort of profile or personality this was, and what such a profile or personality was likely to be interested in or do next in their journey.

Predictive customer analytics has the capability to address the challenges faced by businesses and marketers.

Some of the capabilities that predictive customer analytics gives, include:

- Harnessing real-time, structured, unstructured and historical data across all channels and devices, as well as from across the different customer facing applications, be they service or sales applications
- Using sophisticated analytical modeling and analytical algorithms, to create a behavioral profile of the customer which is a useful and insightful way of viewing and understanding the customer
- Delivering a single, comprehensive view of customer data across all sources, both internal and external. Managers generate cradle-to-grave customer interaction reports, empowering them to identify appropriate ways to meet consumers' dynamically changing needs.
- Analyzing customer behavior through a variety of marketing lenses and objectives, such as identifying churn, market based analysis, product and price affinity, life time value, sentiment and brand engagement
- Generating reliable insights into each customer's behavior and journey, predict what will appeal to them, what they would react to favorably, and make recommendations to marketing
- Optimizing offers and personalizing campaigns and communications and choosing the proper channel of communication to suit individual customer needs, and preferences, be it chat, phone or web





The benefits of predictive customer analytics are huge, and include:

- Targeted marketing and sales teams efforts, based on deep and dynamic understanding of the customer
- Marketing, sales, service and other customer facing departments working together in a concerted manner with a single, unified customer data ecosystem, toward business objectives
- Giving marketing and customer engagement omni-channel capability, to engage with customers where they are, at different touch points and platforms, be it web or mobile

**Source: IBM**

## HOW PREDICTIVE CUSTOMER ANALYTICS WORK

Predictive Customer Analytics is a data solution that businesses need to implement. This solution is based on a revolutionary convergence of data science, technology and marketing.

Such a convergence allows businesses to gather and deploy insight and predictions from customer data to build better and personalized connections and relationships with customers, and drive customer centric strategies.

Predictive Customer Analytics does this through a 3 tier solution architecture:

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### Information & Insight Layer

This layer gathers, collates & co-relates customer data , including, demographic, transaction, attitudinal & behavioral, from interactions, click streams, emails, customer facing applications & historical data. Using Master Data Management it provides a single view of the customer across channels and touch points

### Analytics Layer

Using advanced algorithms, Predictive Customer Analytics provides insight and analytics that help marketers paint a profile of the customer. The profile can be viewed through a variety of marketing lenses and models such as customer acquisition, campaign response, churn, CLTV, market-basket, price sensitivity, product affinity, segmentation, sentiment, and up-sell/cross-sell models.

Using predictive scoring it can anticipate how the customer is going to react to offers, communications & offers. Prediction can determine likelihood of a future customer purchase based on factors, such as customer age, browsing, and transaction history.

### Operations Layer.

The Operations layer includes all the customer-facing applications and touch points, through which customer facing staff interact with the customer. This layer empowers the business to translate profile insight, predictions and recommendations, into actions of optimizing interactions, campaigns and communications to suit individual disposition. It can integrate with customer facing processes to improve service levels, brand engagement, customer experience and improve revenue from customers.

## **CONCLUSION : A STRATEGIC CHOICE**

The predictive customer analytics solution mentioned above, is simple, elegant and really powerful.

However acquiring this capability is not a matter of purchasing it, but rather about taking the strategic direction of building and implementing a real time visualization of the customer journey. The imperative for businesses is to adopt a new road map for customer processes and customer data ecosystems for intelligent customer engagement through an omni channel approach that improves ROI and improves TCO.

Technology, integrated data platforms, as well as open extensible architectures are now available that make this a reality.

There is a radical convergence of data science, technology and business that is making it possible for businesses to mine mountains of customer data, process this data and generate usable and actionable insight. All of this was not possible, through traditional customer analytics.

It's an exciting time to be in customer engagement.