

Three Steps to Yield the Most Value From Your Customer Data Using Analytics

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Data and analytics leaders are challenged as to how to obtain the most value from customer data, and where to get started. They must understand the most beneficial use cases and apply the appropriate analytic techniques to achieve business value.

Key Challenges

Data and analytics leaders:

- Frequently receive requests with broad objectives such as "deliver the most value from customer data," rather than requests grounded in business outcomes.
- Have limited familiarity with the business value of customer analytics across popular use cases for marketing, sales and customer service business disciplines in their industries.
- Must resist the temptation to augment the data without first building a foundation for the 360-degree view of the customer.

Recommendations

- Begin with prioritizing the use cases that deliver the most business value.
- Build a foundation for the customer profile based on customer data blended or combined with transaction history — use this data as the entry point into customer analytics.
- Identify the required data for each use case, determine what data is missing and create a plan to vet the missing data.

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Strategic Planning Assumptions

By 2018, organizations that have fully invested in all types of online personalization will outsell companies that have not by more than 30%.

By 2019, 75% of analytics solutions will incorporate 10 or more exogenous data sources from second-party partners or third-party providers.

By 2020, predictive and prescriptive analytics will attract 40% of enterprises' net-new investment in business intelligence and analytics.

(Source: "Predicts 2016: Analytics Strategy")

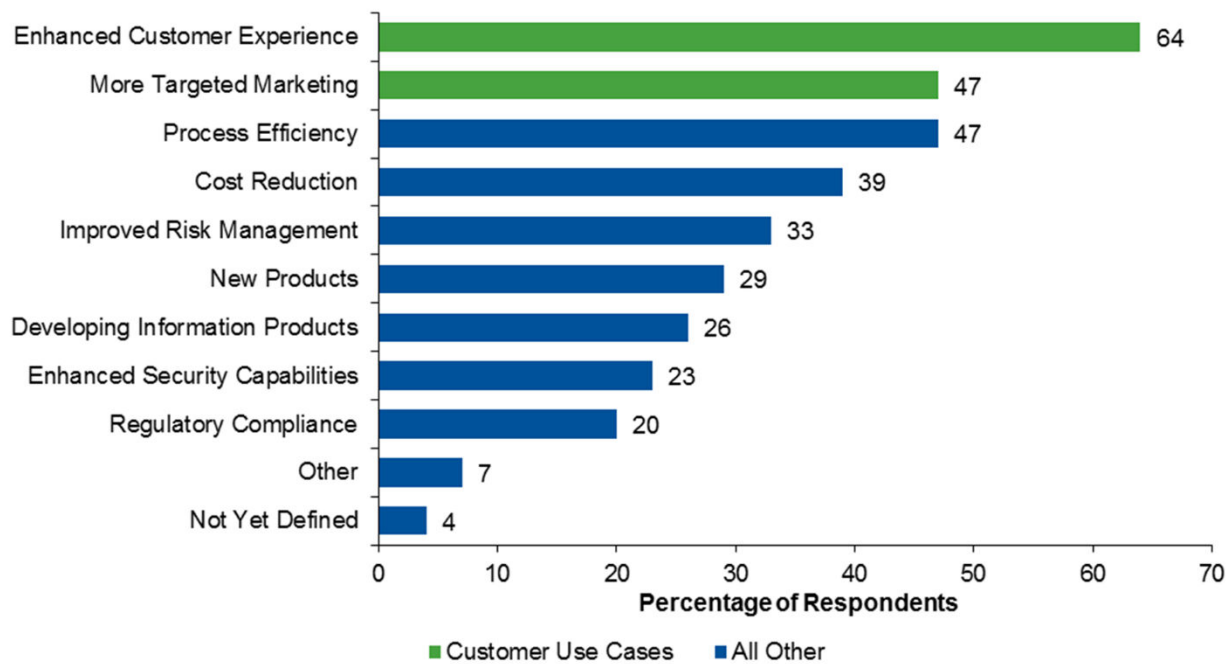
Introduction

From client interactions, we have evidence that data and analytics leaders find it difficult to decide:

- Which data to collect
- How much data to add to existing data
- How to get more value from customer data

Our research also shows that enhanced customer experience and targeted marketing are the top two reasons companies are investing in big data (see Figure 1).

Figure 1. Top Reasons for Big Data Projects



Questions: What business problems are your organization addressing now/planning to address using big data? In other words, what business value are you hoping to achieve?
n = 333

Source: Gartner (May 2016)

This research note discusses three best practices to deliver business outcomes through customer analytics.

Analysis

Begin With Prioritizing the Use Cases That Deliver the Most Business Value to Your Organization

Starting with a sea of data can be overwhelming. The best approach is to identify the business need and select up to three of the most requested use cases across the organization that most closely meet your business objectives.

Table 1 below provides a list of business outcomes, use cases, data required and relevant analytics to apply. Developed from Gartner research, inquiries from users of Gartner's inquiry service and publicly available information,¹ this table can be used to:

- Identify the most pertinent use cases based on your organization's objectives
- Select the data and the analytics to apply

For example, if your desired business outcome is to increase or avoid losing revenue and your business discipline is customer service, select a relevant use case such as "Reduce customer churn." Next, identify the types of data to acquire such as purchase history, web behavior and customer profile data. Finally, select the analytics to apply.

Case study: A telecommunications firm wanted to protect existing revenue by improving client service and reducing customer churn. Customer details and historical data were evaluated against a model with hundreds of variables dealing with retention. Predictive analytics was applied to assign risk scores to each customer and high-risk customers were passed to the retention team.

Business results included:

- Increased customer retention by double digit percentages over two years, with several million dollars' average annual benefit
- A doubling of each client service manager's capacity to monitor high-risk churn accounts

Learn about the analytics spectrum — descriptive, diagnostic, predictive, prescriptive — through the following research: "Extend Your Portfolio of Analytics Capabilities."²

Table 1. Business Disciplines, Outcomes, Use Cases, Data and Analytics

Business Discipline	Business Outcome	Use Case	Data Requirements	Type of Analytics
Marketing	Increased revenue	Measure media impact to optimize advertising and marketing spend	<ul style="list-style-type: none"> ■ Historical advertising and marketing spend ■ Weather conditions ■ Season ■ Broadcast TV, print, out-of-home display spends 	Predictive
Marketing	Increased marketing effectiveness through social influencers	Determine the success of local marketing campaigns	<ul style="list-style-type: none"> ■ Social media platforms (Facebook, Twitter, LinkedIn) ■ Understanding what was purchased as a result of clicking on social media campaigns, etc. 	Descriptive
Marketing/sales	Increased revenue Higher Net Promoter Score (NPS) Higher customer profitability Reduced cost of customer acquisition	Increase customer lifetime value (CLV)	<ul style="list-style-type: none"> ■ Purchase history by channel (online, mobile, in-store) ■ Web behavior tracked by web/mobile analytics ■ Customer attributes such as demographic, behavioral, psychographic 	Predictive
Marketing/sales	Increased revenue	Build customer loyalty	<ul style="list-style-type: none"> ■ Purchase history by channel (online, mobile, in-store) ■ Loyalty points earned by purchase or brand activity ■ Customer attributes such as demographic, behavioral, psychographic 	Descriptive Predictive Prescriptive
Marketing/sales	Increased revenue	Segment customers into clusters with similar attributions for more targeted marketing and promotions	<ul style="list-style-type: none"> ■ Customer attributes such as demographic, behavioral, psychographic ■ Purchase history by channel (online, mobile, in-store) 	Predictive

Business Discipline	Business Outcome	Use Case	Data Requirements	Type of Analytics
			<ul style="list-style-type: none"> Web behavior tracked by web/mobile analytics 	
Marketing/sales	Increased revenue	Personalize product and content recommendations	<ul style="list-style-type: none"> Customer attributes such as demographic, behavioral, psychographic Purchase history by channel (online, mobile, in-store) Web behavior tracked by web/mobile analytics 	Predictive Prescriptive
Marketing/sales	Increased revenue	Predict customer "next-best action" — next-best offer, or service and support action ("best next action")	<ul style="list-style-type: none"> Customer profile Purchase history by channel (online, mobile, in-store) Social media Location identification (IP address, sensor detection) 	Predictive Prescriptive
Sales	Maximized profit	Determine how customers will respond to different prices for products and services through different channels.	<ul style="list-style-type: none"> Purchase history by channel (online, mobile, in-store) Web behavior tracked by web/mobile analytics Product catalog with attributes Inventory availability Demand forecast Promotion history Product pricing history 	Predictive
Sales	Increased revenue Increased customer loyalty	Conduct product mix/market basket analysis to predict products most likely to be purchased together	<ul style="list-style-type: none"> Purchase history by channel (online, mobile, in-store) Web behavior tracked by web/mobile analytics 	Predictive

Business Discipline	Business Outcome	Use Case	Data Requirements	Type of Analytics
Sales	Increased revenue through higher win rates and larger average deal sizes	Optimize sales leads and opportunities	<ul style="list-style-type: none"> Sales opportunity and prospect data 	Predictive Prescriptive
Customer Service	Improved customer satisfaction	Improve customer service quality	<ul style="list-style-type: none"> Surveys, customer feedback, call recording, first-call resolution data, social media, interaction quality monitoring Customer attributes such as demographic, behavioral, psychographic 	Descriptive, Predictive
Customer Service	Increased revenue Protect revenue	Reduce customer churn through predicting high-risk churn customers	<ul style="list-style-type: none"> Purchase history by channel (online, mobile, in-store) Web behavior tracked by web/mobile analytics Customer attributes such as demographic, behavioral, psychographic 	Predictive
Customer Service	Increased revenue, reduced costs through improved product quality and services	Conduct sentiment analysis to understand customer views on brand, products and services	<ul style="list-style-type: none"> Social networks, blogs, surveys, text sources Voice, video, images 	Descriptive Predictive
Customer Service	Lower labor cost	Optimize the customer service workforce	<ul style="list-style-type: none"> Voice, text, screen, social, web interactions Agent schedules 	Descriptive Predictive
All	Increased revenue	Optimize customer experience across the customer journey (channels, devices)	<ul style="list-style-type: none"> Common data elements across multiple channels — such as email addresses, phone numbers, customer loyalty ID email clicks, e-receipts, promotion codes, order numbers/ticket numbers, chat engagement 	Predictive

Source: Gartner (May 2016)

Build a Foundation for the Customer Profile Based on Customer Data Blended or Combined With Transaction History

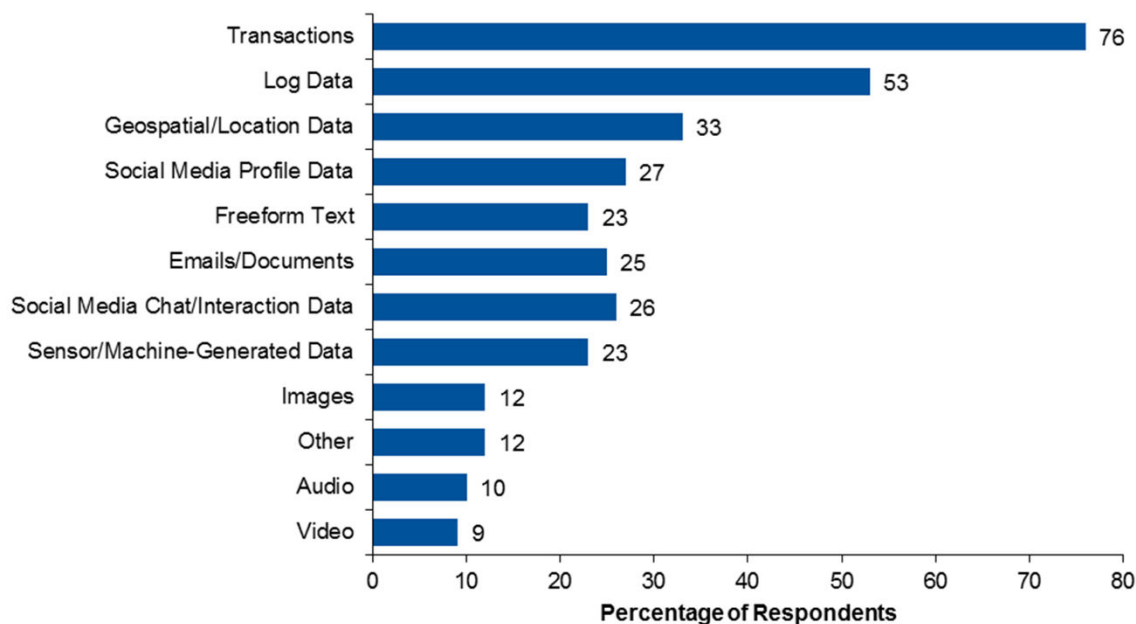
Start with customer data supporting a 360-degree view (see "Powering Customer Experience With the Trusted 360-Degree View"). Although a 360-degree view to support all customer analytics business use cases is an ultimate goal, beginning with a single use case such as "Increase customer lifetime value (CLV)" is sufficient as a starting point. Building customer trust that their data is secure and is used in accordance with privacy agreements requires establishing governance processes.

See the following Gartner research notes:

- "Gartner's Three Rings of Information Governance Help You Prioritize Different Types of Customer Data, 2016"
- "MDM is Critical to CRM Optimization"
- "What Master Data Management Leaders Need to Know About Social for CRM"
- "Three Ways to Support CRM While Ensuring Customer Data Privacy, 2016"

Our research also shows that transaction data is the most commonly analyzed data type today for organizations that have invested in big data initiatives (see Figure 2).

Figure 2. Most Common Types of Data Analyzed



Question: Which types of big data does your organization currently analyze?
n = 333

Source: Gartner (May 2016)

Consider blending your customer profile data with transaction data to have a more complete view of your customer needs and preferences. Transaction history is the most common data source for use cases that, combined with analytics, support business outcomes that increase revenue and profitability.

Identify the Required Data for Each Use Case, Determine What Data Is Missing and Create a Plan to Vet the Missing Data

Identify data requirements. Match to existing data and identify the missing data. Classify the data as either internal or external, and either "required" or "nice to have." If data is missing consider the following steps:

- **Acquire the data** — Evaluate the costs and complexity of data acquisition. Can this data be extracted from internal systems? Does it require a new system to produce? Is the data available from a third party? What are the costs of acquiring the new data?
- **Do not acquire the data** — Evaluate the use case and determine if the expected outcome can be achieved without the data source.
- **Select an alternative use case** — If the data is too complex or costly to acquire, select an alternative use case.

The data inventory should be a living document that is revisited regularly to verify its continued validity.

Consider ways to augment the essential data with exogenous data in order to create greater value. Many great ideas for customer analytic initiatives come from understanding the range of data sources available and what questions can be answered if the data were integrated and correlated. Using customer analytics against a variety of data can provide deeper insights into your customers — for example, knowing that a customer purchased running shoes but also the context into why the shoes were bought and how they were used. Additional data sources such as sensors can provide attendance data at events, while social media posts can provide customer sentiments. Through analyzing additional data sources you can create a more personalized customer experience.

Exogenous data can be collected from many sources. Examples include:

- Sensors, monitors or Internet of Things data
- Commercial data — industry-specific data aggregators and broader data marketplaces with household, demographic, financial and other types of data
- Public data — government, economics, weather
- Web content — open data available from the internet
- Social media

Learn more about exogenous data sources and use cases from "Lessons Learned from Advanced Analytics in Action" and "Understand the Data Brokerage Market Before Choosing a Provider."

Additional Case Studies

Travel industry case study goal: A travel company set itself a goal of providing online site visitors with hotels that more closely matched their preferences (resulting in increased sales/revenue) through storing and analyzing more than 14 days of customer behavioral history.

To accomplish this goal, the travel company:

- Searched and analyzed historical customer data
- Applied pattern analytics (predictive, prescriptive)

Business results from deeper visitor analysis led to a 2.6% increase in bookings (50,000 additional transactions per day).

Financial services case study goal: A bank's goal was to increase sales and revenue through a customer-centric marketing approach.

To accomplish its goal, the bank:

- Integrated data from eight sales channels to get a complete picture of each customer
- Developed eight predictive analytic models to understand customer needs and preferred channels of communication

Business outcomes included the following:

- Within one year of implementation, sales of products and services doubled, with an increase in total assets of 46%.
- The bank increased its number of marketing campaigns by 65%, and 30% of all product sales were attributed to the new campaigns.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Predicts 2016: Analytics Strategy"

"Extend Your Portfolio of Analytics Capabilities, 2013"

"Powering Customer Experience With the Trusted 360-Degree View"

"Gartner's Three Rings of Information Governance Help You Prioritize Different Types of Customer Data"

"MDM Is Critical to CRM Optimization"

"What Master Data Management Leaders Need to Know About Social for CRM"

"Three Ways to Support CRM While Ensuring Customer Data Privacy"

"How the Flip to Digital Has, and Has Not, Impacted Your Customers"

"Lessons Learned From Advanced Analytics in Action"

"Understand the Data Brokerage Market Before Choosing a Provider"

Evidence

¹ Inquiries from users of Gartner's inquiry service and publicly available information.

² Gartner Research Circle results; Big Data Industry Refresh, 2015

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