СНАРТЕК

Adjusting to a Customer-Centric Landscape

merging customer needs and demands are driving a new imperative to align business, technology, and analytic strategies. With consumer forces forcing both rapid and dramatic change throughout every industry, companies need to take an outside-in approach to enable customer-centricity. A customer-centric organization aligns their business model to the customer's point of view, integrating functional areas, product lines, and channels to create 360° customer-centric business processes. Analytics facilitate the decision-making within those processes. Most companies lack the organizational structure to innovate quickly and are challenged by the scale of this transformational change. Agile approaches can be used to incrementally (ergo, more quickly) drive the transformation and create a fail-fast/succeed-sooner culture.

IT'S A WHOLE NEW WORLD

Just a few short years ago, if you wanted to buy something, you likely got into your car and drove to a store. Maybe the product you wanted

was special and only one store in town offered the item. You arrived at the store and paid whatever price the store was asking because you really, really wanted it. Fast forward to today—instead of going to the store, you pick up your mobile device, tap a few buttons, and you find that same item available from dozens of online marketplaces. You select the cheapest price, and a drone drops it off on your doorstep the same day. You've also sold your car, since you don't need to drive to the store as much. It's much simpler to rent from a car-share service or be picked up by a ride-share service when you need it! This is a simple but common example of what tens of millions of people do every day.

The traditional businesses in this example—the physical stores, product manufacturers and distributors, and automakers—have all gone through tremendous change. Suppliers like Amazon.com changed the retail market by offering products quickly, increasing competition from suppliers from all over the world and putting pressure on them to offer those products at low prices. The landscape of online shopping has changed so much that you don't necessarily have to gravitate to the Amazons of the world anymore. Aggregation services have become pivotal in finding a particular item at the lowest price to be delivered in the quickest time (with minimal or free shipping & handling). Products can be sent directly from the manufacturer, obviating the need for the distributor. Car and ride-sharing services—part of our new "peer-to-peer" economy—are transforming (and disintermediating) the auto manufacturer and taxi industry.

This is great news for consumers: Globalization opens up new markets for companies while technology makes it easier to connect customers directly with products and services. But when traditional barriers to market entry are reduced or the market changes entirely, good and services become commodified and power shifts to the hands of the buyer. As consumers, the determination of how and when we get our goods and services has changed dramatically: We get to decide! Social media give us a voice, providing us with the opportunity to publicly promote or criticize a brand.

There are very few industries that have not been impacted by this change. Companies are struggling for relevance in an increasingly crowded and democratized marketplace. Here's why:

- 1. Technology connects consumers with products and services previously out of reach.
- 2. With ubiquitous access to products, services, and content in real-time, consumer expectations are heightened, and consumers are more educated and empowered.
- 3. As the cost of switching providers decreases, customers become less loyal.
- 4. With barriers to market entry reduced, new entrants flood the market, disrupting traditional business models.
- 5. Increased availability and accessibility commodifies products and services.
- 6. Distribution and communication channels rapidly evolve.
- 7. Product development cycles become shorter, decreasing firstto-market competitive advantage.

With so much access and buyer empowerment, many companies are unable to keep up with the pace of change. Many react by trying to compete on price. Yet differentiation isn't necessarily about the cost of goods. Organizations recognize that creating a positive and proactive customer experience across the customer lifecycle (from awareness to purchase to loyalty to advocacy) is critical to attracting and retaining profitable customers. In fact, as customers, we expect you to do it!

FROM CUSTOMER-AWARE TO CUSTOMER-CENTRIC

With the explosion of digital media, people engage with each other and the companies they do business with—in new ways. The relevance of traditional print and broadcast channels are on the decline, completely changing the consumer-corporation dynamic. Digital channels open doors for consumers, who no longer are passive participants in a one-sided marketing conversation, but empowered authors, publishers, and critics. The digital landscape is participatory, an area where consumers exchange ideas. Marketers no longer drive the discussion. Everyday people are the style makers and trendsetters. For companies competing in this new medium, it's incredibly difficult to surface your message above the noise. While the amount of time consumers spend on web and mobile has increased dramatically, the amount of available content has increased exponentially: More digital content is created in a day than most people can consume in a year. With so many distractions and choices, your audience has a very short attention span.

The exponential growth in digital channels has given rise to the importance of digital marketing. But digital marketing isn't just about the channel; it's the mechanism by which people are creating and sharing experiences: engaging not only with each other, but with companies they do business with.

For your financial services customers, there is no longer a traditional "path-to-purchase." The customer journey is no longer linear, and purchasing decisions are taking place across multiple channels: both physical and virtual. With such high channel fragmentation, making strategic decisions on audience, content, and platforms is critical. Companies need the capability to leverage data to define their market, build outstanding content, tailor messaging, and provide that messaging in the right medium—quickly!

With customer interactions constantly changing through your brand relationship, consumer behavior is difficult to predict. New consumer-driven tactics are emerging every week, making multimonth planning cycles a thing of the past: Your customer-centric strategy has to be adaptive and relevant. Slow and predictable internal processes must be replaced with quick and creative execution. You need to create a messaging that speaks to each audience segment differently. Data-driven approaches give you the ability to create that level of precision. Agility can speed up time-to-market cycles.

The entry point for becoming customer-centric is different for every organization. Many customer-centric strategies start with operational transformations, with the contact center as the new customer-centric hub. Around the hub, disjointed marketing campaign and contact strategies, customer relationship management strategies, product development, pricing and risk strategies, analytics, and operational strategies begin to synchronize—at least conceptually! For the first time, many companies are starting to view their operations from the outside in by mapping out the customer lifecycle and looking at ways to optimize that lifecycle across the organization.

There's a lot of complexity there. Executing on a large-scale transformation like this requires significant change. Organizationally, it necessitates a shift away from product silos to customer segments. Customer contact planning and execution strategies need to be coordinated and streamlined. The underlying operational technology platforms and systems need to connect in way to accommodate the customer-centric perspective. Cross-functional operational workflows need to be redesigned around a consumer view. The customer data needs to be integrated, analyzed, and modeled in a way to provide a comprehensive view of that customer. Analytics and predictive modeling provide insights to help anticipate customer needs and behavior. The entire organization mobilizes around the analytic customer-centric hub.

Our hub encompasses five core areas, as shown in Figure 1.1.

Business strategy The business strategy defines the types of projects that are important to the organization based on the needs of the market, customers, and the business. Analytic work must link back to strategic business goals.

Organization Organization defines the structure of the company, including the composition of teams and how they engage.

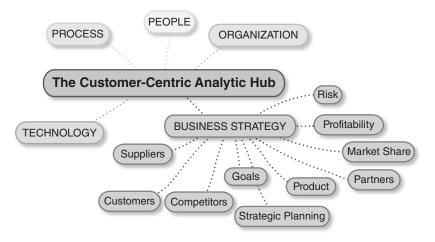


Figure 1.1 The Customer-Centric Analytic Hub Linked to Business Strategy

People The people category relates to individual roles, responsibilities, and skillsets needed to support the analytic hub.

Process Process defines the day-to-day interactions of internal and external parties throughout the organization. While this can include how teams engage in order to achieve a business objective, it also encompasses how your employees and operational systems interact with customers and suppliers.

Technology Technology provides the underlying platform to support the hub. Technology also includes the data needed to perform analysis.

BEING CUSTOMER-CENTRIC, OPERATIONALLY EFFICIENT, AND ANALYTICALLY AWARE

In our customer-centric world, business strategies are more enterprise in focus, requiring the integration and automation of business processes crossing functional, product, and channel boundaries. As organizations evolve out of their traditional product or functional silos to respond to the need for customer-centricity, their operating models must evolve with them.

As your customers' digital footprints grow through increased use of always-on mobile devices and social media as well as the transactional breadcrumbs they leave behind, they're expecting that that data will be used to their benefit.

> Australian bank Westpac uses data-driven marketing and analytics in support of their "Know Me" program for their nine million customers. Westpac takes their customers' digital and transactional data and creates a picture of who that customer is, where they are in their life journey, and anticipate what needs they might have. Although their program is driven by the marketing organization, the bank is careful to take a service-oriented approach to their interactions. The benefits of the program have included higher conversion rates for offers and an increase in the number of products by household.¹

¹Nadia Cameron, "Customer-Led Big Data Programs Deliver Millions to Westpac Bottom Line," CMO (February 24, 2014).

Data and technology enablers are changing the competitive landscape and providing capabilities for new product development and market penetration:

> In late 2014, investment advisory firm Charles Schwab launched an automated online investment service called Robo Advisor. The system uses an algorithmic approach to automate portfolio management services. This low-cost service was created as way to reach an untapped market of investors, to "appeal to the masses and get more people into well-diversified portfolios."²

These are just two examples in a sea of analytic innovation that's sweeping across industries. The operating model needed to support these types of initiatives bonds core business processes to technology infrastructure. The implementation strategies in our examples require the integration of several strategic areas within the organization, outlined in Figure 1.2, including business process automation, technology, analytics, and data.

Channel and Contact Strategy This is a critical (and sometimes neglected!) component of the overall hub. The contact strategy outlines how you will interact with customers, what their preferences are, and the optimal sequence of events. The contract strategy takes into account things like customer needs and

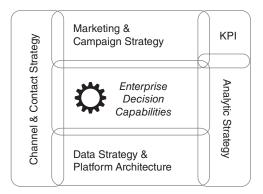


Figure 1.2 Enterprise Decision Capabilities

²Tara Siegel Bernard, "Schwab's Service for Investors Seeking Thrifty Advice Raises Eyebrows," *New York Times* (March 5, 2015).

preferences, offer-eligibility criteria, and campaign response history to ensure that the right offer is presented to the right customer in their preferred channel.

Marketing and Campaign Strategy Marketing teams provide the heartbeat of the process by coordinating the design and execution of the marketing strategy. This includes customer segmentation and analysis (**who** is my customer?), campaign planning (**what** are our organizational goals?), campaign operating rhythm (**how** do I get that message to my customer?), and campaign performance management (how **successful** are our campaigns?). Sophisticated organizations use optimization techniques in their planning process to balance the trade-offs between eligible campaign populations and available offers.

Analytic Strategy and Lifecycle Management Predictive models can anticipate the likelihood of a person to respond to an offer, or respond to an offer within a particular channel. Coupled with customer segmentation strategies, models can help you focus on groups of "like" people—understanding and anticipating their behavior and facilitating the tailoring of messaging and content instead of taking a one-size-fits-all approach. Model scores, represented as a percentage likelihood to respond to a given event or fit a various profile, and model algorithms driving decisions at the point of interaction can be integrated within a business rules or decision management architecture.

Enterprise Decision Capabilities Hub The decision hub sits at the center of the ecosystem and directs traffic across an automated business decisioning processes. This is the technology hub that integrates operational and analytic decisions by integrating applications, workflow, business rules, and analytics. In addition to customer offer eligibility rules and models, pricing, underwriting, and fraud detection models can be layered into the process.

Data Strategy and Platform Architecture Of course, none of this is possible without data. Ideally, you have this perfect database with a complete view of the customer and everything you want to know about them in one place. Unfortunately, that's just not a reality for many organizations. But don't fear—many organizations take an incremental approach to getting out of product silos and into

a customer-centric data view. However, the need for customer data integration becomes more critical as the organization moves toward automated decisioning processes and the number of channels increase.

KPI (Key Performance Indicators)—Measurement and Monitoring Every initiative must be measured. Without clear and consistent metrics there will be a lack of accountability for your strategy. This leads to an inability to accurately measure new test-and-learn approaches to improve results. Key questions asked are: How do we measure the success of our program? What metrics drive accountability? How do we incentivize our resources? Consistent and credible metrics are essential to organizational buy-in. They also provide an indicator of when the organization needs to readjust the strategy.

This integrated data-driven approach creates relevancy for your customers at the point of interaction:

Bank of America launched their BankAmeriDeals loyalty program in 2012. The program mines transactions in their customers' bank accounts to see what purchases they make, and sends them offers from other merchants that complement those purchases. Since the program launch, Bank of America has sent out more than 1.5 billion offers across their more than 40 million online and mobile banking customers. In a unique twist, the customer activates the discount online (web or mobile), uses their bankcard to make a purchase, and then receives cash back in their bank account. The bank estimates that they've saved customers \$20 million since the program launch and that the program positively impacts customer retention.³

OUR EXAMPLE IN MOTION

As we start down the path to creating our customer-centric analytic hub, we'll use a hypothetical company to illustrate the real-world opportunities and challenges faced by most organizations, and to

³Heather Fletcher, "Cover Story: First Date, Sans Coupons," *Target Marketing* (February 1, 2014).

provide an agile framework that you can use to manage through these challenges. The example will reflect a collection of experiences and practices leveraged by many companies, large and small, analytically immature and mature, gathered from companies we've worked with over the past few years. Our hypothetical company, Always Best Products, Inc. (ABP), reflects many of these organizations: They have analytic capabilities and some great talent, but the overall organization has been slow to adopt analytics within the day-to-day cycle of the business. Out of necessity, our analytic team has been managing all things analytics alone, with little support from IT. After reaching critical mass, they undertake an initiative to improve engagement, execution, and delivery by implementing an agile framework. Throughout this book, we'll follow ABP's journey on a high-profile analytic project that crosses business, operational, and technological boundaries.

ENABLING INNOVATION

Transformation is always disruptive. The organizational change required in the standardization and integration process requires reconfiguration of roles and responsibilities, the design or redesign of business processes, and the implementation, integration, and rationalization of technology platforms—and we need new, more efficient ways of accomplishing this! Analytics, in the form of predictive algorithms, propensity scores, segments, and so on, are integrated within the business processes. The need for the analytic teams to modernize and integrate within this ecosystem is critical.

The organization must develop the ability to modularize the components of business processes. Automated decisioning workflows must be flexible enough to be reconfigured easily, allowing for changes and enhancements, whether to the process itself, the analytic components within the process, or new technologies. For many organizations, this requires rethinking their solution delivery models. IT departments typically have mature delivery capabilities around their operational systems. However, the integration of data, new technologies, and analytic methods requires a new iterative delivery rhythm as you try different customer treatments and approaches—you're not always going to know what works! This ability to integrate trial-and-error analytics into the process may be challenging to both IT departments and analytic teams!

While it may sound daunting, there are pragmatic approaches to increasing capabilities in all of these areas and incrementally developing the organizational and technology frameworks to enable them. Few companies have mastered all elements of this vision—the first step is to frame out the vision, identify your current capabilities, prioritize your high-impact opportunities, and test and learn along the way.