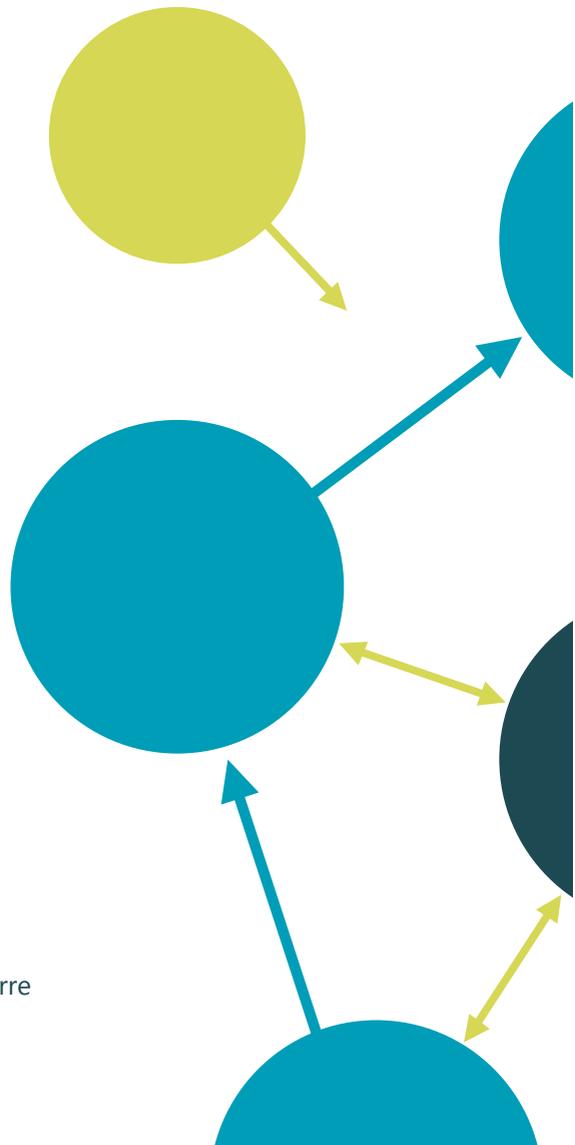
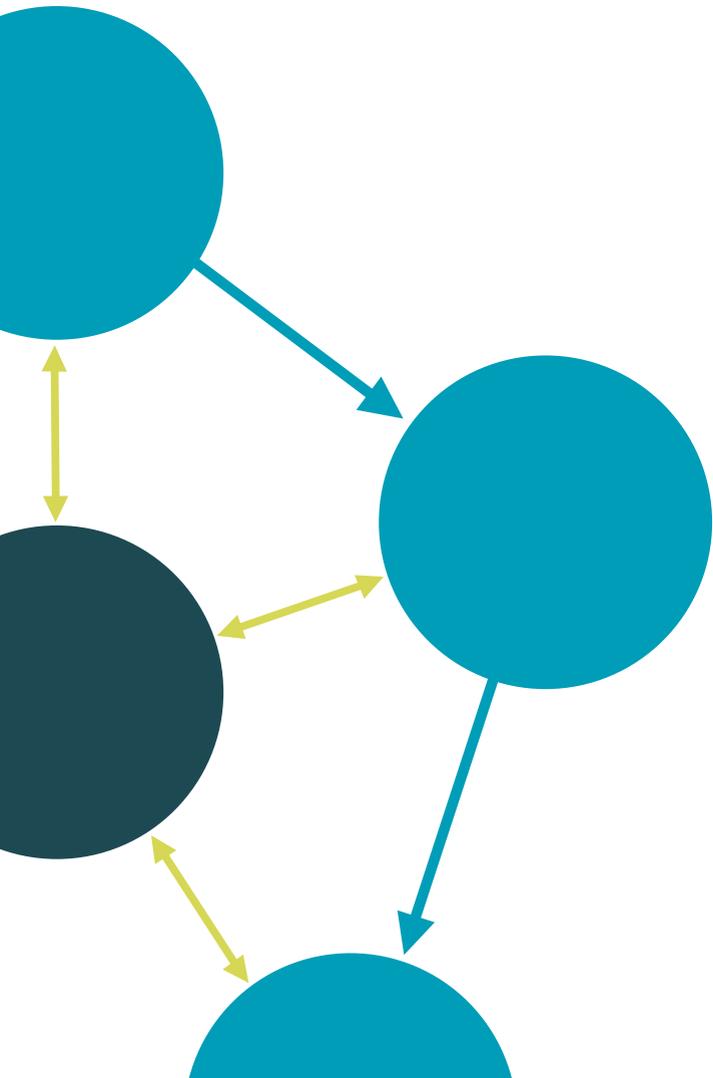


Customer Insight Management

Maximising Customer Value
& Customer Experience



Frank van Delft & Marc Van de perre



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Introduction

What is 'Customer Insight'

'Customer Insight' is considered by some organisations to be just a new name for market research, perhaps enhanced by information from a customer database.

But Customer Insight has two forms.

Firstly, there are Insights (plural); flashes of inspiration, or penetrating discoveries that can lead to specific opportunities. Market research or customer databases can and often will deliver these. Management intuition can also deliver great insights.

However, much more important, and more essential to what organisations need today, is Insight (singular), defined as 'the ability to clearly and deeply perceive an embedded knowledge about our customers and our markets that helps structure our thinking and decision making'. In a customer-focused organisation, it is something that everyone should have.

Customer Insight involves the classical area of information, like knowing who (potential) customers are, what they do, where they are, what they would like to buy, what media they are exposed to and what media they choose to view, listen, read and interact with.

'Insight' also includes psychological areas; what customers think and feel, what their objectives, motives, and tactics are, and how these influence their behaviour, including the influence of external factors (like the economy, society). *Customer service*, like the experience that the organisation provides to their customers, possibly in comparison with their competitors, is part of the insight.

This also includes their feelings about experiences expressed through complaints, compliments and inquiries for further information. The most important insight is perhaps whether the organisation has delivered on promises made to customers (through product descriptions, conversations, branding) and whether it has fulfilled the role that customers expected.

Insight finally includes whether the organisation is gathering and using customer information insight properly, both in the legal and ethical sense.

All this information is not only delivered by market and customer research, but especially by the use of data, the amount and the variety of data that is increasing rapidly, since we have not only customer transaction and customer relation data (CRM), but also web statistics

and social media data. And all these data are helping us create better customer insight for various marketing decisions but can also be used to develop algorithms for marketing automation and real-time marketing.

Customer Insight is more about collecting data and transforming it into information. The crucial part is to develop and create insight, which is of vital importance for the strategy and tactics that the organisation will implement in order to create Customer Value and Value for the Customer (Customer Experience). This transition from information into Insight is a very challenging creative process.

The Dutch Customer Insight Platform¹ formulated the definition of Customer Insight as follows:

Customer Insight is a holistic approach to multi source business information for building an actionable understanding of the customers, in order to maximise customer experience and value.

In the next chapter we will explain the definition in more detail.

¹ Customer Insight Platform (CIP)

In 2013 the Customer Insight Platform (CIP) was founded in the Netherlands to support the development of the profession of Customer Insight Management, in particular by initiating professional education on post Bachelor level.

The initiators of the CIP are:

- The associations of Marketing (NIMA) and Market research and Customer information (MOA). These organisations will be responsible for the certifications of educational institutes and exams.
- Educational institutes; Beekestijn, LECTRIC and SRM
- Customer Insight professionals; Frank van Delft (director CIM7 | Initiator CIP), Gert Jan Delcliseur (director SearchResult), Mike Hoogveld (partner Holland Consulting Group), Stan Knoops (Europe CTI Leader & Global CTI Capability leader and Consumer Technical Insights, Unilever), Robert van Ossenbruggen (director CustomerCentral).

The purpose of 'Customer Insight'

Of course, Customer Insight is no new invention at all. Most likely, the words already appeared in the first marketing books. Originally, Customer Insight was mainly used for the development of (re)new(ed) products or services. Today there are a lot of areas where Customer Insight is used. Let's have a look at these different areas.

Customer Insight bases for disruptive product innovation

A strong example of the use of Customer Insight in order to create innovation in Customer Value was published by W. Chan Kim and Renée Mauborgne in 'Blue Ocean Strategy' in 2005. The process of Creating the Value Curve is identical to the process in Customer Insight Management. The blue ocean strategy is based on getting the relevant and discriminating factors that drive Customer Value, and quantifying these factors for your organisation/brand versus competition as the beginning of a new strategy. The next step is to build a new proposition in which these factors are increased, decreased or eliminated again based on customer information. However, the most important part is creating the new factors that distinguish your proposition from the red ocean: only a sound Customer Insight process can create these new factors.

Customer Insight bases for Business Model innovation

In chapter 3 'Design' of 'Business Model Generation' written by Alexander Osterwalder, Yves Pigneur and 470 co-creators in 2009, the process was described on [how](#) to build a new Business Model based on Customer Insight. The strength of this book is the answer to the question how to build a new Business Model based on Customer Insight. However, the Customer Insight itself is only built on qualitative research, the Empathy map in particular. Use of data did not seem top-of-mind yet in 2009, even with almost 500 co-authors.

Customer Insight bases for continuous product innovation

Today Customer Insight Management provides companies with a continuous stream of information resulting in Customer Insight. For example Netflix, an online content provider, designs new television series on the basis of the viewing history of groups of customers and the attributes or meta-tags of the videos they watched.

Customer Insight bases for Cross channel excellence

Customer Insight is not only used in the area of product/service innovation. It is also indispensable in integrated channel management. Often the customer journey and experience is the method used to develop great Customer Insight. In chapter 6 of Mike Hoogveld 's book 'The excellent customer journey experience' (2014) the implementation of Customer Insight in relation to channel decisions is explained in great detail.

BCD Travel, a provider of global corporate travel management, segmented their clients and prospects on the bases of predicted Customer Value and Customer Experience and created different strategies for the different segments.

Customer Insight bases for Conversation and Relation Management

Customer Relation Management is one of the areas where the use of Customer Insight is widespread. Because measurement of results of actions is common sense in CRM, the structured search to what Customers really trigger, and how this benefits the Customer Experience and Customer Value, is more practised in this area. As an example, Starbucks, the coffee company, doesn't use discounts to reward loyal customers, but offers discount to those customers who could become loyal. Loyal customers receive other benefits, but no direct discounts.

Without doubt, Conversation Management benefits from Customer Insight. Steven Van Belleghem explains in his book 'The Conversation Company' (2012) how customer experiences, conversations, content and collaboration are connected. KLM built 4 different conversation strategies, based on insight that reach and structural collaboration were the key dimensions to drive conversations. How this framework was built and on which information process, was less clear. If you are looking for further reading on this subject we recommend the book 'Digital Marketing Analytics' by Chuck Hemann and Ken Burray, 2013.

Customer Insight bases for business optimisation

Customer Insight is not only useful for innovations but also for business optimisation. This is already a huge area but according to our expectations this will explode in the near future when predictive analysis will be further developed.

Some examples in this area:

BCD Travel, a provider of global corporate travel management, provides business intelligence programs to their clients so they can analyse all their travel-related spending as easily as they can review a single booking.

Amazon, an online retailer, ships items you are likely to buy in the future to a warehouse near you, to minimise delivery time.

American Express, a financial services corporation, harvests data from social media in order to reduce customer attrition and the risk of default.

“Customer Insight is not only useful for innovations but also for business optimisation.”

Fundamental change

Technology made it feasible for customers to be informed and to interact with businesses and other customers. It became easier, faster, cheaper and occurred at a higher frequency. The same technical developments made it simultaneously feasible for more data to become available on the behaviour of consumers.

For customers, the impact of this information explosion is tremendous; from an information shortage to an information overload. The search for what will fit their specific needs best is therefore completely reversed, but it still requires (a lot of) energy.

For suppliers of products/services it became more complicated; products/services still need to be produced but much more on demand and in a more flexible fashion. Distribution and communication channels and devices increased rapidly and need to be aligned. Even prices started to be more flexible.

In order to survive in this information jungle, customers want to have the information tuned to their needs and desires, by their preferred channels and at the proper time. They are looking for the information they expect but also want to be surprised.

For companies/organisations this means that they should have strong customer insight all the time. For all strategical and operational decisions, the insight in customers' needs is the starting point for the development of value propositions, business models and customer relationships, but also for the use of multiple channels and multimedia, e-commerce, social media and mobile devices. This requires a substantially different approach including investment, work processes and organisation.

The good part of the story is that all actions are data-driven or data-supported, so that the result of the actions can be measured in comparison with the objectives, and give direction for further actions.

Organisations are aware of the need for Customer Insight

Marketers, Chief Marketing Officers and industry leaders are aware of the need to secure Customer Insight. In two independent studies in fall 2013, one in the Netherlands by the University of Groningen² and a worldwide study by IBM³, both indicated clearly that achieving customer insight is the most important challenge for today and the coming years. And both studies indicated that only 18% of the companies feel that they are prepared for the future, since they are collecting customer data systematically and use this for their marketing activities.

In the IBM study, results showed that companies who have a much better understanding of the customer are more likely to be the financial outperformers. Based on the study, IBM categorised the CMOs in 3 categories; the Traditionalists (37%), the Social Strategists, using social media and cross channels (33%) and the Digital Pacesetters (30%). Digital pacesetters use, in addition to the Social Strategists, data and Customer Insight on a structural basis.

² Research by prof. Peter Verhoef and prof. Peter Leeflang i.c.w. European Marketing Academy and McKinsey,

³ Tijdschrift voor Marketing Oct. 2013, p. 16

IBM CMO suite study, 2013 | 564 CMO's | (56 countries, 19 branches)