

## Using Data to Find, Keep, and Grow Customers

### Marketers know what information they need, but lack the database and analytical disciplines required to coax knowledge from their data. Here's how to take control.

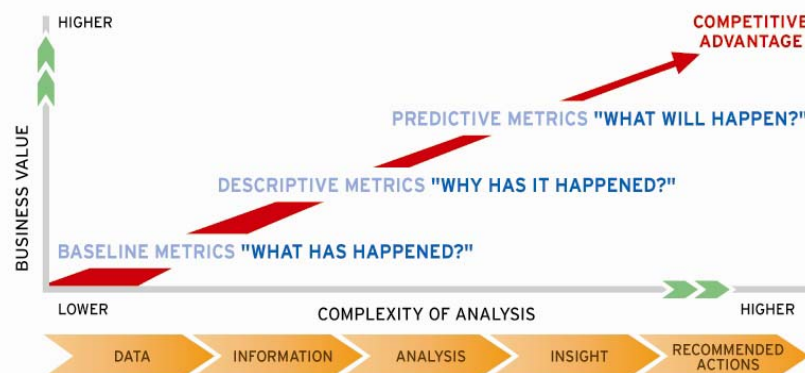
Despite the momentum of data warehousing over the last ten years, marketers still do not have the right information in front of them when they need it. Even though data is being centralized by most companies today, using it to find, keep and grow customers is a challenge. However, the quest for a central repository to make data more accessible has spawned two fundamental questions: What does data tell us? and How can we use it?

#### *Question One: What does data tell us?*

Data speaks to us through metrics, and metrics have hidden opportunities within them from which we derive actionable insights. To leverage any data, we must uncover the relevant information locked inside. To do this, marketing analysts must understand the industry, company, marketing plan, successes and failures, existing and potential customers and, of course, the data. Because this knowledge is not neatly packaged or easily retrievable through business intelligence (BI) tools, marketers are left unfulfilled. They know what they need, but lack the database and analytical disciplines required to coax knowledge from their data.

Obtaining metrics that lead to actionable insights is a challenge to most marketers. The kind of metrics that aid marketing direction and strategy development are not necessarily waving flags at you from their repository. Even with rich stores of data, marketers often settle for common baseline metrics. And why not? There was a time, not long ago, when that's all they had.

Today, Targetbase delivers insights using three categories of metrics: baseline, descriptive and predictive. Only with relevant metrics, the building blocks derived from data, can profitable changes be made in marketing, thus:



Common baseline metrics are appropriate for reporting past activity, but are not as useful for innovative strategy development. Missed is the understanding of where and why potential sales, or losses, loom in the future.

What is more actionable, identifying customer defections last month or finding customers likely to defect next month? Marketers must identify customer behavior that affects revenue, understand why it occurs and predict when it might occur next in order to change the future. Leveraging data to meet these challenges is critical to a company's competitive edge.

### Three levels of metrics and what they reveal: an example

Let's use a wireless telecommunications company as an example. Assume it has five million customers and a two percent monthly attrition. Using the three metric categories, we can leverage data to increase profits. Targetbase first identifies, then understands and finally predicts relevant customer behavior to stem loss.

Identifying the issue using baseline metrics is the first use of the data for solving attrition. These are some common **baseline** metrics that might be used in this example:

#### Identify what, using baseline metrics

- Number of customers lost monthly and annually
- Average monthly revenue lost
- Annual revenue lost
- Percent of total revenue monthly and annually

Knowing which customers are leaving and how much revenue they account for is not enough. A case must be built for action, by assembling more knowledge about who and why. It is possible to understand more about them through **descriptive** analysis. These are some common descriptive techniques:

#### Understand why, using descriptive metrics

- Geographic and psychographic profiles of defectors
- Service usage vs. rate plan analysis
- Number of users/phones on accounts
- Value segment analysis
- Dropped call percentage
- Primary research to find cause of defections
- Acquisition source profile

Creating the correct strategy to retain customers is dependent on knowledge uncovered using descriptive metrics. Theories of why customers are leaving can be validated through descriptive metrics. Eventually a direction is set and a strategy to influence attrition is created. Now, to influence the most appropriate customers, those who are most likely to defect, **custom** and **predictive** metrics are used, such as:



**Target whom to influence, using custom and predictive metrics**

- Top value segments
- Top potential value segments
- Propensity of defection
- Cross-sell propensity

Understanding and predicting the future behavior of customers helps target communications, optimize marketing spend and eliminate waste. Analyzing baseline, descriptive and predictive metrics from data and creating insights into a defection problem is the first step. Next, how is data used to take action to influence customer behavior?

**Question Two: How can we use it?**

Targetbase has redefined the role that metrics play by creating a direct stream of applicable knowledge to marketers from their data. Designed to fill the void left by packaged BI technology solutions, and lack of interpretation, Targetbase delivers observations that clearly identify, describe and predict crucial customer behavior.

The final stage of data analysis is **deployment**. How do insights from data analysis come to life and help drive a marketing program?

Targetbase designs and deploys a Customer Relationship Value (CRV) matrix tailored for each client and marketing challenge. Using the example above, a strategy is built to identify high risk customers and to treat them according to current value and potential growth. A simplified CRV matrix is shown below.

RISK OF DEFECTION	CURRENT VALUE	CROSS-SELL PROPENSITY	CUSTOMER COUNT	COMMUNICATION STRATEGY
HIGH	HIGH	HIGH	450,000	RECOMMEND RETENTION AND CROSS-SELL COMMUNICATIONS
HIGH	HIGH	LOW/MED	500,000	RECOMMEND RETENTION COMMUNICATIONS
HIGH	LOW	HIGH	325,000	RECOMMEND CROSS-SELL COMMUNICATIONS
LOW	MED	HIGH	250,000	RECOMMEND CROSS-SELL COMMUNICATIONS
LOW/MED	HIGH	LOW/MED	150,000	THANK YOU COMMUNICATIONS
REMAINDER	REMAINDER	REMAINDER	3,325,000	STANDARD COMMUNICATIONS ONLY

Each customer has a position in the CRV matrix, and positions in the matrix drive targeted communications. The application of each communication is consistent regardless of channel (web, phone, direct mail or e-mail). Targeted customers receive precise communications to promote or discourage specific behavior.



There is also a dynamic aspect to the CRV matrix, and in general customer behavior. Marketers must track the movement of customers as they fall in or out of various segments. Measurable customer behaviors may qualify a customer for different communications as months go on. In the example at left, the two percent of customers most likely to defect will change through time. Attention to the details of a customer's interaction with your company will always help in personalized communications.

Direct access to hidden, actionable insights in data is directly correlated to positive return on marketing investments. Access to actionable insights is the greatest weakness in current BI systems. Targetbase is able to provide what marketers lack: easily understood observations and recommendations based on data analysis relevant to marketing goals.

