Single View of the Customer in UK Businesses and the emerging role of Big Data

A Market Study by Henley Business School in association with SAS UK and Ireland

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About this research

This research has been conducted by the Henley Centre for Customer Management (HCCM) at Henley Business School in association with SAS UK & Ireland. The report is based on in-depth interviews with senior managers from twenty-four representative companies. It focuses on the customer experience in these companies in the light of new channels and the perceived need to deliver a single customer view to meet customer requirements.

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The analysis and views expressed within are those of the authors based on their experience and recent discussions in the marketplace relating to the implementation of customer management. These views are, by their very nature, evolving on a constant basis.
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1. Executive Summary

This report summarises the progress UK companies have made in using data to provide insight and understanding of their customers. It identifies how far companies have progressed towards implementing a Single Customer View (SCV); a term used to describe the ability of companies to capture all the interactions a customer has with a company or organisation, regardless of the channel used by the customer. The report also investigates the ways that data analysis is used by the companies to develop insight that is used to deliver value to customers and to the organisations. In this context, the term Big Data is used to describe the exponential growth of data available to organisations and the associated challenge of trying to extract value from it. The 2012 report by the Centre for Economics and Business Research (Data equity: Unlocking the value of big data, Cebr, April 2012) found that better use of Big Data and high-performance analysis could add £216 billion to the UK economy by 2017.

There are notable differences in company’s expectations of the value to be extracted from Big Data and the development of a SCV. The benefits from investment in SCV, Big Data and High Performance Analytics (HPA) are difficult to prove and in the current economic and regulatory climate priority tends to be given to regulatory compliance and projects with better risk profiles. Those companies that have committed to a SCV strategy and are the furthest along the path are seeing the greatest returns and are most determined to retain this advantage. The more advanced companies also stress that SCV is not an IT project but must be seen as a part of implementing a customer focused strategy.

Organisations striving to achieve a single customer view (SCV) are starting to tackle the “Big-Data” challenge and this report found there is a wide range of both ambition and progress. Companies investing in a SCV strategy are seeing significant benefits by using a Big Data approach involving data integration and sophisticated analytics to generate customer insight. This is primarily used to improve customer segmentation and to target marketing campaigns more effectively. One financial services company has seen a tenfold increase in response rates through this approach.

While the concept of a complete SCV is seen as a useful aspiration, changes in technology, markets and customer requirements mean that not all companies see it as completely achievable or desirable. The most common strategy is to move incrementally towards a SCV, each step being dictated by the cost/benefit analysis and the availability of scarce analytical skills. A minority of companies are content with a product silo approach as they believe there is little overlap of customers across products. However, a large majority of companies have a project underway to move towards a SCV although most admit that achieving a full SCV is some way off.

Looking at each of the industry sectors researched:

- B2C is the most advanced sector. This is understandable as SCV is really about individual customers and their interactions with a retail company, ultimately across all channels. The retailers with clear SCV strategies use loyalty cards to capture data on their in-store customers who are usually the hardest to track. Data capture has been extended to on-line channels in order to develop a more complete SCV. Several companies interviewed are embracing the Big Data concept whereby they are trying to integrate customer data from any available source: their own data sources, social media channels and externally purchased data. Those retail companies who are most developed with their Big Data strategies and their SCV programmes are seeing the greatest benefits. No company was prepared to quantify the benefits but it is informative that the most developed are continuing their investment in Big Data and SCV.
• B2B companies tend to be less well developed as the “customer” is another company. Big Data is generally an understood term but opinions vary as to whether it has relevance in a B2B environment. The focus tends to be on customer relations management (CRM) data used by account management teams and on performance data demonstrating how well they are meeting contractual KPIs. The data volumes are lower and analytical demands far less than those found in the other segments.

• FS is the most varied sector. The FSA requirement for FS companies to provide a Single Customer View is a bit of a red herring as this tends to be the domain of the regulatory department and there is no cross over with the marketing SCV. There is considerable effort being put into understanding customer behaviour but many FS companies achieve this within product silos. Those companies who are the most developed are putting considerable investment and effort in producing and maintaining a SCV. The companies who have taken this strategic approach guard their SCV carefully as they see significant on-going benefits. Consolidation of FS companies post the 2008 global financial crisis has dictated that IT resources are focused on helping integration or divestment and ensuring regulatory compliance. SCV development and analysis is focused on client segmentation to develop messaging strategies in support of marketing campaigns. There is little evidence of SCV being used to help improve the customer experience although most FS companies are running or plan to run SCV projects.

There are some barriers to achieving both a SCV and implementing Big Data strategies that are commonly experienced across the three industry categories. IT budgets are under pressure and SCV projects struggle to be prioritised. New technology can help manage Big Data and provide analytic capabilities but there are significant costs and additional skills are needed. There is a shortage of staff equipped with both analytical skills and understanding of the business objectives. Most organisations are in transition from a “product” focus to a “customer” focus and this not a quick process.

Finally, the ownership and governance of customer data must be recognised as a business rather than IT responsibility. This becomes more important as companies move towards a Big Data future.

2. Approach to the Research Project

This research study identifies how far companies have progressed towards implementing a Single Customer View (SCV) and how the SCV is used to deliver value to customers and to the organisations.

The first phase of the study performed an assessment of the SCV in UK Financial Services (FS) companies. This sector was chosen because, in the UK, the Financial Services Authority (FSA) requires a “Single Customer View” (FSA-SCV) consolidation of all deposit taking accounts to support the Financial Services Compensation Scheme (FSCS). However, the FSA requirement was found to be of little relevance to the development and utilisation of a full marketing SCV.

To complete the picture, the field of research was then widened to explore the status of development of the SCV in a representative set of Business to Consumer (B2C) and Business to Business (B2B) organisations that operate in UK & Ireland.

The findings of the study are, therefore, grouped into the 3 industry categories:

• B2C: including retailers, retail telecommunications, gaming and consumer services
• B2B: including manufacturing, telecommunications and business services
• FS: including retail banks and building societies.
The companies interviewed are shown in the table below.

<table>
<thead>
<tr>
<th>Organisations Interviewed</th>
<th>B2C</th>
<th>B2B</th>
<th>FS</th>
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<tbody>
<tr>
<td>BMW</td>
<td>Bausch &amp; Lomb</td>
<td>Barclaycard</td>
<td></td>
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<tr>
<td>Boots</td>
<td>BT (Wholesale)</td>
<td>Citi International Bank</td>
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<tr>
<td>BT (Retail)</td>
<td>Cable and Wireless</td>
<td>HSBC Group</td>
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<td>Camelot</td>
<td>Capita</td>
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<td>Ladbrokes</td>
<td>Janssen-Cilag</td>
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<td>TalkTalk</td>
<td>SAB Miller</td>
<td>Royal Bank of Scotland</td>
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<td>The AA</td>
<td>Vodafone (Wholesale)</td>
<td>Santander</td>
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<tr>
<td>TUI</td>
<td></td>
<td>Yorkshire Building Society</td>
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<tr>
<td>Vodafone (Retail)</td>
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<td>ING Bank, two different European subsidiaries</td>
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The interviews were conducted with a senior manager from each company using a semi-structured approach. Brief anonymised case studies from the interviews are appended to the report.

In addition, the interviewees were asked to complete two questionnaires (Customer Management Space and Customer Management Eco-system) that are used by the Henley Centre for Customer Management to assess an organisation’s ability to deliver effective customer management practices. A commentary and an analysis of the results returned for these assessments are also included.

3. **Overview of Findings – The Current State of Play**

The ability of organisations to capture and analyse large volumes of data presents clear opportunities for B2C, B2B and FS organisations to improve their customer management. The exponential growth of data volumes, generically known as Big Data, means that today’s organisations have access to more data than ever before, whether that be internal data from their own operations or external data from specialist suppliers or the internet. The 2012 study by the Centre for Economics and Business Research (Data equity: Unlocking the value of big data, Cebr, April 2012) calculated that Big Data could add £216 billion to the UK economy between 2012 and 2017. Improved customer intelligence and better customer insight are predicted to contribute a significant proportion of these economic benefits.

Unstructured data, including that found in textual and voice records, Social Media and other external sites are becoming increasingly important sources of information about customers. The challenge is to harness this data and use it to improve the experience for customers and the value to the organisation. As one of the interviewees for this research project put it:

“For me, Big Data is nothing new, we’ve got more data than we ever had before and we need answers more than we ever needed them before and the name of the game is to take that data and use it as effectively as you can. We’re still data rich, suffering from an overload of reporting, but insight poor”. (B2B Company 1)

A complete SCV is not currently available in any of the interviewed organisations. Most have a partial implementation of some of the data and/or some of the channels and in many instances have a strategy to get to such a view:

“We would like to be able to say we have a single view of our customers but in reality we are not there yet”. (B2B Company 5)

But not all of them see a full implementation as a necessary and valuable capability. A theme from many of the interviews is that a full SCV is seen as something that will never be fully achieved, or even achievable, because of changes in technology, markets, legislation and customer demands.
Big Data

Big data is a popular term used to describe the exponential growth, availability and use of information, both structured and unstructured. Much has been written on the big data trend and how it can serve as the basis for innovation, differentiation and growth.

According to IDC, it is imperative that organisations and IT leaders focus on the ever-increasing volume, variety and velocity of information that forms big data.

- **Volume.** Many factors contribute to the increase in data volume – transaction-based data stored through the years, text data constantly streaming in from social media, increasing amounts of sensor data being collected, etc. In the past, excessive data volume created a storage issue. But with today’s decreasing storage costs, other issues emerge, including how to determine relevance amidst the large volumes of data and how to create value from data that is relevant.

- **Variety.** Data today comes in all types of formats – from traditional databases to hierarchical data stores created by end users and OLAP systems, to text documents, email, meter-collected data, video, audio, stock ticker data and financial transactions. By some estimates, 80 percent of an organisation’s data is not numeric! But it still must be included in analyses and decision making.

- **Velocity.** According to Gartner, velocity “means both how fast data is being produced and how fast the data must be processed to meet demand.” RFID tags and smart metering are driving an increasing need to deal with torrents of data in near-real time. Reacting quickly enough to deal with velocity is a challenge to most organisations.

Big data according to SAS

At SAS, we consider two other dimensions when thinking about big data:

- **Variability.** In addition to the increasing velocities and varieties of data, data flows can be highly inconsistent with periodic peaks. Is something big trending in the social media? Perhaps there is a high-profile IPO looming. Maybe swimming with pigs in the Bahamas is suddenly the must-do vacation activity. Daily, seasonal and event-triggered peak data loads can be challenging to manage – especially with social media involved.

- **Complexity.** When you deal with huge volumes of data, it comes from multiple sources. It is quite an undertaking to link, match, cleanse and transform data across systems. However, it is necessary to connect and correlate relationships, hierarchies and multiple data linkages or your data can quickly spiral out of control. Data governance can help you determine how disparate data relates to common definitions and how to systematically integrate structured and unstructured data assets to produce high-quality information that is useful, appropriate and up-to-date.

Ultimately, regardless of the factors involved, we believe that the term big data is relative; it applies (per Gartner’s assessment) whenever an organisation’s ability to handle, store and analyse data exceeds its current capacity.

“You might get to an acceptable view today but you will continue to invest millions if you keep trying to get to the ultimate and keep up with the technology. One of our roles is to keep in touch with what is going on and to make the business decision to assess what is relevant and what isn’t relevant in today’s world”. (B2C Company 9)

SCV and insight development is generally enabled by the data being extracted from the various sources of customer information and then consolidated into a central database or data warehouse. Once collected, the data is available for use in marketing campaigns, for analysis and for insight generation as required. The development and use of insight from customer data ranges from almost non-existent to highly sophisticated predicated on the ability of the organisation to access data that has real value to them. In most of the interviewed companies a project is underway to improve the SCV within the next couple of years. The goal is not necessarily to provide a complete customer view, but to provide a significant improvement over today’s capabilities with much more data available in real time or near real time.
The global financial crisis in 2008 has led to a period of sustained low investment and most of the organisations interviewed have developed cost-saving strategies to survive in the difficult times, which extend today. In addition, increased regulation and compliance requirements place restrictions on how these organisations can use the data that they collect. All of the organisations interviewed have to comply with customer data regulations including those concerning data protection, permission marketing, data privacy and the cookie directive. At the same time, banks have to focus on compliance with the evolving regulatory and legal frameworks including FSA initiatives such as “treating customers fairly”, complaints legislation and managing preference services. Accordingly, most organisations primary focus is on compliance with the regulations and this takes precedence over the use of data to analyse customer behaviours and improve the customer experience.

The findings in this report are considered in the following 3 categories: Business to Consumer (B2C), Business to Business (B2B) and Financial Services (FS) companies. Some companies operate both B2B and B2C models in different parts of their organisation and for two of the companies concerned, representatives were interviewed from both the B2B and the B2C operations. The current state of play for each of the three categories is explained in the following sections.

**Business to Consumer (B2C)**

In B2C companies, the interviews revealed that most have a partial SCV - available in some channels or for some departments but not universally. They will often talk about a SCV when they are looking at the customer data requirements of a particular department but this is rarely available throughout the organisation.

In the B2C category, the analysis of customer data has been driven in most cases by a desire to improve the success rate of centrally managed marketing campaigns. For customer acquisitions, target lists are bought in from external agencies and, in many cases, combined with demographic data to improve the targeting. Internal customer data is more focused on retention and to drive cross-sell and up-sell campaigns. From the marketing campaign base, organisations are developing improved analysis capabilities to derive more and more insight about customers. This is gradually being implemented across the channels to provide better service and appropriate selling opportunities.

The research identified that the majority of interviewed companies, particularly those in the B2C category, do have projects in place to improve their systems for customer data management. Clearly, these organisations are now prepared to invest in customer management and are looking for good solutions to their issues.
Business to Business (B2B)

It is clear from this research that none of the organisations interviewed have a complete SCV. In B2B companies, some have a strategy to get to a single view but their focus is on consolidating customer information for the purpose of account planning. This is normally the province of the specific account team so not all companies see a SCV as a necessary and valuable capability.

For B2B organisations, operational and financial data is important for an understanding of current projects and external data is used to build a better understanding of the client's business to illuminate the account planning process. Contact data is central to account management and is often maintained and protected by the account team. Account planning is then a process of understanding the client’s business, identifying opportunities for mutual benefit and developing strategies to deliver information, presentations and proposals to the group of contacts identified as influencers and/or decision makers.

There was little evidence that B2B companies are looking to exploit Big Data in support of their customer data initiatives although several interviews were familiar with the use of Big Data in other analytical situations using internal data.

Financial Services (FS)

The global financial crisis in 2008 has led to a consolidation of the financial services market with most banks having significant merger and acquisition challenges. In all of the banks interviewed, SCV is synonymous with customer data and all of the organisations are trying to use customer data to improve cross-selling to their existing customers. The main emphasis is on the use of propensity models, life cycle and behavioural analysis to provide focused marketing campaigns to sell additional products to chosen sets of customers. The evidence supports the effectiveness of this approach with one organisation reporting:

“*What we see is that conversion and the sales rate in those campaigns are ten times higher than for other campaigns*. (FS Company 3)

In no case does the SCV improve a customer’s experience by providing all ‘points of contact’ with an up-to-date status on the customer’s dealings with the bank so that they are fully-informed. Most would like to be able to do this but significant investment would be required and there is little appetite for such investment in today’s economic climate when it is not evident that such capabilities will actually be of real benefit.

“We are in the middle of a big project to get a view of a customer’s total assets for tax purposes and if customers want they can also ask for a view of the products they have - most of the time they already know this.” (FS Company 4)

“To have a group wide SCV is not a top priority in my view because there is quite good separation of customers by brand.” (FS Company 5)

There is a desire to widen the use of customer data into other areas and many organisations use it to help with product development. However, very few companies have core IT systems that support both operational and analytical needs and IT priorities are on operational system rationalisation in support of the post 2008 business strategies. In two cases, a new bank and a long established bank, customer data is contained in a single database so the process is straightforward. In the other cases, customer and transaction data is dispersed so the process involves batch extracts of data and central cleaning and consolidation of the results.
Barriers to Achieving Single Customer View (SCV)

There are still a number of common barriers to development of the SCV and the use of derived insight across the organisation and its channels. These are common to the majority of companies interviewed and the most frequently mentioned are:

- **Data ownership**: The management of data is often seen as an IT issue and not a business driver. Companies need to ensure the responsibility for the management and governance of customer data resides with a senior business stakeholder within the organisation.

- **Budget**: In the current economic climate, competition for budgets means that customer data projects that do not have convincing business cases are unlikely to be considered a priority.

- **Skills availability**: Technological and Analytical skills are in short supply, particularly technically skilled analysts with an ability to relate to business issues as well as staff who understand how to manage data from legacy IT systems.

- **Organisation and Culture**: Most organisations continue to be organised around “product silos” and do not have a centrally managed customer focus. The challenge is to achieve a customer focused culture from a history of product emphasis.

- **Technology and Costs**: This is particularly an issue where there is a need to consolidate customer data from many sources and this requires specific IT tools and skills in order to cost effectively develop business oriented solutions. New technologies and advanced analytics like voice and text analysis and Big Data analytic engines allied with ever increasing sources of information like Social Media will certainly create significant opportunities. However, they require a significant investment in technology and resources.

There is evidence from the research that organisations are addressing these challenges to some degree. Projects are in place, change programmes are being rolled out and new appointments are being made. There is one barrier outside of the control of individual companies and that is the availability of suitable business aware analysts. This shortfall requires recognition by the analyst industry that skill sets have to be enhanced by the introduction of suitable recruitment and training programmes.

Overall, there is strong evidence that the UK’s companies are seriously trying to improve their approach to customers. As a generalisation, if organisations can move from just using customer data to improve the success rate for marketing campaigns to a much more rounded development of the customer experience and insight into what is important to the customer, much progress would be possible. Their potential success can only help us all to overcome the economic problems brought on by the current recession.
4. Business to Consumer Companies

Customer Data

It is normal in these companies for customer data to be dispersed across many operational systems. They may have been introduced to support new products or as a result of acquisitions. As a result, providing a consolidated view of a customer’s dealings with the organisation is understandably complex.

To overcome some of the issues associated with the widespread dispersion of customer data, SCV and insight development is usually enabled by the data being extracted from the various sources of customer information and then consolidated into a central database or data warehouse. Once collected, the data is available for use in marketing campaigns, for analysis and for insight generation as required. The majority of companies regard this as an incremental process, focusing on the data considered most valuable and on analysis that is achievable in order to get quick returns on investment. The approach tends to be pragmatic but companies that are using customer data to improve the success of their campaigns are in the strongest position to appreciate the advantages to be accrued from a more complete SCV. Accordingly, those that have had the most success to date also have the most developed plans for completing their SCV projects.

“Data will be extracted from our source systems - there are about 18 - billing systems, CRM system and call centre systems.” (B2C Company 1)

“Data is extracted in batches from the operational in-country systems on a regular basis for analysis”. (B2C Company 7)

“Customer data is disparate - currently held at a market level and there is very little sharing of data or technology across the markets.” (B2C Company 6)

“Customer data is largely in one place for insight purposes. We have a central customer data warehouse which acts as the lynch pin for all our analytics systems. In reality it’s a single analytical customer view.” (B2C Company 2)

In many of the companies interviewed, development projects are underway to improve the timeliness and availability of customer data.

“We are undergoing a transformation project so that we can support the marketing requirement from the strategic warehouse.” (B2C Company 1)

“We have a legacy system which doesn’t allow us to join together pieces of data from the databases and doesn’t allow us to mine data effectively. What we are doing is to bring that together over the next 12 to 18 months so that we will get SCV across all of our channels and product areas.” (B2C Company 8)

“CRM updates from intermediaries are currently performed overnight but we plan to move to a new fully integrated system that will allow real time updates to occur from all areas.” (B2C Company 9)

“We are working towards a more real-time system and the process has started”. (B2C Company 7)

Data Quality

Data quality is patchy to say the least. Every organisation interviewed has concerns about the quality of their data and go to varying degrees of effort to ensure the accuracy of data being used for analysis.

There is a considerable variety of views about data quality among the interviewed organisations.

Half the organisations interviewed have issues with their data quality and do not have good processes yet to cleanse the data.
“Data quality is quite poor. There are lots of holes - not having correct product codes etc”. (B2C Company 4)

“Currently we do some data cleaning - primarily when the analysts go in and look at the data and recognise that there is a problem. To be honest, we don’t do it very well”. (B2C Company 1)

“We do have data quality issues that are also being addressed through the transition process.” (B2C Company 8)

In contrast, other organisations have a well thought out strategy to achieve good quality data for analysis.

“We have data cleansing processes, we use third parties to help to cleanse the data that gets extracted and loaded to the database. It’s never going to be perfect. It’s certainly fit for purpose and if we send two letters to a house instead of one, it’s not a big issue.” (B2C Company 2)

“Core customer info is continually validated, we tend to view customer data with same rigour as a bank to help ensure referential integrity.” (B2C Company 5)

“Strategically, the quality of the data is viewed as the life-blood of the business and therefore, once cleansed, it is regularly monitored and kept in a good state.” (B2C Company 6)

One organisation stated that:

“Twice a year we export the entire customer database and send it to our agency for cleansing, suppression flagging and de-duping.” (B2C Company 9)

Clearly, this company takes data quality extremely seriously as they also cleanse every extract made for marketing campaigns in order to maximise their success rates.

Regulation

As far as regulation is concerned, all of the organisations interviewed have to comply with customer data regulations; data protection, permission marketing, data privacy, the cookie directive etc. In addition, some specific regulations affect one or two of the interviewed companies, for example age restrictions and banking regulations where a subsidiary company operates as a bank.

A trend observed in the larger and multi-national companies is the adoption of ‘group wide’ policies so that customer data is protected at the highest level regardless of the country of operation.

“We have a group wide strategy for permissions but there are certainly different regulations that apply in each operating unit”. (B2C Company 7).

“From a Brand protection perspective, we tend to go further than regulation requires because we value the trust that customers place in our brand.” (B2C Company 2)

“The group is applying for Europe wide data protection compliance - so all countries have to adhere to the joint ‘highest’ standards.” (B2C Company 9)

Single View of the Customer

In all cases, a complete Single Customer View as we have defined it is not currently available. Most companies have partial SCV - available in some channels or for some departments but not universally.

“Like many companies, we have a multitude of Single Customer Views. Within the marketing dataset, we have a single customer view.” (B2C Company 1)

“We would like to be able to say we have a single view of our customers but in reality we are not there yet.” (B2B Company 5)
“We have a variety of operationally different customer systems - we don't have an operational single customer view. There is no real need for such a facility … I believe that we provide a sufficient SCV to meet the organisation’s needs. It’s not perfect but is fit for purpose.” (B2C Company 2)

“For each feed of data that comes in to the Marketing System, we maintain that raw data in separate unconnected silos and can then create a marketing single customer view across the silos. This approach gives us a high degree of flexibility because if we change the match rules slightly we can change our view quite easily because we rebuild the view from the raw data.” (B2C Company 3)

“At the moment, while we get a good SCV from the CRM system, it is not completely 2-way. So, for example, the internet system is not aware of other non-web based interactions.” (B2C Company 9)

In most cases, a project is underway to improve the SCV within the next couple of years. The goal is not necessarily to provide a complete customer view, but to provide a significant improvement over today’s capabilities with much more data available in real time or near real time.

“Once we are supported from the data warehouse we will have a genuine single customer view as opposed to today's ‘cottage industry’ SCV.” (B2C Company 1)

“Our strategy is to have a single customer view by country within the next two years. As part of this strategy, we are migrating to a new system that will enhance our ability to use the data.” (B2C Company 6)

“This will be the case after the next 12-18 months.” (B2C Company 8)

“We have a brand new site going live in December that should resolve this shortcoming. The new system will have behaviour tracking and the ability to offer specific offers, campaigns and content based on where they have come from on the internet and also things we know about them.” (B2C Company 9)

**The Role of Big Data**

The most common types of external data that these companies bring in to augment their internal customer data are credit scoring data and demographic data to aid segmentation and acquisition strategies.

Social Media data is recognised as a potentially useful source of customer information by some organisations. However, the majority do not have an overall strategy for Social Media.
“Social Media - we focus on Facebook and YouTube and have significant volumes of posts going through. As we grow our volumes, we need to get better at leveraging that data in a better way. Currently we answer and talk to customers as best we can with the resources we have.” (B2C Company 1)

“We’re dabbling with SM at the moment. We have a presence at the present and we mine the data within that environment for useful information. We have been exploring the possibility of linking content on the SM sites to a customer’s record. We track sentiment and comments on SM sites, product comparison sites etc. to get additional insight. We’re doing some text analysis in the call centre but that’s only used in that environment, we don’t yet bring that data into our warehouse to link to the SCV.” (B2C Company 3)

“On Social Media, we do SM listening, collection of data relating to the group, analysis of what people are saying, what conversations are about generally, is it to do with Customer, or Product... and what should our response be.” (B2C Company 9)

Big Data is generally understood as a concept and is being explored by some companies:

“We are currently looking at a Big Data proof of concept. I’ve persuaded the team to focus on predictive retention modelling and devise campaigns for our existing base. There is so much more data available about the existing base than there is for prospects - we can get customer service data, billing data etc. and could better leverage it to see, for example, the best prospects for a cross-sell or up-sell campaign. That’s what Big Data means to me”. (B2C Company 4)

Big Data has been used as an enterprise level way of more strategically addressing certain customer segments. We do some of this in our data analysis area and it’s a way of extracting insight but we first complement this with more qualitative data”. (B2C Company 7)

“Speech analytics, we bought this for our call centres as a training aid primarily, highlighting missed sales opportunities or operational communication issues. We’re now trying to link the converted speech analysis back to an individual customer on our database so that we can, for example, derive insight into renewal plans to pass on to the retention team. This requires some new software to make the link and we’re working with a third party to achieve this.” (B2C Company 3)

“I think there is a genuine explosion in datasets and I think there is real value in Big Data somewhere but there are a couple of issues to my mind. In the first place I think a lot of organisations are trying to treat all of it as very quantitative data to be appended back at individual level and I’m not at all convinced that that is the best use of it. If I look at a lot of the Big Data sources, around text or video or picture, I think they are very good qualitative data sources. I think there is massive value but there is a real mismatch in trying to turn everything into individual level quantitative data when it may not be needed. The other issue is that I think there is a lack of analytical skill sets in the UK, there’s a real shortage of analysts, particularly those who are able to communicate successfully with the business ... We’re mining complex call data with text analysis and that works for us because we know the context and usually we can append it to our database. So we’re starting the Big Data journey in areas where we understand it. I think that in say three years’ time, retail will look quite different with this but the danger is in IT vendors over-hyping and overselling current capabilities such that the concept becomes discredited.” (B2C Company 2)

And at least two other companies are predicting that they will use the approach.

Big Data to me implies high volumes of data, a mix of structured and unstructured combining the on and off line worlds. It will come for us - perhaps in about 12 months’ time. The kind of unstructured data I’ll be interested in is call centre information - voice to text conversion and text mining - I think that there are buzz words or other words that customers use that will allow us to understand the trigger points - what indicates that the customer is happy, unhappy, about to churn etc. and what should we do about it.” (B2C Company 1)

Big Data is the ability, at speed, to dive into rich, unstructured data sources and pull out insight that would otherwise not be apparent. We do plan to use such an approach from, for example, a sales perspective. We see, for example, relationships between the weather and sales volumes so providing a capability that can understand forecasts and can then drive yield management is a very practical example of how that Big Data piece could work.” (B2C Company 6)
Insight Development

In this category, the analysis of customer data has been driven in most cases by a desire to improve the success rate of centrally managed marketing campaigns. For acquisitions, target lists are bought in from external agencies and, in many cases, combined with demographic data to improve the targeting. Internal customer data is more focused on retention and to drive cross-sell and up-sell campaigns.

“Our CRM guy does propensity models for up-selling a product - they look at target lists and generate prospect lists for outbound telesales or Direct Mail campaigns, both for existing customers and for prospects. Also now rolling out strategic decisioning in channels - for next best action - has rolled out to customer services and planned next to go to retention teams for targeting retention offers (discount on current product or upgrade to next product...) and finally to online channels”. (B2C Company 4)

“Insight currently is used in my own team for campaign purposes working with customer marketing to send out email campaigns, call centres and sales teams for outbound campaigns. We're looking at adding prompts for inbound calls but this is not yet available. We are “white listing” (segmenting incoming Interactive Voice Response calls to place them with different teams).” (B2C Company 1)

From the marketing campaign base, organisations are developing improved analysis capabilities to derive more and more insight about customers. This is gradually being implemented across the channels to provide better service and appropriate selling opportunities.

“We do ‘next-best-action’ although again it is more advanced in some operating units than in others”. (B2C Company 7).

“In the analytical function we have focused on retention - starting to understand what makes customers happy to remain with us versus unhappy and wanting to leave.” (B2C Company 1)

“The customer view supports the CRM system - giving the agent knowledge of the customer’s product holdings and flagging opportunities (next best action). Prompts can be reminders to collect data as well as customer status and sales opportunities.” (B2C Company 3)

“We are in the process of redeveloping our whole web interface and analytics will be a big part of that. Looking ahead, we’ll be able to see from a customer experience perspective how customers are flowing through our interfaces and where good experiences are happening and where bad experiences are happening so that will help us to fine tune our interfaces. We will also be able to look at message efficiency, opportunities for cross-sell and up-sell and then we will marry that to the customer satisfaction measures as well so that we can start to understand the relationship between customer satisfaction and profit delivery.” (B2C Company 8)

“Today, the insight generated is used to support central sales campaigns. With the new system we will be looking to predict ‘next-best-activity’ insight for use in the channels.” (B2C Company 9)
In a few cases, the use of analytics to provide customer insight is significantly advanced.

“We also look at the movements in the market between operators - flows. We look at ‘were you active in the market, did you get or seek a particular product, and if so where did you come from and go to. You may be new-to-market or maybe consolidated the services from a single supplier. This is market level flows analysis and I think it is best practice”. (B2C Company 4)

“I've got four teams in the insight area and do a variety of data mining, predictive analytics, cluster analysis… the usual things you’d expect in a one-to-one marketing and personalisation team. We use insight, analytics, customer profiles, purchase data and basket data to determine what offers to make … We then run optimisation algorithms involving some 120 rules to drive the best suite of offers at a customer level … We then do a variety of other analyses - e.g. profiles of what customers have bought in the first two weeks of a promotion; econometrics on TV and press advertising; web analytics on website performance and linking web research with off-line purchase … We also do ‘supply chain’ analytics such as Who is purchasing?, What else are they purchasing?, What are the substitutions in the basket for them?, What are their pricing elasticities etc.” (B2C Company 2)

“We've segmented our base, we understand the base a bit better, and we've extrapolated out to our prospecting to improve sales. At the same time we're trying to work out what are the key trigger points that make customers leave, what are the interactions customers are having with us, what are the drivers and what customer journeys should we start to map. We use a decision tree model for drivers to identify what chain of events might make customers likely to leave. Could be things like age, affluence, utilisation of the product, calling support line, service fluctuations etc. so we use segmentation analysis, behavioural analysis, propensity and regression modelling.” (B2C Company 1)

“The insight is very good. We understand who our customers are and we have very clearly defined and segmented customer groups who we market to very effectively. For online, we understand our customer persona and segment and specifically drive user experiences around those personas. So we have a very clear view of our core customer sets and have developed online solutions specifically for those personas.” (B2C Company 6)

Multi-channel Integration

All of the interviewed companies either provide data and insight across all channels or are planning to do so.

“Our systems are fairly integrated so each channel has access to data from the others. Insight results are provided to the operating units and their customer service representative provided that regulation allows that”. (B2C Company 7)

“For the future we are addressing two areas: - Initially static inbound prompts to provide next best activity or product suggestions and then a real time marketing decision tool. We also want to improve our website service and integrate it better. We would like to analyse behaviour on the website, how well ads work and when a customer manages their account online we need to feed that data back to the database and vice versa.” (B2C Company 1)

“At the moment they aren’t linked but they will be. All data will be held in a single central system so all channels will be able to access it.” (B2C Company 8)

Segmentation

Lifestyle segmentation is often used for acquisition strategies but most of these companies believe that it is not sufficient when looking at the existing customer base.

“My personal view is that that sort of segmentation works for proposition design - who you target with what offer. However, once someone becomes a customer, it is less useful for things like customer service and retention offers because then it becomes much more about the specific customer’s experience”. (B2C Company 4)

For existing customers, a variety of approaches are used.
“We effectively have four core personas that we manage the business by. They are very well articulated and detailed and we use them to define the market that we’re going after, to develop the product for that market and also define the sales and selling strategy and communication methods.” (B2C Company 6)

“In customer value management, they measure the total value of the customer over the life of the relationship. The derived value is then used to segment customers and then the segment might define a level of service (“to be able to provide better service to those who spend more”). We also have segmentation that has been done more qualitatively to allow us to serve customers more accurately - if someone has been a long-term customer and has been loyal, we try to recognise that.” (B2C Company 7)

“For our database, there is no one-size fits all segmentation. We now look at the purpose of the segmentation (e.g. to inform acquisition strategy) and we’ll choose a segmentation that fits - we will fit the segmentation to a product or service. Segmentation tells us about what communication style to use and what offers to make to get people to move from one segment to another.” (B2C Company 3)

And two of the interviewed organisations develop a much more granular level of segmentation to be able to differentiate their approach to customers to a finer degree.

“We develop a customer DNA - what life stage, what behaviour, level of engagement (loyalty), customer value - and we then use a variety of tools to utilise this information.” (B2C Company 2)

“Ideally, we would like to be able to go to small granular segmentation. In my view, we would still have a small number of segments (6 say) for manageability and use the finer detail for ‘treatments’ (could be differently worded versions of letters for example) to pockets of customers where it is relevant.” (B2C Company 1)

Mobile Communications

Mobile communications is seen as becoming a full member of the channel set over time but most of the companies do little more than mobile enable their communications at the present time.

“We have to take account of it. We need to develop our strategy for alerts and customer management messaging.” (B2C Company 1)

“It will go through the stage of being a recognisable segment and in ten years it will be the standard way of doing things.” (B2C Company 2)

“I do think mobile will be a full-member but not yet.” (B2C Company 3).

“Yes absolutely. Your mobile today holds all your information so I see it as a channel in its own right and a significant enabler for other channels.” (B2C Company 6).

“Absolutely. We see it as a full transactional channel. Mobile is the ‘glue’ of multi-channel.” (B2C Company 8)

However, most companies have still to complete the development of their mobile communications capabilities. The prevailing attitude is summed up by the following comment:

“For us this is about offering our customers the full range of channels that they want to deal with us in. We need to be wary of building multi-channel applications just because we can; we need to build them to maintain convenience for our customers.” (B2C Company 2).

As well as its use for communicating with the customer, other opportunities that arise from mobile technology are also recognised by some.

“What will be relevant and have a dramatic impact in my view is the development of ‘location based marketing’ techniques. How we should use the mobile to create the right offer to the customer when they are out and about.” (B2C Company 1)
Barriers to Implementation

The most common factors when considering inhibitors to the development of a SCV for the interviewed B2C companies were again concerned with technology, culture and data ownership, but also with the availability of suitable business aware analyst.

Technology and Costs

“It comes down to resources, money and whether there is a need.” (B2C Company 2)

“The investment into technology to deliver the strategy is significant so now the only inhibitor is the technical complexity of implementation.” (B2C Company 6)

Data Ownership

“One of my colleagues has responsibility for data quality in the loyalty database and her role is gradually widening to include other smaller datasets so the importance of data quality is being recognised with senior appointments.”

(B2C Company 2)

Culture

“However, there are different viewpoints in the company about how much data to collect, whether it should be aggregated or whether it should be a single view and it can change with changes in the operating units and management team. Culturally, there is some sensitivity around making sure that we do it right, getting the customer’s permission and also providing something back to them”. (B2C Company 7)

“In the last 8 years we have been on a massive cost transformation programme and despite declining revenues profit margins have increased. We now need to move to revenue growth mode and improve Sales & Marketing through such methods as Big Data. However, the cost cutting culture now needs to be turned around and that is a challenge”. (B2C Company 4)

“There are cultural issues.” (B2C Company 2)

“We have a culture change programme in place that seems to be well received so far - Customer at the Heart is a central strand in all of that.” (B2C Company 8)

“Culture is a challenge but we now have a Customer Director at exec level (being piloted in UK) to help to promote the necessary change.” (B2C Company 9)

Skills Availability – Analysts in Particular

“In big corporations, it’s the people who are most articulate at influencing senior managers that get the money that they need. Articulate in terms of putting their case forward and also justifying their business case. In my experience, the people who are closest to this subject, typically the CRM or data guys, are more back-room and not usually very articulate so they need someone who can help them do that - analysts are not the people to put up to present the case. We need to find people who understand analysis and the business so that they can identify opportunities for data analytics. We have a recent hire that has done this and that kind of a guy is rare - and expensive.” (B2C Company 4)

“Customer focus is a key focus for us going forward - “If we don’t look after our customers, someone else will.”

(B2C Company 1)

“I’m on a crusade about lack of analytical skill sets.” (B2C Company 2)
5. Business to Business Companies

Customer Data

In B2B organisations, customer data is primarily about contacts within client or customer organisations. There is also a need to access billing systems for records of financial transactions and other operational support systems but the CRM system is the primary focus for these companies.

“Customer data is about the intermediaries, the buyers and the influencers.” (B2B Company 1)

“For managing our own clients, we have one primary data source, our CRM system that contains company and contact information for clients and prospects.” (B2B Company 2)

“Customer data is held at a named level within CRM system. You don’t get a SCV from this system but you can look up a history of interactions with that customer over the last couple of years. Comments about the interaction are contained in the system, but this data is mostly the province of the account manager. We’re adopting more interactive sales aids so that we can see what customers are interested in.” (B2B Company 6)

Data Quality

Every organisation interviewed has concerns about the quality of their data and go to varying degrees of effort to ensure the accuracy of data being used for analysis.

Contact information is most likely to go out of date and none of the organisations interviewed had a robust approach to cleansing contact data and monitoring movements of contacts between different organisations.

“Over time many elements of the customer master go out of date - customer changes channel or something - and we tend to reactively update the data - so data quality is a constant headache. It gets addressed in numerous projects over time when it becomes an issue.” (B2B Company 1)

“The static data, about contacts (names and addresses, emails, phone numbers etc.), is probably the most out of date because it is the least frequently reviewed. If a contact moves to a different organisation that we deal with, we would manually re-enter his details into the system, and would lose any history of the relationship.” (B2B Company 2)

“If a contact moves, we might track it and update the database or we might not. A mailshot recently had a 15% return that didn’t reach an end customer so we do have some data quality issues.” (B2B Company 6)

In addition, using external agencies or buying in contact lists also suffer from data quality issues.

“A big issue for us is that agencies tend not to be concerned about quality.” (B2B Company 3)

“If we feel that there are realistic sources of contact data for our accounts and targets we’ll buy them, but in our market generally, the sources aren’t great and the turnover is so rapid that whatever you buy, 30% is out of date when you buy it”. (B2B Company 4)
Regulation

As far as regulation is concerned, all of the organisations interviewed have to comply with customer data regulations; data protection, permission marketing, data privacy and the cookie directive. There are other regulations and compliance issues that affect individual organisations depending on their business model.

Single View of the Customer

A Single Customer View is not currently available in any of these organisations. Some have a strategy to get to such a view but the focus is on account management so not all of them see it as a necessary and valuable capability.

“We would like to be able to say we have a single view of our customers but in reality we are not there yet.” (B2B Company 5) industry

“We don’t have a SCV. Our customer view is that we can see all of the people touch points through our CRM system, we haven’t really closed the loop with our e-detail, and we’re measuring that through our account managers so we have the data but it’s not in the customer viewpoint”. (B2B Company 6) industry

“We have it in Marketing but not in Property or Value Added Services so we have to handle these in an ad-hoc manner”. (B2B Company 7) industry

The Role of Big Data

The most common type of external data that these companies bring in to augment their internal customer data is target lists for marketing campaigns.

Social Media is being looked as a possible source of customer information but only in an experimental way at the moment.

“Social is interesting. In our B2B environment social hasn’t yet had much of an impact so we’ve got the luxury of a bit more time to think about it.” (B2B Company 1) industry

“From an SM perspective we are also currently piloting dashboards to develop a view of what is being discussed. Interestingly, we have learnt that we probably don’t want to look at such information daily - there’s too much - we need to take a snapshot and then perform any analysis.” (B2B Company 6) industry

Big Data is generally an understood term but opinions vary as to whether it has relevance in a B2B environment.

“For me, Big Data is nothing new, we’ve got more data than we ever had before and we need answers more than we ever needed them before and the name of the game is to take that data and use it as effectively as you can. We’re still data rich, suffering from an overload of reporting, but still insight poor.” (B2B Company 1) industry

“Big Data will be important in our setup to flip to the 360 customer view … We’re going to have to contract with a new supplier because it’s so big that our systems can’t deal with it, we need to work with a supplier that has a nice front end.” (B2B Company 6) industry

“Don’t really know what Big Data means. Struggling to work out how to keep the data together without incurring potentially huge storage issues.” (B2B Company 5) industry

“There is no money to invest in Big Data capabilities. I’m not sure that such investment would give us enough real benefit over what we do now to drive the level of return that the company looks for”. (B2B Company 4) industry
Insight Development

For these organisations, the emphasis is on customer data for account management purposes. Operational and financial data is important for an understanding of current projects and external data is used to build a better understanding of the client’s business to illuminate the account planning process. Contact data is central to account management and is often maintained and protected by the account team. Account planning is then a process of understanding the client’s business, identifying opportunities for mutual benefit and developing strategies to deliver information, presentations and proposals to the group of contacts identified as influencers and/or decision makers.

“We provide data in order to establish credibility with customers and demonstrate what we are delivering within the service.” (B2B Company 5) industry

“If I’m really honest, I’m quite divorced from the customer. The value I’m trying to drive is value to the sales teams and the marketing teams in terms of where they put their resources to make the most return.” (B2B Company 4) industry

In a number of cases, the organisation uses internal and external data to build a better understanding of business segments to develop their strategy for product or service development to focus on areas of opportunity both within the existing customer base and to potential new customers. For new customers, external data is fundamental to building an understanding of the organisation to support development of the initial account plan.

“We have also done Neuro-Linguistic Programming work with groups of customers to look at our advertising image.” (B2B Company 6) industry

“Technology is changing the way many of our customers buy services from us, from a central purchase to a more departmental emphasis, so any insight we can develop to assist the sales team to bridge the gap and build relationships at the business departmental level is clearly beneficial. This is where the S&M SCV becomes very important, we can check actual data against predictions based on industry trends to identify opportunities in these emerging areas and to identify potential competitive threat.” (B2B Company 4) industry

Where the organisation sells goods to distributors, retailers etc. for onward sales to end-consumers, then insight development from the end-consumer perspective becomes important for product development and design.

“Our data is very transactional and strategic insight often comes from deriving a better understanding of the end consumer. So we’re constantly buying in consumer insight data to help with our future direction and product development.” (B2B Company 1) industry

“We look for channel preferences rather than just working through the sales team. We know results from a macro level so that helps us to decide resource allocations, but it isn’t at individual level. We look at trends in buying behaviour.” (B2B Company 6) industry
Multi-channel Integration

In the B2B world, the primary channel is the direct sales force backed up by digital and telephone channels. Data and insight is generally delivered to the sales force but not necessarily to any other channel.

“It’s not fully joined up, the website is growing in importance but it’s not yet tied up well with customer services.” (B2B Company 1) industry

“Not all channels are captured and combined … Acquisitions have complicated things and we are aware of the need to rationalise in order to make things easier for customers.” (B2B Company 5) industry

“They are not connected - we haven’t connected the digital channel back to our data.” (B2B Company 6) industry

“The insight we develop only goes to the direct sales channel.” (B2B Company 4) industry

Segmentation

In the B2B companies, segmentation is used primarily for resource planning purposes, to determine marketing strategy and budgets for example. Typical segments might be ‘Existing accounts’ and ‘Target accounts’, further subdivided by sector, size and complexity for example.

There are some B2B companies using more sophisticated segmentation approaches but the details are kept confidential. However, it is clear that there is a significant need for enhanced data, including data from external sources, and at this time the analysis performed is less complex than in B2C companies. As B2B companies increase their use of Big Data their analytical capabilities can be expected to increase as more effort is spent on distilling insight and taking action.

Mobile Communications

As well as recognising the importance of the mobile telephone as a communications device and mobile enabling their websites, there is an emphasis on providing status information (e.g. service level data) to customers using mobiles.

“We do provide service related information to some of our clients through their mobiles but that has been the only impact so far.” (B2B Company 2)

“Probably more important in the Service SCV for service status reports but not particularly significant in terms of Sales and Marketing.” (B2B Company 4)

However, none of the companies interviewed see the mobile channel as a full member of the marketing mix.

Barriers to Implementation

The most common factors when considering inhibitors to the development of a SCV for the interviewed B2B companies were concerned with technology and culture again and also with data ownership.

Technology and Costs

“IT issues - architectural.” (B2B Company 1)

“The focus at the moment is to consolidate onto one accounting system (SAP) before any consideration is given to further integration.” (B2B Company 2)

“Cost of technology solutions will always be a challenge. Education and capability needs to be developed.” (B2B Company 3)

“IT resources and budgets.” (B2B Company 4)
Data Ownership

“Data issues - we don’t have enough people maintaining data. I’m gradually taking more responsibility for data quality in customer services.” (B2B Company 1)

Culture

“Our product focus is still an issue. There is a move towards customer focus, more of a momentum to get to more granular data at customer level so I think that the culture is going the right way.” (B2B Company 6)

6. Financial Services (FS) Companies

Customer Data

In most cases, generally as a result of mergers and acquisitions (M&A), there are a number of different product systems in the organisation, each with their own customer databases. A central data warehouse either exists or is planned in most organisations. It is usually populated by extracts from disparate systems serving different products or brands within the organisation and the process is largely manual although some plans are in place to make it more automated.

It became clear during the research that financial services companies are following two distinct strategies that will drive their desire for an integrated, company wide, customer management approach and the perceived benefits from doing so:

• Single Brand. Some FS companies are either retaining a single brand identity and suite of products or are rationalising existing brands to this strategy. This is relatively easy for smaller banks with a focused set of products and an organic customer base. Larger FS organisations are making choices on whether they integrate sub-brands and acquisitions under the corporate brand. This is a significant undertaking and the research indicated that the cost/benefit ratio is a challenge – it is easy to understand that the cost and effort will be very high but the perceived benefits from enhanced customer management across channels can be difficult to define. Decisions on whether to follow this strategy seem to be driven by the availability of an effective “to-be” business model, with supporting people, processes and systems, and thus the amount of organisational and customer disruption.

• Multiple Brands. The majority of large FS companies still have a parent company brand with independently branded subsidiaries, usually reflecting their M&A activities. Retaining the different brands, along with their different people, processes and systems, means that customer management across brands is difficult. From a customer perspective a multi-brand approach to customer management could be confusing and potentially damaging, and there is little evidence that FS companies see this as a priority.

In some of the larger groups, there are rules about sharing data between companies within the group so, for example, an insurance company cannot provide information about its customers to a retail bank within the same group.
Data Quality

Where there is a single customer database fully integrated with the transactional product systems, the data quality issue is much easier to manage. The requirement is to maintain an active dialogue with customers so that changes in their circumstances (address, marital status, etc.) can be captured and applied to the data. Where there are a number of different product systems and customer databases, managing data quality is much more difficult and most organisations have a central team responsible for the quality of their data.

When integrating data from a variety of operational systems, organisations are struggling with data definitions being used in the separate systems as well as data errors, often traced back to poor data capture. Varying approaches have been taken to address these issues; some are following a data modelling approach with common data definitions and structures, while others are mapping and fixing data as they go along. The two prime considerations are data security and data quality. Data security, both keeping customer data secure and adhering to the Data Protection Act, is paramount and taken very seriously by all banks. A high degree of confidence in data quality is required to be able to use customer data to aid decision making. Data quality issues quoted includes inconsistent and inaccurate data capture, exacerbated by the sheer volume of data from different IT systems, and the challenges of matching data on individual customer behaviours with non-specific or anonymised data. In two cases, a senior manager has been appointed to be responsible for the data strategy of the organisation and it is expected that this approach will become more widespread over time.

The challenges and potential benefits from customer data were frequently cited. New banks and new products with their dedicated IT systems are the only respondents not experiencing issues with data volumes and data quality. In these scenarios, the desire to maintain consistent and good quality data was a priority and seen as a competitive advantage to be protected. Approaches to achieve this include the use of automated validation routines, such as address checking, and asking customers to maintain their own data using on-line self-service tools.

Regulation

Regulatory and data protection requirements are very important for all banks and meeting these criteria is a top priority. Recent well publicised problems, such as the Payment Protection Insurance mis-selling cases, have made these organisations particularly sensitive to regulatory priorities. This has in turn focused attention on changes in IT systems to monitor and report compliance and in most cases this is a separate and dedicated function. Thus there is little or no overlap between the responsibility for meeting the FSA-SCV requirements and the customer management SCV.

Customer management activities are also impacted by the legal and regulatory requirements and banks are taking great care to ensure compliance. In addition to the Data Protection Act regulations that impact all sectors, the financial services sector also has to meet the FSA (or equivalent national body) requirements for Treating Customers Fairly (TCF). These regulations require banks to be able to demonstrate how they:

- Manage customer opt-in and permission status.
- Select the right products for a customer.
- Manage complaint handling.
- Ensure DPA compliance.
- Adhere to customer preference services.

“We need to be able to measure that we are delivering a consistently fair outcome for our customers … and that the service and sales process is fair.” (FS Company 9)

There was a general view that the regulatory requirements hindered customer management efforts and took priority over other marketing or customer management initiatives for resource allocation.
Single View of the Customer

In the UK, the Financial Services Authority (FSA) requires that all deposit taking financial services organisations provide a “Single Customer View” (FSA-SCV) consolidation of all deposit taking accounts to support the Financial Services Compensation Scheme (FSCS). Similar requirements exist throughout the G20 member countries. The use of the term “Single Customer View” to mean different things in different parts of a bank can be confusing. In this research SCV was considered to be the challenge of obtaining a single view of a customer’s activities across all contact points within an organisation.

A majority of banks have implemented this separation with different parts of their organisation responsible for the regulatory and customer management requirements for SCV. This remains the case even where there is a single record that covers both requirements as banks need to keep responsibility for their regulatory compliance in one place. Additional legal and regulatory requirements in UK, Europe and USA place responsibility on banks to report on and demonstrate a good understanding of their customers. Some banks provide a single view of their customers’ collective financial dealings both as a service and in order to meet international and different national requirements. The data captured varies by country but includes demographic details as well as more personal data such as marital status, dependents and birth dates. However, this data is traditionally collected via branch staff but is costly and time consuming and offers little value back to the branch staff themselves.

In many banks SCV information was designed to be used by corporate rather than branch staff and its primary use is for segmentation and the definition of customer communications. Particular value was seen to be had from data that indicated a “moments of truth” in a customer’s life. These include marriage, births and divorces but are any event where the customer will value the support of their bank.

The customer management drivers for SCV vary across the banks interviewed. A few banks are striving to maintain a SCV but it is important to note that this is driven by their decision to adopt a customer centric strategy. Creating a SCV is recognised as a means to an end, not the end itself.

Other banks see the challenge of creating a single repository for customer data as a major challenge and are assessing how this can be achieved both technically and cost effectively. There is a lot of consideration across banks on how to get value from data from social channels and this is generally still a work in progress.

FS companies with a single brand offering a focused set of products see a better rational for maintaining the SCV to support corporate led campaigns. The SCV data is used for tailoring specific communications to customer segments and is usually a bespoke service provided by the data analysts rather than a standardised or “black box” operation. It is used to ensure customers targeted are appropriate and that campaigns are co-ordinated across the organisation so that the right products are promoted to the right customers at the right time.

A SCV approach is less appropriate where FS companies have restrictions on sharing customer data across its subsidiaries or brands. There are customer data privacy rules as well as practical restrictions for one company to access another company’s record, even if they are part of the same group.
The size of the customer base is a key factor and there are differences in the way banks manage their corporate, high net worth and retail customers. Corporate banking teams and banks offering high value clients their own relationship manager are able to support SCV as the numbers are smaller and propositions have to be more personally targeted.

The Role of Big Data

The use of data from Social Media sources is at the investigative stage in most of the financial services organisations. It is being looked as a possible source of customer information but only in an experimental way at the moment.

“We are looking at who are Fans of us on Facebook and who are not but as yet this data has not been used to gain a SCV. If someone makes a negative comment on Twitter for example, they are followed up on email.” (FS Company 8)

“We are monitoring what is being said in the Twitter feed for example but then deal with enquiries using other channels (mail, phone etc.).” (FS Company 9)

Data volumes associated with Big Data are often a major hurdle to achieving a SCV and some banks have focused their effort on developing manageable sub-sets of data. The cost-benefit may be determined by the perceived value in achieving a SCV. For example, in banks where M&A has led to a heterogeneous set of IT systems but where customer overlap across brands may be only 3-4% there is limited value in investing in a SCV.

All banks interviewed understand that there is value in their customer data and that there is the potential for advantage. However, their strategies for realising this value vary widely and while most believe the importance of Big Data has yet to be determined, there is clearly a role for a wider use of analytics and data models provided that investment is freed up. Typical comments include:

“Big Data has a role to play but it’s about spotting trends rather than following hunches, seeing the behavioural patterns rather than the attitudinal.” (FS Company 1)

“We do have the data now but it is not always formatted in a very structured way and that’s why we have a commercial data warehouse program running now.” (FS Company 3)

“For private customers we have around 3500 data elements for use in the data warehouse, for business customers only about 500 that we can analyse from.” (FS Company 4)

“The importance of Big Data is an unanswered question. Not sure that we should be storing data on everything that is happening, probably too early to be investing”. (FS Company 9)

Insight Development

Data analysis tends to be focused on specific issues or in support of specific campaigns rather than in creating repeatable or standard analytical reports. Even with this focus data volumes remain a challenge for the data modellers but the benefits that can be realised are significant. One bank reported increasing campaign conversion and sales rates tenfold as compared with their previous segmentation approach.

Data analysis is being used by FS companies to ensure they are communicating the right message in the right way, the “tone of voice”, to the right target audience:

“The key to this is profiling so that the entire segment is used for needs assessment but when making an offer, a finer focus is used driven by propensity to buy models and behavioural analysis”. (FS Company 3)

Other banks are investing more effort in data analysis in order to use the customer data warehouse to identify best propositions for customers and then providing this insight to the various sales channels. Soft data, for example customer satisfaction measurement, is being incorporated in order to understand customer sentiment and behavioural insight such as the likely success of new offers or the potential for customer churn.
Analysis of Internet behaviour is also a focus for development:

“We are building capabilities that will be ready before the end of the year to be able to track customers within their online customer journey and directly address them when they drop out of the funnel”. (FS Company 3)

**Multi-channel Integration**

All of the interviewed companies have to provide customer access through an increasingly complex mix of channels. It is rare however for all channels to have equal visibility of customer data. In many cases, the systems used are different in each channel so that consistency is hard to achieve.

Given the single versus multiple brand scenario described above, it can be seen that multi-channel integration is more relevant at a brand rather than at an organisation level. The research identified different views on the benefits of multi-channel integration and this tends to be reflected by the degree of progress with implementation.

For example, it has been easier to see the benefits from integrating on-line and telephone banking channels as the same IT platform can be used for both. But extending that to include existing retail branch networks is considerably more difficult. Clearly, newer banks (or even new brands) with less history have a simpler start point and their challenge is to retain consistency as they grow.

Most FS companies have a secondary approach to pull together customer information from the different operational systems into a separate, purpose built business intelligence system. This is where the multi-channel data comes together and because it is taken away from the operational environment, it is easier to resolve the data quality and data definition inconsistencies usually found. The perceived benefits from this approach vary; many banks do not see value in an organisation-wide customer view as customers tend to be separated by brand. Hence the brand level approach is the priority.

**Segmentation**

Most of the banks offer broadly the same range of products to all customers. Typically, segmentation is used for communication purposes:

“We use segments for other purposes. It is used for the ‘tone of voice’ for communication; it can be for incentives or to adapt the offer in an ordered direct marketing campaign” (FS Company 3)

Segments are also used to help proposition development. Common themes were:

“We use it to help in understanding the target market and what motivates customers” (FS Company 5)

“We use segmentation to think about new propositions” (FS Company 6)

**Mobile Communications**

The mobile telephone channel is fast becoming of interest to the banks. Most see it as a channel in its own right – not just a subset of the Internet.

“Consumers will want to be able to access information on their phones and then seamlessly walk into a branch and follow up on the activity.” (FS Company 9)

At this time, the banks don’t see the threat of the mobile operators acting as financial institutions when it comes to contactless payments.

“Banks will always have a role in payments.” (FS Company 5)

“60-70% of spending is not in a retail environment so the threat is limited.” (FS Company 5)

“There is more competition from short term loan suppliers.” (FS Company 6)
Such comments indicate that many are not taking the subject very seriously at the moment.

Low initial adoption rates do nothing to change these opinions but there is some recognition that this subject will increase in importance:

“We expect the adoption rate to increase as people get used to using contactless payments in cinemas etc. and then usage will become more widespread.” (FS Company 2)

“We know from experiences in Japan that once you start to do this it sparks usage and changes behaviour.” (FS Company 8)

**Barriers to Implementation**

There were some common barriers experienced by FS companies to achieving a SCV and the most significant are to do with the deployment of technology and the impact of the organisations climate and culture.

**Technology Issues**

The ability to integrate IT systems and get them working together was stated to be a challenge by all mature FS organisations. This is still true where banks have implemented customer centric IT systems over the past 20 years and have achieved a significant advantage in being able to utilise a SCV. The notable exception is where a new bank or new service has been implemented in recent years using new IT systems. This may be considered as the honeymoon period before they are challenged by M&A activities.

They are all competing for scarce resources, both funding and people, and the marketing strategy is not normally seen as a strong driver of systems priorities. Where businesses have implemented a customer centric strategy, with obligatory links between transactional systems and customer databases, this strategy is being followed and new data sources added as needed. Banks that have not yet committed to integrating a single customer view are assessing the cost/benefit balance and this is very dependent on their existing IT systems and the systems integration work required.

**Data ownership**

This is an issue where the management of data is seen as an IT issue and not a business driver. Companies need to ensure the responsibility for the management and governance of customer data resides with a senior business stakeholder within the organisation.

**Culture and Climate impact**

There was a consistent view across the FS organisations that they have, or were actively working towards, a common culture that was aligned to their strategy. Considerable effort is being expended in establishing a common culture and on ensuring that the climate at contact points, branches and contact centres is consistent and supportive. However, there remains a challenge to move the companies from a product focus to a customer centric organisation and culture.

Several banks made the point that being able to see a single customer view is not about the IT and process challenges:

“It’s about putting the customer at the heart of the business and having a better understanding of the customer. Our culture is not historically customer focused but our actions to encourage behaviour change will ultimately lead to attitudinal change.” (FS Company 1)

The challenges of changing to a more customer centric culture are recognised along with the difficulty of maintaining this as companies expand and merge. However, culture and organisational structure are not seen as issues but are necessary to support change.
7. Customer Management Conditions

Customer Management Space Analysis

The work undertaken by Professor Moira Clark and fellow researchers over the last ten years provides many insights into customer management (CM) practices and useful analysis tools to help organisations to improve their processes.

A key finding from the research is the idea that CM is only effective in a ‘space’ bounded by three sets of conditions (Figure 1). The difficulty of meeting all three sets of conditions is what makes effective CM so difficult to implement but also so difficult for competitors to copy. The conditions are best summarised as follows:

Marketing Strategy Conditions

CM does not make up for weak strategy. If the marketing strategy does not define real segments and distinct value propositions, and if that strategy does not leverage real strengths and minimise relative weaknesses, then it is the marketing planning process that needs investment, not the CM system. CM will only work in situations where the target markets place some real value on closely tailored propositions. CM is only a worthwhile investment if the rest of the organisation believes in tailored propositions. CM bolted onto mass market product-led companies may identify value opportunities, but cannot deliver against them.

Organisational Culture and Climate

In effective CM organisations, culture and climate are as important to CM as they are to any other management process. More specifically, the values and organisational culture must be aligned to the market, be customer orientated and be commonly held and yet still remain flexible. Without those three sets of attributes, organisational culture hinders rather than helps CM. Equally, the best CM system will fail if the employee attitudes and perceptions of organisational climate are negative and not customer focused.

Figure 1: CM Space Conditions
IT Systems

Systems follow strategy is the lesson from successful CM. Design the IT system around the requirements of the marketing strategy, then manage it to that goal, not the technical specification. Further, the IT project must be given adequate tangible resources and, critically, the support of the top management team. This complex and demanding list of prerequisites for success explains why so many CM projects fail.

The CM Space diagrams below show the results from a simple questionnaire used with the interviewed companies and is their view of the organisation’s position with no interpretation from the interviewer.

Results

All of these organisations are different and it is no surprise to see the range of results from the interviews that were conducted. When using this survey tool, organisations were asked for a sample of responses (say 3) to provide a consensus view for each organisation. The surveys returned ranged from 0 to 4 responses per company and the results diagram shows the averaged view per organisation.

The B2C sample results are:

![Figure 2: CM Space Results – B2C](image)

A number of these companies are more advanced in addressing their Marketing Strategy and IT System Conditions. In particular, companies 3, 5 and 7 show strongly in these areas and their case studies all indicate a good systems foundation. In contrast, companies 1, 4 and 8 are weakest in all areas. Their case studies show that they are in the process of introducing new systems to help to address these issues.

More action needs to be focused on improving the organisational culture and climate conditions for most of these companies. As previously explained practices and procedures should be designed with the customer in mind. They should be customer focused and facilitate a good customer experience. The interviews, however, showed a significant bias towards a product orientation rather than a customer orientation philosophy. This can be challenging in tough economic times when customers are seeking excellence in service delivery.
The B2B sample results are:

![CM Space Results – B2B](image)

Figure 3: CM Space Results – B2B

With the exception of B2B Company 5, all these companies need to improve Marketing Strategy and IT System Conditions. All of the companies also have cultural issues that need to be addressed, but generally the cultural and climate conditions highlight that these companies do have practices and procedures that are aligned to customer requirements. The relevant case studies show that initiatives are being put in place to address the weaknesses identified by the CM conditions and as a result, a general improvement in overall performance can be expected in the future.

The FS sample results are:

![CM Space Results – FS](image)

Figure 4: CM Space Results – FS
There are weaknesses in all organisations in one or more sets of conditions but there are also strengths and no one organisation stands out as being weak in all areas. In the absence of being strong in all CM conditions - the ideal situation - those organisations that are particularly strong in organisational culture and climate and marketing strategy conditions do have an advantage over other companies that are not. Typically they will be more customer orientated than their counterparts, have better marketing strategies and defined market segments with distinct value propositions. Their practices and procedures will be designed with the customer in mind and aligned with their customers’ requirements. Staff will also be positive in their attitudes to each other and to the customer. Organisational culture and climate can be particularly challenging for many companies, so those that have succeeded in achieving these CM conditions have a sustainable competitive advantage that cannot be easily copied by the competition.

The strongest results come from an organisation that is a new entrant to the market. This is the consequence of the bank being set up with a clear customer focused strategy and a single set of IT systems that are designed around a single customer database. Equally, the company is small enough for a strong customer-orientated culture to be maintained. Their challenge will be retaining these advantages over time.

Given that all of these organisations face similar issues and operate in the same country market, the responses have been averaged and are shown in Figure 5.

The average result can be interpreted as a view of the UK businesses in general. What is clear is that this group of companies have conditions that should allow them to implement customer management with a reasonable chance of success. (A result in any of the three axes that is in the 0-10 range would indicate that the organisation considers itself as a poor candidate for implementing CM principles.)

All areas are in the reasonably good range but can all be improved with the right focus and investment. The results demonstrate that these organisations are largely constrained by IT architecture issues, are working in a market environment that is complex and difficult to satisfy and have organisational issues when it comes to maintaining a ‘customer focus’.
Customer Management Eco-System Analysis

Once the foundations are in place for successful customer management, the next step in the process is to establish what type of CM eco-system is appropriate for the business. Two key dimensions have emerged from previous research:

- **Market granularity**: is the degree to which customer needs and motivations differ within a defined market. It can range from near homogeneous, where all customers share very similar needs and motivation, to heterogeneous, when the opposite applies.

- **Proposition flexibility**: is the degree to which the value proposition can be tailored to the target market, segment or customer. It can range from very limited, in which the core product is fixed and only very small components of the proposition can be varied, to very high, in which the proposition is almost completely specific to an individual customer.

When the two dimensions are ‘matched’, then the organisation is said to be in the ‘Zone of CM viability’ and is positioned to take advantage from CM processes. When not matched, the organisation might be in the ‘Zone of Inaccessibility’, where the organisation is unable to deliver the proposition flexibility that the market requires, or the ‘Zone of Low Return’, where the organisation has invested in flexible propositions that the market sees no real need for (Figure 6).

![CM Eco-System Diagram](image)

Figure 6: CM Eco-System

Within the Zone of CM viability, there are different matching areas between the level of market granularity customers need and the flexibility of the company’s proposition. While an organisation might only focus on one set of customer needs and one associated proposition, another company might use a differential approach with different propositions for each customer group. For example, a retail bank is likely to have one proposition for the mass market and another proposition for high net-worth individuals.
These matching areas, or sub-species, are:

1. **Mass Market**
   Used in commodity markets with little proposition flexibility or market granularity. Typically there is a standard offering for all customers with little or no differentiation or customisation. Companies offering basic car insurance would be a good example here.

2. **Customer Managed Relationships**
   Used in relatively homogeneous niches where proposition flexibility is technically limited. In this area, customers will generally self-tailor the offering by choosing from a menu of facilities. For example, many PC manufacturers (e.g. Dell) allow the customer to choose from online menus to build their own system for ordering.

3. **Managed Segments**
   Used in markets with clear segmentation and moderately flexible propositions. Companies in this area analyse large amounts of customer data to develop specific targeted propositions. Modification focuses on the most flexible components of the basic segment proposition, such as price and promotion. Supermarkets (e.g. Tesco) use this approach to manage their loyalty schemes.

4. **Proposition Prefabrication**
   Used in fragmented markets where proposition flexibility is high and customisation is generally achieved by assembly from economically made components and ‘wrapped’ in personalised packaging. The main difference here is that this area is categorised by a consultative approach where an expert leads the customer through a process to arrive at the final package. Some premier banking services or Independent Financial Advisor services would fit this area.

5. **1-to-1 Marketing**
   Used in heterogeneous markets where proposition flexibility is very high. Propositions are individually tailored for the customer. Services for the very high net-worth customer are good examples for this area.

**Results**

The following CM Eco-System diagrams show the results from a simple questionnaire used with all of the interviewed companies. Again, the results show the averaged view of the organisation from the responses received.

The B2C sample results are:
Looking at the individual results, for the company that is outside the “Zone of CM viability” and in the “Zone of Low Return” (B2C Company 8), this would indicate that the company believes it is offering more proposition flexibility than the customer needs. This might mean that it is “over servicing” these customers and providing a level of service its customers do not value and are not willing to pay extra for. The case study shows that the company currently has limited access to and understanding of its customers so improvement can be expected as new developments increase their understanding.

B2C company 7 considers that it is in the ‘Proposition Prefabrication’ sub-species but the case study data indicates that a ‘Managed Segments’ classification is probably more appropriate. However, the company is working on new propositions to meet newly emerging needs so is trying to differentiate itself from competition, supporting a degree of separation.

All of the other companies see themselves in the ‘Managed Segments’ sub-species. This is absolutely correct for them since they clearly fit the definition for this area. i.e. Used in markets with clear segmentation and moderately flexible propositions. Companies in this area analyse large amounts of customer data to develop specific targeted propositions.

The B2B sample results are:

![Figure 8: CM Eco-System Results – B2B](image)

B2B Company 4 and B2B Company 6 are in the “Zone of CM viability” and, as might be expected for B2B businesses, and all of the companies are in the area of ‘Proposition Prefabrication’ where a consultative selling approach is implied. B2B Company 2, in the “Zone of Inaccessibility” needs to invest in proposition flexibility to take advantage of customer desire for a more tailored product or service. B2B Company 5 on the other hand might be over investing in proposition flexibility which the customer doesn’t value and isn’t prepared to pay for.
The Financial Services sample results are:

![Diagram of CM Eco-System Results – FS](image)

Looking at the individual results, for the company that is outside the “Zone of CM viability” and in the “Zone of Low Return” (FS Company 8), this would indicate that the company believes they are offering more proposition flexibility than the customer needs. This could indicate that they are “over servicing” these customers and providing a level of service their customers do not value or are prepared to pay more for. The company that sees itself in the “Zone of Inaccessibility” (FS Company 9) is probably overestimating the degree to which customer needs differ rather than needing to invest in additional proposition flexibility.

These results could also reflect the wide range of products available from a multi-national bank where there is a low incidence of multiple products per customer. In these circumstances both market granularity and proposition flexibility could be interpreted as the need to meet a customer’s specific requirement, for example a savings account, out of the total number of products available from the bank. In this case it is unlikely that the customers require the product itself to be highly tailored.

Interestingly, nearly all of the companies see themselves in the ‘Proposition Prefabrication’ sub-species. In our view, they are probably over-estimating the need for proposition flexibility and their own ability to be flexible and are likely to be a closer fit to the ‘Managed Segments’ sub-species for much of their operation. This could be due to some products and services fitting in the ‘1 to 1 Marketing’ area (for example where focused on high net worth individuals) and others in the ‘Managed Segments’ area (Basic current and savings accounts) and the result reflecting an average. In addition, the large range of products offered by most of the organisations interviewed may have skewed the results.
Again given that all of these organisations face similar issues and operate in the same country market the average responses are shown in Figure 10.

![Figure 10: CM Eco-System Average](image)

It is no surprise that the average across the interviewed organisations is in the middle of the “Zone of CM viability” with a sub-species positioning at the top end of the ‘Managed Segments’ area. The ‘Managed Segments’ sub-species classification is aligned with companies that analyse large amounts of customer data to develop specific targeted propositions. All of these organisations have the potential to extract a considerable depth of data on their customers so are well placed to develop useful insights.
Appendix 1 – B2C Companies Case Studies

Common Word Analysis

The diagram below was generated from the case studies and illustrates the most common word occurrences.

As can be seen, the content of these case studies focuses primarily on the customer and on data. Product is less frequently mentioned reflecting more of a customer, or consumer, focus.

The most common sub-themes include marketing, segmentation, product, channel, service, view, information, view and analytics.

All B2C Companies Case Studies are in a separate document.
Appendix 2 – B2B Companies Case Studies

Common Word Analysis

The diagram below was generated from the case studies and illustrates the most common word occurrences.

As can be seen, the content of the case studies focuses, as one would expect, on the customer, on data, on product and on marketing.

The most common sub-themes include account, sales, channel, service, information, CRM, and opportunities. These clearly show a focus on account management as would be expected for B2B organisations.

All B2B Companies Case Studies are in a separate document.
Appendix 3 – FS Companies Case Studies

Common Word analysis

The diagram below was generated from the case studies and illustrates the most common word occurrences.

As can be seen, the content of the case studies focuses, as one would expect, on the customer, on data and on products.

The significance of products reflects the fact that many of these organisations are still product focused while they are trying to become more customer focused.

The most common sub-themes include requirements, channels, information, insight, analysis, investment, organisation and management.

All FS Companies Case Studies are in a separate document.
Appendix 4 – Interview Structure

A similar structure was used for all interviews as illustrated below.
About the Henley Centre for Customer Management

The primary objective of the Henley Centre for Customer Management is to promote Customer Focus and Service Excellence best practice. It does this by observing practice in leading companies and synthatising this into useful knowledge that helps members to improve their own Customer Management and Customer Service plans and implementations.

The Centre, under the directorship of Professor Moira Clark, provides a genuine opportunity to harness the forward thinking that could put you ahead of your competition. It brings together business practitioners, industry thought-leaders and experts/academics to help organisations to tackle today’s business challenges through an on-going programme of workshops and highly focused research projects.

This Centre is one of a number of successful Centres of Excellence run by Henley Business School, one of Europe’s leading business schools with a global reputation for applied management research and an unparalleled reputation in UK board rooms. They align with the aim of Henley Business School to deliver high quality contributions to thought leadership, through research into the management of organisations.

Benefits of membership include involvement in the research programme, early access to the results, access to the members-only website, reports and papers and attendance for up to 3 delegates at a series of hands-on workshops.

To find out more about the centre: [www.hccmsite.co.uk](http://www.hccmsite.co.uk).

About SAS

SAS helps organisations anticipate business opportunities, empower action and drive impact. We do this through advanced analytics that turn data about customers, performance, financials and more into meaningful information. The result? Fact-based decisions for undeniable bottom line impact – this is how we transform the way our customers do business.

Driven to solve customer business problems, privately-held SAS works closely with customers in all stages of research and development to ensure that they get the most out of new offerings. More than 13,000 employees across more than 400 SAS offices provide local, hands-on support for customers whenever and wherever they need it. Customer loyalty, evidenced by long-standing SAS user communities and a strong renewal history, echoes this customer partnership and our shared commitment to a successful future.

SAS’ most important asset is its "creative capital," in the words of Chief Executive Officer Jim Goodnight. The technical and domain expertise of our employees helps SAS lead the way in high-performance analytics, empowering our customers to tackle complex problems using Big Data.

Organisations have THE POWER TO KNOW® through the combined strengths of SAS solutions and technologies.

- SAS solves real-world problems like combatting fraud in Financial Services, expediting drugs to market in Life Sciences, and identifying cross-sell opportunities in Retail, as well as challenges facing every industry such as increasing the value of customer relationships, managing risk and optimizing IT networks – all through industry and cross-functional solutions that reflect our domain expertise.
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