



Best Practices for Optimizing CRM Analytics

Improve Customer Loyalty and Revenues

CRM Analytics

Customer experience improvements can be worth billions. Research shows that very attainable improvements to the customer experience have the potential to increase annual revenues anywhere from nearly \$50 million for large retailers to “\$1.7 billion for wireless carriers”¹. Given these impressive figures, many companies are turning to CRM analytics to help them identify customer experience and revenue drivers—and detractors.

While the potential is great, there is no inherent value to CRM Analytics unless it can be tied directly to specific business objectives to increase customer loyalty and business profitability. Yet companies continue to collect a staggering amount of data about their customers with no clear understanding of what the data actually means, much less how to incorporate it into their strategy to optimize the customer experience. When analytics identifies an issue, companies often spring into action to fix the immediate problem but fail to use the data effectively to improve the customer experience and increase revenues.

Faced with a rapidly changing BI and analytic markets, organizations tend to put the cart before the horse and choose a technology first and then define their enterprise CRM strategy. As the market continues to mature, however, Gartner estimates that “by 2014, 40% of spending on business analytics will go to system integrators, not software vendors.”² These solutions capitalize on the intellectual property of the service provider and advanced analytic tools to provide more innovative solutions that can help companies acquire new customers, build tighter bonds of loyalty, and reduce costs.

It is important for companies to understand how combining technology with business processes will help to keep their business competitive. The right CRM analytic solution can provide insight into:

- Understanding customer preferences and expectations
- Identifying troubled products requiring high support costs
- Improving self-service usage
- Understanding customer value
- Recognizing drivers of customer churn

This business brief will discuss the impact a well-implemented CRM analytics solution can have on the competitive advantage of a company. The importance of capturing and analyzing customer feedback across the enterprise and the challenges companies face trying to harness customer intelligence will also be discussed. A review of several approaches to implementing CRM analytics solutions will help identify the strengths and weaknesses of each approach. The brief will show how well each succeeds in helping companies improve the decision making process to drive innovation and increase revenues.

The Importance of Silo-free Intelligence

In many organizations, customer intelligence is gathered from a few major channels across the enterprise. Typically the contact center, sales and marketing groups each have their own tools for analyzing and reporting data. A recent survey found that close to half of respondents stated they were improving customer retention by enhancing frontline customer service. Meanwhile only 55% reported that their customer service and support teams have access to real-time customer data.³ Within these groups, speech and text analytics are performed independently on data housed in separate databases. It's no wonder that companies are missing opportunities to improve customer satisfaction and increase sales when customer intelligence is locked behind departmental walls.

Companies understand the importance of gaining customer insight to improve their bottom line. However, there is often a disconnect between CRM system capabilities and the ability of companies to pull what they need from these systems for use across the enterprise. Companies are challenged to implement a CRM Analytics solution that encompasses the right technology, resources and processes in order to understand the customer experience more fully and to capture a 360-degree view of the customer.

¹ The Business Impact of Customer Experience, Harley Manning, Forrester Research Inc., 2010

² Gartner, Predicts 2011: New Relationships Will Change BI and Analytics, Nov 25, 2010

³ Search CRM.com, Taking action on analytics: Using data for customer loyalty and retention, 2010

Best Practices and Trends

Finding the best analytic tool to fit your company's needs is just the first step in capturing the 360 degree view. You'll need resources that understand the company's direction and who will collaborate effectively with business owners to deliver relevant analysis reports.

Before that can happen however, you'll need to define parameters on which to pull and segment data. For example, 'thin and light' is great when customers are talking about cell phones but it has an entirely different meaning when discussing hotel mattresses. Systems and processes must be in place to collect and integrate customer data from all channels and in all formats into a centralized database. Skilled resources are needed to define and customize reports that are meaningful at the group level and roll up seamlessly to enterprise level reporting. When done correctly, these reports provide a comprehensive view of the customer experience, trending analysis, and potential opportunities to increase profitability.

Because these challenges can make or break a program, there are several best practices and trends emerging today that can help companies address these challenges and build a successful CRM Analytics solution.

Integration and Convergence

"The customer experience is frequently broken down into components and owned by different departments, teams, or lines of business, resulting in substantial integration challenges."⁵ The ultimate end point in the marketplace is an enterprise-wide predictive analytics solution that integrates CRM Analytics with traditional BI solutions.

Combined Speech and Text Analytic Solutions

Channel-specific, departmental silos make it difficult to assimilate customer feedback into one, centralized database. Platform vendors with speech analytics solutions are joining forces with text analytics vendors to deliver richer and more robust analytic platforms that lend themselves to a cohesive repository.

Predictive Analytics

Incorporating predictive analytics into core platforms is one of the keys to a successful CRM analytics program. It provides the ability for companies to align future direction based on actual customer behavior and trending data. While predictive analytics is expensive, resource intensive and only an estimated 10 percent (or less) of corporations use predictive analytics today, Gartner predicts that "by 2014, 30% of analytic applications will use proactive, predictive and forecasting capabilities."⁶

Reporting and Visualization

CRM Analytics is becoming more visual as the market moves from raw data, statistics, and predictions to new tools such as dashboards, 2-D and 3-D visualization applications. These visual tools enable users to understand the data—and the context behind the data—better and more quickly. The challenge here is to first establish a hierarchy of needs for customer loyalty programs and to present the data so that it's relevant to each stakeholder.



⁵ How Web Analytics Will Emerge As A Cornerstone Of Customer Intelligence, Forrester Research, Inc., March 2010

⁶ Gartner, Predicts 2011: New Relationships Will Change BI and Analytics, Nov 25, 2010

Improving Competitive Advantage

Improving the customer experience is paramount to increasing a company's competitive advantage and profitability. CRM analytic solutions aimed at measuring and monitoring the quality of customer interactions with the enterprise can help to improve customer loyalty and profitability in many ways.

An independent report from Forrester Research, illustrated that even “a modest improvement in customer experience can drive \$284 million in incremental annual revenues for a typical \$10 billion company.”⁷ Findings such as these have led many organizations to launch initiatives aimed at measuring and monitoring the quality of customer interactions throughout the enterprise. Feedback is the lifeblood of such initiatives and correctly analyzing customer feedback can help improve customer loyalty and profitability in many ways.

Identify up-sell and cross-sell opportunities

In a 2010 survey, Aberdeen found that only a fraction of survey participants felt that they had reached the full potential of business from existing customers.⁸ A good analytics program will help companies gain a clearer understanding of customer behavior and preferences. This puts them in a better position to take advantage of cross- and up-selling opportunities so that money isn't left on the table.

Develop models that can help prioritize activities

Programs that prioritize activities help to reinforce those touch points that have a positive impact on customer experience and eliminate those that have a high cost but low impact on customer experience.

Innovate faster and more effectively

When analyzed correctly, customer feedback provides real-time market research. Firms can capitalize on customer data, using it to improve innovation efforts and to enter into new markets with better intelligence.

Use trend analysis to support the sales process

Organizations can take advantage of new opportunities using predictive models to identify trends in customer feedback and behavior. Predictive analytics help firms focus strategy and continually tweak plans based on actual performance and likely future scenarios.

Increase customer retention

Retention and improving loyalty requires a far better understanding of your customer than acquiring prospects, according to Suresh Vittal, principal analyst with Forrester Research.⁹ Retention requires a strong understanding of customer data pulled from all touch points across the organization. From this vantage point, companies have a better chance of recognizing the likelihood of a customer wanting to terminate service in the near future. This provides an opportunity to intervene and increase the potential to retain the customer.

CRM analytics is much more than a tool. Moreover, it should be

Xerox delivers a unique CRM analytic solution that seamlessly provides a 360-degree view of customers, and focuses on optimizing every touch point across the enterprise to improve customer satisfaction, reduce churn and improve the company's bottom line.

⁷ Crafting Your Voice Of The Customer Program, Forrester Research, Inc., March 2010
⁸ Aberdeen, 360degree View of the Customer: Better Service, Higher Sales, 2010
⁹ SearchCRM.com, Taking action on analytics: Using data for customer loyalty and retention, 2010

The Approach

The approach a firm takes to integrating a CRM Analytics solution should provide company-wide benefits and solve the problem the company is looking to solve—not the problem the technology is best suited to solve.

seen as a means to improve decision making by proactively managing, capturing and analyzing data to create an optimized, collaborative environment.¹⁰

A few of the more common approaches to implementing CRM Analytics program into an organization include internal programs, consultant-supported solutions, and service provider-led solutions.

Internal Programs

Gathering business intelligence and applying analytic functionality to gain competitive insight is not a new concept. It's standard operating practice for IT departments to procure BI software, operate and maintain the platforms, and to supply standard analysis reports to executives. Business leaders and departmental analysts who are knowledgeable in their particular area are then tasked with dissecting these complex reports to identify issues and to support their decision-making processes. Typically these decisions revolve around objectives to improve contact center performance, increase sales and marketing success and, with the advent of social media networks, deflect risks in real-time.

Organizations, however, often don't have a standard CRM platform; instead they use multiple BI and analysis tools to hold information in siloed repositories across the company. Because of this, there is no seamless way to address all customer touch points and coordinate customer experience initiatives across the enterprise. Efforts to change this often become stymied by office politics when groups become protective of their processes and objectives.

Internal resources usually don't have the expertise to gain customer insight from the volumes of data, and the time it takes to manually read, analyze and code the data is cost prohibitive. Internal resources are also challenged to know what to do with this insight and how to execute on actionable data.¹¹

A lack of expertise and internal control over analytic tools used across the organization are just some of the problems organizations run into when they rely on internal resources to implement and maintain CRM analytic solutions. When business objectives aren't met, they may turn to outside consultants to help with the implementation plan.

Consultants

In order to improve their competitive advantage, organizations often purchase CRM and analytic products from software vendors and rely on consultants to help with implementing these tools. Consultants bring objectivity to the table, allowing them to implement new tools and processes into an organization without getting bogged down by departmental politics. A consultant is typically chosen based on their expertise in a particular technology which can reduce software implementation issues.

This approach works well if the data is sourced within the organization; however, this is rarely the case today and can cause problems. As Gartner explains "The growth of user-driven initiatives, external information sources and the integration of unstructured content make this traditional approach increasingly risky and potentially uncompetitive."¹² Consultants also don't usually have the industry knowledge needed to rapidly assess changing market conditions and make informed business recommendations. Another option is the service providers that offer industry expertise and best practices for implementing a CRM analytic solution.

¹⁰ Gartner, Predicts 2011: New Relationships Will Change BI and Analytics, Nov 25, 2010

¹¹ TechTarget, Taking action on analytics, December 2010)

¹² Gartner, Predicts 2011: New Relationships Will Change BI and Analytics, Nov 25, 2010



Service Provider-led CRM Analytic Solutions

Service providers are typically engaged on a project basis and can offer a total package including software, services and intellectual property. Gartner predicts that at least 40 percent of business analytics budgets will be spent on service providers.¹³ The goal of the service provider engagement is to get the organization's analytics strategy aligned with business goals--not to pile on features and reports. Companies just want to know the most important things as quickly as possible so they can get on with the business of creating a differentiating customer experience and improving revenue growth.

Many service providers have advanced mining technology, but then rely on manual labor to analyze data. This can take weeks to complete even though only a small percentage of the data is reviewed. However, even if the tools are automated, standardized across the enterprise and can review 100% of the data, there is no magic engine that creates actionable intelligence. Companies are not automatically more responsive to changes in the marketplace and to the needs of their customers just because they have data in their hands.

Service providers are also challenged to integrate their software with the client's legacy systems to deliver a flexible and scalable solution. Organizations don't always need a full service solution – some may need only data mining and text analytics. Yet service providers don't always have the versatility to offer only those features a company really needs. Rapid changes in technology and skill requirements can result in costly upgrades if the provider doesn't have the financial strength to absorb these costs.

The key, then, is to partner with a service provider that offers a CRM analytics solution focused on business outcomes. One that has the financial strength, collaborative focus, and innovative solution to address changing market conditions along with your specific business concerns – without substantial investments in technology and resources.

Xerox's CRM Analytic Approach

As a leading CRM analytics service provider, Xerox builds on our established footprint of services, wraps technology around proven best practices and gains strength from tight collaboration with clients and partners. With this solution, Xerox closes the loop on optimizing the customer experience.

Xerox develops a customized strategy aligned with specific business objectives to increase customer loyalty and business profitability. This scalable solution can start small, focusing only on a high-priority channel, or it can expand over all the silos and channels to measure the customer experience across all touch points. This enables companies to gain a 360-degree view of their customers, providing actionable insight into customer trends and market opportunities.

Xerox partners with leading analytic technology providers to understand the customer experience data. Subject-matter experts leverage customer care and industry best practices with strong analytical, operational, and process expertise. Using a robust analytics engine, linguistic content is extracted from all forms of data, categorized and assigned sentiment scores to distinguish the who, what, how, and why of any customer experience. Real-time customer intelligence from this analysis is made available company-wide in a role-based, secure, and customizable environment.

The CRM analytic solution is built around a predictive intelligence model that helps companies make game changing decisions to optimize the customer experience and improve the company's bottom line.

The winners are going to be those who innovate, partner and adapt to a very rapidly changing set of customer requirements.

—Sid Banerjee, CEO, Clarabridge (A leading analytics provider)

Case Study – Largest U.S. Electronics Retailer

Challenge

- 25 million inbound calls per year; seasonal spikes
- Siloed multi-channel customer satisfaction program
- Lacked sentiment analysis to proactively identify issues

Solution

- Dashboard ranks sentiment change across categories
- Root cause dashboard identifies phrases impacting sentiment
- Real-time analysis during the holiday shopping season

Key Benefits

- 31% Reduction in call handling times at
- Self service options deflected contact center calls
- Improved response times to issues during peak periods

Summary

Without question, a comprehensive and well-implemented CRM analytics solution aligned with business objectives can improve the agility and success of the enterprise. However, no stand-alone CRM product holds the key to this success. Instead, intertwining analytic business processes with technology provides the actionable intelligence companies need to stay competitive. Insight into changing customer preferences and behaviors help firms create forward-looking solutions to maximize the customer experience as well as to identify revenue-generating opportunities.

Those firms that can establish an agile and flexible enterprise-wide framework capable of responding to market conditions driven by strong customer sentiment stand the best chance to become prosperous. A CRM analytics solution built around innovation, expertise, leadership and collaboration will help build this winning framework.

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For investor information, visit www.xerox.com/investor.

Case Study – Leading Financial Software Provider

America's most-admired financial software company faced recurring customer experience issues each year at tax time. They knew it was important to analyze customer feedback; however, it remained hidden across the enterprise as their 8 analysts manually evaluated only 1 percent of customer feedback. Once the company partnered with a leading service provider who implemented a robust text analytics solution that analyzed 100 percent of customer feedback – the company saved millions.

The strategy behind this winning solution was to analyze customer feedback to gain insight into product functionality to better understand churn and retention drivers. This insight would be used to help improve marketing campaigns, and drive users to self-service options to reduce call center volumes. All enhancements were prioritized by their impact to revenue and cost reduction before they were implemented.

Results

- 55% Reduction in marketing calls
- 20% Reduction in technical support calls
- Specialized website increased self-service and deflected calls
- Streamlined marketing increased acquisition, reduced churn

