VENTANA RESEARCH

The Next Generation of Customer Analytics

Using Analytics to Optimize Customer-Related Activities and Processes

Research Report

Executive Summary

Sponsors

February 2014

Ventana Research performed this research to determine attitudes toward and utilization of customer analytics. This document is based on our research and analysis of information provided by organizations that we deemed qualified to participate in this benchmark research.

This research was designed to investigate next-generation customer analytics practices and needs and potential benefits. It is not intended for use outside of this context and does not imply that organizations are guaranteed success by relying on these results to improve customer analytics. Moreover, gaining the most benefit from next-generation customer analytics requires an assessment of your organization's unique needs to identify gaps and priorities for improvement.

The full report with detailed analysis is available for purchase. We can provide detailed insights on this benchmark research and advice on its relevance through the Ventana On-Demand research and advisory service. Assessment Services based on this benchmark research also are available.

We certify that Ventana Research wrote and edited this report independently, that the analysis contained herein is a faithful representation of our evaluation based on our experience with and knowledge of customer service and analytics, and that the analysis and conclusions are entirely our own.

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Executive Summary

The intense competition in today's markets requires companies to know as much as they can about their customers in order to anticipate their needs, serve them better and retain their business. The typical company is faced with unprecedented volumes of customer data, in more forms from a wider array of sources to which it can apply analytics to find insights that guide decision-making. Companies use these analytics across the business to assess customer value, the customer experience, interaction-handing processes, contact center performance and regulatory compliance.

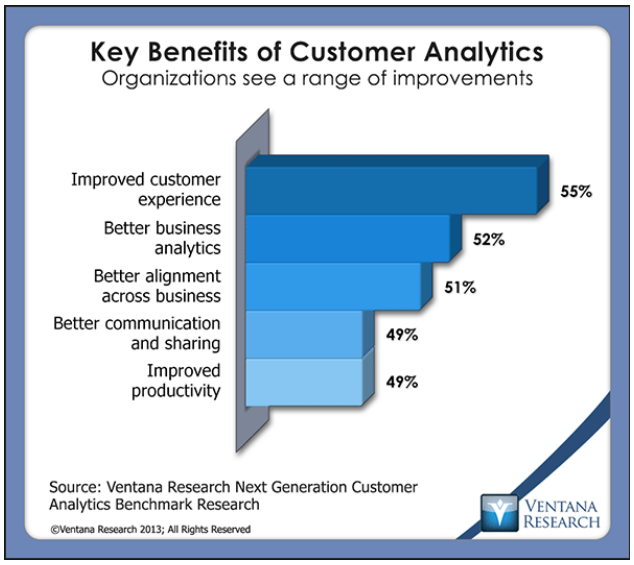
But analytics is not a new technology. Especially when nontechnical business users attempt to use (and even create) customer analytics, many don't take advantage of the advanced capabilities of technologies designed for this purpose.

More than half of companies are making slow progress in customer analytics, ranking in the two lowest levels of our four-part maturity hierarchy.

Ventana Research undertook this benchmark research to determine the attitudes, requirements and future plans of those who use customer analytics and to identify the best practices of organizations that are most mature in it. We set out to examine both the commonalities and the qualities specific to major industry sectors and across sizes of organizations. We considered how organizations manage customer data, how they apply analytics to it, issues they encounter in the process and the technology they use.

Our Performance Index analysis confirms that more than half of participating companies are making slow progress in customer analytics, ranking in the two lowest levels of our four-part performance hierarchy. One in five, however, reach the top Innovative level and are able to take advantage of the insights derived from these analytics.

Another indication of less than optimal analytics performance is that only 15 percent of companies are satisfied with their customer analytics efforts; three times as many said they are only somewhat satisfied, and 18 percent are not satisfied. We find a similar situation with respect to technology performance: Only about one in five are satisfied with what they use for customer analytics. This becomes understandable when we see that more than half (52%) of companies use spreadsheets universally or regularly; the majority of those (57%) said using them has made it difficult to produce timely and accurate customer analytics. After spreadsheets, the next two most common choices are general business intelligence tools (used by 46%) and custom-built systems (44%); these require manual effort to specify how to analyze the data and are not designed to handle unstructured data, which is an increasingly important source of customer information.

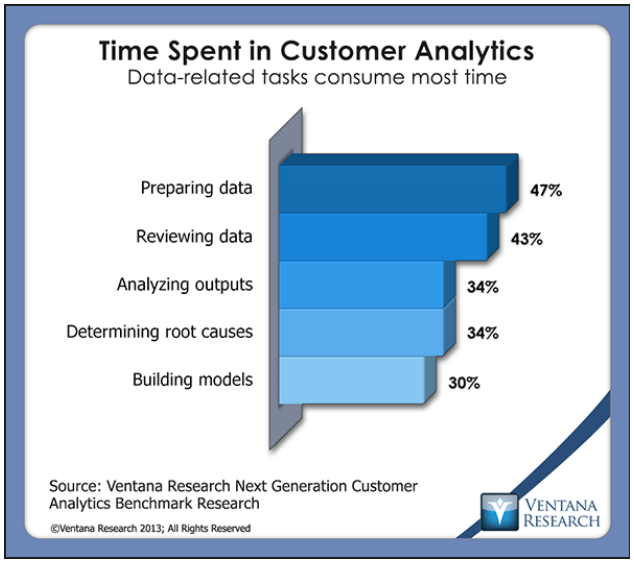


About one in three organizations use customer analytics tools that operate within business intelligence or customer applications such as CRM, while only one-fourth use dedicated stand-alone customer analytics tools. Yet half the users of stand-alone tools said they have improved the customer experience, business-related analytics, and management and alignment across the business – all benefits that enhance performance. Two-thirds of all participants identified improving the customer experience at every touch point as a driver for better use of customer analytics.

The reluctance to adopt capable software tools reflects a more general inertia. Although a substantial nine out of 10 participating organizations said it is important or very important to improve their customer analytics efforts, 30 percent said changes, while needed, are not a priority – as many as those (29%) that plan changes in the near future. We view these conflicting opinions as signs of uncertainty about the role of analytics in customer processes, which is a barrier to improvement.

Another such indicator is organizations' policies for training users of customer analytics. As noted, analytics as a discipline is not fully established in many organizations. Half of those in this research that are not satisfied with the process they use to create analytics said they do not have enough skilled resources, but overall only 22 percent provide training for creating and using customer analytics, and even fewer (13%) provide training only for creating them. (One in four provide use training only.) We believe that such support is a necessary element for analytics to take hold in a business.

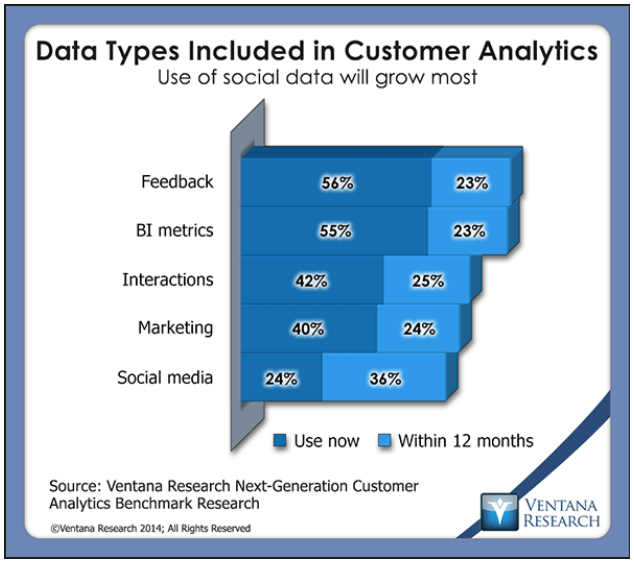
When people in business units have technology issues, they naturally turn to the IT department. Here again the research finds disconnects. One-third of participants in business roles said their organization's IT group does not provide enough support for customer analytics; in large companies as measured by number of employees, more than half (56%) said they don't get enough support, although 64 percent in very large companies said they do. We believe that cooperation between IT and business users is essential to analytics, but this research doesn't consistently find it. More companies have business users design and deploy their own analytics (42%) than have business analysts work with IT (31%) or have IT build analytics upon requests by business units (21%).



Creating analytics often is a time-consuming process: One in three organizations take a week or more to create new ones. Further analysis reveals that people spend more time in getting data ready for customer analytics than in applying the analytics. Preparing and reviewing data are the tasks that take up the most time, leaving less for the activities that can benefit the business. This likely reflects issues with the tools being used as well as the state of the data.

Companies know how important timeliness is these days in dealing with customers, whose preferences can change quickly and who are willing (and, through the Internet, able) to go elsewhere in moments.

Employees need the latest information to track customer behavior and decide what to do. However, in the case of almost two-thirds (63%) of organizations the data they require is not readily available. Complicating access is the volume of available customer data: 40 percent or more of participants cited 14 types of data they now include in their customer analytics efforts. Currently financial, website usage and customer profile data are most widely used.

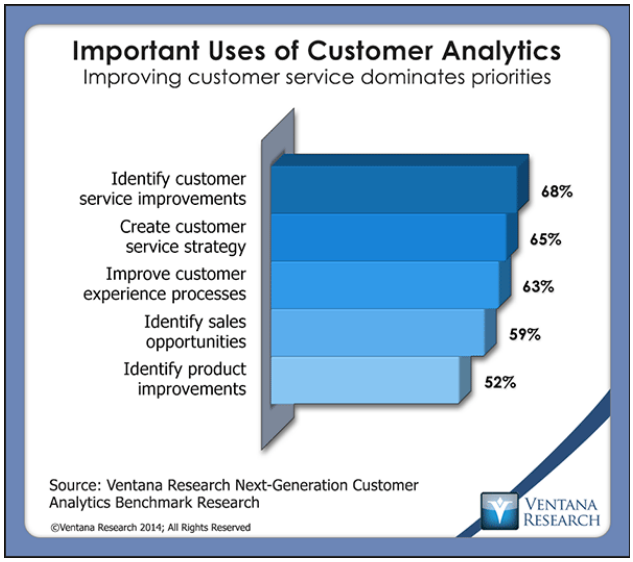


Data also is dispersed: Companies have to extract it from an average of six different systems that range from enterprise applications such as CRM to desktop spreadsheets (both used by more than half) and others as diverse as customer feedback systems, call recordings and social media. Research participants expect all types of data to grow by 10 to 25 percent in the next 12 months, with social media tallying the highest expected increase.

These situations add up to a challenge in assembling the needed data – a challenge organizations aren't meeting very well. Only 12 percent of organizations said it is very easy to collect the data they need, and just 16 percent collect all the data they need. They likely contribute also to the amount of time being spent in preparing and reviewing it for quality before analysis: Again only 16 percent said the data is very accurate.

A primary purpose of analytics is to assist in creating and updating metrics that track performance in a variety of business activities, including finance, processes and customer service. In each of these areas the research shows that companies use some metrics that quantify efficiency of operations, including costs, and others that focus on business outcomes. For example, of the four customer-related metrics organizations report they use most widely, two deal with outcomes (customer satisfaction scores and customer lifetime value) and two with operational costs (cost to serve and customer acquisition costs).

The research suggests organizations have some gaps between the metrics they use and their goals. While some metrics sync up with motivating factors, others that could assist in reaching goals are under-used. For instance, the three most often named drivers to improve customer analytics are to improve the customer experience, customer service strategy and the business outcomes of interactions. Closely related are the three most important uses of customer analytics, which are related to customer service and the customer experience. But several advanced metrics that can be used to track these areas aren't employed by many companies: Fewer than three in 10 use net promoter scores or customer effort scores (customer satisfaction scores, used by 54 percent, is important to the most organizations). For more effective use of analytics we advise companies to ensure their choice of metrics meshes closely with the purposes they are meant to serve.

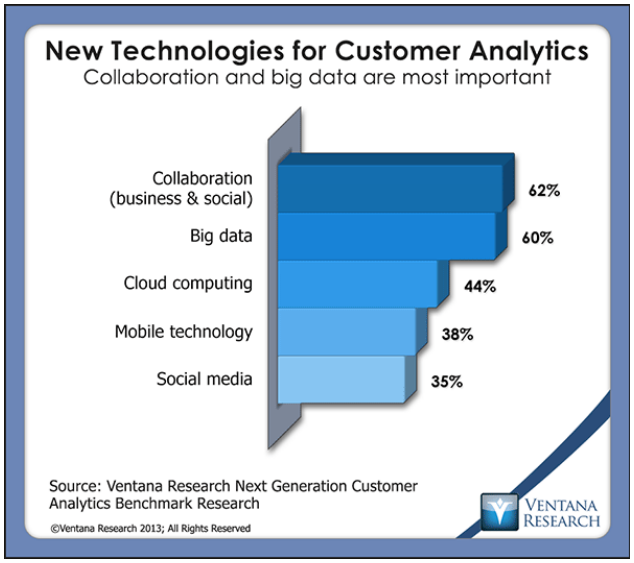


A number of the research findings thus indicate that many companies need to take a more systematic approach to customer analytics and improve their current practices. Those that have sound basics can build upon them with the next generation of innovative technologies. One of those, of course, is analytics, which was rated the most important in our research on business technology innovation. Ventana Research tracks five others, which we also asked participants about. Three out of five organizations identified two of them, collaboration and big data, as important for improving customer analytics; all five technologies are important to at least 35 percent.

Just one-third of organizations are satisfied with collaboration in this context, perhaps because most use basic tools such as email and the company intranet for file sharing. However, the research uncovers plans to use more advanced tools such as discussion forums and Twitter-like capabilities to collaborate. By helping people share information and metrics and cooperate on achieving goals, this technology complements analytics. Social media can perform a similar

function, and the research shows it will be an increasingly significant source for a new kind of customer data.

Big data can assist in solving the data dilemma that impedes efforts to develop and deliver analytics in a timely manner. Mobile technology, which 23 percent have been using to access customer analytics for more than a year and 21 percent began to use in the last 12 months, also can enhance timeliness by delivering the latest information fast, even in real time, wherever users may be.



The remaining innovative technology, cloud computing, can provide a flexible alternative to deploying analytics and data on an organization's own premises. Of these five technologies, this is the one most (33%) reported using for more than one year; among these as well as newer users (16%), three in five are satisfied with their use of it to support customer analytics. Another one-fifth of participants intend to deploy in the cloud within 12 months.

In this research three out of five participants said it is very important to improve their customer analytics efforts. Furthermore two-fifths said that using advanced analytics is central to their job, and customer analytics is the most important type of analytics for nearly three in four. Despite these findings, the research indicates that many companies are not making concerted efforts to change. We recommend that they rethink their attitudes and current procedures for dealing with this critical aspect of business information and consider applying new processes and tools to it. In the volatile world of customer relationships, there is too much at stake to continue in ad-hoc, outdated ways.

About Ventana Research

Ventana Research is the most authoritative and respected benchmark business technology research and advisory services firm. We provide insight and expert guidance on mainstream and disruptive technologies through a unique set of research-based offerings including benchmark research and technology evaluation assessments, education workshops and our research and advisory services, Ventana On-Demand. Our unparalleled understanding of the role of technology in optimizing business processes and performance and our best practices guidance are rooted in our rigorous research-based benchmarking of people, processes, information and technology across business and IT functions in every industry. This benchmark research plus our market coverage and in-depth knowledge of hundreds of technology providers means we can deliver education and expertise to our clients to increase the value they derive from technology investments while reducing time, cost and risk.

Ventana Research provides the most comprehensive analyst and research coverage in the industry; business and IT professionals worldwide are members of our community and benefit from Ventana Research's insights, as do highly regarded media and association partners around the globe. Our views and analyses are distributed daily through blogs and social media channels including Twitter, Facebook, LinkedIn and Google+.

To learn how Ventana Research advances the maturity of organizations' use of information and technology through benchmark research, education and advisory services, visit www.ventanaresearch.com.

Appendix: About This Benchmark Research

Ventana Research designed this benchmark research for customer, call center and contact center business and IT managers and analysts connected with customer-related activities or involved with the purchasing of technology for this area. The research was conducted from July through October 2013. Applying our standard methodology and quality assurance criteria, we identified 178 qualified participants. They represent a range of organization sizes: 31 percent from very large companies (having 10,000 or more employees), 30 percent from large companies (with 1,000 to 9,999 employees), 25 percent from midsize companies (with 100 to 999 employees), and 14 percent from small companies (with fewer than 100 employees). A large majority (88%) of these companies are located or headquartered in North America, although many of these are global organizations operating worldwide. Among industry categories, companies that provide services accounted for 46 percent, those in manufacturing for 28 percent and those in finance, insurance and real estate for 17 percent. Government, education and nonprofits accounted for the remaining 8 percent. Categorized by their job title, 16 percent are executives, 11 percent are in management, and the majority (70%) are what we term users in the lines of business. By functional area, 26 percent work in IT, 19 percent in the contact center or customer support, and 18 percent in marketing or operations. (More demographic detail about the participants is available in the full research report.)

This Executive Summary is drawn from the full Ventana Research Benchmark Research report. The full report is available for purchase, payable by check or credit card. Advice and focused guidance based on this benchmark research can be purchased through our Ventana On-Demand service. For more information about the full Benchmark Research report or assessment of your organization using our Maturity Index methodology, please contact us at sales@ventanaresearch.com.