VENTANA RESEARCH

The Next Generation of Customer Analytics

Using Analytics to Optimize Customer-Related Activities and Processes

White Paper

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.

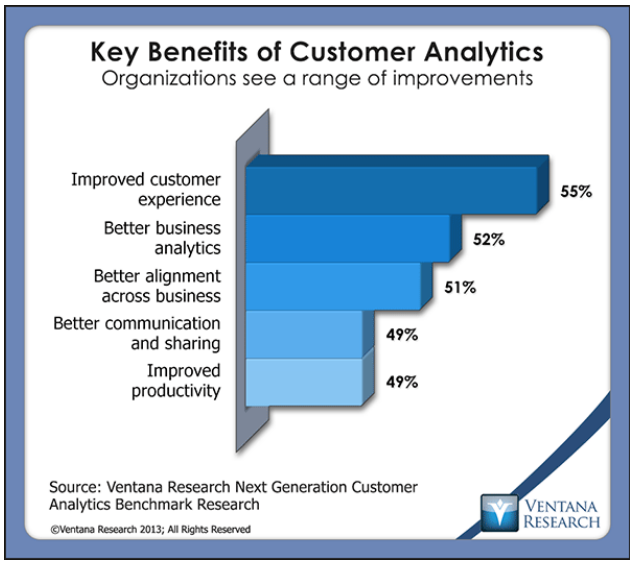
But analytics is not a new technology. Especially when nontechnical business users attempt to use (and even create) customer analytics, many don't take advantage of the advanced capabilities of technologies designed for this purpose.

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.

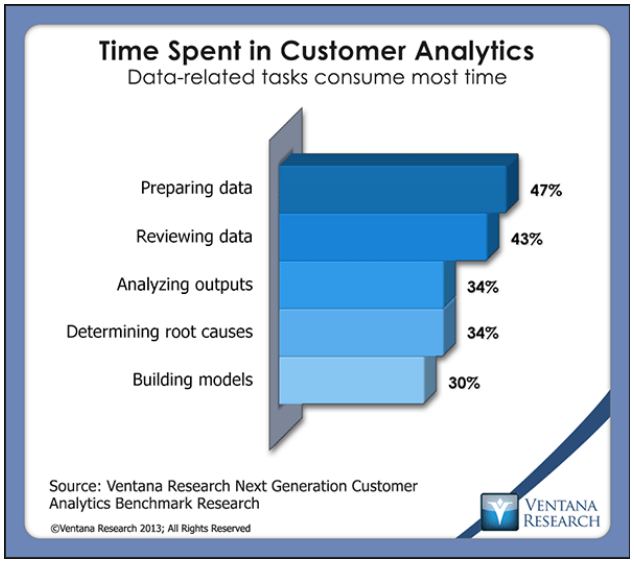


About one in three organizations use customer analytics tools that operate within business intelligence or customer applications such as CRM, while only one-fourth use dedicated stand-alone customer analytics tools. Yet half the users of stand-alone tools said they have improved the customer experience, 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.

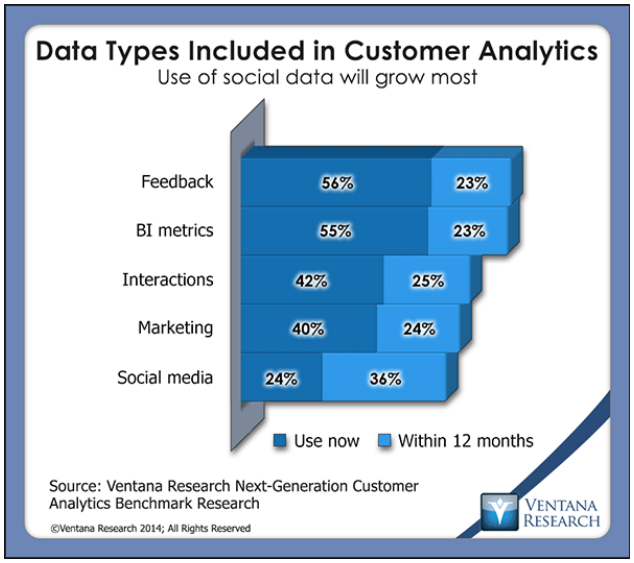
When people in business units have technology issues, they naturally turn to the IT department. Here again the research finds disconnects. One-third of participants in business roles said their organization's IT group does not provide enough support for customer analytics; in large companies as measured 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.

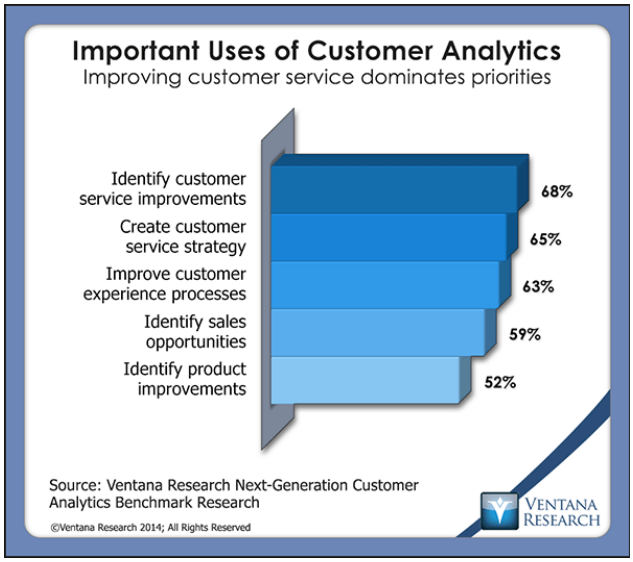


Data also is dispersed: Companies have to extract it from an average of six different systems that range from enterprise applications such as CRM to desktop spreadsheets (both used by more than half) and others as diverse as customer feedback systems, call recordings and social media. Research participants 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.

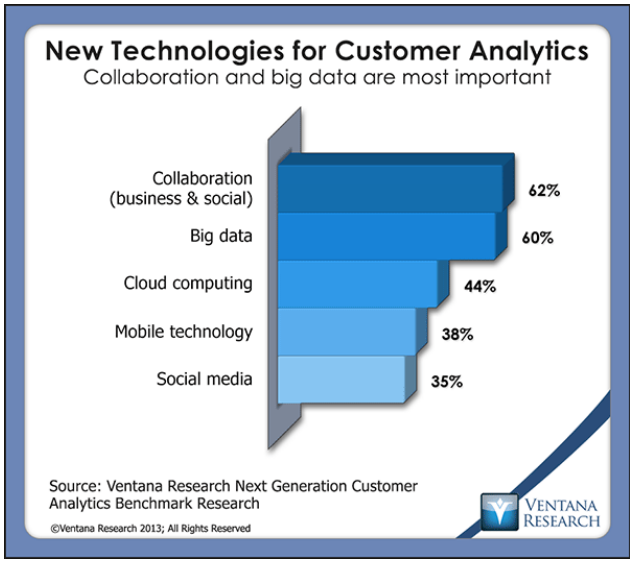


A number of the research findings thus indicate that many companies need to take a more systematic approach to customer analytics and improve their current practices. Those that have sound basics can build upon them with the next generation of innovative technologies. One of those, of course, is analytics, 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.

Key Insights

This benchmark research yielded the following important general findings and key insights regarding developments in customer analytics. (We discuss performance levels in the Performance Index portion of the full research report; the actual questions asked in our survey are in an appendix to the research report. Specifics of organization sizes are in the appendix "About This Benchmark Research.")

Organizational performance levels in customer analytics are evenly distributed.

The research finds an even distribution of levels of performance in organizations' use of customer analytics across the four levels of our performance hierarchy, from the lowest Tactical level (29%), through Advanced (28%) and Strategic (24%) to the most mature Innovative level (19%). Thus, more than half (57%) rank at one of the two lowest levels. More detailed analysis shows that companies are most mature in the Technology dimension of customer analytics. However, the research also reveals that in many companies the use of advanced analytics tools is largely by IT staff while business users rely heavily on spreadsheets. This has an impact on performance in the People and Information dimensions; in both cases the fewest organizations are at the Innovative level (16% each) because business users don't have access to the tools and training to produce the more advanced metrics they need to carry out their jobs.

> The research reveals that in many companies the use of advanced analytics tools is largely by IT staff while business users rely heavily on spreadsheets.

Smaller companies (only 14% of all participants) have the highest percentage (32%) at the Innovative level; these users have access to advanced systems that help them produce more complete analyses of available customer data and thus more advanced customer-related metrics. From an industry perspective, Government, Education and Nonprofit is the least mature sector, with no participants at the Innovative level. Customers, of course, don't have the same

importance in this sector as they do in Services, which with 21 percent has the highest percentage at the Innovative level.

Reliance on spreadsheets is a barrier to timely analytics.

To provide customers with consistent, personalized in-context responses during real-time interactions, companies need up-to-date and complete customer information. When it comes to the tools used for customer analytics, though, the research finds there are difficulties in achieving this. More than half (52%) of companies use spreadsheets universally or regularly. While spreadsheets are adequate for individual analyses, they require time-consuming manual effort, are error-prone and cannot be used in situations requiring real-time data updating. It thus is not surprising that nearly three-fifths (57%) of participants said using them has made it difficult to produce timely and accurate customer analytics. Spreadsheets also likely contribute to the fact that only 14 percent of companies have their analytics available within a day of being produced and one-third have to wait six days or longer.

> Nearly three-fifths (57%) of participants said that using spreadsheets has made it difficult to produce timely and accurate customer analytics.

After spreadsheets, the next two most common choices, general BI tools (used by 46%) and custom-built systems (44%), create similar issues. They are best at processing structured data, but even here a lot of effort can be required to set up the rules specifying how to analyze the data. The least widely used tool (by 26%) is stand-alone dedicated customer analytics, although 14 percent said they will begin using such a tool within a year and another one-fourth said they plan to adopt one but don't know when. Our performance analysis shows that the best-performing Innovative companies rely less on spreadsheets, have adopted dedicated analytics technology, and are able to collect data from multiple sources; thus they are able to have timely and accurate customer analysis.

Users are dissatisfied with aspects of customer analytics.

The research finds that only 15 percent of companies are satisfied with their customer analytics efforts; three times as many (45%) said they are only somewhat satisfied, and 18 percent are not satisfied. When it

comes to the technology they use, not many more (22%) are satisfied with what they currently use for customer analytics; the largest group (37%) said they are somewhat satisfied with it. The most common tool of course is spreadsheets, which are used by slightly more than half (52%) of companies. Fewer than one-fourth (24%) have been using a dedicated system for customer analytics for more than a year, and more than that (28%) started using such technology in the last 12 months. The research finds a number of benefits to using a dedicated system; the top three are improved customer experience and satisfaction (55%), better business-related analytics (52%) and better management and alignment across the business (51%).

However, satisfaction levels should be viewed in the context of users' expectations, which remain basic. In terms of presenting analytics, for example, most look for charts (81%), reports (76%) and tables (66%), while far fewer expect maps (38%), text (34%) or Web pages (32%). Even in terms of charts, nearly three-quarters (72%) use only two-dimensional charts such as bar, line and pie charts, likely because they are used with seeing them in spreadsheets.

Only 15 percent of participants are satisfied with their customer analytics efforts; three times as many (45%) said they are only somewhat satisfied, and 18 percent are not satisfied.

Dissatisfaction hasn't led to improvement in customer analytics.

Only 15 percent of research participants indicated they are satisfied with their customer analytics efforts; three times as many (45%) said they are only somewhat satisfied, and 18 percent are not satisfied. Correspondingly, fully 90 percent said it is very important (59%) or important (31%) to improve their efforts. Very large companies (69%) and those in the Finance, Insurance and Real Estate (FIRE, 67%) industry sector most often said improvement is very important. Yet fewer than one-third (29%) of participating organizations said they plan changes in the near future, and a similar percentage (30%) said changes are needed but are not a priority.

Overall, organizations identified as the top driver for improving customer analytics improving the customer experience at every touch point (cited by 63% of participants), closely followed by improving

customer service strategy (57%) and improving the outcome of interactions (51%). The first two are the top drivers for larger companies, while the largest percentage of midsize companies (61%) are motivated to improve customer analytics to improve outcomes and small ones (60%) to make marketing more effective. (As noted, though, all these priorities motivate only three in 10 organizations to make changes in how they use customer analytics.)

Somewhat surprisingly in a cost-conscious market, reducing the cost of interactions (34%) was the second-lowest priority. Likewise, despite the supposed importance of social media, developing or improving social customer service (35%) had a similarly low priority.

Data issues are the biggest impediment to improving customer analytics.

This research finds that fewer than half (46%) of companies are satisfied with the process of producing customer analytics, and at the heart of the issue is customer data. Almost two-thirds (63%) said that the data they require is not readily available. In a related finding, 47 percent said they spend most of their time preparing data for analysis, making this the most time-consuming part of the analytics process, and only slightly fewer (43%) said they spend the most time reviewing data for quality control and consistency. Thus, the vast majority of the time spent on analytics is on other than the actual analysis.

Social media data, currently used by 24 percent, is forecast to have the greatest growth (36%) in the next 12 months, but all types of data likely will grow by 10 to 25 percent.

A major part of the challenge is the volume of available customer data; 40 percent or more of participants said they now include 14 types of data in their customer analytics efforts. The most prevalent are financial data, website usage, customer profiles, customer feedback, business intelligence metrics, historical data, sales data and agent data, all used by more than half of companies. Use of social media data, currently used by 24 percent, is forecast by these organizations to have the greatest growth (36%) in the next 12 months, but all types of data likely will grow by 10 to 25 percent. To collect this data companies have to extract it from an average of six different systems, including

data warehouses, business intelligence systems and spreadsheets, transactional systems such as CRM, ERP and workforce management, communication systems (phone calls, text messages, forms, video), event data from network systems, social media and external third-party systems.

Faced with this daunting task, only one in eight (12%) said it is very easy to collect the data they need, fewer than one in six (16%) collect all the data they need, and the same small percentage (16%) said the data is very accurate. The likely result is that most companies are not using all available data and so do not have as complete a view of their customers as they could have.

> Only 12 percent said it is very easy to collect the data they need, fewer than one in six collect all the data they need, and just 16 percent said the data is very accurate.

Training is vital to successful use of customer analytics.

The wide use of spreadsheets sets the bar low for analytics skills. It thus is not surprising that more than half of participants rate the analytics skills of the people involved in creating customer analytics for their company as excellent (15%) or above average (43%). Yet half (49%) of those organizations not satisfied with the process used to create analytics said not having enough skilled resources is an issue.

To improve the use of analytics, only one in five (22%) said their company provides training for both creating and using customer analytics, slightly more (25%) provide training for using them, and a further 13 percent provide it for creating them. To overcome a lack of training, business users often turn to IT for help, but more than one-third (35%) said they don't get enough support. Unless organizations provide more training, it is likely business users will be reluctant to adopt more advanced analytics tools, let alone reap the benefits they provide.

Companies' metrics skew toward the operational.

The research finds the metrics companies primarily use measure performance (67%), cost (62%) and profit (48%). Companies on

average use five process-related metrics, three financial metrics and fewer than three customer-related metrics. The six most frequently used process metrics are a mixture of efficiency and outcome metrics. For the latter there are call outcomes (46%), first-contact resolution rates (36%) and sales conversation rates (35%), and for efficiency there are performance against service level agreements (44%), agent quality scores (41%) and agent utilization (39%). The most common financial metrics reflect a similar mix, with the top two related to cost control (adherence to budget, 51%, and customer service costs, 50%) and the next two related to outcomes (customer profitability, 49%, and revenue attainment, 48%). The most widely used customer-related metrics also have the same mix, with two of the top four related to outcomes (customer satisfaction scores, 54%, and customer lifetime value, 33%) and the next two related to costs (cost to serve, 50%, and customer acquisition costs, 32%). Overall, then, most of the metrics used thus tend to focus inward on operations rather than outward on business success.

> The most frequently used process, financial and customer metrics are a mixture of efficiency and outcome. Most focus inward on operations rather than outward on business success.

Companies need more metrics focused on the customer experience.

Ventana Research advises companies to embrace a mix of metrics that analyze both efficiency and effectiveness. But this research doesn't validate anecdotal suggestions of an increased focus on the customer experience. Were that the case, key metrics such as net promoter, customer effort and social media influencer scores would rank highly among participating companies' priorities; they do not.

The research does find that a company's business model has a significant impact on the metrics it uses; business-to-consumer (B2C) companies focus more on customer and process metrics than do business-to-business (B2B) organizations. In terms of directly customer-related metrics, B2C companies are strongly focused on customer satisfaction scores (71% use them, compared to 42% of B2B) and customer effort scores (33% vs. 23%); B2B companies are

more focused on customer value (38% vs. 27%), which takes less account of satisfaction.

Innovative technologies are beginning to have an impact on customer analytics.

In addition to analytics Ventana Research has identified five innovative technologies that are impacting business use. Organizations identified two of them – collaboration (62%) and big data (60%) – as most important for improving customer analytics. The other three are cloud computing (44%), mobile technology (38%) and social media (35%).

The research finds deployment of these technologies following a pattern different from the above, however, indicating that adoption is lagging behind perceived importance. Cloud computing is the technology most often reported as being in use for more than one year (33%), followed by social media (29%), collaboration (22%), mobile devices (23%) and big data (20%).

> Cloud computing is the innovative technology most often reported as being in use for more than one year, followed by social media, collaboration, mobile devices and big data.

Three-fifths (61%) of early adopters of cloud computing are satisfied with it, and slightly more than half (52%) said it is important to integrate customer data from cloud computing applications with other enterprise data. In the case of social media one-fourth are satisfied; they use it to access product and service complaints, and to a slightly lesser extent to identify product or service improvements. For collaboration just one-third (32%) are satisfied, but as yet most use basic tools such as email and the company's intranet for file sharing; few have begun to use advanced capabilities such as social collaboration, instant messaging or video. Nevertheless, companies have plans to change, and the research shows that in the future they are most likely to use discussion forums and Twitter-like capabilities to collaborate.

In the case of mobile technology about one-third (35%) are satisfied, but just under half have begun using mobile devices to access customer analytics only in the last 12 months. Almost two-thirds have

no preference among types of devices, and many companies use a mix of devices and platforms. In the case of big data two in five (42%) are satisfied with their big data capabilities, and two-thirds said being able to apply predictive analytics is critical to their efforts.

All five technologies are likely to have an increasing impact on the use of customer analytics. Collaboration tops the list of the other innovative technologies companies intend to use in the near future (25%), followed by mobile devices (23%), cloud computing (22%), big data (22%) and social media (13%).

Business users and IT should cooperate more on customer analytics.

Since analytics is a technical activity, particularly in creation, IT departments inevitably are involved, but the research finds issues in their dealings with the lines of business. Less than half (44%) of participating organizations said that IT provides enough support for customer analytics, and almost as many (35%) said IT does not. In our view, analytics is an area in which cooperation between IT and business users is essential. Currently about half of organizations involve IT in preparing new analytics: In 31 percent business analysts work with IT to design and deploy the analytics, and in 21 percent IT builds analytics at the requests of business units. In 42 percent of companies, business users design and deploy their own analytics. For a substantial number of companies creating analytics is a time-consuming process; only 10 percent are able to create new analytics in less than one working day. The largest portion (23%) takes one to two days, and one-third take a week or more.

> Currently about half of organizations involve IT in preparing new analytics, and in 42 percent, business users design and deploy their own analytics.

Overall the research finds that customer analytics skills, the amount of time employees spend working with customer analytics and the level of collaboration between employees impact the speed with which analysis is produced as well as the quality of the outputs. To keep up with the fast-changing preferences of customers, companies need the latest customer information at regular intervals. Business users

therefore should seek more control of their own customer analytics efforts, with assistance from IT as necessary.

Business and IT users have different priorities for customer analytics.

The research finds several disparities in responses from business users on one side and IT professionals on the other. Many more IT professionals (40%) than business users (24%) began to use dedicated technology for advanced analytics in the last 12 months. We also find a large gap in their levels of satisfaction with analytics: 38 percent of business users said they are satisfied, only a little more than half as many as the 67 percent in IT. Understandably, given their reliance on spreadsheets, many fewer business users (28%) said their current technology is adequate than those in IT (46%), who use more appropriate tools. Correspondingly, many more in business roles (46%) see a need for advanced analytics tools than do IT staff (25%).

Business users want to access a greater range of data sources, use the information generated to collaborate on a greater range of business issues, and have the outputs in more visual forms than their IT counterparts.

Data issues impact the success of customer analytics, and here, too, the disparity between business users and IT is evident. Business users want to access a greater range of data sources (although they still need to have spreadsheets as a data source), use the information generated to collaborate on a greater range of business issues, and have the outputs in more visual forms than their IT counterparts. More business users (50%) said scattered data is an impediment than did those in IT (33%). In a related issue, more IT participants (56%) than business users (35%) said they collect all the information needed for customer analytics, and more also said the outputs are of high quality (52% vs. 40%).

The divide reflects the varying job responsibilities of the two groups and a focus on different metrics. Business users focus on customer-related financial and cross-channel analysis metrics, whereas IT participants are more concerned with operational metrics. (And it's worth noting that the business metrics require more data sources.)

Most companies need to align business users and IT better, giving them common goals so they cooperate more fully to produce a single set of customer analytics and metrics.

The business case and software considerations for customer analytics are evolving.

The research finds that companies' priorities for building a business case for customer analytics don't match those for the technology they evaluate. Apparently looking inward to organizational matters, participants most often prioritized first the format and presentation of the business case; across all choices this is essentially tied with awareness of the potential value of such an investment. These both were prioritized ahead of finding executive sponsorship, the budget for investment and total cost of ownership (TCO), as well as the software required to meet users' needs, which only ranks eighth. When it comes to product and vendor considerations in selecting customer analytics software, the largest percentage of participants (64%) said usability is very important, followed by functionality (58%), reliability (50%) and total cost of ownership and return on investment (TCO/ROI, 47%).

> Companies' priorities for building a business case for customer analytics don't match those for the technology they evaluate.

A plurality of companies (43%) fund customer analytics-related technology investments from the lines of business's IT budgets, reflecting the involvement of business users in the process. Fewer than one-fourth each use the general business budget or the general IT budget. Revealing the continuing strong role of IT in analytics, half (51%) still prefer to deploy this software on their own premises, although one-third opt for cloud-based software as a service on demand. An interesting finding is that IT participants (40%) are more willing to use cloud-based systems than are business users (29%).

The research shows that a great many companies are immature in the choice and use of customer analytics. As they need to use more unstructured data, they will need capable tools for customer analytics or for creating a complete view of the customer in real time or near real time. Organizations therefore need to build a convincing business

case based on the capabilities and business value of advanced dedicated tools that can meet both business user and IT requirements.

10 Best Practice Recommendations

This benchmark research reveals significant new insights into the evolving nature and use of customer analytics processes and systems. For organizations considering how to optimize their analytics to improve customer service and the customer experience, we offer the following recommendations.

1. Select the right tools for customer analytics.

This research finds substantial discontent with customer analytics. More participants (18%) are not satisfied with their customer analytics efforts than are satisfied (15%), and more (46%) are not satisfied with the process used to create customer analytics efforts than are satisfied with it (40%). Only one in five are satisfied with the technology they use. More organizations use spreadsheets (52%) than stand-alone systems (35%) for customer analytics, and nearly three-fifths (57%) of participants said using them has made it difficult to produce timely and accurate customer analytics. To do better than this, adopt tools designed for the purpose. More than half of those using a dedicated system said they have improved customer experience and satisfaction (55%), business-related analytics (52%) and management and alignment across the business (51%). These are worthwhile reasons for making a change.

2. Use appropriate metrics to monitor and assess customer activities.

The research finds that most companies use combinations of efficiency and outcome metrics for processes, financial matters and customer service; the most widely employed are performance (by 67%), cost (62%) and profit (48%). While some operational metrics are necessary, those that address business success ultimately will have more value, and we recommend ensuring you have a balanced set that includes process, financial and customer metrics. For customer metrics the top two used by companies are customer satisfaction scores (used by 54%) and customer lifetime value (33%); two of the top four financial metrics are customer profitability (49%) and revenue attainment (48%). Advanced metrics such as net promoter, customer effort and social media influencer scores, currently used by fewer than three in 10, can provide deeper insights into customers' perceptions

and perhaps provide a competitive advantage in decision-making about how best to engage them.

3. Strive to make your customer analytics timely.

Only 10 percent of organizations are able to create new analytics in less than one working day, while three times as many (33%) require a week or more. Similarly, 42 percent take from two days to a week to deliver important metrics or key indicators to users, and one-third take longer than that. These delays prevent timely responses to issues and opportunities and hold up decisions that may make a difference for the business. Using spreadsheets here is certainly a factor; 57 percent of participants said using them has made it difficult to produce timely and accurate customer analytics, one-third have to wait six days or longer for analytics to be available, and 46 percent take two days to a week to get metrics to users. In contrast, one-third of users of dedicated stand-alone tools can deliver metrics immediately or within one day. In evaluating vendors of customer analytics, ask how their products can speed up this process, from preparing data and building models for analysis through analyzing and visualizing the data to enabling action by decision-makers.

4. Address issues in collecting and accessing customer data.

To gain trust and therefore adoption by users, both analytics and metrics must be built from reliable data. Fewer than one in five organizations in the research said it is very easy to collect all the data they require for producing customer analytics, and just 16 percent said the data is very accurate. It thus is likely that most companies are not using all available data and so lack complete views of their customers. To a large extent this is due to the volume of data and the number of sources they must extract it from; 40 percent or more now include 14 types of data in their customer analytics, and companies on average have to extract it from six different systems. And the volume will increase: Participants expect all types of data to grow by 10 to 25 percent. Before starting an initiative, identify all the data you need and its locations, then look for tools that can extract data for analytics from wherever it resides, make it readily available and put it into easily useful forms. You can benefit from saving time in these tasks by

enabling analysis to begin sooner and decision-makers to have confidence in the results provided promptly to them.

5. Evaluate big data and predictive analytics to support customer analytics.

Data about customers is one of the fastest-growing and most diverse data types, yet companies increasingly need to be confident they have a complete view of their customers to understand their preferences and keep them satisfied. Big data, which helps organizations store, process and analyze the large and growing volumes of data, can help create this view. Three out of five research participants said big data is important for improving customer analytics, but fewer (42%) are satisfied with their current big data capabilities. We attribute the gap partly to the inadequate tools many organizations have to manage big data, especially relational database systems, which 69 percent use. Investigate how tools designed for big data can help your organization process the flood of customer data and analyze it to guide actions and decisions. Also consider predictive analytics, which enable users to look forward to anticipate trends and changes. Two-thirds of research participants said this is a critical capability for customer analytics and 30 percent ranked it first or second in importance, yet currently only about one in three (36%) use predictive analytics and modeling tools. Appropriate tools for both these technologies can provide an edge over competitors that do not have them.

6. Don't ignore the need for skills and training.

Half of participating organizations that are not satisfied with the process they use to create analytics said not having enough skilled resources is an issue. But only one in five companies provide training for both creating and using customer analytics, and just one in four supply training to use them. Relying on IT staff to handle this task may strain scarce resources and may not meet the need: About one-third (35%) of participants said they don't get enough support from IT for customer analytics. An identical percentage have given up on using dedicated technology for customer analytics because the cost is too high or it will require additional resources or training. We think this is a shortsighted view. If, like most others, your organization intends to put analytics in the hands of business users, recognize that an investment in training can make a

big difference in how well they apply the technology – and in their willingness to use it.

7. Investigate advanced forms of visualization for presenting and understanding customer analytics.

Analytics is rather new to many users, especially in the lines of business, and this research finds low awareness of the possibilities for presenting its results in enlightening ways. Fewer than half (43%) of participants said visual analytics is among the five most important types of customer analytics, and just 18 percent ranked it first or second. Two-thirds or more said that charts, reports and tables should be available to present results, but only about half as many want analytics displayed in maps (38%), text (34%) or Web pages (32%). Simple charts such as the bar, line and pie varieties are the only ones used by more than half of organizations. Just 38 percent use specialized visual displays such as dials, gauges and stoplights, and even fewer (32%) use geospatial views of locations or maps. Yet the research finds some appreciation for the concept: The third-most (46%) organizations said that presenting data visually is critical for using big data. Advanced visual presentation can help nontechnical viewers, including decision-makers, grasp the meanings of the information they contain, so make new types part of your evaluation of the potential for customer analytics in your organization.

8. Consider the use of collaboration technology to share customer analytics.

Nearly two-thirds of organizations said that collaboration is an important new technology that affects customer analytics. At present to collaborate most use familiar tools: email and file sharing on the company intranet; we correlate this with the finding that only one-third (32%) of users are satisfied with their business and social collaborative capabilities for customer analytics. However, social collaboration figures in their near-term plans. For example, 40 percent use Twitter-like broadcasts, and 21 percent more plan to; 26 percent use Facebook-like wall posting, and 22 percent more plan to. Easy, effective collaboration not only can help in the processes of producing and disseminating analysis but also can ensure that all users share the same information.

9. Provide access to customer analytics through mobile devices.

This sort of access is already established, the research shows: More than two-fifths of organizations have been using mobile devices to access customer analytics for more than a year (23%) or recently began using them (21%); another 23 percent will begin using them soon. In addition, the large majority of users are satisfied (35%) or somewhat satisfied (43%) with their mobile technology capabilities for customer analytics. The ubiquity of smartphones and tablets and the variety of people who interact with customers outside of the office setting make mobility a natural adjunct to this kind of analytics. These employees often need the latest information fast, even in real time, and these devices can provide it. Make sure that any vendor you consider offers mobile access for all the platforms your organization supports. Rapid response to customer demands and trends is essential in today's frantic business environment; don't be unable to act because decision-makers are away from their desks.

10. Consider using the cloud to deploy customer analytics.

The research shows that while half of organizations still prefer to deploy customer analytics on their own premises, one-third opt for cloud-based software and have been using it for more than a year. We expect this migration to continue. Even more (38%) began to use the cloud recently or will do so within a year. More than two-fifths (44%) said cloud computing is important for improving customer analytics, and only one in six don't intend to use it for this purpose. As well, 61 percent of current users are satisfied with the cloud for customer analytics. And it is here to stay: More than half (52%) of participants said it is very important to integrate customer data from cloud computing applications with other enterprise data. The cloud offers easy access for users and can reduce costs of implementation, licensing and maintenance. Make this technology part of your discussions and planning for customer analytics.

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

Methodology

Ventana Research conducted this benchmark research on the Web from July through October 2013. We solicited survey participation via email, our website and social media invitations. Email invitations were also sent by our media partners and by vendor sponsors.

We presented this explanation of the topic to participants prior to their entry into the survey:

Today's intense competition requires companies to know as much as they can about their customers in order to anticipate their needs and serve them better. Implementing initiatives such as customer experience management, price and profitability optimization, contact center optimization and risk mitigation requires analytics and technology. This benchmark research is designed to examine the next generation of customer analytics to determine how organizations can improve through a range of best practices and technology-driven improvements.

The following promotion incented participants to complete the survey:

What's In It For You? Upon completion of the research, all qualified participants will receive a report on the findings of this benchmark research to support their organization's efforts, along with a $5 Amazon.com gift certificate. In addition, all qualified participants will be entered into a drawing to win one of 25 benchmark research reports and a 30-minute consultation, a package valued at US$1,495 or €1,232. Thank you for your participation!

Qualification

Qualification to participate was presented to participants as follows:

The survey for this benchmark research is designed 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. Solution providers, software

vendors, consultants, media and systems integrators may participate in the survey, but they are not eligible for incentives and their input will be used only if they meet the qualifications. Incentives are provided to qualified participants in the research and also are conditional on provision of accurate contact information including company name and company email address that can be used for fulfillment of incentives.

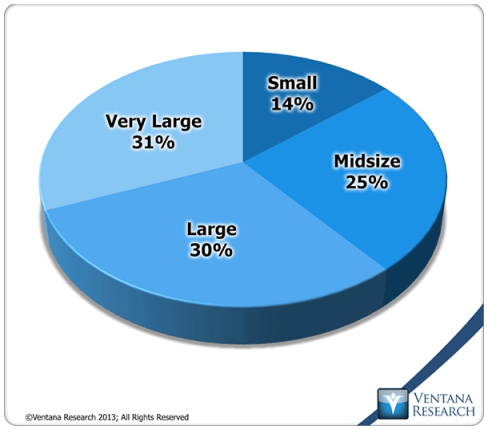
Further qualification evaluation of respondents was conducted as part of the research methodology and quality assurance processes. It entailed screening out responses from companies that are too small, questionnaires that were not materially complete, or those where the submission is from an inappropriate submitter or appears to be spurious.

Demographics

We designed the survey used for this research to be answered by executives and managers across a broad range of roles and titles working in organizations. We deemed 178 of those who clicked through to this survey to be qualified to have their answers analyzed in this research. In this report, the term “participants” refers to that group, and the charts in this section characterize various aspects of their demographics and qualifications.

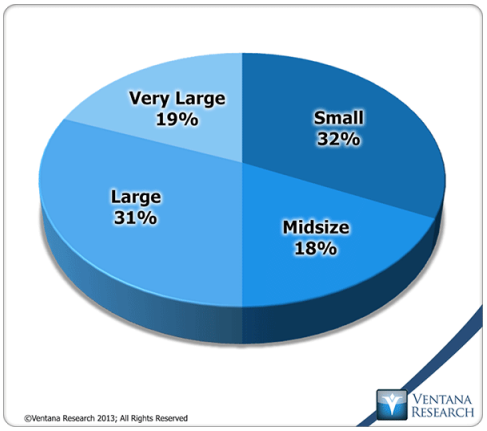
Company Size by Workforce

We require participants to indicate the size of their entire company. Our research repeatedly shows that size of organization, measured in this instance by employees, is a useful means of segmenting companies because it correlates with the complexity of processes, communications and organizational structure as well as the complexity of the IT infrastructure. In this research, participants represented a broad range of organization sizes in nearly equal numbers: 31 percent work in very large companies (having 10,000 or more employees), 30 percent work in large companies (with 1,000 to 9,999 employees), 25 percent work in midsize companies (with 100 to 999 employees), and 14 percent work in small companies (with fewer than 100 employees). This distribution is consistent with prior benchmark research and our research objectives and provides a suitably large sample from each size category.

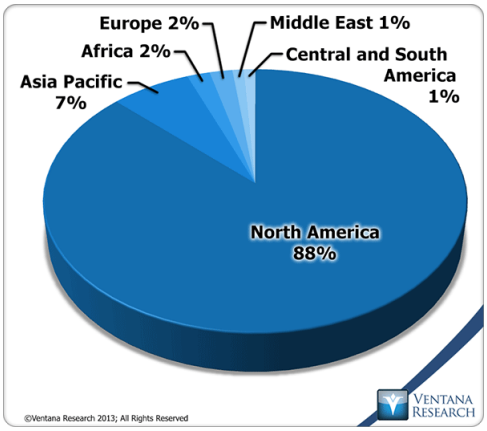


Company Size by Annual Revenue

When we measured size by annual revenue, the distribution of categories shifted downward; fewer companies fell into the very large category and more than twice as many are small. By this measure, 12 percent fewer are very large companies (having revenue of more than US$10 billion), 1 percent more are large companies (having revenue from US$500 million to US$10 billion), 7 percent fewer are midsize companies (having revenue from US$100 to US$500 million), and 18 percent more are small companies (with revenue of less than US$100 million). This sort of redistribution is typical in our research projects when we measure by revenue instead of headcount.

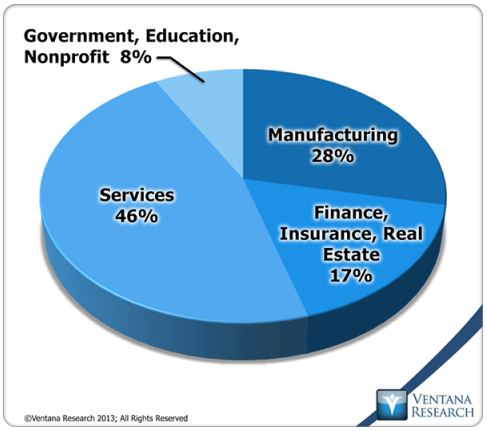


Geographic Distribution



A large majority (88%) of the participants were from companies located or headquartered in North America. Those based in Asia Pacific accounted for 7 percent and those in the rest of the world for the remaining 6 percent. This result was in keeping with our expectations at the start of this investigation, since organizations participating in our research most often are headquartered in North America. However, many of these are global organizations operating worldwide.

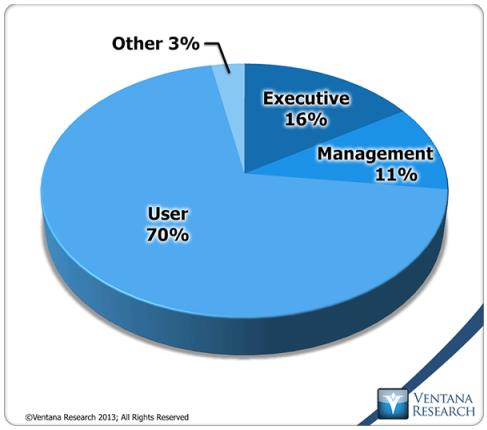
Industry



The companies of the participants in this benchmark research represented a broad range of industries, which we have categorized into four general categories as shown below. Companies that provide services accounted for nearly half, and those in manufacturing for more than one-fourth. Those in finance, insurance and real estate accounted for 17 percent, and government, education and nonprofits accounted for the balance.

Job Title

We asked participants to choose from among 13 titles the one that best describes theirs. We sorted these responses into four categories: executives, management, users and others. Seven out of 10 identified themselves as having titles that we categorize as users, a grouping that includes director (20%), senior manager or manager (31%), analyst (14%) and staff (5%). About one-sixth are executives. One in nine are management, by which we mean vice presidents. Others, in this case consultants or teachers, accounted for the balance. We concluded after analysis that this response set, while more heavily weighted toward users than usual, provided a meaningfully broad distribution of job titles.



Role by Functional Area

We asked participants to identify their functional area of responsibility as well. This enabled us to identify differences between participants who have differing roles in the organization. One-fourth work in IT, 12 percent in the contact center and 11 percent in marketing. A variety of half a dozen roles accounted for 4 to 7 percent each. Another 12 titles, none with more than 3 percent of the total, comprised the Other category.