

BusinessWeek

RESEARCH

SERVICES

The Customer You Know:

Keeping, Leveraging, and Profiting
from Current Customers with
Business Analytics



THE
POWER
TO KNOW®

Background and Methodology

BusinessWeek Research Services (BWRS) launched a research program in April 2009 to determine the attitudes and opinions of C-level executives with regard to the use and value of business analytics. The research program was designed to understand how companies are creating and fostering a culture of proactive evidence-based decision-making.

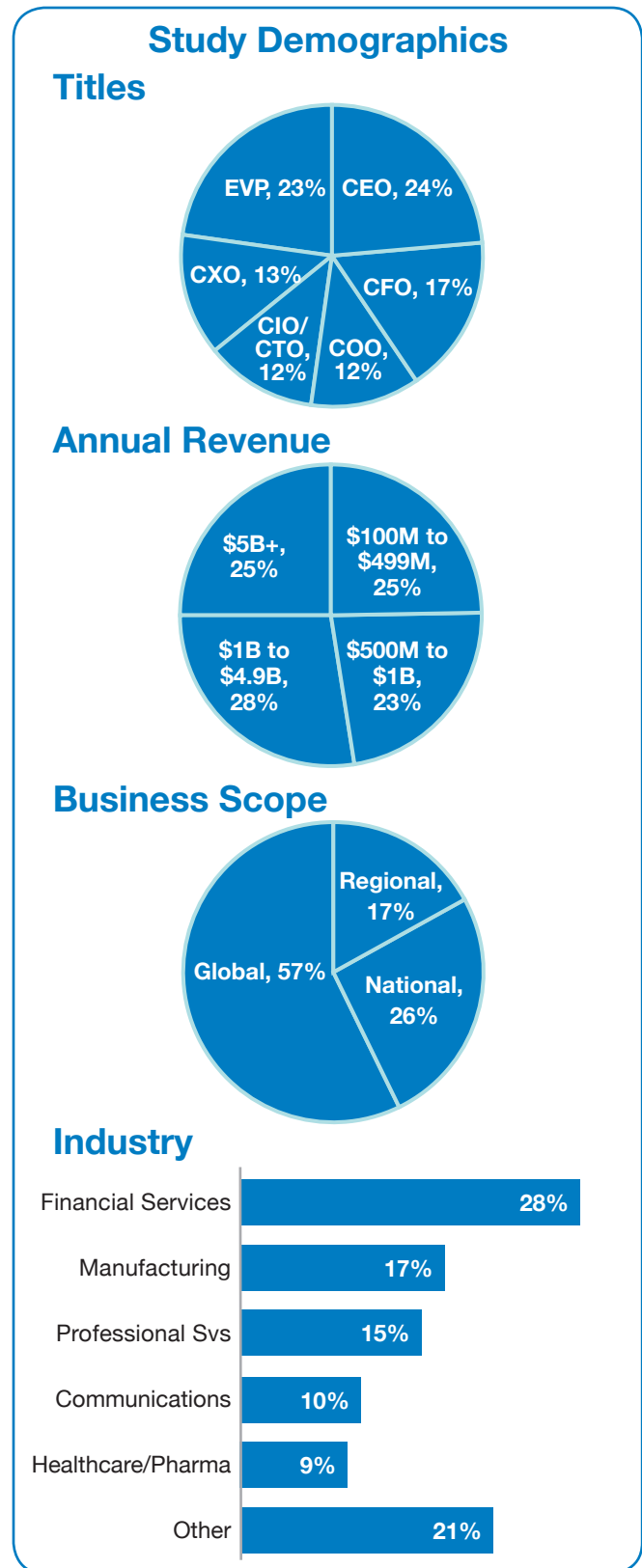
This white paper, “The Customer You Know: Keeping, Leveraging and Profiting from Current Customers with Business Analytics,” reviews a portion of the research and provides analysis and insights on the topic of business analytics. It is part of a series of white papers for C-level executives intended to facilitate sharing the most important insights from the research. More data and insights are available at this exclusive Web site: <http://www.sas.com/whitepapers/index.html>

This research program is an online survey of C-level executives at leading large and midsize companies who are members of the BusinessWeek Market Advisory Board, an online panel of 20,000+ business leaders and executives. Overall, a total of 101 C-level executives across the globe were surveyed in April and May 2009 (see Chart 1).

For more information about the contributors to this research program, please visit: <http://www.sas.com/whitepapers/index.html>

This research project was funded by a grant from SAS and was written by BusinessWeek Research Services. The editorial department of BusinessWeek was not involved in this project. For more information about this project, please contact BusinessWeek Research Services at samuel_gager@businessweek.com.

Chart 1



Executive Summary

- In 2009 executives are looking to derive greater value from existing customer relationships and work on customer retention—a more cost-effective method of customer management.
- The focus on customer retention and expanding relationships with the existing customer base has seen a strong increase in the last year.
- Customer retention and management have become more difficult than ever as consumers are being forced to better manage their spending and amplify their savings in a highly constrained environment.
- Business analytics can have a significant impact on customer service improvements, customer retention, and expanding existing customer relationships.
- Business analytics enables companies to develop agile strategies that allow them to adapt to changing customer behavior and achieve their business goals.

Introduction

There is no business model that exists without a customer. The primary purpose of any business is to attract—and keep—customers. Regardless of sector, size, or style, the business that underestimates the value of its customer risks forfeiting market share to competitors that are better able to create, retain, and extract value from those who purchase their products or services.

It's a simple model: Focusing on existing customers to drive revenues and profits is more cost-effective than acquiring new ones. If a business is able to sustain itself and grow through a mutually beneficial partnership with its existing customers, new customers become valuable on the margin. Business analytics is helping executives understand and utilize this model by providing information and insight into customers' motivations and behaviors.

Customers, Data, and Focus: Insight in an Age of Instability

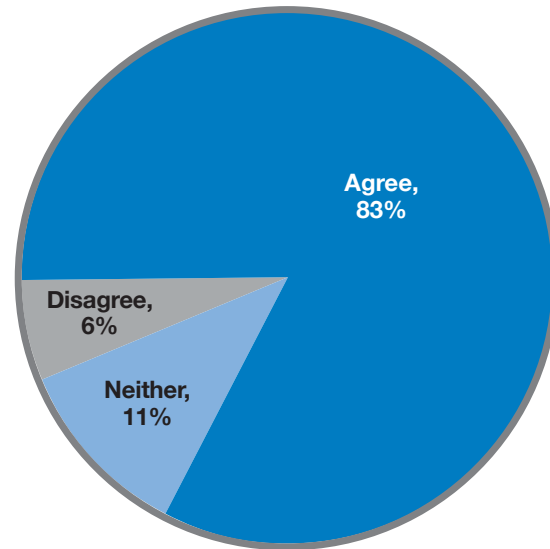
Information is an asset that can deliver a competitive advantage during this turbulent economic period. There has never been a greater need for proactive, fact-based decisions and agile strategies. The insight derived from information empowers executives and organizations alike, giving them the tools to make more informed, accurate decisions.

Among C-level executives there is strong agreement (83%) that the importance of using information to effectively run a business has never been greater (see Chart 2). In today's economy, making informed decisions is crucial, regardless of whether a business is taking an aggressive or conservative approach to the new market environment.

Chart 2

Question:

"The importance of using information effectively to run our business has never been greater."



At the same time, today's consumers are under extreme pressure to save money and make smart buying choices. They also have plenty of options, are increasingly price sensitive, and have lower barriers to switch brand loyalty. Moreover, consumers are more empowered than ever to share their buying experiences, either positive or negative, with their peers in a thriving socially networked world. Smart firms understand that they must work to differentiate themselves by innovating and creating value for their customers.

To do this, they must go beyond simply collecting customer data and learn to leverage it to improve all facets of their relationships with their customers. Currently, many firms may not be getting all they can out of the data they collect. Two in five C-level executives indicate that they are not deriving a lot of value from their data.

Information about the customer is one of the more vital areas where business analytics can help. While business analytics is important in all facets of a company, “the customer” is one application where analytics is yielding tremendous value and helping companies survive and thrive in a business environment in flux.

For example, with business analytics, organizations can predict the likelihood of a customer’s behavior, whether they will respond to a particular marketing campaign, their likelihood to churn, their potential purchases, and even whether they will pay their bills on time. The proactive nature of business analytics allows decision makers to leverage information even at the level of the individual customer. Integrating customer data with product, market, economic, and other relevant data and analyzing the correlations and influence between these artifacts enables highly optimized pricing, product / service customization, new product / service development, and risk management.

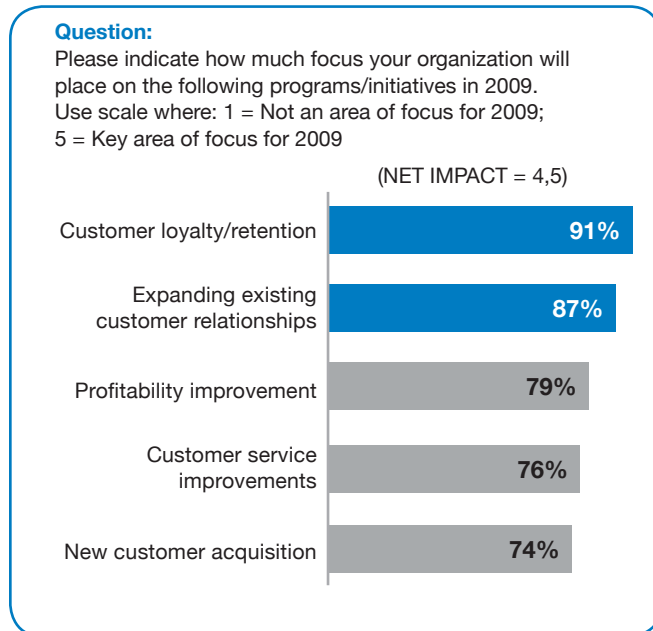
A rising tide lifts all boats, and there is no sense in swimming against it. No matter what the product or service, customer demand determines the value proposition. Findings indicate that business analytics gives executives the tools to understand that value from the perspective of the customer, and enhance it in a way that is advantageous to both parties. Business analytics maps this relationship and helps executives understand it.

Base of Operations: Building on the Customer

For executives, now is the time to gain an understanding of their customer base and get more from their customer relationships. With many companies operating in “survival” mode, increased focus on existing customers has

become an imperative. About 9 in 10 C-level executives indicate that they are currently focusing their efforts on customer loyalty and retention, and expanding existing customer relationships (see Chart 3). Seventy-six percent are making customer service improvements.

Chart 3



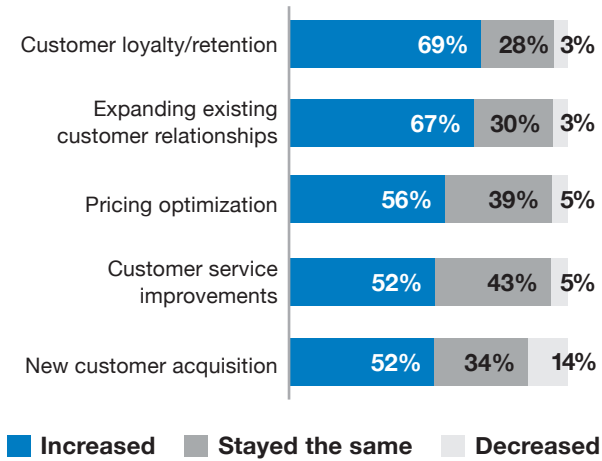
When it comes to core customers, two-thirds of C-level executives indicate that over the past year they have increased their focus on customer loyalty and retention while expanding existing customer relationships (see Chart 4). To this end, business analytics allows organizations to maximize value from their existing customer relationships based on the data they already have, instead of the much more expensive tactic wherein organizations are forced to spend precious resources acquiring new customers.

Research has shown that business analytics can help organizations retain their customers by improving how the organization relates to them. In addition to the increased importance and focus

Chart 4

Question:

How has your company's focus on these areas changed over the last 12 months?



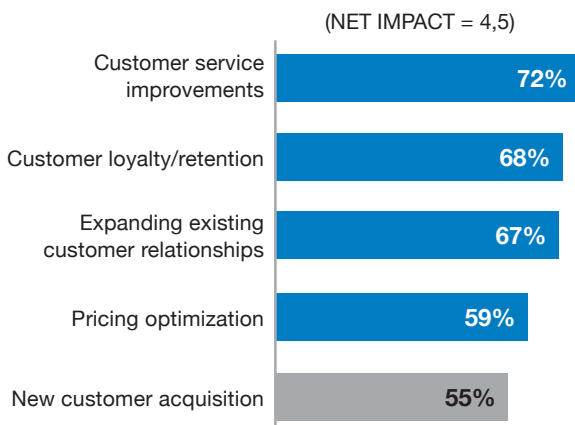
placed on customer issues, nearly 7 in 10 C-level executives indicate that business analytics can have a significant impact on expanding existing customer relationships (see Chart 5).

Once an organization opts to incorporate fact-based decision-making, the benefits become self-reinforcing. In fact, many executives agree

Chart 5

Question:

How much impact do you believe a business analytics approach would have on the following areas? Use scale where: 1 = No Impact; 5 = Significant impact



that companies with more exposure to analytics are more likely to understand the importance of analytics in customer retention and loyalty. Consequently their focus on retention and loyalty has increased to a greater extent over the last 12 months.

Executives agree that companies that adopt analytics have a significant competitive edge. Analytics can have a substantial impact on an organization's relationship with its customers, especially in the areas of customer service improvements (72%), customer loyalty/retention (68%), and expanding existing customer relationships (67%) (see Chart 5).

As organizations increase customer-related efficiencies, customer profitability could become a more prominent measure for achievement. With companies now focusing their efforts on both top- and bottom-line growth, improving customer profitability is becoming increasingly important. Fully two-thirds of executives (66%) indicate that one of the great benefits of business analytics is that it can increase customer profitability.

The Customer You Know Is the Customer You Keep

The findings from this research program indicate that increasing customer value and building customer loyalty is more important now than ever. With economic volatility rated as a top-tier business issue, C-level executives respond that applying information tactically is as necessary for some as it is innovative for others. "Fact-based decision-making gives [our organization] the ability to sustain profitable business operations appreciated by customers...throughout varying market conditions," ventures one executive. "Our business analysis process enables our

managers to adjust the business to best serve our customers and achieve the mission and goals of the enterprise,” says another.

By investing in the tools, resources, and processes necessary to ensure they are deriving the most value from their existing customers, companies are taking what could be termed an inward approach to increasing revenues and profits. For every customer retained and leveraged, the costs associated with acquisition melt away; they are simply not part of the equation.

Learning about the people and organizations that make one’s business happen is, for some executives, a guiding light and a benchmark for ever-stronger execution. “Business analytics means using customer information to produce better results,” responds one C-level executive when asked to answer about the value of informed decision-making.

The idea of fully incorporating a culture of business analytics is increasingly becoming mainstream. While some companies may find it difficult to devote resources to improving their ability to leverage their existing customer base, especially during a recession, clearly the desire exists among most executives. Those who do invest in analytics are rewarded with positive results and optimized relationships with established customers.

Business Analytics: Decision-making Based on Facts

Few organizations can wait on the marketplace to deliver operationally beneficial information. Some may have the ability to react quickly and change rapidly, but generally the longer the warning, the easier the turn. Even though one

of the most important competitive advantages in the marketplace today is agility, the prepared executive who gains foresight into what lies ahead increases his room to maneuver. Business analytics gives executives proactive capabilities to anticipate, predict, prevent, and of course correct.

When asked to describe the relationship between business analytics and their organization, one executive indicated that it “enables [us] to adjust our business to best serve our customers and achieve...our goals as an enterprise.” Another executive responded that business analytics “gives our organization the ability to make decisions about...customer behavior, as well as broader social developments.”

With fact-based decision-making emerging as an increasingly important management tool, the practical insights it yields have led executives to embrace data and invest in its application. In the case of the customer, the effective use of data and information to drive positive business actions is giving companies the power to understand every factor that makes their customers profitable.



Conclusions and Recommendations

Customer-centric issues have emerged with increased importance for executives across the business sector. Many are looking to various customer-focused initiatives and managing customer relationships as key strategies going forward. Customers are once again seen as an asset and the key to unlocking profit and growth.

As organizations awaken to the prospect of increased customer value and better decision-making, they are increasingly incorporating business analytics as part of their operational capabilities. Fact-based decision-making now comes standard in innovative business models.

The most strategic and aggressive companies are embracing the use of business analytics to understand—and increase the value of—their existing customers, especially as their companies weather and prepare to emerge from the global recession. These innovators understand that mere data collection is insufficient. Using data to anticipate and manage change is key. For many, the application of business analytics will better prepare them for the return of the growth economy.

Customer Intelligence with SAS®

SAS® Analytics empowers marketers to truly understand customers and conditions, accurately predict the outcomes of campaigns, and continuously improve.

Marketers know it costs far less to retain a good customer than to acquire a new one. It only makes sense to seek to retain valued customers and expand the value of their relationships with you. So it is no surprise that nine out of 10 C-level executives surveyed by BusinessWeek Research Services indicate that they are focusing their efforts on customer loyalty and retention, and on expanding existing customer relationships.

However, in many organizations, those efforts are still largely product-centric: inwardly focused on what the company wants to sell rather than outwardly focused on what customers want to buy. When customers were plentiful and money was flowing, the traditional, product-centric business model could fly. But the marketing scene in a down economy is a far more demanding place:

- **Customers have new power.** With a few clicks of a mouse, they can compare your offerings to those of competitors worldwide, and they can publish opinions that sway millions of other consumers.
- **The marketing environment is more fragmented and complex.** It is harder than ever to manage, synchronize, and differentiate your messages and the customer experience.
- **There is greater pressure for accountability.** Executives and shareholders demand more transparency and ROI from marketing investment. Who can blame them, when marketing budgets can represent as much as 20 percent of revenues?

The good news is that these challenges also bring new opportunities:

- The networking technologies that empower customers also enable you to involve them more deeply in your brands through new forms of multimedia collaboration and affinity.
- The proliferation of media forms and channels yields rich, new sources of data that can be used to monitor and improve everything about the marketing process.
- Credible measurements of marketing performance lead to keener insights about the real sources of customer value, the real impact of marketing costs, and the future behavior of customers—all of which can be exploited for powerful results.

Capitalizing on these opportunities requires a new level of customer insight, far beyond the simple reporting, sorting, ranking, filtering, and cobbling together of data from transactional/operational systems.

Executives know this. Nearly 7 in 10 tell BusinessWeek Research Services that business analytics can

have a significant impact on relationships with existing customers. Fully two-thirds agreed that business analytics can increase customer profitability. More than 80 percent of respondents said it is more important than ever to use information to effectively run a business.

But to what extent is this actually happening? Two in five C-level executives conceded they are not deriving a lot of value from their data. Chances are, the others would agree they could be getting more out of their data than they do now. In fact, only the most progressive organizations are really taking advantage of the many ways analytics can help build a more durable and profitable customer franchise.

Customer Intelligence Solutions for Marketers

SAS provides customer intelligence solutions for every phase of the marketing continuum, from data management to campaign execution to continuous improvement. SAS has the broadest range of analytical capabilities to bring to bear for predicting customer behavior, accurately forecasting campaign outcomes, and continuously improving results.

A Broader and More Accurate View of Customers and Costs

A platform for business analytics integrates data from multiple sources to provide an accurate, 360-degree view of customers, households, and the entire customer base.

Advanced analytics and data mining capabilities transform customer and market data into the insights that identify high-value individuals and drive highly tailored marketing campaigns.

Profitability management solutions reveal actual costs of selling to and servicing customers at multiple levels, such as customer, household, product, channel, sales rep, and geographic profit center.

Web analytics derive new customer intelligence from customer visits to your Web site, for a better understanding of customer behavior, proactive target marketing, and improved site performance.

Text mining identifies patterns and distills customer intelligence from huge volumes of free-form text, such as e-mails, call center agent notes, warranty claims, and the millions of active blogs on the Internet.

Credit scoring calculates up-to-the-minute customer risk scores to use in segmentation and campaign targeting, reducing your reliance on external credit bureau data.

More Effective, Efficient, and Profitable Campaigns

Advanced **marketing automation** enables marketers to plan the most effective campaigns and tightly defined market segments, act efficiently on those plans, and learn from the results.

Interaction management solutions take campaign management to the next level, to real-time marketing triggered by specified events, time, or behavior.

Marketing optimization takes the guesswork out of allocating limited resources across campaigns and channels, thereby driving higher ROI in alignment with overall business strategies.

Strategic Planning for Continuous Performance Improvement

Marketing resource management automatically links sales and other business results to the marketing investments that drive them, so marketers can quantify the return on their marketing spending.

Marketing performance management tracks performance on key performance indicators (KPIs) relevant to marketing—the facts to support marketing budgets and decisions to stakeholders.

Strategy maps visually represent the flow of interactions, resources, and information in the marketing continuum—a holistic perspective to form more effective customer strategies.

These solutions are available individually but are all built on a single platform for business analytics, so you can start with your most pressing need today and expand as the information infrastructure matures.

From SAS, the Leader in Customer Intelligences

SAS is the leader in business analytics software and services, providing solutions for 92 of the top 100 companies on the 2009 FORTUNE Global 500® list, leading retailers and financial service institutions, governments and more. Customers at 45,000 sites use SAS software to improve performance and deliver value by making better decisions faster.

Only SAS offers leading data integration, storage, analytics, and business intelligence applications within an integrated framework. Since 1976, SAS has been giving customers around the world THE POWER TO KNOW®.

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