



Want To Deliver Superior Customer Experience? Make Sure You Have The Right Insights!

Whitepaper

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INTRODUCTION

For many years, businesses have been gathering information about their customers. The objective was to use this data to get closer to the customer, so as to gain a better understanding of their needs, expectations and preferences. This knowledge was meant to enable businesses to respond more efficiently and effectively by making small or big changes to product design, packaging, service delivery or even where and how businesses market and sell their offerings. The holy grail was to use customer data to strengthen loyalty to brands and drive business growth. Although this led to organizations collecting huge volumes of data, only a few businesses have successfully been able to use the data to innovate products/services that better address customer needs and/or deliver superior, contextual experiences.

With growing digitalization, the types, sources and volumes of customer data that can be captured have expanded greatly. So have the tools to quickly analyze these vast mountains of data to harvest actionable insights. This has meant that the chasm between organizations that use data to generate insights and act on them and those that don't or don't do it well is noticeably widening.

For any organization, the move to a data-enabled, insight-driven culture is not easy because it requires a major shift in mindsets. Besides visionary leadership and multi-modal data capture, analysis and visualization tools, such a transformation calls for a clear understanding of what data needs to be analyzed, how and from where such data can be acquired and when models and hypotheses need to be tweaked. Perhaps most important is the organization's ability to apply the most relevant customer insights to business strategies and tactics.



Static Customer Views Inadequate for Businesses to Be Customer-centric and Stay Competitive

Until about a decade ago, data capture, analysis and storage technologies were much less evolved and significantly more expensive. Consequently, most businesses did not have the wherewithal to analyze large quantities of customer data to detect hidden patterns and extract meaningful insights. As a result, the notion of actionable insights (and hence, customer-centricity) was quite limited in scope: it mainly meant businesses knowing what brands and SKUs customers buy, and their frequency of purchase. Companies from the retail and CPG industries (e.g., Walmart) were among the earliest to utilize customer data analytics to improve replenishment of SKUs at stores, to reduce stockouts. E-Commerce majors such as Amazon were at the vanguard of harnessing the power of customer data. Data based on historical events is static and not always a good predictor of future needs. For example, a bank sending a customer a reminder to renew a deposit is something customers expect; the bank not doing so will be a cause for dissatisfaction. Now, with much higher computing power and cloud-based technologies to easily capture, store and access data, the game has changed, and so have the stakes. Businesses need to anticipate their customers' needs and preferences and take suitable actions. What if the same bank can create a "persona" of the customer using multiple data points (about him/her, their family, life stage etc.) and along with the reminder, send information about other investment or insurance options- and convenient ways for the customer to act on the suggestions? This goes beyond just customer views; it is about proactively anticipating needs and attempting to fulfil them. It is this kind of insight-driven responses that will separate businesses that take pole position in the days ahead and those that get left behind.



A Sustainable Competitive Edge Needs Actionable Insights Suitably Harvested from the Right Data

The need for generating data-driven insights and using them to take quick and timely action must be viewed in the context of the “hyper-digitalizing” world we live in. On the one hand, digital technologies are creating new, non-traditional sources of competition (based on business models, products/services etc.). On the other, digitalization is also providing customers greater choice in terms of how they choose to engage with businesses and what experiences they expect in each such journey.

To deal with this “digital pincer”, businesses across industry sectors must build robust capabilities to systematically anticipate shifts in customer behaviors, needs and expectations so that they can respond in ways that consistently delight existing customers and help attract new ones. This requires a shift in the mindset of leaders, managers, and employees across the organization, as well as enabling processes, technologies and governance mechanisms.

Many business leaders across industries, geographies and company sizes have begun to drive this transformation with vigor because they see the value that can be realized. Resources are being consciously directed at acquiring and sharpening the required human and technological capabilities to analyze massive datasets and come up with predictive insights about changes in customer needs, preferences and expectations. This strategic shift must be viewed along two dimensions. The first has to do with the type of data that needs to be gathered; the second pertains to how enterprises use the output from the data analysis.



Data types:

Building useful customer personas requires data captured from multiple sources and in diverse formats. In addition to structured data provided by users or generated during transactions, enterprises must also be able to harness unstructured information, such as customers using social media to praise or complain about product quality or service experiences, attitude of staff, UX of an app/website etc. Some data is direct, but sometimes, second order inferences need to be made (e.g., based on a visitor's behavior on websites or a customer's behavior inside an app).

How data is used:

Collecting data is of limited value unless businesses analyze the data and use the findings to formulate hypotheses around improving the value they deliver to customers. For example, in response to a customer complaint posted on social media, a business may choose to tender an apology while also sharing its side of the story. But if there are multiple instances of similar complaints from different locations, the company's leaders would do well to look for and fix gaps in process, training or product/service design.

They can express their gratitude to the complaining customers on social media, thereby boosting their image as an organization that listens to the voice of the customer. This is another way to tangibly improve customer experiences using data to generate insights.

While generating insights, it is important that organizations keep in mind the context of customers, including demographic, location and other factors. Otherwise, the personas created and hypotheses developed may be incorrect and off the mark. The greater the diligence in formulating the hypotheses (based on data), the greater the likelihood of them being proven- and hence valuable to the business.

When harvesting insights and using them, it is important for businesses to make a distinction between customer behaviors and expectations that are short-term (e.g., induced by the pandemic) and those that are more permanent (e.g., enabled by better use of technologies). Some trends, like hybrid working, may be a combination, with solutions needing to address both elements. What specific segments or needs they prioritize, is of course a matter of strategic choice for each company.

In the rush to build and roll-out insight-enabled digital solutions, business leaders must ensure that they and their teams do not lose sight of the importance of the human angle to their solutions. Indeed, insights must enable businesses to maintain this fine balance.

Insight-driven actions cannot just be a one-time thing, because the competitive edge created around your business by insights has a finite life. If you think of insights as a “moat” around the castle of your business, then sooner or later, it will be breached by competitors (“enemies”). An article in the Harvard Business Review points out that the competitive edge created by insights depends on multiple factors.

Source: <https://hbr.org/2020/01/when-data-creates-competitive-advantage>



How much value is added by customer data relative to the offering's stand-alone value?

How soon does the company get to a point where additional customer data does not enhance the value of its offerings?

For how long does the data gathered remain relevant? Obsolete data (and the insights garnered from them) adds no value!

How easily can competitors source the underlying data from elsewhere? If this is possible, your edge will easily be negated.

How quickly can insights be incorporated into your products or services? The longer this takes, the more likely it is that someone else may do so- and perhaps earlier than your business can.

How easy is it for others to imitate the improvements your business makes? Ultimately, data and insights are only as valuable as the actions they trigger. If others can quickly come up with copycat products at lower price points, your edge will be dulled easily.

Does the data from one user help improve the product for just that user or for others in the segment? Clearly, the benefits of scale apply to insights too.



Insights Are Vital Across Industries

Transforming into an insights-driven enterprise is imperative for companies across industries. For B2C businesses, the underlying data will mainly come from prospects and customers; it could also come from business partners. For manufacturing companies, some insights will come from data gathered from the equipment on their shopfloor. A factory, for example, can harvest insights from the data captured from its machines and production lines. These can help them make timely decisions around quality, production, productivity etc., thereby cutting costs and making it easier to pass on productivity-based pricing discounts to customers.

It is important to remember that not all data will be explicitly articulated; sometimes, insights have to be distilled from metadata. For example, it is reasonable to infer that a person searching for forex travel cards is contemplating foreign travel for himself or someone in the family. A customer-centric bank can use this to market forex travel cards. If the visitor is looking for travel cards on the bank's app or after logging into the bank's online banking portal, the bank already has data available about the customer, his/her family and past/current relationship with the bank. This can be used to deliver on-the-fly offers that are relevant and attractive. If the person is searching for travel cards on the bank's web site, the bank can use chatbots to gather additional data and figure out if the visitor is an existing customer or not. This too is an example of insight-driven action.

A telecom service provider can create customer personas by combining

demographic data with data points around location, services consumed, social media activity, diurnal patterns etc. If the right data is mined, the yield will be a rich harvest of insights that can help the telco create new partnerships, develop new services, bundles or pricing plans, and create targeted marketing campaigns to boost customer base, average revenue per user (ARPU) and strengthen customer loyalty.

The travel and hospitality industry can achieve superior revenue management by generating insights from a combination of historical data (e.g., occupancy rates and revenue by room type) and current/future data (bookings, upcoming MICE events, seasonal tourist attractions etc.). The insights thus generated can help price rooms and flight tickets dynamically, to reflect variations in demand. (Uber's surge pricing algorithms do exactly this).

Insights are not just about enabling organizations to take actions; at times, they are just as useful to prevent certain actions from being taken. For example, if analysis of a customer's income and expenditure patterns (based on accounts with the bank) indicates an increase in hospitalization and medical expenditure, the bank must sense that the customer or someone in his/her family is not in good health. In such a situation, the "insights-driven system" at the bank must prevent marketing mailers for a foreign holiday from being sent to this customer; what may instead be relevant is a wellness retreat or health package. Such actions that are triggered by insights not only increase the likelihood of favorable purchase decisions but also help the bank being perceived as sensitive and caring thus fostering loyalty.



Increasingly, businesses are part of ecosystems that include other complementary businesses. Insights must be shared with ecosystem partners to collectively address customer needs better or deliver superior experiences. For example, a bank that has information on a customer's birthday or wedding anniversary may use tie-ups with restaurants, hotel chains, airlines, and travel aggregators in its ecosystem, to offer customized packages. Such packages can just as easily be initiated by other members of the ecosystem as well.

As evident from the success of several disruptive startups, the battle is not always won by the strongest brands or those with the biggest balance sheets.

Insight-driven businesses are better positioned to innovate, customize, and offer bundles that are relevant to the customer's context. In turn, this enhances the likelihood of delivering superior customer experiences.



What Holds Companies Back?

Despite knowing the importance of being insight-driven, many businesses are not where they ought to be on their journey to drive business performance using data-driven insights. This inability could be the result of multiple factors such as the following:



An **internally focused mindset**, that in turn emphasizes inward-looking processes that are optimized for organizational convenience rather than being externally oriented and hence, customer-centric.



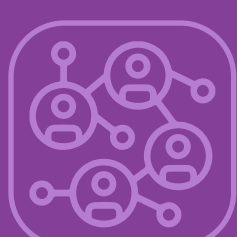
Lack of actionable insights. Obtaining reliable and robust, data-driven insights is akin to searching for the proverbial needles in haystacks. The task is clearly onerous but can be made easier with the right technological tools. Enterprises that lack such tools will either not be able to analyze data thoroughly, may take too long for the analysis or generate only high-level insights that are not granular enough to facilitate specific and decisive actions.



Legacy organization structures that are siloed based on products or lines of business, which inherently militates against gathering and integrating insights that enable creation of holistic customer personas.



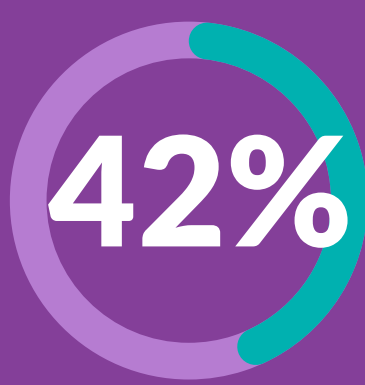
If the **leaders of the business have not bought into this paradigm** and so do not support such strategic actions, people at lower levels will be afraid to think outside the box and act in ways that may appear prima facie counter intuitive. A culture that is not open to experimental innovation or does not tolerate “failure” can further exacerbate the shift to being an insights-driven enterprise.



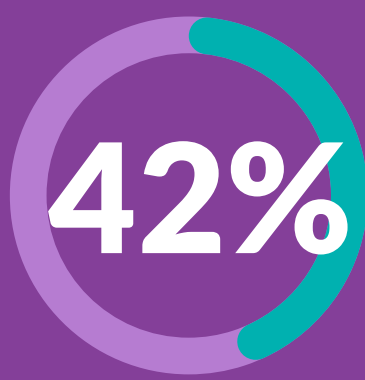
Teams working on insights lack some competencies. Teams responsible for generating customer insights are high on technical skills, but do not always possess the business acumen or commercial savvy needed to translate the insights into strategic or tactical actions. What is needed is to ensure that the insights teams include “business experts” who can guide the analysis and act as a bridge with colleagues responsible for taking actions.

The net result of the above lacunae is that many businesses still lack the ability to coherently analyze data and use the insights generated to drive improvements across all business processes, customer segments and engagement channels. Also, some organizations view this as a process that ends when the product/service is first sold to a customer, when in fact, gathering insights and taking suitable actions based on them must continue across the relationship lifecycle of customers. This is the only way businesses will have a good chance of continually “anticipating and responding to customer needs”- the holy grail for all business leaders.

Here are some statistics that reveal the extent of the problem:



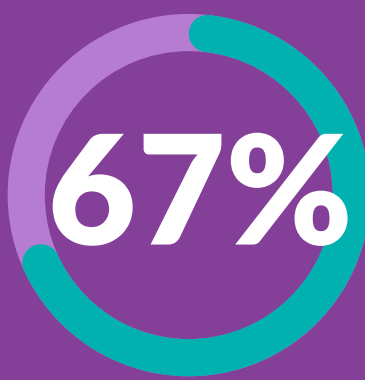
of organizations admit that silos negatively impact the quality of the insights



of organizations believe that their Customer Insights teams take too long to deliver insights.



felt that the insights delivered were not actionable.



of CMOs were of the view that they do not have an integrated view of the consumer or that their teams lack the skills needed to access the technologies to harness data.

Source: <https://customerthink.com/be-consumer-fit-insights-driven-organisations-grow-8-times-faster-than-global-gdp/>





What Can Companies Do?

While priority areas for generating insights will depend on the specific context of each business enterprise, it is useful to categorize customer data and insights on the basis of what they can help the organization achieve. Four groups of data and insights can be identified:



Those that help the business **better understand customer behaviors and preferences** and accordingly come up with offerings, pricing options, bundles etc.



Those that **help build trust** and make it possible for leaders to take decisions that are always right by the customer (e.g., a wealth manager providing unbiased advice based on the customer's risk profile and financial position).



Those that provide a **window to unfulfilled needs and expectations**, thereby creating innovation opportunities for the business. For example, frequent customer complaints about difficulty in using a certain pack or wastage should encourage the business to modify the design.



Those that have a **direct impact on customer experience**; for instance, seamlessly switching between channels based on context and constraints (e.g., not having access to wi-fi or mobile data).

Once the enterprise has prioritized the types of insights it needs, it must honestly assess its current state with respect to its ability to generate data-driven insights. This exercise must help identify gaps in processes, technologies, talent, and enablers.

Leaders must then juxtapose the two sets of findings and draw a time-bound roadmap to acquire the necessary resources and strengthen capabilities. Specific sensitization or training may be required given that being insights-driven requires a mindset, without which leaders and managers may not take or approve budgets or allocate human resources.

As with all transformation programs, it is essential to define a set of transparent metrics that can tell the leaders (and indeed, all stakeholders) how far the needle of customer-centricity has moved. If the actions taken have not delivered the expected results, rather than dilute commitment and intensity, it is important to stay the course and fine-tune the type

of data captured, the frequency of harvesting data, the process of aggregating data, and of course, the analytical models and tools used. Pilot projects to test out the improvements too must continue.

Also, there is no saying what or who can discern patterns or connections. Therefore, instead of pigeon-holing "Insights teams" into lines of business, geographies or teams (Sales, Customer Service etc.), it is preferable to make them boundaryless and cross-functional. Enable collaboration and sharing of ideas and outcomes, so that customer experiences across different touchpoints can be improved at the organizational level. And remember that while the goal of insights is to deliver superior customer experiences, they must also be utilized to improve life for your employees by ringing in changes to policies, processes and even systems. This is a powerful way to create the large-scale buy-in necessary to build and foster an insights-driven culture.

Conclusion

New technology paradigms are driving change in every industry; consumer behaviors and expectations are being shaped by digitalization as well as the COVID-19 pandemic. The broad-brush effects of these changes- e.g., adoption of digital channels, shrinking attention spans, declining loyalty, greater focus on value for money etc. are well-known. However, it is becoming important for businesses to be aware of the nitty gritty of individual customers and micro segments as well because we're in a world where customers view themselves as unique and thus expect personalized products, services and contextual experiences.

Business enterprises can capitalize on this trend only if they harvest insights from

customer and other data and use them to reframe strategies and tactics. To create a culture that encourages insight-driven thinking and action, organizations need the right expertise as well as technological capabilities. Visionary leadership is key to promote and sustain a culture where people at all levels are empowered to identify insights and apply them to make incremental or radical changes that help the organization get better at anticipate customer needs and responding to them.

Increasingly, the future success of any business will depend on how quickly and effectively (relative to its competitors) it is able to convert legitimately gathered tacit and explicit customer datasets and the insights generated therefrom into tangible assets.



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