

Customer-centricity and Customer Data Integration

Achieving a competitive edge through customer-centricity



Customer-centricity and CDI

Synopsis

One of the biggest challenges in becoming a customer-centric company is the lack of a truly integrated approach — one that enables a progressive transformation, delivers improved business results and realistically addresses support needs. In this paper, Experian® provides a clear, measurable and actionable framework for achieving competitive advantage through customer-centricity that is empowered by flexible, cost-effective Customer Data Integration (CDI).

What businesses really need to know about customers

Even in the most complex transactions, people ultimately buy with emotions and justify their decisions with logic. This point was illustrated recently when viewing a series of 1970s-era television commercials. Back then, cars were sold logically, highlighting features such as back-seat room for adults. A bleach commercial was anchored on an offer to actually mail test results proving that you can use a smaller amount of the company's brand than the competition's (if you provided a self-addressed, stamped envelope). These commercials obviously are a far cry from the clever "Zoom, Zoom, Zoom" emotional play offered by Mazda® or the cool factor conveyed by all things Apple®. Emotions, which may sometimes even defy logic, are now understood to be the most powerful factor in the success or failure of gaining and retaining customers.

Emotional connections are the heart and soul of good customer relationships. Yet, few in the corporate world recognize the value of creating planned emotional experiences for their customers. Today's most astute customer-centric organizations (think FedEx®) are realizing immense success by deliberately creating superior customer experiences across all their customer interactions.



Emotional connections are the heart and soul of good customer relationships.

Customer-centricity and CDI

Why should you care about customer-centricity?

Even small improvements in customer retention have been proven to be worth millions of dollars for most companies.¹

- 84 percent of companies say that their markets are commodifying
- 76 percent say this trend is affecting their profitability²

Advances in technology are forcing companies to become more customer-centric. Today's technology innovation cycles are so rapid that the time frame from innovation to imitation is very short, making it difficult for products to sustain a competitive advantage. Furthermore, the Internet is eroding the once-stalwart advantages of traditional distribution channels. While the importance of good products is not disappearing, the simple truth is that the opportunity for sustaining competitive advantage now lies in your ability to deliver a superior customer experience.

Superior customer experiences are:

- Built by consistently exceeding customer expectations
- The result of producing a set of planned emotions in customers that reinforce your brand
- Designed from the outside in
- A function of corporate leadership, culture, people and physical execution
- A source of long-term competitive advantage

This requires a customer-centric business model, and that means you must deliver customer-centric intelligence and performance metrics data as effectively in the future as you deliver product-centric financial metrics data today.

Becoming customer-centric

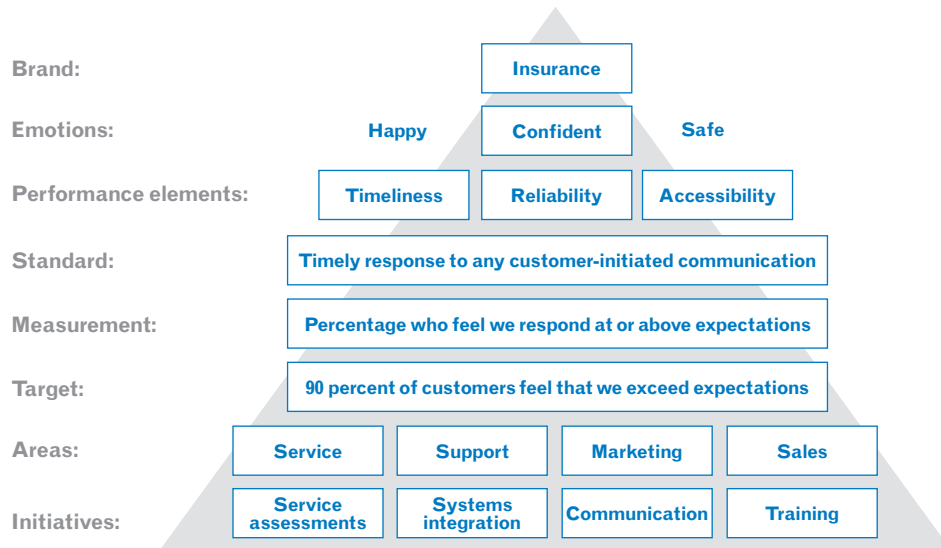
The good news is that a customer-centric strategy is understandable, quantifiable and extremely actionable. Implementation can be broken down into staged phases across all business fronts. The following graphic illustrates how this can be accomplished.

¹Sunil Gupta and Donald R. Lehmann, *Managing Customers as Investments, The Strategic Value of Customers in the Long Run* (New Jersey; Wharton School Publishing, 2007). *Note: See the section entitled "How much is this worth to your company?" on page 6 of this white paper.*

²Colin Shaw, *European Conference 2005 Workshop*, <http://www.beyondphilosophy.com/downloads> (2005)

Customer-centricity and CDI

The Customer Experience Management Pyramid™³



The Customer Experience Management Pyramid™ demonstrates a basic framework for ensuring that emotional connections with customers are deliberate, preplanned and invoked consistently across the company. In this example, an insurance firm has targeted the emotions of happiness, confidence and safety. Let's examine confidence. We see that performance elements are defined that instill this emotion in customers. For example, timeliness (of responses), reliability (of services) and accessibility (of people) are the performance elements that produce these emotions in the firm's customers.

To ensure that customer expectations are exceeded, performance standards, measurements and targets are defined from the customer's perspective (not internal goals). This provides a performance management benchmark. Standards define the performance expectation. Measurements track results. The target quantifies success.



Performance standards, measurements and targets should be defined from the customer's perspective, not internal goals.

³Adapted from Colin Shaw and John Ivens, *Building Great Customer Experiences*, PALGRAVE MACMILLAN, 2002, p. 150)

Customer-centricity and CDI

These performance elements then are applied across the company. Each area (Marketing, Sales, Service and Support) must implement its own processes to meet these standards. Therefore, within each area initiatives are defined to ensure that business produces consistent emotional responses in customers no matter where or for what reason the customer contact is made.

This type of performance coordination ensures a common customer experience that promotes loyalty and helps acquire new business. Even internal support organizations should have a defined contribution. This is what it takes to be a customer-centric organization.

CDI's role in customer-centricity

Clearly, customer-centricity is much more than a marketing program. Though it may start small, it must grow to include every area of the company. As each department implements customer-centric processes, access to integrated customer intelligence needs to be seamless. An intelligent strategy for supporting CDI makes it possible to cover the ever-evolving landscape of customer data needs at the speed of business and at an affordable cost.

The best CDI strategy allows you to start small, say with one database, and systematically phase in new areas as needed. If implemented well, CDI will:

- Help ensure operational excellence through delivery of accurate and complete customer intelligence
- Reduce the backlog of CDI information requests
- Enable both tactical and strategic solutions
- Make it possible to attack more advanced strategies such as customer profitability management, which requires customer-centric data for financial measurements, customer analysis and physical performance management

No matter how advanced the technology, CDI succeeds only with business-driven data management. Just like accounting, businesspeople must retain ownership of it.

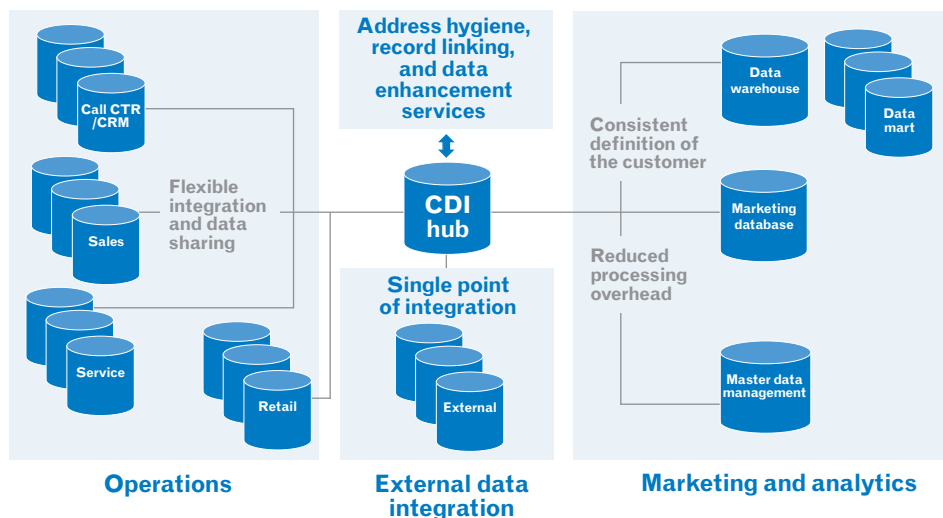
A CDI strategy also should produce results quickly. It does not require a multiyear, multimillion-dollar, high-risk investment that adds layers of management complexity to data delivery, nor will it deter investments in larger solutions. Properly implemented, CDI will be a catalyst for change, enabling flexibility, lowering data-management costs, reducing time to market and improving productivity.

Customer-centricity and CDI

An enabling CDI strategy

The best approach to CDI provides a data-management infrastructure that enables delivery of customer-centric intelligence to grow with guaranteed quality and the flexibility to enable an evolving strategy. This approach, which is embodied in a CDI hub, follows the proven principle that without exception, large-scale solutions require enabling infrastructures. This is true in engineering, organizational management and enterprise data integration.

A CDI hub allows you to exchange data between existing databases, deliver data to business users and ensure absolute consistency of customer views across every database in the company. Conceptually, it could not be simpler.



The CDI hub resides under the current portfolio databases in much the same way that an infrastructure supports a large bridge. As illustrated above, this means that CDI needs are met consistently across all areas of the company.

- **Operations** have the flexibility to support new CDI needs quickly with the accuracy that ensures business users can trust the data for their day-to-day operations. The CDI hub enables your company to select from multiple approaches for delivering data and avoid being constrained by inflexible systems.
- **External data integration** can be frustrating for many large enterprises due to repurchases of the same data, usually at different price points and across different divisions. With a centralized CDI hub, external data from demographics to suppression files can be integrated once and delivered to all databases.
- **Marketing and analytics** need to exchange information with each other and with operations. This can be accomplished only if a common control point guarantees that all customer views are created consistently. A CDI hub preserves bandwidth by circumventing the need to squeeze too much processing into one large database just to ensure consistent results. This guarantees consistency of analytic results and the ability to easily integrate analytics into operational systems for management of direct customer interactions.

Customer-centricity and CDI

A CDI hub speeds up the delivery of all CDI solutions, improves quality, ensures consistency of results and significantly lowers costs over the time.

How much is this worth to your company?

A 1 percent improvement in customer retention will increase gross profits in most companies by 2.5 percent to 3.5 percent.¹

This is 50 times more valuable than a 1 percent improvement in acquisition costs and five times more valuable than a 1 percent improvement in margins or discount rates.¹

Impact of retention of profit					
Retention rate improvement	Discount rate				
	5.00%	5.50%	6.00%	6.50%	7.00%
60% to 61%	2.33%	2.32%	2.30%	2.29%	2.28%
70% to 71%	3.00%	2.97%	2.94%	2.92%	2.89%
80% to 81%	4.20%	4.14%	4.08%	4.02%	3.96%
90% to 91%	7.00%	6.81%	6.63%	6.45%	6.29%

For example, if the firm’s discount rate is 5 percent and the retention rate is 70 percent, increasing retention to 71 percent will improve annual profit by approximately 3 percent. If the firm made \$120 million in profits last year, this improvement translates to \$3.6 million. Notice that the higher the current retention rate, the greater the impact on profits.

¹Sunil Gupta and Donald R. Lehmann, *Managing Customers as Investments, The Strategic Value of Customers in the Long Run* (New Jersey; Wharton School Publishing, 2007). *Note: See the section entitled “How much is this worth to your company?”*

²Colin Shaw, *European Conference 2005 Workshop*, <http://www.beyondphilosophy.com/downloads> (2005)

Customer-centricity and CDI

Conclusion

Customer-centricity is unique in that it is being forced upon businesses from the outside in. Increasingly demanding customers along with global economic realities are requiring businesses to deliver both excellent products and superior customer experiences if they are to sustain and grow market share.

Making a successful transition to customer-centricity requires the ability to integrate leading-edge business practices with the empowerment of customer-centric intelligence. Experian's Customer Data Integration delivers meaningful business value in the short-term while incrementally building toward long-term goals.

Customer Data Integration provides:

- **Proven results** by leveraging world-class repositories of highly verified intelligence
- **Very short time to market** with implementation in as little as 30 days
- **Enabling services** that optimize customer value in almost any aspect of your business
- **Minimally invasive implementations** that preserve your existing systems investments

By understanding what matters most — your business strategy — Experian turns business needs into delivered results.

To read more about the economic impact of customer-centricity and CDI, please see [Measuring the Strategic Value of Customer Data Integration](#), available from Experian Marketing Services.

Experian works with companies across the whole marketing life cycle. For information and advice on integrated offerings of this kind, contact us at 1 800 836 7086 or marketingally@experian.com

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12/08 • 9004/1028 • 4883-CS