Moving from the Art to the Science of delivering Customer Value

Turning data into business insights, into market-facing decisions, and through into business value

INSIGHTS&DATA

People matter, results count.
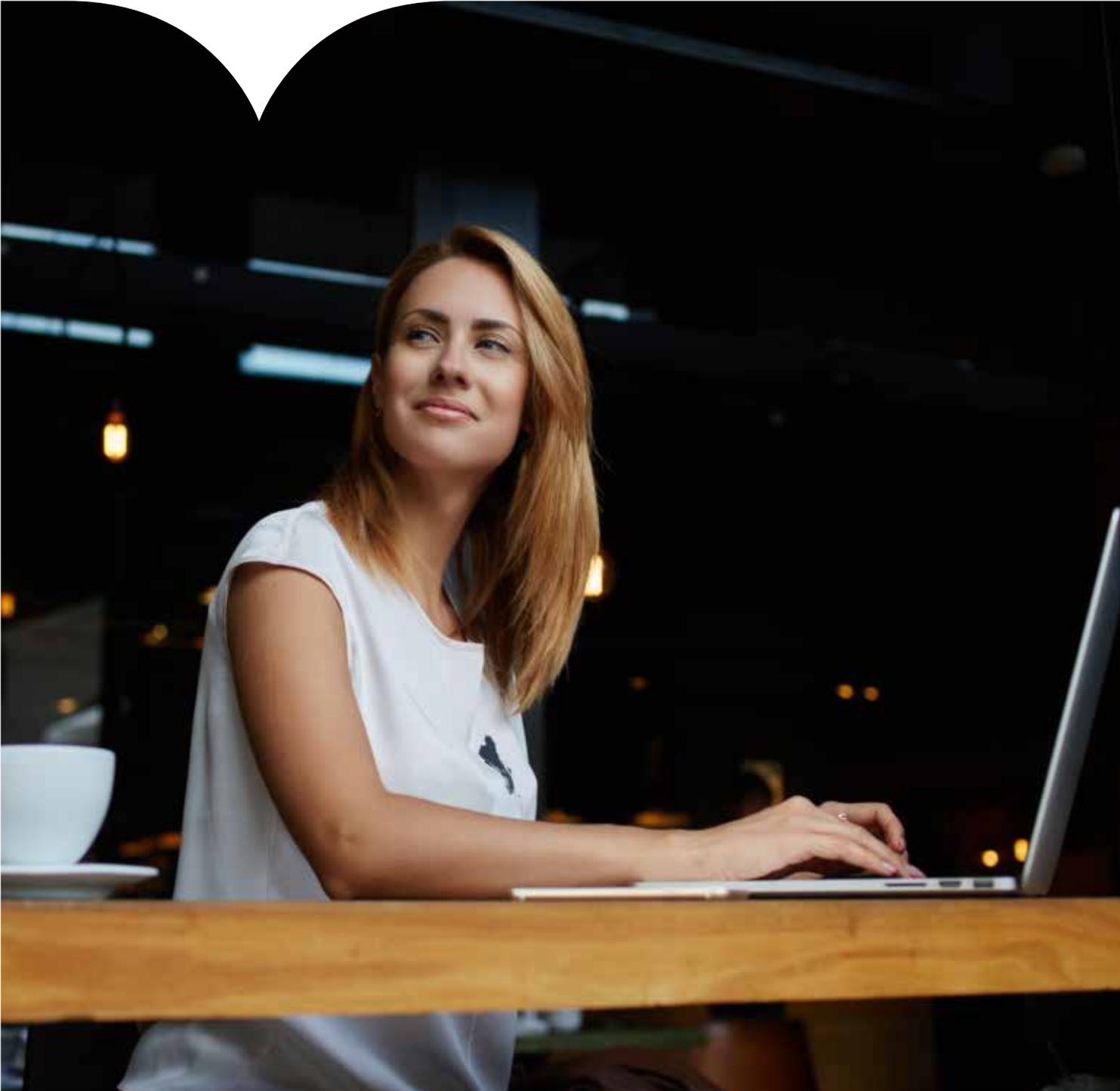
Overview

This paper looks at how the marketing landscape has changed significantly with the impact of technology, and how this has led to a shift away from the art of marketing to embrace the science, and to achieve the aim of delivering customer value.

The shifting Marketing landscape

During the global financial crisis starting in 2007, revenues dried up and companies turned to the CIO to streamline operations and make sure that every dollar spent had a solid return on investment. The mantra - "do more with less" - became the new normal, while CMOs who were spending millions on marketing campaigns without clear returns, became easy media and boardroom targets. Then, in 2010, the adoption of social media, mobile and cloud computing swept in to save the CMO.

Social media turning the tables

One of the single biggest changes to hit the desk of the CMO is the impact of social media and in particular, the speed with which it has changed how consumers engaged with brands. From being the isolated anonymous person, faced with unresponsive businesses and poor service, consumers have now turned the tables. They now act as a community, controlling the brand conversation, and enthusing to their peers about great products and equally condemning bad ones. In essence, social media has mutated from 'ho-hum' online advertising into a rock star for the multi-channel customer experience. For the brand, this means that everyone within a company, from the CEO to the intern, now values the customer experience.

Cloud Computing opening the door

Another big event in 2010 was the emergence of cloud computing. Traditionally tech purchases for Marketing or any other department had crept along a lengthy approval process, with the CIO controlling hardware and software resources. However, the emergence of as-a-Service cloud solutions, marketed at the lines of business, now means that CMOs have a much greater control over their IT needs. If the market demands, they can get a subscription to a service up and running in 24 hours. Moreover, with a CMO's budget viewed as OPEX (operating expense), rather than CAPEX (capital expense), CMOs in theory can write a million-dollar OPEX commitment almost in a heartbeat.

Therefore, the Marketing function is now becoming a key driver of IT purchasing, and that trend shows no signs of stopping – or slowing down. In fact, Gartner analyst Laura McLellan[1] recently predicted that by 2017, CMOs would spend more on IT than their counterpart CIOs – a very significant change in only a few years.

> Social media has mutated from 'ho-hum' online adveritising into a rock star for the multi-channel customer experience.

> Consumer expectation is a perfectly tailored experience, and consumers want it now, as long as it is relevant and delivered at the right time.

Proliferation of smart mobile devices

Mobile devices have also had a revolutionary effect for marketers – providing a commercial channel to consumers almost anywhere, anytime, from standing in the checkout line to riding the train home. The combination of mobile devices and social media has brought the CMO within a hair's breadth of the revenue pipeline. Previously a traditional marketing funnel delivered a large volume of leads to salespeople. Today, Marketing not only qualifies leads but also, in many cases, converts leads to sales, thus bypassing the sales team.

The tech savvy consumer may use as many as half a dozen smart devices throughout the course of the day: phone, tablet, PC, laptop, television, and maybe wearables. This expansion of channels means that marketers must not only find and identify a consumer across these devices in real-time, but also deliver a seamless experience that is equally satisfying from device to device. For example, a consumer might conduct an initial product search on a mobile device while waiting for a bus after work, watch an advertisement for the same product on television at home, and then execute an order for the product on a tablet at midnight.

Consistency Vs personalization

However, the omni-channel approach comes with its challenges. The CMO has to justify to the CEO and CFO why spending multiple dollars on multi-device marketing makes sense; that is, how every device or channel plays its own role in the customer conversation and sales conversion. Secondly, omni-channel implies consistency of experience but in a nuanced way that understands the individual behavioral aspects of consumer purchasing according to channel. Identity's twin

sister is personalization, or rather delivering a personalized customer experience.

Before, a consumer would walk into a Banana Republic clothing store and have broadly the same 'public' experience as everyone else. However, online that is not the case. Consumers expect a more personalized interaction that takes account of previous contacts, communications and purchase histories. People get annoyed when they see an advert on their Facebook page that has nothing to do with them, or worse, an advert for an item that they have already bought. With the immediacy of mobiles has evolved a consumer with very little patience. Five years ago, the technology to carry out real-time targeting, and real-time personalization did not exist. Now the consumer expectation is a perfectly tailored experience, and consumers want it now, as long as it is relevant and delivered at the right time

Globally, customers want their digital commerce to be easy, comfortable and simple, and tend to use portals, broker platforms or so-called 'virtual guardian angels' to facilitate buying decisions. In response, businesses offer individually tailored packages to identified or known customers to deepen the relationship. The logic is that a trusted relationship is a channel to gather more easily additional relevant customer data, and using that data means the business can further tailored offers that provide greater value to the customer – the ultimate goal of the marketer.

The art of creating value

According to Adrian Slywotzky, one definition of Marketing Strategy is "the art of creating value for the customer. This can only be done by offering a product or service that corresponds to customer needs. In a fast changing business environment, the factors

that determine value are constantly changing."[2]

George Torok, marketing author, argues that on the one hand "Marketing is an art because marketing is about appreciating the nuances of human behaviors. Beauty is in the eye of the beholder. Beauty is art."[3]
Certainly, the marketer has relied heavily in the past on the advantages of creativity and gut instinct – elements such as visual identity, branding, perceptions of colors and images, much of which is essentially subjective and difficult to measure accurately. The 'scientific' aspects of the traditional marketer have been limited by and large to historic reports of OTS (Opportunity to see), perception studies and stock reports, and often unreliable measurement of ROMI. Moreover, there is always a degree of the 'unknown' in predictions, however well carried out.

And now the science

However, the science of marketing has come of age, and now is available to provide cost effectively the insights for decision-making. The art of creating customer value, while addressing ongoing and sometimes disruptive changes caused by technology, ecology, economy and demographics, goes hand in hand with the science provided by analytics - the advanced analysis of customer data. We call this Customer Value Analytics, which can be defined as the interplay of data, technology, statistics and business processes to make a decisive impact on the delivery of value to both the consumer and the business.

Capgemini's Customer Value model

We believe that a Customer Value model is the interplay of four distinct layers; Customer Value, Customer Journey, Customer Value Analytics and Company Value, as represented in Figure 1.

The foundation of the Customer Value model is the delivery of personal value to the customer, represented as the inner circle. The Customer Journey is the environment in which the customer's behavior is assessed, measured and influenced, as the service is found and consumed, and it is established whether the customer satisfaction criteria have been met. We do this by analyzing various customer data sources, represented as the Customer Value Analytics circle. The surrounding circle, Company Value, represents the economic value the company wants to achieve.

The four layers should be continuously linked to each other. Not only should Customer Value logically design the findings of the Customer Journey, but it should also drive the business case that creates Company Value and vice versa. And with the continuous changing behavior of consumers, competitive landscapes, and adoption of new technology enablers with new data points, the challenge is to do this in real-time.

Figure 1: The Customer Value model describes the interplay between Customer Value, Customer Journey, Customer Value Analytics and Company Value
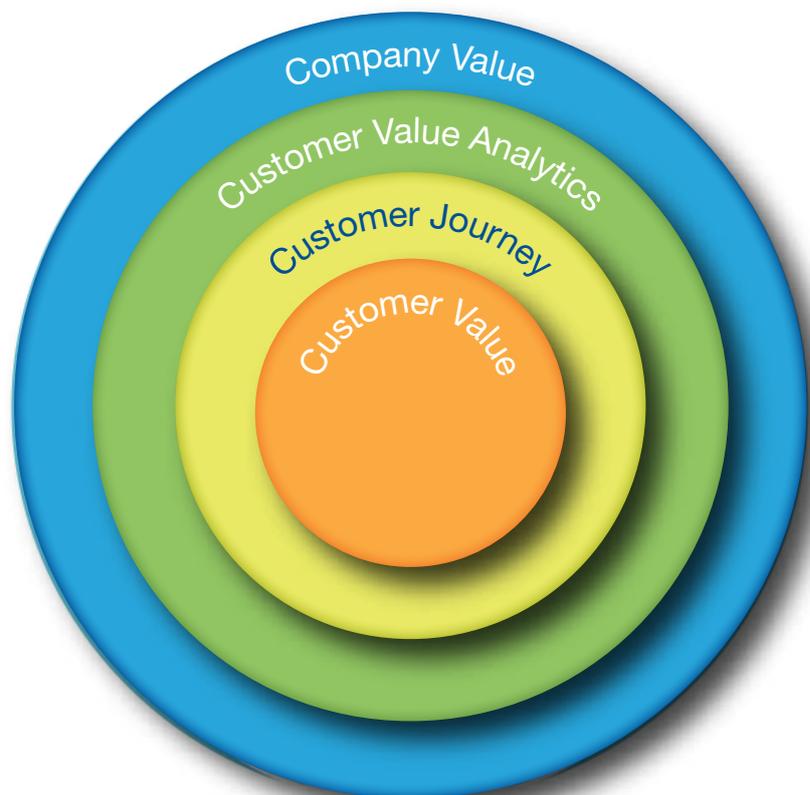
Customer Value

The core objective of many enterprises is the delivery of customer value. Whether a product or service adds value to a customer depends on the needs of the customer, the current state of the customer and their beliefs (Schwartz[4]). A service is only regarded as valuable when a customer is motivated to use the service and therefore understanding the motivational drivers of a customer is important when creating a service to meet those needs.

According to Deci and Ryan[5], three universal needs, or indicators of well-being, should be taken into account when we describe customer value - autonomy, competence, and relatedness. In the Self-Determination Theory, Deci and Ryan represent a broad framework for the study of human motivation and personality. It is argued that conditions supporting the individual's experience of autonomy, competence, and relatedness foster the most willing and high-quality forms of motivation and engagement.

In addition, the Theory proposes that the degree to which any of these three psychological needs is unsupported within a social context will have a detrimental impact on wellness in that setting. Using social media and push emails, the relationship or dialogue between an organization and a customer is certainly getting more personal and dynamic, so it is important to bear in mind the Self-Determination Theory universal needs, which we explore further below.

Need for autonomy

As indicated earlier, the dynamics of consumer behavior have changed. Consumers expect to be able to influence the way they are treated online and so have a greater control over the way a service is delivered. Having control over a decision, being an autonomous decision maker, is one of the universal needs that enterprises need to take into account.

Need for competence

Consumers need to feel competent and at ease when engaged in an activity or using a product or service. This provides a sense of personal satisfaction, particularly when supported by peer or community acknowledgement.

Therefore, if, for example, a customer is unable to complete an online purchase for whatever reason, and then is prevented from concluding the transaction later when logging on from another device, this results in feelings of incompleteness. Making sure that the customer experience is streamlined, especially when using a variety of channels, helps ensure the customer's sense of competence is retained.

Need for relatedness

The third need is to feel connected with other people and even feel empathy when interacting with others. For example, consumers want to have, what is commonly described as, a more 'human' relationship with an organization and to be treated as an individual rather than an order number. They also want the option to communicate with a brand via a community platform, or connect with other people interested in the same product or service. Offering a trusted customer service is part of this need.

Need for Creativity

Alongside these needs we should also take into account the needs defined by Maslow's hierarchy[6], which suggests that people are motivated to fulfill basic needs, such as food and shelter, before moving on to other more advanced needs, such as personal growth and self-actualization.

This last need is indeed potent in today's world where most of the basic needs have been taken care of, and there is therefore, a strong desire to realize one's full growth potential, and to explore one's creativity.

The need to achieve self-actualization is in fact complementary to the three universal needs and expands our definition of customer value. Hence, the challenge for marketers is to fulfill these four psychological personal needs, to ensure that the consumer's motivation to engage with the product or service is seamless and complete, and to provide personal satisfaction at an individual level. It is at this point that value is provided to the consumer.

Customer Journey

Digital has undoubtedly greatly influenced consumer behavior, which is reflected in the customer journey, where decision making occurs and preferences are shaped in fragmented moments. As such, various channels are involved in shaping the customer journey, which makes it a challenge to fully investigate and understand consumer behavior.

The customer journey is a set of the steps that customers go through when they engage with a company, whether it is for a product, an online experience, a retail experience, a service, or any combination. At each step, the consumer forms an opinion of the experience generated by the interaction and evaluates it.

Consumers usually have a purpose or wish to fulfill a particular need, such as buying a product, making a complaint when they interact, and during this process, there is a set of stages that the customer goes through - called customer life-cycle stages.

The customer journey is often represented as a map or diagram. Figure 2 for example visualizes the various stages of purchasing a smart phone and subscription. A customer journey can illustrate the moment that a consumer engages with a company, e.g. via an advertisement on television, the moment he/she buys a product online or in the store, the experience of using the product, sometimes shared with others, e.g. online, through to 'completing' the journey by upgrading or replacing.

These journeys give a snapshot of the interaction experience between customer and company, and investigating the various stages along the journey can provide a company with insight into customers' intentions, motivations or even emotions at each stage.

A customer journey map can also help identify the gaps at each stage of the customer's existing experience. This provides the potential to analyze the degree to which a customer is likely to be gaining positive value from the interaction; the point during the journey at which a customer might be looking to abort the purchase; or where the experience should be improved.

The challenge with customer journeys is the fact that they can be very dynamic and change over time. Understanding and continuously optimizing the journeys is a key challenge and requires the capability to observe journeys on a real-time basis, and then to optimize at the right moment in time. For marketing professionals this is a shift from one-off campaigns towards customer experience management. In multi-brand and multi-market companies, this raises the question who "owns" the consumer journey and who is responsible for the continuous optimization.

Figure 2: A customer journey represents the stages that customers go through during their interaction with a company
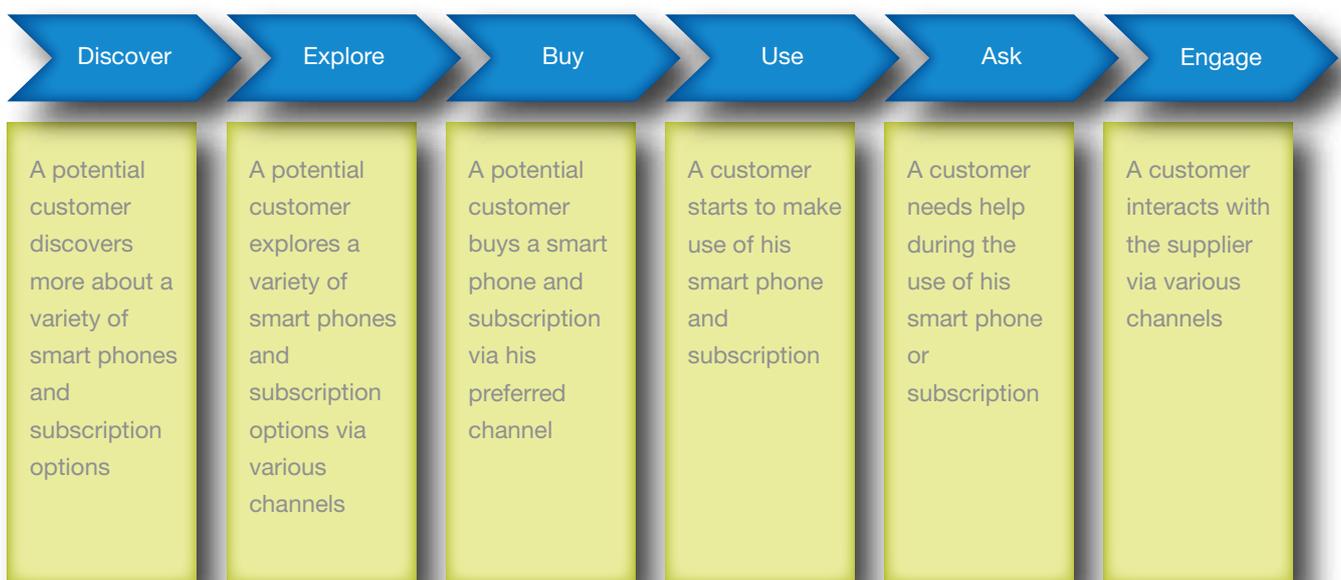
Customer Value Analytics

The third layer, Customer Value Analytics, analyzes, monetizes and influences the Customer Journey. At each stage of the customer lifecycle, there are various opportunities to explore the underpinning data, and to gain a deeper insight into the consumer behavior and activity, specific to that point in time. It also allows the marketer to analyze the data by customer segment.

Analytics can probe customer responses and learn what kind of offers the customer prefers, and understand the context behind the use of a product. It also shows the importance of customer profiling and using this insight to offer products or services that meet the particular profile needs.

As Figure 3 illustrates, for example at the point of purchase, a retailer might wish to understand more about the factors that led to the purchase decision being made, or

the circumstances in which further purchases could be made. Using propensity modeling and cross-sell/upsell modeling, the retailer has more clarity into the particular triggers for the consumer at that particular point in the journey. Moreover, today's analytics can more accurately measure and predict than ever before. The models become even more powerful when used across the various journey stages, or when used to track a particular target segment.

Figure 3: Customer Value Analytics analyzes consumer behavior through various lifecycle stages

Lifecycle stage	Business objective	Analytical method
Discover	■ Profile customers ■ Evaluate prospects	■ Segmentation ■ Lead scoring
Explore	■ Analyze customer response ■ Optimize marketing mix	■ Offer/contact optimization ■ Marketing mix modelling
Buy	■ Predict future events ■ Expand wallet share	■ Propensity models ■ Cross-sell/upsell
Use	■ Drive deeper product use ■ Understand context behind	■ Product and recommendation analysis
Ask	■ Learn about drivers of engagement	■ Engagement analysis ■ Voice of customer analysis
Engage	■ Manage defection of customers	■ Churn models ■ Next-best-action models

Company Value

Understanding the levers of consumer behavior and therefore delivering customer value in a sustainable manner is the raison d'être of Customer Value Analytics. In return, a heightened propensity of the consumer to buy and continue to buy products and services will contribute to Company Value, in a sustained manner. By implementing innovative customer sourcing/profiling models, identifying churn drivers and building churn propensity models, the company will retain customers and increase the profitability of the existing customer base by building cross-sell, upsell or 'next-best' action models, and so grow its share of wallet. Moreover, in addition to retaining satisfied customers, the company is also in a strong position to understand and therefore acquire new customers.

The essential building blocks

In our work with clients, we recognize that there are three essential capability building blocks, which when implemented consistently, can enable

organization to become an insights-driven business:

- **Business Value Analytics and Benefits Management;** use of analytics and data science skills for insights generation, and active value achievements monitoring;
- **People, Processes & Governance;** comprehensive governance that can transform traditional BI capabilities at scale;
- **Data Foundation and Big Data Platform;** ensuring security and privacy to manage and govern the (master) data foundation, storing all relevant data via scalable Big Data platform, (such as Capgemini's Business Data Lake) accessible to all stakeholders.

Together, these essential building blocks form a pragmatic foundation that can lead to sustainable value.

> By implementing innovative customer sourcing/profiling models, identifying churn drivers and building churn propensity models, the company will retain customers and increase the profitability of the existing customer base.

Conclusion

With the dynamics of cloud, social media, mobile and personalization, the marketing landscape has certainly undergone a refocusing of its customer lens and has moved from the art of marketing to embrace the scientific skills of continuous understanding of customer behavior and actions.

In this way, the creativity of the marketer is complemented by transaction or behaviour insights, derived from a variety of data sources, and produced to guide or strengthen business decision making. This is why we believe Customer Value Analytics is so important in shaping market-facing strategies.

Our Customer Value model provides a framework for ensuring that the seamless delivery of personal value to the customer is assessed across the individual engagement steps of the Customer Journey, supported by advanced analytics to monetize the value, to ensure that the company also generates its own economic value.

Delivering a seamless and personal customer experience across all channels and devices, while stimulating engagement with the customer and acting on drivers of motivation, are the key steps for creating and maintaining a sustainable customer relationship. Whether you believe that marketing is a science or an art, or more likely, both, the 'art' for all marketers is the science of turning data into business insights, into market-facing decisions, into business value.

References

1) McLellan, L., Brinker, S. (2014). The rise of the Chief Marketing Technologist Available from: https://hbr.org/2014/07/the-rise-of-the-chief-marketing-technologist [August 2014]

2) Slywotzky, A. (1995). Value Migration: How to Think Several Moves Ahead of the Competition, Harvard Business Press.

3) Torok, G. Available from: http://www.torok.com/articles/marketing/MarketingArtorScience.html. [12 April 2016].

4) Schwartz, Shalom H. (2012). An Overview of the Schwartz Theory of Basic Values. Online Readings in Psychology and Culture 2 (1).

5) Deci, E. L., & Ryan, R. M. (2000). The "What" and "Why" of Goal Pursuits: Human Needs and the Self-Determination of Behavior. Psychological Inquiry, 11, 227-268.

6) Maslow, A.H. (1943). A Theory of Human Motivation. Psychological Review 50 (4) 370–96.

7) Poiesz, T. (2014). Redesigning Psychology: In Search of the DNA of Behavior. Eleven International Publishing.

8) Van Belleghem, S. (2014). When Digital Becomes Human. Lannoo Campus, Leuven.

9) Google. Micro-Moments: Your Guide to Winning the Shift to Mobile. Available from: https://think.storage.googleapis.com/images/micromoments-guide-to-winning-shift-to-mobile-download.pdf. [12 April 2016].

10) Richardson, A. (2015). Using Customer Journey Maps to Improve Customer Experience. Available from: https://hbr.org/2010/11/using-customer-journey-maps-to [12 April 2016]

"

Whether you believe that marketing is

a science or an art, or more likely, both,

the 'art' for all marketers is the science of

turning data into business insights,

into market-facing decisions,

into business value"

Capgemini
CONSULTING.TECHNOLOGY.OUTSOURCING

For more details contact:

Ruurd Dam
Global Head of Customer
Value Analytics, Insights & Data
+31 6 12 993 779
ruurd.dam@capgemini.com

Sinan Gurman
Sr. Director, Customer Value
Analytics
sinan.gurman@capgemini.com

Cyriel Houben
Principal Consultant
Insights & Data
cyriel.houben@capgemini.com

Annalie Nieuwenhuijzen Kruseman
Customer Value Analytics
Consultant
annalie.
nieuwenhuijzenkruseman@
capgemini.com

Capgemini Insights & Data

In a world of connected people and connected things, organizations need a better view of what's happening on the outside and a faster view of what's happening on the inside. Data must be the foundation of every decision, but more data simply creates more questions. With over 11,000 professionals across 40 countries, Capgemini's Insights & Data global practice can help you find the answers, by combining technology excellence, data science and business expertise. Together we leverage the new data landscape to create deep insights where it matters most - at the point of action.

To find out more visit us online at:
www.capgemini.com/insights-data

and **https://www.linkedin.com/company/bi-big-data-&-analytics**

or follow us on **Twitter @Capgemini**

Contact us at
insights.global@capgemini.com

About Capgemini

With more than 180,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2015 global revenues of EUR 11.9 billion. Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at
www.capgemini.com

MCOS_ST

People matter, results count.