

Accenture Australian Business Agenda 2008 Video Series



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Customer Relationship Management

Podcast Title: Customer segmentation and competitive advantage

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Hello and welcome to the Australia Business Agenda 2008 Video Series, a series of interviews with senior executives within Accenture's Australian Management Consulting and Integrated Markets practice. The Series tackles some of the key challenges facing organisations operating in Australia today.

Customer expectations today are higher than ever before. Some organisations might argue if we are good enough then our customers will find us. This is, however, not sufficient at a time where markets are both highly competitive and increasingly nimble in targeting customers. The amount of data that organisations collect on their customers is vast, but making use of this information continues to be a challenge for many. Effective data management, analysis and the meaningful interpretation of data can help organisations understand their customers better and provide the basis for more intimate relationships.

Ann Burns, the senior executive lead for the Australian CRM practice discusses these issues

and more for the Australia Business Agenda 2008 Video Series. Enjoy.

Question

How would you define customer segmentation?

Ann Burns

In understanding what segmentation means, I believe it comes down to three things. It is about understanding needs, preferences and behaviours. The complicating factor is that those three things can change depending on what you are buying, who you are buying from, what time of day it is, what channel you are using, whether you are on the phone or the web. So segmentation may sound very simple said out loud but it is actually a difficult exercise to define and then execute, particularly in your business operations.

Question

What are the challenges associated with customer segmentation?

Ann Burns

The challenges of getting segmentation right come down to two basic things. Firstly, how do you translate the theory of segmentation into operational excellence? How do you make sure that all the good thinking you have done around defining your segments, understanding their needs and preferences, and tailoring products

and services is consistent at every touch point with the customer, at every operational interaction with the customer?

Secondly, how do you make sure that your segmentation model stays alive? How do you continually test it? How do you continue to understand how people move from segment to segment? And how do you respond accordingly? Because I do not think segmentation is a static model, it is not a static state. I believe customers quite frequently move from segment to segment as their needs and preferences change.

Question

How can organisations prevent predictable segmentation?

Ann Burns

To keep segmentation fresh and relevant, I believe it needs to be continually tested. People naturally change their needs and their preferences as they move through various stages of life. They also change their behaviours depending on which channel they are using at a particular time of the day or time of the year. So any good thinking that has been done around the definition of segmentation models needs to be continually revisited. Data needs to be collected, data needs to be collated, and it needs to be analysed. Trends need to be monitored and tracked and also it is a great idea to continue a dialogue with focus groups, with customers, to see how those needs and preferences may change. A good example is sustainability. Who would have thought that three or four years ago the idea of carbon neutral footprints would be a key driver for particular customer segments? Who would have thought, for example, the idea of corporate citizenship would be a driver for decision making? So keeping segmentation fresh and relevant involves the ongoing collation of data, and an ongoing dialogue with customers.

Question

Is successful segmentation just about technology?

Ann Burns

Technology is absolutely critical to making segmentation work. First and foremost, it is the tool by which we analyse the data, the tool by which we collect the data – when there is so much data to collect. Needs, preferences, behaviours, intentions, life stages – technology is the tool that enables us to collate that data, understand it, analyse it and then really to use it. So making sure that that toolset is put in the hands of the folks that actually manage those customer interactions is absolutely critical. Those people that are dealing with customers day to day need to be able to trust the data that is in front of them so they can make the right decisions, provide the right information and ensure that that customer goes away fully satisfied and fulfilled. This means that customers will understand your organisation is doing everything it can to meet their needs and requirements.

Question

Can you give an example of an organisation putting customer segmentation into practice?

Ann Burns

As an example of some of those hard decisions that need to be made, we recently worked with a client who was struggling to define its industrial and commercial customers. These clients are generally very high value, very high volume – very important customers. We worked on a segmentation strategy to define five different segments and once this was working, we considered how we could service those segments differently. For example, for the high value, high volume customers we determined that we would consider enhancing the face-to-face relationships that were already established via account managed sales and tier one customer service. We wanted to enhance our level of service in order to retain and expand the relationships with this segment. More challenging decisions had to be made when working out how to transition some of the other segments, which had proved to be low value and low volume. So we

had to make some hard decisions with this client as to how we could transition interactions with these customers from face-to-face to telephone-based or web-enabled, to ensure that our costs for servicing them were reflective of their value to that organisation and that client.

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