

Unlocking value through customer insight

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For most large financial institutions, customer relationship management (CRM) is not new. Many have already made significant CRM investments, especially in customer interaction—providing standardized, high-quality service interactions, and in customer value—analyzing the relative profitability of customers.

But there is a relatively new area of focus within CRM—called customer insight—in which leading financial institutions are beginning to invest, and for good reason. **Customer insight is the key that unlocks the value of CRM data.** It allows financial institutions to identify their most valuable customers and high-value prospects and to take action on these insights. For example, customer insight can inform a customer interaction with real-time access to that customer's Internet activity, account history, demographic profile and externally acquired behavioral data. It enables a representative to highlight offerings specifically targeted to individual customers.

Our experience indicates that customer insight investments are well justified; return on investment (ROI) figures as high as 65 percent are not uncommon.¹

Customer insight defined

Customer insight creates a unified conversation that spans marketing, sales and service and reaches across media, from the Web to voice and print. It has five basic components; each plays an integral role in creating value from customer conversations. These components are data gathering, data analysis, optimization, campaign management and personalization.

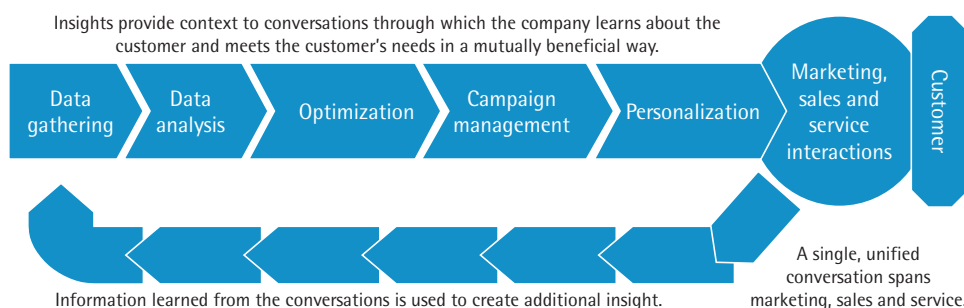
Most financial institutions already have significant data gathering and data analysis capabilities. Implementations of the other three components, optimization, campaign management and personalization, are more recent, as innovations have enabled financial institutions to closely link data investments with customer interactions and ultimately with dollar value. In effect, these components unlock the economic value in data warehouse investments by doing the following:

- Optimization allocates finite marketing resources across a large number of customer, product and channel combinations.
- Campaign management plans, coordinates and tracks customer campaigns.
- Personalization tailors content to create customized "conversations" with clients, across channels and customer contacts.

Unlocking the value

The key to unlocking this value is the integration of customer insight components using a closed-loop system (figure 1). Connecting data gathering and data analysis with optimization and campaign management enables financial institutions to determine which customers to engage and how to converse with them for the greatest returns. These investments facilitate informed conversations which, guided by personalization, are more likely to elicit desired responses and maximize value from interactions.

Figure 1. Accenture's Customer Insight Loop creates meaningful conversations



Outlook Point of View aims to provide a forum for ongoing discussion between Accenture professionals and their clients.

One leading online trading firm implemented a closed-loop customer insight system to drive its targeted marketing campaigns. Campaign results are fed into the firm's data warehouse to be leveraged for future campaigns. The results? Highly targeted marketing campaigns and an increase in success of the firm's customer acquisition efforts—yielding an annualized ROI of 52 percent.

Customer insight's economic value

Let's take a closer look at how customer insight can create value. The typical economic drivers are:

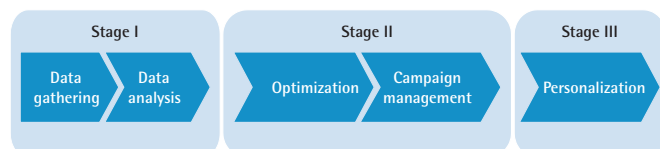
- Increasing the number of desirable customers
- Increasing sales per customer, either of existing products and services or new ones, through cross selling
- Decreasing customer acquisition, servicing and administrative costs through extended efficiency
- Lengthening of the duration of relationships.

Which of these value propositions a company pursues depends upon its strategic position and the maturity of its market, as well as the relative value of its profitability and products. Incumbent companies with a large customer base in an established market usually choose to raise sales per customer and lengthen the duration of relationships. In contrast, new entrants and companies in high growth industries generally seek to expand their customer base. Both can achieve cost savings through innovative campaign management and optimization tools, which speed processes, increase overall capacity, and enable more targeted campaigns, thus conserving resources that would otherwise be wasted on unreceptive targets.

A three-stage process to customer insight

In our work with large financial institutions, we have observed the development of customer insight capabilities typically progressing in a three-stage sequence (figure 2). Investment in each stage offers the possibility of a significant return on investment.

Figure 2. Customer insight development sequence



Stage I: Data gathering and analysis

Recent advances in data gathering and analysis have sharpened customer insights, allowed interactive marketing on inbound calls, improved data accuracy and increased specificity of information. Most financial institutions have already implemented Stage I.

Stage II: Optimization and campaign management

Campaign management has evolved into a highly automated process that tests alternatives and tracks campaign performance. Stage II investments have mainly involved optimization, more specifically the resolution of tradeoffs between customer desires and company objectives and the simulation of the financial performance of marketing, sales and service activities.

Stage III: Personalization

Personalization captures the attention of customers by engaging them in a dialogue that maximizes value for both the customer and the company. Personalization tools are expanding rapidly from individualized Web pages and call center interactions to products and services tailored to the customer.

Financial institutions that invest in customer insight can unlock economic value from their past investments and achieve significant measurable returns. The ability to benefit from customer insight extends to both new entrant firms seeking to build a customer base and incumbent firms wanting to maximize the value they obtain from their existing base. These improvements are possible because customer insight permits financial institutions to converse with individual customers and prospects in a way that maximizes value for both parties.

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¹Based on research of more than 20 customer insight examples and more detailed economic analysis of six cases.

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