



Making sense of
the digital customer

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The theme of the Accenture Technology Vision 2014 is *Every Business Is a Digital Business*; therefore, every customer is essentially a digital customer.

The world surrounding today's customers is highly connected and becoming increasingly intelligent and automated. As a result, "customers become better informed and better equipped to influence the ways they experience everything around them."¹ In fact, the power has shifted irrevocably towards the customer. They are choosing what they want to purchase, when to buy, at what price and through which channel.

As the prevalence of digital technologies available to customers causes customer loyalty to erode, a business' ability to influence an existing customer's purchase decisions now requires an effort similar to acquiring a completely new customer. To counter loyalty erosion, and yet tackle this problem in a manageable way, businesses tend to narrow the focus of their retention and loyalty efforts to understanding the profiles of their most valued customers—traditionally the top 20 percent² of their customer base that drive the most revenue—and to addressing their specific needs and expectations.

The opportunity today is to utilize new data sources and new forms of analytics to understand the digital DNA of customers, particularly of those in that top 20 percent. Accenture Technology Labs starts this effort by building the customer genome—utilizing the wealth of available data today and forming deterministic markers to provide a holistic view of the customer. With the genome, businesses can then better apply specific lenses to the customer and make more informed decisions about who to target, what type of personalization to apply and how to communicate with the customer in a hyper-vigilant manner, which is an extremely important effort in a new age where customers increasingly expect more personalization in their experiences.

In addition, businesses can use those specific markers of a valued customer to also capture clones, either through new customer acquisition or by growing prospective customers within the existing customer base.

Defining the digital customer

Our Digital Customer initiative is composed of three research areas: building the customer genome, applying next generation analytics and creating seamless lifestyle experiences.

Customer genome

The customer genome focuses on closing the gap between what exists in today's customer relationship management (CRM) systems and the wealth of digital information we can tap into about a customer. This approach looks at using traditional CRM data (such as demographics, purchase histories and loyalty information), non-traditional data (data that sits outside a business' ecosystem such as data from social media, community-based forums and location-based signals), and derived data (static and dynamic insight describing an individual obtained from a further analysis of raw and existing data sets) to create a digital DNA of what every business should know about each customer.

Applying next generation analytics

Our approach to analytics is based on six pillars outlined below:

- Social analysis (e.g., How is the customer connected and influenced by others?)
- Context (e.g., Where is the customer currently located? What is he looking for?)
- Behavioral (e.g., How does the customer like to shop and through which channel?)

- Persona sensing (e.g., Hipster teenager? Mom with three kids? Adventure-seeker?)
- Motivation (e.g., What motivates this customer to search, interact or buy?)
- Entity (e.g., What is the product's shelf life and how can businesses interject in a timely manner?)

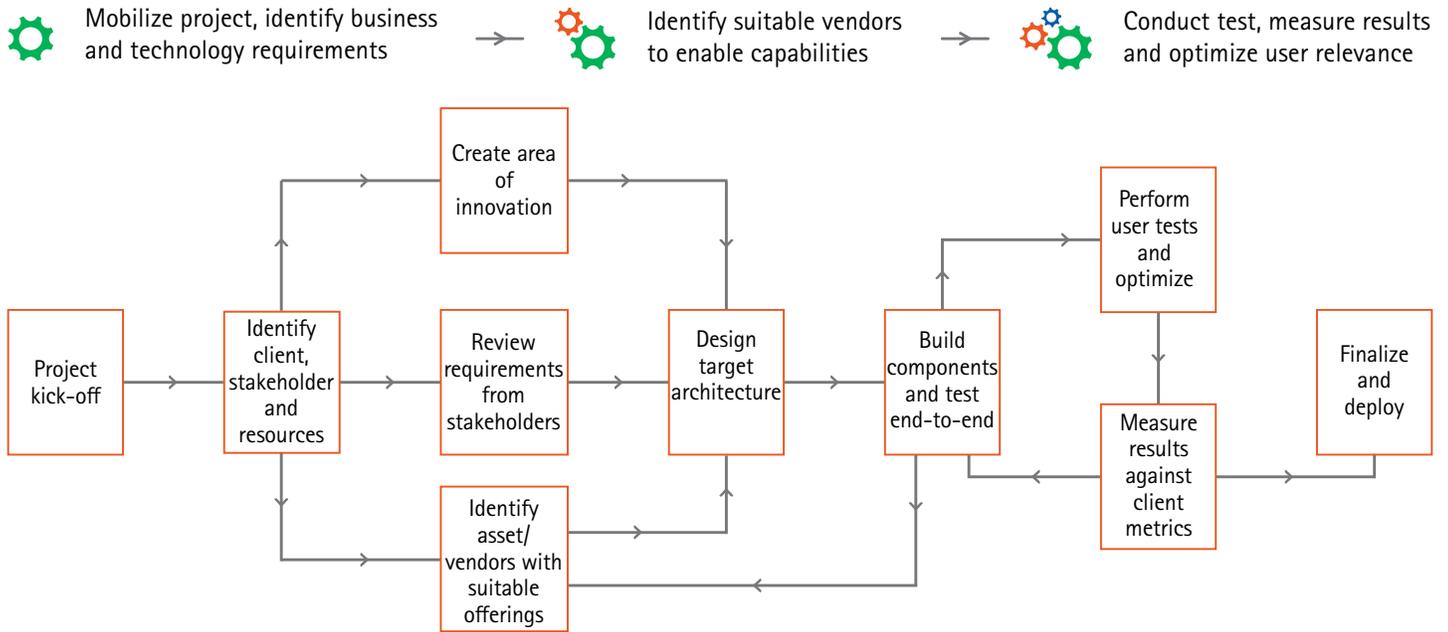
Using these six pillars, we break down what was traditionally used to define the top 20 percent, and use new data to rethink how we can identify and acquire the next 5 percent of lookalike customers following the Pareto principle, which is also known as the 80/20 rule.

Creating seamless lifestyles

The traditional marketing funnel of discover ➔ consider ➔ evaluate ➔ purchase ➔ use becomes less relevant as customers have an increasing number of touch points with the business. This research covers how businesses have to evolve quickly from just supporting transactional moments, to being at the top of their customers' minds at all times. Businesses need to get better at identifying their customers, but also at anticipating their needs and understanding their motivations—evolving customer engagement opportunities to the right moments and touch points. The seamless lifestyle experience strategy outlines how businesses can harness information to provide services that unlock value for the customer in three service areas: contextualized product discovery, integrated social support and intelligent life-long services. We explore this further in our point of view "Seamless Lifestyle Experiences: Moving from transactional moments to top of mind."³

Accenture Technology Labs approaches each innovation opportunity with a structured methodology to offer our clients the ability to test the effectiveness of each strategy (See Figure 1).

Figure 1. Advancing the digital customer agenda using the test kitchen methodology



Winning benefits for businesses

With technology inevitably shifting power to the hands of customers and hence eroding loyalty, businesses can use this in-depth understanding of customers to redefine their own strategies for competitive advantage across customer acquisition, retention and recapture.

- **Acquisition:** Understanding strength and directional relationships between product and interest entities can bring about new insights. This approach can be a tool to combat the "cold-start problem"—a situation that arises when a business has very little past purchase information about a new customer. The supplemental insights enable the business to better understand its prospective customers and engage them more effectively by tapping into differentiating markers derived from alternate sources.

- **Retention:** Contextualized, hyper-vigilant and valuable services offer the opportunity for businesses to continuously engage and retain customers throughout their lifelong journey. To be at the forefront of customer engagement, businesses must prepare strategies to help address customers' new expectations and habits—being always on-the-go, constantly seeking for advice and inspiration, and looking for support from their social networks. Businesses that go the extra mile and exceed customer expectations will generate loyal brand advocates.

- **Recapture:** No two customers are identical. In addition, customers expect services that are increasingly personalized. However, customers do not necessarily respond the same to standard incentives. By better understanding customer preferences, businesses can focus their customer recapture efforts on delivering the right experiences to the right customer. Understanding customer preferences can help businesses correctly allocate resources and apply treatments that feel individualized.

In conclusion, the Digital Customer initiative offers businesses an end-to-end strategy to get to know their customers better, which can translate into increased customer engagement, long-term customer retention and multiplied revenue. Businesses can begin work now, using available data sources and working toward the ultimate goal of providing individualized products and services to their sophisticated digital customer base to support their activities and lifestyles.

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