Creating a Data-Driven Strategy for Customer Experience

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Executive Summary

To give customers the best possible experience while interacting with your brand, you need the right information about them. Customer data can tell you much more than demographic information. It can tell you exactly what people need to feel positive about an interaction with your brand. Whether it's a telephone call, a Tweet, or an in-store visit, leveraging the right data to deliver the right experience, at the right time, can optimize every brand-customer interaction.

Luckily, the digital age gives companies access to an unprecedented amount of customer data. However, the sheer volume of data available can be paralyzing, especially in the absence of a clear strategy, which sets priorities and identifies resources in terms of people, processes and tools.

This report is a guide to using data to create a strategy for an optimal customer-experience, and the resources you need to be successful.

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Big Data's Big Problem

> "The 360-view of the customer can be a bottomless pit, and it may never live up to its promise, Instead, start with an understanding of the most important questions you need to answer in order to improve the customer experience."
>
> -Svein Olslund, Cisco

Customer behavior can be tracked across many channels, including email, social media, websites, mobile applications, and smart devices. Despite all the information available to them, businesses struggle to make use of it. Only 23% of marketers say they're "extremely satisfied with their ability to leverage customer data to create more relevant experiences."[1]

Data can be the most valuable asset a company owns. But without a plan that identifies exactly why you need to access data, and how you're going to use it, it has limited or no value. It's akin to trying to access the Internet without a search engine. Without knowing what you're looking for, access to data is paralyzing.

What's worse is companies make the mistake of first trying to attain the much-vaunted "360-degree view of the customer" before they have a clear data strategy, or the resources to act on it. They envision a central "data lake" able to ingest data from many disparate channels, standardize it, and magically spit out actionable insights. The thinking goes that once all data is in one place, it'll be easier to come up with a singular source of truth about the customer, which will then lead to the delivery of the optimal customer experience.

In reality, building a data lake is difficult and costly, and most companies don't have the resources to invest in one. And even if they do, the end result often creates more problems than it solves.

"The 360-view of the customer can be a bottomless pit, and it may never live up to its promise," said Svein Olslund, senior director of digital analytics and accountability at Cisco. "Instead, start with an understanding of the most important questions you need to answer in order to improve the customer experience."

For example, if Pampers is trying to improve my experience as a new parent buying diapers, it must focus only on a few, important needs;

- I need a lot of information about which size and type to buy,
- I need recurring delivery, and
- I need them delivered just before I run out.

By prioritizing the data that helps fulfill those needs, Pampers can deliver a great customer experience. It can do this without data on my age, gender, location, or web-browsing habits.

Rather than trying to capture a 360-degree view, companies can deliver a greatly improved customer experience with even a 45-degree view of the customer. The goal shouldn't be to access all the data, it should be to access only the right data.
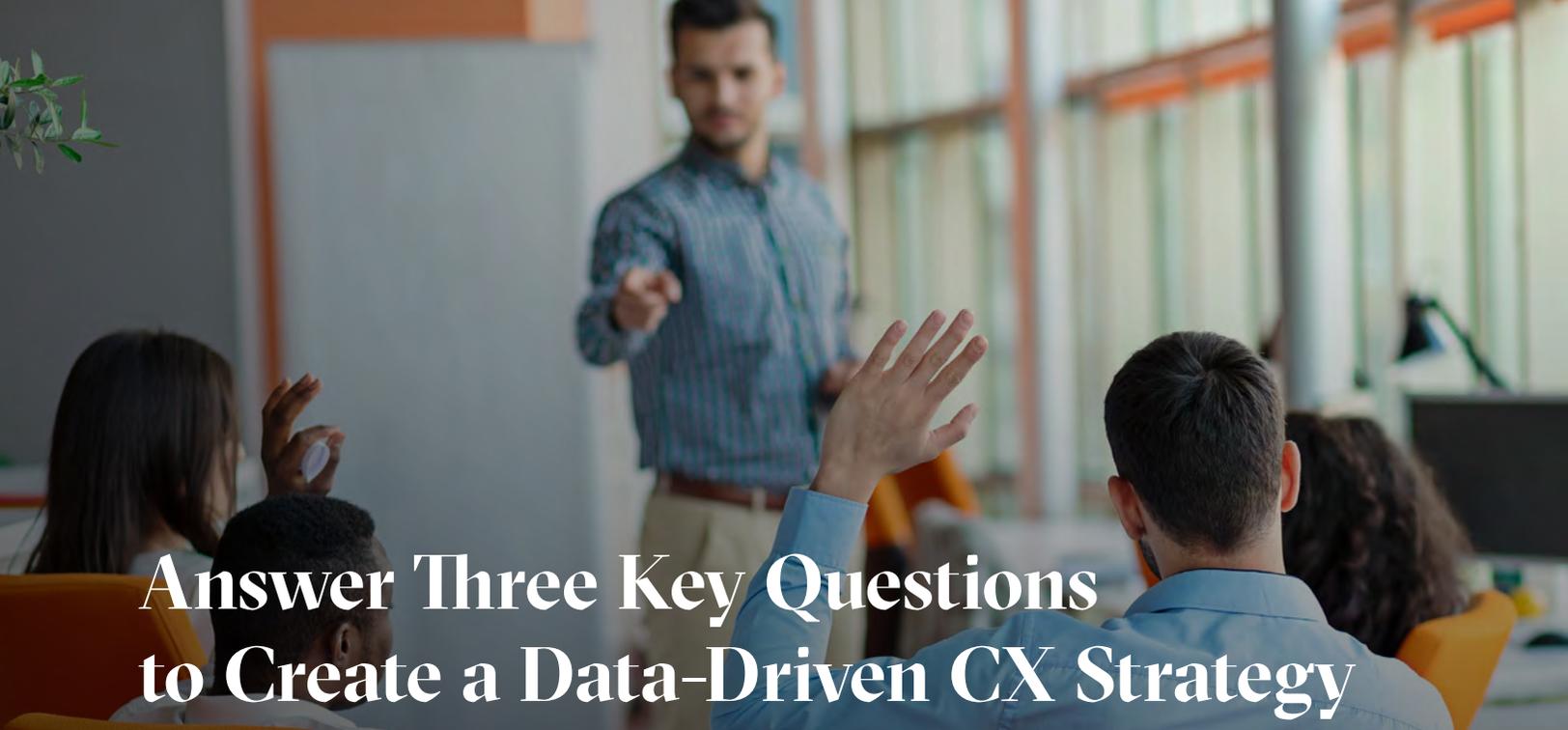
Answer Three Key Questions to Create a Data-Driven CX Strategy

To identify the "right" data it needs, a company should answer the following three questions:

What is your objective for using data?

Every strategy must be in service of an objective. Identifying an objective that can be easily defined and measured is a crucial first step. While any good business will have multiple objectives; the key is to prioritize the one that has the biggest impact on customer experience. Then, identify the specific data points you need to achieve it.

In the July 2017 Altimeter research report Experience Strategy: Connecting Customer Experience to Business Strategy, Charlene Li defines customer experience as being based on relationships.[2] Just as in our personal lives, in business, a great relationship is one where you fulfill your partner's needs. To be truly customer focused, you must define your objective in terms of customer needs, rather than business needs. Companies err by defining their objective in business terms, such as "grow revenue by X%" or "increase store traffic by Y%." While these objectives are important, they are company-centric, not customer-centric, and don't reflect what customers value.

"With most businesses, the common symptom is that key performance indicators (KPIs) are siloed, and every department is measured against itself," said Matt Tippets, vice-president, product management for Salesforce Marketing Cloud. "Holistic KPIs, such as Net Promoter Score, customer lifetime value, and loyalty measurements are what the data strategy should serve."

What data do you need to meet your objective?

Once you have an objective, you need three kinds of data. Data that identifies the problem you must solve, data that helps create the solution, and data to measure the success of your actions. Once you have a clear objective, you can create a list of specific data points needed and a map of their channel sources.

If an objective is truly customer-focused, it's unlikely that all these data points will be accessible from one department or platform. Some of the data could be in marketing; some of it in call-center records, and some of it in customer surveys. This means departments shouldn't limit themselves to using only the data sources they control. If the objective requires data that you don't have, it's an opportunity to go to other departments and build a collaborative platform for sharing data.

How will you act on the data you need?

An objective and a clear idea of the data points you need gives you a working plan, which needs to be executed by a data system. A data system isn't just a single piece of technology, but the combination of the right people, processes, and tools working towards meeting the same objective. The data system serves multiple departments, rather than residing in a single one. In this way, it can truly serve the customer experience, instead of delivering on the goals of any individual business unit.

Clear answers to each of these questions narrows focus and prioritizes the data points you need when accessing and acting on the relevant customer data. It gives you a plan, and an idea of the resources you need to be successful in implementing your plan.

Here are the essential steps we recommend to get the answers you need for your data strategy.
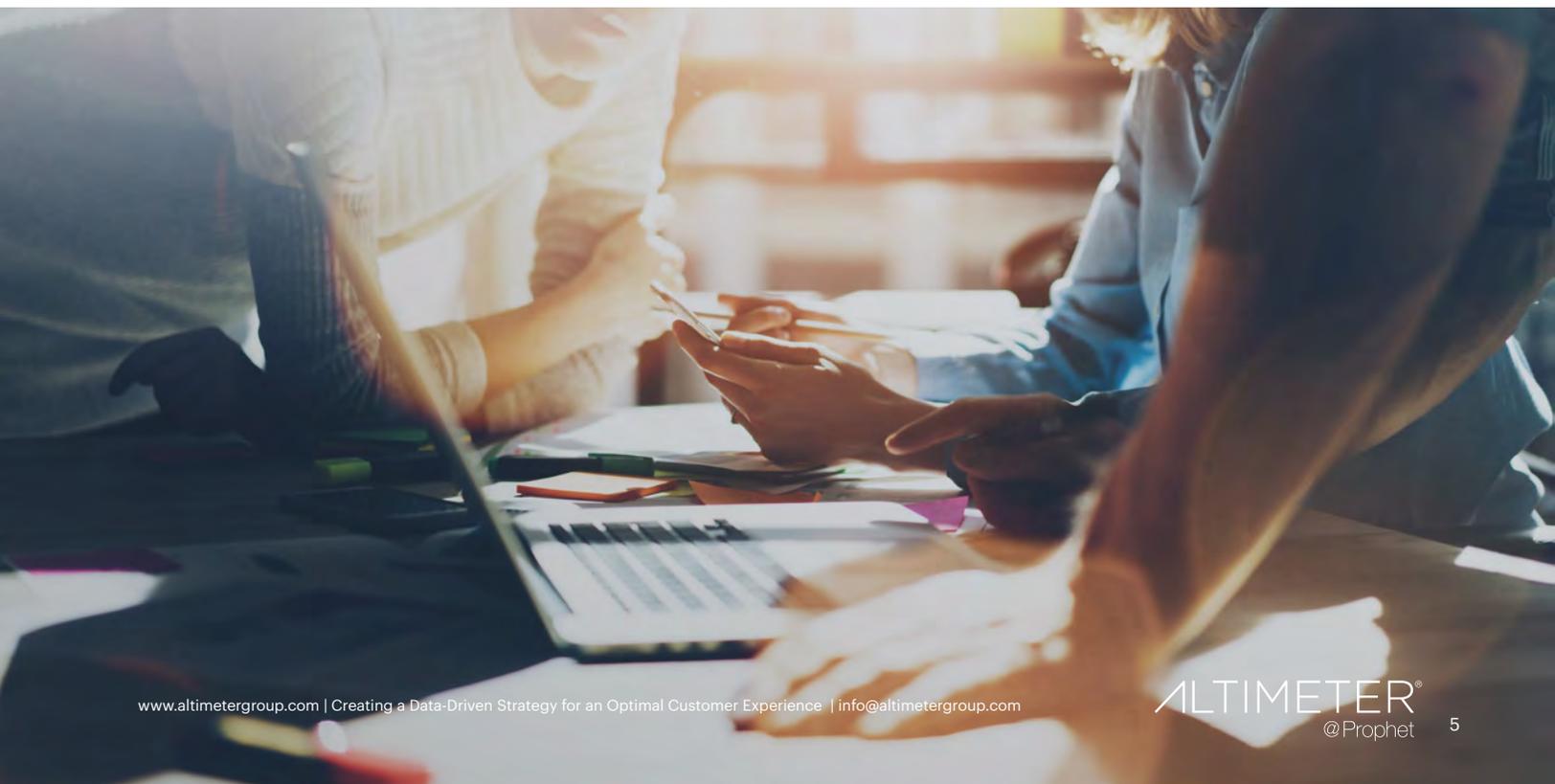
1. Focus on One Customer-Experience Category for Your Objective

Each part of the customer journey is a distinct, customer-experience category. These categories are:

Awareness: Because a customer hasn't really engaged with the product or business at this stage, their experience is purely with the brand and what it represents. A positive brand experience could mean watching an entertaining or emotionally resonant advertisement, which causes the customer to consider the product.

Consideration: All the interactions and content the customer engages with before they make a decision to buy the product. This includes demonstrations, helpful content, consultations, product reviews, and peer recommendations.

Purchase: The actual experience of buying the product. Influencing factors could be easy online purchasing, aesthetically pleasing store designs, pre-recorded credit card information, or even memorably helpful salespeople.

Use: The product is the experience. A good customer experience depends on the positive feelings they get from using the product and realizing its ability to solve their problems.

Post Purchase: Customer experience in this stage is shaped by the effectiveness of customer service and support channels. This could include speedy repairs, customer satisfaction surveys, or add-on benefits delivered after purchase.

To progress through the journey, the customer must get what they want or "achieve success" at every stage (Figure 1). It should be your goal to define customer success and access data that'll give you the best chance of delivering it. What is the customer looking for in their interaction with the brand at that specific point? Is it speed? More information? An immersive visual experience? Whatever it is, if you can deliver it, the likelihood of purchase, and ultimately loyalty, greatly increases.

"The key is to identify specific customer objectives for each stage," said Wilson Raj, global director of customer intelligence for SAS. "Rather than broadly saying 'I've got a CX goal,' the best practice is to clarify CX objectives for each one of those phases - and align the data and analytics accordingly."

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FIGURE 1

IDENTIFY NEEDS AND DELIVER CUSTOMER SUCCESS AT EACH STAGE OF THE CUSTOMER JOURNEY

CUSTOMER NEED

"I need to know about this brand's value and feel positive about its content/ messaging."

"I need clear, helpful information to make a purchase decision."

"I need a convenient, easy way to complete the purchase and enjoy the experience"

"I need a product that solves my problem and is enjoyable to use."

"I need easy access to information that helps me use, repair or return my product."

AWARENESS

Assets: Ads, Social Media, Sponsorships

CONSIDERATION

Assets: Email, Blogs, Consultation

PURCHASE

Assets: In-store, Website

USE

Assets: Product design, feel

POST PURCHASE

Assets: Call center, Chatbots

"I feel positively about this brand and understand its potential value as a solution."

"I have all the information I need to make a decision about purchasing."

"I was able to purchase the item easily, with personalized attention."

"Using the product is an enjoyable experience that makes my life better."

"I was easily able to get support for using or returning a product."

CUSTOMER SUCCESS

| MARKETING | SALES | PRODUCT | SERVICE |

Although optimizing the experience at each stage of the journey should be the ultimate goal, in reality, it is better to start with improving one part of the journey first. Not only does this help prioritize the data you need to access, your company might not have the resources to improve each stage at the same time.

It's also likely that one stage plays a much bigger role in the overall customer experience than any other stage. Look for the stage that creates the greatest impact on customer's emotions, positive or negative. At what stage are your customers most satisfied with the brand? What stage are they talking about when they advocate the brand? Conversely, what stage are they talking about in their complaints? The answer could vary by industry and customer segments.

For example, brands like Red Bull and Coca-Cola have invested in customer experience in the awareness stage, by delivering entertaining content focused on the brand and what it represents. Purchase experience isn't really in their hands because retailers sell their products. And the product experience has remained the same for many years, without any need for tinkering. It makes sense that these brands would differentiate themselves in the CX category, which affords the most impact.

In contrast, Apple is all about delivering a great product experience, delighting its customers with the form and function of its devices. And a company such as Zappos prides itself on its customer support/post-purchase experience, where returning an item is extremely easy, and outreach to an unsatisfied customer is super efficient.

This isn't to say that Apple and Zappos neglect other stages in the customer journey. However, they do invest heavily in the customer experience category that matters most to their customers. Our recommendation is to make optimizing customer experience in this stage your top objective.
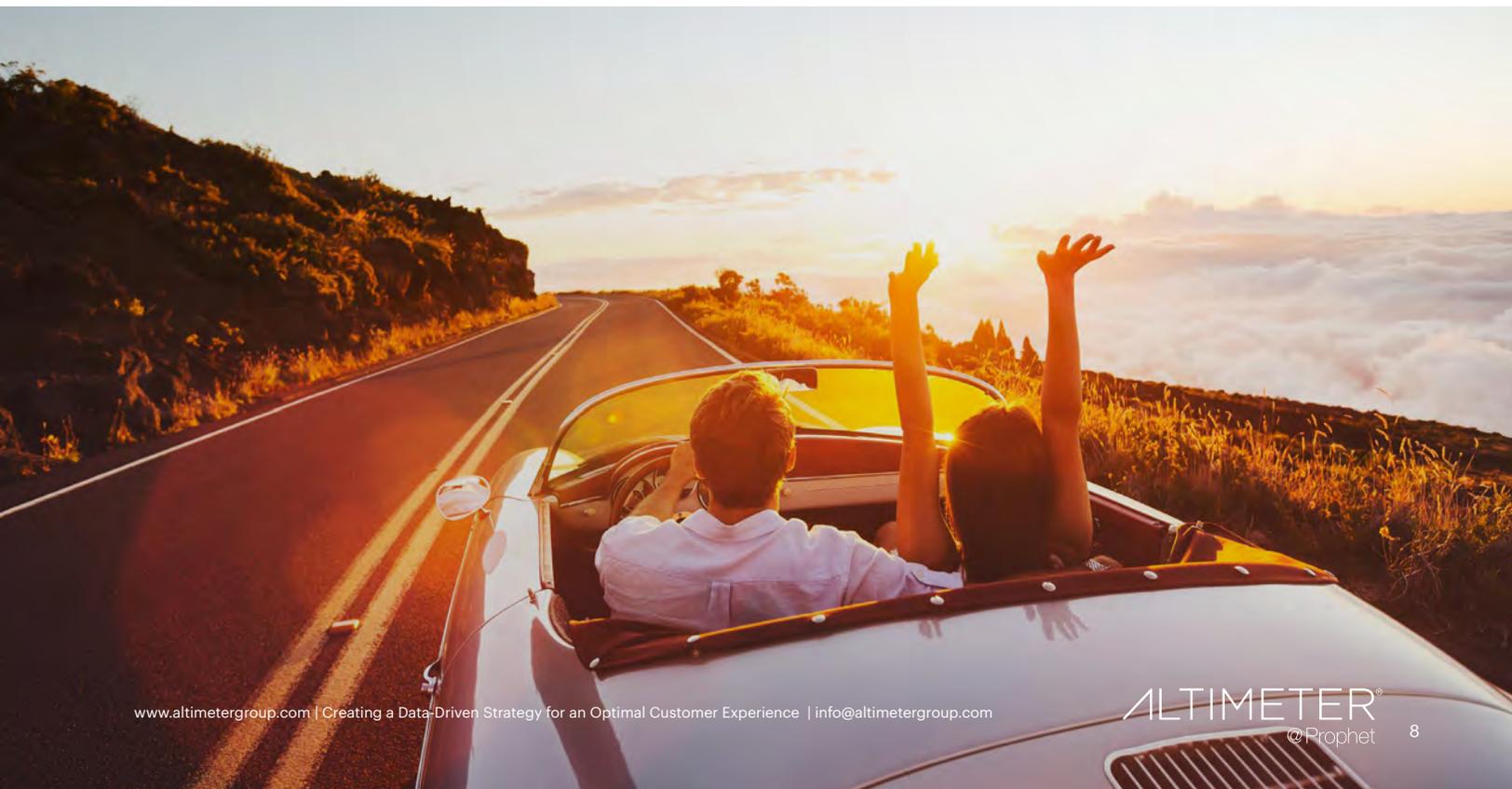
2. Prioritize Only the Data Points You Need for Customer Success

Once you have chosen a customer experience category to focus on, identify three sets of data points:

· **Signal data:** Data that tells you what customers want most in that stage of the journey,

· **Solution data:** Data that tells you which type of experience they should receive, and

· **Measurement data:** Data that tells you the results of your actions.

These data points could reside in many different channels, and the goal should be to pinpoint their location, and view them in holistically.

For example, let's say yours is an online business and you choose to focus on improving the customer experience in the purchase stage. First, try to determine the top customer needs when they're buying your product. Look for signals that give you this information. Do customers need to see product ratings? Bigger images? Payment options other than credit cards?

There are a few sources you can tap to answer these questions. First-party data, such as website analytics, or analog sources, such as customer surveys, offer an idea of your audience's preferences. Based on this data, make relevant changes to the experience or content, and test the results. Is the new experience recording better results? Which channel provides the data that tells you this? Once again, the data points may be in website A/B testing software, or your revenue-recording software.

The key is to select only the data sources you need, and view the data points holistically, preferably in a centralized data dashboard. Then, start by making connections across the data to come up with some insights that the content/experience delivery teams can use.

Omar Abdala, chief data officer at data management platform Lotame, advises it's important to know precisely what you're looking for at the insights stage, and to go into the process with some well-informed hypotheses.

"There needs to be intelligent guesses up front, which determine the way you organize and curate your data before you even put it into Lotame," Abdala said. "If you say 'I'm going to throw the kitchen sink' at it, you end up with alphabet soup out of the other side, and if you make too precise of a guess you're getting obvious information that's not helpful."

Figure 2 shows examples of the different data sources and data points to deliver on customer needs at each stage of the customer journey.

MNI Targeted Media helped an automotive client determine exactly what its customers needed by asking direct questions about their experience. The most important customer needs were quick access to lease information and easy interactions at the consideration stage.

"The common theme was 'make it easy'," said Matt Fanelli, senior vice president for MNI. "If it's complicated and puts too much work on their plate, they are probably going to shop around. Once you have that information collected, it becomes synonymous with business goals."

FIGURE 2

IDENTIFY THREE DATA SETS FOR DELIVERING CUSTOMER SUCCESS AT EACH STAGE

CUSTOMER EXPERIENCE CATEGORY	EXAMPLE OF CUSTOMER SUCCESS	SIGNAL DATA	SOLUTION DATA	MEASUREMENT DATA
Awareness	Customer is entertained and/or feels positive about the brand's messaging and is aware of it as a potential solution to their problem.	Low engagement on social media Low NPS scores Lack of keyword searches for company or products	Ad click results Focus groups Customer surveys	NPS Third party brand index
Consideration	Customer has clear, easily accessible and credible information that helps them make a decision about making a purchase	Low conversion from browsing to purchase High volume of email queries High bounce rate from product pages	A/B testing results Keyword analysis Content metrics Social media shares	Bounce rate Time spent on web pages Increased engagement on social channels Increased engagement on email
Purchase	Customer has positive emotions about the purchase experience that was quick, easy, and memorable.	Abandoned shopping carts Social media complaints	Focus groups A/B testing results	Store traffic Sales data
Use	Customer is delighted by using the product and realizing its value as a solution.	Call center records Third-party reviews Sensor data	Sensor data	Sales data NPS scores
Post Purchase	Customer's questions and concerns are answered and issues with the product are resolved quickly, with minimal effort.	Support center records Social media mentions NPS scores Loyalty scores	Support center records Social media mentions Customer surveys	Call center volume Chatbot engagement Website visits to customer-support pages

3. Use a Data Management Platform to View Data Holistically

The technology at the heart of any customer-experience strategy is the data management platform (DMP). Put simply, a DMP is any software that allows you to record some form of customer data to provide actionable insights. Website analytics, customer relationship management (CRM), and digital-ad-targeting tools all qualify as DMPs.

However, when we talk about using a master DMP specifically for customer experience, the software needs to have a few key capabilities:

• Record first-party data from multiple channels, and also ingest any third- party data, such as look-alike audiences from a data marketplace.
• Standardize the data and visualize it in a way that delivers actionable insights.
• Connect to systems that deliver content or messaging to activate the data-driven experiences (e.g. email, web pages, display ads.)
• Use some level of artificial intelligence that provides predictive analytics about best-performing content, or next-best offer after certain conditions are met.

At General Motors, building a holistic DMP was a top priority for the customer experience team, led by Dave Mingle, global director of customer experience strategy and enterprise experiences.

"We call it table stakes. It's just what you have to do if you're going to be competitive, and we've spent a lot of time getting everyone's heads around this," said Mingle.

> "It's easy to get paralyzed trying to unify all the data, the guidance we give is to start with what you know today,"
>
> - Amit Ahuja, Adobe Experience Cloud
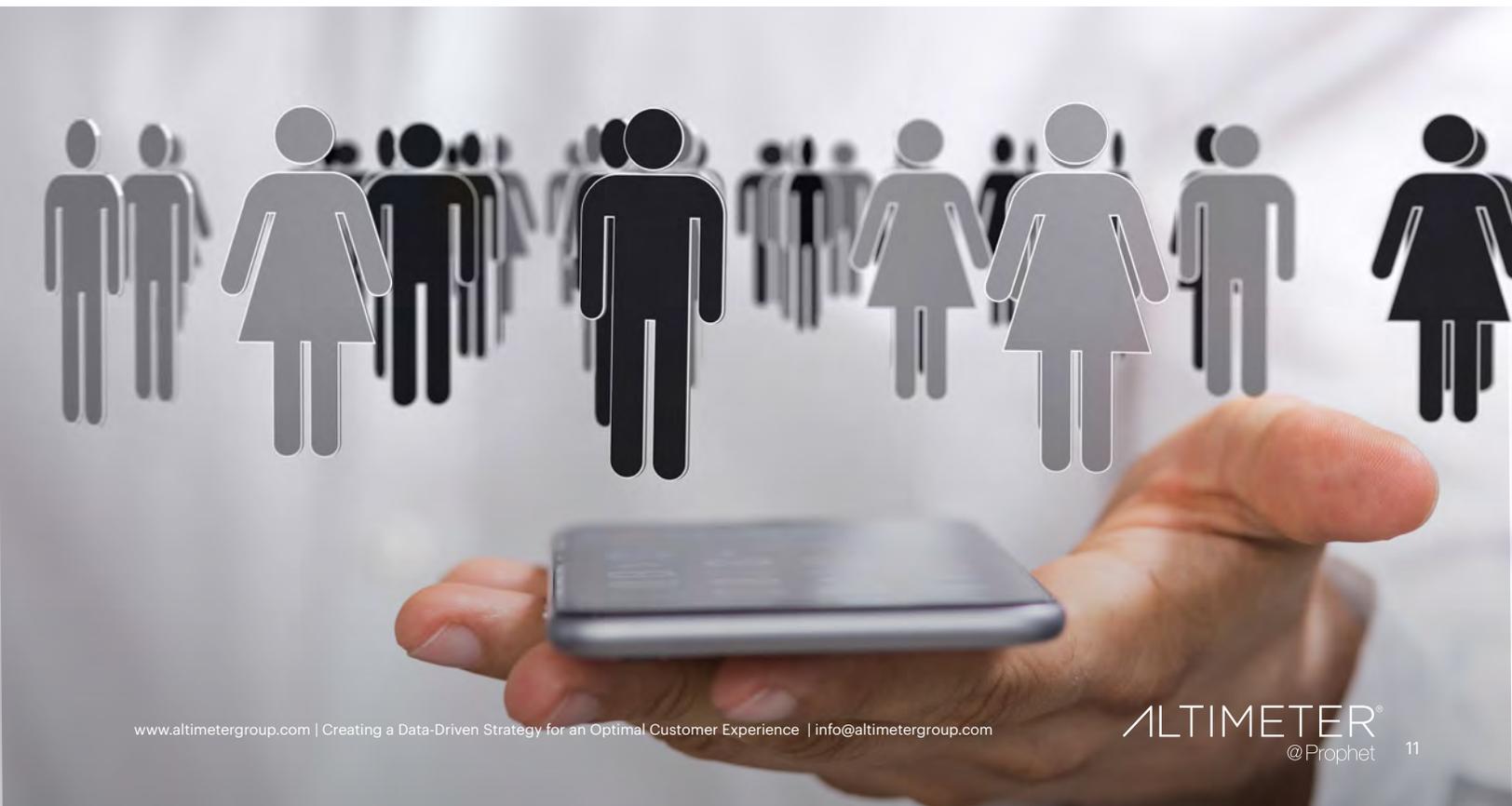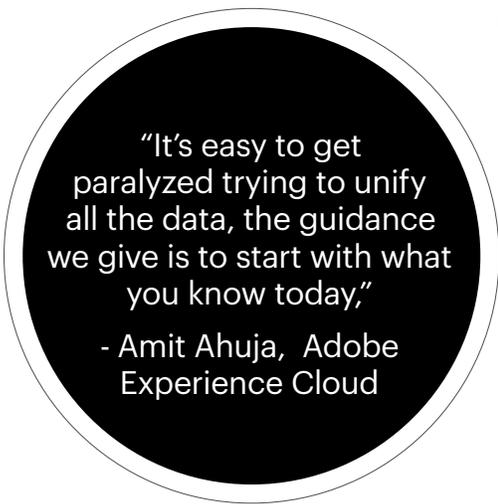
GM's DMP project, Customer 360, is built for customer-identity management, and it also can record transactions, service history, generated leads, and survey responses. These capabilities enable it to truly serve customer experience across multiple departments, not just the goals of any one.

Of course, large companies like General Motors have the time and resources to build custom, centralized master DMPs, but it's not a platform most companies can build. In reality, most companies operate with some sort of core DMP limited in the amount of data channels it can ingest and visualize. As a result, these DMPs are being used only for department-specific engagement, rather than creating a holistic customer-experience picture.

Top enterprise technology vendors, such as Adobe, Salesforce, SAS, and Oracle, are building their own version of a centralized, master DMP. But they are currently coming at it from different areas of expertise. As a result, each vendor specializes in one stage of the customer journey, and leans more towards sales, service, or marketing, rather than serving all functions equally. Companies seeking master DMP capability usually start with one vendor and add custom-built capabilities.

The good news is you don't have to wait to build or buy a master DMP. Although you might not find all the data points you need within your current DMP, you can definitely make do with the ones it currently collects.

"It's easy to get paralyzed trying to unify all the data, the guidance we give is to start with what you know today," said Amit Ahuja, vice president, the head of new business development for Adobe Experience Cloud. "Start with the treasure trove of first party data and do a complete data audit to find out what you know about your customers, you can achieve a huge amount of ROI on very simple use cases."
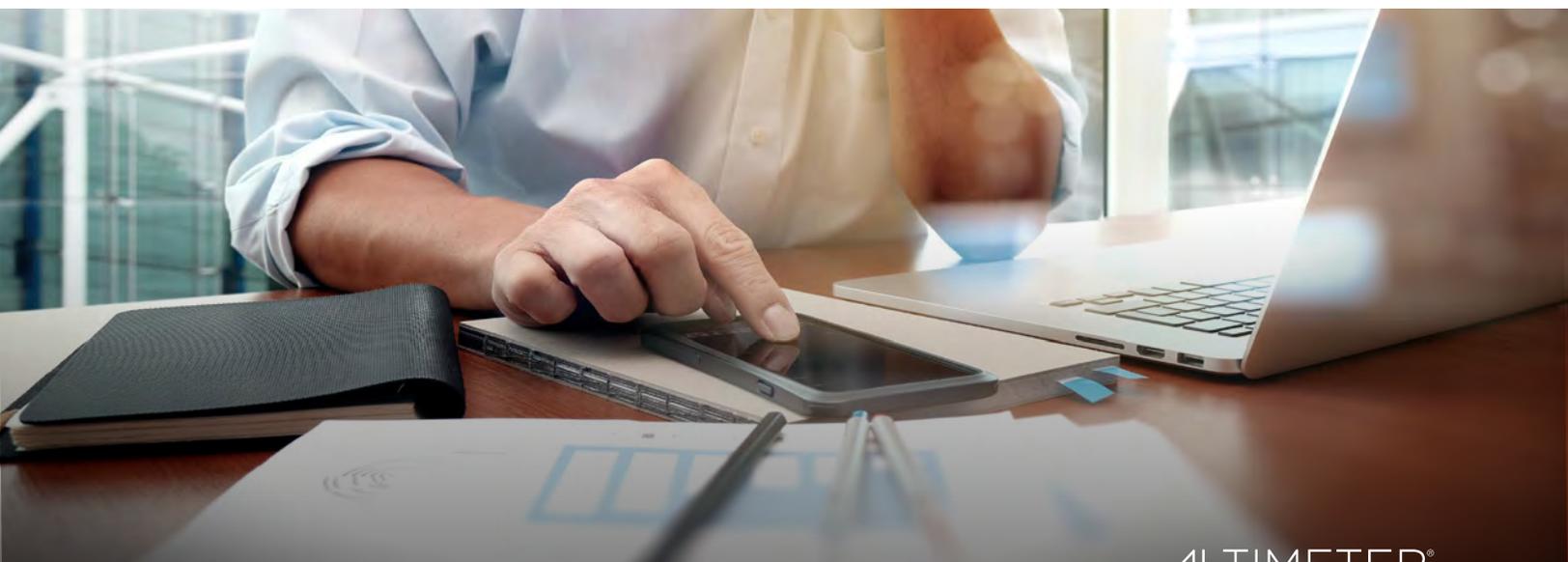
4. Create Centralized Data Insights and Experience Delivery Teams

Installing a centralized DMP leads to the question of who operates it. We recommend creating a dedicated customer-insights team, who uses the DMP to segment audiences, track their data, and conduct analysis that can inform the actions of "experience delivery" or content management teams.

The insights team's job is to map a typical customer journey and provide data to each department, giving them clarity about their role in optimizing the customer experience. Individual departments can continue to work within their own purviews, but in this way, they are all working off the same blueprint, and a common view of the customer. This approach enables the company to operate holistically without breaking down departmental silos, and instead putting windows between them.

In Altimeter's 2015 report *The Customer Experience Cloud*, we outlined the ideal setup for teams and technology platforms working to deliver on the customer experience.[3] This setup requires four centralized components. (Figure 3.)

- The DMP, or System of Record,
- A centralized customer-insights team who operates the DMP and shares information with content or digital channel managers,
- A central, content-management/experience delivery team who acts on information from the insights team to deliver experiences, and
- A shared omni-channel management platform, or System of Engagement, run by the content-management team.

Cisco started building its centralized customer insights team three years ago. Its first incarnation was as a small, predictive-analytics practice tasked with investigating the potential of Big Data.

"We had built a great revenue management business, but we didn't think we could grow until we did a better job of engaging customers at the top of the funnel with paid, earned and owned media," said Rune Olslund, senior director of marketing, omni-channel engagement at Cisco. "We also felt that traditional methods of connecting customers to a contact center to generate leads was running out of steam, we weren't meeting customer expectations anymore, and we weren't investing in it."

To build that practice, Olslund and his team took two steps. First, they picked an in-house data specialist, someone who had built predictive lead-routing algorithms to create custom algorithms that determine which type of salesperson would generate the most sales from marketing-sourced leads. Second, they invested in that individual to essentially get a degree in big-data analytics, and start building the team.

On the content side, they created five "audience manager" jobs to staff a global, decentralized function. Each audience manager is responsible for determining the needs and optimized experience of a unique audience. They have regional counterparts, and they share their findings with a community of omni-channel managers, who are responsible for building digital content and utility experiences for specific audiences.

FIGURE 3
FOUR ESSENTIAL COMPONENTS OF THE CUSTOMER EXPERIENCE CLOUD
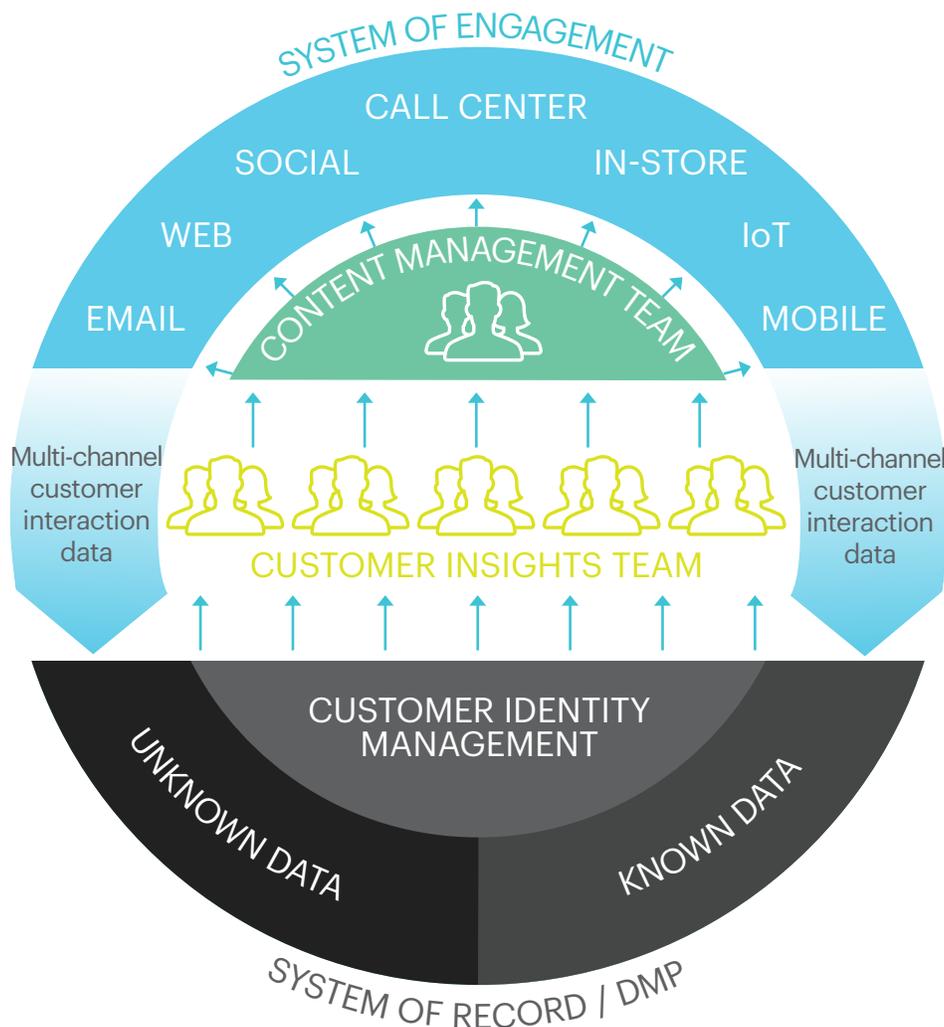
Looking Ahead: Recommendations for Immediate Impact

Building the teams and installing the software to become a truly data-driven organization requires considerable time and resources. Use the maturity model (below) to determine how far your company has progressed in this journey, and identify the areas that require the most improvement and investment.

FIGURE 4

MATURITY MODEL FOR DELIVERING DATA-DRIVEN CUSTOMER EXPERIENCE

	Stage 1: Department Focused	Stage 2: Data Sharing	Stage 3: Customer Experience Focused
Leadership	No clear leadership driving customer experience or holistic use of data. Each department has its own leader to make data-based decisions.	A leader is nominated from within the existing executive team to manage the data-driven CX efforts.	A dedicated person leads CX efforts and oversees the use of data to support holistic goals.
Strategy	Every department has its own strategy for using data to achieve its department specific goals.	Efforts are made to map a holistic customer journey and create a plan that improves a specific point.	Clear plan of action for multiple departments to achieve a singular, central objective defined in terms of customer experience.
Organization	Every department makes use of its own data to build customer profiles and segments, and create relevant experiences.	Departments continue to work in silos, but nominate representatives, who meet regularly to share data and hypotheses about customer behavior and needs.	A dedicated insights team, who uses a central DMP to gain insights and share them with a dedicated content/experience delivery team, who are overseen by a CX executive.
Experience Delivery	Marketing is responsible for delivering the majority of digital experiences, and each channel is operated independently from the other.	Marketing uses an integrated, multi-channel management platform that allows many channels to be centralized and share data.	An experience delivery or content management team uses a central platform to coordinate all channels and it is connected to a DMP that can power real-time, personalized responses automatically.
Data Management	Tools for data management can only process singular sources of data, and are managed by department.	A 'working' data management platform (with limited data inputs) is used to gain actionable, holistic insights about the customer that go beyond a specific department.	A true holistic data-management platform is used to process many, disparate data sources, visualize insights, connect to content channels, and apply some level of AI or predictive analytics.
Measuring Success	Success metrics are defined by department specific goals and in terms of business success.	Beginning efforts to redefine department specific metrics in terms of customer success.	Success metrics are defined in terms of customer experience and apply to all departments. Strong correlation between CX metrics and business metrics.

Here are the initial steps you can take to register quick wins and make progress towards the advanced stages of the maturity model.

Create a Customer Journey: While mapping a customer journey is the first, and most important step towards prioritizing customer experience, only 34.8% of companies we surveyed in 2017 had actually done it within the last year.[4] Mapping doesn't have to be a complex task. Even a basic flow of interactions and touch points, with categorized phases of engagement is enough to narrow your focus and identify what needs improvement.

Conduct a Data Audit: It's entirely likely that your combined sales, service, and marketing teams have a lot of data relevant to your strategy, but it can't be used because it hasn't been mapped. To discover how much you know about your customers and their digital behavior, audit of all your digital channels, regardless of business unit. The act of simply mapping the information goes a long way towards unifying teams to look at the data holistically. It'll encourage them to look for data points beyond their own channels or departments when searching for insights about customers' needs.

Convert Business Goals to CX Goals: If your customer-facing teams are currently working on delivering business-centric KPIs, it's time to redefine their goals in terms of customer success. For example, "increase product page visits" for the marketing team can be redefined as "help customers find products quicker." While the data measuring both those goals might still be the same, the definition changes the mindset from business-first to customer-first, and creates more opportunity for cross-departmental collaboration.

Form a Working Insights Group: If you don't have the resources to build a centralized analytics/insights team, then instead try the best practice of forming a working group. This working group consists of data specialists from every channel or department, who meet regularly to share insights about common audiences. Facebook adopted this practice in 2013, with data scientists from different departments reported to a chief analytics officer, and regularly shared best practices and traded ideas and lessons.[5]

Maximize The Potential of Your DMP: Before investing in a huge IT undertaking of buying or building a master DMP, take stock of your current "mini DMPs." Tools, such as marketing automation software, web analytics, or CRM, can ingest and visualize multi-source data, but they are limited in the type of data they can manage. However, to get started, make one of these platforms your working "master DMP" and start piloting projects requiring multiple departments to use the platform to gain insights.
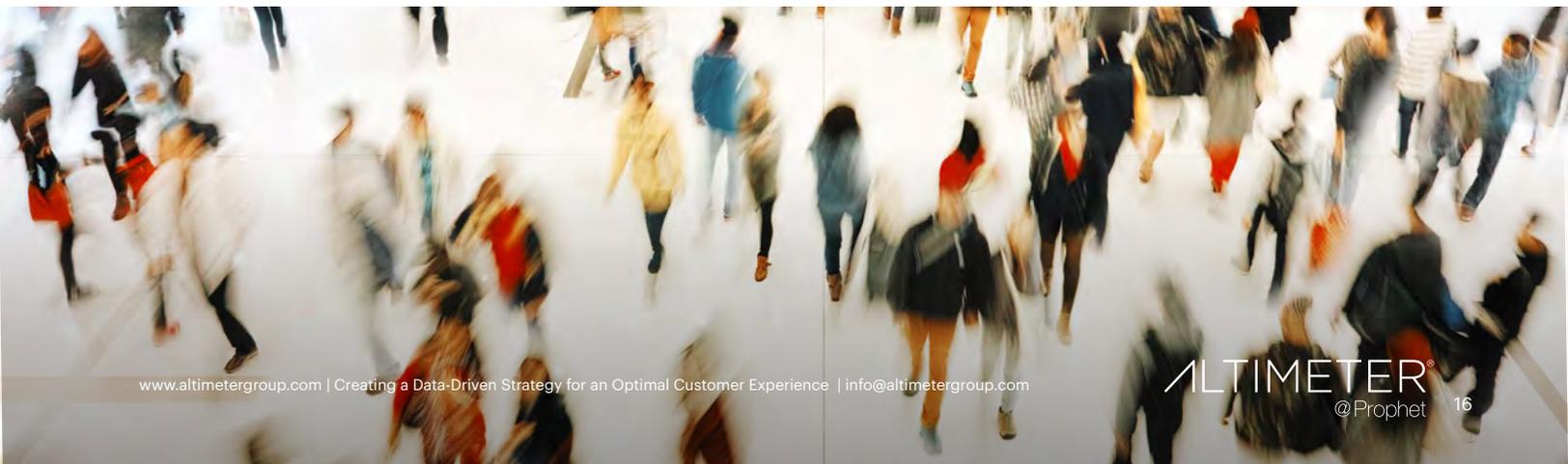
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As an analyst for Altimeter, Omar publishes research that helps companies thrive on digital disruption. His areas of focus include content strategy, customer experience and marketing technology. These research reports include industry benchmarks, maturity models, guides for developing strategies, and frameworks for evaluating people, processes and tools.

As a consultant, Omar has advised leading brands on how to choose marketing technology, build digital systems for customer experience, and create digital content strategy. He has also worked with MarTech companies on product evaluation and competitive analysis.

Omar holds a masters degree in journalism from Columbia University and was formerly the editor-in-chief of the digital marketing blog The Hub Comms. He was also a writer for Direct Marketing News, PRWeek, Fortune Magazine and The Brooklyn Ink.

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