Gartner

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Six Styles of Customer Analytics

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Customer analytics is not just about segmentation strategies for acquisition, cross-sell and retention. Executives responsible for customer strategy or analysis should also learn from thought leaders in multiple industries about other styles of analysis.

Key Findings

- Using analysis to drive customer behavior is only one style of customer analysis.
- Different types of analysis are suitable for different customer strategies.
- All six styles of customer analytics are relevant across different industries, but their exact nature varies.

Recommendations

Business strategists should:

- Interpret all six customer analytics styles for their own industry, then consider which is the best fit for their objectives and strategy.

Business analytics leaders should:

- Consider the analytic techniques involved in each of the six styles and evaluate whether they have the skills and data to pursue them.

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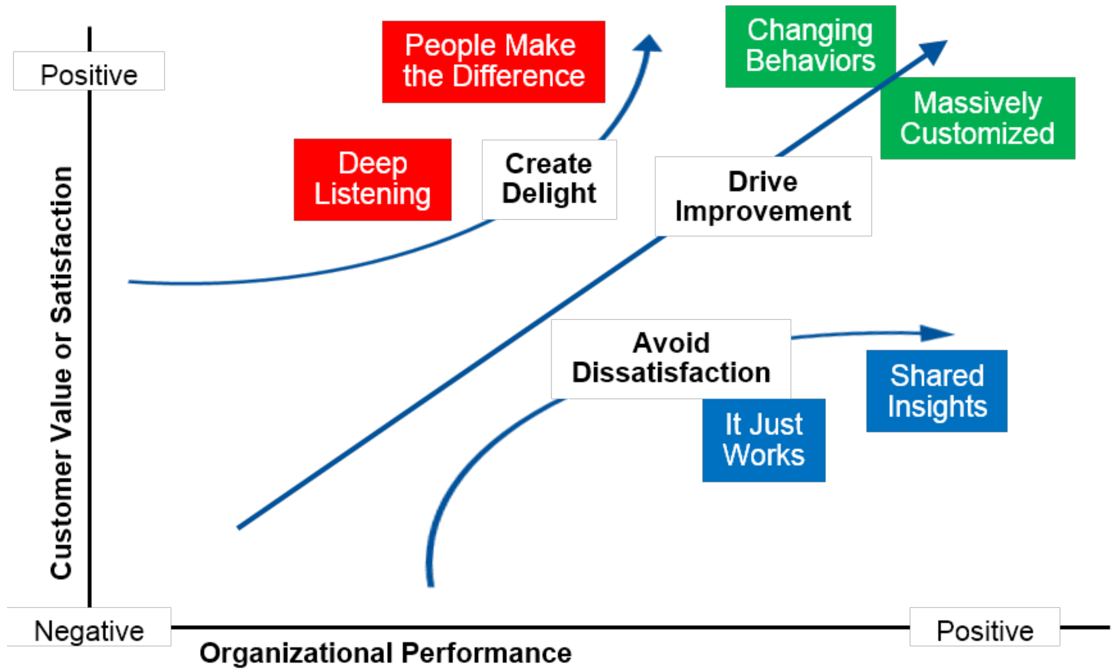
Analysis

In most organizations, customer analysis is marketing-driven and focusses on customer acquisition, growth and retention. Although valuable, organizations that limit their thinking to this are missing opportunities. Some of the most innovative and significant customer experiences are driven by other types of customer analysis.

Examining how a variety of organizations have applied analysis to their customer relationships shows a recurring pattern of six different objectives that can be achieved. Executives responsible for planning their customer strategy, or those responsible for managing the analysis to support that strategy, should consider how these six styles might be applied to their own organization.

A model developed by Professor Noriaki Kano[1] — and adapted here for customer analytics — provides a framework that will allow you to prioritize which approach is most likely to achieve your organization's objectives.

Figure 1. Kano Model of the Six Styles of Customer Analytics



Source: Gartner (August 2016)

This research will discuss the six styles against three objectives:

- **Create Delight:** Enable exceptional experiences and advocacy.
- **Avoid Dissatisfaction:** Set expectations and minimize problems.
- **Drive Improvement:** Do the usual things, but better every time.

Create Delight: Enable Exceptional Experiences and Advocacy

Two categories of analysis have the potential to drive exceptional experiences. For organizations seeking to generate social media buzz, create customers for life and possibly redefine their industry, these are the areas to consider.

1. People Make the Difference

Most exceptional customer experiences are driven by exceptional employee behavior. In many circumstances, analysis is counterproductive to a "real" interaction. Call center metrics incentivize shorter conversations, compliance metrics ensure adherence to a "standard" experience, and poor understanding of social media damages customer trust and engagement.

Customer analysis can, however, drive exceptional customer interactions by aligning the customer with the right employee in the right circumstances. Understanding customer preferences and behaviors can help achieve this objective by matching factors such as employee availability and skills. The objective of this type of analysis is not to prescribe a certain type of behavior from the employee ("read this script"), but to align employees and customers in such a way that the natural behavior of the employee is most likely to achieve the objective of a meaningful connection between organization and customer. New analytic tools are emerging that automatically interpret customer behaviors in a consistent and accurate way.

For example, a U.S. insurance company uses analytically derived profiles of how customers think and speak to identify call center agents who are most effective at dealing with this communication style. The agent and customers can both be "natural" resulting in more efficient and mutually satisfying interactions.

2. Deep Listening

It is an unfortunate truth (universally acknowledged) that customers do not always know what they want. In some cases, customers will say what they *think* they want, even if it actually is not (Henry Ford is reputed to have said "If I had asked people what they wanted, they would have said, faster horses").

Analytics provides a window into the customer's actual wants and needs. Analyzing social media or other customer-created content to discover unexpected use cases, or monitoring purchase or usage data to identify outliers whose behavior may be indicative of a different approach to the category, can yield the opportunity to develop new products or repackage existing products in new ways.

For example, a breakfast cereal company identified a growing number of product questions about whether a particular cereal could be eaten by those on a gluten-free diet. Superficially, the answer was "no" because of the risk of cross-contamination from adjacent manufacturing lines. Fundamentally, the answer was "yes" because the production facility could be reconfigured to serve a product segment that the company had not considered.

Avoid Dissatisfaction: Set Expectations and Minimize Problems

Sometimes the objective is not to delight the customer but, more pragmatically, just to stop annoying them. Two categories of analysis can significantly reduce or prevent customer dissatisfaction. If reducing dissatisfaction is the aim, these two styles of analytics are worth considering.

3. Sharing Insights

Organizations collect a huge amount of data in the normal course of operations, and the digitization of business and the Internet of Things will accelerate this trend. Much of this data remains unused by the organization itself, and even less of it is shared with external stakeholders such as customers. This one-way collection of data without reciprocation does little to build trust or deliver value.

Organizations can achieve a variety of benefits from sharing data or insights with customers. Sharing data can help set expectations, establish the company as a trusted part of the customer's decision-making process or even create a new opportunity for the monetization of data. The data itself may require little analysis, because the emphasis is on openness and sharing back to the customer, not inherently on providing deep insights.

Netflix, for example, shares data on download speeds achieved by customers with different ISPs.[2] This helps deflect criticism of Netflix from customers dissatisfied with streaming delays as well as putting pressure on the ISPs to improve their quality of service.

4. Ensuring "It Just Works"

The value proposition of an organization is often built on a few key attributes such as product reliability, low cost or service consistency. When organizations fail with these "fundamental" tasks, re-establishing trust can be a long and costly process, particularly if the customer's need was met by a competitor in the meantime.

Organizations can apply analysis to this process in a variety of ways. What are the key drivers to satisfaction? Some will be fundamental to all customers, others may vary between one customer segment and another. When does the organization fail to deliver the necessary performance? In some cases, this relies on feedback from customers (directly or indirectly through social media for example), in other cases the organization can apply event-monitoring systems to proactively identify issues before they become visible. In either case, analytics can also be applied to identify the best course of action to remedy the situation.

For example, a fast food restaurant identified that customers expect fast service at the drive-through lane but, during peak hours, the wait time became unacceptably long. By analyzing real-time video footage, the company was able to measure the length of the line, and then dynamically adjust the digital menu to narrow the product range (shortening the decision time) by removing items that are often customized or require extra preparation time.

Drive Improvement: Do the Usual Things, but Better Every Time

Two categories of analysis have the potential to improve the customer relationship the more consistently they are performed. At high levels, they may deliver an exceptional experience, whereas at low levels, they may deliver dissatisfaction.

5. Massive Customization

In an increasingly digital world, where many aspects of the customer or product experience can be easily changed, it is already surprisingly feasible to deliver a personalized product.

The traditional 4Ps of marketing (price, product, promotion and place) can all be adjusted to better fit the customer — whether it is a unique *price* based on your profile or consumption patterns (digital metering, for example), a unique *product* that suits your preferences (3D printing), a unique bundle or configuration of standard *products* (co-creation), or delivery at a time and *place* that suits the customer (drone technologies), the potential for analysis to enable the creation and delivery of a product that is increasingly customer-specific (to the extreme of literally unique products or services) will become commonplace. Of the six concepts described in this paper, this is likely to be the one that will experience the most-significant development over the next few years.

For example, music streaming service Pandora[3] has gathered its sizeable following by impressively delivering on its promise to "give people music they love". By categorizing the attributes of each piece of music, Pandora is able to recommend other songs that have similar characteristics, enabling the creation of user-controlled playlists that can be refined (thumbs up or down) to deliver a unique stream of music for each listener.

6. Changing Behaviors

The most obvious and common application of analysis is to encourage a change in the customer's anticipated behavior (analysis that reinforces, or predicts behavior without changing it may be interesting but is generally less valuable).

Understanding the customer's behavior and then changing it can occur at any phase of the customer relationship, and in any context, but most efforts focus on acquisition, cross-sell and retention. Improvements are possible in all three areas, usually from applying a finer level of granularity to targeting the audience (segments of hundreds instead of thousands, product affinities based on SKUs rather than categories), or by shortening the time to respond to better capture opportunities. In some cases though, the most profound benefit comes from analysis that is driven by understanding customer psychology.

For example, a cable TV provider knew there was a group of customers who should "rationally" switch providers to a competitor with lower prices, but they identified a subset of this segment that was essentially "dormant", consuming services (and paying fees) without active consideration. The company realized that offering a special retention deal to this segment would likely prompt them to make a considered purchase (switching to a competitor) rather than a habitual one (staying with their current provider) with a much higher risk of service cancellation. Although these customers can be identified as "at risk" because of the nature of the relationship, deliberately ignoring this group improves the retention rate.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Gartner's Seven Types of Customer Experience Projects"

Evidence

Our six styles of customer analytics were created based on analysis of over 150 best-practice examples of customer analysis, as well as the personal experience of the authors. Our research was validated in conference calls with end-user organizations as well as by feedback from conference presentations to several thousand attendees over multiple events.

[1] Wikipedia entry for "Kano model"

[2] Netflix ISP Speed Index

[3] "Pandora Radio's Dominance Built on Big Data Edge," Forbes.

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