Analyze:
Understand Customer Behavior to Fuel Interactive Marketing
Generation C: The Connected Customer eBook Series

Learn how marketers can connect with customers in our Generation C: The Connected Customer eBook series.

1. **Collect:**
   Build a Customer Data Foundation for Interactive Marketing

2. **Analyze:**
   Understand Customer Behavior to Fuel Interactive Marketing

3. **Decide:**
   Match the Right Message to the Right Customer

4. **Deliver:**
   Connect with Your Connected Customers

5. **Manage:**
   Make the Most of Your Marketing Connections
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Introduction

As your connected customers interact with your brand in new ways, it becomes more difficult to understand who they are, what they want and what they’re likely to do next. More connections and channels can be a shifting landscape, but this new territory also gives you new opportunities for meaningful customer communications.

Analytics is the key to understanding your Generation C customers—the “C” for connected—and marketing to their interests. A sound customer analytics practice enables you to pinpoint high-value, high-response customer segments and drive revenue with personalized interactive marketing.

Customer analytics is no longer a specialized skill for IT specialists and statisticians. The best solutions put intuitive, visually rich analytics in the hands of those who need it the most: marketers. These solutions enable marketers to move from insight to action in a matter of clicks, launching campaigns that target the customers they’ve segmented. Analysis is a critical element in the Enterprise Marketing Management (EMM) loop that also covers the integrated processes of Collect, Decide, Deliver and Manage.

EMM: a comprehensive suite integrating five critical marketing processes

- Collect: data that augments each customer profile
- Analyze: marketing data to find actionable insights
- Decide: on the best marketing action
- Deliver: engaging messages and capture reactions
- Manage: marketing processes and measure results

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Transform customer data from a business liability into a business asset.

“The unexamined life is not worth living.”
— Socrates

The ancient Greek philosopher’s maxim is relevant for today’s marketers. There’s no point in collecting data on customer behavior if you can’t understand what it means. Running marketing campaigns without the ability to measure how they drive revenue and conversion can mean time and money wasted. Unanalyzed, customer data can turn into a liability that undermines marketing performance by its sheer volume and complexity.

How do you efficiently monitor the behavior of individual customers, especially when it is captured in large volumes of data? How can you spot patterns and nuanced changes in behavior that appear over time? How can you immediately detect events that signal marketing opportunities—and react before it’s too late? As you collect more customer data based on customer interactions, the key is using analytics to create insights for optimizing your customer relationships and marketing tactics.

Analysis and measurement remains a challenge for many marketers. As fast-moving Generation C customers connect across multiple channels and interact through mobile devices and social media, analysis can become a bottleneck. Marketers surveyed by IBM® ranked measurement, analysis and learning as the biggest bottleneck they faced in 2011.1

Analytics doesn’t need to be a bottleneck. With the proper processes and tools, analytics on both customer data and marketing performance supplies a critical competitive advantage. Analytics is the key to understanding individuals, not just your market at large.

### Top 3 bottlenecks in marketing

- Measurement, analysis & learning: 57%
- Integrating cross-channel efforts: 53%
- IT support of marketing technology needs: 47%
- Marketing planning & objectives: 43%
- Creative development & strategy: 32%
- Program planning & targeting: 31%
- Channel execution & delivery: 31%

Marketers struggle with measurement and analysis.

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Good marketing is a conversation.

But you can’t talk with your customers if you can’t understand what they’re saying. Understanding customer behavior can be as inscrutable as a foreign language unless you use analytics to decipher it. Hidden within the vast volumes of customer data you collect, your customers are striking up a conversation:

• I like browsing your site, but I’d rather purchase in a store or speak to a real person.
• I love your promotional emails, but no more than once a week, please.
• Thanks for that display ad reminding me of the product I was looking at—I went ahead and bought it!
• Why do you keep sending me postal mail? I just toss it in the recycling bin.
• It’s time to upgrade the product I bought from you two years ago—don’t you remember me?
• I keep trying to access your site with my BlackBerry, but the experience is so bad I bounce after 10 seconds.

Align analytics to business goals

The best analytics strategies are tied directly to business goals. Identify the greatest areas of need and opportunity and tailor analytics to address them, based on such metrics as:

• Cross-sales improvement
• Return on marketing investment
• Customer lifetime value
• Conversion and average order value
• Profitability by customer or product

I “liked” your Facebook page, but I’m not going to visit unless you let me comment and offer discounts.

Using this data to build a single customer profile gives you actionable information about customer likes and dislikes. Now you can engage the customer in a two-way dialogue, responding to the customer’s unique preferences and needs.
The array of customer analytics strategies and solutions is broad. The path you choose depends on your state of customer analytics maturity, the gaps you face in understanding your customers, your channel focus and your priorities.

An online retailer that does most of its business on the web would most likely focus analytics understanding on how customers behave across digital channels: website, email, paid search, retargeting and more. For such companies, a comprehensive web analytics platform provides the capabilities to understand key performance indicators such as reaching, acquiring and converting visitors. Web analytics enables you to segment customers, identify underperforming areas, measure campaign performance, and improve conversion and the richness of customer profiles.

Multichannel companies focus on analyzing customer data from both digital and physical channels, often in conjunction with a customer data warehouse. For these companies, analysis reveals how customers move across channels and spotlights opportunities for interaction that suits their preferences. From a maturity perspective, behavioral analytics generally progresses through five steps, from website analytics to cross-channel understanding.

**Flex your customer analytics approach to your business goals.**

Marketers can progress through five stages toward interactive cross-channel marketing.
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Web activity data is the single best indicator of customer intent. Customer behavior on your website and in response to digital marketing campaigns can give you unparalleled insights into who they are and what they want—if it’s properly integrated with traditional (transactional, service and point-of-sale) data and analyzed as a complete profile.

Imagine a high-value customer browsing bedroom sets on your website. If you can conduct near real-time analysis on site activity, or “events,” in the context of a complete customer profile, analytics will alert you that this customer has in the past browsed furnishings at your website, but usually buys in a store. You can take the next step of emailing a discount or free shipping offer to that individual. But if you’re not set up for cross-channel analytics using web data, you will lose the opportunity to connect with these high-value individuals.

Marketers recognize the value of web data for customer analytics, but few make effective use of it. One reason that web data is underutilized is that organizations lack customer analytics tools readily usable by non-technical marketers.


Web data usage for analytics lags

Marketers surveyed by IBM recognize the value of web data for analytics, but struggle to put it to use.2

- **92 percent** believe web data is very or somewhat important for customer analytics
- **50 percent** make no use of web data for customer analytics
- **60 percent** don’t use web data to shape offer and campaign decisions
- Less than **24 percent** of those using web data believe they do so “very effectively”
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Marketers thrive with hands-on tools for customer and campaign analytics.

If your marketing team relies on IT specialists and statisticians to analyze customer and campaign data, you’re putting yourself at a big disadvantage. Bottlenecks between marketing and IT lengthen cycle times, hurt marketing productivity and limit your effectiveness. What if you could equip marketers with intuitive, visually rich reporting and analytics tools to explore customer data, measure channel performance and program effectiveness, and create customer segments for targeting?

The best solutions give marketers control over analytics. Visual exploration and predictive analytics are two leading types of customer behavior analysis.

- **Visual exploration:** Offers intuitive charts, graphs and other visual representations of customer behavior in a dashboard interface to explore information, spot trends and opportunities, and drill through to detail.
- **Predictive analytics:** Predicts customer response based on past behavior and attributes, identifies best products for cross-sell, suggests optimal segments and forecasts lifetime value.

These tools don’t burden marketers with analytic chores. Automation can handle the hard number-crunching work and streamline processes, while an abstraction layer lets users aim the solution at any set of data, be it web data, traditional data or integrated information. The net effect is empowering marketers for success and relieving them of burdensome data sorting in spreadsheets.

Success through empowerment

**Yellow Pages Group** gave 200 marketers new hands-on analytics capabilities when it implemented IBM EMM web analytics, expanding usage beyond the two specialists capable of using its previous solution. That contributed to increases in ad revenue, site visits and clickthrough to merchant pages for Canada’s leading Internet company.

*Customer segment data viewed as a “cityscape” in Unica CustomerInsight.*
Understanding marketing effectiveness goes hand-in-hand with understanding your customers.

In addition to helping you understand your customers, analysis should also deliver insights into how your campaigns are performing, what your best channels are, how effective your overall program is and how you compare to competitors in your industry.

But accurate marketing measurement is complicated by the complex behavior of your connected customers. Now, with mobile devices and social media, they typically interact with your brand about six times before converting, IBM data shows. Reliance on flawed “last-click” attribution models can mislead you into bad marketing and budget decisions. The picture gets more complicated if you use techniques (such as video ads or social media) that may not generate a clickthrough to your site, but are viewed as “impressions” by your customers.

Leading marketers rely on a comprehensive analysis platform for high-level operational reporting to channel segmentation to the granular analysis needed for continuous optimization. Such solutions give weight to unclicked impressions, enabling you to determine your return from those investments.

You also gain an edge by comparing your digital marketing performance to competitors and identifying areas for improvement. IBM customers can leverage the IBM Coremetrics® Benchmark solution, which aggregates anonymized, industry-specific data from more than 500 participating companies and reports on key metrics such as conversion, cart abandonment, page views and average order value.

Use analytics to combat attrition and missteps

Analytics isn’t just about driving new revenue. It’s about retaining customers and avoiding mistakes, too. For example, analytics can help you:

- **Combat churn.** If customers haven’t interacted in months, you’re at risk of losing them. Segment customers by inactivity, assess possible culprits and launch retargeting.
- **Focus your spend.** Mass marketing can cost you money. For instance, a costly campaign to your complete customer base can create a negative return with active customers who would have purchased anyway. Experiment with excluding these segments from discount offers.
- **Understand site activity.** Site analytics helps ensure that you accurately assess conversion. Identifying “bots” and filtering by IP address is critical to generating an accurate picture of conversion.
One-to-one marketing to millions is not an oxymoron.

When you have thousands or millions of customers, the concept of personalized one-to-one marketing can seem like an oxymoron. Deep segmentation with customer analytics puts you closer to the ideal.

The most advanced marketers use hundreds of dimensions to define customer segments from a complete customer profiles database, incorporating web activity, transactional and service information, third-party demographic data and more. The scope of attributes is growing as customers become more connected. With QR codes, location-based marketing, and social and mobile channels, the insights that you derive about customer behavior go deeper and deeper into microsegments.

Layering multiple attributes into recency, frequency, and monetary (RFM) scoring is a proven way to identify customers most likely to respond to an offer. Besides demographic data, you can use web activity, channel usage, social media status and other behavioral attributes to refine such basic analysis as:

- Highly profitable customers spend more time researching products online and purchase more via traditional channels
- Customers with products nearing the end of the product lifecycle are more likely to respond to upgrade offers

With deep analytics, marketing precision improves and teams run more, better-targeted campaigns. For instance, IBM EMM customer OCBC Bank, one of the largest banks in the Singapore-Malaysia region, increased its number of marketing campaigns 12-fold, to 1,200 a year, based in large part on its granular customer segmentation.

Understanding social media customers

Many marketers treat their social audiences as a single undifferentiated group. Just 30 percent use social media data in customer segmentation. Analyzing fans and followers can begin with a simple framework.

- **Who is active where?** Determine which of your customers use which social channels (Facebook, Twitter, blogs, etc.).
- **Segment their activity.** Use indicators such as recency (who posted or tweeted most recently), frequency (who contributes most often), and reach (who has the broadest network of friends/followers).
- **Influence the influencers.** Engage and market to the most active and influential social media users.
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By collecting and analyzing customer behavioral data, you’re ready to cultivate a rewarding conversation with your customers. However, there are still critical choices left to be made. Based on analytics, you need to decide which message should go to which customers via which channels, when. For the next eBook in this Generation C: The Connected Customer series, see Decide: Match the Right Message to the Right Customer.

About IBM Enterprise Marketing Management

The IBM Enterprise Marketing Management (EMM) Suite is an end-to-end, integrated set of capabilities designed exclusively for the needs of marketing organizations. Integrating and streamlining all aspects of online and offline marketing, IBM’s EMM Suite empowers organizations and individuals to turn their passion for marketing into valuable customer relationships and more profitable, timely, and measurable business outcomes.

The IBM EMM Suite helps marketers to understand customer wants and needs and leverage that understanding to engage buyers in highly relevant, interactive dialogs across digital, social, and traditional marketing channels. IBM EMM provides robust web and customer analytics, event detection, campaign management, real-time interaction management and recommendations, lead management, digital marketing optimization, email marketing, targeted advertising, search engine marketing, and marketing resource management capabilities. Over 2,500 organizations around the world use IBM EMM solutions to help manage the pressures of increasing marketing complexity while delivering improved revenue and measurable results.

IBM’s time-tested and comprehensive offerings are giving companies such as E*TRADE, ING, InterContinental Hotels Group, Orvis, PETCO, United Airlines, Vivo and wehkamp.nl the power and flexibility required to provide their customers and prospects with what they expect today—a more consistent and relevant brand experience across all channels.

Move from customer insight to marketing action.

Take the next step

Find out how IBM can help you improve customer and campaign analytics. Visit us at ibm.com/software/marketing-solutions or speak with your IBM representative.
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To learn more about IBM Enterprise Marketing Management please contact your IBM marketing representative or IBM Business Partner, or visit the following website:
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