



# WEBINARS

KEY LEARNING SUMMARY

## **Know What Customers Want Before They Do**

*featuring* **John Lucker**

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# Know What Customers Want Before They Do

## OVERVIEW

Customers are increasingly frustrated by the generic offers they are bombarded with from marketers, and most marketers continue their “spray and pray” mass marketing techniques of the past, seeing little reason to change. But today’s consumers and B2B companies only want interactions that are relevant, personalized, and based on a customer’s situation and preferences. Companies that fail to provide relevant offers will be left behind.

Creating customer loyalty requires using data and sophisticated analytics to create highly customized “next best offers” (NBOs) that reflect each customer’s preferences, purchase history, and purchasing context. When done right, NBOs can increase cross sell/upsell opportunities, boost profits, and create competitive advantage.

A framework for creating effective NBOs for B2C and B2B companies consists of: defining clear NBO strategic objectives; gathering data from a wealth of internal and external sources; analyzing this data and then executing NBOs; and engaging in continuous experimentation and learning. Despite the effectiveness of this framework, few companies are using it, providing an opportunity for those that do to engage in even better, more precise, more effective marketing.

## CONTEXT

John Lucker, a leader of Deloitte Consulting’s Advanced Analytics practice, shared insights from his recent *Harvard Business Review* article, “Know What Your Customers Want Before They Do.” He defined next best offers and provided a framework for creating effective NBOs.

## KEY TAKEAWAYS

**Currently, few marketers make relevant offers to customers.**

Despite having not obtained a new credit card in 23 years, over the past 30 months Mr. Lucker has received approximately 300 credit card offers. This experience is typical of many consumers who feel bombarded by marketers’ offers that have no relevance. Such “spray and pray” approaches by marketers—who contend, “We’ve always done it this way and have been successful”—cause consumers to feel that companies don’t understand them and don’t treat them as special.

Because so many companies treat consumers in a generic way, failing to tailor the communications and offers based on consumers’ specific behaviors and preferences, there is a significant opportunity for those companies that know consumers better. Mr. Lucker believes that those companies that use sophisticated analytics to craft highly customized, relevant offers can achieve far greater loyalty from consumers, greater profitability, and competitive advantage.

## CONTRIBUTORS

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**Businesses need to become intimately familiar with next best offers.**

Historically, retail sales people were intimately familiar with their customers. Sales people knew each customer personally and knew their individual preferences. But this era is long gone. In today's large retailers, store staff lacks the personal touch of the past.

The best way for companies to achieve personalization and build long-lasting customer relationships is by leveraging technology and analytics. In particular, next best offers are a way of providing better, more precise marketing.

A next best offer is a highly customized offer from or action by a marketer that guides consumers to the right merchandise, services, or information, at the right moment in time, at the most agreeable and attractive price, via the most convenient channel. Most commonly, NBOs are designed to inspire a purchase, drive loyalty, or both. An NBO can be focused on products, services, information, or relationships.

A next best offer may be delivered through one or multiple channels. It is typically derived through data mining, segmentation, statistical analysis, and predictive modeling, and then executed based on business rules.

Companies should care about NBOs because:

- Businesses that don't use NBOs will see customers defect to competitors that do.
- Customers are bombarded by offers, and will only pay attention to those that are relevant.
- New technology, such as SoMoLo (social, mobile, and locational), can be leveraged to create greater relevance.
- Bad NBO executions can have a harmful effect and can drive customers away.

**Effective NBOs can be created by following four simple steps.**

An effective NBO can be created by following the four-step framework shown below.



The steps in this framework are:

1. **Defining the objectives and strategy.** The first step in creating an NBO is establishing a roadmap with clear objectives for targeting customers. NBO objectives might include

increasing revenue or achieving a greater share of wallet. For example, retailer Tesco established NBO objectives of increasing sales to regular customers and enhancing loyalty.

2. **Gathering data.** This involves determining what sources of data can be used to target offers, which can include internal data or external data, such as SoMoLo data. The types of data that are important are customer data, including demographic and psychographic information; data about the company's product offerings; and data about the purchase context, including the channel, reason for purchase, customer emotion, and time of day. Walmart is capturing and leveraging SoMoLo data to drive online purchases and is using location-based technologies to guide customers in their stores.
3. **Analyzing the data and executing an NBO.** This is turning data into actionable insights through advanced analytics. Analytical processes include segmenting the data, data modeling, applying business rules, delivering offers through various channels, and engaging in widespread experimentation. Companies such as Starbucks, Qdoba Mexican Grill, and Nordstrom provide examples of organizations that are using different methods and channels to test various offers.
4. **Learning and evolving.** Pursuing NBOs means engaging in a constant process of learning and evolution. CVS is a company that is constantly learning and evolving by delivering different types of NBOs to different customer segments in different ways. CVS illustrates an organization that has made NBOs and the process of experimentation part of its culture.

## OTHER IMPORTANT POINTS

- **B2B NBOs.** While this webinar focused largely on the use of NBOs by B2C companies, the same processes and strategies apply in creating NBOs in the B2B space.
- **Changing the culture.** For organizations to become successful at creating NBOs is not just a matter of having the appropriate analytical expertise; success also requires changing the culture to focus on personalized offers and experimentation.
- **Privacy concerns.** Companies must realize that using data about consumers to create personalized offers will raise privacy concerns. If data is used to make offers that are too precise and personalized, some consumers may be "creeped out." For this reason, companies need to be cautious, may want to market to customers as part of targeted segments (which are slightly less personalized), and may want to identify those customers who are open with sharing personal information (such as those who post on Twitter or Facebook what they had for breakfast) and those who are not as forthcoming.
- **Don't forget old methods.** While SoMoLo has risen in prominence, consumers still redeem billions of dollars per year in physical coupons. So, while marketers must stay attuned to new marketing methods, they can't abandon marketing techniques that influence the purchasing of millions of consumers.

"You can't improve if you don't experiment and fail. The keys are to fail fast, fail small, and learn through each failure."

—JOHN LUCKER

## BIOGRAPHIES

**John Lucker**

*Principal, Deloitte Consulting LLP*

John Lucker is Deloitte's Global Advanced Analytics & Modeling Market Leader and a leader for Deloitte Analytics. He is also a leader of Deloitte's Advanced Analytics & Modeling practice, one of the leading analytics groups in the professional services industry.

John provides clients with end-to-end strategy, business, operational, and technical consulting services in the areas of advanced business analytics, predictive modeling, data mining, scoring and rules engines, and numerous other advanced analytic business solution approaches. His clients are in many industries including insurance, banking and financial services, retail, consumer products, telecomm, healthcare, life sciences, media, hospital-ity, and others.

Mr. Lucker has developed numerous individual advanced analytic business solutions and methods as well as the technical implementation tools to realize the latent value of the solutions. He often speaks about these topics for industry and professional organizations and writes frequently for a variety of publications. He is a co-inventor of four predictive modeling patents and two pending patents. He holds a BA and an MBA from the University of Rochester.

**Angelia Herrin (Moderator)**

*Editor for Research and Special Projects,  
Harvard Business Review*

Angelia Herrin is Editor for Research and Special Projects at *Harvard Business Review*. At *Harvard Business Review*, Herrin oversaw the re-launch of the management newsletter line and established the conference and virtual seminar division for *Harvard Business Review*. More recently, she created a new series to deliver customized programs and products to organizations and associations.

Prior to coming to *Harvard Business Review*, Herrin was the vice president for content at womenConnect.com, a website focused on women business owners and executives.

Herrin's journalism experience spans twenty years, primarily with Knight-Ridder newspapers and USA Today. At Knight-Ridder, she covered Congress, as well as the 1988 presidential elections. At USA Today, she worked as Washington editor, heading the 1996 election coverage. She won the John S. Knight Fellowship in Professional Journalism at Stanford University in 1989–90.

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## Sponsor's Perspective

Delivering a great customer experience has become more critical than ever to a company's competitive advantage and bottom-line results. This is especially true when it comes to presenting messages and next best offers (NBOs) that are relevant, personalized and adapted to the customer at every point of interaction through the entire customer lifecycle.

Many organizations lack the infrastructure and applications they need to make NBOs an integral part of an overall customer experience (CX) strategy. What they need is a comprehensive, modern big data and analytics infrastructure, where all types of internal and external data can be aggregated, organized, analyzed and applied at every customer touch point. That makes it possible to present precise, real-time NBOs based on an accurate understanding and predictions of customer behavior and ensure that the most-appealing offers are made at the right time and place.

NBO practices are equally viable for business-to-consumer and business-to-business scenarios, but they're not entirely interchangeable. Any strategy must take into account the unique requirements of B2C and B2B use cases. This unprecedented degree of customer insight and dynamic personalization requires integrated processes and best-in-class applications and tools, including analytics, decision support, and data management technologies that enable a single view of the customer.

To get the best results, organizations need an NBO solution that is self learning and uses all available and relevant information at every touch point: websites, social channels, mobile, in store, and contact center agents and salespeople. With the right pieces in place, businesses can deliver targeted NBOs and recommendations, helping to drive revenue, reduce churn and increase customer engagement.

Even organizations that rely primarily on salespeople to drive sales have begun to recognize the value of applying NBO practices. As product catalogs grow in complexity and speed of execution becomes critical, organizations realize that relying solely on experienced salespeople isn't enough, even with their deep knowledge. There's an opportunity to help each salesperson sell smarter. NBO applications apply predictive analytics to identify "white space" opportunities and make next offers that customers

will respond to. Sales organizations that leverage NBO and sales prediction capabilities stand to increase deal value, win rates, customer satisfaction and sales productivity.

Oracle offers solutions to help organizations deliver on the promise of next best offers and actions. They include Oracle Real Time Decisions for identifying and presenting NBOs across multiple channels, and Oracle Sales Cloud, which uses advanced analytics to help salespeople identify white space opportunities within accounts, prioritize NBOs, and gain insights into what customers want. To learn more, visit [www.oracle.com/bigdata](http://www.oracle.com/bigdata), [www.oracle.com/rtd](http://www.oracle.com/rtd), and [www.oracle.com/salescloud](http://www.oracle.com/salescloud).

Oracle is pleased to sponsor this *Harvard Business Review* webinar and report on strategies for honing customer offers. In the era of empowered customers, a well-executed customer experience strategy is a competitive differentiator and driver of business value. Oracle is committed to helping organizations succeed with their NBO initiatives and capitalize on the promise of unsurpassed customer experiences.

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