



Why you need to embrace new **customer-centric strategies**

to survive in the era of the
empowered customer

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Introduction

There was a time when the slow and methodical methods of market research were the only way companies had to understand their customers, and customers had to provide feedback to companies. Market researchers worked in isolation from the rest of the company: they conducted surveys, often by phone or in person, analyzed the results and presented reports to executives. Their research was thorough and exacting, but it was slow, expensive, didn't engage large groups of customers and seldom provided actionable insight.

That day is now over. Social media gave customers a powerful voice, and companies were left scrambling to adapt – to be able to both respond and take advantage of these new sources of feedback. At the same time, companies have been able to collect great amounts of transactional data on their customers. The job of collecting and analyzing information about customers has spread beyond market research and is conducted in several departments within an organization: in innovation, marketing and customer experience. It's now everyone's job to understand the customers.

The rise of the empowered customer

The balance of power has shifted from companies to their customers. Customers, through their mobile devices, have constant access to a world of information about both your company and your competitors, and they're putting all that information to use. Social media and online review sites give them a megaphone to broadcast their feelings about brands – positive and negative. Those voices have an impact. According to a 2017 study by Spiegel Research Center, nearly 95 percent of shoppers read online reviews before making a purchase. What's more, a 2017 BrightLocal study indicated that 68 percent of Americans report positive reviews make them more likely to use a business.

The empowered customer is more demanding and less loyal. Customers no longer rely on a brand's reputation to gauge the value of a product. According to a 2018 Morning Consult survey, while 67 percent of Gen Xers and 75 percent of baby boomers said that when they find a product they like, they tend to buy it over and over again, the same isn't true of younger generations. In fact, 51 percent of 18 to

21-year-olds said they would like to try out different items even when they know there's one they like. Rich with options, customers are also a fickle bunch. A 2018 international survey by PwC found that the types of experiences that would make customers take their business elsewhere these days include unfriendly service (60%) and employees' lack of knowledge (46%). Companies that neglect to engage with angry customers risk a public relations disaster. Just ask the marketing team at United, which encountered a backlash after violently dragging an elderly doctor from a flight due to an overbooking. Or ask the marketing team at Dove, which faced intense criticism when it released a three-second video clip on Facebook in which a black woman takes off her shirt and becomes a white woman. As Mark Cuban has said, "Treat your customers like they own you. Because they do."

Companies that neglect to engage with angry customers risk a PR disaster.

In the age of the empowered customer, companies must move beyond traditional market research. Their challenge is to harness intelligence about their customers more quickly and comprehensively. By understanding the empowered customer, a company can make effective and intelligent business decisions.

What is customer intelligence?

Customer intelligence is about producing insight into customers that is not only smart but also useful. To gather customer intelligence, a company must draw on data from multiple sources and analyze it at the speed of business. This intelligence tells decision makers, not just Who, What, When and Where, but Why. It's the knowledge of why customers behave as they do – why they're buying your product more than the next, why they're abandoning your service, etc.– that allows companies to adapt to meet customer demands. Good customer intelligence guides and advises leaders as they make real-world business decisions. The result is a holistic picture of customers that's more about people than pie charts.

Customer intelligence is also crucially about action. It means using that insight to drive business decisions and measurable results.

The difference among data, intelligence and insight

Data is the raw material of information about customers. It can be biographical information like age and education level, a single response to a survey question or a discrete record of a single purchase. Data is essential but on its own largely useless – it's backward-looking and can't predict how customers will behave. Context gives data meaning. For example, the fact that a customer bought product X twice this month is uninteresting by itself. The fact that a customer bought product X twice this month but only once last month is more interesting. The fact that a 30-year-old customer with a master's degree bought product X once last month and twice this month is more interesting still, and so on.

Intelligence is the holistic and flexible understanding of customers that comes from gathering, contextualizing and analyzing data. Intelligence is data studied and scrutinized at the speed of business – in real time –

to produce actionable insight. Customer intelligence means placing information into context, so we learn that our 30-year-old grad-school-educated customer has recently moved into the neighborhood and has a young family.

Insight goes beyond Who, What, Where and When to tell us Why customers behave as they do.

Insight is the deep understanding of customers that comes from gathering, analyzing and synthesizing customer intelligence. Insight goes beyond the Who, What, When and Where to tell us Why customers behave as they do, guiding better business decisions and delivering results.

Arriving at insight means learning that our well-educated 30-year-old customer with a young family is shopping with us because product X is diapers and the young family includes a baby. We learn that the family is also buying a competitor's diapers sometimes because they're a little cheaper and the family is on a tight budget after a move into a new house. Perhaps we decide to build loyalty between this customer and our brand by offering coupons for our diapers to lower their cost and help the family through a financially difficult time.

A guide to data sources

Finding valuable information within a surplus of data isn't a new challenge. In a 1963 paper "Informal Sociology: A Casual Introduction to Sociological Thinking," the sociologist, Bruce Cameron, addressed the particular challenges involved in drawing insight from data about human beings. He lamented that economists, with their streams of automated data, can easily run numbers through a computer to produce charts and graphs. Sociologists, on the other hand, work with various types of data, some of which can be automated and some of which can't. As scientists who study the most complex organism in the known universe, sociologists are faced with impossibly large amounts of different kinds of data, and the challenge they face is sorting through it to find what's useful. "Not everything that can be counted counts," Cameron wrote, "and not everything that counts can be counted."

Cameron's insight has never been truer than today. In this age of Big Data, constant connectivity and digitized everything, companies have more data to work with than ever before. But more data doesn't necessarily mean better data: not all data is created equal. The

challenge today is finding the right tools to draw the right insight from the right kinds of data. In the following pages, we examine and evaluate the most common methods to gather data about your customers.

Focus groups

In a traditional focus group, a small batch of pre-screened participants – usually between six and 10 – is asked questions about a product or service in an open-ended, informal way by a group leader. Companies might use focus groups to anticipate trends in shopping patterns, gauge reactions to a movie trailer or a political speech, or test out a new marketing strategy. Participants in a focus group can come from a wide variety of sources; they can be recruited while walking in a shopping center or across a college campus, they can be found through advertisements in a newspaper or website, or researchers may have a pool of participants who regularly participate.

Most, but not all, focus group participants are paid, typically between \$50 to \$100 per session. Sometimes people may take part in a focus group to earn a few extra bucks or another reward, like a coupon, but others take part simply to give their opinion, to help shape a product, brand or even a political message. One advantage of the old-school focus group is how participants are preselected based on a particular demographic criteria or other characteristics desired by the researcher. Knowing who the participants are and where they are coming from gives researchers vital information they need to put responses into context.

The traditional focus group also allows participants to learn from each other's responses to questions and sharpen their own views, while simultaneously giving the interviewer the chance to drill down deeper on particularly interesting responses, or in order to clarify an unclear response.

The primary drawback of the traditional focus group is that the number of participants is inherently limited since a group of people must meet at the same time in the same place.

Fewer voices mean less diversity of opinion, fewer people identifying problems, fewer people searching for solutions and so on. Focus groups can also suffer from a phenomenon that psychologists call groupthink, in which strange or irrational ideas can emerge as a result of the tendency of people in groups to minimize conflict by tending toward conformity. Getting groups of people together in one place to conduct a focus group can be costly and, in light of competition from online surveys and virtual focus groups, since the early 2000s thought leaders in market research have been predicting the end of the traditional focus group.

Surveys

Surveys, in which responses to a questionnaire are collected from a set of people, have had a long life in the world of market research. In the 1930s, psychologist and pioneering market researcher, Daniel Starch, began surveying magazine readers to gauge the effectiveness of advertisements, and the survey has had a prominent place in the field ever since. The lowered cost of conducting surveys over the internet made online surveys increasingly popular with businesses in the 2000s. But the survey's usefulness is severely limited, and in ways that are making them increasingly ineffective.

The biggest drawback of surveys for today's customer-centric companies is that they provide the opinions and information of an unknown group of people. Ad-hoc surveys – or surveys conducted once for a single purpose – are inherently impersonal. Because you're dealing with a new group of respondents with each survey, the surveyor must begin questionnaires with onerous biographical questions that are needed to make sense of responses.

Front-loading biographical questions means it takes more time for a respondent to get to a survey's non-biographical queries – if they even get to those questions before giving up. In recent years, attention

spans have grown shorter – the average American attention span dropped from 13 seconds in 2000 to eight seconds today, according to the National Center for Biotechnology Information – and as a result, the quality of responses in a survey falls off fast. Often, by the time a respondent has made it through bio questions, the remaining responses – the meat of the survey – are next to worthless.

Surveys are slow – even when they're conducted online. It takes time to collect enough responses to make a survey worthwhile. An analysis of response times by the online survey company, Survey Monkey, found that, though a majority of responses come in within two days of a survey's release, response times taper off fast and it can take up to a week before 80 percent of responses come in. (The company recommends that after conducting a survey you wait seven days before running any significant analysis of findings.)

It's impossible to tell precisely how many surveys companies are sending to customers, but the available evidence suggests the number isn't trivial. According to The New York Times, the small company Mindshare Technologies, which conducts electronic surveys on behalf of companies, says it completes about 60 million surveys a year. Customers certainly seem to feel inundated with annoying survey requests, because response rates are plummeting.

Falling response rates translate to samples that are less representative of the population as a whole. The market research thought leader, Ray Poynter, predicts that the survey as we know it is destined for obsolescence in the next 10 years.

Customer Relationship Management (CRM)



CRM provides transactional data that tells you how often your customers are interacting with your business. CRM data can tell you how often customers buy your product and how much they're spending in your store, and it can help reveal long-term trends tracking – whether the frequency of complaints is going up or going down. Done properly, CRM data collection also includes inbound communications from customers, like complaints and calls to customer support teams.

One study found that the top 20 percent of retailer customers by spend are just as likely to shop with a competitor.

Traditionally, the division of a company that runs its CRM system has been separate from market researchers. This wall began to crack in the early 2000s, with the advent of do-it-yourself online surveying software. By making CRM databases available to the people conducting market research, companies reduced surveying costs immensely.

CRM data can tell us a lot but alone it can be deceptive. For instance, CRM data can't tell you how often your customers are buying your competitors' products or how much they're spending in other stores. In fact, according to a 2016 ICLP study, a whopping 97 percent of consumers would cheat on their favorite retailers. In addition, a study from McKinsey & Company found that, for many retailers, the top 20 percent of customers by spend are just as likely to shop with a competitor. In other words, high-spending customers are high spending across the board; through the lens of CRM alone these customers appear loyal, but they aren't.

"Retailers are losing millions because their loyalty spend is being allocated to customers who aren't loyal," says Scott Cameron, a partner at McKinsey & Company, "and other marketing spend is not targeting customers effectively." A study from Forrester Research found that a customer's emotions – a type of information about customers that CRM data is incapable of fully capturing – influence loyalty even more than the ease and effectiveness of a product.

Another concern: CRM data is inherently historical. It can tell you that your customers are buying your products but not why they buy them or give you the insight to confidently predict how they'll behave in the future. And it can't tell you about the business they're doing with your

competitors or why complaints about your product are going up or going down.

CRM data is inherently historical: it can tell you what your customers bought but can't tell you that your sales will go up or down.

Big data



By the late 1990s, computer scientists and theorists were talking about the rise of Big Data – information gathered in such large quantities that analyzing it requires more computing power and personnel than most companies had at hand. Big Data provides an extra-large window into the minds of customers. Companies are gathering information with every swipe of a credit card, response on a census form and even every step taken with geo-location enabled on the smartphones in our pockets. Yet, only a tiny fraction of the data companies gather ever gets analyzed; a 2016 CrowdFlower report showed that only 20 percent of data scientists' time is spent analyzing data, while 80 percent of their time is spent on finding, cleaning and organizing huge amounts of data.

Only a tiny fraction of the data companies gather from every swipe of a credit card and other transactions ever get analyzed.

The challenge businesses face now is not gathering up enough data but collecting and curating the right data – they need to decide where to dig before they start digging. Smart companies use customer

research tools to guide Big Data mining toward targeted and useful questions.

Even if Big Data analysis is able to tell you Who, What, When and Where, it will never be able to fully tell you Why. Consider, for instance, the leisure habits of millennial Americans. Big Data tells us clearly that the things younger Americans eat, drink and do for fun change significantly in the year after they graduate from university. But the pieces of information Big Data offers, like the fact that young people tend to switch to drinking more wine after college, can't tell us why they do so. Is it simply that college grads are finally making some money and able to afford wine over cheap beer? Or does the context of the drinking – at a cocktail lounge rather than a frat party, for example – guide their decision making? Perhaps the perceived social stature that comes with drinking wine has an influence over their buying habits – a piece of insight that would, if true, be quite useful to the marketing team at, say, a craft beer brewery.

Big Data can hint at the reasons people do things, but it can't truly illuminate why people behave as they do. To find the patterns that reveal the Why behind behavior, companies need to combine Big Data with tools that deliver context and insight.

The challenge facing companies is to collect and curate the right data.

Social media analytics



The widespread popularity of social media presents companies with novel challenges and opportunities. Some companies have had success in monitoring social media for sales opportunities (if, for example, someone is complaining about a competitor's product). And social media has become an important channel for responding to customer complaints; in a report from the social analytics firm Gleanster, 73 percent of top-performing companies identified improving customer service as the second most important reason to monitor social media, surpassed only by benefits to marketing operations.

A study of social media showed that the vast majority of posts come from a minority of users.

Monitoring social media activity for brand citations can help a company determine how much traction a marketing campaign is having and

keeping tabs on the content of social posts after the rollout of a new product can help identify product problems early on. For example, Apple noticed shortly after the release of the iPhone 4 that its customers were having a problem using the device left handed; not the message the company wants to send to its lefthanded fans. But there are limitations to what companies can learn from the data collected through social media monitoring. As revealed in the Vision Critical report, *What Social Media Analytics Can't Tell You*, 85 percent of social posts come from just 29 percent of social media users. The vast majority of users simply don't post as often, and their quieter voices get drowned out in the cacophony of social noise. The study also revealed that the most prolific third of social media users has markedly different shopping habits from their less enthusiastic peers. Sentiment analysis via social media skews sharply toward a minority of users and is largely useless in gauging the thoughts and feelings of customers on the whole.

And it can be difficult to assign key demographic tags to social media posts, like the age or gender of a commenter. Without that information, putting the data harvested from social media monitoring into a usable context is next to impossible.

Social media monitoring analytics are inherently reactive: people post complaints about products and services, and companies can only monitor and respond. In that sense, social media analytics reflect the world as it is not as it could be. Analyzing social posts can't help brands test a new campaign idea or new product or service.

The new way to gather customer intelligence: insight communities

Today's empowered customers are eager to tell companies what they want. Indeed, many customers expect to be consulted about products and marketing campaigns. Companies that don't put empowered customers at the very heart of their business strategies will fail in the years to come. Empowered customers want to engage with companies, but they want to do so on their terms, and they want to be treated like real people, not faceless data points. The good news is that there's a way for companies to offer them exactly that. An insight community is a group of your customers, or even prospective customers, numbering in the thousands to hundreds of thousands who directly share with you what they think and feel and why they do what they do. Insight communities allow companies to engage with customers in a way that respects their individuality and their humanity,

and which complements other data sources, like Big Data and social analytics. Unlike ad hoc surveys, insight communities are comprised of customers who have opted in to give feedback. They've done so because they know that companies take seriously the high-quality feedback gathered through an insight community. The intimate nature of the community allows companies to show participants how their feedback made an impact, reinforcing the knowledge that companies truly value the intelligence drawn from insight communities. In this sense, they build on the tradition set forth by focus groups, allowing companies to interact on an intimate, personal basis with customers, but at a much larger scale.

Insight communities fill in the gaps left by other market research methods – by giving context to feedback.

Insight communities fill in the gaps left by other market research methods. By giving context to a response and giving the surveyor the chance to tweak questions or clarify a particular point, the insight community makes the survey – otherwise, a sure-fire way to alienate customers and get bad information – useful again. The free-flowing exchange facilitated by an insight community produces the insight needed to clarify questions Big Data can't answer by targeting the right data and ignoring the vast amounts of irrelevant data in order to find the needle in the Big Data haystack. Insight communities go straight to the source – the customer – to find out why they behave as they do.

Because insight communities are built on long-term, meaningful relationships between brands and customers, companies know who they're dealing with. Customer feedback through an insight community is created in a context that makes it instantly meaningful. And since customers develop long-lasting relationships with companies, they're invested in the company's long-term success and have an incentive to offer the kind of high-quality feedback that leads to actionable insight. With a community of eager participants already in place to offer high-quality, timely feedback, insight communities are inherently quick and nimble, giving companies feedback at the speed of business. Questions to customers can be modified fast to reflect a brand's changing needs.

Whether or not a company understands why customers think, feel or behave a certain way will determine whether or not it survives today and in the future. Insight communities built on deep and long-lasting relationships between customers and brands are the essential tool for answering that question. It's the insight community that allows companies to turn customer data into customer intelligence and insight into action.

Insight communities are quick and nimble, giving companies feedback at the speed of business.

How insight communities humanize data



Stories help us make sense of our lives and they can also help us make sense of data. A data set might tell us that customers are buying more red shirts. A story told with the data set will tell us why. Maybe red happens to be in this season or maybe customers are stocking up on extra holiday supplies?

Insight communities turn raw information into a story – put another way, insight communities humanize data. You could, to offer one hypothetical example, note that customers as a whole are buying more red shirts or look closely to find that Tim, a specific man in California, is buying more red shirts. And if we want to know why he's buying more red shirts, the next step is simple – ask him. You can also cross-reference Tim's response with other related responses to find emerging trends. And you get to Why by asking Tim what he likes in a red shirt, or if he might like another kind of shirt, were one

made available.

It's easy to quantify the fact that there has been a change in purchasing patterns – what's harder, and infinitely handier, is to be able to say Why. To be most useful, data must be placed into context, in which events (new products, changes, etc.) happen to known characters (customers) who are shown to take certain actions that offer insight into their motivations, needs and desires. Data from an insight community can be presented in charts, bar graphs and bullet points, but it is most impactful when illustrated through examples and real-life scenarios.

To make data useful, it's important to be able to “show stories,” in which real customers interface with real products or events. The insight community facilitates that.

Last word

The era of customer empowerment demands new tools to learn what customers want. Some older methods, like the ad-hoc survey, are no longer useful, while others, like CRM, Big Data and social media analytics, are valuable when leveraged in the context of an insight community. An insight community helps to make sense of reams of data and use that insight to tell a human story.

To improve the product-customer lifecycle, companies need to elevate the role of market research, infusing customer intelligence into all levels of the organization. The most forward-thinking companies have embraced customer-centricity, committed to knowing their customers and understanding their motivations. Customer intelligence is your destination – insight communities are the vehicle to get you there.

Who is Vision Critical?

Vision Critical provides customer relationship intelligence software that enables large enterprises to be fast, responsive and customer-centric. With its unique, relationship-based approach, Vision Critical's Sparq platform lets brands directly interact with communities of opted-in customers. Unlike traditional voice of customer methods, Vision Critical unlocks the real-time feedback that companies need to build better products, deliver better services and achieve better business outcomes hand in hand with their own highly engaged, well-profiled customers. Hundreds of high-performance organizations across multiple industries use Vision Critical's technology, including BuzzFeed, Aurora Health Care, LinkedIn and more.

To learn more visit visioncritical.com

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