

CONSUMER INSIGHT

How to use data and market
research to get closer to your
customer

Chapter 1

INTRODUCTION TO CONSUMER INSIGHT

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Foreword

Consumer insight is a great term. It implies a depth of understanding of consumers. More than that, it implies sensible use of this understanding - to help consumers fulfill their needs. It also implies wisdom – organizations using understanding so that their position is as they want it to be e.g. meeting customer or stakeholder needs, profitable, within budget, secure, or ethical.

Insight doesn't just happen, as this book shows. It's the result of different disciplines – particularly market research and customer database analysis – being combined and used to manage consumers, and to allow consumers to manage themselves because the insight has been used to develop ways to allow them to do it. In a world of Internet and mobile telephony, insight is often instant – or nearly so. The consumer calls you or logs on to your site, and tells you something, and you change what you offer them, based on the information they have just given.

Of course, not all insight is like this. Many marketers would argue that the most important consumer insights of all are to do with your brand, or with your overall offer or proposition. Others would argue that in addition, you must use consumer insight to work out whether your overall marketing effort is effective (doing what it should be doing) or efficient (doing it economically).

Of course, consumer insight supports all these areas – from changes in marketing strategies to improving interactions with individual consumers. Good consumer insight is the foundation of good customer relationship management. It's the foundation of any strategy to change how your operation relates to its market, such as e-business on demand strategies. This book is about business to consumer markets, but we at IBM can testify to the importance of understanding our business customers – insight has been a major area of investment for our global marketing community. The way we understand our customers and their needs has been responsible for our massive shift into solutions and consulting, which now account for the majority of our business. Perhaps most importantly of all, the work we do in IBM Business Consulting Services is dominated by projects in which insight into our clients' customers is the foundation stone.

This book is an introductory book, so it cannot give you “everything you need to know about consumer insight”. But it covers nearly all the main issues, the issues we work on with our clients. It is the first book to map out fully the consumer insight territory. It's a great introduction for the many new recruits into insight – whether as clients, consultants or marketing service agencies. For more senior folk, it is full of ideas about how you can improve your consumer insight. It also explores some of the more difficult areas - like partnering and outsourcing – two of the areas we are asked about most often.

So whether you are just starting to reconsider how you understand your customers, or whether this is an issue that has been a top priority for years, this book is a great journey guide.

We wish you luck, and more importantly, better insight.

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CH 1 INTRODUCTION TO CONSUMER INSIGHT

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INTRODUCTION

This is not just another book about market research, or about customer relationship management – though it has much say about both. It uses the term “insight” advisedly. The term is not used just because it has become a fashion to name the person in charge of a newly merged market research and customer database department the “customer insight manager”. “Insight” is considered by some companies just a new name for market research, perhaps enhanced by information from a customer database, or the other way round.

Consumer insight has two forms. Firstly, there are Insights (plural) - flashes of inspiration, or penetrating discoveries that can lead to specific opportunities. Market research or customer databases can deliver these, and often do. However, much bigger than this, and central to what companies need today, is Insight (singular), defined as “the ability to perceive clearly or deeply”, a deep, embedded knowledge about our consumers and our markets that helps structure our thinking and decision-making. Everyone involved in marketing needs this form of Insight. In a customer-focused organization (as many claim to be), it is something that almost everyone should have.

This type of insight is not just about having some pieces of a jigsaw, but all the pieces, and joined up to produce a quantified picture that all, from senior management to those who actually manage consumers, can see. It comes not just from market research. It comes from many pieces of research, combined with data from database(s), financial and planning data, market and competitor intelligence, feedback from sales and customer service staff, including customer complaints. It comes from having a passion for expressing marketing situations in real numbers, and from trying to understand these numbers. It is a picture built from any and all sources that may be available – in a coherent format that addresses anomalies and apparent contradictions, and gives appropriate weight to all of them. The following case study shows how important this insight is, and how it results from combining evidence from customer databases and market research.

Case study: Using insight to attack

Tesco is the UK’s largest retailer. Data from its loyalty card scheme, Clubcard, revealed that families with babies who shopped for childcare products at Tesco spent much more than similar families who did not buy these products from Tesco, although they bought similar amounts of other products. Tesco’s market research revealed that non-baby product buyers trusted the Tesco brand less for baby products than for the other products that they bought at Tesco. These customers preferred to take their baby business to Boots,

the leading retailer of healthcare products, despite it often charging up to 20% more. Tesco therefore decided to modify its positioning towards mother and baby customers, partly by setting up the Tesco Baby Club. This and a number of other initiatives led to Tesco gaining share rapidly from Boots, and it now sells as much in childcare as its nearest two competitors, Boots and Mothercare.¹

Few companies have this kind of Insight. Consumer goods companies have historically built insight-hungry cultures. Most of their insight comes from market research rather than consumer databases. They have fewer sources, so it is easier for them to build a complete picture. In many other industries, particularly those with direct contact with their end-consumers, so much information is available from so many sources (with databases often predominant) that creating a ‘joined up’ picture is much harder. Few companies have a formal structure that brings all these sources together.

What “insight” includes

“Insight” combines several ideas. It includes “classic” areas, such as knowing who consumers are, what they do, where they are, what they buy, what they would like to buy, what media they are exposed to and what media they choose to view, listen to or read. It also includes more psychological areas – what consumers think and feel, what their objectives and strategies are, and how these influence how they behave. Many of these things are not conscious behaviors or thoughts on the part of consumers. Most are affected, perhaps even conditioned, by various external factors, from the state of economy and society, to the way a brand is marketed. Consumers are not born wanting to buy a particular brand!

We also include areas that customer service (and latterly marketing) people focus on – such as the experience that we (our organization and our competitors) give to consumers. We include their feelings about the experience, and whether they have told us what they think about it, through complaints or compliments, or through requests for further information, or indeed whether they have unresolved problems. Perhaps most importantly of all, we include some idea of whether we have delivered against any promises made to customers (e.g. through branding, product descriptions or marketing communications), and whether we have fulfilled the role in their life that consumers have allocated to us. Finally, it includes whether we are gathering and using customer insight properly – both in the legal sense but also in the sense of allowing customers to delineate where their privacy begins and our insights should end.

Process is included

This description of what we include in insight merely describes the insight we want to achieve. However, this book also covers the management of consumer insight – that is to say the process by which we decide what consumer insight we need to have, then try to gain it, and then use it. For knowledge without a proper process to manage it can be

¹ For details on this, see Humby C, Hunt T with Philips T, Socring Points, Kogan Page 2003 Ch 12.



expensive and even obstructive to the purposes of the organization. However, it is not just a question of whether or not we have a process. Rather, it is the quality of the process that counts. This process includes deciding what consumer insight you need and what you do not need. It also includes how you aim to use insight and what operational processes you need to make sure that you do use insight – whether when your organization or your business partners are interacting with consumers, or when you are planning what to do with consumers. The many studies we have undertaken demonstrate that this is the main problem in this area that faces larger organizations.²

We applaud companies that want to manage insight well – but we know it is not easy. Most organizations expect to have problems in managing consumer insight. This is partly because consumers are human i.e. independent beings who are not in our control, but whose welfare is or at least should be important to us.

THE PROFESSIONAL DOMAIN OF CONSUMER INSIGHT

Professionally, the domain of consumer insight stretches from market research, into database marketing, into customer service, into any function that deals directly with consumers – and into some that do not, but still have a strong interest in how consumers are managed e.g. supply chain management. This book aims primarily to explain to market researchers how consumer insight is used in what used to be called direct marketing or even direct mail, then database marketing (a term still used by some, perhaps with “customer” tagged on at the beginning), and in its latest forms customer relationship management or customer experience management. We use the term “database marketing” a lot in this book. This is partly because while there is controversy about whether consumers want a relationship with suppliers or can successfully be managed in one, there is broad consensus among marketers that when you manage consumers using a database containing details about individual consumers, it greatly changes what you CAN do with them.

The relationship between market research and database marketing is often troubled. Database marketers need research to make their work effective. They also generate information that is useful to market researchers. However, sometimes market researchers feel threatened by database marketers, rather than encouraged to work with them. Much can be gained by using the information that database marketing generates. This includes how many and which customers a company has, how they are contacted, who responds and how, what they buy as a result, and so on, Knowing what to do with the numbers that normally result from a direct marketing campaign is a researcher’s skill. The marriage between database marketing and market research can produce consumer insight without a single market research project being commissioned.

In this book, where market research is covered, it is generally from the database marketer’s perspective. This is because this book has been written specifically for the

² See, for example, Stone M, Woodcock N and Foss B, The Customer Management Scorecard, Kogan Page 2002, especially chapters 11, 12, 22 and 31.

Market Research Society's series, for market research practitioners and users, and more generally for marketers who want an introduction to how companies try to understand customers. Its aim is to explain to the market research community how organizations that have consumer databases use them for marketing. This includes how a database marketer uses market research to complement insights derived from the consumer database. Several other books in this series give researchers all they should know about market research. So, when we refer to the kinds of things your organization can do with customer data. In doing this, we are not addressing the specialist database marketer, but rather the market researcher or marketers in general.

MANAGING CONSUMER INSIGHT

Most market researchers (other than in those few companies where consumer insight is properly organized and managed) have every reason to be confused by the inroads knowledge from customer databases has made into "their" territory. However, this is an adversarial perspective. Both share a strong interest in consumer insight, in gaining it and acting upon it. The book is about the former - the "acting on it" is of course the justification and the focus of books on market and customer relationship management. However, market researchers may well have been confused by the many transformations that database marketing has gone through, certainly in the twenty or so years that the authors have been involved with it. Fashions have come and gone. They are often linked with the great waves of technology that break upon the marketer's shore, particularly to those associated with the ability to manage large customer databases, and with the technology used to interface with consumers – from advanced systems for producing direct mail, to telemarketing systems, and now the Internet and mobile telephony.

People too have come and gone. Direct mail or direct response marketing was born, like market research, in the nineteenth century. It looks very different in the twenty first century, though many of the lessons learnt decades still apply. Perhaps just as importantly, the disciplines of database marketing have evolved as their application has spread from the world of mail order into utilities, financial services, retailing and business to business marketing. Today, mobile telephones, digital interactive television and the Internet have taken their place alongside direct mail, the sales force, ordinary telephony, stores and branches as important marketing media or channels. As a result, consumer insight arises from many sources. It must also be fed back to many channels, if consumers are to feel that they are being managed as they should be, using THEIR information, irrespective of the channel they first used to contact a company.

CUSTOMERS AND CONSUMERS

This book focuses on final consumers, not on all customers. Given the word length restriction of the series (a good discipline that ensures that the authors communicate the absolute essentials), we cannot cover everything we would like. Because most market research is about individual consumers, citizens, patients or donors as customers, rather than organizations or companies as customers, this book focuses on consumers. The distinction is convenient, because database marketing and market research both differ in the two domains. So, we have excluded organizational customers from this book.

Focusing just on individual consumers makes it easier for us to write this book and for readers to read. We do not need to qualify statements constantly by saying “in business markets, however.....”

Of course, individual and organizational customers are not completely different. In most countries, there are millions of small businesses, whose buying decisions are researched using consumer research techniques, and where database marketing techniques are virtually the same as in consumer markets. In many product and service categories, buyers decide using both business and personal criteria e.g. financial services, travel, cars, even housing. For our purposes, the distinction is really between the techniques used to research markets or market segments where there are typically thousands, often millions of consumers, as opposed to those where the number of customers is much smaller.

This means that database and direct marketers who read this book may be a little confused by the use of the word “consumer” in phrases where they would normally expect to see the word “customer”. We use the term “consumer” wherever we can, to keep the focus clear. It is also grammatically correct, as many individuals who are the subject of this book are not customers of the organization but potential customers, or “prospects”. Occasionally, a phrase we use would sound odd if we used “consumer”. Thus, we have retained “customer relationship management” (often abbreviated it as CRM), “customer satisfaction” and “customer service”. With such phrases, using the word “consumer” might make readers think we imply something other than the normal meaning.

KEEPING CONSUMERS AND STAKEHOLDERS HAPPY - FROM RESEARCH, THROUGH MEASUREMENT, TO MANAGEMENT

Organizations need consumer insight for much more than supporting specific marketing or service decisions. Consumer insight is an essential part of a mechanism that tells the organization whether it is meeting its consumers’ needs while meeting the needs of other stakeholders. These include owners (e.g. shareholders), business partners (e.g. distributors, marketing service suppliers) and staff - particularly those who have to manage consumers, in stores or branches, contact centers, leisure and transport facilities. This use of consumer insight is very important. Perhaps the best example is customer satisfaction surveys, but we also include measurement of the effectiveness of marketing campaigns and other initiatives.

This area is controversial because despite all the science of market research and customer database analysis, consumer insight rarely used properly in this area. So rather than bury this discussion in the body of the book, we decided that we needed to air it at the beginning. This gives you something else to worry about - whether marketing and customer service are doing their job properly or whether they need transforming. Much in the planning of marketing and management has not changed for years, although the rapid evolution of information and communications technology has changed many areas. The authors are engaged in a program of research and consulting in an area we have defined as “marketing transformation”. Much of the work that we are doing related to changes in

how customers are managed, and in particular about how insights into customers are developed and used.

Measuring customer satisfaction has become very big business. Many market research companies make much of their profit from it. Staff measurement and motivation systems are increasingly based on customer satisfaction targets. Despite this, surveys show declining customer satisfaction in most markets. Setting targets and measuring customer satisfaction does not make customers any happier, or more likely to repurchase. Much so-called consumer insight purports to tell you what your consumers want, but only tells you what they have said - very different. This may be because if an organization focuses only on what consumers say about its products or services, this can stifle its creativity and limit innovation. Setting staff targets using information based on what consumers are saying they want can make the situation worse. Organizations are driven in the direction of their targets and measures. This is fine if the measures and targets are something which the people in the business and its stakeholders and consumers truly want, but this is rare. Customers may say they want to be answered more quickly in call centers. However, they might give much higher priority to better value for money. They may be happy to make compromises in terms of ease of access by telephone. The success of low cost airlines demonstrates this.

The targets and measures being set in larger companies and public service organizations have become increasingly complex and controlling in the last few years. "If you can measure it you can manage it" has spread like a cancer. This led to large-scale customer satisfaction surveys, targets and league tables - and a fall in customer loyalty and overall satisfaction. The focus has been on winning the league rather than offering customers the products or services they want. This focus has become internal, leading staff and the entire organization away from first considering the customer.

League tables and metrics induce stress. They focus mainly on cost reduction and control. Neither motivates staff. They stifle innovation and bold thinking, vital for success. Retention of good staff gets harder. Negative staff behavior spreads. Perhaps the best example is replying quickly to complaints rather than resolving them. Organizations have targets for so many areas that are nothing to do with the organization's original intent. For a target to move a business the direction its customers would really like, targets should relate to things customers and staff both want, to the real reasons customers buy its products or services, not to transactional factors whose only justification for inclusion is that they are easy to measure.

In many health service organizations, the strategic intent is far removed from where it should be. A health service's reason for being is about helping new humans be born, keeping people as healthy as possible and, where this fails, healing and sustaining them and in the end, helping them die with dignity and minimum pain. For many health workers, measures are not related to any of these. Rather, measures are process and transaction-based, counting beds, people on trolleys, queue lengths, waiting times and costs to serve, all important in achieving efficiencies, but not delivering the service people need.

Wherever there is a disconnect between the internal measures and the real reason a company or organization exists, there is stress, because staff know they are not doing what they should really be doing. Short-term thinking dominates because the organization is only trying to hit the next target. Consumers are unhappy because they can feel the organization's pain every time they deal with it.

Head or Halo?

The answer to this apparent conundrum is to ensure that the consumer insight process helps to change how we think about consumers, staff and our organizations, rather than supports a counterproductive way of thinking about them. You need to think about why you are doing the things you are doing, and why your organization exists. Once this has been defined, you should redefine what you measure. This may mean disposing of many internal measures, put in place to manage and control people. We call these the “head” measures. Marketers tend to be hyper-rational. Their actions and measures relate to things like:

- √ Profiling and targeting
- √ Cost per contact and response rates
- √ Conversion rates and cross/up-sell ratios
- √ Campaign ROI and value of the customer to the company

We argue that they should be replaced, or at least balanced, by measures relating to what the business or organization aims to do for its customers. We call these “Halo” measures, can be measured, but differently. We define the “Halo” as follows:

- √ It is what your customers see when you are the company they want you to be
- √ It is what your staff and suppliers are proud to have when you are what your customers want you to be
- √ It shines in every communication with your customers
- √ It makes your customers welcome your communications and treat them seriously
- √ It makes them opt-in to your communications, not opt-out
- √ It appears when you create your future company around your customers' needs, and your communication supports this

The reason for this is that while consumers may want to cost minimize or just get the best return, but depending on the product or service category, they may just want to feel happy, interested, safe, reassured, insulated from shocks etc. They may even want their suppliers to be their guardian angel (for the category).

A clear Halo definition enables an organization to assess the effectiveness of its actions in relation to its stakeholders' expectations. Defining your organization's Halo and structuring its objectives around this Halo is the departure point for such transformation. It gives a clear, unambiguous destination for an entire organization. Put simply, if your



organization wants people to have a good day, then the measurement needs to relate to whether your consumers had a good day, not whether you picked up the phone quickly! If your organization aims to bring benefits to consumers (a standard marketing objective), its measurements should affirm its desire to do so, and ensure that it is on course for this aim. It is not a vision statement, but a measurable affirmation of the aim of your organization. The measurement attached to it should be visible to all in the organization. Each person should be able to see where their part of the effort to meet the measurable affirmation is, and how close they are coming to their goal.

This argument has clear implications for consumer insight. The main one is that if you use performance measurement techniques which are based upon consumer insights which exclude insight into whether consumers really got what they wanted from your organization, then you are likely to be unwittingly driving your organization in the wrong direction. At a technical level, it means that any interpretation of consumer insight that does not use insights into whether consumers got what they wanted is likely to be misleading.

Case study: the Halo at work in insurance

Motor insurance company A bought a smaller insurance company B. The management of the combined operation wanted to know why insurance company B was performing less well under their new owners. Company A always made good profits whereas Company B only made moderate profits, despite being known as excellent employer and having a good share of markets known to be more profitable. Company A had focused on reducing costs in Company B, whose sales levels and profits were falling. Across both companies, complaints were rising, staff turnover was above 50% in some key areas and their public profile was being dented by media stories concerning the quality of their service when claims were made and vehicles repaired. The Halo process was used to discover whether the reasons for the above were related to the direction in which staff were facing. It turned out that staff in both companies were focused on very small areas of the business. This focus was intense and heavily targeted. The transactional focus of all the measures meant that the company was being managed by numbers and not a vision. The staff vision was now simply of the company making lots of money. Not surprisingly this was the focus that customers felt when they made a claim. All staff jobs were divided into small parts, where each individual delivered only a small part of the overall service. This allowed the company to set targets for virtually every transaction, but no one could see the big picture. Research using the Halo process allowed the company to put the disparate pieces of information together and show how it felt to be a customer receiving service from such a fragmented company. Once the company saw the result of breaking their staff's roles into such small pieces and setting each area of the business in competition with each other, they were left with a choice. They could take action and join the pieces together again by re-targeting on bigger measures (what the customers wanted) and taking out some of the harmful transactional ones, or stay as they were.

The validity of this approach was confirmed when an insurance company got very bad publicity about the quality of workmanship from one of its own repair centers. It was targeting its repair shops on the speed of the repair. They had taken it as a given that the

quality of the repair would be up to standard but the need to meet time targets prevailed over the quality of the repair. Staff were bonused on repairing quickly. Clearly targeting needed to change to encourage safe repairs. If this business had been using good customer insight techniques, allowing it to understand what its customer really wanted, this problem could have been avoided.

A similar problem surfaced through a research study carried out by the authors³. When a customer buys auto insurance there is a myth that everyone only wants to buy the cheapest, and that price drives the decision. This might be true of those who have never claimed, but once someone has claimed, whether on their own or someone else's insurance, the service received when claiming becomes much more important. One of the key factors is the provision of a replacement car while the claimant's car is mended or replaced. To save money, many insurers do not give a replacement car as standard. Some offer it as a paid-for extra. However this is often not discussed with consumers as it takes the premium above a price point and highly targeted sales people do not want to jeopardize the sale. One insurance company that practices the add-on price and finds that sales agents do not offer it discovered that its claim complaint levels were rising, to such an extent that the agents handling claims have unprecedented call volumes with the majority of complaints coming from claimants left with no replacement car. It needed to modify how it motivated its agents so that they sold what customers really needed, rather than just on price.

INSIGHT AND KNOWLEDGE MANAGEMENT

Consumer insight is part of what organizations know. Knowledge comes in two forms – explicit and tacit. Explicit knowledge is recorded, in manuals, documents, databases, intranets, etc. Tacit knowledge is in people's heads. It is based on learning, skills and experience. Much of the focus on knowledge management comes from recognition that so much of any businesses' knowledge base is tacit – and therefore, as an asset it is not 'fixed'. If an individual with vital knowledge leaves the organization, that knowledge is lost.

This idea of tacit and explicit knowledge leads to four forms of communication:

- √ explicit to explicit (such as IT data transfers)
- √ tacit to explicit (formally recording what people know)
- √ explicit to tacit (getting stored knowledge into people's heads such that it can be applied)
- √ tacit to tacit (helping people to communicate directly to share knowledge and experience).

³ Bond A and Stone M, Consumer Research Study into the Motor Insurance Market, Bristol Business School 2004



The main difference between consumer insight and mainstream knowledge management is in the emphasis of these forms of communication. The emphasis of much knowledge management work is on making tacit knowledge explicit, helping organizations to capture and secure as an asset knowledge in the heads of their people. With consumer insight, the emphasis is the other way round. Most information is explicit already – in the form of research reports, statistics, and presentations – and the issue is that of making it tacit. The goal is to communicate it widely and to get it into the heads of all those who should be using it.

The effectiveness of communicating insights depends on many factors. Just a few factors accounted for most of this⁴. The four main factors are resources, skills, organization and planning. After these, success depends on factors such as measuring the impact of Insight, and actively helping with implementation of recommendations. In other words, the keys to success are 90% structural and process, with only the ‘icing on the cake’ coming from creativity and presentational techniques. Put simply, if you plan to communicate insight effectively, and have the resources, organization and primary skills to do it, then it will happen.

CONSUMER INSIGHT AND MARKETING TRANSFORMATION

The agenda of marketing transformation includes everything from merging marketing with other functions, abolishing or outsourcing marketing, and marketing taking over accountability for new areas. It includes destroying the boundaries between marketing, sales, service, human resources, operations, logistics and so on. It includes making radical changes to marketing strategies, processes, organization, targets etc. Transformation requires answering strategic questions. For example, how can your marketing be twice as effective at half the cost? How can you accelerate your marketing activities so you can do everything at four times the speed and half the cost without sacrificing quality? How can you learn more quickly and effectively what your customers need and reorganize your resources to meet them? However, it also involves dealing with more tactical issues, such as the cost-effectiveness and quality of specific marketing activities.

Some organizations have already made big changes. Gone are the separate customer database and market research departments, merged into a customer insight department. Gone are the separate departments managing individual channels, such as mail, call centers or the e-channel, to be replaced by a team managing delivery channels. Brand is no longer the preserve of the brand manager and the advertising agency – it is a shared accountability. Gone is the idea of a 5-year business plan and a 2-year marketing plan, with the current year’s plan unchanged for the whole year. Feedback from the market now arrives in hours, even minutes, and policies can be changed in days, even hours. This acceleration of the feedback loop from consumers into real time has put new pressures on marketing managers – they need to understand more quickly in order to react coherently.

⁴ Wills S & Williams P, Insight as a strategic asset – the opportunity and the stark reality, paper presented at Market Research Society Conference 2004



The development of much improved standards covering everything from customer data to electronic interaction has also facilitated outsourcing of many marketing tasks – even systems for managing the sales force have been available on an applications service provision basis for some time. While the debate about the strengths and weaknesses of outsourcing for different marketing activities continues to range, very few large marketing departments don't outsource some aspects of their activity.

In marketing effectiveness, a similar story emerges. In the last two decades we have taken great leaps forward in gathering, analyzing and interpreting data from marketing, sales and service. For most companies marketing spend is between 3%-10% of turnover. So the sums of money involved are not small. For most companies, marketing is a strategic investment rather than a support cost. This means that getting it right influences the organization's long-term competitiveness and prosperity. However, it is hard to optimize it. It is hard to identify impact and value, especially where it comes to longer term/strategic benefits. The costs can usually be identified readily, but benefits are more often uncertain. Marketing is a competitive business, so inevitably there are winners and losers. It seems that much marketing spend is 'wasted', whether measured financially or in terms discussed above – it focuses on the head, not the Halo. The problem is compounded by problems of definition. For example, should we consider all customer-facing investment and activity or just specific areas such as advertising and promotion? There is an important distinction between efficiency and effectiveness – a spend can be efficiently executed but yet be ineffective judged against strategic goals, and these in turn may be poorly articulated (and ignore what the consumer wants), so efficiency alone is not enough. Problems of definition and measurement are compounded by today's environment – new models, channels, new technologies – facing the customer and in the back office, new types of relationship, and even new consumer behavior – take the use of mobile phones by young people.

All the more reason why organizations need to focus strongly on marketing effectiveness, and to admit the possibility that this focus may necessitate a radical rather than incremental change in how marketing money is spent, involving a redefinition of what the organization is trying to do for consumers. An explicit drive by management to improve marketing effectiveness pays in several ways. The first is by eliminating wasted spending – in our work we often see savings of 15%-30% of total marketing spend. More importantly, aligning investment behind an organization's main priorities shows that 40%-50% of total spend needs to be reallocated – this usually comes as a result of a comprehensive review of effectiveness.

The gains made by reallocation can be conserved in two ways. Firstly, organizations need to develop the capability to sustain improvements in performance in the market. Secondly and perhaps more importantly, they need to build a foundation for transformation in the market. In many cases this by establishing the essential measurement conditions for consumer insight to lead the organization, but it may also lead to changes in the way supply chains are managed to reduce costs all the way through to the consumer, so consumers get what they want, and cost-effectively too! Of course, achieving absolute effectiveness is impossible, but the basics can be achieved. This means putting the right

analytical effort into tracking the effectiveness of large investments, into sustained improvement and into being smarter than the competition.

This approach demands that marketing works as a reinforcing system of activities which lead to customers getting what they really want, not just their transactional requirement. An essential pre-requisite is true consumer insight – what do consumers really want and how do they go about trying to get it. In some areas it would be better to spend more to achieve greater effectiveness (accompanied by greater cuts or switches elsewhere). Proportionate cuts and stiff targets across the board rarely produce the best outcome. Priority-based budgeting helps to re-base the budget but care has to be taken that the resultant ‘portfolio of spend’ is balanced and aligned strategically to what consumers want.

One example of success is e-enablement (e.g. web-based marketing as practiced by, for example, low cost airlines, book retailers), where consumers control of the process, decide what they want and buy it. There are also many examples of situations in which up-to-date and accurate consumer insight data is given to call centre or branch staff when the customer calls in (inbound marketing). Sales (and customer satisfaction) levels escalate. The proportion of contacts (compared with outbound marketing, when the supplier contacts existing customers) that result in both qualified prospects and sales can increase twenty or forty fold. This is because consumers are being offered something they want as opposed to something they don’t want!

Is this transformation? Well, the work that needs to go into cleaning and analyzing the data and making it available via computers to the staff member handling the customer call, into training and motivating staff to want to meet customers’ needs and to being sensitive to the immediate reason for the call, into devising compensation systems that don’t lead staff to push at the wrong time, IS transformational. It requires changing marketing emphasis and breaking down functional barriers (between marketing and service, for example). It requires consumer-focused marketing to have a strong influence on branches and call centers, and on web sites. It affects product design as well, as you discover much more quickly what your current customers really want, now. The gain is transformational too – it’s not trivial.

However, you must determine whether and what you need to transform. Transformation costs money and takes much management thought, time and effort. It must start at the top too. If your competitors get more value per consumer than you do because they are using consumer insight to meet their consumers’ needs, they may be under less pressure to recruit new customers. They know, better than you, which customers yield greater value if their needs are met, so they can be more selective about whom they recruit. They can concentrate their marketing on attracting potentially more valuable customers, leaving you with the rest. Over the years, the value of your customer base will decline relative to theirs. You will find it hard to meet your consumers’ needs while making profit. That’s insidious! However, this situation can be changed by a change of focus and attitude, particularly at the top of a business, if this change of attitude relates to a move towards or away from something that customers really want from your business or organization. The idea of pounding the numbers to squeeze out an extra half of one percent return is fading

as consumers wise up to smart communication and want a real benefit from the product or service being offered.

The implications of this for marketing, customer insight and market research are clear. We can learn from success and failure in Customer Relationship Management (see Chapter 4). Here, companies are more likely to succeed if they understand that they are changing their model of consumer management and so must use change management techniques and have people dedicated to managing change. This applies to marketing in general and to managing efficiency, effectiveness and consumer insight. If this change is not managed well, you will probably gain little insight and fail to understand how changing the relationship between you and your consumers can improve your business. You have a choice about how to use consumer insight. You can use it just to get slightly better at what you do now, or you can use it to transform your marketing and customer service. This book shows you how to do both but we would prefer it if you took the transformational option and learnt from the getting-slightly-better one.

ORGANISATION OF THIS BOOK

Chapter 2 considers why we need different kinds of consumer insight in a world where many organizations use database marketing techniques. It introduces the reader to the world of database marketing. It investigates the kinds of policy decisions that depend on it, for different kinds of organizations (not just companies) in different situations (direct to consumer, intermediated), with different perspectives (strategic to tactical) for different policy areas (e.g. different types of marketing mix decisions).

Chapter 3 explains how consumer databases are used, and what kinds of companies use them, for what purpose.

Chapter 4 explains how database marketing and customer care use consumer insight for their day-to-day operations of planning and running campaigns.

Chapter 5 examines the idea of different models of consumer management, from situations in which individual named consumers are managed in a very explicit and overt fashion, to situations where consumers are managed by intermediaries on behalf of a supplier, and where suppliers prefer to manage consumers on an anonymous basis, focusing on other aspects of the marketing mix, such as brand, product, price, media advertising and distribution channels. It probes how consumer insight is used in these different models. It then explores in more detail the customer relationship management model (CRM).

Chapter 6 explores the relationship between consumer insight as derived and used in database marketing and CRM and consumer insight as developed in market research. It investigates how consumers give data during organization's transactions with them, how data can be acquired from other sources, how data is built up during the consumer's relationship (if any) with the organization, and how market research can add depth to this data. Chapter 5 also considers how we get the information into a form that we can use it for consumer insight, whether to analyze and understand consumers in general or in groups, or to manage particular consumers so as to meet their needs more effectively.

Chapter 7 investigates how consumer insight is developed as a result of analysis of consumer data. Having lots of data in a usable form is one thing, analyzing it to make sense of it is another. This chapter covers topics such as statistical analysis and profiling. It also suggests how market research can add value to this process, by for example probing more deeply the needs and behavior of groups that have been identified by profiling. This chapter also explores how other methods of analysis in marketing, service and other functions (e.g. as applied to other aspects of the marketing mix, such as communications media, products, pricing and channels, or as applied to other problems, such as risk) need to be modified to take into account the consumer dimension. This chapter also covers an advanced topic within analysis – data mining. This approach for extracting insights from large amounts of consumer data is becoming increasingly common.

Chapter 8 examines two very important aspects of consumer insight – its use in two areas of marketing – customer retention and customer development.

Chapter 9 explores what happens when two organizations wish to share consumer insights. It then explores how customer loyalty schemes work when data sharing is involved.

Chapter 10 considers the many legal, political and social issues associated with consumer insight. These include data protection, compliance with sector regulations (e.g. financial services, telecommunications) privacy, intrusiveness, social exclusion, risk management, and security.

Chapter 11 explores the effect of information and communications technology on the processes by which customer information is gathered, stored, updated, analyzed and used, for every purpose from marketing and service planning to interacting with individual consumers.

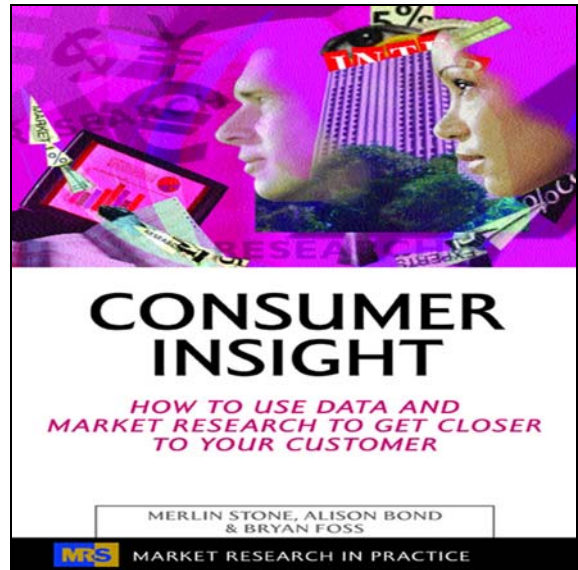
Chapter 12 suggests different ways to organize and manage consumer insight. This is not just about organizational structure, but rather about how to make use of consumer insight in practice – including issues of speed and quality of deployment. It also covers issues of rules and rights that need to be observed between departments, between suppliers and intermediaries, between companies and data providers, if the arrangement is to work well. It also explores how you can identify where you are in consumer insight terms, where to go and how to get there. It explores how change management and programme management disciplines can help. It also explores the investments required and business case issues.

CONSUMER INSIGHT

How to use data and market research to get closer to your customer

Merlin Stone, Alison Bond and Bryan Foss

- Part of the new *MRS in Practice* series: essential guides for the burgeoning Market Research Society training and qualifications programme
- Explains how to use market research and customer data for better consumer insights
- Packed with the latest research, models, tools and case studies
- Written by leading experts on data marketing, customer service and CRM



DESCRIPTION

Consumer Insight provides market researchers with knowledge of database marketing and Customer Relationship Marketing techniques. It comprehensively covers the classic areas that marketers focus on: knowing who and where your customers are, what they do, what they buy and what they would like to buy. It also explores how customers' thoughts, feelings, objectives and strategies influence their behavior.

The book also explains how companies gain insight into their customers by managing and using their customer data correctly. Packed with the latest models, tools, research and case studies, it provides a great opportunity for market researchers to improve their knowledge of database marketing and CRM, and how they relate to market research. Readers will gain an understanding of what consumer insight actually is, what information is used, and how this information needs to be planned to support customer management.

Contents include: *Introduction *What is database marketing? *How do customer care and database marketing use consumer insight *CRM *Consumer insight and marketing research *Analyzing consumer data to get insight *Insight in development and retention *Sharing *consumer insight *Data protection, risk, good and bad consumers *Consumer insight systems *Data quality

Part of the Market Research in Practice series published in association with the MRS

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