

How to turn

BIG DATA

into better

CUSTOMER

Relationships



BIG DATA

Big Relationships

2012 was the year of Big Data. While it is an overused term, it does a good job of describing the plethora of data that marketers now have access to. While conceptually easy to understand, the practice of leveraging Big Data is extremely challenging. For marketers engaged in Relationship Marketing we look at big data as an opportunity to help us enhance our relationships with our customers. This white paper discusses how to use big data to find compelling insights about your consumers and enhance your interactions with your consumers to create meaningful relationships.

WHAT IS BIG DATA?

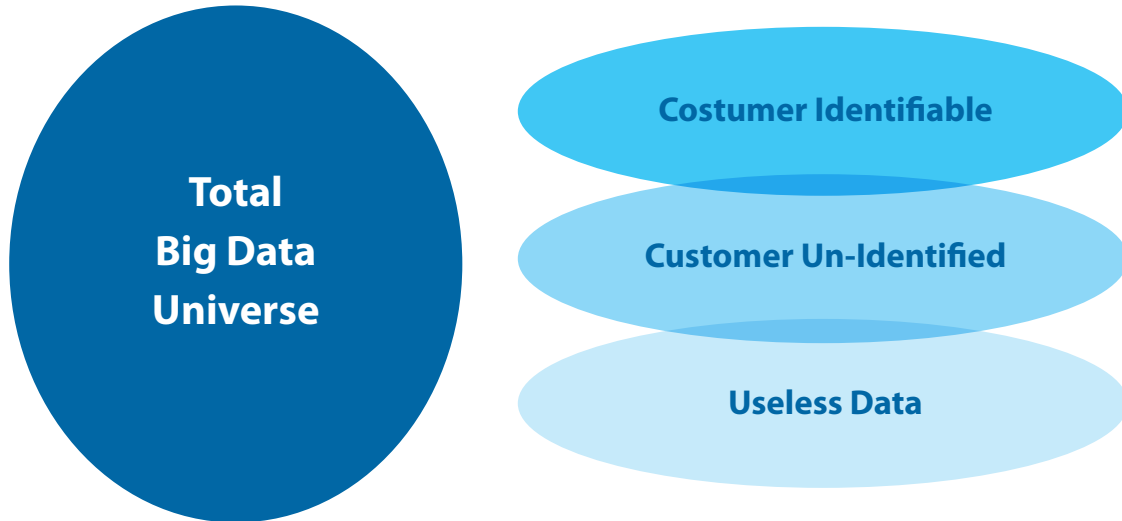
One of the most overused buzz words for 2012 was the term “Big Data”. In my mind, I picture large letters being delivered to my office and having trouble getting through the door. “I can’t leave my office because I’m stuck under the letter Q.” When people talk about big data they often mean the overwhelming volume of very small pieces of data.

With web browsing, social media, mobile marketing, email marketing and transactional data there are so many sources of data available to marketers. Only 10 short years ago we could know who we sent a mailing to and whether they redeemed a coupon, called into the call center or responded via BRC. Now, for a particular customer we can know if they open an email we sent them, what section of the email they click through, whether they search for more information about the product or offer, whether they search for other offers or products, how long they spend in a particular content area, if they provide a comment or review about a product or offer. Whereas 10 years ago I might have 3 data observations for that consumer, now I may have 300.

In addition to information that is tied directly to a specific consumer or household, I can also know what are consumers in general saying about my business, my brands, my offers through social media sites every day.

TYPES OF DATA

While the volume of data is rather large, we can sort the data into 3 different groups.



Customer Identifiable

Any data that we can attribute to a unique consumer or household we consider customer identifiable. The best scenario is when we are able to use keys like customer number, email address or mobile number but we can also work with name and address data and attribute data to individuals through a standardization and merge process.

Customer Un-Identified

Much of the data that we receive from social media is unlinked to a specific customer. While this data is not attributable to a customer, it still can have enormous value to the organization. The key to dealing with this data is storing it appropriately so that it can be mined. For the purposes of this white paper we will ignore this data for the time being.

Useless Data

The largest volume of data that we receive from new media sources falls into this last category of useless data. This is data that provides no useful information. It may or may not be attributable to consumers, but most often is not.

PROCESSING BIG DATA

The key to dealing with big data is having a data structure that is architected to handle the scale of the data. Working with experienced partners is critical to ensuring that you are able to store the data in a way that makes it easily accessible.

The flow of big data is often times referred to as a fire hose of data. It is not just the volume of the data but also the relentlessness with which it comes. You can't spend a great deal of time dealing with that first bucket of data because the next one is coming right behind it. With this torrent of data it is critical to have an efficient way to process the data so that actions can be taken quickly where appropriate:

1. Strip out the useless data. This immediately makes dealing with the data much easier.
2. Aggregate and Post Customer Un-Identified Data
3. Extract customer identifiable data.
4. Apply match keys where possible.
5. Standardize where possible.
6. Merge where possible.
7. Post and update structured data elements.
8. Post and update unstructured data elements.

Have a data structure that is architected to handle the scale of the data.

Having an efficient process for dealing with the flow of data is critical to turning data overload into meaningful information. We constantly adjust our data processing flow to adapt to new streams of information as well as new ways to look at the same information.

USING BIG DATA

The critical first step to using big data is deciding "what activities do I want to predict?". Bill James, the groundbreaking statistician who revolutionized baseball analytics and whose work was the basis of the blockbuster 2011 movie "Moneyball", believed that by analyzing data about individual players he could determine which metrics were the best predictors of on field success.

WHAT DO YOU WANT TO PREDICT?

For a marketer concerned with enhancing consumer relationships, some of the critical behaviors we would like to know are:

1. Can we predict when one of our consumers is about to switch to another brand or product?
2. Can we predict which of our competitor's consumers are about to switch to another brand or product?

While there are many other activities we would like to be able to predict, we will work with just these 2.

IS MY DATA BIG ENOUGH?

It seems silly in this age of "Big Data" to ask if my data is big enough. But another way of phrasing this would be, do I know exactly when someone switches a brand? In most cases the answer is actually, "No"! Often at this point marketers also realize that they lack some of the most critical information about their consumers and prospects. We may have transaction history on our products, but we don't actually know how much they purchase of my competitor's products. We may not know what they consider their "Usual", "Preferred" or "Regular" brand. And we have no idea our brand's share of wallet or how often they buy our product when they buy in the category.

At this point we may want to review our data processing model and decide if there is a source of data that can provide exactly what we want or if we can collect the data directly from the consumers. In most cases however, we must settle for a proxy for the data we are looking for. For example, if we have transaction history for a consumer and he or she purchases our brand at regular intervals, but then suddenly stops purchasing at regular intervals, this may indicate to us that brand switching has occurred. In this example, a lack of data actually indicates a change in behavior.

In the case of trying to predict switching behavior among consumers of your competitor's brands, we can look for interaction with our brand as a strong indicator that they may be beginning to switch. Consumers that seek out information about our brands but report being loyal to a competitor's may be in the initial stages of switching. We most likely will know when they actually do switch to our brand as we may have transaction data, response data or other interactions. We may know when they change from one competitive brand to another when their "Usual Brand" changes.

The problem with competitive consumer analysis is that we tend to have much less initial data on competitive consumers, making them harder to predict. However, propensity to switch is not binary; we may be able to differentiate those consumers that are highly likely to switch and those that are less likely. Convincing consumers to switch brands can be an expensive proposition, so starting with the competitive consumers that are most likely is the best place to start. It is critically important to know which groups of consumers are most likely interested in your proposition.

AGGREGATE SIMILAR CONSUMERS AND BUILD MODEL

The paradox of one-to-one marketing is that while we want to treat each consumer differently, in order to know what works we must aggregate consumers that are similar in order to find predictive data elements. Once the data is assembled a model can be built. One important note here is that the model is never really complete. New data, new environmental factors, new products, new communication channels mean the model is constantly evolving.

One distinction from many other big data presentations I have seen is that we are seeking insight and not just an effective model. There have been plenty of models that are effective at predicting outcomes, but provide little insight. We need to understand why these data elements or combinations of elements are predictive in order to effectively optimize them.

As an example, we found that a consumer contact with the call center indicating trouble finding a product at retail was a good indicator of propensity to switch brands. We were able ameliorate this by providing the consumer with places where the product is available and sending them a coupon. However, the real issue was that the retailer was running out of the product in the account. For every person that called there were 10 more that just bought another brand instead. Providing this information to the company sales rep to the account enabled our client to increase sales and signage in that account and dramatically increase sales, profitability and most importantly, enhance customer relationships.

The model is never really complete — it is constantly evolving.

TEST AND EVALUATE

Relationship marketing's key advantage over other forms of marketing is the ability to test new marketing tactics and evolve. With big data, the cycles to test and evaluate are much shorter. This provides us an opportunity to test more and learn faster. Insights gained through modeling inform new tactics we can employ to address opportunities. We can quickly implement the new tactics and evaluate how they enhance (or hinder) the customer relationship.

By evaluation, we mean traditional metrics like engagement, response, purchase and profitability, but we also mean more long term metrics like loyalty score, lifetime value, retention rates, and satisfaction rates. It is human nature that we show improvement in whatever we choose to measure, but we must counteract that by making sure that what we measure is what we really want. It is tempting to want consumers to purchase more of our products, but that does not mean that the consumer uses more products or is more satisfied with the product. Creating careful metrics that accurately reflect the outcomes we are seeking requires a more holistic view of the consumer and their behaviors and attitudes.

REPEAT

As mentioned earlier, a key difference I make is in developing insight and not just developing predictiveness. Insight encourages you to rephrase the initial question, re-evaluate what data you would like to collect, rebuild your model assumptions, improve your model and change your intervention tactics.

CONCLUSION

It is a great time to be a marketer! Never have we had as many tools available to develop better relationships with our customers. The challenge of Big Data is how to utilize our access to more data to improve how we market to our customers. Much like Bill James views on baseball statistics revolutionized baseball, taking advantage of insights from big data will change how we market products. The key to making big data work as a marketer is by consistently asking "How can these insights improve our relationship with our customers?"

HOW CAN WE HELP?

At Concinnity we understand the customer relationship—and none is more important to us than the relationship we share with our clients. Our philosophy is simple:

- Engage with exceptional clients
- Integrate ourselves into their business
- Leverage our knowledge and experience to provide the best strategies and solutions for success

Our success is determined by our clients' success.

Concinnity help companies achieve better returns on their marketing investment by enabling them to market in a more relevant and measurable way. We help exploit the hidden value found in data and unlock its strategic potential.

Contact us below to learn more:



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