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The Future of Customer Experience

The Evolution of CRM

The past 20 years have seen an evolution in how we view, analyse and manage our customers. Although the concepts of customer relationship management (CRM) emerged in the 60's they really started having importance in the 80's and 90's when authors like Don Peppers published their book on the subject of "one-to-one" marketing. The mid nineties really saw the movement gain momentum largely because technology had caught up with the concepts of personalised marketing to the masses. Previously the ideas had not been adopted by companies due to the limitations in technological solutions.

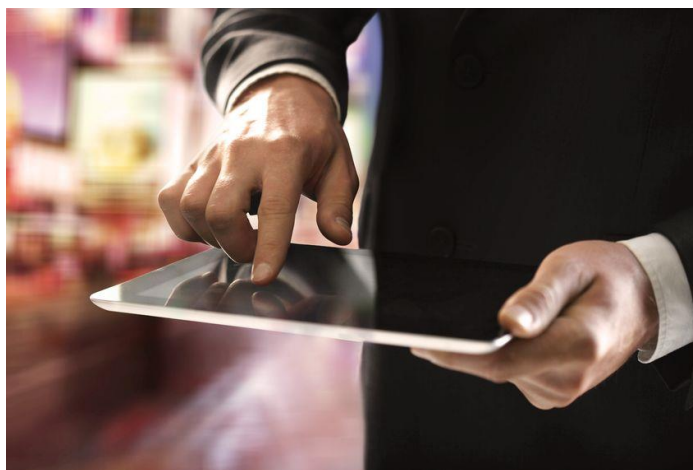
To understand the evolution of CRM we need to examine what are the current hot topics in customer management. In 2013 we can comfortably say that the concept of customer experience management (CEM) is the dominant talking point in most organisations. How did we get from CRM to CEM? This question is best answered by reviewing how customers make decisions around their purchases of goods and services.

The proliferation of information and applications on the internet has changed how customers make purchasing decisions. Many customers use the internet now for pre and post purchasing decisions as well as making actual purchases online. The rise of social media also created a means for customers to voice their views publically on products and services. This created two interesting new customer dynamics: firstly, customers demanded increased touch points to make their purchasing decision and secondly customers now had a public voice with a global audience. For companies this meant they now had to deal with the challenge of serving customers

across multiple touch points and channels in a consistent manner.

Also, with a growing conversationalist culture emerging it meant that word-of-mouth from customers was now defining how customers viewed a brand. In the age of globalisation competition in most industry sectors has increased. It has become increasingly difficult to differentiate on product or services sold. Growing literature came to the forefront highlighting "customer experience" as one of the remaining areas of differentiation. The evolution from CRM to CEM came about to address the importance of the total sum of a customer's interactions with a company and its products or services is what ultimately will determine a few things:

1. How competitive a company is in the marketplace compared to its peers?
2. The rate at which a company can acquire new customers and keep existing ones?
3. How profitable a company is likely to be in the future?



Answering these questions for a business leader is of paramount importance. Shareholders equally want to know the answers to these questions. In the past five years we have seen the shift away from relationship management to a broader view focusing

more on customer experience. This shift is important as it has taken the responsibility of the customer away a limited number of departments in a company and transferred it to the entire company. This has been a major achievement towards achieving true customer-centricity in a company. Previously, ownership of the customer was restricted to departments and therefore it

was difficult to get company-wide transformation. CRM was previously the responsibility of the contact centre and identified as one of many projects within the organisation. CEM is different because finally the responsibility of the customer is now with everyone in the organisation. The growth in multiple touch points, applications on the internet, and growing competition has meant that to remain competitive companies needed to get all staff in all departments to focus on delivering a standardised experience that was better than their competition and would generate a positive word-of-mouth and help fuel company growth and profit.

The Role of Technology in CEM

The evolution of technology has enabled companies with the necessary tools to deliver consistently great customer experiences across multiple touch-points. Unlike the early 90's we are no longer frustrated by the lack of technology solutions to better serve our customers in this marketplace. If anything there are too many options to select from making it a challenge to determine which technology solution is going to best meet a company's needs. The rate of technological change is more rapid than it was 20 years ago. This creates both an opportunity and a challenge. The opportunity lies in understanding where the best economic value can be gained from the rapid evolution in technology and the challenge is to convert this value knowledge into a profitable reality.



The Impact of Big Data

If we look at the various technology developments to help manage customers we need to have a good look at "big data" and what it can mean in our evolutionary view of customer management. Big data has only recently become prominent as technology has evolved making huge amounts of data to not only become digitised but also analysed to determine new insights not previously possible. For example, it would have been difficult to know when the best time to purchase the cheapest airfare with any confidence a few years ago.

Farecast was an internet company that developed an algorithm to predict the best time to purchase a cheap airfare based on destination and time of travel. The company used 12,000 price observations from a travel website to create their predictive model. The site was making the right fare predictions 75% of the time when Microsoft snapped up the company for \$110 million and integrated it into its Bing search engine.¹

The Farecast example is one of many around how big data can and will change how our customers behave in the future. Big data will perhaps have one of the most significant impacts on business and how we manage our customers. More and more companies are beginning

to understand the economic value of the huge amounts of data they currently possess or can access using the internet. The manipulation of large amounts of data from disparate sources has only become economically possible because of the exponential growth over the past 10 years in digitisation of information.

¹ Big Data – Viktor Mayer-Schonberger and Kenneth Cukier, P.5

What does big data mean for how we manage our customers? I believe the answer to this question will lead us to the next evolutionary step in customer management. We have seen the evolution from CRM to CEM focusing around the total experience a customer has as a key measure to evaluate current and future economic success of a company. I believe big data will push the boundaries of customer experience management towards "customer prediction management".

Companies now have the ability to tap into mass amounts of data stored in silos and using current tools identify patterns that reveal correlations between variables and like Farecast develop algorithms that will predict the future of airfare prices with a level of confidence. Having the tools to predict the future of goods or services with a high level of confidence will shape every aspect of how we manage our customers. It will become the driving force in generating economic value and giving companies the economic edge. A great example of the power of customer prediction management is best revealed with how Steve Jobs approached



product design at Apple. His customers didn't know they needed an iPhone or an iPad but these predictions, made without access to big data, led to a phenomenal economic success for Apple. Remarkable entrepreneurs like Jobs are rare, making predicting customer needs something of an enigma.

Closer to home we see companies like Coles in Australia starting to use data in an intelligent way. The supermarket chain has started to intelligently tap into its data to generate personalised marketing campaigns focused around what their customers are likely to buy. Coles is now tapping into their loyalty card database to access what their customers most frequently buy and from which store. They are now generating marketing emails to their members with special discounts for

only the most purchased products. The email directs their members to their most visited stores. Although this is clever use of "small data" it does highlight how today companies are starting to use their data in a way to gain greater loyalty with their customers. By personalising their promotions down to the level of product and store location Coles are letting their customers know that it is paying attention to the individual products they like as a customer. This makes the shopper feel "special" and as such creates a loyalty barrier around the customer that makes it difficult for a competitor to poach the customer from Coles.

Big data has the potential to go one step further. In the case of Coles we can hypothesise that if the same data sets were used with big data sets, such as purchasing and mobile phone data, then Coles could determine the next most common place the same shopper went to after they completed their purchase at Coles. An analysis of such data would give Coles a greater understanding of what types of products they should be stocking or alternatively which other stores they should partner with to gain greater loyalty "ring-fencing" with their customers.

The Emergence of Customer Prediction Management

We are on the verge today where customer prediction is no longer an enigma but about to become a formal craft that uses scientific methods to increase the probability of accuracy. By tapping into various sources of data we can better understand our customers and their behaviours. Google is a company that understands the value of big data. Every search term made on Google is collected and used to predict areas of interest and this in turn is used by marketers to determine future demand. Similarly movie distributors are able to determine the

likelihood of box office success of a movie using big data analytics. The economic value of such insights is undeniable.

Big data is all about understanding the correlation of two or more variables. It is not about understanding *why* something happens but *that* it does happen. Once you understand, with a level of confidence, that an event occurs every time X happens then you have to determine how this effects your customer in the future. An example of this is when you can generate a report from the knowledge base used by customers and contact centre agents on some of the hot topics raised by customers. If the highest ranking issue for customers of a car manufacturer is how to convert petrol engines so they can use cheaper liquid gas based fuel then there is a high probability their customers will not take too kindly to the release of any car with high running costs. This is a simple way we can highlight how big data is currently available in many companies and how it can be used to predict future customer behaviour and in turn shape product design. The car manufacturer did not change its product line and eventually shut down its plant and fired most of its staff.

Customers are leaving us with a multitude of clues about what they want and what they don't want. These clues are contained in the hordes of data contained in company silos and now publicly available on the Internet. These clues come in many forms ranging from the choice of words used in a call made to the call centre right through to the types of pages I like on Facebook. The future direction of customer management will lie in the ability to harness these clues left behind by customers and using scientific methods make an educated prediction on what our customers want or are likely to desire in the future. The economic consequences of not analysing the data your customers leave for you will ultimately determine the future competitiveness and sustainability of companies in all industry sectors.

Predicting future customer behaviour and creating products and services to *elevate* the customer experience is the logical evolutionary step in how we manage our customers in the future.

Prediction & Management of Future Customer Behaviour

Customer experience management is about how well companies can interact with their customers and the way they make them feel about their products and service as they use them in their *current* state. We believe the next evolutionary stage is to *predict and manage* how they will feel about products and services in the *future*. This forward thinking approach to customer management has only become available recently due the advancements in the technology used to capture mass data, store them and make them available for scientific scrutiny. We are already seeing companies like Telefonica, one of the largest telecom operators in the world, monetising the massive amounts of data captured from their network on customer locations by selling anonymous data to retailers through their subsidiary company called Telefonica Digital Insights. Predicting the future using scientific means will soon become a reality. It's not an exact science but more a craft that will be refined over time using modified algorithms, artificial intelligence and innovative use of technology.



Customer Prediction Management as a Future Competitive Advantage

Customer prediction management is not only going to be a reality but it is shaping to become the key future competitive advantage for companies that are able to not only accurately predict future customer behaviour but are able to release products and services before their competitors that can meet the predicted behaviours and needs of their current and future customers.

Just as Steve Jobs was able to catapult Apple ahead of its competition so can any organisation that can master the discipline of customer prediction management. Replicating what Jobs had achieved was difficult in the past since there was no hard science or tools used by Jobs to predict the need for an iPad or iPhone. What is unique with the advent of big data is that the technology and the tools have now become available for organisations to be able to create a structured discipline around customer prediction management. The ability to accurately match products and services with future customer needs and desires will become a key competitive advantage for organisations.

Issues for Boards

Big data and its use to gain a competitive advantage is a reality today and will become more visible in larger companies as the technology evolves and the ROI is properly understood by board members.

The evolution of big data and its use will require board members to properly understand the issues, risks and potential benefits. The danger we face with big data is the lack of general understanding about it and the issues related to its use by board members. We recommend board members make themselves well versed in this topic and understand the issues. In summary, there are 4 key areas that board members should understand when any big data projected is presented to them for consideration:

1. Is the company considering using sanitised customer data to be monetised by selling it to a third party? If so, is this data properly sanitised and protects

confidential and private customer information. Do you have a legal right to sell sanitised data?

2. Is the project likely to breach any privacy laws?
3. If there are no laws broken in this project does it meet the ethical standards of the company?
4. Does the potential payback outweigh the risks?

These questions are likely to create healthy debate in the board room. Although big data and its analytics are certainly open to misuse there are some real business benefits that simply cannot be ignored. The potential to gain a sustainable competitive advantage over the competition should be a key focus area for any board. Big data has the potential to deliver this to companies.

Where to Next?

The question on most reader's minds will be what can I do today? I think the first thing companies need to do is acknowledge that this topic is worthy of investigation. There are a number of providers offering "big data" solutions so speaking with them to gather intelligence on the topic makes good sense. One you have gathered the necessary information you will need to make a philosophical shift in your thinking around customer experience management and its evolution towards predicting future needs and wants of customers.

Kinetic BPO is committed to helping GCC companies and government provide world class customer services through our solutions. We would be happy to discuss with you how we may be able to assist.

If you would like to know more about how we can help you improve your customer experiences then contact us at:

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