Building trusted relationships through analytics and experience
Foreword

Customers have been quick to embrace the opportunities presented by 21st century technology. They have more information than ever before to assist them in their buying decisions. The result is that winning customer loyalty has become an ever-increasing challenge as consumers rapidly shift alliances. It’s time for CMOs to respond by harnessing the power of data and analytics to build and measure trust.

Companies are finally starting to understand that building relationships and trust are the ultimate goal. It is no longer about product and service features; it is no longer about growth, profitability, and efficiency. The customer is king and the customer experience needs to be the primary consideration.

Consumers have become more sophisticated. Their expectations are higher, they want a personalized experience and they want two-way communication. Companies need to leverage real-time data and analytics to enable them to be forward looking and predictive, to know what the customer wants even before they do.

Businesses are great at using data and analytics to show what happened in the past. But there is so much more that they could be doing to look to the future. A more sophisticated approach could lead to valuable insights for use in targeting and understanding the customer.

Currently, there are two paradoxes that need to be acknowledged. First, customer experience requires marketers to collaborate across various business units. The responsibility does not begin and end with the CMO, rather it needs to be shared across departments and business units to build trust and prevent erosion of trust at various touch points in the experience lifecycle. Second, the use of mobile devices, social media and external data sources needs to become the norm rather than tools used only by outliers. Many still refuse to recognize the value of these essential touch points and are losing out to high performers that are tracking their customers across these online platforms.

In order to truly stand out from the crowd and meet the expectations of your 21st century customers, it’s time to seize the opportunities that are there for the taking.
Ira Bahr, CMO of TiVo, has a noble goal when it comes to his company’s millions of subscribers. “The ambition we have is that we can read the customer’s mind. We want to become that kind of virtual kindred spirit who knows your sensibilities,” he says. At TiVo, that means knowing what television shows and content their users want before even they do. And the way to do that — to build that trust that a company knows you so well it can anticipate your needs, wants and desires — is by enabling personalized experiences driven through customer insights and analytics.

While more often associated in the public eye with breaches and invasion of privacy, customer insights and analytics can — and should — be associated with credibility. “Big data helps us build trust because it allows us to offer more personalized experiences that are increasingly more relevant to each guest — experiences that show we are listening to them,” says the Global Vice President of Marketing of a major hotel chain.

For this study, EY and Forbes Insights collaborated to study how companies are using data and analytics for managing customer relationships, and how companies are creating long term customer loyalty in an increasingly digital world where consumers can compare and shift alliances rapidly. We surveyed over 300 executives and supplemented the quantitative inputs with interviews from leading marketing executives from a range of industries.

The research explores points of view and responses across four major areas that are of current interest to many and varied audiences:

► How are companies using analytics to better understand the customer?
► How can companies build long-term, trusted relationships with customers?
► How can companies leverage customer data so that it helps and does not seem intrusive to customer needs?
► How can marketers consistently inject analytics into their strategic planning to tell the customer “we know you and we want to be there for you at every step of your journey with us”?
“For us, it’s really about realizing that our guests are giving us a little more information – and permission to have a different kind of conversation with them. In return, we’re delivering something a little more relevant, a little more personalized, to those who choose to engage with us in this way,” says the Global Vice President of Marketing of a major hotel chain. At the same time, as with any other strategic ambition, there are some challenges as corporates adopt analytics. Executives acknowledge the need to improve across several parameters to understand what customers want now and what they will want in the future, and to respond using data as an instrument of privilege to build trust. Executives usually have a desired state in mind and they also recognize it will take some work to get there.

The analysis conducted as part of this research report reveals five key insights that explain the lag between the present and desired state, and presents forward-looking approaches taken by senior leadership in different organizations.

“Big data helps us build trust because it allows us to offer more personalized experiences that are increasingly more relevant to each guest – experiences that show we are listening to them.”

Global Vice President of Marketing of a major hotel chain
Key Insights

A majority of chief marketing officers (CMOs) believe that building trusted relationships with customers is a significant area of focus for their group.

Among CMOs, 91% feel that building trusted customer relationships is a critical focus of their departments’ strategic and competitive vision. According to marketers, the customer is still king. In recognition of the need to fully embrace and adopt all the latest analytics and data techniques, 87% of CMOs say their strategic vision includes the customer experience.

Trust, according to Ira Bahr, is “a by-product of having great products and services. Trust comes from deeds. If you have consistently great products and services, people will trust you. If you overtly assert for someone to trust you, it probably obscures your very point.”

Customers are becoming more sophisticated. Their expectations are higher and they are constantly changing in the way they interact with the company. “The next frontier in building trust is cultivating one-on-one relationships with consumers to provide the most personalized experience possible,” says Molly McCombe, Managing Director and Chief Marketing Officer at Citi Retail Services.

Companies look to power trust with data and analytics. At the same time, customer data collected by companies is a privilege. It is given to them by customers in good faith that their information will be safeguarded and used for doing the right thing. Molly McCombe says: “We help our partners communicate very clearly that the data being collected is used to supplement a customized, tailored approach that determines the most relevant communications and best offerings for consumers. These factors can help customers have a sense of control over their experience and help brands earn trust through discretion and relevance.”

“Ira Bahr, CMO of TiVo
Less than a third say with full confidence that their department or company has a full grasp of where in the customer life cycle the trust is breaking down. What still remains a bit of a mystery, according to executives, is how that erosion of trust affects their brand equity. Thirty-four percent say they understand this “extremely well” however, a further third still have work to do in understanding why things go wrong with their customers.

These findings beg the question: Why do marketers find it difficult to understand the make-or-break points of trust in spite of investments into their touch points and channels? And, a corollary to the previous question: Do marketers allocate their investments based on customers’ preferred experiences and desired method of interaction?

**Executives are more confident about their in-person touch points in comparison to mobile and social.**

Senior executives are most confident about their in-person sales force, with almost three-quarters (73%) saying they execute on it well. In comparison, 60% of executives say they are able to address their marketing strategy and can take action well around mobile. This percentage is relatively low in comparison with their attention to in-person touch points – especially in light of the current disruptive landscape of mobile and digital and the ubiquity of smart phones, where increasing numbers of consumer transactions take place every day. When it comes to more specific uses of smart phones, such as mobile coupons, only 26% of executives say they do this well – while 19% don’t do this at all. For some companies, of course, there are other options that provide a better fit than mobile coupons. However, this finding underlines the more general insight that, as a touch point, there is more to be done in charting or understanding mobile.
Only 44% use social media interactions and just 28% use mobile data to uncover customer insights. Sixty-eight percent of respondents say they do well in addressing their marketing strategy and taking action on social media. The conclusion here is that executives continue to rely, to a large extent, on old tricks of the trade rather than look to find better ways to mine new touchpoints to build trust.

Overall, executives seem caught between new media and old media. Building trust and brand equity in the 21st century means moving toward a more social model, underscoring the importance of two-way communication touchpoints. In addition, real time is still a challenge for marketers. Only 51% say they can address a negative or bad customer experience at the actual point of interaction. Those companies that are able to make an in-the-moment course correction will reap the benefits in terms of building customer trust and enhancing their brand equity.

“Companies need to acknowledge that interaction is key and invite customers to take control of the trust equation. Rather than trying to earn trust, they should give customers the keys to define what trust means for them,” observes McCombe. “That means talking more to customers, not at them.”

Molly McCombe, Managing Director and Chief Marketing Officer at Citi Retail Services

Sources of customer insight

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<thead>
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<tr>
<td>Social media interactions</td>
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Performance on mobile coupons

<table>
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<th>Performance</th>
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<tr>
<td>Extremely well</td>
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<td>We do not use this touch point</td>
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Only 51% say they are able to address negative customer experiences at the touchpoints.
A large majority of CMOs say that data and analytics is an important tool with which to build and measure trust.

Ira Bahr, CMO of TiVo

Executive could do more to use all the data and analytics at their disposal to enable them to understand and build trust with the customer. Just 38% of respondents strongly agree that they are leveraging analytics to understand where trust is being eroded in the experience life cycle. The positive finding is that, at least half of those surveyed have a forward looking approach and mention that the ability to use data to build trust with their customers will become critical as a competitive differentiator over the next two years. Marketers also see the value of analytics as an important barometer of their overall brand. Almost three-quarters say they use them to check if the brand promise is being kept throughout the customer’s interaction with the company.

As McCombe points out, understanding what devices customers are using to shop is crucial to their experience and, therefore, the bottom line. “Consumers who frequently shop on a retailer’s website on their mobile device would expect that website to have a dynamic presentation to adapt to, and be navigable on, that type of device. An absence of this would signal to the customer that the retailer doesn’t understand where they’re doing their shopping, and ultimately doesn’t know them,” she explains.

In terms of actual implementation of analytics – such as making relevant or personalized offers – many companies lag behind the curve. Only 52% currently make relevant or personalized offers during a customer interaction. This is somewhat less than might be expected in a field that is moving so quickly toward personalization. A quarter of respondents report plans to further develop their capabilities in this area.

“While yesterday’s big data is just data today, albeit a much richer data set, what is really changing is the view we are getting from our customers – the dimensions get better every day. This is what enables companies to create a better customer experience.”

Ira Bahr, CMO of TiVo
Taking the B2C lens, Ira Bahr says that while yesterday’s big data is just data today, albeit a much richer data set, what is really changing is “the view we are getting from our customers – the dimensions get better every day”. This is what enables companies to create a better customer experience. “Now we know how a particular user watches different assets on different screens – the primary ones: mobile home, TV and mobile outside the home – and that helps us engage and create a better experience.”

The Senior Vice President of a technology company with a focus on helping CMOs at B2B companies gives his perspective. He says that it’s only possible for sales reps to know exactly which customers are best to call on, what products to pitch to them, and what the optimal price is to quote if they are guided by customer intelligence.
Despite improvement, most executives believe that there is a significant opportunity in the use of analytics for customer insight and in expanding the use of external data sources to understand customer behaviors.

Marketers know their customers well, but could know them better. Around three-quarters say they know their customers’ preferences and needs in terms of purchase behaviors and channels. Roughly the same proportion says the same with regard to product and service features. Around 30% of executives are less confident that their department is delivering in these areas. The same breakdown holds for knowing customers’ purchasing power and price sensitivity.

Executives have to gain better understanding and confidence about their own company’s ability to use and apply analytics; this will be a step toward knowing their customers better. Slightly over a third (37%) of companies say they are on a par with the industry, while just a quarter say they are on the same level as world-class leaders. And when it comes to applying analytics to understanding the customer and their experience, executives have yet to demonstrate that this is a tried and tested approach for them. Just 37% say they have the capability to use analytics to tailor communications and outreach to the customer. This is a low number, considering that many marketing executives see personalization as the next big trend in marketing.
Executives want to use data and all the tools at their disposal to make the customer experience better. Almost 70% say they have focused more on personalizing customers' experience based on their behavior. However, when it comes to using data in more sophisticated ways, executives still have some way to go. One example of this lagging response from CMOs' offices is segmentation — the practice of dividing a customer base into groups of individuals according to factors such as gender and age.

Almost 40% of executives say they are not currently segmenting, though have plans to do so in the next 6-12 months. Almost a third also say they have not yet deployed advanced analytics to rapidly analyze customers, offers and behaviors. The study reveals that executives are keen to be part of the data and analytics movement. Very few — less than 8% — said they had no plans to increase their efforts across a wide range of data actions.

There is some work to do so that real-time analytics become an industry-wide standard. Only 50% of executives use digital channels to drive segmentation, content personalization, and messaging automation. Over a third (36%) are doing so to a moderate degree.
Marketers at the executive level are collaborating more across various business units to manage and improve the customer experience.
Among survey respondents, 67% agreed or strongly agreed that the customer experience requires collaboration outside of marketing and that the responsibilities are distributed among numerous business units. However, having a better grasp of the data and analytics part of marketing may help marketers take more control of the customer experience.

At the same time, about 20% were non-committal when asked whether the customer experience could be controlled by the marketing department alone. In addition, 13% of executives continue to believe that customer experience can be controlled by marketing alone.

Customer experience cannot be controlled by marketing alone as responsibilities are distributed among numerous business units

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How are some companies taking a forward-looking approach to garner trust with privileged customer information and analytics?
C360: using data to better understand and engage with guests

C360 is a comprehensive global database of customer insights that can gather and mine data and is used across all the divisions of a major hotel chain, says the company’s Global Vice President of Marketing. The system is based on a simple idea: the better an organization understands its customers, the better it can serve them in a highly personalized way and the more likely it is to earn repeat business. The company uses the customer insights from the database across all of its communications channels, from direct mail to in-room entertainment. This allows it to harness big data and turn it into smart data. The company’s Global Vice President of Marketing, says that the hotel chain doesn’t just think of itself as a hospitality company. It also sees itself as a technology company that uses big data, mobile devices, social media and applications to manage the customer experience across all of its hotel brands. In practice, this means having a presence on social networks, such as FlyerTalk, that are popular online destinations for the company’s customers.
“When a sophisticated, predictive model is applied to the transaction data that is collected in the normal course of doing business, companies can better understand their customers and, in turn, drive profitable growth.”

Senior Vice President of a global technology company

Spotlight 2

“Big data” vs. “little data,” predictive models and a man-plus-machine approach to improve decision-making

Everyone is talking about big data, but for one technology company that focuses on predictive sales applications to help CMOs at B2B companies, the emphasis is on “little data.” This is how their Senior Vice President (SVP) refers to the wealth of information hiding in existing internal company data. “When a sophisticated, predictive model is applied to the transaction data that is collected in the normal course of doing business, companies can better understand their customers and, in turn, drive profitable growth,” he says. The lesson here is that with the right model, companies can still get valuable, deep insights without delving into social and mobile. Predictive models may be a more powerful way to leverage data to enable better business decisions. The advice to front-line employees in sales and marketing from the technology company’s SVP is to be armed with customer data and its attendant insights. They can then have more thoughtful and productive conversations with all of their customers in the most efficient manner possible. “This type of man-plus-machine, or experts-plus-equations, approach is how companies can extract insights from their data to improve decision-making and drive profitable growth,” he says.
“Real-time is where the marketer’s future is headed.”

CMO of a global computer security software company

Spotlight 3

Real-time analytics: recognizing the patterns

“Real time is where the marketer’s future is headed,” says the CMO of a global computer security software company. Looking a few years ahead, she’d like to see real-time marketing recognize patterns quickly. If a customer does a, b or c, marketers will be able to identify those behaviors faster and deliver something more tailored to the customer. She gives a hypothetical example of a customer who goes online to read reviews of a software product and then clicks over to social media to gauge opinions in their network, the software would automatically push off an offer to that person. “There is more human intervention at this point in the game, but automation will increase,” she predicts. Similarly, the Senior Vice President of a technology company that helps CMOs at B2B companies believes predictive, real-time pattern-recognition software that anticipates customer preferences will be used widely in the future. “Until a few years ago, companies were leveraging data analytics tools that were mostly backward-looking, useful only for showing you what happened in the past,” he says.
“Big Data is just that – data. It’s the ability to create dialogue with the customer and augment our interactions by using that data that brings it to life and gives it value. Companies that get that right have ‘living data’, not just big data,” says Molly McCombe. Consumers are deepening the integration of 21st century technologies into their purchase and consumption patterns, and expecting more from their brands and purchases. As such, they are seeking companies that stand out from the crowd.

For executives, the use of data and analytics is past its infancy phase and well into adolescence. However, when it comes to targeting and understanding customers, the sophisticated deployment of analytics could be more widely used.

Expert utilizers of mobile and, to a lesser extent, social media are still the outliers. The challenge here is two pronged. There is limited use of these touch points by executives as they are yet to be convinced of their value – even though these channels hold important information and potential insights. High performers in this field are tracking their customers across these online platforms as part of their more personalized marketing strategy.

For example, the CMO of a global software company who we interviewed for this study explained how the millions of unique visits per month to its website are viewed. Each impression is considered as holding valuable data points about what their customers read and do on the site. The company uses them to create a product experience and message opportunity that’s compelling to a specific customer at a specific point in time. “We then look at whether people are applying the software to their mobile phone, tablet or computer,” she says.

Overall, the study reveals that the main customer touch points are the same as they were in the pre-digital age. Some 61% of respondents say that the primary method of interacting with consumers is their in-person sales force. The insight here is that in addition to focusing investments on an in-person sales force, executives should also consider how they can complement their primary touch point with action in fast-growing arenas such as mobile.

Furthermore, executives should be equipping their sales force and marketing team with data and analytics in order to bring about a better and more tailored customer experience. This, as one technology company’s Senior Vice President points out, will help sales reps better understand what customers should be buying, when customers are beginning to defect to other brands, and what price is most likely to win business. In other words, integrating analytics, marketing and digital is the key to building trust and driving brand equity.

Consumers are deepening the integration of 21st century technologies into their purchase and consumption patterns, and expecting more from their brands and purchases. As such, they are seeking companies that stand out from the crowd.
Methodology

This analysis was drawn from over 300 survey respondents. Fifty-two percent of respondents are employed at companies with US$1 billion or more in revenue, and all have more than 1,000 employees (21% employ 50,000 or more). Almost half of respondents are C-level, and executives’ functions are spread among finance (13%), management (17%), information technology (20%) and marketing (49%), with 1% serving a strategy function.

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