Augmenting Customer Lifecycle Management Through Analytics

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Introduction

Customer lifecycle refers to the various stages in the journey of the customer right from the curiosity derived through the marketing initiatives to the day he ceases any relationship with the product/service.

The various stages in the customer life cycle pose several tricky and unanswered questions for any retail merchant.

- Reach
- Acquisition
- Conversion
- Retention
- Loyalty

The faster an organization is able to move the customers through the initial stages of the life-cycle towards being loyal, the better it is for the growth of the organization. But this may require the participation of various departments in the organization. Let us see how the data that has been acquired over different stages can be leveraged upon to drive the customer lifecycle management better with the help of advanced analytics.

Focus on actionable insights rather than information

Traditional BI focused on metrics can give an information snapshot of the customers, but fails to derive actionable insights. Current analytics approach gets tied down to descriptive analytics which tends to focus on the top-line growth.

A radical shift towards customer insights would be the first baby steps towards driving profitability through analytics.

With the explosion of channels or avenues through which the customer interacts, there is no dearth of data. The winner would be the one who can effectively derive actionable insights from the myriad of data. With automated business rules from these insights, organizations can reduce the costs as they automate operational decision making.

360° Insights from Customer Life-cycle

Often organizations miss the mark and try to apply analytics to just one or two stages in customer journey. Only those organizations that adopt predictive analytics at all the stages are adept at understanding the true sentiments of customers and derive maximum value out of it. The insights gained by such an organization will give them a shot in the arm for maximizing profits and improving the bottom line.

The organizations which would tap into the abundant data available for optimizing the customer life cycle will gain significant competitive advantage over those who don't. Customers with omni-channel expectations have complicated decision making because they have myriad choices and apparently no loyalty to one particular channel. Big data and analytics provide a systematic approach for organizations to effectively manage different stages in the customer journey.

Augmenting Customer Lifecycle Management Through Analytics

The following section deals with how predictive analytics add value at various stages in the customer life cycle.

Reach

Organizations find it very difficult to measure the reach of their marketing initiatives. Predictive analytics can unlock valuable insights from the campaign responsiveness analysis. Companies are increasingly relying on this, as this leads to a reduction in campaign spends in the long run.

Segmentation can also be performed on targeted audience through clustering techniques to ensure targeted campaigns. This might help us in unlocking very specific segments which would be more effective than the traditional segmentation used by marketers, like those based on demographics.

> ''Segment the target audience and run analytics on the campaign responsiveness to increase the efficiency and reduce the cost of marketing campaigns''

Customer Acquisition

Organizations adopting analytics to address their acquisition woes look to find answers to the following fundamental questions by embracing technology:

1. How to target the right segments?
2. How to optimize acquisition costs and increase ROI?
3. How to optimisation service quality?
4. How to use the right channel for each segment?

The huge data available in the form of existing customers can be leveraged to score against the prospects to answer some of these questions.

Behavioural segmentation of the existing customers can help businesses to understand valuable segments.

Lead scoring models are available in the market which helps organizations in targeting the right customers. This will enable marketers to target those prospects who are more likely to turn customers.

Retail Conversion

Once a customer visits a store or a site, the revenue derived from the customer depends on his decision on whether to buy or not to buy. Conversion is therefore one of the most significant stages in the customer's journey. In-s tore analytics or site-analytics play a significant role in ensuring that customers make the right choice.

Recommending the right product to the right customer is the difference between buying and selling at this. Analytics can be used to recommend the products which the customer might find useful. Propensity scoring can be used to predict the propensity of a customer to buy a particular product, or identify the associated risks with a particular customer. This would enable the retailer to make the right product accessible to the right customer. Personalized bundled offers can be offered to the customer by scoring them against the various bundled offers. This would help to tap into the purchasing power of the customer which was earlier not visible.

Customer Retention

Customer Retention strategies are pivotal for organizations to ensure that the retailer doesn't lose the market share to the competitors. Cost-wise, acquisition of new customers costs five to seven times the cost for retention and precisely for this reason, organizations would prefer to retain than to acquire.

Predictive analytics can be useful in optimizing the various stages in customer retention. The first step in customer retention is to identify the customers who are likely to churn. Statistical techniques can be used to predict the customers who are likely to churn. The predictive models built on the principles of survival analysis and hazard function can accurately predict the likelihood of churn. In order to build this model, historical data of customers who have churned can be used as the training set. Once we train the data using behavioural and buying patterns of historically churned customers, the existing customers can be scored against this model to predict the probability to churn.

Once the high-risk customers are identified, the second step is to identify the valuable customers among those. Especially if there is a resource crunch, the retailer is interested in maximising the ROI from the amount spent for customer retention. In that case it is imperative to identify the highly valuable customers. Predictive analytics can be used to forecast the Customer Lifetime value. CLV is nothing but the net present value of the margin from that particular customer over the entire life cycle, i.e. from acquisition to churn. CLV models enable the retailer to rank the customers based on their lifetime value and thus the organization can limit the retention efforts only to say, the top X percentile based on the budget constraints.

Finally, the most important stage is to identify the best and optimal strategies for a particular customer. The retailer can simulate the efficiency of the various retention strategies against the targeted customers to arrive upon the best method.

Loyalty

One of the positive retention strategies that is used by retail firms are loyalty programs. It is a way to tie the customers through some reward programs, so that they becomes a repeat customers. It is indispensable for any loyalty programs to offer rewards commensurate with customer value.

This is where analytics help in providing the right reward to the right customer rather than the routine one size fits all loyalty programs.

Personalized loyalty offerings help the retailer in striking the right chord with customers and improve the overall satisfaction of customers. It would be criminal for the organization to let the precious customer data go down the drain and would cripple the organization against the early and efficient adopters of analytics.

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