Analytics for Customer Insight

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Introduction

Organizations are striving to outperform in a slow-growth environment where everyone needs to do more with less. Add to that the complexity of technological advancements that change how we work, communicate and collaborate, and you amplify the challenges and opportunities for success.

Cloud technologies provide instant access to stored data and support the appetite for unlimited and uninterrupted internet use. The number of mobile devices is predicted to exceed the number of people on the planet by 2017. This mobility combined with almost limitless data access has a profound impact on everything from customer demand to collaboration and innovation, creating a business environment in which change is dramatic, disruptive and swift.

More and more devices and processes automatically generate data that is being captured and stored like never before. 90% of data in the world today was created in the past 2 years. It comes from things like posts to social media sites, call centers, purchase records and cell phones. This is Big Data - data with higher volumes, velocity and variety than ever before.

Leaders need to confront and leverage these changes to outperform their peers. Successful organizations transform this deluge of data into insights. Studies show that organizations with a broad-based, analytics-driven business culture – or high Analytics Quotient (AQ) – outperform their peers financially by up to 1.6X revenue growth, 2X EBITDA growth and 2.5X stock price appreciation.[1]

Successful organizations know that Big Data is more than a matter of size. When combined with Smarter Analytics, it is an opportunity to find critical insights that make businesses more agile with an ability to address issues unimaginable by any other means. For example:

- 12 terabytes of daily tweets can be transformed into product sentiment analysis;
- Millions of call records can be analyzed to predict customer churn; and,
- 80% growth in data images, videos and documents can be leveraged to improve customer satisfaction.

These kinds of insights enable companies to outperform their peers by transforming their organizations with Smarter Analytics: embedding analytics into critical processes, decisions and actions.

This paper is squarely focused on how to achieve just that – insights that enable a company to outperform its peers. It is part of a continuum of work that started with the book, “The Multidimensional Manager”[2], followed by “The Performance Manager”[3]. This paper combines important new concepts with some of the key elements like the DecisionSpeed® framework from "The Performance Manager” resulting in an updated revision for Customer Analytic. It synthesizes work done with countless successfully and broadly adopted analytics deployments for a roadmap framework that can be put to work in any organization. This roadmap is a common language and unifying map that supports and aligns business decision makers at all levels of the organization with their professional technology partners. This is the partnership that creates business insights that drive better outcomes.

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[1] Outperforming in a data-rich, hyper-connected world, IBM Center for Applied Insights study conducted in cooperation with the Economist Intelligence Unit and the IBM Institute of Business Value; 2012.

[2] The Multidimensional Manager: 24 Ways to Impact your Bottom Line in 90 Days; Richard Connelly PhD, Robin McNeill & Roland Mosimann; Cognos 1997

[3] The Performance Manager: Proven Strategies for Turning Information into Higher Business Performance; Roland Mosimann, Patrick Mosimann & Meg Dussault; IBM Corporation 2009, ISBN 978-0-9730124-1-5

Key Focus Areas

Organizations are outperforming their peers by transforming their capabilities to organize people, processes and resources with the application of an analytics strategy across key processes, functions and roles. Pockets of information that are inaccessible corporate-wide tend to be the Achilles heel for this strategy. Information needs to be rationalized and combined, blending structured and unstructured, internal and external data to provide a cohesive view for effective strategy decision making combined with efficient execution.

Leading organizations embed data-based insights into core business processes, weaving analytics into the fabric of their business, often focusing on:

- **Customer Insights – acquiring, growing, retaining and satisfying customers**. Empowered customers dictate terms in the dynamic between buyers and sellers. Analytics drives improved loyalty and increases revenue by helping an enterprise gain greater insights into customer behaviors, desires and requirements.
- **Financial Analytics – transforming financial processes.** CFO's and finance teams apply analytics to forecast and control enterprise resources with greater accuracy; measure and optimize performance within business processes; and report with confidence to internal and external stakeholders
- **Risk Analytics – managing risk and compliance**. Too often, risk remains the purview of the CFO, though less than 20 percent of risks are financial, legal or compliance related.[4] Managing risk calls for a clear sight into every facet of an organization. Analytics elevates risk from a defensive play to a fundamental aspect of performance.
- **Operational Analytics – increasing operational efficiency.** In a world where it has become increasingly difficult for a business to differentiate itself, analytics provide greater process efficiency, new insights to optimize existing processes and challenges the status quo.

This paper focuses on customer insights demonstrating how to drive improved revenues through acquiring, growing, retaining and satisfying customers. Future papers will provide insights on how organizations are applying analytics in the other core business domains.

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[4] Corporate Executive Board, with permission from the Audit Director Roundtable of The Finance And Strategy Practice. 2010.

www.adr.executiveboard.com (http://www.adr.executiveboard.com)5 IBM estimate

Customer Insights

Today's customers and prospects are more informed, demanding and fickle than ever before. Fueled by always-on, mobile connectivity supported by social media platforms, they are equipped with instant networks, information offset by disinformation, speaking their minds, sharing good and bad experiences and feedback with astonishing speed.

On the one hand, this is a marketer's dream; positive comments with potential exposure to "go viral", reaching a global consumer base with a speed and depth that most organizations could not have funded through traditional means. The flip side of this coin must also be taken into account. This is the era of transparency when you need to mean - and do - what you say you will. Mis-steps are exposed, communicated and judged instantly, whether accidental, incidental or deliberate. The link with the customer is no longer about an individual transaction – it is about the relationship with the customer that is molded by every touch-point they experience.

The customer has always been the centerpiece of successful organizations but this new dynamic emphasizes the need for an innovative model of customer centricity. Consumers are now channels to market, using their voices to shape a brand, products and relationships with the market, in a new two-way dialogue between each consumer and an organization.

In a rapidly changing and uncertain market, consumers expect organizations to have a depth of insight into their needs, attitudes, perceptions and preferences that was unthinkable half a decade ago. The customer expects unique personalization. The challenges in gaining this insight are significant and the opportunities boundless.

In a recent CMO study[5], 55% out of over 1700 interviewed stated that their number one goal was getting closer to the customer. This paper focuses on deriving customer insights through analytics, showing you how an organization can achieve the 360 degree view of the customer necessary to accomplish that goal.

The roadmap for customer insights requires broader and deeper analytics to deliver a deeper understanding of customers and prospects. Social media platforms provide massive amounts of data that, when blended with internal corporate, financial and market data, can be used to unlock critical customer insights. This information provides insight into consumer attitudes, preferences, and triggers leading to purchase decisions, while improving loyalty and advocacy.

Although every function in the organization helps to drive these customer centric opportunities, the following four departments with direct customer influence typically lead this effort:

- Marketing;
- Sales;
- Customer Service; and,
- Product Development.

The following is a roadmap of decision-making areas for each function based on the DecisionSpeed® framework from "The Performance Manager".

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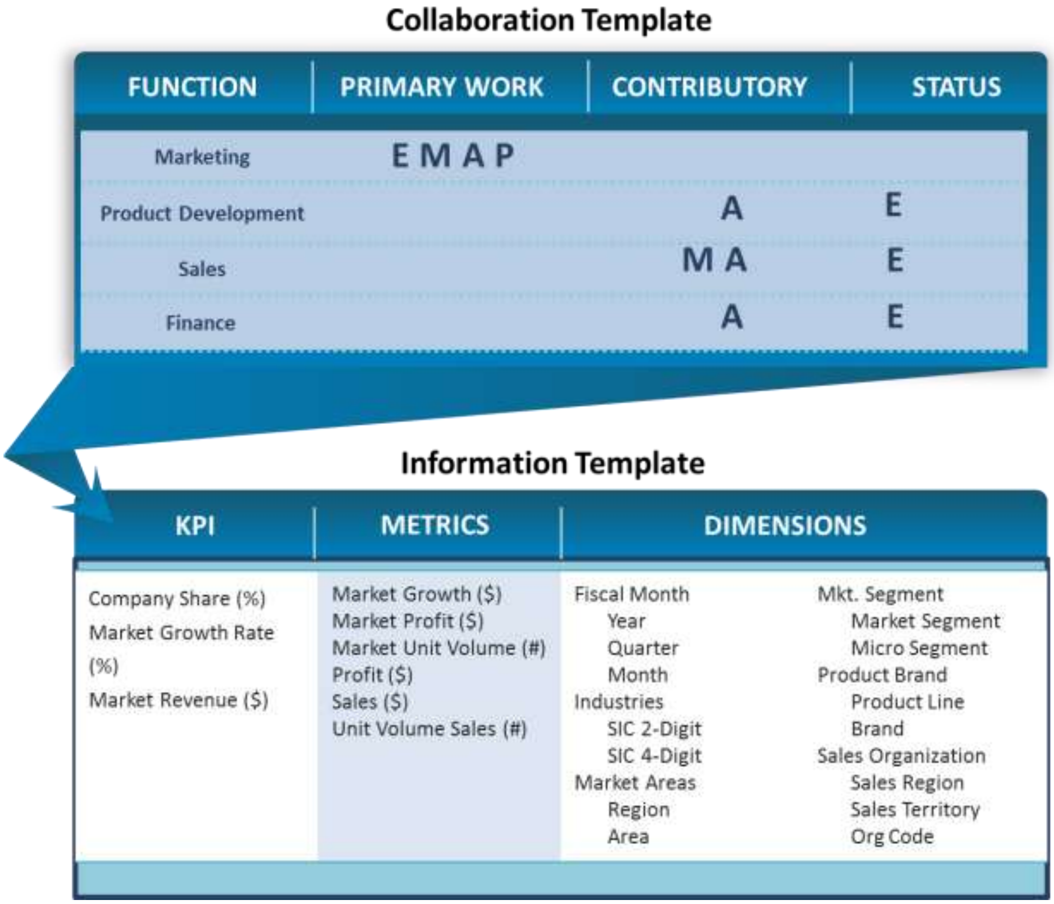
[5] 2011 CMO Study, published by the IBM Institute for Business Value

Decision Areas

The “Performance Manager” introduced the concept of decision-making areas that drive key outcomes. Decision areas represent the confluence of critical information needed to support better and faster decision-making across a range of collaborative decisions within a function. Each decision area is described and then represented by a collaboration and information template as illustrated here for the Market Opportunities decision area.



Collaboration Template

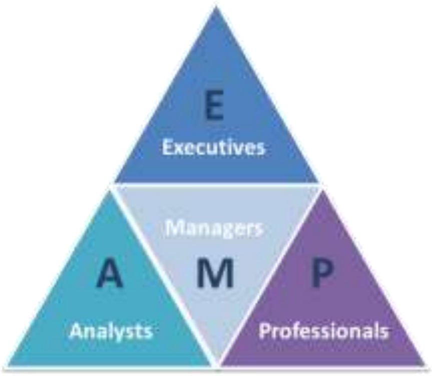
FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketing	E M A P		
Product Development		A	E
Sales		M A	E
Finance		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Company Share (%) Market Growth Rate (%) Market Revenue ($)	Market Growth ($) Market Profit ($) Market Unit Volume (#) Profit ($) Sales ($) Unit Volume Sales (#)	Fiscal Month Year Quarter Month Industries SIC 2-Digit SIC 4-Digit Market Areas Region Area	Mkt. Segment Market Segment Micro Segment Product Brand Product Line Brand Sales Organization Sales Region Sales Territory Org Code

Marketing Opportunities Decision Area

How to use the collaboration templates



These templates are an at-a-glance map of which *decision roles* are likely to use a decision area: i.e. identification of the network of decision-makers that share common drivers and outcomes. It also helps to identify different collaboration needs based on different decision roles with different work responsibilities. A decision role is derived from a person's function (Finance, Sales, etc.) and their job type (Executives, Managers, Analysts and Professionals). Finally, each work responsibility (and most likely information need) is categorized as Primary, Contributory or Status.

How to use the decision area information template

The core content of each decision area is illustrated by the information template. The content is organized into two 'layers':

- KPIs or outcomes these decisions are driving
- Underlying metrics and hierarchical dimensions for understanding *what* drives performance

The latter is critical to providing the right context for analysis, whether for trend and comparisons or for framing the predictive parameters. Where information is readily available and reliable, the right intersection of metric and dimension becomes a planning input node or even a key performance predictor (KPP).

Marketing: Early Detection and Guidance System

Good marketing departments see the big picture. They notice and interpret trends not readily apparent on the front line providing the business context for what is – or is not- being sold combined with the associated perceptions and value proposition.

As an investment advisor to the business, Marketing guides strategic and operational activity including a focus on potential markets while addressing specific market needs. Marketing is also an early detection system for spotting market dynamics while measuring their impact on products, services, selling strategies and other operational business elements. For example, sudden drops in response rates might indicate competitor pressure, market shifts or potential revenue trouble.

By using IBM Business Analytics to analyze data related to customer activity and historical marketing campaigns, a large regional bank with international locations reduced its marketing costs, increased net income, and improved the productivity of marketing staff. ROI: 642% Payback: 2 months

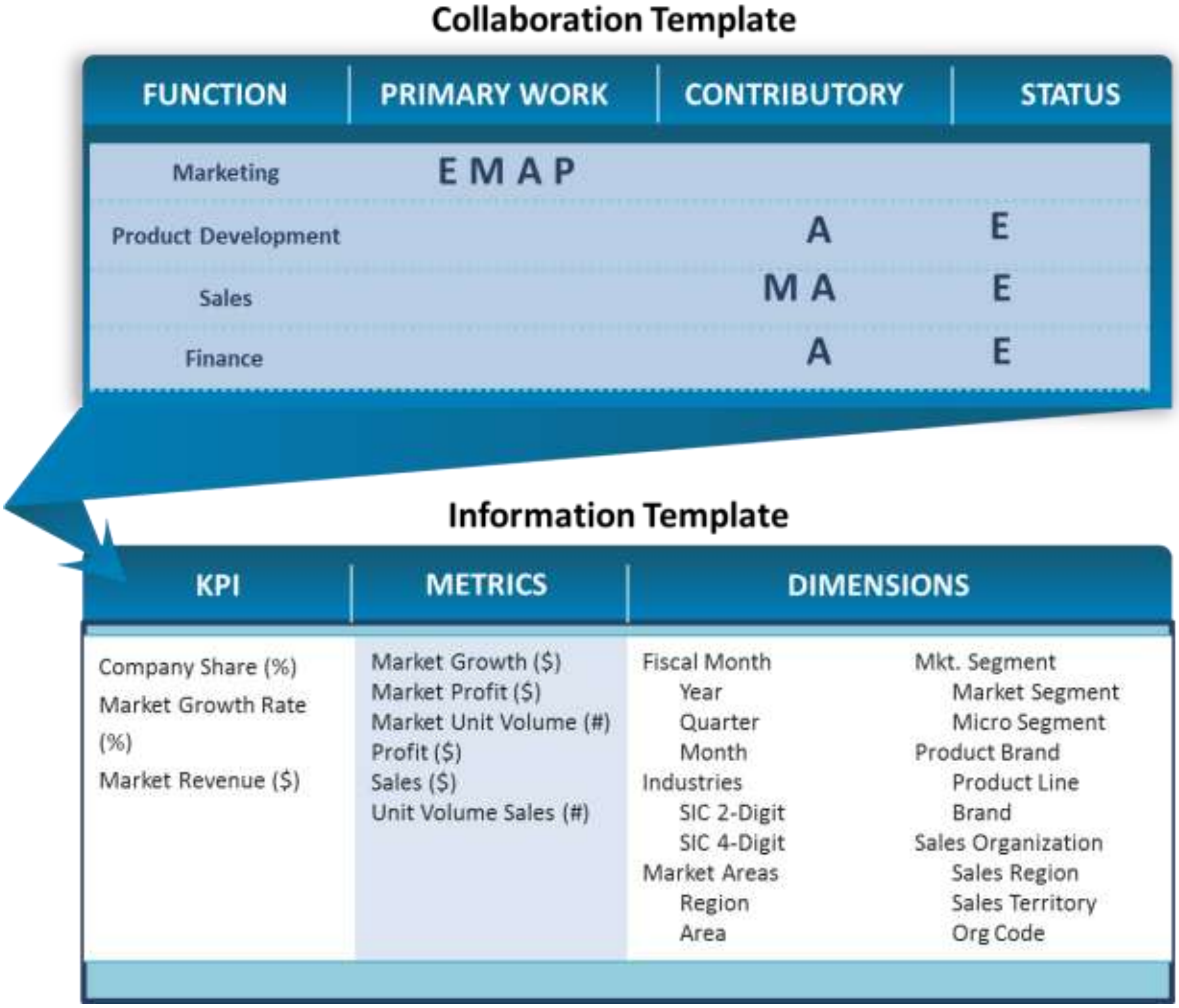
Marketing owns the responsibility for defining, understanding and leading five core areas of the company's decision making:

- **Market Opportunities** – What is the profit opportunity?
- **Competitive Positioning –** What are the competitive risks to achieving it?
- **Product Life-Cycle Management** – What are the value propositions?
- **Pricing** – What is it worth?
- **Demand Generation** – How do we reach and communicate value to customers?

Marketing Opportunities

Making decisions about marketing opportunities requires a delicate balancing act between targeting the possibility and managing the probability, while recognizing the absence of certainty. This decision area is fundamentally strategic, including a concern with the longer term. It manages the upfront investment and prioritizes the most promising profit pools while dealing with a time lag in results.

Understanding the profit potential in opportunities requires a detailed assessment of pricing, cost to serve, distribution requirements, product quality, resources, employees, and more. The most obvious market opportunities have already been identified, whether by the company or its competition. Analytics help identify the hidden gems buried in the data missed by others. These are the micro-targets that need to be identified, analyzed, and understood. The prioritization of these micro-segment opportunities with associated actions is a key marketing deliverable.



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketing	E M A P		
Product Development		A	E
Sales		M A	E
Finance		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Company Share (%) Market Growth Rate (%) Market Revenue ($)	Market Growth ($) Market Profit ($) Market Unit Volume (#) Profit ($) Sales ($) Unit Volume Sales (#)	Fiscal Month Year Quarter Month Industries SIC 2-Digit SIC 4-Digit Market Areas Region Area	Mkt. Segment Market Segment Micro Segment Product Brand Product Line Brand Sales Organization Sales Region Sales Territory Org Code

Competitive Positioning

Effective competitive positioning means truly understanding what products and/or service is offered to the targeted segments, and how they compare with competitors. As an investment advisor, Marketing must clearly define the business and competitive proposition: *In which market segments does the company compete, and with what products and services?*

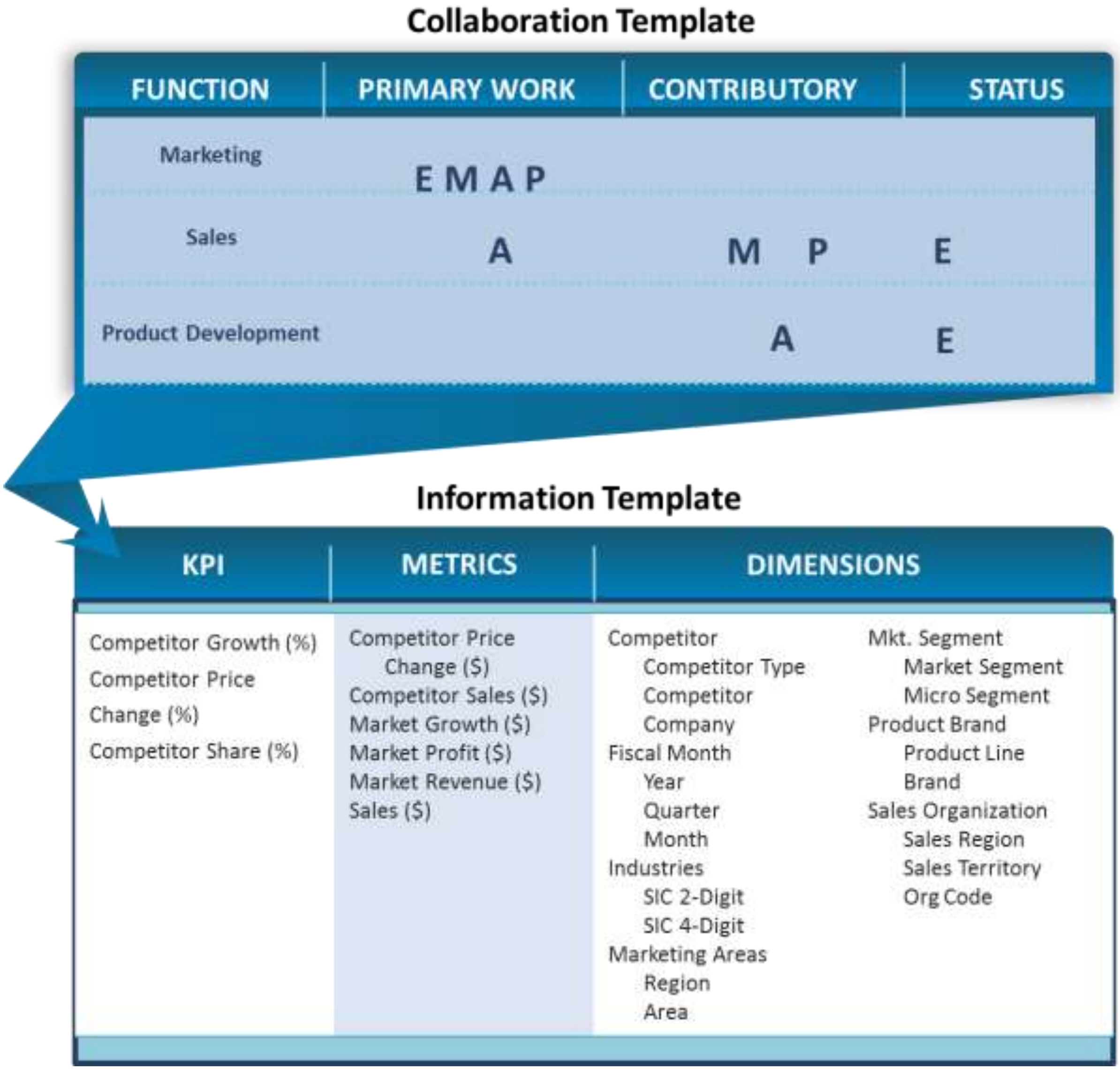
Marketing must define specific information sweet spots that give it insight into how its customer selection criteria compare to those of its competitors. Marketing needs to understand its customer-relevant differentiators combined with the life span of those differentiators based on criteria like how difficult they are to copy. It also needs to understand the pricing implications of this information. For example:

A large US telecommunications organization transformed its approach to customer retention, using IBM Predictive Analytics to reduce churn by 26 percent to deliver ROI of over $3.8million per year.

- How are customers indicating preferences and reactions to competitive propositions via blogs, social media or market surveys?
- Are price points below or above those of key competitors, and by how much?
- If below, is this sustainable, or is cost a future threat?
- What premium will customers pay for value-added propositions?

Analytics for Customer Insight

Competitive Positioning (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketing	E M A P		
Sales	A	M P	E
Product Development		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Competitor Growth (%) Competitor Price Change (%) Competitor Share (%)	Competitor Price Change ($) Competitor Sales ($) Market Growth ($) Market Profit ($) Market Revenue ($) Sales ($)	Competitor Competitor Type Competitor Company Fiscal Month Year Quarter Month Industries SIC 2-Digit SIC 4-Digit Marketing Areas Region Area	Mkt. Segment Market Segment Micro Segment Product Brand Product Line Brand Sales Organization Sales Region Sales Territory Org Code

Product Life Cycle Management

Products are born, grow, and die. Marketing organizations must manage the product life cycle and maximize return at every stage by adapting or retiring unprofitable products while introducing new ones. Life cycles vary significantly between industries and market segments. The pace of innovation sets the context in which management needs to bring "new news" to relevant markets. Trend spotting via social media enables in-depth analysis to micro-segment products by their associated life cycles so the company can plan new product introductions. Fresh news fuels the marketing machine which is a significant way to excite and capture customer mindshare while enhancing future earnings.

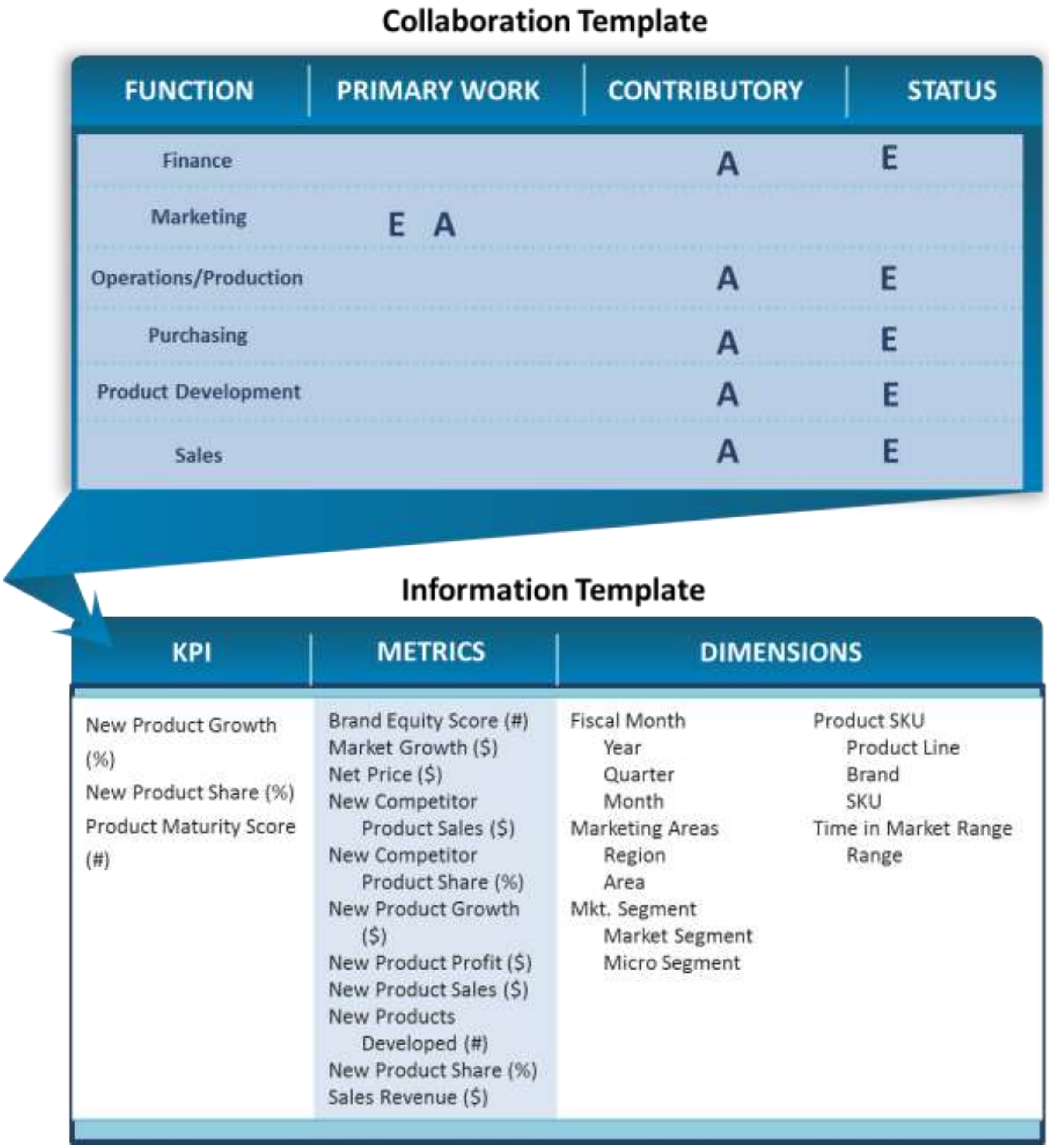
A Spanish retailer with stores in Europe, Mexico and Kuwait was able to build, maintain and expand customer loyalty by deploying a comprehensive data mining solution using IBM SPSS Modeler.

The solution increased campaign response rates by more than 25% and boosted sales by 15 percent in one year.

Companies have portfolios of products/services at various stages of the product life cycle. The classic practice of defining stars, cash cows, and dogs forces product reviews with dimensions of time, profitability, and competitive advantage. Informed by the competitive landscape, Marketing identifies new opportunities combined with products and services to address market needs.

Marketing must understand what proportion of existing sales is derived from new products and how this stacks up against competitors. This measure helps the organization judge the impact of investment in innovation while positioning Marketing to counsel the company on how to forecast changes in market share, compensating for shifts in product development and timelines.

Product Life Cycle Management (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance		A	E
Marketing	E A		
Operations/Production		A	E
Purchasing		A	E
Product Development		A	E
Sales		A	E

Information Template

KPI	METRICS	DIMENSIONS	
New Product Growth (%) New Product Share (%) Product Maturity Score (#)	Brand Equity Score (#) Market Growth ($) Net Price ($) New Competitor Product Sales ($) New Competitor Product Share (%) New Product Growth ($) New Product Profit ($) New Product Sales ($) New Products Developed (#) New Product Share (%) Sales Revenue ($)	Fiscal Month Year Quarter Month Marketing Areas Region Area Mkt. Segment Market Segment Micro Segment	Product SKU Product Line Brand SKU Time in Market Range Range

Pricing

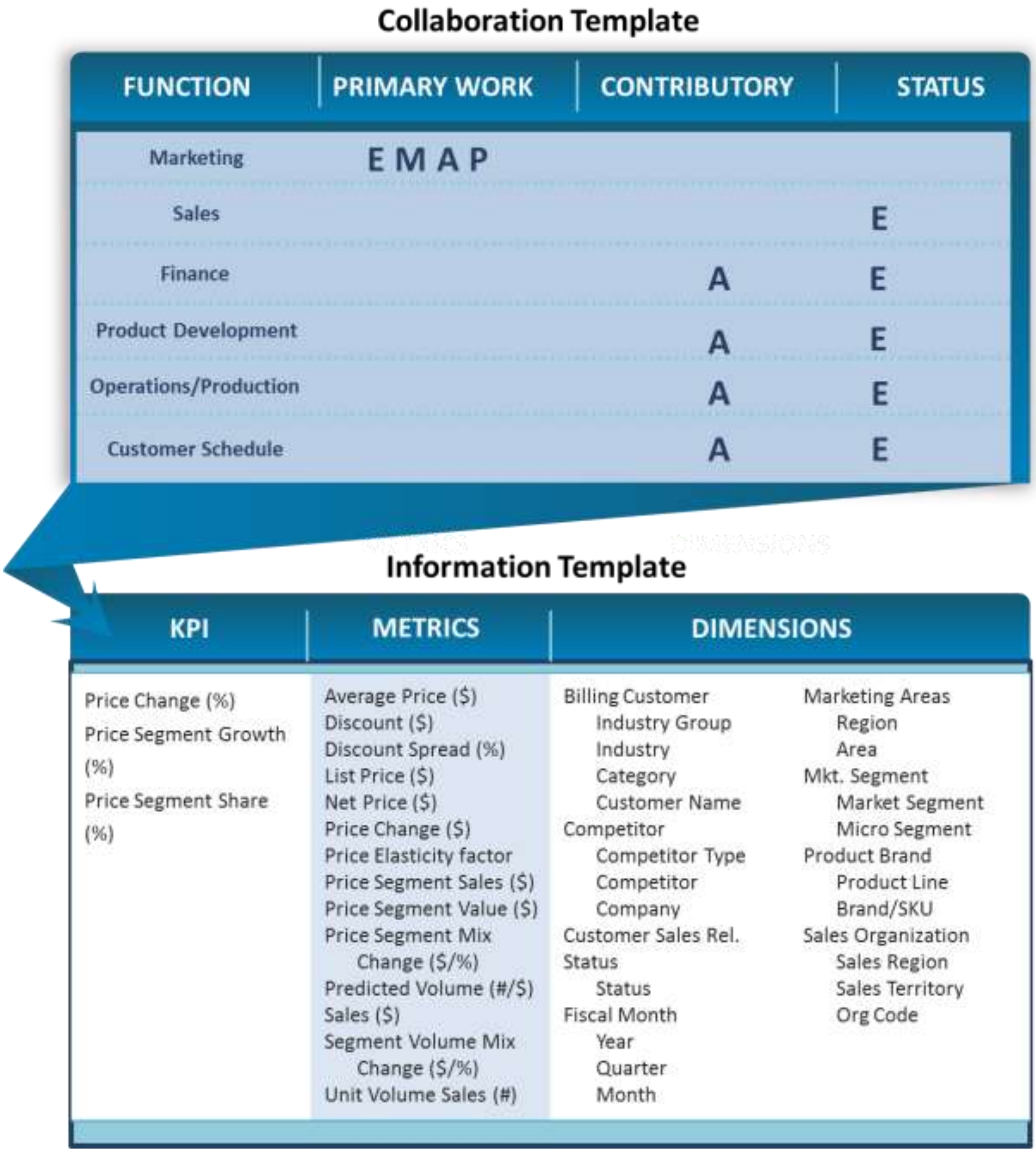
With today's price transparency, Marketing needs continual benchmarking to ensure price positioning. Savvy marketers see micro-segment markets as an opportunity to define smaller, more customized offerings that are less price-sensitive. The more a product proposition is tailored to solve a unique customer problem, the easier it is to maximize price and margin.

Tailoring the product proposition requires more detailed information. Simple reports from transactional systems provides enough information to support homogeneous mass-marketing strategies but targeting micro-segments means modeling price implications and tracking results to answer questions requiring detailed differentiations such as:

- What product and service bundling opportunities are possible for given market segments and customers?
- Does the product portfolio offer a combined value and convenience advantage that can be priced tactically?
- What impact will an increase/decrease in price have upon volumes (a measure of price elasticity)?
- To what extent should pricing be used as a defensive versus aggressive tool, and what are the relative cost benefits? For example, where a business has only a small market share, does it pay to be aggressive in its competitor's back yard?

Centralized pricing ensures margin stability, but can be counterproductive in local, fast-moving, competitive situations. This gives rise to pricing guidelines with a pricing floor permitting local sales reps to respond to competitive pressures while protecting the business from dangerously low price levels. Good marketing systems monitor this data to test the validity of pricing assumptions, as well as to gain early warnings about competitor pricing activity. Combining these insights with the predictive modeling of customer pricing behavior frequently determines success or failure.

Pricing (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketing	E M A P		
Sales			E
Finance		A	E
Product Development		A	E
Operations/Production		A	E
Customer Schedule		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Price Change (%) Price Segment Growth (%) Price Segment Share (%)	Average Price ($) Discount ($) Discount Spread (%) List Price ($) Net Price ($) Price Change ($) Price Elasticity factor Price Segment Sales ($) Price Segment Value ($) Price Segment Mix Change ($/%) Predicted Volume (#/$) Sales ($) Segment Volume Mix Change ($/%) Unit Volume Sales (#)	Billing Customer Industry Group Industry Category Customer Name Competitor Competitor Type Competitor Company Customer Sales Rel. Status Status Fiscal Month Year Quarter Month	Marketing Areas Region Area Mkt. Segment Market Segment Micro Segment Product Brand Product Line Brand/SKU Sales Organization Sales Region Sales Territory Org Code

Demand Generation

Driving demand is where the Marketing rubber hits the road. All of Marketing's strategic thinking and counseling about micro-segments, profit potential, the offer, and competitive pressures comes to life in blogs, promotions, online efforts, social media, advertising, public relations and events.

Marketing manages its tactical performance by analyzing promotions, communications, marketing campaigns, below-the-line support, internal resourcing, response rates, and cost per response. Marketing needs to understand how the *single satisfaction score* or level of web traffic tracks against the desired customer profiles. Determining the right offer, through the right channel, at the right time with the right message is key to understanding the results of a micro-segment marketing effort and the lifetime value of each customer segment.

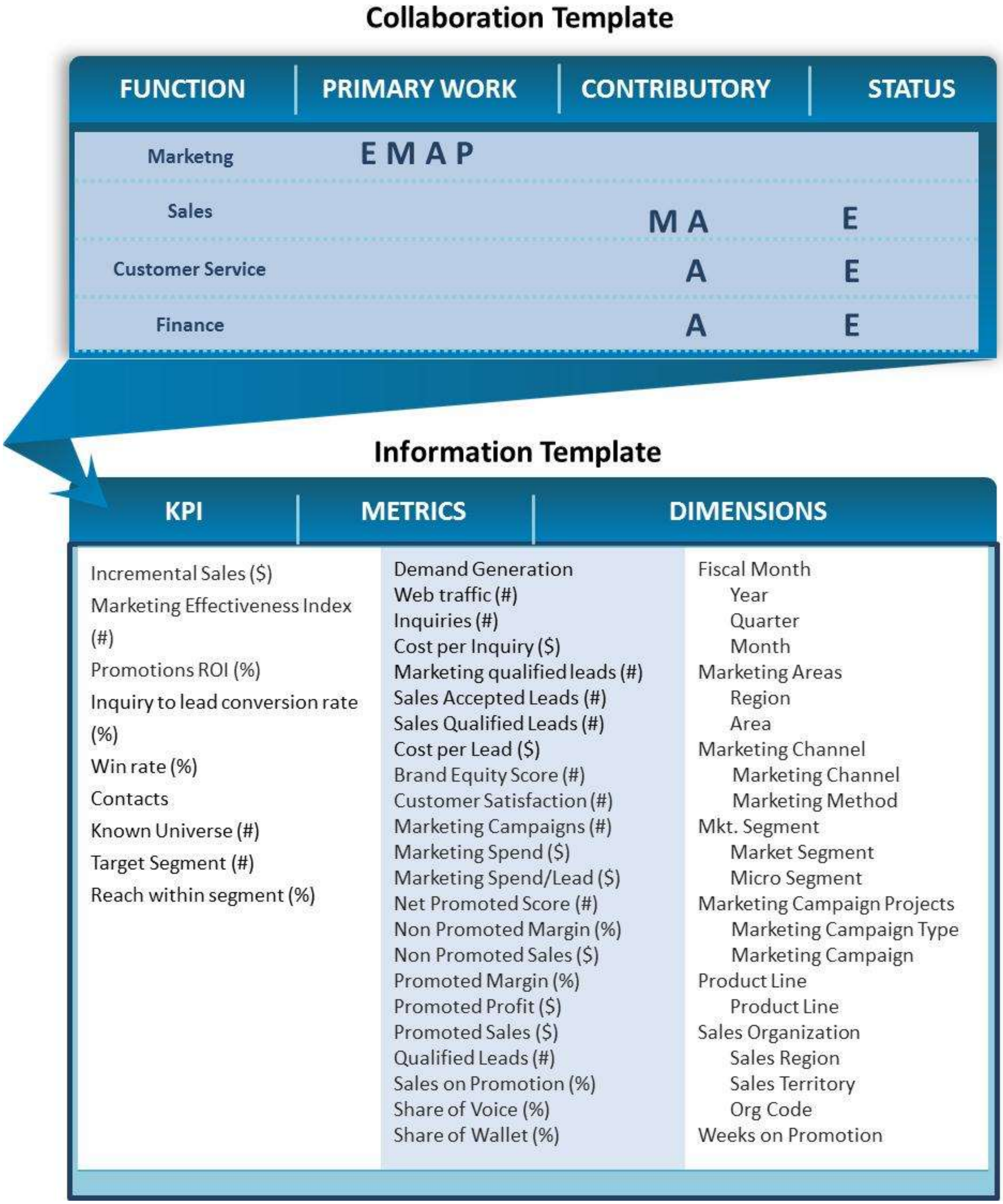
> "Using IBM solutions, we can detect customer patterns based on existing data and deliver extremely targeted offers and promotions to both retain and attract customers."
>
> A large Spanish Bank with branches in Europe and America.

Improving Marketing tactics by designing more detailed and specific activities needs to be coupled with identifying which elements work better than others. For example, does a viral program provoke greater response than packaging changes? At what cost? With a wide variety of options for online, direct response, and traditional advertising, Marketing needs to demonstrate which tools work best for which groups.

Understanding and analyzing this information is key to alignment and accountability. Driving demand requires close alignment with Sales. Marketing tactical teams must continually fine-tune their aim and selection of tactical "arrows" until they hit the bull's-eye, resulting in ever increasing sales.

Analytics for Customer Insight

Demand Generation (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketng	E M A P		
Sales		M A	E
Customer Service		A	E
Finance		A	E

Information Template

KPI

- Incremental Sales ($)
- Marketing Effectiveness Index (#)
- Promotions ROI (%)
- Inquiry to lead conversion rate (%)
- Win rate (%)
- Contacts
- Known Universe (#)
- Target Segment (#)
- Reach within segment (%)

METRICS

- Demand Generation
- Web traffic (#)
- Inquiries (#)
- Cost per Inquiry ($)
- Marketing qualified leads (#)
- Sales Accepted Leads (#)
- Sales Qualified Leads (#)
- Cost per Lead ($)
- Brand Equity Score (#)
- Customer Satisfaction (#)
- Marketing Campaigns (#)
- Marketing Spend ($)
- Marketing Spend/Lead ($)
- Net Promoted Score (#)
- Non Promoted Margin (%)
- Non Promoted Sales ($)
- Promoted Margin (%)
- Promoted Profit ($)
- Promoted Sales ($)
- Qualified Leads (#)
- Sales on Promotion (%)
- Share of Voice (%)
- Share of Wallet (%)

DIMENSIONS

- Fiscal Month
  - Year
  - Quarter
  - Month
- Marketing Areas
  - Region
  - Area
- Marketing Channel
  - Marketing Channel
  - Marketing Method
- Mkt. Segment
  - Market Segment
  - Micro Segment
- Marketing Campaign Projects
  - Marketing Campaign Type
  - Marketing Campaign
- Product Line
  - Product Line
- Sales Organization
  - Sales Region
  - Sales Territory
  - Org Code
- Weeks on Promotion

Sales: The Business Accelerator

Customers are increasingly educated and competent. Closing a sale requires on-the-spot reacting and adjusting to satisfy customer demands. Understanding customer needs with credibility in offering a solution are prerequisite table stakes. New customer demands mean sales conversations have become far more complex, demanding a wider range of product knowledge, sales techniques and customer insights. The key challenge facing today's sales organizations is: how to satisfy the need for an immediate response with the right information to close the sale. Maintaining best-practice information delivery to mobile platforms is part of any effective sales effort.

At its core, Sales is about continuous, accelerated realignment improving the speed of sales execution and the effectiveness of the sales team. Sales rely on the flow of vital information between customers, market and company. This sharing of information can accelerate the speed of adjustments of product, market, message, service and other business functions.

Sales decision areas reflect a logical flow of analysis affecting actions. They start with understanding where Sales is achieving its results, first in terms of overall sales performance then in terms of net contribution. This is followed by drilling deeper into how Sales is using it's time and to what effect. Finally, the insights gained are applied to revising the planning and forecasting process. In this way, Sales drive a continuous and accelerated re-examination and realignment of the organization. This cycle is anchored by the organizations strategic objectives of profitability and contribution margin incorporating frontline realities for an accurate view of Sales performance. This analysis covers:

- **Sales results** – What is driving Sales performance?
- **Customer/product profitability** – What is driving contribution performance?
- **Sales Tactics** – What is driving Sales effectiveness?
- **Sales pipeline** – What is driving the sales pipeline?
- **Sales plan variance** – What is driving the Sales plan?

Sales Results

Sales results reflect one of the most basic and important information sweet spots. They are one of the two foundations of Sales management; the other being Sales planning. They provide a consistent overview of actual revenue across the five basic components of the business—product, customer, territory, channel, and time.

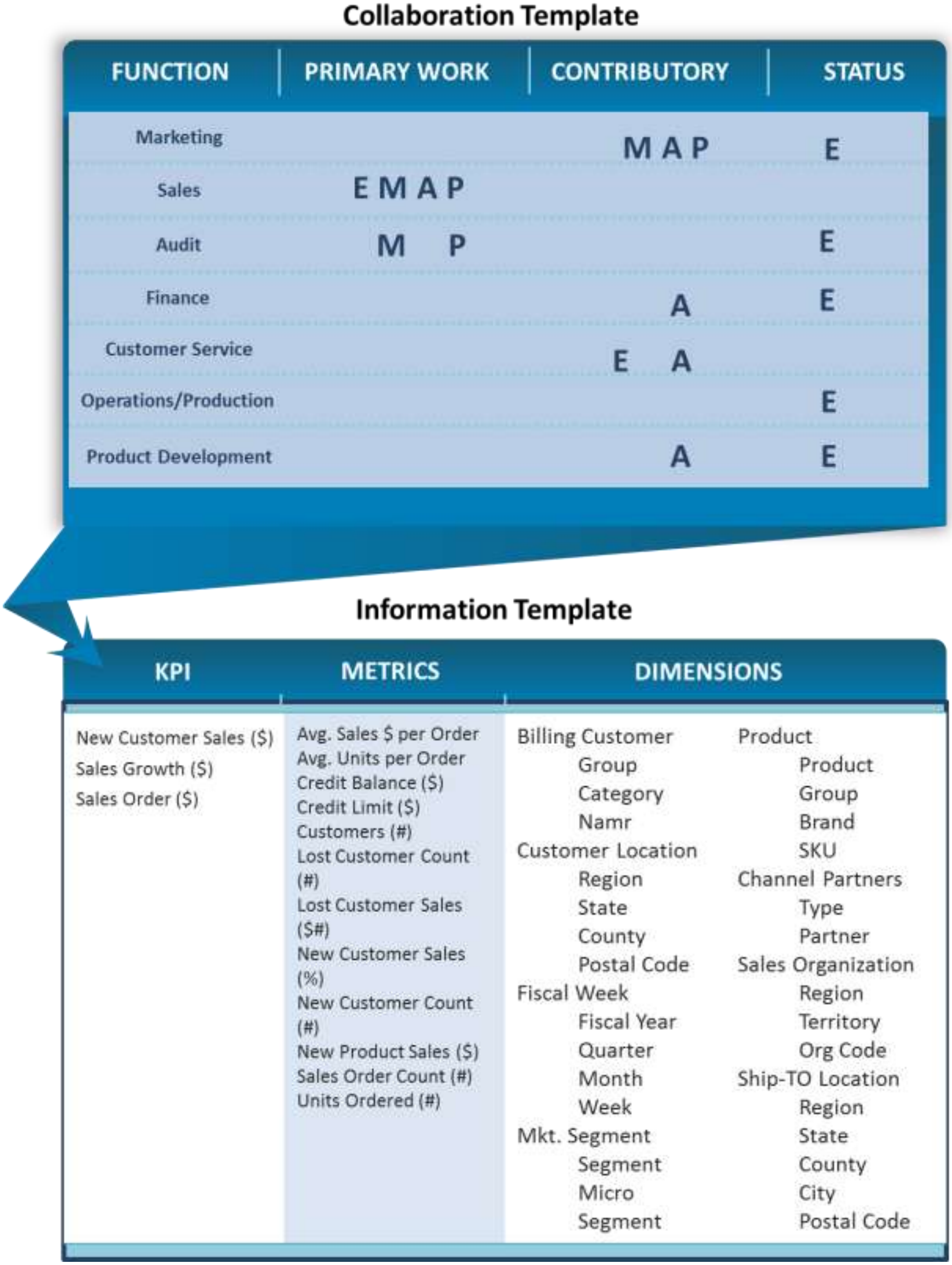
Accurate understanding of these components suggests why results diverge from expectations. Are sales trending down in certain territories? Is this consistent across all products, channels, sales reps, and customers?

Sales results should not be confined to managerial levels but should be shared at various levels of the organization. Front line sales reps can be empowered with appropriately packaged analytic information, adapted for individual reps with specific product portfolios, specific territories combined with more advanced analytics supporting customer targeting and cross-selling opportunities.

Beyond immediate operational analysis, sales results illuminate broader performance patterns to see if strategies and management objectives are on track while testing relevancy. A consistent flow of information over time permits more strategic comparisons, interpretations, and adjustments. For example, if sales are flat in the premium customer segment, analytics can answer: Is this a tactical problem or a strategic one—i.e., should this lead to a full re-evaluation of the premium segment? Are significant resource investments necessary to revive this segment? Has the product proposition been outflanked by the competition? These questions are part of an accurate assessment of sales results.

Sales results information also connects time spent, level of responsibility, strategic decision-making, and operational activities. If a weakness is identified in a commodity segment of the market, the business has a number of time-related options to deal with it. A drop in such sales in the short term may cause serious competitive damage, leading to long-term difficulties. The short-term solution might be a series of sales push activities, such as more promotions or discounts. Given the impact of this on margin, however, management may choose to look at the overall product portfolio to find opportunities to cut product costs. This may require long-term strategic decisions at the highest level of the organization involving Marketing, Product Development, Operations, and Finance. Sales results are one of the main contributors of information for this decision. The speed and accuracy with which Sales provides this information to the company is critical.

Sales Results (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Marketing		M A P	E
Sales	E M A P		
Audit	M P		E
Finance		A	E
Customer Service		E A	
Operations/Production			E
Product Development		A	E

Information Template

KPI	METRICS	DIMENSIONS	
New Customer Sales ($) Sales Growth ($) Sales Order ($)	Avg. Sales $ per Order Avg. Units per Order Credit Balance ($) Credit Limit ($) Customers (#) Lost Customer Count (#) Lost Customer Sales ($#) New Customer Sales (%) New Customer Count (#) New Product Sales ($) Sales Order Count (#) Units Ordered (#)	Billing Customer Group Category Namr Customer Location Region State County Postal Code Fiscal Week Fiscal Year Quarter Month Week Mkt. Segment Segment Micro Segment	Product Product Group Brand SKU Channel Partners Type Partner Sales Organization Region Territory Org Code Ship-TO Location Region State County City Postal Code

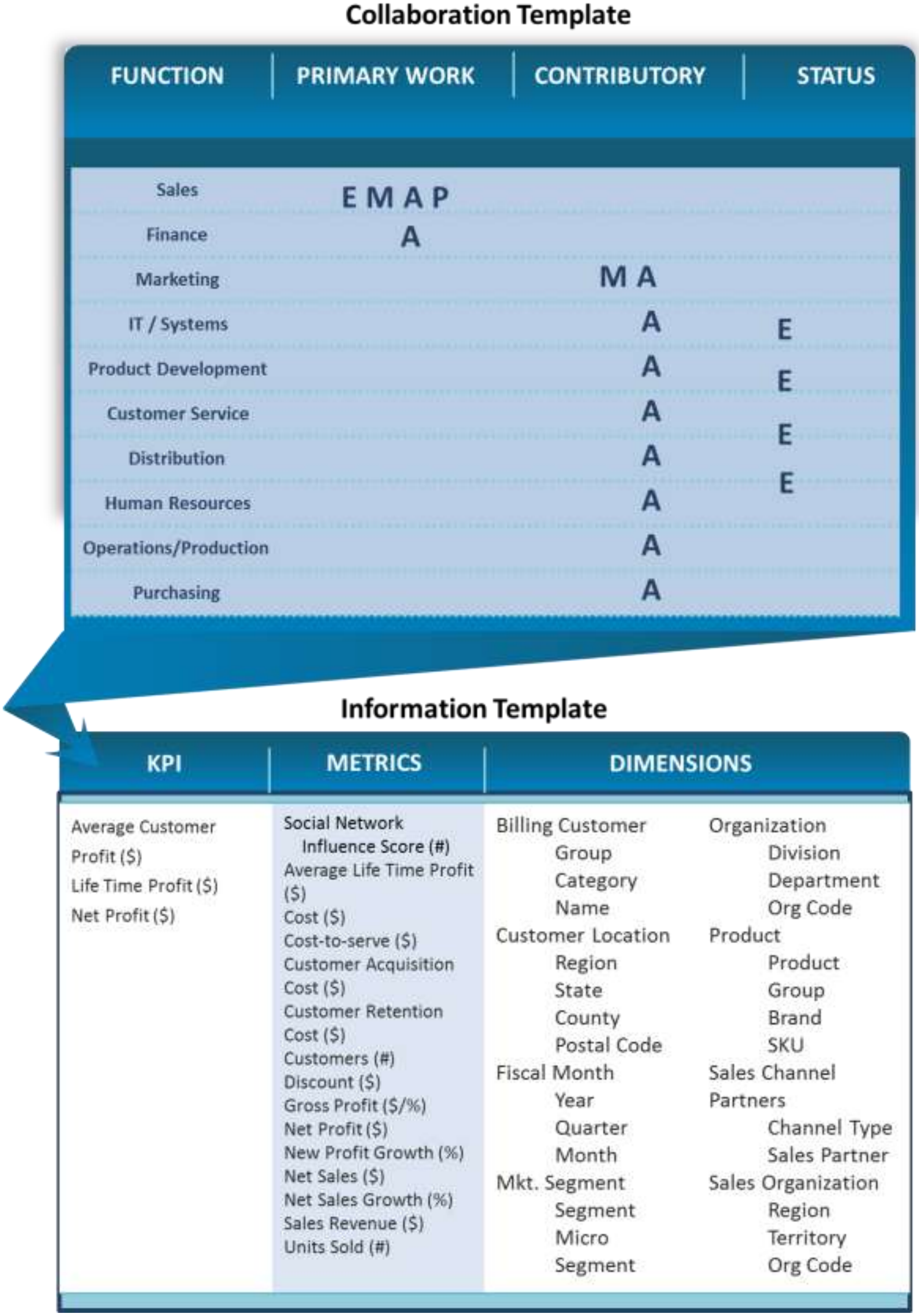
Customer/Product Profitability

The key to this decision area is recognizing which customers and products are making the largest contributions. A basic gross profit view is possible using a “sales minus discounts and standard costs” formula for customers and products. Once this is calculated, more complex views can be developed by allocating direct costs using certain drivers to determine effort or activity, plus related costs. A cost to serve perspective allows recognition of net profit at the relationship and product levels by applying expense and allocation formulas.

Using a phased approach when moving from gross to net profit enables learning by successive iterations, with the benefit of gaining wins and proof of value before tackling more complex cost allocations. The sales force must adopt the profit goals while working with the rest of the organization on achieving them.

Understanding customer lifetime profitability is vital to a business. It focuses the organization on the value of the long-term customer. Customer/product profitability is a powerful tool that is used at senior levels of marketing and corporate strategy. The sensitivity of this information dictates that it cannot be widely distributed, but indexing some of this information for the sales force, ensures that Sales understands its profit priorities and is ready to put that knowledge into action.

Customer/Product Profitability (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	E M A P		
Finance	A		
Marketing		M A	
IT / Systems		A	E
Product Development		A	E
Customer Service		A	E
Distribution		A	E
Human Resources		A	
Operations/Production		A	
Purchasing		A	

Information Template

KPI	METRICS	DIMENSIONS	
Average Customer Profit ($) Life Time Profit ($) Net Profit ($)	Social Network Influence Score (#) Average Life Time Profit ($) Cost ($) Cost-to-serve ($) Customer Acquisition Cost ($) Customer Retention Cost ($) Customers (#) Discount ($) Gross Profit ($/%) Net Profit ($) New Profit Growth (%) Net Sales ($) Net Sales Growth (%) Sales Revenue ($) Units Sold (#)	Billing Customer Group Category Name Customer Location Region State County Postal Code Fiscal Month Year Quarter Month Mkt. Segment Segment Micro Segment	Organization Division Department Org Code Product Product Group Brand SKU Sales Channel Partners Channel Type Sales Partner Sales Organization Region Territory Org Code

Sales Tactics

This decision area evaluates the sales process to determine which activities and mechanics are most effective. The key is to understand what resources, activities, and tools are needed to achieve targets for specific channels and accounts. This decision area continually monitors and reviews the what (resources) versus the how (mechanics).

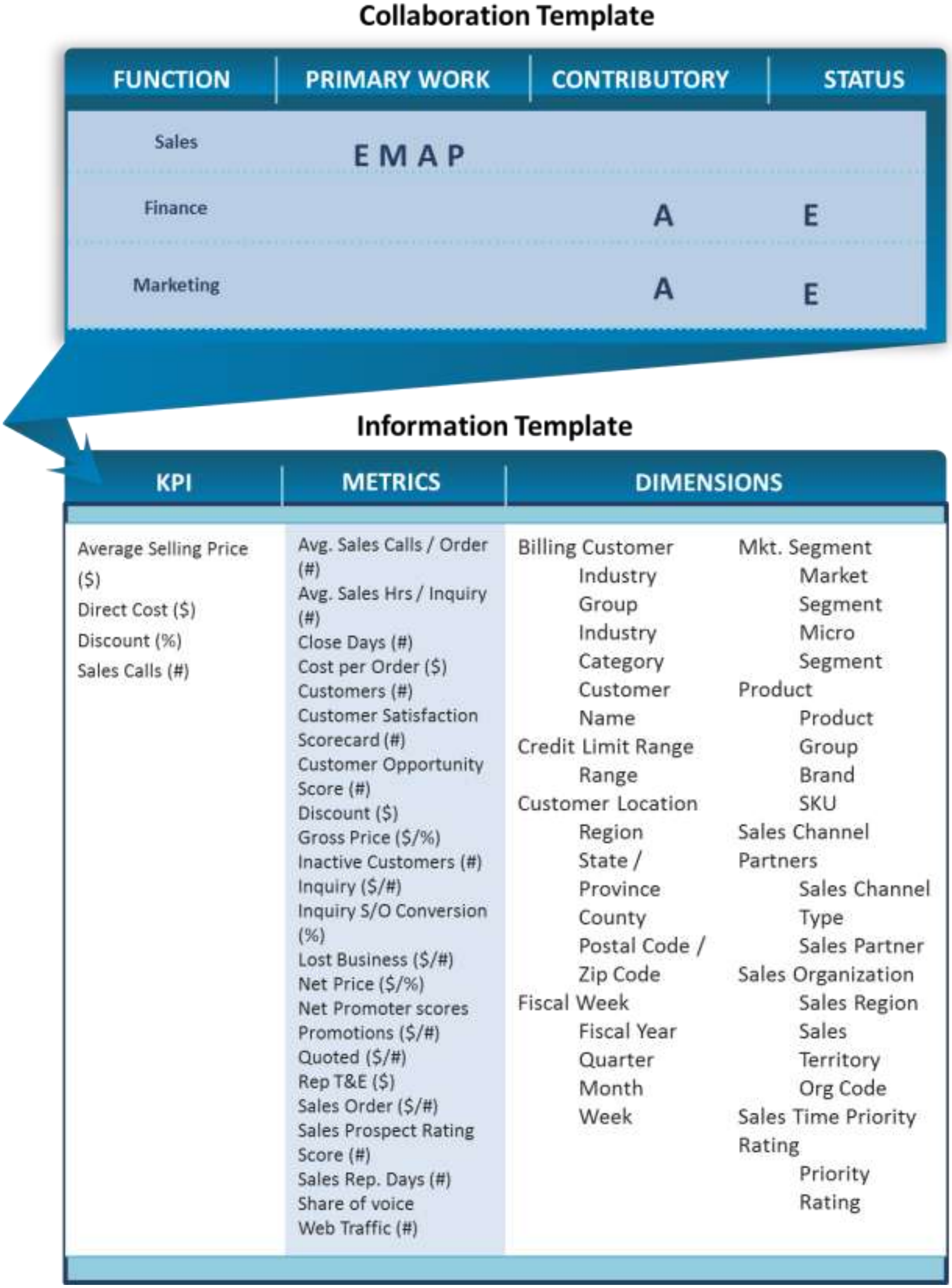
The “what” includes understanding the following: How many prospects are available for sales visits? How many cold and warm calls are made? How much time is spent on research? How many website hits are converted to leads? How much time is spent with existing customers versus time with new customers? What is the proportion of direct sales to indirect sales? Insights into all these areas are required to optimize time and resources.

The “how” includes understanding how the cost and time spent on activities like pricing, promotions, demonstrations, web conferences, catalogs, leaflets, and free samples drives sales.

By combining these two viewpoints, Sales departments are able to improve sales effectiveness.

Sales tactics are a direct extension of the Sales performance decision area. A structured and coordinated understanding of sales tactics is needed to manage the customer and sales efforts effectively. Immediate, mobile information access by frontline Sales reps directs their efforts and helps them learn from the success of others, optimizing every opportunity.

Sales Tactics (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	EMAP		
Finance		A	E
Marketing		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Average Selling Price ($) Direct Cost ($) Discount (%) Sales Calls (#)	Avg. Sales Calls / Order (#) Avg. Sales Hrs / Inquiry (#) Close Days (#) Cost per Order ($) Customers (#) Customer Satisfaction Scorecard (#) Customer Opportunity Score (#) Discount ($) Gross Price ($/%) Inactive Customers (#) Inquiry ($/#) Inquiry S/O Conversion (%) Lost Business ($/#) Net Price ($/%) Net Promoter scores Promotions ($/#) Quoted ($/#) Rep T&E ($) Sales Order ($/#) Sales Prospect Rating Score (#) Sales Rep. Days (#) Share of voice Web Traffic (#)	Billing Customer Industry Group Industry Category Customer Name Credit Limit Range Range Customer Location Region State / Province County Postal Code / Zip Code Fiscal Week Fiscal Year Quarter Month Week	Mkt. Segment Market Segment Micro Segment Product Product Group Brand SKU Sales Channel Partners Sales Channel Type Sales Partner Sales Organization Sales Region Sales Territory Org Code Sales Time Priority Rating Priority Rating

Sales Pipeline

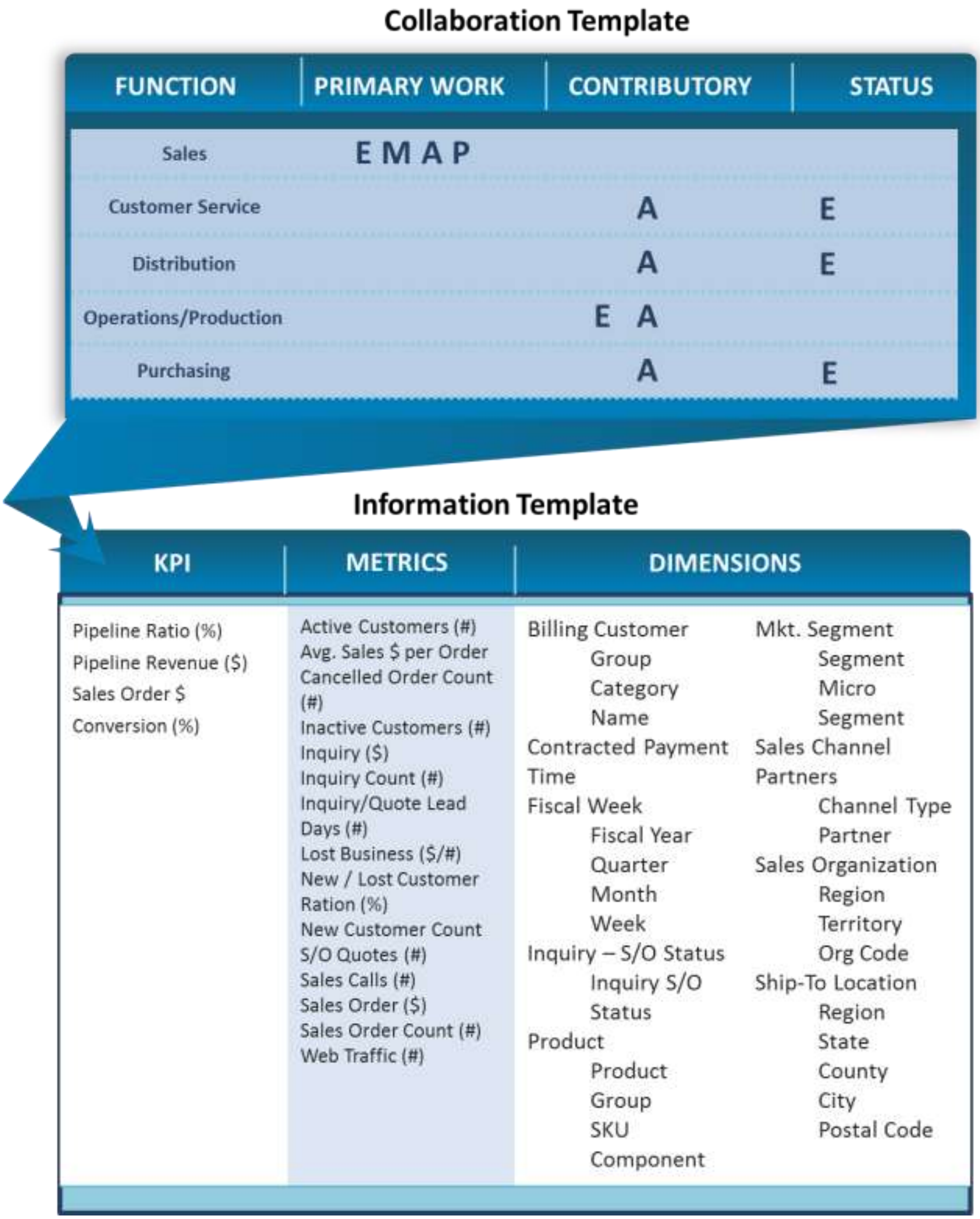
This is more than a sales forecast; it is an opportunity to see into a company's future and change it. The Sales pipeline is critical as an early warning system identifying future opportunities, growth, and problem areas.

By defining and monitoring the phases of the sales pipeline, metrics can be derived that establish, follow, and manage business trends. Pipeline intelligence becomes even more sophisticated by looking at details such as new versus existing customers, territories, product groups, markets, and more.

Each metric suggests useful business questions that lead to positive functional change: *Why do only 10 percent of customer visits lead to inquiries? How does this compare with the competition's experience? What would it take to increase this ratio to 20 percent (for example, a lower list price)? Why are some orders lost?*

The sales pipeline should tie into operations, typically to production and purchasing plans. The more predictive and accurate the sales plan is in terms of product, the more efficiently production can manage its processes, reducing changes to production schedules that are due to selling out of products while preventing expensive reactive purchases due to short-term shortages.

Sales Pipeline (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	EMAP		
Customer Service		A	E
Distribution		A	E
Operations/Production		E A	
Purchasing		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Pipeline Ratio (%) Pipeline Revenue ($) Sales Order $ Conversion (%)	Active Customers (#) Avg. Sales $ per Order Cancelled Order Count (#) Inactive Customers (#) Inquiry ($) Inquiry Count (#) Inquiry/Quote Lead Days (#) Lost Business ($/#) New / Lost Customer Ration (%) New Customer Count S/O Quotes (#) Sales Calls (#) Sales Order ($) Sales Order Count (#) Web Traffic (#)	Billing Customer Group Category Name Contracted Payment Time Fiscal Week Fiscal Year Quarter Month Week Inquiry – S/O Status Inquiry S/O Status Product Product Group SKU Component	Mkt. Segment Segment Micro Segment Sales Channel Partners Channel Type Partner Sales Organization Region Territory Org Code Ship-To Location Region State County City Postal Code

Sales Plan Variance

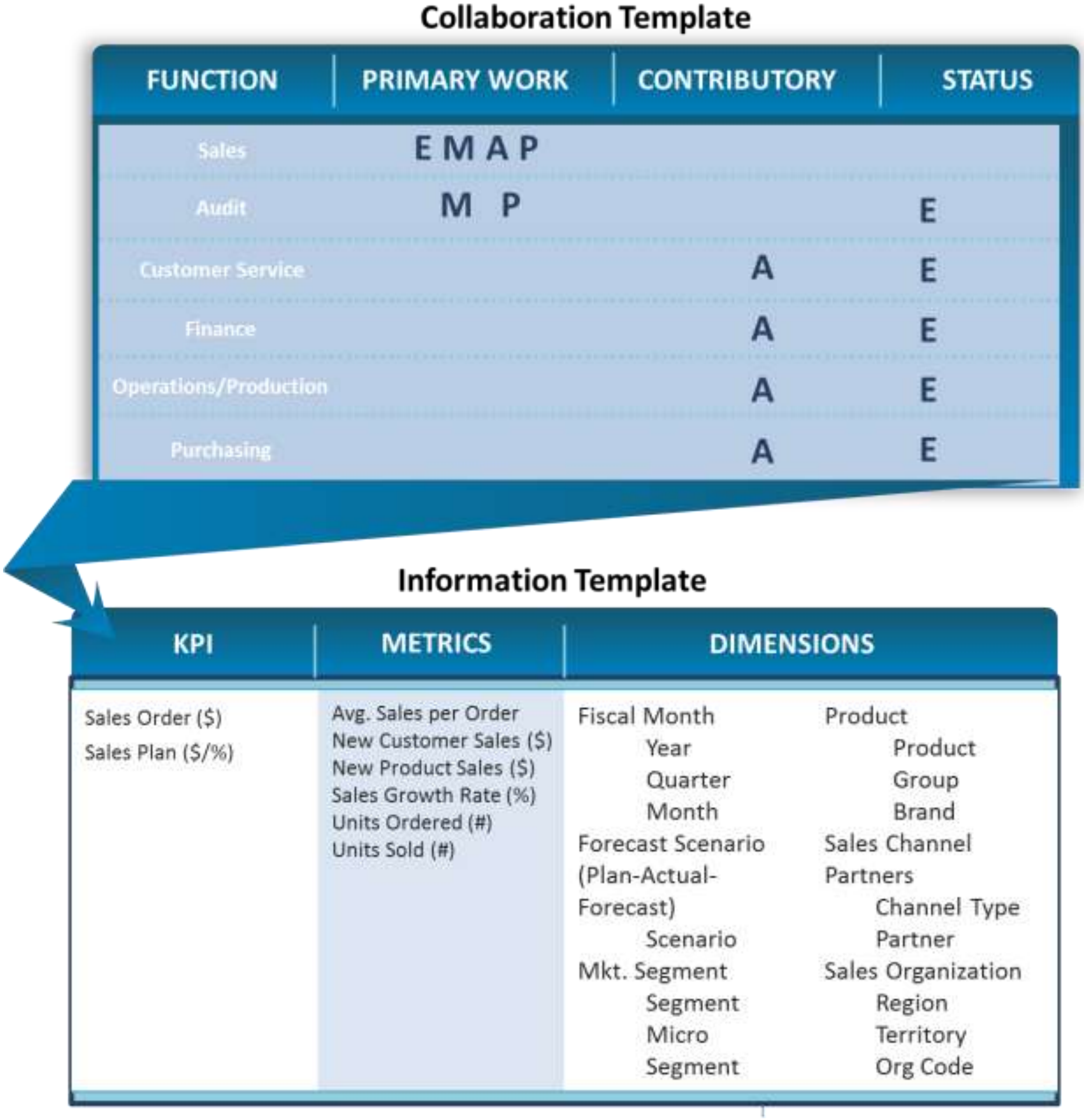
Sales' planning is a control mechanism, tightly linked to the budgeting and planning process. But it is also a way to manage change and understand the ebb and flow of your business. Unfortunately, the control side tends to dominate.

A top-down budgeting process, where corporate objectives must be achieved (e.g., double-digit revenue growth), emphasizes planning over the actual situation. This leads to companies identifying and plugging revenue gaps with short-term revenue solutions, usually at the expense of long-term strategy—milking the future to get results today.

More useful revenue plans work from the bottom up. Alignment and accountability must be organizational values. Every department provides feedback on revenue objectives, markets, customers, channels, and products. Iterations of this process may be needed to fit with top-down corporate objectives, but it allows individuals across the organization to own their numbers and be fully accountable.

When the entire business is engaged in monitoring under/over performance, frontline levels of the organization can answer questions regarding the where and why of existing revenue targets. The sales rep responsible for a missed customer revenue target can explain the why and suggest ways to correct the gap.

Sales Plan Variance (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	E M A P		
Audit	M P		E
Customer Service		A	E
Finance		A	E
Operations/Production		A	E
Purchasing		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Sales Order ($) Sales Plan ($/%)	Avg. Sales per Order New Customer Sales ($) New Product Sales ($) Sales Growth Rate (%) Units Ordered (#) Units Sold (#)	Fiscal Month Year Quarter Month Forecast Scenario (Plan-Actual-Forecast) Scenario Mkt. Segment Segment Micro Segment	Product Product Group Brand Sales Channel Partners Channel Type Partner Sales Organization Region Territory Org Code

Customer Service: The Barometer of the Company's Value Proposition

Customer Service is both an advocate for the customer within the company and an advocate for the company with customers. It has unique insight into the customer experience, providing an outside view of the company value proposition. If a customer is satisfied and loyal they come back. This customer can help cross-sell and up-sell via their endorsements. They can also help generate new product ideas while providing insights into competitive intelligence and industry credibility.

Customer satisfaction is like an annuity stream that reduces uncertainty and volatility. Customer dissatisfaction damages years of good reputation rippling through extended communities, lowering sales and giving competitors higher market share.

The four Customer Service decision areas equip Customer Service with the critical risk and reward information needed to be more effective customer advocates, bringing excellence to the customer experience. They start with understanding the primary drivers of risk – was the delivery what the customer wanted on time? This carries the greatest risk because customers don't forgive failures in this area. Secondly, are requests for information and complaints combined with any claims on the product or service must also be resolved quickly.

Finally, the focus is on the benefits of retaining key customers. This usually starts with benchmarking the company against industry standards. *What criteria are relevant to measure and how good is the company's performance compared to its competition?* The last decision area brings everything together into a relative cost/benefit analysis of each customer relationship. *Are your reaping the rewards of good Customer Service, what are they and how much has it cost?*

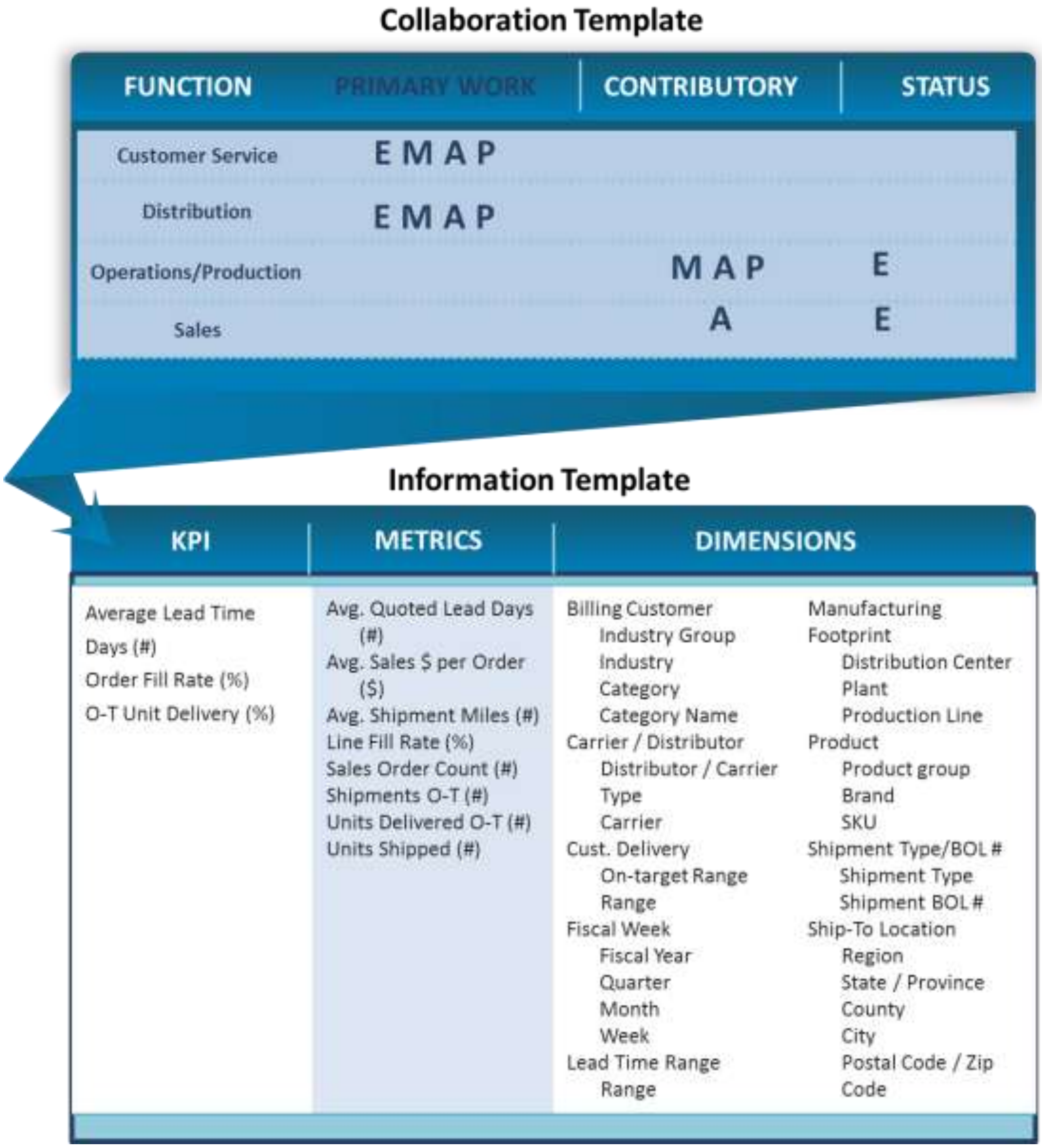
- **On-time delivery** – What is driving delivery performance?
- **Information, complaints and claims** – What is driving responsiveness?
- **Service benchmarks** – What is driving service levels and how does it compare to the industry?
- **Service value** – What is driving the service cost and benefits?

On-Time Delivery

One of the biggest obligations a seller has to a buyer is on time delivery. Customers negotiate a due date with an expectation that it will be met without exception. This is why delivery is a key performance criterion. Reducing time-related bottlenecks and surprises is critical in today's economy. Monitoring on-time delivery and order fill rate percentages flags negative trends enabling faster customer service responses. It also provides Sales with information to solve potential issues before going on customer calls. Unfulfilled delivery expectations are important information for Accounts Receivable when checking on late payments. This decision area can also uncover root causes of supply chain problems. Tracking delivery timeliness by product, plant, and carrier highlights potential deficiencies in key hand-off steps in the supply chain process. With better information, a company can categorize different levels of timeliness while comparing them to customer delivery thresholds for a more detailed view of risk accompanied by recommended action. In the final analysis, on-time delivery has financial consequences on sales and profitability. It is a direct influencer, with customer preference shown for timely suppliers, who are often willing to pay premium prices for the service.

Analytics for Customer Insight

On-Time Delivery (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Customer Service	E M A P		
Distribution	E M A P		
Operations/Production		M A P	E
Sales		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Average Lead Time Days (#) Order Fill Rate (%) O-T Unit Delivery (%)	Avg. Quoted Lead Days (#) Avg. Sales $ per Order ($) Avg. Shipment Miles (#) Line Fill Rate (%) Sales Order Count (#) Shipments O-T (#) Units Delivered O-T (#) Units Shipped (#)	Billing Customer Industry Group Industry Category Category Name Carrier / Distributor Distributor / Carrier Type Carrier Cust. Delivery On-target Range Range Fiscal Week Fiscal Year Quarter Month Week Lead Time Range Range	Manufacturing Footprint Distribution Center Plant Production Line Product Product group Brand SKU Shipment Type/BOL # Shipment Type Shipment BOL # Ship-To Location Region State / Province County City Postal Code / Zip Code

Information, Complaints and Claims

Every complaint is also a proactive customer comment on missing expectations. It is an opportunity to listen to the customer, whether it's a simple request for information, a complaint about product quality, or even a financial claim on returned goods. Experience shows that each complaint is the tip of an iceberg—the one frustrated customer represents many more that don't bother. By tracking and categorizing these complaints, a company gauges the severity of various risks while attempting to prevent them in the future. Other sources of complaints come from customer comments on emails, blogs and discussion forums which need to be captured, monitored and addressed.

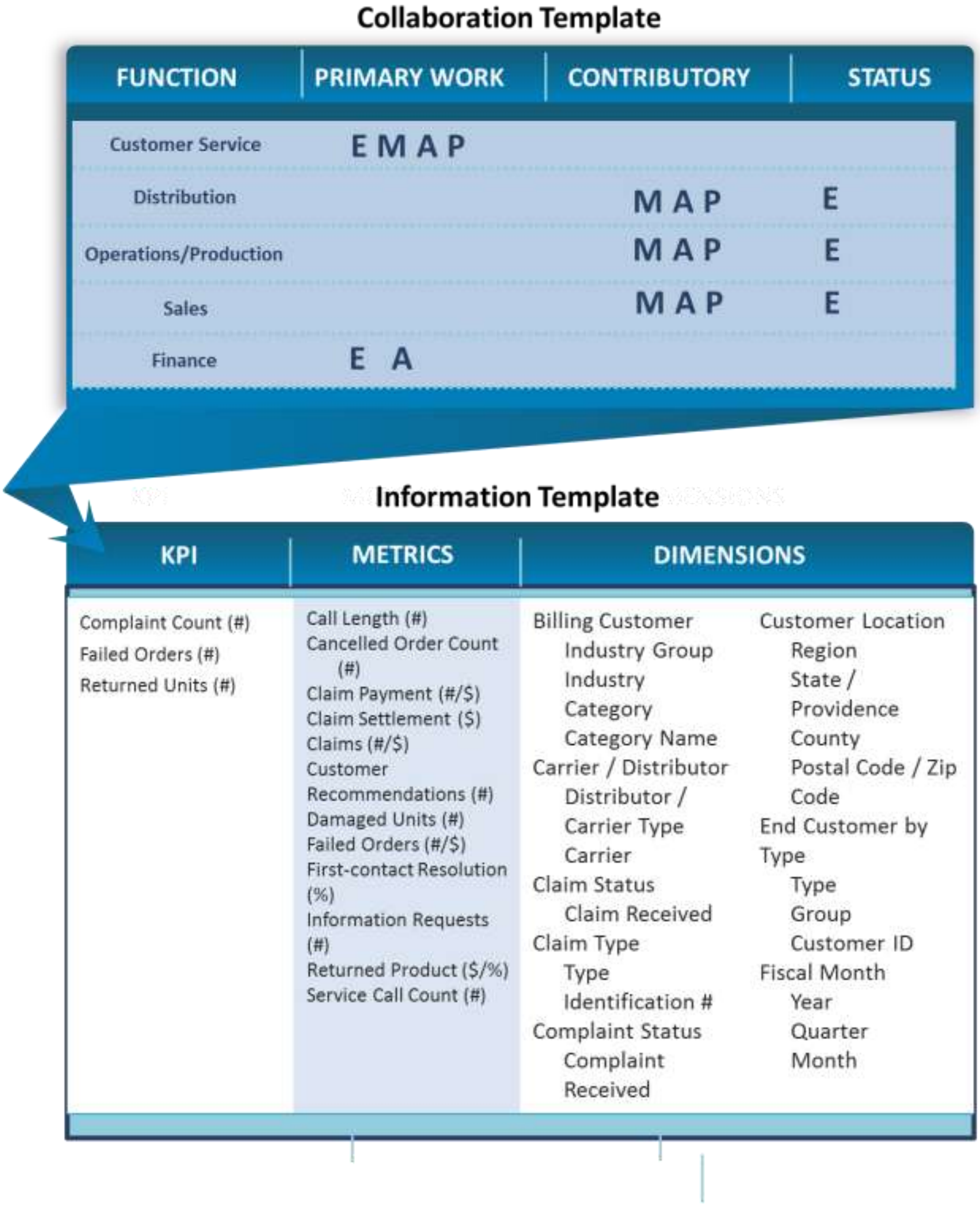
The response, communication and handling of any customer complaint or information request is an important customer relationship opportunity. A positive and constructive response to customer needs helps overturn any negative views. How this is done can vary from the traditional agent-facilitated problem resolution in a customer service center to case resolutions in the customer forum peer-to-peer communities. Screen, speech and text analytics supports an understanding of key issues and areas of customer concern.

There are three dimensions to monitoring the customer voice: frequency, coverage across customer segments, and type of issue. Simply counting complaints inadequately reflect the nature or risk of a problem. For example, a com[any may receive many complaints about paperwork and order identification errors, but these represent lower risk than a few product quality complaints that may lead to production delays for one or two large customers. In this example, a count of complaint frequency inadequately reflects the risk of losing critical customers.

Claims are complaints that have been monetized. Perhaps goods were damaged and the customer now needs compensation or replacement. Claims are a direct cost to the business resulting in a direct impact on customer profitability. If poorly handled, they also have a negative impact on customer loyalty.

Analytics for Customer Insight

Information, Complaints and Claims (Continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Customer Service	E M A P		
Distribution		M A P	E
Operations/Production		M A P	E
Sales		M A P	E
Finance	E A		

Information Template

KPI	METRICS	DIMENSIONS	
Complaint Count (#) Failed Orders (#) Returned Units (#)	Call Length (#) Cancelled Order Count (#) Claim Payment (#/$) Claim Settlement ($) Claims (#/$) Customer Recommendations (#) Damaged Units (#) Failed Orders (#/$) First-contact Resolution (%) Information Requests (#) Returned Product ($/%) Service Call Count (#)	Billing Customer Industry Group Industry Category Category Name Carrier / Distributor Distributor / Carrier Type Carrier Claim Status Claim Received Claim Type Type Identification # Complaint Status Complaint Received	Customer Location Region State / Providence County Postal Code / Zip Code End Customer by Type Type Group Customer ID Fiscal Month Year Quarter Month

Service Benchmarks

Service benchmarks help evaluate how a company's customer service stacks up against industry standards. They measure response times and service gaps affecting customer satisfaction.

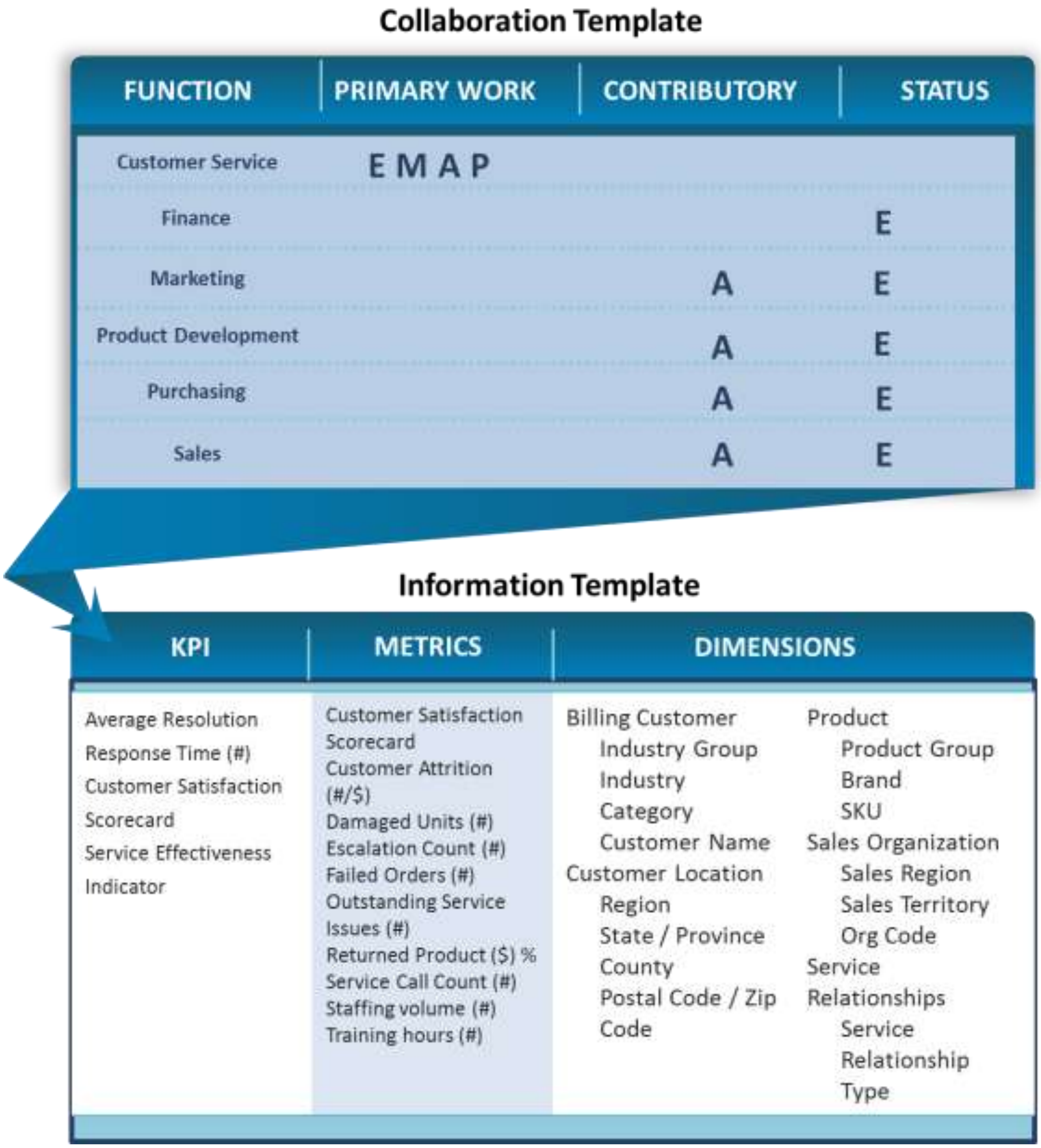
Understanding the link between service benchmarks and customer sales/profitability is a key goal. For example, many small orders may lead to complaints about incorrect order fulfillments with product returns. The high proportional cost of delivery for small orders, combined with the order errors, questions the value proposition. Increasing the minimum order value solves two problems. First, profitability improves by a reduction in per dollar workload, an improvement in order performance, and a reduction in returns. Second, the customer's perception of value improves since delivery costs are proportionally lower.

Internal metrics may include number of orders, sales order amount, number of service calls, and units shipped. External performance metrics may include delivery performance, problem resolution, customer satisfaction, response time, claims, and returns. Using standard industry criteria allows managers to compare external information from third-party assessments with internally driven customer surveys. Tracking customer sentiment with the opinions of key influencers are also critical benchmark indicators. External information uncovers risks not identified by internal monitoring and also highlights the need for better external communications.

Combined with skilled analytics, service benchmarks can be used to adjust the business and customer proposition. Customer benchmarks can be summarized by region and customer segment offering a high-level overview or an ability to drill down into Customer Service performance.

Analytics for Customer Insight

Service Benchmarks (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Customer Service	E M A P		
Finance			E
Marketing		A	E
Product Development		A	E
Purchasing		A	E
Sales		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Average Resolution Response Time (#) Customer Satisfaction Scorecard Service Effectiveness Indicator	Customer Satisfaction Scorecard Customer Attrition (#/$) Damaged Units (#) Escalation Count (#) Failed Orders (#) Outstanding Service Issues (#) Returned Product ($) % Service Call Count (#) Staffing volume (#) Training hours (#)	Billing Customer Industry Group Industry Category Customer Name Customer Location Region State / Province County Postal Code / Zip Code	Product Product Group Brand SKU Sales Organization Sales Region Sales Territory Org Code Service Relationships Service Relationship Type

Service Value

Service Value combines costs and benefits to evaluate the value of the customer relationship. It segments customers by who they are and performance by how the company provides the service. Quantifying customer risk issues with the efforts required to resolve them provides the cost overview.

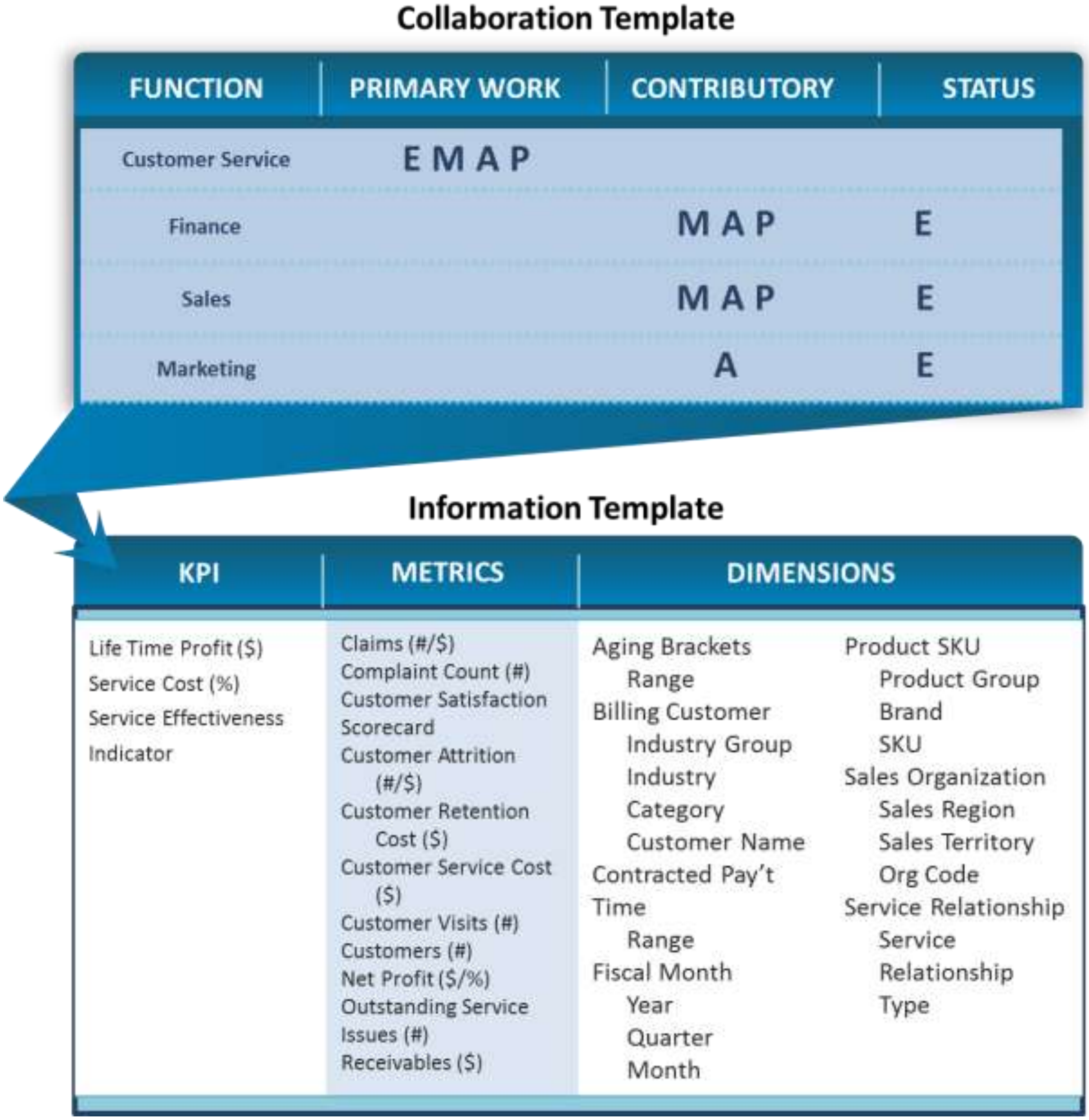
Some issues can be financially quantified, such as the number of calls received, cost per call, and dollar value of claims processed. Others, such as late deliveries or complaints, can be categorized through service level indicators.

When determining cost, it is also important to understand how the service relationship operates. Does the customer communicate with you through efficient electronic means with direct access to internal support systems, or through less efficient means such as phone, fax or mail? Customer interactions can be captured and evaluated using interaction analysis (i.e., speech, text, screen and call flow analytics) that tends to indicate more efficient relationships. A company can define sub-categories of complexity based on customer and transaction knowledge, tagging relationships based on how many separate steps and hand-offs are required to complete the transaction.

At the same time, a company should categorize the benefits using lifetime revenue metrics or strategic value index based on expected revenue.

When Customer Service analyzes value and cost, it avoids trading one for the other by setting more accurate priorities for use of resources. Poor service performance in simple channels implies that Customer Service should invest more in process automation and improved efficiency. Performance issues in complex channels point to increasing investment in skills, expertise, and decision-making support when analysis shows that the investment is worth it.

Service Value (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Customer Service	E M A P		
Finance		M A P	E
Sales		M A P	E
Marketing		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Life Time Profit ($) Service Cost (%) Service Effectiveness Indicator	Claims (#/$) Complaint Count (#) Customer Satisfaction Scorecard Customer Attrition (#/$) Customer Retention Cost ($) Customer Service Cost ($) Customer Visits (#) Customers (#) Net Profit ($/%) Outstanding Service Issues (#) Receivables ($)	Aging Brackets Range Billing Customer Industry Group Industry Category Customer Name Contracted Pay't Time Range Fiscal Month Year Quarter Month	Product SKU Product Group Brand SKU Sales Organization Sales Region Sales Territory Org Code Service Relationship Service Relationship Type

Product Development: The Right Products at the Right Time

Product Development and its innovations are critical to a business, representing the lifeblood of future success. Moving into new market areas with new product is a high-risk activity. Development of a product that fundamentally changes the value proposition within an industry is rare and lucrative, requiring deep financial commitment.

Economic, market and industry cycles set the context for innovation. In fast-growing sectors, product change is part of the competitive landscape. In mature and slow-growth markets product developments can slow the rate of commoditization and protect margin erosion. Incremental changes and small advantages are significant differentiators. Investors look to Product Development to assess future potential across the board. Delivering a pipeline of new products will determine the organization's future financial performance, growth and sustainable advantage.

Product Development combines many cross-functional requirements, balances risk, learns from failures and out of that mindset, generates a pipeline of timely new products. Accurate information is at the heart of this process and Product Development leads three key decision areas to achieve this:

- **Product and portfolio innovation** – Which gaps in the product portfolio are addressable with the available resources and what are the associated risks?
- **Product development milestones** – How to manage priorities and timing, and monitor risks as they change during the development process?
- **Market and customer feedback** – What external verification processes will enhance and confirm new product development opportunities?

Product and Portfolio Innovation

The product and portfolio decision area takes potential opportunities identified by Marketing and examines the practicalities in more depth. This decision area answers questions about the costs and benefits of adding new product features to fill product portfolio gaps, and how achievable these additions are given available resources. It also determines how achievable these opportunities are for the business and the risk of failure.

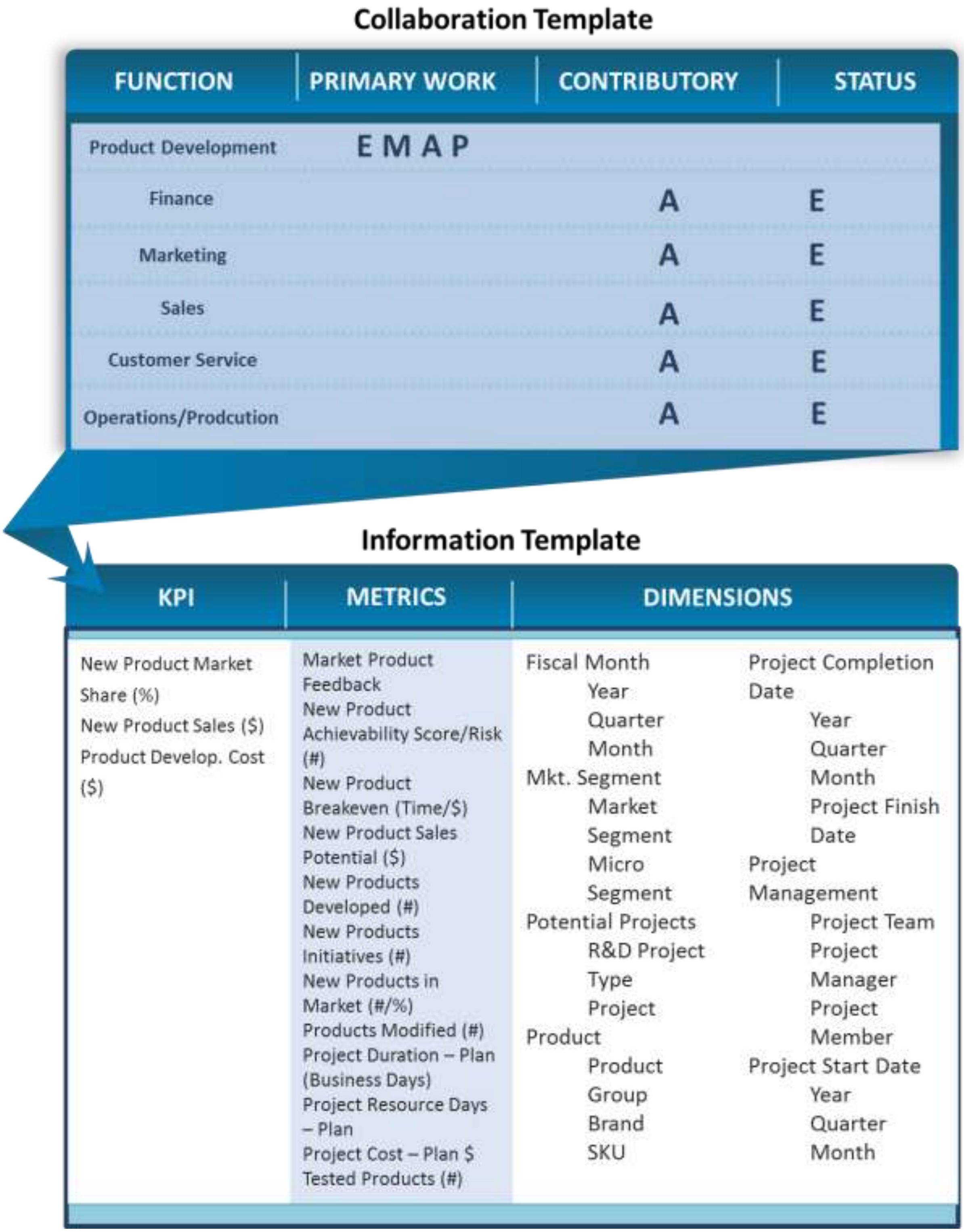
Innovation runs the gamut from incremental improvements to significant product "revolutions". Incremental developments include packaging changes, minor functional improvements, quality changes, and brand extensions. These developments are usually intended to fill gaps in the product portfolio. For instance, by improving the design, adding product capability, making the product more convenient to use, and increasing the price, the business may extend its offering into a profitable new segment.

At the high-risk end of innovation, a company must measure time to market, implementation difficulty, external market or technical shifts, future scenario values, and estimated ROI. These metrics also help prioritize threats and opportunities. For example, classifying Product Development activities into life-cycle categories balances short-term and long-term priorities. Measuring the difficulty of implementation ensures the avoidance of impractical blue sky projects at the expense of those needed in the short term.

Future scenario valuations with estimates of the upper and lower limits of potential sales and profits set the size of a project. ROI looks at the whole picture by including upfront investment, operating costs, and sales.

As a decision area, portfolio and product innovation recommends which opportunities are right for the business by aligning with other departments, particularly Marketing.

Product and Portfolio Innovation (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Product Development	EMAP		
Finance		A	E
Marketing		A	E
Sales		A	E
Customer Service		A	E
Operations/Prodcution		A	E

Information Template

KPI	METRICS	DIMENSIONS	

New Product Market Share (%)
New Product Sales ($)
Product Develop. Cost ($)
	Market Product Feedback
	New Product Achievability Score/Risk (#)
	New Product Breakeven (Time/$)
	New Product Sales Potential ($)
	New Products Developed (#)
	New Products Initiatives (#)
	New Products in Market (#/%)
	Products Modified (#)
	Project Duration – Plan (Business Days)
	Project Resource Days – Plan
	Project Cost – Plan $
	Tested Products (#)
		Fiscal Month
		  Year
		  Quarter
		  Month
		Mkt. Segment
		  Market Segment
		  Micro Segment
		Potential Projects
		  R&D Project Type
		  Project
		Product
		  Product Group
		  Brand
		  SKU
			Project Completion Date
			  Year
			  Quarter
			  Month
			  Project Finish Date
			Project Management
			  Project Team
			  Project Manager
			  Project Member
			Project Start Date
			  Year
			  Quarter
			  Month

Product Development Milestones

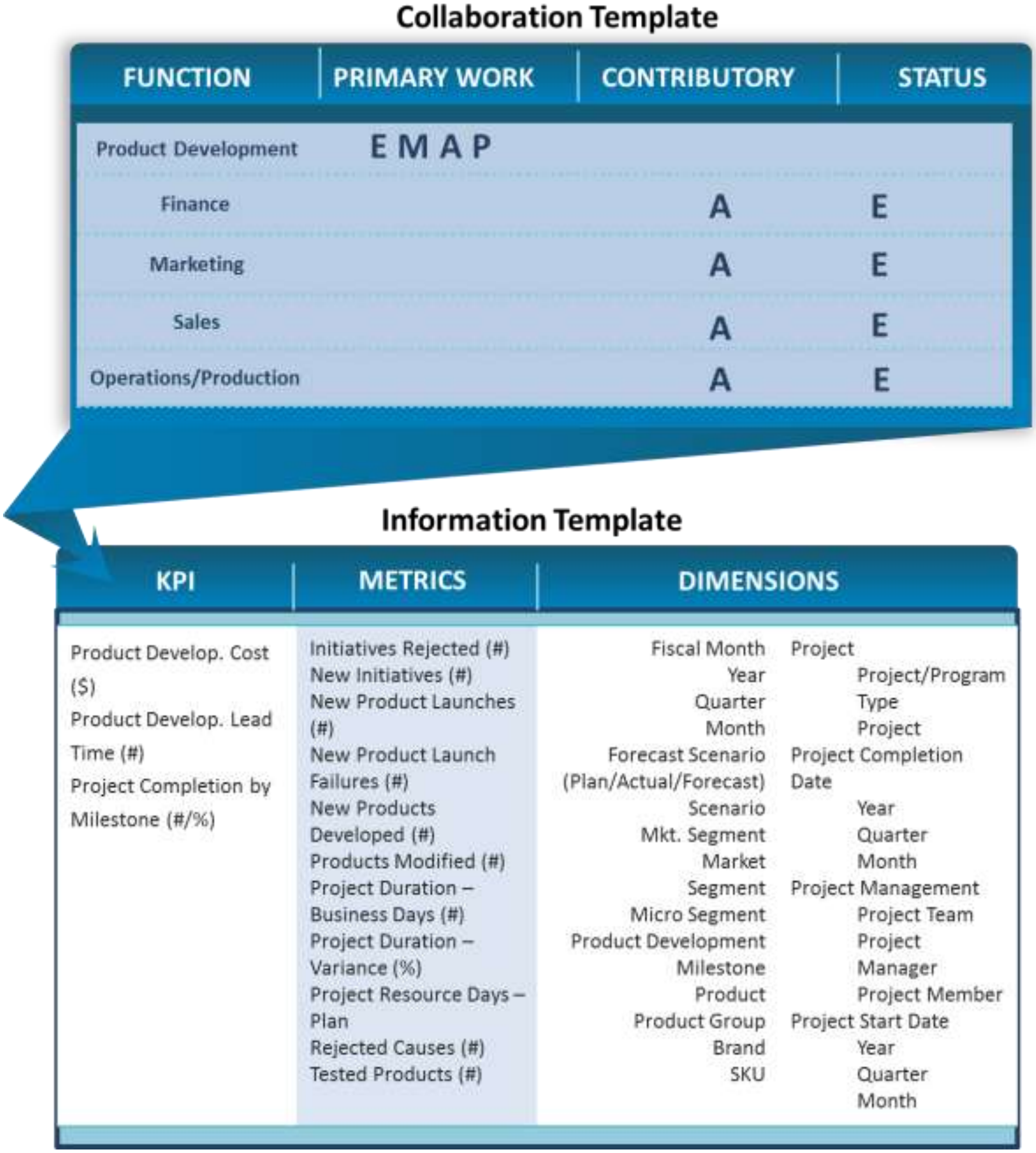
This decision area is used to manage the Product Development process. It establishes milestones, manages and adjusts priorities and timing, and monitors risks as they change. Many companies use Stage-Gate® or phase-gate processes involving five stages for Product Development. These are a preliminary assessment, definition (market), development (product/cost), validation, and commercialization. Typically, a very low percentage of preliminary ideas pass through the final gate.

Less formal processes still require an answer questions such as: What are the new product development ideas? What is the scale of the identified opportunity? Does a company have the skills in-house? What are the risks? Is the opportunity aligned with corporate strategic priorities? What are the likely financial rewards?

Measuring performance milestones is critical to this decision area. The number of preliminary initiatives, how many milestones are passed before rejection, and the number of products ready for commercialization demonstrate how they pass through the process. Logging and evaluating the reasons for success or failure through these milestones will help improve the Product Development process.

Regular planning and gap analysis reviews anchor the development process with business priorities. Without this focus and monitoring, the process may be sidelined by day-to-day concerns. It is critically important to ensure the success of all phases, from development to launch and full commercialization. Information that focuses and fine-tunes each stage, and provides incentives, is imperative to ensuring successful product launches.

Product Development Milestones (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Product Development	E M A P		
Finance		A	E
Marketing		A	E
Sales		A	E
Operations/Production		A	E

Information Template

KPI	METRICS	DIMENSIONS	
Product Develop. Cost ($) Product Develop. Lead Time (#) Project Completion by Milestone (#/%)	Initiatives Rejected (#) New Initiatives (#) New Product Launches (#) New Product Launch Failures (#) New Products Developed (#) Products Modified (#) Project Duration – Business Days (#) Project Duration – Variance (%) Project Resource Days – Plan Rejected Causes (#) Tested Products (#)	Fiscal Month Year Quarter Month Forecast Scenario (Plan/Actual/Forecast) Scenario Mkt. Segment Market Segment Micro Segment Product Development Milestone Product Product Group Brand SKU	Project Project/Program Type Project Project Completion Date Year Quarter Month Project Management Project Team Project Manager Project Member Project Start Date Year Quarter Month

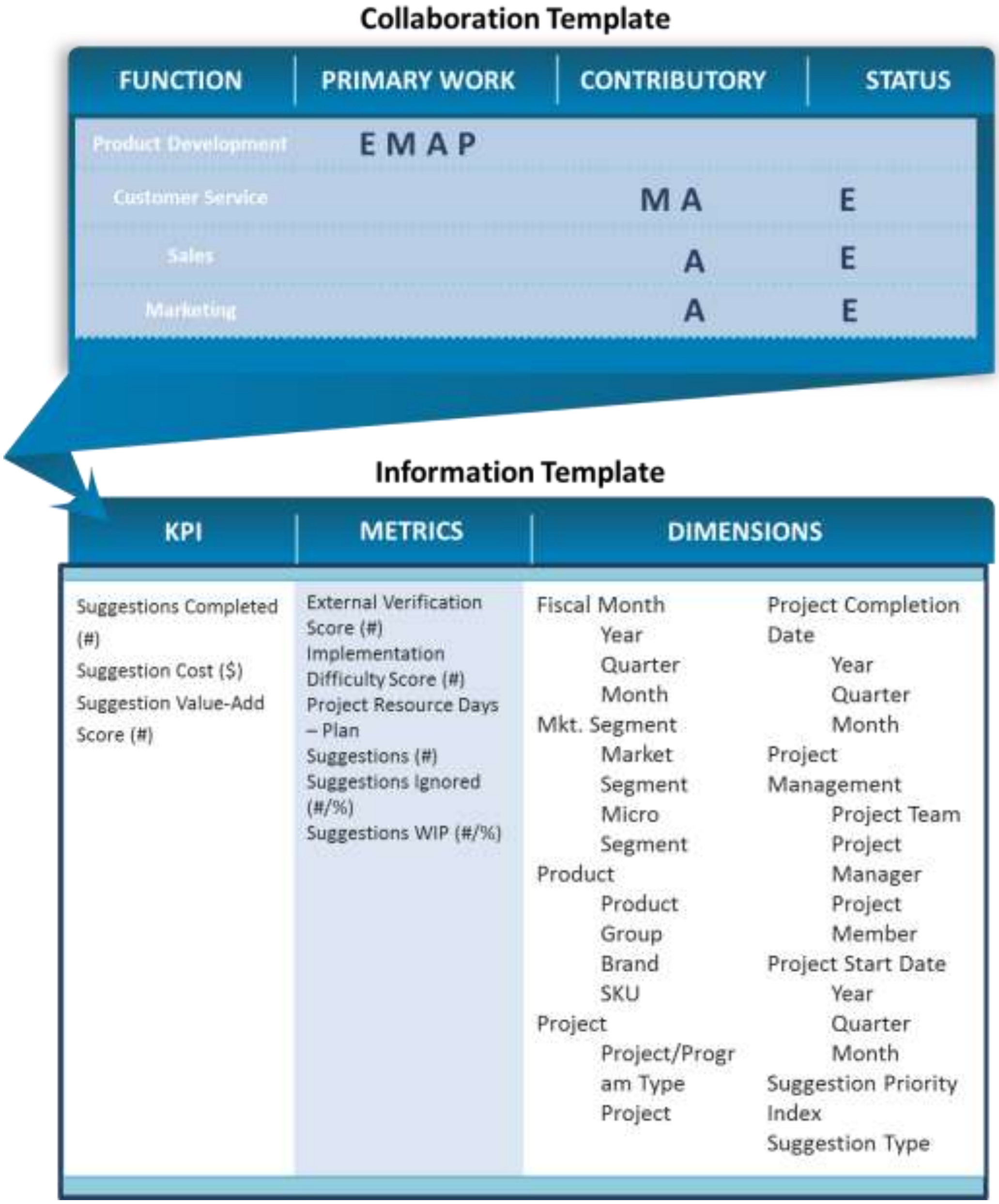
Market and Customer Feedback

The market and customer feedback decision area combines an external reality check with internal understanding of development opportunities and requirements. It is an extension of a product and portfolio gap analysis, generating external insights to use in gap assessment. There are many examples of overly engineered products that fail because they do not balance costs and those features actually valued by customers.

Market feedback and external verification as part of the development process are essential for success. The source of such feedback can vary from customer focus groups to feature surveys, user forums or competitive product benchmarking. The insights these activities produce let the organization understand what investments are necessary for new product features and determine if the business can afford them. In some cases, it may make sense to pull out of an opportunity area rather than make investments with an insufficient chance of payback. An information framework that uses this data can support and confirm Product Development decisions. This decision area is also a tool for creating cross-functional alignment and internal commitment to new product commercialization.

Analytics for Customer Insight

Market and Customer Feedback (continued)



Collaboration Template

FUNCTION	PRIMARY WORK	CONTRIBUTORY	STATUS
Product Development	E M A P		
Customer Service		M A	E
Sales		A	E
Marketing		A	E

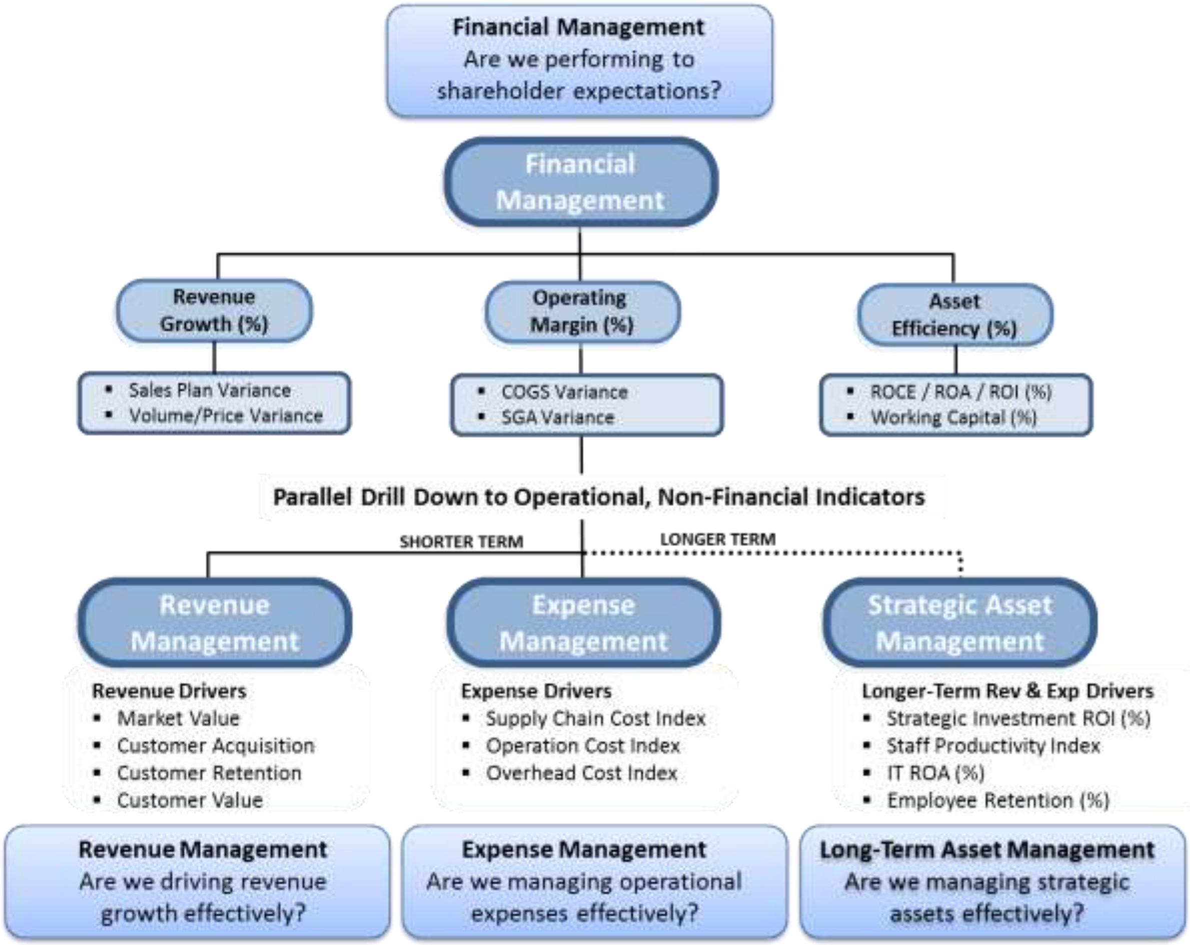
Information Template

KPI	METRICS	DIMENSIONS	
Suggestions Completed (#) Suggestion Cost ($) Suggestion Value-Add Score (#)	External Verification Score (#) Implementation Difficulty Score (#) Project Resource Days – Plan Suggestions (#) Suggestions Ignored (#/%) Suggestions WIP (#/%)	Fiscal Month Year Quarter Month Mkt. Segment Market Segment Micro Segment Product Product Group Brand SKU Project Project/Program Type Project	Project Completion Date Year Quarter Month Project Management Project Team Project Manager Project Member Project Start Date Year Quarter Month Suggestion Priority Index Suggestion Type

A Top-Down View for Managing Revenue using Analytics for Customer Insight

The customer insights Road Map provided templates for 17 decision areas across the Marketing, Sales, Customer Service and Product Development functions that help drive customer centric opportunities. Each decision drives better outcomes in managing customer success, from the bottom-up. Leveraging analytics, function by function, positions a company squarely as a Builder in the Analytics Quotient (AQ) maturity model[6]. Taking that next step on the AQ journey to Leader and Master happens when bottom-up decisions are aligned with top-down strategic goals and priorities.

The *Executive Management* chapter in *The Performance Manager* provides such a top-down framework represented by four areas for managing performance and delivering shareholder value below (Financial Management, Revenue Management, Expense Management and Strategic Asset Management):


Financial Management
Are we performing to shareholder expectations?
Financial Management
Revenue Growth (%)
Operating Margin (%)
Asset Efficiency (%)
▪ Sales Plan Variance
▪ Volume/Price Variance
▪ COGS Variance
▪ SGA Variance
▪ ROCE / ROA / ROI (%)
▪ Working Capital (%)
Parallel Drill Down to Operational, Non-Financial Indicators
SHORTER TERM
LONGER TERM
Revenue Management
Expense Management
Strategic Asset Management
Revenue Drivers
▪ Market Value
▪ Customer Acquisition
▪ Customer Retention
▪ Customer Value
Expense Drivers
▪ Supply Chain Cost Index
▪ Operation Cost Index
▪ Overhead Cost Index
Longer-Term Rev & Exp Drivers
▪ Strategic Investment ROI (%)
▪ Staff Productivity Index
▪ IT ROA (%)
▪ Employee Retention (%)
Revenue Management
Are we driving revenue growth effectively?
Expense Management
Are we managing operational expenses effectively?
Long-Term Asset Management
Are we managing strategic assets effectively?

Top-Down Framework of Performance Areas

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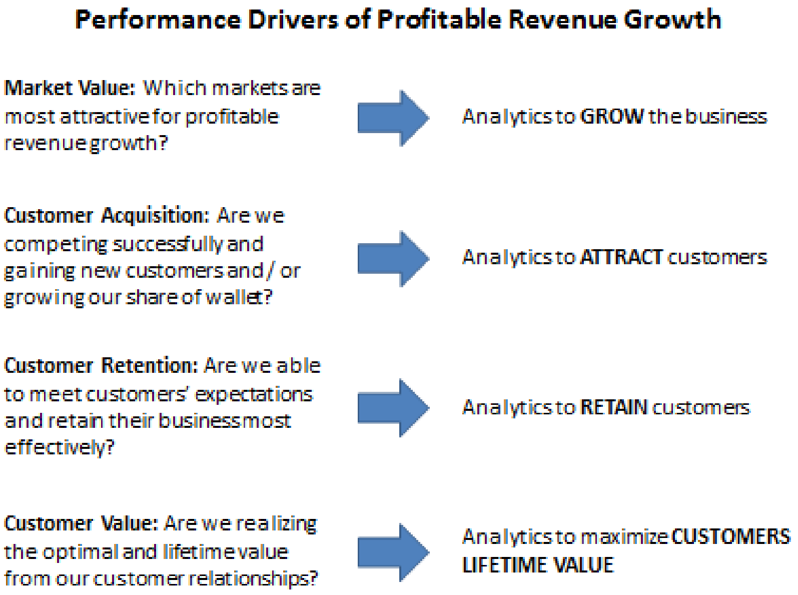
[6] What's your Analytics Quotient? http://www-01.ibm.com/software/analytics/aq/

Analytics for Customer Insight

The performance areas point to leading [operational] and lagging [financial] indicators and the analytics that underpin them, while also reflecting common trade-offs between revenue and expense or between short-term and long-term resource allocations.

For each performance area, a set of primary drivers of performance, are defined below.

These performance drivers are the 'outcomes' that bottom-up decisions impact. In other words, they organize each decision area into a cross-functional hierarchy of causality, as illustrated in below.



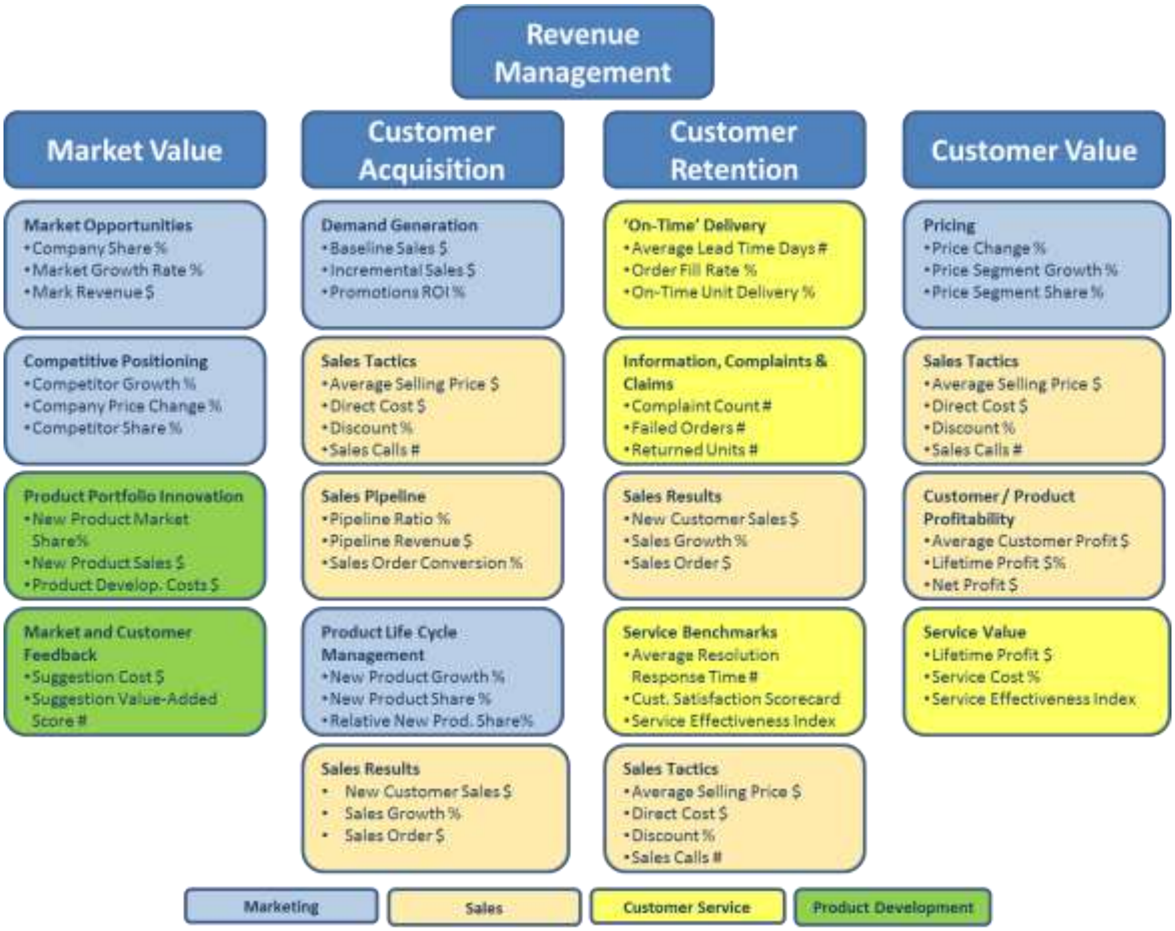
Performance Drivers of Profitable Revenue Growth

Market Value: Which markets are most attractive for profitable revenue growth? → Analytics to **GROW** the business

Customer Acquisition: Are we competing successfully and gaining new customers and / or growing our share of wallet? → Analytics to **ATTRACT** customers

Customer Retention: Are we able to meet customers' expectations and retain their business most effectively? → Analytics to **RETAIN** customers

Customer Value: Are we realizing the optimal and lifetime value from our customer relationships? → Analytics to maximize **CUSTOMERS LIFETIME VALUE**



Revenue Management

Market Value

Market Opportunities
- Company Share %
- Market Growth Rate %
- Mark Revenue $

Competitive Positioning
- Competitor Growth %
- Company Price Change %
- Competitor Share %

Product Portfolio Innovation
- New Product Market Share%
- New Product Sales $
- Product Develop. Costs $

Market and Customer Feedback
- Suggestion Cost $
- Suggestion Value-Added Score #

Customer Acquisition

Demand Generation
- Baseline Sales $
- Incremental Sales $
- Promotions ROI %

Sales Tactics
- Average Selling Price $
- Direct Cost $
- Discount %
- Sales Calls #

Sales Pipeline
- Pipeline Ratio %
- Pipeline Revenue $
- Sales Order Conversion %

Product Life Cycle Management
- New Product Growth %
- New Product Share %
- Relative New Prod. Share%

Sales Results
- New Customer Sales $
- Sales Growth %
- Sales Order $

Customer Retention

'On-Time' Delivery
- Average Lead Time Days #
- Order Fill Rate %
- On-Time Unit Delivery %

Information, Complaints & Claims
- Complaint Count #
- Failed Orders #
- Returned Units #

Sales Results
- New Customer Sales $
- Sales Growth %
- Sales Order $

Service Benchmarks
- Average Resolution Response Time #
- Cust. Satisfaction Scorecard
- Service Effectiveness Index

Sales Tactics
- Average Selling Price $
- Direct Cost $
- Discount %
- Sales Calls #

Customer Value

Pricing
- Price Change %
- Price Segment Growth %
- Price Segment Share %

Sales Tactics
- Average Selling Price $
- Direct Cost $
- Discount %
- Sales Calls #

Customer / Product Profitability
- Average Customer Profit $
- Lifetime Profit $%
- Net Profit $

Service Value
- Lifetime Profit $
- Service Cost %
- Service Effectiveness Index

Performance Drivers, Decision Areas and KPIs for Revenue Management

Performance Drivers

Revenue performance is a key yardstick of shareholder value. Executive Management must focus on managing revenue goals while directing the business with its resources to the most profitable revenue opportunities. This requires cross-functional cooperation resulting in customer insights supporting decisions that are well aligned across the four core performance drivers. This requires agreement and consistency in analytics:

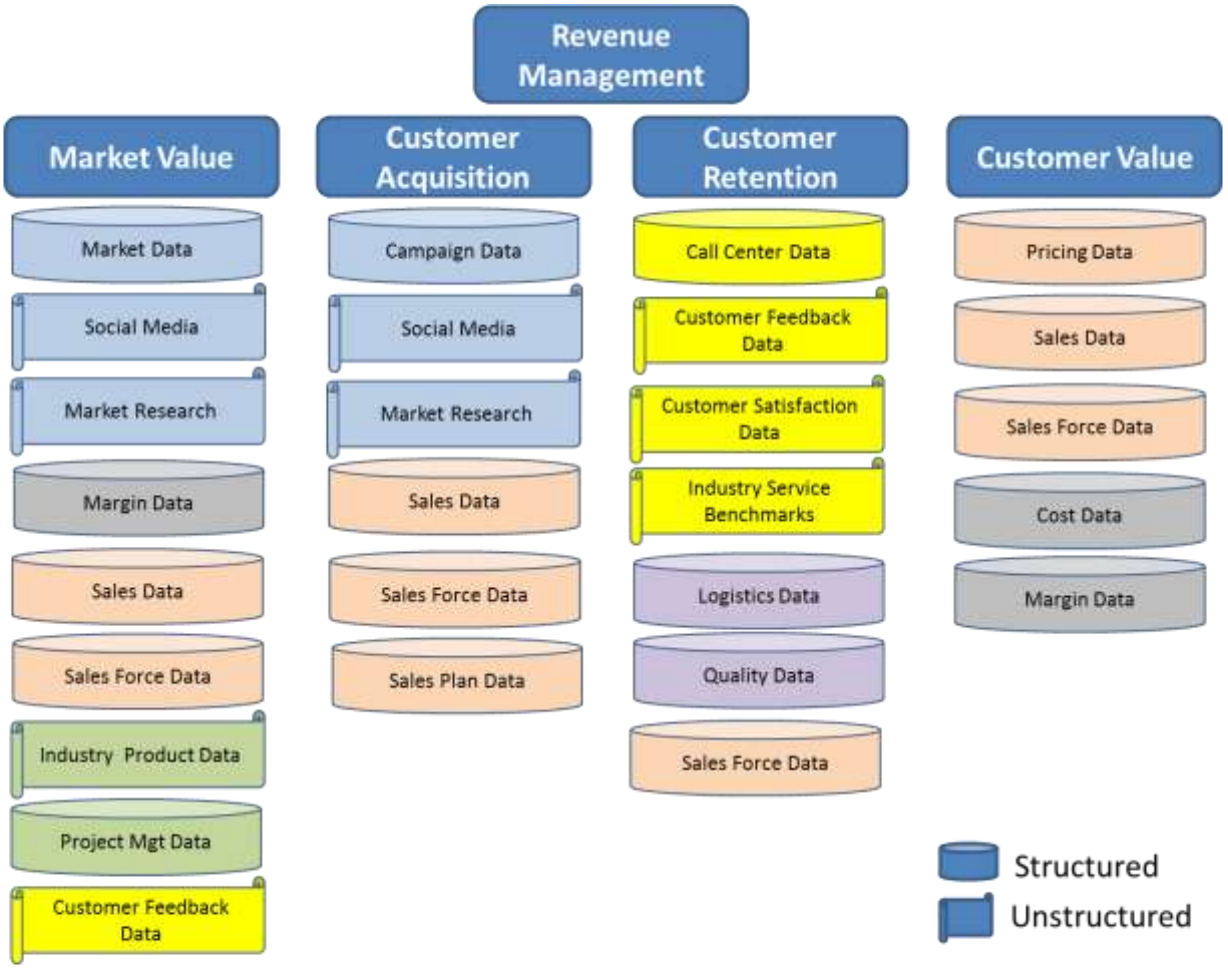
- For the KPIs by which decision's outcomes are measured
- For the dimensional business context by which insights are discovered
- For the scenarios and predictive modeling by which foresight is gained
- For the roles and accountability by which collaborative decision-making is enabled.

This leads to Leadership and eventually Mastery in AQ Maturity.

Each performance driver for managing customer success and profitable growth is further illustrated below accompanied by examples of analytic insights illustrating better decisions that lead to effective action.

Data Sources

Typical data sources that underpin these insights span multiple functional, structured and unstructured sources. This highlights the importance of effective integration and governance of data ensuring that all relevant information is available and reliable. It also illustrates the importance of having effective value added to this source data in terms of business rules and relationships to provide proper context across such diverse sources. The chart below illustrates typical data sources that might underpin these insights.


Revenue Management
Market Value
Market Data
Social Media
Market Research
Margin Data
Sales Data
Sales Force Data
Industry Product Data
Project Mgt Data
Customer Feedback Data
Customer Acquisition
Campaign Data
Social Media
Market Research
Sales Data
Sales Force Data
Sales Plan Data
Customer Retention
Call Center Data
Customer Feedback Data
Customer Satisfaction Data
Industry Service Benchmarks
Logistics Data
Quality Data
Sales Force Data
Customer Value
Pricing Data
Sales Data
Sales Force Data
Cost Data
Margin Data
Structured
Unstructured

Understanding how these data sources fit within an underlying "data landscape" provides an important business context for framing MDM and Data Governance choices that may involve 'competing' views on data. This can be facilitated by grouping different IT assets (transaction systems, data warehouses, BI and planning tools, etc.) into their 'role' within an Information Supply Chain (ISC) of:

- Information Sources = Where does the data come from?
- Information Management = What is done to enhance it?
- Information Delivery = How does it get to users?

Finally, this top-down framework also creates a helpful tool for identifying and prioritizing KPIs and analytics initiatives as described in the recently released book, 5 Keys to BA Program Success[7].

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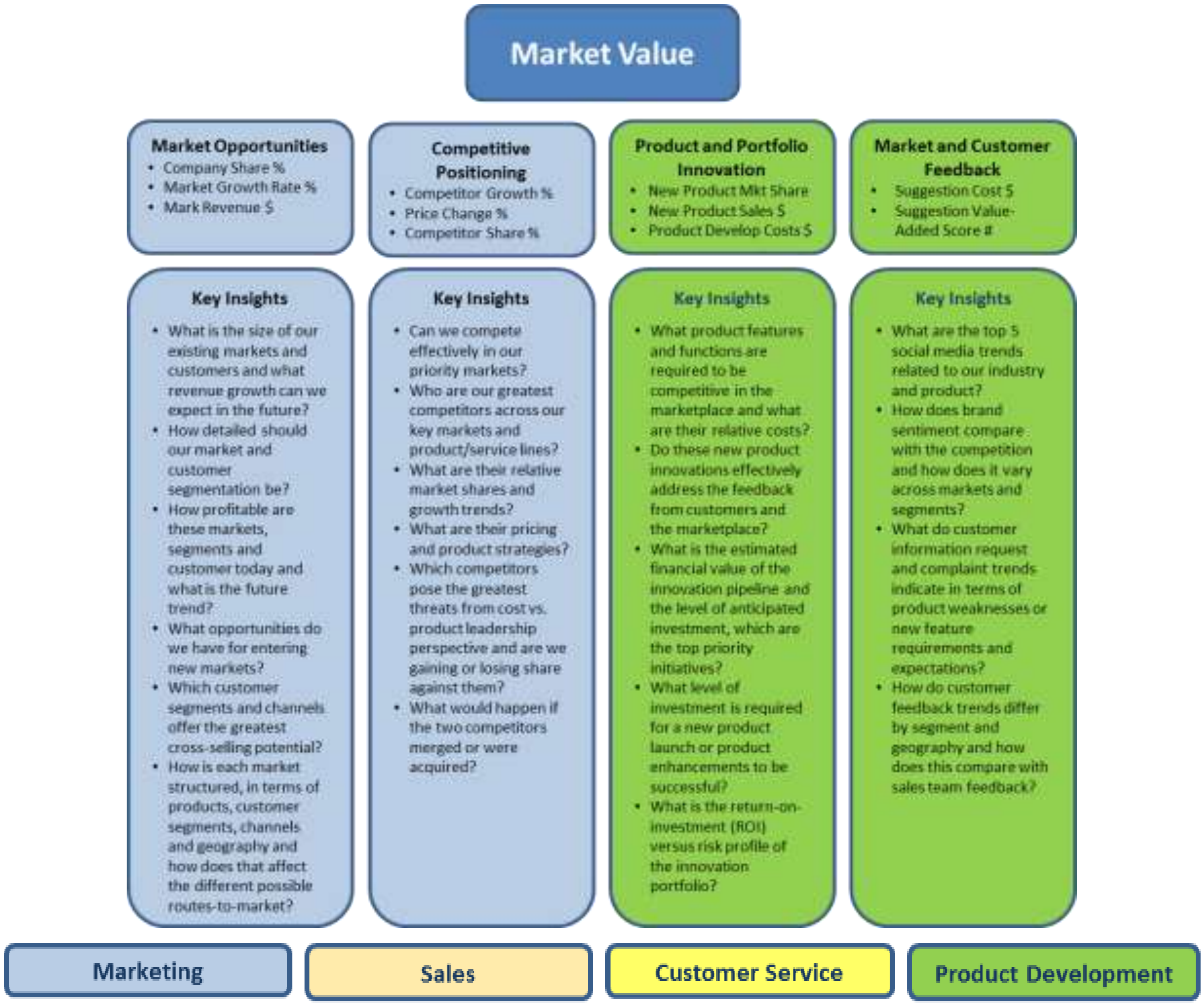
[7] 5 Keys to Business Analytics Program Success; John Boyer, Bill Frank, Brian Green, Tracy Harris, Kay Van De Vanter, ISBN: 978-1-58347-343-6

The Market Value Performance Driver

The inherent attractiveness of a market is the first driver of profitable revenue growth. A company needs insight and, ideally, foresight into its marketplace to identify where its products and services command the greatest value. Whether it is launching new offerings, entering new markets or simply maintaining its current position, it needs timely insights into the value of that opportunity across the following four decision areas in Marketing and Product Development:

- Market Opportunity: What is the profit opportunity?
- Competitive Positioning: What are the competitive risks to achieving it?
- Product Portfolio Innovation: Does the company have the right product portfolio to be successful?
- Market & Customer Feedback: Does the 'voice of the customer' confirm the opportunity?



Market Value

Market Opportunities
- Company Share %
- Market Growth Rate %
- Mark Revenue $

Key Insights
- What is the size of our existing markets and customers and what revenue growth can we expect in the future?
- How detailed should our market and customer segmentation be?
- How profitable are these markets, segments and customer today and what is the future trend?
- What opportunities do we have for entering new markets?
- Which customer segments and channels offer the greatest cross-selling potential?
- How is each market structured, in terms of products, customer segments, channels and geography and how does that affect the different possible routes-to-market?

Competitive Positioning
- Competitor Growth %
- Price Change %
- Competitor Share %

Key Insights
- Can we compete effectively in our priority markets?
- Who are our greatest competitors across our key markets and product/service lines?
- What are their relative market shares and growth trends?
- What are their pricing and product strategies?
- Which competitors pose the greatest threats from cost vs. product leadership perspective and are we gaining or losing share against them?
- What would happen if the two competitors merged or were acquired?

Product and Portfolio Innovation
- New Product Mkt Share
- New Product Sales $
- Product Develop Costs $

Key Insights
- What product features and functions are required to be competitive in the marketplace and what are their relative costs?
- Do these new product innovations effectively address the feedback from customers and the marketplace?
- What is the estimated financial value of the innovation pipeline and the level of anticipated investment, which are the top priority initiatives?
- What level of investment is required for a new product launch or product enhancements to be successful?
- What is the return-on-investment (ROI) versus risk profile of the innovation portfolio?

Market and Customer Feedback
- Suggestion Cost $
- Suggestion Value-Added Score #

Key Insights
- What are the top 5 social media trends related to our industry and product?
- How does brand sentiment compare with the competition and how does it vary across markets and segments?
- What do customer information request and complaint trends indicate in terms of product weaknesses or new feature requirements and expectations?
- How do customer feedback trends differ by segment and geography and how does this compare with sales team feedback?

Decision Areas, KPIs and Insights for Market Value

Cross-functional Illustration

Many of the insights illustrated for the Market Value driver relate to more strategic decisions. For example, take a strategy to grow through major market expansion whether via acquisition or organically. A wrong decision is very costly: first, having allocated (i.e. diverted) significant capital that could have been put to more productive uses; second, it is not easily or quickly reversible.

Customer insights to generate the following insights improve your odds of making the right collaborative decisions across Marketing and Product Development:

Market Opportunity

- What opportunities does a company have for entering new markets with existing, new products or acquisitions and how profitable would that be?
- How profitable are these markets, segments and customer today and what is the future trend?

Competitive Positioning

- Can the company compete effectively in our priority markets?
- What are the pricing and product strategies?

Product Portfolio Innovation

- What product features and functions are required to be competitive in the marketplace and what are their relative costs?
- What level of investment is required for a new product launch or product enhancements to be successful?

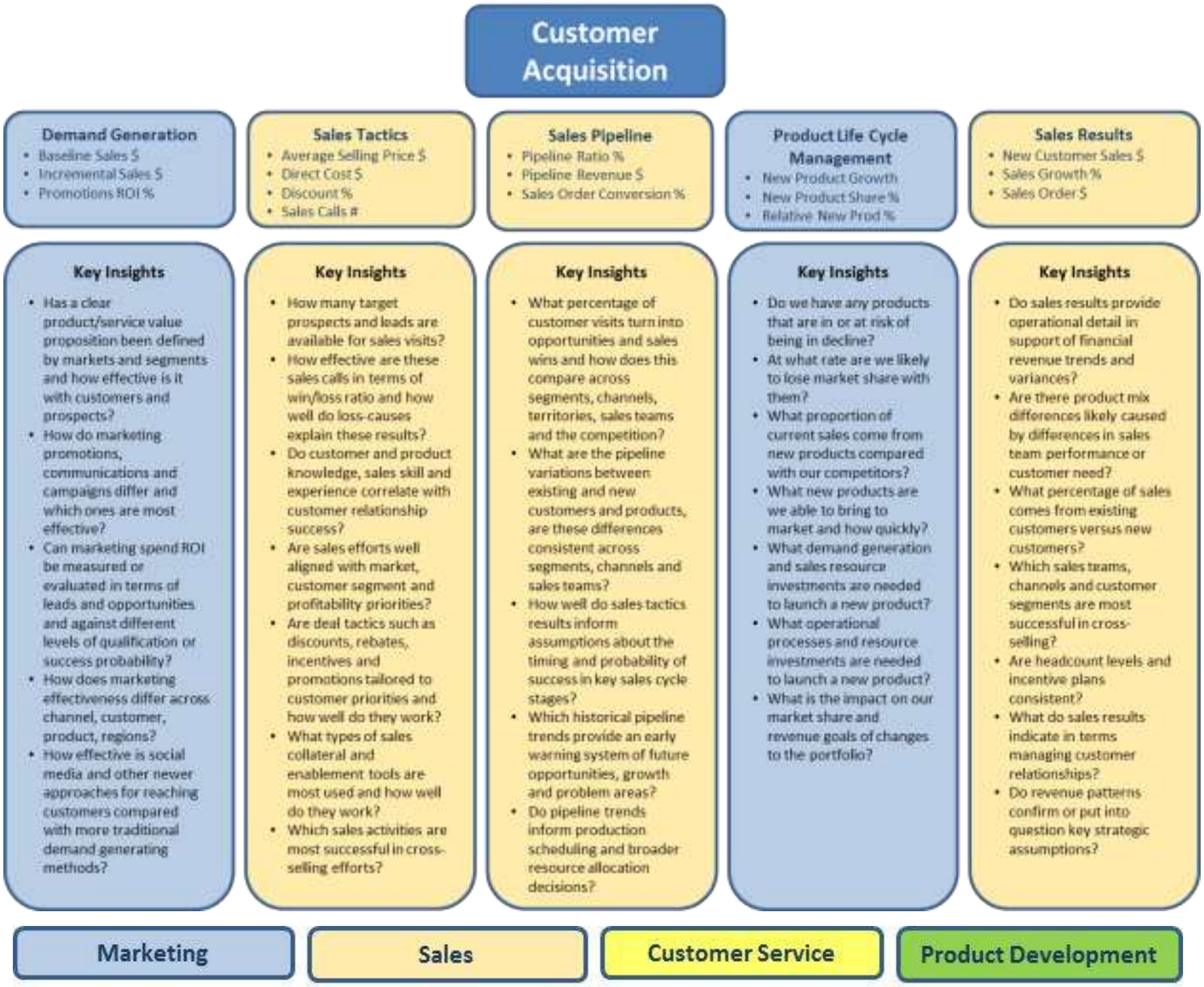
Customer & Market Feedback

- What are the top 5 social media trends related to our industry and product?
- How does brand sentiment compare with the competition and how does it vary across markets and segments?

The Customer Acquisition Performance Driver

A company's ability to compete successfully, gain new customers and grow share of wallet is the second driver of profitable revenue growth. A company needs insight and ideally foresight into its sales cycle and process, knowing where it's most and least effective at acquiring new customers or growing existing share of wallet. From deciding on timing for product launch or retirement and determining marketing spend to drive demand, through to allocating and prioritizing sales activity and extending sales line of sight along with root cause understanding, a company needs timely insights across the following five decision areas in Marketing and Sales:

- Product life cycle management: What is the value proposition?
- Demand generation: How to reach and communicate value to customers?
- Sales tactics: What is driving sales effectiveness?
- Sales pipeline: How accurate and forward looking is the sales pipeline?
- Sales results: What is driving sales performance?



Customer Acquisition

Demand Generation
- Baseline Sales $
- Incremental Sales $
- Promotions ROI %

Key Insights
- Has a clear product/service value proposition been defined by markets and segments and how effective is it with customers and prospects?
- How do marketing promotions, communications and campaigns differ and which ones are most effective?
- Can marketing spend ROI be measured or evaluated in terms of leads and opportunities and against different levels of qualification or success probability?
- How does marketing effectiveness differ across channel, customer, product, regions?
- How effective is social media and other newer approaches for reaching customers compared with more traditional demand generating methods?

Sales Tactics
- Average Selling Price $
- Direct Cost $
- Discount %
- Sales Calls #

Key Insights
- How many target prospects and leads are available for sales visits?
- How effective are these sales calls in terms of win/loss ratio and how well do loss-causes explain these results?
- Do customer and product knowledge, sales skill and experience correlate with customer relationship success?
- Are sales efforts well aligned with market, customer segment and profitability priorities?
- Are deal tactics such as discounts, rebates, incentives and promotions tailored to customer priorities and how well do they work?
- What types of sales collateral and enablement tools are most used and how well do they work?
- Which sales activities are most successful in cross-selling efforts?

Sales Pipeline
- Pipeline Ratio %
- Pipeline Revenue $
- Sales Order Conversion %

Key Insights
- What percentage of customer visits turn into opportunities and sales wins and how does this compare across segments, channels, territories, sales teams and the competition?
- What are the pipeline variations between existing and new customers and products, are these differences consistent across segments, channels and sales teams?
- How well do sales tactics results inform assumptions about the timing and probability of success in key sales cycle stages?
- Which historical pipeline trends provide an early warning system of future opportunities, growth and problem areas?
- Do pipeline trends inform production scheduling and broader resource allocation decisions?

Product Life Cycle Management
- New Product Growth
- New Product Share %
- Relative New Prod %

Key Insights
- Do we have any products that are in or at risk of being in decline?
- At what rate are we likely to lose market share with them?
- What proportion of current sales come from new products compared with our competitors?
- What new products are we able to bring to market and how quickly?
- What demand generation and sales resource investments are needed to launch a new product?
- What operational processes and resource investments are needed to launch a new product?
- What is the impact on our market share and revenue goals of changes to the portfolio?

Sales Results
- New Customer Sales $
- Sales Growth %
- Sales Order $

Key Insights
- Do sales results provide operational detail in support of financial revenue trends and variances?
- Are there product mix differences likely caused by differences in sales team performance or customer need?
- What percentage of sales comes from existing customers versus new customers?
- Which sales teams, channels and customer segments are most successful in cross-selling?
- Are headcount levels and incentive plans consistent?
- What do sales results indicate in terms managing customer relationships?
- Do revenue patterns confirm or put into question key strategic assumptions?

Decision Areas, KPIs and Insights for Customer Acquisition

Cross-functional Illustration

The insights illustrated for Customer Acquisition tend to relate to more tactical decisions than ones that support strategy; for example, a market expansion strategy that is organically driven that includes a new product introduction. Assuming the strategy is sound, poor execution is where it now becomes costly. Allocated capital has become an unrecoverable, sunk cost making speed to grow sales critical to maximizing ROI.

Customer insights to generate the following insights improve your odds of making the right collaborative decisions across Marketing and Sales:

Product life cycle management

- What demand generation and sales resource investments are needed to launch a new product?
- What operational processes and resource investments are needed to launch a new product?

Demand generation

- Has a clear product/service value proposition been defined by markets and segments and how effective is it with customers and prospects?
- How do marketing promotions, communications and campaigns differ across the market and customer portfolio and which ones are most effective?

Sales tactics

- How many target prospects and leads are available for sales visits and how many are well qualified vs. cold calls?
- How effective are these sales calls in terms of win/loss ratio and how well do loss-causes explain these results?

Sales pipeline

- How well do sales tactics results inform assumptions about the timing and probability of success in key sales cycle stages?
- How much would sales increase if success ratios in key sales cycle stages improved by 20%?

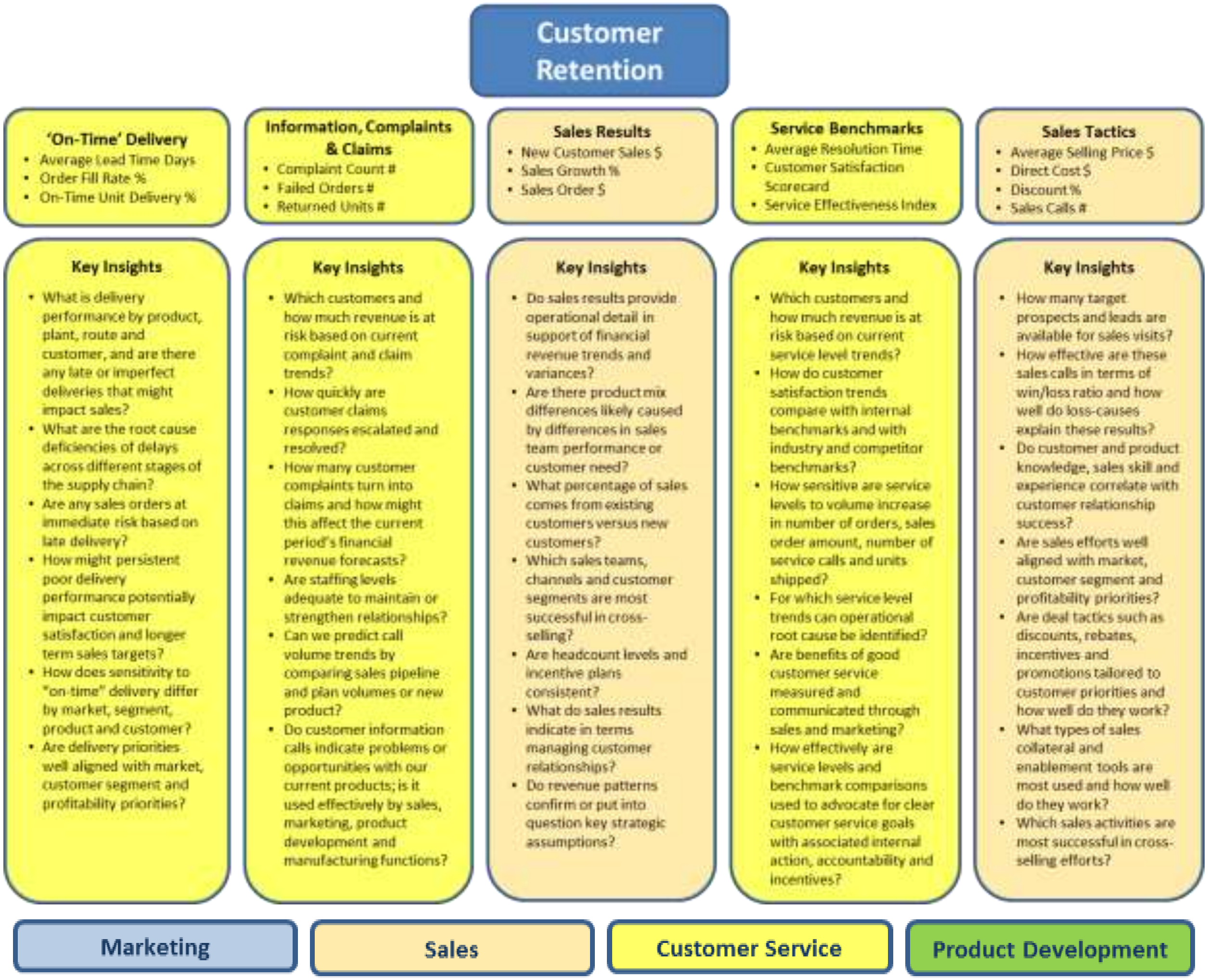
Sales results

- Which sales teams, channels and customer segments are most successful in cross-selling efforts?
- Do broader revenue patterns confirm or put into question key strategic assumptions for achieving customer acquisition and penetration objectives?

The Customer Retention Performance Driver

A company's ability to meet customer expectations and retain business most effectively is the third driver of profitable revenue growth. It needs insight and ideally foresight into levels of customer service that will meet customer expectations to retain their business most effectively. Whether ensuring proper staffing and training to resolve customer calls, effectively prioritizing customer demands or understanding root cause, timely insights across the following five decision areas in Customer Service and Sales is required:

- On-time delivery: What is driving delivery performance?
- Information, complaints, and claims: What is driving responsiveness?
- Sales tactics: What is driving sales effectiveness?
- Service benchmarks: What is driving service levels?
- Sales results: What is driving sales performance?



Customer Retention

'On-Time' Delivery
- Average Lead Time Days
- Order Fill Rate %
- On-Time Unit Delivery %

Key Insights
- What is delivery performance by product, plant, route and customer, and are there any late or imperfect deliveries that might impact sales?
- What are the root cause deficiencies of delays across different stages of the supply chain?
- Are any sales orders at immediate risk based on late delivery?
- How might persistent poor delivery performance potentially impact customer satisfaction and longer term sales targets?
- How does sensitivity to "on-time" delivery differ by market, segment, product and customer?
- Are delivery priorities well aligned with market, customer segment and profitability priorities?

Information, Complaints & Claims
- Complaint Count #
- Failed Orders #
- Returned Units #

Key Insights
- Which customers and how much revenue is at risk based on current complaint and claim trends?
- How quickly are customer claims responses escalated and resolved?
- How many customer complaints turn into claims and how might this affect the current period's financial revenue forecasts?
- Are staffing levels adequate to maintain or strengthen relationships?
- Can we predict call volume trends by comparing sales pipeline and plan volumes or new product?
- Do customer information calls indicate problems or opportunities with our current products; is it used effectively by sales, marketing, product development and manufacturing functions?

Sales Results
- New Customer Sales $
- Sales Growth %
- Sales Order $

Key Insights
- Do sales results provide operational detail in support of financial revenue trends and variances?
- Are there product mix differences likely caused by differences in sales team performance or customer need?
- What percentage of sales comes from existing customers versus new customers?
- Which sales teams, channels and customer segments are most successful in cross-selling?
- Are headcount levels and incentive plans consistent?
- What do sales results indicate in terms managing customer relationships?
- Do revenue patterns confirm or put into question key strategic assumptions?

Service Benchmarks
- Average Resolution Time
- Customer Satisfaction Scorecard
- Service Effectiveness Index

Key Insights
- Which customers and how much revenue is at risk based on current service level trends?
- How do customer satisfaction trends compare with internal benchmarks and with industry and competitor benchmarks?
- How sensitive are service levels to volume increase in number of orders, sales order amount, number of service calls and units shipped?
- For which service level trends can operational root cause be identified?
- Are benefits of good customer service measured and communicated through sales and marketing?
- How effectively are service levels and benchmark comparisons used to advocate for clear customer service goals with associated internal action, accountability and incentives?

Sales Tactics
- Average Selling Price $
- Direct Cost $
- Discount %
- Sales Calls #

Key Insights
- How many target prospects and leads are available for sales visits?
- How effective are these sales calls in terms of win/loss ratio and how well do loss-causes explain these results?
- Do customer and product knowledge, sales skill and experience correlate with customer relationship success?
- Are sales efforts well aligned with market, customer segment and profitability priorities?
- Are deal tactics such as discounts, rebates, incentives and promotions tailored to customer priorities and how well do they work?
- What types of sales collateral and enablement tools are most used and how well do they work?
- Which sales activities are most successful in cross-selling efforts?

Decision Areas, KPIs and Insights for Customer Retention

Cross-functional Illustration

The insights illustrated for Customer Retention also tend to relate to more tactical decisions; for example, assuming successful cross-selling and new customer acquisition, poor customer service can undermine the new product introduction. Now, in addition to the capital, sales resources have been invested and poor customer satisfaction can result in sales attrition and cause major reputational damage.

Customer insights to generate the following insights improve your odds of making the right collaborative decisions across Customer Service and Sales:

On-time delivery

- What demand generation and sales resource investments are needed to launch a new product?
- What operational processes and resource investments are needed to launch a new product?

Information, complaints, and claims

- What is delivery performance by product, plant, route and customer, and are there any late or imperfect deliveries that might impact sales?
- How does sensitivity to “on-time” delivery differ by market, segment, product and customer?

Sales tactics

- What types of sales collateral and enablement tools are most used, how does that vary across product, customer, channel and geography and how well do they work?
- Do customer and product knowledge, sales skill and experience correlate closely with sales cycle and overall customer relationship success?

Service benchmarks

- How do service levels compare with industry and competitor benchmarks, and which differences might negatively impact longer term sales targets?
- How effectively are service levels and benchmark comparisons used to advocate for clear customer service goals with associated internal action, accountability and incentives?

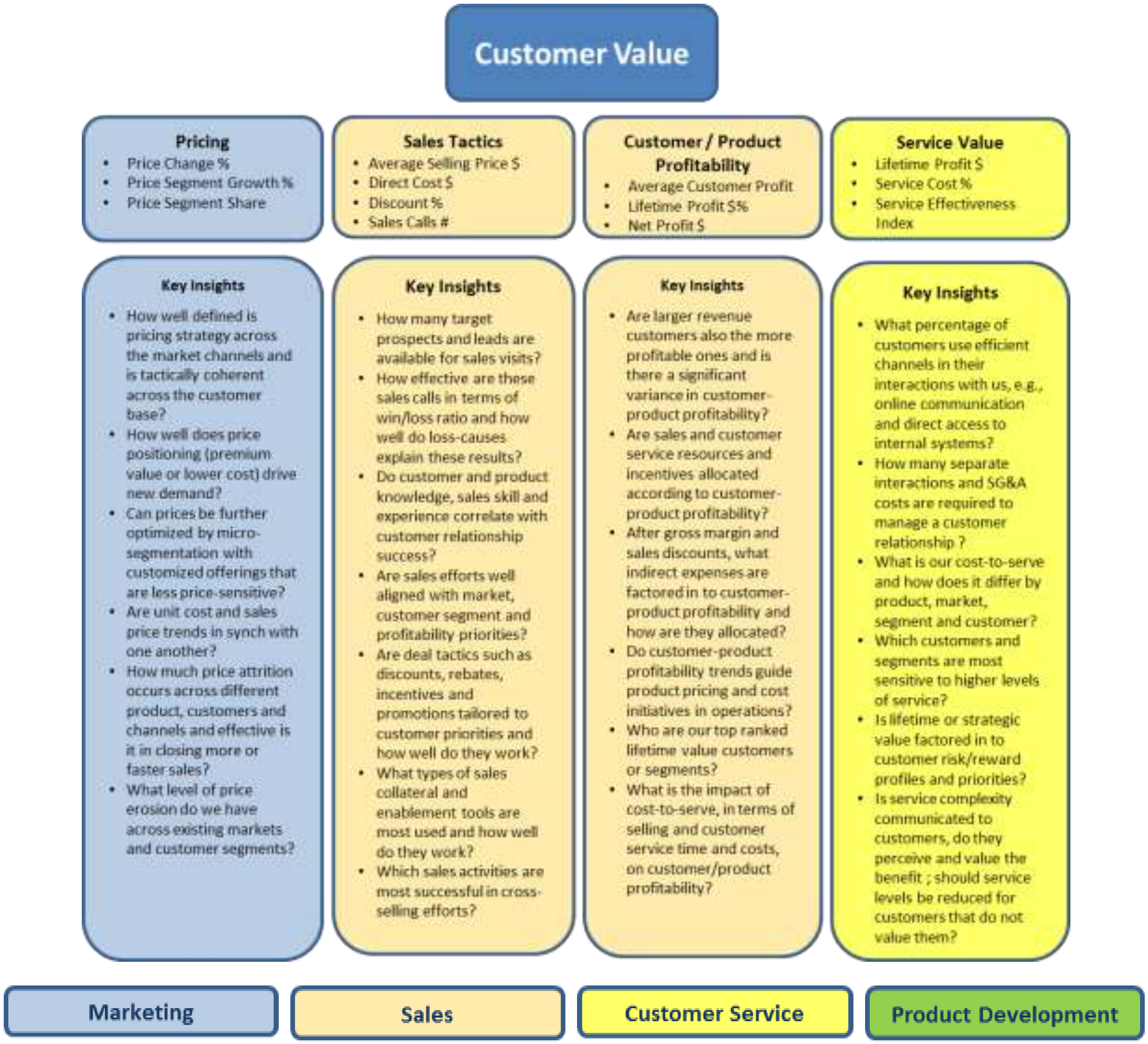
Sales results

- Are there product mix differences between territories and are these likely caused by differences in sales team performance or customer need?
- What do these sales results indicate in terms of the state of managing customer relationships, are we gaining share-of-wallet or facing a customer retention problem?

The Customer Value Performance Driver

An ability to realize the optimal and lifetime value from a customer relationship is the final driver of profitable revenue growth. It serves as a book end to the Market Value driver, where actual versus potential value is realized. Insight and ideally, foresight is needed into pricing power and attrition, into 'cost to serve' and perceived value and ultimately into customer profitability. Whether ensuring that pricing strategy is effective, prioritizing sales and service efforts to ensure more loyal or profitable customers or determining which customers to exit, timely insights are needed across the following four decision areas in Sales, Marketing and Customer Service:

- Pricing: What is it worth?
- Sales tactics: What is driving sales effectiveness?
- Service value: What is driving the service cost and benefit?
- Customer/product profitability: What is driving contribution performance?



Pricing
- Price Change %
- Price Segment Growth %
- Price Segment Share

Key Insights
- How well defined is pricing strategy across the market channels and is tactically coherent across the customer base?
- How well does price positioning (premium value or lower cost) drive new demand?
- Can prices be further optimized by micro-segmentation with customized offerings that are less price-sensitive?
- Are unit cost and sales price trends in synch with one another?
- How much price attrition occurs across different product, customers and channels and effective is it in closing more or faster sales?
- What level of price erosion do we have across existing markets and customer segments?

Sales Tactics
- Average Selling Price $
- Direct Cost $
- Discount %
- Sales Calls #

Key Insights
- How many target prospects and leads are available for sales visits?
- How effective are these sales calls in terms of win/loss ratio and how well do loss-causes explain these results?
- Do customer and product knowledge, sales skill and experience correlate with customer relationship success?
- Are sales efforts well aligned with market, customer segment and profitability priorities?
- Are deal tactics such as discounts, rebates, incentives and promotions tailored to customer priorities and how well do they work?
- What types of sales collateral and enablement tools are most used and how well do they work?
- Which sales activities are most successful in cross-selling efforts?

Customer / Product Profitability
- Average Customer Profit
- Lifetime Profit $%
- Net Profit $

Key Insights
- Are larger revenue customers also the more profitable ones and is there a significant variance in customer-product profitability?
- Are sales and customer service resources and incentives allocated according to customer-product profitability?
- After gross margin and sales discounts, what indirect expenses are factored in to customer-product profitability and how are they allocated?
- Do customer-product profitability trends guide product pricing and cost initiatives in operations?
- Who are our top ranked lifetime value customers or segments?
- What is the impact of cost-to-serve, in terms of selling and customer service time and costs, on customer/product profitability?

Service Value
- Lifetime Profit $
- Service Cost %
- Service Effectiveness Index

Key Insights
- What percentage of customers use efficient channels in their interactions with us, e.g., online communication and direct access to internal systems?
- How many separate interactions and SG&A costs are required to manage a customer relationship ?
- What is our cost-to-serve and how does it differ by product, market, segment and customer?
- Which customers and segments are most sensitive to higher levels of service?
- Is lifetime or strategic value factored in to customer risk/reward profiles and priorities?
- Is service complexity communicated to customers, do they perceive and value the benefit ; should service levels be reduced for customers that do not value them?

Decision Areas, KPIs and Insights for Customer Value

Cross-functional Illustration

The insights illustrated for the Customer Value driver relate to both strategic and tactical decisions. For example, as a book end to the market expansion strategy with a product introduction, did the company realize the expected value in terms of customer and product contribution? And, if not, how to and how quickly can the company apply a course correction to regain the profitability required.

Customer insights to generate the following insights improve the odds of making the right collaborative decisions across Sales, Marketing and Customer Service:

Pricing

- Can prices be further optimized by micro-segmentation with customized offerings that are less price-sensitive?
- How much price attrition occurs across different products, customers and channels and how effective is it in closing more or faster sales?

Sales tactics

- Are deal tactics such as discounts, rebates, incentives and promotions tailored to customer priorities and how well do they work?
- Are sales efforts well aligned with market, customer segment and profitability priorities and how effective is each?

Service value

- How many separate interactions and SG&A costs are required to manage a customer relationship pre and post sales?
- Is service complexity quantified and communicated to customers, do they perceive and value the benefit in terms of a premium or greater loyalty in return for higher execution capabilities?

Customer/product profitability

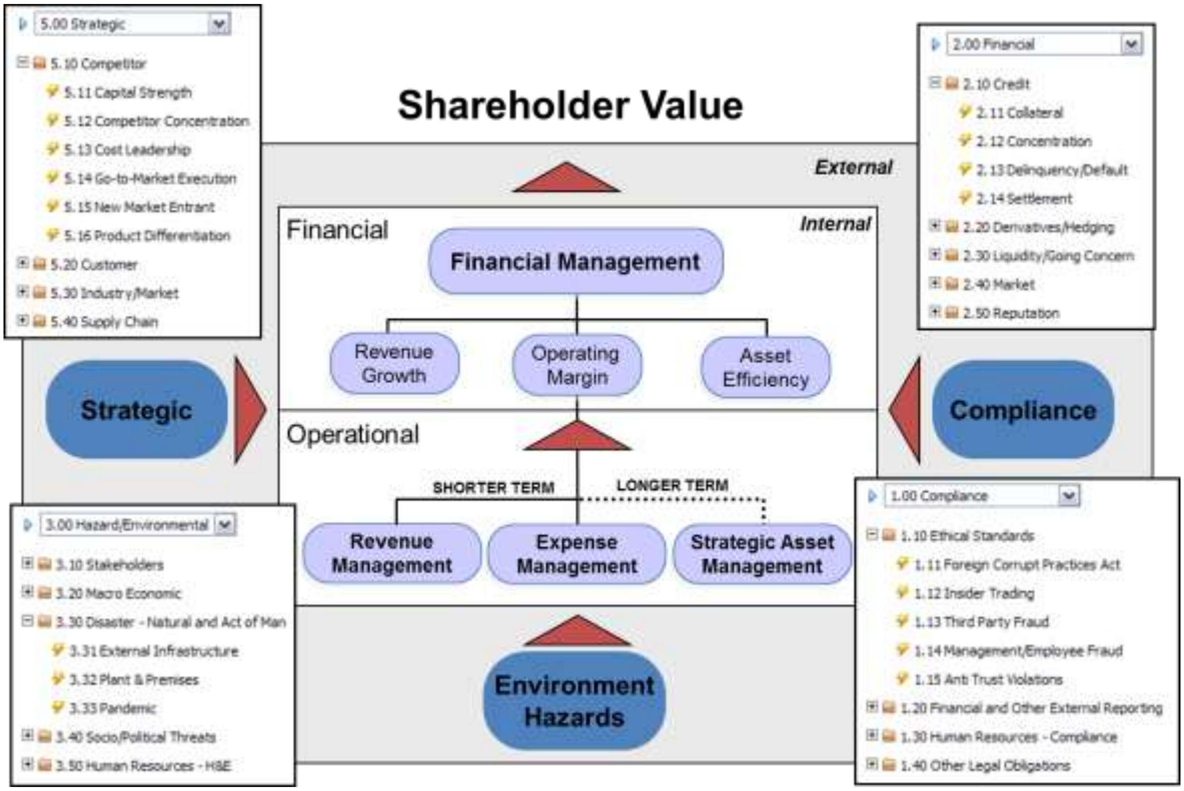
- What is the impact of cost-to-serve, in terms of selling and customer service time and costs, on customer/product profitability?
- Are larger customers by revenue also the more profitable ones and is there a significant variance in customer/product profitability by territory, segment and channel?

Customer Insights and Risk

At its core, Customer Risk Analytics requires an understanding of the decisions made within four functions – Customer Service, Marketing, Product Development, and Sales combined with an assessment of the necessary capabilities – the right people in well-designed processes leveraging technology to provide the necessary information - to execute on those decisions. Risks to making poor decisions are more likely when information is lacking, inaccurate or untimely. Beyond that, how do the risks of failure aggregate if decisions are made in functional silos with limited or no collaboration with other functions that also impact Market Value, Customer Acquisition, Customer Retention or Customer Value? Risk aggregation addresses the sequential cause-and-effect nature of some decisions or the strategy setting impact of others. For example, in designing a new solution, the risks of not meeting a clear need or developing differentiation increases the less effectively Product Development can incorporate:

- Market research on new customer opportunities from Marketing
- Call center information accumulated by Customer Service
- Relationship activity information from Sales

Leveraging the insights gained in each functional area by coordinating the distribution of information to the appropriate individuals in their decision-making roles will go a long way to reducing the organization's risk profile. A greater challenge rests in an organization's ability to understand external considerations which could affect decisions and strategy.


5.00 Strategic
5.10 Competitor
5.11 Capital Strength
5.12 Competitor Concentration
5.13 Cost Leadership
5.14 Go-to-Market Execution
5.15 New Market Entrant
5.16 Product Differentiation
5.20 Customer
5.30 Industry/Market
5.40 Supply Chain
Shareholder Value
External
2.00 Financial
2.10 Credit
2.11 Collateral
2.12 Concentration
2.13 Delinquency/Default
2.14 Settlement
2.20 Derivatives/Hedging
2.30 Liquidity/Going Concern
2.40 Market
2.50 Reputation
Financial
Internal
Financial Management
Revenue Growth
Operating Margin
Asset Efficiency
Strategic
Compliance
Operational
SHORTER TERM
LONGER TERM
Revenue Management
Expense Management
Strategic Asset Management
3.00 Hazard/Environmental
3.10 Stakeholders
3.20 Macro Economic
3.30 Disaster - Natural and Act of Man
3.31 External Infrastructure
3.32 Plant & Premises
3.33 Pandemic
3.40 Socio/Political Threats
3.50 Human Resources - H&E
Environment Hazards
1.00 Compliance
1.10 Ethical Standards
1.11 Foreign Corrupt Practices Act
1.12 Insider Trading
1.13 Third Party Fraud
1.14 Management/Employee Fraud
1.15 Anti Trust Violations
1.20 Financial and Other External Reporting
1.30 Human Resources - Compliance
1.40 Other Legal Obligations

Analytics for Customer Insight

As illustrated here, the DecisionSpeed® Framework extends to include an ERM framework of 3 external and 2 internal risk categories. For instance, in determining the attractiveness of Market Opportunities, the marketing function needs to weigh the external strategic risks of:

- Competitor Concentration – are there already too many competitors in the overall market segment or too many in a particular geography?
- Customer Expectations – does the company understand what customers expect of it and its products?
- Industry Capacity – even if a favorable determination is made regarding competitor concentration, would it create, or add to, excess capacity, which could have a negative effect on prices and margins?
- Industry Maturity/Life Cycle – are there emerging threats, capabilities of competitors, and other conditions affecting the firm's industry which threaten the attractiveness or long-term viability of that industry?

Gaining visibility into the key risks in your business enables you to make risk-aware business decisions that optimize outcomes.

Summary

This paper continues an exploration of the evolving partnership between decision-makers in organizations worldwide and the people who provide them with better insights extracted from the big data that is continually following from a variety of new sources. It is a synthesis of a fascinating dialogue with successful organizations around the globe, refined into a body of best practices and roadmaps you can use to help understand, communicate and realize the promise of Smarter Analytics for your organization.

This paper contains roadmaps you can use to transform your organization by embedding analytics into critical processes, decisions and actions to drive insights that will enable you to outperform your peers. We hope your personal and business success drives our next iteration.

About the Authors

Roland Mosimann

Chief Executive Officer, AlignAlytics

Roland and Dr. Richard Connelly founded Business Intelligence International (now AlignAlytics) to develop winning solutions for business leaders worldwide. Today, Roland leads the company's focus to help companies increase performance and manage risk by using Alignment Analytics to enhance business analytics and bring together people, process, information and technology.

Roland was previously a member of the Executive Board of the World Economic Forum in Geneva, Switzerland, and a consultant with McKinsey & Company in Zurich.

He co-authored many books that continue to guide the industry, including The Multidimensional Manager: 24 Ways to Impact Your Bottom Line in 90 Days and the renowned series, The Performance Manager: Proven Strategies for Turning Information into Higher Business Performance.

Roland has an MBA from The Wharton School of the University of Pennsylvania and a BS in Economics from The London School of Economics.

About AlignAlytics™

AlignAlytics helps businesses improve performance by enabling enterprise-wide execution. Through the use of a dynamic alignment framework, AlignAlytics connects every functional area of an organization and manages the people, processes, technology, and information necessary to execute in a complex environment. Since 1995, AlignAlytics has been engaged by a global clientele across a variety of industries in developing analytic solutions, skills and capabilities to master insights and decisions that drive key outcomes.

Patrick Mosimann

Founding & Joint Managing Director, PMSI Consulting

Patrick Mosimann is the Founding Director of PMSI consulting with over 20 years of practical experience. He has intimate knowledge of BI solutions, predictive and advanced analytics, having delivered leadership and support to project teams over many years. Patrick brings a hands-on approach to client relationships integrating the business and IT perspective in the design of Analytics requirements. His industry experience ranges across a variety of sectors, including consumer goods, manufacturing, healthcare, banking and telecoms.

Patrick also has an MBA from The Wharton School of the University of Pennsylvania and a BS in Economics from The London School of Economics.

About PMSI (Practical Management Solutions & Insights)

PMSI is a management consulting firm specialising in Advanced Analytics and insight creation for strategic programmes across various industry sectors. PMSI accelerates effective BI development by producing rapid prototype analysis and "quick win" insights while validating analytic requirements. A "proof of concept" approach that leverages best-in-class data integration and proprietary analytical tools, minimises risk and lowers the cost of Analytics implementation. By demonstrating the "art of the possible" in analytics clients can feel confident about their BI investments.

Meg Dussault

Marketing Consultant

Meg started her marketing career 20 years ago, beginning with campaign management for a national communications carrier. She then moved to market development before moving to Cognos. With Cognos, she worked extensively with executives and decision makers in the Global 3500 to help define, shape and prioritize performance management solutions.

With the acquisition of Cognos by IBM, Meg moved to the IBM Business Analytics division with a global mandate as business unit executive focusing on market strategy and messaging.

She is now an independent consultant working with AlignAlytics.

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