Want Tangible ROI? Establish an Efficient Customer Intelligence Eco-system

Leslie Ament
Managing Partner, Hypatia Research & Consulting LLC
www.HypatiaResearch.com

CRMA National Conference 2008
August 25-27
Atlanta, Georgia

HYPATIA
RESEARCH & CONSULTING

Agenda

- Customer Intelligence Research & About Hypatia
- Why CI and not BI?
- Research Findings & Methodology
- Customer Intelligence Delivers High Value
- Customer Management & Business Intelligence: Teradata
- Customer Data Quality & Address Verification: Experian/QAS
- On-Demand Customer Management: Salesforce.com
- Customer Data Integration & Management: Dun & Bradstreet
- Summary
- Q & A

HYPATIA
RESEARCH & CONSULTING

About Hypatia Research, LLC

Accelerating Performance by Calculating Results™

Our Team: Ten senior analysts perform research on all aspects of customer information management that businesses leverage for customer insight & decision support in regards to:

- ♦ Market intelligence
- ♦ Vendor selection
- ♦ Operational improvements
- ♦ Industry best practices
- ♦ Benchmarks

We focus on the internal processes, service providers and enabling technologies organizations deploy in order to leverage this intelligence--and we benchmark industry performance.

Expertise: Our coverage areas include: CRM, Business Intelligence, Web Analytics, Marketing Automation, Database Marketing, and Customer Data Integration & Quality.

Results: In short, we investigate and assess return on investment for how customer insight and information is managed, analyzed and applied by businesses ranging from SMB's [<$50M] to billion dollar enterprises.

Who: Leslie Ament, Industry Analyst, and Managing Partner, Hypatia Research, LLC focuses on Customer Intelligence Management Processes and enabling technologies such as: CRM, Marketing Automation, Customer Data Management, Analytics & Business Intelligence.

What: Participated in the selection, business process management, customization criteria and project management of various customer management solutions for numerous organizations.

Where: Industry expertise encompasses Consumer Healthcare Products, Retail, Media, Professional Services, Supply & Demand Chain Analytics & Content Management software companies.

How:

- ♦ Practice Leader & Research Director Customer Intelligence, Harte-Hanks
- ♦ Arthur D. Little Management Consulting
- ♦ Oracle: Demantra, Inc.
- ♦ Banta Corporation
- ♦ International Thomson Publishing
- ♦ Carnegie Hall

HYPATIA
RESEARCH & CONSULTING

Who Was Hypatia?

Hypatia of Alexandria (c. 370-415AD), invented several scientific devices--the astrolabe, plane sphere, and hydroscope (hydrometer).

These instruments were used to **measure & calculate** the distance between planets, the position of visible stars at any time of the year, and the gravity of liquids respectively.

Hypatia was the first woman to make substantial contributions to the development of mathematics, astronomy & philosophy.
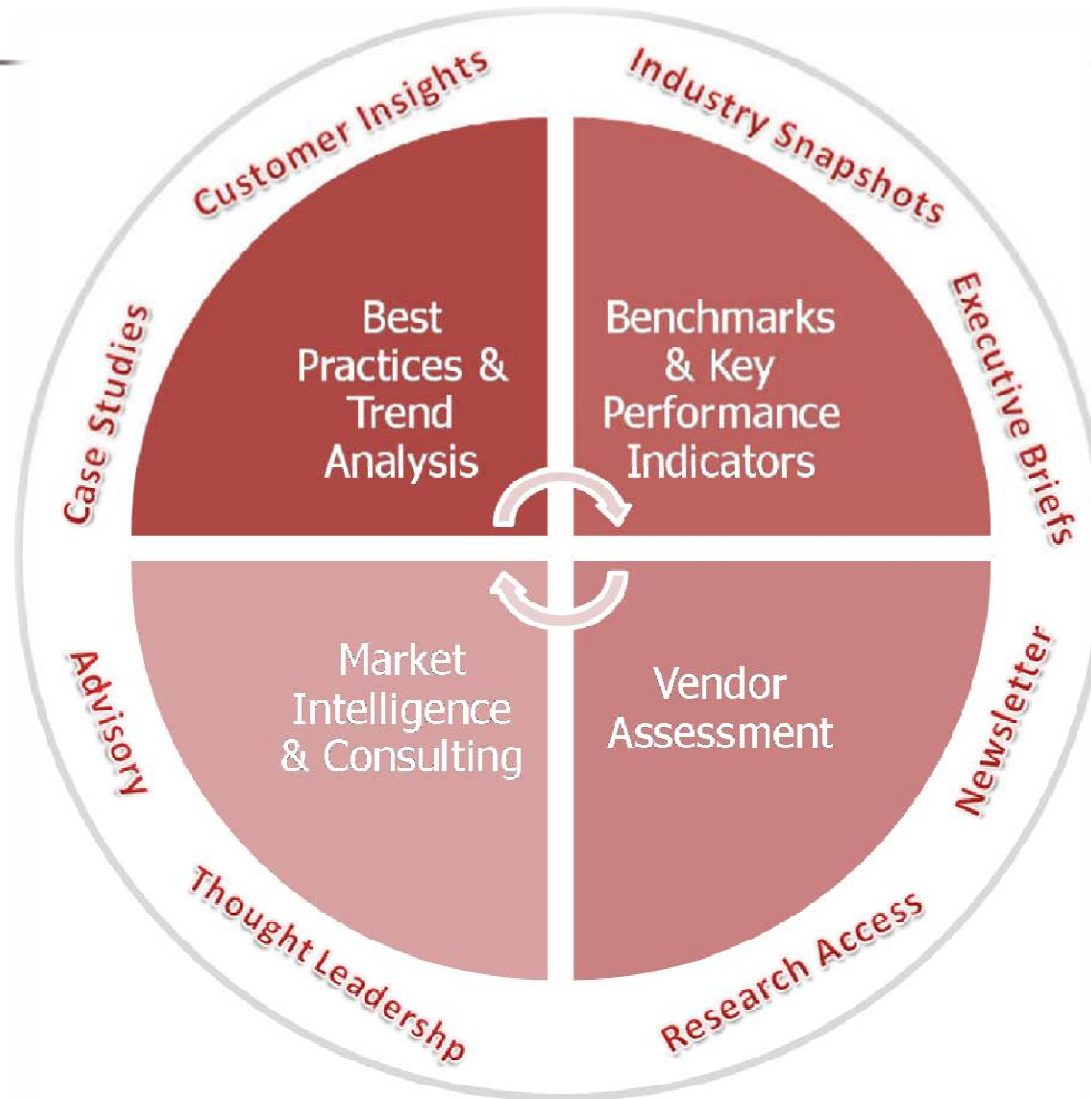
HYPATIA

www.hypatia-lovers.com

Like our namesake, Hypatia, we are committed to Calculating Results™ for our clients.

HYPATIA
RESEARCH & CONSULTING

Customer Intelligence Research Services:

Why CI and not Only BI▲?

"Customer Intelligence Management is defined as the *process of capturing, managing, analyzing and applying customer information* to enhance performance and to accelerate growth."

--Hypatia Research, LLC.

▲ BI is a subset of CI that provides operational decision support, data/text mining and predictive analytics.

HYPATIA
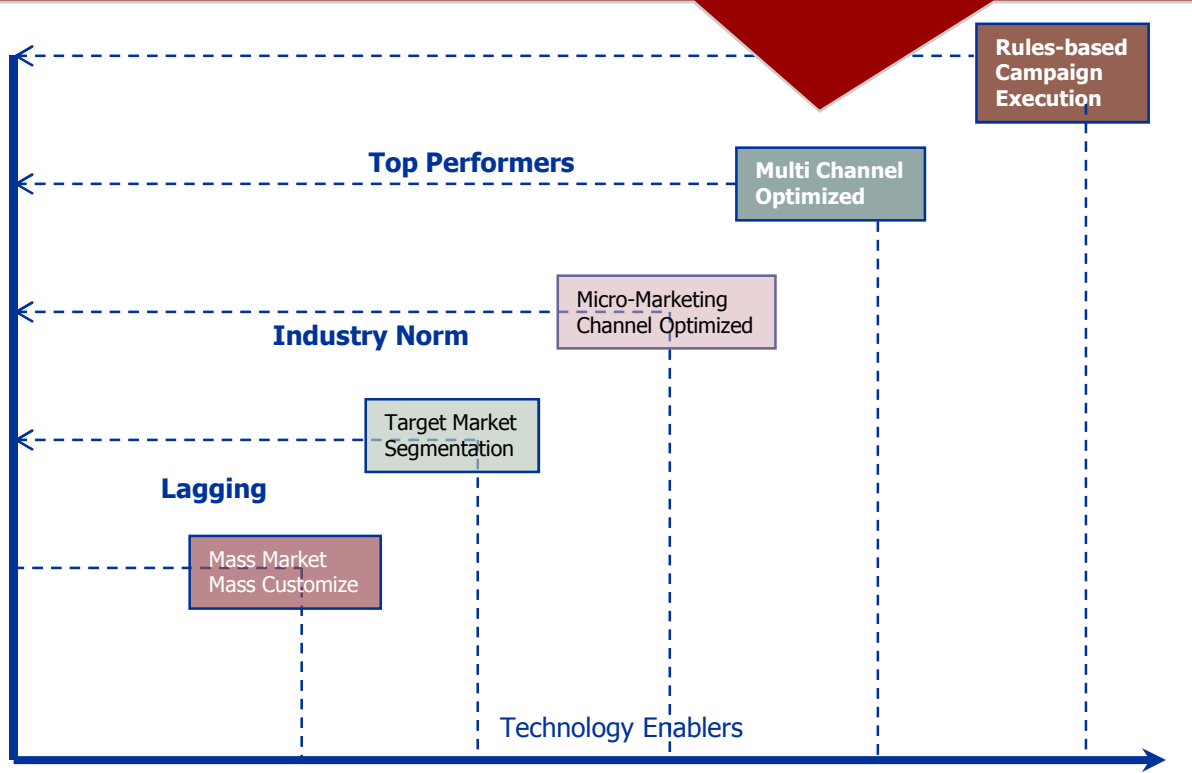RESEARCH & CONSULTING

Business Valuation Research Methodology

- Surveyed and benchmarked >800 enterprises
- 74% of Top Performers focus on CI as a strategic initiative:
  - Creating a culture of customer-centricity
  - Understand & respond to high value customers
  - >15% Y/Y performance improvement in key metrics
    - Annual increase in revenues
    - Reduction in operational costs / ROMI
    - Increase in customer retention / acquisition rates
- Case Studies: In each of these categories:
  - Capture Customer Data
  - Manage Customer Data
  - Analyze Customer Data
  - Apply Customer Intelligence

HYPATIA
RESEARCH & CONSULTING

Integration, Sophistication & Speed Expands Performance

{CRM + Data Integration/Quality + BI} x CI = >ROI

Return on Marketing Investment	Customer Retention Rate	Customer Acquisition Rate
51%	76%	49%
36%	60%	45%
37%	45%	39%

Percent of Companies Reporting >15% Y/Y Improvement in Performance [>600 enterprises]

Top Performers

Industry Norm

Lagging

Rules-based Campaign Execution

Multi Channel Optimized

Micro-Marketing Channel Optimized

Target Market Segmentation

Mass Market Mass Customize

Technology Enablers

Spread-sheets & Data-marts   **CRM/SFA**   **Front/Back Integration**   **Business Intelligence**   **Real-time Integration**

HYPATIA
RESEARCH & CONSULTING

Use of Customer Intelligence Delivers Tangible Value

- Annual increase in revenues

- Increase in share of wallet captured

- Cycle-time reductions: product enhancement / innovation

- Improvement in customer retention / acquisition rates

- Reduction in operational costs

- Improvements in customer profitability

HYPATIA
RESEARCH & CONSULTING

CRMA Speaker Abstract

John Timmerman
Global Marketing Director

Teradata Corporation
Customer Management Solutions

TERADATA

Raising Intelligence

Who is John Timmerman?

- John Timmerman, Global Marketing Director, Teradata Corporation (803-361-6303, john.timmerman@teradata.com):
  Primarily responsible for marketing Teradata Customer Management Solutions to the global markets where Teradata operates. Which means:
  - > I'm involved in strategy development.
  - > I'm involved in competitive analysis.
  - > I'm involved in new product development.
  - > I'm involved in the creation of sales materials for the solutions that we sell (brochures, presentations, white papers, demonstrations).
  - > I do a lot of sales training, product webinars, trade shows and customer consulting engagements.
  - > I spend a lot of time on an airplane.

TERADATA
Raising Intelligence

Who is Teradata?

- Teradata Corporation (NYSE: TDC) is the global leader in data warehousing and analytic technologies that make smart companies smarter.

- Teradata provides the most knowledgeable and experienced consulting professionals, highest performing technology, industry-leading innovation, and a world-class network of customers and partners to make faster, smarter decisions that give our customers a decided competitive advantage.

TERADATA
Raising Intelligence

Teradata Customer Management Solutions "Offers and Products"

- Customer database, data-mart, data-warehouse

- Customer Analysis

- Campaign Management

- Event-based Marketing

- Offer Management

- Inbound Marketing

- e-Marketing (email and Web)

- Mobile Marketing

- Marketing Resource Management

TERADATA
Raising Intelligence

Teradata Customer Management Solutions: Reference Examples

- European Retail Banker: Extending customer insight with risk data
  - > Leveraging profitability data to provide better service to high-value customers
  - > Improved cross channel utilization
  - > Over 600 campaigns per year
  - > Over 1 million ongoing campaign offers at any moment

- International Financial Services Firm: Customer Lifecycle Management and Event Based Marketing
  - > Needed to deploy enterprise customer lifecycle management processes and customer insight to Credit Card business unit.
  - > Greater than $17 million in profit attributed to better acquisition insight, improved strategies for managing extended credit lines.
  - > Delinquency tracking process efficiency savings of over $7 million.

TERADATA
Raising Intelligence

CRMA Conference Presentation

Chris Williams, Vice President, Client and Technical Services

Chris Williams – VP, Client and Technical Services

Current Responsibilities
- QAS Technical Operations, Product Management, Sales School

Additional / Previous Experian Background
- Joined QAS in Jan 2004 as Technical Manager
- Fall 2004 assumed leadership of Customer Management
- Fall 2005 assumed leadership of Product Management
- Spring 2006 Launched billable professional services operation
- Spring 2007 assumed leadership of Sales School

About Experian QAS

- Customer data quality software and services provider
- Experian QAS products capture, validate, cleanse, standardize and enrich customer contact information
  - Address
  - Name
  - Piloting email and phone number product
- An Experian company – Acquired QAS in 2004
  - $1.3B information, analytical and marketing services company
  - London Stock Exchange: EXPN
- QAS Group – Founded in UK 1990
  - $131M in revenue in FY2008
  - 500 employees in 7 countries
  - 11,000 customers worldwide
- QAS - North America – First US office in 2001
  - $17.6M in revenue in FY2008
  - More than 100 employees
  - More than 1,300 customers

Experian QAS Solutions

QAS Pro	Point-of-entry validation, cleansing and standardization of important contact information such as name and address.
QAS Pro Web	Point-of-entry address validation on web sites and intranets.
QAS Names	Verifies a person at an address and spell their name correctly on entry.
QAS Batch	Back-end CASS certified batch engine for cleansing, completing and verifying addresses in existing databases.
matchIT	De-duplication and list suppression tool.
QAS Professional Services	Training, deployment, consulting and bureau services.

Health System Use Case

Saint Clare's Health System

Problem	Experian QAS Solution	Results
▪ Data errors originating in patient access were propagating downstream ▪ Leaving money on the table ▪ Patient access was not always able to immediately contact patients with test results, follow-up	▪ Viewed Experian QAS as an opportunity to make sure we were getting valid addresses from the start ▪ Rolled out across all campuses incrementally ▪ Trained key employees	▪ Bills received by people who will pay them ▪ Improved clinical correspondence ▪ Based on early estimates, ROI on Experian QAS purchase point was achieved after 60-90 days of deployment

Finance Use Case

Hastings Mutual Insurance Company
www.hastingsmutual.com

Problem	Experian QAS Solution	Results
▪ Many incorrect addresses where entered into the company's system causing productivity problems ▪ Bad addresses where damaging customer retention ▪ Extra labor, postage, and printing costs related to incorrect addresses topped $80,000 annually	▪ Company added QAS Pro and QAS Pro Web to all point-of-entry locations ▪ QAS Pro worked within the company's mainframe so no changes where made to there business processes or systems ▪ High adoption rate by staff	▪ Company was able to reduce incorrect addresses from 20 percent to less than 3 percent ▪ Employees saved time and productivity was boosted ▪ Enhanced customer service
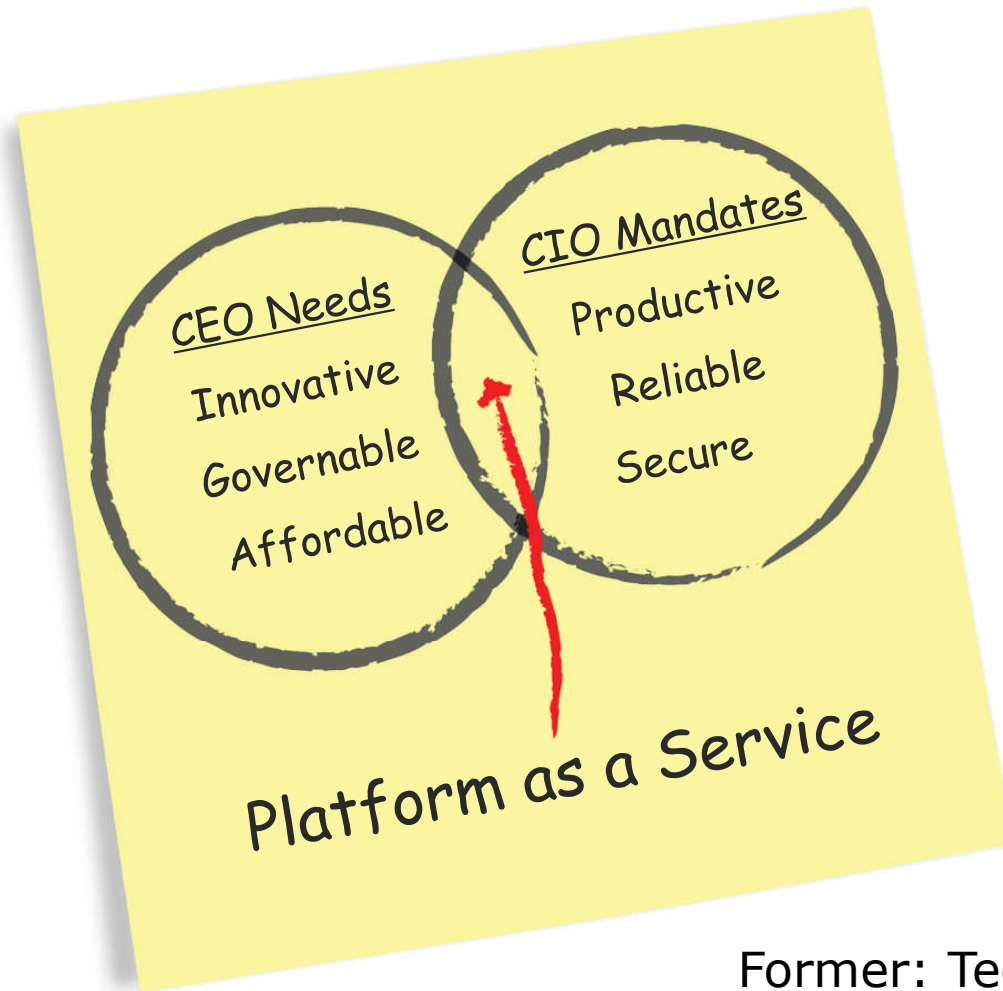
Peter Coffee
Director, Competitive Intelligence
salesforce.com

Former: Technology Editor, *eWEEK* & *PC Week*

Current: Building enterprise/entrepreneurial community on the Force.com PaaS

Contact: pcoffee@salesforce.com
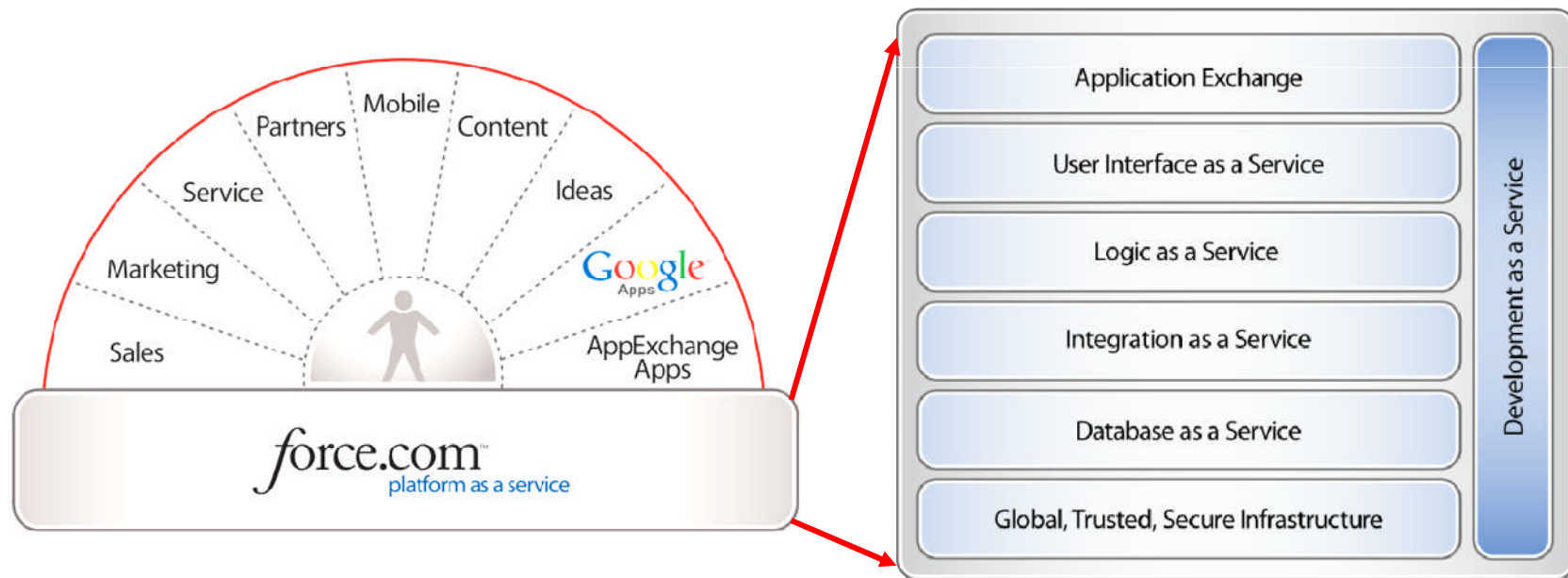
What we do @ salesforce.com

- Propel customer success with Software as a Service

Customer and partner relationship management

Sales force automation

Community creation with Content and Ideas

- Enable innovative developers with Platform as a Service
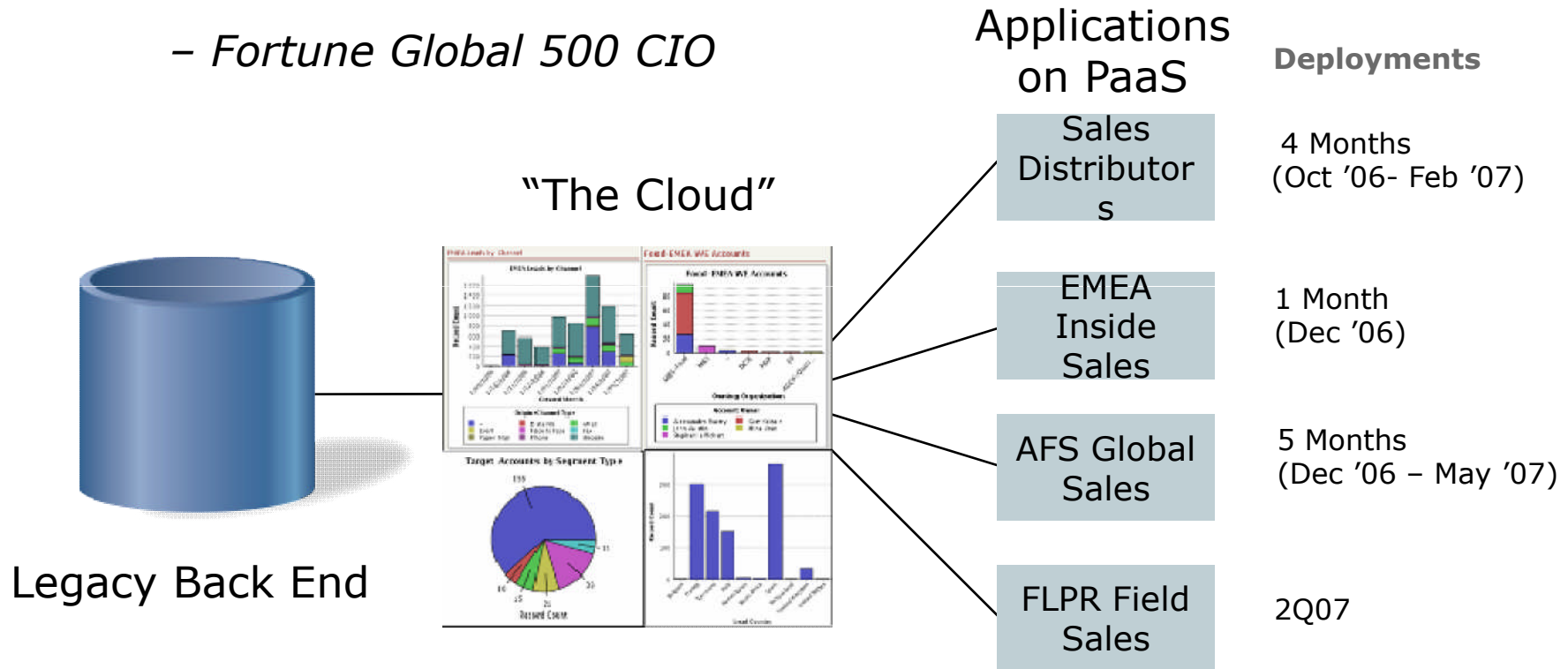
Key to this conversation: integration

- Intelligence ecosystems exemplify Metcalfe's Law: value proportional to the square of the number of complementary information resources

- A service need not be a silo: explore and evaluate integration options

Ecosystems arise from legacy leverage

"This is process lite. It gives my business users what they want, a unique app for each sales team, fundamentally reflecting their own personality."

– Fortune Global 500 CIO

Applications on PaaS

"The Cloud"

Legacy Back End

Applications on PaaS	Deployments
Sales Distributors	4 Months (Oct '06- Feb '07)
EMEA Inside Sales	1 Month (Dec '06)
AFS Global Sales	5 Months (Dec '06 – May '07)
FLPR Field Sales	2Q07

salesforce.com

KELLY SERVICES

- Operations in 27 countries on 5 continents

- High staff turnover impaired historical data collection

- Kelly Financial Resources, Kelly Engineering Resources, and Kelly Law Registry standardized on common SaaS foundation

- Operational benefits

  – Anytime/anywhere access

  – Opportunities tied to parent accounts

  – Full sales history documented on every account despite turnover

  – Multi-language, multi-currency capabilities provided by Force.com platform

salesforce.com

NO SOFTWARE

"Benefits of Establishing a Successful Customer Intelligence Ecosystem"

CRMA National Conference Customer Intelligence Panel

Catherine Pedersen
Director, Product Marketing
Purisma/Dun & Bradstreet

Introduce Myself

Catherine Pedersen is the Director of Product Marketing for Purisma - a D&B company focused on helping companies use customer insight to drive revenue.

Before this Catherine worked at Business Objects and for several years consulted with the Corporate Relationship Marketing group at Microsoft.

Previously her focus was Customer Relationship Marketing and database analytics for Banking and Investment Management firms.

Dun & Bradstreet is the world's leading source of commercial information and insight enabling customers to Decide with Confidence for over 166 years.

The Purisma Data Hub™ from D&B is a Master Data Management (MDM) solution for enterprises looking to rapidly solve data quality and integration problems in response to specific business initiatives.

The Purisma Data Hub creates an accurate, master version of every identified entity, flexibly organizes all identities into hierarchies tailored for each business user, and synchronizes this information across the enterprise.

Marketers Own the Customer Management Agenda

- Marketers should team with internal IT and vendor partners to architect customer information for competitive advantage.

- How do you do this?
  - ➢ *Customer Information Integration*
  - ➢ *Customer Insights*
  - ➢ *Insights Operationalization*

- Use the **Customer Management Maturity Model** at the end of my presentation to assess your current capabilities and set a vision for the future of your organization.

Start where you are and drive improved capabilities!

D&B
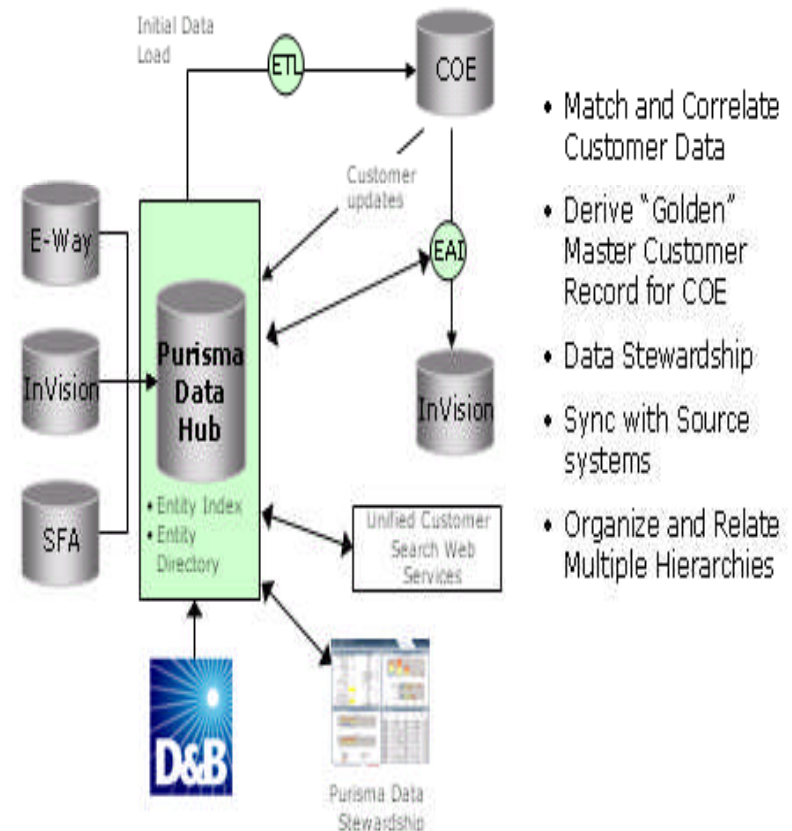
Decide with Confidence

"Increase sales & customer satisfaction and decrease costs by accelerating the discovery and display of customer information"

Company

- Global supplier of business products and services, with approx $5b in sales in North America. Operating from more than 350 locations in 21 countries.

- Largest contract stationer without a retail presence. One-stop shopping on the web with next day delivery. Over $6 million orders/day & 300 order lines/minute.

Benefits Realized

- Increased sales from targeted product placement based on customer behavior and historical buying practices and tailored marketing promotions for individual accounts and customers.

- Increased customer satisfaction from improved, more personalized customer service and easier web check-out.

- Saving $500,000 for every 30 seconds eliminated from search activities by Customer Advisors and $1.3 million by eliminating order line entries.

Customer Intelligence Case Study #2

"Transition from a distribution company to a more customer-focused Fortune 20 company making healthcare safer and more productive."

Company

- One of the largest distributors of pharmaceuticals and medical supplies.

- The company develops market-leading technologies and distributes approx 1/3 of pharmaceuticals prescribed in the US and products used in 50% of all surgeries.

Benefits Realized

- Combined seven acquired companies into two lines of business.

- Well defined customer data ownership.

- Increased demand for customer intelligence and funding for "MDM" services.
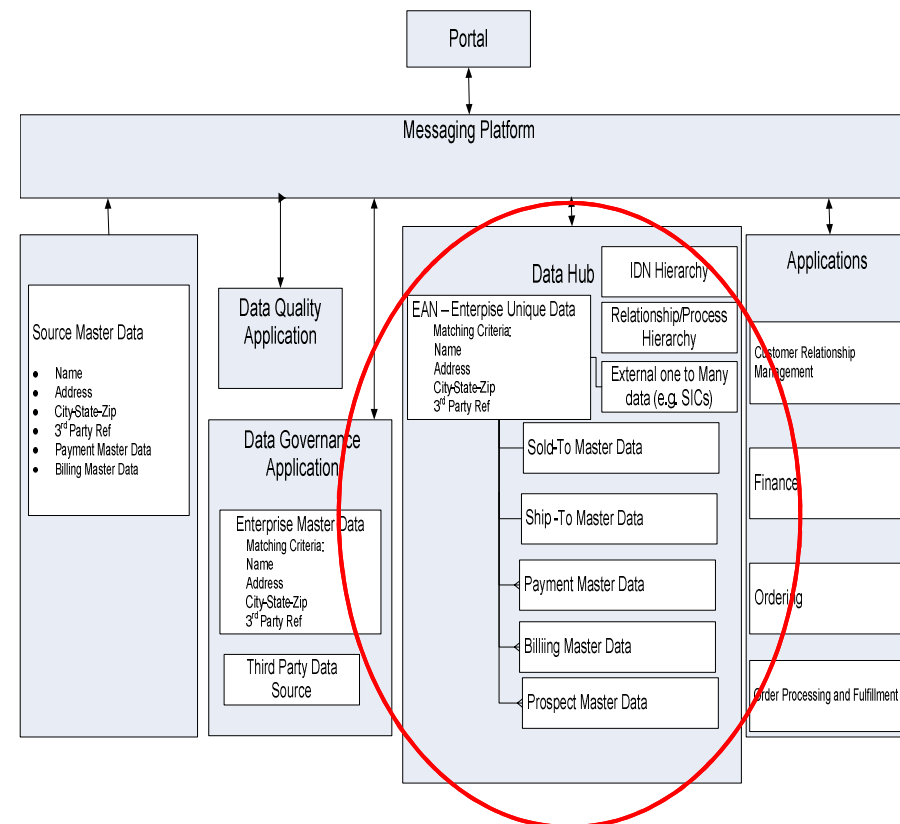
Set a vision for the future of your organization!

D&B
Decide with Confidence

Customer Management Maturity Model➔ Start where you are and drive improved capabilities

	Basic	Foundational	Advanced	Distinctive
Customer Information Integration	• Manual data clean up	• Periodic batch processes to clean up data	• Online search, lookup, validation rules applied at appropriate tiers	• Data quality maintenance using vendors or periodic data feeds
	• No 360˚ view of customer	• Common IDs established for 360˚ view loosely coupled	• Automated integration of IDs for 360˚ view delivered via batch CDI	• Central system for ID management via real time CDI
	• Customer changes posted end-of-month	• Changes posted weekly	• Changes posted daily	• Changes posted immediately
	• No cross departmental data stewardship	• Data steward FTE	• Data stewardship change control board	• Business subject area owners enforce data policies
Customer Insights: Segmentation & Modeling	• Market/demographic segmentation only	• Behavioral segmentation	• Needs-based segmentation	• Micro and multi-level needs segmentation
	• Revenue-driven customer valuation	• Profit and/or proxy-based customer valuation	• Share of wallet analysis	• Unrealized value analysis
	• No use of predictive models	• Some proxy-based predictive model usage	• Segment or statistically based predictive models	• Complex predictive models for propensity scoring
Customer Insights Operationalization	• Ad-hoc measurement of marketing initiatives	• Campaign effectiveness evaluated at aggregate level	• All direct marketing efforts in all channels evaluated	• All marketing expenditures evaluated for ROI
	• Same service levels for all customers	• Differentiated service for valuable customers	• Differentiated service by customer segment	• Personalized service
	• No integration to front-office applications	• No production process to update insights	• Insights updated through periodic batch processes	• Real-time, rules-driven customer interactions
	• Manual processes for problem resolution	• Case management for problem resolution	• Automated case hand-off and tracking	• Enriched knowledge base for self-service fulfillment
	• No lead management system	• Leads manually distributed to channels	• Leads automatically generated and distributed	• Automated lead generation and tracking system

Q & A

- Name 2-3 challenges most often faced by your clients in attempting to create an efficient CI eco-system?

- What percentage of your clients utilize SaaS versus on-premise/enterprise CRM or BI software for customer management and analysis?

- How long does it typically take your clients to:
    - Select a vendor or solution provider?
    - Create a project / implementation plan?
    - Deploy an application / solution?
    - Attain tangible ROI or break-even?

- What percent of your clients take a phased approach versus a comprehensive deployment? [all at once]

- CRMA Attendees: How should we define Customer Intelligence Ecosystem?

Research Contact;

Leslie Ament

M: 617-230-0067

O: 781-861-9135

LAR@HypatiaResearch.com

Business Contact;

Zvi Ruder, PhD.

O: 781-861-9135

ZGR@HypatiaResearch.com

www.HypatiaResearch.com

HYPATIA
RESEARCH & CONSULTING