

Customer Analytics and the Art of the Possible With Big Data

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Big data challenges impact organizations of all sizes, but so do big data opportunities. By viewing information as an essential asset, organizations of all sizes can support their most important sales, marketing and customer service initiatives and drive business growth.

Key Challenges

- IT and business leaders often struggle to start using big data and advanced analytics to support key sales, marketing and customer service initiatives.
- The sheer volume, variety and velocity of customer data that exists is an overwhelming prospect for those responsible for information strategy and innovation as they explore new means of marketing, selling and supporting customers.

Recommendations

- Business analysts and data scientists should use rapid analytic modeling and simulation to meet small windows of opportunity when creating unique experiences for customers.
- Marketers should use new and hidden sources of information to match customers with a rationalized range of offerings, while at the same time developing new offerings and markets.
- IT and information management professionals must treat the great variety of customer data as an analytical opportunity, rather than feel overwhelmed by it.

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Introduction

By viewing information as a valuable company asset, almost any organization can discover new approaches to using big data and analytics to find new competitive advantages with CRM and customer experience initiatives.

There are many examples of companies of all sizes, in all industries and in all geographies, taking innovative approaches to the use of big data and analytics to support their most important sales, marketing and customer service initiatives. Many of these innovations do not come from traditional data warehouse and business intelligence efforts, but rather are born out of experimental, opportunistic situations related to big data.

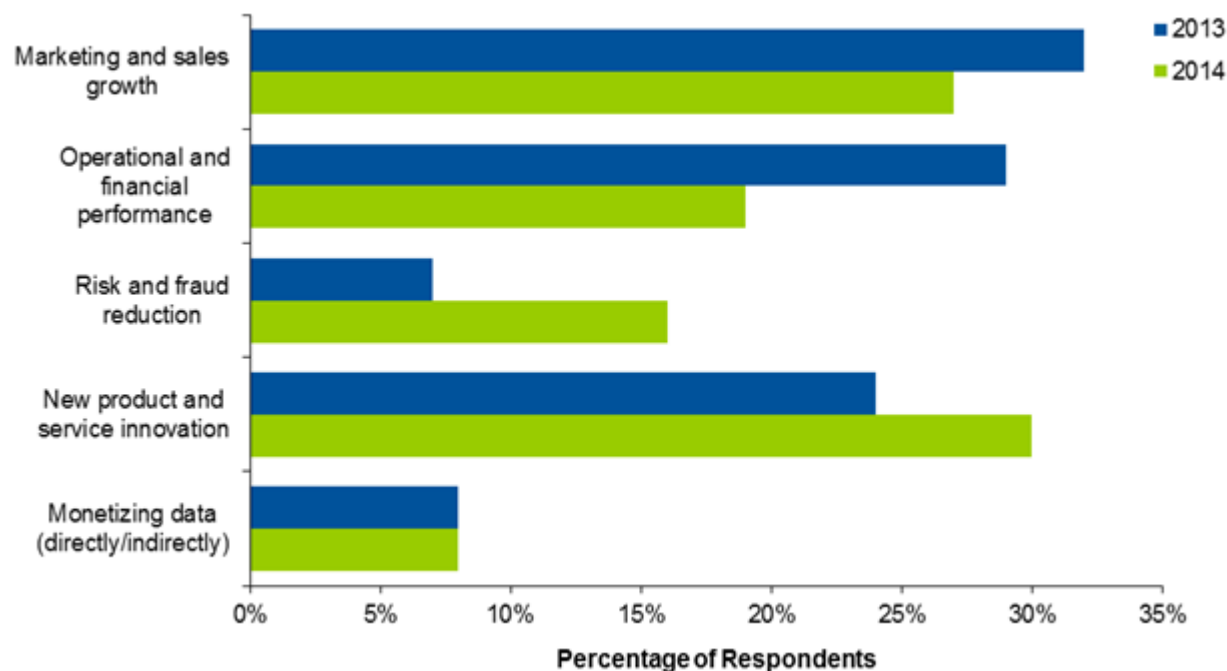
This report addresses some of the challenges organizations face when it comes to using big data and analytics to support sales, marketing and customer service initiatives and drive business growth. Three case studies look at organizations that are overcoming these challenges by harnessing the power of analytics to support the development of customer insight, along with decision marking.

Although the examples in this report come from different types of organization in a range of industries, each offers valuable general lessons. Review the best practices and adapt the lessons to fit your organization's and industry's CRM and customer experience initiatives.

Which Is the Biggest Opportunity for Big Data?

Figure 1 shows how business and IT professionals perceive which areas represent the greatest opportunities for big data. Although use of big data for direct customer-oriented activities such as sales and marketing remains high, big data is increasingly favored for new product and service development and indirect customer-oriented activities.

Figure 1. Which Is the Biggest Opportunity for Big Data?



Data from Gartner's Big Data Webinars, March 2013 and 2014

Source: Gartner (April 2014)

Analysis

Use Rapid Analytic Modeling and Simulation to Create Unique Experiences for Your Customers

In a real-time, personalized and mobile social and physical environment, customers offer a plethora of data points for organizations to use. By employing high-turnaround analytic modeling techniques, organizations can find new sales opportunities and create unique experiences for their customers.

The practice of identifying customers who are poised to purchase has its roots in the early days of data warehousing and event-triggered marketing. Today's great variety of big data on customers — demographic, behavioral and transactional information — can require capabilities beyond traditional data warehousing and business intelligence. In particular, "dark data" — that is, unused or underused data — is proving to be a popular "fuel" for advanced customer analytics.

Case Study

Story, a retail store in New York, U.S., gained unique insight into the customer experience by using an ordinary piece of technology. Working with a technology partner, Prism Skylabs, Story found a

way to exploit information that was already available through its in-store security cameras — technology that most retailers see as a cost center — to improve its sales, marketing and customer support experiences.

Problem: Story set out to create a new retail concept that would completely change its store layout every three to eight weeks. The idea was to model the store after a magazine, with a point of view that changes every few weeks to adapt to evolving trends, themes and fashions. Everything from the floor plan to the layout of the merchandise would be revamped to reflect a new "story."

Solution: Working with Prism, Story uses its in-store security cameras to create heat maps, which offer a view into the customer's experience. These maps analyze how customers move about the store and linger to examine merchandise, based on how the store is laid out. This enables staff and merchandise to be moved, based on what customers like.

Results: This analytically optimized approach has enabled Story to build an environment attractive to its clientele. Customers typically spend 40 minutes in Story, and during a three-week holiday period, Story saw 30% of its customers return to the store to make purchases.

Most retailers do not yet analyze their store floors as Story does, even though the barriers to doing so are hardly insurmountable. Story has shown how big data and analytics can help companies big and small reimagine the traditional retail space.

Match Customers With a Rationalized Range of Offerings, While Developing New Offerings and Markets

One of the most common uses of big data and analytics for sales and marketing is to match customers with relevant offers. To do this intelligently, organizations need sophisticated knowledge about customers and the characteristics of the products and services offered. Trends, customer tastes, needs and situations change over time, so data needs to be fresh and trends need to be appreciated. Analytics should not make too many suppositions, and ideally should predict the likelihood of offer acceptance, not just whether there is a good match.

Companies must also rationalize their offerings. Today, most companies can easily produce endless variations, configurations and options for any given product, which can cause issues in relation to manufacturing, parts inventory, availability, protracted sales cycles, delivery and service. Some companies have turned to solutions that rationalize/optimize product configurations to address these issues.

Case Study

Point Defiance Zoo & Aquarium (PDZA), a 29-acre zoo in Tacoma, Washington, U.S., uses customer analytics to support sales and marketing initiatives.

Problem: PDZA, a small organization with 80 full-time employees, wanted to improve its revenue.

Solution: PDZA chose to work with BrightStar Partners, an IBM business partner, for big data analytics. These technologies examine the patterns and behaviors of the zoo's 600,000 yearly visitors, giving it the ability to create more intelligently targeted campaigns for previous and

prospective members and visitors. For example, PDZA introduced an email-based promotional campaign aimed at people with expiring memberships. Thanks to the rapid creation and execution of personalized emails, the promotion achieved a 6% buy-in, double the number achieved by the zoo's traditional direct mail campaigns. PDZA's customer analysis provided insight that enabled it to provide customers with the right type of promotion at the right time.

Results: Since embracing new analytic technologies, PDZA has seen explosive growth in online ticket sales, which grew by over 700% in 2012, and by an additional 50% in 2013.

Treat the Great Variety of Customer Data as an Analytical Opportunity

Organizations need to be able to draw on all available customer data, not just a customer contact list.

Of Gartner's "3Vs" of big data (volume, velocity, variety), the variety of data sources is seen by our clients as both the greatest challenge and the greatest opportunity. Using data from your own ERP, CRM and other internal applications, along with external sources such as mobile, social and Web channels, can give better insight into customers and help an organization build customer relationships more effectively.

Case Study

Southern States Cooperative, one of the largest farmer-owned cooperatives in the U.S., adopted a predictive modeling approach for direct mail, and the results were immediate. It discovered it could reduce the number of catalogs by 63%, while improving the response rate by 34%.

Problem: Southern States has thousands of agricultural products, 1,200 retail locations and 300,000 farms across 23 states. It had been struggling with data in multiple systems, complex and competing analytic platforms, and the need to make the most of available staff.

In 2012, Southern States' direct mail campaign was conducted in the same way as in previous years. The results were in line with previous years' campaigns, with a redemption rate of 3% and a marketing ROI of -39%. Ultimately, this cost Southern States more than the incremental margins generated, and the cooperative knew this was not good enough. It decided it needed a complete picture of its customers and how best to serve them.

Solution: The cooperative did not have a sophisticated approach to determining to whom catalogs and promotions should be mailed, but by partnering with Alteryx, an analytics vendor, it was able to optimize its marketing activities continually. Alteryx provided sophisticated optimization and spatial analytics without writing any code or exporting or importing data.

Results: In 2013, Southern States conducted the same direct mail campaign using the predictive modeling approach. The results were dramatically different, with a redemption rate of 10% and an ROI of 59%. During the past quarter alone, Southern States undertook eight direct-mail campaigns (all modeled), with an average marketing ROI of 186%.

Following the success of its direct-mail campaigns, Southern States has deployed analytics applications throughout its organization to help it make better business decisions.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Improving the Value of Customer Data Through Applied Infonomics"

"Predicts 2014: Innovating With Information Will Demand New Data, Organizations and Ideas"

"How Organizations Can Monetize Customer Data"

"Toolkit: Big Data Business Opportunities From Over 100 Use Cases"

"Drive Value From Big Data Through Six Emerging Best Practices"

More on This Topic

This is part of an in-depth collection of research. See the collection:

- How to Increase Your Customer Analytics Capabilities to Use Customer Data as a Currency

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