The Enterprise Guide to Customer Intelligence

How companies can embrace new, customer-centric strategies, data sources and tools to succeed in the era of the empowered customer

By Tyler Douglas
Illustrations by Doublenaut
There was a time when the slow and methodical methods of market research were the only way companies had to understand their customers, and customers had to provide feedback to companies. Market researchers worked in isolation from the rest of the company: they conducted surveys, often by phone or in person,
analyzed the results and presented reports to executives. Their research was thorough and exacting, but it was slow, expensive, didn’t engage large groups of customers, and seldom provided actionable insight.

That day is now over. Social media gave customers a powerful voice, and companies were left scrambling to adapt—to be able both to respond but also to take advantage of these new sources of feedback. At the same time, companies have been able to collect great amounts of transactional data on their customers.

The job of collecting and analyzing information about customers has spread beyond market research, and is conducted in several departments within an organization: in customer experience, in innovation, in marketing. Understanding customers is now everyone’s job.
THE RISE OF THE EMPOWERED CUSTOMER

The balance of power has shifted from companies to their customers. Customers, through their mobile devices, have constant access to a world of information about both your company and your competitors, and they’re putting all that information to use. Social media and online review sites give them a megaphone to broadcast their feelings about brands—positive and negative. Those voices have an impact. In a 2013 study from Dimensional Research, 90 percent of people who read online reviews said that their
purchasing decisions had been influenced by positive reviews, while 86 percent said they were swayed by negative reviews.

The empowered customer is more demanding and less loyal. “Brands have never been more fragile,” James Surowiecki, a business and financial journalist for The New Yorker, wrote in 2014. “The reason is simple: consumers are supremely well informed and far more likely to investigate the real value of products than to rely on logos.” Customers no longer rely on a brand’s reputation to gauge the value of a product. According to a 2013 study from Accenture, 40 percent of retail industry leaders cite Millennial’s lack of loyalty as their number one concern about that powerful generation. Rich with options, customers are also a fickle bunch. A 2010 Harris Interactive report found that 86 percent of customers won’t patronize a company after a bad experience.
If they’re unhappy with a product or an experience, customers will tell you so, and they will expect a response. Companies that neglect to engage with angry customers risk a public relations disaster. Just ask the marketing team at Starbucks, which encountered a backlash to a U.S. campaign that encouraged baristas to have conversations about race with customers who’d rather just pay for a coffee and get on with their day. Or ask Chip Wilson, who stepped down as chairman of Lululemon after he prompted public fury by insinuating that overweight customers were to blame for a flaw in a line of yoga pants. As Mark Cuban has said, “Treat your customers like they own you. Because they do.”
In the age of the empowered customer, companies must move beyond traditional market research. Their challenge is to harness intelligence about their customers more quickly and comprehensively. By understanding the empowered customer, a company can make effective and intelligent business decisions.

**WHAT IS CUSTOMER INTELLIGENCE?**
Customer intelligence is about producing insight into customers that is not only smart but useful. To gather customer intelligence, a company must draw on data from multiple sources and analyze it at the speed of business. This intelligence tells decision-makers not just Who, What, When and Where, but Why. It’s the knowledge of why customers behave as they do—why they’re buying your product more than the next, why they’re abandoning your service, etc.—that allows companies to adapt
to meet customer demands. Good customer intelligence guides and advises leaders as they make real-world business decisions. The result is a holistic picture of customers that’s more about people than pie charts.

Customer intelligence is also crucially about action. It means using that insight to drive business decisions and measurable results.

THE DIFFERENCE BETWEEN DATA, INTELLIGENCE AND INSIGHT

Data is the raw material of information about customers. It can be biographical information like age and education level, a single response to a survey question or a discrete record of a single purchase. Data is essential but on its own largely useless—it’s backward-looking, and can’t predict how customers will behave. Context gives data meaning. For example, the fact that a customer bought product X twice this month is
uninteresting by itself. The fact that a customer brought product X twice this month but only once last month is more interesting. The fact that a 30-year-old customer with a master’s degree bought product X once last month and twice this month is more interesting still, and so on.

Intelligence is the holistic and flexible understanding of customers that comes from gathering, contextu-

alizing and analyzing data. Intelligence is data studied and scrutinized at the speed of business—in real time—to produce actionable insight. Customer intelligence means placing information into context, so we learn that our 30-year-old, grad-school-educated customer has recently moved into the neighborhood and has a young family.
Insight is the deep understanding of customers that comes from gathering, analyzing and synthesizing customer intelligence. Insight goes beyond the Who, What, When and Where to tell us Why customers behave as they do, guiding better business decisions and delivering results.

Arriving at insight means learning that our well-educated, 30-year-old customer with a young family is shopping with us because Product X is diapers and the young family includes a baby. We learn that the family is also buying a competitor’s diapers sometimes because they’re a little cheaper and the family is on a tight budget after a move into a new house. Perhaps we decide to build loyalty between this customer and our brand by offering coupons for our diapers to lower their cost and help the family through a financially difficult time.
A Guide to Data Sources

Finding valuable information within a surplus of data isn’t a new challenge. In a 1963 paper “Informal Sociology: A Casual Introduction to Sociological Thinking,” the sociologist Bruce Cameron addressed the peculiar challenges involved in drawing insight from data about human beings. He lamented that economists, with their streams of automated data, can easily run numbers through a computer to produce charts and graphs. Sociologists, on the other hand, work with various types of
data, some of which can be automated and some of which can’t. As scientists who study the most complex organism in the known universe, sociologists are faced with impossibly large amounts of different kinds of data, and the challenge they face is sorting through it to find what’s useful. “Not everything that can be counted counts,” Cameron wrote, “and not everything that counts can be counted.”

Cameron’s insight has never been more true than today. In this age of Big Data, constant connectivity and digitized everything, companies have more data to work with than ever before. But more data doesn’t necessarily mean better data: not all data is created equal. The challenge today is finding the right tools to draw the right insight from the right kinds of data. In the following pages, we examine and evaluate the most common methods to gather data on your customers.
FOCUS GROUPS

In a traditional focus group, a small batch of pre-screened participants—usually between six and 10—is asked questions about a product or service in an open-ended, informal way by a group leader. Companies might use focus groups to anticipate trends in shopping patterns, gauge reactions to a movie trailer or a political speech, or test out a new marketing strategy. Participants in a focus group can come from a wide variety of sources; they can be recruited while walking in a shopping center or across a college campus, found through advertisements in a newspaper or website, or researchers may have a pool of participants who regularly participate.

Most, but not all, focus group participants are paid, typically between $50 to $100 per session. Sometimes people may take part in a focus group to earn a few extra bucks or another
reward, like a coupon, but others take part simply to give their opinion, to help shape a product, brand, or even a political message. One advantage of the old-school focus group is how participants are preselected based on particular demographic criteria or other characteristics desired by the researcher. Knowing who participants are and where they are coming from gives researchers vital information they need to put responses into context.

The traditional focus group also allows participants to learn from each other’s responses to questions and sharpen their own views, while simultaneously giving the interviewer the chance to drill down deeper on particularly...
interesting responses, or in order to clarify an unclear response.

The primary drawback of the traditional focus group is that the number of participants is inherently limited, since a group of people must meet at the same time in the same place. Fewer voices means less diversity of opinion, fewer people identifying problems, fewer people searching for solutions, and so on. Focus groups can also suffer from a phenomenon psychologists call groupthink, in which strange or irrational ideas can emerge as a result of the tendency of people in groups to minimize conflict by tending toward conformity. Getting groups of people together in one place to conduct a focus group can be costly, and, in light of competition from online surveys and virtual focus groups, since the early 2000s thought leaders in market research have been predicting the end of the traditional focus group.
SURVEYS

Surveys, in which responses to a questionnaire are collected from a set of people, have had a long life in the world of market research. In the 1930s, psychologist and pioneering market researcher Daniel Starch began surveying magazine readers to gauge the effectiveness of advertisements, and the survey has had a prominent place in the field ever since. The lowered cost of conducting surveys over the Internet made online surveys increasingly popular with businesses in the 2000s. But the survey’s usefulness is severely limited, and in ways that are making them increasingly ineffective.

The biggest drawback of surveys for today’s customer-centric companies is that they provide online ad-hoc surveys are increasingly popular but inherently impersonal, providing feedback from an unknown group of people.
the opinions and information of an unknown group of people. Ad-hoc surveys—or surveys conducted once for a single purpose—are inherently impersonal. Because you’re dealing with a new group of respondents with each survey, the surveyor must begin questionnaires with onerous biographical questions that are needed to make sense of responses.

Front-loading biographical questions means it takes more time for a respondent to get to a survey’s non-biographical queries—if they even get to those questions before giving up. In recent years, attention spans have grown shorter—the average American attention span dropped from 13 seconds in 2000 to eight seconds in 2013, according to the National Center for Biotechnology Information—and as a result the quality of responses in a survey falls off fast. Often, by the time a respondent has made it through bio questions,
the remaining responses—the meat of the survey—are next to worthless.

Surveys are slow—even when they’re conducted online. It takes time to collect enough responses to make a survey worthwhile. An analysis of response times by the online survey company Survey Monkey found that, though a majority of responses come in within two days of a survey’s release, response times taper off fast and it can take up to a week before 80 percent of responses come in. (The company recommends that after conducting a survey you wait seven days before running any significant analysis of findings.)

It’s impossible to tell precisely how many surveys companies are sending to customers,
but the available evidence suggests the number isn’t trivial. According to The New York Times, the small company Mindshare Technologies, which conducts electronic surveys on behalf of companies, says it completes about 60 million surveys a year. Customers certainly seem to feel inundated with annoying survey requests, because response rates are plummeting.

Even the social sciences have been affected by falling survey response rates—between 1997 and 2014, response rates to surveys deployed by the Pew Research Center dropped by about two-thirds, to just nine percent. Falling response rates mean samples that are less representative of the population as a whole. The market research thought leader Ray Poynter predicts that the survey as we know it is destined for obsolescence in the next 10 years.
CRM

Customer Relationship Management provides transactional data that tells you how often your customers are interacting with your business. CRM data can tell a company how often customers buy your product and how much they’re spending in your store, and it can help reveal long-term trends tracking—whether the frequency of complaints is going up or going down. Done properly, CRM data collection also includes inbound communications from customers, like complaints and calls to customer support teams.

Traditionally, the division of a company that runs its CRM system has been separate from market researchers. This wall began...
to crack in the early 2000s, with the advent of do-it-yourself online surveying software. By making CRM databases available to the people conducting market research, companies reduced surveying costs immensely.

CRM data can tell us a lot but alone it can be deceptive. For instance, CRM data can't tell you how often your customers are buying your competitors products or how much they're spending in other stores. A 2014 study from McKinsey & Company found that, for many retailers, the top 20 percent of customers by spend are just as likely to shop with a competitor. In other words, high spending customers are high spending across the board; through the lens of CRM alone these customers appear loyal, but they aren’t.

“Retailers are losing millions because their loyalty spend is being allocated to customers who aren’t loyal,” says Scott Cameron, a partner
at McKinsey & Company, “and other marketing spend is not targeting customers effectively.” A study from Forrester Research found that a customer’s emotions—a type of information about customers that CRM data is incapable of fully capturing—influence loyalty even more than the ease and effectiveness of a product.

Another concern: CRM data is inherently historical. It can tell you that your customers are buying your products, but not why they buy them or give you the insight to confidently predict how they’ll behave in the future. And it can’t tell you about the business they’re doing with your competitors, or why complaints about your product are going up, or going down.
BIG DATA
By the late 1990s, computer scientists and theorists were talking about the rise of Big Data—information gathered in such large quantities that analyzing it requires more computing power and personnel than most companies had at hand.

Big Data provides an extra-large window into the minds of customers. Companies are gathering information with every swipe of a credit card, response on a census form, even every step taken with geo-location enabled on the smart phones in our pockets. Yet only a tiny fraction of the data companies gather ever gets analyzed; in 2012, the Digital Universe study from the International Data Corporation found that only
a half of one percent of potentially useful Big Data ever gets analyzed.

The challenge businesses face now is not gathering up enough data, but collecting and curating the right data—they need to decide where to dig before they start digging. Smart companies use customer research tools to guide Big Data mining toward targeted and useful questions.

Even if Big Data analysis is able to tell you Who, What, When and Where, it will never be able to fully tell you Why. Consider, for instance, the leisure habits of Millennial Americans. Big Data tells us clearly that the things younger Americans eat, drink and do for fun change significantly in the year after they graduate from university. But the pieces of information Big Data offers, like the fact that young people tend to switch to drinking more wine after college, can’t tell us why they
do so. Is it simply that college grads are finally making some money and able to afford wine over cheap beer? Or does the context of the drinking—at a cocktail lounge rather than a frat party, for example—guide their decision-making? Perhaps the perceived social stature that comes with drinking wine has an influence over their buying habits—a piece of insight that would, if true, be quite useful to the marketing team at, say, a craft beer brewery.

Big Data can hint at the reasons people do things, but it can’t truly illuminate why people behave as they do. To find the patterns that reveal the Why behind behavior, companies need to combine Big Data with tools that deliver context and insight.
SOCIAL MEDIA ANALYTICS

The widespread popularity of social media presents companies with novel challenges and opportunities. Some companies have had success in monitoring social media for sales opportunities (if, for example, someone is complaining about a competitor’s product). And social media has become an important channel for responding to customer complaints; in a report from the social analytics firm Gleanster, 73 percent of top performing companies identified improving customer service as the second most important reason to monitor social media, surpassed only by benefits to marketing operations.

Monitoring social media activity for brand citations can help a company determine how much traction a marketing campaign is having, and keeping tabs on the content of social posts after the rollout of a new product can
help identify product problems early on. For example, Apple noticed shortly after the release of the iPhone 4 that its customers were having a problem using the device left handed; not the message the company wants to send to its left-handed fans.

But there are limitations to what companies can learn from the data collected through social media monitoring. As revealed in the 2014 Vision Critical report *What Social Media Analytics Can’t Tell You*, 85 percent of social posts come from just 29 percent of social media users. The vast majority of users simply don’t post as often, and their quieter voices get drowned out in the cacophony of social noise. The study also revealed that the most prolific third of social media
users has markedly different shopping habits from their less enthusiastic peers. Sentiment analysis via social media skews sharply toward a minority of users and is largely useless in gauging the thoughts and feelings of customers on the whole.

And it can be difficult to assign key demographic tags to social media posts, like the age or gender of a commenter. Without that information, putting the data harvested from social media monitoring into a usable context is next to impossible.

Social media monitoring analytics are inherently reactive: people post complaints about products and services, and companies can only monitor and respond. In that sense, social media analytics reflect the world as it is, not as it could be. Analyzing social posts can’t help brands test a new campaign idea or new product or service.
The New Way to Gather Customer Intelligence: Insight Communities

Today’s empowered customers are eager to tell companies what they want. Indeed, many customers expect to be consulted about products and marketing campaigns. Companies that don’t put empowered customers at the very heart of their business strategy will fail in the years to come. Empowered customers want to engage with companies, but they
want to do so on their terms and they want to be treated like real people, not faceless data points. The good news is that there's a way for companies to offer them exactly that. An insight community is a group of your customers, or even prospective customers, numbering in the thousands to hundreds of thousands who directly share with you what they think and feel and why they do what they do. Insight communities allow companies to engage with customers in a way that respects their individuality and their humanity, and which complements other data sources, like Big Data and social analytics.

Unlike ad hoc surveys, insight communities are comprised of customers who have opted in to give feedback. They've done so because they know that companies take seriously the high-quality feedback gathered through an insight community. The intimate nature of
the community allows companies to show participants how their feedback made an impact, reinforcing the knowledge that companies truly value the intelligence drawn from insight communities. In this sense, they build on the tradition set forth by focus groups, allowing companies to interact on an intimate, personal basis with customers but at a much larger scale.

Insight communities fill in the gaps left by other market research methods. By giving context to a response and giving the surveyor the chance to tweak questions or clarify a particular point, the insight community makes the survey—otherwise a sure-fire way to alienate customers and get
bad information—useful again. The free-flowing exchange facilitated by an insight community produces the insight needed to clarify questions Big Data can’t answer, by targeting the right data and ignoring the vast amounts of irrelevant data, to find the needle in the Big Data haystack. Insight communities go straight to the source—the customer—to find out why they behave as they do.

Because insight communities are built on long-term, meaningful relationships between brands and customers, companies know who they’re dealing with. Customer feedback through an insight community is created in a context that makes it instantly meaningful. And since customers develop long-lasting relationships with companies, they’re invested in the company’s long-term success and have an incentive to offer the kind of high-quality feedback that leads to actionable insight. With
a community of eager participants already in place to offer high-quality, timely feedback, insight communities are inherently quick and nimble, giving companies feedback at the speed of business. Questions to customers can be modified fast to reflect a brand’s changing needs.

Whether or not a company understands why customers think, feel or behave a certain way will determine whether or not it survives today and in the future. Insight communities built on deep and long-lasting relationships between customers and brands are the essential tool for answering that question. It’s the insight community that allows companies to turn customer data into customer intelligence, and insight into action.
HOW INSIGHT COMMUNITIES HUMANIZE DATA

Stories help us make sense of our lives and they can also help us make sense of data. A data set might tell us that customers are buying more red shirts. A story told with the data set will tell us why. Maybe red happens to be in this season, or maybe customers are stocking up on extra holiday supplies?

Insight communities turn raw information into a story—put another way, insight communities humanize data. You could, to offer one hypothetical example, note that customers as a whole are buying more red shirts or look closely to find that Tim, a specific man in California, is buying more red shirts. And if we want to know why he’s buying more red shirts the next step is simple—ask him. You can also cross-reference Tim’s response with other related responses to find emerging
trends. And you get to Why by asking Tim what he likes in a red shirt, or if he might like another kind of shirt were one made available.

It’s easy to quantify the fact that there has been a change in purchasing patterns—what’s harder, and infinitely more handy, is to be able to say why. To be most useful, data must be placed into context, in which events (new products, changes, etc.) happen to known characters (customers) who are shown to take certain actions that offer insight into their motivations, needs and desires. Data from an insight community can be presented in charts, bar graphs and bullet points, but it is most impactful when illustrated through examples and real-life scenarios.

To make data useful, it’s important to be able to “show stories,” in which real customers interface with real products or events. The insight community facilitates that.
Many companies, to improve their customer experience, depend on feedback from customer satisfaction trackers. Those sources provide data about a large group of customers, but it only skims the surface of customers’ motivations and behaviors.
The ecommerce company eBay needed a solution to this dilemma. “We felt like we could get more and better information,” says Brian Burke, director of Customer Experience at eBay. “Wouldn’t it be nice to get input from a large group of folks across all our verticals and across all types of sellers?”

In 2015, the company found a solution by launching a Vision Critical insight community. The community is composed of more than 4,500 members who form a cross-section of eBay’s sellers.

An insight community allowed eBay to ask about specific ideas, solicit new ideas and test out concepts with speed and flexibility, all while cultivating the sense of community and
partnership with its sellers that is essential to the company’s success.

“Vision Critical’s insight community allows us to engage with customers at a higher level than doing a survey on its own,” says Brian Burke. “The community allows us to highlight individual sellers and make it personal, so it’s not just this sterile, ‘Oh, we’re surveying for information again’ thing. Because of that, we’re seeing really high response rates.”

With feedback from its insight community, eBay has cultivated agile business-to-business relationships. The quality of insight that comes out of those conversations has allowed the company to be proactive and optimize the customer experience.
In 2010, Avianca, the second largest airline in Latin America by revenue, merged with the continental carrier TACA. The new entity had to fashion a fresh identity in the wake of the merger and wanted its customers to help shape both the brand and the customer experience.

Avianca’s solution was to launch a Vision Critical insight community of 12,000 customers called VIP Chat. The insight community helped
Avianca get to know who its customers are and what they want at a level unprecedented for the company. Feedback from customers helped the airline improve business processes and guided decision-making on everything from in-flight amenities like food service and comfort options, to the company’s in-flight magazine and staff uniforms.

“We’re already able to answer questions on the whats and the hows with revenue and cost formulas,” says Mario Balladares, marketing and customer experience design director at Avianca. “But we are more focused on the whys. VIP Chat enables us to close the gap in how we interact with our customers and how we can deliver a

Avianca’s insight community helped the company become more customer-centric and improved revenue
better brand experience.”

Balladares says the ongoing feedback from the VIP Chat insight community continues to help Avianca create an ever more seamless customer experience. The insight community provides timely insight—in hours, not weeks or months—into who its customers are, what they want and why they want what they do. As a consequence, the airline has become a more customer-centric company, driving higher revenue and better results.

“After a year and a half and almost 24 community engagement projects,” Balladares says, “we have learned that at the moment you produce a better customer experience and explain it to customers in the right way, you're ready to launch a new brand. We feel we achieved this goal with the help of Vision Critical and our insight community.”
CASE STUDY #3: CHICO’S

Through years of traditional market research, the fashion brand Chico’s has, over time, developed a robust picture of its customer base. The parent company of brands like Boston Proper, Soma, and White House Black Market identified women 40 and older as its target demographic. What the company couldn’t figure out was why its customers were behaving in certain ways.
Chico's was particularly concerned about a sharp drop in the quantity and quality of responses to its customer surveys. They knew responses were decreasing, but traditional market research was incapable of answering the most important question Chico's was asking—Why?

Using Vision Critical's customer intelligence platform, Chico's learned that its customers, including even the older demographic that forms its primary fan base, were rapidly switching over to mobile devices, on which the company’s old surveys were extremely hard to fill out. Chico's market research methods had fallen woefully behind the technology its target customer was already using.

“We needed to catch up with her,” said
Carolyn Szczurek, the company’s consumer insight manager.

The study results indicated that the company’s market research arm was falling out of step with its main customers. The company decided to dive deeper into understanding its customers through the Vision Critical platform. Chico’s created three separate insight communities of 1,500 members each and a fourth of 5,000 members.

With insight communities in its arsenal, Chico’s started rapidly learning the kind of in-depth, three-dimensional insight about its customers that could truly inform better business decisions and drive results. The company found, for instance, that Boston Proper customers tend to be business-oriented jet setters who prefer quick and to-the-point interactions. Their participation in a survey tends to fall off dramatically if it starts with
an open-ended question. With the insight community, Chico’s was able to cut its survey from 25 or more questions to 10 or less, leading to higher quality responses and actionable insight.

Feedback from the insight community also helps the company shape customers’ lives. Chico’s had learned that its customers didn’t have a clear sense of what shoes to wear with a certain style of pants. In another example of insight from Vision Critical’s customer intelligence platform leading to concrete action and better decisions, the marketing team responded by featuring the pants in head-to-toe outfit displays, guiding customers on the ever-changing customer journey.
Last Word

The era of customer empowerment demands new tools to learn what customers want. Some older methods, like the ad-hoc survey, are no longer useful, while others, like CRM, Big Data and social media analytics, are valuable when leveraged in the context of an insight community. An insight community helps to make sense of reams of data and use that insight to tell a human story.

To improve the product-customer lifecycle, companies need to elevate the role of market research, infusing customer intelligence into all levels of the organization. The most forward-thinking companies have embraced customer-centricity, committed to knowing their customers and understanding their motivations. Customer intelligence is your destination—insight communities are the vehicle to get you there.
Tyler Douglas heads Vision Critical’s global sales and marketing teams. A seasoned leader and entrepreneur, he has a proven track record of building high-performance teams and strategic client relationships.

Tyler previously co-founded IronPoint Technology, a market leader in web content and collaboration software. Within a few years, the company was acquired by Active Network. Staying on at Active Network, Tyler helped drive the company from a $30-million to $300-million organization. It launched a successful IPO on the New York Stock Exchange in May 2011. Tyler also serves as an advisor for several technology start-ups across North America.
Customer Intelligence Delivers Insight Throughout Your Organization

Get more Enterprise Guides to discover how customer intelligence improves marketing, innovation and customer experience

DOWNLOAD NOW
Vision Critical’s software gives you valuable feedback from a trusted community of customers, helping you make data-backed decisions when you need them most: throughout the product-customer lifecycle.

**Better Products**
- Drive smart product building
- Generate winning ideas
- Build customer-informed market knowledge

**Better Campaigns**
- Build impactful messaging
- De-risk go-to-market strategies
- Optimize campaigns with customer feedback

**Better End-to-End Experience**
- Drive business results
- Make CX scores actionable
- Optimize the customer journey

**Vision Critical**
COLLECTIVE WISDOM STARTS HERE

WATCH THE DEMO visioncritical.com/demo