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**HOW COMPANIES USE CUSTOMER INSIGHT TO DRIVE CUSTOMER  
ACQUISITION, DEVELOPMENT AND RETENTION**

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**How companies use customer insight to drive customer acquisition, development  
and retention**

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and  
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## ABSTRACT

In theory, Customer Relationship Management (CRM) technology and processes should help firms to identify the 'right' customers, understand their needs, predict their behaviour and develop tailored propositions. Yet numerous studies have found that CRM projects have failed to deliver the expected benefits. Academics and practitioners have begun to refer to a key resource required to fulfil the promise of CRM as 'customer insight'.

Project one explores how companies use customer insight to drive customer acquisition, retention and development and proposes a theoretical framework for actioning customer insight. Five case studies with UK-based large companies were undertaken, involving 25 in-depth interviews. Companies were found to be synthesising data from five areas: competitors, customers, markets, employees and channel partners. From this data they are generating four types of customer insight: market predictions, customer segments, propensity models and customer analytics. This insight is guiding strategy, operations, marketing, sales, product portfolio management and customer service.

Project two explores a particularly promising area of practice uncovered in project one, namely how customer insight is used in inbound service call centres to drive cross-selling, up-selling and retention. Empirical research into this practice of sales through service is sparse. A cross-sector multiple-case exploratory study of six UK-based organisations was undertaken, using interviews and agent observation. Customer insight in the form of predictive models delivered to agents' screens appears to improve the effectiveness of sales through service. Contrary to common practitioner concerns, insight-based sales offers can have a positive impact on satisfaction, and introducing sales through service does not necessarily increase average handling time. Agents are more likely to make successful offers if they believe that they are 'doing the right thing' for the customer. A balanced set of targets covering productivity, satisfaction and sales seems important for agents combining sales and service roles. Further research is needed to validate and refine the seven propositions generated.

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# **1 CHAPTER ONE: LINKING DOCUMENT**

This thesis begins with a linking document, the purpose of which is to provide a synthesis of the two projects into which the thesis is divided and to expand on the contribution, implications and limitations of the work. It contains a summary of the background and rationale for the research, the overall methodology, key findings of both projects, the contribution to theory and practice, limitations of the study and areas for further research. The linking document is followed by a full description of projects one and two. A combined list of references and appendices are presented at the end of the thesis. Project one has not been re-written since sign-off from the supervisory panel in September 2006 and therefore reflects the fact that academic writing was less mature at this stage.

## **1.1 Background and Rationale for the Research**

### **1.1.1 Project one**

Customer Relationship Management (CRM) is often regarded as a technology enabler of relationship marketing (Ryals & Payne, 2001). It was suggested that the widespread adoption of CRM technology in the late 1990s could help fulfill Day and Montgomery's (1999) proposed evolution from mass markets to "molecular markets", and that future customer relationships would be based on the "ability to target individuals, engage in a dialogue with them, and personalise an offering that meets their requirements" (Day & Montgomery, 1999, p.8)

Both CRM and Relationship Marketing acknowledge that exchange relationships evolve over the course of the customer lifecycle, including customer acquisition, retention and development, but some authors distinguish the two by arguing that CRM focuses on building a portfolio of profit-maximising relationships whereas relationship marketing only focuses on the tasks needed to build and sustain relational exchanges (Zablah, Bellenger, & Johnston, 2004).

Over the years there have been many divergent perspectives on CRM, which has been variously regarded as a process, strategy, philosophy, technological tool or capability (Zablah et al., 2004). The capability view of CRM argues that firms have to invest in resources that enable them to anticipate the customer's changing needs and modify their behaviour towards individual customers or groups of customers on a continual basis (Peppers, Rogers, & Dorf, 1999). This view focuses on effectiveness - marketing to the 'right' customers, at the 'right' time, through the 'right' channels - rather than efficiency.

In theory, firms should be able to use CRM technology to identify these 'right' customers in the future, understand their needs, predict their behaviour, develop tailored propositions and have more relevant conversations with them (Payne & Frow, 2005). However, numerous research studies (Rigby, Reichheld, & Schefter, 2002; Wilson, Daniel, & McDonald, 2002; Kale & Sudhir H, 2004; Boulding, Staelin, Ehret, & Johnston, 2005) have found that CRM projects have failed to deliver expected benefits. It has been argued (Wills & Williams, 2004; Kumar, Venkatesan, & Reinartz, 2006) that in reality, despite the abundance of data collected by many organisations, predicting

customer behaviour is so difficult that companies spend millions inundating – and alienating – customers with poorly targeted propositions.

Both academics and practitioners (Hirschowitz, 2001; Wills & Williams, 2004; Smith, Wilson, & Clark, 2006b; Wills & Webb, 2007) have therefore begun to refer to a key resource required to support the capability view of CRM as ‘customer insight’. Synthesising Wills and Williams (2004), Forsyth (2006) and Langford and Schulz (2006), the following definition of customer insight is proposed: *a detailed understanding of customer profiles and behaviour, drawn from multiple data sources, that is potentially actionable through the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition.* A closely related definition of CRM is also proposed: *the actioning of customer insight at individual customer level in order to contribute to the acquisition, retention and development of profitable customers.*

The few empirical studies on customer insight (Wills & Williams, 2004; Smith et al., 2006b; Wills & Webb, 2007) suggest that it arises from ‘multiple data sources’, yet no comprehensive list of these sources is provided, the categories identified being broadly described as ‘market and customer data’. There is a similar paucity of evidence on the different types of insight (Forsyth et al., 2006; Langford & Schulz, 2006). As for the use or actioning of customer insight, there are no examples in this empirical literature of a broader use beyond marketing decision-makers (Wind, 2005).

The purpose of project one therefore was to explore how companies use customer insight to drive customer acquisition, retention and development, and thereby to develop a theoretical model for generating and actioning customer insight.

### **1.1.2 Project two**

In project one, companies were found to be synthesising data from five areas: competitors, customers, markets, employees and channel partners. From this data they were generating four types of customer insight: market predictions, customer segments, propensity models and customer analytics. This insight was guiding strategy, operations, marketing, sales, product portfolio management and customer service.

Project two explored a particularly promising area of practice uncovered in project one, namely how customer insight is used in inbound service call centres to drive cross-selling, up-selling and retention. Although companies handle millions of service encounters with customers every day, empirical research into this practice of sales through service is sparse.

Previous research (Schneider & Bowen, 1999; Bitner, Brown, & Meuter, 2000) has demonstrated that these encounters can affect critical outcomes such as customer satisfaction, intention to repurchase and positive word-of-mouth. This is consistent with the principles of the service-profit chain (Heskett, Jones, Loveman, Sasser Jr., & Schlesinger, 1994), which links satisfied service employees to customer satisfaction and hence to increased customer loyalty, profit and growth.

A number of authors (Chase & Hayes, 1991; Kelley, 1993; Evans, Arnold, & Grant, 1999; Spencer-Matthews & Lawley, 2006) have suggested that service encounters also have the potential to provide a more direct financial benefit (Evans et al., 1999); (Spencer-Matthews & Lawley, 2006) They propose that if agents manage to initiate conversations that uncover customer needs, this could lead to cross-selling (selling new products), up-selling (selling upgrades of existing products), and specific offers that enhance customer retention. In support of this contention, Beatty et al. (1996) report that investing the time to investigate customer needs may indeed improve both service and sales performance. Cross-selling is attractive to firms because it usually costs less than acquiring new customers (Reichheld & Sasser Jr, 1990). Also, the more products and services a customer holds, the more likely they are to develop a longer relationship with the firm, the less likely they are to consider switching to another provider, and the better their profitable lifetime duration (Beatty et al., 1996; Ansell, Harrison, & Archibald, 2007).

This link between sales and service was proposed nearly two decades ago, with Zeithaml et al. (1988) demonstrating that offers made during service encounters - if underpinned by the delivery of good customer service - can help companies to attract new customers and develop existing ones. Combining sales and service roles extends services operations into the marketing domain (Evans et al., 1999), and indeed practitioners are now frequently referring to this concept of sales through service as 'inbound marketing'. The popular press suggests that the growing trend towards such inbound marketing is caused by increased restrictions imposed by data privacy and communications legislation, combined with claims of higher conversion rates on offers made on inbound calls as compared with outbound contact by telephone, mail or email. Gartner Group (2006) suggests that companies can expect 10 – 20 times the response rate on analytical inbound marketing compared to traditional marketing and Doyle (2005) hypothesises that response rates are commonly in the 20-30 percent range. However, according to Eichfeld et al (2006, p.1), "companies have failed to tap the full revenue potential of their call centres because they just don't understand the extent of the opportunity".

One issue holding back the adoption of sales through service, according to Maister (1997), is that the accurate picture of customer needs that it requires can only be achieved through intensive customer-employee interaction. The widespread adoption of Customer Relationship Management (CRM) technology in the late 1990s, however, promised an alternative method of providing a detailed understanding of customer needs (Ryals & Payne, 2001).

As stated previously, CRM has variously been viewed as a process, strategy, philosophy, technological tool and capability (Zablah et al., 2004). As with project one, a capability view seems most relevant to the sales through service context, with customer insight forming a key resource (Wills and Williams 2004; Hirschowitz 2001; Smith, Wilson and Clark 2006a). With advances in the generation of customer insight, technology is now enabling contact employees to handle service situations with a complexity that could never be managed manually (Bitner et al., 2000). Advances in technology have also fuelled a growth in the popularity of customisation strategies aimed at providing customers with individually tailored products and services

(Gwinner, Bitner, Brown, & Kumar, 2005), and ‘real-time marketing’ strategies (Oliver, Rust, & Varki, 1998) are now being deployed in customer service centres.

It appears plausible, then, that service encounters present an ideal opportunity to fulfill the capability view of CRM, as long as the key resource of customer insight is available at the point where the service encounter occurs. The purpose of project two therefore was to build on one aspect of the customer insight framework, namely to explore contemporary practice in how companies use customer insight in inbound service call centres to cross-sell, up-sell and retain customers.

## **1.2 Summary of Methodology**

This section provides an overview of the methodology deployed in both projects, in terms of philosophical perspective, research strategy, research design, case and respondent selection, data collection and data analysis.

### **1.2.1 Philosophical perspective**

According to Burrell and Morgan (1979, p.1), philosophical perspective is important because “all social scientists approach their subject via explicit or implicit assumptions about the nature of the social world and the way in which it may be investigated”. Blaikie (1993, p.215) suggests that the researcher is “buying into a set of choices with far-reaching implications” when they adopt a particular approach to social enquiry.

There are four aspects of philosophical thinking: metaphysics, logic, epistemology and ethics (Robert Chia, 2003). Metaphysics is concerned with being and knowing, therefore questions of ontology - the nature of reality - are central. Logic deals with the validity and reliability of knowledge claims – that is, establishing how certain knowledge claims are arrived at and legitimated. Epistemology deals with questions about how and what it is possible to know. Ethics deals with moral evaluation and judgement. The first three aspects of philosophy most commonly bear on management research as they influence choices of methodology and research design; while some research raises significant ethical issues, none were found significantly relevant to this study.

The two epistemological strategies first proposed by William James (1909-1996) are empiricism (the habit of explaining universalities from the particulars of experience) and rationalism (the tendency to explain particulars in terms of universalistic and idealised categories). According to Chia (2003) the former fails because it either denies or underplays the significance of hidden universal causes and is therefore unable to account for why things appear as ordered as they do. The latter fails as it relies primarily on particular observations to formulate and justify views and therefore does not provide an adequate and robust account of the perceived regularities of nature. Hence a number of alternative theoretical perspectives have emerged over the last century.

The three main epistemologies of social science are positivism, relativism and social constructionism. The two most contrasting views of positivism and social constructionism are illustrated in Table 1-1. The latter was developed by philosophers

(Berger & Luckman, 1966; Watzlawick, 1984; Shotter, 1993) during the last half century and rejects the positivist view that reality is objective and exterior in favour of the view that reality is socially constructed and given meaning by people (Easterby-Smith, Thorpe, & Lowe, 2002). This view is one of a group of approaches that Habermas (1970) has referred to as interpretive methods.

	<b>Positivism</b>	<b>Social Constructionism</b>
The observer	must be independent	is part of what is being observed
Human interests	should be irrelevant	are the main drivers of science
Explanations	must demonstrate causality	aim to increase general understanding of the situation
Research progress through	hypotheses and deductions	gathering rich data from which ideas are induced
Concepts	need to be operationalised so that they can be measured	should incorporate stakeholder perspectives
Units of analysis	should be reduced to simplest terms	may include the complexity of 'whole' situations
Generalisation through	statistical probability	theoretical abstraction
Sampling requires	large numbers selected randomly	small number of cases chosen for specific reasons

**Table 1-1 Contrasting implications of positivism and social constructionism (Easterby-Smith et al., 2002)**

From an ontological perspective, the debate among philosophers of science has been between realism and relativism. A more recent variant of the relativist position is the idea of 'critical realism' which starts with the realist ontology of Bhaskar (1978) and then incorporates an interpretative thread (Sayer, 2000). It recognises that social conditions have real consequences but that concepts are human constructions.

This doctoral research adopts a critical realist position (Archer, Bhaskar, Collier, Lawson, & Norrie, 1998). Although it shares a positivist's desire for producing causal explanations, it primarily adopts an interpretive position that there are fundamental differences between natural and social phenomena. Williams and May (1996) describe realism as a 'common sense' position, making it attractive for a practitioner wishing to make a contribution to current management practice in this field. Perry et al (1999) recommend adopting a realist position in response to criticisms that research into business and marketing strategy has failed to capture real-world complexity.

Objects of investigation such as 'an organisation', its 'structure', 'culture' and 'strategy' are regarded by the realist as independent of their observers and therefore amenable to systematic analysis and comparison (Robert Chia, 2003). Reality comprises things, structures, events and underlying 'generative mechanisms' and knowledge is advanced through the process of 'theory-building' (Bhaskar, 1978). These theories seek to accurately mirror an externally existing reality.

Bhaskar (1978) proposed that in the realist ontology, experiences, events and mechanisms constitute three overlapping domains of reality: the ‘empirical’ (where events can be observed or experienced), the ‘actual’ (where events occur, whether or not they are observed), and the ‘real’ (consisting of the structures and mechanisms which produce these events). Blaikie (1993, p. 201) suggests that “realism is ultimately a search for generative mechanisms”. In this research, the search is firstly concerned with the process of generating and actioning customer insight (the ‘real’) and secondly, how customer insight is used in inbound service call centres to drive cross-selling, up-selling and retention (the ‘empirical’).

This research design follows many of the key features of the relativist and social constructionist positions as characterised in Table 1-2. It starts with the ontological assumption that customer insight is generated and actioned within organisations and that the researcher will be able to identify and group these practices to build a theoretical model across companies. The methodology involves *conversations* through semi-structured interviews to provide a structured and standardised data set. *Triangulation* is achieved not only by referral to internal presentations and call centre metrics, but also by interviewing people from various functions within the organisation (including call centre agents), so that a number of methods and viewpoints are identified and represented. In line with the social constructionist paradigm, *sensemaking* involves taking an open-minded view of the outcome and *understanding* is aided by extensive conversations with people backed up by observations of call centre agents and access to documents.

Elements of Methods	Positivism	Relativism	Social Constructionism
Aims	Discovery	Exposure	Invention
Starting points	Hypotheses	Suppositions	Meanings
Designs	Experiment	Triangulation	Reflexivity
Techniques	Measurement	Survey	Conversations
Analysis/interpretation	Verification/falsification	Probability	Sense-making
Outcomes	Causality	Correlation	Understanding

**Table 1-2: Methodological implications of different epistemologies within social science (Easterby-Smith et al., 2002)**

### 1.2.2 Research strategy

The qualitative method of case research was considered most appropriate to uncover leading edge practice in an area where the theory base is comparatively weak and the environment under study is messy (McCutcheon & Meredith, 1993; Harrison, 2002). It was also considered a viable means to generate theory on “good practice” in marketing (Bonoma, 1985) and particularly suited to the study of under-explored aspects of services marketing (Gilmore & Carson, 1996). According to Eisenhardt and Graebner, (2007, p. 25) “case studies emphasise the rich, real-world context in which the phenomenon occur” and are “likely to produce theory that is accurate, interesting and testable”.

Yin (2003) defines a case study as an empirical enquiry that:

- investigates a contemporary phenomenon within its real-life context; especially when
- the boundaries between phenomenon and context are not clearly evident

Other ways of conducting social science research include experiments, surveys, histories and analysis of archival information. Many social scientists e.g. Eisenhardt (1989) believe that case studies are best for exploratory investigations; surveys and histories are best for the descriptive phase; and experiments are best for causal enquiries. Yin (2003) however believes that case studies can be used for all three purposes – exploratory, descriptive or explanatory – depending on three conditions:

1. The type of research question posed
2. The extent of control an investigator has over actual behaviour events
3. The degree of focus on contemporary as opposed to historical events

Table 1-3 displays these three conditions and shows how each is related to the five major research strategies in social science:

Strategy	Form of research question	Requires control of behavioural events?	Focuses on contemporary events?
<b>Experiment</b>	How, why?	yes	yes
<b>Survey</b>	Who, what, where, how many, how much?	no	yes
<b>Archival analysis</b>	Who, what, where, how many, how much?	No	Yes/no
<b>History</b>	How, why?	No	no
<b>Case study</b>	How, why?	No	yes

**Table 1-3: Relevant situations for different research strategies (Yin, 2003)**

According to Yin (2003), the case study has a distinct advantage when “how” or “why” questions are being posed. Edmondson and McManus (2007) agree that theory-building research using case studies is particularly good for answering research questions that address “how” and why” in unexplored research areas. This research has an overarching “how” question, with many “what” sub-questions. Answering “what” questions is a justifiable rationale for conducting an exploratory study, the goal being to develop pertinent hypotheses and propositions for further inquiry. Any of the five strategies can be used for an exploratory study. However, “how” and “why” questions tend to be explanatory and likely to lead to the use of case studies, histories and experiments as the preferred research strategy.

To understand why the case study was chosen over an historical enquiry or an experiment, it is necessary to consider a further distinction, namely the extent of the investigator’s control over and access to actual behaviour events. Histories are the

preferred strategy when there is virtually no access or control, for example, when no relevant persons are alive to talk to. Fortunately, people were alive and available for interview for this study! Although case studies and histories can overlap, the case study's unique strength is its ability to deal with a full variety of evidence – documents, interviews, observations – beyond what might be available in a conventional historical study (Yin, 2003). A full variety of evidence was available for this study, making the case study a logical choice.

Finally, the case study is the preferred strategy in examining contemporary events, but when the relevant behaviours can not be manipulated. Again, this was the context for this study. By contrast, experiments are typically done when an investigator can manipulate behaviour directly, precisely and systematically either in a laboratory or field setting.

Eisenhardt (1989) summarised the use of case studies to accomplish three aims: to provide description, test theory or generate theory. Building theory from case studies involves the creation of theoretical constructs, propositions and/or mid-range theory based on empirical evidence from one or more cases (Eisenhardt, 1989). The goal of this study was to use case studies to generate theory by creating a theoretical framework for generating and actioning customer insight (project one) and to propose propositions for further research on the use of this insight in the specific context of inbound service call centres (project two).

According to Bartunek, Rynes and Ireland (2006), papers that build theory from cases are the “most interesting” and are among the most cited pieces in the *Academy of Management Journal* (AMJ) e.g. Eisenhardt (1989) and Gersick (1988).

Eisenhardt (1989) describes the strengths of the case study approach as follows:

- the likelihood of generating novel theory
- emergent theory is likely to be testable with constructs that can be readily measured and hypotheses that can be proven false
- resultant theory is likely to be empirically valid

According to Yin, there are traditionally three prejudices against case studies: that they lack rigour; they provide little basis for scientific generalisation; and they take too long and result in massive, unreadable documents. On reflection, it is believed that all evidence in this study was reported fairly and specific steps were undertaken to ensure reliability and validity. This will be discussed in more depth in the next section. Secondly, this study was generalisable to theoretical propositions and therefore achieved its goal of expanding and generalising theories (analytic generalisation), rather than to enumerate frequencies (statistical generalisation). Finally, this study did not take an unreasonable length of time to conduct or result in a massive, unreadable document. Project one data was collected between March and August 2006 and submitted in written form in September 2006. Project two data was collected between January and May 2007 and written up by September 2007.

From a philosophical perspective, Blakie (2000) identified four possible research strategies: inductive, deductive, retroductive and abductive. Table 1-4 illustrates how



the four research strategies typically relate to research objectives and questions. As the main research question in this study was “how” companies use customer insight to drive customer acquisition, development and retention, a retroductive research strategy based on constructivist realism was considered most suitable. In order to answer the “how” question, there are many sub-questions concerned with the “what”, necessitating the use of inductive strategies for exploration and description.

Objective	Inductive Research Strategy	Deductive Research Strategy	Retroductive Research Strategy	Abductive Research Strategy	Type of research question
Exploration	***			***	What
Description	***			***	What
Explanation	*	***	***		Why
Prediction	**	***			What
Understanding				***	Why
Change		*	**	**	How
Evaluation	**	**	**	**	What and Why
Assess impacts	**	**	**	**	What and Why

**Table 1-4: Research strategies, objectives and questions (Blaikie, 2000)**

According to Blaikie (2000), the retroductive research strategy is associated with the philosophical approach of Scientific Realism, or more particularly, the transcendental realism of Bhaskar and the constructivist realism of Harré (1970). Retroductive research starts with observable phenomena or regularities and then seeks to uncover the underlying structures and mechanisms responsible for these phenomena or regularities. Theorising around mechanisms can aspire to explain but not to predict (Davis & Marquis, 2005). The approach is essentially data driven, followed by imagination and creativity to construct a hypothetical model to explain the regularity (Langley, 1999).

Harré and Secord (1972, p. 69-71) proposed three stages of a retroductive research strategy: empirical studies to produce critical descriptions, theoretical studies to produce a rational explanation of the non-random patterns found in empirical studies, and testing. As the retroductive strategy is based on explaining an observed regularity or phenomenon, rather than identifying it in the first place, it relies on either induction or abduction to explore and describe a phenomenon. Project one inductively investigated current practice in five UK organisations before creating a theoretical model for generating and actioning customer insight. Project two first used an inductive approach to provide critical descriptions of how six organisations were using customer insight in inbound service call centres and then suggested seven propositions for further research.

Realists argue that absolute causality cannot be established and the best that can be achieved is an understanding of how patterns and regularities are dependent on contextual factors. Depending on the context, the mechanism can remain dormant, be cancelled or modified by competing mechanisms (Blaikie, 2000). This study therefore aimed to uncover contextual factors influencing the actioning of customer insight and the contextual factors driving sales through service initiatives.

A final reflection on the choice of research strategy is that the process of creating and legitimising knowledge can be complex, due to attitudes and definitions of what constitutes knowledge often differing between the researcher and the practitioner (Robert Chia, 2003). Whereas the researcher aims to understand and explain organisational phenomena, the practitioner is more of a pragmatist – what works is more important than what is true and the ends often justify the means. Therefore whilst philosophy is important, it is also recognised that the particular approach followed by an individual researcher is driven by a number of different factors (Blaikie, 1993, p. 201; Easterby-Smith et al., 2002, p. 21; Guba & Lincoln, 1994, p. 112). Such factors could be related to the objectives and context of the research, as well as personal preferences of the researcher. In this case, the personal interests, experience and preferences of the author influenced the choice of qualitative research.

### **1.2.3 Research design**

Yin (2003) describes a research design as a logical plan for getting from an initial set of research questions to be answered to some set of conclusions. In this study, Eisenhardt's (1989) roadmap (Table 1-5) for building theories from case study research was used to guide both projects.

In accordance with step one, the following research question was defined:

*How do companies use customer insight to drive customer acquisition, development and retention?*

In order to answer this main question, the following sub-questions were defined:

#### Project One

*RQ 1: What types of data are companies feeding into the customer insight generation process?*

*RQ 2: What types of customer insight are companies generating?*

*RQ3: What actioning of customer insight takes place and for what purposes?*

*RQ4: What is it about the organisational context that helps or hinders the process of generating and actioning customer insight?*

#### Project Two

*RQ1: What contextual factors are driving companies to invest in inbound sales through service initiatives?*

*RQ2: How, if at all, are companies generating and delivering customer insight to front-line agents in inbound service call centres?*

*RQ3: What issues are associated with sales through service initiatives?*

*RQ4: What are the qualities of a successful sales and service agent?*

*RQ5: What metrics are companies using to measure the success of their sales through service initiatives?*

Step	Activity	Reason
Getting started	Definition of research question Possibly a priori constructs Neither theory nor hypotheses	Focuses effort Provides better grounding of construct measures Retains theoretical flexibility
Selecting cases	Specified population  Theoretical, not random, sampling	Constrains extraneous variation and sharpens external validity Focuses efforts on theoretically useful cases i.e. those that replicate or extend theory by filling conceptual categories
Crafting instruments and protocols	Multiple data collection methods Qualitative and quantitative data combined Multiple investigations	Strengthens grounding of theory by triangulation of evidence Synergistic view of evidence Fosters divergent perspectives and strengthens grounding
Entering the field	Overlap data collection and analysis, including field notes Flexible and opportunistic data collection methods	Speeds analyses and reveals helpful adjustments to data collection Allows investigators to take advantage of emergent theses and unique case features
Analysing data	Within-case analysis Cross-case pattern search using divergent techniques	Gains familiarity with data and preliminary theory generation Cross-case pattern search using divergent techniques Forces investigator to look beyond initial impressions and see evidence thru multiple lenses
Shaping hypotheses	Iterative tabulation of evidence for each construct Replication, not sampling, logic across cases Search evidence for "why" behind relationships	Sharpens construct definition, validity, and measurability  Confirms, extends, and sharpens theory Builds internal validity
Enfolding literature	Comparison with conflicting literature  Comparison with similar literature	Builds internal validity, raises theoretical level, and sharpens construct definitions Sharpens generalisability, improves construct definition and raises theoretical level
Reaching closure	Theoretical saturation when possible	Ends process when marginal improvement becomes small

**Table 1-5: Process of building theory from case study research (Eisenhardt, 1989)**

The second step involved a decision to select multiple, rather than single cases. It was thought that the evidence of a multiple-case study would be more compelling and robust. It was also thought that the theoretical framework would be more generalisable if based on multiple rather than single cases.

According to Yin (2003), there are five rationales for selecting single cases. The first is when it represents the “critical case” in testing a well-formulated theory. As this study

was exploratory and not testing a well-formulated theory, validity would have been compromised if a single case had been selected. The second rationale is when the case represents an extreme or unique test of a significant theory. This commonly occurs in clinical psychology. As the goal was to build a theoretical framework for customer insight, multiple cases were considered more appropriate than a single extreme case.

A third rationale for a single case is the representative or typical case. As this study did not involve an everyday or commonplace situation, as the generation and actioning of customer insight is not commonly practiced amongst all firms, multiple cases were considered necessary.

A fourth rationale for a single case is the revelatory case, when a researcher has an opportunity to observe and analyse a phenomenon previously inaccessible to scientific investigation. This opportunity did not present itself in the context of this research.

A fifth rationale for a single case study is the longitudinal case - studying the same single case at two or more different points in time. In this study only Barclays and O2 were represented in both projects. This was because they were the only cases in project one that were using customer insight in inbound service call centres (the focus of project two).

Generally speaking, there is less chance of misrepresentation with a multiple-case study design. This leads to a discussion of design quality. As qualitative research methods have grown in popularity, there has been a corresponding increase in concern for the quality and rigour of qualitative data (Van Maanen, 1979; Huber & Power, 1985).

Yin (2003) argues that there are four widely used tests to ensure the quality of a case study design:

1. Construct validity: establishing correct operational measures for the concepts being studied
2. Internal validity (for explanatory or causal case studies only, and not for descriptive or exploratory studies): establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships
3. External validity: establishing the domain to which a study's findings can be generalised
4. Reliability: demonstrating that the operations of a study – such as the data collection procedures – can be repeated, with the same results

Table 1-6 lists the four tests and the recommended case study tactics, as well as a cross-reference to the phase of research when the tactic is to be used.

Tests	Case study tactics	Phase of research in which tactic occurs
Construct validity	<ul style="list-style-type: none"> <li>• Use multiple sources of evidence</li> <li>• Establish chain of evidence</li> <li>• Have key informants review draft case study report</li> </ul>	Data collection Data collection Composition
Internal validity	<ul style="list-style-type: none"> <li>• Do pattern-matching</li> <li>• Do explanation-building</li> <li>• Address rival explanations</li> <li>• Use logic models</li> </ul>	Data analysis Data analysis Data analysis Data analysis
External validity	<ul style="list-style-type: none"> <li>• Use theory in single-case studies</li> <li>• Use replication logic in multiple-case studies</li> </ul>	Research design Research design
Reliability	<ul style="list-style-type: none"> <li>• Use case study protocol</li> <li>• Develop case study database</li> </ul>	Data collection Data collection

**Table 1-6: Case study tactics for four design tests (Yin, 2003)**

In terms of this research, construct validity was ensured firstly by having multiple sources of evidence: in-depth interviews, presentations and other internal documents provided by respondents, call centre metrics (project 2) and agent observations (project 2). Secondly, a chain of evidence was established, for example, by keeping printed-out transcripts of the interviews with hand-written coding notes, and by developing coding frameworks using Excel spreadsheets (both projects) and NVivo software (project one). Also, the final reports were written up using numbered quotations to support the findings. Thirdly, the main contact at each of the cases was given a write-up of the project to review. They were given the opportunity to correct any inaccuracies and were asked if they were happy for the write-up to be shared publicly. In a couple of cases, minor amendments were requested.

The second test of internal validity was not applicable as this study did not investigate causal relationships – instead, some causal relationships were hypothetically proposed for investigation in further research in the discussion sections. With regards to the third test, replication logic was used to select cases to maximise the validity of the theoretical framework and the propositions. Finally, reliability was ensured by using the same interview protocol for each interview and by following the same documented procedure to analyse each case.

However, according to Lincoln and Guba (1985) at least three of the above tests – external validity, internal validity and reliability - have positivist leanings which would not make them entirely appropriate for this study. An alternative approach is suggested by Miles and Huberman (1994) for judging the quality of qualitative research. Essentially they have paired traditional terms such as reliability and validity with other alternatives for assessing the ‘trustworthiness’ and ‘authenticity’ of naturalistic research. This fits more closely with the interpretivist approach of this research. The result is a practical guideline grouped into four sections listed as follows:

### ***Objectivity/confirmability***

The basic premise of objectivity/confirmability of a research study is the extent to which the conclusions depend on the subjects or respondents rather than the biases, motivations and perspectives of the researcher (Lincoln & Guba, 1985). Issues include the explicit description of methods and procedures as well as being able to follow the actual sequence of how data was collected, processed, condensed/transformed and displayed for specific conclusion drawing. Also the explicit linking of conclusions with exhibits of condensed/displayed data.

One way of reducing researcher bias is through the use of a team of researchers. Basically two or more researchers are present at each interview and they independently write up their field notes before comparing them to avoid ‘groupthink’ (Janis, 1972). This method of triangulation, however, can be very resource intensive and for that reason was not used in this research.

The preferred method adopted for this research is a ‘confirmability audit’ where an independent auditor is given all the data and the interpretations derived from them, and asked to comment on the plausibility of the interpretations and the adequacy of the data (Wallendorf & Belk, 1989). It is however, impractical to ask an auditor to deal with large amounts of data, therefore, a sufficiently detailed account of the methods and procedures used was provided to the doctoral supervisory panel as well as conclusions linked with exhibits of condensed/displayed data. This provided a sufficient trail of evidence from primary data collection through data analysis to the final report to ensure that confirmability was as high as possible.

### ***Reliability/dependability/auditability***

This refers to whether the process of the research study is consistent and reasonably stable over time and across researchers and methods. In other words, if a researcher followed exactly the same procedure and did the same case study all over again would the same conclusions emerge from the research? However, in case study research it is most unlikely that the same research could be repeated in exactly the same way. Organisations change and the people within them change over time. The mere fact that the original research has been undertaken is likely to have some impact on the respondents and the setting. The general approach, therefore, to reliability/dependability/auditability of case study research is “to make as many steps as operational as possible and to conduct research as if someone were always looking over your shoulder” (Yin, 2003p. 38). The research should be done in such a way so that an auditor could, in theory repeat the procedures and arrive at the same results.

In the case of this research, issues of reliability/dependability/auditability were addressed by explaining to all interviewees at the beginning of the interview the definition of the term ‘customer insight’ and the background to the research questions, to ensure a common understanding. The same interview protocol was used for each interview to ensure clarity and consistency of the research questions. The same, documented process was used to analyse the data (see section 1.2.6), so that theoretically another researcher would be able to repeat the same process.

### ***Internal validity/credibility/authenticity***

According to (Miles & Huberman A, 1994, p278) the key questions here are: 'Do the findings of the study make sense? Are they credible to the people we study and to our readers? Do we have an authentic portrait of what we are looking at?' The credibility of the research largely depends on the procedures used in data collection and the interpretation of the data. Techniques which have been suggested for improving the credibility of data collection include prolonged engagement, persistent observation, and triangulation across sources and methods. Methods which have been suggested for improving the credibility of the interpretation of the data include triangulation across researchers, debriefings by peers and feedback from informants.

In this study, prolonged engagement and persistent observation were impractical, due to time constraints on the part of the researcher and the participants. With respect to triangulation, as mentioned earlier, multiple sources of evidence were used: in-depth interviews, presentations and other internal documents provided by respondents, call centre metrics (project 2) and agent observations (project 2). Debriefing by peers was used on an ongoing basis throughout this research and consisted of regular debriefings by peers who were not directly involved in the research study, but who were willing to critique emerging interpretations.

Finally, Miles & Huberman (1994) advocate using informant feedback from the data collection stage through to final analysis as a useful way of checking internal validity/credibility/authenticity. There are two types of feedback or 'member checks' (Wallendorf & Belk, 1989). Informal member checks may occur throughout data collection as the researcher seeks to clarify verbally an interpretation of a particular point. However, formal member checks occur when an interpretation and report is given to the respondent for their comment. Their comments then are the check on the validity of the interpretation. In this research study, the write-up of each project was shared with respondents and they were invited to comment on the accuracy of the report. In each case the respondents confirmed their approval of the text and in some cases asked for minor amendments.

### ***External validity/transferability/fittingness***

External validity/transferability/fittingness refers to the extent to which the conclusions of one study are transferable to other contexts. Firestone (1993) has identified three levels of generalisation: a) from sample to population, which is not very helpful for qualitative studies, b) analytic or theory-connected, and c) case-to-case transfer.

Maxwell (1992) also discusses 'theoretical' validity as the presence of a more abstract explanation of described actions and interpreted meanings. Miles and Huberman (1994) suggest that such explanations could be considered as 'internal' validity, but they gain added weight by connecting the explanations to theoretical work beyond the original research study. Maxwell (1992) suggests that generalisability requires such connection-making, either to other cases or to unresearched parts of the original case.

Noblit and Hare (1988) argue that the generalising process is far from mechanical. They suggest it is more like translating, refuting, or synthesising two or more studies of similar phenomena. It is careful interpretation not just 'adding up'. For explanatory

research such as this study, Wallendorf and Belk (1989) recommend that the researcher seek 'limiting exceptions' by progressively expanding the types of sites and contexts in which the phenomena can be researched. Eventually this process will define the boundaries of transferability and also explain why the theory does not work in other situations. This can then lead to further research at specifically sampled sites to test these insights which will then lead to a broadening and refinement of the theory.

This study addresses some of the issues of external validity/transferability/fittingness by firstly proposing a theoretical model for actioning customer insight which could be transferable to other contexts. Secondly, the cross-case tables help to illustrate how the findings may be compared across cases. Thirdly, the propositions generated in project two suggest areas that may be explored in future research projects.

However, it is noted that one of the stated limitations of this study is that each project was confined to five or six companies, selected with some degree of convenience sampling and mostly from different industries. It could be argued that the model therefore may not necessarily be generalisable within a given industry without further within-industry replication.

#### **1.2.4 Case and respondent selection**

In project one, theoretical sampling (Glaser & Strauss, 1967) was used to select companies which action customer insight not just in marketing communications – Smith, Wilson, and Clark's (2006b) 'Level 1' of actioning customer insight – but also in outer levels of the offer such as service and packaging, which Smith, Wilson, and Clark regard as 'level 2', and/or by tailoring the core product/service itself, Smith, Wilson, and Clark's 'level 3'. To identify possible cases, the following were considered: companies speaking on this topic at major industry conferences; member organisations of CRM best-practice research centres, run by two UK business schools; and clients of a major CRM consultancy. This process resulted in a shortlist of 15 companies.

Negotiation with these companies led to final selection of five organisations. This final selection took account of where access could be agreed, as well as seeking a non-competing set of companies to ease concerns about confidentiality. There was, therefore, a degree of convenience sampling in order to gain access. The companies were Barclays, BT Global Services (Major Customers Division), Cisco Systems, O2 and Post Office.

The unit of analysis was the process of generating and actioning customer insight. In order to mitigate informant bias (Eisenhardt & Graebner, 2007), a balanced group of four to six interviewees per company that represented different stages of that process were sought, involving senior personnel from the disciplines of marketing, customer insight, CRM, call centres and sales.

In project two, the non-probabilistic technique of purposive sampling (Gill & Johnson, 1991) was again used to select cases likely to demonstrate aspects of 'good practice'. To be suitable, the cases had to be cross-selling, up-selling or retaining customers through their inbound service call centres. The call centres had to be UK based for ease



of access, and they had to be using technology, or planning to use technology in the near future, to deliver customer insight into the hands of call centre agents.

In line with Eisenhardt's (1989) suggestion that replication logic is central to building theory from case studies, six cases were selected according to this principle – that is, the cases provided differences rather than similarities, and so covered a range of different industries: financial services, healthcare, mobile telecommunications, insurance, energy and membership services. This also helped to ease participant concerns around confidentiality.

ENERGY and HEALTHCARE are anonymised company names for reasons of confidentiality, while the other names are genuine. The first two cases, Barclays and O2, were selected as they were known to be exhibiting the phenomenon under investigation from project one. Desk-based research was carried out to uncover other companies recognised as advanced in their use of customer insight. Fourteen companies were identified and approached and screened for their suitability as case studies. This selection process led to ENERGY, HEALTHCARE, RIAS, and the Automobile Association ('The AA') joining the study. As with project one, it is acknowledged that there was inevitably a degree of convenience sampling, as ease of access and participant support (Harrison, 2002) was influential in the final selection.

The unit of analysis was the process of cross-selling, up-selling and retaining customers in inbound service call centres. Again, to mitigate informant bias, a balanced group of four to five interviewees from different areas and levels within the organisation was selected.

### **1.2.5 Data collection**

Multiple data collection methods were combined in both projects to enable triangulation (Yin, 2003). Depth and detail of data was obtained through in-depth interviews with key personnel, following Carson and Coveillo's (1996) suggestion that this can be obtained only by getting physically and psychologically close to the subject matter. Prior theory and literature was used to develop a semi-structured interview protocol with mainly broad, open-ended questions (Harrison, 2002). The interviews were supplemented with additional data, such as reports and presentations, where possible.

For project one, 25 people were interviewed for an average of 53 recorded minutes (this does not include time taken to introduce concepts and explain the research process). Three of these were telephone interviews, either due to location or to delays caused by cancellations. The interviews were scheduled between March and August 2006 at the convenience of the respondents and were undertaken in parallel - that is, one case was not completed sequentially.

For project two, 27 people were interviewed on 24 occasions (3 interviews were with two people at the same time and one interview took place via the telephone), with an average interview length of 41 minutes, between January and May 2007.. In addition to the formal interviews, 16 call centre agents were observed for approximately 45 mins – 1 hour each. They were observed to see how they followed the process - for example, whether they accessed the customer insight that had been provided on their screens;

whether they offered additional products and services to customers; whether any such offer was successful or not; whether they noted the outcome; and so on. During pauses between phone calls the agents were questioned about the technology and what they thought about using customer insight to cross-sell and up-sell. Their comments were noted but not recorded.

### **1.2.6 Data analysis**

The interviews were recorded and transcribed. For project one, the interview information was collated into cases, along with any supporting documentation. Each case was then studied in detail, to ensure a rich familiarity. A number of logical sections emerged, each with sub-themes. Sections of text were highlighted and a note of the section/sub-theme was made in the margin. As every new sub-theme emerged, it was listed in an Excel spreadsheet. This spreadsheet then formed the basis of a coding framework, which was entered into the software programme NVivo. Having imported the documents into NVivo, the highlighted passages were coded in batches, per company. The process of doing this led to some nodes being created, re-organised or deleted.

The high-level coding framework was as follows:

- Types of data collected
- Types of customer insight generated
- How insight is being actioned
- Organisational context that is either helping or hindering the generation and actioning of customer insight
- Company orientation (per company)
- Priorities (per company)

In order to write up the findings, a coding report was run for each tree node (at the child node level) (NODE/MAKE CODING REPORT), displaying comments across all cases on each section/sub-theme. This facilitated a cross-case search for patterns resulting in an emergent theoretical framework for generating and actioning customer insight.

Following feedback from the supervisory panel on the analysis of project one, project two followed a more typical path of within-case analysis before proceeding to cross-case analysis (Eisenhardt, 1989). The interview information was collated, along with any supporting documentation and notes from the agent observation, into sections, attaching codes to data in an Excel spreadsheet within the following sections: case background; contextual factors/drivers; programme and technology overview; issues; agents in a combined sales and service role; and metrics and results. Quotations were used to support the findings and coded accordingly. Each case study was written up in detail. Tables were then developed to summarise the data (Miles & Huberman A, 1994) and to provide a platform for cross-case analysis (Patton, 1990). This led to the development of seven propositions.

For both project one and project two, emergent concepts, theories and propositions were discussed in the context of extant literature, essential to enhance internal validity,

generalisability and theoretical level of theory building from case study research (Eisenhardt, 1989).

Closure of case collection was driven primarily by pragmatic considerations such as time and money constraints as opposed to theoretical saturation. This is not uncommon for case study research (Eisenhardt, 1989).

### 1.3 Key Findings and Discussion of Project One

#### 1.3.1 Key findings of project one

Project one proposed the framework for the generation and actioning of customer insight shown in Figure 1-1. The companies were found to be collecting data from five areas and sub-categories, as illustrated in Table 1-7. The column headings numbered 1 to 5 represent Barclays, BT, Cisco, O2 and Post Office. One tick indicates that this data type was collected. Two ticks indicate that, in comparison to the other cases, this data type was extensively collected.

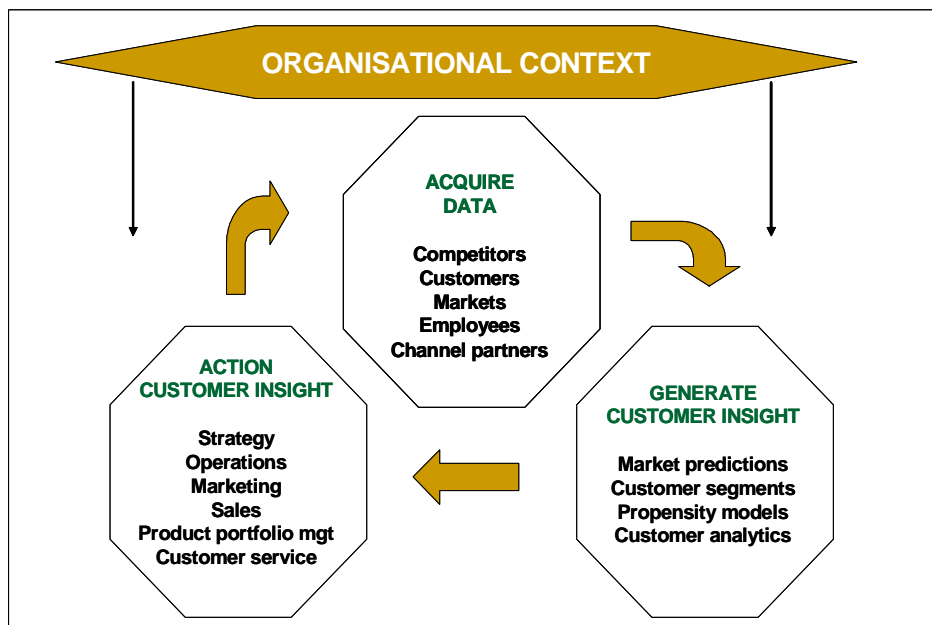


Figure 1-1 A framework for actioning customer insight

#	Name	Data type	1	2	3	4	5
1	Competitors	All types	√	√	√	√	√
2a	Customers	Contact details	√	√	√	√	√
2a	/Interactions	Expanded knowledge	√	√	√	√	√
2a		Activity history	√	√	√	√	√
2a		Inbound contact	√√	√	√	√√	√
2b	Customers	Sales	√√	√√		√	√
2b	/Transactions	Bookings			√√		
2b		Till data				√√	
2b		Product holdings	√√	√√	√	√	
2b		'Did you buy' audits			√		
2c	Customers	General	√	√	√	√	√
2c	/Satisfaction	Competitive		√		√	
2c		Event-driven customer satisfaction monitor	√√	√	√	√√	√√
2c		Service stability				√	
2c		Entry and exit interviews				√	√
2c		Customer complaints					√
2d	Customers	Focus groups				√	
2d	/Opinions	Values		√			√
2d		Brand trackers		√		√√	√
2d		Usage, behaviours and attitudes	√	√	√	√	√
2d		Reasons to call		√		√	
3	Markets	Market share	√	√	√	√	√
3		Market issues	√	√√	√√	√√	√
3		Social, economic and political trends			√	√	
3		Demographics/population profiles	√	√	√	√	√
3		Company profiles		√	√	√	
3		Attitudinal data			√		
4	Employees	Staff feedback				√	√√
4		Mystery shopping programmes	√			√√	√√
4		Retail standards audits					√
4		Service performance data	√	√	√	√	√
4		Employee satisfaction surveys	√				
4		Buddy programmes				√	
5	Channel partners	Data from channel partners	√		√		√

**Table 1-7: Types of data collected**

All five companies combined multiple data sources to generate customer insight. Sometimes this was a purely manual process; in other cases the insight was obtained using sophisticated technology. The insight fell broadly into four categories: market predictions; customer segments; propensity models; and customer analytics. Table 1-8 provides a summary of the different types of customer insight generated by the five cases.

Category Name	Data type	1	2	3	4	5
Market predictions	Various	√	√√	√	√	√
Customer segments	By business type	√		√		
	By attitudes	√				√√
	By events and triggers	√√	√		√√	√
	By value		√		√	
	By vertical sector		√		√	
	By needs		√		√	
	By customer lifecycle			√		
	By buyer behaviour			√	√	√√
	By geography			√		
	By demographics	√				√√
Propensity models	Respond, churn, purchase etc	√√		√	√√	
Customer analytics	General customer measures			√√		
	Customer profitability	√		√		
	Product profitability	√			√	√
	Customer lifetime value			√		
	Share of customer wallet				√	
	Customer lifecycle analysis				√	

**Table 1-8: Types of customer insight generated**

This insight was being actioned across six areas of the organisation, as shown in Figure 1-1. Table 1-9 and Table 1-10 expand on how the insight was being actioned in the marketing and sales functions.

Area	1	2	3	4	5
Understand customer needs			√	√	
Develop value proposition		√	√		
Tailor value proposition				√	
Channel and communications decisions	√		√		√

**Table 1-9: actioning of customer insight in marketing**

Area	1	2	3	4	5
Setting accurate targets based on market predictions		√			
Focusing sales effort on the right accounts/segments	√	√	√	√	√
Increasing efficiency (less time spent preparing for sales calls)				√	
Helping match sales behaviour to clients' buying behaviour and values		√			
Alerting salesforce to customer satisfaction issues that may potentially impact sales		√		√	
Helping to have better and more relevant conversations with existing customers, with the aim of driving increased sales	√	√		√	

**Table 1-10: actioning of customer insight in sales**

The fourth research question related to the organisational context that helped or hindered the process of generating and actioning customer insight. As the findings on this topic were very exploratory in nature, they are not synthesised in this linking document under key findings. For further detail please refer to section 2.5.5 under findings of project one.

As all of the cases were extensively collecting data from all five data groups, the following discussion focuses on how each of the cases was generating and actioning customer insight based on this data.

## **Barclays**

***Generating insight:*** Barclays generated market predictions, segmented by business type and attitudes, and made extensive use of ‘events and triggers’. An event could be an insurance product coming up for renewal, while a trigger could be something out of the ordinary happening on the customer’s account. It also generated analyses of customer profitability and product profitability, albeit with an admitted degree of inaccuracy.

However, Barclays’ main focus was on propensity models to generate Customer Action Prompts or “CAPs”, that advised on the ‘next best product or offer’ to talk to customers about, taking into account their contact and transactional history. It firstly combined its own transactional data (from current accounts and credit cards) with external data sources, to give it a rich picture of customers’ lifestyles, finances, careers, spending habits and travel. It then used technology to combine twenty propensity models (which predicted the customers’ likelihood of responding in a particular way) with an ‘optimisation engine’. The engine took in account multiple variables such as likelihood to respond; value of the offer; cost of contact by channel; operational capacity; and volumes required. It could calculate the most profitable product to offer to a customer (if there was more than one choice), taking into account contact and business rules. These rules included quarantine rules, campaign selection rules, total budgets, campaign volumes, campaign timings, cross-campaign rules and channel priority rules. The engine also took into account a customer’s values and behaviour so that each offer could be personalised.

***Actioning insight:*** The CAPs were refreshed daily and used for direct mail and bank telephony (both outbound and inbound). In direct mail, up-sell and cross-sell offers were usually made alongside bank statements. An ‘up-sell offer’ might prompt a current account holder to upgrade their account from a basic one to one with additional services (e.g. a dedicated relationship manager or a guaranteed overdraft). A cross-sell offer might prompt a current account holder to take out a loan for a particular amount.

In outbound telephony, the Customer Action Prompts were driving thousands of calls every day: for example, encouraging certain customers to increase their loan the next month, or inviting customers who had been regularly overdrawn on their current account to come into a branch for a financial review.

The bank’s focus, though, was shifting from outbound to inbound communications - targeting customers with a tailored message when they contacted the bank (as opposed

to the other way round). Barclays handles 35 – 40 million inbound calls each year, typically with service requests (such as to check account balance or pay bills). Interviewees reported that since CAPs had been made available to call centre agents, the sales ratio had increased from one sale per 14 inbound calls to one sale per 11 inbound calls. Barclays also estimated a four or five fold increase in the uptake of offers made to inbound callers, compared to the same offers made by outbound callers.

### **BT (Major Customers Division)**

**Generating insight:** BT (Major Customers Division i.e. business to business) was primarily generating insight in the areas of market predictions and customer segments (and touching on customer analytics). Although it was using technology to present a ‘single view of the customer’ to call centre agents, propensity models were not applied and the roles of sales and service were not combined.

BT had three means of defining customer segments amongst its business customers: by value, by vertical sector and by business needs (e.g. expanding the business, serving consumers/citizens, running the business and low needs/DIY). It also took into account buyer behaviour: for example, relationship seekers wanted a dedicated account manager and transactional buyers wanted minimum contact and the best price. To increase the accuracy of the segmentation model, the CRM system contained ‘smart scripts’ to prompt the account managers to ask their customers certain questions.

**Actioning insight:** BT was using insight to inform and drive its strategy, particularly to deal with its biggest strategic issue of a decline in traditional markets. It used market predictions to move into new markets, to help set realistic sales targets and allocate resources. BT’s segmentation model was helping the sales teams not only to determine what to sell, but also how to sell.

The desk-based account team used the CRM system to view a matrix of what they had sold, what was outstanding and what campaigns customers had been included in, as well as what opportunities were open at the moment. BT was not as advanced as Barclays and O2 in that the ‘next best offer’ did not appear on the screen – account managers had to consult the ‘Sales Zone’ in the internal intranet and make a decision themselves. However, they did receive events and triggers – for example, prompts that a contract was up for renewal or that an account had been dormant for a while.

### **Cisco**

**Generating insight:** Cisco’s ability to generate insight was restricted by its ‘go to market’ model, via channel partners. This made it difficult to obtain customer information directly. It therefore relied heavily on the analyst community for market predictions. It was arguably the case study that was most focused on customer analytics. The European HQ had just started to deliver “customer packs” to the countries, designed to help the sales teams to plan their operations, workforce and activities around market objectives. The packs provided answers to questions such as: how many customers are there? Is the customer base growing over time? Who are the best spenders? What is the customer purchase cycle? What are customers buying? Has

the percentage of customers buying a certain technology increased or decreased over time?

Cisco had traditionally segmented its markets by geography and size of company, but had recently added two dimensions – technology type and buyer behaviour – to help the sales teams to understand the ‘next best offer’ to make to customers. Technology type related to the type of technology that a company typically needs at different points in its customer lifecycle.

**Actioning insight:** Cisco was using customer insight extensively in the marketing and sales areas, but not in service. Traditionally a sales-driven company, worsening market conditions were prompting the sales teams to ask their marketing colleagues for help in defining markets, segments and customers. Cisco also relied heavily on insight to direct its channel partner strategy. It needed to know which resellers were performing (who was acquiring/losing customers) and tried to correlate this back to customer data. It was able to share customer insight with its channel partners, giving it competitive advantage in terms of its relationship with its partners. Finally, insight was driving product portfolio management decisions – for example, a proper security assessment tool had recently been developed in response to market demand.

## O2

**Generating insight:** O2 was the most advanced company in this study, in terms of its use of technology to deliver customer insight directly into the hands of sales and service agents in real-time. Using predictive data mining software from Chordiant, the system was christened ‘VISION’ and it incorporated 45 propensity models fed by transactional and external data. Compared to previous technology, the models could be calculated in one-seventh of the time. The software was customised into six versions, aligned to different product lines, sales teams and service call centres with over 3500 agents. Its goal was to enable front-line staff to make the right offer to customers, in the right place, at the right time to improve the customer experience, engagement and loyalty.

**Actioning insight:** In the inbound service call centres (handling 50 million calls per year), the system would offer advice to agents on how to handle service enquiries and problems. For example, it would alert an agent if a customer had a high propensity to churn or signified a payment risk. Once the enquiry or problem about which the caller had rung had been resolved, the system suggested the top three most appropriate products or services to talk about, and provided a script to help agents to talk about the top one.

The ‘VISION’ initiative was perceived as a considerable success. Use of the system was voluntary and on average, 73% of all customer service consumer and SME (small and medium businesses) calls were entered into VISION. Of those 73% of calls, 38% of customers were being offered an additional product or service. In 41% of cases, this resulted in an agent processing an order (this went up to 47% if they included offers where a customer was recorded to have taken an action as a result of the offer).

Approximately 50% of offers were non-revenue generating for O2 (for example, a new handset or extra minutes), but the overall effect was that bill value increased by an



average of 15% in the month after the offer was accepted. Retention costs were also reduced by £150-200k per month and customer churn was reduced by 3%. All of these results were achieved without an increase in average call handling time.

The outbound sales teams used the system to significantly reduce the preparation time for sales calls. Often the sales people would place a call and not get through, meaning that preparation time had been wasted. Previously it took 30 minutes to prepare for a call, whereas with the new system, calls could be placed immediately and consecutively. As the offers were relevant and timely, it was easier to build rapport and the conversion rate went up.

## **Post Office**

**Generating insight:** As a public sector company, historically the focus had been purely on customer satisfaction rather than commercial performance. However, access to real customer data for the first time, the move into financial services products and cost pressures in recent months were driving a new focus on commercial performance. A recently amalgamated customer insight team, covering the whole of Royal Mail group, invested heavily in the generation and communication of customer insight, primarily in the areas of market predictions and customer segments.

Post Office had recently refreshed its segmentation strategy by adding its own data sources as well as external ones. It was based around three key areas: demographics, attitudes and behaviours. All adults over the age of 18 in the UK were now classified into one of the 19 segments or eight groups, plotted against two key demographics variables: affluence and life stage.

**Actioning insight:** Post Office was using insight to drive strategy, marketing and new product development. It provided the sales teams with numerous tools to help them sell more efficiently and effectively. For example, branch managers could use the segmentation tool to determine what products/propositions were most likely to appeal to the segments that were most represented in their postal area (and avoid wasting time and resources trying to sell products and propositions that did not appeal to the segments in their postal area). The segmentation tool was also helping to retrain the sales people to focus on understanding and identifying customer needs, as opposed to selling features and benefits.

Due to a historical operating model, a lack of investment in technology and a culture of 'serving not selling', Post Office was not making use of insight to maximise inbound contacts. Its inbound call centres were outsourced and managed by different suppliers on long-term contracts, aligned to particular products, making it impossible (from both a technology and a process point of view) for call centre operatives to offer products that were managed by a different call centre.

### **1.3.2 Discussion of project one**

All cases in this study were found to be aggregating and synthesising multiple data sources to generate customer insight, as proposed in the literature. Wills and Williams (2004) identified the following data sources: customer database analysis, market intelligence, competitor intelligence, feedback from sales and customer service staff,

including customer complaints, financial and planning data etc. These were confirmed and numerous new sub-categories proposed.

There is no empirically-derived list of the different types of customer insight in the literature. In his conceptual paper, Hirschowitz (2001) cites examples of customer insight as strategic segmentation, loyalty indicators, channel propensity, campaign propensity scores and response value scores. This research confirms and expands on the above list. Only two out of five companies (Barclays and O2) were found to be making extensive use of propensity models, consistent with previous suggestions that most companies do a poor job predicting the behaviour of their customers (Reinartz, Thomas, & Kumar, 2005). Smith, Wilson and Clark (2006a; 2006b) also found that most practice was hindered by lack of appropriate data and lack of understanding of needs based segmentation. Again, this study confirms this (within the limitations of the sample size and selection), as only two out of five companies studied (BT and O2) were found to be segmenting by customer needs.

When the literature discusses the use of customer insight, it is usually in a marketing context (Tan & Ahmed, 1999). Payne and Frow (2004) discuss 'touch-points' (where the customer interacts with the supplier in multiple channels) representing the most crucial opportunities to leverage advantage, but again in a marketing context. There are no examples of the broader use of customer insight beyond marketing decision-makers. This study provides evidence that insight is actioned across six areas of the organisation.

These results support various authors who have asserted that technology can play a critical role in the ability of firms to customise their service offerings (Peppers & Rogers, 1993; Pine II, 2004). They support Gwinner et al.'s (2005) proposal that inbound customers can be provided with individually tailored products and services, Bitner et al.'s (2000) suggestion that contact employees can handle service situations with a growing complexity that could never be managed manually, and research by Sujana et al. (1994) demonstrating the ability of a boundary worker to improve performance by tailoring the customer-employee interaction to the specific customer.

Maister (1997) claimed that intensive customer-employee interaction was necessary to build the accurate picture of customer needs required for successful cross-selling. This research suggests from two case studies, at least, that customer insight delivered to call centre agents can lead to successful cross-selling without the need for intensive customer-employee interaction.

Gwinner et al. (2005) suggest that although some customisation can be achieved through technology, the primary determinant of successful customisation is the ability and motivation of the frontline customer contact employees to appropriately implement customisation strategies in real time. In the case of O2, 73% of agents were voluntarily opting to use technology-enabled customisation at the time of the interviews. It has been reported that of these customised offers made to customers, 41% were being accepted; unfortunately there were no statistics available on the percentage uptake of offers made without this use of technology.

Kennedy et al. (2002) proposed that employees who believe that understanding customer needs and acting to satisfy customers are central components of their job perform better than those who do not hold these beliefs. In this study, service agents at O2 were not measured on incremental sales performance. Therefore, it seems plausible that the 73% of agents who sought customised offers for customers did so in the belief that this would improve the customer experience, though the role of agent motivations deserves further study.

According to Churchill et al. (1974), sales/service employees are more likely to be successful if they have control at the point of customer contact, in terms of positive sales and service results. This research provided evidence that customer insight delivered into the hands of agents (Barclays, BT, O2) gave them more control than those agents who did not have access to customer insight (Cisco, Post Office).

Evans et al. (1999) warned of the potentially negative effects of combining service and sales roles. This project supported their hypothesis that the number of customer transactions for the employee is negatively related to the customer cross-sell ratio. In other words, a contact employee might bring premature closure to sales-service interactions to prevent a queue from developing. Rhodes et al. (1994) also warned that constant trade-offs between speed and additional sales can make the role very ambiguous. This in turn could lead to stress or job dissatisfaction for the employee. No evidence was found for these negative effects, although this warrants further investigation. The only evidence of a positive effect was at O2, where bill value had increased and churn had decreased without a decrease in the average call handling time.

A number of these points relate specifically to the sales through service context, as a channel in which some cases, at least, appeared to be succeeding in actioning customer insight. Hence the specific focus on this context within project two, the key findings of which are described next.

## **1.4 Key Findings and Discussion of Project Two**

### **1.4.1 Key findings of project two**

Each case is briefly summarised, before synthesising the findings across cases in the discussion subsection which follows.

#### **Barclays**

Barclays is an international financial services organisation with a customer base of 9.1 million in the UK. In November 2006, a new IT system called 'CRM Lite' had been rolled out following a successful pilot. When a customer called Barclays, the call was routed to either a sales or a service agent, depending on pre-scoring, and the agent saw a screen with the customer and account details. The agent cut and pasted the customer's ID number into CRM Lite and received additional information on the customer's value and loyalty towards Barclays (known as value and attrition propensity markers). The agent also saw a summary of the last five interactions that had been undertaken with Barclays, such as branch visits, ATM withdrawals, direct debit setting up, direct mail sent, outbound calls and so on. Up to five 'Customer Service Opportunities' or CSOs

(previously called Customer Action Prompts or CAPs, as reported in project one) for each customer were presented on the screen, based on predictive models of the customer's propensity or likelihood of buying a particular product if offered to them. The screen included additional information to explain why each CSO was being presented and to suggest 'conversation openers'. This allowed the agent to select the most appropriate one depending on the conversation.

40% of all calls routed through to sales had at least one CSO available with 35% having more than one CSO. For the 60% of calls that did not have a CSO available, the enhanced contact history still enabled the agents to initiate a conversation. For example, an advisor was observed successfully moving a customer from a competitive loan to a Barclays loan by noticing a new direct debit, as opposed to a CSO.

Agents had to check answer three questions at the end of a call to collate responses to CSOs: "Did you present the opportunity?"; "Was there a positive outcome?"; and: "Did you complete the sale or hand-off to sales?" During 2007, more extensive data quality, measurement and feedback mechanisms were introduced. For example, metrics were introduced into agents' and team leaders' performance development plans to encourage enhanced usage of CRM Lite. Service agents were encouraged to handle customers with sales CSOs when calls overflowed from sales. They were also incentivised to spot hand-off opportunities to sales during regular service calls. While most CSOs concerned sales opportunities, new CSOs were developed specifically for the service community, which would help agents to cleanse and increase the quality of customer data during service calls.

## **ENERGY**

ENERGY is an integrated energy supplier. The research focused on the UK Energy Retail business, with approximately 5.2 million customers. In November 2006, ENERGY launched a programme designed to provide customer insight to customer service agents and to help them to sell 'value-add' products and services. The three main 'value-adds' were direct debit, 'hot keys' – cross-selling gas to electricity customers and vice versa - and cash collection.

In support of this project, a call routing and customer insight system was developed. When calls came in, the system tried to find a match for the customer telephone number: if a match was not found, the customer was asked to enter an account number. The system would identify approximately 75% of customers based on either their telephone or account number. Once the customer was identified, the system would return a customer profile, automatically route the call to the most appropriate advisor across all the call centres, and advise the agent how to handle the call. For example, it could prompt them to ask for a meter reading, or highlight a cash collection or up-sell opportunity. Different call centres had agents that specialised in different areas, for example, payment plans, quarterly credit, home moves, online service, SME (Small and Medium Enterprises) and recently acquired customers.

If a customer service agent offered an additional product or service to a customer and the customer expressed interest in accepting it or finding out more, the call was transferred to a CRM team to complete the sale. Likewise, if the agent felt that a

customer was unhappy and likely to leave, the call would be transferred to the CRM retention team. The system recorded when a customer had been offered a product and refused it, to prevent agents making the same offer several times and annoying the customer. It was observed that the agents appreciated this.

Customer service agents received an instant email from the CRM team letting them know whether the opportunity they handed over had been successful or not. Agents were eager to check their email to see whether the opportunity was successfully converted or not.

## **HEALTHCARE**

HEALTHCARE is an international healthcare company providing healthcare insurance and healthcare services to three million 'members' in the UK. At the time of research it was in the process of consolidating 72 different IT systems into one system, which was to be rolled out in phases during 2007 and 2008. Outbound agents were able to work with models that calculated customer lifetime value and propensity to lapse, which were very useful for cross-selling and retention purposes. However, the same insight was not yet available to inbound agents, so they were unable to identify the value of inbound callers.

The new system was planned to deliver much better insight to agents and to enable them to have more meaningful conversations. For example, inbound agents would have an alert panel to indicate: what particular products or services were appropriate to offer to an individual customer; customer complaints history; propensity to lapse; previous claims on the policy; and lifetime value.

At the time of research, though, cross-selling was somewhat ad-hoc and service agents had to transfer all sales leads to a 'cross-sell team', who acted as a gateway to other sales teams. This meant that agents only had the opportunity to cross-sell or up-sell one product, as they could only transfer the call once.

As the company was regulated by the Financial Services Authority (FSA), it could only talk about its own products and services and it had to let a customer know this. When agents were giving advice about products they had to ask a series of questions and record answers, to generate an audit trail. For example, "Are you registered with a GP? What are your expectations of cover?" As the agent responded to screen prompts and recorded answers, a 'decision engine' proposed appropriate products and services, which were confirmed in writing. Due to regulatory issues, service agents could no longer talk about the previously offered travel products or critical illness cover, and they could not actually book health screenings, so the ability to offer additional products and services was severely limited. HEALTHCARE also had to adhere to data protection guidelines during each call, which could make the call quite cumbersome.

## **O2**

O2 is one of the leading mobile telecommunications providers with approximately 17 million customers in the UK. Two years prior to the interviews, O2 had had a large department of analysts creating specific segments and targeting models on an ad-hoc

project basis which were used primarily for outbound sales offers. However, this approach was felt to be too slow in delivering actionable results. Consequently, O2 initiated a programme with the goal of enabling front-line staff to “make the right offer to customers, in the right place, at the right time to improve the customer experience, engagement and loyalty”.

To this end, the company installed predictive data-mining software, as described under project one above, which respondents claimed enabled the production of large numbers of predictive models quickly. The resulting system codenamed ‘VISION’, which had been rolled out to 3500 agents at the time of the project two research, incorporated 45 propensity models fed by transactional and external data, calculating the customer’s propensity to purchase each product they did not currently hold, and to cease using each product which they did hold. The propensity models were updated in real-time, including during an inbound call every time the caller’s response was recorded. The system’s ‘decision logic’ would then reassess the top three offers to display to the agent for them to consider presenting to the customer. Once the customer’s service enquiry had been resolved, the agent would then choose from these three options, if they deemed it appropriate to the conversation with the customer. The system also provided a script to help agents to talk about the top recommendation or ‘next best action’.

O2’s ‘sales through service’ programme was known as the ‘Adding Value’ programme, to position it as adding value for the customer. Programme owners attributed its success to the combination of systems, agent soft skills and product knowledge.

## **RIAS**

RIAS provides insurance to the over 50s and has 880,000 customers holding one million policies in the UK. RIAS started out as an outbound, affinity-based business, with an aggressive sales culture focused on customer acquisition. This changed at the beginning of 2004 as the market became more competitive and RIAS no longer experienced high retention and acquisition rates. The new management team at this time therefore took the view that whilst acquisition remained important, “there’s much more work now around lifecycle modelling, the customer experience and the renewals cycle”. (E:3)

RIAS therefore started to invest in its inbound customer service channel and encourage sales through it. However, unlike other companies in this study, RIAS was coming from the starting point of a sales culture evolving to a service culture, as opposed to the other way round. Sales agents had successfully sold to prospects based on intuition and solicitation of customer needs during the call. This meant that no technology or processes were in place to deliver customer insight to inbound service agents serving existing customers.

The sales culture remained noticeably dominant at the time of the research. The agents had no hesitation in offering a number of ‘add-ons’ during each call, even if they were inappropriate, as witnessed on one occasion. At the time of research, however, inbound service agents in the largest, ‘household’ business could only up-sell household products: they could not cross-sell products from other areas of the business, due to barriers in the areas of skills, organisation and technology. They could, however,

capture car insurance renewal dates and pass them over to the automotive business for outbound marketing purposes. Similarly, they could hand off leads for pet or caravan insurance (for which the agent received no credit).

RIAS was in the process of developing a marketing database, as well as investing in analytical resource to build propensity models such as propensity to lapse. These were to be based on six or seven facts about a customer, for example, whether they paid by direct debit, their age and so on. RIAS was also developing customer lifecycle profiles to help agents understand which transactions provided the highest value.

The current IT system had no insight prompts - offers were made based on intuition. The agent had no formal access to the customer's transactional history apart from anecdotal notes. A pilot system called "Insight" was currently being tested by six advisors, who handled 300 calls per week from an affinity group of 8000 customers. By early 2008 it was planned that the new IT system would display a single view of the customer across all product areas as well as insight prompts on the screen.

### **The AA**

The AA is a member services company, owned by two European private equity firms. This research project focused on its automotive breakdown services with around 15 million customers (six million personal customers and nine million business customers) in the UK.

Approximately 18 months prior to the research, the AA had started to simplify activity within the call centres to focus on three core areas: breakdown cover or 'membership', motor insurance and home insurance. It began delivering individual customer insight through to the agents' screens to drive more effective cross-sales activity. Prompts rather than full scripts were presented to the agent, in part because the technology did not allow full scripts and in part in order to leave the agents with enough freedom to still feel they were in control of the call. Customer insight was generated from the AA's customer data warehouse which combined internal and external information in a single view of the customer. Rather than using propensity models, the insight was generated using business rules: for example, if the customer's car was more than ten years old, they were not eligible for 'home-start' services; if the customer had five years' no-claims discount, they could be a candidate for motor insurance. This insight was generated on a monthly basis and displayed to the agents.

The agent received prompts for no more than four or five 'next best products' to introduce to the customer. The breakdown cover agents were able to sell upgraded membership services, but cross-sales of motor or home insurance had to be passed to other teams due to regulatory issues. The agent could either hand on the call or arrange a suitable time for the customer to be called back by the insurance team. In addition to promoting products, the agents were tasked with collecting missing data such as telephone numbers and date of birth, as well as gaining permission for the AA to promote to the customer in an outbound fashion.

Agents in the 'save a member' team were able to see product holdings, service history and previous price paid. The agents had to manually calculate how much they could

give away in order to keep a customer. Despite this, two agents observed exceeded their retention and average discount targets.

The AA was piloting a new agent user interface called “Guide”. It was planned that this interface would bring five different systems together, making it much easier to structure calls. The new system would provide agents information on what opportunities to present, what products were already held, which leads were outstanding, which opportunities had been previously refused and details of the last contact. It was envisaged that most of the member services agents would have this new version by the end of 2007.

#### 1.4.2 Synthesis and discussion of project two

In this section, results are synthesised across the six cases. Seven propositions are derived, which, while consistent with the data, require further study across a wider sample for validation and refinement.

Table 1-11 summarises the varying approaches to sales through service in the six cases. All of the companies in this study were successfully cross-selling and up-selling to a greater or lesser extent, although the variety of approaches to the combining of sales and service seems consistent with the immaturity of the practice (Jarrar & Neely, 2002). Barclays had sales agents handling service enquiries; three cases (ENERGY, RIAS, and the AA) had service agents up-selling but not cross-selling; and HEALTHCARE had service agents handing off all sales leads to a separate sales team. Just one case, O2, had service agents with sales responsibility: this case also had the highest average cross-sell/up-sell ratio in terms of volume – one sale per nine inbound calls – although no statistics were available regarding such revenue and profit focused metrics as the highest average revenue per sale. Interestingly, although O2 measured the number of times that offers were successfully converted to sales, agents were not yet financially penalised or rewarded for successful sales conversions.

Category	Barclays	Energy	Health	O2	RIAS	The AA
# inbound calls per annum	17m	6.6m	1m	50m	816,000	3m
# agents	1350	1000	80	5500	108	374
Service agents cross-selling?	X	X	X	√	X	X
Service agents up-selling?	X	√	X	√	√	√
Service agents handing off sales leads?	√	√	√	X	√	√
Sales agents with service responsibility?	√	X	X	X	X	X
Average up-sell/cross-sell ratio	1 in 10	1 in 33	N/A	1 in 9	1 in 12	1 in 50
		1 in 8				1 in 20

**Table 1-11: Approaches to sales through service**

**NOTES** Barclays: 700 service agents hand off sales leads to 650 sales agents with service responsibility. ENERGY: ratios 1 in 33 (cross-sells), 1 in 8 (conversions to



direct debit). HEALTHCARE: Up-sales/cross-sales leads not accurately measured. RIAS: Household customer service (50 agents), business retention (58 agents). The AA: Up-sales/cross-sales ratio varies from 1 in 20 to 1 in 50, depending on product area.

### Contextual factors driving sales through service initiatives

The contextual factors cited by respondents as driving the sales through service initiatives are shown in Table 1-12. These are consistent with the lists of service and organisational requirements from Spencer-Matthews and Lawler (2006); additional categories that emerged from this study are represented in italics.

	Barclays	Energy	Health	O2	RIAS	AA
<b>External drivers</b>						
Competitor activity	√	√	√	√	√	
Non-price competition	√	√	√	√	√	
Consumer demands	√	√	√	√	√	
<i>Regulation (of marketing outbound)</i>	√			√	√	√
<b>Internal drivers</b>						
Efficiency (maximimise inbound opportunity)	√			√	√	√
Knowledge (continually gather info/knowledge)	√	√				√
Duty of care (provide relevant offers)	√			√		
<i>Customer retention/build customer loyalty</i>	√	√	√	√		√
<i>Increase customer satisfaction/experience</i>		√		√		
<i>Customer development</i>	√	√	√	√	√	√
<i>Empower employees</i>	√			√		

**Table 1-12: Contextual factors driving sales through service initiatives**

**NOTE** Italics indicate factors not present in previous research by (Spencer-Matthews & Lawley, 2006)

### Technology and Services

Although much literature (Drennan & McColl-Kennedy, 2003; Jayawardhena, Souchon, Farrell, & Glanville, 2007) still regards service encounters as ‘low-tech, high face-to-face contacts’, all of the cases in this study were making extensive use of technology in their inbound service call centres. See Table 1-13.

Category	Barclays	Energy	Health	O2	RIAS	AA
Insight generated using propensity models	√	X	X	√	X	X
Insight calculated in real-time	X	X	X	√	X	X
Insight delivered to agents' screens today	√	√	X	√	X	√
Agents more reliant on intuition/experience	50-50	50-50	√	X	√	√
Plans to deliver insight to agents' screens	n/a	n/a	√	n/a	√	n/a
Agent access to real-time monitoring	√	√	X	√	X	√

**Table 1-13: Technology use in inbound service encounters**

Previous research advocates the importance of predictive modelling, while reporting that this technique is often as yet lacking in practice (Jarrar & Neely, 2002; Kamakura, Wedel, de Rosa, & Mazzon, 2003; Prinzie & Van den Poel, 2006). In this study, only two cases were using predictive modelling (Barclays and O2) – the other cases were generating customer insight based on business rules. Only O2 was calculating customer insight in real-time, although four cases (Barclays, ENERGY, O2, and the AA) gave agents access to real-time monitoring of their performance. This reflects the relative success rates, O2 and Barclays seeming to have the best-performing sales through service programmes, and respondents believed that predictive modelling played a part in this. While this is far from conclusive, the following proposition is consistent with the data and requires further research.

*P1: Companies that use predictive modelling to generate customer insight will have higher acceptance rates on sales through service offers.*

Four out of six cases delivered customer insight directly onto agents' screens and two had plans to do so in the near future. In three out of the four cases (Barclays, ENERGY and O2) that delivered insight directly onto agents' screens, respondents claimed to have specific evidence that they had performed better as a result, citing the following improvements. Since Barclays began delivering Customer Service Opportunities (CSOs) to agents' screens, the proportion of calls including a sale improved from an average of one sale per fourteen inbound calls to an average of one sale per ten inbound calls. At ENERGY, in the period from March 2006 to March 2007 which covered the introduction of insight delivered to agents, acceptances of an offer to convert to an additional energy supply at the call centre under study increased from 3% to 65%; direct debit conversions increased from 4% to 44% of offers made; cash collections improved from £20 an hour to £75; and first call resolution improved from 75% to 80% of calls. Since O2 had begun delivering insight prompts to agents via its VISION system, bill value had increased by an average of 15% in the month after the offer was accepted, retention costs had reduced by £150-200k per month, and customer churn had reduced by 3%. In 2006 O2 claimed to have generated £9m of additional revenue through additional cross-selling and up-selling as a result of the VISION programme.

Again this data is far from conclusive, but it seems plausible that even insight based on business rules rather than propensity models, as was present in the ENERGY case, is

more effective than leaving the agent entirely unprompted as to sales opportunities. Hence the following proposition:

*P2: Delivering customer insight directly onto agents' screens leads to increased sales performance in sales through service initiatives.*

Arguably, only agents at O2 were making offers based on truly individualised and real-time customer insight, and this case had the highest cross-sell/up-sell ratio as well as claiming an increase in customer satisfaction. At RIAS and the AA, cases historically with a dominant culture of sales rather than service, some agents were observed to be aggressively up-selling and cross-selling at the expense of customer satisfaction. In some cases, they ignored the insight prompts advising them of the most valuable offer to the customer and instead offered the products they felt most comfortable selling. Instances were also observed of agents offering products in situations when this was inappropriate, for example, when a customer called to cancel a policy or make a complaint. Although RIAS and The AA could point to short-term gain in terms of successful up-selling and cross-selling, the longer term impact on customer satisfaction was not known. Hence, the following proposition is offered as requiring further exploration:

*P3: Cross-selling/up-selling without individualised customer insight is more likely to lead to short term gain at the expense of customer experience and long-term value.*

Despite the extensive use of technology, all of the cases supported Jarrar and Neely's (2002, p. 295) caution that successful cross-selling is "not [just] a technology issue.....it's about having a well trained and motivated sales force, who can talk to the customer supported by a real-time (or as close as possible) information system, that is centred around individual customer profitability, to help staff understand all they need about the customer".

Eichfeld et al (2006) warned companies that investing excessively in automated prompts could lead to mechanical sales pitches. Respondents in only one case (the AA) echoed this concern that insight prompts might distract agents from actually listening to customers. None of the other cases highlighted this as a concern.

### **Issues enabling or inhibiting sales through service**

Jarrar and Neely (2002) empirically identified seven issues which enable or inhibit a sales through service initiative. Table 1-14 illustrates how the cases experienced these issues (a check indicates that this issue emerged as influential in enabling or inhibiting programme success in the view of respondents).

	Barclays	Energy	Health	O2	RIAS	AA
Capacity plans/operations		√	√	√	√	
Customer relationships	√	√	√	√	√	√
Staff compensation				√		
Staff training ('will and skill')	√	√	√	√	√	√
Product redesign			√		√	
IT investment and integration	√	√	√	√	√	√
Customer profitability analysis/customer insight		√	√		√	√
<i>Regulation</i>		√				

**Table 1-14: Issues associated with a sales through service initiative**

**NOTE** Italics indicate a factor not present in previous research by (Jarrar & Neely, 2002).

All of the cases expressed concern at the outset of their initiatives that customer relationships would be negatively impacted by selling through service centres. Often there seemed to be deep-rooted mind-sets within the organisation that cross-selling would annoy or overwhelm service customers, and an expectation that attempts to chase a revenue target would lead to an increase in customer complaints and a decrease in customer satisfaction or customer experience ratings. None of the firms in this study, however, found that customer satisfaction had in practice been negatively impacted by their sales and service initiatives. Indeed O2 claimed an increase in customer satisfaction as a result of cross-selling and up-selling, which respondents attributed to the customer's perception that they were known by the agent and that the agent was making an offer which was helpful to them. Hence the following somewhat surprising proposition is suggested for further research:

*P4: Customer satisfaction will increase when customers are offered additional products and services based on customer insight.*

All of the cases found that changing the 'will and skill' of their customer service agents was one of their greatest challenges and an area that required a substantial investment in training. Training was reported as necessary in three areas: product knowledge, sales skills and behavioural training.

All of the cases acknowledged a substantial investment in IT, in order to generate insight and deliver it to agents' screens in an integrated way. However, most cases were not waiting until everything was integrated – they were moving ahead with whatever technology was available at the time.

An additional category of "regulation" was added to Table 1-14. This reflects the issues of data protection and sector-specific legislation in the case of financial services, which can make calls quite cumbersome and lengthy, making it harder to cross-sell and up-sell.

## Agents in a combined sales and service role

Table 1-15 summarises the necessary qualities for an agent to be successful in a combined sales and service role, according to respondents. The qualities in normal type have been proposed by previous authors (Eichfeld et al., 2006; Pontes & Kelly, 2000; Beaujean, Davidson, & Madge, 2006; Beatty et al., 1996; Kennedy et al., 2002; Hartline & Ferrell, 1996; Heskett et al., 1994; Bitner, Booms, & Mohr, 1994). The qualities in italics are additional qualities that have emerged from this research.

	Barclays	Energy	Health	O2	RIAS	AA
Competence (will and skill)	√			√	√	√
Self confidence		√		√	√	√
Concern for customer/doing right thing	√	√	√	√	√	
Confidence in products			√	√		√
<i>Confidence in data and processes</i>	√	√		√		
<i>Confidence that issues will be heard and resolved</i>		√				√
Exhibit empathy and understanding	√			√	√	
Feeling of control/empowerment		√	√	√	√	
Awareness of business and strategic context		√		√		√
Regular feedback on performance	√	√		√		
Ability to achieve balanced scorecard	√	√			√	√
Adaptability		√		√		
Affinity with customers/similar profile	√				√	

**Table 1-15: Qualities of agents successful in a combined sales and service role**

**NOTE** Italics indicate factors not present in previous research

Respondents at Barclays stated that one of the biggest issues they had to overcome was building agents' confidence in the insight prompts. Across all of the cases, agents were observed to ignore the insight prompts if they did not believe that the offer was right for the customer. At O2, the focus in prioritising possible offers to put to the customer was on improving the customer experience and only half of the offers generated revenue for O2. Agents at O2 were observed to be the most pro-active in making offers to customers as they believed that the offers were good ones for customers. These observations give rise to the following proposition.

*P5: Agents are more likely to make successful offers if they believe that they are 'doing the right thing' for the customer*

## Measuring sales through service performance

Table 1-16 summarises the cases' approaches to measurement.

Measure	Barclays	Energy	Health	O2	RIAS	AA
Measure first call resolution?	X	√	X	X	X	X
Monetary incentives for cross-selling?	√	√	X	√	√	√
Customer satisfaction included in balanced scorecard?	√	√	√	√	√	√
Productivity (AHT/adherence to schedule) included in balanced scorecard?	√	√	√	√	√	√
Sales performance included in balanced scorecard?	√	√	X	end '07/'08	√	√
Measure reference to customer insight?	√	X	X	√	X	X
Measure # of customers saved?	X	√	√	√	√	√
Measure average cost of saving customer?	X	X	X	√	X	√
Measure # of offers made and accepted?	√	X	X	√	√	√
Measure # of offers made and not accepted?	√	X	X	√	X	√
Measure # of conversions (sales or hand-offs)?	√	√	partially	√	√	√
Measure overall impact on revenue?	√ - n/a	X	X	√	√ - n/a	√
Measure average revenue per call?	X	partially	X	X	√	√
Measure contribution to overall or individual profitability?	X	X	X	√	X	√
Data collection	√	√	X	X	X	√

**Table 1-16: Measures of sales and service performance**

All cases except for HEALTHCARE offered monetary incentives to reward cross-sales/up-sales behaviours - rather than just the successful outcome of those behaviours. Such behaviours included reference to customer insight during calls, making offers to customers, passing leads to sales teams and actually closing the sale. All cases except for HEALTHCARE and O2 measured each agent's sales performance as part of a balanced metrics set including measures of productivity (such as average handling time), customer satisfaction and sales. O2's delay in the introduction of sales metrics for agents was deliberate: managers wanted agents to first become comfortable with referring to the VISION system to check for offers, before introducing rewards for agents for the number of times they made offers to customers based on the recommendations of the VISION system. By 2008 they planned to introduce measures that would reward conversions of offers to sales, which were currently measured but not rewarded. As O2 achieved the highest up-sell/cross-sell ratio, this would appear consistent with Eichfeld et al. (2006)'s finding that there is no correlation between cross-selling performance and the way that monetary incentives plans are structured. At the least, the relationship between incentives and performance, in this domain as in

others, appears a complex one, and many factors other than incentives are relevant. The null hypothesis of the proposition below is consistent with the data and requires further exploration.

*P6: There is no correlation between monetary incentives and cross-sell/up-sell performance*

Turning to metrics for the purposes of overall programme management, Schneider et al (1998) conclude that service and sales must be complementary not contradictory and that firms should aim for a balanced scorecard. All of the cases except for HEALTHCARE had a balanced set of metrics covering customer satisfaction or call quality, productivity and cross-sell/up-sell behaviours and performance. Managerial respondents said that they preferred agents who were balanced across all metrics - “we want everybody to be on the nail, we don’t want these people who are getting really high conversions, but with a huge AHT [Average Handling Time]” (F:4).

Perhaps because this balance was being sought, no firm believed that average handling time had increased as a result of introducing sales through service, despite previous research (Schneider & Bowen, 1995; Evans et al., 1999) suggesting that there is a trade-off between cross-selling/up-selling and average handling time. One case reported a bell curve effect, where handling time increased initially when an agent began to add sales to their role, but levelled out once the agents were comfortable with new technology and processes. Respondents believed this to be because the customer insight enabled the agents to have a more relevant, productive dialogue. Hence the following proposition:

*P7: Successful sales and service agents achieve a balanced metrics set of call quality, call quantity and revenue.*

Jarrar and Neely (2002) found that US banks predominantly measure cross-sell campaigns based on the number of cross-sells. In this study, two firms (Barclays and O2) measured reference to customer insight, four firms (Barclays, O2, RIAS, the AA) measured the number of offers made and accepted, three firms (Barclays, O2, the AA) measured the number of offers made but not accepted and all firms measured the number of sales conversions or hand-offs to sales (albeit HEALTHCARE incompletely). This suggests a wider set of metrics to be studied in any future surveys of current practice.

Jarrar and Neely (2002) also reported that more than three quarters of US banks in their survey did not measure cross-sell effectiveness in terms of contribution to overall profitability or to individual profitability. In this study, four firms (Barclays, O2, RIAS, and the AA) measured the overall impact on revenue, although only the AA was willing to provide revenue numbers. Only ENERGY, RIAS, and the AA measured average revenue per call and only O2 and the AA were able to measure contribution to overall or individual profitability.

Eichfeld et al (2006) proposed that most bank call centres with high levels of service quality could achieve a cross-sell ratio of three core products for every 100 calls within two years of implementing a service to sales initiative. Each of the companies in this study were achieving or exceeding this ratio in at least one product area.

## 1.5 Contribution

This study has contributed to knowledge about how companies use customer insight for customer acquisition, retention and development. More specifically, this study contributes to knowledge in the following areas, as summarised in Table 1-17. In each case, however, it should be noted that the contribution is exploratory rather than confirmatory.

<b>Domain</b>	<b>Contribution</b>
Customer insight	First to propose a theoretical model for actioning customer insight First study to suggest the use of customer insight in a sales and service context
CRM	Builds empirical evidence of capability view Provides empirical support of seven value drivers of CRM
Marketing	Adds weight to arguments for one-to-one marketing Builds literature on cross-selling/up-selling
Customer service	Confirms importance of customer service in business success Highlights complexity of delivering customised service which achieves sales objectives Contributes to limited research understanding service encounters from firm's point of view Supports theoretical soundness of service-profit chain
Technology-enabled service encounters	Builds knowledge of application of technology in inbound service call centres Supports technology as fourth dimension of Services Marketing Triangle Supports Technology Infusion Matrix defining customisation as driver of service encounter satisfaction Tentative support for predictive modelling as important ingredient for cross-selling Limited evidence to support value of using real-time information to cross-sell
Sales through service	First study to propose contextual factors driving sales through service initiatives in inbound service call centres Confirms and builds on previous research investigating difficulties of combining sales and service roles First study to propose empirically-derived list of qualities of agents successful in combined sales and service role First study to propose measures of performance First study to propose seven propositions in a sales through service context

**Table 1-17: Summary of contribution**

### Customer insight

As customer insight is undefined and under-researched as an area of academic study, the greatest contribution is in this area. Most importantly, it is the first study to propose a theoretical framework for customer insight. The outline structure of this framework is based on the market-based organisational learning framework proposed by Sinkula et al.



(1997) and Campbell's (2003) conceptual framework for the internal processes involved in creating customer knowledge competence. Campbell (2003) proposed that little is known about the internal processes that assist organisation-wide learning about individual customer relationships and Zahay and Griffin (2004) agreed that the customer information management context for organisational learning has been overlooked in an empirical sense.

The framework developed for generating and actioning customer insight consists of a three step process of acquiring data, generating customer insight and actioning customer insight. The real contribution of the framework is not in proposing a three stage process; rather, it is in the detail it provides at each of these three stages, as follows.

#### ***Stage one: acquiring data***

Although there is much discussion (Nemati, Barko, & Moosa, 2003; Wills & Williams, 2004; Smith et al., 2006b; Smith, Wilson, & Clark, 2006a), of the need to gather data from multiple sources, in order to generate customer insight, there is no empirically-derived list of these sources. Wills & Williams (2004) propose the following as data sources: customer database analysis, market intelligence, competitor intelligence, feedback from sales and customer service staff, including customer complaints, and financial and planning data, for examples. These have been confirmed and several new sub-categories proposed.

#### ***Stage two: generating customer insight***

Although authors (Forsyth et al., 2006; Langford & Schulz, 2006) agree that customer insight is built from multiple data sources, only Hirschowitz (2001) cites specific examples of customer insight - strategic segmentation, loyalty indicators, channel propensity, campaign propensity scores and response value scores. The others stick to more general statements such as customer insight is 'not just a new name for market research', 'flashes of inspiration' and 'a strategic asset'. This study is the first to propose and provide extensive descriptions of four distinct categories of customer insight: market predictions, customer segments, propensity models and customer analytics.

#### ***Stage three: actioning customer insight***

Although there is much discussion about the process of collecting data, generating insight and disseminating insight, there are very few examples of how companies are actioning or using customer insight in practice. Neither is there a clear explanation of the purpose of generating customer insight. There are some comparisons to be made with knowledge management, though arguably customer insight is leading this field, rather than the other way round (Wills & Williams, 2004). The literature on market-based organisational learning is useful, yet the emphasis of research has been on acquiring and interpreting market information (as opposed to customer information) and there is little research on the actioning of information beyond marketing programme dynamism (Sinkula et al., 1997).

In a recent paper by Wright and Calof (2006), investigating current practices in the quest for competitive, business and marketing intelligence, they observed that the focus of previous studies has typically been on *whether* companies conducted intelligence

activities at all, rather than *how* these activities are carried out. They called for rigorously conducted case-based research to discover exactly what intelligence units do in practice.

This case-based research makes a contribution to understanding *how* customer insight activities are carried out. More specifically, it is the first study to propose that customer insight is being actioned across six areas of the organisation: strategy, operations, marketing, sales, product portfolio management and customer service. In particular, it is the first study investigating the use of customer insight in inbound service call centres to drive cross-selling, up-selling and retention.

### ***Organisational context***

The literature (Wind, 2005; Smith et al., 2006b; Wills & Williams, 2004) tells us that the ability of firms to generate and action customer insight is strongly influenced by certain aspects of organisational context. This study revealed many inconclusive aspects of organisational context across all five cases but it also built support for aspects already previously identified: the importance of leadership commitment, the need to view insight as a strategic asset, the requirement for people with analytical skills, the need for a central insight function as a pro-active unit, the importance of best practice communications, and the influence of corporate culture. Further research in the area of organisational context is recommended (see section 1.8).

### **Customer Relationship Management**

We have earlier remarked that over the years there have been many divergent perspectives on CRM, and cited Zablah et al (2004)'s evidence that CRM has, implicitly or explicitly, been conceptualised as a process, strategy, philosophy, capability and technological tool. The capability view of CRM (Day, 1994) states that to be effective firms have to invest in resources that enable them to anticipate the customer's changing needs and modify their behaviour towards individual customers or groups of customers on a continual basis (Peppers et al., 1999). Firms need to be capable of gathering intelligence on their current and prospective customers and applying that intelligence to shape their subsequent interactions with them. Previous literature focusing on operational CRM to increase efficiency and knowledge is largely limited to understanding how customers had behaved in the past, as evidenced by transactions (Stone & Woodcock, 2001).

Customer insight that is available at the point where the service encounter occurs (as reported in this study) is an example of a resource in the language of the capability view of CRM. Despite evidence that most companies do a poor job predicting the behaviour of their customers (Kumar et al., 2006), this research builds empirical evidence of the capability view by clarifying the need for additional knowledge about customers' needs and behaviours, as well as the synthesis of multiple data sources to create predictions about future behaviour.

Much of the significant attention and interest from both practitioners and academics in the subject of Customer Relationship Management (CRM) has focused on the disappointing results of CRM implementations and the failure to deliver on expected

benefits (Rigby et al., 2002; Wilson et al., 2002). This study is consistent with Richards and Jones' (2008) conceptual model of the seven value drivers of CRM, namely improved ability to target profitable customers; integrated offerings across channels; improved sales force efficiency and effectiveness; individualised marketing messages; customised products and services; improved customer service efficiency and effectiveness; and improved pricing. We will expand on the implications of this study for how value is accrued from CRM activities in the next section.

## **Marketing**

As consumers become more sophisticated in their shopping habits and marketing channels become proliferated, firms are moving away from mass marketing towards customising marketing efforts for each individual customer. It follows that CRM capabilities, designed to understand individual customer behaviour, should fully support marketers to become more customer-centric - a term coined by Sheth et al. (2000) - and to individualise marketing messages. Pitta (Pitta, 1998, p. 471) argued that one-to-one marketing and mass customisation are "examples of technological hype which is far beyond commercial reality". A decade on, this study adds weight to the argument that one-to-one marketing is now indeed becoming a commercial reality. It contributes to the debate on the future of market segmentation and the question whether the 'segment of one' is the new panacea for marketing (Dibb, 2001). This will be expanded upon in the reflections section.

According to Kamakura et al (2003), there is a notable lack of attention to the subject of cross-selling/up-selling in the marketing literature. This research contributes by building an understanding of the drivers of cross-selling/up-selling initiatives from a firm's perspective, as opposed to from a customer's perspective (Evans et al., 1999). It is the first study to suggest customer insight as an enabler of IT-enabled cross-selling (Bitner et al., 2000; Ngobo, 2004). It also contributes rare evidence of performance measures relating to cross-selling/up-selling.

## **Customer service**

The study confirms the importance of customer service in business success and highlights the complexity of delivering customised service which also achieves sales objectives. It also contributes to the limited research understanding service encounters from the firm's point of view, as opposed to the customer's (Fisk, Brown, & Bitner, 1993).

Despite the widespread contention (Chase & Hayes, 1991; Kelley, 1993) that if service agents managed to initiate conversations that uncover customer needs, this could lead to cross-selling (selling new products), up-selling (selling upgrades of existing products) and customer retention, the impact of CRM technology in call centre agents' delivery of customer service has not been examined empirically (McNally, 2007). This study provides important empirical evidence of this practice.

This study supports the theoretical soundness of the service-profit chain (Heskett et al., 1994), which links profit and growth to customer loyalty. The principles of the chain are that if you empower employees they will be satisfied, loyal and productive; and they

will deliver excellent customer service. This excellent customer service leads to more satisfied customers, who tend to be more loyal. Loyal customers stimulate growth and profitability.

### **Technology-enabled service encounters**

This is one of the few studies that investigate the application of CRM technology in inbound service call centres. It introduces to the technology-enabled services literature the construct of customer insight as an enabler to cross-selling and up-selling in an inbound service call centre context, and therefore contributes to a paucity of literature about the firm's perspective.

It provides further evidence of the critical role that technology can play in enabling firms to customise their service offerings (Peppers & Rogers, 1993; Pine II, 2004). It supports technology as the fourth dimension of the Services Marketing Triangle (Parasuraman, 1996) and adds evidence for one of Froehle and Roth's (2004) five roles of technology in service, namely technology-mediated customer contact. It also supports Bitner et al's (2000) Technology Infusion Matrix which identifies customisation as one of the drivers of service encounter satisfaction. It also supports Jarrar and Neely's (2002) proposal that predictive modelling (to generate customer insight) is an important ingredient for cross-selling. There was limited evidence from the O2 case to support Byers and So's (2007) suggestion that there is value in using real-time information to cross-sell in telephone service centres.

### **Sales through service**

According to Jarrar and Neely (2002), the combining of sales and service is an immature practice, so this study provides a rare empirical investigation in a UK context. The fact that there is not one common approach to sales through service seems to confirm the immaturity of the practice and is consistent with McNally's (2007) findings that service and sales can be integrated or separate, depending on the firm's existing organisational structure or customer service and retention strategy.

This is the first study to propose contextual factors driving sales through service initiatives in inbound service call centres. Previous research (Spencer-Matthews & Lawley, 2006) examined the contextual factors driving customer contact management. These were found to be in existence in a sales through service context and a number of additional categories emerged. For example, regulation was found to be an additional external driver, as increased restrictions on outbound marketing (e.g. data privacy regulations and the telephone preference service) meant that firms were relying more on inbound contact for their marketing efforts. Additional internal drivers were also identified, namely: the need for increased customer retention/loyalty; increased customer satisfaction/experience, better customer development; and empowerment of agents.

Previous research has investigated the difficulties of combining sales and service roles at the point of customer contact from the firm's perspective (Schneider & Bowen, 1995; Evans et al., 1999; Jarrar & Neely, 2002; Eichfeld et al., 2006). The seven issues previously identified were supported in this study and an additional category of

regulation was proposed. This was found to be particularly prevalent in a financial services context.

A key concern of both academics (Schneider & Bowen, 1995; Evans et al., 1999) and practitioners is that average handling time will increase as a result of introducing a sales component to a service call. This study contributes the surprising finding that this was not the case, within this set of cases at least.

There is a dearth of literature examining the characteristics of agents who are successful in a combined sales and service role. Previous research (Eichfeld et al., 2006) is either anecdotal or relates to agents in either a sales or a service role. This study is the first to propose an empirically derived list of the qualities of agents who are successful in a combined sales and service role. This list consists of eleven categories already proposed in the literature and an additional two categories relating to agents' confidence that their issues will be heard and resolved and agents' confidence that the data and processes are accurate. The latter impacts on agents' customer orientation - an important antecedent of job performance. The two dimensions of customer orientation are enjoyment (agents enjoy interacting with and servicing customers) and needs (agent beliefs about their ability to satisfy customer needs). Agents are more likely to believe that they are satisfying customer needs if they are confident that the customer insight provided to them is credible.

The final contribution of this study to the sales through service literature is in the area of performance. The sparse empirical evidence in this area (Jarrar & Neely, 2002; Eichfeld et al., 2006) is in a US banking context. This study provides an empirically derived list of measures used in UK sales through service initiatives and suggests a rather surprising proposition that there is no correlation between monetary incentives and cross-sell/up-sell performance.

## **1.6 Implications for practitioners**

In today's environment of fierce competition and intense cost pressures, it is no longer enough to merely acquire, retain and develop customers – the focus has moved to acquiring, retaining and developing the *right* customers. Ever demanding and well-informed customers expect companies to make the right offer at the right time, through the channel of their choice. They also expect companies to listen, remember and respond to their needs. All of the above is not possible without the generation and actioning of customer insight.

The impact of customer insight extends well beyond the marketing function (marketing programme dynamism is the one dependent variable studied in previous work on this topic by Sinkula, Baker and Noordewier (1997)). Customer insight is guiding strategy, operations, marketing, sales, product portfolio management and customer service. Organisations therefore need to develop a common understanding of what customer insight is and does throughout the organisation. It helps if the organisation puts a central insight team in place.

The following discussion outlines some of the specific implications for practitioners in the domains of marketing, sales and customer service.

## **Marketing**

Marketers will feel the impact of customer insight in four areas. Firstly, the analytical skills required in generating and actioning customer insight are currently lacking in many marketing departments today. Barclays coined the marketer of the future as the “genetically modified marketer”, requiring skills in:

- Customer portfolio management
- Data based technology
- The use of digital channels
- Customer operations
- Customer centric processes
- Test and learn principles
- Applied analytics and dynamic segmentation
- Optimisation.

Marketers will either have to acquire the necessary analytical skills and thinking through training or they will have to look for outside help. This is the second impact - marketing departments may overcome the skills gap by employing the services of a new type of external service provider called a Customer Data Intermediary (CDI). CDIs can provide help in collecting customer behaviour and demographic data and offer customer-specific marketing services (Pancras & Sudhir, 2007). In the UK, marketers more commonly use Marketing Service Providers (MSPs) – firms such as Acxiom, Experian Marketing Solutions and GB Group. Accordingly to Datamonitor, a research firm, UK MSPs are experiencing significant growth, particularly with demand for data services, although marketers are requesting higher value services (Datamonitor, 1902). One of the challenges is that CRM software has typically been implemented by systems integrators such as Accenture, IBM, Detica, Inforte etc, but they lack the database marketing skills of the MSPs. Similarly, MSPs lack the skills to integrate their services with firms’ CRM systems. Therefore a new type of firm is emerging that combines database marketing and operational CRM capabilities under one roof (Extraprise, 2008).

Thirdly, increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound) are contributing to a growing trend towards inbound marketing. According to Gartner Group (2006), companies can expect 10 – 20 times the response rate on analytical inbound marketing compared to traditional marketing. According to Seth Godin, author of Permission Marketing (Godin, 1999), traditional outbound marketing channels such as direct mail and e-mail use “interruption-based marketing”. These marketing campaigns are only effective if they interrupt whatever the customer is doing at the time to gain his attention. The problem, however, is that today’s world has such a glut of information and demands on consumer attention that the typical consumer would rather ignore all marketing messages than sift through the onslaught to find the relevant ones. These overwhelmed consumers are getting better at tuning out marketing messages – whether through e-mail filters to block spam, digital video recorders to skip commercials, caller ID to prevent unwanted calls, or the recycling bin to throw away direct mail pieces without opening them. Inbound marketing is more effective because

the interaction occurs when the customer is in the right frame of mind to receive marketing messages and greatly improves the chances of a sale.

Fourthly, marketing departments will start making more extensive use of events and triggers. Rather than simply processing regular customer marketing campaigns in batches, some marketers have begun to use their database marketing systems to target offers based on specific, defined customer behaviour patterns. These event triggers instruct the database marketing system to send a targeted offer to the customer, with timing being set anywhere from the same week to the same day, depending on time-sensitivity and the marketing medium used.

Indeed, the industry's growing demand for transactional data (which provides a kind of proxy when a company does not have measurable triggers based on its own customer data) is an indicator of the increasing importance of communicating with customers at exactly the right time. Event triggers can include almost any customer action or interaction, including (among many others): a customer service call; a type of transaction; passing preset spending levels in a particular time period; or a customer's birthday.

According to Gartner Group (2006), event-triggered marketing (practiced by all the companies in this study to a greater or lesser extent), yields a response rate five times greater than that of traditional marketing. Marketing firm CDMS recently undertook a survey of UK-based senior marketers and found that event-triggered customer marketing produced an average of 35% more responses (The Wise Marketer, 1910).

### **Sales**

The sales role is changing dramatically. Sales people can no longer rely on their knowledge of product features and benefits to make their quotas - they need to be able to identify customer needs and match products and services that fulfill those needs. They also need to be able to adapt their behaviour to match customer values. For example, if a customer values price above everything, the salesperson does not need to invest in a relationship, they just need to offer the best price. Conversely, if the customer values personal engagement, the sales person needs to invest in building a long-term relationship.

Silos which have often existed between marketing and sales will start breaking down. For seemingly the first time, sales people will start turning to their marketing colleagues for help in defining markets, identifying customer needs and building long-term relationships.

Whereas salespeople have resisted CRM initiatives aimed at improving their efficiency, they are more likely to embrace customer insight initiatives that improve their effectiveness, as these have more impact on their ability to achieve their targets.

### **Customer Service**

The growing trend towards inbound marketing means that the role of customer service agents in the sales process is becoming increasingly important. Despite common practitioner assumptions, it appears that there is not necessarily a trade-off between up-

selling/cross-selling in a service environment and average handling time. Considering the deep-rooted mindsets within many organisations that cross-selling/up-selling will overwhelm or annoy service customers, practitioners will be encouraged to hear that customer relationships are unlikely to be negatively impacted. Indeed, customer satisfaction may even increase when customers are offered additional products and services based on customer insight.

The relative importance of sales versus service will depend on the firm's existing organisational structure and/or customer service strategy. There is currently more than one approach to sales and service initiatives. Some firms choose to train sales agents to deal with service enquiries; some train service agents to close additional sales; and some firms train service agents to spot opportunities and pass them over to a sales team. As yet, no one approach has been proven to be the most successful, although one thing is certain - excellent customer service is a pre-requisite for any successful sales and service initiative. Agents must first deal competently with the service enquiry before they earn the right to explore customer needs with a view to cross-selling/up-selling. Therefore if companies have customer service operational issues, they must deal with these first before attempting a sales through service initiative.

It is not uncommon for front-line service staff to be reluctant to engage in activities or conversations that are perceived as "selling". A sales through service initiative can, though, be perceived positively by customers if based on sufficiently customised insight, and hence it can be viably presented to staff as enhancing value for the customer. In this regard, one of the most important qualities of a successful sales and service agent seems to be having a genuine concern for the customer and a sense of 'doing the right thing'. This is often referred to as an agent's 'customer orientation' (Brown, Mowen, Donovan, & Licata, 2002), which is a tendency to meet customer needs consisting of enjoyment and needs. Managers should be mindful of the impact that sales through service initiatives have on agents' customer orientation.

Agents are typically measured on productivity and quality. Productivity measures include the number of calls answered, customer wait times, average handling time etc. Quality reflects the manner in which calls proceed to the satisfaction of the customer. A sales through service initiative introduces a third dimension of measurement, namely the number of up-sells and cross-sells. Agents who already struggle with multiple measures may find it difficult to balance a third set of measures. Managers will be surprised by the findings of this study that there appears to be no correlation between monetary incentives and cross-sell and up-sell performance. It could be assumed that if agents have a strong customer orientation, they will offer additional products and services in a desire to satisfy customer needs rather than doing so to meet their own performance targets.

A sales through service implementation usually requires a substantial investment in IT, which could have further implications on agent hiring and training. Hiring managers may need to test agents' ability to adopt new technology, for example, using the technology readiness index (TRI) (Parasuraman, 2000). This has the advantage of assessing overall state of mind rather than competency with a particular technology.



## **1.7 Limitations**

### **Project one**

This study had a number of limitations. It was confined to five companies, selected with some degree of convenience sampling and mostly from different industries. It could be argued that the model therefore may not necessarily be generalisable within a given industry without further within-industry replication.

The majority of people interviewed were responsible for generating customer insight (as opposed to actioning it), as these people were much easier to identify. This resulted in extensive lists of data collected and insight generated, but less information on how insight was being actioned. The findings on organisational context were exploratory in nature and the findings in project one focused on aspects already identified in the literature.

Finally, this study did not explore links between actioning customer insight and improvements in performance. Any findings in this area were anecdotal rather than conclusive.

### **Project two**

Specific limitations of the sample include the small number of cases identified which are currently using customer insight to tailor their value proposition to individual customers (Smith et al., 2006b), the use of only one case per industry which limits within-industry generalisability, and the restriction of the sample to the UK context.

As with project one, this study did not explore links between cross-sell/up-sell and retention ratios and improvements in revenue and performance. It also did not explore the impact of cross-selling/up-selling and retention on customer satisfaction and experience. Any findings in these areas were anecdotal rather than conclusive.

## **1.8 Opportunities for Further Research**

### **Project one**

The following suggestions are made for further research.

A survey of senior marketers in the top 1000 companies in the UK could be undertaken to explore how current marketing practice is evolving towards event-triggered marketing and in-bound marketing. Sample questions could be “do you conduct outbound marketing based on customer events and behavioural triggers?”; “what is the typical response rate to a direct marketing campaigns based on a customer event or behavioural trigger?” and “what is the typical response rate to batch direct marketing?”

Qualitative research using the case method could be undertaken to determine how companies evaluate the success of their market segmentation/CRM/customer insight programmes, and whether or not these approaches are shared across different sectors and within countries.

To determine whether the use of customer insight outlined in this study (market predictions, customer segmentation, propensity modeling and customer analytics) are shared by other companies of differing sizes, in other markets, and in other countries, a more representative sample could be adopted and a quantitative research approach such as a survey could be undertaken.

Other opportunities for further research include more in-depth research into the areas of needs-based and behavioural segmentation, propensity models and customer analytics, where existing work focuses on the generation of insight as opposed to its actioning.

In-depth exploration of the variables of organisational context that help or hinder the customer insight process would also be valuable. The case method would be suited to this.

## **Project two**

The cases exhibited a variety of approaches to sales through service initiatives; future work may wish to focus on one or more of these approaches in detail, or to examine their strengths and weaknesses through a larger sample.

This study aimed to investigate a relatively new phenomenon thus lending itself to theory-generating case research. Future work using methods such as cross-sectional surveys would be beneficial to enable statistical generalisation, and to test some of the seven propositions presented:

*P1: Companies that use predictive modelling to generate customer insight will have higher acceptance rates on sales through service offers.*

*P2: Delivering customer insight directly onto agents' screens leads to increased sales performance in sales through service initiatives.*

*P3: Cross-selling/up-selling without individualised customer insight is more likely to lead to short term gain at the expense of customer experience and long-term value.*

*P4: Customer satisfaction will increase when customers are offered additional products and services based on customer insight.*

*P5: Agents are more likely to make successful offers if they believe that they are 'doing the right thing' for the customer*

*P6: There is no correlation between monetary incentives and cross-sell/up-sell performance*

*P7: Successful sales and service agents achieve a balanced metrics set of call quality, call quantity and revenue.*

However, a survey design may prove impractical due to the limited amount of cases available. According to Ryals and Wilson (2005) it is too easy to slip into the habit of restricting methodological choice to the survey, focus group and interview methods which dominate market research practice as well as marketing scholarship. These authors argue that experimental methods have a relatively low penetration into market research practice, despite their many inherent strengths. They argue that the only rigorous option for finding out what aspects of managerial practice actually work is experimental and quasi-experimental methods. In an experiment, you try something and observe the effects. In other words, the essence of experimentation is "the manipulation of one or more variables by the experimenter in such a way that its effect on one or more other variables can be measured" (Tull, 1984). The variable(s) being

manipulated are referred to as the independent variables, and the variable which is affected is termed the dependent variable.

Experiments and quasi-experiment designs which tend to occur in management research can be divided into four groups: laboratory experiments, field experiments, ex post-facto studies and quasi-experimental qualitative designs. The field experiment takes the logic of the experiment out of the laboratory and into the context of purchase or consumption, again most commonly using a 'before-and-after, with control group' design (Ryals, 2005). It is proposed that field experiments could be carried out – with the collaboration of a company who would gain obvious benefits in performance evaluation - to test some of the following propositions.

*P1: Companies that use predictive modelling to generate customer insight will have higher acceptance rates on sales through service offers.*

An experiment could be carried out with two groups of customer service agents at one company to test whether agents using customer insight based on predictive models have higher acceptance rates on sales through service offers than agents using customer insight based on business rules. Ideally, randomization would be applied at the agent level in selecting the two groups. One group would be using predictive models to generate customer insight and the other group would be using customer insight based on business rules. The time period for carrying out the experiment could be perhaps one day or one week.

*P2: Delivering customer insight directly onto agents' screens leads to increased sales performance in sales through service initiatives.*

Similarly, an experiment could be carried out at one firm using two groups of agents – one with customer insight delivered directly to their screens and the other using customer insight delivered by other means (e.g. handbook). At the end of a given, acceptance rates of offers could be compared.

*P3: Cross-selling/up-selling without individualised customer insight is more likely to lead to short term gain at the expense of customer experience and long-term value.*

Again, this would be best researched within a single company as it would be difficult to be sure of cause and effect if different companies were compared. Research access could prove difficult so access via a customer insight software company such as Chordiant Software might prove useful for future researchers. This would need to be a longitudinal study in order track the long-term impact of customer insight. It would also require a data feed of customer satisfaction.

*P4: Customer satisfaction will increase when customers are offered additional products and services based on customer insight.*

This could be researched within a single company, with two groups of agents. One group would be offering additional products and services based on customer insight and one group would not be offering additional products and services. This would also require a data feed of customer satisfaction at the agent level.

*P5: Agents are more likely to make successful offers if they believe that they are 'doing the right thing' for the customer*

The difficulty with randomisation at the level of agents is that this sense of 'doing the right thing' is likely to be influenced by many aspects of corporate culture, as it aligns closely to the notion of market orientation. A survey method across organisations might, therefore, be the best available method to explore this proposition; the challenge would be to control out for other possible explanations for variation in success rates, such as those represented by other propositions. Measures would, therefore, need to be developed for such rival independent variables as monetary incentives, the availability of individualised customer insight and so on. Insofar as 'doing the right thing' is a function of the agent rather than the overall culture, a similar survey could be conducted within a single company assessing the attitudes of individual agents and examining their association with agent performance.

*P6: There is no correlation between monetary incentives and cross-sell/up-sell performance*

This proposition could be tested within a single company with monetary incentives put in place for successful up-sales/cross-sales in the case of the experimental group but not the control group.

*P7: Successful sales and service agents achieve a balanced metrics set of call quality, call quantity and revenue.*

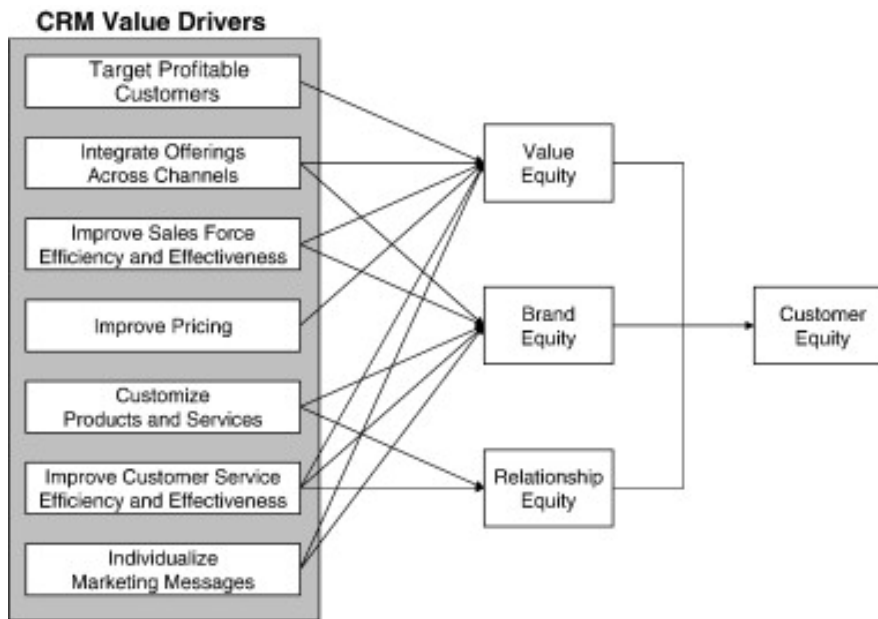
A randomized group of agents at one company could be selected and one of the measures could be removed for a period of, perhaps, one week. In subsequent weeks, a different measure would be removed. At the end of the three week period, success rates could be compared.

## **1.9 Reflections**

In this section, the relationship between this work and some wider debates in marketing is reflected upon, beginning with the value of CRM. This is followed by a reflection on the implications for segmentation.

### **1.9.1 Reflections on the broader context of CRM**

Much of the significant attention from both practitioners and academics on the subject of Customer Relationship Management (CRM) has focused on the disappointing results of CRM implementations and the failure to deliver on expected benefits (Rigby et al., 2002; Wilson et al., 2002). This inspired Richards and Jones (2008) to build on Reinartz et al.'s (2004) idea that core benefits associated with CRM initiatives existed across contexts in their collection of lists of desired CRM benefits from an extensive survey of recent CRM studies. They synthesised these to propose seven core benefits serving as value drivers for CRM, as illustrated in Figure 1-2 .



**Figure 1-2: Conceptual model relating CRM value drivers to customer equity (Richards & Jones, 2008)**

This framework will be used to structure some reflections on how companies appear to be accruing value from CRM. The common thread in this discussion is a focus on the role of insight, as this is believed to provide some clarity as to how these dimensions of value can be achieved.

***Improved ability to target profitable customers***

In the initiation stages of the CRM process, the ability to target profitable customers is a primary benefit associated with a CRM strategy (Reinartz et al., 2004). However Thomas et al. (2004) found that companies often ignore the long-term profitability that makes high initial acquisition costs worth the expenditure. Some authors (van Raaij, 2005; Wang and Hong, 2006) suggest that this could be partly explained by the fact that customer profitability and customer lifetime value are notoriously difficult to calculate in practice, due in large part to the difficulty in appropriately allocating costs

In this study, ‘customer analytics’ was identified as the fourth category of customer insight being generated, but all companies found measures such as customer profitability, product profitability, customer lifetime value and ‘share of customer wallet’ (a measure of customers’ relative spend amongst competing offers) extremely difficult to calculate. They all expressed a desire to get better at customer analytics, suggesting that it is a difficulty in calculating customer profitability, rather than a lack of understanding of the benefit, that is preventing further action in this area.

In the light of this study, it seems likely that companies will continue to work at developing better customer analytics, not only for the purposes of segmentation, but also for other purposes including marketing communications, product development and financial planning. As companies often do not have the required analytical skills in-house, it also seems likely that the demand for the services of customer data intermediaries (CDIs) will increase. As we referred to earlier, a CDI is a firm that

collects customer data to offer customer-specific marketing services to marketers (Pancras & Sudhir, 2007).

### ***Integrated offerings across channels***

Customers today expect to deal with firms through a variety of channels but the flow of customer information within firms often becomes disjointed across channels resulting in unplanned, inequitable treatment of customers and subsequent erosion of customer loyalty (Richards & Jones, 2008). From the results of this study it would seem that the multichannel message - that providing a more consistent customer contact experience across channels enhances firm performance - was really getting through, as customer insight was not just being used to focus marketing effort, but was available at multiple points throughout the organisation (for example, on the Internet, via the direct salesforce and through customer service).

It seems, then, that it is important for insight to be disseminated across all channels if an integrated customer experience is to be achieved. It appears that having a central customer insight unit aids this dissemination. Whereas market research remained the domain of the marketing department, customer insight seems to play a more central role within the organisation.

### ***Improved sales efficiency and effectiveness***

Improving sales force efficiency and effectiveness has long been a goal of selling organisations, but getting salespeople to use sales force automation (SFA) technology has been notoriously difficult. Richards and Jones (2008) suggested that as marketers learn how to better infuse CRM technology into the sales team it will have a positive impact on the ability of salespeople to establish profitable, long-term relationships.

Whereas earlier CRM initiatives focused on technologies that improved sales force efficiency, the availability of customer insight means that CRM initiatives are starting to enable sales force effectiveness. Based on the findings of this study, it is proposed that a shift is occurring and that salespeople are realising that they can no longer rely on intuition to achieve short-term revenue targets. The sales role will consequently change as their focus shifts from selling on product features and benefits to understanding and responding to customers' individualised needs. The sales department will actually start to ask marketing for help in establishing profitable, long-term relationships.

It is reflected that customer insight now aids both sales force efficiency and effectiveness by: helping to set more accurate targets; focusing sales effort on the right accounts/segments; equipping the sales force with appropriate tools; helping match sales behaviour to clients' buying behaviour and values; alerting the sales force to customer satisfaction issues that may impede future sales; and helping the sales force to have better and more relevant conversations with existing customers in order to drive increased sales and increasing efficiency.

### ***Improved pricing***

Pricing effectiveness has long focused on ensuring that costs are accurately understood and covered in pricing decisions, but costs that are averaged across customers and

accounts often mask the true costs of serving different types of customers (Reinartz & Kumar, 2000).

This study found that customer insight was helping companies to shift their allocation of costs to individual customers, reducing the need to average costs across large groups of customers. It is therefore speculated that we may see more incidences of companies 'ditching' customers as companies get smarter about allocating costs to individual customers. For example, in February 2008, online bank Egg garnered widespread condemnation for its decision to cancel the cards of 161,000 customers. It wrote to customers telling them their cards would be cancelled in 35 days and said in a statement: "the credit profiles of affected customers had deteriorated between the time they joined Egg and the acquisition in May"(Adfero Ltd, 2008).

### ***Customised products & services***

Technological advances and a move towards the service economy have increased firms' ability to customise products and services to meet the explicit and implicit needs of their customers. If these needs can be fulfilled at the point of customer contact, customers' attitudes towards the brand increase positively and they have a better perceived customer experience. Customers have the impression that they are receiving special treatment – described by Richards and Jones (2008) as the "glue" that cements relationships.

It was found that customer insight aids this process by informing companies of specific customer desires and guiding them in developing customised products and services or relevant 'propositions'. All cases were using customer segmentation, the action of dividing customers into like-minded groups, for marketing planning purposes – that is, identifying potential target groups, prioritising these, and developing tailored propositions for them. How this process worked, including the segmentation bases used, differed substantially across the cases, but respondents did not question the need for such a process to be engaged in. Some companies were better than others at making customised products and services available at the point of contact. Most were good at offering customised products and services in an outbound fashion, but several struggled to offer customised products and services in the inbound context. It is speculated that as outbound marketing becomes increasingly difficult, companies will get better at offering customised products and services through inbound channels.

### ***Improved customer service efficiency & effectiveness***

Customer service representatives (CSRs) on the front line provide an important source of contact with customers. Customer insight delivered to the front line can help CSRs to deal more efficiently with service enquiries, improve service recovery after customer complaints and leave customers feeling more positive towards the brand. A number of authors (Chase & Hayes, 1991; Kelley, 1993; Evans et al., 1999; Spencer-Matthews & Lawley, 2006) have suggested that service encounters also have the potential to improve effectiveness by providing a more direct financial benefit. They propose that if agents manage to initiate conversations that uncover customer needs, this could lead to cross-selling (selling new products), up-selling (selling upgrades of existing products), and specific offers that enhance customer retention.

The use of customer insight in inbound service call centres was uncovered as a particularly promising area of practice in project one and this was the focus of project two. Respondents reported that when customer insight was delivered into the hands of customer service agents, this resulted in such benefits as increased efficiency, increased customer retention and loyalty, better customer satisfaction and improvements in the customer experience.

Based on the case data, it is therefore proposed that customer service will become a very important sales channel and that customer insight will play a critical role in the ability of firms to customise their service offerings. Customer insight will enable customer service agents to handle service situations with growing complexity.

### ***Individualised marketing messages***

According to Parvatiyar and Sheth (2001), one of the unique characteristics of CRM is one-on-one relationships. As firms move away from mass marketing towards customising marketing efforts for each individual customer, it follows that CRM capabilities, designed to understand individual customer behaviour, should fully support marketers to become more customer-centric - a term coined by Sheth et al. (2000) - and to individualise marketing messages. According to Richards and Jones (2008), customised marketing messages have a positive impact on value equity and lead to greater brand awareness and improved brand attitudes leading to higher levels of brand equity.

Two of the companies in project one, Barclays and O2, were able to segment right down to the individual level using propensity modelling techniques in their consumer markets, while O2 were also beginning to apply similar techniques to business customers. These techniques were being used to determine the likelihood of individual customers buying a cross-sold product or defecting, and were being actioned at the front line through proactive sales and retention offers. It is proposed that more and more companies will begin to use propensity modelling techniques.

It is also speculated that companies will make increasing use of events and triggers to inform companies of how to deal with customers individually. Companies in this study claimed that identifying customers' needs based on events and triggers were the most actionable forms of insight, providing opportunities for cross-sell, up-sell and retention offers which resulted in high reported conversion rates.

The question then arises as to what extent one-to-one techniques like propensity modelling might cast the ethos and need for segmentation into doubt, as it could be argued that they perform the same purpose but more effectively, given the capabilities of interactive media, mass customization and customer relationship management (CRM) technologies (Dibb, 2001; Kumar et al., 2006). However, Rigby et al. (2002) argue that the reason for CRM's failure is that it should be based on "good old-fashioned segmentation analysis". They liken implementing CRM without segmentation to "trying to build a house without engineering measures or an architectural plan".

If there are differences, then, in perceptions of the role of segmentation in a marketing environment which includes CRM, there is at least some consensus that "customer



insight” is a key resource required to achieve effective CRM, although segmentation’s contribution to this insight is still unclear. Hirschowitz (2001) regards segmentation as a subset of customer insight, citing such segmentation bases as socio-demographic, geo-demographic and value-based as customer insight examples. But is customer insight just a new name for market segmentation or does it encompass separate sets of activities and processes? This will be discussed in more depth in the next section on segmentation.

### **1.9.2 Reflections on the broader context of segmentation**

Although the process of generating market segmentation has been much studied, what market segmentation is actually used for has received relatively limited attention until recently (Yankelovich & Meer, 2006) – particularly surprising given the common speculations that the role of segmentation is changing due to CRM practices and the wider range of forms of customer insight which they enable (Dibb, 2001).

Wendell Smith (1956) first proposed market segmentation as an alternative market development technique to product differentiation in imperfectly competitive markets. Since few markets correspond with an idealised perfect market, and as market-oriented companies tend to be more profitable because they define products from the perspective of the customer rather than their own needs (Wong, 1993; Day, 1994), the rationale for market segmentation seems self-evident. But the literature on market segmentation has focused quite narrowly around what segmentation bases to use, particularly advocating customer characteristics (Foote, 1969), product attributes (Botschen & Thelen, 1997), benefits sought (Haley, 1968), service qualities (Gronroos, 1998), values (Claeys & Swinnen, 1995), and buying behaviour (McDonald, 2005). Such bases are particularly skewed towards the consumer marketing field, with a more limited and fairly recent treatment in the business to business literature (Verhallen & Frambach, 1998; Smith, 2002), where implementation problems are equally paramount and less well-considered (Dibb, 1997; Palmer, 2003; Laiderman, 2005).

Consequently, segmentation research has focused around generating what-to, rather than how-to knowledge to date, with some notable exceptions (Dibb, 1997; Dibb, 2002; Dibb, 2005; Laiderman, 2005) which include how segments may be used in the marketing planning process to form propositions (McDonald, 2005). There are few prescriptions on how segments can be used in individual customer interactions, and evidence on what actually works in practice is very limited indeed (Wind, 1978; Wedel, 2002; Palmer, 2003). The limited understanding of the role of market segmentation in practice is keenly felt by practitioners, who bewail the lack of guidance on actionable segmentation models (Marketing Leadership Council, 2007).

Within the case set of this research, market segmentation - using a variety of segmentation bases - was still regarded as essential for customer selection, proposition development and mass communication. Addressable and interactive communications with individual customers were increasingly based on individualised customer analytics and propensity modelling, which aided the determination of the likelihood of uptake of specific propositions. Events and triggers informing companies of how to deal with customers individually are also considered to be particularly effective rather than simple allocation of the customer to a particular characteristic segment.

The findings will now be reflected upon with respect to the generation of segmentation, and secondly with respect to its actioning.

### ***Generating segmentation***

The cases suggest that segmentation has not been superseded as an actionable form of customer insight, but indicate instead that segmentation forms a key component of customer insight programmes. Customer insight is defined as a broader term encompassing the domains of market research, segmentation and customer analytics based on a mix of transactional and external customer data.

Only two of the five companies (Barclays and O2) made extensive use of propensity models, confirming previous suggestions that most companies do a poor job predicting the behaviour of their customers (Reinartz et al., 2005). Smith et al (2006a; 2006b) found practice to be hindered by a lack of appropriate data and understanding of needs-based segmentation: this finding is supported, given the patchy application of needs-based segmentation in this study's sample. It could therefore be suggested that segmentation needs to be complemented by other forms of customer insight from multiple data sources in order to support both strategic and operational marketing objectives.

In support of this suggestion, the discussion now turns to how companies use or apply segmentation and other complementary forms of customer insight.

### ***Applying segmentation***

Customer segmentation, the action of dividing customers into like-minded groups, remained in use in all the case studies for marketing planning purposes: identifying potential target groups, prioritising these, and developing propositions for them. How this process worked, including the segmentation bases used, differed substantially across the cases, but respondents did not question the need for such a process to be engaged.

It was in the communication of value propositions that more significant differences began to arise across the set of cases. While mass marketing communications were reported as benefiting from attitudinal segmentation in the cases of BT and O2, communications through interactive channels showed an interesting trend across all the cases towards the usage of customer analytics at individual, rather than group, level.

It has been seen that respondents in the cases where this trend was most mature, O2 and Barclays, cited impressive improvements in communications effectiveness to support their assertion that this trend was a beneficial one. In both cases, the combination of propensity models, which allow the determination of likelihood of acceptance of a particular product/service, and rules which take into account incremental cost/benefit were used to fine-tune one-to-one communications through both outbound and inbound channels.

Four out of five cases, however, claimed substantial benefits from the use of another under-studied insight category: the use of events and triggers. Gartner Group (2006) has argued that event-triggered marketing (practiced by all the companies in this study to a

greater or lesser extent) yields a level of response rate typically five times greater than that obtained using traditional marketing approaches.

The above discussion gives rise to the thought that market segmentation is most appropriate for decisions on customer selection and proposition development which need to be taken at the level of a group of customers – for example, broad product design, branding, pricing strategy and mass communications. However, where a company is interacting with an individual customer, aspects of the proposition that can be tailored to the individual level (such as cross-sale offers in inbound channels and outgoing targeted direct mail) will be most effectively informed by one-to-one customer analytics rather than just by using segment membership. These statements deserve further empirical exploration.

It is worth noting that it was not just cross-sale and retention offers which were being made on the basis of individualised insight in this study. The cases illustrated tailoring of the customer value proposition for other aspects of the marketing mix as well: product specification (all cases), pricing (Cisco) and the choice of communications and delivery channels (all cases).

The fine-tuning of this individualised insight was a moving target in several of the case study organisations, with continuing refinements and consequent improvements in metrics such as conversion rates reported by Barclays and O2, in particular. The need for recalculation of propensity models even during an inbound telephone call at O2 is a logical conclusion for the insight-into-action loop once it has been technology-enabled. While the purposes for which the use of market segmentation is proposed, such as product design and the design of mass communications, have no particular requirement for fast application, this is not the case when individual customers present themselves in an outlet, on the website or in an inbound call centre. It is therefore speculated that while segmentation may need to be periodically refreshed, individualised customer analytics and propensity models are most effective when generated and actioned in real-time customer interactions.

There is a further implication of individualised interactions regarding customer acquisition versus customer development. Sufficient data is more likely to exist to calculate customer analytics and propensity models in the case of existing customers than in the case of new ones, and therefore the opportunity for individualised interactions is frequently greater in the case of existing customers. Consequently, it is speculated that segmentation is most likely to be applicable to communications with new customers, while customer analytics and propensity models are most effectively used with existing customers where transactional history data is available. This generalisation may prove, however, to be decreasingly the case as interactive IT-enabled channels continue to grow in importance and customer data are increasingly collected at market level rather than at the customer level.

Individualised interactions also have implications for the measurement of effectiveness. A characteristic of propensity models is that they embed explicitly an estimate of the effectiveness of the communication based on them. As models are refined, so effectiveness improves. The success of tailored propositions can be tested through field

experimentation. The same is not the case, however, for proposition development at the level of marketing planning, the effectiveness of which is famously difficult to assess (Harris & Ogbonna, 2006). It could therefore be assumed that companies do not directly measure the success of their market segmentation programmes per se but are increasingly likely to measure the success of CRM programmes based on individualised customer insight provided by customer analytic data and propensity models. This assumption might benefit from being explored further.

It is difficult to envisage methods by which companies could assess quantitatively the effectiveness of their segmentation programmes, and indeed in none of the companies was this assessed explicitly. Qualitative evaluation might, however, be feasible, through the use of multiple segmentation approaches in parallel in different business units in order to evaluate their relative usefulness, but most assessment of effectiveness is based on subjective managerial perceptions, which may or may not be accurate.

### **1.10 Dissemination to Date**

The following papers and reports have been published or, in the case of the journal paper, submitted for second review, based on this thesis work. With one exception, each paper was lead-authored by the doctoral candidate and co-authored by the two supervisors, with the candidate producing the complete first draft which was then commented on by the co-supervisors.

The exception is the submission to *Journal of Marketing Management*, which while using the data from project one, puts this data within a different theoretical context – market segmentation – and analyses it within that context to develop propositions on market segmentation which are not included within this thesis. This paper was first-drafted by the doctoral candidate and Dr Paul Baines at Cranfield School of Management, with further comment and amendment from the co-supervisors. This submission is therefore tangential to the thesis and does not constitute dissemination of its results.

All academic and practitioner conference presentations were made by the doctoral candidate.

#### **1.10.1 Academic conference papers**

“Actioning customer insight: an exploratory multiple-case study”

*36<sup>th</sup> EMAC conference*

Iceland, May 2007

*See appendix 4.1 for reviewers’ comments*

“Actioning customer insight: fulfilling the promise of CRM”

*Academy of Marketing conference: Marketing Theory into Practice*

Egham, UK, July 2007

*Paper recommended for “best paper in track award” (not won). See appendix 4.2 for reviewers’ comments*

### **1.10.2 Academic journal paper in review**

“Segmentation and customer insight in contemporary services marketing practice: why grouping customers is no longer enough” (Bailey, Baines, Wilson and Clark)

*Journal of Marketing Management*

Accepted subject to final review May 2008

### **1.10.3 Practitioner conference papers**

“What customers really want: the role of customer insight”

*Henley Partnership Programme Workshop*

Henley, February 2006

“Profitable conversations at the front line”

*Cranfield Customer Management Forum*

Cranfield, September 2006

“Report on latest customer insight research”

*Henley Centre for Customer Management*

Henley, September 2006

“Transforming data into actionable insights”

*Insight 2006*

Earls Court, November 2006

“How to use real-time marketing to get the most out of every customer interaction”

*American Marketing Association (webcast)*

Online, January 2007

“Turning data into actionable customer insight”

*Institute of Direct Marketing (IDM) Data Summit*

London, February 2007

“Customer experience and beyond: fulfilling the promise of CRM”

*Chordiant Software Customer Experience Management Summit*

London, April 2007

“Report on latest customer insight research”

*Henley Centre for Customer Management*

Henley, April 2007

“Actioning customer insight: technology-aided inbound marketing”

*Cranfield Return on Marketing Investment Research Club*

Cranfield, June 2007

“Beyond customer service: how inbound call centres can help companies cross-sell, up-sell and retain customers”

*Henley Centre for Customer Management*

Henley, September 2007

“Actioning customer insight to fulfill the promise of CRM”  
*Customer Strategy and Management conference*  
Birmingham NEC, September 2007  
*See appendix 4.3 for attendee feedback.*

“Actioning customer insight to fulfill the promise of CRM”  
*Loyalty World Europe*  
London, September 2007

“Beyond customer service: how inbound call centres can help companies cross-sell, up-sell and retain customers”  
*Cranfield Customer Management Forum*  
Cranfield, November 2007

#### **1.10.4 Practitioner publications**

“How companies use customer insight to drive customer acquisition, retention and development: an exploratory multiple case study”  
*Henley Centre for Customer Management Report*  
Published September 2006

“How companies use customer insight in inbound service call centres to drive cross-selling, up-selling and retention: an exploratory multiple case study”  
*Henley Centre for Customer Management Report*  
Published September 2007

## **2 CHAPTER TWO: PROJECT ONE**

### **2.1 Abstract**

The purpose of this research was to explore how companies use customer insight to drive customer acquisition, retention and development and to propose the first theoretical framework for actioning customer insight. Using the qualitative methodology of case research, 25 in-depth interviews with five UK-based large companies from multiple industries were undertaken.

Companies were found to be synthesising data from five areas: competitors, customers, markets, employees and channel partners. From this data they were generating four types of customer insight: market predictions, customer segments, propensity models and customer analytics. Insight was guiding strategy, operations, marketing, sales, product portfolio management and customer service. Multiple variables within organisational context either helped or hindered the insight to action process.

Practical implications are that customer insight is impacting the organisation beyond marketing programme dynamism to guide strategy, operations, marketing, sales, product portfolio management and customer service. Analytical skills/thinking are becoming an imperative for marketers and the growing trend towards inbound marketing means that customer service agents are becoming increasingly important in the sales process. Sales people are changing their focus from product features and benefits to understanding and responding to customer needs.

This exploratory research suggests searching for best practice case studies to test the proposed theoretical model and more in-depth research into customer segments, propensity models, customer analytics, organisational context and of links to performance.

### **2.2 Introduction**

#### **2.2.1 Rationale and background to topic**

##### **Personal interest**

My personal interest in how companies use customer insight to improve customer acquisition, retention and development originated from five years' practical experience as Marketing Director of an international services firm specialising in customer management. I witnessed many firms struggling with this issue and turning to consultants for help.

The importance of this topic was further confirmed through my active involvement since 2002 in Cranfield's Customer Relationship Management (CRM) research forum, directed by my lead supervisor, Professor Hugh Wilson.

In 2005 members of the forum (Adnams, Barclays Bank, BT, Christian Salvesen, Janssen-Cilag, London Symphony Orchestra, Nationwide, Reed Exhibitions and Siebel

Systems) identified “customisation through data” as one of four new areas that required further research. Research questions included:

- *RQ1: What data do we need? (Are certain types of data more valuable than others?)*
- *RQ2: What kind of data do the best companies collect?*
- *RQ3: Which data gives them customer insight and which does not?*
- *RQ4: How do they adapt their systems to collect insightful data?*
- *RQ5: How do they use that insightful data at the front line?*

In 2006, forum members (Centrica, Chartered Institute of Purchasing and Supply, Co-operative Financial Services, HSBC Bank, IBM Global Services, London Symphony Orchestra, Lundbeck, M-Real, Siebel Systems and Traidcraft) requested that this research be further extended to investigate how companies turn data into increased customer value through outbound and inbound conversations.

In February 2006 I also became involved in the Henley Centre for Customer Management, established by my joint supervisor, Professor Moira Clark. At the inaugural meeting, members (Bentley Motors, BMW, Breast Cancer Research, DaimlerChrysler Financial Services, Ernst and Young, GCapMedia, Inforte, Lloyds TSB, Pfizer, Royal Mail, SAS, The Eden Project, Vertex and Virgin Mobile) requested that research be undertaken to investigate how companies action customer insight at the front line to improve customer acquisition, retention and development. Specifically, they wanted to know:

- *RQ1: What types of customer insight are companies generating?*
- *RQ2: Which companies are actioning customer insight at the front line?*
- *RQ3: What organisational and/or environmental context is enabling them to do this?*

### **Market interest**

The issue of how to generate and action customer insight is of extreme importance in today’s marketplace. Since Peter Drucker (1954) first identified the process of acquiring, developing and retaining customers as the prime role of business, the process has evolved to acquiring, developing and retaining the *right* customers (Kumar & Petersen, 2005), because it’s simply too expensive to market and service *all* customers in the marketplace. Firms today have to make sure that they “market to the right customer at the right time with the right messages, taking into account the financial impact of all the relevant decisions.”

Unfortunately, understanding who the ‘right’ customers are is not that easy. As companies have grown they have become further removed from their customers, and in reality they now don’t truly know them (Wills & Williams, 2004).

Since the introduction of specialist CRM technology in the 90s by companies such as Siebel Systems, numerous firms now offer technology to help companies manage their customer data. Forrester Research (Aug 3 2005) estimated that \$13 billion would be



spent on CRM initiatives worldwide in 2005. Theoretically, firms should be able to identify the “right” customers in the future, to understand their needs, to predict their behaviour, to develop tailored products and propositions and to have more relevant conversations with them (Payne & Frow, 2005).

However, Kumar et al (2006) argue that in reality, despite the abundance of data that many companies collect, “predicting customer behaviour is so difficult that companies spend millions inundating – and alienating – customers”. The authors argue that the poor predictions cannot be blamed on the CRM systems or the failure of the predictive power of past behaviour. “Rather, the problem lies in the limitations of the mathematical methods most companies use to interpret data.” In other words, most companies do a poor job of generating customer insight.

Scase (2004) agrees that “marketers are failing to make the connection between data and insight.....When most brands with databases talk about customers, they really mean the data they have about transactions. Subsequent strategies are based on assumptions made about consumer behaviour based only on those transactions, hence revealing nothing about spending potential.”

The problem does not just lie in generating customer insight. Venkatesan et al (2004) proposed that one of the key challenges facing marketing managers today is how to action this insight at the points where the firm interacts with its customers. To compound this problem, today’s customers have growing expectations of suppliers, in terms of depth of advice, product and service quality, price transparency, warranty and post-sales service (Knox, Maklan, Payne, Peppard, & Ryals, 2003). There is now widespread demand for personalisation and customisation of products and services (Kumar & Petersen, 2005) and customers expect to be dealing with firms that listen and respond.

## **2.2.2 Specific purpose of the project**

Despite the importance of the topic, academic research on customer insight is very limited in scope. In a recent paper by Wright and Calof (2006), investigating current practices in the quest for competitive, business and marketing intelligence, the authors observed that the focus of previous studies has typically been on *whether* companies conducted intelligence activities at all, rather than *how* these activities are carried out. They call for rigorously conducted case-based research to discover *exactly* what intelligence units do in practice.

The purpose of this project therefore is to investigate how companies are using customer insight to drive customer acquisition, retention and development. More specifically:

*RQ1: What types of data (inputs) are companies feeding into the customer insight generation process?*

*RQ2: What types of customer insight (outputs) are companies generating?*

*RQ3: What actioning of customer insight takes place and for what purposes?*

*RQ4: What is it about the organisational context that helps or hinders the process of generating and actioning customer insight?*

These answers will help to refine and build a model for generating and actioning customer insight. This research also aims to fulfill the research priorities of the Cranfield Customer Management Research Forum and the Henley Centre for Customer Management.

### **2.2.3 Definition of terms**

Few peer reviewed papers attempt to define the term “customer insight” and those that do are imprecise. Practitioners use terms that are not yet defined and addressed in academic literature. Therefore it makes sense to define key terms relating to this topic:

#### **“Customer insight”**

For the purposes of this research, customer insight is defined as follows:

*A detailed understanding of customer profiles and behaviour, drawn from multiple data sources, that is potentially actionable through the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition.*

#### **“Actioning”**

Actioning customer insight is *the use of customer insight for the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition.*

#### **“Front line”**

The ‘front line’ is a practitioner term for staff or computers deployed in communication and/or interaction channels through which a customer can contact a company. For example, the sales force, field service engineers, technical support, outlets, call centres, mobile commerce, web site etc.

#### **Customer Relationship Management (CRM)**

For the purposes of this project, CRM is defined as:

*“the actioning of customer insight at individual customer level in order to contribute to the acquisition, retention and development of profitable customers”.*

## **2.3 Literature Review**

### **2.3.1 Size of the literature**

The literature that informs this topic is fragmented across numerous academic domains such as marketing strategy, data management, Customer Relationship Management, market research, market intelligence, one-to-one marketing, real-time marketing, personalisation and mass customisation, knowledge management and organisational learning.

As this review is most concerned with the *process* of actioning customer insight, it focuses on the bodies of literature that are richest in this area, namely insight and intelligence, knowledge management, market-based organisational learning and CRM.

### 2.3.2 Customer insight

#### Terms and definitions

One of the first challenges in defining the term ‘customer insight’ is that it does not appear to be well defined either by academics or practitioners. According to Smith et al (2006a), terms such as data, information, knowledge, insight and value are often used interchangeably and imprecisely, making it hard to draw sense out of the research.

Schleilmilch and Penz (Schlegelmilch & Penz, 2002) propose that the terms data, information and knowledge should be differentiated clearly. They believe that data only results in information when embedded in a context of relevance.

Consistent with this is Staples et al.’s (2001) view that: “...knowledge is neither data nor information. Data are transaction oriented while information is drawn into patterns to reduce uncertainty. Information only becomes knowledge when someone applies his or her intellect to transform it.”

Smith et al (2006a) drew up the following table of definitions (see Table 2-1), representative of the consensus among researchers (with the exception of that for customer insight):

Term	Definition
Customer data	Customer data is the recording of transactions or interactions with customers, quantitatively or qualitatively, explicitly or implicitly
Customer information	Customer information is data which has been organised into patterns
Customer knowledge	Customer knowledge is information which has been placed into the context of the relevant situation
Customer insight	Customer insight is knowledge about customers which meets the criteria of an organisational strength; that is, it is valuable, rare, dif. cult to imitate and which the organisation is aligned to make use of
Marketing actions	Marketing actions are changes to the core, extended or augmented product or service which impact significantly on the customer
Customer value	Customer value is the degree to which the customers’ preference for a product or service is changed by marketing actions

**Table 2-1: Definition of terms in the translation of data to value (Smith et al, 2006a)**

Although there is not yet a commonly accepted alternative, other academics (Wills & Williams, 2004); (Hirschowitz, 2001) agree that customer insight is not just a new name for market research. In their award-winning paper at the 2004 MRS conference, Wills and Williams (2004) suggest that insight comes in two forms:

*“First, and perhaps most often what is requested, there are 'Insights' (plural). These are those flashes of inspiration or penetrating discoveries that can lead to specific opportunities. Market research can deliver these, and often does. But much bigger than this, and central to what companies need today, is the second form, namely Customer Insight (singular). The dictionary definition of this type of insight is 'the ability to perceive clearly or deeply'. It is all about having a deep, embedded knowledge about the customers and the market around us that helps structure thinking and sound decision making. Everyone involved in marketing needs this form of Customer Insight.”*

Without offering a precise definition, Hirschowitz (2001) suggests that customer insight is a detailed understanding of customer profiles and behaviour, which enables analysts to understand how customers react to different forms and content of interaction. He cites examples of customer insight as:

- Strategic segmentation, such as socio-demographic, geo-demographic and value based
- Loyalty indicators: how likely a customer is to defect to another supplier
- Channel propensity: how likely a customer is to use particular channels such as the Web, email etc.
- Campaign propensity scores: how likely a customer is to respond to a particular campaign
- Response value scores: the estimated value of a positive response to a campaign

More confusion around definitions arises when we look at the concepts of competitive intelligence (CI), or, as it is sometimes referred to, business intelligence (BI). After a review of the relevant literature, Calof and Skinner (1998) defined CI as:

*...the art and science of preparing companies for the future by way of a systematic knowledge management process. It is creating knowledge from openly available information by use of a systematic process involving planning, collection, analysis, communication and management, which results in decision-maker action.*

Wright and Calof (2006) updated this in 2006 with the view that the intent of CI was to better understand customers, regulators, competitors and so forth to create new opportunities and forecast changes in the quest for sustainable competitive advantage.

The term ‘marketing intelligence’ (MI) has appeared more recently in the literature. Ettore (1995) aligned the concept of MI to strategic planning by saying “marketing intelligence was about staying one step ahead of the competition by gathering information which could be converted to actionable intelligence and which can then be applied to both short and long term strategic planning”.

A comprehensive definition is given by Tan and Ahmed (Tan & Ahmed, 1999):

*Marketing intelligence is viewed in its totality as a continuing and interacting structure of people, equipment, and procedures to gather, sort, analyse and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation and control.*

Castanon (2004) argues that MI is

*“leveraging internal and external data, analysis and statistical remodelling with the ultimate goal of improving the marketing response.”*

Huster (2005) regards MI as

*“the ability to fully understand, analyse, and assess the internal and external environment associated with customers, competitors, markets, industry and use the acquired knowledge for long and short term strategic planning.”*

In summary, although the body of literature on CI and MI offer useful similarities, the above definitions seem to support the call for a proper definition of the term ‘customer insight’, which has broader application and use than just marketing decision-makers.

For the purposes of this research, customer insight is defined as follows:

*A detailed understanding of customer profiles and behaviour, drawn from multiple data sources, that is potentially actionable through the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition.*

### **Research into customer insight**

If the more commonly used terms data, information, knowledge and intelligence are included, the following research questions have been addressed:

1. How can actual customer data be used to generate an actionable marketing strategy leading to optimal levels of profitability, customer equity, and shareholder value? (Kumar & Petersen, 2005)
2. What are the antecedents and consequences of the market intelligence dissemination process across functional boundaries? (Maltz & Kohli, 1996)
3. What strategies are used to generate intelligence and how can organisations improve their intelligence-generating capability? (Slater and Narver, (2000)
4. What opportunities are there to use marketing insights across the organisation to drive growth? (Wind, 2005)

Specific research in the area of customer insight is minimal and focused around four main propositions:

1. Customer insight is generated from multiple data sources
2. Customer insight is a strategic asset
3. Customer insight should be managed as a strategic asset
4. Corporate culture affects insight effectiveness

### **Multiple data sources**

Nemati et al (2003) suggested that ‘best practice’ customer analytics go beyond simplistic analysis to integrate internal data sources with other sources of data: “organisations that integrate data from various customer touch-points have significantly higher benefits, user satisfaction and return on their investment (ROI) than those that do not.”

Wills and Williams (2004) propose that customer insight is built from multiple data sources – of which market research is only a part. Market research has traditionally provided insights into the marketplace, but not about individual customers. The authors (2004) propose that customer insight is derived from companies having a complete picture of their market and their customers. The complete picture comes from customer database analysis, market intelligence, competitor intelligence, feedback from sales and customer service staff, including customer complaints, financial and planning data etc.

This is further confirmed by Smith et al (2006b)'s research into what makes some firms better than others at turning information into value. The authors found that the synthesis of multiple sources of data is one of two critical success factors that influence a firm's ability to create and use insight (the other being leadership commitment). By contrast, the authors found that much practice involves the separate management of different types of data with little formal attempt at synthesis.

### **Insight as a strategic asset**

Wills and Williams (2004) propose that customer insight is a strategic asset, as important to a business as its IT. They argue that “differentiation will not come by being the cost leader, or developing the best technology. It will come by being the best at understanding the many and varied needs and characteristics of customers, and developing products and services that truly meet those needs”. The authors explain that many companies have grown and become removed from their customers to the point where they no longer truly understand their customers' needs. They cite Tesco as one example of a company that has taken giant leaps forward as a result of its recognition of the value of customer insight as a strategic asset.

Smith et al (2006b) agree that irreversible changes in the social, legal, economic, political and technical environment mean that competitive advantage no longer comes purely from Research and Development. They cite this as an explanation for the recent interest in insight as a strategic asset.

### **Managing insight as a strategic asset**

Wills and Williams (2004) propose that customer insight must be managed as a strategic asset. As such, the skills required of those responsible for customer insight must include an understanding of business processes and the strategic as well as political skills to ensure that insight is communicated and actioned (and not just generated).

Smith et al (2006b) also observed that human resource management was one of three factors that differentiate excellent firms from merely adequate firms in the data-to-value process. By human resource management they meant “the recruitment, retention and absorption into the company culture of people who combine both analytical thinking and the ability to synthesise intuitively multiple sources of information”.

In their first research project, Wills and Williams (2004) set out to identify best practice in communicating customer insight and concluded that the four main influencing factors were resource, skills, organisation and planning. The keys to success were 90% structural and process oriented, with the remaining 10% coming from creativity and

presentational techniques. The authors found that it is the simple ideas such as mini-newsletters and laminated one-pagers that can have great impact.

Wills and Williams (2004) concluded that insight should be treated as a business, with the Head of Insight taking on the role and responsibilities of a Chief Executive. In other words, the insight function should be a proactive unit focused on value generation, rather than a reactive one with a service mentality.

However, Wright and Calof's (2006) research reveals that in practice, only 28 per cent of UK respondents reported that CI was always used for strategic purposes. The authors suggest "it is possible to conclude that the incorporation of CI as part of the normal management process in corporate UK has yet to emerge".

### **Influence of corporate culture**

Sheth et al (2000) proposed that companies evolving to a more customer-centric focus should be using CRM to manage relationships with customers and as a means to learn about their needs and how best to satisfy them.

Since then, further academics (Rigby et al., 2002); (Wilson et al., 2002) have agreed that firms must organise around and be driven by an understanding of customers' evolving needs and that this is best accomplished by firms that boast a customer-centric culture.

Wills and Williams' (2004) first and second best practice projects highlighted that corporate culture was a major determinant of the likely success of any insight function. They proposed that companies that genuinely put the customer at the heart of their business are more likely to be successful at actioning customer insight.

Stoica et al (2004) agree that data analytics will be culturally influenced: "results from a random sample of 242 SMEs indicate that culture has a significant impact on various dimensions of information processing such as information search scope, formality, flexibility as well as organisational responsiveness."

Wright and Calof (2006) build on this proposition by confirming that a supportive culture is essential if firms are to utilise their competitive intelligence efforts successfully. In their investigation into UK practice, they found that lack of competitive intelligence awareness and understanding, despite growing interest, was seen to be a significant barrier to effectiveness.

Smith et al (2006b) found that successful companies had an organisational culture that supported intra-organisational knowledge flows. They also found that it isn't just company culture that influences the data to value process – industry culture also has a strong influence, "in the sense that some industries share information between competitors more than others do, which influences the way they create market insight".

## Comparisons to knowledge management

Some CRM literature (Campbell, 2003; Stefanou & Sarmaniotis, 2003; Ryals & Knox, 2001) suggests that customer intelligence is generated through the effective execution of a three step knowledge management process.

- Data collection i.e. all activities that focus on capturing information about customers and markets. It can involve recording details about a particular interaction (e.g. customer response to a direct mail campaign), obtaining data from secondary sources (e.g. MOSAIC, Dun and Bradstreet), or querying customers about their satisfaction (Stefanou & Sarmaniotis, 2003)
- Intelligence generation i.e. converting amassed data into actionable intelligence. This involves traditional analysis techniques, as well as data mining and modelling methods, to identify trends and patterns related to customers' behaviour and/or general market conditions (Campbell, 2003)
- Intelligence dissemination i.e. to all members of the organisation who either have direct contact with customers or have an influence over the marketing mix elements of a firm's operations (Ryals & Knox, 2001)

Campbell (2003) thought that little was known about the internal processes that assist organisation-wide learning about individual customer relationships. He proposed a conceptual framework presented in Figure 2-1 (based on five case studies of Canadian financial services firms) about the internal processes involved in creating customer knowledge competence, which allow firms to strategically manage their CRM programs:

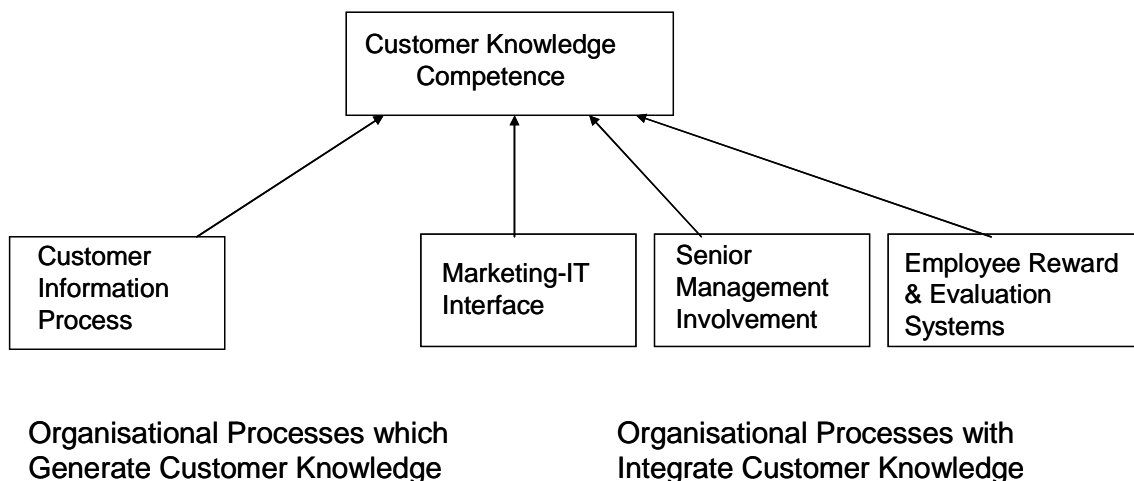


Figure 2-1: A framework for creating customer knowledge competence (Campbell, 2003)

The value of knowledge based adaptation is confirmed by Slater and Narver (2000), who associate superior customer value with well developed intelligence (i.e. insight) generation capabilities.



Menon and Varadarajan (1992) noted that knowledge can be used in three ways in a CRM context: to take actions, to enhance knowledge or to increase satisfaction with current actions.

Wills and Williams (2004) offer a useful distinction between CRM and knowledge management. They believe that the current emphasis of most knowledge management work is towards making tacit knowledge explicit i.e. it is about helping organisations capture and secure as an asset the vast amount of knowledge that exists in the heads of its people. With customer insight, the emphasis is the other way round. Most information is explicit already – in the form of research reports, statistics, and presentations – and the issue is that of making it tacit. The goal is to communicate it widely and to get it into the heads of all those who should be using it (particularly at the front line). In this sense, the authors raise the possibility that “customer insight is potentially leading the world of Knowledge Management towards the issue that they must face next”.

### Comparisons to market-based organisational learning

As CRM is grounded in the idea of establishing a learning relationship with each customer, starting with your most valuable ones (Peppers et al., 1999), it makes sense to briefly review the literature on organisational learning at this point.

Sinkula (1994) proposed that our understanding of how organisations process market information can be advanced substantially on the basis of principles derived from models of organisational learning.

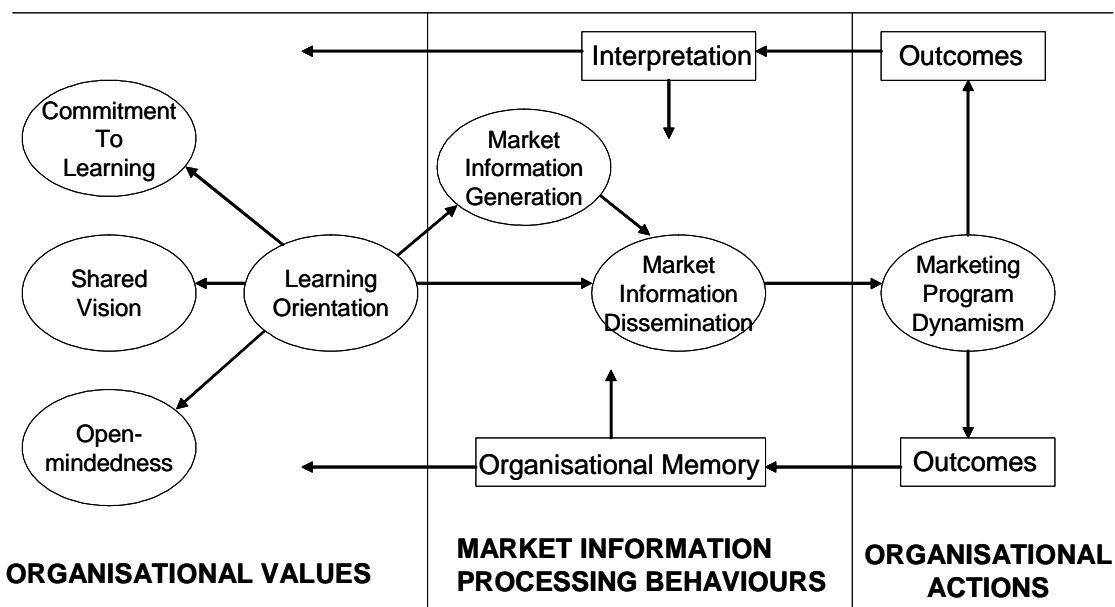


Figure 2-2: A framework for market-based organisational learning (Sinkula et al., 1997)

Organisational learning was first addressed by Cyert and March (Cyert & March, 1963) over 30 years ago as a process by which organisations as collectives learn through interaction with their environments. Garvin (1993) defined a learning organisation as

*“an organisation skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights”*

Organisational learning is sometimes viewed as part of the resource-based view of the firm, which contends that firm growth can be explained through the management of difficult-to-imitate resources (Barney, 1991). Because learning processes are difficult to develop, specific, and intangible, these particular assets are difficult for others to imitate. Many scholars since then have highlighted the importance of a superior organisational learning capability as a source of competitive advantage (Kohli & Jaworski, 1990)

Franwick, Ward et al (1994) indicated the importance of organisational learning in the strategic marketing process and Slater and Narver (1995) agree that the marketing function has a key role to play in the creation of a learning organisation.

Although there is some variance in the specifics, organisational learning scholars typically conceptualise market information processing as including four primary constructs: information generation, dissemination, interpretation, and memory (Day, 1994; Huber, 1991; Sinkula, 1994).

Slater and Narver (2000:120) applied organisational learning constructs to intelligence-generation and said that organisational learning occurs as (1) individuals acquire intelligence, (2) individuals share the intelligence throughout the organisation, (3) organisational members achieve a shared interpretation of the intelligence, and (4) the organisation considers change in the range of its potential behaviours based on the shared interpretation.

Zahay and Griffin (2004) believe that the customer information management context for organisational learning has been overlooked in an empirical sense. Companies need customer information systems to get, store, move and use information throughout the organisation. Sinkula's (Sinkula, 1994) research characterising the relationship between market information processing and organisational learning is useful but it does not extend to characterising the relationship between customer information processing and organisational learning.

Zahay and Griffin (2004) examined the links between learning about customers and company performance, attempting to put the organisational learning capabilities of customer information management into a strategic context. They concluded that learning about customers plays a vital role in contributing to performance and decisions to engage in personalisation and customisation work in conjunction with the strategic positioning decision.

### **2.3.3 Customer Relationship Management (CRM)**

The body of literature on CRM is very relevant to the topic of customer insight, in that both involve the use of technology to assist companies in collecting the necessary data

to determine the economics of customer acquisition, customer retention and lifetime value (Ryals & Payne, 2001).

The term CRM only came into use to a significant extent in the late 1990's after enterprise software aimed at automating marketing, sales and service processes was introduced by companies such as Siebel Systems. It became accepted that having a customer focus might require increasingly large investments in IT (Sheth et al., 2000).

Over the last few years, few topics have generated as much interest among academics and practitioners as CRM. Indeed, the entire October 2005 edition of the Journal of Marketing was dedicated to the subject of CRM. Yet Zablah, Beuenger and Johnston (2003) think that CRM is still neglected in the literature and conclude that "further exploration of CRM and its related phenomena is not only warranted, but also desperately needed" (p116).

The introduction of CRM software caused many companies to rethink their customer interaction strategies and it remains big business today - Forrester Research (Aug 3 2005) estimated that \$13 billion would be spent on CRM initiatives worldwide in 2005. The CRM software vendors made dramatic claims that their technology would enable a "360-degree view" of customers – a concept now coined by practitioners as a "single view of the customer" and by academics as a "unified view of customers" (Payne & Frow, 2004). By that they meant that employees across the company could have instant access to the latest information about the customer's contact history, transactions, and profile. Theoretically, this would enable firms to identify their best customers and treat them differently in order to strengthen brand loyalty and increase customer lifetime value. This in turn, they argued, would increase revenue, profit and shareholder value.

### **Origins and pre-cursors of CRM**

CRM is often regarded as a technology-enabler of Relationship Marketing (RM). Indeed Ryals and Payne (Ryals & Payne, 2001) and Mattsson (Mattsson, 1997) regarded it as *the* major trend in marketing in the 1990s. The two concepts are similar in that they both explicitly acknowledge that exchange relationships evolve over the course of a lifecycle.

RM was first introduced by Berry in a service context to describe a longer-term approach to marketing: "a strategy to attract, maintain and enhance customer relationships" (Berry, Shostack, & Upah, 1983). Since then there have been a plethora of definitions of RM in academic literature. Harker (1999) collected 26 as a by-product of a literature review and suggests that the definition presented by Grönroos (1990) is the "best" in terms of its coverage of the underlying conceptualisations of RM and its acceptability throughout the RM "community":

*"Relationship Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is done by a mutual exchange and fulfillment of promises".*

RM is based on two economic arguments – that existing customers are less expensive to retain than to recruit and that securing customers' loyalty over time produces superior

profits (Buttle, 1996). The pioneering work of Reichheld and Sasser (Reichheld & Sasser Jr, 1990) identified a high correlation between customer retention and profitability. They identified that a five percentage point increase in customer retention across a wide range of businesses yielded improvement in profitability, in net present value (NPV) terms, from 20 to 85%. The argument has been further strengthened by studies focused on the concept that existing customers are much cheaper to retain than new customers are to acquire (Blattberg & Deighton, 1996). The frequently quoted argument is that it costs as much as five times more to obtain a new customer than it does to keep an existing one (Filiatrault & Lapierre, 1997).

The second argument for RM is the increasing profitability of customers the longer the relationship lasts (Reichheld, 1996); the focus is therefore on the lifetime value of the customer rather than profitability in any single period.

Not everyone agrees. Opponents such as Egan (2001) pull the ‘retention economics’ argument apart, suggesting that some ‘front-end’ costs used in calculations may be wrongly attributed, giving a false security to RM advocates.

Although CRM and relationship marketing are similar in that they both explicitly acknowledge that exchange relationships evolve over the course of a lifecycle, they differ in that CRM does not focus exclusively on the establishment and maintenance of close, collaborative exchange relationships (Zablah et al., 2004). CRM is focused on building a portfolio of profit-maximising relationships whereas relationship marketing only focuses on the tasks needed to build and sustain relational exchanges.

### **Terms and definitions**

Numerous definitions of CRM have been proposed by marketing practitioners and scholars alike. Zablah et al (2004) searched for definitions from published and working academic papers, as well as vast amounts of literature from the popular domain, such as articles posted key CRM web portals (e.g. CRM community, CRM Guru, CRMXchange, Destination CRM, European Centre for Customer Strategies, ITtoolbox.com), as well as definitions offered by the top CRM software manufacturers and providers (e.g. Oracle, Salesforce.com, SAS). They found approximately 45 distinct definitions of CRM.

Payne and Frow (2005) agreed that the great deal of confusion about what constitutes CRM today is causing significant problems to organisations deciding to adopt CRM systems. In their interviews and workshops with executives they also found a wide variation of what is meant by CRM. They collected 22 definitions and descriptions used by different authors and authorities from various sources including academic articles, consulting firms, CRM vendors and practitioners. Many more have been added to these since.

Some definitions that most closely reflect this study’s perspective on CRM include:

*“CRM is an ongoing process that involves the development and leveraging of market intelligence for the purpose of building and maintaining a profit-maximising portfolio of customer relationships”*

*(Zablah et al., 2004)*

*“Leveraging technology to engage individual customers in a meaningful dialogue so that firms can customise their products and services to attract, develop, and retain customers” (Campbell, 2003).*

*“An enterprise approach to understanding and influencing customer behavior through meaningful communication in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability” (Swift, 2000)*

*CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer based on what the customer tells you and what else you know about that customer (Peppers et al., 1999)*

*CRM is a business strategy focused on winning, growing and keeping the right customers*

*(Siragher, 2001:p11)*

*Customer Relationship Management is the management process that uses individual customer data to enable a tailored and mutually valuable proposition. In all but the smallest of organisations, CRM is characterised by the IT enabled integration of customer data from multiple sources*

*(Clark, McDonald, & Smith, 2002:p10).*

## **Divergent perspectives**

Over the years there have been many divergent perspectives on CRM. Zablah et al (2004) found evidence that CRM has, implicitly or explicitly, been conceptualised as a

1. Process
2. Strategy
3. Philosophy
4. Capability
5. Technological tool

Taking the *process view*, some e.g. Srivastava, Shervani, and Fahey (Srivastava, Shervani, & Fahey, 1999) and Plakoyiannaki and Tzokas (Plakoyiannaki & Tzokas, 2002) have defined it as a high level process that includes all activities firms undertake in their quest to build durable, profitable, mutually beneficial relationships. Others e.g. Day and Van den Bulte (Day & Van den Bulte, 2002); Kohli, Piontek, Ellington, van Osdol, Shepard, and Brazel (Kohli, Piontek, Ellington, VAn Osdol, Shepard, & Brazel, 2001) have defined it more narrowly as a process concerned with managing customer interactions for the purpose of promoting the establishment and maintenance of long-term profitable relationships.

The *strategic view* of CRM says that not all customers are equally valuable, therefore maximum profitability can only be achieved when available resources are invested in

customer relationships that provide a desired level of return (Ryals, 2003). Firms taking the strategic view are likely to continually assess and prioritise customers based on their expected lifetime value if they are to build long-term profitable customer relationships. They are focused on building the 'right' type of relationship with each individual customer. In some cases, this may mean choosing not to build one at all.

Reichheld's (1996) pioneering research established a strong link between customer loyalty and corporate profitability. This underpins the view of *CRM as a philosophy* that says that the most effective way to achieve such loyalty is by proactively seeking to build and maintain long-term relationships with customers. This view is inextricably linked to the marketing concept which stresses that firms must organise around and be driven by an understanding of customers' evolving needs. This is best accomplished by firms that boast a customer-centric culture (Rigby et al., 2002; Wilson et al., 2002).

Capabilities refer to the hard-to-imitate skills and accumulated knowledge that enable firms to perform the activities that form part of business processes (Day, 1994). The *capability view* of CRM therefore sees effective CRM as a potential source of competitive advantage. In order to be effective, firms have to invest in resources that enable them to anticipate the customer's changing needs and modify their behaviour towards individual customers or groups of customers on a continual basis (Peppers et al., 1999). They need to be capable of gathering intelligence on their current and prospective customers and applying that intelligence to shape their subsequent interactions with them.

Although it was the emergence of CRM technology that propelled the subject to the forefront of marketing practice and academic research, few people today view CRM purely as a *technological tool*. Nonetheless, it is hard to imagine how companies can collect data, build customer insight and disseminate it across the organisation without extensive use of technology.

### **CRM research**

Academic research efforts initially focused on the economic arguments for CRM (Reichheld & Sasser Jr, 1990)(Reichheld, 1996) and the search for evidence of successful implementations (Wilson et al., 2002); (Ryals & Payne, 2001). This was followed by efforts to uncover why CRM had failed (Rigby et al., 2002); (Kale & Sudhir H, 2004). Meanwhile, several authors developed frameworks and/or roadmaps for addressing CRM (Speier & Venkatesh, 2002); (Payne & Frow, 2005); (Zablah et al., 2004); (Boulding et al., 2005); (Reinartz et al., 2005); (Lin, Su, & Chien, 2006; Sue & Morin, 7 Aug 2002; Winer, 2001)

The multi-channel aspect of CRM has been somewhat addressed by looking at how customer contact management should be implemented (Spencer-Matthews & Lawley, 2006), examining the role of multi-channel integration in CRM (Payne & Frow, 2004), and the implications for the management of customer relationships of pursuing the multi-channel approach (Hughes, 2006). More specific research includes looking at how companies can improve CRM through database/internet marketing (O'Leary, Rao, & Perry, 2004).

Customer retention has received more attention in the literature than customer acquisition. For example, Ahmad and Buttle (2001) examined key issues pertaining to customer retention management; Verhoef (2003) looked at the effect of CRM efforts on customer retention and customer share development and Ang and Buttle (2006) investigated management processes associated with excellent customer retention performance.

More recently there has been a growing interest in how customer profitability and customer lifetime value can be measured and/or maximised (Reinartz et al., 2005); (Ambler, 2005); (Ryals & Knox, 2005; Simonson, 2005; van Raaij, 2005)

A key issue in practice is that most CRM initiatives to date have focused on interaction and transaction systems – recording data that tells marketing, sales and service employees what a customer ‘did’, rather than telling them what to ‘do’ with a customer. Most companies do a poor job predicting the behaviour of their customers (Kumar et al., 2006)

Consequently, most companies find themselves “steering by the wake,” that is, managing their businesses by looking back at customer transactions and other interactions. CRM systems may be integrated with corporate financial systems for order history, to the manufacturing system for shipment dates, or to the service system to schedule the next maintenance appointment. They are, however, almost never integrated with the analytical systems in marketing.

In the early days of CRM, when companies still had a product focus, CRM helped them to manage relationships with customers solely as a means to sell, deliver and service the product. However, as companies are evolving to a more customer-centric focus, CRM needs to manage relationships with customers as a means to learn about their needs and how best to satisfy them (Sheth et al., 2000). The objective of customer-centric marketing is to maximise both efficiency (doing things right) and effectiveness (doing the right things) simultaneously at a customer level. CRM has so far addressed the former, but not the latter.

#### **2.3.4 Summary and gaps**

Customer insight is undefined and under-researched as an area of academic study. There are some comparisons to be made with knowledge management, though arguably customer insight is leading this field, rather than the other way round (Wills & Williams, 2004).

The literature on market-based organisational learning is useful, yet the emphasis of research has been on acquiring and interpreting market information (as opposed to customer information) and there is little research on the actioning of information.

The body of literature on CRM is very relevant, particularly the capability view, yet there is evidence that most companies do a poor job predicting the behaviour of their customers (Kumar et al., 2006). Further research is required in this area.

To build on existing literature and knowledge around customer insight, it seems plausible to promote exploration of the following gaps:

1. Although there is much discussion of the need to gather data from multiple sources, in order to generate customer insight, there is no clear or definitive list of the different types of data that companies collect
2. Although some example applications are given, there is no comprehensive list or description of the types of customer insight that companies generate
3. Although there is a lot of discussion about the *process* of collecting data, generating insight and disseminating insight, there are very few examples of how companies are actioning or using customer insight in practice. Neither is there a clear explanation of the purpose of generating customer insight
4. There is no comprehensive understanding of the organisational context which influences the data to value process

This research aims to explore some of these gaps.

## **2.4 Methodology**

### **2.4.1 Research strategy**

A qualitative research design, where data are collected in the form of words and observations, as opposed to numbers, was chosen for the following reasons:

- it is designed to operate well in areas that are complex, messy, causally ambiguous and where there is little extant knowledge
- the phenomena of interest require exploration of detailed in-depth data, aimed at description
- the aim is to provide detail
- questions, constructs and relationships are likely to emerge during fieldwork or analysis
- the step by step logic of how companies action customer insight is not clear
- the respondents may consider the subject matter to be confidential and/or commercially sensitive
- some of the issues around the organisational context that are preventing insight from being actioned may be politically sensitive and the respondent may be reluctant to be truthful other than confidentially in a one-to-one situation

### **2.4.2 Case-study-based research**

Some form of case study research conducted primarily through semi-structured interviews was considered most appropriate to uncover leading edge practice. According to McCutcheon and Meredith (1993): “in an area where the theoretical base is weak, field based approaches are the best ways to find out about the issues, describe the problems, discover solutions and generally ground our theory in the complex, messy world of real organisations.” This is backed up by Harrison (2002) who believes that



“case study research is of particular value where the theory base is comparatively weak and the environment under study is messy”.

The research was guided by a comparative, grounded theory method which uses the establishment of similarities and differences among incidents to define and refine concepts and categories, but normally stops short of testing theory (Glaser & Strauss, 1967). Analytic induction methods (Daniel, Wilson, & McDonald M, 2003); (Wilson, 2004); (Bansal & Roth, 2000), which use a comparative approach, but which go a step further by both generating and testing theories, were not used. In other words, the aim was to define and refine a model for actioning customer insight, as opposed to testing it.

The research was primarily conducted through semi-structured interviews with key personnel. Semi-structured interviews differ from unstructured interviews in that the researcher develops a detailed ‘game plan’ in the research design, identifying all the variables against which data will be collected, together with an interview framework and possible coding scheme (Harrison, 2002). The interviews were supplemented with additional data where possible (e.g. reports/presentations).

Figure 2-3 illustrates how the research strategy maps to Flynn et al’s (1990) (slightly adapted) seven-stage process for conducting empirical research (choices highlighted in bold).

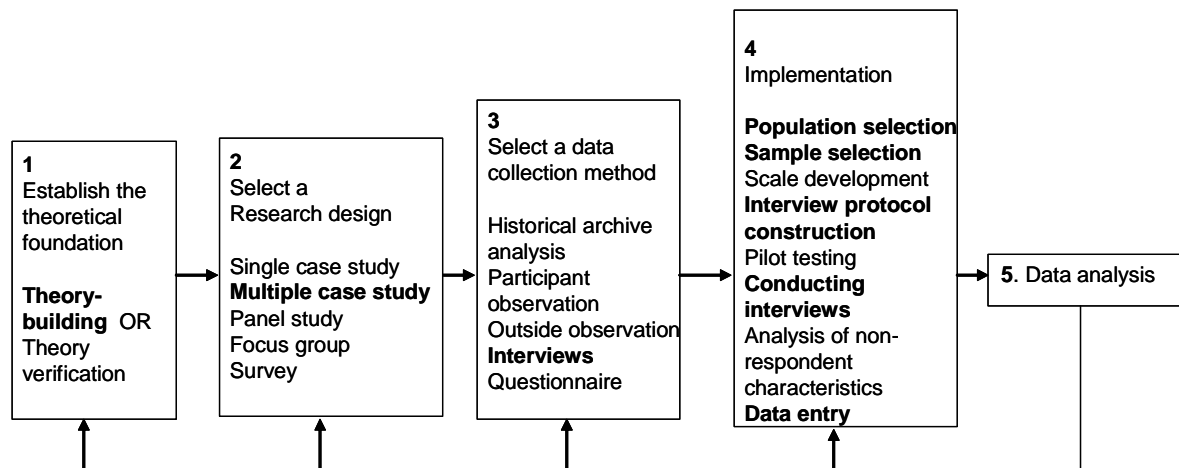


Figure 2-3: A systematic approach for empirical research (Flynn et al., 1990)

### 2.4.3 Justification of the rejection of other methods

The following other qualitative methods were rejected:

**Repertory Grid Technique:** this technique is useful for investigating areas that are hard to articulate (Bannister & Fransella, 1971; Goffin, Lemke, & Szwejcowski, 2006). It is used to understand individuals’ perceptions and the constructs they use to understand and manage their world. The following disadvantages of this technique, as identified by Stewart and Stewart (1981), are thought to apply to this research:

- the resulting grid will not provide sufficient descriptive data
- the research focus is too broad to suit this technique
- the grids are very time consuming to complete (up to 1 ½ hours)
- there is a danger it would produce packaged, rather than meaningful results

**Projective Techniques:** These techniques are used in very specific circumstances, where the interviewee is asked to explain, or ‘project’ what he would do in that situation. The technique was first used by Henry Murray (1938) and has been developed by David McClelland (1961) as a means of measuring the strength of an individual’s need for achievement. It is used extensively in recruitment, as it is believed that individuals will reveal hidden levels of their consciousness by reacting to different types of stimuli, such as drawings.

The technique is widely used in market research (Jobber, 1987), in an attempt to uncover deep seated feelings about motivations and beliefs.

As the purpose of this research project is to collect descriptive data about current practice, rather than deep-seated feelings of potential future behaviour, this method was rejected.

**Protocol Analysis:** this is another way of finding out the underlying logic of the way people think, and usually follows a specific event (Burgoyne & Hodgson, 1983). This method was rejected because the research topic is not event-driven and is more concerned with processes and actions rather than underlying logic.

**Group and Focus Interviews:** Group interview techniques (Hedges, 1985) are used extensively in market research and increasingly in politics. This method was partially rejected as impractical, due to the scheduling difficulties of getting four or five people from different functional areas (although from the same company) in a room at the same time. Also it was thought that more information would be yielded from four or five separate interviews than from one hours’ group interview. Social pressures may also condition the responses gained, particularly as the respondents will come from different functional areas.

**Participant Observation:** This method is appropriate when the researcher needs to become totally immersed and experience the work or situation at first hand. Donald Roy (1952) used the method to show how workers in the machine shop of a large company manipulated the piecework incentive scheme. This method was rejected for a number of reasons:

- the research doesn’t require continued longitudinal involvement
- it would be extremely difficult to gain the right kind of access without being an employee
- insight would be limited to one company

## Quantitative Methods

Quantitative research, for example using questionnaires and surveys, was rejected as an inappropriate choice, as it is highly dependent upon theoretical structure for its rigour. As existing models of CRM/customer insight in the literature are not detailed enough, it is proposed that a model first needs to be built and refined before other methods of research can be contemplated.

### 2.4.4 Data Collection

In their recent research, Smith et al (2006b) found that the extent to which firms use data to drive their offer to the marketplace is quite limited. They described three stereotypes:

1. Those firms that use data only to focus and improve their marketing communications. Such approaches are the *most common* use of data in marketing.
2. Those that use data to focus and improve their marketing communications but also to improve “outer” aspects of the offer, such as service and packaging. Such approaches are *less common, but not rare*.
3. Those firms that use data to tailor the entire offer and customer experience, within very broad limitations implied by fixed assets and infrastructure. Such approaches are *rare*.

These findings directed a decision to target companies that were likely to be leading edge or “best practice” in the area of customer insight i.e. more likely to align to the second or third stereotype. Several companies were targeted, to increase the likelihood of the model being generalisable.

As Harrison (2002) points out “best in practice actually means not only the best environment for exhibiting the phenomenon under study, but also the best from a point of view of ease of access and of management support”. The research was restricted to five companies with the following considerations in mind:

- time constraints
- the difficulty of finding companies that are exhibiting leading edge practice in this area
- the difficulty of gaining access to these companies

### 2.4.5 Unit of analysis

The unit of analysis was the process of generating and actioning customer insight. In order to understand the process in broad terms, a balanced group of four to six interviewees per company that represented different stages of that process were sought.

People within the company responsible for generating insight (with the help of IT) are likely to belong to the following functions:

- the marketing department
- the customer insight/customer intelligence/research department
- the CRM function/department

Insight is most likely to be actioned at the front line by the

- Call centre
- Direct salesforce

#### **2.4.6 Sample selection**

The non-probabilistic technique of purposive sampling (Gill & Johnson, 1991), where a certain sample is taken to be representative of the whole population, was used to select respondents. This technique is useful where the major concern is not to generalise the findings of the study to a broad population or universe but to maximise discovery of the heterogeneous patterns and problems that occurred in the particular context under study (Manderbacka, 2005; Singh, 2006).

At an organisational level, purposive sampling was used to ensure that companies aligning to the second or third stereotype were selected (in other words, ‘best practice’ companies). At a respondent level, purposive sampling was used to ensure that people responsible for generating insight and actioning insight were represented.

The selection of suitable best-practice cases was enabled through the author’s own knowledge of the market-place, discussions with doctoral supervisors and former colleagues at Extraprise (specialist CRM consulting firm). Bearing in mind the difficulties of gaining access, the following companies were considered:

- companies speaking on this topic at key industry conferences
- members of either the Cranfield Customer Management Forum or the Henley Centre for Customer Management
- clients of a former employer (Extraprise), who are known to be best practice in this area
- companies who are leaders in their field and therefore more likely to be engaging in leading edge marketing practice

There was inevitably a degree of convenience sampling, due to knowledge of best practice and considerations of access.

The selection process initially identified 15 companies. This was thought to be sufficient to achieve the goal of gaining agreement from five companies (it was thought that five companies would be a manageable sample, in terms of time and effort). To ease concerns about confidentiality, non-competing companies were selected where possible. Please refer to appendix 4.7 for a list of companies that were selected as possible cases, but not included.

A full list of contacts was drawn up for each company, sourced from a combination of mailing lists and databases (either purchased from a business list supplier or obtained

from the author's personal contacts). Senior personnel from the disciplines of marketing, customer insight, CRM, call centres and sales were then approached via email (please refer to appendix 4.1 for a copy of the email and appendix 4.6 for the accompanying one-page attachment).

Responses to the email initiated conversations to further explore whether the company was an appropriate case study for this research project. If both parties decided to proceed, interviews were scheduled (mostly face to face, except where distance or circumstances meant that a telephone interview was more appropriate). Often the initial respondent from each company facilitated an introduction to further relevant contacts and encouraged them to participate (see appendix 4.5 for a copy of the email).

In addition to conducting the interview, the respondents were asked to share any information they had in the form of printed or electronic material.

Five companies were included for the following reasons:

**Barclays:** Barclays was a member of the Cranfield Customer Management Research Forum in 2005 and was interviewed for a pilot research project in this area in the summer of 2005. As a result Barclays was invited to present to other forum members on this topic last September. The combination of evidence of leading practice plus the personal contacts with key CRM and marketing personnel made Barclays an obvious choice.

**BT (Global Services, Major Customers):** BT is a long-serving member of the Cranfield Customer Management Forum and key contacts were personally known to the author. BT is also a customer of Siebel Systems and Extraprise was involved in the implementation of its CRM technology. Extraprise produced a case study of its involvement with BT and customer insight was a known priority for BT.

**Cisco Systems:** As the worldwide leader in networking for the internet, with a reputation for innovation and excellence, as well as a customer base with 80% loyalty, it was thought that Cisco would be an interesting case study in a sector not renowned for its extensive use of customer insight. The author also had personal contacts with key marketing personnel, having worked together with them at Hewlett-Packard. Despite their concerns that they were not 'leading edge' in this area, they agreed to participate. The initial contact facilitated introductions to a further three respondents.

**O2:** Mobile telecom companies are generally thought to be leading edge in the area of customer insight. Ex-colleagues at Extraprise had suggested O2 and Vodafone as excellent examples of companies actioning customer insight. Orange had already participated in previous Cranfield research on this subject and it was thought to be too soon to approach them again. It was noticed that O2 was presenting on actioning customer insight at the Gartner CRM conference and it was decided to approach the person giving the presentation. This person subsequently agreed to participate in the research.

**Post Office:** In 2005 Extraprise responded to a request for tender from Post Office to help it generate insight from its customer data. In conversations with people from Royal Mail at the Henley Centre for Customer Management it was understood that customer insight was high on their agenda and that they had recently amalgamated all their customer insight activities under one team, spanning Post Office, Royal Mail and Parcelforce. The head of that team was approached and he agreed to participate and to facilitate access to his team.

#### 2.4.7 Interview schedule

Twenty five interviews took place, each lasting an average of 53 recorded minutes (this does not include time taken to introduce concepts and explain the research process). See Table 2-2. Three of these were telephone interviews, either due to location or to delays caused by cancellations. The interviews were scheduled at the convenience of the respondents and were undertaken in parallel i.e. one case was not completed sequentially.

Company	Title	Date
Barclays (5)	Commercial Manager, North East*	18.04.06
	Director of Marketing Services	20.03.06
	Head of CRM**	12.07.05
	Senior Manager, CRM Delivery	15.03.06
	Commercial Director, Direct Channels	05.04.06
BT (4)	Programmes and Campaign Analysis (Reporting)	04.04.06
	Head of Marketing Information Management and Systems	12.04.06
	Senior Market Sizing and Segmentation Manager	25.04.06
	Insight Manager, UK Major Customers	04.05.06
Cisco Systems (4)	Market and Customer Understanding Manager	14.03.06
	Head of CRM	14.03.06
	Call Centre Manager	13.04.06
	Head of UK Marketing	25.04.06
O2 (5)	Head of Insight	13.04.06
	Head of UK Channel Marketing	13.04.06
	Head of Real-time Marketing	25.04.06
	Head of Business Customer Service*	18.04.06
	Head of CRM, Strategy and Architecture***	23.03.06
Post Office (7)	Head of Insight Products, Consumer	20.04.06
	Director of Customer Insight	24.04.06
	Head of Insight Products - Business	27.03.06
	Segmentation Manager	12.04.06
	Senior Insight Manager	24.04.06
	Network Specification Manager	11.04.06
	Senior Insight Manager*	26.04.06

**Table 2-2: Project one: case and respondent details**

\* interviews conducted via the telephone, either due to location or timeframes

\*\* interview was conducted last summer as part of a pilot project

\*\*\* following this interview, O2 was asked to come and present at the Cranfield Customer Management Forum and the Henley Centre for Customer Management in

May 2006. So in addition to the hour interview, information from two presentations lasting one hour each was gathered.

#### **2.4.8 Interview structure**

The interview guide was tested and refined last summer when four people were interviewed as part of the author's work for the Cranfield CRM Research Forum and doctoral pre-work. As the interviewees for this project were from a variety of job functions, the interview guide needed to be flexible enough to accommodate people who were responsible for either generating customer insight or actioning it. Due to the confusion around the term "customer insight", the term was defined in the context of this project up front.

The interviews were semi-structured around the following sections, which were designed to allow for in-depth probing and exploration as required. Please refer to appendix 4.8 for a more complete list of questions.

1. Introduction and definition of terms
2. Company and respondent background
3. Different types of data collected (in order to generate customer insight)
4. Different types of insight being generated
5. How insight is being actioned at the front line/purpose of customer insight
6. Organisational context that is either helping or hindering the process of generating and actioning customer insight
7. Industry context
8. Priorities moving forward

#### **2.4.9 Analysis**

In terms of the process of analysis, the interviews were first transcribed, printed out and read through in batches per company, in addition to any supporting material provided by the respondents. A number of logical sections emerged, each with sub-themes. Sections of text were then highlighted and a note made of the section/sub-theme in the margin. As every new sub-theme emerged, it was listed in an Excel spreadsheet. This spreadsheet then formed the basis of the coding framework, which was entered into NVivo. Having imported the documents into NVivo, the interviews were coded in batches per company, according to the highlighted passages. The process of doing this led to some nodes being created, re-organised or deleted.

The high-level coding framework was as follows:

1. Types of data collected
2. Types of customer insight generated
3. How insight is being actioned
4. Organisational context that is either helping or hindering the generation and actioning of customer insight
5. Company orientation (per company)
6. Priorities (per company)

In order to write up the findings, a coding report was produced for each tree node (at the child node level) (NODE/MAKE CODING REPORT). This displayed comments from all companies on each section/sub-theme. See appendix 4.9 for the full Nvivo coding framework.

## **2.5 Findings**

Firstly, a brief overview of each company at the time of research is provided for context. As the cases were not researched sequentially and the goal was to build and refine a model for actioning customer insight, the findings are written up in sections to best describe the different components of the model:

- types of data being collected, in order to generate customer insight
- types of customer insight being generated out the data
- how insight is being actioned across the organisation
- what elements of organisational context influence the insight to action process

This approach is similar to that taken by Wilson (2006).

### **2.5.1 Case overviews**

#### **Barclays**

Barclays plc is a UK-based financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. With over 300 years of history and expertise in banking, it is now one of the top ten largest banks in the world in terms of market capitalisation.

Operating in over 60 countries and employing over 113,000 people, Barclays moves, lends, invests and protects money for over 25 million customers and clients worldwide. That includes approx. 14 million retail customers (current accounts, savings, mortgages and general insurance), approx. 566,000 small business customers, approx. 273,000 affluent customers (premier and wealth customers) and approx. 180,000 larger and medium-sized customers. Other businesses include Barclays Capital and Barclaycard.

The UK market has become increasingly competitive – not only with traditional competitors (High Street banks) but also with new entrants such as ING Direct. It is becoming increasingly difficult to acquire and retain customers. When Barclays implemented its first Teradata warehouse in 1992 it was one of the first European banks to develop a specific customer analytics capability.

#### **BT (Global Services, Major Customers)**

BT is one of the world's leading providers of communications solutions serving customers in Europe, the Americas and Asia Pacific. Its principal activities include networked IT services, local, national and international telecommunications services, and higher-value broadband and internet products and services. It has approx. 104,400 employees, operations in 70 countries and a turnover of £19.5 billion (year ending March 2006).



In the UK, BT serves over 20 million business and residential customers with more than 30 million exchange lines, as well as providing network services to other licensed operators.

BT's strategy is to build long-term partnerships with its customers. With their support, BT aims to maximise the potential of its traditional business – through a combination of enhanced quality of service, creative marketing, innovative pricing and cost efficiency – while pursuing profitable growth by migrating its customers to new wave products and services such as networked IT service, broadband, mobility and managed services.

BT Group consists principally of four lines of business (see Figure 2-4): BT Retail, BT Wholesale and Openreach (which operate almost entirely in the UK) and BT Global Services, which addresses the networked IT services needs of the top 10,000 multi-site organisations worldwide. This study focused on a division of BT Global Services, looking after approx. 4,700 major accounts (business-to-business), representing between £4 and £5 billion of revenue.

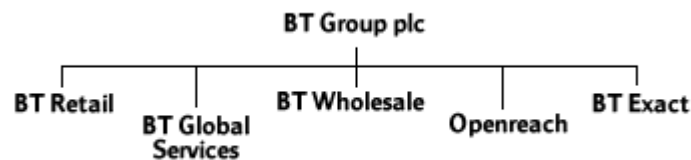


Figure 2-4: BT Group structure

## Cisco Systems

Cisco Systems, Inc. is the worldwide leader in networking for the Internet. Founded in 1984 by a small group of computer scientists from Stanford University, Cisco engineers have been leaders in the development of Internet Protocol (IP)-based networking technologies. Today it has more than 48,000 employees worldwide and revenue of \$24.8 billion (fiscal year 2005 ending Jul. 2005).

Cisco has been at the heart of many historic changes in technology, and that continues to be true today. Now, at a time when the technology industry is going through a period of dramatic change, Cisco is the market leader in multiple areas, such as routing and switching, unified communications, wireless and security. The company helped catalyse the industry's move toward IP and, now that it is fully underway, the company is at the centre of fundamental changes in the way the world communicates.

Cisco received nearly 50 awards and accolades for business and technology excellence in 2005 alone, including Fortune Magazine's list of 'most admired companies'.

## O2

O2, a wholly-owned subsidiary of Telefónica S.A., comprises mobile network operators in the UK and Ireland, along with integrated fixed/mobile businesses in Germany and the Czech Republic (Cesky Telecom). It is headquartered in Slough, UK, and has more

than 35 million customers across Europe (17 million in the UK) and revenue of £3,615 million for the 6 months ended 30 September 2005.

Building on the O2 brand, the company aims to become the mobile operator of choice through a commitment to offering high quality products and services as well as leading customer retention and loyalty programmes. O2 is committed to demonstrating clearly and powerfully what customers 'can do' with new data services, devices and technology.

As part of an enlarged company, the combined entity is the second largest global wireless operator outside of China (in terms of active subscribers) with more than 116 million mobile customers. In addition, the combined group is also the world's second most valuable telecom operator with an enterprise value of €120 billion.

### **Post Office**

Post Office Ltd is a separate company within and part of the Royal Mail Group, a public limited company wholly owned by the Government, employing over 196,000 people in the UK (almost 1% of the working population). Post Office is the largest retail and financial services chain in the UK – serving 28 million customers each week through 14,500 Post Office branches across the country. Post Office network faces unprecedented challenges. Almost all 8,000 rural branches are loss-making and it takes some £3 million a week to run the rural network, money which comes from the Government's annual £150 million Social Network Payment, approved until 2008. Meanwhile, the network overall continues to make a loss on its operations of some £2 million a week.

A key challenge facing both urban and rural branches is the decline in Government business going through Post Office network. Ten years ago, the majority of business transacted across its counters was on behalf of Government departments. When the Government withdraws Post Office Card Account in 2010 (one of its most important products, used by 4.5 million customers), the network's revenue from work done for the Government will shrink to less than 10% of overall business.

Post Office and its partners offer over 170 products and services. It believes that its business is all about its people and that its technology currently lags behind that of its competitors (it needs to spend around £2 billion on modernising the company, renewing its premises and equipment).

With the switch to payment of pensions and benefits directly to bank accounts now complete, the network has already lost the £400 million a year income it earned from this work. Post Office Card Account has replaced some of this revenue and it has also developed new revenue streams from the development of new financial products, such as car and home insurance, and other new products, such as HomePhone. But there remains a revenue shortfall.

### **2.5.2 Types of data collected**

This study found that companies are collecting data in five main areas: competitors, customers, markets, employees and channel partners, as summarised in Table 2-3 . The

numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively. One tick indicates that this data type inputs into the customer insight generation process. Two ticks indicate that (in comparison to the other cases), this data type is extensively collected.

Category	Data type	1	2	3	4	5
Competitors	All types	√	√	√	√	√
Customers	Interactions/contact details	√	√	√	√	√
	Interactions/expanded knowledge	√	√	√	√	√
	Interactions/activity history	√	√	√	√	√
	Interactions/inbound contact	√√	√	√	√√	√
Customers	Transactions/sales	√√	√√		√	√
	Transactions/bookings			√√		
	Transactions/till data				√√	
	Transactions/product holdings	√√	√√	√	√	
Customers	Transactions/'did u buy' audits			√		
	Satisfaction/General	√	√	√	√	√
	Satisfaction/Competitive		√		√	
	Satisfaction/EDCSM	√√	√	√	√√	√√
	Satisfaction/Service stability				√	
	Satisfaction/Entry and exit interviews				√	√
Customers	Satisfaction/Customer complaints					√
	Opinions/Focus groups				√	
	Opinions/values		√			√
	Opinions/brand trackers		√		√√	√
	Opinions/usage, behaviours and attitudes	√	√	√	√	√
Markets	Opinions/reasons to call		√		√	
	Market share	√	√	√	√	√
	Market issues	√	√√	√√	√√	√
	Social, economic and political trends			√	√	
	Demographics/population profiles	√	√	√	√	√
	Company profiles		√	√	√	
	Attitudinal data			√		
Employees	Staff feedback				√	√√
	Mystery shopping programmes	√			√√	√√
	Retail standards audits					√
	Service performance data	√	√	√	√	√
	Employee satisfaction surveys	√				
Channel	Buddy programmes				√	
	Data from channel partners	√		√		√

**Table 2-3: Types of data collected in the customer insight generation process**

### **Competitors**

All five companies collected information on their competitors and saw it as a rapidly expanding area due to increased competitive pressures. For example, Barclays had seen increased competition from traditional competitors as well as new entrants. At BT, part of the transformation from 'old style telco' to 'new wave IT networked services provider' brought it up against a whole new range of competitors. Post Office's move into financial services created demand for competitive intelligence in this area.

As well as competitor profiles, some companies had access to richer data. For example, Post Office knew what direct mail consumers received from competitors and Barclays

was able to ascertain competitor product holdings through an analysis of customers' bank statements.

## Customers

All five companies used technology to store customer data, although the business model dictated the richness of the data.

Customer data fell into four categories: Interactions, Transactions, Satisfaction and Opinions. See Table 2-4.

Interactions	Transactions	Satisfaction	Opinions
Contact details	Sales	General	Focus Groups
Expanded knowledge	Bookings	Competitive	Values
Activity history	Till data	EDCSM	Brand trackers
Inbound contact	Product holdings	Service stability	Usage, behaviours and attitudes
	'Did u buy' audits	Entry and exit interviews	Reasons to call
		Customer complaints	

**Table 2-4: Types of customer data collected**

### INTERACTIONS

*Contact details:* At a very basic level, all companies held contact details on either prospects or customers for as many channels as possible (name, address, job title, phone numbers, email address etc).

*Expanded knowledge:* All companies were able to extend basic contact details with information such as company demographics, budgets, responsibilities, and information on the decision-making process. Most companies acknowledged its sales force as a valuable source of additional knowledge, including meeting notes, verbatim comments, next call objectives etc. According to a respondent at O2,

*“our ability to gather insight from the real world through the sales guys as it happens day by day, week by week is pretty powerful and we leverage that really, really well.”*

BT called this “client landscape data” and account managers were encouraged to continually ask their customers probing questions about their product holdings and buying preferences.

Cisco collected a lot of ‘survey data’ or ‘Q and As’ through its web and telemarketing campaigns. When qualifying leads, it looked for specific information which it called ‘BANT’: Budget (there had to be a budget); Authority (the right decision-maker was identified); Need (the area of the network that needed to be addressed); and Timeframe (months to budget fruition).

*Activity history:* All companies recorded outbound activities that ‘touched’ the customer, for example, sales force visits, marketing campaigns or events.

*Inbound contact:* This was becoming a valuable source of new data. ‘Inbound’ is when a prospect or customer approaches the company (as opposed to the other way round). Sources of inbound data were website visits (recorded by every company), and calls to the contact centres (Barclays and O2 were particularly sophisticated in this area).

## TRANSACTIONS

*Sales transactions:* The business model dictated the extent of transactional and revenue data held. For example, those with a direct sales model (Barclays and BT) were in possession of a full transactional history and sales data down to a customer level. BT recorded approx. 15 million transactions in its Siebel CRM system every day. Post Office had only recently started to collect transactional data since its expansion into other products and service areas. On the whole it still struggled to know which customers had bought what products through its branch network.

*Bookings:* Due to its indirect model, Cisco relied on its channel partners to identify sales to the end user. Called ‘bookings’ or POS (Point of Sales) data, it went through a cleaning, de-duping and matching process to try and identify the end customer based on address or other information supplied. This process also identified the reseller and distributor. At the time of research, Cisco had approx. 350 million rows of bookings data.

*Till data:* O2 bought into all of the EPOS (till) data, so it knew what was happening in real-time in the marketplace. On a weekly basis it knew the most popular tariff, the best-selling contracts, and who was outperforming which network. This complemented its own sales data.

*Product holdings:* Those companies with a direct sales model had the best information on what products were held by which customers. Since the implementation of a Siebel CRM system, BT had a holistic view of its customers and the products and services purchased. Barclays was able to go a step further and build a picture of what competitor products a customer was holding elsewhere e.g. lending, mortgages, insurance and savings products. This was possible via a detailed analysis of direct debits, standing orders or payments recorded on bank statements.

O2 knew what handsets its customers had, because the handset transmits an ‘INEI number’ - a code in the phone that tells you what it is.

Although Cisco did not directly have product holdings information, it did know who had bought a support contract or training services. As a group it was starting to synthesise a lot more information from the business units at the company level.

*‘Did you buy’ audits:* Cisco conducted what it called ‘did you buy’ audits for all major marketing campaigns that cost more than \$100,000. Outsourced to Harte-hanks, calls were made to find out what recipients thought of the campaign, whether they bought

anything as a result, and if so, what? Also, if they bought something other than what was in the original message, what made them do it?

## SATISFACTION

*General customer satisfaction:* All companies had extensive customer satisfaction programmes involving customer interviews.

BT had a number of continuous research programmes which involved interviews with UK major customers on a regular basis to find out their perception of BT and what they thought about elements of the service that they were getting from BT. It was aimed at different levels of people in the customer organisations, so there was one treatment for middle managers and a separate treatment for more senior managers. It included loyalty type questions such as “would you recommend BT, would you use BT again” etc.

At Cisco, everyone had an element of their compensation tied to the results of an annual customer satisfaction survey. As one respondent observed,

*“it’s something the company takes very, very seriously”*

At O2, every individual account manager’s bonus was linked to customer relationships. Each quarter they carried out a ‘health-check’ – in other words they called their customers to check how things were, and to uncover any particular issues. This was in addition to an external Customer Satisfaction Index (CSI) survey, where an external company sent out surveys to a cross section of O2 customers on a quarterly basis. This was to gain insight into their experience not only of customer service, but a whole range of things like the tariff they were on, network quality, advertising above and below the line, and generally the whole impact of the customer experience. Finally, every new customer was given the chance to participate in a customer satisfaction survey, so that O2 could measure satisfaction from acquisition right through to when they had been with O2 for a long time.

Post Office ran a very comprehensive on-going customer satisfaction programme with its business customers, as well as a large number of different ad hoc research projects for specific events, products or audiences. On the consumer side of the business, it conducted a telephone survey with 750 ‘National Representatives’ every month. The call lasted for approximately twenty minutes and consumers were probed to find out how satisfied they were with the most recent experience they had at Post Office. They were questioned on how they felt about Post Office brand (both generally and their local branch specifically) and for what purpose they visited Post Office. There were some flexible sections so that specific questions could be asked. For example, Post Office was concerned what impact its more “salesy, pushy approach” might be having on corporate reputation. It was also concerned that the availability of more products and services was resulting in longer queue times and wanted to know if this was having an impact on customer satisfaction levels.

*Customer satisfaction versus competitors:* BT also measured customer satisfaction of its competitors in a monthly ongoing survey. O2 benchmarked itself against the

competition so it knew how it was performing. This was increasingly outside of its traditional industry. One respondent explained

*“it’s not so much what Vodafone’s doing, what’s Gap doing? Who should we be aspiring to? This quarter we’re looking at some of the retailers that we know really perform well, so that we can set our sights higher”.*

*Event-driven customer satisfaction:* All five companies had event-driven customer satisfaction programmes, commonly called the Event Driven Customer Satisfaction Monitor or EDCSM.

Barclays employed an independent company to call customers who had interacted with a branch and transacted either a) over the counter, b) with a seller, or c) if they had actually taken on the specific product as well. Feedback on their customer experience translated into scores for each branch and each area across the region.

Cisco always measured and tracked feedback and satisfaction with events or marketing activities, from one-to-one customer sessions through to large events.

O2’s monthly EDCSM survey was conducted by an external company and was driven from customer service data. Customers who had contacted O2 within the past two weeks were contacted to find out about their recent experience –

*“how was the contact handled, how was the call (or email) handled, did it answer your query, did you get the response in an appropriate length of time, did you have to call back again?”*

The EDCSM was more detailed than the general CSI measure and was much more about understanding the experience – not just whether the customer was ‘satisfied’, but whether they would act as an advocate for O2 e.g. by recommending O2 to others. The full results were fed back monthly, with an interim report every two weeks.

Post Office’s EDCSM programme also tracked the experience that people had when they contacted Post Office via a variety of channels e.g. they had gone on the website and looked at travel insurance; they had called a call centre to enquire about Home Phone, or they had done a transaction in branch. The EDCSM method matched the original contact method i.e. if the original enquiry was online, the EDCSM would be conducted via electronic means, or if someone contacted the call centre, they would receive a call to ask them about the experience. If the contact was via a branch, survey teams would conduct the inquiry.

The purpose of the EDCSM was to find out what people thought about the product, if they bought it (or if not, why not) and what their overall experience was. The EDCSM covered people who did *not* make a purchase, as well as those who did. It was as important to find out why people *didn’t* purchase and why – did they go somewhere else? Why did they go elsewhere? Was there something wrong with the product; was there something wrong with the service?

The programme covered 800 – 1000 people every month, usually with a particular product in mind. As one respondent explained,

*“we can say this month in branch we’re going to find out people’s reactions if they’ve bought Home Phone or enquired about Home Phone”. Or*

*“we’ve looked at people who have claimed on travel insurance – what did they think of the claims experience and what do they think of the product.”*

Post Office also had a kind of ‘pre-event’ customer satisfaction monitor to check how customers felt just before a significant event was about to happen. For example, car insurance customers were called to find out how they felt about the product just before the contract was due for renewal.

*Service stability:* In summer 2006 O2 was introducing a ‘service stability programme’ where a proactive outbound activity team from within customer service would be calling customers on a quarterly basis to conduct a ‘health-check’ i.e. are they on the right tariff, are their bills OK, are their handsets OK, do they need an upgrade? The team will do their homework in advance, by actively looking for the length of time that the customer’s been with O2, to determine if they’re eligible for an upgrade. The goal is to proactively offer customers things like upgrades, international travel services or other services that the customer may have either in passing made a comment about, or that O2 can see that the customer’s eligible for.

*Entry and exit interviews:* As well as entry interviews with new customers, O2 conducted exit interviews across a variety of channels (retail, online, customer service) to find out why people left, where they’ve gone to and why they’ve gone there. One respondent believed

*“it’s arguably more important to know why people have left us than why they have joined us”*

Post Office also interviewed customers who had left (to get an understanding of what their issues were), as well as customers who had not yet left, to see what might push them to it.

*Customer complaints handling:* Interestingly, only Post Office mentioned its customer complaints handling process. One respondent described this as

*“a key area of insight that has a tendency to get missed by some companies”*

## OPINIONS, BEHAVIOURS AND VALUES

*Focus groups:* O2 used focus groups to gauge opinion on which of its existing and proposed products and services worked best for customers.

*Values:* BT had a Customer Value Management (CVM) programme which looked at what was important to the customer in terms of value. For example, one customer might



value a dedicated relationship manager whereas another customer might just want the cheapest price.

At the time of this study, Post Office was undertaking research to find out what mattered most to people in terms of delivery times (having recently moved to one delivery a day rather than two) and where the cut-off points are. From its customer satisfaction survey it was able to conclude that people are more interested in the predictability of the arrival of their post than the actual time, but it didn't know the cut-off points. The findings from this study will be used to work out who gets the first deliveries. As one respondent observed

*“unsurprisingly most people are not willing to pay a premium for a set time because they think that’s what they’re paying for anyway”*

*Brand Trackers:* Three out of the five companies studied talked about their brand tracking programmes:

BT had a separate set of customer interviews that looked at its brand and marketing communications – to find out how BT was perceived and whether its marketing communications were successfully repositioning BT as a networked IT services provider. O2 conducted extensive brand tracking and brand perception programmes to understand how customers felt about O2.

Post Office had a continuous brand and advertising tracker, which covered approx. 720 ‘UK national representatives’ face to face each month. It was used to look for themes, to track spontaneous consideration of products or to evaluate the success of specific initiatives. For example, last year Post Office was trying to get its branches to focus more on selling, so it asked questions like “were you sold to, were you offered other products and services while you were in the branch?” There was also a whole list of prompted questions around product attributes, and uncovering of opinions about new services launched versus competitor products e.g. how do people feel about Post Office credit card, versus the Virgin credit card or the Halifax 1 credit card. There were also more traditional ‘awareness and preference’ questions i.e. had people seen the TV ad and what did they think of it.

*Usage, behaviours and attitude:* All companies undertook research to understand buyer behaviours, product usage and attitudes. For example, Barclays analysed transactions to identify behaviour patterns e.g. which cash points students used on a Friday night in Newcastle and BT used buying behaviour to help it determine which customers might respond better to email rather than face to face or other media.

O2 made good use of its billing data to uncover product usage and behaviour patterns. For example, were customers phoning premium rate numbers, were they roaming abroad, were they using the phone for business or pleasure? If they had bought a new product, were they actually using it? This was linked to attitudinal data from its satisfaction surveys – what customers thought about particular products, what they liked and didn't like etc.

O2 used various methodologies to investigate shopper behaviour - to understand how people shopped, why they liked to shop, the decision hierarchy, the triggers and what was happening all around that point.

Historically Post Office's travel and leisure team had undertaken an annual 'Understanding and Awareness' study to understand the travel market e.g. understanding where people were going for travel insurance, what had changed over time, what channels were they mostly using. Now this is more tied up with its work in understanding the customer experience i.e. how did customers feel about their interaction (mainly via the queuing areas, via signage, via point of sale), what products and services are they aware of, what do they do when they leave the branch (do they tell everybody else?), did they want to stay in that branch or did they want to go out as soon as they got in?

*Reason to call:* Both telco companies in this study collected 'reason to call' data. O2 had a system where it registered the type of call received and the nature of the query. This helped O2 understand what was actually driving contact and how it could improve the customer experience.

## **Markets**

*Market share:* As you would expect, all companies sourced data on their market share from companies like Dun and Bradstreet, Moray Financial Services and analyst firms such as Gartner Group, IDC, Ovum etc.

*Market issues:* All companies received newsletters or bulletins to keep them abreast of market issues and/or new legislation. BT, Cisco and O2 all bought analyst reports from companies such as Datapro, Gartner Group, IDC etc to help them understand the marketplace. BT provided access to about thirty suppliers via a secondary research portal called Intellact that is accessed through its intranet.

*Social (lifestyle), economic and political trends:* Both Cisco and Post Office specifically mentioned that they collected data on social, economic and political trends or events that may have an impact on their business. For example, the impact of an event such as the World Cup on Germany's economy, or the impact of a water shortage or terrorist attack. O2 had just started running a lifestyle tracker, which looked at key trends in the market. According to a respondent:

*"what people are doing, what's important to people's lives, what are their mind-settings, what are their mind-states, how can that technology fit into that?"*

*Demographics/population profiles:* All companies sourced information in this area. According to a respondent at Barclays, this could be

*"anything from simple demographics such as ACORN and MOSIAC right through to information about house prices by postal sector".*

BT purchased data to find out where all the senior managers are (which postcode do they work in?). Cisco collected basic demographic details as well as more general population trends. One respondent explained in more detail:

*“we’re not really sure exactly how it’s going to make a difference, but we’re pretty sure that the ageing of original EU populations, versus the youth of the new EU accession countries will have an impact. If you do genuinely get free movement within the EU, what you’re going to get is a youthification, or whatever the word is, of the whole of the EU.”*

*Company profiles:* Three of the five companies invested extensively in this area. BT purchased external sources such as Dun and Bradstreet, Harte-hanks and Hoovers to find out where customers were in their own lifecycle, how their business was performing, what direction they were going in and what their objectives were. It also tried to find out how much money companies were spending/had to spend in certain areas. Contacts were also bought on a regular basis, particularly if BT was expanding into new areas. One respondent explained:

*“a couple of years ago we were running campaigns on flexible working. Historically our company tended to deal with IT managers, but we needed to talk to HR managers”.*

Cisco also bought company data from sources such as Dun and Bradstreet, Compass, Compubase and Harte-hanks to put together what it called the “company landscape” One respondent explained

*“that begins with very simple things, so how many companies are there, what size bands are they, what verticals are they in, how many PCs do they own”. Cisco uses Hart-Hankes to collate these multiple sources and rationalise them into a single database. It is currently considering whether to buy into Harte-hanks CITDB, which is a competitive install base stage of 180,000 surveys a year.*

O2 used Experian to populate its prospect database (mostly for small to medium businesses).

*Attitudinal data:* Cisco was the only company that specifically mentioned the purchase of attitudinal data from various sources.

## **Employees**

Employee data was a category that was often overlooked as an input to customer insight. However, as this research demonstrates, it can be an extremely rich and cost efficient means of collecting data.

*Staff feedback:* Barclays conducted focus groups with contact centre staff in the past, but one respondent described

*“waves of disinterest”*

O2 had been more successful in eliciting feedback via focus groups from the 8,000 staff that worked in retail and customer service. It regarded it as a fundamental wealth of knowledge and employees were proud that their opinions counted.

Post Office made extensive use of employee feedback. It had a programme called ‘Have your say’ across the group as well as something called STAR panels (Strategic Tactical Actionable Research) that any employee of the Royal Mail Group could volunteer to take part in. There were two components to the programme – online questionnaires and staff focus groups. Every month the panel was sent an email link to a short questionnaire. Employees either gave feedback on new products and how they thought their customers had reacted, or to check understanding of new products.

The staff focus groups looked at strategic issues for the business and were conducted on a monthly basis by an external agency. One respondent gave some examples:

*“how important is community to the brand? When people give us nine out of ten what does it mean? What influences that and how can we protect that?”*

There were also more tactical groups to check reactions to specific products. For example, when Post Office re-launched its post shops, one respondent commented that

*“things like DVD players and kettles suddenly started appearing”.*

*Mystery shopping programmes:* Three out of five companies (all selling directly to consumers) had mystery shopping programmes. Barclays sent mystery shoppers into its branches to check the quality of the service they received.

O2 had an extensive mystery shopping programme for three purposes: to understand and monitor the customer experience, to monitor the performance of staff and for training purposes. O2 took the customer experience very seriously. According to one respondent

*“I think that’s a big difference that I’ve seen between our organisation and some others”.*

Staff took the programme very seriously too - anyone that failed had to take another one, and if they failed again they got a bit black mark against their name and they didn’t get their bonus. Performance was tracked monthly and management action was taken on the back of it to correct the low-performing stores and develop the high-performing stores.

O2 had recently introduced video mystery shopping (videoing with lapel pins containing cameras!) for training purposes. This was seen as much more constructive by one respondent –

*“it’s all very well seeing scores go up and down, but it’s much better to be able to go back to the sales person and say ‘look, you could have done this differently, this is how you should have done it’.*

Post Office had an extensive mystery shopping programme run by an external agency called GapBuster. Of the 15,000 branches across the network, 3,000 were chosen (based on their high potential) every month, including all 540 directly managed branches. The main goal was to understand whether people were following sales models and values in a four stage process (1) connecting with customers i.e. smiling and being friendly at the beginning (2) finding out what that customer needs (3) matching those needs to a Post Office product and (4) closing the sale (mystery shoppers had to get a till receipt to prove that they actually completed the transaction).

Usually it was product specific – for example, going in to pay a BT phone bill and seeing whether counter staff recognised and took the opportunity to offer Home Phone from Post Office. One respondent described going in to a branch with a leaflet on Home Phone saying

*”oh, can you tell me more about this?”*

The overall results were communicated with Head Office and more specific results were sent to General Managers, Heads of Sales and sales account managers on a monthly basis – sometimes faster to the sales account managers, who received text messages telling them the results. Everyone had access to the results on the company intranet. The branches tended to display posters and various reports in the back office, advising staff which three areas they needed to improve on. A respondent explained the reasoning behind this -

*“so that the colleagues don’t get bogged down with the detail necessarily, but just know what they need to focus on in order to improve”.*

The branch managers put together action plans based on the results. For example, although Post Office staff had traditionally been quite good at greeting customers at the counter, it fell down when it was required to take a “more sales pushy approach” i.e. offering new products and services. This prompted a training effort to improve in this area.

One respondent described the return on investment as compelling –

*“for every percentage point rise in the mystery shopping score we make a million pounds over five years on one specific product line”.*

**Retail standards audits:** Post Office also had retail standards audits conducted by an independent company. The directly managed branches were checked bi-monthly and a selection of 10,000 franchised branches were checked annually.

**Service performance data:** all companies had all the usual operational performance metrics in their contact centres in terms of actual dropped calls, time to answer etc.

*Employee satisfaction surveys:* Only Barclays specifically mentioned this as a source of data. One respondent made the link that

*“happy people mean happy customers, so that’s why we do it”.*

*Buddy programmes:* O2 had a very innovative ‘buddy programme’ aimed at getting as many O2 employees as close to the customers as possible. 500 customers were ‘buddied up’ with an O2 employee who followed them throughout the year on their customer journey – holding quarterly sessions, face to face briefings and generally “being their buddy”. One respondent described this as supporting O2’s strategy of

*“making sure that the customer is at the heart of everything we do”*

### **Channel partners**

The fifth area where companies collected data was from channel partners. For example, Barclays collected data from Barclaycard’s lifestyle partners, Cisco collected data from its resellers and distributors and Post Office noted access to 3<sup>rd</sup> party transactional data.

### **2.5.3 Types of customer insight generated**

All companies in this study were combining multiple data sources to generate customer insight. Sometimes this was a purely manual process, other times this was calculated using sophisticated technology. The insight fell broadly into four categories: Market predictions, Customer segments, Propensity models and Customer analytics.

Table 2-5 provides a summary of the different types of customer insight generated by the five cases. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively. One tick indicates that this type of insight was generated. Two ticks indicate that (in comparison to the other cases), this type of insight was extensively generated.

Category	Data type	1	2	3	4	5
Market predictions	Various	√	√√	√	√	√
Customer segments	By business type	√		√		
	By attitudes	√				√√
	By events and triggers	√√	√		√√	√
	By value		√		√	
	By vertical		√		√	
	By needs		√		√	
	By customer lifecycle			√		
	By buyer behaviour			√	√	√√
	By geography			√		
	By demographics	√				√√
Propensity models	Respond, churn, purchase etc	√√		√	√√	
Customer analytics	General customer measures			√√		
	Customer profitability	√		√		
	Product profitability	√			√	√
	Customer lifetime value			√		
	Share of customer wallet				√	
	Customer lifecycle analysis				√	

**Table 2-5: Types of customer insight generated**

### Market predictions

All companies were aggregating and synthesising data extensively to identify and size market opportunities. Traditionally the domain of market research, this area has been expanded to include actual customer data to help make predictions not just about the total market size and current market share, but about their sales potential and the market trends and issues likely to affect their ability to achieve this potential. This generally still involved a manual process of pulling together information from different data sources.

This has risen in importance due to intensified competition and the need for speed, constantly shifting customer demand, cost pressure to invest wisely and diversification into new markets. There was a notable shift from a product-driven to a customer-oriented approach, where customer insight was truly driving strategic decisions about what markets to operate in and what products needed to be developed (as opposed to designing great products then deciding who to sell them to).

BT notably invested a lot of effort in this area. One of the respondents described the process –

*“my team sizes IT services, mobility and the CRM market for companies that have 500 employees and above. We use internal and external market analysts’ reports to look at not only the total market size, but the account size, segment size and potential for BT. Part of the process is to check whether our internal view agrees with the external view. So we use a lot of data cut in different ways to look at potential, actual and growth potential from a vertical level down to an account level.”*

BT conducted what it called a “full PESTLE” (Political, Economic, Social, Technological, Legal, Environment) for each vertical as part of the marketing planning process. A respondent explained

*“we do it at macro level, but we also look at the micro elements that would impact a particular vertical, so we know for example whether finance is being hit with new legislation”.*

If respondents at BT spotted a market trend through one data source e.g.

*“there’s a trend away from big outsourcing deals and customers want to minimise risk so they’re using more suppliers”*

they will always look at other data sources to back this up before taking action –

*“we’ll talk to customers and find out what suppliers they’re using to see whether that backs up what the analysts are saying”.*

Cisco’s ability to generate insight in this area was restricted by its ‘go to market’ model, via channel partners, meaning it was quite difficult to get a lot of direct customer information. In many cases a respondent described the collection process as

*“it would be a triangulation of data from numerous sources that we would be dependent on to be able to draw realistic conclusions or draw insight from any of that data”.*

Respondents at Cisco admitted that

*“an obsession of ours is addressable market, based on the predictions of the analyst community”.*

The central CRM team provided the countries with market sizing information, opportunity analyses, business intelligence and customer metrics to help them answer the following types of questions:

- What is the size and structure of my market?
- What do I want/need it to look like in the future?
- How many companies are there in targeted size-bands and verticals?
- What is my customer coverage, both historical and forecast?
- Have I reached targeted customer share, or number of customers?

Post Office also acknowledged the importance of ‘sales potential data’ i.e. how individual branches should be performing relative to their peer groups, relative to the environment, customers in the local branch and competitors in the area. A respondent commented that

*“rather than look at a branch and say that branch is great because it’s selling 1,000 units and that one’s not good because it’s selling 100, if actually the branch with 1,000 has the potential to do 2,000 and the other one actually only has a potential of 50, it suddenly flips vice versa. And I think that’s often forgotten when calculating market sizes – potential is as important (if not more) than actual”.*



## Customer segments

This was a key area of insight for all companies involved.

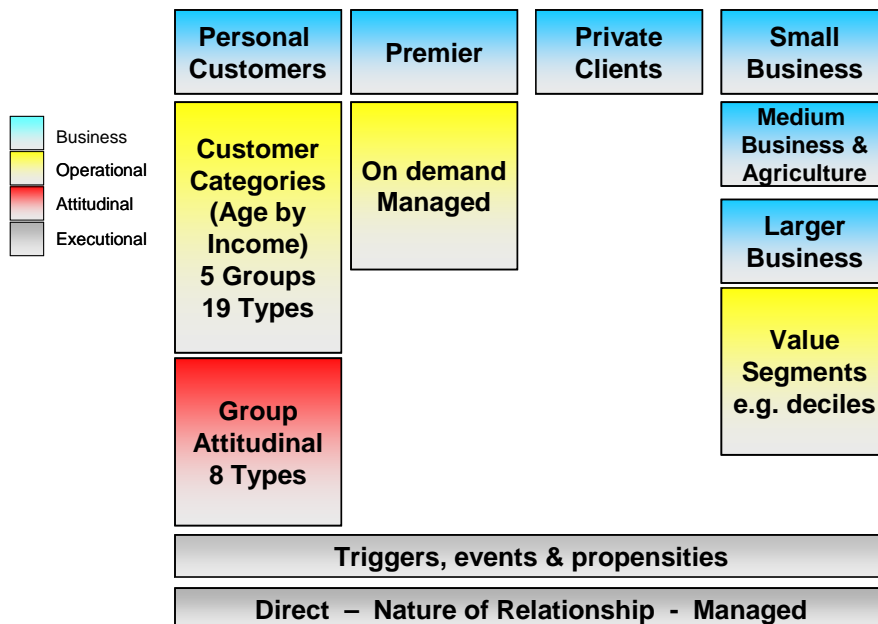
### Barclays

A respondent at Barclays described this as

*“one of the areas where we’ve struggled the most to implement and make it stick”.*

In the past Barclays generated attitudinal profiles, but struggled to actually attribute those profiles back to the customer base. Current thinking was around a hybrid model (see Figure 2-5), which brought in some of the attitudinal profiles, but in a more attributable way. The Head of CRM was looking at how that could be used across channels (particularly direct mail),

*“but also starting to think about how we could use that in inbound contact services as well”.*



**Figure 2-5: Barclays: segmentation frameworks**

The hybrid model had four main dimensions:

1. By business type (personal, premier, private, small business)
2. Operational segmentation by age and wealth (used for strategy and marketing planning and strategic evaluation)
3. Attitudinal segmentation (used for proposition development, media planning and communication treatment)
4. Executional segmentation, operationalised as ‘events, triggers and models’, based on customer needs (used to optimize customer base management)

One respondent expanded on the last category,

*“we’re not necessarily sure what that customer’s need is but we can make an educated guess around the range of products that we want to talk to them about. For example, a customer who has just taken out cash on their credit card has an urgent need for credit and could be a target for a loan.”*

An ‘event’ was something like a customer’s insurance was coming up for renewal or their mortgage was coming to the end of its term, for example, a two year fixed deal. Or it could be that the customer was coming to the end of a twelve month loan that they had successfully re-paid. Other non-product-oriented events were things like moving house, getting married or having a child.

A ‘trigger’ was effectively something out of the ordinary that had happened on the customer’s account that Barclays would want to talk to them about.

*“So that might be we’ve charged them a late payment fee or they’ve got a significant credit in, which might indicate that the customer’s need has changed in some way”.*

Barclays sometimes needed to combine the trigger information with additional data. For example, if Barclays charged a customer for going over their overdraft limit, it could add that to other information to look at how credit-worthy they were as a customer. This helped determine whether a loan would be an appropriate offer for this particular customer, or an overdraft extension. One respondent explained that this was intended to enhance the customer experience as

*“we can actually help them to avoid those paid referral fees in the future by taking out an alternative product”.*

Barclays was also able to analyse direct debit streams to identify people who had competitor holdings. For example,

*“if it says on your Barclays current account ‘Halifax home insurance’ we know to target you with our home insurance products”*

A review was underway of what the branches preferred to receive and demand was moving towards delivering more triggers and less events,

*“it’s supplementing activity that’s either already happening or should already be happening in those branches”.*

Sales people in the branches found triggers much more useful than an event such as

*“the customer has not had a service review for the last 12 months”.*

The other issue with events was that sometimes it was a challenge from an operational perspective to get to the customer quickly enough after the event had happened.

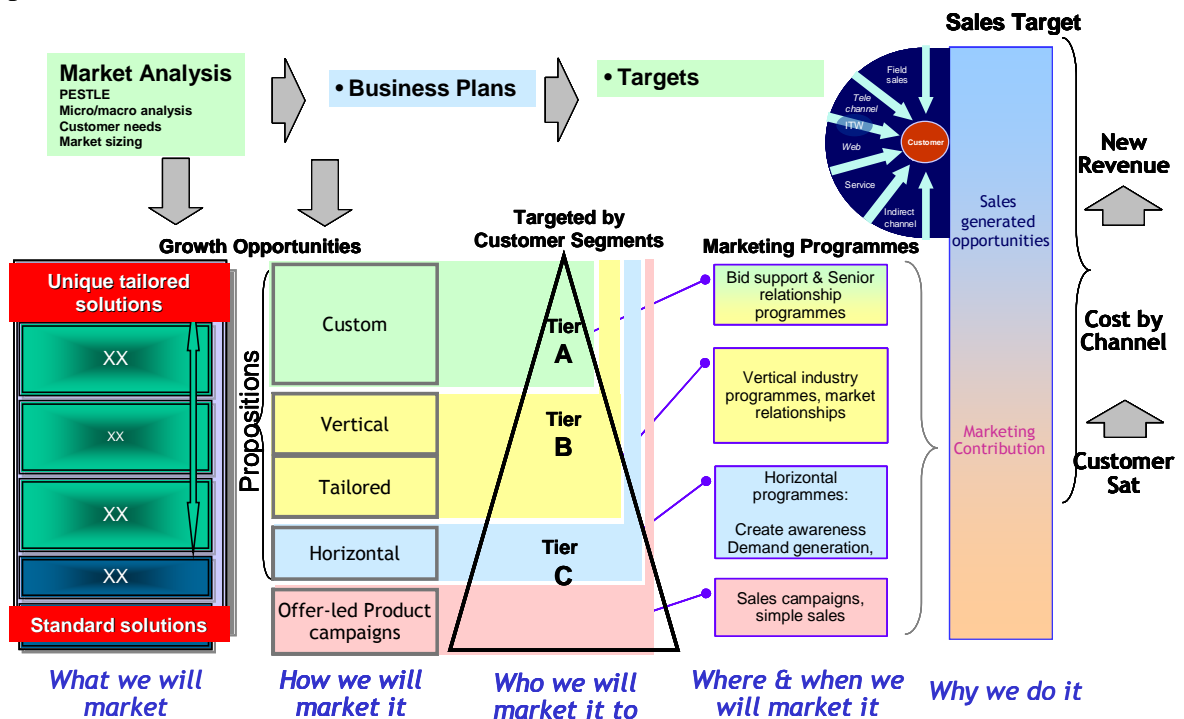
Respondents at Barclays observed that it hasn’t aligned organisationally to the segments – it is organised around business segments, not around customer-centric segments –

*“I don’t think it’s an easy question and I know that a lot of organisations struggle with that”.*

**BT**

BT had three means of defining customer segments: by value (tier A, B and C taking in account both current and potential value), by vertical (transformational, high growth and horizontal, complimented by supplier needs), and by business needs (Expanding, serving consumers/citizens, running the business and low needs/DIY, aligned to Gartner Group’s 45 secondary verticals).

As illustrated by Figure 2-6, segmentation was integrated into BT’s overall marketing process:



**Figure 2-6: BT's overall marketing process**

The business needs segmentation was calculated using a mixture of customer interviews as well as 19 key questions from BT’s “client landscape survey” which was conducted by the account managers on an on-going basis. Once a year the account managers ran their accounts through the segmentation model, to check whether the allocation was still correct –

*“this has been a slower process then doing the value segmentation but it’s more complex”.*

The business needs were complemented by four supplier segments: low involvement buyers, demanding buyers, relationship seekers (want to be in a lot of contact), and transactional buyers –

*“who just want the range but don’t want a relationship. They will contact you when they want something”.*

Although this was still in the early stages of development, it demonstrated that BT was starting to use segmentation not only to determine *what* to sell, but also *how* to sell. At the time of research it was only used when BT was developing a new proposition –

*“as a basis of cutting down a potential list of contacts to identify early innovators”.*

Respondents at BT claimed that segmentation was taken very seriously – it had a segmentation governance board, consisting of heads of marketing from each of the verticals, the segmentation manager, a strategy representative and sales representative. The board was responsible for agreeing the overall segmentation model, communicating it and getting buy-in from the sales community. It also governed a customer base team who ran new accounts through the segmentation model before allocating them to a sales group and making recommendations about how the account should be managed. This was also communicated to BT’s service billing and customer satisfaction team.

Although BT did not specifically mention events and triggers in connection with their segmentation strategy, they did use this as a means of responding to customer needs. For example, when a contract was coming up for renewal (or had lapsed) it triggered an activity in the Siebel CRM system, to prompt the account manager that there was an opportunity for relevant dialogue with the customer.

### **Cisco**

Cisco had traditionally segmented by geography and size of company, but had recently added two dimensions – technology type i.e. customer life-cycle based on where the company was in terms of its adoption of technologies and buyer behaviour (with the help of a company in the US called AMI partners), because

*“buying behaviour to us almost 100% correlates into the profitability”.*

With these added dimensions Cisco believed that it was

*“at the beginning of understanding customers’ next best move.”*

**Customer lifecycle:** Cisco was moving to a position where it was able to predict that a particular solution was going to be needed for certain types of businesses, depending on where they were in their company lifecycle. For example, data from Companies House could pin-point companies with 150% increase in earnings year over year – these companies probably needed some of the technologies that help deal with growth and expansion, such as call centre technology with call waiting and call queuing. They may have wanted to introduce workflow technology

*“so they can start diverting some of the queries onto their website, or maybe home-workers in other parts of the company who you’ve hired on a pay per call basis”.*

More mature companies were more likely to need technologies that helped diversification, or entry into new markets.

Within the customer lifecycle segmentation, Cisco identified ‘events and triggers’ i.e. compelling events that were driving the purchase. These could be ‘inherent and known’, ‘inherent but unknown’ or ‘created and unknown’.

‘Inherent and known’ events were within the business itself, for example, an office move. A lot of Cisco’s solutions applied very readily to companies that were either starting up or moving premises, so it purchased lists of office movers and targeted them with outbound calls. This was proving very successful –

*“I think in Hungary we’re getting a 45% lead rate so nearly half of everybody we call is becoming a lead”.*

‘Inherent but unknown’ events were events that may be known to Cisco, but not necessarily known to the customer. For example the service contract on a product had expired and Cisco could call and try and get them to renew the contract. ‘Created and unknown’ events were where Cisco created a customer need that they were not previously aware of.

**Buyer behaviour:** customers could buy products in a number of ways: purchase and install on their own premises, have the service provided by someone like BT, or either of those models with a lease plan, as opposed to paying for it outright.

So far this segmentation model had been rolled out in six European countries, where the Small and Medium-sized business (SMB) had been divided into four tiers. Tier one tended to be ‘experimenters’, tier two tended to be people who would be considered the ‘early majority’ in a typical lifecycle, and tier three typically purchased from a service provider.

The tiers directed Cisco’s approach – for example, tier two tended to be the most profitable,

*“so if a country has a limited marketing budget, they’d be encouraged to focus on tier two”.*

‘Experimenters’ were service-heavy, so Cisco needed to concentrate on selling a service contract to this tier, because if they didn’t take one out there was a risk that they would go to the press and say “I’ve got this solution and it doesn’t work”. To maximise their margin in tier three, Cisco concentrated on working effectively with the service provider to make sure they were carrying enough off-premise equipment to service the demand. It made sense to ask the service provider to go to market and Cisco would spend its time marketing to the service provider,

*“because that’s where we’re going to get most of the value for it”.*

One respondent described Cisco’s challenge (as with other companies studied):

*“how can we support the collection of data that drives these insights, and how can we apply those insights under a framework, without over-administering the whole thing. Because the danger is that as you get down to smaller and smaller segments the budgets just don’t support what you’re trying to do.”*

## **O2**

O2’s segmentation strategy was currently under re-structure. Up until now, it had been used pre-dominantly to guide the acquisition process and to assist in outbound activity, rather than to define segments in the customer base. The segments were determined as follows:

**By value**, to determine the highest value customers. For example, ‘young socials’ were one of four or five segments targeted across the consumer business. O2 had

*“consciously built propositions that are aimed at young socials”.*

**By vertical sector**, particularly in the corporate business -

*“so we will say financial services - what are the characteristics of businesses operating in that sector? What are their needs? They’re very different from people operating in Media and Leisure so we’ve got six or seven vertical segments like that.”.*

Often bespoke solutions were built for corporate customers because of the size and scale of the business.

**By needs** i.e. looking at the needs and the attitudes that customers had and how that fitted with how they used their phone, in order to

*“prioritise them based on their mind-states”*

The needs-based segmentation was used very much at a strategic level i.e. to understand “who do we want to target and why? Who’s going to make us the most money and why?” It was currently not very operationally actionable in the customer base, hence the need to restructure.

**By behaviour** (particularly in the SME business). These segments were calculated by analysing the behaviour of existing customers, combined with data from external sources such as CACI, Acorn, TGI and others. The behavioural segmentation was used to drive the actual communications.

O2 was moving to a segmentation strategy for the customer base that was driven more **by events and triggers**. For example, targeting individuals whose contract was up for renewal, or corporate accounts which had been dormant for a period of time (e.g. they had not upgraded their handsets for a while or reviewed their pricing structure).

This will be explained more fully in the next section on propensity models.

## Post Office

Back in 2003 Post Office decided that it wanted to develop a detailed strategic segmentation strategy that would be used pre-dominantly by the marketing teams, but that could be understood and used throughout the business to help:

- Design products
- Size markets
- Differentiate marketing messages
- Understand which customers are buying which products

When it was launched in 2004, Post Office had no real products where it owned the customer data – only ‘anonymous transactions’. Therefore it had to rely on data from external sources such as Millward Brown to understand product usage, attitudes and behaviour etc. Based on a relatively small base of people (750 questionnaires about people’s interaction with Post Office), it identified nineteen segments organised into eight groups. These were then clustered and scaled up to the population (using data from Experian).

By 2006 things had moved on due to:

- changes in the UK population (recorded by Experian)
- new products launched
- new marketing initiatives (‘Ants’ advertising campaigns)
- additional research commissioned (Stimulating World, etc.)
- customer information now being captured

Post Office decided it was time to refresh the segmentation strategy by adding increased insight from its own data sources, as well as those from Hall and Partners (Brand and Communications), Forrester (technology and internet), Millard Brown (Post Office usage), Experian Canvase Lifestyle (UK level database of lifestyle characteristics), Experian UKCSD (UK level database of demographics and classifications) and MFS (financial services).

The refreshed segmentation contained over 1,000 main variables (compared to just eight variables previously) and was based around three key things: demographics, attitudes and behaviours. For each segment, Post Office understood what percentage of the UK population they represented; their dominant age, income and lifestage; their preferred channel, what Post Office products they have purchased and when; how often they visited a branch and the main reason for their last visit. It was able to list detailed key features of each segment. It understood how the different segments related to each other and customer progression over time.

All adults over the age of 18 in the UK were classified into one of the 19 segments or eight groups, plotted against two key demographic variables: affluence and lifestage:

**A:** Maturing Affluence: Technology Embracing Careerists; Conservative Values

**B:** Starting Out: Prospering Graduates; Young Active Fun Males, Females Finding Their Feet

**C:** Optimistic Families: Aspiring Midmarket; Nestmaking Nuptials  
**D:** Autumnal Comfort: Contented Retirement; Community Mainstays; Traditional Resisters  
**E:** Blue Collar Survivors: Burdened Blokes; Hardship Balancing Females; Transient Dependents  
**F:** Cash Strapped Youth: Welfare Young Mums; Struggling Singles  
**G:** Traditional Elders: Industrial Backbone; Dignified Elders; Dependent Elders  
**H:** Welfare Reliants

The above segmentation strategy addressed the consumer side of the business. On the corporate side, The Royal Mail segmented by value, by size of company, by vertical sector and by the type of relationship -

*“whether it’s more because they have to or because they want to i.e. do they just want us to give them the cheapest deal possible on delivering their post or do they want a long-term relationship with us”*

### **Events and triggers**

Post Office was also starting to identify events and triggers in certain markets. For example, school and public holidays trigger demand for travel products.

### **Propensity models**

Both Barclays and O2 regularly made extensive use of predictive models to determine propensities e.g. propensity to respond to an offer, propensity to purchase, propensity to churn etc. Cisco occasionally used an external agency to calculate propensity to purchase.

### **Barclays**

Barclays had built over 20 models with literally thousands of attributes. One model looked at customers who had taken out a particular product, to try and build a profile of them using a number of different attributes. For example, Barclays could build a profile of a typical loan customer, then use that profile to identify and target other customers with similar profiles who didn’t yet have a loan product. Or Barclays could calculate how much a customer would save by bringing their credit card balance and overdraft into a loan from Barclays.

The models worked in conjunction with a sophisticated optimisation engine, which combined multiple variables such as: likelihood to respond; value of the offer; cost of contact by channel; likelihood of delivery, response rate, operational capacity and volumes required. It could calculate the most profitable product to offer to a customer (if there was more than one choice), taking into account contact and business rules.

*“So say if this month for instance you score for a loan offer but we also know that your insurance is up for renewal, we’ll actually talk to you about your insurance because that’s the relevant thing to talk to you about at the time.”*

The engine also took into account a customer’s values and behaviour to personalise the offer. For example,



*“if I’ve targeted you for home insurance, are you a convenience shopper or are you a price tart? What should the offer be? Should I leap in with a message that says “it’s really easy to take home insurance from Barclays” or should I offer a really cheap home insurance rate”.*

The optimisation was refreshed daily using a product called MarketSwitch which used non-linear modeling. Barclays admitted that

*“optimisation is both conceptually and mathematically complex and the interactions of rules and propensity scores are hard to visualise”.*

Such rules included:

- quarantine rules (how often can we contact this customer?);
- campaign selection rules (multiple campaigns may run in one time period – which will be the best for each customer?);
- total budgets (total budget for all campaigns must not exceed £x million)
- maximum/minimum contacts (what are the ‘desired minimum’ and ‘allowed maximum’ contacts per customer or segment?);
- Campaign minimum volumes (a campaign cannot run unless it has a min of X contacts)
- Campaign timings (some campaigns may only run at certain times of the year)
- Cross-campaign rules (customer may receive up to N contacts from campaigns A, B, C, D, E within one quarter)
- Channel priority rules (if a customer has two equally good ‘best campaigns’, channel X takes precedence over Channel Y)

According to one respondent,

*“the models only deliver value when they are operational”.*

At the time of research they were broadly being used for direct mail and bank telephony (both outbound and inbound).

**Direct mail:** Up-sell and cross-sell offers were usually made alongside bank statements. An ‘up-sell offer’ might be prompting a current account holder to upgrade their account to one of Barclays ‘additions’ range. A ‘cross-sell offer’ might be offering a current account holder a loan for XX amount (if they have pre-scored for a loan).

**Outbound:** The models were driving thousands of outbound calls every day. For example, targeting customers who had the propensity to top up their loan the next month, or inviting customers who had been regularly overdrawn on their current account in for a financial review.

**Inbound:** The focus was shifting from outbound to inbound communications i.e. targeting customers with a tailored message when they contacted Barclays (as opposed to the other way round). Barclays handled over 17 million inbound contacts per annum

and had seen the ratio of sales increase from one sale per 14 inbound calls to one sale per 11 inbound calls since the introduction of 'Customer Action Prompts' or CAPs.

When a customer phoned Barclays (typically with a service request to transfer money or check account balance), their record popped up on the agent's screen (depending how they've identified and verified themselves). The CAP would then advise the agent what to talk about. For example, the agent might say, 'I notice that you've got a payment going out to Lloyds TSB. Can I ask you what that's for?' And the customer might say, 'oh yes, it's for a loan.' And the agent would say 'would you be interested in seeing if we could help you get a better price for that loan, because you've got a personal rate of x. Or similarly it might be that a customer's home insurance was up for renewal next month. In that case the CAP would advise the agent to check with them that they were happy with the service that Barclays was providing and make sure that they re-purchased.

## **O2**

Two or three years ago, O2 had a large department of analysts carrying out project-based analysis of their customers in order to create specific segments and targeting models. However, this approach was too slow and did not deliver actionable results immediately. Hence O2 installed predictive data mining software from Chordiant Software, which enabled it to produce large volumes of predictions, very quickly. These were used primarily to drive outbound campaigns.

In February 2005 O2 moved to 'real-time' with the launch of a new programme called 'VISION' - enabling O2 to make the right offer in the right place at the right time to improve the customer experience, engagement and loyalty.

"VISION" was first piloted in selected call centres. It used over 35 predictive models to continually assess each in-bound caller in real-time, profile their characteristics and usage and warn of possible issues. It also reported the history of decisions for the caller.

During the call, VISION continually assessed the caller's concerns, interest, risks and responses to offer advice on handling service enquiries and problems; on dealing with actual and potential churn and payment risks; and on offering the most appropriate product or service for each sales opportunity. The system ranked the top three things to talk about, and provided a script to help agents to talk about the top one.

Where appropriate, questions (with possible answers) were asked to capture key information. In negotiation with callers, selected information could be varied on a 'what-if' basis to arrive at a mutually beneficial conclusion.

Every time a reason, an answer or a sales proposition was chosen, or the caller's response was recorded, the decision logic that drove this intelligence reassessed the callers concerns, interests and risk to determine the next best thing to do. Every choice and response was recorded for subsequent reporting. The decision logic was configured by marketing to reflect the way in which products and services were to be offered and the way these recommendations were presented was configured by the contact centres to reflect how the propositions were to be conveyed to the caller.

There was a lot of complexity behind the models. For example, O2 used univariate analysis to rank the top ten attributes for each prediction (if you were predicting somebody's likelihood to take a handset upgrade, the proximity to the end of their contract would be a predictive value). Univariate analysis also told O2 what things were most likely to cause behaviour, for example, churn, which was invaluable for the marketing people.

The challenge was that all the models had to be 'in play' at once to determine which factor was the most important in any given conversation (it could also change throughout the conversation). For example,

*“one model that predicts how likely you are to take a handset upgrade. And then I have another model that predicts how likely you are to churn. And then if I combine those two together I could find that there's certain segments of customers that may churn but won't take a handset upgrade. How do we save those people?”*

Therefore the propensity models had to be calculated in real time and can not be scored. O2's solution was to matrix all the models together and then overlay these with business rules.

*“VISION was designed and focused on getting the customer's agreement to anything and everything. The conversational model works like a real interaction between two people – the customer says something, VISION 'hears' it, takes it into account, applies logic to make sense of it, when then prompts the next step of the conversation.”*

At the time of research, there were six different versions of VISION, according to different product lines, being used by the sales teams and in outbound call centres. O2 planned to roll it out to every call centre agent, then start using it in the online and retail channels.

There was also something called the 'deal calculator' which was used by all agents in the retention centres to help them find the most effective way of saving customers, based on their past behaviour and value to O2

The respondents reported the results to be compelling. The prediction process took one-seventh of the time it used to. In April 2006, 75% of inbound calls were handled using VISION and there was an 85% conversion rate on offers made.

### **Customer analytics**

The fourth area of insight was around customer analytics. Cisco European HQ delivered a 'customer pack' to the country regions providing answers to the following types of questions:

- How many customers do we have and how many of them are new or existing?
- Have we been losing many customers? Who are they? Who are the partners that are losing customers?
- Is the customer base growing over time?
- Who are my 'best spenders' and how much do they contribute to bookings?
- Who are the resellers that contribute most to increasing the number of SMBs with Cisco Advanced Technology products?
- What is the customer purchase cycle? What affects this cycle i.e. Seasonal budget allocation.
- What are our customers buying? Has the percentage of customers buying a certain technology increased or decreased over time?

According to the literature, customer profitability and customer lifetime value are notoriously difficult to calculate (van Raaij, 2005); (Wang & Hong, 2006). Only Barclays and Cisco claimed to calculate customer profitability and three companies calculated product profitability (Barclays, O2 and Post Office). Only Cisco mentioned customer lifetime value, and only BT and Cisco were trying to measure share of customer wallet.

Respondents at O2 looked carefully at

*“who’s spending what; what are they spending it on and how they’re spending money with us”.*

O2 looked at life-cycle in terms of how long customers stayed with them; how much money they spent; which channels acquired them and overall where O2 should be spending its time and effort –

*“So do these types of customers stay longer and generate lots of revenue, do these types of customers leave quickly and not spend so much?”*

#### **2.5.4 How customer insight is being actioned**

Having examined the types of data that companies collect and the types of customer insight that is generated from that data, the next stage was to look at how customer insight was being actioned. The findings of this study show that insight impacts on:

1. Strategy
2. Operations
3. Marketing
4. Sales
5. Product portfolio management
6. Customer service

#### **Strategy**

Not surprisingly, considering the size of the companies interviewed, all were using insight to inform and drive their strategy and to understand their customer base and how it was evolving. Insight was also being used to determine which customers preferred to buy through which channels (face to face, call centre, web etc.) High value customers

could then be directed through high value channels. Also, it helped companies to decide which channels to invest in, if particular channels consistently served high value customers.

Table 2-6 provides a summary of when the five cases specifically identified that insight was being used to inform strategy. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Area	1	2	3	4	5
Inform and drive strategy	√	√	√	√	√
Understand customer base and how it is evolving	√	√	√	√	√
Solve specific business issues	√			√	√
Move into new markets		√	√		
Direct channel partner strategy			√	√	√
Drive employee satisfaction/motivate staff				√	

**Table 2-6: How customer insight impacts on strategy**

As a respondent at Barclays observed,

*“we have to get closer to our customers to understand what they want, and what we need to provide for them. We have to change our approach, we have to change our product set, we have to change the way our distribution channels are set up, to capitalise on all this stuff. And contact centres can’t be a cost centre any more - they’re not just there to answer the phone and deal with the transaction”.*

Barclays draws on insight to solve specific business issues, for example, counter queuing time, by overlaying service interviews with behavioural and third party data (to look at how branches were used, the efficiency of counters, profile of staff etc). Barclays discovered that

*“although some branches did need more people, actually where we have the greatest variance in counter queuing time was when the ethnicity of the staff on the counter was different to the ethnicity of the customer-base”.*

Armed with this insight, Barclays was able to successfully address the problem.

For BT, the biggest strategic issue was a decline in traditional markets and it acknowledged that

*“without insight you can’t move into new markets. Our strategy is also driven towards becoming more of a service organisation and without insight there is no real service”.*

Also, as the only pure “business to business” company in this study (and therefore most likely to value long-term relationships) BT was the only one to acknowledge that

*“without insight there’s no relationship”.*

Cisco was also suffering from a decline in traditional markets –

*“the days are gone when customers just kept buying and more and more came. Now Cisco has to give the market the freedom to pick us because we’re the right guys, not because we think they should buy it from us. It’s a real flip.*

*“The focus is switching from sales to marketing and executives are saying we’ve got to be a bit smarter about how and when we talk to customers and what we say to them”.*

*Cisco sees insight as a robust platform for decisions, not just based off what’s in my own brain. It is also driving an IT overhaul.”*

Cisco relied on insight to direct its channel partner strategy. It needed to know which resellers were performing (who was acquiring and/or losing customers) and tried to correlate this back to customer data. Cisco was able to share customer insight with its channel partners, giving it competitive advantage in terms of its relationships with its partners.

O2 also saw the sharing of insight with channel partners as a source of competitive advantage. O2 agreed that insight

*“sets the context of the whole strategy for the company – our key strategy at the moment is to differentiate the customer experience and to truly understand customers and make them feel valued so that they’re likely to stay longer”.*

O2 observed a shift of emphasis from acquisition to retention –

*“if you walked into the market a year or so ago everything was about acquisition. I think everybody’s finally waking up to the fact that that’s probably not the best way to manage the base, and from a customer perspective there’s no emotional loyalty built. You’re just constantly churning the numbers, and that’s not an effective way to run a business, really.”*

For this reason, O2 draws on customer insight to address the on-going issue of churn.

O2 was the only company to consider the impact of insight from a motivation and moral perspective – its insight-driven VISION programme was ensuring that advisors

*“actually feel as though they’re contributing and are adding value to the customer, rather than just dealing with queries and problems”.*

Not surprisingly then, that O2 UK had been named among the top 30 ‘Great Places to Work’ in a list published in the Financial Times in May 2006.

For one respondent at Post Office

*“insight has become an essential part of the business. Just to help people make better decisions is a goal in its own right. If it doesn’t make or save money for the business we don’t do it”. Without insight the business can’t learn about who its customers are, who its competitors are and then use that to help make strategic decisions for the business. For example, insight was behind its decision to move into financial services – “people were saying ‘I don’t like or trust my bank’, yet 96% of people were saying that they trust Post Office. That gave us the opportunity to move into that market”. Also, when Alan Cook took over, he used customer insight to help answer the question “what’s Post Office for?”*

Post Office also used insight to address specific issues, such as counter queuing time and regarded the ability to share customer insight with its channel partners as a source of competitive advantage.

## Operations

Table 2-7 provides a summary of how customer insight was being used for a variety of operational purposes. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Area	1	2	3	4	5
Audit resources and capabilities (can we produce or deliver what customers are asking for?)		√			
Check compliance (are the front line following the sales model? Do we need to change the measures or the reward system?)					√
Determine operational priorities (do we need to answer the phone quicker, do we need more counter staff or more staff handling web queries?)				√	√
Increase inter-departmental alignment (using segments as a common currency)		√		√	
Identify customer service issues and understand their impact on customer satisfaction		√		√	
Understand the impact of new legislation on operations		√			
Increase efficiency and effectiveness (use insight to work faster and smarter)				√	
Increase speed of response to competitive opportunities/threats				√	
Train staff	√			√	√

**Table 2-7: How customer insight impacts on operations**

To take an example from O2:

*“in the customer service channel, if you discovered that for MMS we have 40% conversion across three quarters of our areas, and the remaining quarter has really low conversion rates, then we would know that’s down to agent knowledgeability and skill levels. So you can then investigate why that is, give them the information about who is getting high conversions and who isn’t, conduct a skills assessment and pull people directly into a training and development programme”.*

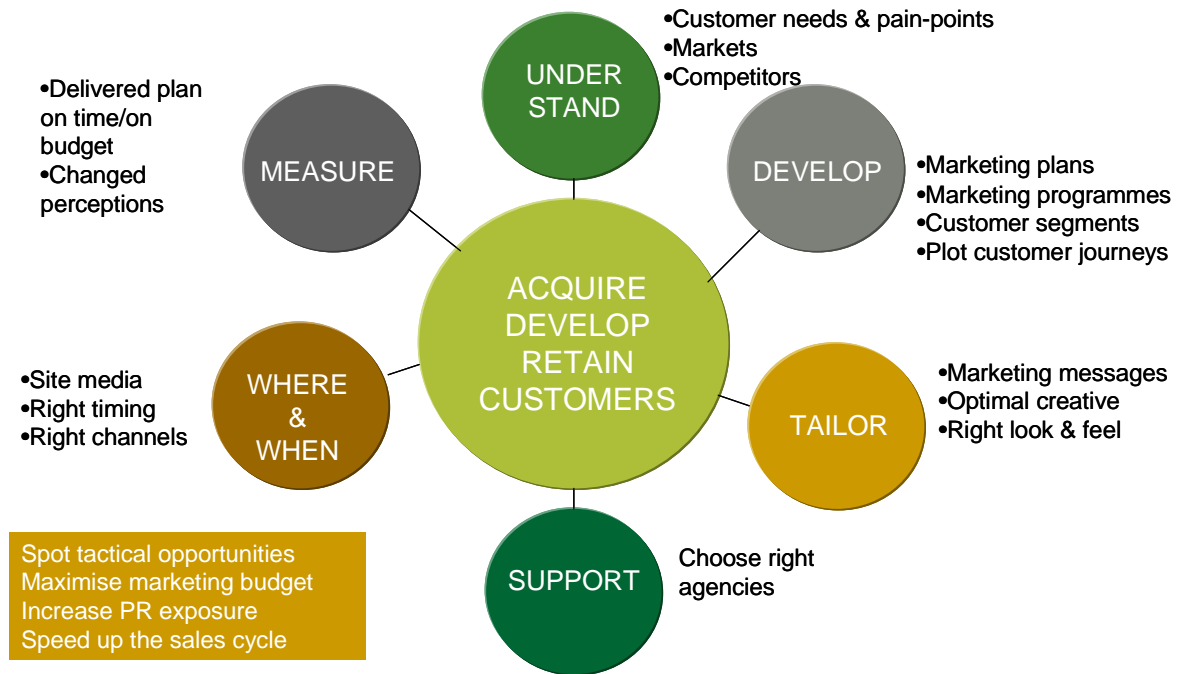
Post Office communicated insight extensively for training purposes, particularly because it had such a long established brand –

*“both employees and customers have fixed mindsets about what people must think about Post Office, which aren’t necessarily true”.*

## Marketing

The whole ‘raison d’être’ of marketing is to “acquire, develop and retain customers” and to do this in today’s marketplace means the extensive use of insight throughout most stages of the marketing process (apart from ‘support’ and ‘measure’). See Figure 2-7: how customer insight is used in the marketing process. Marketers don’t have unlimited market budgets and so need to maximise and prioritise spend. Cisco for example, believed that the CRM role is to

*“increase marketing effectiveness, in all segments, by driving greater lead volumes; greater lead value; improve speed to market and become a centre of excellence.*



**Figure 2-7: how customer insight is used in the marketing process**

**Understand:** Marketers have traditionally always been concerned with understanding markets and competitors, but according to Cisco and O2, there was an increasing trend towards understanding and predicting customers’ future needs, pain-points and behaviour. Instead of talking about “features and benefits”, marketers needed to understand what needs, issues and pain-points their products were addressing; and how their customers were likely to behave or respond.

**Develop:** This deep understanding of customers, markets and competitors; combined with an understanding of business strategy and operational capability, enabled marketers to develop marketing plans and marketing programmes. They could start to define customer segments, plot out typical customer journeys and develop propositions. As a respondent at Cisco observed



*“we’re not detached from the business anymore. It will be our numbers and our insight that drives both the business and the marketing plan this year. It wasn’t last year”.*

Barclays discovered that the biggest churn rate was probably in the first twelve months, hence they put in place an ‘on-boarding’ programme for new customers that placed calls to customers after nine days, nine weeks and nine months. It also identified “cautionary signs” to help spot problems e.g. customers who had not used their bank card or their salary was not being paid into their current account.

**Tailor:** The days have gone where ‘one size fits all’ although most companies admitted that they could do better in this area. Marketers need to personalise and tailor messages and contact strategies to customer segments or even individuals, but both Barclays and Post Office admitted that campaign selections were still being made on the basis that “I need to send this to XX people” (particularly when there is pressure from the product teams).

O2 was arguably the most advanced in this area, as it used models and hierarchies of rules

*“to determine eligibility and relevance and to decide what type of offer we should make to somebody. In some cases we’ll tailor the script to make sure that the end message is actually really relevant to the person that we’re offering it to”.*

Getting the ‘right look and feel’ across different channels was also important. For example, Post Office knew that it needed to ‘smarten up’ some of its branches if it was to successfully sell financial services. Marketers needed to design the optimal creative for different segments and different channels.

**Where and when:** Insight was being used to drive decisions about when and where to place advertising and outdoor media. For example, Post Office knew that

*“young families tend to buy bureau and travel insurance between January and summer”*

and respondents at Barclays could tell you

*“where all the students in Sunderland go out on a Friday night, because we can see their cash withdrawals at 8.30 and we can see them at 2.30. We’re starting to use that data to decide where to put our poster sites”.*

Cisco discovered that it dramatically increased the conversion rate on inbound calls (from 0.1% to 33 – 34%) if it placed the freephone number on its website at level four (product pages), as opposed to higher up (generic pages).

Most companies had a central contact strategy to ensure that people were receiving the right messages at the right time through the right channel.

Table 2-8 provides a summary of where each of the cases was using insight extensively for marketing purposes. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Stage in marketing process	1	2	3	4	5
Understand			√	√	
Develop		√	√		
Tailor				√	
Where and when	√		√		√

**Table 2-8: How customer insight impacts on marketing**

## Sales

All companies said that improving commercial performance was a main driver of their customer insight programmes. Table 2-9 provides a summary of where insight helped to improve commercial performance. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Area	1	2	3	4	5
Setting accurate targets		√			
Focusing sales effort on the right accounts/segments	√	√	√	√	√
Equipping the salesforce with appropriate tools					√
Increasing efficiency				√	
Helping match sales behaviour to clients' buying behaviour and values		√			
Alerting salesforce to customer satisfaction issues that may potentially impact sales		√		√	
Helping to have better and more relevant conversations with existing customers, driving increased sales	√	√		√	

**Table 2-9: How customer insight impacts on sales**

**Barclays:** According to a respondent at Barclays,

*“the majority of our analytic focus is about spotting better opportunities to talk to customers about our products”.*

To do this, it had to equip its salesforce with the tools to do the job i.e. help them to have more relevant conversations. This was the main purpose of CAPs (discussed earlier in the section on generating insight) that were refreshed daily and advised the sales teams of the ‘next best product or offer’ to talk to customers about, in the holistic context of the contact history.

This was particularly important in the call centres, where

*“we’re asking an eighteen to twenty-four year old earning between £12-14,000 a year to sell relatively complex financial products to customers who are mass-market. Insight helps them to build rapport and empathy and ultimately sell more”.*

Head office also delivered each sales person in the branch network twenty quality leads fortnightly. The lists arrived on a Monday, and the sales people had to report back by the following Thursday, enabling the lists to be accurately recalculated for the following Monday.

**BT:** Marketing and sales worked in close co-operation at BT. The market sizing information helped to set sales targets and allocate resources. Following feedback from customers that they valued knowledge of their marketplace, last year BT launched ‘client dashboards’ (one per account). These dashboards not only provided the account managers with basic customer information, but also information about the market that the customers were operating in (what are their key issues? Who are they competing with? Are they being affected by changing regulations?). The account managers could also see if an account was experiencing service issues, or if there had been changes to the contract terms. To increase the accuracy of the dashboards, the CRM system contained smart script to prompt the account managers to ask their customers certain questions.

The desk-based account team used the CRM system to view a matrix of what they’ve sold, what’s outstanding, what campaigns the customers have been included in, as well as what opportunities were open at the moment. BT was not as advanced as Barclays and O2 in that the ‘next best offer’ did not appear on the screen – they had to consult the ‘Sales Zone’ in the internal intranet and make a decision themselves. However, they did receive events and triggers – for example, prompts that a contract was up for renewal or that an account had been dormant for a while.

Finally, having conducting needs-based segmentation, the next step for BT was to help its salesforce to adapt their behaviour according to different customer values.

**Cisco:** Cisco had traditionally been a sales-driven company, although this was changing due to worsening market conditions. The sales teams were now asking marketing for help in defining markets, segments and customers. European HQ had just started to deliver “customer packs” to the countries, designed to help the sales teams to

*“plan their operations, workforce and activities around market objectives”.*

For some of the larger customers, the Key Account Managers received a matrix that identified where they were in terms of what Cisco thought the offering was, versus where that customer was in deployment. So the account would have flags to indicate where the customer was in terms of the value spectrum, to help the sales force to focus their conversations.

**O2:** In O2’s highly competitive environment, alignment and cooperation between sales and marketing was a must. The sales teams were used to

*“coming off the road for a day while the marketers come along and say ‘we’re going to tell you what the plan is for the quarter; we’ll talk you through what we’ve learnt about the customers and where the market’s going and what that means we need to do and we’ll tell you why we’ve built what we’ve built. Now we need you to go out and sell it. Here are the slides to help you position that with your customers and explain why and what we’ve done.’*

If there were any customer satisfaction issues, O2 had a real-time solution whereby the account managers could see immediately if there was a problem and deal with it. According to a respondent:

*“the VISION system has delivered massive improvements in efficiency (it used to take sales people 30 minutes to prepare for a call, then they would make the call, would not be able to get through, and have to spend another 30 minutes preparing for the next call). VISION takes away that preparation time, so that sales people can place calls immediately and consecutively. Also the conversion rate is so much higher because the offers are relevant and timely and it is easier to build rapport. “*

**Post Office:** The insight team provided the sales teams with numerous tools to help them sell more efficiently and effectively. For example, the branch managers could use the segmentation tool to determine what products/propositions were most likely to appeal to the segments that were most represented in their postal area. They could check their actual performance to identify windows of opportunity. They therefore didn’t waste time and resources trying to sell products and propositions that would not appeal to the segments in their postal area. The segmentation tool had not been fully rolled out, but

*“everybody I’ve shown this in sales, their eyes light up and their head spins round”.*

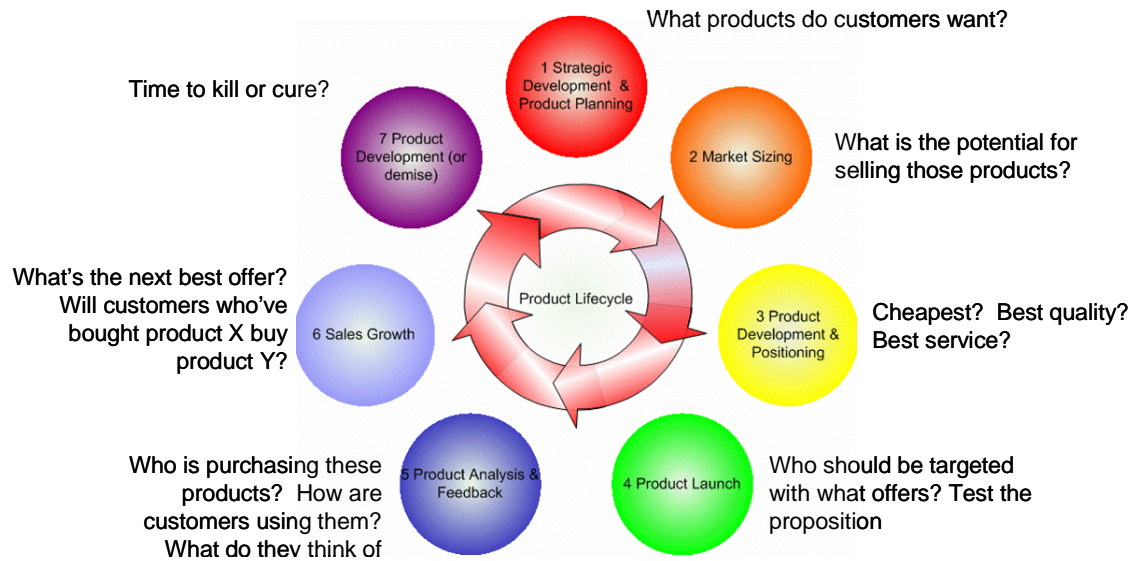
The mystery shopping programme was used for training purposes, to help the sales people to understand if they were selling in the right way to customers and to help them improve. The refreshed segmentation was helping to retrain the sales people to focus on understanding and identifying customer needs, as opposed to selling features and benefits.

### **Product portfolio management**

Insight was being used at all stages of the product lifecycle, by all companies. In fact, there was a noticeable shift towards leading with customer needs, as opposed to product development. As BT observed,

*“in the past a new product was often developed because somebody thought it was interesting, without finding a need for it. We still do get new ideas coming through from the development team, but if we don’t identify a need for that product, we reject it.”*

This modified diagram (see Figure 2-8) from Post Office summed up the process very well:



**Figure 2-8: How customer insight drives product portfolio management**

Cisco had recently developed a proper security assessment tool, as a result of feedback from the call centre manager that

*“security is selling like hotcakes”.*

At O2, all proposition development was led by insight –

*“our consumer marketing team will be getting under the skin to identify gaps in the consumer market. What tariff opportunities might there be? There’ll be a lot of proposition type research that drives their product and service development.”*

As evidenced by the above diagram, Post Office used insight extensively throughout the product life-cycle.

*“In the last couple of years we’ve launched half a dozen different financial service products, flowers, a home phone service, directory enquiries, a travel money card and a new instant access savings account, all in response to insight into customer needs”*

With the Travel Money card (one that you can load up), research was initially conducted to understand the concept, the competitive landscape, the potential market size and the impact it would have on existing products. Insight then influenced the design of the card, which was piloted in 200 branches. The segmentation tool helped to select 200 branches that were visited by segments who were likely to buy the Travel Money card (hence making the pilot more effective). The EDCSM programme was used to understand customer satisfaction with the new product and the mystery shopping programme was used to see how the front line were selling the product. This was presented together with sales data back to the board.

## Customer service

As explained in the section on propensity models, insight was having a significant impact on the customer service function, particularly in companies like Barclays and O2, where front line staff was making offers which were leading to sales.

### 2.5.5 Organisational context

As this final section revealed many inconclusive aspects of organisational context across all five cases, this report focuses and builds on those aspects already identified in the literature. Table 2-10 provides a summary of the different cases' beliefs about how organisational context impacts on the customer insight process. The numbers 1, 2, 3, 4, 5 refer to Barclays, BT, Cisco, O2 and Post Office respectively.

Area	1	2	3	4	5
Leadership commitment	√	√	√	√	√
Insight as a strategic asset	√	√		√	
Human resource management	√	√	√	√	√
Insight function as a pro-active unit					√
Central insight team as critical success factor	√	√	√	√	√
Effective communications play critical role	√	√	√	√	√
'Getting buy-in' is output of effective communications	√	√	√	√	√
Corporate culture is a major determinant of success	√	√	√	√	√

**Table 2-10: How organisational context impacts the customer insight process**

#### Leadership commitment

All companies cited leadership commitment and/or executive support as a critical success factor influencing a firm's ability to create and use insight.

- “where you get senior buy-in it works; where you don't, it doesn't” (Barclays)
- “senior buy-in is critical” (BT)
- “if it starts from the top and then follows down it really does work. And I've seen some big decisions reversed because it's got customer impact” (O2)
- “some of that is just verbal, and it would be better if there was more money and people behind it, but we have enough to be able to make progress” (Cisco)
- “customer understanding and customer experiences are taken very, very seriously, which isn't the same everywhere. Fundamentally my view is that if we weren't getting this stuff into the board and being used in strategic decisions we should not be doing it. I'd say we're very, very close to the executive committee here and can pick up the phone any time and gain access” (Post Office)

#### Insight as a strategic asset

Barclays, BT and O2 stated that customer insight is seen as a strategic asset in their organisations and claimed to “put the customer at the heart of everything we do”.

## Human resource management

All of the case studies proposed that those responsible for customer insight needed an understanding of business processes and the strategic as well as political skills to ensure that insight was communicated and actioned (and not just generated). It was suggested that the right type of people were those capable of analytical thinking and the ability to synthesise intuitively multiple sources of information, although BT admitted that it had gaps in its analytical skills.

More specifically, a more detailed description of the ‘right type of people’ emerged:

- ‘heavy hitters’ or ‘influencers’ who are capable to standing up to the product teams and arguing their case (Barclays, O2, PO)
- intelligent people who don’t just ‘crunch the numbers’, but are capable of synthesis and interpretation (PO)
- excellent communicators (O2, PO)
- ‘genetically modified marketers’ i.e. people with the right blend of business and technical skills (Barclays)
- right attitudes and behaviours more important than technical skills (O2)
- investigative minds (Barclays, O2)
- ability to think laterally – “prepared to suspend belief in their own hypothesis and explore multiple hypotheses. Then begin to work out which is the thing that has the greatest correlation between what’s practically happening” (Barclays)
- entrepreneurial and capable of handling rejection (Barclays: “not the classic project manager. It isn’t the person that just turns the data round and hands it over to somebody else to do something about”)
- inspirational and motivational (Barclays, O2)
- apolitical and without ego (O2)
- forward-thinking and passionate about the business (PO)
- Able to ask better questions and to look at things from a fresh perspective (O2)

## Insight function as a proactive unit

Post Office was the only case in this study where the insight function was a profit and loss operating unit. However, all the firms in this study were unanimous in agreement that having a central insight team is a critical success factor for a number of reasons. For example, having a central team helps to establish a common understanding and true meaning of the term insight. As BT said, “otherwise there’s a danger that everyone in the organisation thinks they’re generating ‘insight’”.

A respondent at O2 agreed –

*“one of the big constraints we have is that everybody likes the term ‘customer insight’. It’s the buzzword of the moment. If you’re not careful, everyone thinks that they’re insight experts, so it’s our job to make sure that the true voice of the customer is heard, as opposed to ‘my mate down the pub said yesterday ...”*

As a respondent at Cisco wryly observed,

*“I think it was Churchill who said that rumour is half way round the world before the truth’s got its pants on. That’s what we’ve had. If somebody says the average sales value in SMB is \$5,000, suddenly you see it appearing on charts and powerpoint slides. At least with a central team you can control that better.”*

Having a central team also tends to help secure budgets and allows more freedom to decide how the money will be spent. It also gives more accountability to the insight function, which, according to one respondent at Post Office

*“is a very good thing”.*

Another benefit was the ability to share research methods and insights from across the business and work with like-minded colleagues. As a respondent at BT pointed out

*“you do build up a good network. At least it means you’re not reinventing the wheel”.*

Colleagues at Post Office agreed that having a central team enabled them to

*“get a view from all angles of what’s going on”.*

A dozen of the most senior insight managers

*“regularly meet and discuss what’s going on within all the different areas and talk about what important meetings are coming up, so people can see how it links together and how we can action things”.*

Finally, having a central team ensured that customer insight had a stronger voice, which was good for team morale. As a respondent at Post Office said,

*“you can see people making decisions by what we’re doing, so it’s not research for research sake. And certainly it’s the first place that I’ve worked at, where I really feel I’m making a huge difference to the organisation”.*

### **Best practice communications**

All companies agreed that effective communications play a critical role in the insight to action process and all firms invest heavily in this area. Post Office proposed that it is sometimes the simple ideas that can have great impact. It advocated communicating in a digestible format, for example, one-page summaries (“because they are more likely to be read”), as well as communicating insight “in an interesting way that people can engage with”, for example, using music and pictures.

The following list shows the diversity of methods deployed:

- Company intranet (Barclays, BT, Cisco, O2, PO)
- Team meetings (Barclays, BT, O2)
- Training courses - both e-learning and face to face (BT, O2, PO)
- Input into 15 mins’ ‘buzz’ sessions (Barclays) or ‘ropes’ for call centre staff (O2)
- ‘Knowledge calls’ with account managers (BT)



- Webcasts (BT)
- Briefing packs (BT, O2, PO)
- Workshops (Cisco)
- ‘Desk drops’ of printed material (O2)
- Internal newsletters (O2, PO)
- Plasma screens in open plan areas (O2)
- Emails (PO)
- Large events (PO)
- Video (PO)
- Buddy or ‘adopt a branch’ programmes (O2)
- Sketches, role-play and ‘game shows’ (PO)
- Mouse-mats (PO)
- One-page summaries of key findings and recommendations (PO)
- Call centre site visits (PO)

All companies regarded ‘getting buy-in’ as an output of effective communications. The following advice was collectively offered in terms of helping to get buy-in:

- Get feedback from front-line staff before developing new systems and/or engage them in pilot projects (Barclays, O2)
- Involve the right people (using the insight) right from the beginning. One way would be to set up a governance board (BT)
- Feed the front-line staff with “reasons to learn” e.g. success stories to encourage them to use the system, to build trust in the insight (Barclays)
- Make it competitive and ‘real’ e.g. branch X is doing better than branch Y because....(PO)
- Communicate in a very adult way – tell people why they’re being asked to do things differently (Barclays, BT)
- Make it personal - ensure everyone in the organisation understands “what’s in it for me” (Barclays, BT, PO)
- Use case studies from other companies to demonstrate the value of customer insight (PO)
- Make action plans individual and specific (PO)
- Use the right language e.g. “we’re doing this to enrich the customer experience, not just to sell more stuff” (O2)
- Choose your trainers and ambassadors wisely (O2)
- Make the focus of training on soft skills, not technology (O2)
- Provide quick results (O2)
- Create a brand for the insight programme (O2)
- Make it clear that “it’s not just about selling. It’s very much about promoting relevance and creating dialogue” (O2)

### **Factors influencing best practice communication**

All companies in this study experienced some difficulty in being able to ‘operationalise’ customer insight. This was particularly acute when front-line channels such as call centres or branch networks had different operating models.

A respondent at Barclays summed up sentiments by saying,

*“you can train people in how a system works, and you can train people in the logic behind the data, but actually integrating that with the way they do their job on a daily basis, (the way they talk to customers) and getting them to change those mechanisms is actually the hardest thing to achieve”.*

This study offered the following observations around structure:

- The size and complexity of large organisations impacts on speed and ability to make changes (BT, PO)
- Organisational structures are not aligned to customers (O2)
- There are often legacy billing and infrastructure issues that prevent easy sharing and integration of data (O2)
- Different operating models between call centres mean that processes are not always customer-friendly (e.g. can't transfer calls) (Barclays, PO)

Inevitably all firms experienced some process issues. The following hindrances were identified:

- Sales people are used to going to finance for information because they're the people who paid them their commissions (Cisco)
- Actioning insight is not in everyone's KPIs (O2)
- Compliance issues mean that that some customers can't be signed up immediately and have to be directed to another channel (PO)
- Bookings data is set up so that sales can get paid, not so that marketing can use the data (Cisco)
- No process for the front-line to request the type of insight they'd like (often they "get what they're given") (Barclays)
- No matter how good a planning process you have, you still get "product teams rolling up to marketing and asking them whom they can flog their product to" (Barclays)
- people generating the insight don't always have enough ownership or control over how insight gets actioned. For example, Barclays' insight team "might deliver a whole load of insight to the front line that they chose to willfully ignore, if they think they can meet their targets another way"
- Arguments over 'who owns the customer' can delay action. The customer service teams may feel they need to respond to customer satisfaction feedback, whereas the relationship managers feel it is their responsibility. Relationship managers may also place restrictions on how many times marketing people can contact customers for proposition testing (BT)
- the central insight team doesn't usually have the authority to impose the measures it would like on front-line staff. This means that most insight teams are unable to provide concrete evidence that insight has a) led to specific action b) produced measurable results (PO)

Collective advice was:

- Have a good process from proposition development to getting it out to customers (BT)
- Have a defined process for acting on customer satisfaction issues (BT)
- Keep management information separate from customer insight (Barclays)
- Have a good feedback mechanism for the front-line (Barclays)
- Keep following up to check that the business is actioning the insight (PO)
- Always go back and check that your insight was correct (PO)
- Ensure that requests for new research are accompanied by an action plan (not just “nice to know”) (PO)
- Get 3<sup>rd</sup> party research agencies to work in partnership with each other, not in isolation (PO)
- Ensure research methods and approaches are consistent , so that data can be pooled together (PO)
- Get insight embedded in change processes (PO)
- Implement closed-loop reporting, so that agents’ reporting can be validated with actual sales and the conversion rate on offers made on both outbound and inbound calls can be measured (Barclays, O2)

### **Cultural influences**

The companies in this study proposed that cultures that are most supportive of the insight process are likely to display the following characteristics:

- People are used to ‘making things happen’ (Barclays)
- People willingly embrace change (O2)
- Personal development and training are encouraged (Barclays, O2)
- People are adventurous, open, willing to try new things (O2)
- The organisation is either ‘customer-centric’ or ‘marketing led’ (Barclays, O2)
- Fresh thinking is not only encouraged, it is expected and taught (O2)
- Employee satisfaction is a high priority (O2)
- People are supportive to each other and there is a strong sense of ‘team’ (BT, PO)
- Open-minded (O2)
- People are inquisitive, with a hunger for knowledge (O2)
- Creative (O2)
- People are empowered to ‘do things differently’ (O2)
- There is a strong sense of trust (BT, PO)
- People are expected to ‘test and learn’ (Cisco)
- There is a sense that ‘it’s OK to experiment and get things wrong sometimes’ (O2)

The companies in this study contributed suggestions about cultures that hinder the insight process being likely to display the following characteristics:

- People are stuck in the past (PO)
- People are suspicious/skeptical about new things (O2)
- People feel threatened by change (O2)

- There is a culture of arrogance and a feeling of ‘I know best’ (Barclays)
- People need ‘reasons to learn’ (BT)
- The organisation is ‘sales led’ or ‘product-centric’ (Cisco)
- People are punished if they get things wrong (Cisco)

### 2.5.6 Reflections on each case

As the companies in this study were from different industries and had different business models, they were at different stages of their customer insight journey. Each of the cases is now reflected on individually:

#### **Barclays**

All interviewees at Barclays agreed that Barclays was “on a journey” driven by an increasingly competitive market, particularly in UK retail banking (a flagship area) where it lost market share and has only just recovered profitability. Although some interviewees said that the “customer is at the heart of everything we do”, others admitted that in the serious reality of the banking environment, Barclays is “very operationally driven” and “at most customer-friendly”.

Needless to say, Barclays had come a long way on its customer insight journey and compared to BT, Cisco and Post Office, it was very advanced. It was generating all four types of customer insight and was actioning insight at the front line (although not quite in real-time). It saw real growth potential in inbound marketing, where improved analytics has enabled Barclays to close one sale per 11 inbound calls (compared to one sale per 14 inbound calls). It was also moving from sales campaigns to customers, to customer programmes blending sales and services.

In terms of next steps, the branch network and contact centres were ‘high on the agenda’, building on the work it did last year. Respondents wanted to

*“get ourselves to a position where we can really say we are delivering world class inbound marketing through the contact centres”. Priorities moving forward are inbound: more sellers, better productivity; much better experience online for the customer, simpler journeys; outbound: bigger”.*

To conclude, respondents at Barclays saw analytics as

*“an-going journey” and  
“can’t see how the business can work in any other way now”.*

#### **BT**

According to one interviewee at BT,

*“customer insight has been taken seriously for probably about ten years and I think that it’s been around in different shapes and forms before that. But I still think that we’re quite ... immature in terms of how we’re really using it, particularly true insight”.*

BT was very comprehensively collecting data and was generating insight in the areas of markets and customer segments (and touching on customer analytics). There was a

noticeable movement from a “product-centric to a customer-centric” orientation and insight was definitely driving the development of new products and propositions.

However, one respondent at BT acknowledged that it could do more

*“to integrate insight even further into business as usual - trying to strengthen the link between insight and action or impact if you like. There’s always a priority to get more for our money (or spend less). To be more innovative in terms of how we’re generating and communicating the insight. We’re still using some very old-fashioned techniques to generate insight, particularly for business customers. The BT consumer team is more at the cutting edge - doing modelling, ethnographics and more sophisticated work on needs and behaviour. I don’t know how we introduce that into the business market”.*

## Cisco

Everyone at Cisco described the company as having a “sales-driven culture”, which is consistent with the finding that it was probably the most immature company in this study in terms of its customer insight journey. However, customer insight was rapidly rising in prominence and importance, although

*“it’s happened quietly. There’s been no major revolution. There’s been no senior VP come in and say this is way we’re doing it now. It’s been a sort of quiet progress over a number of quarters”.*

Cisco, by its own admittance, “likes to be the best at everything” it does and is starting to lay the foundation stones –

*“my genuine belief is that most of the things we’re talking about now will become table-stakes over time, and the only real way we’re going to be able to differentiate five years from now in most industries is customer knowledge. Because it won’t be product knowledge anymore, and it won’t be industry knowledge, it will be customer knowledge”.*

Cisco has had limited access to customer data due to its indirect sales model. Despite this, it was one of the most advanced companies in the study in terms of generating customer analytics and defining metrics. There was still plenty of scope though, to generate propensity models and develop more sophisticated customer segments. Arguably the biggest opportunity was to better leverage millions of inbound contacts. This was partly restricted by IT conditions, although there was a major initiative underway to change the current IT infrastructure.

One respondent at Cisco saw exciting times ahead:

*“we will get there. We will absolutely achieve it, and we will have an insight capability that’s second to none. And I reckon within the next twelve months it’s just not going to look anything like it looks now. We’ll have full propensity modelling, we’ll have customers’ next best move and we’ll have a prospect database”.*

## O2

O2 was the most advanced company in this study and arguably the only company to align to the third stereotype. Each interviewee consistently said

*“we put insight and understanding our customers and the experience they get at the heart of what we do”.*

As one person commented,

*“it’s [insight] just what we do. And there’s a hunger for it and sometimes we don’t have as much of it as we’d like and we’re very demanding about more of it, pushing the agenda but it’s kind of the way we do business. We’re never going to be ‘Hey! Here’s some insight, we need to suddenly do this.’ It’s just what we do”.*

The customer-centric culture really did seem to be embedded –

*“it is intrinsic within everything that we do and we’re constantly reminded to challenge the way in which we operate to make sure that it is part of our every day work”.*

As well as generating all four categories of insight, O2 was particularly good at actioning insight at the front line using its VISION system. People attributed this success to their focus on service rather than selling –

*“I think one of the reasons that VISION’s been as successful as it has is because it isn’t about selling. It’s very much about promoting relevance and creating dialogue”.*

As another person confirmed

*“lots of companies talk about it, but not actually that many are prepared to put their money where their mouth is and make changes dramatically to service the customer. O2 is very dynamic in that respect. We’re very clear about what we want to achieve with customers and it’s actually happening.”*

All interviewees at O2 were very passionate and proud to be working for O2. As one person observed,

*“development-wise O2 is focused on the employee, as much as the customer. You have to; you can’t get one without the other”.*

This focus on customers and employees was reflected in its results. It was number one in the UK marketplace in terms of number of customers (16 million out of a total pool of 55 million), number one in terms of customer satisfaction (measured by an independent third party) and had just been voted one of the “best places to work”. It was experiencing a daily conversion rate of between 75 and 80% on offers made using the VISION system and a corresponding nine percent uplift in the average bill value (not all offers made are revenue-generating). From the £10 million it cost to implement the VISION system, it had so far generated £75 million in return.

In terms of next steps, O2’s priorities were to complete the roll out of VISION

*“so that everybody’s trained and able to use Vision effectively”.*

After that, respondents at O2 wanted VISION

*“to be a world-class reporting dashboard with all our financial and company metrics on it so that we can twist the levers if you like at a very micro level and see the impacts it will have across the base. From a next roll-out perspective it’s about getting retail and online using VISION and also about getting some of the basic infrastructure in place for campaign integration, so that we can start proper customer lifecycle communications”.*

## **Post Office**

When asked to describe their company culture and organisation, people gave very mixed answers, ranging from “old-fashioned oil tanker” to “changing” to “it feels like a start-up company.” This was believed to be indicative of the turbulence and change that Post Office was experiencing at the time of research.

In terms of the proposed theoretical model, Post Office extensively collected all types of data and was generating insight in terms of markets and customer segments. It was not really producing customer analytics yet and it was not using propensity modelling. In terms of actioning insight, it was using insight to drive strategy, marketing and new product development, but was not yet making use of insight to maximise inbound contacts. This was largely due to a historical operating model (particularly in the call centres) and lack of investment in technology to bring insight to the front line.

As one person summed up,

*“I think as a team we’re really great at doing the research and getting it communicated, but I think we are lacking in making sure that people are actually actioning upon the research as well”.*

As a public sector company, historically the focus had been on the customer rather than commercials. For this reason,

*“particularly at the front line, the people are most interested in the best interests of the customers rather than business profits”.*

Cost pressures in months recently prior to the research had changed this focus so  
*“currently we have been quite short-termist. The strategy for the last five months has been to sell as much as we can of these three products, which doesn’t give a lot of room for insight”.*

The access to real customer data and the move into financial services products was driving real change at Post Office. The customer insight function had recently been amalgamated into one team covering the whole of Royal Mail group and the team came across as very bright, very motivated and very well managed. The segmentation model was extremely powerful and will be applied more extensively to drive sales over the next twelve months. To overcome the lack of technology, the team had come up with very innovative ways to communicate insights, including role-play, music, ‘game-shows’, one-pagers etc.

To summarise, Post Office was as advanced as it could be in its customer insight journey, given the constraints of disconnected call centre operating models and lack of investment in technology to bring insight to the front line to maximise inbound contact.

## 2.6 Discussion of findings

### 2.6.1 Theoretical framework for actioning customer insight

Based on the findings of this study, a framework (see Figure 2-9) for generating and actioning customer insight is proposed.

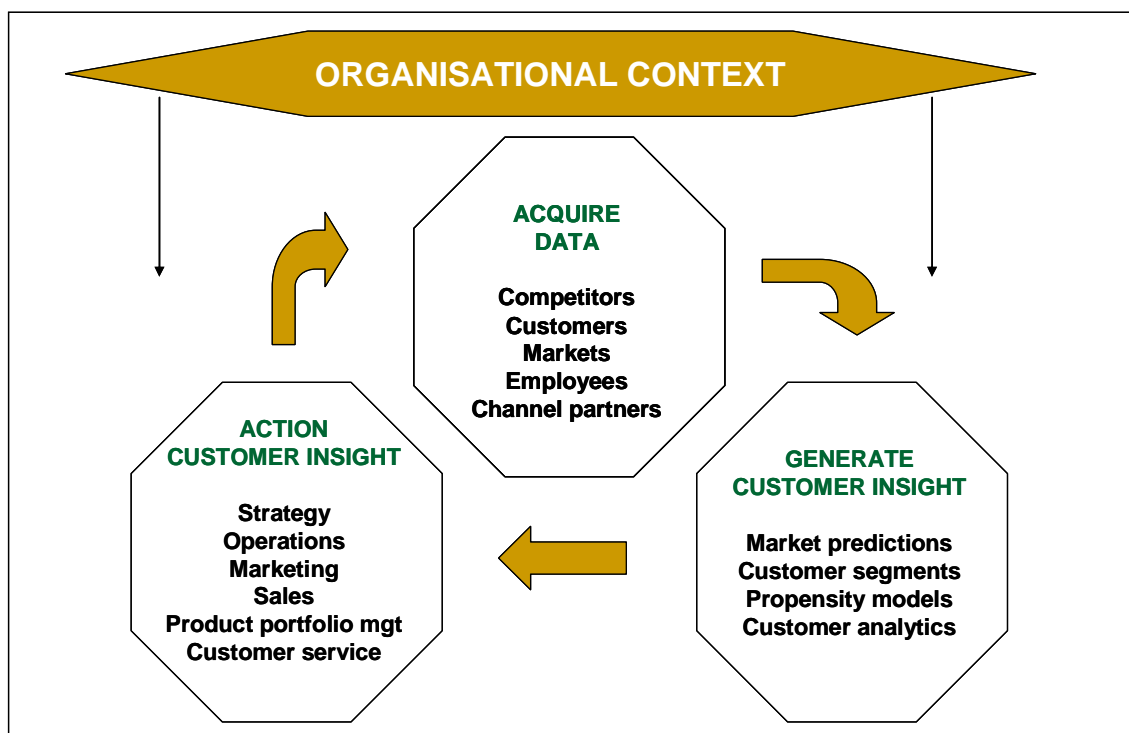


Figure 2-9: A framework for actioning customer insight

The framework in Figure 2-9 builds on the market-based organisational learning framework proposed by Sinkula et al (1997) (see Figure 2-2), with the following adaptations:

- This framework is concerned with customer insight processing, not market information processing
- Organisational values are not the only relevant antecedent to actioning customer insight – hence the rewording to “organisational context”
- Sinkula has a four stage process of market information generation, market information dissemination, interpretation and market program dynamism. In accordance with Campbell’s (2003) suggestion that customer intelligence is generated through the effective execution of a knowledge management process involving data collection, insight generation and intelligence dissemination, this process is reduced to three stages: acquire data, generate customer insight and action customer insight.
- Sinkula has only one outcome – that of market programme dynamism. In the ‘action customer insight’ box the extent to which customer insight is being used throughout the organisation is illustrated (not just for the purposes of market programme dynamism).



The customer insight framework builds on the above, by being more specific about the types of data that feed into the customer insight generation process, the types of insight generated and identifying the organisational areas that are actioning customer insight.

#### ***Stage one: acquiring data***

Although there is much discussion (Nemati et al., 2003; Wills & Williams, 2004; Smith et al., 2006b; Smith et al., 2006a), of the need to gather data from multiple sources, in order to generate customer insight, there is no empirically-derived list. Wills & Williams (2004) propose the following as data sources: customer database analysis, market intelligence, competitor intelligence, feedback from sales and customer service staff, including customer complaints, and financial and planning data, for examples. These were confirmed and several new sub-categories proposed.

#### ***Stage two: generating customer insight***

Although authors (Forsyth et al., 2006; Langford & Schulz, 2006) agree that customer insight is built from multiple data sources, only Hirschowitz (2001) cites specific examples of customer insight i.e. strategic segmentation, loyalty indicators, channel propensity, campaign propensity scores and response value scores. The others stick to more general statements such as customer insight is 'not just a new name for market research', 'flashes of inspiration' and 'a strategic asset'. This framework proposes four distinct categories of customer insight: market predictions, customer segments, propensity models and customer analytics.

#### ***Stage three: actioning customer insight***

Although there is much discussion about the process of collecting data, generating insight and disseminating insight, there are very few examples of how companies are actioning or using customer insight in practice. Neither is there a clear explanation of the purpose of generating customer insight. There are some comparisons to be made with knowledge management, though arguably customer insight is leading this field, rather than the other way round (Wills & Williams, 2004). The literature on market-based organisational learning is useful, yet the emphasis of research has been on acquiring and interpreting market information (as opposed to customer information) and there is little research on the actioning of information beyond marketing programme dynamism (Sinkula et al., 1997).

In a recent paper by Wright and Calof (2006), investigating current practices in the quest for competitive, business and marketing intelligence, they observed that the focus of previous studies has typically been on *whether* companies conducted intelligence activities at all, rather than *how* these activities are carried out. They called for rigorously conducted case-based research to discover exactly what intelligence units do in practice.

This framework proposes that insight is being actioned across six areas of the organisation: strategy, operations, marketing, sales, product portfolio management and customer service.

## **2.6.2 Relationship with previous literature**

### **Multiple data sources**

The diversity and scope of the data collection described previously leads us to agree with the literature (Nemati et al., 2003); (Wills & Williams, 2004; Smith et al., 2006a) that insight is more likely to arise when data from multiple sources and of multiple types is aggregated and synthesised. All cases in this study were found to be doing this in practice.

Existing literature does not provide a complete list of the 'multiple data sources'. Instead, academics mostly refer to 'customer and market' data. The most extensive list that exists to date (Wills & Williams, 2004) is limited to customer database analysis, market intelligence, competitor intelligence, feedback from sales and customer service staff, including customer complaints, financial and planning data etc.

This research builds on the above literature by confirming that all of the above types of data are collected and by proposing that they are incorporated into five main areas and sub-categories:

1. Competitive data
2. Customer data (interactions; transactions; satisfaction; opinions)
3. Market data (market share; market issues; social, economic and political trends; demographics/population profiles; company profiles; attitudinal data)
4. Employee data (staff feedback; mystery shopping programmes; retail standards audits; service performance data; employee satisfaction surveys; buddy programmes)
5. Channel data

### **Generating customer insight**

As discussed earlier, there is very little reference in the literature (Wills & Williams, 2004); (Hirschowitz, 2001) to 'customer insight' and there is no clear list of the different types. In his conceptual paper, Hirschowitz (2001) goes the furthest by citing examples of customer insight as:

- Strategic segmentation, such as socio-demographic, geo-demographic and value based
- Loyalty indicators: how likely a customer is to defect to another supplier
- Channel propensity: how likely a customer is to use particular channels such as the Web, email etc.
- Campaign propensity scores: how likely a customer is to respond to a particular campaign
- Response value scores: the estimated value of a positive response to a campaign

This research confirms and expands on the above list by proposing four categories of customer insight:

1. Market predictions (not covered in above list)
2. Customer segments (point one in above list)
3. Propensity models (points two, three and four in above list)
4. Customer analytics (point five in above list)

Kumar and Petersen (2006) found that most companies do a poor job predicting the behaviour of their customers. This study confirms this, as only two out of five companies (Barclays and O2) were found to be making extensive use of propensity models.

Smith et al (Smith et al., 2006b; 2006b) also found that most practice was hindered by lack of appropriate data and lack of understanding of needs based segmentation. Again, this study confirms this, as only two out of five companies (BT and O2) were found to be segmenting by customer needs.

### **Actioning customer insight**

When the literature talks about the use of customer insight, it is usually in a marketing context (Tan & Ahmed, 1999). Payne and Frow (2004) talk about ‘touch-points’ (where the customer interacts with the supplier in multiple channels) representing the most crucial opportunities to leverage advantage, but again in a marketing context. There are no examples of the broader use of customer insight beyond marketing decision-makers.

This study builds on previous literature by suggesting that customer insight is actioned across six areas:

1. Strategy
2. Operations
3. Marketing
4. Sales
5. Product portfolio management
6. Customer service

Other academics (Smith et al., 2006b) make very general statements about how to action customer insight.

### **Organisational context**

The literature (Wills & Williams, 2004; Smith et al., 2006b) tells us that the ability of firms to generate and action customer insight is strongly influenced by certain aspects of firm and market context.

This study provided some support for Smith et al (2006b)’s finding that leadership commitment is one critical success factor that influences a firm’s ability to create and use insight. This study builds on this research by proposing that having a central insight team is another critical success factor.

Wills and Williams (2004) proposed that customer insight is a strategic asset, as important to a business as its IT and Smith et al (2006b) agree that irreversible changes in the social, legal, economic, political and technical environment mean that competitive advantage no longer comes purely from Research and Development. However, Wright and Calof (2006) research revealed that in practice, only 28 per cent of UK respondents reported that competitive intelligence was always used for strategic purposes. The authors suggested “it is possible to conclude that the incorporation of CI as part of the normal management process in corporate UK has yet to emerge”. In this study, all firms said that they were using customer insight to inform and drive their strategy. This suggests that customer insight is indeed viewed as strategic asset and is used more often than competitive intelligence.

Wills and Williams (2004) proposed that the skills required of those responsible for customer insight must include an understanding of business processes and the strategic as well as political skills to ensure that insight is communicated and actioned. Smith et al (2006b) added that the right type of people were those capable of analytical thinking and the ability to synthesise intuitively multiple sources of information.

All of the case studies agreed with the above findings, although BT admitted that it had gaps in its analytical skills. More specifically, this study has built on the above proposal by producing a more detailed description of the ‘right type of people’.

Wills and Williams (2004) also proposed that insight should be treated as a business, with the Head of Insight taking on the role and responsibilities of a Chief Executive. Post Office was the only case in this study where the insight function was a profit and loss operating unit.

In their first research project, Wills and Williams (2004) set out to identify best practice in communicating customer insight and found that it is the simple ideas such as mini-newsletters and laminated one-pagers that can have great impact. This research found some evidence to support this, for example Post Office advocated communicating in a digestible format, such as one-page summaries.

All companies agreed that effective communications play a critical role in the insight to action process and all firms invest heavily in this area. This research builds on existing literature by providing a list of the different types of communication methods deployed, as well as offering suggestions for ‘best-practice’ communications.

Wills and Williams (2004) concluded that the keys to successful communications were 90% structural and process oriented, with the remaining 10% coming from creativity and presentational techniques. All companies in this study experienced some difficulty in being able to ‘operationalise’ customer insight and inevitably all firms experienced some process issues. This study builds on existing literature by offering some observations around organisational structure, process hindrances and collective advice for best practice processes for turning insight into action.

Sheth et al (2000) proposed that companies evolving to a more customer-centric focus should be using CRM to manage relationships with customers and as a means to learn

about their needs and how best to satisfy them. Several academics (Rigby et al., 2002); (Wilson et al., 2002) have since agreed that firms must organise around and be driven by an understanding of customers' evolving needs and that this is best accomplished by firms that boast a customer-centric culture. Wills and Williams (2004) later proposed that companies that genuinely put the customer at the heart of their business are more likely to be successful at actioning customer insight.

The above was confirmed to be true in that the company with the most customer-centric culture (O2) was the most advanced in terms of understanding and acting upon customer needs. All other firms in the study were moving towards a customer-centric culture and acknowledged that understanding customer needs was a high priority. Barclays, BT and O2 all agreed with Wills and Williams' (2004) proposal that customer insight is a strategic asset. All of these firms claimed to "put the customer at the heart of everything we do".

Wills and Williams' (2004) first and second best practice projects highlighted that corporate culture was a major determinant of the likely success of any insight function. Stoica et al (2004) agreed that data analytics will be culturally influenced and Wright and Calof (2006) confirmed that a supportive culture is essential if firms are to utilise their competitive intelligence efforts successfully. Smith et al (2006b) found that successful companies had an organisational culture that supported intra-organisational knowledge flows.

This study confirms these findings and builds on them by proposing a list of characteristics of cultures that are most supportive of the insight process. It also proposes a list of characteristics likely to be displayed by companies whose culture is *not* supportive of the insight process.

## **Links to performance**

A few academics have investigated links between customer insight and company performance. For example, Nemati et al (2003) found that organisations that integrate data from various customer touch-points have significantly higher benefits, user satisfaction and return on their investment (ROI) than those that do not and Zahay and Griffin (2004) concluded that learning about customers plays a vital role in contributing to performance.

This study found some evidence from Barclays and O2 that customer insight had led to a higher conversion rate on offers, increased revenue and higher customer satisfaction, but further research in this area is recommended.

## **2.7 Summary and Conclusions**

### **2.7.1 Summary**

Following the identification of several gaps in the literature, the purpose of this exploratory research was to investigate how five large companies from a variety of industries are using customer insight to drive customer acquisition, retention and development. Specifically, answers to the following questions were sought:

*RQ1: What types of data (inputs) are companies feeding into the customer insight generation process?*

*RQ2: What types of customer insight (outputs) are companies generating?*

*RQ3: What actioning of customer insight takes place and for what purposes?*

*RQ4: What is it about the organisational context that helps or hinders in the process of generating and actioning customer insight?*

The study provided enough answers to the first three questions to populate a proposed theoretical framework for actioning customer insight. Answers to the fourth question have enhanced knowledge in this area, although further research is recommended to provide more clarity and evidence.

### **2.7.2 Limitations**

The following limitations are acknowledged in this study:

According to Smith et al (2006b) there is a limited population of companies in the UK who align to the third stereotype. Ideally, to demonstrate best practice, only these companies would have been selected in the sample. However, this would have required initial research to identify the cases. There would also have been issues with confidentiality as the majority of best practice cases appear to be in the financial services and telecommunications industries. Instead, the cases in this study were selected primarily due to:

- assumptions about their customer insight activities
- their non-competitive nature to ease concerns about sharing results at an early stage with competitors
- ease of access to key individuals
- their willingness to participate

This study was limited to five companies. To further validate the research, it is recommended that additional companies are studied. The companies were mostly from different industries and it could be argued that the model therefore is not necessarily generalisable within a given industry without further within-industry replication.

The majority of people interviewed were responsible for generating customer insight (as opposed to actioning it), as these people were much easier to identify. This resulted in extensive lists of what data is collected and what insight is generated, but less information on how insight is being actioned and the organisational context for this.

The findings on organisational context were exploratory in nature and the reported findings focus on aspects already identified in the literature

This study did not explore links between actioning customer insight and improvements in performance. Any findings in this area were anecdotal rather than conclusive.

### 2.7.3 Contribution

In this section, the contribution of this research to knowledge about how companies use customer insight for customer acquisition, retention and development is discussed. The study's contribution to knowledge in the following areas is summarised in Table 2-11 .

Domain	Contribution
Customer insight	First to propose a theoretical model for actioning customer insight First study to suggest the use of customer insight in a sales and service context
CRM	Builds empirical evidence of capability view Provides empirical support of seven value drivers of CRM
Organisational learning	Extends knowledge about market-based organisational learning Expands framework for creating customer knowledge competence
Technology-enabled service encounters	One of the few studies that investigate the growing role of technology in service encounters First study to introduce the construct of customer insight as an enabler to cross-selling and up-selling in an inbound service call centre context Contributes to a paucity of literature about the firm's perspective

**Table 2-11: Summary of contribution of project one**

#### Customer insight

As customer insight is undefined and under-researched as an area of academic study, the biggest contribution is in this area. Most importantly, it is the first study to propose a theoretical framework for customer insight. The outline structure of this framework is based on the market-based organisational learning framework proposed by Sinkula et al. (1997) and Campbell's (2003) conceptual framework for the internal processes involved in creating customer knowledge competence. Campbell (2003) proposed that little is known about the internal processes that assist organisation-wide learning about individual customer relationships and Zahay and Griffin (2004) agreed that the customer information management context for organisational learning has been overlooked in an empirical sense.

The framework developed for generating and actioning customer insight consists of a three step process of acquiring data, generating customer insight and actioning customer insight. The real contribution of the framework is not in proposing a three stage process; it is in the detail it provides at each of these three stages:

#### *Stage one: acquiring data*

Although there is much discussion (Nemati et al., 2003; Wills & Williams, 2004; Smith et al., 2006b; Smith et al., 2006a), of the need to gather data from multiple sources, in order to generate customer insight, there is no empirically-derived list. Wills & Williams (2004) propose the following as data sources: customer database analysis, market intelligence, competitor intelligence, feedback from sales and customer service staff, including customer complaints, and financial and planning data, for examples. These have been confirmed and several new sub-categories proposed.

### ***Stage two: generating customer insight***

Although authors (Forsyth et al., 2006; Langford & Schulz, 2006) agree that customer insight is built from multiple data sources, only Hirschowitz (2001) cites specific examples of customer insight i.e. strategic segmentation, loyalty indicators, channel propensity, campaign propensity scores and response value scores. The others stick to more general statements such as customer insight is 'not just a new name for market research', 'flashes of inspiration' and 'a strategic asset'. This study is the first to propose and provide extensive descriptions of four distinct categories of customer insight: market predictions, customer segments, propensity models and customer analytics.

### ***Stage three: actioning customer insight***

Although there is much discussion about the process of collecting data, generating insight and disseminating insight, there are very few examples of how companies are actioning or using customer insight in practice. Neither is there a clear explanation of the purpose of generating customer insight. There are some comparisons to be made with knowledge management, though arguably customer insight is leading this field, rather than the other way round (Wills & Williams, 2004). The literature on market-based organisational learning is useful, yet the emphasis of research has been on acquiring and interpreting market information (as opposed to customer information) and there is little research on the actioning of information beyond marketing programme dynamism (Sinkula et al., 1997).

In a recent paper by Wright and Calof (2006), investigating current practices in the quest for competitive, business and marketing intelligence, they observed that the focus of previous studies has typically been on *whether* companies conducted intelligence activities at all, rather than *how* these activities are carried out. They called for rigorously conducted case-based research to discover exactly what intelligence units do in practice.

This case-based research makes a contribution to understanding *how* customer insight activities are carried out. More specifically, it is the first study to propose that customer insight is being actioned across six areas of the organisation: strategy, operations, marketing, sales, product portfolio management and customer service. In particular, it is the first study investigating the use of customer insight in inbound service call centres to drive cross-selling, up-selling and retention.



### ***Organisational context***

The literature (Wind, 2005; Smith et al., 2006b; Wills & Williams, 2004) tells us that the ability of firms to generate and action customer insight is strongly influenced by certain aspects of organisational context. This study revealed many inconclusive aspects of organisational context across all five cases but it also built support for aspects already previously identified i.e. the importance of leadership commitment, the need to view insight as a strategic asset, the requirement for people with analytical skills, the need for a central insight function as a pro-active unit, the importance of best practice communications, and the influence of corporate culture. Further research in the area of organisational context is recommended.

### **Customer Relationship Management**

Over the years there have been many divergent perspectives on CRM. Zablah et al (2004) found evidence that CRM has, implicitly or explicitly, been conceptualised as a process, strategy, philosophy, capability and technological tool. The capability view of CRM (Day, 1994) states that to be effective firms have to invest in resources that enable them to anticipate the customer's changing needs and modify their behaviour towards individual customers or groups of customers on a continual basis (Peppers et al., 1999). Firms need to be capable of gathering intelligence on their current and prospective customers and applying that intelligence to shape their subsequent interactions with them. Previous literature focusing on operational CRM to increase efficiency and knowledge is largely limited to understanding how customers had behaved in the past, as evidenced by transactions (Stone & Woodcock, 2001).

Customer insight that is available at the point where the service encounter occurs (as reported in this study) is an example of a resource in the language of the capability view of CRM. Despite evidence that most companies do a poor job predicting the behaviour of their customers (Kumar et al., 2006), this research builds empirical evidence of the capability view by clarifying the need for additional knowledge about customers' needs and behaviours, as well as the synthesis of multiple data sources to create predictions about future behaviour.

Much of the significant attention and interest from both practitioners and academics in the subject of Customer Relationship Management (CRM) has focused on the disappointing results of CRM implementations and the failure to deliver on expected benefits (Rigby et al., 2002); (Wilson et al., 2002). This study is consistent with Richards and Jones' (2008) conceptual model of the seven value drivers of CRM, namely improved ability to target profitable customers; integrated offerings across channels; improved sales force efficiency and effectiveness; individualised marketing messages; customised products and services; improved customer service efficiency and effectiveness; and improved pricing. The implications of this study for how value is accrued from CRM activities is expanded upon in the linking document.

### **Organisational learning**

Campbell (2003) proposed that little is known about the internal processes that assist organisation-wide learning about individual customer relationships and Zahay and

Griffin (2004) agreed that the customer information management context for organisational learning has been overlooked in an empirical sense. This study extends knowledge about market-based organisational learning.

Campbell (2003) developed a conceptual framework about the internal processes involved in creating customer knowledge competence, which allow firms to strategically manage their CRM programmes. This framework is expanded upon to propose a framework for actioning customer insight.

### **Technology-enabled service encounters**

Project one is one of the few studies that investigate the growing role of technology in service encounters and, specifically, the role of customer insight in a sales and service context. This research introduces to the technology-enabled services literature the construct of customer insight as an enabler to cross-selling and up-selling in an inbound service call centre context, and therefore contributes to a paucity of literature about the firm's perspective.

#### **2.7.4 Implications for practitioners**

This study has several important implications for practitioners:

In today's environment of fierce competition and intense cost pressures, it is no longer enough to merely acquire, retain and develop customers – the focus has moved to acquiring, retaining and developing the *right* customers. Ever demanding and well-informed customers expect companies to make the right offer at the right time, through the channel of their choice. They also expect companies to listen, remember and response to their needs. All of the above is not possible without the generation and actioning of customer insight.

The skills requirement for marketers of the future is changing. Analytical skills and thinking are becoming an imperative. For example, according to Gartner Group (2006), event-triggered marketing (practiced by all the companies in this study to a greater or lesser extent), yields a response rate five times greater than that of traditional marketing.

Barclays coined the marketer of the future as the “genetically modified marketer”, requiring skills in:

- Customer portfolio management
- Data based technology
- The use of digital channels
- Customer operations
- Customer centric processes
- Test and learn principles
- Applied analytics and dynamic segmentation
- Optimisation

Increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as

opposed to outbound) are contributing to a growing trend towards inbound marketing. According to Gartner Group(2006), companies can expect 10 – 20 times the response rate on analytical inbound marketing compared to traditional marketing. Two companies in this study (Barclays and O2) were found to be exceeding this.

The growing trend towards inbound marketing means that the role of customer service agents in the sales process is becoming increasingly important. Typically, front-line service staff is often reluctant to engage in activities or conversations that constitute “selling”. Therefore it is important to position the use of customer insight at the front line as an enabler of “better, more relevant conversations that will enhance the customer experience, increase loyalty and therefore customer lifetime value” (O2).

The sales role is changing dramatically. Sales people can no longer rely on their knowledge of product features and benefits to make their quotas - they need to be able to identify customer needs and match products and services that fulfill those needs. They also need to be able to adapt their behaviour to match customer values. For example, if a customer values price above everything, the salesperson does not need to invest in a relationship, they just need to offer the best price. Vice versa, if the customer values personal engagement, the sales person needs to invest in building a long-term relationship.

The impact of customer insight extends well beyond marketing programme dynamism. It is guiding strategy, operations, marketing, sales, product portfolio management and customer service. Organisations therefore need to develop a common understanding of what customer insight is and does throughout the organisation. It helps if the organisation puts a central insight team in place.

### **2.7.5 Future research**

The following suggestions are made for further research:

- Additional case studies on how customer insight is being actioned at the front line
- More in-depth research into needs-based/behavioural segmentation, propensity models and customer analytics
- In-depth exploration of the variables of organisational context that help or hinder the customer insight process
- Use of alternative research methods e.g. a quantitative survey.

### **3 CHAPTER THREE: PROJECT TWO**

#### **3.1 Abstract**

Companies handle millions of service encounters with customers every day and it has been recognised that if agents manage to initiate conversations that uncover customer needs, this could lead to cross-selling, up-selling and customer retention. This link between sales and service was first proposed nearly two decades ago, but at the time it was only possible through intensive customer-employee interaction. Since then the widespread adoption of Customer Relationship Management (CRM) technologies and advances in the generation of customer insight are enabling contact employees to handle service situations with a complexity that could never be managed manually.

The purpose of this project was to investigate how companies use customer insight in inbound service call centres to cross-sell, up-sell and retain customers. Using the qualitative method of case research, 27 people and 16 call centre agents from six large UK-based companies (Barclays, a healthcare company, O2, RIAS, ENERGY and the AA) were interviewed and/or observed.

This study was limited to six UK companies from different industries. It could be argued that the model is not necessarily generalisable within a given industry without further within-industry replication. Seven propositions were proposed for further research. Practical implications are that there is more than one approach to sales through service initiatives; no one approach has been proven to be the most successful; there is not always a trade-off between up-selling/cross-selling in a service environment and average handling time; excellent customer service is a pre-requisite for any successful sales through service initiative; there is growing support for firms to use the inbound service channel for differentiation and competitive advantage and the growing trend towards inbound marketing means that the role of customer service agents in the sales process is becoming increasingly important.

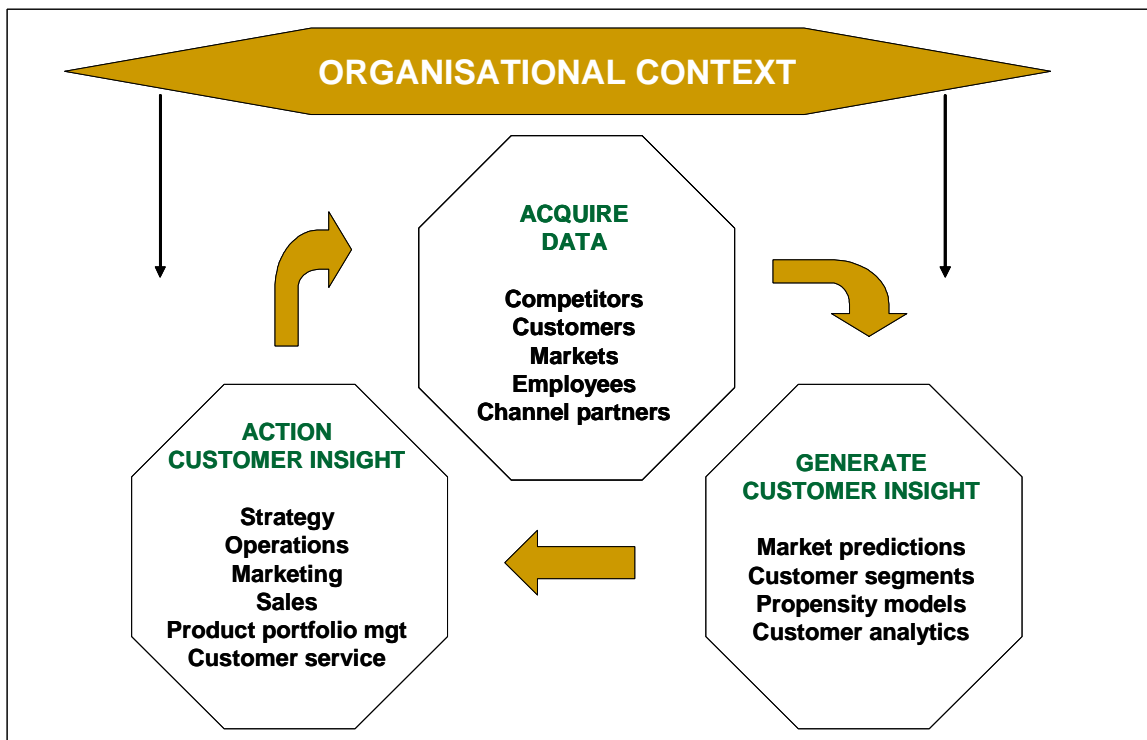
This research makes a contribution to knowledge about the application of customer insight in inbound service call centres and closes gaps in the cross-selling/up-selling literature, particularly from a firm's perspective. It is the first study to propose contextual factors driving sales through service initiatives in inbound service call centres, to list the issues associated with sales through service initiatives and to propose an empirically derived list of the qualities of agents who are successful in a combined sales and service role. Finally, this study is the first to provide concrete evidence of measures used in inbound service call centres in the UK relating to cross-selling, up-selling and retention. It also provides evidence of cross-sell/up-sell ratios in the UK, previously only available in the US.

#### **3.2 Introduction**

##### **3.2.1 Background**

Project one used an exploratory, multiple case study approach to investigate how companies use customer insight to drive customer acquisition, retention and

development. The following framework (see Figure 3-1 ) for actioning customer insight was proposed:



**Figure 3-1: a framework for actioning customer insight**

Project one found that the two most advanced companies in the study (Barclays and O2) were using propensity models to generate individual customer insight. This was being actioned across several areas of the organisation. One area of particular interest was inbound customer service call centres, where insight was being used to drive customer development (cross-selling and up-selling) and retention. The practitioner term for combining service and sales at the point of customer-initiated contact is ‘inbound marketing’.

Project one identified that increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound) is contributing to a growing trend towards inbound marketing. According to Gartner Group (2006), companies can expect 10 – 20 times the response rate on analytical inbound marketing compared to traditional marketing. According to Doyle (2005), response rates are commonly in the 20-30 percent range.

Both Barclays and O2 were found to be exceeding this. At the time of research (March 2006), since Barclays had delivered customer insight into the hands of call centre agents, the sales ratio had increased from one sale per 14 inbound calls to one sale per 11 inbound calls. O2 had equally compelling results from delivering individualised customer insight into the hands of inbound call centre agents:

- Agents were actively going into the ‘Vision’ system to look for potential offers for 73% of all inbound enquiries
- Offers actually made to 38% of these inbound callers
- Offers accepted in 41% of cases
- Bill value increased on average by 15% in the first month after the experience from those who accepted.
- Retention costs reduced by: £150K-£200k per month
- Churn reduced by 3%

### **3.2.2 Importance of the topic**

In mature, competitive markets, virtually all firms compete on the basis of customer service and service offerings (Heskett et al., 1994; Oliver et al., 1998; Bitner et al., 2000). Successful service managers tend to invest in their people through training and recruiting practices, providing technology to support front-line staff and linking compensation to performance.

This thinking is consistent with the principles of the service-profit chain (Heskett et al., 1994), which links profit and growth to customer loyalty. The principles of the chain are that if you empower employees they will be satisfied, loyal and productive; and they will deliver excellent customer service. This excellent customer service leads to more satisfied customers, who tend to be more loyal. Loyal customers stimulate growth and profitability.

Companies handle millions of service encounters with customers every day and previous research (Schneider & Bowen, 1999; Bitner et al., 2000) has demonstrated that encounters can affect critical outcomes such as customer satisfaction, intention to repurchase, word-of-mouth communications, relationship quality and loyalty. Poor service encounters can be costly in terms of having to perform the service again, compensating customers for poor performance, losing customers and receiving negative word of mouth. Hence the top priority of agents in inbound service call centres is to provide consistent, high-quality customer service.

However, a growing number of authors (Chase & Hayes, 1991; Kelley, 1993; Evans et al., 1999; Spencer-Matthews & Lawley, 2006) have gone a step further to suggest that service encounters have more strategic potential. They propose that if agents manage to initiate conversations that uncover customer needs, this could lead to cross-selling (selling new products), up-selling (selling upgrades of existing products) and customer retention. Investing the time to investigate customer needs may in fact improve both service and sales performance (Beatty et al., 1996).

This link between sales and service was first proposed nearly two decades ago, with Zeithaml et al (1988) demonstrating that offers made during service encounters (if underpinned by the delivery of good customer service), can help companies attract new customers and develop existing ones. Whilst academics (Evans et al., 1999) acknowledge that combining sales and service roles extends services operations into the marketing domain, practitioners are now actively referring to this concept as ‘inbound marketing’.

It has been argued that the growing trend towards such inbound marketing is caused by increased restrictions imposed by data privacy and communications directives, combined with the higher conversion rates on offers made to inbound callers (as opposed to outbound). According to recent research from Eichfeld, Morse and Scott (2006), inbound call centres generate up to 25 percent of total new revenues for some credit card companies and up to 60 percent for some telcos.

Since Reicheld and Sasser's (1990) seminal piece on the cost of acquiring customers relative to the cost of retaining them, marketers have focused their efforts on keeping customers. This is particularly difficult in mature markets where customers can easily switch to other competitors. This phenomenon has been referred to as "churn" (Ansell et al., 2007, p. 67), a "revolving door of acquired and lost customers" (Kamakura et al., 2003; Kamakura et al., 2003, p. 45) and "the process of customer exit" (Stewart, 1998, p.7).

More recently it has been recognised that customer retention on its own is not sufficient to sustain value and awareness has risen of the need to find other ways of strengthening the relationship with customers. One way to do this is to add value by cross-selling additional products and services to existing customers (Verhoef, Franses, & Hoekstra, 2001).

Cross-selling is attractive to firms because it usually costs less than acquiring new customers (Reichheld & Sasser Jr, 1990). The acceptance rate of offers is generally higher with existing customers if they have already had a positive experience with the firm. The risk to the firm is also lower as they already know whom they are dealing with. The more products and services a customer holds with a firm, the more likely they are to develop a relationship, the longer they are likely to stay with the firm, the less likely they are to consider switching to another provider and the better their profitable lifetime duration (Beatty et al., 1996; 2003; Ansell et al., 2007) .

According to Ngobo (2004, p. 1129), "in practically every recently announced merger in the financial services sector, the most frequently stated goal is cross-selling services to existing customers." In fact, cross-selling was a major driver behind the Citicorp/Travelers Group merger back in 1998. This is not to say that this is easily achieved - according to Jarrar and Neely (2002), few financial companies have been successful at cross-selling although many have tried.

Back in 1997, Maister (1997) warned that cross-selling could not be achieved without an accurate picture of customer needs and that this was only possible through intensive customer-employee interaction. However, the widespread adoption of Customer Relationship Management (CRM) technology in the late 1990s promised an alternative method of providing an accurate picture of customer needs (Ryals & Payne, 2001). It was suggested that CRM technology could help fulfill Day and Montgomery's (1999) proposed evolution from mass markets to "molecular markets" and that future customer relationships would be based on the "ability to target individuals, engage in a dialogue with them, and personalize an offering that meets their requirements" (Day & Montgomery, 1999, p.8).

There have since been many different perspectives on CRM, scholars variously regarding it as a process, strategy, philosophy, technological tool and capability (Zablah et al., 2004). Perhaps most relevant in the service encounter debate is the capability view, which argues that firms have to invest in resources that enable them to anticipate the customer's changing needs and modify their behaviour towards individual customers or groups of customers on a continual basis (Peppers et al., 1999).

Unfortunately CRM projects largely have a reputation for having 'failed' (Stone & Woodcock, 2001; Kale & Sudhir H, 2004; Boulding et al., 2005), mostly because they focused on efficiency rather than effectiveness. Both academics and practitioners (Wills & Williams, 2004; Hirschowitz, 2001; Smith et al., 2006b) are now referring to 'customer insight' as a key resource required to support the promises of the capability view of CRM.

It has long been suggested that technology could play a critical role in the service-profit chain and in the ability of firms to customise their service offerings (Peppers & Rogers, 1993; Pine II, 2004). With advances in the generation of customer insight, technology is now enabling contact employees to handle service situations with a complexity that could never be managed manually (Bitner et al., 2000). Advances in technology have also fuelled a growth in the popularity of customisation strategies aimed at providing customers with individually tailored products and services (Gwinner et al., 2005) and 'real-time marketing' strategies (Oliver et al., 1998) are now being deployed in customer service centres.

It appears that service encounters present an ideal opportunity to fulfill the capability view of CRM, as long as the key resource of customer insight is available at the point where the service encounter occurs. According to Eichfeld et al (2006, p.1), "companies have failed to tap the full revenue potential of their call centres because they just don't understand the extent of the opportunity". As project one identified, the most advanced companies are starting to action customer insight in real-time during inbound service encounters to drive cross-selling, up-selling and customer retention.

### **3.2.3 Specific purpose of the project**

Project two aimed to build on project one by concentrating on one aspect of the customer insight framework, namely how customer insight is actioned through the customer service function.

The purpose of this project therefore was to investigate how companies use customer insight in inbound service call centres to cross-sell, up-sell and retain customers. More specifically:

*RQ1: What contextual factors are driving companies to invest in inbound sales through service initiatives?*

*RQ2: How, if at all, are companies generating and delivering customer insight to front-line agents in inbound service call centres?*

*RQ3: What issues are associated with sales through service initiatives?*

*RQ4: What are the qualities of a successful sales and service agent?*



*RQ5: What metrics are companies using to measure the success of their sales through service initiatives?*

### **3.2.4 Definition of terms**

Please refer back to project one for an explanation of the derivation of these definitions:

**Customer insight** is “a detailed understanding of customer profiles and behaviour, drawn from multiple data sources, that is potentially actionable through the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition”.

**Actioning customer insight** is “the use of customer insight for the prediction of how customers will react to different forms and content of interaction, or through other tailoring of the value proposition”.

The ‘**front line**’ is a practitioner term for staff or computers deployed in communication and/or interaction channels through which a customer can contact a company. For example, the sales force, field service engineers, technical support, outlets, call centres, mobile commerce, web site etc.

**Customer Relationship Management (CRM)** is “the actioning of customer insight at individual customer level in order to contribute to the acquisition, retention and development of profitable customers”.

The following definitions are added in project two:

A **service encounter** is “the moment of interaction between a customer and a firm” (Bitner et al., 2000, p. 139).

**Cross-selling** refers to “the customer’s practice of buying additional products and services from the existing service provider in addition to the ones s/he currently has” (Ngobo, 2004, p. 129).

## **3.3 Literature Review**

One body of literature relevant to this research is the area of service encounters (one of the dominant topics within services marketing), although much of the focus of this research has been on understanding service quality and service delivery from the customer’s (rather than the firm’s) point of view (Fisk et al., 1993).

Other relevant areas are cross-selling/cross-buying, customer contact management, customer experience, customer loyalty, mass customisation, real-time marketing, one to one marketing and a small number of articles on customer insight.

This review begins with a summary of literature on cross-selling and up-selling followed by an examination of the role of technology in services. It then looks at why companies invest in sales and service initiatives (market factors) and the inhibitors and enablers that companies encounter. It then looks at the qualities that agents in a

combined sales and service require to be successful. The literature review concludes with a summary of research into how sales and service performance is measured.

### **3.3.1 Cross-selling and up-selling**

Cross-selling and up-selling relate to increasing the number of products and services that a customer holds with a firm. Cross-selling is effective as a customer retention strategy, as it increases switching costs and enhances customer loyalty (Kamakura et al., 2003), provided that the existing customer has had a previously positive relationship with the firm (Reichheld & Sasser Jr, 1990). The risk to the firm is also lower as they already know whom they are dealing with.

Cross-selling can be a double-edged sword (Byers & So, 2007; Ansell et al., 2007). Not all customers are willing to engage in a relationship and to expand it by purchasing additional products and services from the same provider (Bendapudi & Berry, 1997). Over-aggressive attempts to cross-sell can upset customers and make them less responsive and weaken the relationship (Kamakura et al., 2003). Even if they do want to engage in a relationship, they may still avoid dependence on a single provider (Day, 2000). Others may inherently steer towards multi-brand loyalty, particularly in the financial services sector (Peppard, 2000).

The majority of research in this area examines cross-selling and up-selling from a customer's perspective. Repurchase intentions have been linked to service quality (Zeithaml, Berry, & Parasuraman, 1996), perceived value (Bolton & Drew, 1991) and customer satisfaction (Mittal & Kamakura, 2001). More specifically, Ngobo (Ngobo, 2004, p. 1129) examined the drivers of the customers' cross-buying intentions for services (Figure 3-2) and found that their intentions are "primarily associated with image conflicts about the provider's abilities to deliver high-quality services from different service activities, and the perceived convenience of cross-buying from the same provider". Verhoef et al's (2001) study found that satisfaction and payment equity (perceived fairness of the price) were also drivers of cross-buying intentions. Most of this work stops at buying intentions, however, rather than examining actual buying behaviour.

According to Jarrar and Neely (2002), there is little concrete evidence of measures or costs relating to cross-selling in financial services and most of the literature provides only anecdotal experiences. This is primarily because the concept of IT-enabled cross-selling appears to be in its infancy and few banks are able to demonstrate success or failure yet. Although many financial institutions collect and store vast amounts of data, they often lack the techniques to analyse the data to learn from past and current behaviour and to make predictions about future needs and requirements (Kamakura et al., 2003). Many still make strategic decisions based on intuition and experience rather than customer insight (Prinzle & Van den Poel, 2006) and cross-selling rates among banks in Europe remain low (Evans, 2002).

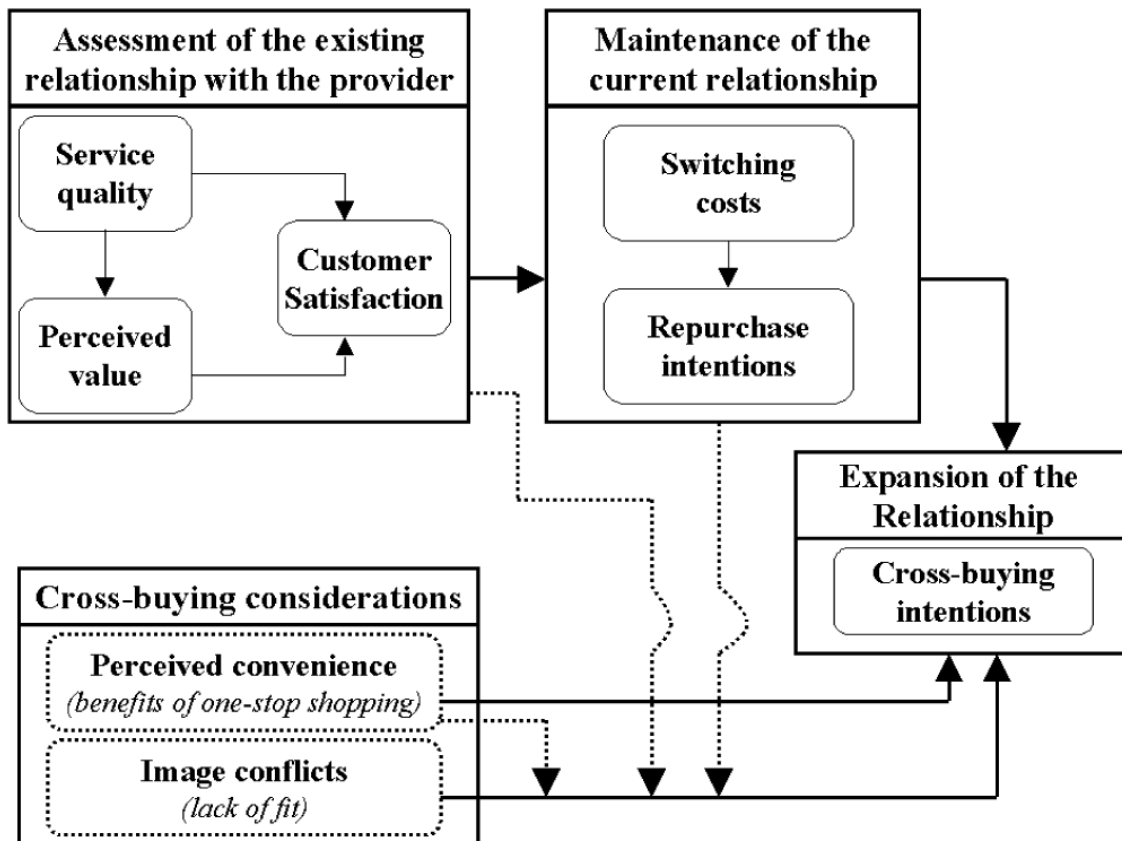


Figure 3-2: The conceptual model of the drivers of cross-buying intentions (Ngobo, 2004)

More recently, Ngobo (2004) proposed that for a firm to be successful at cross-selling it needs to invest in sales-force training, incentives, promotional campaigns, knowledge transfer between firm departments and teamwork.

In summary, there is little concrete evidence of: the drivers of cross-selling/up-selling from a firm’s perspective; IT-enabled cross-selling; the measures or costs relating to cross-selling; or the enablers and inhibitors of successful sales and service initiatives. As we saw in project one that cross-selling may be enabled by technology, we now turn to the role of technology in services.

### 3.3.2 Contextual factors driving sales through service initiatives

There is a paucity of literature investigating why companies are investing in ‘sales through service’ initiatives. However, Spencer-Matthews and Lawler (2006) have investigated the market drivers for investing in customised customer contact management, which is a very similar context (see Figure 3-3).

The authors identified two main categories of drivers: service requirements and organisational requirements. Service requirements included the need to keep up with or gain advantage over competitors, the need to compete on something other than price and the overwhelming demand from increasingly discerning customers for better service.

From an organisational perspective, companies need to maximise the opportunity they have to talk to their customers, they need to continually gather information and knowledge about their customers and they have a duty of care to hold accurate information and to provide relevant offers. The driving force of ‘duty of care’ stems from a fear of litigation as well as the fear of annoying customers if companies get it wrong.

Cases	A	B	C	D	E	F	G	H	I	Totals
Row Industry	Healthcare			Hospitality		Government		Finance		
<i>Service requirements</i>										
A Competitor activity		✓			✓		✓	✓		4
B Non-price competition	✓	✓	✓	✓	✓	✓				6
C Consumer demands		✓	✓	✓	✓	✓		✓		6
<i>Organisational requirements</i>										
D Efficiency	✓	✓	✓		✓				✓	5
E Knowledge		✓	✓	✓	✓	✓				4
F Duty of care	✓	✓	✓							3
Totals	3	5	5	3	5	3	1	2	1	

Note: ✓ = respondent's nomination

Figure 3-3: Market factors relating to customer contact management implementation (Spencer-Matthews & Lawley, 2006)

### 3.3.3 Technology and services

Service encounters are generally still regarded as ‘low-tech, high face-to-to-face’ contacts (Drennan & McColl-Kennedy, 2003; Jayawardhena et al., 2007), although the role of technology in service encounters has been acknowledged. As early as 1996, Parasuraman modified his Services Marketing Triangle to include technology as the fourth dimension (see Figure 3-4). More recently, Froehle and Roth (2004) identified five modes of technology-mediated customer contact (technology-free, technology-assisted, technology-facilitated, technology-mediated and technology-generated). Insight-driven service encounters relate to the fourth category – technology-mediated customer contact.

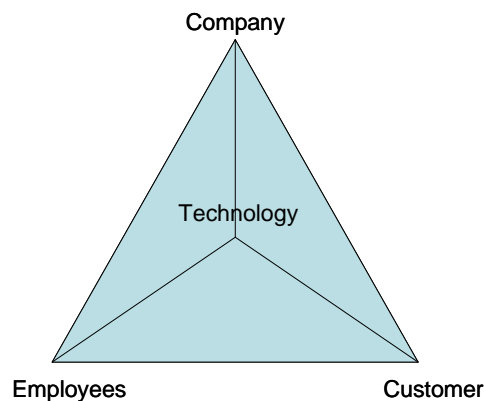


Figure 3-4: The Services Marketing Pyramid (Parasuraman, 1996)

Bitner et al (2000) developed a framework called the Technology Infusion Matrix to illustrate how technology can be effectively used to improve service encounters (see Figure 3-5). According to the authors, technology can influence the interaction between

an employee and a customer, or technology can completely replace the human service provider. In their matrix, they identified three drivers of service encounter dis/satisfaction: customisation/flexibility, service recovery and spontaneous delight.

Technology Infusion Matrix			
Drivers of Service Encounter Satisfaction			
	Customization / Flexibility	Effective Service Recovery	Spontaneous Delight
Technology as Enabler for	Technology can be used by <u>contact employees</u> to improve the efficiency and effectiveness of service encounters by enabling customization, improving service recovery and spontaneously delighting customers.		
Employees	<u>Industry Examples:</u> •AT&T •Streamline •Individual Inc.	<u>Industry Examples:</u> •General Electric •USAA	<u>Industry Examples:</u> •Progressive Corp. •Ritz Carlton
Customers	Technology can be used independently by <u>customers</u> to improve the efficiency and effectiveness of their own service encounter experience by enabling customization, improving service recovery and providing spontaneous delight.		
	<u>Industry Examples:</u> •Amazon.com •Wells Fargo •Federal Express	<u>Industry Examples:</u> •Hartness Intl.	<u>Industry Examples:</u> •Cisco

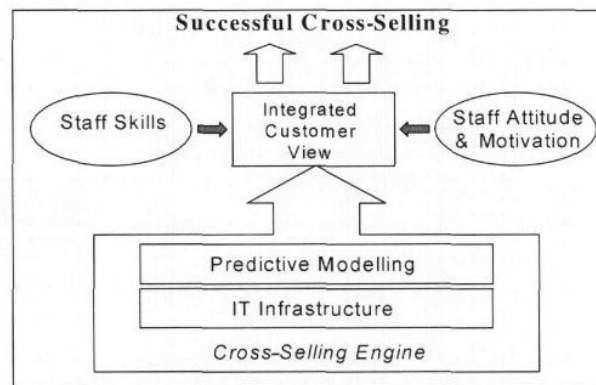
Figure 3-5: Technology Infusion Matrix (Bitner et al., 2000)

The first driver – customisation/flexibility – is most relevant to the debate about how customer insight can affect service outcomes. We already know from previous research (Bettencourt & Gwinner, 1996) that customers want flexibility and expect the service encounter to be customised. Previously it was down to the service employee to respond intuitively to customer needs and adapt the service accordingly, but increasingly many authors are recognizing the critical role that technology can play in this process (Bitner et al., 2000; Peppers et al., 1999; Pine II, 2004). Arguably, the ability to customise is one of the key benefits of using technology to improve the delivery of service encounters (Quinn, 1996).

Technologies such as powerful databases, sales-force automation tools, call centre management tools, help-desk applications, product and price configuration tools can also be used during service encounters to increase sales-force closure rates and increase customer retention (Bitner et al., 2000).

The most widely tested model to explain IT usage in the IS/IT literature is Davis et al's (1989) technology acceptance model (TAM). As these and other models do not extend to addressing how the use of IT leads to increased performance, Sundaram et al (2007) tested a model for technology use on the front line in order to understand how various forms of technology usage affected multiple measures of salesperson performance. This research was limited to salespeople in one company in the United States.

Jarrar and Neely (2002) proposed that there are two different types of technologies that support cross-selling: CRM systems and customer intelligence, ideally actioned together in real-time (see Figure 3-6). They suggested that predictive modelling was an important ingredient for successful cross-selling, including techniques such as using events and triggers and behavioural propensity and segmentation models. Byers and So (2007) concur that there is value in using real-time information to cross-sell in telephone service centres.



**Figure 3-6: A framework for a best practice IT-based cross-selling system (Jarrar & Neely, 2002)**

Jarrar and Neely (2002, p. 295) caution that successful cross-selling is “not a technology issue.....it’s about having a well trained and motivated sales force, who can talk to the customer supported by a real-time (or as close as possible) information system, that is centred around individual customer profitability, to help staff understand all they need about the customer”.

Eichfeld et al (Eichfeld et al., 2006, p. 11) also warn companies not to invest excessively in technology that delivers automated prompts to agents – as such prompts can lead to mechanical sales pitches. They observed that “agents who listen to customers and ask real questions to ascertain their needs are more likely to uncover sales opportunities than those who follow automated prompts like robots”.

Information technology is a critical component of one-to-one marketing. Three different types of technologies are required: (1) customer databases, (2) interactive media and (3) systems that support mass customisation (Pitta, 1998). For successful technology-enabled service encounters, firms need both one-to-one marketing (Peppers & Rogers, 1993; Pine II, Peppers, & Rogers, 1995) and mass customisation (Gilmore & Pine, 1997; Pine, 1993). In other words, once firms have identified individual needs (one-to-one marketing), they need to be able to customise their products accordingly (Pitta, 1998). Critics argue that both one-to-one marketing and mass customisation are “examples of technological hype which is far beyond commercial reality” (Pitta, 1998, p. 471).

Bitner et al (2000) propose that service providers should be able to adapt to customer needs in real-time (Oliver et al (1998) see real-time marketing as an extension and

integration of both mass customisation and relationship marketing). This can be done using “interaction management technologies”. In most cases these technologies have embedded or associated analytics that drive the offer decision-making process (Doyle, 2005).

However, Spencer-Matthews and Lawley (2006) identified numerous barriers that hinder the required access to real time information including information gaps, empowerment of customer contact personnel, resource issues, corporate culture and organisational systems and inter-functional impediments.

In conclusion, although the role of technology in service encounters has been acknowledged, most of the work is conceptual and little is known about its application in inbound service call centres. It has been proposed that two technologies support cross-selling - CRM systems and customer intelligence – ideally actioned in real-time – but there is little evidence of practice in this area and critics suggest that it is more technological hype than commercial reality.

### **3.3.4 Issues associated with sales through service initiatives**

There is a broader literature investigating the difficulties of combining sales and service roles at the point of customer contact. Authors (Schneider & Bowen, 1995; Evans et al., 1999) warn of the potentially negative effects. For example, the agent might be capable of selling, but may choose to bring a premature close to the call if concerned about average handling time. Evans et al (1999) confirmed their hypothesis that the number of customer transactions for the employee in a given time period is negatively related to the customer cross-sell ratio.

As a result of an in-depth case study at a UK bank, as well as reviewing the experiences of other cross-selling efforts, Jarrar and Neely (2002) identified the following generic issues associated with a ‘sales through service’ initiative:

1. Capacity plans (can the back office support sales through service?)
2. Customer relationships (will they be jeopardized by “excessive or repetitive contacts”? Will a customer be offered the same product that they have already declined on a previous occasion, possibly via a different channel?)
3. Sales force compensation and training (is it part of the corporate culture? Is there the right mix of selling skills and product knowledge?)
4. Product re-design (is the value proposition compelling and differentiated?)
5. IT investment and integration (will it support cross-selling?)
6. Customer profitability analysis (some argue that cross-selling can actually be detrimental unless closely tied to profitability)

In a study of North American banks, Eichfeld et al (2006, p. 5) found that deeply-rooted mind-sets hampered efforts to turn call centres into profit centres, as well as “arguments over who gets the credit for new sales, manager and agents who think that cross-selling will annoy service customers, and the perceived stigma of telephone sales”.

The firm’s organisational structure may not be supportive of a combined sales/service role (Schneider et al., 1998). Although there is plenty of agreement about the need for

customised service, there has been little focus on the organisational behaviours required to successfully do this (Spencer-Matthews & Lawley, 2006). Bowen and Lawler (1995) proposed that organisations need to distribute power, customer information, knowledge and rewards in a manner consistent with employees' role expectation. Pitta (1998) suggested issues concerning lack of staff training; inaccessibility of data; dynamic nature of data accuracy; complexity and vastness of data. Yu (2001) listed organisational issues such as organisational culture, resources, structure, systems and staff. Moorman and Rust (1999) warned of many more 'unknowns' including "knowledge about content and structure of information systems; design issues to facilitate cross-functional activities; human resource skills and organisational characteristics such as structure, culture, beliefs and routines".

In their research into the implementation of customised customer contact management Spencer-Matthews and Lawley (2006) grouped issues into three categories: (1) education, (2) procedures and (3) resources relating to time, money, personnel and systems. This is concurrent with Evans et al (1999)'s discovery that organisational training and climate have to support an outstanding service experience, otherwise formerly service-only employees may easily fall back into a pattern of dealing with each customer in a quick and efficient manner.

Spencer-Matthews and Lawley (2006) join other authors (Bettencourt & Gwinner, 1996) in agreeing that customer service personnel need access to information in real-time. However, they acknowledge that there are numerous organisational barriers identified in the literature that prevent access to real-time information including empowerment of customer contact personnel, resource issues, corporate culture and organisational systems, and inter-functional impediments.

Finally, the organisation design, management and marketing literature provides wide-reaching evidence that a centralized organisational structure is not conducive to a boundary-spanning context.

### **3.3.5 Agents in a combined sales and service role**

This is a paucity of literature examining the characteristics or competencies of agents who are successful in a combined sales and service role. Eichfeld et al (2006) have conducted one of the few empirical studies investigating agents in North American banks and concluded that agents have to display competence, confidence and a genuine concern for the customer. Firstly, call centre agents must 'earn the right' to sell by adequately and competently dealing with the customer's service request. The authors advise that call centres should not attempt cross-selling and up-selling until they have a strong service foundation and competent agents.

Secondly, Eichfeld et al (2006) observed that agents needed to display confidence. Pontes and Kelly (2000) agree that agents should be able to speak confidently and fluently e.g. avoid vocalised pauses such as um, ah etc. Agents should also genuinely believe that exploring the needs of customers and offering tailored products and services to them are aspects of providing great service. They have to be confident that they are 'doing the right thing' for the customer and not worry that attempts to cross-sell will just annoy them (Eichfeld et al., 2006). According to Beaujean et al (2006, p.65),



“exemplary advisers consider themselves to be guardians of the customer’s well-being and therefore have full confidence in what they sell and in their ability to communicate”. Conversely, if agents believe that they’re intruding on the customer’s privacy or they lack belief in the company’s products and services, or they fear rejection, they are unlikely to succeed.

Thirdly, Eichfeld et al (2006) join several authors (Beatty et al., 1996; Schneider & Bowen, 1999; Pontes & Kelly, 2000) in stressing the importance of customer contact employees being able to exhibit empathy and understanding in relation to the customer. If an agent is unable to show empathy, it is unlikely that customers will feel inclined to talk about their needs, let alone purchase additional products and services (Eichfeld et al., 2006). Some authors go a step further to suggest that agents in a combined sales and service role need to be able to view the service experience through the eyes of the customer in order to be able to identify and meet their needs (Beatty et al., 1996; Bitner et al., 1994). The more accurate the agents’ perception of the customers’ service experience, the higher the cross-sell ratio (Beatty et al., 1996; Maister, 1997). Kennedy et al (2002) propose that employees who truly believe that understanding customer needs and acting to satisfy customers are central components of their job perform better than those who do not hold these beliefs. This is concurrent with the theory of the service-profit chain, which established that a “primary source of job satisfaction was the service workers’ perceptions of their ability to meet customer needs” (Heskett et al., 1994, p. 169).

The qualities of confidence, competence and genuine concern for the customer (Eichfeld et al., 2006) are consistent with Hartline and Ferrell’s (1996) research into the qualities of customer contact employees. They empirically qualified a link between employee self-efficacy (an employee’s belief in his or her ability to perform a job-related task) and job satisfaction. They argued that feelings of competence and confidence increase job satisfaction, as well as employees’ willingness to adapt to customer needs.

In a review of service encounter and service quality literature, Farrell et al (2001) identified eleven dimensions of agent behaviour that comprise behavioural Service Quality Implementation – adaptability, assurance, civility, customer orientation, empathy, recovery, reliability, responsiveness, spontaneity, tangibles and teamwork.

Most recently, research undertaken by Jayawardhena et al (2007) found that service encounter quality in a business to business context is influenced by four factors: professionalism, civility, friendliness and competence. This enhanced Winsted’s (2000) research which identified three dimensions of behaviour: concern, civility and congeniality. This translates into what Beaujean et al (2006) coin as “emotionally intelligent” behaviour.

Despite the targets and measures imposed on them, agents must still be allowed considerable freedom and discretion when dealing with service enquiries in order to be effective and properly motivated (Bowen & Lawler, 1995). Sales/service employees are more likely to be successful (in terms of positive sales and service results), if they have

adequate control at the point of customer contact (Churchill Jr. et al., 1974) over how to perform their job (Bowen & Lawler, 1995).

Jarrar and Neely (2002) concur that to be successful, agents need to take ownership of the customer throughout the process, rather than handing over a question or issue. Agents will perform well when they understand the “what” as well as the “why”. It helps when they are given the freedom to do the job the way they think it should be done and to treat customers the way they think they should be treated (Beaujean et al., 2006).

Another dimension of the concept of ‘control’ is that agents need to be aware of the business and strategic context in which they are performing their job, as well as having accountability for performance outcomes (Bowen & Lawler, 1995). In other words, agents should be given regular feedback on how they are performing to clearly link their efforts with outcomes (Bowen & Lawler, 1995). It is important that both sales and service behaviours are appropriately rewarded and recognised (Jarrar & Neely, 2002).

Yet constant trade-offs between speed and additional sales can make an agent’s role very ambiguous. This in turn can lead to stress or job dissatisfaction for the employee (Rhoads et al., 1994; Bettencourt & Gwinner, 1996). While some authors (Hartline & Ferrell, 1996; Evans et al., 1999) agree that having a dual role is likely to increase levels of stress that will have a negative impact on performance, others (Beatty et al., 1996; Schneider & Bowen, 1995) argue that increased job scope leads to greater awareness of customer needs and enhancing problem solving resulting in higher levels of performance.

In summary, while the characteristics of good service agents have been extensively studied, there is little evidence of how, if at all, these characteristics differ when the role includes a sales component.

### **3.3.6 Measuring sales and service performance**

Several firms have successfully introduced schemes that reward both service and sales behaviour in their customer contact staff. Goods retailers and department stores have consistently used commission-based rewards structures, as have service retailers such as banks (Evans et al., 1999). However, Evans et al (1999) suggest that if it was as simple as introducing a commission-based reward programme, other department stores would have replicated Nordstrom’s success. They propose that other reasons for success or failure are prevalent. For example, the extent to which contact employees experience role ambiguity (Hartline & Ferrell, 1996) or service firms’ organisational structure (Schneider et al., 1998). Role ambiguity can occur when agents lack sufficient information about their role and are unsure what is expected of them from different parties (Singh, 1993).

Eichfeld et al (2006, p. 10) agree that “while a good incentive plan is necessary, it is not a panacea”. In their study of six North American banks, they found that although monetary incentives acted as strong motivators for cross-selling, they found no correlation between cross-selling performance and the way that incentive plans were

structured. In other words, the agents that are most successful at cross-selling will do so regardless of the reward structure.

Jarrar and Neely (2002) propose a middle ground for hard measures. For example, random monitoring to ensure compliance to a script and verbally rewarding positive habits such as listening to customer feedback or correctly identifying needs.

The bottom line seems to be that firms should aim for a balanced scorecard – if one component is forgotten, it could be more detrimental than beneficial. In other words, service and sales must be complementary not contradictory (Schneider et al., 1998).

In terms of measurement of firm performance, Jarrar and Neely's (2002) survey of more than 200 US banks in 1999 revealed that banks predominantly measured cross-sell campaigns based on the number of cross-sells. More than three quarters did not measure cross-sell effectiveness in terms of its contribution to overall profitability or to individual profitability.

Accordingly to Eichfeld et al (2006), on average, customer service agents at North American banks cross-sell less than one core product for every 100 inbound calls they handle. However, they knew of two North American banks who cross sell up to four core products and up to five additional relationship-building products every 100 calls. They proposed that most bank call centres with high levels of service quality, could achieve a cross-sell ratio of three core products for every 100 calls within two years of implementing a service to sales initiative.

In summary, there is little evidence of measures of sales and service initiatives in inbound service call centres. The only evidence of up-sell/cross-sell ratios is in the context of North American banks.

### **3.3.7 Research gaps**

As evidenced by the introduction and literature review, there is a dearth of research investigating how inbound service call centre agents cross-sell, up-sell and retain customers. Although the services literature (Fisk et al., 1993) is awash with discussions of the role of the customer contact agent in framing the customer experience, there is little about the firm's perspective of where the contact agent must cross-sell and up-sell (Evans et al., 1999). While Bitner, Brown and Meuter (2000) contribute to closing this gap, their focus has been on self-service technologies, as opposed to technologies that assist call centre agents in more effective cross-selling and up-selling.

Ngobo (2004) looks at drivers of cross-buying intentions, but from a customer's perspective and only with respect to buying services (not products). The research is also limited to an empirical study in France. Spencer-Matthews and Lawley (2006) observe that while research has been conducted on both customer service and database marketing there has been little research tying the two together.

There are no studies looking at how customer insight can be used in a sales or a service context. The few previous studies on customer insight (Nemati et al., 2003; Wills & Williams, 2004; Wills & Webb, 2007; Smith et al., 2006a; Langford & Schulz, 2006)

agree that it arises from ‘multiple data sources’ and instruct organisations to embed insights across all areas of the organisation (Forsyth et al., 2006). As yet no comprehensive and empirically-derived list of the different types of insight exists. As for the use or actioning of customer insight, there are no examples of a broader use beyond marketing decision-makers (Wind, 2005), although Forsyth et al (2006) do suggest that firms need to translate insights into frontline actions.

Whereas numerous authors have espoused the importance of the role of the customer contact employee, few marketing studies have focused on issues regarding the management of service and sale behaviours (Evans & Grant, 1992). Likewise, the main emphasis in contemporary sales literature is on the determinants of sales performance and little advice is offered on sales-service behavioural strategies (Evans et al., 1999).

With regards to the personalisation and customisation of the service encounter, Gwinner, Bitner, Brown, and Kumar al (2005) propose that although (Pine II et al., 1995; Pine II et al., 1995) and (Treacy & Wiersema, 1993) have discussed the advantages of customising the service offering, systematic study from a scholarly perspective has been lacking. Although, Sujana et al (1994) demonstrated in 1994 that the performance of the customer contact employee or boundary worker will improve if the customer-employee interaction is tailored to the specific customer, and Schneider and Bowen (1995) remarked that service/sales employees needed to have access to tools and resources to help them identify customer needs, there has been no research investigating the role of customer insight in the tailoring process.

Pontes and Kelly (2000) identified that personalization of the call and the offer of additional services are significantly related to higher caller repurchase intentions. However, at the time of their research, personalization through technology was not common practice and personalization was as basic as the use of the customer’s name. They proposed additional research examining the impact of technology on the personalization of inbound service calls.

Bitner et al (2000) agree that the growing role of technology in service encounters has been largely ignored and that virtually all of the service research has explored the interpersonal dynamics of the encounter. The authors’ research examines the ability of technology to effectively (1) customise service offerings (2) recover from service failure and (3) spontaneously delight customers. However the focus of technology is on self-service technologies as opposed to technology that assists call centre agents in more effectively cross-selling and up-selling.

When ten leading services scholars were questioned on the direction that services marketing research should take in the future (Grove, Fisk, & John, 2003, p. 116), nearly every panel member challenged scholars to “chart new territory” and examine the impact of technology on services. They also recommended that it was time to “move beyond the preoccupation with the topic of service quality measurement” and place more emphasis on the outcomes of service quality such as profitability, customer loyalty and customer retention.

Several authors (Kamakura et al., 2003; 2007) note a lack of attention in the marketing literature to the subject of cross-selling. There are no empirical studies of how real-time marketing is being used to drive sales in a service context. Oliver, Rust and Varki (1998) have examined adaptiveness from a service offering perspective, using the concept of real-time marketing, but their paper is not backed by empirical evidence.

Finally, there is little concrete evidence of measures or costs relating to cross-selling in financial services. Most of the literature provides only anecdotal experiences or measures outcomes in terms of job performance of agents as opposed to outcomes such as cross-selling, up-selling and retention (Gwinner et al., 2005). Jarrar and Neely (2002) believe this is primarily because the concept of IT-enabled cross-selling appears to be in its infancy and few firms are able to demonstrate success or failure yet.

### 3.4 Methodology

#### 3.4.1 Research strategy

This research used a qualitative method to explore the research question, as it is generally considered to be good for identifying new concepts (Carson & Coviello, 1996) and therefore suitable for investigations that are pre-paradigmatic in nature (Bonoma, 1985). Qualitative research is useful in cases where it is important to understand the phenomena under investigation (Cahill, 1996) and where the researcher's own terms can be used to interpret the respondent's experiences and beliefs (Gilmore & Carson, 1996). According to Wright (1996), qualitative research plays an important role in accessing key decision makers in organisations, particularly in highly competitive markets where companies are reluctant to disclose information which is regarded as sensitive.

Qualitative research is particularly suited to the study of services marketing (Gilmore & Carson, 1996). Figure 3-7 illustrates the key matching features, namely the use of descriptive data, the inclusion of experiential knowledge and understanding of the researcher, the emphasis on the interpretative analysis of data, the holistic context of data collection and analysis and the scope of qualitative methods.

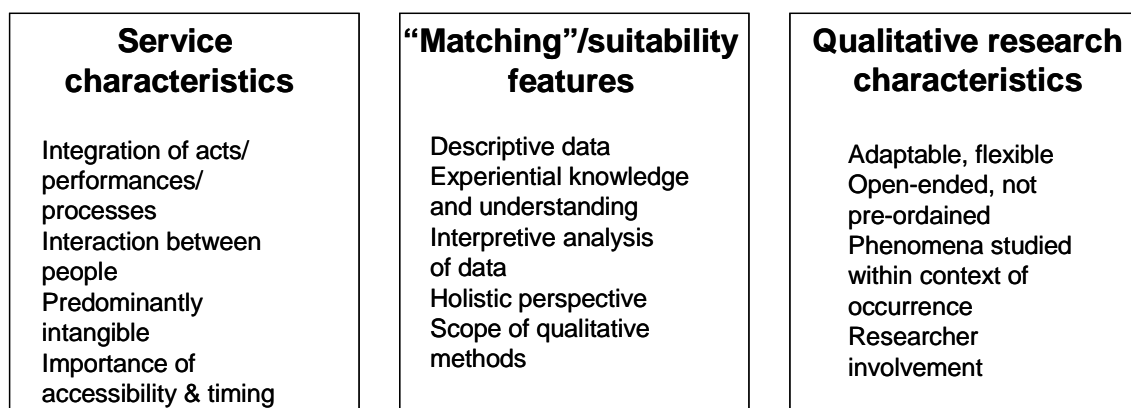


Figure 3-7: Suitability of qualitative research methods for services marketing (Gilmore & Carson, 1996)

### 3.4.2 Case-based research

The qualitative method of case research was deployed. A case study is “a description, directly obtained, of a management situation based on interview, archival, naturalistic observation, and other data, constructed to be sensitive to the context in which management behaviour takes place and in its temporal restraints” (Bonoma, 1985, p.204).

The use of case research is a viable method to investigate “good practice” in marketing (Bonoma, 1985) and useful in an area where the theoretical base is relatively weak and where the environment could be described as ‘messy’ (Harrison, 2002). According to McCutcheon and Meredith (1993), “field based approaches are the best ways to find out about the issues, describe the problems, discover solutions and generally ground our theory in the complex, messy world of real organisations”. Case research is useful when “a phenomenon is broad and complex, where the existing body of knowledge is insufficient to permit the posing of causal questions and when a phenomenon cannot be studied outside the context in which it naturally occurs” (Bonoma, 1985, p. 204)

Depth and detail of data was obtained through in-depth interviews with key personnel, following Carson and Coveillo’s (1996) suggestion that this can be obtained only by getting physically and psychologically close to the subject matter. It is also an efficient, cost-effective method of qualitative research (Wright, 1996).

Prior theory and literature was used to develop a semi-structured interview protocol with mainly broad, open-ended questions. This ensured a consistent pathway to analysing the interview data (Yin, 2003). Structured interviews differ from unstructured interviews in that the researcher develops a detailed ‘game plan’ in the research design, identifying all the variables against which data will be collected, together with an interview framework and possible coding scheme (Harrison, 2002). The interviews were supplemented with additional data where possible (e.g. reports/presentations).

The primary goal of data collection in case research is understanding. In other words, it is about description, classification, theory development and limited theory testing rather than quantification. It is about depth rather than breadth of data – “the risks of low data integrity are traded for the currency and contextual richness of what is learned” (Bonoma, 1985, p. 206).

### 3.4.3 Justification of the rejection of other methods

The following other qualitative methods were rejected:

**Repertory Grid Technique:** this technique is useful for investigating areas that are hard to articulate (Bannister & Fransella, 1971; Goffin et al., 2006). It is used to understand individuals’ perceptions and the constructs they use to understand and manage their world. The following disadvantages of this technique, as identified by Stewart and Stewart (1981), are thought to apply:

the resulting grid will not provide sufficient descriptive data  
the grids are very time consuming to complete (up to 1 ½ hours)

there is a danger it would produce packaged, rather than meaningful results

***Projective Techniques:*** These techniques are used in very specific circumstances, where the interviewee is asked to explain, or 'project' what he would do in that situation. The technique was first used by Henry Murray (1938) and has been developed by David McClelland (1961) as a means of measuring the strength of an individual's need for achievement. It is used extensively in recruitment, as it is believed that individuals will reveal hidden levels of their consciousness by reacting to different types of stimuli, such as drawings.

The technique is widely used in market research (Jobber, 1987), in an attempt to uncover deep seated feelings about motivations and beliefs.

As the purpose of this research project was to collect descriptive data about current practice, rather than deep-seated feelings of potential future behaviour, this method was rejected.

***Protocol Analysis:*** this is another way of finding out the underlying logic of the way people think, and usually follows a specific event (Burgoyne & Hodgson, 1983). This method was rejected because the research topic is not event-driven and is more concerned with processes and actions rather than underlying logic.

***Group and Focus Interviews:*** Group interview techniques (Hedges, 1985) are used extensively in market research and increasingly in politics. This method was partially rejected as impractical, due to the scheduling difficulties of getting four or five people from different functional areas (although from the same company) in a room at the same time. Also it was thought that more information would be yielded from four or five separate interviews than from one hours' group interview. Social pressures may also condition the responses gained, particularly as the respondents will come from different functional areas.

#### ***Quantitative Methods***

Quantitative research, for example using questionnaires and surveys, was rejected as an inappropriate choice, as it is highly dependent upon theoretical structure for its rigour. As existing models of CRM/customer insight in the literature are not detailed enough, it is proposed that a model first needs to be built and refined before other methods of research can be contemplated.

#### **3.4.4 Case selection**

The non-probabilistic technique of purposive sampling (Gill & Johnson, 1991), where a certain sample is taken to be representative of the whole population, was used to select 'good practice' cases. This technique is useful where the major concern is not to generalise the findings of the study to a broad population or universe but to maximise discovery of the heterogeneous patterns and problems that occurred in the particular context under study (Manderbacka, 2005; Singh, 2006). It is appropriate where the goal is theory building or analytical generational rather than theory testing or statistical generalisation (Neuman, 1994). Random sampling was not possible given competitive issues and the small number of significantly important companies operating in this field.

‘Good practice’ companies were targeted, as these were more likely to be advanced in their use of customer insight. In their recent research, Smith et al (2006b) found that the extent to which firms use data to drive their offer to the marketplace is quite limited. They described three stereotypes:

1. Those firms that use data only to focus and improve their marketing communications. Such approaches are the *most common* use of data in marketing.
2. Those that use data to focus and improve their marketing communications but also to improve “outer” aspects of the offer, such as service and packaging. Such approaches are *less common, but not rare*.
3. Those firms that use data to tailor the entire offer and customer experience, within very broad limitations implied by fixed assets and infrastructure. Such approaches are *rare*.

‘Good practice’ cases were not only considered to be ‘good’ in terms of exhibiting the environment under study, but also ‘good’ in terms of ease of access and participant support (Harrison, 2002). To be suitable, the cases had to be cross-selling, up-selling or retaining customers through their inbound service call centres. The call centres had to be UK based (for ease of access) and they had to be using technology (or planning to use technology in the near future) to deliver customer insight into the hands of call centre agents.

Six cases were selected using replication logic i.e. the cases provided differences rather than similarities and so covered a range of different industries - financial services, health and care, mobile telecommunications, insurance, energy and membership services. This also helped to ease respondents’ concerns around confidentiality. The research was restricted to six companies with the following considerations in mind:

- time constraints
- the difficulty of finding companies that were exhibiting practice in this area
- the difficulty of gaining access to these companies

The sample is summarised in Table 3-1. The first two cases, Barclays and O2, were selected as they were known to be exhibiting the phenomenon under investigation and were willing to continue as research subjects following their participation in project one. Access to ENERGY was initially through Vertex, the UK’s largest business process outsourcing company and lead sponsor of the Henley Centre for Customer Management. Following investigations and interviews at Vertex’s call centre in Liverpool, it was discovered that the ‘value-add’ initiative for ENERGY was in its infancy and it was deemed necessary to visit ENERGY’s call centre in Glasgow, where the ‘value-add’ initiative was long established.

Desk-based research was carried out to uncover companies from a variety of industries who were speaking at industry conferences on the topic of ‘sales through service’,



‘value-added’ initiatives or turning their contact centres into profit centres. Companies who were known to be advanced in their use of customer insight were also targeted. contacts were approached via email to invite their participation (see appendix 4.10 for sample email). Phone calls were then scheduled to qualify their suitability as case studies. This selection process led to HEALTHCARE, RIAS and The AA joining the study. It is acknowledged that there was inevitably a degree of convenience sampling. See appendix 4.11 for the list of 14 companies approached but qualified out.

Company	Sector	Revenue
Barclays	Financial services	Group profit of £4.1bn in the first half of 2007
HEALTHCARE	Healthcare	£2.1billion in the first half of 2007
O2	Telecommunications	€3.5 billion 3 months ending June 2007 (for parent company, Telefonica Europe)
RIAS	Financial services	Part of the Fortis Group which has total assets of over £700 billion
ENERGY	Energy	€6,718.1 million in the first half of 2007 (for parent company)
The AA	Automobile breakdown cover and associated services	Valued at at £3.35 billion in June 2007. The AA's EBITDA year ended 31 Dec 06 stood at £272.7m

**Table 3-1: Project two case details**

### 3.4.5 Respondent selection

The unit of analysis was the process of cross-selling, up-selling and retaining customers in inbound service call centres. In order to understand the process in broad terms and to achieve triangulation, purposive sampling was used to select a balanced group of four to five interviewees from different areas and levels within the organisation:

- Commercial director
- Head of inbound service call/contact centre
- Head of customer insight
- Call centre agents

27 people were interviewed on 24 occasions for a total of 16 hours and 24 minutes (see Table 3-2). Three interviews were with two people at the same time and one interview took place via the telephone. The interviews took place between 26<sup>th</sup> January 2007 – 31<sup>st</sup> May 2007 and the average length of each interview was 41 minutes. Each interview was electronically recorded.

Live interviews created the opportunity for senior managers to offer verbal insights into their organisational processes and culture and gave them the freedom to express opinions without concerns about confidentiality. The interviews were semi-structured around the following sections, which were designed to allow for in-depth probing and exploration as required. See appendix 4.12 for a more comprehensive outline of the interview guide.

1. Introduction and definition of terms
2. Company and respondent background, facts and figures
3. Market factors driving the sales and service initiative
4. Technology deployed/process of getting customer insight into the hands of call centre agents
5. Inhibitors and enablers of sales and service initiatives
6. Qualities of agents in a combined sales and service role
7. Measurement of sales and service initiatives
8. Future plans

In addition, respondents were asked to share any information they had in the form of printed or electronic material.

To add to the triangulation of data, 16 call centre agents were observed for approximately 45 mins – 1 hour each. During pauses between phone calls the agents were questioned. Their comments were noted but not audio taped. This method is appropriate when the researcher needs to become totally immersed and experience the work or situation at first hand. Donald Roy (1952) used the method to show how workers in the machine shop of a large company manipulated the piecework incentive scheme.

Company	Date	Location	Job title	Length (mins)
Barclays	20.02.07	Coventry	Sales and Service Manager (A:1) Head of Contact Centre (A:2)	47
Barclays	20.02.07	Coventry	Senior Sales and Service Development Manager, Commercial Team (A:3)	57
Barclays	20.02.07	Coventry	Two call centre agents (sales)	
ENERGY	23.03.07	Glasgow	Head of Contact Centre, East Kilbride (B:1)	32
ENERGY	23.03.07	Glasgow	Operational Planning Manager (B:2)	23
ENERGY	23.03.07	Glasgow	National quality and compliance manager (B:3)	36
ENERGY	26.01.07	Liverpool	Account mgr, Vertex (B:4)	57
ENERGY	23.03.07	Glasgow	Operations Manager (sales/compliance) (B:5)	17
ENERGY	23.03.07	Glasgow	Operations Manager (B:6)	35
ENERGY/Vertex	26.01.07	Liverpool	Account mgr, ENERGY (B:7)	27
ENERGY/Vertex	26.01.07	Liverpool	Call Centre Operations Manager (B:8)	45
ENERGY	23.03.07	Glasgow	Two customer service agents	
HEALTHCARE	30.04.07	Confidential	Customer Experience Manager (C:1)	60
HEALTHCARE	30.04.07	Confidential	Customer Service Manager, Loyalty (C:2)	36
HEALTHCARE	30.04.07	Confidential	Head of Customer Service Excellence (C:3)	16
HEALTHCARE	30.04.07	Confidential	Senior Manager – Actuarial (C:4)	12
HEALTHCARE	30.04.07	Confidential	UK Service Manager, Customer Relations and Loyalty (C:5)	46
HEALTHCARE	30.04.07	Confidential	Three customer service agents	
O2	21.03.07	Leeds	Head of Business Customer Service (D:1)	63
O2	28.03.07	Slough	Head of Value Development, Customer Service UK (D:2)	76
O2	13.04.07	Telephone	Head of Business Retention and Customer Development (D:3)	32
O2	21.03.07	Leeds	Three customer service agents (business)	
RIAS	31.05.07	Bournemouth	Head of Brand and CRM (E:1)	36
RIAS	31.05.07	Bournemouth	Head of Household (E:2)	18
RIAS	31.05.07	Bournemouth	Head of Customer Service and Fulfillment (E:3)	40
RIAS	31.05.07	Bournemouth	Customer Services Director (E:4)	54
RIAS	31.05.07	Bournemouth	Two customer service agents	
The AA	11.04.07	Basingstoke	Customer Contact Manager (F:1) Customer Insight and Data Manager (F:2)	68
The AA	09.05.07	Cheadle	Head of Call Centre (F:3) Sales Manager (F:4)	50
The AA	09.05.07	Cheadle	Two customer service agents (save a member team)	
The AA	09.05.07	Cheadle	Two customer service agents ( member services team)	

**Table 3-2: Respondent and interview details**

### 3.4.6 Analysis

The analysis of qualitative data collected during case study research is acknowledged as challenging (Spencer-Matthews & Lawley, 2006). To analyse this research, the interviews were transcribed, printed out and read through in batches per company, together with any supporting documentation from respondents and notes from the observation of call centre agents. The following codes were assigned (hand-written in the margins) to the appropriate paragraphs in each interview:

- Case background
- Contextual factors
- Generation and delivery of customer insight to front line
- Issues
- Agents in a combined sales and service role
- Metrics and results

Each case study was then written up, section by section, according to the above coding in each interview transcript. The interview transcript that was richest in data for each particular section was analysed first. Subsequent transcripts were then analysed and any additional information was added to complete the write-up of each section.

Quotations were used to support the findings. A letter followed by a colon and then a number was used to identify the source of the quotation – the letter refers to the case and the number to the individual respondent within that case. For example, the code B:1 represents case organisation B, interviewee 1.

When all cases were written up, the following tables listed below were developed in an Excel spreadsheet to summarise the data (Miles & Huberman A, 1994) and to provide a platform for cross-case analysis (Patton, 1990):

Table 3-11: Summary of sales through service approaches across cases

Table 3-12: Contextual factors driving sales through service initiatives

Table 3-13: Summary of technology use in inbound service encounters

Table 3-14: Generic issues associated with sales through service initiatives

Table 3-15: Qualities of agents successful in a combined sales and service role

Table 3-16: Measures of sales and service performance

Table 3-11 was created from scratch, based on data from the cases. The other tables were initially developed based on previous literature. Each case study was analysed in turn and a tick put against each category as it occurred. If the category did not exist in previous literature, but emerged from the empirical data, a new category was added. These tables were then used to write the section entitled “synthesis and discussion”.

### **3.5 Findings**

Each case is now discussed in turn, beginning with an overview of the company, including the volume of customers and inbound enquiries. This is followed by a description of why the company has invested in a sales and service initiative (contextual factors). After that is an overview of how customer insight is generated and delivered to the front line, followed by a review of the inhibitors and enablers of the firm’s sales and service initiative. After that we examine the qualities of agents successful in a sales and service role. Finally we conclude with a review of how each company is measuring the results of their sales and service initiative.

#### **3.5.1 Barclays**

Barclays was a financial services organisation which, at the time of data collection, moved, lent, invested and protected money for more than 27 million customers and clients around the world – from large businesses to personal account holders. In the UK,

Barclays had a customer base of 9.1 million, of which 2.2 million had actively registered to use the telephony channel and did so on a regular basis. Barclays handled approximately 17 million inbound calls per annum. Due to data suppressions and permissions, only three million customers could be approached in an outbound fashion.

Inbound calls were dealt with by approximately 700 'service' agents based in Sunderland, Coventry, Manchester, Chennai and Mumbai and 650 'sales' agents based in Liverpool, Manchester, Sunderland and Coventry. The calls were routed straight through to sales or service agents depending on how customers were 'pre-scored' and identified by the IVR system. For example, customers with pre-identified sales opportunities, lending limits or negative balances automatically were routed to sales agents who first dealt with their service enquiry before seeking sales opportunities.

Customers who were not identified by the IVR system were automatically routed to service agents, who were tasked with spotting opportunities to hand-off to sales agents once they had dealt with the service enquiry.

### **Contextual factors**

The main business driver behind Barclays' inbound initiative was a need to meet aggressive growth targets. The inbound channel was regarded as an under-utilised one that could pro-actively be used to drive sales. Secondly, Barclays was adopting a more customer-centric approach that involved providing the best possible service for all customers. In a highly competitive market, Barclays needed to compete on something other than price and providing excellent customer service was one way of achieving this. Also, customers were becoming ever more demanding and expected their bank to understand their individual needs and to make them appropriate and customised offers.

In terms of goals, customer development was high on the list, although there was a strong sentiment of 'doing the right thing' for the customer. For example, if customers were not informed that they could get a much better return on their money by opening a savings account rather than holding money in a current account, respondents felt that they were doing their customers a disservice. In other words respondents felt a duty to promote the right products to the right customers during inbound conversations.

Another goal was to strengthen the relationship with the customer in order to retain them and encourage positive word of mouth endorsements. That involved not only providing excellent service, but having conversations that encouraged customers to broaden their portfolio. The thinking was that the more products a customer held with Barclays, the more likely Barclays would retain them. However, the emphasis was on 'customer service first, revenue second', because that was more likely to lead to long-term customer retention.

Finally, respondents aimed to close a link in the service-profit chain by empowering employees with competitive products that they felt comfortable recommending. If employees were confident that customers would be receptive to offers, they would be more likely to offer them and customers would be more likely to accept them.

## **Generation and delivery of customer insight to front-line**

In 2005 the Barclays CRM team commenced a programme of activity to support its desire to develop a 'best in class' inbound marketing capability. The programme focused on Barclays' central telephony system, which presented Customer Action Prompts (CAPs) to agents, advising them on additional products they could offer to customers. These achieved limited success for a number of reasons: only 7% of all calls had a CAP available to them; only one CAP was presented to each customer (not necessarily presenting the best opportunity); the quality of information and support being provided to agents via the telephony system was poor - for example, CAPs were not being removed when products were withdrawn, and the telephony system could only deliver a message to an agent at 255 characters (not enough to support an agent to have an insightful conversation); agents' lacked confidence in the CAPs as a tool to initiate sales conversations and there were no real incentives in place to use the CAPs to drive sales performance during inbound calls. Consequently, sales results were poor, with only circa 330 sales per month driven from CAPs.

In November 2006, a new system called 'CRM Lite' was rolled out following a successful pilot. At the time of interview in Feb 2007, 500 of the 650 sales agents had access to CRM Lite and by the end of March 2007, all would have it.

When a customer called Barclays, the call was routed to either a sales or a service agent (depending on pre-scoring) and the agent saw a screen with the customer and account details. The agent cut and pasted the customer's ID number into CRM Lite and received additional information on the customer's value and loyalty towards Barclays (known as value and attrition propensity markers). The agent also saw a summary of the last five interactions that had been undertaken with Barclays e.g. branch visits, ATM withdrawals, new direct debit set up, direct mail shot sent, outbound call received etc. CAPs were re-branded as Customer Service Opportunities or CSOs and multiple ones were now available for each customer (up to 5), allowing the agent to select the most appropriate one depending on the conversation.

40% of all calls routed through to sales had at least one CSO available with 35% having more than one CSO. Additional support, information and sales questions were available for each CSO, to explain why it was being presented and to suggest 'conversation openers'. For example,

*"How would you feel if I could save money on your home insurance policy?" (A:3)*

For the 60% of calls that didn't have a CSO available, the enhanced contact history still enabled the agents to initiate a conversation –

*"What did you think to our offer of a loan at 6.3%?" or "I see from your direct debits that you've just taken out a loan with XYZ company – did you ask us for a quote?" (A:3)*

An advisor was observed successfully moving a customer from a competitive loan to a Barclays loan. This was achieved through an observation of a new direct debit, as opposed to a CSO. Three tick boxes were introduced to collate responses to CSOs – did

you present the opportunity? Was there a positive outcome? Did you complete the sale or hand-off to sales? Agents had to tick the appropriate box at the end of a call.

In 2007, more extensive data quality, measurement and feedback mechanisms were introduced. For example, a real-time performance tally for individual advisors, with access to aggregate and individual performance data for team leaders and managers. Metrics were introduced into agents' and team leaders' performance development plans to encourage enhanced usage of CRM Lite. Service agents were encouraged to handle customers with sales CSOs when calls overflowed from sales. They were also incentivised to spot hand-off opportunities to sales during regular service calls. New CSOs were developed specifically for the service community which would help agents to cleanse and increase the quality of customer data during service calls.

### Issues

One of the CRM team's biggest concerns about introducing 'CRM Lite' was overcoming advisors' skepticism towards the data. Somehow they had to convince agents that the data was trustworthy and that customers would be receptive to the offers proposed. Agents were concerned that they would mis-sell customers based on inaccurate data and that this would have a negative impact on the customer experience. There was also skepticism towards a previous system that wasn't very customer friendly over the phone. For example, a loan application would take about 45 minutes and

*"the customer would be losing the will to live after about 10" (A:1)*

Agents were afraid to initiate a lengthy process that they thought would annoy customers.

Another concern was the amount of time it would take to train people to use a new system and processes and the negative impact this might have on customer service. There was also a concern that service people might not be able or willing to take on a sales role and Barclays would end up losing excellent service staff. Historically there were agents who had been in the business for a long time delivering fantastic service, who found it extremely difficult....

*"it wasn't in their psyche and make-up" (A:2)*

.....to sell to customers. It was therefore decided to split the sales and service role. Service people focused on delivering excellent service and handed-off sales opportunities to sales. Sales people first fulfilled the service requirement before exploring cross-sales and up-sales opportunities. The atmosphere in the sales call centre in Coventry appeared to be very relaxed for a sales environment and the observed agents did not appear to feel pressure to sell at any cost.

Service people were paid less than sales people, but at least they remained with Barclays. All agents when they joined were first trained to deliver excellent service, before they were introduced to sales. They were trained to know when it was appropriate just to service a customer and not to pursue a sale.

From a technological perspective, the new CRM Lite system was a standalone tool, which meant that agents had to log into two separate systems. The CRM team was concerned that agents would not be prepared to take this extra step, but could not afford to wait another year until the two systems were integrated. By the end of 2007, a new integrated system will be piloted, with a full roll-out in 2008. When this is in place, agents won't have to pro-actively load two different systems and the information will be displayed in a much clearer fashion. They are also working to add sophistication to the way in which calls are routed within their contact centres.

The CRM team has taken steps in the meantime to improve the 'user-friendliness' of the systems as well as to increase the number of CSOs that are available to agents (Barclays still needs to reach its target of 40% of calls having a CSO available). For example, using 'real language' such as 'sale made' rather than codes that no-one could remember. The first advisor was observed to handle four calls in an hour's time period. Only one call presented a CSO and it was inappropriate to make the offer as the agent had to pass the call to another call centre to take details for childrens' health insurance. Another call did present a CSO and the agent successfully handed a home insurance lead to the insurance team.

Rather surprisingly, there was not a concern about increasing average handling time (AHT). In fact, in some pilot teams, AHT actually decreased. This was because agents had always had a responsibility to spot opportunities, but they previously didn't receive much help in identifying them. So instead of having to dig around for information, the system prompts made it much easier to engage quickly with a customer.

Since real-time monitoring was introduced, sales management had an instant snapshot of how their team was performing. This helped managers to develop their staff in a more pro-active and informed way.

### **Agents in a combined sales and service role**

One of the keys to success for Barclays seemed to be the building of agents' confidence in the data. This was reflected in the statistics, as the usage of CRM Lite increased from 16% of calls to 35% of calls within a period of only seven weeks.

*"we know now that the advisors are comfortable in presenting the opportunities because they feel that the quality of what we're giving them will help them in achieving their sales targets and is actually benefiting our customers in terms of talking to them about opportunities they might not have even known were available to them" (A:3)*

Secondly, it seemed to be important that agents could competently deal with both service requests and sales opportunities. To help them do this, agents were provided with a 'sales and service toolkit' which not only acted as a reference toolkit, but took them on a 'learning journey' during 'green time' (when there were no calls coming in). The toolkit was very interactive and agents could take quizzes to test their product knowledge. This helped them prepare for the quarterly product knowledge tests which were introduced quarterly.



The third key element was that agents had to have a genuine concern for the customer –

*“certainly in the time that I’ve spent listening to sales agents they will always look to do the right thing for the customer” (A:3)*

Life experience was also considered an important quality for agents to have – agents who had a mortgage or credit card of their own were more likely to be comfortable selling these products. The call centre manager witnessed that her team of ‘key-time mums’ were better at positioning payment protection products.

Finally, the reward structure for agents was considered vital, including a balanced portfolio of measures to reward the right sets of behaviours. For example, it was no good exceeding a sales target if customers lodged complaints about miss-selling or an agent was not conforming to strict financial services compliance guidelines. The best agents were the ones that managed to achieve a consistent, balanced set of behaviours.

### Metrics and results

The two main groups of metrics were those, which measured organisational performance and those, which measured agent performance. From an organisational perspective the following metrics were used:

- On how many calls has an agent accessed CRM Lite?
- On how many calls did CRM Lite present at least one opportunity?
- How many opportunities did agents actually present?
- How many presented opportunities had a positive outcome (where a positive outcome could mean a closed sale or a hand-off from service to sales)?
- Which opportunities are most successfully converting to sales?

	Before CRM Lite	With CRM Lite (during pilot)	Stretch goals
Availability Rate	40%	20%	40%
Presentation Rate	17%	17%	50%
Conversion Rate	2%	10%	15%
# of CSOs per mth per agent presented	33	37	216
# of incremental sales per mth per agent from CSOs	1.3	4	26

**Table 3-3: Summary of Barclays' metrics and results**

In terms of simple numbers, if there were 1000 opportunities, agents would be expected to present 500 (50%) and convert 75 to sales (15%), to achieve the stretch goals.

The results in 2007 improved dramatically from week to week, as agents became accustomed to and confident in the system. At the time of research, data was only available up to week seven. Usage of CRM Lite increased from 16% of calls in week one to 35% of calls in week seven. The availability of CSOs remained fairly constant at an average of 17%. The presentation rate was occurring at only 80% of the stretch

target of 50% but the conversion rate was almost double the 10% achieved during the pilot, at an average of 19%. Combined sales and hand-offs had risen from 320 in week one to 653 in week seven.

Prior to the introduction of CAPs or CSOs, Barclays would achieve one sale per 14 inbound calls. At the time of research, this had risen to an average of one sale per 10 inbound calls (on particular days of the week this was as high as one sale per seven inbound calls). At the time of research of project one (March 2006), Barclays had achieve one sale per 11 inbound calls.

From an agent perspective, each sales advisor had a performance plan that consisted of a balanced scorecard in three main areas:

1. 50% Sales performance (performance against agreed targets)
2. 25% Customer focus (performance against service business standards)
3. 25% Operational excellence (adherence to operational targets)

### **3.5.2 ENERGY**

In November 2006 a European company announced its intention to acquire ENERGY. This research was carried out in the transition period, before the acquisition was completed on 23rd April 2007. ENERGY had four businesses: wholesale, retail, networks and overseas. Its vision was ‘to be the UK’s best integrated energy supplier and a world leader in renewables.’

This research project focused on the UK Energy Retail business, with approximately 5.2 million customers. These customers were serviced through five call centres in Glasgow, East Kilbride, Warrington, Caernarvon (North Wales) and Liverpool (outsourced to Vertex). Approximately 6.6 million inbound calls were handled per annum by just over 1000 agents.

The main reasons why customers called into the service centres were to query their bill, to correct or leave a meter reading, to request a balance statement or to report a change of circumstance (change of name or address) etc. A major challenge for any inbound value-add initiative was that

*“often it’s the people that can’t pay that are phoning in. If the customer’s happy, they aren’t phoning you. So actually your best customers are the ones that aren’t contacting you” (B:1)*

I observed that these agents had a very tough job! The majority of callers were calling with problems, either with paying their bill, querying the direct debit, amending readings, changing suppliers etc. Many of the callers had difficulty speaking English. Despite this, the agents were cheerful and motivated and did not appear stressed by unachievable targets.

#### **Contextual factors**

The utility industry was extremely competitive, very price sensitive and very fast moving. With rising energy prices, ENERGY was able to differentiate itself through capped, fixed rate prices. However, at the time of research, prices were falling for the

first time in a long while and ENERGY was re-focusing on non-price competition. Respondents reported a desire to develop the customer base (from 5.2 million to 5.3 million customers), focused on the right customers (something that is traditionally only achievable based on customer insight).

*“In the past we’ve only grown for volume – quite a lot of our competitors were doing that to get a positioning in the marketplace. Now, growing with the right customers is key” (B:1)*

A major driver in the utility industry was customer complaints – a very sensitive issue due to Watchdog and other consumer programmes. Utility companies were now competing to provide an excellent customer experience to try and reduce energywatch complaints (£320 fine for every complaint, excluding any compensation that has to be paid). Utility companies were finding that customers were becoming more and more demanding and

*“tend to expect more as every year goes past” (B:1)*

The focus was on three ‘big goals’ in 2007:

1. Customer experience - based around call quality scores, first call resolution, Energy Watch complaints
2. Financial drivers - adherence to schedule, AHT
3. ‘Value-add’ - cash collection, customer development and customer retention.

These three goals were not regarded in isolation –

*“you do the right things, you get the customer on your side, because people always buy from honest people – the people they want to deal with. So the ‘value-add’ almost becomes a by-product of good customer service” (B:5)*

### **Generation and delivery of customer insight to front-line**

In November 2006, a new programme was launched, designed to provide customer insight to customer service agents and to help them to sell ‘value-add’ products and services. The three main ‘value-adds’ were direct debit, ‘Hot keys’ (adding gas or electricity to the fuel supply) and cash collection.

In support of this project, an ‘off the shelf’ rules engine IT package was purchased. When calls came in, the rules engine, router and switch tried to find a match for the customer number (if a match wasn’t found, the customer was asked to enter an account number). The system would identify approximately 75% of customers based on either their telephone or account number. Once the customer was identified, the system would return a customer profile, automatically route the call to the most appropriate advisor (across all the call centres) and advise them how to handle the call. For example, it could prompt them to ask for an actual meter read, or highlight a cash collection or up-sell opportunity.

Different call centres had agents that specialised in different areas, for example, payment plan, quarterly credit, home move, online, SME (Small and Medium Enterprises) and customer lifespan (new customers who have come on board in the last four months).

If a customer service agent offered an additional product or service to a customer and the customer expressed interest in accepting it or finding out more, the call was transferred to a CRM team to complete the sale. Likewise, if the agent felt that a customer was unhappy and/or likely to leave, the call would be transferred to the CRM team as a retention opportunity. The system recorded when a customer had been offered a product and refused it, to prevent agents making the same offer five times and potentially annoying the customer. I observed that the agents appreciated the fact that the system did not allow them to make the same offer to a customer multiple times.

Customer service agents received an instant email from the CRM team letting them know whether the opportunity they handed over had been successful or not. I observed that the agents were eager to check their email after they had passed an opportunity over to the CRM team to see whether it was successfully converted or not.

Extensive training accompanied the launch of the new IT system.

### **Issues**

One of the first concerns with the 'value-add' initiative was that it would be hampered by strict regulation in the utility industry –

*“regulation will get harder and tighter for us as we go forward” (B:1)*

There was also a concern about increased complexity, both for the customer and the agent. Respondents didn't want the customer to feel overwhelmed or annoyed at being offered additional products.

A 'sales through service' pilot was tested two and a half years ago and

*“it really, really failed” (B:6)*

This failure was partly attributed to being called 'sales through service' and partly due to half of the agents being taken from the CRM team and the other half from customer services. This led to conflict because of the perceived division between sales and service –

*“oh you're sales, and I'm service. And you don't have a clue how to service to the customer", 'well you haven't got a clue how to sell to the customer.'” (B:6)*

With this history, respondents were concerned about the difficulty of changing the will and the skill of customer service agents –

*“obviously a customer service agent and a sales agent have a completely different mind-set” (B:4)*

Many of the customer service agents had worked there for 30 years and there was a concern that they would not be receptive to change.

The new programme was very deliberately called ‘value-add’ and not ‘sales through service’. Although the new technology provided customer insight and reporting data, success was attributed largely to major cultural and structural change. A heavy investment in cultural and behavioural training was made in the past two years to change agent mindsets from

*“I don’t want to do a sale” to “it’s not a sale, it’s a value-add” (B:6)*

Agents were re-educated to think

*“you’re doing a disservice to customers if you don’t offer them the products and services that we can provide that will make their utilities cheaper” (B:6)*

The recruitment profile of sales and service agents was changed with the help of an external recruitment agency.

There was also an investment in team manager training, called Building Leadership Excellence (BLE). This consisted of a series of two day courses aimed at helping managers to consistently recruit the right staff, manage and motivate them effectively. Organisational changes included a new call centre director and new operational managers, many of whom have worked in the CRM environment.

Performance measurements were completely re-aligned from

*“average handling time, average handling time, average handling time” (B:6)*

to broader measures. There were quarterly and monthly, rather than weekly targets on agents, which were more motivating. This sent out the message that

*“it’s OK to have a bad day sometimes” (B:1)*

A potentially negative attitude to passing on sales leads was pre-empted by not making it mandatory –

*“it’s a voluntary option, but if you do it you’ll be financially rewarded. It’s not rocket science – if the guy next to me is suddenly picking up an extra £200 a month because he’s doing all these ‘value-add’ activities, I’m going to start doing it too” (B:4)*

Prior to the incentive scheme being introduced

*“customer services was quite quiet, quite subdued and not at all like sales. Now we maintain a kind of buzzy culture” (B:6)*

The head of the contact centre was a strong believer in the power of teams and let her team leaders decide on the best way to motivate their teams to achieve their targets –

*“each team manager will know what their team likes and dislikes. Some like the camaraderie of doing things together, some like a bit of competition with one another and some just like discussion and general getting on it from day to day” (B:1)*

I observed a great sense of camaraderie and fun within the teams, although they were very competitive!

Contrary to the findings of previous research studies, average handling time has reduced since the introduction of the new programme. Initially it increased, but once the agents had more knowledge and understanding and could have a better overall conversation with customers, AHT reduced. The message that respondents tried to get across to the agents was

*“it’s about the customer experience, so don’t look at this as having 25 targets. It’s about how you speak to the customer, and the way you interact with the customer, and your pitch, and your tone, and your manner with that customer, as to how successful you’ll be in gaining some of these opportunities. So don’t look at it and say, ‘I’ve got to cash, I’ve got to get direct debit, I’ve got to get hot keys, I’ve got to get my AHT down, I’ve got to get quality, I’ve got to get all these things that we have.’ Actually, if you just focus on what the customer wants, and go through your call script bit by bit (and the systems provide you with prompts to do that), then you’ll actually succeed in all of these” (B:6)*

### **Agents in a combined sales and service role**

Respondents believed that the main prerequisite for a successful sales and service agent was confidence, from many perspectives. Firstly, self-confidence and a belief in ability were paramount. According to one interviewee,

*“probably that’s why the age of a lot of the call centre agents is quite low, quite young, because they do tend to be a bit more confident than some of the older employees” (B:6)*

Agents also needed

*“confidence in the process, confidence in the knowledge of what they’re talking about and confidence in the people they’re passing it over to. Agents generally worry that their colleagues across the business are actually going to convert the call for them” (B:1)*

Agents had to be confident that any issues they did encounter would be resolved quickly and efficiently.

The agent also had to genuinely believe that by talking about ‘value-adds’, they were enriching the customer experience –

*“you don’t want any agent to think, ‘my job is to come in and tie in with all the value-adds’. It’s not - the job is to deliver an excellent customer experience. The by-product would be the value adds” (B:1)*

*“the agents who tend to be genuinely concerned for the customer, again, are the people who are quite ambitious, quite confident and are able to take their job one step at a time, and take a call one step at a time, and not feel as if, well I’ve just come in here to do 40 calls today” (B:6)*

Respondents believed it was crucial that agents understood the complete business picture behind the performance management framework, so that they were not looking at ‘value-adds’ in isolation. Communication was therefore absolutely vital. They also felt it was important for agents to feel empowered and in control of the call still –

*“there’s an element of allowing the agent to dictate the environment they work within. One of the greatest challenges is to create an environment where agents are in control of their own destiny” (B:1)*

Agents also needed to feel that they were being listened to and that

*“they have some kind of hand in being able to make a change in the company” (B:6)*

Agents liked to know how they were performing – with the new resource planning system, they could see their AHT in real time, as opposed to waiting until the next day.

Another important factor was

*“a capacity to accept change, because the call centre constantly changes. Typically, the younger staff is more able and willing to adapt than the older staff. They’re not as confident with the new software that comes out, because we have introduced a lot of new software over the past two years. And the younger generation wants to understand how the technology works, they want to learn how to run different reports on it, they want to learn about these things because they may be keen to progress, they want careers. I think ambition as well makes somebody good” (B:6)*

## **Metrics and results**

There were a number of high level business metrics for 2007:

1. Three million customers on direct debit
2. Four out of five calls resolved first time
3. Three billion cash collected
4. Number one for energywatch complaints (i.e. best in the industry and the lowest number of complaints)
5. Number one for health and safety
6. 100% ‘golden accounts’ (accurate and complete data enabling ENERGY to tailor the calls based on customer insight)

Six months ago the customer services team introduced an incentive scheme based on ‘value-adds’ and quality. After agents had achieved a certain quality measure (based on first call resolution), they could win an additional payment based on ‘value-adds’. Overall, call centre agents were measured on

1. Customer Experience (call quality, first call resolution, energywatch complaints, accurate data/correspondence efficiency)
2. Financial Objectives (adherence, AHT, productivity)
3. Value Adds (direct debit conversion, 'hot key' transfer, self-serve)
4. Data collection
5. Health and safety and environment

The targets for direct debit conversions varied widely from team to team. For example, the home movers team had a target between 31% – 34% and the SME team only 3% - 6%. The 'hot key' conversions to opportunities were more consistent at 60% - 65% across all areas (except Correspondence).

The cash collection targets also varied from team to team. For example, the payment plan team had a target of £30 - £40 per hour whereas the quarterly credit team had a target of £120 per hour. ENERGY was moving towards a target which was a percentage of the total debt on the customer accounts, rather than an hourly rate.

On 20<sup>th</sup> March, the team in East Kilbride presented 1,222 'hot key' opportunities during 16,500 calls (7.4%). 760 leads were passed to the CRM team (62%) and 462 (61%) resulted in a sale or a save. 2,447 customers were offered a direct debit (15%) and 493 accepted (20% against a target of 12%).

From March 2006 to March 2007, hot key conversions at East Kilbride had increased from 3% to 65%. Direct debit conversions had increased from 4% to 44%. Cash collections had gone from £20 an hour to £75. First call resolution had gone from 75% to 80%.

*“We’ve exceeded all of our targets and our average handling times came down” (B:6)*

Metric	Target	Actual
Direct debit conversions	12%	20%
Hot key conversions	60% – 65%	62%

**Table 3-4: Results at East Kilbride 20th March 2007**

### 3.5.3 HEALTHCARE

HEALTHCARE was an international health and care company with eight million customers in 180 countries and over 40,000 employees. It received approximately 1 million inbound calls per year from its three million UK members. These calls were handled by 80 customer service agents (who handled outbound as well as inbound calls). The main driver of inbound calls was renewal documents being sent out, so the volume fluctuated heavily depending on renewal dates. The main reason for calling mid-contract was to discuss a change in circumstance such as moving house, changing name, getting married/divorced or reduced income.



## **Contextual factors**

In the early 1990s HEALTHCARE had been a market leader for a long while with little competition and the focus was on bringing in new business. As competition intensified (particularly as people started going abroad for treatment), the focus switched to retaining customers and it was recognized that HEALTHCARE had to start competing on factors other than price. Consumers were also becoming more ‘savvy’ and were expecting to be informed about relevant products and services. A large investment was made in training – teaching agents about the link between having a broad portfolio of products and loyalty/retention. However, it was acknowledged that

*“people aren’t as loyal as they used to be – they’re used to shopping around” (C:2)*

## **Generation and delivery of customer insight to front-line**

HEALTHCARE was currently in the process of consolidating 72 different IT systems into one system, which were to be rolled out in phases during 2007 and 2008. Outbound agents were able to work with models that calculated customer lifetime value and propensity to lapse, which were very useful for cross-selling and retention purposes. However, the same insight was not available to inbound agents, so they were unable to identify the value of inbound callers.

The new system is planned to deliver much better insight to agents and to enable them to have more meaningful conversations. For example, inbound agents will have an alert panel to indicate: what particular products or services are appropriate offers for an individual customer, customer complaints history, propensity to lapse, previous claims on policy, lifetime value etc.

At the time of research, cross-selling was very ad-hoc and service agents had to transfer all sales leads to a ‘cross-sell team’, who acted as a gate-way to other sales teams. This meant that agents only had the opportunity to cross-sell/up-sell one product, as they could only transfer the call once. Approximately three years ago the ‘cross-sell team’ was set up with the goal of targeting customers with a high propensity to lapse or with a high lifetime value score in an outbound fashion. However, due to operational capacity issues, this team was mainly supporting the inbound function.

As HEALTHCARE was regulated by the Financial Services Authority (FSA), agents could only talk about HEALTHCARE’s products and services and had to let a customer know this. When agents were giving advice about products they had to ask a series of questions and record answers, to leave an audit trail for the FSA. For example, “are you registered with a GP? What are your expectations of cover?” As the agent responded to screen prompts and records answers, a decision engine proposed appropriate products and services which were confirmed in writing. Due to regulatory issues, service agents could no longer talk about travel products or critical illness cover and they could not actually book health screenings, so the ability to offer additional products and services was severely limited.

Agents also had to adhere to data protection guidelines during each call which could make the call quite cumbersome.

## Issues

HEALTHCARE faced major organisational barriers to successful cross-selling and up-selling, primarily due to systems issues (no single view of the customer and 72 different systems) as well as product silos. For example, travel was run as a separate business with separate targets and measures. It also had some critical operational priorities in terms of being able to handle incoming calls efficiently –

*“we’ve got a lot of fundamental changes just to get the operation right” (C:2)*

It also had to overcome a corporate culture that believed that service and sales are and should remain two separate entities. The mindset at HEALTHCARE was that

*“service people don’t do sales. At least 50% of the people I’ve got down there are out-and-out service people, they’re not motivated by money, they want to deliver fantastic service, they’re not going to try to give the customer something perhaps they don’t want, or aren’t really willing to push it or investigate it.”*  
(C:2)

The ethos at HEALTHCARE was

*“we take care of lives in our hands” (C:5)*

and there was real concern that customers might respond negatively to being ‘sold to’ during service calls. This was a serious issue for an organisation that has a history of being risk-averse.

A related concern was the enormity of the training task. This would partly be necessary to expand the product knowledge of agents and partly to equip service agents with sales skills and new behavioural patterns. At the time of research, agents felt that capturing customers’ needs was for the primary purpose of compliance.

The main driver for inbound calls was price increases and often callers were very emotional and distressed if they felt they could no longer afford private healthcare. In these circumstances, HEALTHCARE agents did not feel it was appropriate to cross-sell and up-sell. It was observed that the majority of enquiries were from elderly ladies who had concerns about price increases and needed to downgrade their cover, or people ringing in to cancel cover because they were either moving abroad or changing to a job that offered group cover. Some of the calls were quite emotional and generally I got the impression that agents felt sorry for their customers and would have felt it inappropriate to talk about additional products and services. They also seemed resigned to the fact that several customers were lost and did not feel a sense of pride if they retained a customer.

## Agents in a combined sales and service role

Respondents reported that to be successful at cross-selling and up-selling, conversations needed to feel

*“completely authentic for the advisor and for the customer on the receiving end. It should not be like a wolf dressed in lamb’s clothing” (C:3)*

In other words, the agent had to feel that they were genuinely acting in the interests of the customer. They also needed to have confidence in the advice and offers they were making. For example, the take-up of a fitness offer was minimal because

*“agents knew it wasn’t going to be compelling for the customer” (C:3)*

Respondents felt it was important for agents to feel empowered to ‘do the right thing’ for the customer. For that reason it provided them with toolkits rather than directives.

### **Metrics and results**

From an organisational perspective, HEALTHCARE measured renewal or ‘lapse’ rates. These targets were displayed prominently in the office. The lapse target for 2007 was no more than 50,800 lapses, which equated to an overall lapse rate of about 11% per year. At the time of research, HEALTHCARE was over-achieving on the target of 12,530 with 12,202 actual lapses. If the customers told them why they left HEALTHCARE, a lapse code was recorded, but the information was far from complete for all lapsed customers.

At the time of research leads passed through the cross-sell team were only loosely recorded. During the observation of three agents, only one caller was handed to the cross-sell team. On average the team handled 25-30 wellness leads and 20-25 cashplan/health additions per month. Travel leads were unknown. Later this year, HEALTHCARE wants to accurately record how many leads are passed through the cross-sell team and how many are converted to sales.

Agents were measured in four areas: (1) soft skills (2) compliance (3) product knowledge and (4) call logging/use of systems. Out of a total potential score of 205 points, only 10 points could be awarded for recognizing lead generation opportunities. Cross-sell was currently not part of the quality check when calls were monitored.

In the future, respondents reported a plan to reward agents based on profitability. For example, down-grading cover would reduce profitability and cross-selling would enhance it and agents would be rewarded accordingly.

### **3.5.4 O2**

O2, a UK-based mobile telecommunications provider (de-merged from BT Cellnet about 5 years ago) employed 5500 customer service agents who handled approximately 50 million inbound calls every year. Within this, the Business Customer Service department employed 600 agents who handled approximately 2,340,000 calls a year. The main call driver for all calls to customer service agents was billing enquiries, followed by requests for handset upgrades, replacement handsets or purchase of new handsets. As well as complaints, they also received a whole number of general enquiries about network coverage, location of masts, traffic line, concierge service (find the nearest plumber or window cleaner), country calling plans etc.

## **Contextual factors**

O2 operated in a very aggressive and competitive marketplace. Within the mobile industry there wasn't one clear leader and each player offered similar prices and propositions. Hence the only differentiators were around customer service interaction, value-added services and account management. In other words, non-price competition was the main driver for this initiative. In the words of Matthew Key, O2's UK CEO

*“how do we truly differentiate ourselves against our competitors? How do we really offer the great customer service that gets talked about a lot, but rarely delivered?” (D:2)*

Another driver was the recognition that traditional outbound marketing approaches were becoming less popular with customers, as they were perceived to be invasive and intrusive. The inbound channel on the other hand offered enormous opportunities to tap into customer needs and build customer relationships.

O2's customer research indicated that up-selling and cross-selling actually increased customer satisfaction –

*“customers expect us to understand them and their business, what's relevant for them and to tell them about it at an appropriate time” (D:1)*

So by focusing on cross-selling and up-selling O2 was driving customer satisfaction levels, which in turn led to increased satisfaction and reduced churn (a huge issue in the mobile industry).

A key goal of O2's initiative was to improve the customer experience. This was broken down into two components. Firstly, more customers who were happier and more loyal and secondly, adding value to customers so they added value to O2. If an agent had insight into a customer's behaviour and needs, they could use that knowledge to create empathy and strengthen the relationship. A stronger relationship would lead to increased loyalty and revenue over time.

At a business strategy level, as well as having a 'customer promise', O2 also had a 'people promise'. This promise recognised the principles of the service profit chain which establishes a link between happy employees and happy customers. Therefore it was recognized that it was critical to create an environment where employees felt comfortable selling additional products and services. O2 recently came 5<sup>th</sup> in the Sunday Times “best companies to work for” and respondents did not want to upset employees by asking them to do something they didn't feel comfortable with. Generally speaking, the agents at O2 were observed to be very motivated and said they felt valued at O2, suggesting powerful links in the service-profit chain at O2.

## **Generation and delivery of customer insight to front-line**

Two or three years ago, O2 had a large department of analysts carrying out project-based analysis of their customers in order to create specific segments and targeting models. However, this approach was too slow and did not deliver actionable results

immediately. Consequently, predictive data-mining software from Chordiant Software was installed, producing large volumes of predictions, very quickly.

The system was christened 'VISION' and incorporated 45 propensity models fed by transactional and external data. Compared to previous technology, the models could be calculated in one-seventh of the time and operated in real-time. The software was customized into six versions, aligned to different product lines, sales teams and service call centers. At the time of research it had been rolled out to 3500 agents. Its goal was to enable front-line staff to make the right offer to customers, in the right place, at the right time to improve the customer experience, engagement and loyalty. Every time a reason, an answer or a sales proposition was chosen, or the caller's response was recorded, the decision logic that drove this intelligence reassessed the callers concerns, interests and risk to determine the next best thing to do. Every choice and response was recorded for subsequent reporting. The decision logic was configured by the marketing department to reflect the way in which products and services were to be offered and the way these recommendations were presented was configured by the contact centres to reflect how the propositions were to be conveyed to the caller.

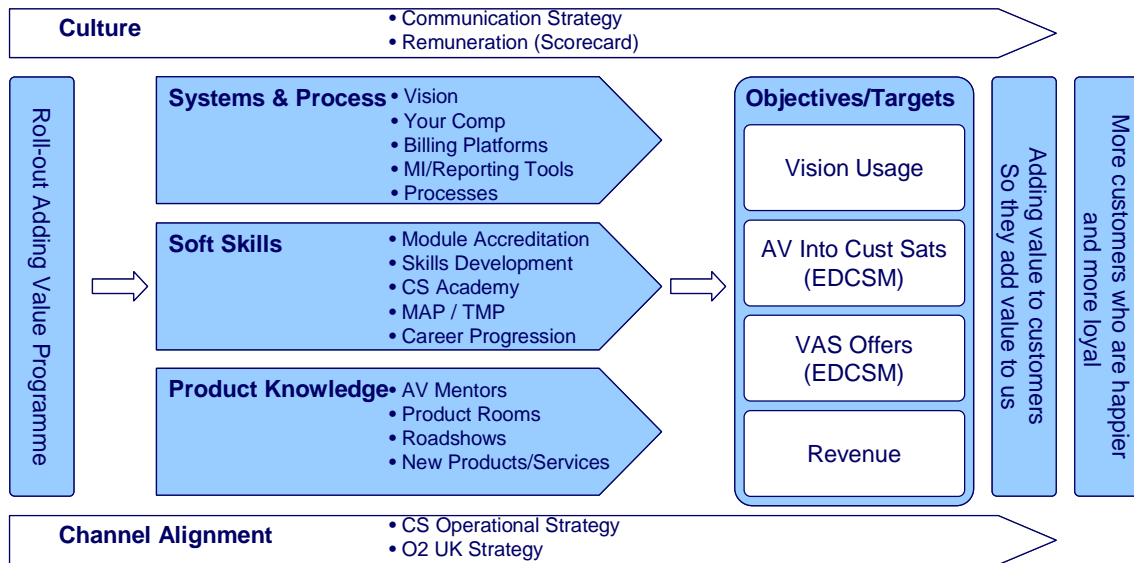
In the inbound service call centers, the VISION system offered advice to agents on how to handle service enquiries and problems. For example, it alerted an agent if a customer had a high propensity to churn or signified a payment risk. Once the enquiry or problem was resolved, the system suggested the top three most appropriate products or services to talk about to individual customers, and provided a script to help agents to talk about the top one.

The VISION system was not yet integrated with the billing system, so agents needed to take the customer ID from the billing system and pro-actively pull up the customer's record in the VISION system.

O2's 'sales through service' programme was known as the "adding value" programme and it was launched after agents starting using the VISION system. Figure 3-8 illustrates the high level strategy for the programme from 2007 – 2010. Programme owners attributed its success to the triangulation of systems and processes, soft skills and product knowledge, underpinned by cultural change and channel alignment. The individual components of the programme are discussed in more detail in the following sections.

## **Issues**

One of the first concerns was around the skill-set of the current advisors and how much training would be required, in terms of product knowledge, soft-skills and cultural change. Could existing agents be re-trained or would O2 need to hire new people with the required skill-set? The unions and potential HR issues of changing the job specification of agents hired as customer service advisors had to be considered.



**Figure 3-8: O2's Value Development High Level Strategy**

There was also a concern about how the initiative would be communicated, as service agents would most likely object to becoming ‘sales people’. It was crucial that the initiative was positioned as ‘adding value’ to customers rather than being a ‘hard-sell’.

Although the initiative was expected to improve commercial performance overall, there were short-term operational concerns –

*“does it (the system) work; is it intuitive; does it give me consistent results?” (D:3)*

There was also a concern about the potential impact on average handling time –

*“budgets were built around x agents delivering y number of calls, so was that going to impact on service levels, which in turn would then have a detrimental impact on customer experience, because customers would have higher wait times?” (D:1)*

Customers might be annoyed by obvious attempts to cross-sell and up-sell which could have had a negative impact on customer satisfaction.

Programme owners were concerned about the support that the business would give to this initiative –

*“would it be a switch-on, switch-off type programme when things get busy? Would we allocate the resource behind the programme to really make it happen at a local level? Are we masking this as improving the customer experience, when really it’s about selling?” (D:2)*

Finally, programme owners were worried about how to measure the effectiveness of its initiative from an organisational and technological point of view and how it was going to reward people at the individual level. It was aware that measures were a strong driver of agent behaviour and the wrong measures could create role ambiguity and again have had a negative impact on customer satisfaction –

*“there is a danger that actually they won’t focus on the service element but they’ll do the up-sell because that’s where the benefit in terms of the reward is” (D:1)*

*“If we mis-sold to customers, what would be the impact on complaints?” (D:2)*

Focusing on the customer experience rather than a revenue target was perceived crucial to the success of this initiative –

*“if you chase the revenue number, I don’t believe you get a wonderful by-product of satisfied customers by default” (D:2)*

Programme owners were very careful not to use the sales word –

*“we talk about helping customers to choose, we talk about promoting or explaining products, rather than selling them to customers” (D:2)*

So far the initiative was regarded as successful in this regard –

*“I’ve not come across a single case where the customer’s complained because we miss-sold” (D:2)*

Respondents considered the roll-out approach to be very successful – initially as a pilot to enable feedback from agents and lots of refinement before moving to a phased roll-out –

*“during the pilot we wanted to see how the advisors feel about it, do we have the right metrics, is it impacting on average handling time etc.” (D:1)*

The pilot was launched in February 2006 and gradually rolled out across the business by the end of summer 2006. There were some initial issues with data latency and relevance of offers which were addressed.

For the programme owners, the roll-out felt intensely slow. However, on reflection, they felt it was the right pace to ensure that advisors were fully on board –

*“there was a kind of twisted irony, that for me whilst it feels painfully slow, our advisors appreciated the pace and it’s actually helped to buy them into the process” (D:2)*

Success was partially attributed to the extensive training programme, encompassing technology, product knowledge, soft skills and cultural change. One of the learnings for respondents was that the VISION system came before the ‘adding value’ classroom training for advisors, which was not the ideal order. It was decided to go ahead and launch VISION before it was technologically perfect i.e. not yet integrated with the billing system and only half of the products that O2 could promote to customers represented in VISION. For cost reasons, it was decided to focus initially on those products that deliver the most value.

In terms of building agents' product knowledge, regular update briefings, road shows, "buzz sessions" and access to an online customer service academy with 'top ten tips' (see appendix 4.10) were provided. Agents were encouraged to have 'hands on' experience with products in dedicated "product rooms". Each month every advisor had to complete ten questions in a skills and knowledge location quiz.

A team of dedicated coaches focused on monitoring and improving attitude, skills and knowledge were employed. The downside of having a dedicated team of coaches was that sometimes managers could abdicate responsibility for the coaching, so O2 was moving to a model where managers were being coached to take on the role of coach to their people. Coaches met with the managers on a weekly basis to discuss which areas of focus were required for each team member (established through call statistics, call observations, feedback from customer satisfaction surveys and advisors themselves).

When the initiative was first launched, existing customer service agents had to be re-trained to up-sell and cross-sell. However, from that point onwards the recruitment processes was changed so all agents were hired to be sales and service agents.

Respondents had some initial concerns about increasing average handling time (AHT), but the impact turned out to be minimal.

*"Interestingly, what we've seen is a three month bell-curve effect. When advisors start using the system on day one, AHT rockets because they're getting used to the buttons and the process and everything else. After about three months they've returned back to the same AHT they were at before, sometimes even lower. We found that they're replacing some of the fluffier conversation with the customer with meaningful exchange. So we actually expect to make savings to the customer service budget by reducing AHT." (D:2)*

In conclusion, the success of the value-add programme was attributed to a triangulation of systems and processes; soft skills and product knowledge. In the words of the Head of Value Development, Customer Service,

*"it all works when it all works" (D:2)*

### **Agents in a combined sales and service role**

Competence, confidence and genuine concern for the customer were considered to be key determinants of agent success.

*"The guys who speak confidently, knowledgeably and articulately can build up rapport very quickly" (D:3)*

Agents had to have extensive product knowledge to talk confidently about a range of products and services. Research conducted at the beginning of the initiative revealed that advisors knew four or five products really well.

*"So what do you think they talk to customers about? The four or five products they know very well, even if VISION pops up something else. They click 'not relevant' and they never have the conversation with the customer because they don't understand the product" (D:2)*



Confidence did not just equate to self-confidence in own abilities.

*“Confidence also relates to the offers that they’re making – they have to be relevant and genuinely good ones for the customer and likely to be accepted. Agents also have to be confident that the processes they follow actually work, because this can affect their ability to then develop a relationship with the customer” (D:1)*

In terms of soft skills, agents needed to possess good communication skills and be able to build rapport and empathy. They also had to adapt their communication style to the needs of the customer. For example,

*“some customers want us to use their surname, some like Sir, some like Madam, some don’t. And rather than have rigid frameworks in place, advisors need to develop the confidence to be able to interact with a customer and establish that when you ask a customer a name, they need to adapt to the customer’s style” (D:1)*

The usage measure (of VISION) was set at 75%, in recognition of the fact that if it was not appropriate for an agent to use it on the call, then it should not be used. This was typically the case if the call was about a complaint or if the customer had previously had a bad experience. It was important for agents to feel that they were empowered to decide when it was appropriate to cross-sell/up-sell. Respondents acknowledged that newer advisors needed to spend at least the first three months focusing on delivering an excellent customer experience and gaining the confidence to cross-sell and up-sell.

All of the agents I observed commented that they needed to feel in control of the call and empowered to use their own knowledge as well as system prompts. The system was still new enough that they saw it as an added complication rather than an aid. They didn’t like to feel like they were selling, because that made them “nervous”. In my opinion, the focus was indeed on first satisfying the customer’s enquiry (which were many and varied) and if it wasn’t appropriate to make an offer, the agent would not make one (although they always checked in VISION to see what offers could be made). The agent who felt least comfortable with the thought of ‘selling’ to customers tended to default to making offers that were non-revenue generating for O2 and therefore more likely to be accepted. However, the agent acknowledged that her development plan included working towards changing this mind-set.

Another success factor appeared to be clear communications and sharing of information – agents had to understand why they were being asked to do something, how they were performing and how this impacted on the business. ‘Visioning’ sessions were held in groups of about 50 to update agents on what the Customer Satisfaction Index was telling them and how customers were responding –

*“a lot of effort is put into helping agents understand why we’re asking them to do something, what their contribution is and how this fits into the overall customer strategy and wider O2 strategy” (D:1)*

## **Metrics and results**

O2 had a balanced scorecard of measures that focused primarily on making sure that agents delivered a rich customer experience. Respondents talked about the ‘4 As’ – accuracy, attitude, access and advice. At launch, it was not mandatory for agents to use

the VISION system, but within six months a usage target of 75% of all calls was phased in. At the agent level, customer satisfaction was measured through call monitoring/observations and at team manager level and above they were measured through the EDCSM (Event Driven Customer Satisfaction Monitor), a customer satisfaction programme run by an external company. The goal was to achieve a balance of productivity, quality and quantity (in terms of sales). From 1<sup>st</sup> July 2006, there was a planned transition to offer-based targets. At the end of 2007/early 2008 there is a plan to transition to acceptance targets.

On average, 73% of all customer service consumer and SME (small and medium businesses) calls were entered into VISION. Of those 73% of calls, 38% of customers were being offered an additional product or service. In 41% of cases, this resulted in an agent processing an order (this goes up to 47% if they included offers where a customer was recorded to have taken an action as a result of the offer). Agents were not yet targeted on conversion rates, but these will probably be introduced at the end of 2007/2008 when agents are used to the system.

Approximately 50% of offers were non-revenue generating for O2 (e.g. a new handset or extra minutes), but the overall effect was that bill value increased by an average of 15% in the month after the offer was accepted. Retention costs have also been reduced by £150-200k per month and customer churn has reduced by 3%. In 2006 O2 generated £9 - 10 million of additional revenue by cross-selling and up-selling to customers. All of these results have been achieved without an increase in average call handling time during the year 2006.

	Target	Actual
Calls entered into VISION	75%	73%
Offers made to customers	40%	38%
Acceptance rate	30 – 50%	41% (orders processed) 47% (including where customer takes action)

**Table 3-5: Summary of O2's sales through service measures**

In the future, there is a plan to deepen analysis of the impact on customer satisfaction i.e. what happens to customer satisfaction where O2 does and doesn't offer additional products and services? So far,

*“universally across all the segments and all the months, where we offer an additional product or service to a customer, they're happier” (D:2)*

Respondents felt it was important to track the impact over time, because as agents become more seamless about the way in which they offer products and services, the customer may feel like they are being offered fewer products, when in reality the opposite is true. The current question in the EDCSM (Event Driven Customer Satisfaction Monitor) may need to be changed from “were you offered any additional products and services?” to something that still captures the information required.

### 3.5.5 RIAS

RIAS was founded in 1992 by David Holden under the name of IAS to provide high quality, low cost insurance to the over 50s. The company was purchased in 1998 by the Fortis Group, one of the twenty largest financial institutions in Europe, with total assets of over £700 billion. David Holden left in 2003, at which point a brand review was carried out and the company's name changed to RIAS. The business was focused 80% on outbound activity and 90% of the business came from home insurance.

In the past five years, RIAS had doubled its staff, trebled the number of policies held and increased its income by 350%. It had approximately 880,000 customers holding one million policies, 7% brand recognition and according to external benchmarking data, the most loyal customers out of all insurance businesses in the UK. Its home insurance business was the same size as SAGA's (its nearest competitor) and its motor business had increased ten fold to approximately 250,000 customers.

RIAS had a total of 155 inbound customer service agents, broken down into household (50 agents handling 396,000 calls per year), business retention (58 agents handling 420,000 calls per year) and motor (47 agents, call volume not revealed). Customers called for a myriad of reasons: renewals, querying cover, cancellations, moving house; travelling abroad, purchase of valuables, change in circumstances etc.

#### **Contextual factors**

Around 2004 the insurance market became much more competitive and a message of "we can save you money on insurance" was no longer sufficient to win business. The market for the over 50s suddenly became

*"the new exciting market to play in, because 80% of the assets in the whole of the UK are owned by the over 50s" (E:1)*

Non-price competition was therefore a major driver for RIAS' inbound activity.

A second driver was the fact that consumers were becoming much smarter, much better informed and more demanding –

*"they are far more commercially savvy, far more aware, are driven by more technologies, and therefore this information is far more accessible to them" (E:3)*

A third driver was the increasing difficulty in marketing outbound, hence the move towards the inbound channel.

*"Outbound is becoming harder, and harder, and harder because of TPS and the fact that customers don't like to be contacted in an outbound fashion" (E:1)*

A major goal for RIAS was to build loyalty. In order to do this, respondents knew that they firstly had to have additional products to talk about that customers would be happy to recommend to family and friends and secondly, the right customer experience associated with the delivery of those products. The latter meant that

*“it’s not about selling more stuff and making more revenue, it’s about keeping customers loyal for longer” (E:4)*

A secondary goal for the future was the smarter use of technology to help build better and stronger relationships –

*“technology is about creating a situation where everybody can have a tailored relationship which is directly related to them” (E:4)*

### **Generation and delivery of customer insight to front-line**

RIAS started out as an outbound, affinity-based business, with an aggressive sales culture focused on customer acquisition. This changed at the beginning of 2004 as the market became very competitive and

*“luxurious retention and acquisition rates” (E:3)*

were no longer experienced. The new management team at this time therefore took the view that

*“acquisition is fundamentally important, but there’s much more work now around lifecycle modelling, the customer experience and the renewals cycle” (E:3)*

Investment therefore began in the inbound customer service channel. However, unlike other companies in this study, RIAS was coming from the starting point of a sales culture evolving to a service culture, as opposed to the other way round. This meant that there was no technology or processes in place to create or deliver customer insight to inbound service agents, to support them in the sales process. Sales agents had not needed customer insight prompts as they had very successfully sold based on intuition and successful solicitation of customer needs.

The sales culture was noticeably dominant at RIAS. The agents had no hesitation in offering a number of ‘add-ons’ during each call. On one occasion this was clearly inappropriate - the customer got rather irate about being offered home emergency cover when she wanted to claim a refund on an individual policy (due to a new buildings policy covering the whole block of flats).

At the time of research, inbound service agents in the household business could only up-sell household products, they could not cross-sell products from other areas of the business (due to skills, technology and organisational issues). They could only capture renewal dates and pass them over to the motor business for outbound marketing purposes. They could also hand off leads for pet or caravan insurance (for which the agent received no credit).

Respondents reported that a marketing database was being developed, as well as investment made in analytical resource to help build propensity models such as propensity to lapse and propensity to attrite. These will be based on six or seven facts about a customer, for example, direct debit, age, ten year affinity versus RIAS branded

channel etc. Customer lifecycle profiles were being developed to help understand which transactions provided the highest value –

*“when you talk about customer experience there may be 24 - 30 transactions in the life of a customer, of which maybe seven impact on revenue or retention” (E:4)*

The current IT system had no insight prompts - offers were made based on intuition. The agent had no formal access to the customer’s transactional history apart from anecdotal notes. A pilot system called “Insight” is currently being tested by six advisors, who handle 300 calls per week from an affinity group of 8000 customers. By early 2008 it is planned that the new IT system will display a single view of the customer across all product areas as well as insight prompts on the screen.

### **Issues**

At the time of research, RIAS had a long journey ahead in terms of the realignment of business and technology to the customer. It was in the process of merging the customer service function to look after all products in future and putting the technology in place to support this. A customer insight team was also starting to develop customer lifecycles and propensity models and will in future deliver insight into the hands of customer service agents.

*“In six months time I think you’ll see something that’s really quite different” (E:4)*

One of the foremost concerns about adding sales to a service call was that selling would be prioritised over service, due to the strong sales culture –

*“if it doesn’t make money in that call, it’s a no-goer” (E:1)*

RIAS was in a position where suddenly it had a brand strategy based around advocacy through customer experience and respondents were worried that customer experience might be sacrificed in favour of up-selling.

There were concerns about the skill-sets of agents from a number of perspectives: firstly that they would be able to judge the appropriateness of selling an add-on; secondly that they had the in-depth product knowledge necessary to talk confidently and competently about a broader range of products; and thirdly, that they genuinely would address the needs of the customer and not just take a

*“blanket bomb approach” (E:3)*

In my opinion, there was evidence of the ‘blanket bomb approach’, where all customers were being made the same offers.

Fourthly that it might have to change the employment mix, because some agents

*“have been employed into customer services because they do not want to work in sales” (E:3)*

The company needed to fulfill sales obligations whilst avoiding a

*“natural drain of all the expertise we’ve got around customer servicing activities” (E:3)*

There were major operational challenges at RIAS in terms of organisational product silos, meaning that agents could only up-sell (“add-ons”) rather than cross-sell. Lack of customer insight was another major concern, in the sense that it drove short-term actions rather than long-term customer value –

*“I don’t think we’ll sell more add-ons if we’ve got customer insight in the future, but I think what we might do is sell more of the right add-ons” (E:4)*

I observed that although RIAS had an impressive track record of selling additional products to existing customers the focus appeared to be on short-term gain at the potential expense of longer-term loyalty.

Respondents were also concerned that they could generate the right customer insight to understand how additional products could be put together in such a way so as to reduce the risk of customer churn, not increase it.

*“At the moment, the way we put products together, doesn’t add any value for us because people with more than two products are high risk – if they move one product, they’re likely to move the other” (E:4)*

Unlike other companies, there was not a concern about the impact on average handling time (AHT). The view at RIAS was that

*“the advisor has a tough enough job talking to the customer. So call length isn’t the advisor’s problem, it’s the management team’s problem” (E:4)*

According to external data from a company called Direct Excellence, RIAS had the most loyal customers in the insurance business in the UK. This was attributed to the amount of time agents spent talking to customers (almost 100 seconds longer than the industry average).

*“Our product isn’t any different, our fulfilment isn’t any different, our overall claims service and proposition isn’t any different. The only thing is we spend longer talking to people the first time that we interact with them, and that means we sell more, and that means customers are more loyal. There may be other things going on, but that’s really all I can see that makes a complete difference” (E:4)*

This attitude to AHT was quite different from any other firm in this research project.

### **Agents in a combined sales and service role**

There was a belief that successful sales and service agents were confident, competent and had a genuine concern for customers. Agents needed to have excellent product knowledge in order to be able to talk confidently and competently to customers. The simpler the products were, the easier this was to achieve –

*“we have a very successful cross-sales result. I think probably the reason for that is, again goes back to the simplicity of the products. We’re not selling particularly complex products so it enables the agents to have a needs-based conversation very quickly and our advisors are very comfortable with it” (E:3)*

Genuine concern was also critical to create empathy with customers –

*“having an employment force that really, truly understand and have empathy and compassion for the customer and really want to do that, I think is very difficult. It is particularly difficult to gain empathy with customers when there is a mis-match in age profiles. Call centre agents tend to be very young and “it is very difficult for a young person with no dependence, with no commitments, to empathise and understand the financial concerns or worries of the over 50s” (E:1)*

It was all the more important then for agents to be empowered with sufficient insight into who the customers were, what they wanted and what was important to them, to be in a position to empathise.

### **Metrics and results**

A triangulation of measures was placed on customer service agents based on productivity, compliance and revenue. Productivity included calls per hour (target of 7.5), AHT and percentage of time spent servicing the customer, although RIAS was

*“tactically, deliberately not strict on AHT” (E:3)*

The call centre director believed that AHT was something for managers to worry about, not agents. Compliance was linked to call quality and adherence to data protection and FSA (Financial services Authority) guidelines.

From a revenue point of view, advisors were targeted on their ability to successfully up-sell to customers (8.5% of all calls for customer service and 15% for retention). This year a ‘value per call’ incentive was added i.e. agents received varying points based on the difficulty of selling different products. For example one add-on was worth £40, another one was worth £9. Customer service agents had a target of £1.85 average revenue per call and the average for the retention team was £2.40. Agents typically made a cross-sell offer to over 50% of calls in order to achieve a conversion rate of 8.5% of all calls.

To make comparisons to inbound sales (as opposed to inbound service): on 30% of all calls an offer was made, with a 35% conversion rate equivalent to 1.2 sales per hour. The overall conversion rate of all inbound sales calls was therefore 3.5%. Compared to outbound sales to prospects: 25% of all calls resulted in an offer being made, 3% conversion, 0.3 sales per hour.

From an organisation standpoint, the fact that the customer had called was recorded, the reason for the call and the outcome of the call. However, the number and type of offers made were not measured or recorded.

*“At the minute we have a very crude method which is flawed if advisors don’t do it” (E:3)*

My observation was that agents failed to capture unsuccessful offers. The danger with this process was that when the customer next called in, they were likely to be made an offer that they had already refused in a previous call.

Metric	Target	Actual
Offers made to customers	None set	'More than 50%'
Acceptance rate	8%	8.5%
Average revenue per call	£1.85	Not known

**Table 3-6: Summary of metrics and results at RIAS**

### 3.5.6 The AA

The AA was formed by a group of motoring enthusiasts in 1905. In 1999 members voted overwhelmingly in favour of the AA demutualising and joining the Centrica group in a £1.1 billion acquisition. In October 2004 the AA left the Centrica group, following its acquisition for £1.75 billion by two leading European private equity firms, CVC and Permira.

In 2007 its breakdown services had more than 15 million members (six million personal members and nine million business customers). Its product portfolio encompassed insurance (and was the UK's largest insurance broker), driving school and driver training, travel and leisure, and loans.

This research projects focused on the AA's road business. Approximately 374 agents (330 in member services and 44 in 'save a member') handled just over three million inbound calls every year from a call centre in Cheadle. Members mainly called to discuss their account, pay their membership, set up direct debit, give name, address and vehicle changes etc. One of the big obstacles to a 'sales through service' relationship was that the opportunity to interact with its members was very small compared to other companies.

*"unless someone breaks down, we often have a 'once a year' relationship, which means that when they call us it's really precious that we do the right thing for them" (F:3)*

### Contextual factors

The main goal of the AA's initiative was customer development. It was recognized that the inbound channel presented un-tapped opportunities, particularly when it was becoming increasingly difficult to market in an outbound fashion. The lifetime value of a customer was becoming more important and nurturing clients was a stated goal rather than an ethos of

*"I must sell them something today" (F:2)*

### Generation and delivery of customer insight to front-line

The AA had been cross-selling in its call centres since the early 1990s, but with two changes of ownership in 1999 and 2004 and an increasingly diverse product range, it had



*“lost the way and tried to be everything to everybody” (F:2)*

The launch of a major CRM initiative within Centrica from 2001 – 2004 shifted the focus away from customer service agents towards technology. The cross-sales activity became driven by internal sales people rather than customers –

*“there was no real analysis of what’s best for the customer or what’s best for us from a company or value perspective – it was purely what was flavour of the month for the salesman” (F:2)*

Approximately 18 months – two years ago activity within the call centres was simplified to focus on three core areas: memberships, motor insurance and home insurance. Individual customer insight was delivered through to agents’ ‘green screens’ to drive more intelligent cross-sales activity. Prompts rather than full scripts were delivered because the technology did not allow full scripts and because it left the agents enough freedom to still feel they were in control of the call. For example, if a customer phoned with a complaint, it wasn’t appropriate to try and sell them additional products.

The agent received prompts for no more than four or five ‘next best products’ to introduce to the customer. The ‘Road’ agents were able to sell upgraded membership services but cross-sales of motor or home insurance had to be passed to other teams (due to regulatory issues). Alternatively the agent arranged a suitable time for the customer to be called back by the insurance team.

The agents I observed in the member services team were very comfortable exploring the needs of the customers and successfully managed to up-sell and cross-sell in almost every call. However, because the agents felt so comfortable with selling, they were not always paying attention to the insight prompts, preferring to offer the products they most liked to sell.

Customer insight was generated from the AA’s rich customer data warehouse with more than 40 data feeds of both internal and external information, providing a single view of the customer. The insight was calculated using business rules rather than propensity models and was uploaded to “Focus” (the ‘green screen’ CRM system) on a monthly basis and displayed to the agents via a Graphical User Interface (GUI).

In addition to promoting products, the agents were tasked with collecting missing data such as telephone numbers and date of birth, as well as getting agreement to ‘opt-in’ so that the AA could market to them in an outbound fashion.

Agents in the ‘save a member’ team had a tougher job, because they were generally faced with customers who wanted to leave or who became very upset when they could not get a refund. Although the system enabled them to see product holdings, service history and previous price paid, the agents had to manually calculate how much they could give away (which meant dexterity with a calculator!). Despite this, the two agents that I observed exceeded their retention and average discount targets.

A new GUI called “Guide” was being piloted, which was more ‘windows based’ than ‘green screen’. In the future, it is planned that this one GUI will bring five different systems into one interface, making it much easier to structure calls. The customer profile gives agents information on what opportunities to present, what products are already held, which leads are outstanding, which opportunities have been previously refused and details of the last contact. Most of the member services agents will have this new version by the end of 2007.

The agents who didn’t yet have “Guide” were looking forward to having the new system, particularly because it would tell them what products a customer had already been offered and refused.

### Issues

Following the acquisition in October 2004, the business went through a major restructure which resulted in quite severe service and operational issues. During this time, approximately 100 call handlers were re-deployed to back office functions, as the focus was on recovering operational excellence rather than customer development. The longer term effect was that when the inbound call centre gets busy, the AA can draw on this pool of staff.

*“For at least 20% of their time they will be doing call handling activity. That allows us to manage peak demands much better, so much better customer experience, Our abandonment rates for a service environment are really low - 2%. Whereas when I got here the abandonment rates were quite a lot higher than that, they were double digits” (F:3)*

Call centre agents have gone through an extensive multi-skilling programme, so that each agent was able to deal with almost any enquiry that came through.

*“So you have a first point of contact resolution for the member when they phone up, rather than being passed from pillar-to-post” (F:3)*

When cross-selling was first introduced in the early 90s, there was a lot of resistance from service agents. However, the recruitment profile and culture has changed over the years and getting service people to sell was not an issue any more –

*“now we say they’ve got to be a good servicing person who’s also capable of selling” (F:2)*

Respondents have become more concerned recently about the impact on the customer experience –

*“you don’t want the customer to come off the phone thinking, all I was doing was changing my address and I’ve been bombarded with sales initiatives” (F:1)*

The leadership style had changed dramatically since the acquisition to one that is very consultative and ‘in amongst people’. The agents commented that they had noticed a change in direction with the new management team, where sales had to be balanced by AHT, as opposed to being encouraged to ‘do whatever it takes to make the sale’.

The leadership team physically moved out of their offices and located themselves in amongst the operational floors so that they were visible.

*“I would rather have 700 brains thinking about a problem, rather than just me or one or a dozen of the management team. I would also like to get people with their issues right from the frontline to come up to the leadership team and say, ‘I can’t do this.’ And then to resolve it very quickly so that people have the confidence to keep raising issues” (F:3)*

Interestingly, respondents had to consider the impact of terminology on the success of the initiative. For example, the agents didn’t like the term ‘next best action’ and preferred ‘opportunities’.

There were concerns that the insight prompts might distract agents from actually listening to customers. The agents needed to be able to

*“weave it into the dialogue, rather than it being something that gets added on at the end, or just feels uncomfortable or awkward” (F:1)*

If the agents were unable to do this, it might have a negative impact on average handling time (AHT).

In reality, average handling time had reduced by approximately two minutes in the past two years, whilst moving away from a service to a sales and service environment. However, respondents admitted that AHT was measured too rigidly.

*“In an ideal contact centre you would not constrain people’s average handling time, you’d say, ‘take whatever the right time is to do that.’ As contact centres mature and get into a particular state, then that is a measure that you can come off the gas with. We’re not at that stage of evolution yet, it’s still fairly important” (F:3)*

I observed that agents indeed felt pressurized by their AHT targets and this influenced their behaviour. One agent noted her AHT after every call and was alarmed that it was too high over a 30 minutes’ period. She said that she would not attempt to cross-sell/up-sell in the next 30 minutes, in order to bring her AHT back in line.

In summary, like every business, the AA has been hampered by systems, process and technology to some extent. However, it has made real improvements in shifting the emphasis to people –

*“fundamentally I would say that it’s people, not process and system, who will overcome the challenges” (F:3)*

### **Agents in a combined sales and service role**

Respondents believed that having the competence to listen and respond with relevance was the most important success criteria for a sales and service agent.

*“one of the biggest differences I’ve seen between good operators and poor operators is how well they listen to the call” (F:1)*

Extensive product knowledge was also important, otherwise agents tended to default to offering the products they were most familiar with, rather than necessarily the most appropriate. Linked to that was having confidence that the products they were offering were good ones and likely to be accepted by the customer.

As well as competence, confidence and a genuine concern for the customers, the call centre manager added a fourth dimension of ‘Commercials’ i.e.

*“if you can get the frontline staff to understand the commercials of running a business, that way they can help to drive and improve the business” (F:3)*

Clear communications were vital to ensure that agents understood the link between what they were being asked to do and how this affected their job security –

*“the frontline staff need to understand that selling something that doesn’t last or gets cancelled really isn’t very effective and has a real detrimental effect on our retention of customers in the long term. Selling something genuinely and correctly identifying opportunities to sell will actually reinforce the security we have in this site and the jobs that we have” (F:3)*

The most effective sales and service agents were those who were able to balance productivity with quality and revenue –

*“we want everybody to be on the nail, we don’t want these people who are getting really high conversions, but with a huge AHT” (F:4)*

Finally, successful agents were ones who had confidence that the organisation would listen to issues and respond to them.

### **Metrics and results**

All agents had to achieve a balanced scorecard of productivity, quality and revenue. Productivity included such measures as AHT, punctuality, attendance, unavailable/personal/breaks. Quality measures varied from team to team. For example, the ‘save a member’ team was measured on correct promotional code usage, correct use of refund process, compliance and overall quality.

In terms of revenue, agents were measured on the proportion of calls that presented an opportunity and percentage of calls that resulted in a sale or a lead (targets varied depending on the area of the business).

Proportion of calls	Joint/Family membership	Product upgrade	Continuou s payment	Break-down cover
Opp not presented	35%	35%	13%	42%
Opp presented and declined	60%	60%	85%	56%
Opp presented and accepted	5%	5%	2%	2%

**Table 3-7: Metrics and results for up-selling at the AA**

Proportion of calls	Motor immediate	Home immediate	Motor Far dated	Home Far dated
Opp not presented	43%	43%	43%	43%
Opp presented and declined	55%	56%	38%	50%
Opp presented and accepted	2%	1%	18%	6%

**Table 3-8: Metrics and results for cross-selling at the AA**

Agents were also measured on their ability to capture email addresses and telephone numbers, in recognition of the fact that this helped to nurture long-term customer relationships and increase customer lifetime value.

Proportion of calls	Email capture	Mobile tel capture
Opp not presented	37%	37%
Opp presented and declined	62%	61%
Opp presented and accepted	1%	2%

**Table 3-9: Metrics and results for data capture at the AA**

The ‘save a member’ team was measured on retention conversion and the average discount they had to give away to retain a member. In April 2007 the team was over-performing on both of these targets – it was at 116% of its retention conversion target and only giving away 91% of the targeted average discount.

Measure	Target	Actual April 07
Retention conversion	x%	116% of x
Average discount	£x	91% of £x

**Table 3-10: Metrics and results for customer retention at the AA**

Respondents were also able to provide predicted sales volumes resulting from cross-sales, AHT per sale, cost of acquisition, cost to serve, margin and five year value. These figures were deemed too confidential to include in this report.

The following communication of business success was displayed in the call centre: In 2006.....

- Over 20,000 existing members were upgraded to Homestart in breakdown situations
- Over 8,000 existing members were upgraded to Relay in breakdown situations
- Over 25,000 people became Associate Members in breakdown situations
- Over 32,000 trade-ups in total were made in breakdown situations
- During summer 2006 (June – Sept) over 3500 members had to add Relay at the time of break-down
- During Winter 2006 (Nov – Feb) over 10,260 members had to add Homestart at the time of break-down
- It is not always possible to add a service at the time of break-down, so it is better to add it in advance

### **3.6 Discussion**

In this section, results are synthesised across the six cases. Seven propositions are derived which, while consistent with the data, require further study across a wider sample for validation and refinement.

The six cases operated in different industries and had varying inbound call volumes and numbers of sales and service agents (see Table 3-11: Summary of sales through service approaches across cases). According to Jarrar and Neely (2002), IT-enabled cross-selling appears to be in its infancy and few financial companies have been able to demonstrate success or failure yet. Arguably, all of the companies in this study were successfully cross-selling to a greater or lesser extent, although the variety of approaches to the combining of sales and service seems consistent with the immaturity of this concept.

Barclays had sales agents handling service enquiries, three cases (RIAS, ENERGY and the AA) had service agents up-selling but not cross-selling and HEALTHCARE had service agents handing off all sales leads to a separate sales team. Just one case, O2, had service agents with sales responsibility: this case also had the highest average cross-sell/up-sell ratio in terms of volume – one sale per nine inbound calls – although no statistics were available regarding such revenue and profit focused metrics as the highest average revenue per sale. Interestingly, although O2 measured the number of times that offers were successfully converted to sales, agents were not yet financially penalized or rewarded for successful sales conversions.

Table 3-11 summarises the position of each firm:

Category	Barclays	ENERGY	Healthcare	O2	RIAS	The AA
# of inbound calls per annum	17 mill	6.6 mill	1 mill	50 mill	816,000	3 mill
# of agents	1350	1000	80	5500	108	374
Service agents cross-selling	X	X	X	√	X	X
Service agents up-selling	X	√	X	√	√	√
Service agents handing off sales leads	√	√	√	X	√	√
Sales agents with service responsibility	√	X	X	X	X	X
Average up-sell/cross-sell ratio?	1 in 10	1 in 33 1 in 8	n/a	1 in 9	1 in 12	1 in 50 1 in 20

**Table 3-11: Summary of sales through service approaches across cases**

**NOTES** Barclays: 700 service agents hand off sales leads to 650 sales agents with service responsibility. ENERGY: ratios 1 in 33 (cross-sells), 1 in 8 (conversions to direct debit). HEALTHCARE: Up-sales/cross-sales leads not accurately measured. RIAS: Household customer service (50 agents), business retention (58 agents). The AA: Up-sales/cross-sales ratio varies from 1 in 20 to 1 in 50, depending on product area.

### 3.6.1 Contextual factors driving sales through service initiatives

The contextual factors cited by respondents as driving the sales through service initiatives are shown in Table 3-12. These are consistent with the lists of service and organisational requirements from Spencer-Matthews and Lawler (2006): additional categories that emerged from this study are represented in italics.

	Barclays	ENERGY	HEALTHCARE	O2	RIAS	AA
Service requirements						
Competitor activity	√	√	√	√	√	
Non-price competition	√	√	√	√	√	
Consumer demands	√	√	√	√	√	
Regulation (marketing outbound)	√			√	√	√
Organisational requirements						
Efficiency (maximimise inbound opp)	√			√	√	√
Knowledge (continually gather info/knowledge)	√	√				√
Duty of care (provide relevant offers)	√			√		
Customer retention/build customer loyalty	√	√	√	√		√
Increase customer satisfaction/experience		√		√		
Customer development	√	√	√	√	√	√
Empower employees	√			√		

**Table 3-12: Contextual factors driving sales through service initiatives**

### 3.6.2 Technology and services

Although much literature (Drennan & McColl-Kennedy, 2003; Jayawardhena et al., 2007) still regards service encounters as ‘low-tech, high face-to-face contacts’, all of the cases in this study were making extensive use of technology in their inbound service call centres. See Table 3-13. In terms of Bitner et al’s (2000) Technology Infusion Matrix, technology was being used by all cases to improve the efficiency and

effectiveness of inbound service encounters to enable customisation/flexibility and improved service recovery, as well as aiming to spontaneously delight customers with relevant offers.

Category	Barclays	ENERGY	HEALTHCARE	O2	RIAS	The AA
Insight generated using propensity models	yes	no	no	yes	no	no
Insight calculated in real-time	no	no	no	yes	no	no
Insight delivered to agents' screens today	yes	yes	no	yes	no	yes
Agents more reliant on intuition/experience	50-50	50-50	yes	no	yes	yes
Plans to deliver insight to agents' screens	n/a	n/a	yes	n/a	yes	n/a
Agent access to real-time monitoring	yes	yes	no	yes	no	yes

**Table 3-13: Summary of technology use in inbound service encounters**

Previous research advocates the importance of predictive modelling, while reporting that this technique is often as yet lacking in practice (Jarrar & Neely, 2002; Kamakura et al., 2003; Prinzie & Van den Poel, 2006). In this study, only two cases were using predictive modelling (Barclays and O2) – the other cases were generating customer insight based on business rules. Only O2 was calculating customer insight in real-time, although four cases (Barclays, O2, ENERGY and the AA) gave agents access to real-time monitoring of their performance. This reflects the relative success rates, O2 and Barclays seeming to have the best-performing sales through service programmes, and respondents believed that predictive modelling played a part in this. While this is far from conclusive, the following proposition is consistent with the data and requires further research.

*P1: Companies that use predictive modelling to generate customer insight will have higher acceptance rates on sales through service offers.*

Four out of six cases delivered customer insight directly onto agents' screens and two had plans to do so in the near future. In three out of the four cases (Barclays, O2 and ENERGY) that delivered insight directly onto agents' screens, respondents claimed to have specific evidence that they had performed better as a result, citing the following improvements. Since Barclays began delivering Customer Service Opportunities (CSOs) to agents' screens, the proportion of calls including a sale improved from an average of one sale per fourteen inbound calls to an average of one sale per ten inbound calls. At ENERGY, in the period from March 2006 to March 2007 which covered the introduction of insight delivered to agents, acceptances of an offer to convert to an additional energy supply at the call centre under study increased from 3% to 65%; direct debit conversions increased from 4% to 44% of offers made; cash collections improved from £20 an hour to £75; and first call resolution improved from 75% to 80% of calls. Since O2 had begun delivering insight prompts to agents via its VISION system, bill value had increased by an average of 15% in the month after the offer was accepted, retention costs had reduced by £150-200k per month, and customer churn had reduced by 3%. In 2006 O2 claimed to have generated £9m of additional revenue through additional cross-selling and up-selling as a result of the VISION program.

Again this data is far from conclusive, but it seems plausible that even insight based on business rules rather than propensity models, as was present in the ENERGY case, is



more effective than leaving the agent entirely unprompted as to sales opportunities. Hence the following proposition:

*P2: Delivering customer insight directly onto agents' screens leads to increased sales performance in sales through service initiatives.*

Arguably, only agents at O2 were making offers based on truly individualized and real-time customer insight, and this case had the highest cross-sell/up-sell ratio as well as claiming an increase in customer satisfaction. At RIAS and the AA, cases historically with a dominant culture of sales rather than service, some agents were observed to be aggressively up-selling and cross-selling at the expense of customer satisfaction. In some cases, they ignored the insight prompts advising them of the most valuable offer to the customer and instead offered the products they felt most comfortable selling. Instances were also observed of agents offering products in situations when this was inappropriate, for example, when a customer called to cancel a policy or make a complaint. Although RIAS and The AA could point to short-term gain in terms of successful up-selling and cross-selling, the longer term impact on customer satisfaction was not known. Hence, the following proposition is offered as requiring further exploration:

*P3: Cross-selling/up-selling without individualised customer insight is more likely to lead to short term gain at the expense of customer experience and long-term value.*

Despite the extensive use of technology, all of the cases supported Jarrar and Neely's (2002, p. 295) caution that successful cross-selling is "not [just] a technology issue.....it's about having a well trained and motivated sales force, who can talk to the customer supported by a real-time (or as close as possible) information system, that is centered around individual customer profitability, to help staff understand all they need about the customer".

Eichfeld et al (2006) warned companies that investing excessively in automated prompts could lead to mechanical sales pitches. Respondents in only one case (the AA) echoed this concern that insight prompts might distract agents from actually listening to customers. None of the other cases highlighted this as a concern.

### **3.6.3 Issues associated with sales through service initiatives**

Jarrar and Neely (2002) empirically identified seven generic issues associated with sales through service initiatives. Table 3-14 illustrates how the cases experienced these issues (a tick indicates that this issue was experienced). The one additional issue that emerged is represented in italics.

	Barclays	ENERGY	HEALTHCARE	O2	RIAS	The AA
Capacity plans/operations		√	√	√	√	
Customer relationships	√	√	√	√	√	√
Staff compensation				√		
Staff training (will and skill)	√	√	√	√	√	√
Product redesign			√		√	
IT investment and integration	√	√	√	√	√	√
Customer profitability analysis/customer insight		√	√		√	√
Regulation		√				

**Table 3-14: Generic issues associated with sales through service initiatives**

All of the cases expressed concern at the outset of their initiatives that customer relationships would be negatively impacted by selling through service centres. Often there seemed to be deep-rooted mind-sets within the organisation that cross-selling would annoy or overwhelm service customers and an expectation that attempts to chase a revenue target would lead to an increase in customer complaints and a decrease in customer satisfaction or customer experience ratings. None of the firms in this study, however, found that customer satisfaction had in practice been negatively impacted by their sales and service initiatives. Indeed O2 claimed an increase in customer satisfaction as a result of cross-selling and up-selling, which respondents attributed to the customer's perception that they were known by the agent and that the agent was making an offer which was helpful to them. Hence the following somewhat surprising proposition for further research is proposed:

*P4: Customer satisfaction will increase when customers are offered additional products and services based on customer insight.*

All of the cases found that changing the 'will and skill' of their customer service agents was one of their greatest challenges and an area that required a substantial investment in training. Training was reported as necessary in three areas: product knowledge, sales skills and behavioural training.

All of the cases acknowledged a substantial investment in IT, in order to generate insight and deliver it to agents' screens in an integrated way. However, most cases were not waiting until everything was integrated – they were moving ahead with whatever technology was available at the time.

An additional category of "regulation" was added to Table 3-14. This reflects the issues of data protection and sector specific legislation in the case of financial services, which can make calls quite cumbersome and lengthy, making it harder to cross-sell/up-sell.

### **3.6.4 Agents in a combined sales and service role**

Table 3-15 summarises the necessary qualities for an agent to be successful in a combined sales and service role, according to respondents. The qualities in normal type have been proposed by previous authors (Eichfeld et al., 2006; Pontes & Kelly, 2000; Beaujean et al., 2006; Beatty et al., 1996; Kennedy et al., 2002; Hartline & Ferrell,

1996; Heskett et al., 1994; Bitner et al., 1994). The qualities in italics are additional qualities that have emerged from this research.

	Barclays	ENERGY	Health	O2	RIAS	AA
Competence (will and skill)	√			√	√	√
Self confidence		√		√	√	√
Concern for customer/doing right thing	√	√	√	√	√	
Confidence in products			√	√		√
<i>Confidence in data and processes</i>	√	√		√		
<i>Confidence that issues will be heard and resolved</i>		√				√
Exhibit empathy and understanding	√			√	√	
Feeling of control/empowerment		√	√	√	√	
Awareness of business and strategic context		√		√		√
Regular feedback on performance	√	√		√		
Ability to achieve balanced scorecard	√	√			√	√
Adaptability		√		√		
Affinity with customers/similar profile	√				√	

**Table 3-15: Qualities of agents successful in a combined sales and service role**

Respondents at Barclays stated that one of the biggest issues they had to overcome was building agents' confidence in the insight prompts. Across all of the cases, agents were observed to ignore the insight prompts if they did not believe that the offer was right for the customer. At O2, the focus in prioritising possible offers to put to the customer was on improving the customer experience and only half of the offers generated revenue for O2. Agents at O2 were observed to be the most pro-active in making offers to customers as they believed that the offers were good ones for customers. These observations give rise to the following proposition:

*P5: Agents are more likely to make successful offers if they believe that they are 'doing the right thing' for the customer*

### 3.6.5 Measuring sales through service performance

Table 3-16 summarises the cases' approach to measurement:

Measure	Barclays	ENERGY	HEALTH CARE	O2	RIAS	AA
Measure first call resolution?	X	√	X	X	X	X
Monetary incentives for cross-selling?	√	√	X	√	√	√
Customer satisfaction included in balanced scorecard?	√	√	√	√	√	√
Productivity (AHT/adherence to schedule) included in balanced scorecard?	√	√	√	√	√	√
Sales performance included in balanced scorecard?	√	√	X	end '07/'08	√	√
Measure reference to customer insight?	√	X	X	√	X	X
Measure # of customers saved?	X	√	√	√	√	√
Measure average cost of saving customer?	X	X	X	√	X	√
Measure # of offers made and accepted?	√	X	X	√	√	√
Measure # of offers made and Xt accepted?	√	X	X	√	X	√
Measure # of conversions (sales or hand-offs)?	√	√	partially	√	√	√
Measure overall impact on revenue?	√ - n/a	X	X	√	√ - n/a	√
Measure average revenue per call?	X	partially	X	X	√	√
Measure contribution to overall or individual profitability?	X	X	X	√	X	√
Data collection	√	√	X	X	X	√
Average up-sell/cross-sell ratio	1 in 10	1 in 33 1 in 8	n/a	1 in 9	1 in 12	1 in 50 1 in 20

**Table 3-16: Measures of sales and service performance**

All cases except for HEALTHCARE offered monetary incentives to reward cross-sales/up-sales behaviors - rather than just the success of those behaviors. Such behaviors included reference to customer insight during calls, making offers to customers, passing leads to sales teams and actually closing the sale. All cases except for HEALTHCARE and O2 measured each agent's sales performance as part of a balanced metrics set including measures of productivity (such as average handling time), customer satisfaction and sales. O2's delay in the introduction of sales metrics for agents was deliberate: the initiative managers wanted agents to first become comfortable with referring to the VISION system to check for offers, before introducing rewards for agents for the number of times they made offers to customers based on the recommendations of the VISION system. By 2008 they planned to introduce measures that would reward conversions of offers to sales, which were currently measured but not rewarded. As O2 achieved the highest up-sell/cross-sell ratio, this would appear consistent with Eichfeld et al. (2006)'s finding that there is no correlation between cross-selling performance and the way that monetary incentives plans are structured. At the least, the relationship between incentives and performance, in this domain as in others, appears a complex one, and many factors other than incentives are relevant. The null hypothesis of the proposition below is consistent with the data and requires further exploration.

*P6: There is no correlation between monetary incentives and cross-sell/up-sell performance*

Turning to metrics for purposes of overall programme management, Schneider et al (1998) conclude that service and sales must be complementary not contradictory and that firms should aim for a balanced scorecard. All of the cases except for HEALTHCARE had a balanced set of metrics covering customer satisfaction or call quality, productivity and cross-sell/up-sell behaviors and performance. Managerial respondents said that they preferred agents who were balanced across all metrics –

*“we want everybody to be on the nail, we don’t want these people who are getting really high conversions, but with a huge AHT [Average Handling Time]” (F:4).*

Perhaps because this balance was being sought, no firm believed that average handling time had increased as a result of introducing sales through service, despite previous research (Schneider & Bowen, 1995; Evans et al., 1999) suggesting that there is a trade-off between cross-selling/up-selling and average handling time. One case reported a bell curve effect, where handling time increased initially when an agent began to add sales to their role, but leveled out once the agents were comfortable with new technology and processes. Respondents believed this to be because the customer insight enabled the agents to have a more relevant, productive dialogue. Hence the following proposition:

*P7: Successful sales and service agents achieve a balanced metrics set of call quality, call quantity and revenue.*

Jarrar and Neely (2002) found that US banks predominantly measure cross-sell campaigns based on the number of cross-sells. In this study, two firms (Barclays and O2) measured reference to customer insight, four firms (Barclays, O2, RIAS, the AA) measured the number of offers made and accepted, three firms (Barclays, O2, the AA) measured the number of offers made but not accepted and all firms measured the number of sales conversions or hand-offs to sales (albeit HEALTHCARE incompletely). This suggests a wider set of metrics to be studied in any future surveys of current practice.

Jarrar and Neely (2002) also reported that more than three quarters of US banks in their survey did not measure cross-sell effectiveness in terms of contribution to overall profitability or to individual profitability. In this study, four firms (Barclays, O2, RIAS, and the AA) measured the overall impact on revenue, although only the AA was willing to provide revenue numbers. Only RIAS, ENERGY and the AA measured average revenue per call and only O2 and the AA were able to measure contribution to overall or individual profitability.

Eichfeld et al (2006) proposed that most bank call centres with high levels of service quality could achieve a cross-sell ratio of three core products for every 100 calls within two years of implementing a service to sales initiatives. Each of the companies in this study were achieving or exceeding this ratio in at least one product area.

## **3.7 Summary and Conclusions**

### **3.7.1 Summary**

This project aimed to build on project one by concentrating on one aspect of the customer insight framework, namely how customer insight is being actioned through the customer service function.

The purpose of this project therefore was to investigate how six large UK-based companies use customer insight in inbound service call centres to cross-sell, up-sell and retain customers. Following the identification of several gaps in the literature, answers to the following questions were sought:

*RQ1: What contextual factors are driving companies to invest in inbound sales through service initiatives?*

*RQ2: How, if at all, are companies generating and delivering customer insight to front-line agents in inbound service call centres?*

*RQ3: What issues are associated with sales through service initiatives?*

*RQ4: What are the qualities of a successful sales and service agent?*

*RQ5: What metrics are companies using to measure the success of their sales through service initiatives?*

The study provided evidence of a variety of approaches to up-selling, cross-selling and retention in inbound service call centres. The data was collated to generate the following:

- Table 3-11: Summary of sales through service approaches across cases
- Table 3-12: Contextual factors driving sales through service initiatives
- Table 3-13: Summary of technology use in inbound service encounters
- Table 3-14: Generic issues associated with sales through service initiatives
- Table 3-15: Qualities of agents successful in a combined sales and service role
- Table 3-16: Measures of sales and service performance

Although the tables were grounded in data it is suggested that these require further exploration and validation. In particular, this study proposes seven propositions which warrant further investigation.

### **3.7.2 Contribution**

This research makes a contribution to knowledge of how companies use customer insight to cross-sell, up-sell and retain customers in inbound service call centres. More specifically, this study contributes to knowledge in the following areas, as summarised in Table 3-17: Summary of contribution:

Domain	Contribution
Marketing	Adds weight to arguments for one-to-one marketing Builds literature on cross-selling/up-selling
Customer service	Confirms importance of customer service in business success Highlights complexity of delivering customised service which achieves sales objectives Contributes to limited research understanding service encounters from firm's point of view Supports theoretical soundness of service-profit chain
Technology-enabled service encounters	Builds knowledge of application of technology in inbound service call centres Supports technology as fourth dimension of Services Marketing Triangle Supports Technology Infusion Matrix defining customisation as driver of service encounter satisfaction Tentative support for predictive modelling as important ingredient for cross-selling Limited evidence to support value of using real-time information to cross-sell
CRM/customer insight	First study looking at how customer insight can be used in a sales through service context Builds support for the capability view of CRM
Sales through service	First study to propose contextual factors driving sales through service initiatives in inbound service call centres Confirms and builds on previous research investigating difficulties of combining sales and service roles First study to propose empirically-derived list of qualities of agents successful in combined sales and service role First study to propose measures of performance First study to propose seven propositions in a sales through service context

**Table 3-17: Summary of contribution**

### Marketing

As consumers become more sophisticated in their shopping habits and marketing channels become proliferated, firms are moving away from mass marketing towards customising marketing efforts for each individual customer. It follows that CRM capabilities, designed to understand individual customer behaviour, should fully support marketers to become more customer-centric - a term coined by Sheth et al. (2000) - and to individualise marketing messages. Pitta (Pitta, 1998, p. 471) argued that one-to-one marketing and mass customisation are “examples of technological hype which is far beyond commercial reality”. A decade on, this study adds weight to the argument that one-to-one marketing is now indeed becoming a commercial reality. It contributes to the debate on the future of market segmentation and the question whether the ‘segment of one’ is the new panacea for marketing (Dibb, 2001). This will be expanded upon in the reflections section.

According to Kamakura et al (2003), there is a notable lack of attention to the subject of cross-selling/up-selling in the marketing literature. This research contributes firstly by building an understanding of the drivers of cross-selling/up-selling initiatives from a firm’s perspective, as opposed to from a customer’s perspective (Evans et al., 1999). It is the first study to suggest customer insight as an enabler of (Bitner et al., 2000; Ngobo,

2004) IT-enabled cross-selling. It also contributes rare evidence of performance measures relating to cross-selling/up-selling.

### **Customer service**

The study confirms the importance of customer service in business success and highlights the complexity of delivering customised service which also achieves sales objectives. It also contributes to the limited research understanding service encounters from the firm's point of view, as opposed to the customer's (Fisk et al., 1993).

Despite the widespread contention (Chase & Hayes, 1991; Kelley, 1993) that if service agents managed to initiate conversations that uncover customer needs, this could lead to cross-selling (selling new products), up-selling (selling upgrades of existing products) and customer retention, the impact of CRM technology in call centre agents' delivery of customer service has not been examined empirically (McNally, 2007). This study provides important empirical evidence of this practice.

This study supports the theoretical soundness of the service-profit chain (Heskett et al., 1994), which links profit and growth to customer loyalty. The principles of the chain are that if you empower employees they will be satisfied, loyal and productive; and they will deliver excellent customer service. This excellent customer service leads to more satisfied customers, who tend to be more loyal. Loyal customers stimulate growth and profitability.

### **Technology-enabled service encounters**

This is one of the few studies that investigate the application of CRM technology in inbound service call centres. It introduces to the technology-enabled services literature the construct of customer insight as an enabler to cross-selling and up-selling in an inbound service call centre context, and therefore contributes to a paucity of literature about the firm's perspective.

It provides further evidence of the critical role that technology can play in enabling firms to customise their service offerings (Peppers & Rogers, 1993; Pine II, 2004). It supports technology as the fourth dimension of the Services Marketing Triangle (Parasuraman, 1996) and adds evidence for one of Froehle and Roth's (2004) five roles of technology in service, namely technology-mediated customer contact. It also supports Bitner et al's (2000) Technology Infusion Matrix which identifies customisation as one of the drivers of service encounter satisfaction. It also supports Jarrar and Neely's (2002) proposal that predictive modelling (to generate customer insight) is an important ingredient for cross-selling. There was limited evidence from the O2 case to support Byers and So's (2007) suggestion that there is value in using real-time information to cross-sell in telephone service centres.

### **CRM and customer insight**

Previous literature focusing on operational CRM to increase efficiency and knowledge is largely limited to understanding how customers had behaved in the past, as evidenced by transactions (Stone & Woodcock, 2001). This study clarifies the need for additional knowledge about customers' needs and behaviours, as well as the synthesis of multiple data sources to create predictions about future behaviour.



There are no studies looking at how customer insight can be used in a sales and service context. Customer insight that is available at the point where the service encounter occurs (as reported in this study) is an example of a resource in the language of the capability view of CRM. Despite evidence that most companies do a poor job predicting the behaviour of their customers (Kumar et al., 2006), this research builds empirical evidence of the capability view (Zablah et al., 2004) by clarifying the need for additional knowledge about customers' needs and behaviours, as well as the synthesis of multiple data sources to create predictions about future behaviour.

### **Sales through service**

According to Jarrar and Neely (2002), the combining of sales and service is an immature practice, so this study provides a rare empirical investigation in a UK context. The fact that there is not one common approach to sales through service seems to confirm the immaturity of the practice and is consistent with McNally's (2007) findings that service and sales can be integrated or separate, depending on the firm's existing organisational structure or customer service and retention strategy.

This is the first study to propose contextual factors driving sales through service initiatives in inbound service call centres. Previous research (Spencer-Matthews & Lawley, 2006) examined the contextual factors driving customer contact management. These were found to be in existence in a sales through service context and a number of additional categories emerged. For example, regulation was found to be an additional external driver i.e. increased restrictions on outbound marketing (e.g. data privacy regulations and the telephone preference service) meant that firms were relying more on inbound contact for their marketing efforts. Additional internal drivers were also identified, namely the need for increased customer retention/loyalty; increased customer satisfaction/experience, better customer development and empowerment of agents.

Previous research has investigated the difficulties of combining sales and service roles at the point of customer contact from the firm's perspective (Schneider & Bowen, 1995; Evans et al., 1999; Jarrar & Neely, 2002; Eichfeld et al., 2006). The seven issues previously identified were supported in this study and an additional category of regulation was proposed. This was found to be particularly prevalent in a financial services context.

There is a dearth of literature examining the characteristics of agents who are successful in a combined sales and service role. Previous research (Eichfeld et al., 2006) is either anecdotal or relates to agents in either a sales or a service role. This study is the first to propose an empirically derived list of the qualities of agents who are successful in a combined sales and service role. This list consists of eleven categories already proposed in the literature and an additional two categories relating to agents' confidence that their issues will be heard and resolved and agents' confidence that the data and processes are accurate. The latter impacts on agents' customer orientation - an important antecedent of job performance. The two dimensions of customer orientation are enjoyment (agents enjoy interacting with and servicing customers) and needs (agent beliefs about their ability to satisfy customer needs). Agents are more likely to believe that they are

satisfying customer needs if they are confident that the customer insight provided to them is credible.

The final contribution of this study to the sales through service literature is in the area of performance. The sparse empirical evidence in this area (Jarrar & Neely, 2002; Eichfeld et al., 2006) is in a US banking context. This study provides an empirically derived list of measures used in UK sales through service initiatives and suggests a rather surprising proposition that there is no correlation between monetary incentives and cross-sell-up-sell performance. An equally surprising finding was that despite academic (Schneider & Bowen, 1995; Evans et al., 1999) and practitioner concerns that average handling time would increase as a result of introducing a sales component to a service call, this study found that this was not the case, within this set of cases at least.

### **3.7.3 Implications for practitioners**

Practitioners who are concerned about increased legislative restrictions on outbound marketing and poor response rates will be encouraged to consider inbound marketing, given the higher conversion rates on inbound sales offers than on outbound campaigns reported by several of the case studies. Some specific implications for practitioners are as follows:

1. There is more than one approach to sales and service initiatives. Some firms choose to train sales agents to deal with service enquiries; some train service agents to close additional sales; and some firms train service agents to spot opportunities and pass them over to a sales team. As yet, no one approach has been proven to be the most successful.
2. Despite common practitioner assumptions, it appears that there is not necessarily a trade-off between up-selling/cross-selling in a service environment and average handling time. Excellent customer service is a pre-requisite for any successful sales and service initiative. Agents must first deal competently with the service enquiry before they earn the right to explore customer needs with a view to cross-selling/up-selling.
3. It is not uncommon for front-line service staff to be reluctant to engage in activities or conversations that are perceived as “selling”. A sales through service initiative can, though, be perceived positively by customers if based on sufficiently customised insight, and hence it can be viably presented to staff as enhancing value for the customer. In this regard, one of the most important qualities of a successful sales and service agent seems to be having a genuine concern for the customer and a sense of ‘doing the right thing’.

### **3.7.4 Limitations and opportunities for further research**

According to Smith et al (2006b) there is a limited population of companies in the UK who are using customer insight to tailor their value proposition to individual customers. Ideally, to demonstrate best practice, only these companies would have been selected in the sample. However, this would have required extensive research to identify the cases. There would also have been issues with confidentiality as the majority of best practice cases appear to be in the financial services and telecommunications industries. Instead, the cases in this study were selected primarily due to:

1. assumptions about their customer insight activities in inbound service call centres
2. their non-competitive nature to ease concerns about sharing results at an early stage with competitors
3. ease of access to key individuals
4. their willingness to participate
5. their UK location

This study was limited to six companies from different industries. It could be argued that the model is not necessarily generalisable within a given industry without further within-industry replication. This research was delimited to the UK perspective and further research could be undertaken in other developed countries to check fit.

The cases exhibited a variety of approaches to sales and service initiatives and different scales of operation. Future work may wish to focus on one or more of these approaches in detail, or to examine their strengths and weaknesses through a larger sample.

This study did not explore links between cross-sell/up-sell and retention ratios and improvements in revenue and performance. It also did not explore the impact of cross-selling/up-selling and retention on customer satisfaction and experience. Any findings in these areas were anecdotal rather than conclusive.

This research aimed to investigate a relatively new phenomenon thus lending itself to case research and analytical generalisation. Future work using methods such as cross-sectional surveys would be beneficial to enable statistical generalisation and to test some of the seven propositions that have been presented:

*P1: Companies that use predictive modelling to generate customer insight will have higher acceptance rates on sales through service offers.*

*P2: Delivering customer insight directly onto agents' screens leads to increased sales performance in sales through service initiatives.*

*P3: Cross-selling/up-selling without individualised customer insight is more likely to lead to short term gain at the expense of customer experience and long-term value.*

*P4: Customer satisfaction will increase when customers are offered additional products and services based on customer insight.*

*P5: Agents are more likely to make successful offers if they believe that they are 'doing the right thing' for the customer*

*P6: There is no correlation between monetary incentives and cross-sell/up-sell performance*

*P7: Successful sales and service agents achieve a balanced metrics set of call quality, call quantity and revenue.*

## **4 CHAPTER FOUR: APPENDICES**

### **4.1 EMAC conference: reviewers' comments**

#### **Reviewer #1: -----**

1. The quality of the problem formulation is: 7
2. The quality of the analysis is : 3
3. The structure of the paper is : 7
4. The quality of the writing of the paper is : 5
5. The paper's contribution to the field is : 5
6. The paper's probability to stimulate future research is : 7
7. Recommend acceptance or rejection of the paper : 2

(Scores are out of 10 for questions 1 to 6. For question 7, -4 means rejection very strongly recommended; 4 acceptance very strongly recommended)

Comment : The focus of the paper is very important to companies spending large amount of money in collecting data on their customers. As stated in the introduction, customer insight data are often collected but not used. The main weakness of the paper is to remain very descriptive, making lists of the types of data collected, of customer insight generated, actioning of customer insight in marketing or in sales. But no link is made between all these lists. It would be interesting to understand why some companies make a good use of all this information while others don't. It would also be useful to better explain the way the content analysis has been conducted.

#### **Reviewer #2: -----**

1. The quality of the problem formulation is: 8
2. The quality of the analysis is : 7
3. The structure of the paper is : 8
4. The quality of the writing of the paper is : 8
5. The paper's contribution to the field is : 7
6. The paper's probability to stimulate future research is : 7
7. Recommend acceptance or rejection of the paper : 3

(-4 means rejection very strongly recommended; 4 acceptance very strongly recommended)

Comment : The purpose of this study (to explore how companies use customer insight to drive customer acquisition, retention and development and thereby to develop a theoretical model for generating and actioning customer insight) is very interesting and innovative. The methodology used is relevant (even if we would have liked to have more details about the interviews). The literature review is up to date and shows that very few articles on the subject have been published. So the contribution could be quite important and the conclusions could stimulate future research in the field.

Track Chair comment:

Final Decision ACCEPTED

## 4.2 Academy of Marketing conference: reviewers' comments

(Scores are out of 5 on each criterion, with scores listed for both reviewers.)

### Problem formulation

5

4

### Analysis

3

4

### Structure

4

5

### Writing

4

5

### Contribution

4

5

### Stimulate

4

5

### Grade

24

28

### Recommendation

► Accept paper as is

► Accept paper as is

### Recommendation for Awards

► 'Best paper in Track' Award

► JMM Conference Issue

### Comments: Reviewer one

The authors address a crucial area of Customer Relationship Management (CRM), namely the use of customer insight to drive customer acquisition, retention and development. It is already well known that many large firms acquire a plethora of data about their customers from various sources. However, previous research has also established that many CRM initiatives have failed to produce the desired results. Therefore, it is indeed of particular interest to investigate how firms generate customer insight from the data they acquire and how this insight subsequently is used in the management of customer relationships.

Overall, the paper maintains a high standard. The structure and the quality of writing are good. Key literature has been referred to, but the authors may also wish to mention the following studies: Forsyth, Galante, and Guild (2006); Langford and Schulz (2006); Wills and Webb (2007). With regards to the method, by interviewing four to six different individuals at each of the five firms included in the study, the authors have

managed to demonstrate a sufficient degree of rigour. Summaries of the results are presented clearly in tables that are easily understandable. Finally, the paper succeeds in making a contribution, specifically in the area of “actioning” customer insight across different areas of the organisation. Since research in this area is scarce, this study also is likely to stimulate further research.

The weakest part of the paper is the discussion of the case firms (pp. 7-9). Although interesting, the descriptions of the cases could be structured more clearly in terms of acquisition of data, generation of customer insight, and actioning of customer insight. This would make the cases more easily comparable and provide the reader with an enhanced understanding of tables 1-4.

In addition, I would like to draw the authors’ attention to the fact that a number of references that are cited are missing from the reference list: (Nemati et al. 2003; Smith et al. 2006b; Gill and Johnson 1991; Reinartz et al. 2005). Finally, I kindly request the authors to review the conference’s call for papers in order to ensure that the format of the reference list is correct.

In view of the generally high quality of the paper and its contribution to research on customer insight, I recommend that the paper be accepted as is.

Comments: Reviewer two

Overall, you have a well written paper - easy to read with clear and logical arguments that are nicely supported and developed. I really enjoyed reading your paper. I offer a few suggestions to tighten your arguments:

1. While you state that ‘there is little research investigating the capability view of CRM...’ and then proceed to offer your own definition, you must first demonstrate that you are not wandering too far from other research (as Nemati et al. 2003; Wills and Williams 2004; Smith et al. 2006 – all which you quote) on the subject. Provide a table of past research with definitions, etc., for the purpose of linking in your research.
2. You bury your research questions too far into the paper (right before ‘Method’). It is fine to repeat them at this point, but you need to clearly state them upfront and in the abstract. The second to the last sentence in your abstract was the closest you came to explicitly stating your research question/agenda.
3. A bit more explanation into your research process – the development of the categories and the process of placing information into the different categories (did you use expert judges?). Should all companies – given that they operate in different industries and experience different market conditions – have comparable categories, or should some be unique?
4. Your tables need to read easier with your theoretical model. Some labels do not match.

**4.3 Customer Strategy and Management conference: attendee feedback**

**Please rate the overall conference session (where 5 is excellent and 1 is poor)**

<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>Av.</b>
10	23	5	0	0	<b>4.1</b>

- Enthusiasm and subject understanding and insight are great!
- Lots of interesting insights.
- Extremely good information and very fluent presenter who is very knowledgeable.
- Good insight into what other companies are doing, gave some good pointers.
- Don't think it worked well to have a second person controlling the powerpoint slides.
- Great insight.
- Very interesting and good insight.
- Very useful – good movement through the ‘story’.
- I work in b2b, and although a mention was made of a b2b company, a reference to how b2c insight can be developed for b2b would have been interesting.
- Nice overview. Nice examples. Use of inbound imperative – useful relevant insight.
- Clear, concise, felt a little based on call centre.

**Please rate how well the conference session delivered against your expectations**

<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>Av.</b>
9	21	8	0	0	<b>4.0</b>

- Very useful and interesting insight.
- Covered the subject well.
- Delivered against my expectations.
- I felt that it was more focused on what could be gained by having good Cust, Insight rather than the key things companies could be doing to achieve good Customer Insight.
- Very useful.
- Useful suggestions – our company very small but still relevant.
- Was expecting a bit more on something new, same has been covered in training for marketer (CIM).
- Session was sold as delivering a new model to help us enhance customer experience – not sure/clear on if we received this.

**Please rate the content of the presentation**

<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>Av.</b>
11	20	4	0	0	<b>4.2</b>

- There was lots of info to back up her views and highlighted that she had indeed done her research, gave good insights.

- Of great interest.
- Very interesting and provided a sound insight into the area.
- Managed to deliver a lot of content in an easy-to-digest way.
- Interesting and informative.

### Evaluation of Speaker: Christine Bailey

Please rate the Speaker's knowledge of topic

5	4	3	2	1	Av.
23	10	1	0	0	4.6

Please rate the Speaker's delivery

5	4	3	2	1	Av.
18	13	1	0	0	4.5

- Very clear and interesting – obviously an area of real interest.
- Delivery was good, very friendly and knowledgeable on her subject.
- Very good and relaxed delivery. Good humoured – very smooth. Obviously a well accomplished speaker.
- Fantastic delivery – Thanks.
- Very good.
- Very knowledgeable and personable presenter.

#### 4.4 Project one: recruiting case studies – initial email

The following email was originally sent to companies inviting them to participate in the research:

*Email header: Chance to participate in customer insight research project*

Dear

I'm writing to you because I believe you are advanced in the area of customer insight. I'm currently undertaking a research project as part of my doctoral studies at Cranfield University School of Management, investigating five companies who are best practice at actioning customer insight at the front line.

I need to interview four people who are responsible for either generating or actioning customer insight at each company. I attach a one page flyer with further info. All it would involve would be 1 hour of your time for me to interview you (interview questions in attached doc).

Obviously you'd get full access to the results, which would remain confidential to the participating (non-competing) companies. You will also be invited to attend the Cranfield Customer Management Forum on September 27th, where I will be presenting the results (with names removed to protect the innocent!). This would be free of charge (annual membership of the forum usually costs £9.5k).



If this sounds interesting to you, could you please let me know and perhaps suggest a convenient time for me to come and interview you. Please don't hesitate to call me if you have any questions at all.

Many thanks in advance

Best regards  
Chris Angell

Executive Doctor of Business Administration candidate  
Cranfield University School of Management

Direct: +44 (0)20 89405289  
Mobile: +44 (0)7810 638820

#### **4.5 Project one: recruiting case studies – follow-up email**

The following email was sent to additional colleagues, once the first person had agreed to participate:

*Email header: Chance to participate in customer insight research project*

Dear

I'm writing to you to see if you'd like to participate in a Cranfield University doctoral research project? I'm investigating five companies who are best practice at actioning customer insight at the front line - Barclays, BT, Cisco, O2 and The Post Office.

I already have an interview scheduled with XX and need to interview a further 3 people at XX company who are responsible for either generating or actioning customer insight at the front line. I attach a one page flyer with further info. All it would involve would be 1 hour of your time (interview questions in attached doc).

Obviously you'd get full access to the results, which would remain confidential to the participating companies. You would also be invited to attend the Cranfield Customer Management Forum workshop on September 27th, where I will be presenting the results. This would be free of charge (annual membership of the forum usually costs £9.5k).

If this sounds interesting to you, could you please let me know and perhaps suggest a convenient time before the end of April for me to come and interview you. If you don't think it's appropriate for you, but can recommend another contact I would greatly appreciate that.

Please don't hesitate to call me if you have any questions at all.

Many thanks in advance

Chris Angell

Executive Doctor of Business Administration candidate  
Cranfield University School of Management

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Mobile: +44 (0)7810 638820

#### **4.6 Project one: copy of one-page attachment**

*Call for research participants*

I am looking for five ‘best practice’ non-competing companies to participate in a doctoral research project, supervised by Dr. Hugh Wilson, Cranfield University School of Management and Professor Moira Clark, Henley Management College. The research investigates how companies action customer insight at the front line to improve customer acquisition, retention and development.

I need to conduct a 45 mins’ semi-structured interview with 3 or 4 people within each company, with at least one person responsible for insight generation and at least one person responsible for actioning customer insight

Typical research participants might be the Marketing Director, Head of CRM, Head of Customer Insight, Call Centre Director, Sales Director

Interviews to take place at the client’s site (or client’s preferred location). Target completion date for interviews is the end of April 2006.

Full confidentiality is guaranteed. If all participants agree, the research report will be shared fully amongst participants. If a company wishes to remain anonymous, its name will be removed from the report before sharing amongst other research participants.

#### **Topic background**

Best practice firms are experiencing a four or five-fold increase in the uptake of an offer that is made to people that approach them (*inbound marketing*), as opposed to the same offer being made when a firm approaches people (*outbound marketing*). With such a compelling return on investment, companies are trying to adapt their business processes to be able to make the *right* offer to the *right* people at the *right* time, through the customer’s channel of choice.

To achieve this, firms need to be able to action customer insight at the front line. Some have been partially successful in collecting customer and market data, generating customer insight, and using this insight to drive marketing campaigns, but the same insight is rarely available at the front line (e.g. salesforce, call centre, outlets, website) to tell staff what product to sell, what offer to discuss, or what event to promote when they engage in an interactive dialogue with customers and/or prospects.

For the purposes of this research, customer insight is defined as: “a detailed understanding of customer profiles and behaviour, drawn from multiple data sources, that is potentially actionable through the prediction of how customers will react to

different forms and content of interaction, or through other tailoring of the value proposition”.

### **Research questions**

- What different types of customer and market data do you collect at the moment?
- What types of insight are you generating?
- Who uses the insight? Do people action the insight at the front line?
- Tell me something about your internal climate – does it help or hinder the creation and use of customer insight?
- Is there insight that you’d like to generate and/or action that you don’t?
- What’s preventing you from generating and/or actioning that insight?
- What are your priorities moving forward?

Please contact Chris Angell on 020 8940 5289 or [christine.angell@cranfield.ac.uk](mailto:christine.angell@cranfield.ac.uk) if you are interested in participating in this research project.

### **4.7 Project one: list of case studies approached but excluded**

Ten companies were short-listed but not included in this study for the following reasons:

**Air Miles:** The Customer Insight Director expressed an interest in participating in the research when I met him at the Cranfield Customer Management Forum. However, on receiving my brief he was concerned that although they were generating customer insight, it was not being actioned very well at the front line.

**Amazon:** Amazon is well known for personalising its website and making recommendations about what other products and services its customers might be interested in, based on previous interactions. The Head of CRM was personally known to me but unfortunately was about to leave the company. Her replacement had not yet been established and could therefore not be approached.

**Betfair:** Betfair was recommended to me by Dr. Stan Maklan (author of many CRM-related publications) as a good example of a company advanced in this area. The marketing director was approached but declined to respond.

**BUPA:** BUPA is a customer of Siebel Systems and known to be advanced in the area of CRM. The marketing director has also attended CRM conferences at Cranfield. He was approached but declined to respond.

**Centrica:** Centrica is a member of the Cranfield Customer Management Forum and is known to be using propensity modeling in its call centres. They expressed an interest in participating in this research project, but their late response due to vacation prevented them from being included.

**Channel Four Television:** BSkyB was interviewed for a recent Cranfield Customer Management Forum report on turning data into value (Smith et al., 2006b) and was found to be leading edge. As I personally know the Marketing Director of Channel

Four I thought there might be useful parallels. However, a discussion with him revealed a very different business model to BSkyB. In fact very little was being done in terms of generating customer insight.

**Ecclesiastical Insurance Group (EIG):** EIG attended a Customer Insight workshop at Henley Management College and expressed an interest in participating in the research. However on receiving my brief, they didn't feel that they demonstrated 'best practice' in this area and declined to participate.

**RAC Motoring Services:** The AA (competitor) participated in the Cranfield research into turning data into value (Smith et al., 2006b), so I thought there would be useful parallels. Also, as the RAC was a member of the Cranfield multi-channel marketing club I thought there would be easy access to the right people. However, I didn't receive a response from them.

**Unilever Bestfoods:** I met the consumer insight manager at a customer insight workshop at Henley. She was very keen to participate in the research from a learning perspective, but declined to participate when she read the brief as she didn't think they represented 'best practice'.

**Virgin Mobile:** I have met the Customer Insight Director on several occasions at Henley Management College and she expressed interest in participating in my research, but was concerned about finding the time. As I already had agreement from O2 (a competitor) to participate, we agreed that she would decline this time and I would consider her for future research projects.

#### **4.8 Project one: outline of interview guide**

1. Background and introduction
2. Company and respondent background
3. Different types of customer and market data
  - a. Can you tell me what different types of customer and market data you collect at the moment?
  - b. Contact info/basic info
  - c. Extended info (budgets, decision-makers, responsibilities etc)
  - d. Transactional data (direct/third party)
  - e. Contact/marketing history
  - f. Market research
  - g. Attitudinal data
  - h. Demographics
  - i. Brand awareness
  - j. Propensity to purchase
  - k. Customer satisfaction surveys
  - l. How is your data organised?
  - m. Product
  - n. Channel
  - o. Geography
  - p. Account

- q. Individual
  - r. Do you use all of the data you collect?
4. Generating Customer Insight
- a. In your company, who is responsible for generating customer insight?
  - b. What types of customer insight are you generating from your data?
  - c. Operational (please give examples)
  - d. Strategic (please give examples)
  - e. More specifically, for what purpose are you generating customer insight?
  - f. Targeting/segmentation
  - g. Tailoring the proposition
  - h. Developing customer retention strategies
  - i. Focusing sales effort
  - j. Tailoring the contact strategy
  - k. Other?
  - l. Is there insight that you'd like to have that you don't?
5. Actioning customer insight at the front line
- a. What does your "front line" consist of i.e. what channels do you touch the customer through?
  - b. Who has responsibility for actioning customer insight at the front line?
  - c. Does it happen in practice?
  - d. Describe what a front line person would do differently as a result of acting on customer insight?
  - e. How do you measure whether people are actioning customer insight?
  - f. What feedback do the people responsible for actioning the insight give to the people generating it?
6. Organisational context
- a. What type of organisation would you say you are?
  - b. Customer-centric
  - c. Operationally excellent
  - d. Product driven etc
  - e. Would you say that you're a learning organisation i.e. has insight really changed your thinking?
  - f. Why do you think your company prioritises the generation and actioning of customer insight?
  - g. Tell me something about your internal environment – does it help or hinder the creation and use of customer insight?
  - h. What factors are critical in helping you?
  - i. What other factors are important in helping you?
  - j. What factors hinder you?
  - k. Can you give me examples of what you've been particularly good or bad at in the following areas:
  - l. Company strategy
  - m. Organisational structure/capabilities
  - n. People
  - o. Data
  - p. Process
  - q. Technology
7. Industry context

- a. Are there constraints that are common to your industry?
- b. Industry regulation
- c. Industry information sharing
- d. External data availability
- e. Are there any constraints that are not specific to your industry?
- f. Data protection/communications directives
- g. What are your priorities moving forward?

#### 4.9 Project one: Nvivo coding framework

NVivo revision 2.0.161

Project: Project One User: Administrator Date: 24/06/2006 - 14:20:32

##### NODE LISTING

Nodes in Set:	All Nodes
Created:	20/05/2006 - 14:29:00
Modified:	20/05/2006 - 14:29:00
Number of Nodes:	182
1	Datapro
2	(1) /Types of Data
3	(1 1) /Types of Data/Competitor
4	(1 2) /Types of Data/Customer
5	(1 2 1) /Types of Data/Customer/Interactions
6	(1 2 1 1) /Types of Data/Customer/Interactions/Expanded knowledge
7	(1 2 1 1 6) /Types of Data/Customer/Interactions/Expanded knowledge/Sales
decisioning data	
8	(1 2 1 2) /Types of Data/Customer/Interactions/Contact details
9	(1 2 1 3) /Types of Data/Customer/Interactions/Activity history
10	(1 2 2) /Types of Data/Customer/Customer satisfaction
11	(1 2 2 1) /Types of Data/Customer/Customer satisfaction/Complaints handling
12	(1 2 2 2) /Types of Data/Customer/Customer satisfaction/Entry and exit
interviews	
13	(1 2 2 3) /Types of Data/Customer/Customer satisfaction/Overall customer
sat~experience	
14	(1 2 2 4) /Types of Data/Customer/Customer satisfaction/EDCSM
15	(1 2 2 5) /Types of Data/Customer/Customer satisfaction/Service stability data
16	(1 2 2 6) /Types of Data/Customer/Customer satisfaction/Customer sat vs
competitors	
17	(1 2 2 7) /Types of Data/Customer/Customer satisfaction/Loyalty drivers
18	(1 2 2 8) /Types of Data/Customer/Customer satisfaction/Customer experience
19	(1 2 3) /Types of Data/Customer/Opinions
20	(1 2 3 1) /Types of Data/Customer/Opinions/AandP
21	(1 2 3 2) /Types of Data/Customer/Opinions/Call reasoning
22	(1 2 3 3) /Types of Data/Customer/Opinions/Usage and Attitude
23	(1 2 3 4) /Types of Data/Customer/Opinions/Perceptions of value
24	(1 2 3 5) /Types of Data/Customer/Opinions/Behaviour patterns
25	(1 2 3 6) /Types of Data/Customer/Opinions/Buying preferences and buyer
behaviour	
26	(1 2 3 7) /Types of Data/Customer/Opinions/Product Usage
27	(1 2 4) /Types of Data/Customer/Transactions
28	(1 2 4 1) /Types of Data/Customer/Transactions/Product holdings
29	(1 2 4 2) /Types of Data/Customer/Transactions/Till data

30	(1 2 4 3) /Types of Data/Customer/Transactions/Bookings
31	(1 2 4 4) /Types of Data/Customer/Transactions/Did you buy audits
32	(1 2 4 5) /Types of Data/Customer/Transactions/Sales transactions
33	(1 3) /Types of Data/Employee
34	(1 3 1) /Types of Data/Employee/Service performance
35	(1 3 3) /Types of Data/Employee/Mystery shopping
36	(1 3 5) /Types of Data/Employee/Retail standards audits
37	(1 3 6) /Types of Data/Employee/Staff focus groups
38	(1 3 6 4) /Types of Data/Employee/Staff focus groups/Staff questionnaires
39	(1 3 6 4 2) /Types of Data/Employee/Staff focus groups/Staff questionnaires/Opinions
40	(1 3 7) /Types of Data/Employee/Employee satisfaction
41	(1 3 8) /Types of Data/Employee/Buddy programmes
42	(1 4) /Types of Data/Market
43	(1 4 1) /Types of Data/Market/Market share
44	(1 4 2) /Types of Data/Market/Social, ec and political trends
45	(1 4 2 5) /Types of Data/Market/Social, ec and political trends/Lifestyle trackers
46	(1 4 3) /Types of Data/Market/Demographics~population profiles
47	(1 4 4) /Types of Data/Market/Market issues and challenges
48	(1 4 4 7) /Types of Data/Market/Market issues and challenges/Brokers and analyst reports
49	(1 4 6) /Types of Data/Market/Company profiles
50	(1 4 8) /Types of Data/Market/Attitudinal data
51	(1 5) /Types of Data/Channel
52	(2) /Types of Insight
53	(2 2) /Types of Insight/Customer analytics
54	(2 2 1) /Types of Insight/Customer analytics/Customer profitability
55	(2 2 2) /Types of Insight/Customer analytics/Product profitability
56	(2 2 3) /Types of Insight/Customer analytics/Risk assessments
57	(2 2 4) /Types of Insight/Customer analytics/Share of customer wallet
58	(2 2 5) /Types of Insight/Customer analytics/Customer lifetime value
59	(2 3) /Types of Insight/Market
60	(2 3 2) /Types of Insight/Market/Size
61	(2 3 3) /Types of Insight/Market/Position
62	(2 3 4) /Types of Insight/Market/Trends and issues
63	(2 3 5) /Types of Insight/Market/Macro market analysis
64	(2 3 6) /Types of Insight/Market/Potential, actual and growth potential
65	(2 4) /Types of Insight/Models
66	(2 4 3) /Types of Insight/Models/Propensity to respond to offer
67	(2 4 4) /Types of Insight/Models/Propensity to purchase
68	(2 4 5) /Types of Insight/Models/Propensity to churn
69	(2 7) /Types of Insight/Customer segments
70	(2 7 1) /Types of Insight/Customer segments/Customer lifecycle
71	(2 7 2) /Types of Insight/Customer segments/Events and triggers
72	(2 7 6) /Types of Insight/Customer segments/Attitudinal
73	(3) /Purpose
74	(3 2) /Purpose/Customers
75	(3 2 1) /Purpose/Customers/Identify different types of customer
76	(3 2 2) /Purpose/Customers/Churn~retention
77	(3 2 3) /Purpose/Customers/Improve customer experience
78	(3 2 4) /Purpose/Customers/Improve customer loyalty
79	(3 2 5) /Purpose/Customers/Have conversations~build rapport
80	(3 2 9) /Purpose/Customers/Understand av spend trends

81	(3 3) /Purpose/Marketing
82	(3 3 1) /Purpose/Marketing/Right media mix
83	(3 3 2) /Purpose/Marketing/Maximise budget
84	(3 3 3) /Purpose/Marketing/Right creative_look and feel
85	(3 3 4) /Purpose/Marketing/Target campaigns
86	(3 3 5) /Purpose/Marketing/Choose right agencies
87	(3 3 6) /Purpose/Marketing/tailor message
88	(3 3 7) /Purpose/Marketing/Acquire new customers
89	(3 3 8) /Purpose/Marketing/Understand needs~pain points
90	(3 3 9) /Purpose/Marketing/Develop marketing plans
91	(3 3 10) /Purpose/Marketing/Increase +tive PR exposure
92	(3 3 11) /Purpose/Marketing/Tailor contact strategy
93	(3 3 12) /Purpose/Marketing/Improve marketing effectiveness
94	(3 3 13) /Purpose/Marketing/Speed up sales cycle
95	(3 3 14) /Purpose/Marketing/Personalise the offer
96	(3 3 15) /Purpose/Marketing/Campaign lists
97	(3 4) /Purpose/Operational
98	(3 4 1) /Purpose/Operational/Check compliance
99	(3 4 2) /Purpose/Operational/Inter-departmental alignment
100	(3 4 3) /Purpose/Operational/Determine ops priorities
101	(3 4 4) /Purpose/Operational/Audit resources and capabilities
102	(3 4 5) /Purpose/Operational/Understand impact of service issues
103	(3 4 8) /Purpose/Operational/Training
104	(3 5) /Purpose/Products~propositions
105	(3 5 1) /Purpose/Products~propositions/Pricing
106	(3 5 2) /Purpose/Products~propositions/New product development
107	(3 5 3) /Purpose/Products~propositions/Test proposition
108	(3 5 4) /Purpose/Products~propositions/Product analysis and feedback
109	(3 6) /Purpose/Sales
110	(3 6 1) /Purpose/Sales/Improve commercial performance
111	(3 6 2) /Purpose/Sales/Adapt sales behaviour
112	(3 6 3) /Purpose/Sales/Increase efficiency
113	(3 6 4) /Purpose/Sales/Fix customer sat issues
114	(3 6 5) /Purpose/Sales/Key Account Management
115	(3 6 6) /Purpose/Sales/Sell more to exisiting customers
116	(3 6 7) /Purpose/Sales/Set sales targets
117	(3 6 8) /Purpose/Sales/Focus sales effort
118	(3 6 10) /Purpose/Sales/Have more relevant conversations
119	(3 7) /Purpose/Strategic
120	(3 7 1) /Purpose/Strategic/Better decision-making
121	(3 7 2) /Purpose/Strategic/Set strategy
122	(3 7 3) /Purpose/Strategic/Understand competition
123	(3 7 4) /Purpose/Strategic/Solve biz issues
124	(3 7 5) /Purpose/Strategic/Size market opps
125	(3 7 6) /Purpose/Strategic/Happier~motivated people
126	(3 7 7) /Purpose/Strategic/Build long-term relationships
127	(3 7 8) /Purpose/Strategic/Channels
128	(4) /Context
129	(4 1) /Context/Budget
130	(4 2) /Context/Central team~definitions~terminology
131	(4 2 8) /Context/Central team~definitions~terminology/Empowerment
132	(4 3) /Context/Champions
133	(4 4) /Context/Comms



134 (4 4 1) /Context/Comms/Helps  
135 (4 4 2) /Context/Comms/Hinders  
136 (4 5) /Context/Culture  
137 (4 5 1) /Context/Culture/Supportive  
138 (4 5 2) /Context/Culture/Innovative  
139 (4 5 3) /Context/Culture/Not arrogant  
140 (4 5 4) /Context/Culture/Hunger for info  
141 (4 6) /Context/Conflict  
142 (4 7) /Context/Data  
143 (4 7 1) /Context/Data/Helps  
144 (4 7 2) /Context/Data/Hinders  
145 (4 9) /Context/Exec support  
146 (4 10) /Context/Getting buy-in  
147 (4 10 11) /Context/Getting buy-in/Governance  
148 (4 12) /Context/Ops  
149 (4 13) /Context/Ownership  
150 (4 14) /Context/Process  
151 (4 14 1) /Context/Process/Helps  
152 (4 15) /Context/Regulation  
153 (4 16) /Context/People  
154 (4 17) /Context/Strategy  
155 (4 18) /Context/Structure  
156 (4 18 1) /Context/Structure/Helps  
157 (4 18 2) /Context/Structure/Hinders  
158 (4 19) /Context/Technology  
159 (4 19 1) /Context/Technology/Hinders  
160 (4 19 2) /Context/Technology/helps  
161 (4 20) /Context/Test  
162 (4 21) /Context/Timing  
163 (4 21 1) /Context/Timing/Hinders  
164 (4 21 2) /Context/Timing/helps  
165 (4 22) /Context/Trust  
166 (4 23) /Context/Unions  
167 (4 24) /Context/Other  
168 (4 25) /Context/Measures  
169 (4 26) /Context/Training  
170 (5) /Priorities  
171 (5 1) /Priorities/Post Office  
172 (5 2) /Priorities/O2  
173 (5 3) /Priorities/Cisco  
174 (5 4) /Priorities/BT  
175 (5 5) /Priorities/Barclays  
176 (6) /Describe Org  
177 (6 1) /Describe Org/Post Office  
178 (6 2) /Describe Org/O2  
179 (6 3) /Describe Org/Cisco  
180 (6 4) /Describe Org/BT  
181 (6 5) /Describe Org/Barclays  
182 (7) /GREAT QUOTES

#### 4.10 Project two: Example of email used to recruit case studies

Dear Oliver ,

I saw that you spoke at the Advanced Customer Management conference at the Millenium Mayfair last September and it struck me that you might be interested in participating in some pioneering research that Cranfield University School of Management is undertaking in this area? I am looking for another company in the UK (to join Barclays, O2, an energy company and The AA) who is using customer insight in their inbound service call centre to enhance the customer experience by offering relevant products and services once the service enquiry has been dealt with. Early results indicate that significant financial rewards can be obtained, WITHOUT an increase in average call handling time and with a positive impact on customer satisfaction.

The study is part of my doctoral research (supervised by Cranfield University School of Management/Prof Hugh Wilson and Henley Management College/Prof Moira Clark) to investigate how large companies use customer insight to drive customer acquisition, retention and development. The first half of my research produced a framework for actioning customer insight which lists the types of different data that companies collect, the types of insight generated from this data; and how they are using that insight across the organisation. The framework was based on 25 interviews with Barclays, BT (Major Customers), Cisco, O2 and Post Office.

Only 2 of the companies in the first research study were using customer insight in inbound service call centres to up-sell, cross-sell and retain customers. This is often called “value-added services” or “sales through service” and is the focus of my second major study. In addition to Barclays and O2 I am investigating an energy company and The AA. I am looking for one final case study and am interested to know if RIAS is

a) using customer insight in inbound service call centres to cross-sell/up-sell/retain (of course it goes without saying that the primary concern is firstly to deliver an excellent customer experience BEFORE offering relevant products and services)

b) interested in joining the study

If the context is right, it would involve me conducting an interview (for approx. 1 hr) with either yourself or someone responsible for generating the customer insight, plus the head of the call centre. I would also like to sit and observe 3 agents as they handle calls. Obviously you would have privileged access to the results and guaranteed confidentiality (although usually the companies in the study are comfortable to share a certain amount with the other companies in the study, as they are non-competing). I am happy to come and share my research findings and knowledge to date with you and/or your management team.

Please let me know if you are interested in discussing this further.

Best regards

Christine (Chris) Bailey  
Executive Doctoral candidate  
Cranfield University School of Management

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Mobile: +44 (0)7810 638820

#### **4.11 Project two: list of case studies approached but excluded**

**British Airways:** Following telephone conversations with the General Manager of BA's contact centre, interviews were scheduled with 3 individuals on 14<sup>th</sup> June 2007. However, following a presentation of project one, prior to conducting the interviews it was concluded that BA was currently only actioning customer insight in the outbound channel. It was therefore decided not to proceed with this case study.

**Dell Computer Corporation Ltd:** The Marketing Director was on maternity leave and a suitable replacement was not available at the time of research.

**AirMiles:** Key contact had since left the company and suitable replacement could not be found.

**BP:** Interest was expressed but it was decided that BP was too immature in its actioning of customer insight via the inbound channel to qualify as a good case study.

**Ebookers:** Interest was expressed but it was decided that ebookers was too immature in its actioning of customer insight via the inbound channel to qualify as a good case study.

**Norgren:** Interest was expressed but it was decided that Norgren was too immature in its actioning of customer insight via the inbound channel to qualify as a good case study.

**RAC:** Interest was expressed but scheduling was too slow and then a competitive conflict appeared with The AA.

**Reuters:** Interest was expressed but it was decided that Reuters was too immature in its actioning of customer insight via the inbound channel to qualify as a good case study.

**Tesco:** Although Tesco is extremely advanced in its use of customer insight, it had taken a conscious decision not to promote up-selling and cross-selling via its service channel.

**The Camelot Group:** Interest was expressed but it was decided that The Camelot Group was too immature in its actioning of customer insight via the inbound channel to qualify as a good case study. It recommended approaching British Airways.

**HP:** Interest was expressed but it was decided that HP was too immature in its actioning of customer insight via the inbound channel to qualify as a good case study.

**AOL Germany:** Proposed by Chordiant Software as a good case study (similarities with O2), but unfortunately not willing to participate.

**Deutsche Bank:** Proposed by Chordiant Software as a good case study (similarities with O2), but unfortunately not willing to participate.

**BSkyB:** Proposed by Chordiant Software as a good case study (similarities with O2), but unfortunately timing was a little too soon.

#### **4.12 Project two: outline of interview guide**

1. Background and introduction
2. Company and respondent background
  - a. Can you give me a brief overview of your business?
  - b. Respondents' details
    - i. Job title
    - ii. Description of job role
    - iii. Functional area/reports to...
  - c. Call centre
    - i. How many agents do you have?
    - ii. How many inbound calls do you handle?
3. Business drivers
  - a. What prompted/what is driving your service to sales initiative?
    - i. Service requirements
      1. Competitor activity
      2. Non-price competition
      3. Consumer demands
    - ii. Organisational requirements
      1. Efficiency
      2. Knowledge
      3. Duty of care
  - b. For what purpose are you actioning customer insight?
    - i. Customer development
    - ii. Customer retention
    - iii. Customer satisfaction
    - iv. Employee satisfaction
    - v. Other?
  - c. What concerns did you have about introducing sales into service calls?
    - i. Increase in average call handling time?
    - ii. Annoy customers?
    - iii. Arguments over credit for new sales?
    - iv. Negative perception of telesales?
4. Customer insight process
  - a. Can you describe your service to sales initiative?
  - b. What is the process for agents to action customer insight?
  - c. What types of enquiries prompt insight-driven actions?
5. Measures

- a. What measures do you have in your call centre?
  - b. How is the impact of actioning customer insight being measured?
  - c. What are the outcomes of an insight-driven service encounter?
  - d. Can you give me actual statistics?
  - e. Has the actioning of customer insight affected your average call handling time?
6. Conditions
- a. Have you been able to identify agents that are either particularly successful or perform poorly against your measures?
  - b. What is it about those agents that makes them successful/perform poorly?
    - i. Competence
    - ii. Confidence
    - iii. Genuine concern for customer
  - c. What issues have you encountered?
    - i. Education
    - ii. Procedures
    - iii. Resources
7. What are your priorities moving forward?

#### **4.13 Project two: O2 top ten tips for adding value**

1. Understand the reasons why people take certain products (financial, image, convenience, safety, discovery)
2. Be a good listener
3. Use your questioning skills effectively
4. Don't be reluctant to gain commitment wherever you can
5. Remember that objections are opportunities to gain commitment
6. Use these techniques to help you gain commitment....alternate choice, summary and the minor point
7. Learn about the four personality types and how your knowledge of these can help you be more successful on your calls
8. Recognise value statements and understand how you can prompt these by asking value questions
9. Have SMART objectives for your calls
10. Be flexible....adapt your behaviour and approach to calls and create new perspectives

## **5 CHAPTER FIVE: REFERENCE LIST**

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