



Making It Personal: Five Steps to Maximising Customer Profitability

Over the past decade, huge advances in consumer digital engagement, data analytics and marketing technologies have raised expectations of a far better and more personal customer experience. Many companies have explored personalisation, but only a few have been successful at scale and achieved increased market share and significant financial returns.

Personalisation is not simple, but it is far more achievable than many executives think. Most organisations already have the key building blocks in place and are in a position to succeed. Winning often comes down to addressing common but complex problems, through relatively straightforward solutions that are as much about process as they are about technology.

In this edition of *Executive Insights*, L.E.K. Consulting and Loop Horizon outline their five step approach to cracking this challenge, enabling organisations to quickly generate incremental profits and build sustainable competitive advantage by delivering a personalised and relevant customer experience at every touchpoint.

Organisations are missing a huge opportunity

Sophisticated data analytics and marketing technology now offer companies the ability to deliver more personalised and better customer experiences at scale — in store, online, via apps and through contact centres. The financial benefits are significant,

including an enhanced opportunity to up-sell and cross-sell, increased likelihood of repeat transactions, a reduction in the cost to serve, and greater marketing spend effectiveness.

The prize is biggest for companies that offer a wide range of products and services and have a large and diverse customer base that might buy on a regular basis. But personalisation is not just for consumer-facing businesses — it also applies to business-to-business organisations like those serving healthcare professionals, academics, the building trade and independent financial advisors.

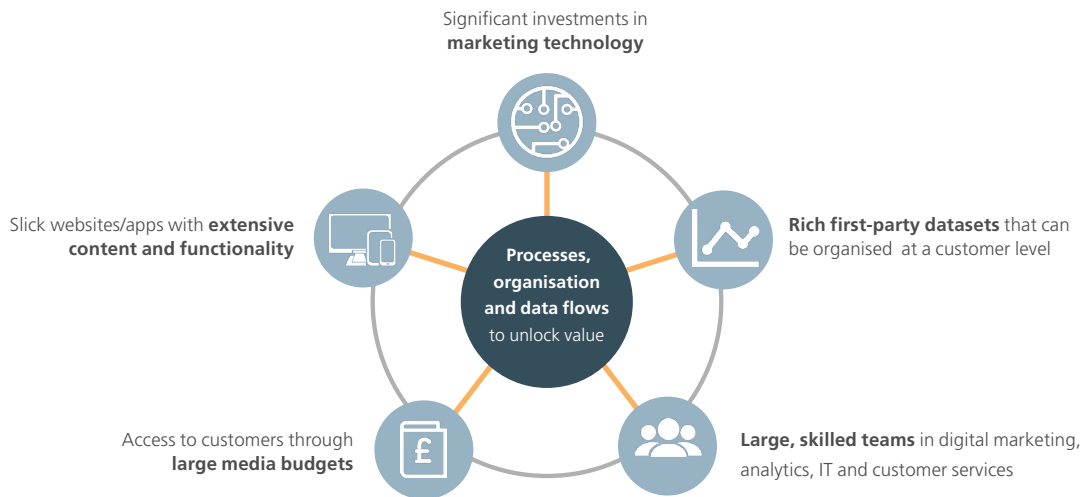
A number of businesses have successfully embraced the personalisation journey and have been rewarded with rapid and significant financial returns. Here are some examples:

- A global media company connected multiple customer propensity models to create relevant experiences across call centres, website and app. This enabled it to develop more personalised promotions to encourage customers to upgrade and increased retention. The approach generated tens of millions of pounds in incremental annual profit.
- A travel operator saw a 35% increase in revenue derived from CRM communication by unifying its customer data in a single platform, reviewing and clarifying its strategy, and making a number of simple but effective enhancements to the customer journey.
- A multinational retailer boosted its online revenue per session by up to 25% for certain categories by personalising the products displayed on its homepage. The company also

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Figure 1
Connecting the building blocks



Source: Loop Horizon analysis

generated a 20% increase in average order value through product accessory recommendations and a 3% uplift in conversions by distinguishing existing customers from prospects.

Successes such as these, however, are rare. Most companies struggle either because of a fear of the perceived scale and complexity of the challenge, or because they've tried a few initiatives, such as licencing new technologies, but have not seen significant direct benefits. They're frustrated because they intuitively believe that there is an opportunity. The situation is reflected by a recent Forbes report, which showed that just 13%¹ of organisations are very confident they are making the most of their customer data.

Leveraging existing infrastructure and skills

Most organisations already have most, if not all, of the building blocks required to improve personalisation: well-built, functioning websites and apps, data mining capabilities, marketing technology partnerships, advertising clout and motivated teams (see Figure 1).

What they miss are the multiple connections required across the different parts of the organisation to create an integrated end-to-end solution. Four of the most common connection challenges are:

Dispersed data. Companies have huge amounts of data, but the data is widely distributed. Organisations need to bring together the useful pieces of information to build an actionable profile of each customer segment.

Ineffective use of marketing technology. Marketing technologies offer enormous potential, but most functionality is

unused or deployed ineffectively. This is often because of a lack of experience and confidence in implementing and operating these technologies.

Functional silos. Being customer-focused requires cross-team alignment and ways of working, but most organisations operate in functional silos. Teams need to be highly connected, spanning IT, data and analytics, product management, customer services and marketing.

Fixating on artificial intelligence (AI). Machine-learning and AI are in vogue, but there are many obvious, simpler value-enhancing actions to take first, such as taking advantage of commercial know-how within the business, which is far easier and yet to be exploited.

The proven route to success

With the key ingredients in place, organisations can rapidly improve their customers' experience and deliver incremental profits with relatively limited investment. L.E.K. and Loop Horizon recommend five steps to developing an effective customer personalisation model:

Strategy and planning. Create a strategy to drive personalisation in customer experience and align plans, priorities and processes across all the teams required for the end-to-end solution. Plans must balance and align the demands of long-term vision and short-term value.

Quick wins. Identify and execute quick wins using existing capabilities to deliver immediate financial upside. This will also educate the business about the benefits of the new approach, help

¹Forbes Insight: Data Versus Goliath: Customer Data Strategies to Disrupt the Disruptors

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define the road map and build confidence in operational teams. A quick win for many companies is building an actionable customer profile so that customers don't receive digital promotions for products they already have.

Amplify successes. Iterate and improve on the quick wins, rapidly amplify what is working and evolve what isn't, and start to deploy similar strategies in other areas of the business.

Fill key gaps. Address key gaps across the five key building blocks, because a gap in one significantly reduces the effectiveness of the others. For example, improve the recognition of customers when visiting websites and apps to increase the effectiveness of all personalisation strategies.

Scale. Deploy the approach at scale across the business and embrace it as a way of working so that the benefits continue to grow. This is likely to include upgrading to more sophisticated tools, techniques and skills when appropriate. It will also include gradual evolution from human- to machine-driven strategies.

By following these steps, succeeding at personalisation is within reach. Organisations should embrace this approach to develop stronger customer relationships, both as a route to rapidly delivering financial returns and as a means of creating enduring competitive advantage.

About the Authors



James Alexander is a Co-Founder of Loop Horizon. Prior to Loop Horizon James worked at Sky in a number of roles across strategy, commercial, proposition, data and technology. James has extensive experience of working closely with business teams to connect data and intelligence directly to the customer experience, in order to generate significant financial returns.



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