

# Uncovering Customer Insight to Drive Performance and Innovation

by David A. Bernal

JULY 2010

## Highlights

- How-to guide to successfully improve or implement a customer insight program
- Step-by-step guidance
- Typical challenges
- Key success factors

## Inside this article

Introduction	1
Benefits of a well articulated customer insight approach	1
Key steps when building or improving a customer insight program	2
Identification of key areas for performance improvement	3
Typical problems found by organizations when implementing an insight program	4
Key success factors that facilitate translating customer insight into performance improvements	5

## Introduction

During these tough economic times, it is more important than ever for a company to protect, develop and nurture their client relationships. Companies across industries and geographies have experienced a reduction in their customer base which translates into less revenue and weaker growth.

I recently was approached by a client in the OEM automotive sector. The company has been operating for 40 years and has operations in 14 countries around the world. Moderately affected by the downturn, the company has been successful and enjoys healthy growth rates. However, they have important unknowns about their customers. All the functional areas (i.e. marketing, engineering, R&D, operations, logistics and sales) had multiple questions about key aspects of interaction with customers, that, if answered, could help them greatly to perform better and continue growing the business.

They also knew that particularly during times of economic stress, they needed to protect and enhance relationships with customers worldwide.

For companies like this, developing a more strategic yet practical approach to managing customer insight could create an evergreen engine to identify opportunities for performance improvement and innovation.

Based upon our experience with clients, I will outline the key elements and practical steps required for creating and running a successful customer insight program.

## Benefits of a well articulated customer insight approach

Companies benefit from having a sound and well articulated system to allow them to get to know first hand how their operations and strategies affect their relationships with clients and client perceptions of their products and services.

Customer insight is a process that begins with knowing and understanding what customers want and ends with factual evidence of their satisfaction with your company.



There is a constant need for top management and functional areas to have up-to-date information around the interaction of the company with their customers.

Successful customer insight systems are able to:

- Measure internal performance, customer behavior and customer perception
- Identify customer needs and expectations that cover not only products and services but also the overall level of service provided by your company

- Enable the company to review processes and functions to ensure that they are customer centric
- Motivate, encourage and enable employees to be able to focus on the customer
- Provide actionable input to the managers of the organization so they can implement action plans to improve customer experience

## Key steps when building or improving a customer insight program

We have identified four basic phases to build a successful program of this kind:

### Focalization

Management has to decide as specifically as possible what is going to be measured and also specify the impact and actionability of such metrics.

### Planning

Covers the detail of the approach and steps to collect such information.

### Measurement and analysis

Defines what type of analyses will be performed and how the results and recommendations will be presented.

### Performance improvement and identification of opportunities for innovation

Articulates the improvement plans and innovation indicatives resulting from the findings. As it is illustrated in the chart in the next page, we can break-down these steps into the individual activities.

## Definition of high impact information

The objective of this activity is to define what information is most critical to collect. This can be done by functional area, geographical region or client segment.

The information can be either transactional (i.e. each time that an order arrives or a service is delivered) or

relational (i.e. includes the overall dynamic over a period of time).

The objective is to build a companywide wish list of information and key actions coming from top management and functional areas.

What is key here is to have total clarity on what is critical to know in the short term, mid and long term.

### How to do it

1. **Map functional and corporate priorities:** it is critical to understand what is key for the company and for each functional area in terms of gaps or unknowns around the customer.
2. **Revisit your market segmentation:** review their current knowledge around needs, desires and purchasing behavior.
3. **Back to basics:** ask important questions. Who are my customers? Who are the influencers? Who is going to provide the information? Where is the information going to be collected and how?
4. **Define before hand what kind of actions will be implemented:** this helps to focus on the key actions that will result from the findings of this initiative and its impact on the overall competitive strategy of the company.

## High level review of the competitive strategy and strategic priorities

Once we have the wish list of information and actions, we will have a comprehensive view of the needs of the company regarding customer data.

This will help us to sequence how the information will be captured, prioritize the ones that are aligned with the overall competitive strategy and budget resources to continue with the program.

### How to do it

1. **Work with your team and functional leaders** to do a quick review of your most recent strategic plan.
2. **Review corporate metrics and performance over time** to decide which key metrics will be influenced by customer insight. This will help to manage data and create future corporate and functional goals to drive company performance.

---

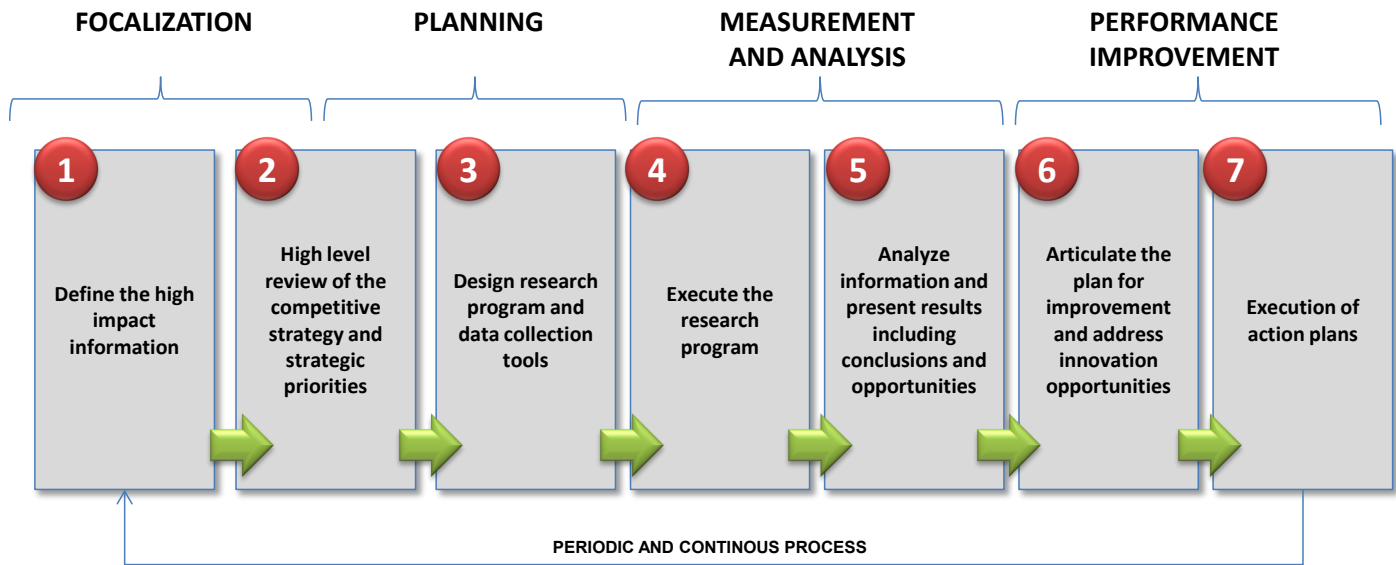
A well managed customer insight program increases the value of your company by protecting your customer base, profitability and competitive position.

---

## Advantages of having a well articulated customer insight system

- 1 Develops a more strategic approach around what we know about the customer and the practical applications of that knowledge as a competitive tool
- 2 Helps to create and improve the processes, systems and organizational structures to evaluate in a systematic way key elements of the relationship with customers
- 3 Identifies and increases existing and new competitive advantages as your company is able to dynamically benchmark performance vs. key competitors
- 4 Fuels a process of continued improvement as it facilitates the proactive identification of opportunities in multiple functions and interactions with the customer
- 5 Protects the value of your company as you optimize the long term value of your relationships with customers, enables achieving customer retention targets, facilitates the development of new accounts and protects the profitability of your company in the long term

**KEY STEPS WHEN BUILDING OR IMPROVING A CUSTOMER INSIGHT PROGRAM**



3. **Summarize and prioritize:** create a summary of your corporate and functional priorities and use them to filter your wish list given your timeframe and resources.

**Design of the research program and data collection tools**

With the results of the previous steps, now you can articulate the specific information you want to collect (i.e. problem formulation): who, where and how. This will help you to craft the research plan including its scope, reach and methods used for data collection.

**How to do it**

1. **Refine research objectives:** it should be very clear what is expected of the research program in terms of data and audiences.
2. **Remember the actionability of the results:** always keep in mind what actions will be executed from the findings. You don't want to be in the situation where you don't have the right information when management needs to articulate action plans for improvement.
3. **Define research methodology:** depending on your objectives and audiences, you may need to define the best methodology to use. There are multiple methods available but the most common may include: in-depth interviews (phone or in person), focus-groups and web surveys.
4. **Design your data collection tools and activities:** ensure that all the objectives are covered and use the best tools for each.
5. **Pre-test your data collection tools:** before a full scale deployment, do a small test to ensure they work in terms of data quality and interaction with respondents.

6. **Be sure to coordinate with your marketing and sales teams:** some companies have used programs like this as a marketing and sales tool to improve relationships with customers and develop new ones. Also, anyone that touches a customer should be aware of this program, so there are not multiple or confusing messages getting to the same targets.

7. **Create a data collection plan and budget the resources required for completion:** have clarity about time, money and people that are required for a successful rollout of the research program.

8. **Ensure you have the right people interacting with your customers:** it is very important that the people contacting your customers are trained to do so and will enhance the image of your company.

**Executing the research program**

You and your team will have all that is required to execute the plan.

**How to do it**

1. **Lead your team and be on top of execution:** ensure all work streams are moving as planned. Review and correct on the go as needed.
2. **List all relevant risks and have a mitigating plan:** even under the best planning you will find unexpected issues. By preparing a Plan B, you will minimize process upset.
3. **Plan ahead a much as possible:** when you are contacting clients, please be mindful of scheduling issues, vacations and changes in staff that may affect your program. Request appointments as early as possible to ensure the research program keeps on track.

---

A simple, yet well articulated process, will help your company to create a sound program that aligns the company strategy with the needs of management and functional areas.

---

4. **Protect your response rate:** a meaningful response rate is either statistically significant (which is not always possible) or high enough to give you enough confidence to make decisions.

### Analyze information and present results including conclusions and opportunities

After finalizing the research program and with the clarity provided by steps 1 and 2, you will be able to analyze the data and articulate key findings and conclusions.

#### How to do it

1. **Aggregate and synthesize results according to your research objectives:** articulate how each of the objectives is achieved by the findings.
2. **Articulate key insights:** based on the main priorities discussed in step 2, use the findings to articulate how those priorities can be addressed.
3. **Define opportunity:** your research will uncover both areas for improvement and also opportunities for innovation.
4. **Be succinct and to the point:** use your actionability plan to map each of the findings to key actions that the company will take.
5. **Review the customer insight process itself:** this should be a periodic process to be sure to understand what worked or did not work and what could be done to improve next time.

### Articulation of action plans for improvement and innovation

By using the insight created, management should be in the position to use this to drive specific programs that are: aligned with the corporate objectives, actionable and impactful, responsive to the priorities of the company and yield higher benefits regarding interaction with customers.

### Identification of key areas for performance improvement

A well implemented customer insight initiative can become an engine to identify improvement opportunities in multiple areas including:

- Unmet customer needs
- Underserved segments
- Customer experience
- Customer satisfaction

- Competitive advantage
- Sources of differentiation
- Competitive threats and opportunities
- Process and systems
- Sales force management
- Marketing and sales effectiveness
- Channel management
- Design of the value offering
- New products and services
- Potential cost savings
- Partnerships and strategic alliances

### Typical problems found by organizations when implementing a customer insight program

A successful customer insight system is not built overnight. It should correspond to the strategy, culture and operations of each company. From our experience, typical issues found include:

- **Lack of strategic vision:** some companies see an effort like this just simply as creating a "survey" and do not link successfully the spirit of the initiative with the key strategic priorities of the organization. This usually translates into efforts that do not impact the performance and reduces the possibility of future buy-in inside the organization.
- **Using only secondary or generic data:** although industry reports are widely available, usually they don't help answer specific issues that your company faces. The more specific the customer insight to your company situation, the more actionable and impactful.
- **Neglecting the role of influencers:** purchasing behaviors are sometimes complex and the role of influencers should not be underestimated. They can be also included in interviews in case their input is critical to the behavior of your customers.
- **Lack of a 360 degree functional vision:** what is great for one function (i.e.. Marketing) might not be the best idea for another one (i.e. R&D). Therefore, be sure that you understand the global impact of initiatives across all functional areas and not only at the department level where the performance improvement

---

By implementing a sound customer insight system, companies can create an evergreen engine to identify opportunities for performance improvement and innovation.

---

opportunity was found.

- **Organizational commitment:** to be successful, this process should be rigorous, simple, and not the “flavor of the day”. For this reason, it should be supported at the CEO level to facilitate the process, decide on trade-offs and provide resources for execution.
- **Periodic and continuous improvement process:** when implemented multiple times, companies can make comparisons, manage metrics, set up corporate and functional goals, and facilitate implementation in future initiatives.

### **Key success factors that facilitate translating customer insight into performance improvements**

Finally, there are a few things that management can put in place to get the best return from their customer insight initiatives. They include:

#### **Create an organizational structure that is customer centered**

When this happens, customer strategy is an integral part of the overall corporate competitive strategy maximizing the quality of the relationships and transactions.

Each of the key points of contact with the customer are reviewed and evaluated to ensure they support the strategy and protect the value of the relationship.

In this case, the organization attracts, retains and rewards its employees to support the customer strategy.

#### **Focus on maintaining and improving the value from the relationship with each customer**

Companies continuously identify the most valuable customers and assign priority to protect those relationships. They focus on the identification of the most important variables that have impact on buying decisions beyond satisfaction levels.

Those variables are managed and tracked ensuring that the company performs very well on each of them and sets up goals for continuous improvement.

#### **Ensure sufficient systems, processes and resources to manage the initiative**

Companies should have an adequate level of resources (technical, financial and human) to capture, manage, interpret and translate customer insights into actionable plans for improvement.

They should also have a system to periodically track customer dimensions that are relevant for their business and manage a few key metrics. Those metrics are the ones that have proven to provide the most benefit to the operation and are critical for achieving strategic goals.

The supporting systems for a customer insight program should not be complicated or complex. What is important is that they provide enough reliable information to identify opportunities, drive change and protect and improve relationships with customers.

A solid customer insight program should not be complex, expensive to run or complicated. Most companies can successfully implement it with their existing resources.

---

A solid customer insight program should not be complex, expensive to run or complicated. Most companies can successfully implement it with their existing resources.

---



## About Clareo Partners LLC

Clareo Partners is a group of experienced professionals who help companies deliver growth through business innovation. We are practitioners and thought leaders who work with clients collaboratively to define, identify, design, build, measure and manage new business creation.

We combine a unique blend of best-in-class thinking with real-world implementation planning and work with our clients on an implementation level as needed to create brand new businesses.

## About the Author



DAVID A. BERNAL

David is a Business Strategist and Entrepreneur with more than 15 years of experience in growth strategy, marketing, sales, new products and ventures with multinationals and leading organizations in the US, Latin America and Asia. He has been both an internal and external consultant. Formerly, a Strategy Consultant for Booz Allen & Hamilton, he has been an advisor for companies such as: United Airlines, Clorox, Good-year, Eastman, BBVA, BanColombia, and British Steel and many others. He has successfully conceived, developed, launched new products and businesses and solved complex growth strategy problems at corporate and SBU levels.

David has been also an Adjunct Professor of Management at the School of Business Administration at Loyola University in Chicago, IL, Professor of Marketing at the Engineering School at Pontificia Universidad Javeriana in Bogotá, Colombia, Guest

lecturer in Innovation and Adjunct Professor of International Management at the School of Communications at Northwestern University in Chicago, IL.

David holds an M.B.A. in Management Strategy, Marketing and Technology from the Kellogg School of Management at Northwestern University (Colfuturo Scholar), a Masters in Finance and a Masters in Marketing from Universidad de los Andes. He also has a B.S. in Industrial Engineering with Honors from Pontificia Universidad Javeriana in Bogotá, Colombia and is an alumnus of CCL – Leadership Development Program in Singapore, Asia.

Most recently David was selected as expert judge for a national business contest "What works for business" where he judged and evaluated innovative business strategies to growth in uncertain times. He is a native speaker of Spanish, fluent in English, and has working knowledge of Portuguese.