Winning in the customer era

Customer insight is now the #1 business imperative
to unlocking value

Introduction

The advent of the digital era and explosion in digital devices has been accompanied by a cultural shift in consumer habits.

New and emerging 'always-on' and virtually-connected consumers have only ever known the digital world - and as a result are now among the most empowered customers ever. Their position on service, loyalty and trust hinges simply on consistent, reliable accessibility, immediacy and seamless ease of use. The explosion in digital devices also brings with it higher levels of sophisticated fraud. But addressing the modern fraud problem raises a different question: how do you put effective fraud-prevention measures in place without damaging the customer experience and losing sales in the process?

But in order to win, retain and best serve the cohort of digital-savvy consumers, your business must build a comprehensive 360° view of your customers, all underpinned by accurate insights that enable you to anticipate their needs, consistently meet their expectations and demands in real-time – every time.

Our connected world

Everything is connected. You're connected to your customers and they're connected to you, as are your strategic partners, suppliers, regulators – and your competitors. At the same time, the gap between us all is shrinking, thanks to our rapidly growing global digital market place. It's predicted there will be 50 billion networked devices by 2020 – equating to seven times more networked devices than people. Decisions are now made instantly, from a multitude of touch points and delivered from anywhere simply by the tap of a screen, keyboard, or the click of mouse. It means being connected is now a mandatory customer expectation.

It is no surprise then that in our latest annual industry report with Forrester, "Winning in the Customer Era," 81% of senior leaders interviewed ranked customer insight as the number one imperative for their organisation. They realise that that to win in the new customer era, you have to be a customer-insights-driven business ensuring a highly personalised, smooth experience for customers.

Organisations must also evolve and change their business models to reflect this new reality, or they risk falling behind their competitors and new agile start-ups. Business leaders agree, 73% of C-level executives feel that 'traditional' business models will disappear within the next five years due to the digital era, they realise that standing still is not an option.

However, organisations are not fully equipped to deal with this new reality. Many are struggling to build a true 360° view of their customers, and to create a balanced approach to fraud. How can we put in place effective fraud-prevention measures — without damaging or compromising the customer experience and losing sales in the process? Organisations are also struggling to utilise data and analytics to derive valuable insights about their customers and in turn put in place the best strategies across the customer life cycle. All of which impacts on the customer experience.

In this white paper we will discuss why the current approach isn't working and its effect on your business. We recommend best practice strategies to help your organisation develop robust and lasting strategies, and we outline five core capabilities in which your organisation must invest, adopt and implement in order to become the provider of choice for customers.

[1] http://www.forbes.com/sites/stevemorgan/2016/01/17/cyber-crime-costs-projected-to-reach-2-trillion-by-2019/#3fb3f6393bb0

The current approach

Whilst customer insight and the need to change traditional business models are seen as key priorities, many organisations are still struggling to put in place meaningful change strategies to truly overhaul existing outdated models. This is particularly so in the three main challenges identified by business executives:

1. The data to decisioning gap

Whilst your organisation might have lots of customer data it only becomes meaningful once you are able to analyse it to identify key patterns and trends and apply this to your strategies across the life cycle. However many organisations have a siloed approach where data is available in one part of the business but not others, creating inconsistent decisions based on an incomplete picture of the customer. This ultimately leads to an unsatisfactory customer experience. Many organisations also lack the analytics capability needed to turn all the customer data they hold into meaningful, actionable insights.

2. Fraud

Cybercrime is predicted to become a $2.2 trillion global business by 2019[1]. This increasing threat of fraud is a huge concern for senior business leaders, the majority of whom view fraud as the number one threat to business growth after competitive pressures. This increasing concern with fraud has led organisations to implement an unbalanced heavy handed approach to fraud prevention, for example, lengthy manual referrals, customer ID checks and others, all of which take time and have a direct impact on the smooth, friction-free experience your digital customer expects and demands. This leads to a bad customer experience and lost sales. According to Forrester research, only 28% of C-Level executives strongly agreed that their organisation had a balanced approach to fraud that did not create unnecessary friction or burden the customer, and 77% were not confident that their current fraud prevention strategies were effective.

3. Digital experience

Attempting to apply processes used in offline channels to help create new digital channels does not work, creating friction in the customer journey, increased costs, and missed opportunities with your customers. 72% of C-level respondents stated that a top business priority is to better integrate physical and digital channels. The Forrester study also found that the majority of C-level respondents believe their organisations are failing to deliver on customer experience, particularly in their digital channels; only 39% of C-level respondents claim they have best in class experiences, whilst 70% admitted that they are ineffective at delivering an optimised digital customer experience across all touchpoints of the customer life cycle. This failure in the digital space is hurting business profitability, with respondents reporting both increase in the cost to serve a customer (48%) and customer churn (35%) over the past 12 months.

Internal business constraints and ineffective core capabilities are also negatively impacting business's ability to create a world class customer experience, fight and prevent fraud effectively and create a full 360° view of the customer. The Forrester research also found that:

- **More than 70%** lack capabilities to transform data into meaningful insights.

- **Less than 40%** have a single customer view across the business, leading to disjointed, inconsistent view of the customer, resulting in incorrect decisions, offering the wrong products, or offering terms inconsistent to the customers' ability to repay.

- **Only 36%** can retrieve real-time customer data, meaning organisations are basing decisions on potentially older, outdated data which might not reflect customers current circumstances.

- **Only 28%** have collected and consolidated all customer data in one place, meaning data silos still exist and are hampering an organisation's ability to build an accurate view of their customers across the organisation.

What this means for organisations

Ultimately this leads to missed signals across the life cycle, lost revenue, a poor customer experience and increasing instances of fraud. For example, extra screening might make sense if an organisation's only concern is about stopping fraud, but these extra checks frustrate customers and turn them away as it doesn't fit in with the seamless experience they now expect. Furthermore, once organisations have acquired customers, if data and insight are not utilised correctly - for example, data about customers is held in silos and not flowing freely between departments, or your organisation does not have the right analytical tools in place - it will lead to your organisation being unable to maximise the relationship with your customers or spot warning signs about your customers. You will also be unable to delight your customer by understanding and pre-empting those special moments, for example, your customer has a new arrival on the way or has moved home, both of which might require additional products from your organisation.

What is apparent is that organisations have lots of interactions with their customers across the full breadth of the life cycle but are unable to exploit these interactions to its full potential because they are still hampered by working in siloed environments.

Furthermore, by not utilising data and analytics capabilities to its full potential organisations will miss important fraud signals. For example, through data and analysis you understand what type of device your customer uses to interact with you, and the geographical location and times of transactions. By piecing all this together you can get a good idea about a customer's transactional patterns with you so that if and when something about that pattern changes to indicate fraudulent activity you are able to proactively manage it without bothering your customers. Worryingly, Forrester found that only 31% of organisations are currently adopting best practice approaches through continual monitoring of fraud attempts, have real-time tracking and visibility of customer transactions, and have access to accurate and up-to-date data sources specific to fraud.

Lastly, a poor digital experience leads to an increased cost to serve customers and, more importantly, customer churn and abandoned journeys increase. Customers are quick to leave organisations who do not offer a quick, hassle free experience. Individuals are more likely to share their experiences and frustrations on social media platforms which in turn affects the brand and customer perceptions of that organisation, leading to the loss of new customers who look to brands which have strong customer advocacy. Senior executives understand the scope of the problem, 70% of those interviewed by Forrester admitted that they are ineffective at delivering and optimised digital customer experience across all touchpoints of the customer life cycle.

What is apparent is that organisations have lots of interactions with their customers across the full breadth of the life cycle but are unable to exploit these interactions to its full potential because organisations are still hampered by working in siloed environments. However, organisations are keen to overcome this outdated approach, 73% see enhanced analytics capabilities as a key priority over the next 12 months. We also know from the same research that only 28% of organisations have collected and consolidated all customer data in one place. This means that organisations are unable to adopt what Forrester refer to as 'taking a 360° view of the customer' across the life cycle; this involves creating an accurate, consistent view of

each customer across your organisation, leading to much more accurate and consistent decisions which benefit your entire organisation.

The 360° view of the customer

Building a 360° of your customer involves taking all the information you currently hold about each individual customer and bringing it together in one place. It also involves applying an advanced analytics layer over this data to help you gain valuable actionable insight which can be used across the organisation. For example, by building a 360° view of the customer you will be able to see that a customer you are looking to acquire is actually in collections elsewhere in your organisation, or a customer is in arrears in one part of your business but is in fact a high value customer elsewhere in your organisation. Without a 360° view it's likely that an organisation would apply the wrong treatment method, leading to loss of revenue and a poor customer experience.

Insight is key to building a 360° view of your customer, these insights will enable organisations to anticipate customer needs and provide them with the experience they expect. Senior leaders see the value of this approach with 66% telling Forrester that their approach to customer management was ineffective, but also that 81% see getting better customer insight as their number one priority. Adopting a 360° view of the customer will also allow organisations to take a more balanced approach to fraud, this means putting in place smarter ways to authenticate your customer, remove unnecessary barriers, and reduce costs. This balanced approach to fraud allows organisations to screen out the wrong individuals early, target more of the right ones, and accelerate the acquisition process, so customers become profitable faster. But this is clearly an area which needs to be improved, only 28% of C-level executives strongly agreed that their organisation had a balanced approach to fraud that did not create unnecessary friction or burden for the customer.

How to elicit positive change

Adopting 3 best practice strategies

But how do organisations achieve this optimum way of working that enables the better overall experience digital customers demand? The research tells us that there are three best practice pillars around which leading organisations are equipping themselves to address the challenges around data, digital, and fraud. Forrester refers to them as "360° view of the customer", "balanced fraud", and "digital optimisation." Let us take you through what each of these best practice pillars looks like.

BEST PRACTICE

Create a 360° view of your customers
Connect the unconnected
to boost customer experience and profitability

The Forrester research shows us that organisations are focusing on three key areas to help them to create a 360° view of their customers:

BEST PRACTICE

Adopt a balanced approach to fraud
Fight fraud without compromising
the customer experience

In the fraud space organisations need to maximise data and adopt advanced technology to fight increasingly sophisticated and evolving fraud threats:
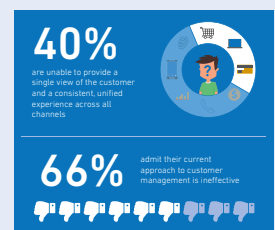
BEST PRACTICE

Optimising your digital approach
Break traditional business constraints
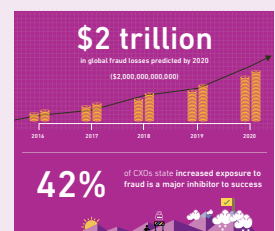to serve today's non-traditional customers

Today's legacy systems do not cut it in this digital world. Organsations need to take a smarter technology approach and overcome internal barriers to better serve their digital customers and get products and services to market faster. Key tactics that functional business leaders are adopting focus on:

- **Connecting the data dots:** Organisations are combining data from different industries to create a complete and single view of the customer (45%) and consolidating and rationalising customer data across the business for better reporting and decisioning (40%).
- **Leverage advanced automation to optimise decision-making:** Organisations are looking to leverage automation (40%) to make faster and more accurate decisions that optimise interactions across all touchpoints and the entire customer life cycle.
- **Maximise customer growth potential with improved processes and analysis:** Over 50% of organisations have seen a decrease in profitability per customer. To reverse this trend, organisations are aligning internal processes around customer metrics (40%) and are using customer journey mapping (38%). Combining this knowledge with more sophisticated analytics will allow organisations to maximise the value from their customers.
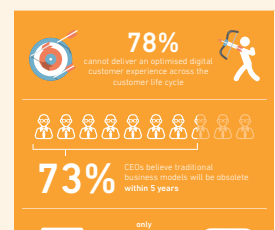

40% are unable to provide a single view of the customer and a consistent, unified experience across all channels

66% admit their current approach to customer management is ineffective

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- **Maximising data for fast, accurate decisions and minimal customer friction:** The Forrester research found that organisations are looking to adopt advanced analytics to predict when fraud will occur and importantly, minimise customer friction.
- **Adopting advanced technologies for sophisticated fraud detection:** Organisations are investing in new technologies to deal with more sophisticated fraud threats and to create a balance between creating a friction free experience for customers and the need to control risk for the organisation. 40% of respondents plan to replace outdated GPS/IP address geolocation insights with new technologies such as device recognition, automated decision making, and machine learning.

$2 trillion in global fraud losses predicted by 2020 ($2,000,000,000,000)

2016 2017 2018 2019 2020

42% of CXOs state increased exposure to fraud is a major inhibitor to success

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- **Migrating services from physical to digital:** 42% of respondents highlighted a full migration plan over the next year.
- **Creation of a separate 'digital' business entity:** 41% stated that they are creating a separate business entity to address digitisation requirements across the organisation.
- **Optimising digital on-boarding processes:** Organisations identified enhancing digital on-boarding processes (42%) to reduce friction and create a more pleasant experience for new customers as a key action for optimising their digital approach.
- **Using analytics to provide deeper insights into your customers:** 41% are adopting advanced analytics to create a single view of customers and their behaviour.

78% cannot deliver an optimised digital customer experience across the customer life cycle

73% CEOs believe traditional business models will be obsolete within 5 years

only

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The 5 core capability requirements

For the three best practice strategies – '360° view of the customer', 'balanced fraud, and 'digital optimisation' – to be truly embedded within an organisation's DNA, they must invest, adopt and implement the following five core capabilities.
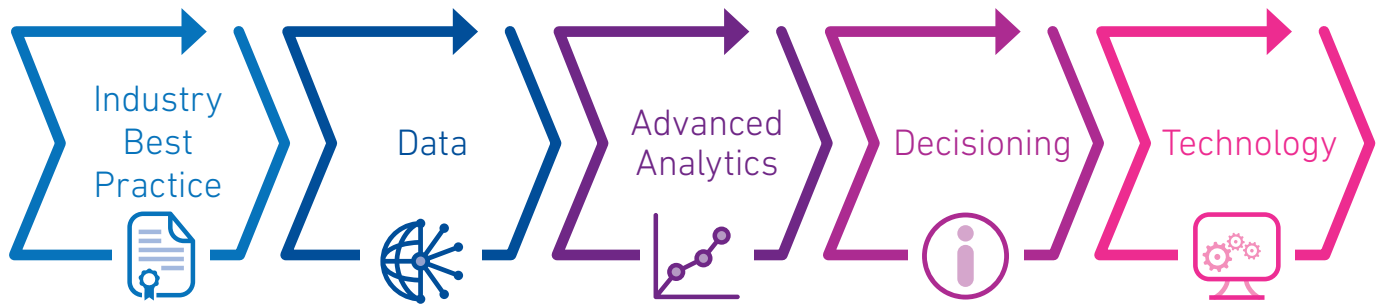
Industry Best Practice

Identifying the value and process gaps within your organisation

Implementing the best practices and capabilities outlined in this paper and to evolve your organisation to align with the digital age and customers' expectations can be a daunting task. The obvious question is…'where do I start?' Adopting a consultancy-led approach will place less burden on your organisation's resources whilst allowing expert consultants to help you identify the value and process gaps in your current capabilities and practices in each of the three pillars identified as essential for winning in the customer era. In each of these three areas – 'Creating a '360° view of the customer' 'creating a balanced approach to fraud' 'optimizing your digital approach' – a consultancy led approach will look at creating a structured assessment of your existing capabilities, functions, processes and controls. It will provide you with a clear understanding of the current state of development against best practice as well as recommendations on how you should prioritise your subsequent activities in an aligned and integrated manner for the greatest overall effect on value generation.

Data

The building blocks for understanding your customers

Data forms the DNA and bedrock of your organisation's understanding of your customer and for the ability to create a 360° view of view of relationships and customer behaviours which ensures the right timing, tone and treatment of any customer interaction. Organisations must rely on data from a variety of sources to help build a comprehensive picture of customers. This can take the form of existing internally held data (which may be held across multiple systems) such as transactional data, marketing data, contact data etc. Internal data must be complemented by external data, mainly from third party credit bureaus who can provide a wealth of data including:

Marketing data:

- **Demographics** – age, gender, marital status, income, occupation and education.
- **Behavioural and lifestyle** – hobbies, sporting activities, travel preferences, high-tech equipment users and purchasing behaviour.
- **Census** – aggregated to provide general demographic information at a small area level.
- **Property information** – property type, property value and tenure.
- **Life events** – consumers who have recently moved home or had a baby.

Consumer Credit Risk data:

- **Positive/Negative payment records** – does customer have a good payment history? Do they regularly fall into default?
- **Public record information** – for example court judgements, bankruptcy orders, debt relief orders, debt arrangements.
- **Collections data** – help to identify potential collections problems early on.

Fraud Data

- **Device data** – understand which devices your customers are using to interact with you.
- **Application data**
- **AML watch lists** – understand if customers are on any anti money laundering watch lists.
- **Detect inconsistencies** – using data to highlight discrepancies or inconsistencies from the information provided by customers.
- **Bureau scores** – for example can't pay/won't pay scores and fraud index data.

Other types of data organisations should be utilising include social data, credit reports, and real-time data access.

All of these data types help create a deep source of information to start building a complete picture of your customer.

Advanced Analytics

Actionalbe insight

Having excellent data sources alone is not enough to be able to build a complete picture of your customers. Organisations need to be able to turn data into deep, meaningful actionable insight. This requires the development of predictive models of positive and negative customer behaviour in terms of propensity to buy, to default, to defraud or to leave the organisation.

Embracing advanced analytics allows organisations to be more agile and respond more quickly to customer opportunities and threats. This will help create a significant competitive advantage in the form of being better able to target, engage, attract and retain more profitable customers, and also intercepting and detecting more fraud and displacing fraudster activity to their competitors.

The types of analytical models organisations should be looking to adopt include:

- **Income Estimation Models** – Responsible lending and affordability assessments are becoming increasingly important across Europe. This type of model will help identify applicants who overstate their income in order to obtain credit, or preferential rates.

- **Early Warning System** – This type of analytical capability allows you to pro-actively manage risk across the life cycle, for example be informed earlier if a customer is about to fall into arrears, whether a customer's circumstances have changed so that you can adjust credit limits, and be warned earlier about potential fraudulent activity.

- **Transactional Data Insights** – These types of models allow you to get a granular view of what your customers are purchasing, giving organisations a valuable insight into spending patterns, preferences and changes in circumstance or lifestyle.

- **Social Network Analytics** – This type of analysis helps organisations understand the social media behaviours of customers and prospects to target content at the right people at the right time.

- **Application fraud models** – These models help to identify applications with a high risk of fraud

- **Account Takeover Fraud Models** – These models help to identify accounts that are being or have been in the past fraudulently accessed

- **Transactional Fraud Models** – These models helps to identify transactional fraud occurring on customer accounts

Decisioning
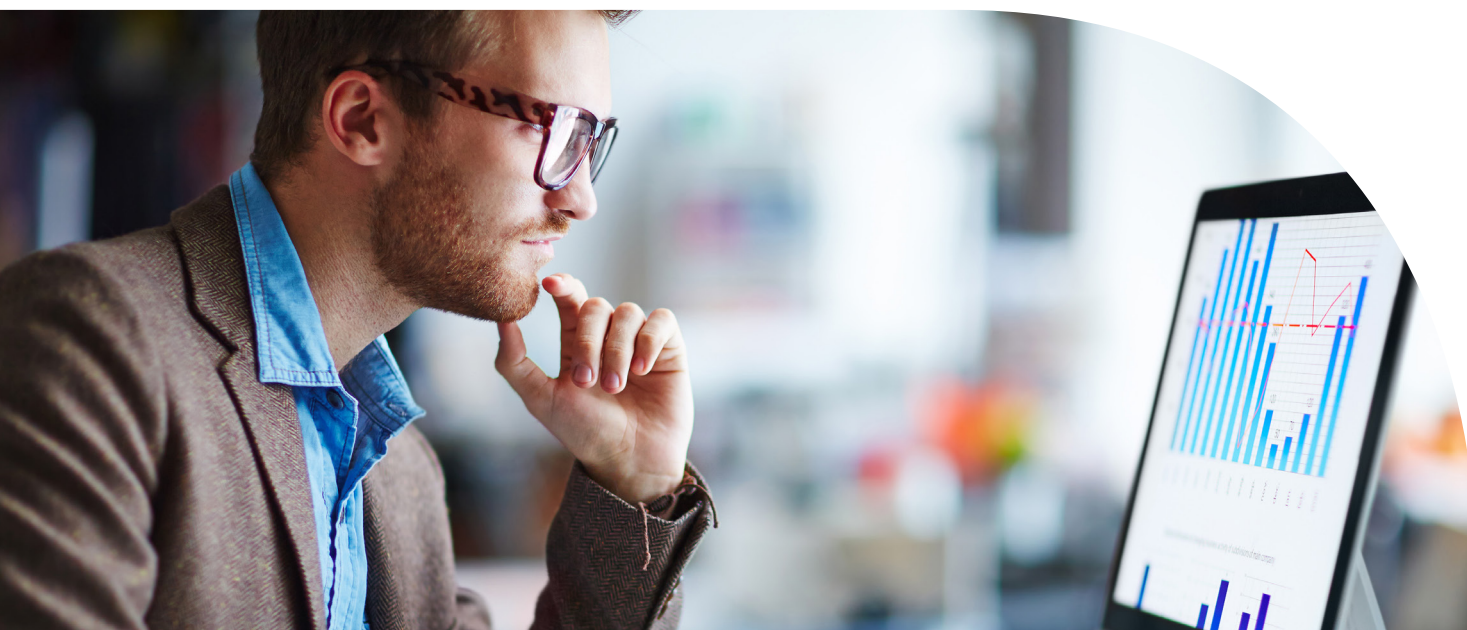
Turning insight into action

Once an organisation has the right data and analytical models and processes to derive accurate insight organisations then need to turn this into actions which allow them to maximise customer value at every customer interaction. Organisations should look to invest in specialist software to help with the decisioning process.

Technology

Using technology to automate decisions

In the new digital ages where customers demand speed, accuracy and great service it's imperative that your organisation utilises technology and software to automate decisions in seconds. Automated decisioning needs to be scalable, fast and consistent. Automation of analytical processes enables on going monitoring of customers, allowing organisations to detect suspicious activity, behaviour inconsistencies, and intervene before the business and customer is compromised. A winning customer experience results in speed and efficiency of automation across the life cycle, processing larger volumes more quickly and consistently and screening applications data in real time.

A lack of automated decisioning and decision management will result in the double negative of increased costs whilst exposing the customer to friction and delay. Equally, it will also significantly restrict an organisation's ability to identify fraudulent intent.

Organisations should look to invest in and adopt software automation across all aspects of its customer interaction. For example, automated strategy management software allows organisations to combines and brings together the core capability requirements across data, analytics and decisioning in one place. Similarly, organisations can take a modular approach and invest in software automation in various points of the life cycle, whether it be acquisition, customer management, collections or fraud.

In conclusion, whilst evolving an organisation to be in line with the new digital reality can seem daunting, the obstacles are not insurmountable. By following the three best practice approach strategies outlined in this paper and investing in the capability requirements to successfully implement these strategies organisations will take a giant leap to winning in the new digital customer era.

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We gather, analyse and process data in ways others can't. We help individuals take financial control and access financial services, businesses make smarter decisions and thrive, lenders lend more responsibly, and organisations prevent identity fraud and crime. For more than 125 years, we've helped consumers and clients prosper, and economies and communities flourish – and we're not done.

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