How Do They Know Their Customers So Well?

Summary

• Insightful companies mix rich customer data with their understanding of the people behind the transaction

  – Thomas H. Davenport
  – Jeanne G. Harris
  – Ajay K. Kohli
Rich Customer Data

- **Yahoo!**
  - 400 B Bytes per day
- **Fingerhut**
  - 4 M names of customers with 1,000 attributes
  - Data warehouse can hold 4.5 T Bytes

Track Patterns in Customer Transactions

- Large data warehouse
- Few insights into their customers
- They may know more *about* their customers, but they don’t know the customers themselves or how to attract new ones
Interviews

- With marketing or marketing-research executives from 24 standouts in customer-knowledge management
- Goal
  - To better understand each company’s initiative
  - To learn what factors had made them successful

The Companies We Studied

<table>
<thead>
<tr>
<th>Bank of Montreal</th>
<th>Harley-Davidson</th>
<th>Owens &amp; Minor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chase Manhattan Bank</td>
<td>Harrah's Resorts</td>
<td>Procter &amp; Gamble</td>
</tr>
<tr>
<td>Clarica Life Insurance</td>
<td>Hewlett-Packard</td>
<td>RightPoint Software</td>
</tr>
<tr>
<td>E-Lab</td>
<td>J.D. Edwards &amp; Company</td>
<td>Sabre Holdings</td>
</tr>
<tr>
<td>FedEx</td>
<td>Kraft General Foods</td>
<td>ShopLink.com</td>
</tr>
<tr>
<td>First Union</td>
<td>Marriott</td>
<td>3M</td>
</tr>
<tr>
<td>Frito-Lay</td>
<td>MasterCard</td>
<td>US WEST</td>
</tr>
<tr>
<td>General Electric</td>
<td>Motorola</td>
<td>Wachovia Bank</td>
</tr>
</tbody>
</table>
What the Leaders Do

- Focus on valued customers
- Define and prioritize objectives
- Aim for the optimal data mix
- Don’t try to put all the data in one repository
- Think creatively about human data
- Look at the broader context
- Have a process and supporting tools

Focus on Valued Customers

- FedEx, US WEST
  - profitability
- Procter & Gamble
  - Growing concentration and power
- Microsoft
  - Vastly more revenues would come from corporate
Define and Prioritize Objectives

- FedEx
  - Increase the company’s share of the small shipper market
  - Encourage small shippers to bring their packages to FedEx drop-off points

Aim for the Optimal Data Mix

- Procter & Gamble
  - Data-driven approaches
  - Human-centric approaches
Don’t Try to Put All the Data in One Repository

• Dell computer
  – Customer data is fragmented across multiple systems and locations
  – Multiple customer types

Think Creatively about Human Data

• HP
  – To delight our customers by providing them with what they value and may not even know they find important

• Nordstrom
• Harley-Davidson
• GE
Look at the Broader Context

- Establish new roles
- Move toward the customer-centric
- Carefully restructure

Have a Process and Supporting Tools

- Kraft General Foods
  - 3 Step Category Builder
Meeting Customer-Knowledge Management Objectives

- Segment the customer base
- Prioritize customers
- Know what your customers want to know
- Understand your customer’s internet behaviors
- Engender customer loyalty
- Innovate existing products
- Extend products or services
- Improve success in cross-selling

Making the Most of Transaction Data

- How to collect only the data you need and not waste time and effort on useless information
  - Build relationships
  - Deliver promotional offers
  - Engender loyalty
Making Data from Customer Encounters

- Generation and collection
- Distribution
- Using it

Gathering and Sharing Data From Customer Encounters

- Give every customer a unique identifier
- Find an internal champion
- Do your homework
- Don’t overwhelm everyone with useless knowledge
- Start simple
Where to Start

- Use transaction data wisely
- Try being more human-centric
- Don’t worry about integrating Data