

Unleashing the Power of Customer Data

Most companies are swamped by feedback from their clients. The real challenge is making good use of what they're trying to tell you.

The idea that the customer is king is not new. It has served as a driving force of many companies for more than a century. Marshall Field built his Chicago emporium in the late 19th century on the slogan, "Give the lady what she wants." Companies like Nordstrom, Amazon.com, and United Parcel Service have earned stellar reputations for their extraordinary efforts to meet the needs of customers.

However, in the Information Age, building a customer-centric company takes a lot more than a philosophy. It requires a determination to collect customer feedback, analyze it rigorously, and, most importantly, change the way you do business in response to what customers tell you. "Being customer-centric is a bit more focused than 'The customer is king,'" says Cindy Humphrey, vice president, business marketing Qwest Communications, a major provider of voice, data, and network services based in Denver. "It indicates that your entire business is focused on—and measures success in terms of—customers."

In a tough economic climate, making customers happy should be a no-brainer. Get your clients to love doing business with you, and chances are they'll be loyalists. A

survey published by independent research firm Forrester Research indicates that people who seek better service are far more loyal to a brand than those who just want the best price. "Service seekers will buy more," says Bruce Temkin in his report. In another Forrester report, analyst Ellen Carney estimates that customers will pay up to a 50% premium when they perceive a provider delivers industry expertise, another sign that better service pays off. However, as the legendary founder of Motown Re-

ords, Berry Gordy, is famous for saying, "It may be simple, but it's not easy."

A survey for Qwest of some 258 senior business executives and senior IT managers conducted earlier this year by Fortune and IDG Research found that just a third thought their companies were highly successful at integrating customer data into business decisions. And both groups of executives agreed that, at best, they had an "adequate" understanding of their customers' needs and priorities.





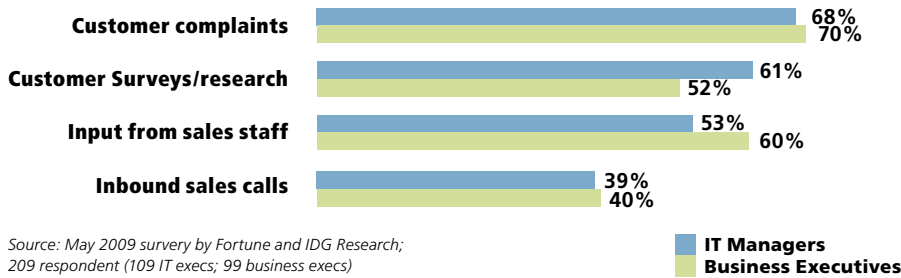
Just one-third of IT executive indicate their companies are highly successful in integrating customer data into business decisions.



Being Customer-centric

Survey results show a desire to please outpaces knowledge about what clients want.

Sources for understanding customer needs



The Art of Rapid Response

Humphrey is not surprised by these findings. Most companies use a hodgepodge of technology to interact with their customers, from voicemail and e-mail to online chats, to newer technologies like social networking and instant messaging. Many firms haven't extracted much useful information from the flow of data from and about their customers. Two-thirds of survey participants said customer complaints were their primary source for understanding customer needs, and more than half indicated they depended on survey responses or their sales staff for feedback. Humphrey says this is good, but more can be done.

Over 60% of survey participants said that investing in technology was critically important to understanding customer needs and priorities. And similar majorities rated data, voice, and network services as keys to acquiring that understanding. They were less enthusiastic about using newer forms of technology like

instant messaging and online chats to tap customer opinions.

Pulling together customer data into something useful can get more complex as companies add newer technologies like Web 2.0 and social networking services like Twitter. Neenah Paper, a specialty paper manufacturer in Alpharetta, Ga., is utilizing many new technologies to reach its customers. The company, a spinoff of Kimberly-Clark with revenues of \$732 million in 2008, sends Twitter feeds to update customers about new products and upcoming events. It has even created an Apple iPhone application that enables graphic designers to take photos, test color choices, and order samples directly from Neenah.

Steve Rosenberg, the company's director of business development, who participated in the survey, is also interested in switching its videoconferencing system—on which Neenah increasingly relies to reduce travel—to a more sophisticated system that provides a more realistic experi-

ence. Yet, concedes Rosenberg, "We're just beginning to investigate some innovative management tools for organizing, analyzing, and sharing customer data."

Asking the Right Questions

Companies are not ignorant of the benefits from better use of the information they collect about their customers. More than two-thirds of the participants in the survey agree that voice, data, and network technology can play a critical or important role in understanding their customer needs and priorities. More than half of IT managers and 44% of business executives said their companies were actively designing their voice and data infrastructures with the goal of facilitating innovation and rapid response to customer demand. And six of 10 survey respondents indicated they were monitoring the customer experience in an effort to improve their existing processes. But many say they lack the resources to do that, even as they continue to collect information.

"Time and staff," says J. Mikel Reynolds, CEO of Richter Reynolds & Lapp Commercial, a commercial real estate firm in Dallas, explained in a follow-up to the survey why his firm isn't more efficient at mining customer data. There can also be some hesitation to query customers. "So many of our customers are so independent that I don't know if I could get them to sit down long enough to give us any information," says Reynolds, who describes many of his clients as small entrepreneurial companies.

Yet, his firm is on the cutting edge of technology in other ways, serving up e-mail newsletters and increasingly using digital multimedia to distribute property information to potential customers. "We used to put out large books describing the investments and financing required for a large building," says Reynolds. Now the company is posting much of that information on servers online, which customers can access and download. Richter Reynolds employees also use a VoIP system that sends messages to their BlackBerrys to tell them they have voicemail messages pending. Multimedia presentations of

properties and investment opportunities, including music as background, have also caught on with clients. "It's creating a differentiator in the market for us," Reynolds says.

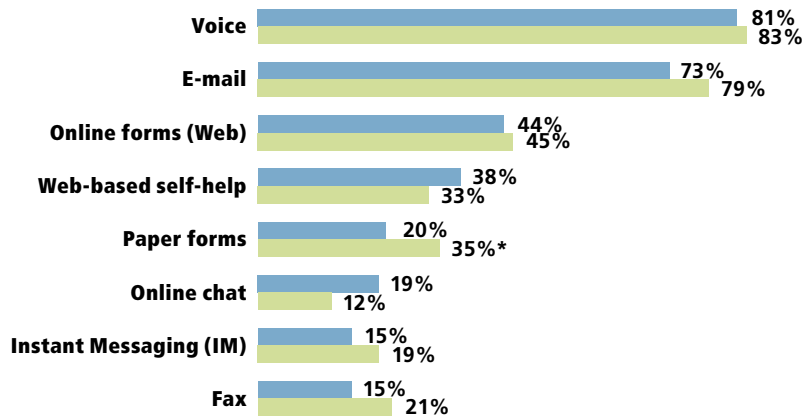
Serving customers better sometimes provides unexpected dividends. ABX Air, a transportation and logistics company based in Wilmington, Ohio, installed hand-held devices that use custom software and cellular communications technology to better track customer shipments and make last-minute changes on the plane. "If a customer calls and asks us to verify that their product got on the plane in Osaka and left with the plane, we can do that," says Grant Richardson, a senior director of IT systems at the company, which has 11,000 employees and had annual revenues of \$1.6 billion last year. "We can show them it was loaded, we can show them the plane took off, and then we can follow it." This feature is so popular with customers, says Richardson, that some have asked to buy the technology from ABX. "Not only are we providing the customer with the data that they need, we also have an application that the customer definitely wants to secure from us," he told researchers.

The challenge for many companies, says Qwest's Humphrey, is collecting and analyzing customer data from many different sources. "There's just so much data out there," she says. "Without a converged network that allows you to pull that data into a centralized organization and then analyze it and make changes, it can be overwhelming." Qwest has technology that helps create a more perfect flow of information—a blow, says Humphrey, against the "silos" that so often leave one part of a company unaware of customer issues in another department.

These efforts can also be complicated by the differing views of line-of-business managers and IT executives. In the survey, there were often differences between how the two sides perceive the abilities of their organizations to make effective use of technology to distill the data they collect from customers. When asked to name the top three challenges to their companies, business

* Turning Into Clients

Extremely/very valuable methods of communication in understanding customer needs and priorities



Bases: CIO: 137 respondents; Fortune: 121 respondents

*Denotes a statistically significant difference between the CIO and Fortune audiences.

CIO
Fortune

* A Forrester report suggests that customers will pay up to a 50% premium when they perceive a provider delivers industry expertise.

executives listed maintaining or increasing top-line revenues as their No. 1 priority by a wide margin (57% to 45%). Both groups agreed on the importance of lowering business expenses; but IT executives listed bringing new products or services to market as far more important (32%) than their business-side counterparts (23%).

Keeping Customers Loyal

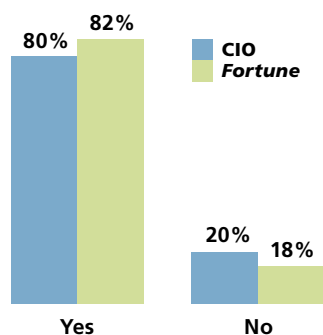
Of course, happy customers require more than data analysis. Dependable access to information can have a huge effect on quality of service—and customer satisfaction. In 2007, The Children's Hospital in Denver installed a high-speed data network from

Qwest that connects 13 satellite locations around Colorado with its central facility. This has enabled physicians to do their rounds by video, and enabled specialists at the central location to consult with patients at remote sites. The hospital also has some 45 nurses that work from home who have benefited from the high-speed network.

As digital medical records become more important under health-care reform, the hospital has seen the high-speed network dramatically speed access to images, prescription histories, and other information that formerly took up to a half-hour to download. "All these services that we have to offer now have translated directly into

Gathering Data

Does your organization gather information on customer needs and experiences to inform business decisions?



Bases: CIO 137 respondents; Fortune: 121 respondents

patient care, and improved patient care," says Todd Panella, IT manager for desktop and voice services at the hospital. "The ability for them to get with the patient sooner after they chart, or during their charting, is really important for the patient to have very quick service"—quick medical service, obviously, as well as customer service. Children's Hospital has also cut its data center costs by \$80,000 per month, according to Panella.

If time is money, then Scottrade has reason to want to make sure that its customers are happy. The St. Louis-based online investing firm began offering online trading in 1996, and has focused its efforts on creating an exceptional customer experience. For example, automated telephone menus are one of the banes of modern life. Scottrade worked with Qwest to develop a sophisticated phone system that directs its customers to a representative at one of 430 branch offices, even when they call an

800 number. Each customer is given an 800 number that rings back to that customer's home branch. "It has allowed us to really optimize that touch point with the customer," says Ian Patterson, Scottrade's chief information officer. This has also enabled the firm to efficiently manage customer support: For more than two million customers, says Patterson, the company has just 120 telephone representatives.

Scottrade tracks customer satisfaction on a quarterly basis, and employee bonuses in its branches are partially tied to those ratings. Tying compensation to customer satisfaction is rare, according to the survey. Less than a quarter of respondents said their companies had taken such a step. More common measures include implementing technologies to present a consistent face to customers; doing primary customer research; and using customer forums, user groups, and social networks to communicate with customers.

The pursuit of happy customers through technology has new advocates inside companies. Once upon a time, IT pushed technology while the business side resisted. But the survey indicates that—despite differences of expectation in some areas—these roles have morphed. By 50% to 34%, senior business executives rated their companies more highly than their IT counterparts in their ability to integrate customer needs into business decisions. Humphrey says it's a matter of perspective. "As a business executive, you understand the business case and what technology can do for you," she says. "The IT executive is responsible for making that world come true, with all the constraints and concerns he or she deals with every day." Where both sides agree is that better technology leads to better customer service, and that is good for business. ●

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