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Delivering Analytics
The CFO's role in moving from customer analytics insight to action

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Introduction

Information is the hot currency to trade in today's marketplace of smart, sophisticated customers. One way to get that information is through employing advanced analytics techniques to wring insight from the mountains of data that trail each customer, taking care to establish that any next actions are effective and relevant to customers. Having the appropriate information to make critical decisions is not optional. So, with an objective so important, it's critical to get it right — the first time. Leadership is key.

Who should lead a company's analytics effort? How should it be delivered? What are the challenges to be faced? What comes after delivery? There are as many answers to these questions as there are pundits out there. Unfortunately, there's no magic 8-ball to give you the answers. It often comes down to who you think will likely do the best job, and what you're most comfortable with. However, even those two criteria are nebulous. Best job? Comfort? What does that mean?

As far as leadership goes, it means that the person — or position — to lead the analytics effort has to be experienced enough to understand most — if not all — facets of the business, technically knowledgeable enough to understand the logic behind analytics, focused on the drivers and metrics of the business, and trusted enough to lead.

It also means that the analytics initiative has to be firmly underpinned by the concept of creating lasting, profitable, relevant customer relationships. The effort should be focused on the creative use of customer information to enthuse, delight, and reward customers with the things that matter to them — all by knowing the customer better than before.

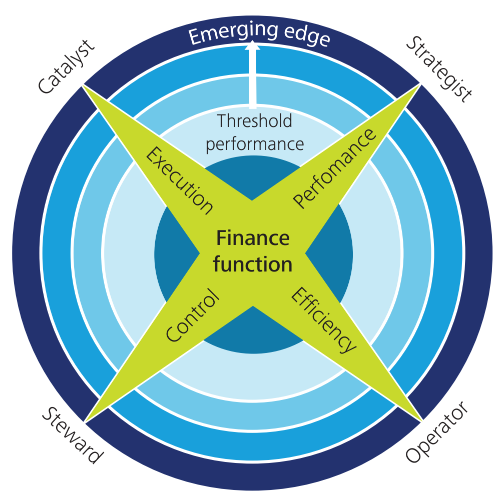
It also means delivering analytics via the methods, and to the maturity level, that are targeted for individual companies, not according to some one-size-fits-all framework. Each company is unique, and although the underlying concepts of analytics — especially as they relate to gaining customer insight — can be applied to almost any company, the goals and delivery method should be customized to meet the needs of companies that are just as unique as the customers they seek to attract.

Finally, it means having a plan. The cliché that analytics is not a destination but a journey is cliché for a reason: it's true. Fine-tuning should never stop. Customers change; their needs change. The business environment also changes, and it's crucial to develop and follow a roadmap to implement and sustain the analytics journey. Companies are on an innovation treadmill that executives can virtually never get off.

Leading the analytics effort

Probably the first thing to decide when seeking to increase profitability through analytics is who's going to lead the effort. There are those who would argue that companies should appoint a Chief Analytics Officer to lead the analytics effort.

Their arguments are solid, and some companies choose this path, but really, for those companies wanting more traditional leadership, the position to lead analytics already exists. It's the Chief Financial Officer (CFO). Surprising? Not really. There are several reasons why the CFO should be a major driver leading analytics efforts to generate more successful customer relationships.



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First, the CFO role has evolved to be more than financial. Today, the CFO is more of a captain for business direction and strategy — not simply focused on central financial activities. CEO's and boards are increasingly expecting CFO's to serve in some Chief Operations Officer type roles and these expectations continue to evolve.

The CFO has four individual roles. The first is a catalyst — to stimulate behaviors across the organization to achieve strategic and financial objectives. Next, the CFO is a steward who protects and preserves the assets of the organization. The CFO is also a strategist who helps align organizational goals and metrics and advocates for the balance of operational and customer measures. Finally, the CFO is an operator who helps manage the portfolio of financial management capabilities including analytic activities.

Second, many CFOs also have a unique position and ability to see and allocate scarce company resources to those activities that can yield more tangible return on investment. As the power of analytics continues to grow, along with that growth comes the expectation of accountability. CFO's are already used to being held accountable for hard decisions, and they have an excellent line of sight to monitor the portfolio of projects that concern customer-centric activities.

Finally, the CFO's team is an inherently analytic one to begin with. So, it can be a core source of talent for customer insights and other analytic projects in cooperation with other departments. Also, people with these skills are not readily available in numbers in most departments, with the exception of many financial groups. If the definition of financial group is broadened, these "quants" may also reside in actuarial, financial modeling, investment and other such groups. But generally, the finance group is a team where analytics can often be performed, and evangelism for the effort can take root.

Delivering analytics — Moving from insight to action

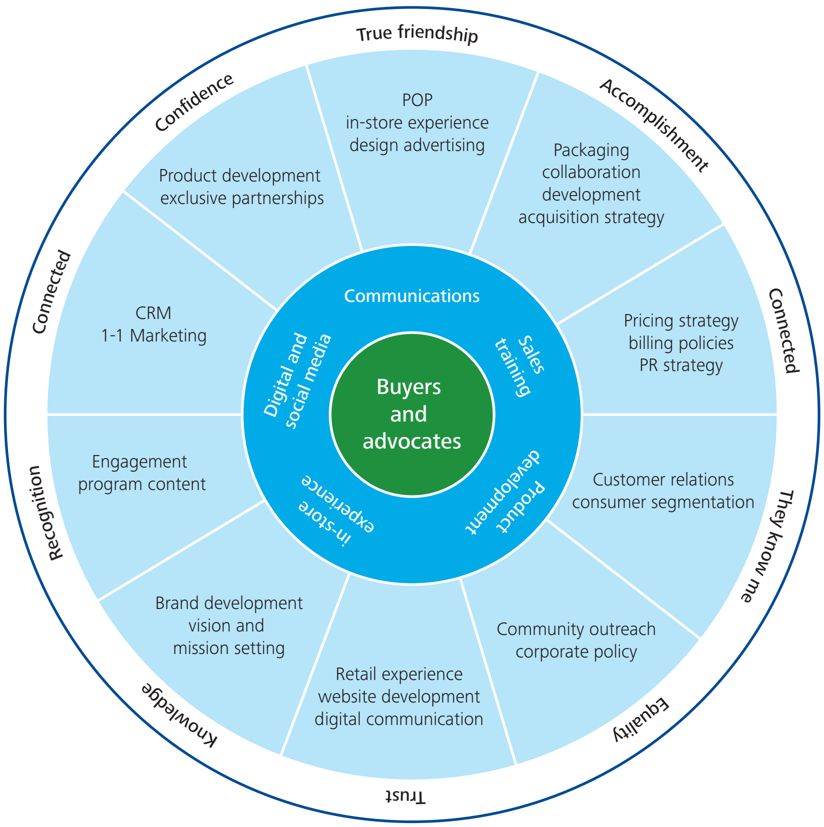
Next up is actually delivering the analytics capability. To do that effectively will require bridging the gap between insight and action. It's the old axiom — "It's not what you have, but what you do with it that counts." Analytics can deliver uncommon insight, but that insight is fairly useless unless it can be translated into action — don't confuse effort with results.

The first step to turning insight into action is to leverage the CFO team's knowledge to develop financial metrics that are customer specific and drive results to the macro metrics and goals of the organization. Examples of these might include: revenue per customer, profit per customer segment, life-time value, cross-sell penetration, customer retention/attrition, satisfaction scores, and other meaningful diagnostic indicators of company success and customer engagement.

Historically, finance groups spent a great deal of their time focused on managing operational expenses, like supply costs and real estate leases. They left issues such as customer management to the marketing executives. However, today's CFOs are becoming more focused on the front end of the business — on what it takes to turn insight into action to better understand the customer in order to increase profitability.

This diagram represents a model for moving from insight to action. The outer ring depicts the first step, which is to assess current performance, based on how well the company is engaged with the customer.

Here, you see words like, "connected," "trust," "recognition," "confidence," which are some of the factors thought to drive brand advocacy, as well as identify opportunity and risk for a particular brand.



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The next ring, the light blue one, provides sample improvement drivers. These drivers can help the CFO's team develop strategic and operational imperatives for the brand, vis-à-vis customers, and based on performance factors that drive customer profitability. These drivers can be measured relative to the competition, as well as to specific tactics to improve the drivers themselves.

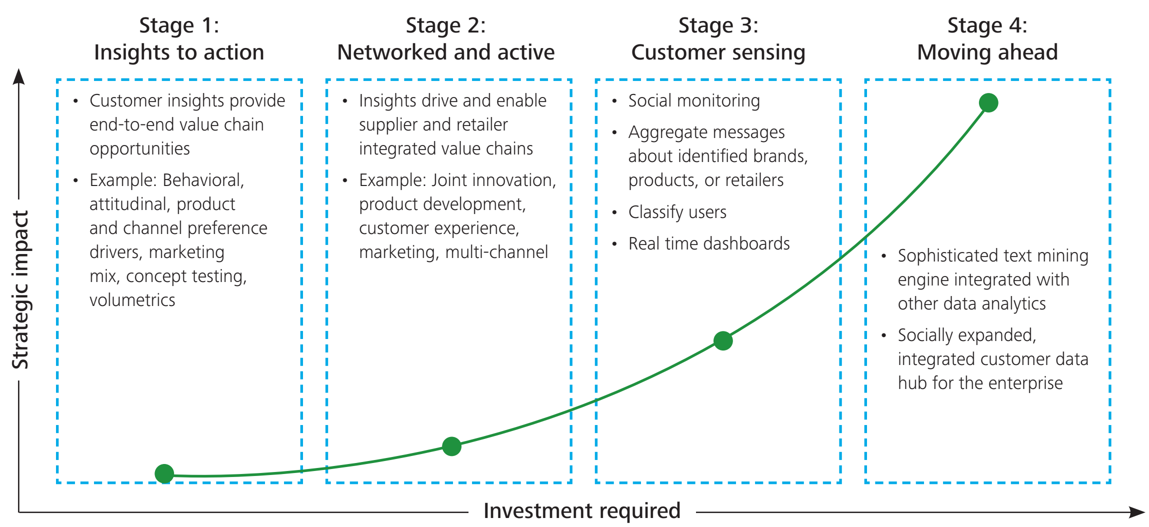
The next, medium blue, ring depicts the actual move from insight into action. The key here is to tailor the experience to the customer. The in-store experience should be enhanced. Sales training should focus on creating individual customer experiences. Communications should be personalized to individual customers — where practicable. Finally, new platforms — such as social media — should be leveraged to more effectively communicate with, engage, and activate the customer base.

The center ring depicts the measurement of the success of using analytics to create customer insight and drive profitable customer relationships. Typically success will be measured via improvement in metrics such as advocacy scores, and how that improvement correlates to company growth. It's crucial that any metrics developed be tangible and effectively measure top and bottom-line growth and profitability. They should clearly communicate overall company success. Insight gained from this process should create a feedback loop to drive future improvements in both metrics development and analytics delivery.

Getting there — Moving toward analytics maturity

Again, it's perhaps cliché to say, but moving from insight to action is a journey. The diagram below depicts one possible pathway to reach analytics maturity. Stage one is the generation of customer insight and the recognition that there are opportunities to drive profitability end-to-end on the value chain. Stage two involves networking those insights to leverage combined knowledge and share it up and down the value chain. Stage three is where customer sentiment and insights and relevancy are detected and managed in near or real time.

Finally, Stage four is where most, if not all, customer centric activities, signals, data, and actions are integrated into a central "customer hub." The hub concept allows companies to aggregate the tools they require for managing customer relationships in one place. This can provide the centralized capability to acquire proactive knowledge, decide on a course of action, formulate strategies, and implement the strategy effectively and efficiently.



Source: Deloitte Consulting LLP

One key here is to remember that analytics delivery is not a one-size-fits-all venture. It's crucial for individual companies to evaluate where on the journey they are — and where they want their end point to be — i.e., what level of target analytics maturity makes the most sense with regard to the company's strategy, goals, metrics, and drivers.

All of these stages are acceptable endpoints. Not all companies need to progress to Stage four. In fact, for some companies, going all the way might not make business sense. Pragmatism matters just as much as aspiration, especially since reaching Stage four will likely require expending considerable time, money, and precious resources. Also, keep in mind that the stages aren't discrete. There will consistently be the opportunity to realize partial value from each stage.

Getting there — The human component of analytics capability

Theory is fine, but it takes work to put it into practice — hard work with the appropriate ingredients. There are several core components that form the foundation to deliver analytics capability that can drive enhanced customer insights and profitability.

Planning for organizational, governance and talent issues comes first. The operational model for the customer analytics capability should be designed, planned, and harmonized with any other existing analytics groups within the organization. The staffing model should be reviewed and human resources issues ironed out. Questions to ask include: "Do we have the qualified people, right now, in the company to implement this?" "Do we reallocate resources, or do we need to hire new full-time or temporary people?"

Program leadership and a project management office (PMO) is the next consideration. We've already talked about having the CFO lead the effort, but the PMO should also be designed and staffed appropriately. It's essential in this phase to develop the business case and roadmap for the future of analytics within the company.

Navigating the seismic change of analytics implementation

Creating an insights-based organization is certainly not without its challenges. However, one effective approach to meeting these challenges is to keep things simple and pragmatic: think big but start small. Create a roadmap that outlines short, to medium, to long-term projects delivered with incremental value.

When building an insights-based organization, it's essential to focus on meeting business needs and making business stakeholders a key part of the delivery mix. It's also crucial to find ways to develop quick wins, project sprints, and pilots to tie achievement to clearly defined metrics.

The challenges of organizational inertia and changing the status quo are also important to overcome. Some of the changes that may occur with analytics implementation may seem like seismic shifts to culturally entrenched companies. Often people who aren't mathematically or statistically savvy find the concept of relying on data, rather than intuition and experience, unnerving.

To overcome inertia, it's important to remember that change is difficult for most people, and that its impact is wide-ranging — affecting people, teams, leaders and followers, as well as organizational purpose and operational processes.

There's no way around the fact that the change that comes with implementing analytics will be enormous, so don't minimize the challenges of organizational change management; embrace them. Identify obstacles early on, develop plans to address them, and make change a team effort — lead from the top. Generally, people want to be successful, so they need to feel involved and understand how analytics can be a fundamental component of their future success.

Putting analytics to work — Key activities to drive profitability

While it is not always practical to drive customer insight down to a microscopic level, it is possible to segment customers into groupings based on expressed wants and needs, and then to engage with groups in ways that appeal to them. It's important to effectively segment customers and tailor communications to those segments.

Individual segments may often have their own valuations of service, their own needs and wants, and they will seek differentiated treatments — even though they may not be able to directly articulate those preferences all the time. Analytics can help gain insight where customer articulation of wants and needs is often lacking or hard to discern.

Another key analytics activity is customer knowledge management. Most consumers have experienced frustration that arises from a seeming lack of knowledge on the part of companies they engage with. More and more, customers are coming to resent this lack of personalized knowledge. Instead, they expect and demand that companies use data more efficiently, across various touch points, to communicate in a more personalized manner. Customers generally tend to reward companies that use the information about them most effectively and relevantly.

An equally critical analytics activity is gathering and leveraging market and competitive intelligence. Knowing the marketplace is akin to knowing the customer. It's important for companies to know how to differentiate both the company and its products from its competitors. In fact, many customers are already unofficially doing this by making choices on what to buy, when, and from whom in many cases, via social media. So using analytics to ferret out market information from buying patterns and other customer behaviors, and to really understand what the customer sees and experiences are critical factors in designing strategies to create market differentiation that drives lasting and more profitable customers.

Getting there and going beyond — The analytics roadmap

The final piece of the analytics implementation puzzle that the CFO can lead delivery of is a roadmap to guide the delivery of analytics value — both short term and long term.

Many leading companies are using a "treasure hunt" approach to identify initiatives that are designed to deliver business value and demonstrate the improvement that customer insights and analytics can make in an organization.

This opportunity discovery process flows from visioning exercises where business objectives are understood to developing proof of concept trials to deliver near term results by executing on immediate opportunities. After a series of short-term small wins are accomplished, and the lessons from the wins are digested, the effort can be expanded to a more holistic, long-term plan.

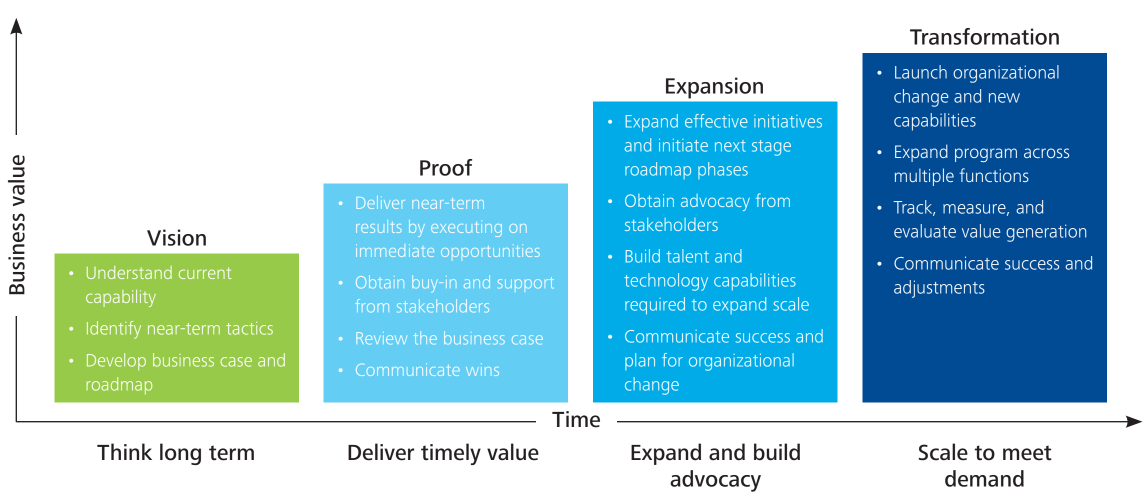
Successes and stumbles from these initiatives should be discussed honestly and openly to create a transparent organizational governance process for improvement where stakeholders feel they share in the success and challenges of projects. This fosters greater collaboration and a sense of group and personal accountability, which can accelerate the transformation of the organization. This can create the possibility of that transformation to expand beyond the customer insight or financial role to move across multiple company functions and drive a more holistic success for strategic analytics.

The CFO leads the way

Leveraging analytics to create lasting, profitable, relevant customer relationships is critical to compete in today's global, information-saturated environment. To effectively use analytics, companies should harness the mountains of customer information resident in their information systems to excite, captivate, and reward customers — and should do it better than the competition.

To pull off this feat, it will take exceptional leadership. The CFO's four unique roles — catalyst, steward, strategist, and operator — make the CFO position a suitable fit to lead analytics efforts. The CFO can catalyze analytics innovation, shepherd the innovative process, lead the strategy to implement analytics, and manage the ongoing use of analytics to increase the bottom line.

With the CFO's broad understanding of the business, growing technical competency, and overall leadership ability, it often makes good business sense to put such a crucial effort into their hands.



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