About this guide

This guide describes a method for you to generate revenue from your corporate data. It doesn't come with a guarantee, but it does provide practical and proven techniques to make your data really work for you. Rather than considering your systems as an overhead, you can start seeing them as an asset to your organisation.

The aim of this guide is to help you:

- Transform your business data into actionable information
- Deliver customer insight and business intelligence
- Improve business decisions and sales and marketing performance

The method described is not reliant on specific technology, but it is expected that you have database and query software to analyse your data. If you are unsure about suitability of the technology you have available, then by all means make contact to discuss your options.

Stage 1: Systems and business processes

Your organisation has probably invested in systems to support your business. Systems to process sales, deliver customer service and market products and services.

It may seem obvious, but before getting embroiled in data, it is essential to consider how your business operates:

- What does your organisation do?
- What are the benefits to your customers?
- How do you actually make money?

These simple questions are designed to provide focus on the business processes that are fundamental to your business. You might like to write down the answers to these questions.

With these answers in mind, what systems support your business operations?

Most organisations have more than one system that contains customer information. These may be departmental databases and spreadsheets, through to websites and sales systems.

List the possible sources of data – here are some examples to stimulate thought and help you identify the systems data you may need. Highlight the relevant ones and add others as necessary.

Tele-sales	On-line Sales	Customer service	Website contacts
Web registrations	Marketing	Campaigns	Competitor intelligence
Organisations	Contact lists	Market research	Third party data
Product management	Content management system	Demographics	Enquiries
Customer relationship management (CRM)	Finance	Off-line and on-line publications	Supplier information
Brochure requests	Communications	Price lists	News letters

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Armed with your list of data sources, consider the following questions:

- How does each system support the business?
- What type of data is captured?
- What documentation is available?
- How do these systems interact?
- Is there any integration between the systems?
- What rules could be applied to the link systems data?
- Are there common definitions, consistent customer and product identifiers?

The answers to these questions will provide an understanding of the available data. They should be used to formulate ideas on how the data could be combined and used for analysis.

Stage 2: Auditing and appraising data

Review each source, auditing its content to establish currency and value. The goal is to understand what each set of data means and how together it provides a complete picture of your business:

- How robust is the data? What business rules were applied at data entry?
- Focusing on customer related data - what is the meaning of the tables and fields?
- Are fields consistently populated and where not, which have missing values?
- Are values standardised and or are there free text entries?

Against each data source, highlight any issues concerning data quality or integrity. Consider how they may affect the use of the data for marketing or analytical purposes.

Audit specific fields of information:

- Analyse data values, frequency, patterns and format
- Discover important data statistics (Min, Max, Nulls etc.) and levels of population
- Identify redundant or duplicate data
- Review referential integrity (analysing joins between tables)

It is best to tabulate the results of the field-by-field audit. A spreadsheet is best for this purpose. Using the column definitions below, populate each row with information about the source data.

Source	System from where the data was sources
Table	Name of table
Field	Field name within the table
Rows	Number of records of data within the table where the field is populated
% Population	Percentage of records containing a value
Unique values	Number of unique values for that field within the table
Min. value	Lowest value within the field for all records
Max. value	Highest value within the field for all records
Notes	Observations about the data

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This information provides the basis for the audit, they are essential for understanding your data.

Depending on the tools and or technical resource you have available, you may like to consider adding the following information to your audit. These will help you gain further insight.

Mode	Most common value i.e. highest number of observations
Data type	String, date, integer, decimal, etc
Defined size	Defined field size
Min. size	Actual smallest size
Max. size	Actual largest size

When undertaking the audit, focus on the information you are likely to use in your analysis.

Upon completion of the field-by-field audit, review the findings:

- Are field results as expected?
- Which fields are not fully populated and what are the implications?
- What fields contain erroneous data?

After the field-by-field audit, the usability of the data needs to be assessed. The most common issues are:

- Duplicate organisation and or contact records
- Unstructured free text data
- Date fields of varying format

Duplicate organisation and or contact records

Who is the customer and how is a customer defined? Taking each data source in turn, how is the customer defined? Where organisations have multiple addresses, it may be that each location has a separate organisation record. If this is the case, how should these organisations be joined together? From an analysis perspective, you will probably want to understand the total value of each organisation as a whole.

To identify duplicate records, you can either use data quality software or run queries against the data to assess its reliability. If running queries, bear in mind that names may vary in spelling. Also consider the reliability of address data. Does your organisation use address verification software? When an address is entered by customer services or by a customer on-line, is the address validated?

If there are duplicates, you will need to consider the best way to combine duplicates whilst ensuring that their associated transaction data is not lost or overlooked. There will be more about this in Stage 4: Bringing the data together.

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Unstructured free text data

By unstructured free text data, we mean any data that can be entered without recourse to data entry rules. If a user can enter information in a free format, the input from many users will vary in format and value considerably. The results will be hard, if possible, to analyse.

When reviewing free text fields, identify common elements of information e.g. customer identification numbers, names of products, types of contact request. It may be that whilst the field itself cannot be analysed, a new field, with values derived from the free text field could.

Date fields varying in format

If fields containing date values are of different format, it will be difficult to accurately compare information. The most common mistake is to miss the date fields that are in both US and UK formats. Ensure that date fields are of a common format and where different convert dates to a common standard.

Stage 3: Designing for data exploitation

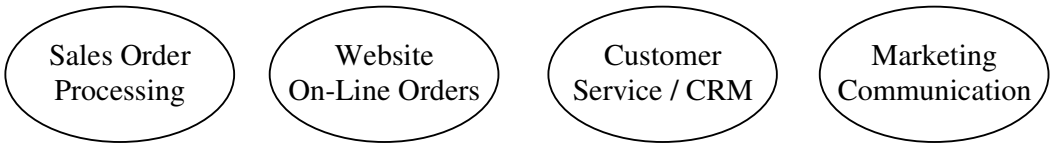
Now equipped with a thorough understanding of your organisations data, it is time to determine how the data will be combined, integrated and structured for data exploitation.

There are many ways to design databases. The methods used are usually heavily influenced by the purpose the database will be put too. Here our objectives are gaining value and building insight from the data. Our focus is therefore on usability rather than elegant design.

When designing, it is best to consider data in terms of dimensions (e.g. customers, products) and measures (e.g. sales, quantity). The dimensions provide the means to navigate and summarise the measures.

To explain the design process, we are going to describe the design for a fictitious company Big Office Suppliers (BOS). BOS supplies stationery products to the general public. They receive orders directly to their customer service team and via their website.

BOS have four systems:



The Sales Order Processing system is used directly by the customer services team to place customer orders. This system is also used to manage price lists and customer discounting.

The website manages on-line ordering, it is directly integrated with the Sales Order Processing system. So other than a slight time lag, customer details and their orders placed via the website are available via the Sales system.

The Customer Relationship Management system is not currently integrated with the Sales Order Processing system. The system has been loaded with customer names and addresses. When new customers make an enquiry or request a brochure or catalogue, they are entered into CRM.

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Marketing communication is a function rather than a system. BOS sends e-newsletters to on-line customers and people who have registered for the BOS newsletter. Brochures and catalogues are mailed to all customers. Customer communications history is not specifically maintained, but the contact records for customers sent the BOS newsletter are available in spreadsheets.

Before proceeding to the design on the next page, consider the data sources you have chosen:

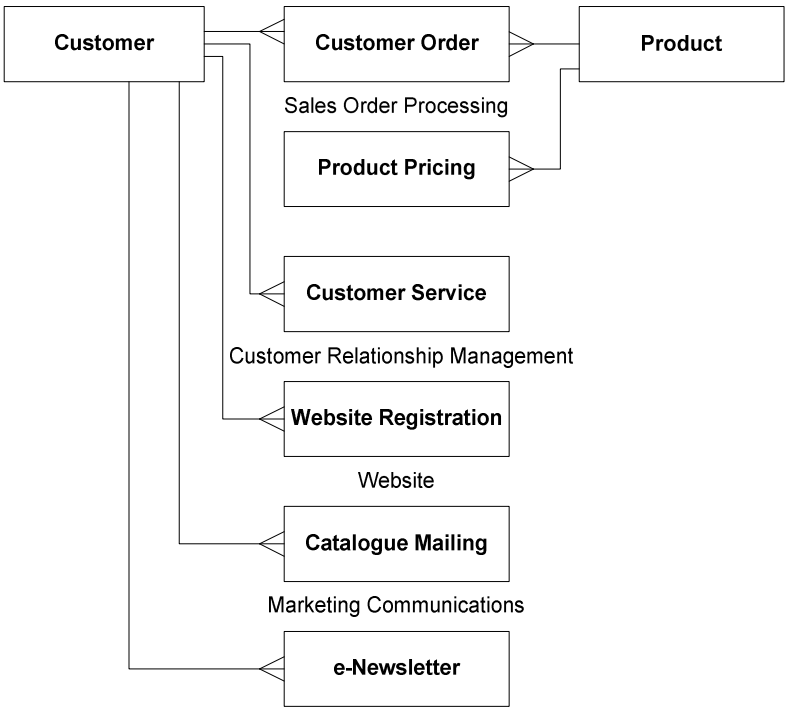
- How are your data sources integrated?
- Have you got multiple sources of customer and contact data, just like BOS?
- Is customer and product information consistent between the sources?

Take a few minutes to consider options to address any issues you may have with your data.

Initial design

The design will manage data from each source system. The common dimensions will be customer and product. These dimensions will be used to navigate and query the combined data.

BOS initial design:



The design as it stands will provide query and comparison of any piece of data against another. Note how almost all information relates back to the customer dimension. Only product pricing information doesn't directly relate to the customer dimension.

The next stage in the design process is to model customer behaviour.

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Modelling customer behaviour

In this example of modelling customer behaviour, we consider customer purchasing habits. The classic method for measuring customer purchase behaviour is to score each customer based on recency, frequency and value (RFV).

- How recent was the last order placed – Recency
- How many orders on average within the last 'n' months - Frequency
- What is their average order margin for the period - Value

For each customer run enquiries on your database to identify:

- Date of first and last orders
- Number of orders
- Total gross margin (or other value such as sales - take cost into consideration)

From these calculate:

- RECENCY: Time since last order is current date minus date of last order (Days)
- FREQUENCY: Duration of custom: current date minus date of first order (Days) divided by number of orders
- VALUE: Total gross margin divided by number of orders

These give you absolute values for each customer, the next stage is to categorise these into segments. Once the database has been populated with data from the source systems, ranges of values will be identified and then a corresponding score applied to each customer.

Taking each element in turn, the objective will be to achieve categories that have broadly speaking similar numbers of customers in each. The number of categories will vary depending on your business.

For example a company selling office supplies might have:

RECENCY:

- 1 to 90 days - score 3
- 91 to 180 days - score 2
- 181 to 365 days - score 1
- Greater than 365 days - score 0

FREQUENCY:

- At least once per month - score 3
- At least once in two to three months - score 2
- At least once in four to six months - score 3
- Once time only purchase - score 0

VALUE:

Clearly this depends on the business in question. If gross margin is not readily identifiable, then the sales value could be used, but consideration should be given to the distribution of margin across the products your organisation sells.

Assuming a similar range of scores is applied for value then your best customers would be those with scores of 333 (highest worth) down to 000 (lowest worth).

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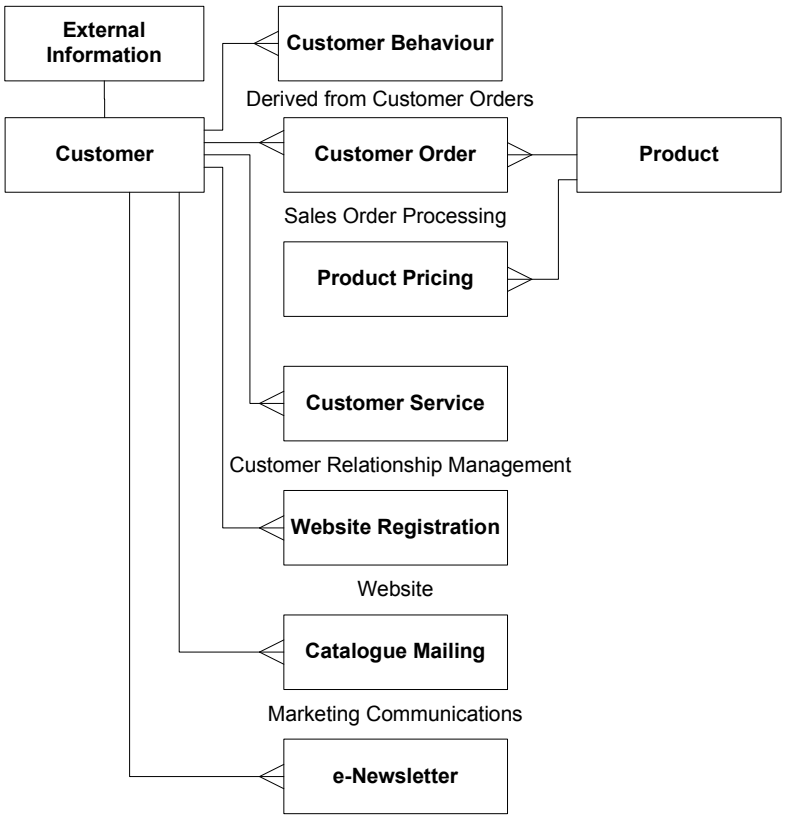
The design now provides for selection of high and low performing customers based on their purchasing behaviours.

BOS design with customer behaviour model and external information:



Models like the RFV can be extended to include other behavioural traits such as:

- Longevity – how long have they been a customer
- Returns – product returns rate
- Email response – do they open your newsletter
- Customer service – frequency of use / customer satisfaction

Consider your sources of data, what opportunities are there for understanding your customer behaviours? At this stage you probably don't know what the results might show.

External information

What external information is available about your customers? If you have business customers, would understanding their turnover, number of offices or staff have an impact on the products and services you sell? If you are dealing with consumers, then you could consider demographic information. Demographics may help you gain further insight into your customer base.

We have clients working in the education sector. They use the number of students on role within colleges to refine their understanding of performance e.g. average sales value per student.

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Stage 4: Bringing the data together

In order to audit and appraise the data you will need to have loaded the data into a suitable database environment. Now is the time to connect the tables of data.

With customer information loaded from different sources, it is likely that processes will be required to combine the data. Typically, the most reliable data is loaded first and then subsequent potentially less reliable data is match against it.

Whilst you may be fortunate enough to have sophisticated software to provide your matching, we will assume that this is not the case. The best alternative and reliable method for matching data is to use a match key.

A match key takes specific pieces of data and combines them to create a key. This key is then used to compare record sets, one set vs. another.

When building a match key using customer names, it is best to remove spaces and punctuation to increase the match success rate. In the case of business names, it is also a good idea to remove non-name information e.g. limited, ltd, plc, etc.

As with punctuation, company types are invariably entered differently. If they are not removed your match rate will be low. If the match rate is low, then the ability to compare information across the different data sources will be reduced and opportunities may be missed.

If your organisation uses postal address verification software, then you may not need to adjust the address fields. But if you do not or the software is not consistently applied, then a similar approach is required for the address fields.

Considerations for matching individuals using surname with a combination of the following:

- Telephone number – an individual may use more than one number
- Email address – an individual may use multiple email addresses
- If titles are reliably and consistently populated use titles in the match
- If forenames or initials are reliably populated use the first initial in the match
- First element of address plus post code

Dependent on the population of data you may need to employ a number of matching methods. You may first match on email address, then mobile number and finally by address.

Considerations for matching organisations:

- Adjusted name field i.e. having removed spaces and punctuation
- First ‘n’ characters of the adjusted name field between 6 and 8 characters
- Compare results with elements of the address to reduce mismatches

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Stage 5: Starting the analysis

You may already have hypotheses or areas to explore, but before you do, it's best to understand how many customers you have and which parts of the organisation they touched:

- How many do you have in total?
- How many are within each data source?
- How many are in multiple data sources?

e.g.	Customers	Percentage
Total customers – all data sources combined	9,500	100%
Sales Order Processing	5,980	63%
Website On-Line Orders	4,250	45%
Customer Service / CRM	6,350	67%
Marketing Communications	7,960	84%
Sales Order Processing & Website On-Line Orders	4,205	44%
Sales Order Processing & Customer Service / CRM	5,900	62%
Sales Order Processing & Marketing Communications	5,805	61%

If these were your figures, what would you deduce from this information?

- The term customer refers to both those who have made a purchase and prospective customers e.g. those who have registered for e-newsletters and or made an enquiry
- Not all web orders have been transferred to the sales system or perhaps they are only transferred once the order is completed by the customer
- The CRM has bee updated with the latest customer sales orders
- Marketing may be lagging behind, sending out lots of e-newsletters, but many of these are prospects, hence the larger total customer figure

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Stage 6: Train-of-thought analysis

A report will tell you which customers spent the most or products sold in greatest quantity. Following each with a train-of-thought analysis uncovers the detail around those results.

By drilling-down into the detail, the true value of those customers will be revealed. The most common thought starters are:

- How many customers are there?
- Are there any obvious differences in classification?
- Where are they located?
- What is their status?
- When did they last respond to a communication, make an enquiry or a purchase?
- How often do they purchase?
- What type of products do they buy?

Each train-of-thought analysis should be documented:

- Objective of the analysis
- Logic applied
- Findings from the analysis: tables, graphics, etc
- Applied business observation

Without your data in front of us, it is difficult to identify exactly where you will find revenue opportunities within your data. But from experience we know that if you analyse your data, search for patterns and differences in customer behaviour you will find opportunities.

Various train-of-thought examples are described over the next few pages. Whilst not all may be applicable to your business, they have been provided to trigger ideas that will help you find opportunities within your business.

Customer segmentation

Customer segmentation is key to ensuring you market successfully to your customers; delivering the right message at the right time to the right customer.

As part of the design process, we introduced modelling customer behaviour using the RFV model. This model together with other indicators (examples below) provides insight into how your customers interact with your organisation:

- Has the customer purchased on-line?
- Have they been in contact with customer service?
- Do they open the e-newsletter?
- Are they users of your primary or secondary product or service?

Use these inputs to define your customer segments e.g.:

- High value on-line customer, uses primary and secondary products
- Low value, occasional user of secondary products only

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Train-of-thought examples

All scenarios and examples are based on real-life examples from our client base. Big Office Suppliers (BOS) is a fictitious company used solely for these purposes.

Established in 1998, BOS is an established supplier of office equipment, supplies and stationery to small and medium sized enterprises. BOS receives orders directly to their Reading call-centre in Berkshire, and on-line via their website.

Armed with hypotheses and areas to explore, but before commencing, it's best to understand how many customers there are and which parts of the organisation they touched:

	Customers	Population
Total customers – all data sources combined	19,517	100%
Sales Order Processing	12,285	63%
Website On-Line Orders	8,731	45%
Customer Service / CRM	13,046	67%
Marketing Communications	16,353	84%
Sales Order Processing & Website On-Line Orders	8,639	44%
Sales Order Processing & Customer Service / CRM	12,121	62%
Sales Order Processing & Marketing Communications	11,926	61%

Findings:

- The term customer refers to both those who have made a purchase and prospective customers e.g. those who have registered for e-newsletters and or made an enquiry
- Not all web orders have been transferred to the sales system; they are only transferred once the order is completed by the customer
- The CRM has bee updated with the latest customer sales orders
- Marketing is lagging behind, sending out lots of e-newsletters, but many of these are prospects, hence the larger total customer figure

With these figures and each project objective in mind, each train-of-thought analysis is documented:

- Objective of the analysis
- Logic applied
- Findings from the analysis: tables, graphics, etc
- Applied business observation

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What is the geographic distribution of our customers?

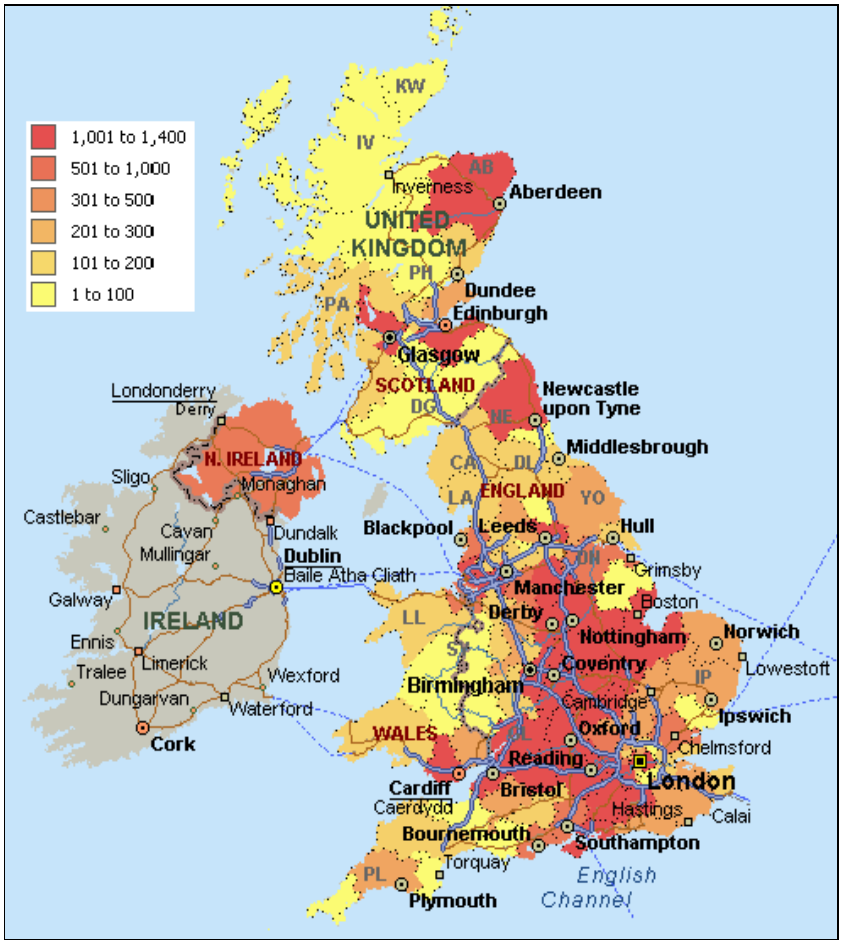
ANALYSIS

Reviewing the customer base as a whole i.e. including prospects, where are the greatest concentrations of customers?

LOGIC

Identify the primary address for each business within a postal district i.e. multiple addresses for the same organisation essentially at the same location will be counted only once, where as more widely distributed offices will be counted separately.

FINDINGS



APPLIED BUSINESS OBSERVATION

Whilst customer distribution is widely spread, the highest concentrations are within industrial areas.

Are companies in these areas specifically targeted or are they simply the result of customer demand?

London and inside the M25 does not appear to have such a strong concentration of customers. Why?

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What does the year-on-year order profile look like?

ANALYSIS

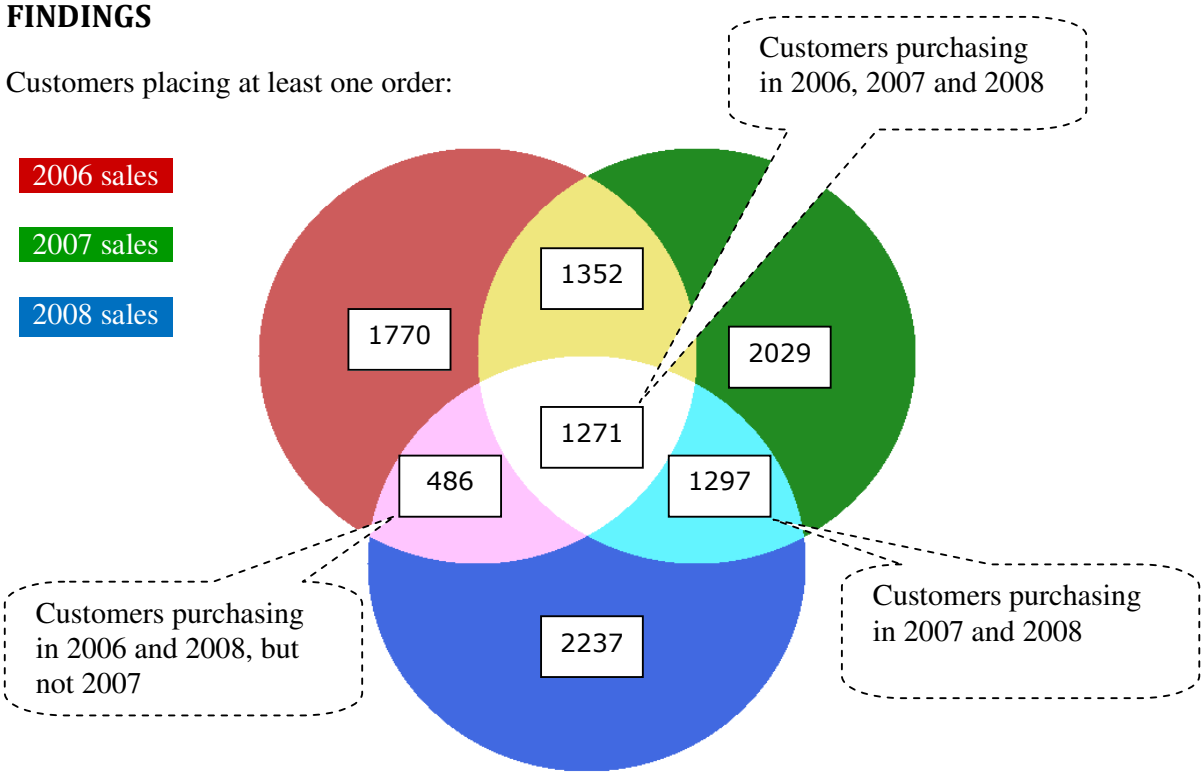
Compare the list of customer's who purchased in each of the last three years.

LOGIC

Summarise sales for each year: 2006, 2007 and 2008 against each customer (noting figures for 2008 are year to date).

FINDINGS

Customers placing at least one order:



APPLIED BUSINESS OBSERVATION

36% of the 4,879 customers placing an order in 2006 haven't made any further purchases. Similarly 34% of the 5,949 customers purchasing in 2007 haven't made further purchases. It would appear that there is considerable acquisition each year, but a considerable proportion of these customer's are not retained in subsequent years.

Taking the 2007 average spend of £1,347, if there was a 5% improvement in customer retention between 2006 and 2007, sales would have increased by c. **£350,000** in 2007.

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How well do we retain our customers?

ANALYSIS

How long do businesses remain active customers i.e. they purchase office supplies?

LOGIC

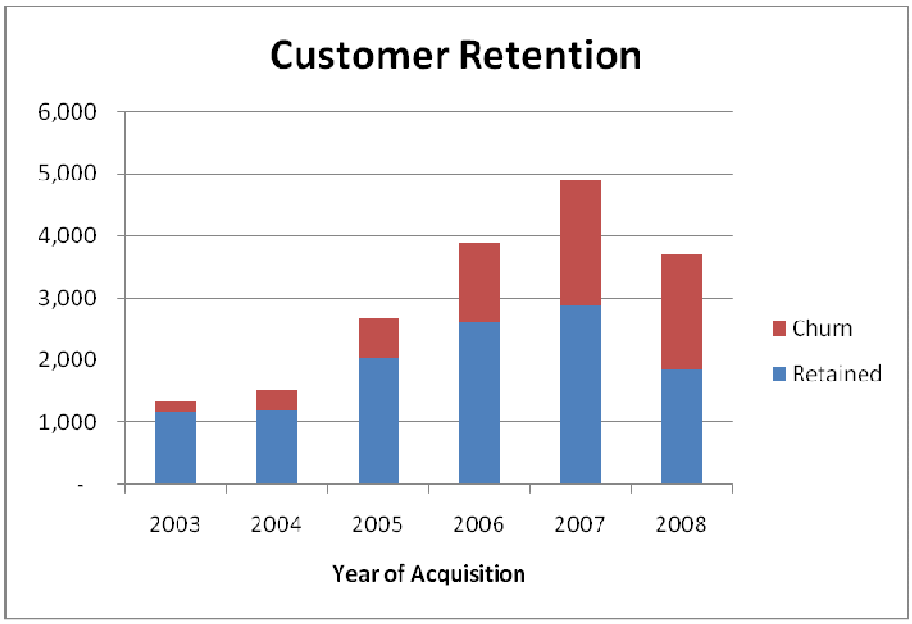
Identify the date of customer acquisition and the date of last purchase:

Noting that each customer may have more than one account, group customer account records, establish the earliest date an account was opened and the most recent purchase date.

FINDINGS

Year	Acquisition					
Last Sale	2003	2004	2005	2006	2007	2008
2003	1,183					
2004	793	1,209				
2005	555	955	2,047			
2006	333	669	1,331	2,617		
2007	200	401	798	1,596	2,891	
2008	160	321	639	1,277	2,024	1,856

Number of customers acquired in 2006 and who purchased supplies in 2007



Recruited	1,183	1,209	2,047	2,617	2,891	1,856
Retained	14%	27%	31%	49%	70%	100%

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Year	Acquisition					
Last Sale	2003	2004	2005	2006	2007	2008
2003	-					
2004	67%	-				
2005	47%	79%	-			
2006	28%	55%	65%	-		
2007	17%	33%	39%	61%	-	
2008	14%	27%	31%	49%	70%	-

Percentage of customers acquired in 2006 and who purchased supplies in 2007

APPLIED BUSINESS OBSERVATION

With the notable exception of 2004, 30% of customers are lost within the year of acquisition. There is then a steady decline year-on-year in customer retention. Overall there appears to be a year-on-year decrease in customer retention.

What acquisition strategies are used to attract new customers?

Are customers incentivised with limited special offers?

How quickly are these offers removed from newly acquired customers?

What would be the value of achieving a higher retention rate?

What is the lifetime value of our customers?

ANALYSIS

What is the value of a contingent of customers over their lifetime? Use a classic CLV model to determine their value and evaluate the opportunity derived from increasing their lifetime value.

LOGIC

The model calculates the value of each customer acquired in a particular year. The contingent acquired in 2005 was taken, providing a full three years of subsequent purchases.

The total value of their transactions in the year of acquisition and each of the two subsequent years was calculated along with the mean value.

By reviewing the data some very high value outliers were identified and removed to obviate skew and the data set restricted to the revised mean +/- 2 standard deviations in each case.

The annual values were discounted so as to be comparative year-on-year using the standard discounted cash flow formula, applying a general rate of 8%.

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FINDINGS

Customer Lifetime Value Model (1):

	2005	2006	2007
Acquired	2047		
Retained %		65%	39%
Customers purchasing	2047	1331	798
Average spend	£870	£1,126	£1,347
Total Average Spend	£1,780,890	£1,498,199	£1,075,351
Discount	1.16	1.08	1.00
Net Present Value	£2,065,832	£1,618,055	£1,075,351
Cumulative NPV	£2,065,832	£3,683,888	£4,759,238
Customer Lifetime Value	£1,009	£1,800	£2,325

Re-worked Customer Lifetime Value Model (2):

	2005	2006	2007
Acquired	2047		
Retained %		70%	44%
Customers purchasing	2047	1433	901
Average spend	£870	£1,126	£1,347
Total Average Spend	£1,780,890	£1,613,445	£1,213,216
Discount	1.16	1.08	1.00
Net Present Value	£2,065,832	£1,742,521	£1,213,216
Cumulative NPV	£2,065,832	£3,808,353	£5,021,569
Customer Lifetime Value	£1,009	£1,860	£2,453

APPLIED BUSINESS OBSERVATION

The lifetime contribution per customer (CLV) in Model (1) is showing healthy growth, all be it for declining numbers of customers.

The model allows a "what-if" scenario to be evaluated. The second table shows a re-working of the model using the same contingent but with a modest 5% improvement in retention each year.

The cumulative net present value of the contingent of members (CNPV) increases to **£5 million** – an increase in revenue of over **£260,000** for those customers acquired in 2005.

NB. This refers to only one annual contingent. A similar situation exists for every year's acquisition of new customers, thus compounding the value of the opportunity.

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What is the potential for cross-selling and up-selling?

ANALYSIS

How much potential business are we missing out on or loosing to our competitors?

LOGIC

Identify which customers have purchased office equipment and or office supplies and stationery. Total the value of their purchases, count the number of customers and band these by spend.

FINDINGS

Office equipment \ Office supplies and stationary	£0k	£1k	£5k	£10k	£15k	£25k	£50k
£0k		327	498	232	175	140	95
£1k	175	2943	1832	184	137	40	45
£5k	249	1769	1130	104	45	35	25
£10k	326	279	119	37	28	10	15
£15k	275	105	56	30	17	28	10
£25k	201	52	45	38	35	19	3
£50k	166	64	71	49	21	4	2

This analysis compares the number of customers taking office equipment vs. office supplies and stationery:

- Purple shading = cross-sell potential i.e. purchased equipment but not supplies or stationery or supplies and stationery but not equipment
- Green shading = up-sell opportunities i.e. spend in one area is disproportionate to the other

APPLIED BUSINESS OBSERVATION

Taking the average customer spend of £1,347 per year, and assuming a conversion rate of 15% of the cross-sell potential (2859 customers) this equates to: c. **£575,000**.

Similarly, taking the average customer spend of £1,347 per year, and assuming a conversion rate of 15% of the cross-sell potential (2859 customers) this equates to: c. **£250,000.**

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What combination of products and services are purchased?

ANALYSIS

Undertake a market basket analysis; identifying the combinations of products and services each customer purchases, ranking these by relevance and potential for cross-sale to other customers.

LOGIC

Taking products from the 2008 catalogue, identify each customer that made a purchase of each of these products in 2008.

Group the results, counting the number of customers that purchased each combination of products.

Identify those customers who purchased only one of any given combination and rank the results by sales potential.

FINDINGS

Purchases	Product (A)	Product (B)	Potential
964	Post-it® Note Page Markers	5 Star Re-Move Notes Cube	1,509
685	Collins 2009 Manager Diary Week	Clipboard Rounded A4	1,078
973	Economy White Copier A4 80gsm	At-a-Glance 2009 Wall Calendar Monthly	1,022
663	Canon PIXMA Pro9000 Colour Inkjet Printer	Canon Inkjet Cartridge CLI-8BK Black	988
468	5 Star Foolscap Letter Tray	Post-it® Index Flags	892
822	Laminating Pouches A4	Stabilo Boss Highlighters	886
398	Canon PIXMA Pro9000 Colour Inkjet Printer	Photo Quality Inkjet Paper A4 - Semi-gloss	553
88	HP PhotoSmart Pro B9180 Colour Inkjet Printer	White Business Cards - Smooth Edge	538
911	HP PhotoSmart Pro B9180 Colour Inkjet Printer	Hewlett Packard No.70 Red & Matte Black	511
867	Conqueror Prestige Paper Wove Finish 100gsm	Media Laser Labels CD/DVD	502

APPLIED BUSINESS OBSERVATION

There is good potential for cross-selling; the above provides an example of the many products in the catalogue. It is recommended that the market basket analysis model be implemented with the results used to drive CRM, support Tele-sales and product promotions on the companies' website.

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How often do customers purchase our products and services?

ANALYSIS

Who are the highest and lowest performing customers? Use a classic RFV (recency, frequency and value) model to determine their value.

LOGIC

How long has it been since the last order?

Most recent (<=30 days)

Medium recency (31-60 days)

Low recency (61+)

How often does the customer place an order?

Most frequent (at least once every 30 days)

Medium frequency (31-60 days)

Low frequency (61+)

Single purchase

What is average margin per order?

High value > £100

Medium value £26 - £100

Low Below £25

FINDINGS

Recency	Frequency	Value	Customers
Most recent	Most frequent	High	484
Most recent	Most frequent	Medium	128
Most recent	Most frequent	Low	798
Most recent	Medium	High	309
Most recent	Medium	Medium	7
Most recent	Medium	Low	602
Most recent	Single purchase	High	668
Most recent	Single purchase	Medium	182
Most recent	Single purchase	Low	617
Medium	Most frequent	High	268
Medium	Most frequent	Medium	2
Medium	Most frequent	Low	248
Medium	Medium	High	156

Best customers are those that have recent orders, make frequent purchases and have high or medium average order values.

Poor customers are those that make frequent low value purchases.

What direction will medium worth customers take?

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Recency	Frequency	Value	Customers
Medium	Medium	Medium	796
Medium	Medium	Low	274
Medium	Single purchase	High	470
Medium	Single purchase	Medium	486
Medium	Single purchase	Low	94
Low	Most frequent	High	441
Low	Most frequent	Medium	519
Low	Most frequent	Low	959
Low	Medium	High	708
Low	Medium	Medium	323
Low	Medium	Low	651
Low	Single purchase	High	1004
Low	Single purchase	Medium	968
Low	Single purchase	Low	123

Apparently lapsed good customers – what can be done re-activate these customers?

APPLIED BUSINESS OBSERVATION

Combining the best customers with the good customers, those with at least medium recency, frequency and value, there are 2,150 in this contingent. These customer accounts need to be carefully managed to ensure they maintain their value to the business.

There are 1,400 recent, low value customers that purchase frequently. Taking into consideration order and invoice processing costs, these low worth (average order margin) customers are considered unprofitable business. These customers need to be targeted with propositions to encourage larger, perhaps less frequent orders to increase their profitability.

Whilst not in the best customer contingent as yet, there are 668 high potential customers. These customers have made their first purchase recently and show promise for being long-term high value customers. These customers should be managed / targeted to encourage further purchases.

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Stage 7: Taking action

The project results should be demonstrated within an interactive group analysis workshop. Jointly with the management, the hypotheses are best refined to meet the organisations objectives.

When presented with a report, there is a natural tendency to ask for more detail. Look to pre-empt these enquiries, though some will undoubtedly be triggered within the workshop. Active involvement is encouraged by all participants.

Deliverables should include:

- Report on systems data appraisal
- Report on output from segmentation analysis
- Illustrations of segment components and opportunities for use in "quick wins"
- Segment definitions for application to in-house systems
- Sales opportunities, with flagged customer records for action
- Options for improved marketing communications

If you follow these seven stages you will have:

- A better understanding of your corporate data
- Identified business process that can be improved e.g. implement data capture rule
- A view of customer information across your business
- Greater insight into why customer behave as they do
- Understood the effects one area of the business has on another
- Identified customers for targeted propositions

Thank you for taking the time out of your busy day to read this guide.

You're probably wondering what you should do next. There is an urge to get started, identify the data you need and start analysing. The results would be just what's needed to increase sales and improve customer service.

To discuss your ideas, receive objective input or help, then contact the author, David Willis (telephone: 01494 871 342 or email: david.willis@information-drivers.com).

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About Information Drivers

Information Drivers transforms business data into actionable information. We use data to deliver customer insight and business intelligence. Once implemented, this information improves business decisions and sales and marketing performance.

Established as an independent consultancy in 1998, Information Drivers helps a variety of organisations use their data to drive sales and marketing. Information Drivers specialises in data analysis, data strategy, systems and technologies that exploit data. We provide a range of services and data-driven products to help our clients take advantage of their data:

The author

David Willis specialises in data analysis, data strategy, systems and technologies that exploit data. He is a technical expert with a thorough understanding of marketing and sales issues. He helps businesses transform their data, deliver business intelligence and improve their business performance.

David has 20 years experience of delivering information solutions to: procurement, retail, professional membership, travel, office supplies, education, publishing, finance, banking, pharmaceuticals, and music and charity sectors.

David advises on designs and implements marketing, business intelligence and data warehouse solutions. He also helps clients select technology and is a trainer for design and implementation.

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