Optimizing Customer Intelligence Processes

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Acknowledgments

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CHAPTER 1

OPTIMIZING CUSTOMER INTELLIGENCE PROCESSES

Companies that are able to sustain growth continually define and refine their market offerings and value proposition in response to what they learn about their customers. In the absence of rigorous customer intelligence, companies are left to rely on assumption, history, intuition or gut feel, none of which have proven to be a reliable engine for continued growth.

Information technology now makes it possible to collect massive amounts of data about customers’ characteristics, behaviors and buying patterns. However, companies vary dramatically in their ability to capitalize on the potential of this information. The real differences reside not in the capabilities of information systems, but in the company’s ability to effectively observe, orient, decide, and act – in other words, in their customer intelligence processes.

As part of a research program sponsored by The Concours Group, members of the Customer Innovations team in collaboration with Thomas Davenport, Distinguished Professor in Management and Information Technology at Babson College and the author of “Competing on Analytics” and “Analytics at Work” and Nancy Koehn, who holds the James E. Robison chair of Business Administration at Harvard Business School, explored how companies gather, use, and transform customer data and insights into actionable customer intelligence. Specifically, we set out to answer the following questions:

• How can a company leverage customer intelligence to build a deeper and more actionable understanding of our customers’ changing preferences, needs, decision drivers and value expectations?

• What customer intelligence processes do companies need in order to refine and execute their business strategy?
• How should companies prioritize intelligence gathering investments in order to focus on the most urgent and most valuable opportunities?

• How do can customer intelligence capabilities be extended throughout the enterprise?

This report assesses the characteristics and operating processes of companies that effectively use customer intelligence to achieve favorable business outcomes. It also describes the set of operating processes that are found in companies with effective customer intelligence practices, and examines the key aspects of customer intelligence that you should be addressing today in order to start seeing returns sooner rather than later.

**What is Customer Intelligence?**

It is somewhat axiomatic to observe that we live – and companies operate – in an information-rich environment. It is neither possible nor profitable to try to monitor and digest all the sources of information that exist for a modern enterprise. The emergence of big data - a collection of data sets so large and complex that it becomes awkward to work with using on-hand database management tools – creates difficulties including capture, storage, search, sharing, analysis, and visualization. However, as we’ll discuss in this report, the greatest challenges are associated not with data and analysis but with clearly defining what we need to know and how we’ll apply that knowledge to create differentiated business value.

We also recognized that customer intelligence is often viewed as a subset of market intelligence. Market intelligence may focus on one (or all) of three source environments and processes may vary between them. These three are:

• **Supplier environment**: existing upstream of the corporation, the supplier environment consists of the entities that supply resources, goods, information, and parts to the company.

• **Market environment**: the market environment is part of the business context that surrounds the company, meaning market intelligence can come from regulators, competitors, and other influencers, such as the media.

• **Customer environment**: the customer environment consists of the entities that are demanding goods or services from the company, such as customers, prospects, and channel partners.

Based on these distinctions, we developed the following definition:

**Customer intelligence** is the systematic process of gathering, analyzing and applying information (both qualitative and quantitative) about the customer environment (including current, past and prospective customers) that simultaneously reflects and refines the company's understanding of its relationship to the customer environment.

Customer Intelligence reflects the company’s understanding of its relationship to the customer environment by focusing on the most urgent process and strategy decisions. It refines that understanding by creating new or amended insights that not only improve planning, decision-making, operations and performance, but also improve the clarity with which the customer is understood and the value derived from that understanding.
Major Findings

• Effective customer intelligence activities are directly linked to business performance, particularly revenue growth and profitability. Effective customer intelligence drives business profitability and revenue growth by developing or accelerating the maturity of key competencies within the company. Companies that have used effective customer intelligence to drive customer centricity have enjoyed discernible returns and market advantages.

• High value customer intelligence is characterized by a balance and integration among three necessary processes:
  – Demand is leadership and strategic alignment around customer intelligence priorities. What do we need to know in order to make decisions? How will this information be used? What questions or problems will it help us solve? Who needs the information?
  – Supply is essentially how customer intelligence is done. How do we gather data? What are the reporting and analytical processes?
  – Application is the business change and value realization that result from the customer intelligence analysis. What do you do differently as a result of this information? What type of value can we achieve from using this information?

• Although customer intelligence is necessary to acting in a customer-centric manner, it is not sufficient unless it is used to apply answers to the right questions in the right manner. Otherwise, a company can invest a lot of time and money on customer intelligence and still not become significantly more customer centric.

• Traditionally, customer intelligence activities are driven by those who own the information, the technology and the analytical process (i.e., the supply-side), but the value of the activity may be constrained because the focus is on supply as opposed to clarifying demand and ensuring application of customer insights.

• Effective application of customer intelligence essentially accomplishes four things. It aligns the organization around customer insights and instills the need to act; it ensures disciplined execution of the action plan; it refines customer intelligence demand in light of new insights; and it captures and communicates the value of the customer intelligence.

• The most valuable customer intelligence focuses on how and why customers are likely to make decisions in the future, and requires the integration of quantitative and qualitative information. The most complete and actionable picture of the customer comes from a combination of transaction-driven data and human-derived insights, which can only come from being in rich dialogue with customers. Decision-makers who rely on quantitative data points alone may have a superficial view of the customers. But decision-makers who have a rich dialogue with their customers are better equipped to understand transactional data and make strategic decisions.
Key Recommendations

- **Assess the maturity of individual customer intelligence processes, and develop a strategy for improving the performance and value of customer intelligence.** Strategic and operational decisions are based on market and customer information, which improves the impact of the application and limits the risk of making misguided decisions. In general, the most effective customer intelligence approaches focus on the importance of demand (pull) more than supply (push).

- **Educate senior leaders.** Senior business executives can cross functional and political boundaries, promote the sharing and reuse of customer information, and act as advocates for customer intelligence. Therefore, it is not surprising that the first step in improving the demand process often involves some specific, concrete and actionable education of senior leaders.

- **Ensure that intelligence activities are driven by well-defined business needs.** Providing well-defined objectives of an intelligence activity before you start includes identifying the key questions that must be answered in order to make a specific set of business decisions, and understanding how these answers will be applied to create value for the business.

- **Create a breakdown.** Move beyond the “If it ain’t broken, don’t fix it” mentality by adopting an “If it ain’t broken, break it” approach. In other words, find a way to create a breakdown that will shake the company out of what may be a comfortable state of unawareness of market and customer changes.

- **Leverage intelligence wins to stimulate demand.** It is said that nothing succeeds like success. Some of the companies that we investigated had started doing customer intelligence in a very specific way, focusing on a particular pressing question or urgent need. Performing well and creating value on that small issue creates a platform on which to discuss the possibility of expansion of systematic customer intelligence to other areas.

- **Make sure the tools and sources fit the job.** Customer Intelligence groups sometimes get attached to their information systems and other tools and approaches, all of which may, over time, decline in applicability and not be ideally suited to addressing the highest priority intelligence needs of the business. In many situations, the intelligence results are limited because the wrong approach is applied.

- **Integrate qualitative and quantitative intelligence.** Most of the companies we studied had a natural bias towards either qualitative intelligence or quantitative intelligence. Some companies seem to know their customers exceptionally well while conducting little or no formal research. Maximizing the value of customer intelligence requires a balance and integration of qualitative and quantitative understanding.

- **Focus on creating a repeatable, easy-to-use process to conduct customer research.** Customer intelligence activities do not have to be overly complicated. Simply put, effective customer intelligence is a matter of getting the right information to the right people at the right time. To do this, companies need to focus on creating repeatable processes to conduct customer research.
• Manage customer intelligence activities as a portfolio. The customer intelligence processes may include several (or many) specific customer related activities. Each activity can potentially reflect different intents, content, and outcomes. The challenge is in managing these different activities in a portfolio to leverage common processes and resources across the company.

About this Report

Chapter 2 discusses how effective customer intelligence activities can drive business profitability and revenue growth by developing or accelerating the maturity of key competencies within the company.

Chapter 3 discusses the necessity of deploying customer intelligence against the right insight targets in the right manner, and then characterizes high-value customer intelligence as the integration, iteration, and balance of three necessary processes – demand, supply, and application.

Chapter 4 discusses how the level of maturity can vary among the demand, supply, and application processes, and how to assess these levels of maturity.

Chapter 5 provides improvement strategies for each of the processes of customer intelligence, including sharpening their direction, performance, and underlying capabilities.

Chapter 6 describes an operating model, which puts the pieces of customer intelligence together and provides a supportive environment where individual activities, projects and programs can be executed efficiently and effectively.
CHAPTER 2
THE BUSINESS VALUE OF CUSTOMER INTELLIGENCE

Effective customer intelligence drives business profitability and revenue growth by developing or accelerating the maturity of key competencies within the organization. Companies that have used effective customer intelligence to drive customer-centricity have enjoyed discernible returns and market advantages, such as the following:

- Improve product development.
- Increase responsiveness to changing customer demand
- Enhanced agility in the face of dynamic market conditions
- Accelerate process improvements.
- Enable demand innovation.

Clearly there is overlap in these advantages. For example, effective use of customer intelligence enables a company to become more agile; a company needs to be agile in order to respond to changing customer demands. However, at the heart of each of these advantages lies the company’s effective use of information and customer intelligence. Throughout this chapter we provide vignettes and case studies that illustrate how companies have used customer intelligence to create business value.

Improve Product Development

Effective customer intelligence programs ultimately guide new product development. These programs should clearly illustrate consumer trends and help companies determine product improvements and enhancements. Several years ago, Kimberly Clark adopted a different approach to focus groups. Rather than surveying customers about its products, it adopted a “story telling” approach where customers were able to share their experiences with certain products.
Through “story telling” Kimberly discovered that children’s toilet training years had been extended by approximately 18 months. Parents were starting the toilet training process later than they had in the past. Traditional diapers were not created for older toddlers; this insight led to the introduction of Pull Ups which provided parents a transitional product for their toddlers during the toilet training years.

**Increase Responsiveness and Agility**

Companies can tend to focus on the features and functions that separate or differentiate their products from their competitors’. When this happens, customer demand goes unnoticed and truly innovative products remain on the shelf. Customer intelligence programs can prevent this from happening by alerting companies to changes in customer demand. What are customers willing to buy and at what price? What are the important product attributes that customers are looking for? How have those attributes changed? Customer intelligence helps companies answer these questions and better market their products to appeal to customer demand.

Agility is the ability to prevail in an environment of continuous change. An agile company is quick to identify opportunities and changes in its marketplace, is skilled at learning and unlearning, is able to develop short-cycle strategies, and can execute effectively. Agile companies can efficiently navigate the Boyd Cycle – Observe, Orient, Decide, and Act (see Figure 1).

![Figure 1: The Boyd Cycle](image)

Effective intelligence has been the foundation of virtually every successful military campaign throughout history. Success has been directly dependent on how well one understands both the terrain and the enemy’s plans and capabilities. Today that same mentality can be applied to business – successful companies know what their competitors and the customers are doing, and effective customer intelligence programs and practices are critical to adapt to change.

Take DaimlerChrysler Aerospace AG (DASA), for example. The aerospace industry is highly competitive. DASA was looking for ways to anticipate and respond rapidly to competitive events in the marketplace. So it created a *strategic early warning system*, which integrates future scenario planning with continuous strategic monitoring activities to track environmental and market events. Shifts and changes in the marketplace are then reported back to the decision makers.
This system enabled DASA to correctly forecast a merger between Boeing and McDonnell Douglas, two of its significant competitors. The forecast enabled DASA to develop a strategy and position prior to the merger announcement, thereby gaining an advantage over other competitors. DASA combined two of the best practices outlined in this report. First, they focused on anticipation, not just historical description. Second, they maintained a “listening ear” to sense important marketplace changes and responded accordingly.

**Accelerate Process Improvements**

Marketing intelligence initiatives can both identify and help accelerate process improvements. For example, Microsoft was looking to identify its most profitable customers. It realized that large corporations fit better with its business strategy and would, in the long run, be more profitable than individual software purchasers. Accordingly, it needed a better strategy for better targeting those corporations.

Microsoft changed its structure and go-to-market strategy to respond to the needs of its largest customers. It realigned its organizations from product groups into customer segments, and required that these new segments gather more information on the customers they supported. Once focused this way, its market share in this space began to grow.

Microsoft’s example illustrates two leading practices. First, the customer intelligence initiatives reflected strong executive leadership and strategic alignment. Second, the application of the information was strong, and drove significant business value.

**Enable Demand Innovation**

Demand Innovation is an approach to growth that focuses on discovering or creating new areas of demand. When done correctly, it is inextricably linked to highly effective, forward-looking customer intelligence. Demand Innovation is a prescription for finding strategic “adjacency moves,” which allow you to leverage your current market positioning and existing assets to move one space forward. For example, adjacency moves include:

- Selling existing products/services to new customer segments.
- Selling new products/services to existing customers.
- Repositioning the value proposition in a way that creates an attractive value breakthrough.

For many companies, the most accessible applications of Demand Innovation are identifying new products/services for existing customers. Leading examples of this include:

- Complex product/service offerings, such as GM’s OnStar service.
- Broad business-to-business services, such as Cardinal Healthcare’s expansion from its core pharmaceutical distribution business into a wide range of services including fulfillment related services for health care organizations, drug development and testing services for pharmaceutical companies, and, recently, reimbursement processing for pharmacies.
There are eight steps in implementing Demand Innovation. The first four focus on the demand for and supply of customer intelligence.

1. Elicit a broad and deep understanding of the customers’ experience – from the customers’ perspective.

2. Surface your customers’ biggest problems, workarounds, and areas of compromise.

3. Look beyond what customers ask for, and surface their latent needs and desires.

4. Look for opportunities to shift the economic model of your business customers.

The remaining four steps are focused on the application of customer intelligence to create additional business opportunities:

5. Expand the range of products and services provided.

6. Target new customers and channels for reaching them.

7. Balance value delivery to the customer with value capture for the business.

8. Orchestrate a differentiated and compelling overall customer experience.

Chances are your existing products or services address only a small portion of the customers’ overall needs. Customer intelligence for Demand Innovation looks at the entire lifecycle of customer relationships and identifies opportunities to create differentiated and innovative value by providing additional products or services that meet a broader set of customer needs.
Companies need to manage and execute customer intelligence activities as a set of explicit processes; otherwise, events occur at random, information is generated and not communicated, and valuable opportunities are lost.

Early attempts at sophisticated customer intelligence arose out of the availability of terabytes of data and information combined with the confidence that there was value in that information. Two types of questions were often asked. The first was “What do we know about?” which led to historical, descriptive and retrospective answers that used available (not purpose-built) information. The second question was more speculative, and is aptly described by the term data mining. With a mountain of information, it was common to hear the old prospector’s query: “Is there gold in them thar hills?” This question led to more probing analysis, searching for patterns and signals in collected data.

High-value customer intelligence takes a more systematic approach. It is characterized by a balance and integration among three main processes:

- **Demand**: *What do we need to know?* This relies on leadership and strategic alignment around customer intelligence priorities and initiatives.

- **Supply**: *How do we know what we need to know?* This is the capability to conduct customer intelligence activities – the gathering and analysis of data.

- **Application**: *What will we do differently?* This is the business action taken – to improve products, services and processes that realize value – as a result from the customer intelligence analysis.

All three processes are needed in order to maximize the business value of customer intelligence and to become a customer-centric company. In those cases where two of the three were operating well, we found that companies had invested a lot of money in customer intelligence but did not maximize the value of that investment.
Valuable customer intelligence almost always starts with the demand process defining the objectives of the customer intelligence activities and setting the business expectations. The supply responds to and satisfies that demand. Application ensures that value is realized, usually through process change and the loop back to demand.

To create this loop, integration and iteration of all three processes is critical. For specific customer intelligence projects or activities, the three processes need to be integrated in terms of common goals, objectives, process steps, and value expectations. The completion of the three processes for a specific project or customer intelligence process helps to define new demand that reflects the value and the insight generated by the previous work.

I. Demand Process – What Do We Need to Know?

The demand process establishes the reason for engaging in customer intelligence activities, and fosters the environment needed to succeed and to create value. It focuses not only on the general importance and contribution of customer intelligence within the company, but also on the specific goals and objectives of the various customer intelligence activities.

In addition to defining the objectives, senior leaders also create customer intelligence demand by reinforcing fact-based decision making, by emphasizing the need to execute and follow through on the insights gained from customer intelligence, and by strategically aligning the organization so that the direction and, therefore, the intelligence needs are clear.

Characteristics of Success

Some of the primary characteristics of customer intelligence within organizations in which the demand process is mature include the following:

• Activities are focused on answering the most critical strategic and operational questions of the business.

• Customer intelligence processes are more collaborative and less transactional. For example, the customer intelligence objectives are often jointly defined by business stakeholders and marketing professionals in a manner that balances value, cost, time and resources.

• The resources provided for customer intelligence are driven by the nature of the demand and not the nature of the supply. So marketing professionals can be less concerned about justifying their existence and more concerned with fulfilling the demand for their services.

• Key supply activities, such as information gathering, are conducted by the business operations, which both increases the credibility and reduces the cost of the customer intelligence activity.

• Customer intelligence is less likely to exist in pockets around the enterprise, and more likely to operate as a coherent function. This coherency is a function of both strategic alignment and customer intelligence portfolio management. With the portfolio of customer intelligence activities
managed in a rational manner, resources are allocated more efficiently to create the most value for the company.

*Key Activities*

There are three general areas in which companies with mature customer intelligence demand processes excel:

- **Define the specific objectives of customer intelligence activity.** Each customer intelligence activity needs a clearly defined scope, purpose and value. The scope definition focuses the activity on the key information that is needed. The purpose definition focuses on how the resulting insight will be used and enables the design of the process to produce that intended application. The value definition outlines the impact of the intelligence, and establishes one basis on which the quality of the work can be assessed.

- **Ensure strong leadership.** Leadership plays a key role in several ways, including management of priorities in a fluid environment, establishing a culture of execution that follows through, appropriately recognizing performance, and encouraging deliberate and fact-based decision-making.

- **Define the customer intelligence role in the enterprise.** Articulate the nature of the interface and collaboration between customer intelligence processes and the rest of the company. Generally, this includes defining the specific steps where customer intelligence is involved in a business initiative, metrics for measuring quality and impact, documentation and record keeping, and other procedural considerations.

*Strong Demand – Cingular*

Cingular Cellular, created in the 2000 merger of the wireless divisions of Bell South and SBC Communications, is the second largest wireless provider in the United States. Government deregulation and loosening restrictions have opened up new markets and allowed new market entrants, meaning increased competition and pressure for all.

That increased competition, combined with increased pressure to abide with financial disclosure regulation, caused the company’s leaders to demand a “single version of the truth” and more information about customer habits and behaviors. Cingular ultimately replaced disparate financial systems and improved reporting capabilities. The company then began to run standard reports that identified:

- Customers whose monthly calls have decreased by 20% or more.

- Customers whose inbound calls were incomplete for more than 10% of the time last month.

- Call detail analysis – number of calls, number of minutes used, number of minutes “unused,” time of day and origin of calls.
These queries enabled Cingular to find patterns and gain insights to its customers’ behavior. Finding that many customers did not use all of the minutes they pay for in a month, the company created the very popular (and imitated) Cingular Roll Over Minutes, a service that allows customers to carry over their unused minutes to the next billing cycle.

II. Supply Process – How Do We Know What We Need to Know?

For many companies, the supply process is where customer intelligence started. Investments in systems that capture transactional data, most notably Customer Relationship Management (CRM) systems, often use customer intelligence as part of the ROI argument supporting the investment. The same is also true for the design and construction of Business Information Warehouses and the accompanying analytical tools. As a result of (and perhaps as justification for) these technology investments, the supply side of customer intelligence is often better developed than either the demand or the application processes.

Characteristics of Success

Mature supply is reflected in the availability of useful information resources that can be deployed against specific needs. The key characteristics include the following:

• Mature supply includes the ability to design and deploy a variety of collection, analysis and reporting techniques, as required by the demand. Maturity involves deploying the right approach and the right level of effort in the core processes around collecting the right information and applying the right analytical processes to realize value.

• Mature supply is anchored in the enterprise strategy, focusing on the questions that are most important and most urgent to the company. Speculative analyses are sometimes useful, but never supersede demand-driven investigations.

• Clarity around supply enables accurate scoping of customer intelligence projects, and creating realistic expectations in terms of level of effort, timing, cost, and outcome.

• Mature supply is able to focus on the most important question, collect and analyze the necessary information, and deliver the right solution. Ultimately, the solution answers the question in the right manner and context and helps to make the demand and application processes more robust.

Key Activities

Key supply activities center on designing and executing information collection, designing and executing the analysis, and reporting and communicating the findings. While each of these processes has its challenges, the greatest challenge is the ability to tailor the process to the specific demand.
• **Design and execute information collection.** Most customer intelligence project information is unique to the demand and intended application. This information can vary along several axes, including the following:

  – *Nature of information:* While some projects require only quantitative information, such as the transactional data obtained via CRM or ERP systems, most projects require a combination of quantitative and qualitative information to generate the most valuable insights.

  – *Ownership and availability of information:* For some projects, the information will already have been captured and stored, while others require the acquisition of new information.

  – *Depth of information:* While broad and shallow data is sufficient for some projects, others may need in-depth information. The cost of acquisition may limit the overall breadth of the population that is studied.

• **Design and execute analysis.** The analytical protocol should be designed prior to the acquisition of information and reflect both the nature of the demand and the intended application. The analytical design should drive the nature of the data collection and not *vice versa.*

• **Report and communicate the findings.** The final element of the process is effective communication of the insights in the most useful manner. This communication typically occurs with the executive and business leaders who crafted the demand, as well as with the operational leaders and process owners who are responsible for application.

Within most companies, there are several customer intelligence activities occurring simultaneously, each of which requires a unique combination of collection, analysis and communication processes. Given this variety, we recommend managing customer intelligence as a portfolio of efforts, as discussed in Chapter 6.

*Strong Supply – Ericsson*

Ericsson is the North American subsidiary of the Swedish-based global wireless equipment and cell phone manufacturer, Telefonaktiebolaget LM Ericsson. It makes antennas, transmitters, switching systems and other pieces needed to build a wireless network. In the early 1990s, it became apparent to the leadership at Ericsson that customer intelligence was critical to the success of its business. The deregulation of the telecommunications industry opened up that market to new competitors. At the same time, the amount of information available to the organization was overwhelming.

The company was demanding information about the changing market conditions, competitors, and customers. When that information was available it was applied to achieve favorable business outcomes, but this only happened within pockets of the enterprise. Across the company, they found that there was a lack of communication between the business units, information was not shared, time was wasted doing useless searches on the Internet, and duplicated efforts were common.

The supply process was clearly falling behind demand and application. One division at Ericsson had the supply process under control. The Ericsson GSM mobile systems division was asked to take its approach to customer intelligence and apply it globally. First, the group streamlined the purchase of all
information and transferred to a centralized electronic database – eliminating duplication of efforts and creating the Business Intelligence Center, an Internet portal. Next it created the business intelligence network, which consisted of a group of 100 analysts across all business units tasked to monitor the marketplace and assess the importance of events, actions, and new entrants. Finally, it created the business intelligence analyst program.

It has been said that Ericsson’s customer intelligence system rivals that of the CIA. The company not only systematically centralized most customer intelligence activities, but it ensured that those activities were integrated into day-to-day operations. In addition, it has created a network of new analysts to keep the process running into the future.

III. Application Process – What Will We Do Differently?

The application process plays three critical roles in a well-functioning customer intelligence capability:

• Business value is realized.

• The company’s understanding of its customers and its marketplace is refined, leading to more precise and focused demand for new customer intelligence.

• The loop is closed. Each application result can start a new iteration of the customer intelligence demand-supply-application cycle.

Responsibility for application often falls on business operations or process owners, depending on the nature of the demand and the insights generated. Application is a cooperative activity that includes many of the participants in the overall customer intelligence process, including executives and business leaders who generated the demand and are responsible for taking action, and customer intelligence professionals who assist them in understanding the implications and the limitations of the new insights.

Characteristics of Success

Companies with strong customer intelligence application view and use customer intelligence as a strategic asset to achieve favorable business results. Common characteristics include the following:

• The company has discipline around how it creates, captures and characterizes business value. An expectation exists that the decisions made will create value, and that that value will be measurable and apparent.

• Customer intelligence becomes an ongoing process, growing in maturity and impact, as opposed to a standalone project, or even a series of standalone projects.

• Customer intelligence projects are less transactional and more iterative, meaning that demand will drive future projects and create more refined and explicit objectives.
Key Activities

Application activities turn the analysis and interpretation of market information into business decisions and actions. If the demand is clear and the supply process strong, then the information is better understood and more easily acted upon. Key activities include:

- **Align around implications.** The first step is to determine the implications of the customer intelligence insights and conclusions in terms of the need for business process change, technology investment or human capital development. Customer intelligence professionals should collaborate with business process owners to make sure that the insights support the proposed changes.

- **Agree on action plans.** Based on the new insights and understanding, evaluate possible business actions and changes, including their risks. Then agree on both what to do and how.

- **Execute action plans.** The action plans need to be documented, executed and tracked. This execution should be managed at both the individual project level and at the customer intelligence portfolio level.

- **Gather and communicate feedback.** Three types of feedback are typically required: the progress of the action plans (or, as appropriate, the portfolio of action plans), the extent to which the expected value is being captured, and any new understanding of the company’s market situation.

**Strong Application – United Parcel Service (UPS)**

During the dot-com boom, UPS was looking for new ways to capitalize on the changes occurring in the marketplace. Specifically, they were searching for ways to target new market entrants and to leverage new technology.

As a result, they created the Dot-Com Intelligence Forum, a cross functional group of decision makers that met once a month. They gathered information on new technologies and business models and met with emerging Internet-based companies. All information collected was stored in a dedicated centralized database. In the process, they gained an understanding of the new technology available and developed the next generation e-commerce logistic service.

UPS’s example reflects the value to integrated discussion and decision-making. UPS shared the results of ongoing customer intelligence with an interdisciplinary group of managers and synthesized an integrated set of responses to a fast-changing market.

**Benefits of Mature Processes**

Perhaps the most obvious benefit of mature customer intelligence processes is that they allow the customer intelligence resource within the enterprise to focus on collecting, analyzing and interpreting data in response to specific demand. This clarity and focus leads to an impressive set of operational benefits:
• Value definition is (appropriately) a demand function and not a supply function, and value realization is (appropriately) an application function and not a supply function.

• Mature supply generates work products that are consistently complete, practical and actionable, and are delivered to the company in a way that promotes acceptance and execution.

• Strategy and operational decisions are based on market and customer information, which improves the impact of the application and limits the risk of making misguided decisions.

• The enterprise operates within a culture that encourages fact-based decision-making and accountability, and thus provides meaningful guidance and direction to customer intelligence activities.

The integration and iteration of demand, supply, and application creates a “virtuous circle.” Each customer intelligence activity starts with a clear statement of need that outlines the questions to be answered, explains how the information will be applied, and describes the value to be derived. Based on that clear demand, the supply process addresses the nature and the sources of the information to be collected, the analyses to be performed, and the means by which the results will be communicated to stakeholders anywhere in the company. The application of the new customer intelligence translates insight to action, resulting both in the value that was anticipated at the beginning of the process, and in deeper and more current understanding of customer needs and market dynamics. This deeper understanding closes the circle and helps define the next iteration of customer intelligence activity.
CHAPTER 4

ASSESSING THE MATURITY OF INTELLIGENCE PROCESSES

The level of maturity can vary among the three processes of customer intelligence – demand, supply, and application. Within each process, in order to advance to the highest level of maturity you need to navigate through each of the lower levels. At the same time, you need to keep demand, supply, and application in reasonable balance.

Process Maturity Model

The overall performance and impact of customer intelligence is a function of the maturity of the demand, supply, and application, as well as the integration of those processes. Figure 2 depicts the five levels of maturity developed by the Software Engineering Institute (SEI) at Carnegie Mellon University. Figure 3 adapts them to define five levels of customer intelligence maturity.
The primary characteristic of the *ad hoc* level of maturity is high variability. Customer intelligence projects are often done differently in different parts of the company, or even done differently in the same part of the company at different times. Ad hoc processes are not necessarily low performing, but their inherent variability makes them inefficient, more likely to fail, and less likely to yield insight leveraged across the enterprise.

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<thead>
<tr>
<th>Maturity Stage</th>
<th>Description</th>
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<tr>
<td><strong>Strategic Asset</strong></td>
<td>At this highest level of maturity, customer intelligence is viewed across the enterprise as a necessary part of making strategic and process management decisions. Customer intelligence capability is integrated into customer-facing processes and consistently generates insight and value.</td>
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<tr>
<td><strong>Strength</strong></td>
<td>Customer intelligence is conducted by a group of expert practitioners, who are routinely consulted by managers and process owners. Processes, tools and value are consistently measured and refined, and used to improve the performance of customer intelligence.</td>
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<tr>
<td><strong>Competence</strong></td>
<td>Well-defined customer intelligence processes and skilled staff meet the overall market intelligence needs of the business and respond to specific needs.</td>
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<tr>
<td><strong>Repeatable</strong></td>
<td>Customer intelligence processes are defined and managed so they can be replicated and leveraged across the enterprise.</td>
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<tr>
<td><strong>Ad hoc</strong></td>
<td>This lowest level of maturity is characterized by a high variability of customer intelligence processes and outcomes. Results are a function of individual expertise rather than organizational capability.</td>
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**Repeatable** processes start to address the variability problem. The enterprise requires that certain high-value activities be practiced consistently across the organization. These repeatable activities are often those that have been shown to create the most success or value. Making these activities repeatable has the effect of taking the secrets of success of the A players in the company and making them available to the B and C players. Advancing to the repeatable level of maturity represents the beginning of a process-oriented management culture. Individuals and companies that had previously valued (and rationalized their reliance on) spontaneity are now able to see the value of greater consistency and coordination. This new awareness sets the stage for advancing to the competence level, a transition that typically requires the greatest effort and longest time of any in this journey toward maturity.

Typically, companies establish customer intelligence as an area of *competence* by thinking about its processes from end-to-end, and designing the activities to execute consistently and intentionally. This design effort itself will create significant benefits by raising important questions about how communication and collaboration do and don’t occur, and by removing needless complexity in customer intelligence processes.

At the next level, customer intelligence becomes a consistent organizational *strength*, routinely relied upon in the decision-making activities and process improvement cycles across the enterprise. In addition, the customer intelligence processes are actively managed and continuously improved upon – strength begetting more strength.

When customer intelligence becomes a *strategic asset*, it is integrated into decision-making and process management, as well as embedded in other business processes, especially those touching customers and the marketplace. Moreover, the business value of customer intelligence is both understood and leveraged. Customer intelligence shapes strategy development and execution by constantly improving the organization’s insight and anticipation around customers, competitors, and market conditions. Customer intelligence is both a set of processes and a growing asset.

**Demand Process Maturity**

The maturity of the demand process depends on the roles and behavior of senior executives and process leaders within the company. It reflects their willingness and ability to define specific, high-value and strategically important customer intelligence objectives, to define and execute customer intelligence processes, and to sustain a decision-making culture that is based on facts, measurable value, and accountability. Maturity is also determined by the three key activities (see Chapter 3) in the demand process: defining the objectives, maintaining strategic alignment, and defining the role and process for customer intelligence across the enterprise. Figure 4 lists criteria to use in assessing the maturity of the demand process.
### Figure 4: Demand Process Stages of Maturity

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<tr>
<th>Maturity Stage</th>
<th>Description</th>
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| **Strategic Asset** | - **Embedded into operating culture.** Customer intelligence is clearly integrated into the operating culture of the company.  
- **Fully integrated into processes.** Customer intelligence continuously feeds strategic planning and operational process improvement. |
| **Strength** | - **Built into processes.** Customer intelligence is incorporated into strategic and operational processes.  
- **Continual reassessment.** Executive team reassesses intelligence needs based on the implementation of previous insights. |
| **Competence** | - **Defined customer intelligence.** The company has defined how and why it does customer intelligence.  
- **Business involvement.** Customer intelligence group works with executives to create projects that are high value and strategically aligned. |
| **Repeatable** | - **Pockets of maturity.** Pockets of demand maturity exist, with well-defined requests and leadership.  
- **Increased recognition.** There is growing recognition of what is working, and best practices are shared elsewhere in the company. |
| **Ad hoc** | - **Project oriented.** Demand is limited to requests for specific projects, with weak strategic alignment.  
- **Little prioritization.** Priority of customer intelligence activities is most often a function of the seniority of the requester. |

At the ad hoc level of maturity, customer intelligence demand may be defined very precisely in some cases and very loosely in others. Leadership and strategic alignment may exist in some businesses but not in others, or may be weak across the organization. The customer intelligence group may be left to fend for itself in terms of its role, the value that is expected of it, and the means by which it is included in discussions and projects throughout the enterprise.

As demand matures, however, each of these areas improves. The specification of customer intelligence research objectives starts to show a pattern of thoughtfulness, precision and strategy. Requests that were previously open ended (*What do we know about...?*) start to be more specific, describing what information is needed and how it will be used.

In an ad hoc environment, there is little formal reporting or accountability for application, little rigorous analysis of value realization, and no defined enterprise processes for identifying intelligence needs. At higher levels of demand maturity, these roles and processes are better defined, not only in terms of individual responsibility, but also in terms of how the roles interface with each other to form an overall process.

The most critical element of customer intelligence demand maturity is the definition of the value expectation. A company with a less mature demand does not define why a particular customer
intelligence objective or activity is needed; it does not show how value will be created and captured. Often, this question of value is left for the supply process to address, which may lead to skepticism about the company’s investment in customer intelligence to begin with. Articulation of demand evolves to the point where demand is driving supply, and not vice versa.

Supply Process Maturity

As noted earlier, in many companies, initial customer intelligence emphasis is on the supply process, and that process may be more mature. Companies that have invested in harvesting data from transactional systems, or have built and populated enterprise data warehouses, will often have developed OLAP (online analytical processes) or other capabilities that can be used in support of customer intelligence objectives. In fact, the justification for those systems often invokes, at least generally, the value of customer intelligence insights that are anticipated. Figure 5 depicts the evolution of maturity in the supply process, focusing on three dimensions:

• **Tools.** What is the nature of the customer intelligence toolbox, including the specific processes for information acquisition, analysis, and communication of results and insights? To what extent is the customer intelligence function able to tailor approaches to the specific demand – or is demand tailored to the existing capabilities?

• **Relationship.** What is the nature of the relationship of customer intelligence to the rest of the company? Where appropriate, are customer intelligence activities embedded in other customer facing processes – or is customer intelligence something that is done outside the everyday execution of those processes?

• **Credibility.** What kind of credibility does customer intelligence enjoy? Are customer intelligence professionals drawn into conversations about strategy and process improvement? Are these invitations based on a track record of delivered value? Or is customer intelligence not normally included in conversations to which it could add value?

Supply maturity is affected by the entire demand-supply-application cycle. Just as *demand* is not exclusively within the domain of executive managers, and *application* is not exclusively within the domain of operational managers and process owners, *supply* is an organizational capability, even though centered on the customer intelligence professionals who access and analyze the information.
### Figure 5: Supply Process Stages of Maturity

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<tr>
<th>Maturity Stage</th>
<th>Description</th>
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| **Strategic Asset** | • **Fully distributed.** Customer intelligence activities are coherent even though they are fully distributed across the business.  
• **Portfolio management.** A portfolio of capabilities is deployed strategically against specific customer intelligence needs and objectives. |
| **Strength** | • **Coordinated activities.** Customer intelligence activities become distributed and well coordinated throughout the company.  
• **Refined tools and methodologies.** Specific methodologies and tools are refined and improved based on the value created. |
| **Competence** | • **Consistent activities.** Customer intelligence activities are consistent and programmatic across the business.  
• **Demonstrated results.** The customer intelligence function has broad credibility built through demonstrated results.  
• **Business prioritization.** The intelligence function engages the executive group to prioritize the company’s intelligence investments. |
| **Repeatable** | • **Tested processes.** Tested and successful customer intelligence process activities are documented and applied elsewhere in the company.  
• **Results-based projects.** The customer intelligence function builds credibility by achieving results from individual projects and by educating key decision makers.  
• **Programmatic activities.** Customer intelligence planning and activities become more programmatic in specific areas of the business. |
| **Ad hoc** | • **Reactive projects.** Customer intelligence activities are reactive and project-oriented.  
• **Limited toolbox.** Customer intelligence has a limited toolbox and focuses largely on data that already exists within the enterprise. |

Ad hoc supply takes the form of a series of projects responding to ad hoc demand, in which the information, the analytical approach, the nature of the results, and the method of communication can vary considerably. With this variance, it is normal for some work products to be recognized as high value, and others to be less valuable. However, the source of this variability is often assumed to be within the supply process, when it is a function of demand maturity as well.

In order for supply to be repeatable, it needs to be recognized as a process in the first place. Typically, this is reflected in the consistent collection of specific pieces of information, or the development of standard analytical protocols. The collaboration between customer intelligence professionals and executive managers in the area of demand (and with operational managers in the area of application) is more systematic and consistent.

Developing the supply process as an organizational competence starts with a comprehensive understanding of the types of analyses that may be requested. To the extent that there are distinct analytical approaches required, they need to be defined and developed. Perhaps most importantly, at
this stage of maturity, customer intelligence projects operate within the context of a management system that manages scope, resources, time frame, level of effort, milestones and communication.

As with the demand process, having an explicit supply process enables an assessment of what is working and creating value, and what is not. Using that assessment to improve the efficiency and effectiveness of the supply process drives the evolution to the next level of maturity, and eventually to the point where customer intelligence supply is a strategic asset of the company.

Application Process Maturity

The maturity of the application process is inextricably linked to the maturity of the other two. Application can be clearly limited by the maturity of the supply process if, for example, the customer intelligence product is poorly framed or ineffectively communicated. In order to understand the implications and execute crisply, application builds on the foundation, good or bad, of the supply process. The maturity of the demand process is also a determining factor. For example, the ability to create business value is directly influenced by the extent to which objectives and their value are defined up front. The application of the customer intelligence product will be driven by the clarity and precision of these objectives. Figure 6 lists criteria to use in assessing the maturity of the application process.

**Figure 6: Application Process Stages of Maturity**

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<tr>
<th>Maturity Stage</th>
<th>Description</th>
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| **Strategic Asset** | • **Competitive advantage.** Customer intelligence is continually focused on the areas that sustain or increase the competitiveness of the business.  
• **Generates new demand.** Application leads immediately to new demand by refining the company’s understanding of the marketplace. |
| **Strength** | • **Measured by business outcomes.** Customer intelligence is measured in terms of business outcomes, not as an independent activity.  
• **Creates benefits beyond the project scope.** The enterprise drives benefits beyond the narrow scope of the project, creating follow-on benefits and additional demand. |
| **Competence** | • **End-to-end process.** The end-to-end customer intelligence process ensures action is taken and value is realized.  
• **Project and program evaluations.** The value of customer intelligence is evaluated both on a project basis and as an overall portfolio of projects. |
| **Repeatable** | • **Some value realization.** There is improved follow through on value realization, even in the absence of a defined process for doing so.  
• **Implementation steps exist.** There is general understanding of implementation steps, even if those steps are not always followed. |
| **Ad hoc** | • **No process.** No consistent process for generating or responding to customer intelligence insights.  
• **No feedback.** Little consistent feedback to the demand process on realized value, and little ongoing refinement of customer intelligence application. |
In an ad hoc application environment, there is discontinuity among customer intelligence activities and many business operations are not aware of the customer intelligence work being done. The degree to which customer intelligence output is received, digested and applied is often a function of how it correlates with the prevailing wisdom of those who initially review it. The decision making culture may allow decisions based on personal influence or organizational power more than research and data. The role and importance of facts and insights, particular facts about the customer and marketplace, may vary from one decision to another. But as application maturity increases, so does the development of specific processes for fielding and handling new insights. At higher levels of maturity, the customer intelligence product will be strategically aligned with the direction of the business, paving the way for successful application.

Process Maturity Diagnostic

The maturity stage descriptions can also serve as a basic diagnostic of customer intelligence processes. Figure 7 combines Figures 4-6 into a checklist and score sheet for all maturity levels above *ad hoc*. We recommend developing a simple scoring scheme (e.g., fully, partly, barely, not at all). Have business people who request and use customer intelligence services and information, as well as customer intelligence professionals, give their assessments of how the three customer intelligence processes meet the descriptions associated with each stage of maturity. Collect this information from a representative cross-section of customer intelligence process stakeholders, including executives, process owners, strategic planners, and business managers. We also recommend applying the diagnostic at three levels of aggregation: an individual customer intelligence project, a group of projects serving a specific business unit or business demand, and the corporation’s entire customer intelligence activity or portfolio.

**Figure 7: Customer Intelligence Diagnostic Rating Form**

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<td><strong>Description</strong></td>
<td><strong>Score</strong></td>
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<td>• Embedded into operating culture</td>
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<td>• Fully integrated into processes</td>
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<td>• Portfolio management</td>
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<td>• Built into processes</td>
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<td>• Continual reassessment</td>
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<td>• Defined customer intelligence</td>
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<td>• Consistent activities</td>
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<td>• Business involvement</td>
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<td>• Pockets of maturity</td>
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<td>• Business prioritization</td>
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<td>• Increased recognition</td>
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<td>• Tested processes</td>
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<td>• Programmatic activities</td>
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<td>• Results-based projects</td>
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The result is a qualitative evaluation, not a precise score. Nonetheless, it does provide a sense of the absolute and relative maturity of the three customer intelligence processes. For each process, the
current maturity level is where answers of “fully” and “partly” give way to “barely” and “not at all.” If the answer “not at all” prevails for a process, it’s still in the ad hoc stage.

Plot the results on a simple comparison chart like Figure 8 as the starting point for discussing the strengths and weaknesses of each process, any problems introduced by being “out of balance” across the three, and what your ambitions for customer intelligence process performance and maturity should be. In addition, it is useful to compare the results from different customer intelligence constituencies to identify any systematic strengths, weaknesses, and biases.

**Figure 8: Mapping Customer Intelligence Process Maturity**

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### Developing Maturity Profiles

Mapping the maturity of the three customer intelligence processes as described above creates a maturity profile. If all three processes have achieved approximately the same level of maturity (i.e., no more than one level difference among the three processes), this represents a *balanced maturity* profile. If one process is more advanced than the other two, we term it a *leading maturity* profile, with that process in the lead. And when one process is significantly – at least two levels of maturity – less mature than the other two, we term it a *trailing maturity* profile. Each of these possible profiles is characterized by a set of challenges and indicates a set of potential improvement strategies.

#### Demand Leading Profile

Sometimes customer intelligence groups, their information systems, and the business itself find it difficult to fulfill the demand established by enlightened executives and business process leaders. The limiting factor is either a supply process that is not adequate to the task, or a failure to apply the results of customer intelligence to realize value and refine the understanding of the market and customers.

The demand leading customer intelligence maturity profile, as seen in Figure 9, is often experienced as a company moves from independent, autonomous businesses to a more aligned and integrated operating model. Customer intelligence demand reflects the company’s ambition for presenting one face to the marketplace, but the underlying independence and lack of integration across business units will often compromise the ability to generate and then utilize customer intelligence. In this profile, executives may become frustrated at not being able to obtain the information they need.
Figure 9: Demand Leading Profile

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Case Study: California Closets

Established in 1978, California Closets works with its customers to create custom closets and storage units for all rooms in the home. In 1982, the company began to franchise its stores. At most stores the sales associates are also closet designers who work with customers to customize and personalize their purchases. Orders are filled by the California Closets’ workshops and then installed in the customers’ homes.

In the late 1990s, the company started to reevaluate how it wanted to be viewed in the marketplace. The leadership team realized that approximately 50% of its business was based on referrals and repeat business. Using anecdotal information from customer interviews and quantitative information from point-of-sale data, they realized that customers did not understand the true value proposition. Its products were more expensive than its competitors and the expertise of the sales associates was underutilized. The demand process in this case centered on the question: How do we build stronger relationships with customers?

Before the company rolled out its customer relationship management (CRM) program, it realized that leveraging the face-to-face personal interactions with customers was critical to its ambitions. The company looked to those interactions as opportunities to gather more information about their customers and to educate customers on their value proposition.

So the company created a training program that taught the sales associate the skills to collect more customer data and to better leverage their expertise. Ideally, the dialogue helps the sales associates give each customer the power and the tools to come up with his/her own closet design solution. At the same time, the sales associate can act as a guide and offer expert advice thereby introducing the customer to California Closets’ true value proposition – expert and personalized advice on closet design. This enhanced customer intelligence supply process was created after the new demand had been clearly defined.

But supply and application are still playing catch-up. The challenge was that the stores where those interactions take place are all independently owned and somewhat reluctant to change. In order for this strategy to work, it needed to be accepted at every level within the organization and at every store. The executive team first introduced this idea at the annual franchise-owner conference in 1998. Since that time, they have successfully run two pilot programs. At one store, sales increased from $3M to
$10M since the launch of the program four years ago. At the second store, sales were up 17% in the first quarter of 2003. Each store sends employees to refresher courses each year.

The key to the success, from the point of view of customer intelligence information and systems, is that California Closets recognized the limitations of the transactional information on which it was previously relying, and sought to collect qualitative information to complete the picture and generate actionable insights. They trained their associates to enter into a dialogue with the customer, in which the customer and the employee co-created the product. This exercise not only generates important insights into how and why customers buy, but also serves as a differentiating value proposition for a product with a high price point.

Supply Leading Profile

One of the most common maturity profiles occurs when the supply process is the most mature. The capability to do customer intelligence information gathering and analysis is greater than the company’s ability to formulate its needs or even to digest and act upon the insights that are generated. Typically, supply-leading companies will have made technological investments either to capture transactional information or to centralize what is known about customers in an information warehouse.

A supply leading maturity profile may be reflected in questions about the value of the investments in customer intelligence capability that have been made, and in frustration on the part of the customer intelligence professionals with others in the company that don’t “get it.”

Figure 10: Supply Leading customer intelligence Maturity Profile

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Case Study: Avnet

Avnet is one of the largest distributors of electronics components and computer products. Avnet and rival Arrow Technologies control over 50% of the distribution of these products globally. The company is divided into two main operating groups – Avnet Electronics Marketing and Avnet Technology Solutions. While Avnet has customer intelligence programs and initiatives within each of these business units, it is the customer intelligence program at the corporate level that fits the “supply leading profile.”

The Business Intelligence Office (BIO) essentially supplies customer intelligence to the entire enterprise. It is the owner of all the research databases within the company. BIO has three standard deliverables:
• **Executive News Net** – a daily newsletter that contains relevant news articles on suppliers, competitors, technology trends, etc. That information is sent out in an email to over 1,000 subscribers and is hosted on the company intranet, which has a searchable archive. The purpose of the deliverable is mainly education, which is why it has such a broad audience and mass appeal.

• **Monthly Competitor Review** – BIO writes a monthly competitor review for each business unit that alerts executives to competitor management changes, wins, losses, mergers, and acquisitions. In addition, they write a review of non-traditional competitors or companies that they perceive could be a threat in the future, such as UPS Supply Chain Service. Again, this publication notifies executives as to why each competitor could be a potential threat and to any happenings within that organization.

• **Quarterly Report** – This includes chapters on high-level economic trends and overview financials for the competitors. How do we compete? What are the trends in the end market? The high-level economic indicators? This report is targeted to the Board of Directors to provide them with a better idea of what executives are looking at on a daily basis.

In addition to the regular publications, the BIO works on various projects as requested by constituencies within the company. The ability of the BIO to manage a number of different customer intelligence projects and programs – each requiring a unique set of intelligence raw materials, analytical processes and communications mechanisms – reflects a mature supply process. This mature supply process is able to operate successfully despite the somewhat ad hoc nature of the demand and application processes. One of the leading practices illustrated at Avnet is the ability to manage and maintain a portfolio of complimentary intelligence activities.

**Application Leading Profile**

Application leading profiles are to be found where customer intelligence capability is specific and exclusive to a tactical operational need such as evaluating retail promotions. The capability is appropriate to that need, but may not address other areas of value. Customer intelligence may do little to increase overall understanding of the marketplace, and the involvement of senior management is limited by the fact that the supply and application activity is buried deep in the business operations.

**Figure 11: Application-Leading Profile**

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The primary risk associated with an application leading profile is that the company may be blindsided by competitors or market changes that are outside the scope of the applications, and about which there has never been real information demand.

**Balanced Profile**

The most stable profile is balanced, in which each of the processes is within one level of maturity of the others. But balance at a low level of maturity may be bad for business. Ad hoc demand can be satisfied with ad hoc supply and limited value realized with ad hoc application. The danger comes when people get comfortable at a lower level of overall maturity, thus limiting the scope and potential business value of customer intelligence. In balanced profiles at the ad hoc or repeatable levels of maturity, it is often necessary to disrupt the status quo in order to push the processes to higher levels of maturity.

**Figure 12: Balanced Maturity Profile**

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**Case Study: Proctor and Gamble**

Proctor and Gamble has traditionally had an open mind when gathering and using information about its customers. It is one of the few companies to have a balanced profile at a high level of maturity, and has embedded market and competitive intelligence into its corporate strategy.

P&G has become very good at managing the broader context of customer intelligence and has successfully applied that intelligence to various parts of its organization. Unlike most companies, it integrates analytical and visceral information. The customer intelligence function has a “hub and spoke” structure, meaning that there is a centralized customer intelligence organization, but the function branches out to the various business units.

For example, the company gathers information on all its customers including the retail stores that sell its products. It has over 100 employees located at the Wal-Mart headquarters to gather information about how Wal-Mart operates so that P&G can more effectively manage that relationship.
Trailing Maturity Profiles

In demand trailing profiles, the limiting factor in the overall effectiveness of customer intelligence is the absence of effective leadership or strategic alignment, which is reflected in imprecise customer intelligence requests. In this environment, the role of customer intelligence in making strategic decisions is often unclear, and there are few ground rules for how and when customer intelligence should be brought into a critical decision making process.

In a supply trailing profile, one sees the relatively rare situation where the supply does not keep pace with more mature demand and application. Operationally, this leaves people with frustration that requested information and needed insights, though clearly demanded and intended for use, are not readily forthcoming.

In an application trailing profile, the application process is significantly less mature than either demand or supply. Not only does this limit the realization of value from the customer intelligence work that is done, but there is also no feedback loop to the demand process that enables an adjustment or refinement of the company’s understanding of its competitive position.
Before undertaking the improvement of customer intelligence processes, one must determine the nature and magnitude of the shortcomings and opportunities. With balanced maturity profiles, it is often difficult to make the case for improvement because the shortcomings of processes aren’t as obvious as with unbalanced profiles, where the strengths of one process can reveal the weaknesses of another.

Not surprisingly, we found that customer intelligence professionals themselves most keenly feel the need for improvement, and that some feel frustrated trying to get the rest of the company to recognize both need and opportunity. Most customer intelligence process performance problems lie outside the supply process, so customer intelligence professionals must work through others to solve them.

Improving the Demand Process

The demand process drives the overall effectiveness of customer intelligence within a company. Without the clear leadership and strategic alignment that is characteristic of strong demand, business process owners and managers may not feel a sense of urgency or accountability to apply the insights that are generated by customer intelligence. And customer intelligence professionals may feel like they are fighting an uphill battle.

Unfortunately, an immature demand process leads to a “Catch 22” situation: it both creates the problem and at the same time hinders the company’s ability to address it. Obstacles that limit the company’s ability to define and prioritize its critical customer intelligence needs include:

• Business leaders do not understand the criticality of their role in defining customer intelligence objectives, nor do they understand the role customer intelligence can play in executing their business strategy.
• The organizational culture does not encourage fact-based decision-making, nor does it emphasize a process-based approach to improving business performance.

• There is a failure to define intelligence requirements where the objective is clear, the expected value is compelling, and the intended application is anticipated.

• Customer intelligence is seen as a series of individual projects, not as an ongoing portfolio of activities designed to improve competitiveness, refine strategy, drive process improvement, and improve organizational capability.

One of the most important steps to overcome these obstacles is to educate and enlist the strong support of senior leaders. This may also be the most difficult step because there may be an “If it ain’t broken, don’t fix it” mentality.

_Educate Business Leaders_

Because senior leaders can cross-functional and organizational boundaries and promote the sharing and reuse of customer intelligence information, they can act as advocates for customer intelligence. However, in order for that to occur, they must clearly understand three things:

• Customer intelligence has a direct impact on critical business outcomes.

• Improvement in the company’s customer intelligence processes will yield measurable benefits.

• Their role is necessary, although perhaps not sufficient, to drive that improvement.

In order for this education of senior executives to be most effective, it needs to be:

• **Specific** and focused on the company’s business needs and strategies. This level of specificity often requires a preliminary diagnostic step to determine what factors are limiting the value contribution of customer intelligence. Review the results of that diagnostic with sympathetic executives before sharing it with a wider audience.

• **Concrete** with respect to the qualitative and quantitative benefits of customer intelligence. The education should paint a clear and compelling picture of how life will be different with a high-value and high-maturity customer intelligence process. Point to best practices examples that illustrate this value from other comparable companies.

• **Actionable** in the sense of presenting a clear course of action. The senior leaders who participate must understand the short list things they need to start doing, the short list things they must stop doing, and what they should authorize others to do.

_Create a Breakdown_

To move beyond the “If it ain’t broken, don’t fix it” mentality is to adopt an “If it ain’t broken, break it” approach. In other words, find a way to create a breakdown that will shake the company out of its
comfortable state of unawareness. One of the ways to do this is to identify and measure specific ways that organizational leaders’ beliefs about the market are disconnected from the current or emerging market realities. This is called orientation error – the fact that there are “some things we think we know...that just ain’t so.”

Determining orientation error is done by conducting a two-part research project on a particularly important intelligence topic, such as “What are the most influential factors that drive the purchase decisions of our most valuable customers?” The question is first answered internally by surveying decision makers throughout the company. The same question is then answered externally by studying the purchase behavior of these customers. The difference between the two answers is a strong indicator of orientation error.

We have found that juxtaposing the orientation error with the business implications of this error can create a “breakdown” that ultimately stimulates the need to address issues and problems in the customer intelligence processes.

Clearly Define Customer Intelligence Needs

Work closely with senior leaders to create clear and focused statements of customer intelligence demand and to model the kind of leadership that is needed. There are three components of well-defined demand:

• What specifically do we want to know? What question must be answered?

• Why is this important to know? What value is created by this insight?

• What will we do with the information?

In other words, identify the key questions that must be answered in order to make a specific set of business decisions, and anticipate how the answers will be applied to create value for the business. Frequently customer intelligence efforts start with a loosely defined desire to “understand our customers better,” “develop a customer segmentation,” or “find out what a competitor is up to.” These loosely defined efforts are almost doomed from the start. When customer intelligence projects begin without this definition, the information gathered and insight gained frequently turn out to be interesting but irrelevant for making decisions and taking action.

Examples of key customer intelligence topics are listed in Figure 13. In each case, the questions to be answered are simple and direct. These serve as good models for defining “What do we want to know?” for customer intelligence projects.
### Figure 13: Key Customer Intelligence Topics

<table>
<thead>
<tr>
<th>Application Area</th>
<th>Key Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
<td>• What are the intents and plans of specific competitors?</td>
</tr>
<tr>
<td>Technology Planning</td>
<td>• How will emerging technology reshape our industry?</td>
</tr>
<tr>
<td>Sales Management</td>
<td>• Who are our most valuable customer targets?</td>
</tr>
<tr>
<td></td>
<td>• Why do we win or lose sales? What should we do now to position ourselves accordingly?</td>
</tr>
<tr>
<td>Product Development and Management</td>
<td>• What factors are most critical in our target customers’ decision processes?</td>
</tr>
<tr>
<td></td>
<td>• How do we bundle features and structure pricing to capture optimal value?</td>
</tr>
<tr>
<td></td>
<td>• What are the product plans of our key competitors?</td>
</tr>
<tr>
<td></td>
<td>• How are specific competitors likely to react to our new product introductions?</td>
</tr>
<tr>
<td>Customer Service Operations</td>
<td>• What are the most influential factors that drive attrition in our most valuable customer segment?</td>
</tr>
<tr>
<td></td>
<td>• What are the most leveraged actions to improve retention?</td>
</tr>
</tbody>
</table>

### Leverage Intelligence Wins to Stimulate Demand

It is said that nothing succeeds like success. Some of the companies that we investigated had started doing customer intelligence in a very specific way, focusing on a particular pressing question or urgent need. Performing well and creating value on that focused task creates a platform on which to discuss the possibility of expansion to other areas.

An excellent example of building on success in this manner is State Street Corporation, which is among the top providers of mutual fund, custody, and pension fund management services. Its target customers include large-scale institutional investors and corporations. The Marketing Intelligence Group at State Street reports to Worldwide Marketing and Communications and includes competitive and client intelligence. The maturity of customer intelligence activities across the company ranges from relatively high to ad hoc. The maturity of customer intelligence in the corporation’s Investor Services Group has advanced greatly.

Prior to working with the Marketing Intelligence Group, Investor Services conducted ad hoc surveys to gauge client satisfaction, there was not much discipline around this process. Mutual Funds, an important group within Investor Services, wanted to conduct a client satisfaction program. They asked Marketing Intelligence to implement a simple “scorecard” approach. In turn, customer intelligence recommended that they take a larger view, to include strategic information as well so that they could make longer-term decisions rather than just taking remedial action. The program includes a methodology for immediate remedial action as well as strategic information for resource allocation.
decisions. In addition, it has a robust feedback process, which includes client communication to ensure future participation.

The Marketing Intelligence Group was able to demonstrate tangible results for Mutual Funds, build creditability, and ultimately expand interest in the program. Over the next 2-3 years, they rolled out the client satisfaction program to the other parts of the Investor Services Group. Now they have begun to work in similar fashion with the Asset Management Division.

It is important to note in this example that the driver of expansion was not the opportunity to do more customer intelligence. The driver was the opportunity to create more value for the business. The goal of building on success in this manner is to create demand (“We need more of that”) rather than push supply (“We can do more of that”).

Improving the Supply Process

Customer intelligence supply is the capability to conduct customer intelligence activities – the gathering and analysis of data. Essentially it is how data or information gets transformed into intelligence. Some of the errors companies make in carrying out this charter include:

• Creating answers in search of questions. In other words, supplying interesting insight that is not actionable or valuable to decision makers.

• Drawing future-oriented conclusions from historical information.

• Segregating intelligence activities from the key business processes they serve.

In the most effective customer intelligence, the need and value questions are defined by the demand process, not by the supply process. Supply should focus on providing information and analytic capability, not defending its existence by continually explaining its purpose and value. In fact, a preoccupation with the supply process represents a breakdown in both the demand and the application processes.

Recognize Biases of Customer Intelligence Sources

To make customer intelligence supply as effective as possible, you must first recognize and allow for the inherent biases associated with specific information sources, for example:

• Sales. Being eternally optimistic, sales people are famous for applying a positive bias to their perspectives and observations. This may be reflected in their assessment of customer motivations, buying behavior, or value expectations.

• Service. The data gathered by a customer service organization may be limited by the pattern of calls that they most often receive. For example, if the service activity is a help or complaint line, it may give rise to a disproportionately negative picture of customers’ experience. A second common bias arises if the people who call the service desk are users of the product but not buyers. The buyer’s decision may reflect very different priorities from the user’s, a fact that is becoming readily apparent, for example to health insurance providers.
- **Research.** Customer intelligence researchers, although trained to recognize and manage sources of bias, may introduce it as well. One common scenario has researchers reusing information previously gathered, but which may not be compatible with the intended analysis.

- **Executives.** Business executives are often blessed with strong conviction and a sense of advocacy for their points of view. The information that they collect may be anecdotal or incomplete and need to be tested rigorously – despite the conviction with which it is communicated.

*Make Sure the Tools and Sources Fit the Job*

Customer intelligence supply activities do not have to be overly complicated and complex. Effective customer intelligence is a matter of getting the right information to the right people at the right time. To do this, companies need to focus on creating repeatable processes to conduct market research, and on balancing their qualitative and quantitative information.

Many customer intelligence groups seem to feel comfortable with a set of approaches and sources that may not be ideally suited to address the highest priority intelligence needs of the business. For example, many customer intelligence groups have a comfort in working with internally captured customer data, but may be either ill-equipped or reluctant to design and execute primary source research with prospects and customers.

<table>
<thead>
<tr>
<th>Observation and Elicitation</th>
</tr>
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<tbody>
<tr>
<td>Generating customer intelligence that surfaces opportunities to innovate compelling new products, services, and experiences for customers is particularly challenging. Typically, customers usually can’t tell you what you need to know in order to identify new forms of demand. This is true for two reasons:</td>
</tr>
<tr>
<td><strong>Cognitive Bias</strong> They don’t know what to ask for. In many cases, customers think about what you do with a narrow perspective based on traditional industry boundaries. They may have become so comfortable with the workarounds they’ve adopted to integrate or use your product that they can’t conceive of what a much better, more comprehensive offer would look like.</td>
</tr>
<tr>
<td><strong>Motivational Bias</strong> They don’t want to tell you. In some cases, the customers’ underlying motivations or the actions they take surrounding your product are not something that they are willing to discuss. In other cases, customers may feel that, if they shared a deeper perspective about the value associated with your product, they might not be able to negotiate as hard on price. In many cases, the act of asking the customer direct questions about their needs and product usage tends to bias the customer’s answer. The customer may say things that are more focused on meeting the interviewer’s expectations than sharing deep insight.</td>
</tr>
</tbody>
</table>
Meanwhile, traditional research approaches tend to be insufficient to uncover deep insight into the customers’ latent needs. For example:

- Structured surveys tend to be good for measuring and testing hypotheses about what the researchers believe to be important to the customer.
- In-depth interviews probe for what customers remember and can clearly articulate about their situations, experiences, needs, and actions. Customers’ recall of these situations tends to filter and bias a lot of what you’d really need to know about what they were experiencing in the moment.
- Focus groups can create an environment for pure idea generation, but frequently customers suffer from the cognitive and motivational biases described above, as well as from the social influence of other participants and a desire to respond constructively to the facilitator.

In order to overcome these limitations, leading companies like Proctor and Gamble have been working with two types of techniques.

Elicitation: This refers to a group of techniques that indirectly elicit an understanding of how the customer thinks and acts in the situations they experience. In general, elicitation techniques discard the traditional question-and-answer approach to interviews. Elicitation techniques include story telling, role-playing, simulations, and giving customers’ goal directed exercises. Elicitation techniques come from a wide variety of fields, including covert intelligence gathering, expert systems knowledge engineering, cultural anthropology, and criminal investigation.

Observation: This involves relating to customers in their natural environment – as close as possible to the points of decision and consumption. Observational techniques enable an intimate awareness of what customers are experiencing and provide an ability to identify and inquire into customers’ latent needs, motivations, behaviors, and usage patterns, as well as the drivers and inhibitors of value. Direct customer observation helps you:

- Fully appreciate the challenges, frustrations, and workarounds customers face.
- Identify needs that customers can’t recognize.
- Generate solutions that customers can’t visualize.
- See how a product fits into the broader context of customers’ goals, experiences, and lives.
- Identify unexpected uses of existing products (e.g., using baking soda as a deodorizer, or cat litter to gain traction on ice.)
- Appreciate how customers combine several products to meet their broader needs.
- Understand the triggers that lead customers to consider a certain product.
- Identify the intangible features that are important to the customer experience.

Integrate Qualitative and Quantitative Intelligence

Maximizing the value of customer intelligence requires a balance and integration of qualitative and quantitative in the supply process, but most companies have a natural bias toward one or the other. Some seem to know their customers exceptionally well while conducting little formal research. In these companies, executives and managers seem to be in almost constant dialogue with the market. Harley Davidson, for example, has a visceral understanding of its customers from trying to “live the customers’ experience.”
These organizations can also have very strong beliefs about the market and their customers that are difficult to change as market conditions change. This leaves them open to significant “orientation error” if they can’t recognize the implications of or escape from long-held beliefs. As a result, it is very important for these companies to challenge and validate the intuitive understanding that comes from their qualitative “dialogue” with the market with more quantitative information and analysis.

On the other hand, there are highly quantitatively focused companies. They seem to want to understand their customers through the internal data they capture and the structured surveys they or an outside agency conduct. This can be an even more difficult situation, if the company gets preoccupied with detailed information and trusts too much the seeming definitiveness of statistical data. It may then fail to see the forest for the trees and miss major market shifts that it happened not to be surveying for. The customer intelligence function in a company like this must pay particular attention to making sure they maintain a qualitative dialogue with customers, prospects, and other market participants.

There are many techniques and tools for leveraging qualitative information, such as conversations with customers that are captured in unstructured notes, descriptions of customer observations, answers to open-ended questions on surveys, customer correspondence, notes from the service, and complaint and problem calls. Some companies have begun to capture their unstructured data, using standards like extensible mark up language (XML), and store that information in a data warehouse. However, most companies are still inexperienced in managing and using their unstructured data.

**Improving the Application Process**

The acid test of customer intelligence application is business decisions and changes in behavior that result from the information gathered. This is the only process of the customer intelligence cycle in which real business value is created. Many companies collect and report valuable market information but fail to act on it. There are several challenges that contribute to poor customer intelligence application:

- Misalignment of customer intelligence activities and executive decision-making.
- Misalignment of customer intelligence activities and operational processes.
- Difficulty in resolving inconsistencies between observations and expectations.
- Insufficient attention to measuring and assessing the impact of the actions taken.

Keep in mind that effective application begins with the demand process and its anticipation of how customer intelligence will be used.
Business “War Gaming”

The Department of Defense Dictionary of Military and Associate Terms defines war games as “a simulation, by whatever means, of a military operation involving two or more opposing forces, using rules, data and procedures designed to depict an actual or assumed situation.” Applied to the business world, the basic idea of war gaming is to improve the robustness of the strategic decision making process. A business war game is a structured process for integrating customer intelligence into strategic decisions.

In most companies, the strategic decision making process does not incorporate the following:

- Alternative scenarios for customer behavior and channel adoption.
- The variety, timing, and likelihood of competitive and supplier actions and reactions.
- The role of variable external influences, such as the economy or regulators.

Absent insight into such variables, companies end up pursuing untested strategies that lead to unintended consequences such as destructive competition or price wars. Business war gaming can serve as a method for testing and improving the initial decision making processes, and as an exercise to help executives build better fact-based decision-making skills. Business war gaming focuses on using customer intelligence to create:

- A simulation of competition in the marketplace.
- A more interactive approach to scenario planning.
- A realistic model of interactions between customers, competitors and suppliers.
- Ways to uncover unanticipated opportunities and threats.
- Methods to identify additional areas of customer intelligence need to refine the strategy.

The process of business war gaming involves assigning several teams (usually 3-8 members per team) to represent different players in the market. Depending on the game being played, the teams can represent the company, key competitors, customers segments or specific customers, or regulators. Prior to the game, each team reviews secondary and primary intelligence about competitors, customers, suppliers, and the industry. The game generally involves several rounds or sessions, each of which represents a certain time period (e.g., one week, one quarter). The rounds are played over a one to two day period. During each round, the teams meet independently to assess the situation from their perspective, anticipate moves of the other players, develop a strategy, and invest available resources to implement the strategy.

At the conclusion of the game the teams collaborate to determine the “most likely” and “worst-case” scenarios, then they develop recommendations for specific actions in each scenario. This entire cycle of planning, facilitating and summarizing a business war game can last between two to eight weeks, depending on the complexity of the situation and the need for additional intelligence. The result is not just sound customer intelligence-based decisions, but sound customer intelligence-based business strategy.
At one high-tech manufacturer, for example, the executive in charge of strategy and information management concluded that business war gaming could help other managers pay more attention to competitive initiatives. She designed a game in which groups of managers at the company would simulate several different competitors. Each competitor would present its products and strategies to a set of real potential customers, who would then discuss their reactions and select a supplier. Staff members prepared detailed background reports on each competitor, and the managers had to pay attention to the reports, since they needed to present the competitor realistically.

These games were a great success. The company’s management team learned – and retained – the customer intelligence about how its products and strategies compared to those of competitors. They also saw the information through the eyes of customers, rather than their own.
CHAPTER 6
THE CUSTOMER INTELLIGENCE OPERATING MODEL

The customer intelligence operating model provides a supportive and enabling environment where individual customer intelligence activities, projects and programs can be executed efficiently and effectively. The operating model includes the three customer intelligence processes of demand, supply and application supported by enabling and governing processes.

There are three main reasons why an operating model is necessary for effective customer intelligence:

• It acts as a template for individual projects, thereby creating efficiency and eliminating the need to reinvent the administrative infrastructure on which each customer intelligence project relies. The operating model defines the information, methods, tools, techniques and resources that are available for all customer intelligence projects. Thus, when new projects are defined, it is not necessary to create new technical or administrative capabilities.

• It provides the structure for managing the portfolio of customer intelligence projects and programs across the enterprise. Critical aspects of portfolio management, such as reallocation of resources in response to changing priorities, as well as integration of projects across the company, are daunting tasks without a coherent operating model that provides structure and definition.

• Perhaps most importantly, it drives the strategic alignment of diverse customer intelligence projects to address the critical business questions across the enterprise. The global view of customer intelligence activities is at the heart of the operating model and permits managers to assess the degree of strategic alignment for each individual project or program. In this manner, those projects that are strategically orphaned can be shut down, and their resources allocated to efforts that represent high strategic value.

Figure 14 depicts the Customer Intelligence Operating Model. At the heart of the model are the three core customer intelligence processes, demand, supply and application. These are identified as value chain processes because they are the key activities by which customer intelligence creates value for
the company. Each project or program can be characterized in terms of its unique demand, supply and application, and the faster this wheel turns, the more informed and agile the business can be.

In order for the value chain processes to execute efficiently and effectively, they must be governed via the business alignment processes and enabled by a set of support processes. The business alignment processes provide critical leadership and strategic alignment and manage behavioral and value performance expectations. The support processes enable individual projects to take advantage of an operating infrastructure that provides the technical, administrative and informational resources needed for projects generally.

**Figure 14: Customer Intelligence Operating Model**

- **Business Alignment Processes**
  - Manage Business Relationships
  - Manage Business Value Portfolio

- **Value Chain Processes**
  - Application
  - Demand
  - Supply
  - Maximize impact by aligning overall MI investment with business strategy
  - Deliver value by informing business decisions, actions and operational processes

- **Support Processes**
  - Manage Architecture and Toolsets
  - Manage Source Network
  - Manage Program Activities
  - Manage Capabilities and Resources
  - Enable market intelligence value chain processes

**Business Alignment Processes**

The business alignment processes provide direction and governance to the customer intelligence activities within the company. These processes simultaneously provide the “air cover” needed for customer intelligence, and optimize the value that is generated.

- **Manage Business Relationships.** The relationships that are most critical to successful customer intelligence are typically inside the company, and the management of those relationships centers on strategic alignment. This process involves articulating and communicating a consistent strategy that answers the question “Why are we interested in this intelligence outcome?” It establishes clear performance expectations at all levels of the company, but particularly with regard to customer intelligence application. And it addresses value management in the demand phase by insisting upon clearly defined customer intelligence needs, and in the application phase by measuring and rewarding performance.
• **Manage Business Value Portfolio.** Competition for scarce resources and a rapidly changing marketplace require customer intelligence professionals to effectively manage their portfolio of projects and programs in order to realize the business value of those activities. After inventoried the ongoing projects, and retiring those that fail to satisfy threshold value expectations, this process focuses on dynamically allocating resources to where they create the most value, and reprioritizing projects in light of changing business and external conditions.

**Value Chain Processes**

The value chain processes are where the direct work of customer intelligence is done, delivering value by giving the business the right information to make effective decisions, take concise actions, and improve operational processes. Chapters 3 and 4 describe the value chain processes in detail, but we repeat four key points here. This value chain is most effective when:

- The three customer intelligence processes – **demand, supply,** and **application** – are integrated and the loop is closed. Each completed customer intelligence project meets its business goals, deepens the company’s understanding of its customers and marketplace, and uncovers new needs and opportunities for future customer intelligence projects and the next iteration of the loop.

- Customer intelligence projects are driven by business demand, not available supply. In the absence of clear and compelling demand, the focus and value of customer intelligence is compromised.

- Customer intelligence focuses on how and why customers will make decisions in the future, not just what they’ve done in the past.

- Customer intelligence integrates qualitative and quantitative information. The most complete picture of the customers comes from transaction driven data coupled with human-derived insights.

**Support Processes**

The support processes support the value chain processes through the provision of tools, technology, information, program activities and human resources. The availability of these resources means that new customer intelligence activities can build on the experience of previous projects, reusing support elements as appropriate.

• **Manage Architecture and Toolsets.** The customer intelligence technical architecture consists of four elements, as well as the integrating and synchronization capabilities that tie them together. First is an information capturing element, often associated with the large transaction management systems that process and store huge amounts of information. Second, particularly in those companies with many information collection systems or capabilities, is data repositories, with all the attendant problems of version control, synchronization and connectivity. The third element is the software tools and technologies used for information analysis. Fourth are the systems used for communicating, reporting, posting and accessing customer intelligence. Business intelligence vendors, such as Brio, Crystal, Hyperion, SAS, Business Objects, and Microsoft, offer useful tools and platforms that pull information from enterprise applications and other sources. However, most
companies are comfortable using standard business applications for their customer intelligence activities. In fact, one company we examined had access to a purpose-built customer intelligence application and decided against using it, opting instead for the standard word processing, database and spreadsheet programs.

- **Manage Source Network.** Ongoing sources of customer intelligence include salespeople, service organizations such as customer service centers, external research services, and business executives. In addition, a company conducts specific customer intelligence projects precise to the business questions being researched and the business decisions that need to be made. Customer intelligence projects are more likely to be predictive and forward looking as opposed to descriptive and backward looking. Thus, the network of sources is maintained and managed for two different patterns of use – everyday information-capture and focused customer intelligence projects.

- **Manage Program Activities.** Programs are groups of related customer intelligence projects that benefit from coherent planning, management, and resource allocation. An ongoing program typically serves a specific business unit or product line. Program management aligns projects with a coherent organizational strategy, makes sure they operate in a complementary fashion to related projects, and helps integrate the demand, supply and application processes within and across projects.

- **Manage Capabilities and Resources.** This process centers on the people who perform customer intelligence – identifying the capabilities needed, recruiting staff, developing skills, organizing staff into effective groups, and managing them to perform well and improve their performance over time.

**Customer Intelligence as a Portfolio**

A large corporation typically has a variety of customer intelligence activities going on at any given time. Inevitably they overlap and compete for resources. By viewing and managing these different activities as a portfolio, it’s possible to leverage common information, processes, and resources across the company. Portfolio management enables customer intelligence projects to maximize their business value individually and collectively. Figure 15 compares the three levels of customer intelligence activity management – individual *project* or initiative, *program* (e.g., for a product line), and overall corporate *portfolio*. 
The intent of portfolio management is to provide alignment, oversight and value optimization across the enterprise, aligning customer intelligence programs in the same way that program management guides individual projects. This might include:

- Allocation and reallocation of resources to the highest value activities, and sun-setting of those activities that no longer meet the threshold value expectation.

- Clear alignment and subordination of all program activities to a larger goal that reflects important business need and enjoys strong executive sponsorship.

- Utilization of common methodology, intelligence information, skills and training, and communication channels.

Portfolio management centers on the enterprise-wide integration of the demand, supply and application processes.

The integration of customer intelligence demand provides strategic alignment by defining how each project and program serves a greater strategic goal. Often companies, after inventoring the existing customer intelligence projects, find some that lie outside the strategic mainstream. These orphaned projects may continue to exist simply because they have a powerful sponsor or have been operating for a long time. With stronger portfolio management, they are retired and their resources freed for better uses.

Integrating customer intelligence demand also enables business agility. Often, the market environment is so fluid that the rate of change exceeds the rate at which customer intelligence projects are
proposed and completed. Accordingly, resources may be deployed against projects, which are either no longer necessary or are less valuable than when they were proposed. Portfolio management reallocates effort, resources and priority across different projects as needed to keep pace.

Integration of the supply process similarly creates important benefits. The first, and most obvious, is that information that was collected for one purpose, or methodologies that were created for one project, may be used for new projects. Portfolio management encourages development of a reusable, and constantly improving, “toolbox” of customer intelligence capability, contributing not only to efficiency of new projects, but also to the ability to use the right tools for each job.

Integration of the application process improves the synchronization of decisions and implementation actions. Even more fundamentally, it enables all the people who make customer intelligence-based decisions to understand how their actions fit with other initiatives and serve the highest interests of the enterprise. The clarity provided by effective portfolio management is one of the most powerful change management tools that are available to a company. The second aspect of customer intelligence application integration is that the various change efforts are synchronized to remove duplication and counter-productivity.

Portfolio management also has an eye toward the future, anticipating the new projects and programs that will be needed, and adjusting the customer intelligence portfolio to support business decisions and optimize business processes for today and tomorrow.

**How an Operating Model Improves**

The operating model is specific to each organization, reflecting that company’s strategy, culture, management style and overall operating model. As the customer intelligence activity is managed within the context of a strong operating model, the value and precision of the operating model as a whole will increase, often passing through four distinct levels:

- **The descriptive** operating model focuses on explaining how the whole system works, including the major roles and processes that are involved. The outcome is typically presented as a current state assessment.

- **The diagnostic** operating model seeks to explain what is wrong with the current model and its processes and to identify the characteristics that limit performance.

- **The directional** operating model provides insight into how the whole system of processes should be designed, and what the recommendations for improvement might be.

- **The design** operating model represents the detailed design for the optimum customer intelligence processes and performance within a company.

Companies looking to establish a customer intelligence operating model should plan to navigate through these four levels of detail. Without understanding how the operating model works, what is wrong, and how it should work, it is extraordinarily difficult to generate the best model design on the first try. The ultimate goal is to have high-performing value chain processes within a well-designed operating model. When you do, you will reap the full benefits of customer intelligence.
About the Author

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Frank Capek has spent more than 25 years helping leading organizations design products, services and experiences that positively and profitably influence people.

His work includes everything from designing retail stores and restaurants to creating distinctive products, services and technology for a range of financial institutions, healthcare organizations, high-tech and consumer products companies, as well as business services providers.

Frank is an expert on the integration of design and behavior. In the course of his work, he’s pioneered many of the most effective tools for profiling and influencing how people perceive, interpret and act on their experiences. These tools are the backbone of the influence modeling and design methodology employed by Customer Innovations.

Over the past decade, an increasing amount of Frank’s work has focused on intentional design of leadership and employee experiences that generate desired customer experiences.

Frank’s clients include: American Express, AARP, Chase, Chick-fil-A, Comerica, Dominion, Entergy, Humana, ING, Jiffy Lube, Kaiser Permanente, Merrill Lynch, Michelin, MIT, Nationwide, Novartis, Principal Financial, United Van Lines, Western Union and Zale.

Frank is a highly rated, entertaining and engaging presenter and workshop facilitator. He provides keynote addresses, conducts executive working sessions, and leads experiential learning events for leading companies around the world.

Frank founded Customer Innovations in 1998. In addition, he’s held strategy and design practice management roles with CSC Index, eLoyalty, and The Concours Group. He studied design, mathematics and cognitive sciences at MIT, State University of New York and the Courant Institute.

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