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UNIFIED CUSTOMER DATA: THE PATH FORWARD FOR SATISFIED CUSTOMERS, HIGHER REVENUE, AND REDUCED COSTS

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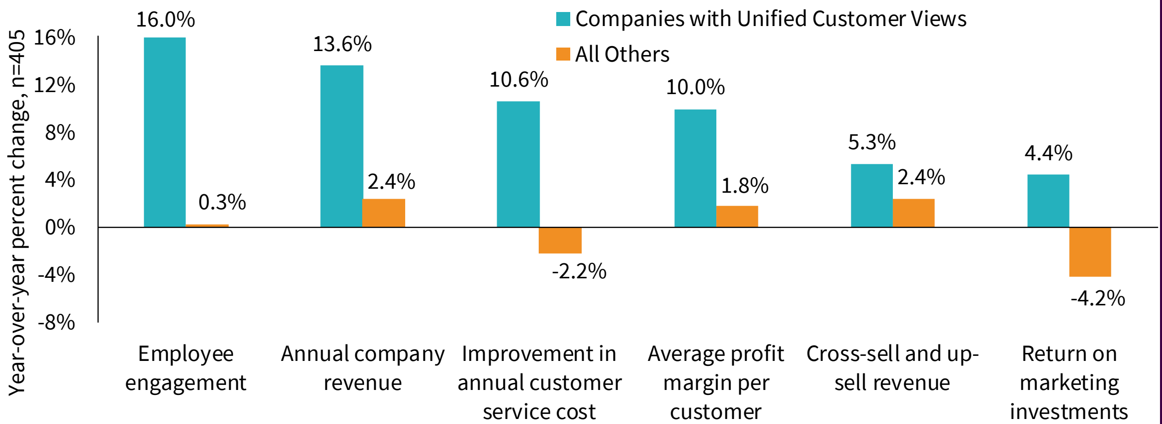
This knowledge brief reveals the role of using unified customer data to boost CX results, reduce costs, and grow revenue while maximizing employee engagement. It also highlights how firms use customer identity – available through unified customer data – to succeed in hyper-personalization activities.

The 'What?' & 'Why?' of Unified Customer Data

Data is truly the fuel powering modern customer experience (CX), marketing, and other customer-facing (e.g., service) activities. Without it, firms must rely on gut feel and hope that traditional ways of doing business still work in addressing client expectations. It's no secret that companies today have more data than ever before. That data comes through numerous sources: internal activities used to engage current and potential customers through myriad channels (e.g., web, email, in-person, social media, etc.), third-party sources such as distribution partners, suppliers as well as other resources such as weather and traffic data providers. Sifting through this massive pool of insights to find the pertinent data that's relevant to address customer needs is the top differentiator of leading brands. Their secret? Unified customer data – see sidebar.

Aberdeen surveyed 405 businesses – see sidebar on page 7 for a demographic breakdown – regarding their CX programs. The findings reveal that 36% of companies currently have capabilities that allow them to have a unified view of customer insights – from hereon also referred as 'unified customer ID.' Figure 1 shows that these firms enjoy far superior year-over-year (YoY) improvements across several financial and operational key performance indicators (KPIs).

Figure 1: Establishing & Maintaining Unified Customer Views Helps Grow Revenue & Reduce Costs



Source: Aberdeen, May 2021

Definition: Unified Customer Data

For the purposes of this research, Aberdeen defines **'unified customer data'** as a connected view of all relevant insights companies have about their current and future customers. This includes internal data (e.g., loyalty, marketing campaigns, billing, shopping cart, etc.) and external data (e.g., local weather, traffic, economics, etc.).

Each data point can be considered a bread crumb to observe and utilize to achieve desired business objectives. A unified view of customer data also helps firms gain visibility into a holistic customer ID – enabling views of the unique characteristics of each buyer (e.g., channel preferences, content engagement).

Firms use technology to establish a unified customer ID that makes it possible (and easier) to find and connect the right data across all internal and external sources to have a timely and accurate view of customer insights. This, in turn allows employees to hyper-personalize customer conversations – paving the way for next-generation omni-channel CX activities.

The above figure shows that **firms with unified views of customer data enjoy 53.3x greater YoY increase in employee engagement** – a measure reflecting the percentage of employees that understand, buy-in, and work towards helping the company achieve its business objectives (16.0% vs. 0.3%). This is a crucial finding as business leaders don't typically associate employee engagement with CX results. Yet, employees operating at highest levels of productivity – and in line with company objectives, including creating happy customers – are the lifeline of top performing CX organizations differentiating from competitors.

17%

of an employee's time is spent looking for information

Assuming that a firm (with 200 employees using customer data to do their jobs) has an average fully-loaded labor cost of $50,000 / year, that firm incurs $1.7 million in unnecessary labor costs *each year*.

Unified views of customer data allows firms to boost employee engagement as Aberdeen's research shows that on average, employees spend 17% of their time looking for information to do their jobs. This means that employees are often not empowered with easy and timely access to the insights they need to help buyers. So, allowing firms with the ability to view the same customer data at the same time makes it easier to ensure consistency of interactions across all channels. Furthermore, adding AI capabilities such as machine learning, next-best action guidance, and automation takes it one step further. These capabilities enable firms to suggest employees' next steps to help them steer the customer journey to desired outcomes (e.g., customer satisfaction, closed sales, account renewal, etc.).

Figure 1 validates the above assertion. It shows that firms with unified customer views enjoy:

- 5.7x greater YoY increase in annual company revenue (13.6% vs. 2.4%)
- 5.6x greater YoY increase in average customer profit margins (10.0% vs. 1.8%)
- 2.2x greater YoY increase in cross-sell / up-sell revenue (5.3% vs. 2.4%)

The above improvements in top-line revenue growth are facilitated by firms using unified customer ID to better understand buyer needs – down to the individual level. For example, firms using a unified ID can segment this data to reveal which customers are more likely to be responsive to cross-sell / up-sell activities. Using analytics, activities involved in conversations with those customers can further be segmented to determine which specific message or touch-point has the highest correlation with influencing cross-sell / up-sell success.

Similar analytics can be implemented to analyze marketing campaign results. As an example, CMOs can leverage a unified view of customer insights to determine how different customer segments are likely to respond to attributes of marketing campaigns (e.g., channel, time, or content). They can also analyze which activities (e.g., push notification reminder) are most likely to convert consumers with items abandoned in a shopping cart to purchase those items. Using those insights, future campaigns can be optimized by reusing the attributes of previous campaigns that yielded results when engaging the target audience while adjusting those parts that didn't deliver desired results. In fact, data shows that **marketers using unified customer data enjoy 4.4% greater YoY increase in return on marketing**

investments (ROMI) versus 4.2% YoY decline by marketers without such views. (ROMI is a measure reflecting the percentage of company revenue *influenced* by marketing activities).

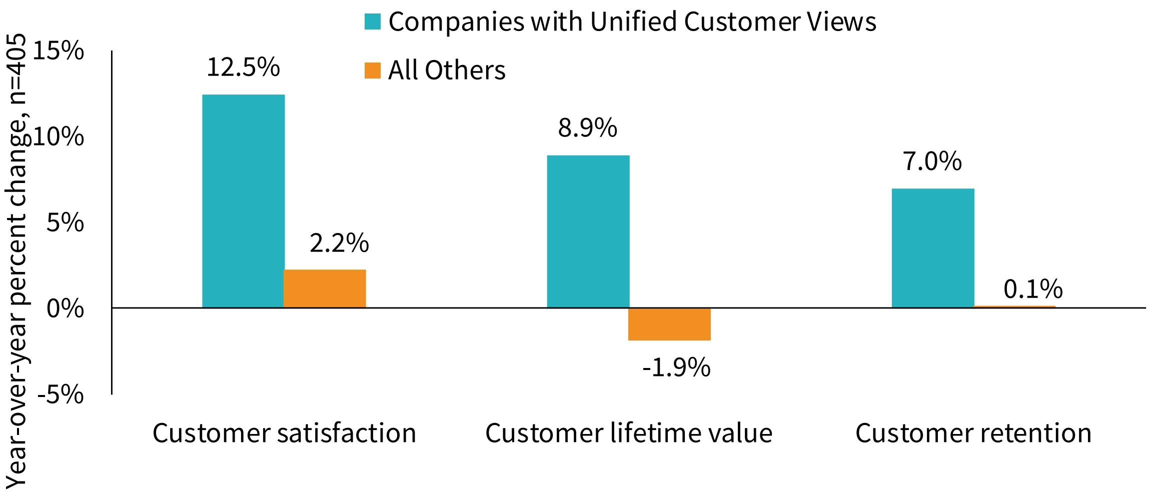
Also important to highlight as a key performance attribute of firms with unified customer views is their performance in reducing service costs. To this point, these firms enjoy 10.6% YoY improvement (decrease) in service costs while competitors observe 2.2% YoY worsening (increase). This marks a 12.8% gap between users vs. non-users of unified customer data. Assuming a firm with $50 million in annual service costs, that 12.8% figure means that building and maintaining a unified view of customer data would help this firm save $6.4 million more *annually* by reducing service costs versus the same firm not having this capability ($50 million times 12.8%).

CMOs using a unified customer ID enjoy 8.6% greater YoY increase in ROMI, compared to marketers that lack such views.

Service costs isn't the only place unified views of customer data allows firms to improve their financial well-being. As noted earlier, knowing the unique behavior and preferences of each customer allows marketers to hyper-personalize campaigns to boost campaign response rates. Another benefit of this hyper-personalization is avoiding costly campaigns that don't yield desired results. By using the right elements tailored to maximize response by target buyers, marketers improve campaign efficacy / reduce campaign costs.

Figure 2 illustrates how using a unified view of customer data enables companies to go beyond improving their financial well-being and employee engagement, and how it also helps transform CX results.

Figure 2: Firms with Unified Customer Views Enjoy Superior CX Performance Improvements



Source: Aberdeen, May 2021

Firms with unified views of customer data enjoy 5.7x greater YoY increase in customer satisfaction rates.

Organizations aren't the only ones who benefit from having a unified view of their customer data – customers feel it too. Figure 2 shows that **firms with a unified**

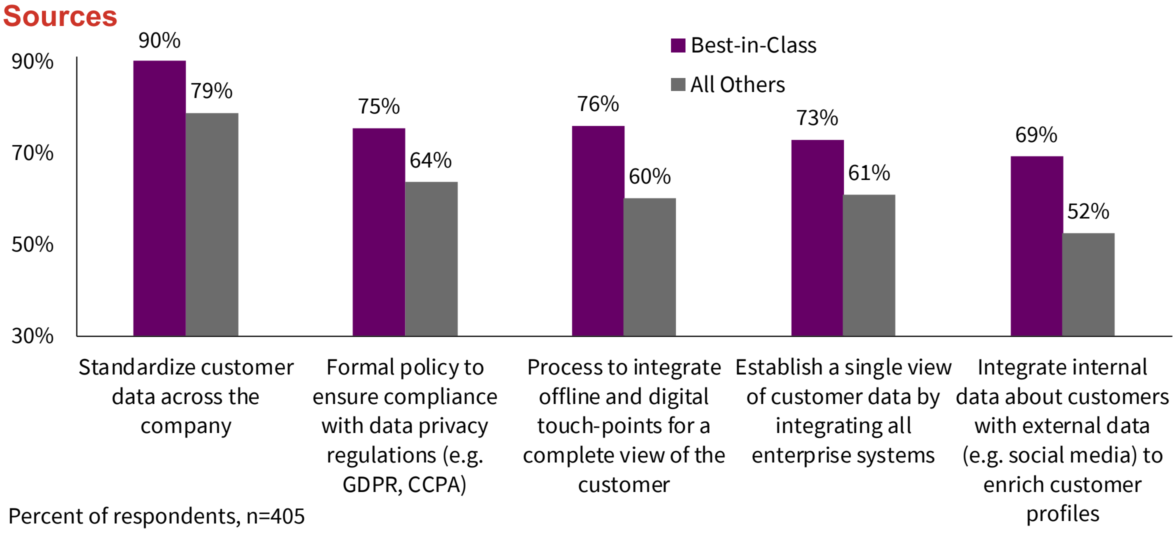
view of customer data enjoy 5.7x greater YoY increase in customer satisfaction rates (12.5% vs. 2.2). Happy customers are more likely to maintain their spend with firms addressing their needs. Indeed, data shows that firms with unified views of customer data also enjoy a remarkable 70.0x greater YoY increase in customer retention rate – a strong validation of the loyalty of their clientele (7.0% vs. 0.1%). In addition to maintaining their spend, those buyers of firms with unified customer views also grow it over time.

Customer lifetime value is a measure that reflects the total spend a buyer makes with a firm through the course of relationships with that firm. Figure 2 shows that **firms using unified customer ID enjoy 8.9% greater YoY increase in this versus 1.9% YoY shrinkage in client spend**. Once again, knowing the unique needs of each buyer, mapping their journeys, and using the right tactics to tailor future conversations collectively contribute to firms with unified customer data achieving such strong results.

How to Use Unified Customer Data to Drive Better Business Outcomes

Connecting customer and operational data isn't the only activity firms need to use to achieve the results in the previous section. Using these insights in an effective manner is equally important. Analyzing the activities more widely used by leading firms that exploit unified customer data to its full potential (Best-in-Class firms – see sidebar) reveals that these savvy firms are more likely to build and maintain a competitive advantage. Figure 3 shows that they are 14% more likely to standardize data across the company (90% vs. 79%). This helps make it easier to connect data captured across different business units, channels, etc. for a **unified customer ID – a necessity to bridge data silos and building a 'single version of truth' across the whole business**.

Figure 3: Top Performers Have A Seamless View into Customer Data Across All Sources



Percent of respondents, n=405
Source: Aberdeen, January 2020

Best-in-Class Results

Aberdeen used five metrics to gauge organizational success in using data to achieve superior levels of omni-channel CX success. Those five metrics and the performance of Best-in-Class firms (top 20% of firms) vs. All Others (remaining 80%) across them are as follows:

-Customer retention rate: Best-in-Class: 80% vs. All Others: 53%

-YoY improvement in customer satisfaction rate: Best-in-Class: 35.35% vs. All Others: 2.5%

-YoY improvement in annual company revenue: Best-in-Class: 33.1% vs. All Others: 5.8%

-YoY improvement (decrease) in response time to customer requests: Best-in-Class: 31.0% vs. All Others: -0.7%

-YoY improvement in customer profit margin: Best-in-Class: 23.0% vs. All Others: 1.6%

Figure 3 shows that top performing firms are 20% more likely to have already established a unified view of customer insights, allowing them to enable employees throughout the business to view the same data on customer journeys at the same time (73% vs. 61%). In turn, this makes it easier for them to ensure the consistency and personalization of interactions which are hallmarks of modern omni-channel programs.

Data privacy regulations are an important factor firms must keep in mind when using insights available through internal and external sources. These regulations (e.g., GDPR, CCPA) govern how firms can obtain data, how they can use, and even how that data must be disposed. It's imperative that CX, marketing and other business leaders work closely with IT leadership when building and maintaining a program for unified views of customer data. Such a collaborative process helps leverage the skills and knowledge of IT to ensure compliance with evolving regulations. In turn, it helps firms minimize regulatory compliance risks while exploiting opportunities to best leverage connected customer data. Figure 3 shows that Best-in-Class firms that lead the way in using unified CX insights are 17% more likely to have this capability (75% vs. 64%).

A closer look into the activities used by top performing firms also reveals that they understand the nuances of customers using different channels as part of their journey interacting with businesses. To this point, findings from Aberdeen's *CX Executive's Agenda 2021* study shows that 50% of firms use at least 10 channels to interact with clients. While the specific channels used by each firm varies, many firms use a rich set of channels for various purposes. For example, a retailer can use in-person interactions in-store to sell products to local buyers while using the company mobile app or online store to sell the same products to a larger set of buyers living in other geographic locations.

Considering that consumers have different choices when shopping (and seeking support), having built a unified view of customer insights allows Best-in-Class firms to determine consumer shopping channels of preference, and adjust product availability, marketing, and supply chain activities accordingly. Indeed, Figure 3 shows that Best-in-Class firms are 27% more likely to integrate offline (e.g., point-of-sale (POS) data) with online data (e.g., online store or mobile app) (76% vs. 60%). They are also 15% more likely to integrate internal data with external insights (e.g., customer-generated social media content, weather, economic, and social events) to build and maintain a richer view of customers to optimize future activities when managing customer journeys (69% vs. 52%).

Key Takeaways

The cost of time wasted on customer touchpoints that don't reflect a complete view of the customer profile has a significant impact on firms of all sizes. Investing in the tools and technology that maximizes an organization's view into customer data helps companies maximize their performance in areas such as employee engagement, cost savings, and company revenue. The findings revealed throughout this brief validate that these are all areas where firms using customer data unification capabilities excel.

As such, if you don't currently have such unified views of customer data, we highly recommend that you consider building the capabilities needed to help you align your activities with that of the Best-in-Class firms that enjoy superior performance results. If you're currently aiming to build such unified views but struggle where and how to get started, then we highly recommend you implement the activities widely used by Best-in-Class firms (see previous section). Following the lead of top performers will shorten the time it takes to build and maintain unified customer ID throughout your business. Ultimately, your organizational commitment for building a unified view of customer data paired with activities designed to achieve that will provide the high-octane fuel each organization needs to rapidly detect and adapt to changing customer needs and business conditions.

Demographics

Below is a brief industry breakdown of the partipants of the survey used for this data analysis:

Retail, CPG, & Hospitality: **28%**

Professional Services: **11%**

Financial Services & Insurance: **9%**

Manufacturing: **7%**

Education: **6%**

High-tech: **6%**

Food & beverage: **5%**

Healthcare: **4%**

Other: **24%**

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen Group is headquartered in Waltham, Massachusetts, USA.

18344