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Decoding Customer Data

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“DATA! DATA! DATA!” he cried impatiently, “I can’t make bricks without clay.” Sherlock Holmes [Sir Arthur Conan Doyle, “The Adventure of the Copper Beaches]

Even the most evolved Inference Engines, be it the mind of Sherlock Holmes, or state-of-the-art statistics/data mining packages, cannot conclude anything if they don’t have data. For direct marketing professionals, availability of accurate and relevant data is the Holy Grail. The objective of a precision marketer is to make timely, relevant communication whenever possible, and to make ONLY timely relevant communication. This is only possible if you capture (and action on) the relevant customer data.

Customer data can be broadly divided into the following types:

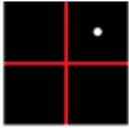
- Customer profile data
- Demographic and geographic data
- Behavioral data
- Psychographic data

Customer profile data: Consists of things like First Name, Last Name, Date of Birth, Gender, Address, Email Address, Mobile Number etc. Customer profile data is crucial because it provides the marketer with contact details (address, email etc.), data useful for personalization (eg. name), and the means for establishing a personal relationship with the customer (birthday/anniversary communication etc.)

Demographic and geographic data: Consists of things such as Age, Income, Customer Location, Tier, Region etc. While both customer profile data and demographic/geographic data are customer attributes, it is worthwhile to distinguish between the two. Customer profile data is useful for actual communication, it can be very rarely used for meaningful customer segmentation. The profile data can be used to create segments such as, ‘segment of all Gemini females’, or ‘segment of all customers whose first name is Rajkumar’, which are generally not meaningful in most businesses. To enunciate the point further, when looking at the date of birth from a customer profile perspective, the actual birthday matters, not the year. Using the same date of birth, one can compute the customer’s age, which then becomes a meaningful attribute for segmentation (by itself or in conjunction with other attributes).

Behavioral data: Taking a cue from Samuelson’s ‘Revealed preference theory’¹, precision marketers believe that a customer’s preferences can be discerned from her purchase decisions. Behavioral customer data generally consists of aggregates derived from transaction data, and other customer interactions (eg. Complaints, inquiries, feedback). Behavioral data is a goldmine for precision marketers to devise campaign segments such as ‘Valuable lapsers’, ‘Customers buying a range of product classes’ etc. To have meaningful behavioral data, transactions need to be tagged with the customer id. For companies that have an online presence, web browsing data (from cookies), or email response data can be used to get additional insights into customer behavior.

Psychographic data: Psychographic data considers the customers’ lifestyles, attitudes, activities etc. Psychographic data can be used to get additional insights into the customers’ preferences. It can be used to answer questions such as ‘are the customers ready to try my new product?’, ‘what would be the right forum for me to communicate with customers with a particular message?’. Capturing psychographic data can be a costly, and time consuming affair, requiring surveys, focus groups, call-outs etc. Also, it can be challenging to map psychographic data to particular customers. Psychographic data is generally more useful to understand customers’ preferences at a macro level, than to understand the preferences of particular individuals.



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How does one go about capturing data?

No easy answers here, but one can go about doing this incrementally. The first essential step is to have a unique identifier for every customer. This could be a system generated customer id or mobile number, email address etc. This unique customer identifier needs to be tagged against all transactions (or other interactions) for the customer, which then enables aggregation at a customer level. Customer profile, demographic, geographic, psychographic data needs to be elicited from the customer (possibly with some incentivization). This activity needs to be approached differently by online and offline businesses. For online businesses, some of this information can be elicited from the customer at the time of registration. For brick-and-mortar businesses, the point of sale person is crucial to the data capture process. Their performance in data capturing needs to be tracked and monitored. Other common techniques used to capture customer data are call-outs, profile update mailers, customer surveys.

Data Hygiene

It is better to have no data than to have incorrect data. In the zest for capturing more data, one can make certain profile fields mandatory. However, this is a double-edged sword. Sometimes, customers might not want to share certain data (eg. Income), or may have insufficient incentive to share accurate data, but would still need to fill in something in order to complete the process. This can lead to situations such as an inordinate number of advertising professionals, or people whose birth-date is 1/1/1900. An action taken based on incorrect data can actually harm the relationship with the customer. Data cleaning processes (programmatic and manual) can help ameliorate such situations. However it is best to involve the customer in this process, by providing her with some benefits- monetary, recognition, or best of all- through relevant communication based on available data. For both online and offline businesses, transaction data is usually the cleanest type of data, and therefore a good place to start the process of engaging the customers (as long as they can be contacted).

Conclusion

Knowing the customer is essential for a precision marketer to engage the customer with timely relevant communication. The customer data enrichment process is best carried out incrementally, taking action based on the available data, but also having a long term view of the entire process.

References:

1. Samuelson, Paul, 'A Note on the Pure Theory of Consumers' Behaviour', *Economica* 5:61-71, 1938.