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## KNOW AND NURTURE YOUR BEST CUSTOMERS, AND FIND OTHERS LIKE THEM

### A Data-Driven Way to Compete Without Leading on Price, Innovation or Distribution

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Tim Suther

Blogs are full of descriptions of the next "iPhone killer" or "iPad alternative." Other capable smart phones or tablets exist, but [Apple](#) has come to define these categories. And while innovation abounds outside Apple, it's a steep challenge competing with the company that has seamlessly merged electronics with lifestyle.

Similarly, any business that challenges [Walmart](#) for price leadership will likely find itself looking to replace lost customers (or find a new business model). Successfully challenging retail's every day low-price leader is a long-shot.

Fortunately, winning does not require being the best innovator, or having the lowest prices or broadest distribution. You can be "good enough," provided you find another basis for winning. There can be only one innovation, price or distribution leader in a market, but competitors can create sustainable differentiation by becoming customer centric. In an era of unparalleled choice (and information about those choices), this is likely to be the preferred strategy.

Customer-centric means more than putting customers first or providing great customer service. Every customer deserves great service, but those who offer more value to your firm deserve greater. Customer centricity means investing in proportion to predicted customer value, then using data science to optimize value at every interaction. Customer-centric firms seek an optimal balance between the value delivered to the customer now and that accruing to the firm over time.

Many companies see top customers worth 5 or even 10 times average customers. Customer-centric firms calculate and use the potential value of customers to guide investments in product, service and marketing, starting with the customers they already have. Even the best customers are probably spending most of their time interacting with other brands, yet most firms **under-invest** in existing customers. A [recent study](#) by loyalty360 showed that 60% of marketers invest 20% or less of their budgets to nurturing customer relationships. In an era where consumers choose when, where, how and if they interact with brands, it's dangerous to invest so little.

The era of unparalleled choice and information has had, on balance, a negative impact upon margins and loyalty. But some of the damage is self-inflicted, grounded in poor acquisition tactics. Price incentives are used far too frequently and indiscriminately. Customer-relationship management investments remain grossly underutilized in media decisions.

The best way to improve loyalty and margins is to profile and focus on customers and prospects who have (or are likely to have) high value and brand affinity. As an example, we've seen customer-relationship data used to more than double the cost-effectiveness of TV advertising. Not all 18-34 year old women think, look or act the same; TV-media buyers can use this data to understand those differences to dramatically improve cost per acquisition. Data science guides the customer-centric interaction—the product, the service experience, the creative, the offer—everything with an eye for driving maximum value over time.

Acxiom's research shows that customer-centric firms usually see a 10 to 15 percentage point improvement in gross margins. Investing in proportion to customer value ensures that your most valuable relationships grow faster and more profitably over time. If you focus more on your best customers, fewer of them are likely to leave. And using the profiles of great customers to drive acquisition ensures that fewer unprofitable relationships are acquired in the first place. Some may bemoan acquiring fewer new accounts, and that is understandable. However, unprofitable new relationships destroy value, they don't create it. Customer-centric firms would rather invest in relationships that drive the most long-term value.

In the end, innovation comes and goes. A better price, in stock, is just a click away. But customer insight gets only better over time. Using it intelligently can level the playing field and create new sources of advantage.

#### ABOUT THE AUTHOR

Tim Suther is chief marketing officer and senior vice president of Acxiom.