

Chapter 9

Customer Intelligence as the Powerful Means for Turning Information into Profit

Sanda Renko

University of Zagreb, Croatia

ABSTRACT

Increasing competition and decreasing customer loyalty forced retailers to obtain accurate information about customers' existing and future needs, their profitability, behaviour, and trends in purchasing. Due to the rapid advancement in technology, retailers have easy access to vast amounts of information about their customers. They can collect and manage customer data and understand their behaviour patterns. The main purpose of the Customer Intelligence is to provide insight into customer's needs, attitudes, and behaviors towards particular retailer, and all elements of its business as well. In such a way, the retailer is able to build deeper and more effective customer relationships and to improve company's strategic decision. This chapter focuses on different aspects of Customer Intelligence and the growing interest and importance for its implementation in the praxis. Moreover, the chapter is trying to clarify some misunderstandings of the concept. The study conducted among retail companies dealing with ICT equipment and services on the Croatian market pointed out that Customer Intelligence provided retailers with a successful decrease of the rate of customer defection and a increase in revenues generated by customers.

INTRODUCTION

Rapidly changing industry dynamics forced companies to be market oriented and to get to know their customers as better as possible. Regardless of the size and the type of the industry, businesses are trying to find a way to discover all the facts

about their customers and to improve their knowledge about them. It can help companies to deliver higher added value to the customer, because only those companies that follow well known slogan "customer is the king" can be the successful ones. Today, all functions of a company work together to respond, to serve and to satisfy the customer and the customer is at the centre of the company. In addition, the rapid growth of new technologies

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and Internet has greatly increased market opportunities for companies and has transformed the way how relationships between companies and their customers are managed.

Retailing is recognized as one of the most dynamic industries and the situation on the retail market has dramatically changed over the last thirty years. Retailing companies face many challenges: increasing information availability, more critical, more selective and sophisticated customers, the increase in the number of products and services offered, the number of retail formats, etc.

That increasingly dynamic retailing of the twenty-first century forces managers to monitor, to understand and timely respond to their customers. In such a situation, the most important competitive tools are timely and effective information which give detailed understanding of the experience customers have in interacting with a retailer. The extensive body of work indicates that IT solutions have helped companies to focus on customers and to build relationships with them (Apte, et al., 2005; Davenport, Harris & Kohli, 2001; Novo, 2001; Qiu, Li, & Wu, 2008; Phan & Vogel, 2010; Rubin, & Leigh, 2001; Speier, & Venkatesh, 2002; Trim, & Lee, 2006). This chapter focuses on the Customer Intelligence which is the process of interacting retailing companies with customer services, accounts payable, and all customer activities, in order to build deeper and more effective customer relationship. The chapter begins with the theoretical background where the insight into definitions of Customer Intelligence, motives for implementing it, benefits of its usage, the discussion about the necessary information technology, etc. is given. The review of the available literature showed a lack of consensus regarding the most appropriate way in which Customer Intelligence should be defined because it has been identified with Customer Relationship Management very often. In an attempt to explain the true meaning of Customer Intelligence, the review of the literature from the domain of Business Intelligence and customer relationship management was

conducted, too. Aside from published academic papers, articles posted on key CRM portals and the top CRM software manufacturers and providers (e.g. Oracle, SAS) were evaluated. Additionally, relying on the study conducted among retailers in Croatia, the chapter considers the technology which allows to storage and to maintain with information about customers, the impact of the Customer Intelligence implementation on the customer loyalty and on the level of customer retention as well.

THEORETICAL BACKGROUND

In the early twentieth century, retailers had no problem in managing their relationships with customers because they had fewer customers than today and most of them were local. Recordkeeping was done in the retailer's head or in a simple ledger (Seeman & O'Hara, 2006). Selling places looked like friendly establishments where retailers knew who their customers were. Retailers were well-informed about customers' preferences. They listened to what their customers wanted, and continuously changed business in ways that reflected their customers' changing preferences. As last few decades have seen the growth in retailing formats and Internet, companies have accumulated large amount of data from various channels. Retail managers are concerned how to reduce these data into manageable amount of reliable and useful information for decision making. At this point we come to the concept of Customer Intelligence. The author of "Customer Intelligence: From Data to Dialogue", Kelly (2006) identified that the first stage of customer information utilization lasted from the 1990s till 2000, although very many business are still mired in the first stage. The second stage began in the 2000s when retailers stopped with monitoring and recording customer data and started with communicating with their customers.

One more comprehensive explanation of the term is given with following sentences by an ex-

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