

DEVELOPING CUSTOMER CENTRICITY IN THE TRAVEL INDUSTRY

Part 2: Understanding your customer

Background

This is the second in a series of four white papers which discuss the concept of customer centricity in the travel industry. To discover more about the different approaches, Ellion contacted twenty leading Customer Relationship Management (CRM) and Business Intelligence companies to engage with their commercial and technical staff and identify a selection of 'best fit' solutions for the travel sector.

The purpose of the series of papers is to introduce the concept of customer centricity and to discuss the practical steps that need to be taken to define, implement and extract value from its application.

This second part discusses how to consolidate all of your customer-related information into a single 'view' and ways in which this can be distributed throughout the organisation.

The full series, which will be published weekly in November/December 2006 is as follows:

Part 1: Strategy

Part 2: Understanding your Customer

Part 3: Implementing the Initiatives

Part 4: The Business Benefits

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Know your customer

A fundamental element involved in introducing customer centricity is the development of a clear understanding of your customers i.e. who they are, what they want, when and how they want it, etc.

Clearly for a business such as yours, which has hundreds or thousands of contacts, you cannot get to know each individual customer. But you can segment them based upon common characteristics. Segmentation is the process of grouping customers to effectively and efficiently meet the unique needs of each subdivision through tailored value propositions.

Where does this information come from?

You probably already have it - located somewhere in your organisation. The chances are it is located in several places and possibly formats throughout the business and possibly beyond.

Knowledge and intelligence can be gained from every transaction between you and the customer. This goes further than traditional analysis of historic bookings and spend to also involve harnessing customer opinion, needs, mood and preferences to build a better understanding of that customer which in turn enables their needs to be considered and met. The basic concept is that at every customer contact point there is something to be learned about that customer:

- When they contacted you
- What they contacted you for
- How they contacted you e.g. telephone, letter, email, website

As well as information on the type and method of contact, there is also the data that customers provide during these contacts:

- Pre-sales enquiry information
- Web saved searches
- Personal data
- Booking data
- Complaint data
- Survey data
- Website statistical data

However it is only possible to extract the customer intelligence and unlock its inherent value if all this information is quickly and easily accessible. The organic growth of IT systems may have resulted in data being stored in disparate technologies, making in-depth analysis impossible without significant development.

In order for you to fully understand your customers and unlock the potential that lies within the information you have acquired about them you need to:

1. Aggregate the data into a central source to allow information to be extracted i.e. create a 'customer view'
2. Develop and implement appropriate technologies to syndicate the aggregated information to the departments and customer contact points that can benefit from it i.e. deliver the 'customer view'

These are the two fundamental principles of 'customer-centricity'.

Creating the ‘customer view’

The optimum method for extracting value from the many and disparate pieces of customer data that you have accumulated is to create a ‘customer view’. This is an aggregate of all known information on each customer. It can be created by consolidating the data at an application level (i.e. linking databases together) or by aggregating all customer information in a central storage facility.

Regardless of the method, the primary requirement is the development of a quality source of all available customer information. This is the first principle of developing a customer-centric infrastructure. Inevitably the processes involved in creating the ‘customer view’ will involve the application of technology solutions.

Extract, Transform and Load (ETL)

ETL is the process by which data is extracted from its source, transformed in some way and then loaded into a new data storage facility.

ETL is the most important process in terms of developing a customer view as it defines the exact nature of the data that will be available for reporting and analysis. It therefore requires careful planning to ensure successful execution on an on-going basis.

This planning must also include the forecast growth in the volume of data:

- All holiday companies are acquiring additional customer data daily
- Inclusion of data from other sources – e.g. Customer complaints, Satisfaction surveys, EPoS data

Before you consider the technology you will use you need to ask yourself the following questions:

- *Where will data be sourced from?*
- *What data will be extracted from that source?*
- *What is the quality of the source data?*
- *How can the data quality be improved?*
- *How will the data be validated?*
- *How will the data be de-duplicated?*
- *How will data from multiple sources be linked?*

Validation

The quality of a customer view and its subsequent value to an organisation is dependent on the quality of the data on which it is based. A comprehensive customer view will take data from several sources making it essential that the data at those sources is of a sufficient quality to support the analysis, reporting, segmentation and extraction required by the business.

There is a well know phrase within IT: “Rubbish in, rubbish out”.

This is based on many years experience of attempting to extract value from computer systems that are not based on a foundation of quality data. The opposite also applies - storing good quality data ensures that better quality information can be derived from it.

Therefore before the data is consolidated it should first be subjected to a series of processes that cleanse it of unwanted records such as duplicates and errors. A series of pre-defined rules need to be defined – your organisation

may already be undertaking some of these disciplines.

One type of rule that can be applied is validation against internal and/or external sources (e.g. post code checking or Electoral Register). This ensures that name and address data is accurate for mailing purposes. Duplicates can also be removed through data standardisation and comparison solutions, again to set rules.

Holiday companies have multiple transactions from multiple customers which are typically entered into a transactional database, from different sources, for example.

- Call centre
- Web channel (direct/agency orders)
- Data loads

It is not always practical to check for an existing record for the same customer at point of entry. This results in many different versions of the same customer existing in the same database. To resolve this, sophisticated de-duplication technology has been developed.

The basis for much of this technology is to 'normalise' the data as much as possible by removing obvious 'test' or 'dummy' records whilst checking against names databases to ensure spellings are correct. Addresses are also validated and checked ensuring that each record is as complete and accurate as it can be from the raw data provided.

The normalised data is then checked with similar records being identified through mathematical algorithms. The more you can do to prevent duplicates at point of entry the better as there is always a manual element to any de-duplication process. This can be defining and maintaining the logic rules or checking records where a single record from the raw data cannot be established.

Some travel companies currently use integration with the Mailing Preference Service (MPS), Telephone Preference Service (TPS) and the Dead Persons Register (DPR) to filter customer details and indicate any records that should not be used for direct marketing (DM).

Recent industry analysis has revealed that many marketing departments only use the DPR facility as MPS subscription is normally used to prevent irritation from non-legitimate mailing sources. Using this to prevent mailings to legitimate 'mailable' customers can affect the profitability of your marketing activity and make customers wonder why you're not engaging them once a relationship has been formed.

Many potential vendors who have implemented solutions for large consumer-facing companies have recommended not using MPS for the following reason: If a company has 1000 potential customers and 250 are registered with MPS they are missing the opportunity to send messages to those 250 customers that could legitimately be targeted with direct mail. This is because by purchasing a product or service from the organisation the customer has opted-in to receive at least one item of direct mail from that company. Because the customer did not explicitly request to receive mail this is called a 'soft opt-in'.

Some holiday companies have very loyal customers who don't complain about mailings because of the 'hard opt-in' approach to data capture, with every customer explicitly requesting mail. This isn't always practical though as it relies on the customer seeing inherent value in receiving mail items (i.e. brand loyal customers) and is therefore only practical for certain types of relationship.

Others receive many complaints about mailings resulting in them using the MPS and TPS services to prevent future mailings to those

customers. However in many cases we have discovered that is a 'knee-jerk' reaction to the volume of customer complaints. Instead of removing viable prospects from the marketing database and incurring the increased cost of recruiting new customers it is much better to introduce responsible DM activity by controlling the level and relevance of mailings per customer. A customer-centric strategy with appropriate technology can assist in achieving this - reducing customer dissatisfaction and converting the customer perception of the brand to a positive one.

Data Storage

Once the data that will form the customer view has been identified and the extraction and transformation routines agreed (the 'E' and 'T' of ETL), the method and exact structure of data storage must be defined. Research has identified several different models for achieving this:

- Development of a central data store (e.g. data warehouse)
- Outsourced data storage
- Interrogation of data at source

From the research carried out it is clear that each of these has its benefits and limitations.

Development of an Internal Data Warehouse

The internal solution involves the development of a central data store hosted on one or more database servers that stores data from multiple disparate sources. The stored data is aggregated and linked, enabling data from any source across the business to be accessed through a single environment.

The process of creating a central customer database can deliver immediate value to other

areas of the business such as sales, customer service and finance through its ability to support analysis, reporting and data mining. By ensuring that the technology used for the data warehouse is suitable for existing applications, data can be accessed without the need for additional software thereby leveraging previous investments in technology.

Value can be delivered by ensuring that every area of the business that requires access to customer data is granted access to the central database which holds the primary version of the 'truth' about each customer. By ensuring that every department works from the same set of optimised data inconsistencies are prevented which in turn prevent inconsistencies in the levels of service provided to the customer.

A central data warehouse would be populated by a series of data migration routines, initially populating the data and then ensuring that it remains synchronised with the source data through regular updating.

In some cases the data warehouse can negate the need for data to be stored in two separate locations allowing existing data storage to be rationalised. This reduces the overall cost of data storage within the business by removing the expense of supporting duplicate hardware and software which may be based on different technologies and require different skillsets - each of which incurs a resource overhead.

The data warehouse can also be developed in complete independence of any technology that may be used for business intelligence - creating a source that is optimised for reporting in general rather than optimised for a particular application. This provides performance benefits to all reporting applications that use the data warehouse as the source.

An internal data warehouse does have limits of scalability. Any company wishing to implement a warehouse of this nature should review future requirements and define at which point it will become inadequate for their data storage needs. This may occur when high volumes of transactional information need to be stored such as EPoS data.

Outsourced Data Warehousing

Outsourcing your data warehouse offers several advantages – the main benefit being financial. Your organisation will not have to make a large initial investment on hardware and software licenses, instead ‘sharing’ the cost of these services with other companies using the same service.

This is also an attractive option if you do not have the in-house capabilities or desire to develop and support this technology. However, the ongoing costs while not capital can be significant e.g. license fees, hosting fees, data loading and account management.

So, although the initial set-up costs are lower, the ongoing expenditure needs careful comparison with the costs of supporting an internal data warehouse if the decision is purely based on total cost of ownership over a fixed period.

Distributing the ‘customer view’

Now you have created your ‘customer view’ what are you going to do with it?

The inherent value of the data you have aggregated can be used to add value by many different persons and departments within your organisation from sales to customer services, marketing and management.

Your customer view therefore needs to be distributed in different forms and formats throughout the organisation such as:

- Core data
- Reports derived from data
- Analytical view of the data
 - Historical analytics
 - Predictive analytics
 - Campaign conversion
 - Customer segmentation

From the perspective of business operations, access to data is the key to achieving efficiency as information often needs to be derived from data within a short timeframe in order to make informed management decisions. This is especially important when reacting to trends.

The nature of the interface between staff and the core data and the ability to configure appropriate levels of access is therefore a key requirement of any solution.

There are a number of ways of syndicating and distributing the customer view. Your chosen solution will typically be one of the following four options and your choice will depend upon the size, complexity and structure of your organisation:

- a) Company Intranet
- b) Bespoke application
- c) Off-the-shelf CRM solution
- d) Integration with existing systems

Company Intranet

It is important to recognise internal as well as external customer relationships when looking at data strategies and company Intranets provide an excellent communication and support mechanism for building these.

Many companies have an Intranet, using it to provide quick and easy access to information that helps their employees to do their job more effectively. As this is often a familiar ‘portal’ of information it can make an ideal location for displaying the customer view.

Targets for improving the availability or format of customer information can also be displayed on an Intranet along with a feedback mechanism to encourage employees to engage in and contribute to the ‘customer-centric’ strategy.

Bespoke Application

The customer view database will almost certainly be a bespoke development as data requirements, structures and strategies are unique to an organisation.

For simple data analysis and reporting or, simply as a proof-of-concept, it may be worth exploring some bespoke application development to deliver immediate value from the customer view without the commitment to a more significant product investment.

However, for even a small to medium-sized company there are many products in the marketplace that provide an excellent return on investment over a relatively short timeframe which we have found to be a more cost-effective approach than gradual development of a similar solution from scratch.

Off-the-Shelf CRM Solution

There are many types of CRM solution, depending on your requirements, from contact management through to revenue and campaign management. Whatever your needs there will be a solution to match, either immediately 'out of the box' or through customisation.

Before selecting a solution it is important to identify what it should deliver. A CRM solution is merely a tool that enables an organisation to achieve its strategy, so it is important to know what that strategy is before approaching product vendors. This will avoid purchasing an excellent solution that doesn't do what you need it to.

When selecting a vendor it is essential that the full range of potential solutions is identified and assessed against your requirements in these areas:

- Business fit
- Technology fit
- Process fit

Other assessment criteria vary between organisations but you may also consider 'industry fit' (similar sized clients/projects), 'cultural fit' (do we share the same business approach?) and 'people fit' (could we build a relationship with this company?).

As well as utilising tried and tested technology a major benefit of using an off-the-shelf solution is that you have access to industry experts, not just in the products they support, but from

implementations across many different industry sectors. They can be a rich source of information that can help to achieve the maximum benefits from the investment that has been made.

Integration with Existing Systems

The optimum method of utilising the single customer view is to deliver it to the people who need it as quickly and efficiently as possible.

The availability of integration technologies now allows operational applications, telephone systems and data storage facilities to work together, empowering front-line roles with immediate access to the information they need.

A recent CRM implementation has achieved this by monitoring the call centre telephone system and comparing inbound telephone numbers to customer records, stored in the 'customer view'.

Even before the call is answered, if a match to an existing customer is found this is used to improve the service they will receive – e.g. if a customer has a history of booking holidays in a particular part of Scotland or has recently been looking at Scotland on the company website they can be routed to an expert in that area, ensuring that any queries can be answered quickly and efficiently.

Likewise, if the customer has a history of complaints they can be routed away from the 'new starter' to a more experienced team leader.

When the call is picked-up Computer Telephony Integration (CTI) technology ensures that the customer's details are displayed to the operator such as:

- Personal details
- Booking history
- Contact history (inbound and outbound)

- Customer satisfaction rating
- Complaints history
- Special requirements
- Preferences

This ensures that the customer's query can be handled in the most appropriate manner.

Once the customer view contains EPoS information through the company loyalty scheme the customer's purchasing habits can also be used to select appropriate offers, further empowering call centre staff by providing efficient up-sell and cross-sell opportunities.

About Ellion

For many years Ellion has assisted some of the biggest names in the UK travel industry to increase yield through developing information management systems, providing systems analysis and business consultancy. During this time the company has built-up significant resources and expertise to advise clients in the travel industry how to exploit emerging technologies to refine their business processes and maximise efficiency, productivity and ultimately their profitability.

Ellion has developed and implemented online booking, reservation and yield systems as well as CRM, business intelligence and marketing systems for some of the largest operators in the UK holiday industry including Bourne Leisure, Haven Holidays, Warner Holidays and Siblu.

For more information about our services to the travel sector including case studies please visit: www.ellion.co.uk/travel.

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