Cognizant

Exactly Who Are Your Customers?

Predictive analytics provides the answers, enabling marketers to create value with consumers – and drive growth for brand owners.

KEEP CHALLENGING™

Executive Summary

Predictive analytics opens a direct, immediate path to consumers, enabling businesses to nurture relationships with customers and even with those who may influence others to purchase their products. The more that brand owners know about their customers, the more relevant – and profitable – the relationships will be.

Code Halos help brands sharpen their relevance.[1] A Code Halo™ is the swirl of digitally generated data that surrounds each of us as individual consumers, and when brands apply predictive analytics to make meaning from these rich sources of information, they can improve marketing effectiveness in four important areas:

- Market awareness
- Brand preference
- Brand influence
- Product development

Decoding Code Halos and developing insights for mutually valuable relationships, however, requires brand owners to look beyond the often sporadic view of the consumer that current methodologies and tools provide. Brand-building through one-to-one relationships requires new analytics tools and fundamental changes to marketing.

This white paper reveals how innovative brand owners are embracing Code Halo thinking by pairing big data and predictive analytics. With predictive analytics solutions like our Consumer Insights Command Center to analyze consumer activity and behavior, marketers can begin to create one-to-one relationships – and put their companies on the road to continued prosperity.

Creating One-to-One Relationships with Consumers

In a world gone social, predictive analytics lets brands in on the conversation. With analytics, businesses can get to know and communicate with their customers as individuals and discover their likes, dislikes, preferences and habits. The connection is a powerful marketing opportunity, and analytics gives it immediacy. Brands can communicate with consumers even as they shop.

That immediacy dramatically alters the conversation, changing the quantity and quality of brand messaging. The more marketers know about consumers, the more they can effectively communicate with them — and the more personalized the messaging can be.

One-to-one relationships, however, are a marathon, not a sprint. What's more, the most compelling narrative to advance relationships isn't always a "buy" message; it's often a value exchange. Brand owners need to shift away from traditional campaigns and 15- or 30-second spots and move toward a fluid application of insights from today's 24x7 streams of information. An example is the free smartphone app from Procter & Gamble's Charmin brand, which promises to help consumers locate clean public restrooms.[2] Rather than directly selling a product, the app serves a need. For consumers, the value is clear — and increases their affinity toward the brand.

By embracing consumers' Code Halos, brand owners can create and sustain this new type of brand value. By generating a unique virtual identity for each consumer through their clicks, swipes, comments and posts, brands can add context and value. They can launch conversations and begin to foster relationships.

Managing and Making Sense of the Data Deluge

Data has long been at the heart of brand owners' new market opportunities. Direct marketing, after all, has traditionally relied on reams of consumer data, such as addresses, household income and credit scores. Marketers knew how many kids consumers had, and the make and model of the cars they drove. But such information is a droplet compared with the tsunami of data points that swell up daily for modern marketers today. And compared with the weeks and months it used to take for consumer input to flow in, analytics now empowers marketers by surfacing patterns and correlations on an up-to-the-second basis. Through analytics, marketers can now understand not just which cars consumers drive, for example, but also when and where they last bought gas and the snacks they purchased while refueling.

Analytics distills the structured data that marketers have traditionally relied on, such as databases, spreadsheets, CRM systems and third-party information, and it brings order to the burgeoning — some might say chaotic — sources of unstructured data, from social media posts, tweets and "pins," to call-center recordings, images and feedback from wearable technology like Fitbits®. With analytics, data has met its match. And for marketers, the result is new consumer intimacy and immediacy.
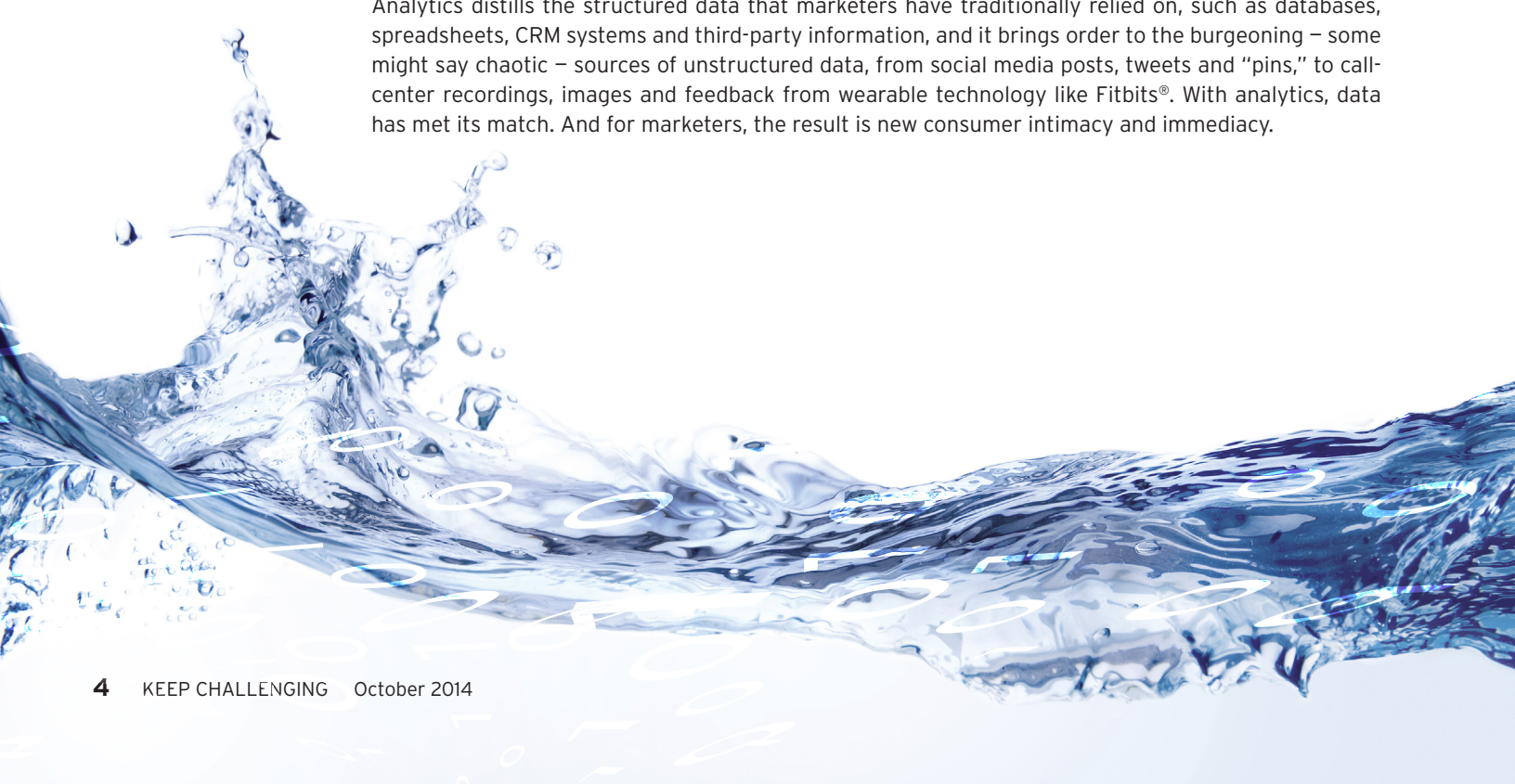
Manufacturers, Meet Your Consumers

Putting analytics to work in brand-building and one-to-one relationships in this more intimate, immediate environment, however, requires new tools and fundamental changes to marketing (see sidebar, page 9). Many marketing budgets fail to reflect the shift and remain weighted toward traditional media. But to make use of consumer Code Halos, brand owners need to develop a more holistic view of consumers that continues to sharpen over time.

Take product sampling, for example. Distributing samples used to be as close as brand owners got to shoppers. Companies traditionally spent millions of dollars on mass-mailing samples or handing them out at retail locations. Doing so can be an expensive leap of faith — and typically the end of a potentially profitable relationship with consumers.

With analytics, it is the beginning of the relationship. In a departure from traditional blind sampling, brand owners are drawing on more refined data to get their product samples into targeted hands. TaylorMade-Adidas Golf, for example, built up a wealth of new details on prospective customers — right down to their golf handicaps — when it blended e-mail marketing and social media to distribute samples of its newest golf ball.[3]

Once marketers get their samples to more qualified consumers, analytics can become a game-changer. By choosing more receptive audiences for samples, marketers gain permission to engage with consumers.

Some manufacturers are forging new partnerships to zero in on prospects. Unilever is venturing into so-called "smart sampling" by partnering with e-commerce clothing retailers Beyond the Rack and Coastal.com to tuck samples of its high-end hair products into shipments to buyers of higher end clothing.[4]

Once marketers get their samples to more qualified consumers, analytics can become a game-changer. By choosing more receptive audiences for samples, marketers gain permission to engage with consumers, follow up with them and foster relationships. Would the individual recommend the product to friends and family? Would she post about it in social media? Would he buy it in stores?

By probing Code Halos for additional consumer information, marketers can identify their products' relevance and begin to quickly determine a consumer's lifetime value for the brand. They can evaluate how much individuals will contribute to the brand's success, and whether they want to continue to invest in them. Analytics can also surface audiences that marketers had never considered.

Leveraging Smart Objects, New Partnerships

Mastering analytics is key for brand owners because new product ecosystems will soon churn out even more data-fed opportunities. "Smart shelves" that employ RFID tags are being developed to measure shoppers' interest in products and tailored offers, and then relay the information in real-time to manufacturers. Global snack company Mondelez International is testing sensor-based shelves that can determine a shopper's age and gender.[5]

In consumers' homes, a wave of innovations is leading the way to the so-called "connected home." The Amazon Dash electronic wand lets customers of Amazon's grocery service create online shopping lists by scanning bar codes of items in their home.[6] Google hopes that its recently acquired smart-home automation platform, Nest, will become the de facto standard among household data-sharing devices, and it recently launched a developer program for other companies to tie in with the device. Early signers include Whirlpool and Chamberlain, maker of garage-door openers.[7]

By embracing Code Halo thinking, brand owners and retailers are undertaking new forms of collaboration – and finding new ways to mutually benefit. Home improvement chain Lowe's, for example, shares its POS data with manufacturers to help them more quickly uncover inventory and merchandising issues.[8] And with its recently announced digital marketing platform called the Walmart Exchange, the discount giant envisions generating relevant data for its suppliers that it hopes will result in savings that they can pass along to shoppers.[9]

Putting Data to Work — and Monetizing It

Most brand owners are taking their first steps toward pairing big data with predictive analytics. To engage and create value with consumers, they are mounting hashtag campaigns, running ads on new-media sites like Instagram, and measuring impressions, click-through rates and conversions.

While this is a good start, analytics' real benefit for brand owners is in using the metrics to predict future behavior. With analytics, marketers can cross-tab participants in the hashtag campaign with product purchases, for example, and then anticipate their shopping patterns to shape product marketing. Or they might forecast growth in conversations related to current events and then experiment with creative real-time marketing.

The goal is to convert metrics into better acquisition and retention rates. Viral hits produce a spike of interest – who didn't like the infamous Oreo SuperBowl tweet? However, if marketers place too much emphasis on creating these events, they will be distracted from the bigger picture: Focusing on the customers who want to interact with them. The mission is to create sustainable consumer relationships, so rather than crafting splashy individual moments, marketers need to continue listening to consumers, learn from them and optimize their efforts. When they do, the important moments occur organically.

Four Ways for Marketers to Benefit from Predictive Analytics

The more brand owners know about customers, the more productive — and profitable — their relationships will be. Analytics introduces a more scientific approach to marketing, but successful marketing is still about following the fundamentals: Be engaging and relevant, or customers will walk away.

Here are four important areas in which predictive analytics can improve marketers' effectiveness and help them create value with consumers:

Develop Brand Awareness

For most consumer-facing companies, the need to maintain a high profile for the brand never goes away. Market share is always a priority.

For example, after Clorox discovered it could boost sales by mining Twitter chatter during the cold and flu season, the company began delving into data in even more sophisticated ways.[10] It identified Zip codes with a high volume of flu-related tweets and mapped them to thousands of store locations that carry its products. It then contacted the stores to ensure they had enough product on hand. As a result, Clorox sold 30,000 additional cases of disinfecting wipes to six states most affected by the flu.

Warm weather is equally inspirational to marketers – and suited to analytics and real-time messaging. Looking to quench more thirsts, Molson Coors Brewing Company built a digital advertising tool for two brands that it markets heavily in the summer, Coors Light and Molson Canadian Cider.[11] The tool linked to Weather Underground, an online forecasting service, and used the service's coding to check the weather of eight Canadian cities every 15 minutes. When temperatures rose, the tool triggered delivery of Facebook mobile ads that mentioned the balmy weather.

Molson Coor's metrics found that in addition to supporting more refined consumer targeting, analytics increased its media ROI. Its weather-targeted ads boosted engagement and click-through rates.

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Because greater engagement with Facebook ads leads to lower cost-per-click, Molson Coor's cost-per-click rate was 67% lower for the weather-related campaign than for generic ads.

- **The upshot:** Predictive analytics gives marketers a powerful new tool for staying front and center in consumers' minds. It also creates timely awareness in ways never before possible. Marketing tools have changed, and marketers' thinking has to change accordingly.

Shape Brand Preference

How devoted are consumers to your company's products? In today's hypercompetitive marketplace, complacency is not an option. Case in point: Apple, long the gold standard for innovation, saw its brand preference rating fall significantly in 2013, according to a study by market research firm Strategy Analytics.[12]

Apple posted the steepest decline of the 21 technology brands in the survey, slipping markedly among the young and affluent consumers who make up its core customer base. Strategy Analytics attributes Apple's fall to its lack of new products.

Predictive analytics is a key weapon in companies' efforts to build demand. To re-energize sales of its flagging Vegemite brand in Australia, Kraft sought to make sense of social media conversations about the venerable spread for crackers and bread. It analyzed 1.5 million posts on social networking sites, blogs, message boards and online news and found Vegemite had notched 479,206 mentions in 38 languages.[13]

Digging more deeply, Kraft discovered that consumers were using its famous product in unexpected food combinations that reflected local culinary styles. It capitalized on the revelation with a highly successful campaign that featured the iconic product's versatility – and lifted Vegemite sales 5% over the previous best year.

Zeroing in on shopper preferences is The Kroger Company's mission. The Cincinnati-based supermarket chain turned to predictive analytics to drive traffic to its more than 2,400 stores – and to hone marketing messages for its own private-label brands, which drive 25% of the company's sales dollars.[14]

Personalization is Kroger's credo. It refers to the 11 million pieces of direct mail that it sends to consumers every quarter as "snowflakes" because the goal is to customize each offer so that no two are the same.[15] Understanding customers as individuals and not just demographics has paid off: Within six weeks of a mailing, the company estimates that 71% of recipients will redeem one of the coupons.

- **The upshot:** Strengthening brand preference and growing it into brand loyalty is a key advantage for marketers that adopt predictive analytics.

Cultivate Brand Influence

Social media's rapid uptake opens laser-like opportunities for marketers to identify brand influencers. By reaching out to tastemakers, marketers tap into social networks that distribute their messages for them – and do it much more effectively. Ninety-two percent of consumers say they trust earned media, such as recommendations from friends and family, above all other forms of advertising – an increase of 18% since 2007, according to a Nielsen survey.[16]

Combing through social-media sentiment to find brand advocates is becoming an essential tactic for all consumer-facing businesses. Marketers of the *Harry Potter* film franchise, for example, used

predictive analytics to identify just 43 individuals who drive the majority of shared conversation about the wizard fantasy.[17]

Hotel chain Ritz-Carlton regularly analyzes social media conversations to drive conversions: It reaches out to people who have never stayed at its hotels and express concern about the cost.[18]

Upstart makeup company NYX Cosmetics is a role model for real-time, two-way interactions with customers. Acquired in 2014 by L'Oreal, NYX (rhymes with "six") considers its participation in online cosmetics communities to be a key marketing strategy.[19] It even created a high-profile vehicle, the NYX Face Awards, to recognize and advance the efforts of the video bloggers who help promote its products and reign as its most prized influencers.

Understanding the metrics behind the media is key, a former NYX executive told Web site ReelSEO.com: "It's your back-end analytics that you really need to pay attention to, and target that right market and know your sweet spot."[20]

- **The upshot:** By understandinging peer-to-peer influence, marketers can pinpoint the social movers and shakers who help shape grassroots opinions. Then the real relationship-building begins.

Collaborate on Product Development

Analytics feeds brand owners with more accurate models of customer behavior. The result? Smarter product development that delivers goods that the market wants.

Marketers are already leveraging social media and online focus groups to realize the potential of communicating with consumers. Analytics takes that one step further. It empowers brand owners to tease new product ideas out of streams of data, whether the goal is line extensions or innovative new products.

It also paves the way for greater co-creation, enabling companies to collaborate with customers early in the lifecycle and during product development. Co-creation is an opportunity for every consumer-facing company. Starbucks' refillable cold cups, splash stick and various menu items all began as customer suggestions to its My Starbucks Idea Web site. From 80,000 submissions in the first two years, Starbucks implemented more than 100. That's close to one new, customer-driven idea every week.[21]

- **The upshot:** When it comes to creating value from insight, predictive analytics has the potential to provide an important advantage for product development.

Looking Ahead: Four Steps to Adopting Predictive Analytics

How can your marketing organization begin using predictive analytics to create more insightful strategies? Here are four steps you can take to start joining the conversation and fostering relationships:

1. **Promote a cultural shift in how your organization engages consumers.** The "mass marketing machine" continues to be an institution within most brand owners. But marketing has moved from 15- and 30-second spots to a 24x7 communications cycle. To realize the business potential of one-to-one consumer relationships, start making the cultural shifts necessary to evangelize the power of individual consumer relationship. Examine how your company can respond in a relevant way to always-on customers connected by multiple channels.

2. **Begin acquiring an advanced understanding of consumer behavior via analytics and predictive modeling of consumer data.** Your company's ability to analyze, generate insights and apply the insights within marketing programs is the key to developing meaningful consumer relationships. So is mastering new predictive analytics tools. Typical measures of marketing effectiveness are backward-looking, while predictive analytics techniques look forward. This requires marketers to move beyond traditional methodologies and aggregated tools for data and instead adopt formats

≡Quick Take

New Tools for the Art of Marketing

With predictive analytics, the art of marketing becomes personal and immediate. Our Consumer Insights Command Center (CICC) makes that possible. The CICC combines the power of the Clarabridge Intelligence Platform,[22] which scans and scores millions of social media entries, with Cognizant's Advanced Analytics Engine, which monitors KPIs and provides adaptive benchmarks determined in conjunction with the client's marketing team.

As an integrated whole, the CICC platform decodes consumer and product Code Halos by analyzing all dimensions of consumer activity and behavior. Using natural language processing, it can process unstructured data as quickly and accurately as structured data (see our four-step approach to big data in Figure 1).

Applying CICC's predictive analytics uncovers new insights and possibilities. The marketing team for a laptop maker, for example, could discover that while a particular customer loves the system's graphics and

CPU, she considers the vendor's Web site difficult to navigate and its shipping costs excessive. In addition, during a store visit, she found the wait time for service too long and the staff uninformed.

As a result of those insights into the customer experience, the laptop maker might restructure its Web site to provide a more intuitive experience and collaborate with the retailer to schedule additional staff during high-traffic hours.

Marketers could also use the CICC data to predict whether others in this customer's demographic similarly value the laptop's graphics and CPU and whether prioritizing the features in future products will boost sales, or whether that is better done by reducing shipping prices.

(For more information, download our white paper, "Customer Insights Command Center Speeds 'Just-in-Time' Marketing.")

A Four-Step Approach to Convert Big Data into Insights

1 — Data Capture
- Siloed
- Structured
- Unstructured
- Social media
- Internal sources

2 — Data Cleanse
Captured data is aggregated and cleansed. The CICC solution then classifies data, structures insights and creates sentiment measures.

3 — Analytics and Run-Time Engine
With the CICC's custom analytic models, benchmarks and KPIs, clients can begin applying predictive analytics to their marketing efforts.

4 — Interactive Reporting
Marketers can tailor automated reports by brand, topic, issue and event.
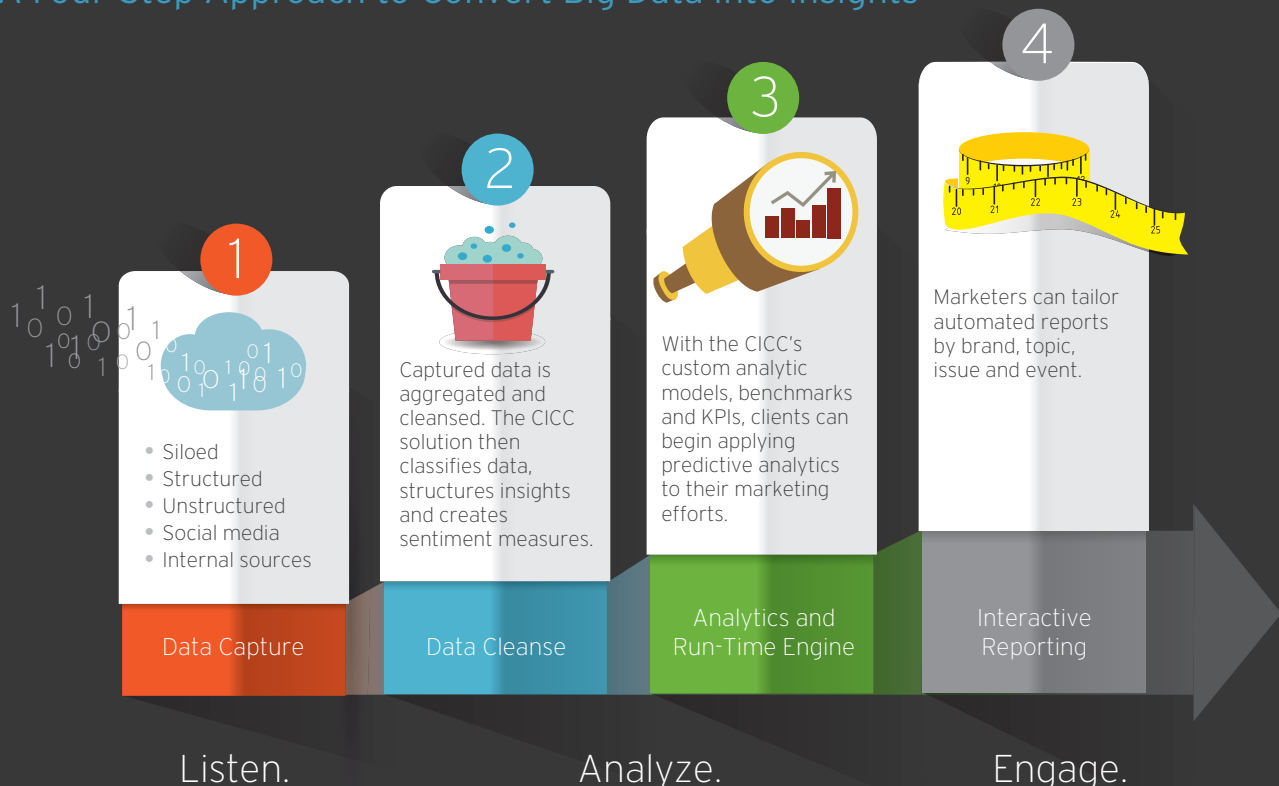
Listen.　　　Analyze.　　　Engage.

Figure 1

that allow them to be predictive and take action. Being familiar with the tools is only the start; using them to build customer relationships is the next step.

3. **Test, learn and optimize.** Today's influx of insights allows for more innovative methods of engagement and high-impact creative. For example, how can you connect with in-store customers through mobile channels? Be willing to test new outreach models like smart shelves and connected-home devices. Keep in mind that success and failure provide equal insights and opportunities to optimize your marketing program. Risk is inherent. Don't fear it.

4. **Plan beyond the initial consumer engagement.** It's a post-campaign world. Gone are the days when marketers' programs consisted of, say, planning five spots in advance. Marketers today need to think about long-term engagement. Apply the steady stream of consumer insights to constantly explore new methods of adding value to the relationship.

Footnotes

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22 Clarabridge is a leading provider of customer experience management and social analytics solutions. To learn more about the Clarabridge Intelligence Platform, see http://clarabridge.com/customer-experience-products/clarabridge-intelligence-platform/.

About the Author

Angus Burgess is a Senior Manager within Cognizant Business Consulting's Marketing, Sales and Insights Practice. He is responsible for driving strategic client initiatives, focusing on digital marketing, social media strategy and analytics, eCRM and digital analytics. Angus has over 20 years of marketing experience and has for the last 18 years focused on digital marketing. He started his career in direct marketing, then progressed into digital marketing as the Internet was breaking new ground as a communication channel and evolving into a social and commercial platform. Applying his digital expertise, Angus has developed strategic digital initiatives that have become the foundation for an organization's approach to digital marketing. He can be reached at Angus.Burgess@cognizant.com.

Acknowledgments

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 75 development and delivery centers worldwide and approximately 187,400 employees as of June 30, 2014, 2014 Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.

World Headquarters

500 Frank W. Burr Blvd.
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277
inquiry@cognizant.com

European Headquarters

1 Kingdom Street
Paddington Central
London W2 6BD
Phone: +44 (0) 207 297 7600
Fax: +44 (0) 207 121 0102
infouk@cognizant.com

India Operations Headquarters

#5/535, Old Mahabalipuram Road
Okkiyam Pettai, Thoraipakkam
Chennai, 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060
inquiryindia@cognizant.com

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