CUSTOMER ANALYTICS SERVICES TO IDENTIFY AND TARGET HIGH-VALUE CUSTOMERS

Abstract

Does your company clearly know who its high-value customers are?

They spend 3-5 times more than an average customer and bring a significant soft power that provides free publicity to your business. Identifying and nurturing high-value customers should not depend on a hunch. Businesses need specific metrics and an automated system to identify and segment them.

This data is a gold mine for your marketing and sales teams. They can design high-impact campaigns and provide other incentives to your high-value customers, thus reducing your customer acquisition and lifetime value.

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While businesses should treat every customer the same, some high-value ones require greater attention. Market statistics show that 70% of customers buy from a company once. This shows that blind pursuit of new customers without nurturing existing ones is a losing deal for businesses. [3]

High-value customers have a greater Customer Lifetime Value (CLV). They spell free marketing and advocacy for your brand, bringing new customers without spending a dime. This directly impacts your company's bottom line.

The 80-20 rule states that 80% of business comes from 20% of customers. 65% of business comes from repeat customers, and the top 10% of customers spend at least three times as much as an average customer. This means that for every high-value customer lost, you lose the spending equivalent of three average customers.[1]

But is a customer's high value a measure of only the spending capacity?

This post will explain who a high-value customer is and how to identify and use analytics to nurture them for long-term business.

Who is a high-value customer? [1][3]

A high-value customer significantly impacts a company's bottom line over the long term. This impact could be direct financial or indirect through word-of-mouth brand publicity. These customers can influence how others perceive and interact with your brand.

For example, the travel, hospitality, and F&B industries rely heavily on influencers who have a large following on social media. Strong influencers can bring significant business to the brand, which snowballs into further referrals, provided the product or service is top-notch. This high-value customer may not directly buy from the company or contribute financially but can increase business volume.

Another example is high-net-worth individuals (HNIs) in the banking and investment industry. HNIs have significantly higher investment capacity than an average customer. Investment bankers and brokers understand the direct investment these HNIs can bring to their company, and make significant efforts to nurture such clients.

This makes segmenting customers according to their unique habits, behaviours, and purchasing power is important. By tracking the metrics, you can build a high-value customer persona. This will help your marketing team design new strategies to attract and engage with such high-value customers or brand loyalists.

How to identify high-value customers? [1]

Identifying and segmenting high-value customers is a strategic task that requires skill and experience. It is difficult and expensive to keep a highly skilled team in-house. This is why businesses outsource the job to marketing and customer analytics experts with cross-industry experience. Here are some points on identifying high-value customers –

Analyse the key performance indicators

You can identify high-value customers and segment them by analysing KPIs such as customer lifetime value and average recurring revenue (ARR). ARR or purchase frequency shows how often high-value customers buy and how much they spend on each purchase. It is important to choose KPIs that apply to your business only.

Have a solid customer loyalty program

Companies provide incentives and direct discounts for repeat customers. Being in a loyalty program gives customers a sense of being in the 'inner circle', and, thus, privileged. Reports show that customers in a loyalty program will likely spend 5-10% more than those not.

If the customers are making an effort to enrol in the loyalty program, they are likely to advocate for your brand. Some loyalty programs offer referral incentives in cash or gifts to their customers. For example, stock market brokerages offer a fixed percentage out of the brokerage they earn from a customer you refer.

Know that every customer's journey is different

One journey map is not sufficient for all customers. Businesses need a different customer journey map for every segment and circumstance. For example, one customer buys your product online and loves the ease of discovering, comparing, and paying online and the speed of delivery.

Another customer comes to know about you through a friend, walks into your store in a supermarket, interacts with the sales staff, tries on different products, and buys one. This customer may be delighted interacting with your sales staff and the ambience of your shop.

While both customers can be high-value, each has a different journey. Your marketing team must map and re-target them differently.

Review social media and website metrics

Some high-value customers do not spend much on your products and services. Rather, they talk about your business and become brand ambassadors. Social media and third-party review sites are very powerful mediums for free publicity. One viral post can get the brand a lot of attention.

One example is a partnership between Dunkin', a coffee brand, and Charli D'melio, a TikTok influencer. Even if the influencer does not spend anything on the coffee, she is still a high-value Dunkin' customer.

Survey your customers

You can directly ask your customers if you do not track the metrics. While the downside is that customers can choose to not respond to surveys, the upside is that you get unadulterated information directly from the end user.

Net promoter score (NPS) is a metric that tells how likely it is for a customer to recommend your brand to a friend. Customers rate on a scale of 1 to 10 with a text box to give a reason.

Use data enrichment [4]

This helps you identify high-value customers based on a few data points. You can give them a VIP customer journey or provide other incentives. Here are a few examples of data enrichment –

- **Email addresses and social media profiles** – Email addresses reveal all the customers' social media channels. This is called reverse email lookup and gives insights into who your customer is. The lack of social media presence could be a red flag and demand further scrutiny.

  A leading hospitality and hotel company discloses how many destinations a person has been to and how many 5-star reviews they have. This tells that the customer has disposable income and could be interested in buying travel gear.

- **IP address and geolocation** – This information is exact and can give insights into a person's financial status. For example, multiple logins from a plush residential neighbourhood show that the customer lives there and likely has disposable income. The same may not be true for a library in a high-value location, as a customer may be just visiting for work.

  Similarly, geolocations from office districts and low-income neighbourhoods could also give valuable insights.

- **Device fingerprinting** – This is the method of making educated guesses about user behaviour based on the software and hardware they use. For example, someone who signs on to the latest iPhone or high-end laptop will likely have surplus income. If a user changes devices often, it could indicate high purchasing power.

- **Card BIN lookup** – Some credit cards, such as American Express, indicate that you are dealing with an affluent customer. Other prestigious credit cards include the AMEX Business Platinum card, Dubai First Royale Mastercard, and J.P. Morgan Reserve card.

It is worth noting that none of these techniques works well in isolation. It is a combination of two or more metrics that give actionable insights into high-quality customer behaviour and location.

Why do marketing campaigns fail to target high-value customers? [3]

Marketing campaigns that depend on only one metric have a myopic view of the customer base. You must analyse multiple metrics in tandem to get information about high-value customers. Many automated campaigns target only average customers at a price point that does not exist in the real world.

For example, one customer spends $500, the second $50, and the third $120 on your products and services. Many automated marketing campaigns target customers with an average of $223. But such customers either do not exist or are far fewer than predicted.

By creating a customer journey around real-world data, you can target real customers and have higher chances of someone purchasing.

Another reason for the failure of marketing campaigns is that they only focus on the financial spending of the customer but not their soft power. This leads to an endless chase for and spending on finding new customers but not nurturing existing high-value ones.

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You need analytics to outperform your competition for every step of a customer's journey. Analytics can help you design a better pricing strategy, advertising campaigns, and backend processes. Without a 360-degree view of a customer, your efforts could be futile.

Important aspects of customer analytics

- **Customer acquisition** – Behaviour analysis helps you design efficient marketing and sales strategies tailored to high-value customers. By focusing on the needs and expectations of a high-value customer, you can give personalised service, lower acquisition and retention costs, and boost sales.

- **Customer retention** – Analytics show why you have a high customer churn. You can use these insights to develop better customer retention strategies. You can provide personalised service and enable high-value customers to put more faith in your business.

- **Customer engagement** – Personal service is the foundation for successful customer retention. High-value customers love solutions tailored to their needs. Customer experience metrics such as CSAT and NPS help you increase product uptake and build a positive relationship with existing customers.

Customer data you should analyse

- **Transactions data** – Every transaction carries valuable information about the journey of a customer. For example, Walmart analyses past transactions to anticipate the demand for over 500 million item-to-store combinations. Using this data, they can stock the right stores with the right products to boost sales.

- **Product/service data** – This data helps improve customer experience and encourage innovation within the company. Service businesses need

to find relevant metrics that directly impact customer experience at every touchpoint. For example, Toyota uses image analysis to understand a driver's head and hand positions to determine the best seat and belt design that enhances safety and comfort.

- **Web data** – Analytics platforms such as Google Analytics tell you about a website's performance and usage. This includes the demographic data of the potential customer, how much time they spent on a webpage, and the number of pages they visited. This helps boost traffic conversion rates.

- **User-generated content data** – UGC is a powerful medium to understand the customers' interaction with your business. This data could be social media posts, comments, and reviews of various online platforms. UGC analytics indicate the emotion, good or bad, about your brand.

Conclusion

Customers are your assets that can directly impact your bottom line. They can do this through direct spending, online reviews, brand advocacy, and word-of-mouth publicity. High-value customers get you free publicity and connect you with other potential high-value customers through their network.

Targeting, acquiring, and nurturing high-value customers should be a strategic approach through analytics. Companies often outsource the job to experts who understand their business and work closely to fulfil long-term goals.

Outsourcing gets you access to high-quality human resources and industry-leading analytics platforms that are difficult to have in-house

* For organizations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed on organizational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive, yet modular suite of services is doing exactly that. Equipping **organizations with intuitive decision**-making automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, Live Enterprise is building connected organizations that are innovating collaboratively for the future.

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