Customer Insights Services Landscape 2014

by Fatemeh Khatibloo, September 19, 2014

KEY TAKEAWAYS

Customer Insights Teams Have Increasingly Complex Needs

CI pros face a growing number of paradoxes: With every new opportunity to optimize insights and engage with customers, a new challenge also emerges. This trend isn't likely to slow down anytime soon.

CI Pros Look To Services Providers For Support -- But Not All Vendors Can Help Equally

There's a broad range of CI services vendors -- generalists, specialists, strategists, and tacticians -- that can support these new and emerging needs. But these vendors are undergoing plenty of change themselves, so their capabilities are in flux, too.

CI Leaders Must Align Their Resource Gaps To Their Vendors' Capabilities

While the promise of a one-stop CI service provider is highly attractive, the reality is few marketers have been able to take the leap. Instead, they focus on a few strong relationships with providers that deliver a well-rounded -- but relevant -- set of capabilities and expertise.

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Have Vendors Kept Up With Your Changing Needs?

by Fatemeh Khatibloo
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WHY READ THIS REPORT

When we published the first customer insights (CI) services landscape in 2011, the market was in the throes of change. As CI pros were facing the explosion of channels like social and mobile, a plethora of new service providers were emerging with the promise of better customer engagement and marketing optimization. Three years later, have they delivered? Or are CI pros still struggling to find the right partners to navigate the complexities of the age of the customer?

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Notes & Resources

Forrester interviewed 19 vendor and user companies: Acxiom, Allant Group, DEG, Dovetail, eBay Enterprise, Epsilon, Harte Hanks, Havas Worldwide, Inte Q, Javelin, KBM Group, Merkle, MRM/McCann, MXM, OgilvyOne, Quaero, Rosetta, Smith, and SourceLink.

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CUSTOMER INSIGHTS PROS TODAY FACE MANY PARADOXES

The growing complexity of customer insights shows no sign of slowing down. The challenges and opportunities of the role seem to be increasing at a parallel pace: For every new tool, data set, process, or touchpoint there's an opposite risk or obstacle. For example:

- **As the marketing-IT relationship strengthens, CI must rejustify its vendor relationships.** For the past decade, CI professionals have been taking advantage of organizational friction to assemble a suite of service providers that bridge the gap between what the CIO's organization can provide and what marketing needs. But things are changing: Marketing and technology leaders are working together to define business technology (BT) agenda items, such as organizational priorities, and to ensure that the firm is leveraging the right tools and services. As a result, technology managers and procurement teams are asking CI leaders to rationalize their services vendors anew.[1]

- **New channels offer new ways to engage — if you have the right service provider.** At the same time, the number and types of customer touchpoints are exploding — mobile and social are just the tip of the iceberg. But as hard as it is for organizations to tackle these new channels on their own, it's also proving challenging for some legacy vendors as well. This has created a new market for disruptive marketing solution startups and their eventual acquisition by much larger enterprise marketing vendors.[2]

- **Better personalization and targeting opportunities also create new privacy demands.** As individuals become more connected, they expect brands to make data available at any moment, and they demand more relevance and personalization.[3] But better personalization means that companies must apply predictive analytics to increasingly personal data — and that comes with some privacy risks.[4] CI pros are facing new questions from their chief marketing officers (CMOs) and chief privacy officers (CPOs), but they rarely have satisfactory answers.

- **The ability to connect data sets is growing, but using that data to drive insights is hard.** CI teams have the most to gain from growing their big data capabilities.[5] Connecting and resolving consumer identities, seamlessly integrating new kinds of data, being able to make content decisions in real-time — these represent huge leaps forward for CI professionals. But despite the grand promises of new big data tools, deriving real, actionable business insight from them still requires a lot of organizational support and more empowered CI teams.

TODAY'S CI TEAMS NEED NEW KINDS OF HELP

The complexities brought on by the age of the customer are hard for any internal team to tackle alone. Building the systems and processes required can take years — time that no marketing organization can afford today. So, CI pros turn to their services providers to:

■ **Provide marketing technology expertise to bridge the marketing-IT gap.** Many organizations haven't come around to the idea of a marketing technology office yet.[6] This resource gap leaves CI teams looking to their service providers for help translating their business needs to technology management. Jay Dettling, president of Acquity Group — where 65% of full-time employees are in the technology group — told us that today they have to be "smart technologists who also understand marketing."

■ **Test and incorporate emerging channels into the marketing mix.** As the number of available channels increases, CI pros must prioritize which ones to capture data from, which ones to execute in, and how to balance new touchpoints against existing contact strategies. But it's hard to answer those questions without the broader set of experience that service providers bring. Their thought leadership — based on broad experiences across many industries and client types — can help CI pros craft a more solid approach to new channel testing.

■ **Identify personalization best practices and data governance recommendations.** CI teams are often on the hook to help balance the organization's need for data with the customer's desire for personalization and privacy.[7] That requires creating consensus across multiple roles — from legal to marketing to product strategy — which can be difficult to do without subject matter expertise. So CI teams increasingly look to vendor partners to provide industry best practices and recommendations for their customer data governance policies. Rosetta, for example, designed a matrix that shows clients the potential implications of collecting various kinds of data and the specific permissions needed for each.

■ **Bolster customer analytics and data acquisition capabilities.** Customer analytics like lifetime value analysis and churn modeling are no longer nice-to-haves — they're table stakes for a mature customer insights practice. But finding the marketing scientists and analysts to complete this work is increasingly difficult — McKinsey & Company estimates that the US faces a shortage of up to 190,000 data scientists by 2018![8] CI vendors have been able to keep their payrolls well-staffed by: 1) providing interesting, frequently changing projects; and 2) providing advanced education for junior staffers who show potential in statistics and analytics.

■ **Support and evangelize the customer insights agenda throughout the organization.** Not all organizations have given CI leaders a seat at the executive table yet. But the top strategic agencies and service providers can help their clients win an audience with the C-suite in order to gain visibility and build credibility for CI. These vendors provide brainstorming for insights, develop reporting that is meaningful to executives, and even develop the financial business case for investing in CI.

CI Services Providers Are Racing To Meet Their Clients' Needs

Great vendors anticipate market trends and future customer needs; the first CI service providers to recognize this and take the leap toward providing turnkey customer-centric teams were the customer engagement agencies (CEAs).[9] But it didn't take long for new players to enter the CI services market, and for legacy vendors to pivot. So how is the services provider market faring?

- **Several legacy marketing service providers (MSPs) have become technology firms.** As data management and data integration technologies have evolved, traditional marketing databases seem increasingly antiquated and commoditized. So firms like Acxiom, Allant Group, and Experian Information Solutions have gone back to their roots — data — and seem to be transitioning from service providers to technology vendors. Acxiom, for example, has launched its Audience Operating System (AOS) —a single hosted platform from which marketers can design, target, deploy, and analyze most of their digital campaigns. Meanwhile, Allant positions itself as an audience management platform, focusing on targeted TV and online video advertising. Its Audience Interconnect platform fuels advanced advertising products with addressable TV audiences at massive scale

- **CEAs have struggled to widen their circle of influence inside client organizations.** Recently, we spoke with an automotive maker who lamented the fact that its two primary customer marketing agencies seemed to be competing with each other for work on which they used to collaborate. But this client isn't interested in consolidating the work, because neither CEA has proved its ability to deliver flawlessly on the best legacy capabilities of the other! So while CEAs are trying to sell their newly developed skillsets, they haven't necessarily won client confidence about those capabilities, and they are risking their relationships as they continue to push for assignments their clients simply aren't ready to hand them.

- **Big tech is gobbling up specialty marketing firms.** In pursuit of the ultimate enterprise marketing platform, firms like Adobe, IBM, and salesforce.com are gobbling up smaller specialty marketing tech vendors. But here's the thing — lots of those firms come with significant services offerings that their clients depend on. Salesforce.com, for example, gained a sizable CI services team when it acquired ExactTarget in 2013.[10] This tech vendor now has a bench of around 1,000 people dedicated to campaign operations, strategy and analytics, and creative services (see Figure 1).

- **Management consulting vendors are building customer engagement practices.** Firms like Accenture, Deloitte, and McKinsey are building out customer insights capabilities to help their clients meet mandates around customer centricity. These firms are trusted partners to the C-suite, and they help guide the change management — from strategic road maps to new key performance indicators (KPIs) and organizational design — necessary for the transformation. In fact, one of the major management consulting firms now offers full execution because, as it told us, "Our clients have the technology to collect the data, but they have not yet gotten to the point where they can act on these insights — this will be the next step for them to edge out their competitors."

■ **Niche firms are creating partnerships with other service providers.** Clients in the midsize market have the same struggles as their enterprise counterparts, of course. To meet these needs, vendors are increasingly pitching "two-fer" deals. Responsys, the email marketing vendor (recently acquired by Oracle), has partnered with preference management vendor PossibleNow; the deal wins the latter trusted access to the former's extensive client roster, while giving Responsys credibility to start pitching non-email multichannel services to existing and prospective clients.[11]

Figure 1 Services-Heavy Acquisitions By Marketing Technology Firms' Ecosystems Run Rampant
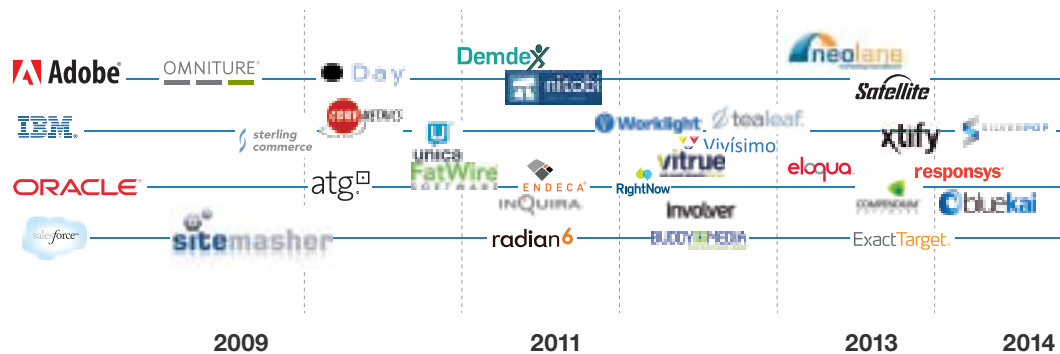
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IDENTIFY THE SERVICES YOU NEED TO OPTIMIZE YOUR VENDOR PARTNERS

Marketers' needs of their CI service providers are not universal — certain clients need help building strategic plans but have the resources to execute on their own. Others have a fine bench of senior strategists, but not enough day-to-day operational resources. Specific kinds of vendors fill specific kinds of gaps (see Figure 2). For example:

■ **Legacy MSPs still excel at identity resolution and CRM execution.** Firms like Acxiom and Epsilon trump nearly every other customer identity resolution solution. As a result, they also provide the richest and frequently most accurate single-view customer and prospect marketing databases, along with fast access to third party data and real-time digital customer recognition. They're also the workhorses of the CI services world — they pull segment counts, execute and manage campaigns, build measurement models, and start all over again with the next campaign. Unfortunately, we still hear from clients that these firms struggle with innovation and high-level strategy.

■ **CEAs can pinch hit wherever needed, but they are best leveraged holistically.** While firms like OgilvyOne and The Agency Inside (a Harte Hanks company) are rapidly evolving toward Forrester's definition of a customer engagement agency, the category is still in emerging growth mode.[12] At their best, these firms offer a full breadth of customer insights services, from change management for customer-centric reorganization and customer journey

mapping to campaign execution and cross-channel attribution. Clients who are ready to consolidate their vendors and build a strategic partnership will do well with these firms. But don't be too aspirational — relationships with these agencies can sour when they find themselves in turf wars with incumbent agencies or consultants.

■ **Technology giants provide strong infrastructure.** As the old saying goes, "No one gets fired for buying IBM," and in some ways that's still true — marketing technology leaders count on great service-level agreements (SLAs) and bulletproof compliance. From a technology integration perspective, clients know what they're getting — a long, arduous process, but one that will eventually integrate extremely well with existing systems. But don't look to these giants of industry for real multichannel expertise. They tend to be great at either traditional or digital channels, but they often lack the extensive marketing strategy services that clients need to bolster their internal resource gaps.[13]

■ **Consulting firms help with organizational changes that strategic CI requires.** In firms where customer insights is still immature, it can be difficult to get executive visibility. Management consulting firms excel at helping CI leaders build credibility within the C-suite and drive the organizational change management needed to elevate CI to a strategic asset.[14] But don't expect cost-effective tactical execution from these firms — one retail CI leader told us, "They were great at telling us where we needed to be and how to get there, but that's where they drew the line."

■ **Niche firms specialize in specific capabilities or client types.** The variety of specialists in the CI space is wide-ranging, for good reason: Sometimes, clients simply need a partner with tremendous depth in a specific area. For example, vendors like Brierley+Partners and Aimia design, build, and manage customer loyalty programs. Others, like Buxton and Mu Sigma, deliver advanced customer analytics that many firms can't afford full-time staff to support. But these firms aren't likely to help drive your overall CI maturity forward, as they don't have the breadth of experience to assist in these strategic areas. Legacy MSPs still excel at identity resolution and customer relationship management (CRM) execution.[15]

Figure 2 Different Kinds Of Customer Insights Services Providers Meet Different Needs

Provider type	What they do	Representative firms
Database marketing service providers (MSPs)	These firms design, build, manage, and host private marketing databases. They deliver technology, marketing, and analytical services. They are often tasked with managing the day-to-day execution of marketing campaigns.	Acxiom, Allant Group, Epsilon, Experian Information Systems, Harte Hanks, KBM Group
Customer engagement agencies (CEAs)	These agencies have evolved from pure direct agencies and MSPs to focus on defining customer-oriented business strategies and mapping them to tactics and execution. They help clients maximize customer profitability and optimize customer experiences by applying data and analytics to every interaction.	The Agency Inside, Ansira, Merkle, OgilvyOne, Precision Dialogue, Rosetta, Targetbase, Wunderman
Enterprise marketing software suites	These vendors offer a hosted technology infrastructure that supports an integrated approach to marketing strategy, development, delivery, and measurement across the marketing mix.	Adobe, IBM, Oracle, salesforce.com
Specialty customer insights (CI) services providers	These firms offer a wide range of very specific customer insights service. For example, this category includes: • Loyalty service providers that build, manage, and maintain customer loyalty programs. • Preference management vendors that design and host universal profiles (frequently consumer-facing). • Analytics firms that design and build advanced analytics models.	Aimia, Brierley+Partners, Dovetail, dunnhumby, Fulcrum Analytics, Mu Sigma, PossibleNow
Management consultancies	These firms provide objective organizational performance advice. They typically enjoy executive-level relationships with their clients and are retained for specific strategic projects such as cost reduction, organization restructuring, change management, etc. These firms help their clients navigate the transition from product centricity to customer centricity.	Accenture, Bain & Company, Deloitte, McKinsey & Company, Millward Brown, Oliver Wyman Group, Strategic Decisions Group

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RECOMMENDATION

YOU STILL NEED A MULTITUDE OF VENDORS, BUT CHOOSE WISELY

Despite the common refrain we hear from CI leaders — that they want a single holistic CI provider to support their strategic, analytical, and execution capabilities — we see very few examples where that's actually happening. But failing to choose the right partners can wreak havoc on the morale of your team, and on their ability to execute your CI vision. When deciding how to divvy up your CI services budget, you must:

- **Be fully self-aware about the level of service and expertise you require.** Before considering the type of vendors you need, first determine the kinds of support your firm is ready for. How mature and well-staffed is your CI organization?[16] Do you need full-service execution, or strategic planning only? Do you need to build credibility in the C-suite for CI, or do you already have an internal executive champion? Do you have a strong marketing technology office, or will your vendors need to play that role?

- **Create RFPs organized around your specific needs, and deliver only to appropriate vendors.** Once you are clear about the capabilities you require, draft a request for proposal (RFP) that clearly spells them out. Include details about the groups the selected vendor will interact with (including other vendors), your vision for the future of your firm's CI practice, and the role you expect the vendor to play. Then send the RFP only to vendors whose capabilities truly match your needs — it's better to include fewer, targeted vendors than to engage those that aren't a good fit.

- **Commit appropriate resources to launching and nurturing the partnership.** Once your vendor selection is complete, commit a single relationship owner to ensure a focused and well-managed implementation. Then plan for regular business review sessions to ensure that all stakeholders — from your side and the vendor's — have a forum for sharing ideas and debriefing on how the partnership is evolving. Finally, if your needs or internal capabilities change, be transparent with your vendors about it and whether it will affect the relationship.

ENDNOTES

[1] Forrester analysts have fielded several inquiries this year with marketing clients looking for advice on how to justify the value of their service provider relationships to the CIO. The common refrain is that the organization's IT-preferred providers (such as IBM and Tata Consultancy Services) purport to offer similar services that are being pitched to the technology managers.

[2] Two recent acquisitions of note in this category are Oracle's acquisition of the data management platform BlueKai, and Acxiom's acquisition of data onboarding platform LiveRamp. Source: Fatemeh Khatibloo, "What Does Acxiom's $310M LiveRamp Bid Mean For Marketers" May 20, 2014 (http://blogs.forrester.com/fatemeh_khatibloo/14-05-20-what_does_acxioms_310m_liveramp_bid_mean_for_marketers).

For more information on Oracle's acquisition of BlueKai, see the February 26, 2014, "Quick Take: Oracle Arms Itself With Data In The Marketing Cloud Wars" report.

[3] Forrester calls this the mobile mind shift. Source: Julie Ask, Josh Bernoff, and Ted Schadler, The Mobile Mind Shift: Engineer Your Business to Win in the Mobile Moment, Groundswell Press, 2014.

[4] To learn more about the privacy personalization paradox, see the June 3, 2014, "Q&A: The Privacy-Personalization Paradox" report.

[5] To learn more about how marketers use big data, see the May 28, 2014, "Big Data's Big Meaning For Marketing" report.

[6] Forrester believes that the marketing technology office will be a crucial resource. See the October 24, 2011, "Investing In Marketing's Technology Future" report.

[7] To learn more about the privacy personalization paradox, see the June 3, 2014, "Q&A: The Privacy-Personalization Paradox" report.

[8] Source: James Manyika, Michael Chui, Brad Brown, Jacques Bughin, Richard Dobbs, Charles Roxburgh, and Angela Hung Byers, "Big data: The next frontier for innovation, competition, and productivity," McKinsey & Company, May 2011 (http://www.mckinsey.com/insights/business_technology/big_data_the_next_frontier_for_innovation).

[9] To learn more about the evolution of the customer engagement agency model, see the February 13, 2012, "The Evolution Of The Customer Engagement Agency" report.

[10] Source: "Salesforce.com Signs Definitive Agreement to Acquire ExactTarget," salesforce.com press release, June 4, 2013 (http://www.salesforce.com/company/news-press/press-releases/2013/06/130604.jsp).

[11] In April 2013, PossibleNow and Responsys announced entered a partnership to integrate PossibleNow's MyPreferences solution natively within the Responsys Interact Suite. Source: "PossibleNOW Partners with Responsys on New Offering," PossibleNow press release, April 29. 2013 (http://www.possiblenow.com/zPress_04292013.asp).

For more information on loyalty services, see the July 31, 2014, "Navigate The Complex Customer Loyalty Ecosystem" report.

[12] To learn the findings and outcomes Forrester's 19-criteria evaluation of emerging customer engagement agencies, see the November 19, 2012, "The Forrester Wave™: Customer Engagement Agencies, Q4 2012" report.

[13] We have fielded several inquiries with CI professionals who have found their marketing technology vendors lacking in breadth of multichannel expertise and enablement offerings.

[14] For more information on how CI leaders are leveraging partnerships with management consulting firms, see the August 6, 2014, "Partnerships Accelerate Customer Insights" report.

[15] Epsilon, along with a few other traditional MSPs, has been working hard to deliver a more strategic services offering. For more information about this transformation, see the November 19, 2012, "The Forrester Wave™: Customer Engagement Agencies, Q4 2012" report.

[16] You can determine this by completing Forrester's intelligent enterprise maturity assessment. See the May 23, 2014, "Evaluate Your Enterprise Intelligence" report.

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