

CUSTOMER PROFILING AND CUSTOMER MODELLING

OBJECTIVES OF THIS ARTICLE

In this chapter we will be looking at the following:

- Definition of customer profiling and customer modelling.
- Customer scoring and scoring methods as part of customer modelling
- The role of technology in customer profiling and customer modelling.

Introduction to customer modelling

In the previous chapter, we talk about brand promise which has much to do with what consumers should expect from your organisation. Before **you can study your customers**, you must have a clear insight into the calibre of customers that you want in your organisation. Having a clear insight of this will help your organisation to evolve into a truly customer-centric enterprise. In order for you to succeed with this, you need to engage in customer profiling and customer modelling.

The elements that identify the best customer profiles should be those that reflect the corporate business model, unique selling proposition and **customers value statements(s)**.

An organisation must be clear about which strategic objectives they want to optimize and for what products, to arrive at a sound basis for customer profiling and modelling. In customer profiling, we are talking about having enough information about our customer and using that information to come up with products and packages that will satisfy the need of our customers. An organisation must know what they want to achieve with each of their products and how they intend to achieve it.

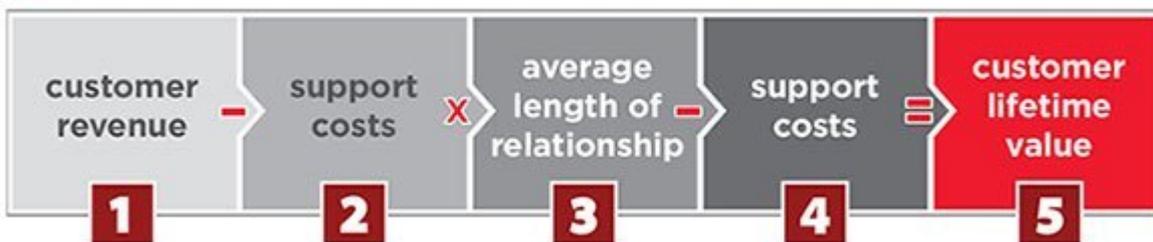
Customer modelling, on the other hand, is the process of coming up with products that will meet the needs of different categories of customers that you have in the organisation, For example, Etisalat came up with easy click in order to suit the need b segment of their subscribers.

The difference between a profile and a model is the element of time, making a model more a powerful predictor of behaviour.

Modelling involves profiling in order to elicit action. In modelling, we are talking about acting upon information that you have about your customer. You might access the information that you have about your customers in order to see what they have in common.

This will help you to come up with products and packages that will suit a large percentage of them. You should know that models are not static in nature. You try and consider your customer behaviour and discover what they have in common.

Figure 2.1: How to Calculate Customer Lifetime Value



Source: Avaya internal research.

A model can help the organisation in constructing campaigns, designing marketing plans, offering better products and services to the target customers.

Customer Scoring and Scoring Methods

Customer scoring is one of the means of developing a customer model. It aims at scoring the customers based on certain parameters on a regular basis instead of developing a specific model for each requirement.

Developing this kind of scoring method will enable the organisation to assign multiple product/service score plus lifetime value, making it useful across multiple requirement areas such as campaign management, marketing departmental plans among others.

One of the widely accepted methods of scoring is the RFM method. It captures Recency Frequency and Monetary behaviour of customers. Customers that have bought recently, frequently and have spent the most money will be ranked as the most economically viable customer with regards to products/service offering.

Note: REM is closely related to another scoring method called lifetime value.

Introducing Customer Lifetime Value

Customer Lifetime Value (CLV) is the expected net profit a customer will contribute to your business as long as the customer remains a customer. This also shows how profitable the organisation will be in the future.

Role of Technology

When an organisation needs to deploy a model that will be reliable and dependable in meeting customers' need, in achieving this, there is the need for the organization to bring about a model that will automate and manage the whole process.

In deploying technology, the organisations need to deploy the kind of technology that would manage the customer database. We also need to introduce analytical tools such as data mining; this digs it into a customer's database in order to bring out reliable information that can be used in order to increase customer experience.

We also need statistical tools such as predictive modellers which can suggest to organisations products and service that they can introduce to their customers. These are always done based on the need of customers and information at the disposal of the organization about their customers.

A customer-centric organisation needs to check the effectiveness of its customer model regularly. This will help the organisation to make necessary changes when necessary. There is a need for this because customers are very dynamic in nature. It changes very fast, the organisation must have a challenger model that will continue to test the effectiveness and relevance of the model being adopted by the organization on a regular basis.

It should be noted that understanding the customer and the type of relationship customers wish to have is the key to a good CRM initiative. Here, we are saying that if you understand the customers and the type of relationship that they keep, you will know the best type of products and services to introduce to them. At times you might have a customer that does not take your organisation as the main organisation. If you don't dig in enough, you may not know their worth.

It has been said before that, some organisations don't know the number of subscribers that they have. Some don't know who is actually responsible for the settlement of the bills or how

many of their product, a customer has. If they don't know all this, how would they come up with products and services that would meet their needs?

There is the need for market research and knowledge management coupled with a concise effort to dig 'ip more information about customers, which will allow the organisation to have more knowledge about customers. If all these are done on a regular basis, it will enable the organisation to adapt to market changes and to anticipate and cater to specific needs and wants of individual customers, thereby consolidating customer loyalty

SUMMARY

So far in this chapter, we have talked about customer profiling and modeling, which has much to do with compiling of customer data and having as much information as possible about customers, including relationship that they keep, in order to come up with models, that is products and packages that will meet the need of a large percentage of the customer base.

We also talked about the scoring method to be used in customer modelling. it includes the Recency, Frequency and Monetary behaviour of the customers. Role of technology is also discussed which we believe will help us in understanding the customer and the type of relationship that they keep.

What to do to achieve customer modelling...

In order to achieve a complete customer modelling, there is the need for market research and knowledge management which will help the organisations to know more about their customer base and come up with **products and services that will meet their needs.**

Brainstorming Session on customer modelling

Who is a satisfied customer?

How can you satisfy your customers?

How does customers' satisfaction relate to customer loyalty in a CCE

You are the Business Developments Manager at Etisalat Nigeria. How can you measure the satisfaction level of your customers?

Action Point

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