Class 1: Introduction and Course Overview

Professor Song Yao
Olin Business School

Customer Analytics

The advance of information technology has given firms the ability to know much more about their customers than before

WHAT INFORMATION TRAIL DO WE LEAVE?

- credit card transactions
- travel
- Internet purchases
- Social media posts/browsing
- video streaming
- reactions to mail/e-mail offers
- self-provided information on preferences, income, demographics

What does all this reveal about us and how might it be used – for our and/or a firm's advantage?

Customer information can be extremely useful for both the firm AND the consumer

USES OF CUSTOMER INFORMATION

- **Grade customers**
  - Calculate customer value to the organization
- **Increase customer engagement**
  - Incentivize customers with relevant knowledge
- **Intervene to prevent customer attrition (enhance loyalty)**
  - Develop models to detect "early signs" of customer dissatisfaction
- **Target marketing to customer interest**
- **Generate third-party sources of revenues**

United Airlines, amazon.com, NETFLIX, verizon, Spotify, Google, TikTok, experian.

Customer-centricity refocuses the attention of the firm

PRODUCT-CENTRIC MARKETING		CUSTOMER-CENTRIC MARKETING
- Product Focus	→	- Customer Focus
- Transactions	→	- "Relationships"
- Acquiring Customers	→	- Retaining Customers
- Product Profitability	→	- **Customer Profitability**

Step 1: To introduce the customer as the unit of analysis

COURSE OBJECTIVES IN STEP 1

- To understand the premise behind customer-centric marketing
- To understand the customer lifecycle and lifetime value
- To explore how customer data can be used to guide marketing decisions
- To understand the importance of causality in customer analytics

Step 2: To introduce the key strategic initiatives using customer information

COURSE OBJECTIVES IN STEP 2

- To understand how to acquire customers
- To understand how to do customer development
  - To understand how to cross-sell
  - To understand how to up-sell
- To understand how to manage customer churn (attrition)

Step 3: To introduce analytical and statistical modeling of customer information

COURSE OBJECTIVES IN STEP 3

- To understand different types of predictive models (Heuristics, Statistical Models, Data Mining)
- RFM Analysis (Heuristics)
- Linear and Logistic Regression (Statistical Model)
- Neural Network / Decision Tree (Machine Learning Models)
- And more…

Step 4: To understand when analytical methods are appropriate and when they fail

COURSE OBJECTIVES IN STEP 4

- To learn how to avoid common mistakes in implementing customer analytics
- To learn the concept and tools of causal inference

What you will have learned in these four steps enables you to implement "Customer Analytics" in practice