

## Tracking Customer Trends

**Brad Rukstales**  
**President**  
**Customer Asset Consulting Group, Inc.**

Companies are beginning to utilize the vast amounts of information they have about customers, through the use of technology tools and integrated data repositories to generate a wide range of customer insights. Among the many valuable insights that can be derived, inferred, and acted upon with this data are those relating to customer trends. A process of tracking customers over time provides insights into strategic successes and marketing issues. Senior executives are always looking for more information and data upon which to base decisions concerning resource allocation and prioritization. Let's take a look at the types of trends that provide marketing value to the organization.

It's important to gauge how well your company is doing with respect to acquiring and retaining customers. The example shows overall metrics over a three year period. As can be seen, the company had a net loss of customers during 2001. While the company did improve the percentage of its customers that were retained, the number of new customers dropped by 161,000, leading to an overall decrease of 2.2%. 2001 was a difficult year economically for many companies, and that had something to do with this decrease. Over the next two years, the company continued to increase its retention rate, and its number of new customers. The combination of the two led

|                                     | 2001         | 2002         | 2003         |
|-------------------------------------|--------------|--------------|--------------|
| <b>All Customers</b>                |              |              |              |
| Customers, prior year (000's)       | 3,481        | 3,404        | 3,515        |
| Customer retention rate             | 67.3%        | 68.2%        | 68.7%        |
| New Customers                       | 1,062        | 1,195        | 1,266        |
| <b>Total Customers, end of year</b> | <b>3,404</b> | <b>3,515</b> | <b>3,681</b> |
| Percentage Change                   | -2.2%        | 3.3%         | 4.7%         |
| <b>Seniors</b>                      |              |              |              |
| Customers, prior year (000's)       | 656          | 673          | 702          |
| Customer retention rate             | 75.6%        | 76.8%        | 77.2%        |
| New Customers                       | 177          | 185          | 196          |
| <b>Total Customers, end of year</b> | <b>673</b>   | <b>702</b>   | <b>738</b>   |
| Percentage Change                   | 2.6%         | 4.3%         | 5.1%         |
| <b>Families</b>                     |              |              |              |
| Customers, prior year (000's)       | 1,977        | 1,968        | 2,115        |
| Customer retention rate             | 69.8%        | 70.5%        | 71.1%        |
| New Customers                       | 587          | 726          | 809          |
| <b>Total Customers, end of year</b> | <b>1,968</b> | <b>2,115</b> | <b>2,312</b> |
| Percentage Change                   | -0.4%        | 7.5%         | 9.3%         |
| <b>Singles</b>                      |              |              |              |
| Customers, prior year (000's)       | 848          | 763          | 698          |
| Customer retention rate             | 54.8%        | 54.3%        | 53.1%        |
| New Customers                       | 298          | 284          | 261          |
| <b>Total Customers, end of year</b> | <b>763</b>   | <b>698</b>   | <b>632</b>   |
| Percentage Change                   | -10.1%       | -8.5%        | -9.5%        |

to a substantial year-on-year increase in the total customer base.

While this story appears to be all good news for the past two years, the company also wanted to know where this increase in customer activity was coming from. The chart also shows the three main lifestages of the company's customers. As can be seen, a majority of the customers are Families. In fact, the Families segment has increased by

almost 17% over the past three years. The company has relatively loyal Seniors, with high, and increasing, retention rates. Also, there was no noticeable drop in new customers in this segment.

The biggest area of concern is with Singles, which have a low and declining retention rate, and a significant decline in new customers. This has led to a decline of 35% in the size of this segment. Armed with this information, the company knew it had to work on how to attract Singles. While the numbers don't show it today, the low and declining brand strength among Singles would lead to problems in the future for the company when the Singles move into the Families segment, the highest revenue and profit-generating segment.

The marketing department then produced further trend reports that looked at the product groupings that were purchased by each segment, and identified specific categories that had a significant impact on the overall relationship with Singles. These trend reports were shared with the product management organization, and primary research was conducted with a sample of Singles. This led to new products being introduced into the category, and marketing directly to Singles for those products, capitalizing on the opportunity that presented itself. The marketing department also repositioned direct marketing materials to singles, to focus on the lifestyles and products that appealed to them, and, to a large extent, ignoring the other, irrelevant product categories for Singles.

Lifestage is but one of many different "segment" schemes that can be analyzed. Customer Value tiers, tenure, product bundle segments, and business units can all be analyzed with respect to trends. In addition, while customer counts and percentages are useful, additional pieces of information, such as revenue, profits (calculated as marginal profit, or contribution to overhead), and number of transactions or products, also provide insights into where a company is successful and where it is not.

Customer tracking, and trend analysis, is usually used to identify *with whom* you are having successful relationships (or not). However, it does not prescribe specific actions that need to be taken. It is customary to follow up this type of analysis with further database analysis or primary research to address *why* customers are behaving as they do, as well as test-marketing new concepts and ideas prior to rollout.

A company should be able to answer fundamental questions about its business relationships with its customers: which customers are most important to us, how we are doing in our relationships with them, and where we need to focus our scarce resources to improve company performance. By implementing these concepts, marketers are providing an extremely valuable service to senior executives in their company.