Text Analytics (TA):
The CMO's Secret Weapon

Six ways TA can support the expansive
CMO agenda

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SUMMARY

Customers share their thoughts and feelings about the companies they interact with every minute of every day, generating a goldmine of unstructured data. Yet extracting the gold from the mine remains an immense challenge. Text analytics (TA) helps companies make sense of large masses of words, but few organizations leverage it to its maximal capacity. Even companies with world-class "big-data" competencies often make sub-optimal use of consumer comments, and very few use it to advance the full range of their marketing objectives.

This is a major lost opportunity. Skillful use of TA can boost the marketing function's effectiveness—contributing to the company's competitive performance and differentiation. Leading companies can use TA to super-charge six key marketing activities:

- Customer Segmentation
- Competitive Intelligence
- Customer Experience
- Communication and Brand
- Customer Acquisition
- Change and Innovation

Applying TA to improve competency in these areas is not complicated, but can have a tremendous payoff. Getting started simply requires recognizing the opportunity, and acquiring the proper tools to exploit it. CMOs who adopt TA now will be positioned to lead front-running marketing organizations, rather than become also-ran followers. TA is the CMO's secret weapon.

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I N S T I T U T E

Data Challenge = Marketing Opportunity

Organizations across industries and geographies are struggling to keep up with the increasing pace of change, but the data and marketing challenges they face can be particularly vexing. The volume of potentially valuable data is growing at an unprecedented rate, while the importance of marketing in driving overall performance has expanded nearly as quickly.

Consider the data challenges alone. Data services firm IDG Enterprise projects that 93% of data will be unstructured by 2022—that is, data not organized in a pre-defined format, such as free-form text. Market intelligence firm IDC predicts that by 2025, the sum total of all data in use will have grown 10-fold—from 16.1 zettabytes today, to 163 zettabytes in 2025. This has not gone unnoticed: according to the 2016 IDG Enterprise Data and Analytics Survey, 45% of companies say that managing unstructured data is one of their key challenges.

Meanwhile, marketing's importance to corporate performance has rapidly expanded—partly because of the deluge of valuable data generated by customers themselves. Today, marketers have an unprecedented amount of customer data, from which they need to extract insights to increase revenue and profits. Marketing is being asked to deepen relationships with customers, oversee customer experience, lead growth initiatives, understand competitors, manage the brand, drive strategy, and foster innovation.

Text analytics can be leveraged to efficiently address both the data-deluge and market- ing-overload challenges, turning two challenges into one major opportunity. Skilled use of TA can unlock the value of unstructured data to support critical marketing functions and provide unique value to customers. For example, a

2017 Medallia-Accenture study of 450 large organizations in North America, Europe, and Australia found that companies that use TA to extract insights from feedback overall are 15 percentage points more likely to innovate based on that feedback, and those companies that apply TA to social-media data are 22 percentage points more likely to improve the customer experience. Further, Medallia's 2017 benchmark indicates that companies that use customer verbatims to create and test new ideas score 10 Net Promoter Score (NPS®) points higher than their competitors.

FIGURE 1

Companies that use TA to extract insights from feedback are

+15 percentage points

more likely to innovate based on that feedback.

Source: 2017 Medallia-Accenture Customer-Driven Learning and Innovation Study. n=450 companies. Analysis controls for size, location, industry, and business model (B2B/B2C). p<.05

Leveraging TA for Marketing Impact

To maximize the return on investment in text analytics, companies must first recognize how it can be used to assist with critical marketing activities. Medallia Institute has identified six ways that leading companies are using TA to advance key marketing objectives, effectively conquering the unstructured-data challenge

while improving their ability to drive corporate performance. These often-overlooked applications of TA can help companies tap into the rich data available to them, fully utilize it for marketing impact, and make decisions that drive customer love and loyalty.

1. Customer Segmentation:

ENRICHING YOUR UNDERSTANDING OF HOW CUSTOMER SEGMENTS DIFFER

Understanding customers lies at the heart of serving them well. But the best-performing companies don't just seek to understand "customers"; they seek to understand the distinct needs and priorities of specific customer segments. They typically accomplish this by obtaining secondary market research reports, or conducting primary market research. But traditional market research has its limits: it is costly and time-consuming; it often relies on small sample sizes; it is limited in scope (i.e., participants respond to specific questions, giving the company limited opportunity to understand aspects of the customer segment that haven't been explicitly probed); and it may only be conducted periodically.

Text analytics is an excellent way to supplement market research to address several of these limitations. If a company wants to understand how distinct segments of its market differ, why not listen to what customers are already telling them about their distinct needs? Customers give companies clues about this every time they interact with them—especially when they speak to or write about these companies via an increasing variety of communication channels (e.g., surveys, online reviews, social media, call center, email, chat).

TA rapidly makes sense of rich customer commentary from these sources, and can highlight the overall themes and emotions that customers are communicating. More powerfully, it can identify critical areas in which customer

segments differ. Identifying these distinctions can help improve the company's product or service offerings, and their messaging to specific segments. For example, a **financial services company** used customer comments to identify differences in support needs by customer type. Comments revealed that when customers contacted the call center, one specific segment of customers preferred longer, more relaxed conversations with the agent, whereas another specific segment wanted quick answers and less chit-chat. With this insight, the company improved customer satisfaction at the call center by routing service calls based on segment.

As this example suggests, these insights can enhance a company's ability to customize or personalize the customer experience. The more fine-grained the understanding of the customer segment is, the more targeted the experience can be crafted—crafted to emphasize the unique aspects that would provide the most value to each customer.

These are not merely hypothetical applications for text analytics; leading companies are applying TA to improve segmentation in these and other ways today. **Liberty Global**, a large international telecom provider, has found great utility in parsing customer comments by product/service line using TA. The company offers a variety of connectivity products and services such as TV, mobile, and wi-fi. TA helps them to quickly understand how customers within specific segments (product/service lines) perceive their experience. For example, it could pinpoint that the overall experience for wi-fi customers is primarily influenced by service reliability, whereas the experience for mobile is most strongly affected by pricing. This enables the company to better focus its improvement efforts for each segment, as well as to improve its messaging to customers about these particular aspects of the service.

More importantly, as communication channels are converging (e.g., customers want to access their TV subscription on their mobile phone),

Liberty Global finds it increasingly critical to understand the omnichannel experience. The company tracks customer feedback on a variety of topics across channels, touchpoints, and products/services without ever having to adapt its surveys. It identifies the themes that are most relevant for each segment, and across segments. The insights that TA provides help the company focus its improvement efforts and capital investment in the highest-impact areas, and track the impact of those changes over time.

Beyond improving a company's understanding of existing customer segments, TA can even help identify new customer segments. For instance, a mid-sized **B2B professional services** provider found customer comments to be particularly useful in understanding why customers using a specific combination of its services were less satisfied than customers in either of the two service divisions alone. By analyzing text-based comments in aggregate, the company discovered that customers in Service Line A had different needs than the customers who were using Service Line A in conjunction with Service Line B. This insight led the company to alter how Service Line A was being delivered for "combined" customers—effectively identifying a new, distinct customer segment.

2. Customer Experience:

GAINING INSIGHT INTO THE "WHY" BEHIND THE "WHAT"

Improved segmentation is an important outcome on its own, but it is particularly powerful when considered alongside customer ratings and behaviors. Skilled users of text analytics are able to combine text-based data with other data sources to create a refined understanding of not just what customers say, but how they behave (rate, purchase,

advocate, churn, etc.) in relation to what they say. This combination of data is key to improving the customer experience—a charge that is increasingly falling in the CMO's lap. If the customer experience doesn't yet reside within the marketing organization, it soon will: 86% of CMOs and senior marketing executives believe they will own the end-to-end customer experience by 2020.

TA informs companies about customers' intent to recommend (or not), and actually engage in the behaviors that drive company performance (purchase, return/renew, recommend).

Sunrise Communications, a European telecom provider, found tremendous value from analyzing customer comments in conjunction with Net Promoter Scores (NPS), and used these insights to predict negative customer behaviors like churn or legal action. Using a "native" TA program (in which customer comments are tied directly to NPS scores), the company set up alerts for certain topics that were precursors to negative customer behaviors. They flagged incoming comments related to these topics, and had members from a specialist team proactively reach out to these "at-risk" customers. In their mobile-phone line, at-risk customers who were contacted in this way were 40% less likely to churn.

Customers sometimes express negative sentiment about one specific aspect of the customer experience, whereas they express positive sentiment when another aspect is mentioned. These are the types of insights that could easily be overlooked in a traditional structured survey response, yet can be parsed more accurately using TA on customer comments. More critically, the things that customers care most about are often the things that they are never asked about in a structured survey. Rather than presuming that companies know what matters to customers (and what

drives their behavior), listening to them in their own words allows companies to identify components that they may have overlooked.

Liberty Global has found that using TA enables them to maximize the value of survey feedback while minimizing survey length. When the company shortened a 50-question survey to just two structured questions plus an open-ended comment field, response rates jumped by 15%, and open-text comments increased by 20%—with no discernable impact on NPS scores (i.e., they weren't missing anything that mattered). Their "2 + One" survey is a far more efficient and effective way to really understand their customers. Moreover, the quality of the feedback they are now receiving is markedly different: the company is organically learning what customers want to tell them, rather than what Liberty Global wants to ask. In overcoming these structured-survey "blind spots", the company is staying ahead of changes in what drives customer behavior without ever having to change its survey.

3. Customer Acquisition:

USING NON-BUYER FEEDBACK TO IMPROVE THE BUYING PROCESS FOR NEW CUSTOMERS

Serving current customers well is important for loyalty and retention, but growth is paramount in most organizations. Satisfying, serving, and understanding current customers is not enough; companies today need to understand prospective customers, as well. In particular, they need to know not just why current customers buy, but why non-customers do not buy, or have not bought. This is challenging to accomplish via traditional means of gathering feedback precisely because non-customers are not easily targeted or contacted. (You can't send a survey to someone who never transacted.)

TA can be leveraged to understand non-buyers via the many ways they express their opinions outside of formal surveys. For example,

companies with digital operations can gather text-based feedback from individuals who visit the company's website but do not purchase. Likewise, customers who have difficulty purchasing a product or service often call customer service for help, or to complain. They also email the company directly and post to social media outlining the reasons for their failed purchase. Records of these "near-customer" comments can be invaluable for understanding weak points in the customer journey and missed opportunities to provide value.

For most companies, there are more non-buyers than buyers so the volume of text can be overwhelming. But TA can efficiently summarize key themes across sources that drive (non-) purchase behavior, and help the company focus on ways to address those concerns. Companies that fail to spot their shortcomings on publicly available forums (social media) are at particular risk, because their competitors are often watching, taking note, and preparing to exploit these exposed weaknesses.

In one case, a **large retailer** discovered via social-media posts and online reviews that "near-customers" were very upset with the way its brick-and-mortar locations handled queuing to get into the store on the busiest shopping day of the year. Shoppers' comments indicated that the method for establishing a queue was perceived to be both highly unfair and very different across locations. Many shoppers walked away, and some were so incensed that they vowed to never visit the retailer again. TA enabled the retailer to detect this issue as it was arising, and devise a plan to address the problem. The retailer drafted a more fair and uniform queuing policy and quickly implemented it at all of its stores. Non-buyer feedback helped the retailer fix the problem that was dissuading shoppers from transacting or even visiting the store.

In another instance, a **long-term leasing company** dove deep into comments from prospects who began the lease process but

ultimately chose not to sign a lease. The company was investing heavily on prospects at every stage in the sales cycle, so each uncompleted lease was costing a lot of money. Analysis of prospect comments surfaced certain shortcomings at specific stages—many of which could be easily addressed with simple adjustments to the sales process and supplemental resources for prospects. These changes helped the company plug its "leaky" sales funnel.

4. Competitive Intelligence:

LEARNING ABOUT YOUR COMPETITORS DIRECTLY FROM YOUR CUSTOMERS

Even if a company is not yet monitoring its competition on social media, its fiercest competitors are almost guaranteed to be monitoring them. Customer comments reveal information about customer interactions not just with a single company, but also with competitors. These comments can help a company understand how its offerings stack up against its competitors' offerings. In the retailer example above, frustrated shoppers may have identified in their reviews which other retailers were handling queuing well, giving the company ideas about what is working elsewhere, and how they might differentiate their process to be simultaneously fair, uniform, and unique.

Customers share this type of information not only on social media—which is arguably the most potent venue, given external visibility—but also via other more direct channels like open-text survey responses or communications with the call center. TA enables companies to home in on customer comments related to competitors, to help them understand who those competitors are, how customers describe them vis-à-vis the focal company, and even what sentiment or emotion they attach to these descriptions. Customers can serve as spies, as they often report on what differentiates companies

from each other, and even what direction a competitor may be heading. Text analytics makes this much easier to do, as the volume of comments is no longer a problem to overcome, but rich asset to milk—a "feature", not a "bug".

FIGURE 2

Companies that apply TA to social-media data are

+15 percentage points

more likely to improve the customer experience.

Source: 2017 Medallia-Accenture Customer-Driven Learning and Innovation Study. n=450 companies. Analysis controls for size, location, industry, and business model (B2B/B2C). p<.05

A company can set alerts for rivals' names to flag customer comments related to those competitors instantly, providing an "always-on" means for keeping tabs on them. Over time, a company can track the sentiment associated with comments that contain specific competitors' names, essentially getting a quick "read" on how customers compare the focal company to its direct competition—as well as what customers like and dislike about competitors. This information gives them a stronger grasp of their competitive differentiation.

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5. Communication and Brand:

REFINING EXTERNAL AND INTERNAL
MESSAGING, AND PROTECTING BRAND VALUE

Understanding what current, prior, and potential customers think about a company vis-a-vis competitors is particularly valuable for crafting customer communications—from broad advertising campaigns to targeted emails. With skilled use of TA, a company can identify topics, themes, and associated sentiments that customers consider to be unique to that company's product or service offerings, so it can emphasize these in future communications. In this way, TA can help reinforce a company's existing sources of differentiation, and highlight where intended points of differentiation are not being perceived by customers. Moreover, listening to customers in their own words helps companies speak to customers in a way that will resonate—and being able to do this at scale is what TA enables.

Text analytics can also assist with crafting messages to internal audiences. The novel insights gathered from TA can inform the profile of the customer that is presented to senior executives, influencing their view of the customer and which investments to make to cater to customers' current and future needs. Many companies use customer verbatims to "bring the customer to life" and add an element of emotion back into the equation, but one-off quotations are easily challenged: is this quote illustrative, or representative? TA quantifies the qualitative. If customer quotes add color, TA topics, themes, and sentiments provide shape.

For **Sunrise**, communicating TA-derived insights to various stakeholders throughout the organization—not just senior executives—has proven to be a powerful way to align disparate groups and keep the company's focus squarely on the customer. Insights from TA are regularly reported to the Executive Leadership Team, but their impact is even more pervasive. As Ulrich Kunzi, Senior CX Management Specialist at Sunrise, has indicated, "Perhaps the most

successful outcome [of our implementation of TA] has been bringing the customer into the entire company. […] The constant exposure to customer stories has created a dynamic in prioritization meetings and design workshops where quite frequently we are asked, 'Well, what do the customers say?' before the IT specialists even get asked, 'So how much will it cost?' This of course makes us very happy."

Beyond this integrating role, TA has also elevated the profile of the CX and Marketing teams within Sunrise. Kunzi continues: "[We now have] a large field of stakeholders who like to work with us. [Since implementing TA], we have converted a considerable number of them from a PUSH dynamic into a PULL situation. These are the colleagues who regularly ask us for detailed analyses, deep dives, and of course, sometimes a bit of wizardry and magic."

Perhaps the most time-sensitive application of TA is in helping to monitor and manage brand value. When a product or service issue arises, some customers are more trained to post to social media or lodge a formal complaint via a regulatory body than they are to contact the company directly. Companies that stay on top of these comments can nip brand problems in the bud before they spiral out of control and put the company in the headlines for all the wrong reasons. Some companies are even using TA to monitor complaints that entail legal risk—cases where early intervention may prevent costly and time-consuming litigation.

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TA helped an **equipment manufacturer** discover an important product flaw that, if left unchecked, could have resulted in a headline-grabbing recall. Customer comments revealed that some owners were experiencing problems with a key product component. Applying TA, the company was able to better define what the problem was (noise from the component, not a malfunctioning component), isolate which of its products were affected (only one newly launched product), and identify conditions under which the problem was occurring (negative comments came primarily from owners in colder climates).

Armed with these insights, the company was able to act quickly. It proactively reached out to owners of this specific product to recommend that they replace the component at the company's expense. The company also alerted the engineers, who soon identified the root cause and fixed the issue for equipment that was still coming off the production line. The manufacturer simultaneously averted a brand disaster, and fixed a major product flaw before the full batch of equipment had been produced—aided tremendously by TA-derived insights.

6. Driving Change and Innovation:

APPLYING INSIGHTS TO CREATE NEW VALUE FOR CUSTOMERS

As the equipment-manufacturer case demonstrates, early detection of product or service issues not only protects the brand and reduces the risk of litigation, but also presents the company with invaluable guidance for how to improve. This is particularly relevant in today's competitive marketplace, where speed-to-market is critical (less time for getting the product "perfect"), and customer expectations are sky-high. TA provides timely information from customers that can inform changes to the product or service, even after it has been released. These product or service changes can be as minor as difficulties with packaging, or as major as critical product deficiencies.

Several years ago, a **consumer products manufacturer** was caught off guard when customer ratings for one of its new products were coming in significantly lower than for the rest of the product line. The company turned to TA to understand why customers were dissatisfied with the new product. Comments revealed that customers did not think the item was a good value for the price. Rather than lower the price and potentially harm the company's perception as a premium manufacturer, the company redesigned the product by supplementing it with a few minor features to better align with its brand promise. The re-designed product was received very positively by customers, and the new product's ratings recovered to be as high as that of other products in the line.

But TA can help a company go beyond "the fix"; it can help identify new product and service opportunities. For instance, **Sunrise** developed a new mobile-phone service plan based on insights gleaned from text analysis of customer comments. Back in 2013, comments from customers revealed that they were highly dissatisfied with the terms of various mobile-phone contracts offered by Sunrise (very negative sentiment in comments related to contract terms). Based on this feedback, Sunrise designed the "Freedom" plan—a flexible contract option that enabled customers to switch between various rate plans any time. Within the first year of launching Freedom, customer sentiment improved significantly (percent of customer comments related to pricing and plans that were positive vs. negative). The ratio of positive to negative comments on pricing/plans changed from roughly 1:1 (equal volume) to more than 2:1 (twice as many positive comments as negative ones).

> "Text analytics can help a company go beyond 'the fix'; it can help identify new product and service opportunities"

TA as Your Weapon of Choice

It is no secret that text analytics is a powerful and versatile tool. Its broader virtues have been highlighted by many. However, the challenge for most companies today is not in recognizing its broad utility, but identifying specific ways it can assist with vital business activities. The moment is right for TA, as the marketer's need for speed and a hyper-vigilant focus on the customer meet more customer data than ever before. TA can turn these masses of data into actionable insights, and unlock the potential hidden within valuable text—creating a true understanding of customers and a different environment for innovation.

Today, TA is being operationalized much more than ever, and this trend will continue for the foreseeable future. Advanced TA systems can now automatically detect themes, surface insights, and trigger action throughout an organization. Because insights from TA add dimensionality to the company's understanding of customers, TA can play an integrating role, focusing the entire company—top to bottom, front-line to back-office—squarely on the customer. CMOs who master TA now are well-positioned to outperform their peers for years to come.

Choosing the Right TA Tool

To unlock the value hidden within the goldmine of unstructured customer data, companies need discernment in selecting the right text analytics tool. The right tool for accomplishing the six objectives outlined above should:

- Capture a holistic view of the customer by combining sentiment analysis, topic categorization, and survey scores into an actionable metric
- Utilize artificial intelligence to automatically generate themes and detect topics
- Enable widespread access throughout the organization to leverage the human expertise that provides rich context to unstructured text analysis

Medallia TA was built with these capabilities in mind. Learn more at:

www.medallia.com/text-analytics/

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About Medallia

Medallia is the pioneer and market leader in Experience Management. Medallia's award-winning SaaS platform, the Medallia Experience Cloud, leads the market in the understanding and management of experience for customers, employees and citizens. Medallia captures experience signals created on daily journeys in person, digital and IoT interactions and applies proprietary AI technology to reveal personalized and predictive insights that can drive action with tremendous business results. Using Medallia Experience Cloud, customers can reduce churn, turn detractors into promoters and buyers, and create in-the-moment cross-sell and up-sell opportunities, providing clear and potent returns on investment. Medallia has offices worldwide, including Silicon Valley, Buenos Aires, London, New York, Tel Aviv and McLean, Virginia. Learn more at www.medallia.com.

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