

## 3 Top Indices for managing Customer Lifecycle

The willingness of customers to engage and transact with brands online, presents interesting possibilities to measure and impact key attributes that define their lifetime value, in real time.

### Announcing.....

CEI - Customer Engagement Index  
CSI - Customer Sentiment Index  
RPI - Renewal Predictability Index



**It's time all online web analytics & metrics went beyond uni dimensional data or descriptive analysis, and transformed into something that is useful for policy makers and executives to make real time decisions that impact the growth of their brands.** The marketing funnel is likely to begin a reversal, where leads and renewals will increasingly be a result of meaningful engagement with existing customers.<sup>1</sup>

Customer retention is set to become core. It will be the result of consistent and meaningful real time engagement, where the customer willingly opts in, to leverage the benefits offered by a brand. Customer success teams will have to monitor **sentiment**, **feedback**, **Influencers**<sup>3</sup> and **trends** that emerge out of such real time engagement, and initiate actions that

impact retention and revenue growth predictability. While doing so, the executive leadership is likely to place an increased emphasis on quantitative analytics to support descriptive analysis.<sup>2</sup>

Thanks to the emerging concepts of big data, huge amounts of raw data can be made available for brands to interpret. At Collabor, we have worked extensively over the last 6 years, studying customer interactions with **content**, **form** and **context**, to identify the core attributes which form the 3 most effective indices to help customer and revenue management in real time.

These indices will shape the future of customer lifecycle management as they have been envisioned with one single goal - **“Help brands maximize Customer Lifetime Value”**

## Outlook for 2013



& beyond

All through 2012, prominent research firms like **Forrester & Gartner** (See references on pg 4), have identified Customer Life Cycle Management, and tools and analytics to manage it, as transformational subjects for the CMO's function.

CRM has traditionally straddled between Marketing & Sales. Emergence of Customer Engagement and Success is expected to forge a new partnership between these two functions to provide predictive revenue growth in an era where managing customer lifetime values effectively, would be a critical differentiator for brand survival and growth. The CEO can establish a strategic goal in this direction

## CEI - Customer Engagement Index



### Engagement Duration Index

Measures the duration of logins over and above a minimum threshold, that is considered as a meaningful engagement in a brand context. The minimum duration. is configurable.

### Participation Index

Is a function of customer reaction to brand content & responses, in either comments or like/bookmarked form over a minimum threshold of sessions. the minimum threshold of sessions is configurable.

### Loyalty Index

Is a weighted index for minimum number of visits, over a pre determined time period. Both the variables are configurable to the context of a brand.

## Customer Engagement Index view



### Customer Engagement Index (CEI) goes beyond usage metrics:

CEI is “*The relative measure of customer interest, baselined against the brand’s minimum stated goals for engagement*”. When a customer’s online metrics are being looked upon in the context of a brand, contextual weights are extremely relevant.

Higher weights for minimum thresholds need to be assigned to brand contexts where the relevance of content to the product or service delivered is very high, and vice versa. A high touch brand needs to assign higher threshold limits when compared to a low touch one.

Also, CEI being an Index, lends itself for benchmarking both within the brand and within the industry with comparable engagement goals.

### Third party databases and big data.

Customer Engagement Index lends itself to absorb metrics from multiple engagement sources. It can easily integrate usage data from other external engagement sites or contexts within it’s vast array of variables.

CEI is also future proof, in terms of how it lends itself to number crunching from big data initiatives by a brand, now or in the future.

Analytics divisions of a brand, whether internal or consulting can work with CEI seamlessly, along with other important campaign / ROI metrics.



## Customer Engagement

So far, the Customer Engagement metric is being looked at as an advertisers need to follow a prospect to customer conversion, and therefore, as a tool for tracking pre sales conversion. Early definitions describe it as “...an estimate of the degree and depth of visitor interaction against a clearly defined set of goals.”<sup>4</sup>

The Advertising Research Foundation, The World Federation of Advertisers, Nielsen Media Research, IAG Research and Simmons Research are in the process of developing CE metrics for online user engagement in a traditional marketing funnel.



# CSI - Customer Sentiment Index

$$f =$$

## Positive Sentiments

Linguistic expressions of positive sentiments on customer engagement or social media pages of the brand.

## Neutral Sentiments

Linguistic expressions of neutral acknowledgements or remarks.

## Querying Sentiments

Linguistic expressions of inquiries spread across reactions to content.

## Negative Sentiments

Linguistic expressions of disappointment, complaints, anger, sarcasm or confusion.

## Weights

Assigned to determine polarity of text.

## Customer Sentiment Index views



## Real time customer sentiment index.

Customer sentiment Index (CSI) is a moving measure that categorizes overall customer sentiments from multiple sources, whether internal or external, into their natural states, and contextually to their engagement with the brand.

CSI does an amazing job of summarizing the mood of a customer over a given timeline to help customer success and relationship managers to respond suitably. Since contextual relevance provides for a clearly identified subset of sentiment polarity expressions from the historical data of a brand, it improves the accuracy of sentiment capture quiet dramatically. Customer Sentiment Index also lends itself to Industry wide benchmarking within similar brands.

## Adaptive & Scalable

Research in computing semantics and linguistics will increasingly allow brands to capture, track and respond to online sentiments with increasing accuracy for polarity.

CSI can work with sentiment polarity data, whether current or future, from any existing sentiment analysis engines, to present a standard measure that can then be benchmarked, with Industry standards.

CSI influences the Resale and Renewal Predictability of a certain customer account and reduce the dependence on descriptive assessments of customer relationships.



## Customer Sentiment

Referred as "Listening Tools" early in their evolution, sentiment analysis engines were born to make sense of, and manage, user inputs within the enormity of content on social media. *Semantic orientation* or *polarity of text* are used in most common sentiment analysis tools.

The current crop of generic sentiment analysis engines provide an accuracy of anywhere between 30 to 50%, though some claim a higher rate of success. It is considered that 70% accuracy<sup>5</sup> in text polarity is near to human accuracy. Future discoveries in computing linguistics are bound to narrow this gap.

## RPI - Renewal Predictability Index

$$f =$$

### CEI

Customer Engagement Index for the most recent timeline.

### CSI

Customer Sentiment Index for the most recent timeline.

### Time to Renew

Relationship Manager's Inputs for time to renew.

### Time to Resale

Relationship Manager's Inputs for average time of resale to Customer.

### Moving timelines

Weights assigned to both CEI & CSI, relative to the time to Renew or Re sale.

## Renewal Predictability Indexes



**PRONYTECH**  
Customer Since : 2012  
Products/Services (1)  
★★★★★ Users (5)

**Renewal predictability**

Renewal predictability index **82%**  
Time to renewal **7 days**

**Revenue details**

12 months rolling revenue	\$ 1 mn
2013 revenue	\$ 3 mn
Lifetime revenue	\$ 3 mn

**Resale predictability**

Resale predictability index **82%**  
Time to resale **10 days**

## Renewal predictability is now more accurate...

RPI, provides measurability to the customer relationship function to predict revenue growth from existing customers.

With the lowest predictability base set at 50%, to factor in offline relationship management, any indicator above it, denotes predictability as a function of engagement, sentiment or time to renew / re sell.

Time to renew, or average time of re sell to an existing customer are captured as inputs from the customer relationship function, to provide a moving analysis of predictability.

## Revenue forecasting & risk management

For the first time, RPI helps brands take a gigantic leap in presenting both qualitative and quantitative metrics to backup revenue forecasting to its constituents, whether internal or external, resulting in higher brand valuations and differentiation.



Since it is real time, It plays a tremendous role in helping the executive management be pro active with its approach in mitigating risks for under performance on projected growth.



## Revenue Predictability

Renewal revenues often represent 60-70% of sales and revenue quotas. Traditionally, predictability of customer renewal, retention, or re sale have been driven by descriptive analysis that could be a combination of profiling customer experiences, or even objective measures<sup>6</sup>.like successfully resolved support / service calls. More often than not the reality leaves little or no room for correction.

The Lure of big data in addressing predictability does hold a lot of promise, but no visible trends have been noticed in this focus being adopted by revenue owners yet

**In Summary**, indices that interpret and provide valuable decision making insights in real time are a boon for executives in charge of customer success & revenue growth from existing customers. They, by no means displace the human interactions that trump all forms of customer engagement, but are an absolute essential for maintaining persistent data of all interactions for insight mining and predictive analysis which will be increasingly standardized to:

- ★ Provide quantitative support for descriptive analysis.
- ★ Provide real time moving information for pro active actions
- ★ Provide persistent data for real time decision making by widely dispersed customer success & revenue management teams.

## References

1. Make the Switch To The Customer Life Cycle - Steven Noble - February 8,2011 - Forrester Research, Inc.
2. How Analytics Drives Customer Life-Cycle Management - Srividya Sridharan with Dave Frankland, Suresh Vittal and Allison Smith- November 19,2012 - Forrester Research, Inc
3. The Role of Digital In The Path To Purchase - Corinne Madigan & Tracy Stokes, August 27, 2012 - Forrester Research, Inc
4. [http://en.wikipedia.org/wiki/Customer\\_engagement](http://en.wikipedia.org/wiki/Customer_engagement)
5. [http://en.wikipedia.org/wiki/Sentiment\\_analysis](http://en.wikipedia.org/wiki/Sentiment_analysis)
6. Prediction, Renewals & Big Data, by Jeff Weinberger, August 30,2012 - [www.pakragames.com](http://www.pakragames.com)
7. Gartner Says Customer Experience Enters Top 10 CIO Technology priorities for 2012 - Press Release, April 24,2012 - [www.gartner.com](http://www.gartner.com)

## About the Author



**Mahendra Penumathsa** is the Co-Founder, President & COO for Collabor. He works with product strategy and solution architecture. With a Master's degree in Business Administration he worked for over 16 years across marketing, sales, finance, product and process management functions. He worked very closely with over a dozen Collabor's customers in identifying metrics for success and adoption. In his previous avatar, he helped setup delivery teams and processes for corporations like

ADP, Ixia, St. Croix systems, Acuma & Franklin Templeton.

Mahendra enjoys partnering with evangelists for topics related to online collaboration in customer facing contexts, and can be reached via e mail at :[mahendra.penumathsa@collabor.com](mailto:mahendra.penumathsa@collabor.com).

Read more at  **Collabor**

Connect @  **LinkedIn**

**Collabor** is based out of Massachusetts, MA with offices in Asia and Europe.

It is focussed on helping brands, and their organizations, to extend and manage relationships with their customers, via the digital world.

Collabor deploys collaborative forums, workflows and tools - on mobile and web, that help brand owners to engage and measure customer engagement, sentiment and predictive analysis for revenue growth and retention.

For more information, please contact +1-508-876-2575 or [info@collabor.com](mailto:info@collabor.com)

[www.collabor.com](http://www.collabor.com)

**Collabor Inc,**  
33, Boston Post Road West,  
Suite 210, Marlborough, MA  
01752

New York | London | Hyderabad