1-800 CONTACTS Use Cases

Overview

The following outlines - through five use cases - how 1-800 CONTACTS used Compellon 20|20 to drive change within their organization. Thank you to Neil Wiehloch, PhD, Director, Marketing Strategy and Insights, for writing these posts and sharting 1-800 CONTACTS' successes with us.

Use Case #1: Identifying Drivers of Churn

It's not me - it's you: Why do customers who have had a great experience not return?

Since 2005, 1-800 CONTACTS had been looking to identify the drivers of customer churn. On two different occasions, they hired statisticians to build models – and both times they failed. In both in- stances, a blend of customer transactional behavior data and data from satisfaction surveys were used.

In 2016, in an attempt to once again see if they could predict customer reorder rates, 1-800 CONTACTS worked with Compellon. And in this case, they were successful. Running the 1-800 CONTACTS data through the Compellon predictive engine revealed two incredible insights:

1. 1-800 CONTACTS customer order behavior could in fact be predicted, and
2. The reason customers returned had very little to do with what the customer purchased or how satisfied they were with the experience – and had almost everything to do with who the customer was (demographically & psychographically).

One of the reasons Compellon was so successful in identifying drivers of churn when data scientists were not is due to Compellon's "kitchen sink" approach to analysis. Because the Compellon 20|20 platform can identify relationships between variables without any a priori modeling, analysts can dump in any and all data and let the engine reveal the drivers. This is an amazingly different and powerful approach to model building.

The reason this approach is unique is that, unlike the traditional approach, the Compellon methodology does not require that the analyst first build the model to be tested. In the case of 1-800 CONTACTS, the initial and unsuccessful models that were built by data scientists were constructed based on the assumption that purchase and satisfaction were the drivers of re-order – so those were the only variables from which the predictive models were built. But, as the Compellon analysis revealed, those were false assumptions. In contrast, Compellon's unbiased approach encourages the use of as much data as possible in the analysis. In the case of 1-800 CONTACTS, the otherwise discarded data (demographic and psychographic) turned out to be the primary predictors.

1-800 CONTACTS now has a very clear picture of:
- who to prospect,
- who to incentivize, and
- how many of each segment to target in order to reach a definitive final business objective.

Use Case #2: Learning What Really Drives Re-Orders

Does NPS really tell you anything?

Most organizations utilize similar post-transactional surveys. Chances are, a Director or VP read The Ultimate Question some time around 2006 and implemented an NPS tracking system. These same organizations then also generate monthly reports showing that satisfaction or NPS remains high and constant. But how much do these scores really drive actual customer behavior (the true test of value)?

1-800 CONTACTS is one of these organizations: we have been tracking customer satisfaction and NPS on a monthly basis. And our scores are really high; people who purchase contact lenses from 1-800 CONTACTS are really satisfied and highly likely to recommend us to a friend or colleague.

Recently, the Insights Team at 1-800 CONTACTS wanted to really understand the direct impact that satisfaction had on individual customer behavior. Specifically, we wanted to know why there is churn if satisfaction is so high?

To identify the drivers of churn, the Team worked with our internal data warehouse team to build a robust dataset that included:
- customer transactional behavior data,
- appended demographic and psychographic data on each customer, and
- data from ongoing customer feedback surveys.

We then ran that dataset through Compellon's predictive engine – and selected "customer re-order" as the target.

The results of the Compellon model were both heartbreaking and insightful: **individual satisfaction with their experience is not one of the predictors of customer likelihood to re-order**. This measure, which has been tracked for years and is used as an indicator of performance for many departments, is not directly attributable to customer churn.

As it turns out, 1-800 CONTACTS is so good at creating a positive customer experience that almost all customers rate us highly for satisfaction and likelihood to recommend. These consistently high ratings, while serving as a great internal reminder of how well we deliver service – with little variance, serve as poor predictors of customer behavior.

The Insights Team has since re-designed the satisfaction questions in order to generate a wider range of responses. Specifically, we have phrased the questions in terms of customers' expectations and now ask how well their experience "met their expectations." This re-design has not only generated a greater variety in responses, it now serves as a predictor of customer behavior.

Use Case #3: Unifying Marketing Silos

Grounding yourself in your Customer database: the secret to uniting silos.

As it is in most organizations, the greatest challenge that the Customer Insights Team at 1-800 CONTACTS faces is getting key stakeholders to move in the same direction. Since Marketing departments are often siloed, once an insight is generated different teams develop different strategies, tactics, and means of measuring success (if they do anything at all).

But once the Customer Insights Team at 1-800 CONTACTS used Compellon to generate insights, things changed: **the entire Marketing Team responded by adopting the same strategic direction**, working together to develop tactics and looking to the same KPI to track progress.

Why did this happen? How was an otherwise segregated organization able to come together? The secret is in the fact that they were all working from the same data source and using the same platform to inform their work.

To get everyone on the same page, the Customer Insights Team worked with their internal data warehouse team to build a robust data set that included:

- customer transactional behavior data,
- appended demographic and psychographic data on each customer, and
- data from ongoing customer feedback surveys.

The goal behind this approach was to compile data that would be usable by all department members because it included information regarding:

- who customers are (who to target),
- what their experiences had been (what to provide), and
- what behaviors customers adopt (business objectives to set, like reduce churn, increase re-order, or acquire more).

Predictive models were then generated utilizing the same platform. The various outputs created from the Compellon predictive analytics engine were meaningful to everyone across the entire department:

- Marketing leadership used the models to identify drivers for strategic development;
- Customer Acquisition teams used the models to generate tactics for targeting new customers and prospects;
- Customer Retention teams utilized the single predictor outputs to identify personalized messages and experiences.

And all of these actions could be directly tied back to actual customer behavior and a shared financial value.

Now the Marketing Department at 1-800 CONTACTS works together to solve problems – from the strategic to the tactical. By streamlining the process from insights to activation, they have also been able to substantially reduce their reliance on third-party "solutions" providers to run a more efficient in-house research and analytics practice.

Use Case #4: Flagging Customers with Look-Alike Data

The Key to Activating Insight: Flagging All of your Customers

Conducting traditional marketing research can be a great way to paint a "big picture" of what is happening in the marketplace in order to develop high-level strategy. But the challenge is then in the activation: how do you decide where to go? Specifically, how can you identify clear and measurable objectives, track strong indicators of progress, and link marketing activities to actual individual behaviors (in order to measure actual value)? As we all know, unless an initiative can be clearly measured, it doesn't exist.

The Insights Team at 1-800 CONTACTS recently found themselves in this position: using questions from their ongoing post-transactional satisfaction survey, they identified a few key consumer segments that acted in different and meaningful ways. But since the only customers that were segmented were the ones that completed the survey, only about 1.5% of the entire active customer database could be segmented and, therefore, targeted, tested, and tracked.

Were they to implement these insights from a traditional marketing approach, the Insights Team would have had to make assumptions about all their customers and run several A/B tests to see which tactics would best work in aggregate – rather than test and learn among each of the segments individually.

Instead, the team decided to use the Compellon engine to run look-alike data and flag the entire customer database according to each customer's likelihood to be a member of one of the segments. Specifically, the Insights Team appended all their active customers with third-party demographic and psychographic data, then ran it (along with their transactional behavior data) through Compellon 20|20, and generated predictive models for each of the segments. Once the models were built, the team then set up an API to update and flag all new customers on a weekly basis.

Now 1-800 CONTACTS can test, treat, and track each segment differently – and link their actions directly to financial results based on individual customer purchase behavior. Additionally, the same models that Compellon 20|20 generated to determine segmentation identified the drivers that 1-800 CONTACTS uses to target and message different prospects for acquisition.

Use Case #5: Personalizing Actions to Curb Churn

Who Do You Love?

Do all of your new customers need the same level and type of attention to become loyal? Probably not. But how do you know who needs what?

These were questions that the Insights Team at 1-800 CONTACTS pondered. Their hypothesis was that "who" someone was (demographically and psychographically) probably determined the level and type of attention required. To test this hypothesis, they worked with their data warehouse team to append customer transactional behavior data with both demographic and psychographic data. They then ran this data set through Compellon.

The Team was correct: customer re-order was predicted by individual customer demographic and psychographic variables. To make this insight actionable, the Insights Team at 1-800 CONTACTS (based on recommendations from their Compellon consultants) used the "confusion matrix" from the Compellon predictive model to identify customers as members of one of four segments based on their likelihood to re-order:

- True positive = likely to reorder
- True negative = likely to not reorder
- False positive = look like they'll reorder, but don't
- False negative = look like they won't reorder, but do

As a result, the Marketing Team at 1-800 CONTACTS is now using these four customer designations to serve up variations on four different types of actions that look something like this:

- True positive = continue to provide same great service (no change)
- True negative = test possible messages and offers
- False positive = provide reminders close to their estimated re-order time
- False negative = message frequently with high appreciation and value

Working with the team at Compellon and using Compellon 20|20's breakthrough prescriptive analytics capabilities has changed how 1-800 CONTACTS' teams work together, uniting the doers and the thinkers and putting them all on the same page. Silos are united. Data are better utilized. And most importantly, data-driven decisions have resulted in successful business outcomes.