

# CRM Predictive Analytics

Analytical CRM is part of Customer Relationship Management which aims to store, analyze and apply the knowledge about customers and about how to approach customers, typically using a database, statistical tools, data mining, machine learning, business Intelligence and reporting methodologies. This contrasts with the operational CRM systems that are deployed to handle interactions with customers.

Many companies have invested much in infrastructure for operational CRM (call center technology, channel management system, campaign management technology, loyalty cards) without having a strategy for analytical CRM. The result is that they can manage a good interaction with individual customer but fail to recognize the history and pattern of customer transactions from time to time.

The newest approach of crm analytics is predictive analytics. The difference is this: Traditional analytics tools will tell you which customers bought the most in during a specific period. But traditional tools will not tell you why these people bought and what to buy next. Predictive analytics helps companies get at the *why*, creating a deeper and relevant relationship with each customer.

Data mining, text mining and predictive Web analytics are three examples of predictive analytic techniques. Data mining is used to find patterns and relationships in large data sets. Text mining is used to find patterns and relationships in the unstructured textual data contained in e-mails, call reports, Web sites and other information sources. While Predictive Web analytics is used to gather historical and predictive Web metrics.

Predictive analytics' central building block is the *predictor*, a single value measured for each customer. For example we can use the predictor *customer personal income* to determine the type of person who buy certain kind of good. In this case, we call "*to determine the type of person who buy certain kind of good*" as prediction goal. For each prediction goal, there can be many predictors that will help rank your customer database.

A careful combination of predictors will result in a better customer prediction by considering multiple aspects of your customers and their behaviors. The right way to combine predictors is by constructing a model according to your customer data. Predictive analytics builds models automatically, but the overall business process to direct and integrate predictive analytics is truly needs your marketing expertise.

Certainly predictive analytics will provide your company with competitive advantage. Therefore, predictive analytics programs must become a priority for senior-level executives, sales managers, marketing directors, and anyone else in a company who is ready to leap into a profitable future.

With a large amounts of customer data generated every minute, and the growing requirement of managing each customer relationship by understanding current needs and anticipating future needs, predictive analytics is no longer a nice thing to have; it is essential. Today's customers want to feel unique and recognized, and they are forcing a more scientific approach to CRM. Businesses must do whatever it takes, and using the right tools, to truly understand and satisfy each customer, today and in the future.