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P e r s p e c t i v e s

[pə(r)ˈspektiv]

sense of things in proper
relationship to each other

Data Value Mining

THE VALUE OF LONGTAIL CUSTOMERS

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[06]

When reviewing business with existing customers, senior management usually starts with a snapshot on totals, gains, and losses of revenue by product, territory, sales team, etc. Deep dives into individual top 10 to 20 customers typically follow. The longtail rarely gets attention in such meetings. As a consequence, companies typically leave sizeable value potential on the table – often without knowing.

However, insights from assessing the longtail the portfolio shed light on critical truths about the business. They can identify missed opportunities and increase a company's profitability.

Executives should ask analysts to perform an in-depth analysis of characteristics, patterns, and movements of longtail customers regularly, and include acquired insights in business review meetings. Such analyses may contain the following perspectives:

Pricing – Given the current level of business, which longtail customers enjoy appropriate discount levels and which don't?

Impact on operations – Which longtail customers are serviced by standard processes and which customers cause inappropriate levels of work?

Segment specific opportunities – Do characteristic differences between large customers and the longtail suggest that product mix or delivery processes can be simplified to cater to specific longtail requirements?

New opportunities and market trends – Do changes in sales of particular products indicate new opportunities that can be utilized for other segments?

New stars – Which longtail customers appear to be the next star and should be promoted to become a key account?

Through the initial deep-dive, analysts usually gain an understanding of which aspects of the longtail matter most. From this insight, companies can derive standardized views on data about longtail customers and include this into management reporting. Tracking movements of longtail customers along the four categories shown below helps to gain an initial perspective to what extent longtail customers create or destroy value to the overall company.

The initial in-depth structured assessment followed by regular reviews of summary statistics on the longtail customer segment offers companies additional ways to identify growth opportunities and improve overall profitability. With up-to-date big data tools allowing to deep-dive into large datasets efficiently, it is probably only a matter of time until discussions on longtail customers become a standing agenda item in meetings with top executives.

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