MARKETING ANALYTICS: THE ROI OF INSIGHT AND THE ADVANTAGE OF THE CLOUD

October, 2015

➜ **Peter Krensky,** Research Analyst, Analytics & Business Intelligence

in t

Report Highlights

p2

The CMO's agenda.

p6

The ROI of marketing analytics.

p7

Examining the cloud advantage.

p8

Getting better all the time with comprehensive analytics.

This report examines the top concerns of marketers, the impact of marketing analytics on key performance metrics, and the advantage of cloud analytics.

ABERDEEN
GROUP

2

Modern analytical tools can offer marketers up-to-the-minute information on any key indicators of customer behavior.

Survey participants comprised firms in business-to-business (B2B), business-to-consumer (B2C), and mix-model (B2B and B2C as well as B2B2C) organizations.

Data presented in this research was collected in Aberdeen's 2015 Business Analytics, and 2015 Marketing Effectiveness and Customer Experience Management surveys.

96% of CMOs are not satisfied with their ability to use customer data to orchestrate buyer journeys.

Marketing has never been harder. Companies must constantly compete for eyes and ears across all channels and formats. As marketers toil to cut through the extraneous noise, they must also ensure that they are reaching the right audience where their messaging will resonate. This requires strategic and tactical insights into marketing performance and customer activity. While marketers face the most challenging environment in the history of their profession, they also have a set of advanced analytical tools to choose from to aid in their efforts. Modern analytical tools can offer marketers up-to-the-minute information on any number of key indicators of customer behavior, this way marketers can gain a true understanding of all facets of marketing performance and better demonstrate their contribution to the competitive advantage of the organization. Aberdeen Group surveyed hundreds of organizations to better understand their marketing activities and related technology strategies. This report will examine the marketing challenges and opportunities that can be addressed with analytics, and highlight the advantages of achieving comprehensive analytics in a cloud environment.

Top Marketing Priorities

The top goals cited by marketers reflect the need for greater strategic insight into customers and marketing performance (Figure 1). CMOs need to clearly draw a line between marketing activities and improvement in these areas. First and foremost, marketers care about retaining their current customers. Retention rates are a leading indicator of overall performance and also easily attributable to marketing efforts. Marketers want to identify the traits of customers at high-risk of departing the business, and find a way to bring them back into the fold.

ABERDEEN GROUP

3

Figure 1: The CMO's Agenda

■ Marketers

Retain existing customers	81%
Increase brand awareness and loyalty	74%
Improve customer satisfaction	67%
Increase customer profitability	54%

Percentage of Respondents

n=207
Source: Aberdeen Group, April 2015

Marketers also need to increase the prominence of their brands while simultaneously instilling customer loyalty. This involves identifying the best channels through which to reach customers, and intelligently allocating marketing dollars to have the greatest impact. Another goal, achieving greater customer satisfaction, means responding to customer needs more quickly and creating a more personalized customer experience. Marketers have to identify the most vital aspects of the customer experience that drive satisfaction and eliminate any practices that produce dissatisfied customers. Highly satisfied customers will become valuable advocates for a company's products and services.

Finally, over half of marketers are focused on increasing customer profitability. This requires increasing the wallet share of each account while reducing associated costs, such as marketing spend. Maximizing profitability requires a precise and
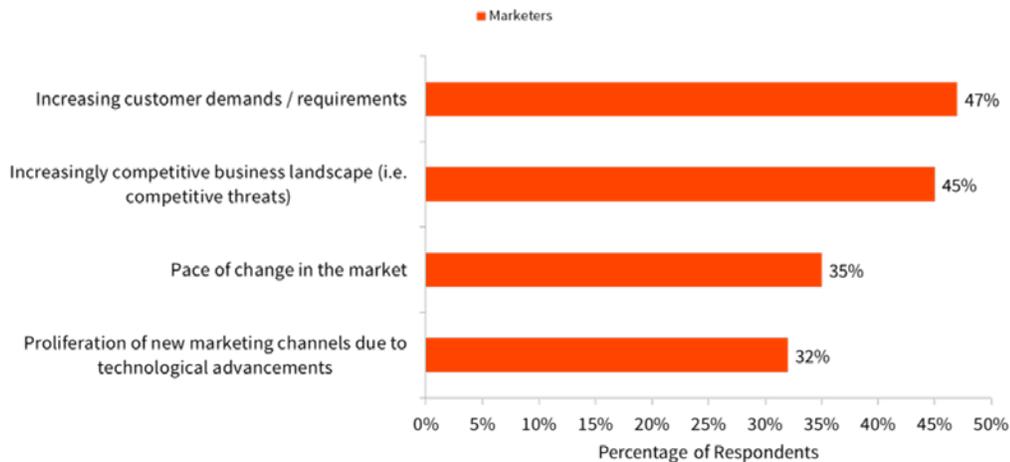
4

thorough understanding of customers. The wrong upsell attempt at the wrong time could end up decreasing customer spend in the long run. None of these goals exist in a vacuum. Improving customer satisfaction will positively impact loyalty and retention. Developing brand loyalty will make it easier to increase customer profitability. Overall, marketers are an ambitious bunch as they seek to attract and retain customers who are loyal and increase spend over time.

Marketing Challenges to Overcome

The CMO's agenda is easier said than done. Aberdeen also asked marketers what external pressures impact them and their respective organizations' marketing efforts (Figure 2). Today's customers expect more than ever: highly customized interactions, instantaneous responses, and a seamless omni-channel experience (see sidebar). Additionally, many marketers feel that their industries have never been more competitive. Landscapes continue to become more crowded, and marketers seek to stand out amongst the cacophony of their rivals' messaging. To accomplish this, marketers need to reach customers with the right content via the right channel at the right time. They also need to find ways to differentiate their outreach from competitors while still resonating with the right audience.

ABERDEEN GROUP

5

Figure 2: Top External Marketing Pressures

■ Marketers

Increasing customer demands / requirements	47%
Increasingly competitive business landscape (i.e. competitive threats)	45%
Pace of change in the market	35%
Proliferation of new marketing channels due to technological advancements	32%

Percentage of Respondents

n=111
Source: Aberdeen Group, February 2015

Marketers are also challenged by rapidly changing markets and the growing number of channels through which customers need to be engaged. Customer activity often needs to be tracked and managed in real-time to stay ahead of the competition. Marketers need to collect, access, and analyze data types as they come in from all digital channels. They also need to predict customer trends and behaviors to stay ahead of the curve. Many marketing departments struggle with managing interactions across multiple channels to ensure customers receive updated and tailored messaging based on previous engagements. All of these external pressures can hold marketers back from achieving their goals. Enlightened marketing leaders do not despair, however, and overcome these challenges through the diligent application of analytics.

Analytics Make an Impact

In addition to all of these challenges and pressures, marketers constantly feel the top brass breathing down their necks to

**Marketers constantly feel the top brass breathing down their necks to demonstrate ROI for marketing spend.**

ABERDEEN GROUP

6

demonstrate ROI for marketing spend. No CEO will long tolerate a CMO who fails to attribute revenue to specific marketing activities. Marketers can demonstrate their value by becoming more data-driven and technologically advanced in their activities. Aberdeen identified organizations in its survey respondent pool that reported comprehensive analytical adoption and high-levels of activity in their marketing departments (Figure 3). This means they are able to integrate data from multiple sources, and utilize all available information to better understand and predict marketing performance. Marketers in these organizations operate in a data-driven culture and go beyond reporting to leverage advanced analytical capabilities. Analytics can be applied to the full spectrum of marketing functions (see sidebar) to create a clear picture of customer preferences, activity, and profitability.

Figure 3: The ROI of Marketing Analytics
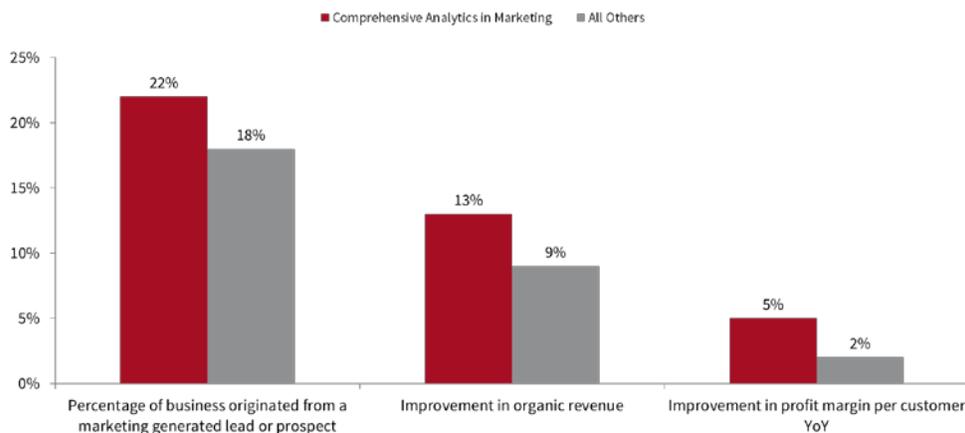
n=692
Source: Aberdeen Group, February 2015

The impact of a data-driven approach to marketing can be immediately seen in several metrics. It should be noted that correlation does not equal causation, and many factors

7

contribute to the successful performance of an organization. Still, organizations with comprehensive analytics in marketing reported a 22% greater percentage of business coming from a marketing-generated lead (see sidebar). Strong analytics enable marketers to identify which activities convert to closed business, and then double down on the organization's investment in those areas. With the right data-driven insights, marketers can engage more customers more successfully.

Measuring the effectiveness of campaigns not only makes marketers look good – it helps generate more business for the entire organization. Organizations with highly analytical marketing departments averaged a 13% increase in revenue year-over-year, a 44% greater improvement than less data-driven organizations. Data-driven marketers can trace revenue growth in key areas back to specific marketing strategies. These companies are sustaining healthy growth in part due to their ability to create actionable intelligence, and use it to attract new customers and expand existing relationships.

Highly analytical marketers also did a better job of improving customer profitability. Data-savvy marketers can identify the most profitable customers, and tailor messaging and offers to increase wallet share. The right tool can predict which customers are ripe for cross-sell and upsell opportunities, and prescribe recommendations. Strong analytics will also make marketing more efficient. Better customer understanding means more accurate targeting per channel and fewer wasted marketing dollars. Techniques like A/B testing enable marketers to quickly identify successful or unsuccessful content, messaging, imagery, and promotions.

Data-savvy marketers can identify the most profitable customers and tailor messaging and offers to increase wallet share.

Deploying strong analytics in the cloud gives marketers the ability to quickly perform ad-hoc analysis to generate insights that will support their efforts.
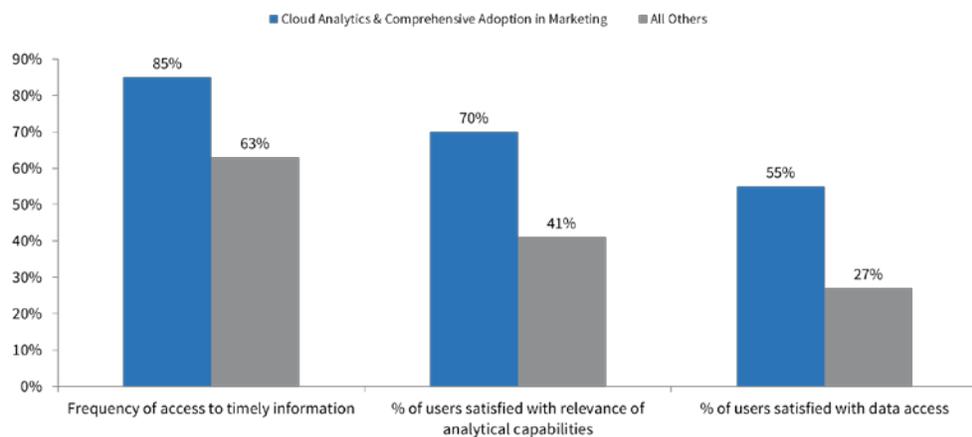
ABERDEEN GROUP

8

Connect to All your Data in the Cloud

In addition to helping marketers show their contribution to key financial metrics, the right analytics solution produces happier users and improved operational performance in marketing. Aberdeen isolated organizations with comprehensive marketing analytics and a cloud deployment to compare their performance across a number of user metrics (Figure 4). These organizations deliver information to their users within the decision window 85% of the time, or 35% more often than all other surveyed organizations. This means that more marketing decisions, especially time-sensitive ones, are made based on data rather than intuition, anecdotal intelligence, or best guesses. Deploying strong analytics in the cloud gives marketers the ability to quickly perform ad-hoc analysis to generate insights that will support their efforts. A cloud environment enables marketers to get rapid answers and explore data more deeply when the situation calls for it.

Figure 4: Faster Access and More Satisfied Users

n=274
Source: Aberdeen Group, June 2015

9

Marketing analytics in the cloud helps organizations derive more value from data they already have, while less analytical organizations miss out on opportunities for insight. Users are significantly more likely to be satisfied with both the relevance of their analytical capabilities and their overall data access. Marketers need the right data, and they need lots of it. Also, customers are fickle creatures, so data needs to be constantly updated to reflect the current reality. The cloud offers rapid time to value as users quickly gain access to troves of relevant data that will help them do their jobs. Campaign managers can examine open rates, offer effectiveness, and click stream data. Executives can manage budgets and determine ROI. The right analytical capabilities help marketers to see the future and be proactive, instead of reactive, with customers.

Many organizations fall short in reaching customers across all channels because they lack a centralized data system. Cloud analytics enables all data types collected from all channels and residing on multiple platforms to be engaged and visualized in one place. Analytical minds in marketing can easily engage data collected by cloud applications, such as marketing automation or CRM, and integrate additional data types into their analysis. Users engaging data in the cloud are more satisfied because their data is unified. Marketers in less analytically enlightened environments will struggle with tracking down disparate data sources and breaking through information silos.

The Cloud Drives Improvement

Strong marketing analytics in the cloud drive several important improvements (Figure 5). Organizations taking this approach also achieve these improvements by offering users a more mature analytical toolkit (see sidebar). Eighty percent (80%) of organizations with cloud analytics and widespread adoption in marketing reported an improvement in collaboration and

Organizations with cloud analytics and widespread adoption in marketing are more likely than all other organizations to adopt several key analytical tools and capabilities:

- Real-time analytics: 40% more likely
- Data prep tools: 37% more likely
- Data discovery / interactive visualization: 105% more likely

ABERDEEN GROUP

10

Customers are fickle creatures, so data needs to be constantly updated to reflect the current reality.

knowledge sharing over the past two years. Collaborative efforts are bolstered by the cloud as marketing, sales, and customer service are all working with the same data and seeing the same picture of customer activity. Marketers in highly analytical environments will engage more data and share valuable insights with each other. A data-driven culture, supported by strong analytical functionality in the cloud, benefits the entire organization.

A cloud analytical environment also supports greater data trust. When information is siloed and analytics are immature, marketers become skeptical of data quality. Decision makers particularly are wary of sketchy insights that could steer them in a disastrous direction. Executives want to know that data is properly collected and managed. A cloud deployment ensures a single version of the truth and provides a centralized hub for trusted information.

Figure 5: Drive Improvements with Cloud Analytics
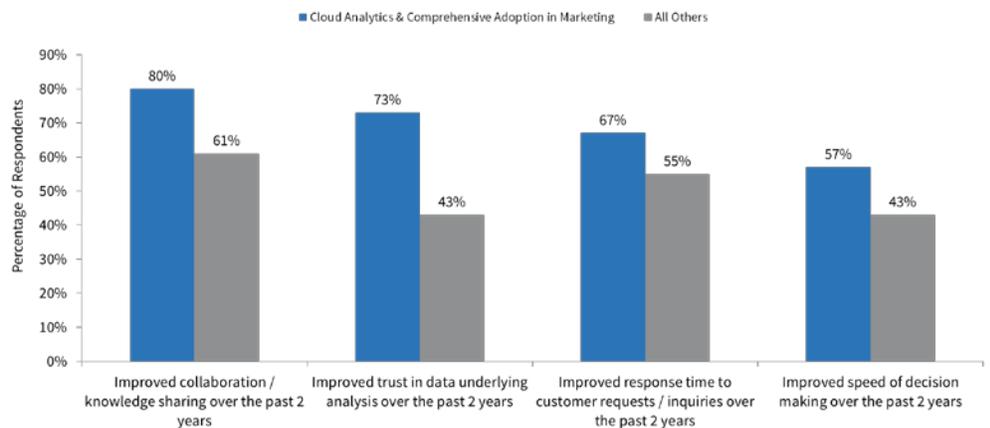
n=397
Source: Aberdeen Group, June 2015

Timeliness is just as important as relevance to the success of omni-channel marketing.

Marketing analytics in the cloud have also contributed to faster response times to customer requests. Powerful analytics alert

ABERDEEN GROUP

11

marketers whenever customers raise their hands in any way. Timeliness is just as important as relevance to the success of omni-channel marketing. Marketers can leverage data to immediately offer customers individualized responses across multiple channels.

Finally, powerful analytics in the cloud help everybody make faster decisions. Marketers can track digital trends, increase investment in what's working, and quickly call audibles when efforts aren't producing measurable results. As the pace of marketing continues to accelerate, the ability to effectively engage Big Data offers a competitive advantage. Marketers can quickly adapt to changing customer needs and stay ahead of the competition. The cloud offers users rapid data access from anywhere to develop strategic insights and take action.

Key Takeaways

Marketers are now expected to endlessly anticipate, meet, and exceed customers' needs while demonstrating the value of all their efforts. Marketing analytics enable organizations to obtain maximum results from their marketing investments. With the right tools, marketers can perform robust analysis on multiple data sources, accurately predict performance, and derive the maximum value from their data. Marketers and technology decision makers looking to do more with marketing analytics should keep the following in mind:

➔ **The CMO's agenda and the pressures of marketing.** Marketers' top priorities are customer retention, brand awareness and loyalty, and improving customer satisfaction. They also face the challenges of demanding customers, competitive environments, fast-changing markets, and omni-channel outreach. This agenda and set of pressures cry for powerful analytics to better

understand customers and predict marketing performance.

➔ **Comprehensive marketing analytics drive superior financial performance.** Organizations with comprehensive analytics in marketing averaged 22% of their revenue originating from a marketing-generated lead. These same organizations averaged 13% revenue growth over the past year. Highly analytical marketers are also achieving the goal of improving customer profitability.

➔ **The cloud supports better data delivery and wider data access.** Organizations with cloud analytics and comprehensive adoption in marketing deliver information to users within the decision window 35% more often than all other organizations. The cloud also contributes to significantly higher rates of user satisfaction around the relevance of analytical capabilities and overall data access. Users can easily connect to numerous sources to get the greatest possible value from all the data they have.

➔ **Powerful analytics in the cloud drive desirable improvements.** Organizations with cloud analytics and strong adoption in marketing demonstrated greater rates of improvement in several areas. Users in a cloud environment become more collaborative, and a centralized data system promotes trust in data. These organizations also reduce response time to customer requests and accelerate decision making.

Marketing will always be tough, but with the right approach to analytics, marketers can achieve success on all fronts.

13

For more information on this or other research topics, please visit www.aberdeen.com

Author: Peter Krensky, Research Analyst, Analytics & Business Intelligence (peter.krensky@aberdeen.com)

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Boston, MA.