



Deep Dive

Activate Analytics to Optimize the Digital Customer Experience

How Descriptive, Predictive, and Prescriptive Analytics Will Transform Customer Engagement

About the Pie Chart

The data presented in the chart is derived from the 2014 Gleanster survey on Customer Experience Management (n=278). The data presented in the body of this report reflects the findings from this survey.

Other survey data leveraged:

- 2014 Web Content Management (n=202)
- 2014 Omni-Channel Customer Engagement Survey (n=315)
- 2014 Data Visualization Survey (n=382)

The data serves as the basis for this Deep Dive, which provides analyst commentary related to a particular aspect of the topic. The objective is to provide additional perspective and illuminate certain key considerations regarding the implementation of the related technology-enabled business initiative.

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Executive Summary

All this talk about big data and intelligent analytics is more than enough to keep the eyes rolling in the marketing department. Sure, we need to use data to inform decisions, but what does that really look like? Can it be automated in a resource-conscious and cost-conscious way? Top Performing organizations rate the digital customer experience as a key competitive advantage. A compelling, engaging, and relevant customer experience online is a differentiator for the world's most successful organizations. Naturally, the only way to accomplish this is to react to customer desires based on customer behavior, purchase patterns, interests, and interactions with the brand. That elevates data management and analytics as strategic imperatives for 2015. For most organizations, collecting the data isn't the issue; gaining access to the right data and making it actionable and available when you need it is the bottleneck. Top Performers have an affinity for informing engagement with data-driven insights. Senior leaders are avid consumers of automated reporting, and business rules inside technologies like marketing automation, web content management, and social monitoring help automate the optimal customer experience for individual consumers, segments, and target audiences. This Deep Dive will explore exactly how Top Performing organizations approach marketing

PERCENTAGE OF CMOs

who plan to allocate budget towards reporting, data visualization, and more effective data driven business decisions in 2015.

85%



ANCHORING STAT

Top Performers Defined

Gleanster uses 2-3 key performance indicators (KPIs) to distinguish “Top Performers” from all other companies (“Everyone Else”) within a given data set, thereby establishing a basis for benchmarking best practices. By definition, Top Performers are comprised of the top quartile of qualified survey respondents (QSRs).

The KPIs used for distinguishing Top Performers focus on performance metrics that speak to year-over-year improvement in relevant, measurable areas. Not all KPIs are weighted equally.

The KPIs used to distinguish Top Performers in this Deep Dive include:

- Revenue growth

analytics online and use insights to move beyond static reporting to data-informed engagement.

Key Takeaways:

- 90% of marketers report customer data is informing customer engagement in ongoing marketing communications in 2014 and 70% indicated there was minor to no room for improvement. Yet, companies primarily rely on basic customer data for personalization. Only 23% of marketers used customer behavior triggers in marketing communications.
- There are three types of analytics marketers should engage to optimize customer engagement: descriptive, predictive, and prescriptive.
- Creating compelling content for 1:1 engagement is costly, time consuming, and resource-intensive. A more compelling approach to invest in is micro-segmentation whereby more targeted segments of customers are identified using available customer data.
- Top Performing organizations are 5x more likely than Everyone Else to currently use or to have used machine learning in marketing optimization.
- The top reason Top Performers plan to invest in business intelligence was demand for data-driven decisions at the executive level. IT anticipates Marketing will be the most demanding consumer of data visualization and reporting in 2015.

Data Driven Engagement Isn't a Pipedream

When we asked marketers if customer data is informing customer engagement in ongoing marketing communications in 2014, nine out of ten said yes. In fact, marketers generally feel like they are doing a pretty good job at using available customer data – about 70% of marketers indicated there was minor to no room for improvement. But the operative word in that phrase is “available.” A deeper dive into how most organizations actually use customer data reveals that too many companies still rely on very basic customer data for personalization (if you can call it that) such as customer records in CRM and transaction history. So while Top Performing organizations are 3 times more likely than Everyone Else to utilize behavioral data, only about 5 out of 10 Top Performers use this data for segmentation and automated customer

engagement. That's an alarming trend. Advances in technology platforms have made it possible to capture and act on behavior data online for over a decade, yet marketers struggle to make the leap. Today most companies actively collect web analytics data, social monitoring data, and even third-party purchased data, but it doesn't get used in customer engagement. For these reasons it's worth exploring what actually differentiates Top Performing organizations, because on average they tend to generate 200% higher revenue growth than Everyone Else..

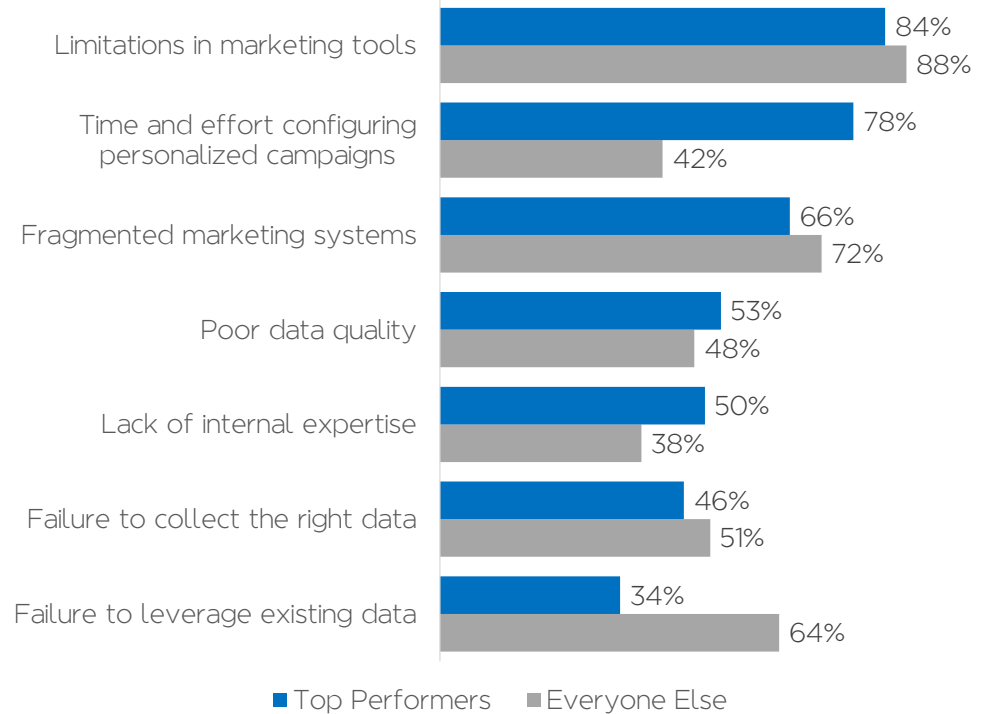
What's the issue with data and analytics?

When we ask respondents why they struggle with data-driven marketing and personalization online, it generally boils down to three main themes: technology limitations, resource skills, and availability of the “right” data. Figure 1 shows some of the unique differences

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“Marketers need to start thinking about how data can be use to 1) inform personalization in an automated way and 2) inform and optimize the communication strategy.”

Figure 1: Top 3 Reasons Marketers Struggle with Personalization



* 2014 Gleanster Customer Experience Survey, n=276

in challenges between Top Performers and Everyone Else.

Fragmented marketing technology is still a huge challenge for marketers. The fact that the top challenge with personalization is limitations with marketing tools tells us that all companies still struggle with legacy infrastructure. For Top Performers this trend could also be a result of marketers struggling to fully embrace investments in next-generation infrastructure like web content management and marketing automation. That said, Top Performers were two times less likely than Everyone Else to complain about leveraging existing data. In fact, Top Performers do a fairly good job at using data to optimize marketing communications. According to Top Performers, the second most prevalent challenge is the time and effort configuring personalized campaigns. That suggests that they are actually configuring personalized marketing

campaigns with available data. The data in Figure 1 highlights a key trend: marketers generally struggle to leverage existing data to inform customer engagement, but more importantly in reporting and analytics. One of the top three reasons for justifying investments in back-office marketing operations is visibility into marketing execution. CMOs continue to fly blind, leading to excessive dependence on legacy tactics that fail to create a compelling customer experience. Marketers need to start thinking about how data can be used to 1) inform personalization in an automated way and 2) inform and optimize the communication strategy.

Four Themes in Marketing Analytics

There are a variety of ways to leverage data in marketing – in fact, there are probably two dozen we could explore. But only a handful will have a meaningful impact on short-term

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Fast Fact

Eighty nine percent (89%) of Top Performers believe the digital customer experience is a top source of competitive advantage for their brand in 2014.

results in marketing, so these are areas we should expand on. They are the low-hanging fruit for marketers who suspect more could be done with available customer data, but don't know where to start.

Data Centralization: Is your customer data strewn about the organization in different marketing and sales technologies? That's perfectly normal in this day and age. It's unrealistic to expect organizations to divest themselves of legacy tools that house mission critical historical data. Research tells us Top Performing organizations are three times more likely to take a federated approach to customer data management whereby a central datamart links to historical information in different systems such as CRM, marketing automation, web analytics, and mobile. The problem with a datamart is that it is designed to be a warehouse for data and little more. That's where Top Performers tend to outperform Everyone Else, because they centralize data in systems that can also apply business rules to make the data actionable across different channels. We have to think about ways to transform data into action to inform and optimize customer engagement. The website remains a core channel for all organizations in all industries, and for this reason it generally makes sense to align the web properties with data from other channels such as email, social, mobile, CRM, and offline channels. Information derived from other channels can then be used to make real-time adjustments to the website based on the customer profile. In this respect, it's not just about centralizing customer data, it's about making it actionable in the most efficient and cost-conscious way. Web content management (WCM) solutions are starting to address these challenges by linking and consuming information from other channels and

systems so this data can be used to inform customer engagement online.

Segmentation: As much as we talk about 1:1 personalization, generally this needs to be a longer-term goal. Creating compelling content for 1:1 engagement is costly, time consuming, and resource-intensive. A more compelling approach to invest in is micro-segmentation whereby more targeted segments of customers are identified. By prioritizing these smaller segments and refining the filter criteria that define them, marketers can parse out a handful of communication strategies to execute on (creative, copy, channel specific, etc.). This provides a happy medium between a very broad and generic segmentation such as by industry and a 1:1 communication informed by the customer's role, title, region, industry, and other criteria. Today, marketers can rely on predictive insights derived through technology to help isolate high-priority segments, so you don't have to rely so much on gut instinct. It makes sense: use available customer data to inform segmentation strategy.

Analytics: There's a difference between reporting and data visualization. Generally reporting is the delivery of the same pre-defined key performance indicators over time. Reporting gives context about trends so marketers can react or investigate issues faster. Data visualization is a real-time snapshot of specific metrics in a visual format (current visitors, current subscribers, current open rate). Visualization via marketing dashboards can be a nice way to keep senior management engaged in the state of the business on an ongoing basis and may even help senior leaders value periodic reporting because they can actually investigate why certain trends are surfacing in real time. Another key area that marketers continue to struggle with

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The role of technology in data-driven marketing

There is a huge difference between having the tools to execute separate personalized campaigns across multiple marketing channels and having the tools to orchestrate a campaign that reinforces the communication across whatever channel prospects or customers prefer to engage in. You've got plenty of systems capturing data, and not all of it is relevant for centralization. It doesn't make sense to aggregate boatloads of web analytics data unless it can be linked to customer records and used to inform the customer experience.

Keep in mind that there is always a margin of error with respect to customer data; you may not have 100% accuracy in building out customer profiles and linking them to multi-channel behavior. That's okay. Like most things in business, 20% of your data will produce the lion's share of revenue, so it's generally worth the effort to start linking customer records to a centralized datamart. Many systems do this with a unique customer identifier such as an email address or physical address. More sophisticated systems will actually use a combination of criteria such as an IP address, email, physical address, and more to determine what data should be linked to customer records.

Today there are a handful of technologies that can consume data and make it actionable. These include WCM, marketing automation, campaign management, and re-marketing. Every provider will say they can integrate the data for you via an open API, but these are still quite manual efforts and can be costly. You should evaluate the level of sophistication the technology providers actually have around marketing analytics – at least make sure they have these capabilities baked into the product roadmap in the future, because they will be essential.

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is attribution. We are beyond the days of marketing as just an art, and many CMOs are faced with difficult questions about the return on marketing spend. Wherever possible the data we collect on customer behavior should be used to build a picture of how effective different channels and messages were at converting buyers. This information can in turn inform marketing communication strategy.

Automation: One thing we know for sure is that it's not realistic to assume a finite group of marketing resources can somehow transform available data in highly personalized ways (for thousands or millions of customer) without some form of automation and business rules. It's still difficult for marketers to translate strategy into qualitative rules informed by customer data, but it's really the only way to deliver compelling customer

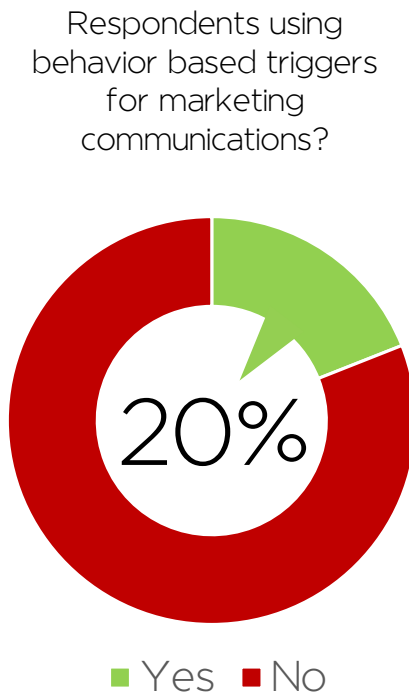
engagement online. Every prospect and customer has unique needs and demands when it comes to channel preferences, offers, and personalization. Marketers need to look for ways to not just centralize data but automatically act on customer data to deliver more relevant and engaging experiences. That may involve real-time changes to the website based on a customer profile (something WCM solutions have been capable of doing for years, yet only 2 out of 10 marketers report using behavior based triggers to personalize or trigger marketing communications 2014), an automated email notification, or a coupon to a high-value customer who reported an issue with the product or service. (See Figure 2.)

What differentiates Top Performers with respect to data and analytics?

Most companies still spend the lion's share of budget and time executing marketing campaigns across one or two core channels. Buyers aren't that myopic in their engagement. If it is conceivable that one or two buyers may expect to engage your brand on a particular channel, your brand needs to be a part of that channel. Top Performers are five times more likely than Everyone Else to embrace digital marketing channels such as social, mobile, and the web. Email remains one of the top channels for all organizations, but for Top Performers email is used as a hub to facilitate and encourage engagement across other channels. Earn the right to engage on mobile via an opt-in email relationship with a customer.

Unfortunately, there are no extremely compelling trends around Top Performing organizations and their use of analytics. While they are more likely to use customer data to inform customer

Figure 2: Use of Customer Behavior to Trigger Communications



* All Respondents, 2014 Gleanster Omnichannel Customer Engagement Survey, n=315

Remember

What's it take to be a Top Performer? Top Performers were identified by isolating survey participants that actively used digital experience management to support marketing efforts AND achieved the top 25% highest self-reported year-over-year revenue growth. We use the aggregate survey trends to isolate what they do differently to support their success.

engagement they aren't demonstrably better at transforming data into insights. That said, Top Performing organizations are 5x more likely than Everyone Else to currently use or to have used machine learning in marketing optimization (24% of Top Performers versus 5% of Everyone Else). This capability may actually be a critical differentiator for Top Performers, as they constantly refine customer engagement across channels and communication strategies by informing these efforts with historical performance. Machine learning is the application of algorithms that are designed to learn from data.

And we just lost half the readers of this Deep Dive. Not to worry, here's why technologies that provide machine learning are compelling for marketers. One, they don't require marketers to have technical or analytical knowledge, because they automatically look for trends in the data. Two, they help

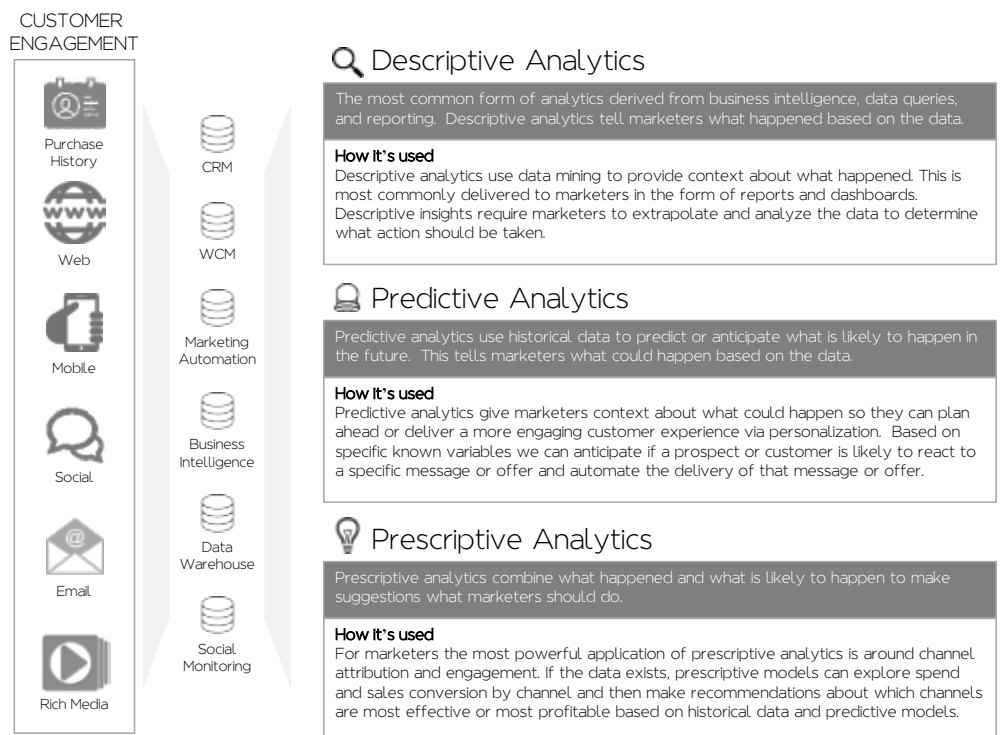
marketers uncover insights in the data (or at least they can identify areas to investigate further) that marketers may not even know existed. That's really important, because if marketers are limited by what they think they know, analysis of data may not give them the context to uncover trends that defy logic.

The Marketers Guide to Analytics

Data is virtually useless until it is analyzed. That statement doesn't bode well for organizations that are collecting exponentially increasing volumes of customer data and never do anything with it. We briefly explored the fact that Top Performers are more likely to utilize machine learning, but there is actually a very structured way to define the role of analytics in marketing (and machine learning falls into one of these categories).

There are essentially three types of

Figure 3: Definitions - The 3 Types of Analytics Marketers Should Use



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“Marketing analytics is about making data actionable, not just available.”

analytics that marketers can use to optimize marketing results: descriptive, predictive, and prescriptive. (See Figure 3.) The definitions in Figure 2 outline more of a conceptual framework for how marketers should be thinking about analytics than a benchmark on what is actually happening in the market. Every company applies analytics in different ways, and the extent to which customer data is analyzed may vary based on a number of factors including the availability of tools for analyzing data, whether translating insights to action is manual or automated, the analytical skills of available resources, and the physical availability of the right data. Research from the 2014 Business Intelligence benchmark report found that the marketing function was anticipated to be the biggest consumer of business intelligence in 2015. In fact, the top reason to invest in business intelligence was demand for data-driven decisions at the executive level (according to 92% of Top Performers). Too many executive leaders are relying on gut decisions, even to this day.

How does analytics translate to business results for marketers?

Marketing analytics is about making data actionable, not just available. Static descriptive reporting won't be valuable unless someone can actually interpret the data in a meaningful way and translate it into insights that inform marketing strategy, product strategy, communications, creative, and all facets of marketing (product, price, place, promotion). We can talk about using reports and descriptive insights until we are blue in the face, but it doesn't necessarily translate into results for your organization unless we can automate some of the effort. If money and time

are going to be invested in marketing analytics efforts we should look for ways to improve productivity, reduce manual work for marketers, and optimize marketing spend. That means elevating the conversation beyond report consumption to data-driven automation, which tends to be most impactful when applied to customer engagement activity.

Here are some ways to automate the use of customer data, and the related business benefits for each.

Informing the best next experience in the customer journey. Web content management tools are getting more and more sophisticated with respect to multi-channel engagement. Creative and copy can easily be re-used from web-content management systems and optimized for other channels such as email, mobile, and social media. In fact, some WCM tools now allow marketers to configure orchestrated campaigns and communications that are channel-specific, so the optimal communication channel is used based on individual customer preferences. Predictive and prescriptive analytics can help inform the optimal customer journey for each individual prospect or customer by isolating patterns in purchase history, common marketing channels that contributed to the sale, and the timing of the offer or communication. Conceptually, the idea of a customer journey makes perfect sense to most marketers, but from an execution standpoint it's much harder to actually personalize each journey for customers. Analytics can be used as a trigger to automate the next best action within delivery systems like email, WCM, and marketing automation - based on historical data, customer behavior, and customer preferences.

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Customer loyalty programs.

There’s an old adage in sales that says 20% of sales reps derive 80% of revenue. Generally it’s pretty easy to identify top reps – you look at targets and close metrics. But that same adage is true for customers as well. A handful of loyal customers could account for a significant portion of sales, but finding them could be a very manual effort, much less rewarding them or encouraging them to become brand influencers. Business rules applied to customer data can help automatically identify the top 1-2% of your customer base that brings 90% of the revenue and reward them with special offers, discounts, or other loyalty benefits. Analytics can remove the guess work and manual effort that typically goes into loyalty programs. Marketers can set and forget a series of business rules that trigger pre-configured offers and campaigns for the most loyal customers.

Conversion optimization.

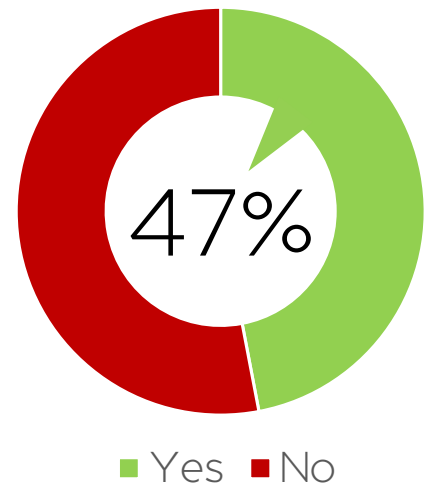
Conversion can be measured in a variety of ways: consumption of information, a purchase action, a request for information, etc. In most cases segmentation is a filter placed on a group of customers or prospects based on explicit data about those individuals – industry, role, household income, etc. This top level view of a buyer leaves marketers blind to where they may actually be in the purchase cycle. That’s why implicit data from web behavior, open rates, and the type of information they view helps complete the picture. Since every prospect and customer has a unique purchase cycle, it helps to apply business rules that are designed to optimize conversion metrics. No matter what the prospect is doing or where they are, the data is being used to maximize conversion.

Real-time personalization. The beauty of digital channels is that

marketers can react to consumer behavior in real time. Yet only 47% of marketers report that they currently use real-time dynamic content on web properties. Today, implementation

Figure 4: Use of dynamic personalization on websites

Respondents using WCM – are you currently using dynamic personalization on any of your web properties?



* All Respondents, 2014 Gleanster WCM Survey, n=202

of dynamic content on legacy web content platforms involves a fairly significant work effort (in coding and customization) and is resource-intensive from a performance standpoint, leading to less-than-ideal load times for web visitors. But next-generation tools are using more sophisticated computing power to reduce the complexity of delivering dynamic content online.

Refine communications and creative development to high priority customer segments.

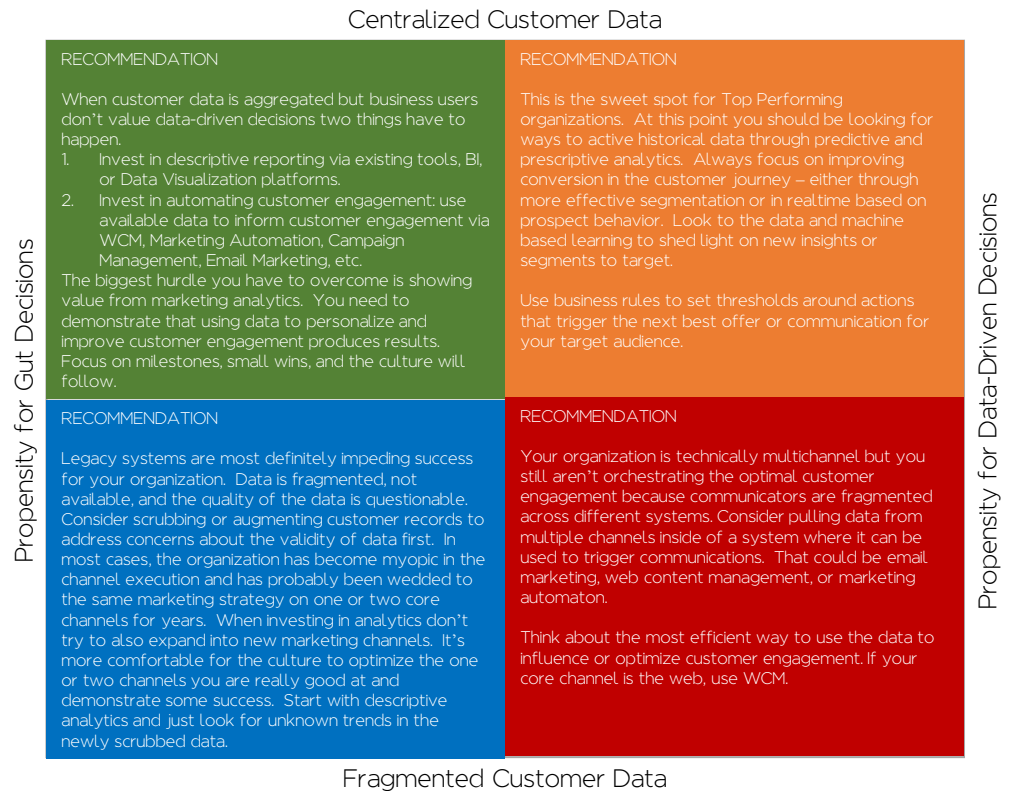
Do you know for a fact that the customer segments your organization uses today are actually the most appropriate? Chances are good that there are other segments of customers you could be marketing to in order to maximize return,

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“If you know what your current customers look like and the steps they took before making a purchase decision, it stands to reason that you should be able to more effectively target acquisition marketing and brand awareness efforts to onboard more customers like them.”

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Figure 5: Framework for Activating Analytics in Marketing



and you don't even know about them yet. Analytical tools can help uncover these segments and reduce the work effort that goes into marketing. You may actually be able to execute 2-3 targeted campaigns and derive the same or better performance from more generic messaging that isn't resonating as well with customers.

A Maturity Framework for Digital

Not every marketing function is well positioned to make data-driven decisions. Keep in mind that technology is a tool, but it doesn't provide the blueprint for what you are building. There are three areas you have to consider when evaluating customer data, and we call them the components of change: people, process, and technology. Do people have the right skills to analyze the data? Are there any processes in place for centralizing the data? Do the right tools exist to store

and analyze the data for marketers? These are just three of dozens or even hundreds of questions marketers should be asking about how analytics are supported (or not supported) internally.

Here's what we know to be true for Top Performers:

- 86% of Top Performers rate the online customer experience as a top two source of competitive advantage for their brand.
- Top Performers report 2-3x higher click-through rates on personalized messages over generic communications.
- Top Performers enjoy 200% higher revenue growth than Everyone Else.
- Top Performers are 2x more likely to leverage available data.
- 89% of Top Performers currently use or plan to use data about customer behavior to optimize customer engagement (versus 45% of Everyone

Else who claim the same).

Every organization approaches data-driven marketing from different levels of preparedness. Some marketers have a solid understanding of the role of analytics in marketing and a roadmap for attaining some of these capabilities. Others are just getting started and looking for insight about how to focus finite time and budget. The following matrix outlines how your organization should be evaluating data-driven insights depending on the availability of customer data and the nature of the current culture. To put this in context, about 8 out of 10 organizations would sit somewhere in the left two quadrants (even when data is consolidated, the average executive still relies on gut decisions).

Conclusion

Even Top Performers struggle to fully take advantage of data-informed engagement. But over the last decade technology has reached new heights, and marketing technology providers are playing catch-up as quickly as possible. If you know what your current customers look like and the steps they took before making a purchase decision, it stands to reason that you should be able to more effectively target acquisition marketing and brand awareness efforts to onboard more customers like them. But two significant barriers stand in the way: 1) companies are slow to divest of legacy marketing platforms (especially when they warehouse historical channel-specific data) and 2) marketers can still get by with gut decisions and relying on “the way we always do things around here.”

The good news for marketers is that we are rapidly moving to a world where the software platforms that support marketing have packaged out-of-the-box capabilities that will

analyze multi-channel customer data and automatically use that to inform marketing optimization. Technology is also making it much easier to configure business rules that trigger based on changes in the customer data so you can deliver the right message at the right time. That means as marketers you don't have to suddenly become statisticians to be valuable. You do, however, have to focus on making investments in data-driven decision making because this leads to more effective reporting around attribution and proving your worth to the organization.

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