

Making Progress: The State of Marketing Analytics in the Twin Cities

Executive Summary: Two years have passed since the last survey. With the difficult economic climate and increased pressure on marketers to justify every dollar spent and increase efficiency, our expectation was that marketers would report dramatic shifts in the adoption and use of analytics to drive marketing decisions, improve performance, and demonstrate ROI. Our perspective is very much in line with the CMO Council's 2008 Marketing Outlook report. It cites measuring the value of marketing programs and increasing efficiency as two of the top three challenges facing marketers. However, the survey results do not reflect a dramatic shift in the use of analytics to support these goals.

Companies and individuals are getting more advanced in their use of analytics, and organizations are showing increased support for analytics improvement. However, this year's survey data doesn't demonstrate significant progress in consistently using this data to drive marketing decisions. In fact, nearly half of respondents (47%) are updating their websites quarterly or less frequently based on analytics data. While the data demonstrates significant increases in investment and staffing, in addition to more sophisticated use of analytics tools, the inconsistent use of marketing analytics is surprising – especially given today's economic climate. Why isn't it having more of an impact?

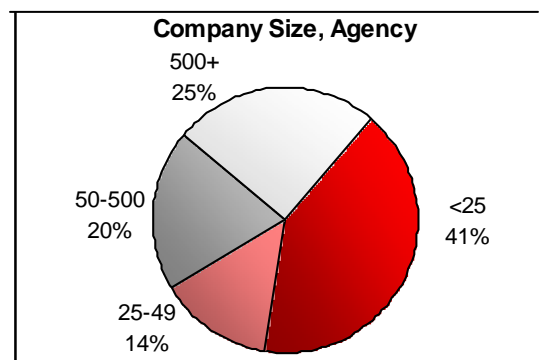
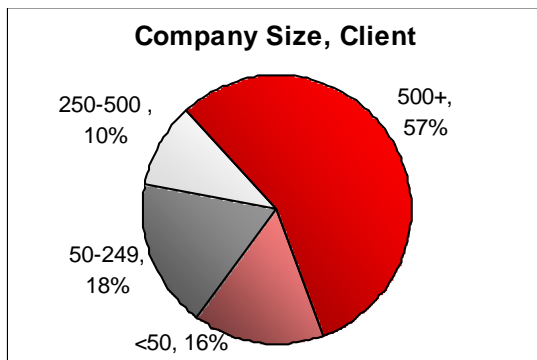
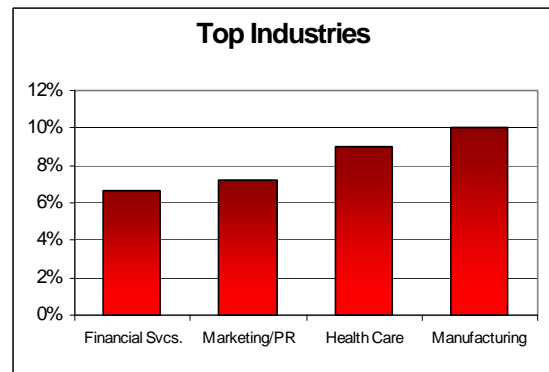
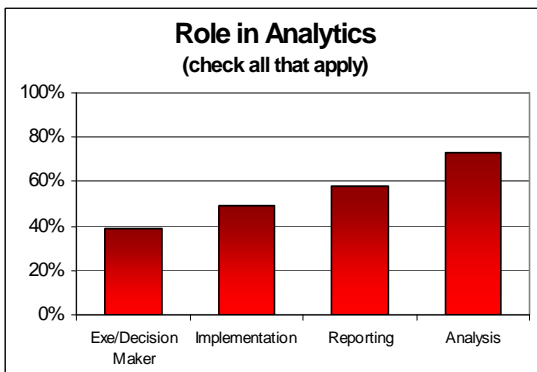
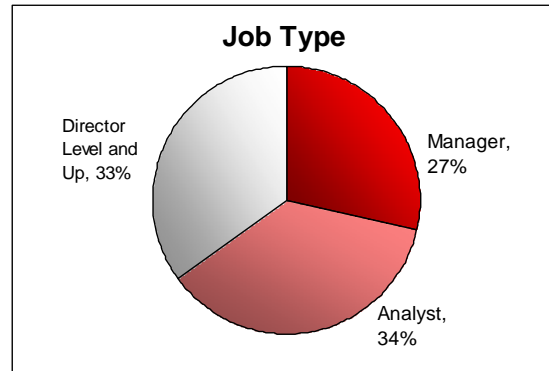
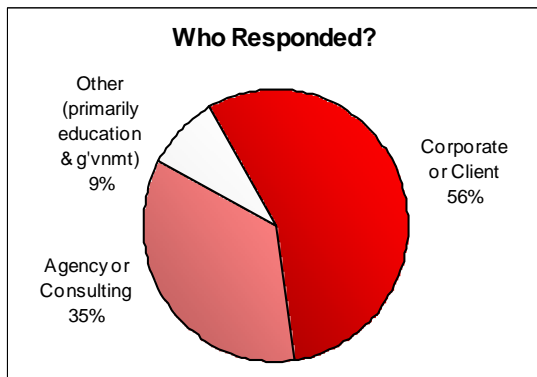
Our survey found a small group of marketers, however, for whom data-driven decision-making is becoming the norm rather than the exception. This group is characterized by strong management support and understanding of analytics, an ability to track all the way to conversion, and an organizational alignment on online marketing goals and metrics. Within this group, companies are updating their websites much more frequently as a result of analytics data, and management is incorporating analytics data into their decision-making with much more regularity. Interestingly, while this group of high performers is heavily represented by retail and ecommerce, it cuts across profit and non profit organizations, government and private industry, and various company sizes.

While most marketers have not made the transition to on-the-fly or daily optimization of marketing efforts, budgetary dollars are shifting based on measurability and performance. Marketers are beginning to favor more measurable one-to-one and direct marketing channels at the expense of one-to-many channels such as Print and Radio. This is one of the more positive findings of this report, and gives hope for those who have been waiting for the long-promised marketing “accountability environment”. Perhaps it is simply easier for marketers to shift dollars on a yearly basis, but is still difficult to do so on a daily basis.

The key differentiator between top-performers and everyone else is the extent to which there is executive buy-in. This report serves as a call-to-arms for marketing leadership: management must get on board, or risk being left behind.

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This is the third time Evantage Consulting has conducted this survey in partnership with the Minnesota Interactive Marketing Association (MIMA). Additionally this year, Evantage partnered with the Minnesota Chapter of the American Marketing Association in an attempt to reach a broader array of Minnesota organizations and to begin to move beyond web analytics to a wider array of marketing analytics. This online survey was emailed to the membership of both associations, and was completed by 345 people in July 2008. Of these, 192 (56%) were on the corporate or “client” side. Given the marked differences in perspectives between Agency and client side respondents, we chose to report the data separately. The following body of the report is based on corporate/client side participants, and a summary of the key agency responses can be found on Page 11.



In the first two iterations of this survey we evaluated the responses, in part, using the lens of Eric Peterson's Web Analytics Adoption Framework. (Web Analytics: Framework for Using Data to Drive Business Success. Jupiter Research, 2005.) Though the industry has changed, it endures as a relevant framework for understanding the challenges faced by marketers in adapting to the new accountability environment. In that report, Peterson outlines three major hurdles that organizations must overcome to reach web analytics maturity:

- The Investment Chasm
- The Staffing Chasm
- The Action Chasm

Our 2006 Analytics survey found that most organizations were stuck at one of the first two points. While the nature of the Investment Chasm has changed due to the advent of robust free analytics tools such as Google Analytics, the Staffing and Action Chasms still represent real hurdles for marketers. Based on this year's survey, the majority of respondents in 2008 seem to be stuck at the third stage. They have invested time, money, and resources in analytics, but the cultural shift to data-driven marketing is proving more difficult.

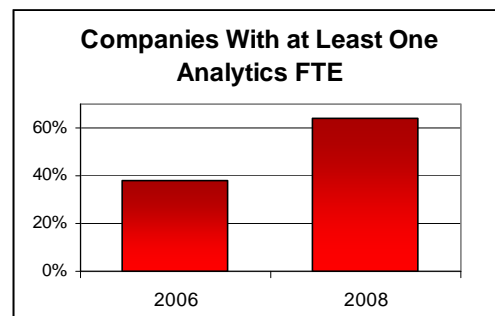
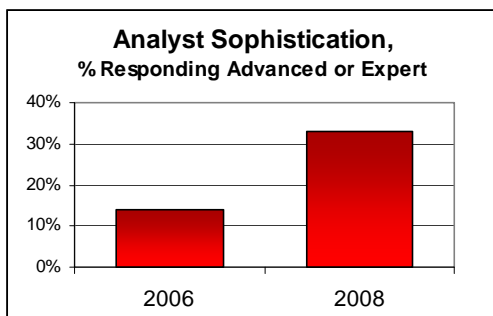
The CMO Council 2008 Marketing Outlook study of marketing executives found the top challenge facing marketers in 2008 is being able to better quantify and measure the value

Most marketers have not transitioned to day-to-day analysis and optimization.

of marketing programs. And this, in its essence, is the promise of data-driven marketing: with real-time data, marketers are able to adjust campaigns based on real knowledge of what is working and what is not.

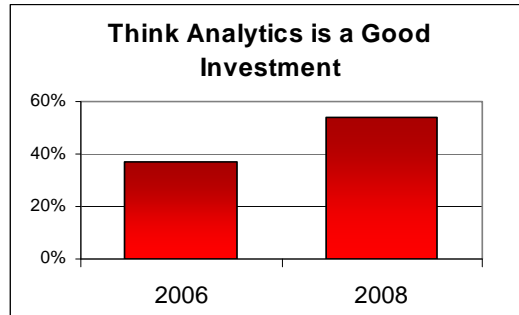
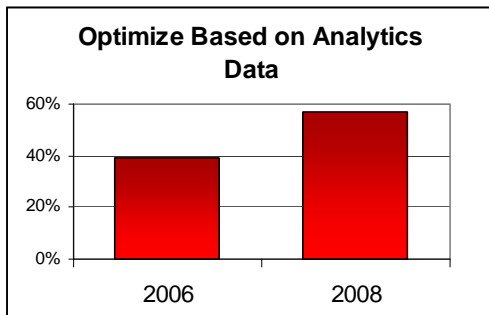
Our survey found the majority of marketers have simply not made the transition to the day-to-day analysis and optimization of marketing programs.

Why might this be? The interactive marketing community has been proselytizing this coming transition since the advent of web analytics more than a decade ago, and yet it is still not a reality. It seems the cultural shift is more difficult than expected. Marketing



management typically sets the tone in organizations by the data they request, how they determine what is working, how funding is distributed, and how decisions are made. Given that most marketing management was educated at a time when Cost per Thousand and pass-through were about the most complex metrics available, perhaps the transition for these folks to an accountability environment is proving difficult. In fact, in the 2008 Outlook Report from the Web Analytics Association, analytics professionals identify their top two hurdles as executive management, and making business decisions that are driven by analytics.

Twin Cities companies are investing more and becoming more advanced in the practice and application of analytics, and these advances are starting to pay dividends.



Additionally, marketing funds *are* beginning to move toward more measurable channels.

There have also been large increases in upper management support and understanding of analytics. In 2006 only 17% agreed that management placed significant strategic priority on analytics, and 18% agreed that management understood analytics. Today, these percentages have increased to 36% and 31%, respectively.

What is most striking, however, are the numbers of marketers that are neutral or disagree with these statements, which is where the breakdown begins. Roughly two-thirds (64%) of respondents are neutral or disagree that management places significant strategic priority on analytics or that they even understand it (69%).

	Agree/Strong Agree	Neutral	Disagree/Strong Disagree
Our upper management understands web analytics and other online/offline marketing analytics.	31%	31%	38%
Our upper management places significant strategic priority on web analytics and other online/offline marketing analytics.	36%	24%	40%

If most organizational decisions are made at the management level or above, it stands to reason that this lack of understanding and support is a major impediment to driving action. 64% responded that management is using analytics to guide decision-making on an ad hoc basis, infrequently, or never, and as a result, almost half (47%) are updating their website(s) quarterly or less.

As a result, most organizations are stuck at the “Action Chasm”. Just 37% agree that they

Most companies have invested time and money in analytics, but are stuck at the “Action Chasm.”

have clear Key Performance Indicators (KPIs) to support their marketing goals, and only half (52%) feel they are getting actionable insights from their analytics.

Additionally, there are technical hurdles that are hampering analytics adoption. Perhaps most crucially, there has been no increase in organizations’ ability to track through to conversion. Only 47% of respondents have visibility to conversion, unchanged from 2006. Likewise, there is little increase in the ability to perform A/B or multivariate testing, still only 42%.

Organizations That Are Walking the Talk

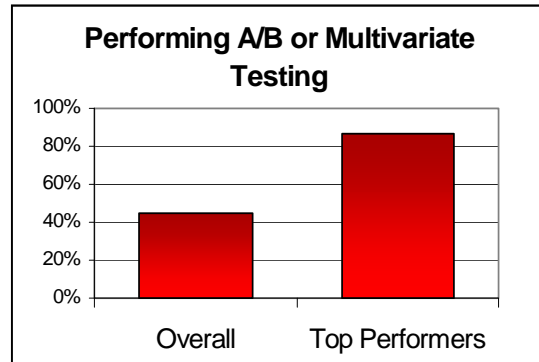
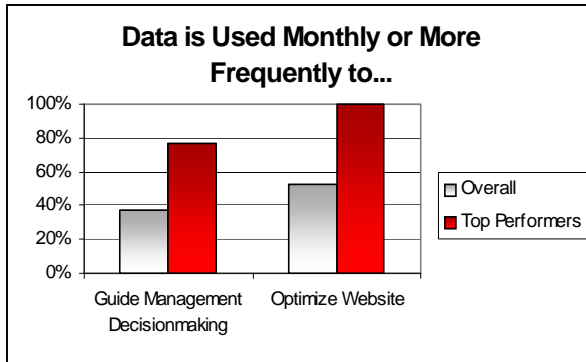
While the majority of organizations are stalled or progressing slowly through the framework, some have made great strides toward instituting a data-driven culture of marketing effectiveness. These organizations are typified by strong management support and understanding of analytics, line of sight to the final conversion, and alignment on online marketing goals and metrics. (It bears repeating that all data in this study has been self-reported and is therefore based on the opinions of respondents.)

What distinguishes the data-driven marketing organization?

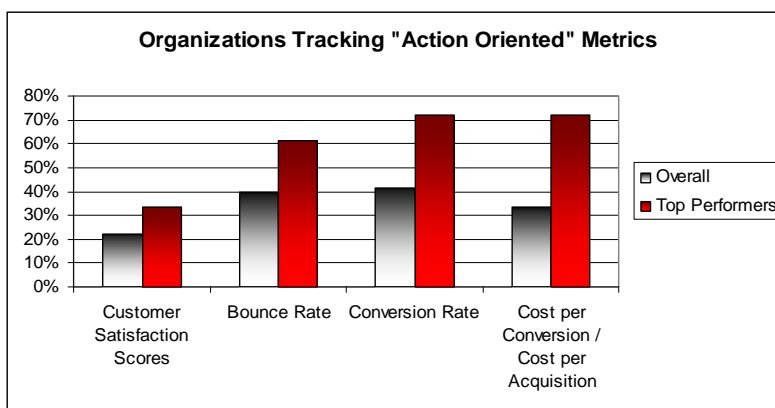
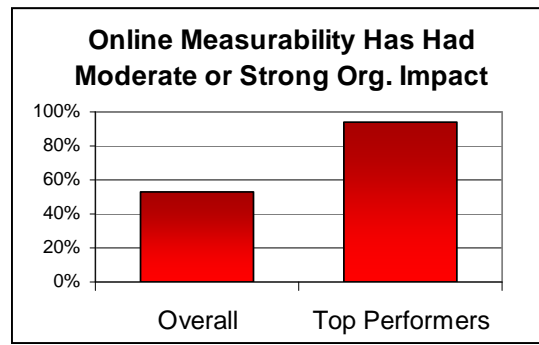
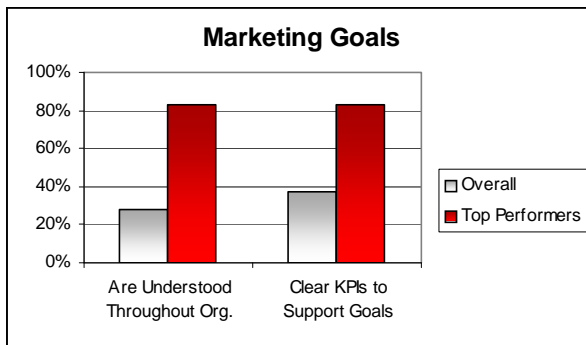
- Strong management support
- Clear goals and metrics
- Line of sight to conversion

In our analysis, about 9% of companies fit the profile of the data-driven organization. Interestingly, while this group of high performers is heavily represented by retail and

ecommerce—as one might expect due to the relative ease of conversion tracking and a more clear-cut revenue goal—this group nonetheless cuts across multiple organization types, including profit and non profit, government and private industry, and organizations of all sizes.



Regardless of industry, website use, or marketing goals, the differences between this group and organizations overall are striking. The Action Chasm has fallen by the wayside.



Not surprisingly, this group also tracks different metrics than marketers as a whole. Overall, the majority of respondents list Basic Metrics as the most important use of web analytics, while in the top-performing group, the most important use is conversion tracking. Likewise, top-performers are much more likely to

be collecting “action oriented” metrics such as conversion rate and cost per conversion.

Clearly, these organizations have been able to make the transition to a greater accountability, but what factors have been important in turning the tide? According to Mike Keyes, Senior Manager for Web Analytics and Reporting at ShopNBC, it’s in the culture. “The first question everyone asks is ‘What does the data say? Everyone has a

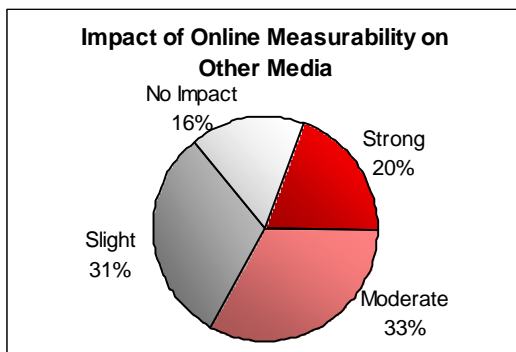
basic level of understanding going in, and everyone is so focused on results, that no one gets hung up on [data discrepancies] when two sources are giving slightly different data.” Adds Dane Lundahl, Director of Business Development at LuggagePros.com, “We use analytics to drive every decision we make. We are looking at our campaigns every week, and modifying spend based on what’s working, reallocating dollars to those campaigns that are performing best.”

Keyes says that management support for analytics has been critical in its adoption. According to Keyes, “It really helps if it comes from the top. My manager is a numbers guy and has really taken analytics to heart.” Additionally, “If something’s not working, management does a good job of not personalizing it, instead just saying, let’s fix it.”

This tracks with what analytics experts are seeing as well. According to Eric Peterson, “Will you have a greater chance of being successful with web analytics if the executive suite is focused on numbers? Absolutely.”

Management’s role in creating a culture of marketing accountability was the biggest differentiator between top-performing organizations and survey respondents overall, and poses a challenge to marketing leadership: how do they change their own behavior, and thereby the culture of their departments?

Impact of Measurability on the Marketing Mix



Although most marketers are not making daily adjustments to their marketing efforts, survey data indicates that analytics and measurability of the online channel is nonetheless having a broad impact. In fact, only 16% of respondents indicated that the measurability of the online channel has had no impact on the demand for greater accountability in other channels. Said one marketer, “Other parts of the organization are starting to look at what we do and ask

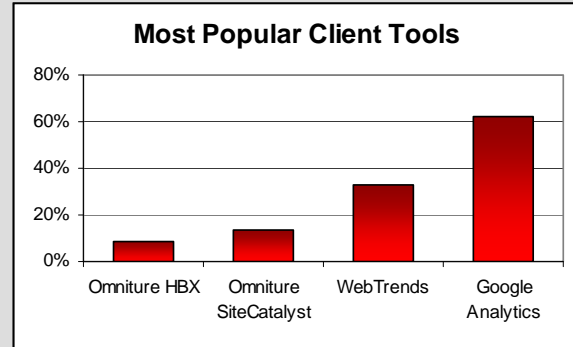
why they don’t get reports like that?”

Additionally, respondents indicate that marketing dollars are most assuredly beginning to flow toward more measurable channels. Thus, an intriguing situation is emerging in which organizations are not using data to improve campaign performance day-to-day, but when spending is viewed at the macro, yearly level, marketers are clearly favoring more measurable channels.

Tools – Google Analytics Showing Strength

As in previous years, Evantage asked a number of questions regarding the analytics solutions being used by area organizations. The survey found that respondents were typically quite happy with their tools, with 68% responding that they are somewhat or very satisfied with their main analytics package, and only 10% somewhat or very dissatisfied. However, only 22% of all respondents feel they are fully leveraging their tools.

46% of respondents indicate that they are using more than one tool. Of companies using more than one tool, 79% are using Google Analytics as one of their solutions, most often as a secondary data source.



Impact of Google Analytics

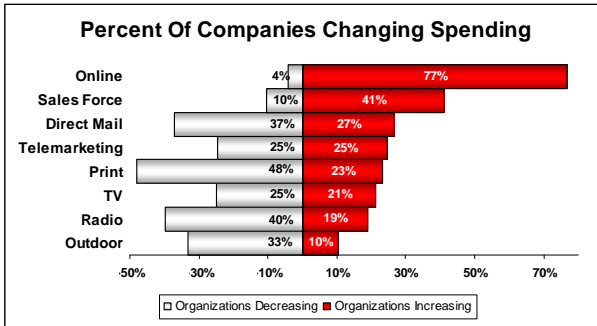
62% of marketers use Google Analytics, but only 34% as their primary analytics package.

Not surprisingly, the introduction of a high quality free tool has had a profound impact on the marketplace. Overall, 62% of respondents used Google Analytics (GA) as at least one of their solutions, and 34% cite GA as their main analytics package. Of those using GA as their main analytics solution, 76% are somewhat or very satisfied with it, and none are very dissatisfied, which actually surpasses tool satisfaction as a whole.

Of those using GA, 11% did not have web analytics of any sort before, and an additional 11% switched from a paid provider. Despite a lot of discussion in the industry regarding data privacy concerns or sharing data with Google, only 7% of marketers indicated that it keeps them from using the service.

Only 31% of respondents indicated that the introduction of Google Analytics has had no impact on their tool choice.

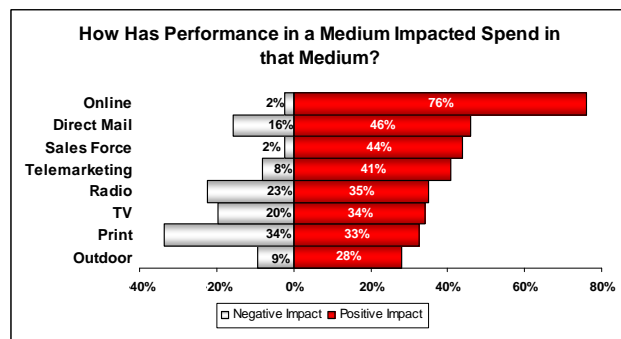
Interestingly, in examining the top-performers group, tool choice appears to be a poor indicator of success. In fact, 39% of this group indicated GA as their primary analytics solution, somewhat higher than organizations overall. Number of FTEs dedicated to analytics was a much better indicator, with 89% of top performers having at least one FTE dedicated to analytics. These results imply in terms of investing in a tool, the Investment Chasm cited by Peterson as the first hurdle companies must face on their journey to web analytics maturity has largely fallen by the wayside.



Mass channels such as Print, Radio, and Out Of Home are losing out to one-to-one, highly measurable channels such as Online and Sales Force. This follows national trend forecasts from TNS Media Intelligence, which anticipate that Online will increase share of media spend, Radio will lose share, and Television,

Outdoor, and Magazines will maintain share through 2008.

As you would expect, this trend appears to be even stronger in top-performing organizations, however the low number of respondents fitting into this category make direct comparisons difficult.

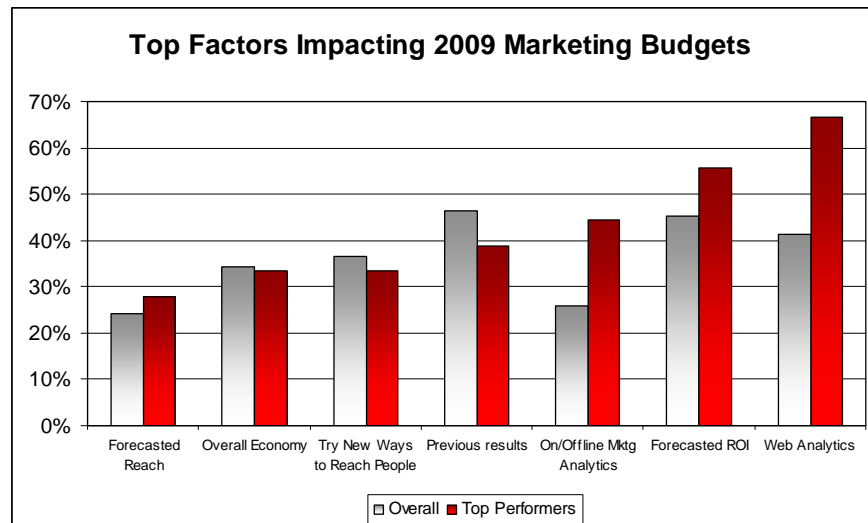


Is it easier to get resources for highly measurable channels like online? In top-performing organizations, the answer is clearly “yes”. According to Lundahl at LuggagePros.com, “We’ve looked into offline media in the past—print, radio, etc.—but we keep coming back to ‘is it worth it if we can’t track it?’ So far we have decided the answer is ‘no’.” Adds Keyes from ShopNBC, “If we’re trying something new, the first question is ‘How do I measure this?’”

2009 Planning

As organizations plan for 2009 and beyond, they will use a wide variety of inputs to impact budget allocations. Here again, major differences emerge between top-performing organizations and respondents overall.

While top-performers will rely most heavily on web analytics and forecasted ROI, the same is not true of organizations overall. When the survey was completed in



17% of respondents cite gut instinct as one of the 3 most important factors in 2009 marketing budget allocations. No top-performers will rely on their gut.

July, one-third of marketers cited the overall economy as a planning factor. However in interviews conducted in September, virtually all respondents indicated that the economy would play a role in 2009 planning.

Moving Forward: What's on the Horizon?

The contrast that emerged between members of top-performing organizations and organizations overall was striking, and points to a number of issues marketers must address in coming months. Chief among them, for those marketers stuck at the Action Chasm, how might they break through that barrier? What has made the difference in the top-performing organizations?

Cultural Shift to Data-Driven Marketing

Top-performers indicate that upper management understanding and support for analytics and organizational alignment on marketing goals are integral to success. Yet this survey indicated that roughly two-thirds of marketers were neutral or disagreed that these traits were found in their organizations. So, a disconnect is developing. More money is being invested, and media spending is actually following performance, but significant numbers of respondents (even management respondents) think that management doesn't get it. Moving forward, it will be critical for organizations to figure out: how can leadership instill the values of data-driven marketing throughout the organization?

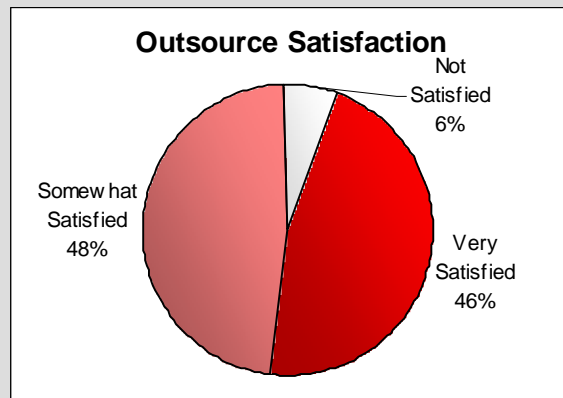
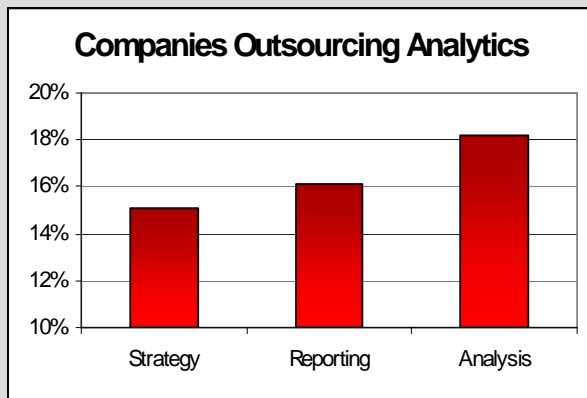
Disconnect Between Analysts and Organization Leadership

One of the key differences indicated by this survey is an emerging disconnect between analytics specialists/analysts and company leadership at the director level and above. Analysts are less likely to believe there are clear goals that are shared across the organization, that metrics are aligned with these goals, and there are appropriate Key Performance Indicators. They are also less likely to believe that management has an understanding of analytics. This tracks with national statistics from the Web Analytics Association, in which analytics professionals identify Executive Management understanding and support as one of their top two hurdles to overcome (Outlook 2008, Web Analytics Association).

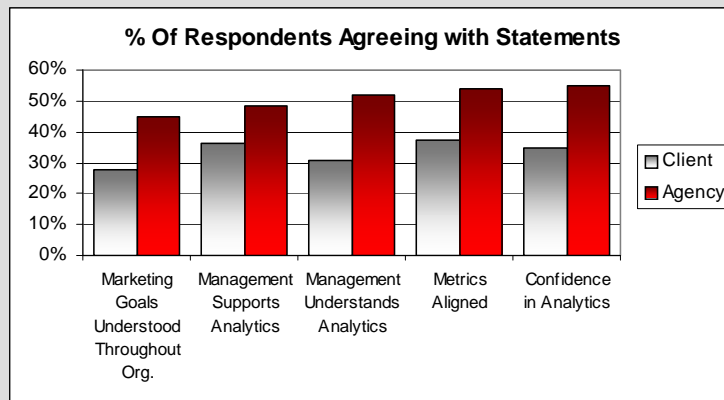
Agencies – Seeing Eye-To-Eye With Their Clients?

As more and more companies bring on internal resources to handle marketing analytics, and organizations get more sophisticated in their use of analytics, demand on agencies to stay relevant is increasing. Key to this is the understanding of needs and challenges faced by businesses in adapting to the changing marketing landscape.

Overall, 26% of corporate clients are outsourcing some analytics functions, and the good news is that they are relatively happy with the results.

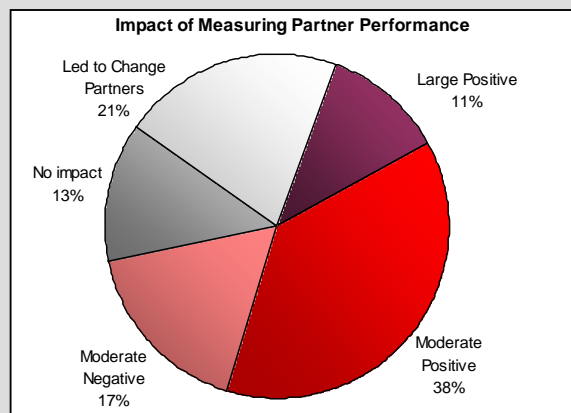


One of the more striking findings was the difference in how clients and agencies view the current landscape. Without exception, agency respondents have a much more optimistic outlook of what is happening in companies than do their corporate counterparts.



Notably, agencies think their clients have much more management support and understanding of analytics, greater confidence in analytics, and that marketing goals are understood throughout the organization. Agencies must ensure that their views of client operations are tracking with reality, or risk having their input marginalized.

37% of corporate respondents indicated that they had incorporated performance metrics into their analysis of vendor or agency effectiveness. Although this question was not asked in previous versions of the survey, we would expect this percentage to increase. Of those that had used performance metrics in their analysis, 49% reported that it had a moderate or strong positive performance impact, and 21% reported that measurement had led them to change partners.



Management Is the Difference

"Management" means, in the last analysis, the substitution of thought for brawn and muscle, of knowledge for folklore and superstition, and of cooperation for force.

–Peter Drucker, People and Performance

If you are a marketing manager, director or analyst whose organization has made clear progress in your use of analytics in the past couple of years, but you are still a fair distance from our top performers category – what do you do now? What levers can you pull to improve the marketing performance and organizational accountability?

If you are similar to most of our survey respondents, the answers are not likely to be found in just spending more money. Some of the answers may be the result of working through challenging questions:

- How do we better demonstrate and communicate the value of analytics in driving improved performance?
- How do we as managers consistently ask for the data that supports recommendations and proves performance?
- How do we engage organizational leadership to integrate a philosophy of data driven marketing that corresponds with organizational objectives?

On the other hand, this year's surveys data also shows that even among organizations who are not in the top performance category, marketing organizations are shifting their dollars to more measurable media. Are companies becoming more adept at using data to drive decisionmaking? According to Peterson, "Absolutely. But I don't think it's changing as quickly as we'd like. I don't even think it's changing as quickly as we believe it's changing."

The importance of cultural shift to the new data-driven culture, and management's role in this shift, is the single most important distinguishing characteristic of top-performing organizations. If management isn't on board, this shift simply won't happen.

The words above from Drucker were written in 1977, and they still hold true today. This mindset shift has just taken a bit longer to infiltrate the world's marketing organizations. With the advent of good tools for analyzing marketing performance, we believe the transition to data-driven marketing is only a matter of insightful leadership, and time.

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