

Data Driven Marketing

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Executive Summary

This report explores how organizations are using data to impact marketing performance and marketing effectiveness. CEO's and the Board of Directors at many companies are increasingly demanding tangible justification for marketing spend, so data driven initiatives are becoming critical for CMO job security. This study highlights best practices from 272 organizations to identify how Best-in-Class organizations use data to achieve superior performance.

Best-in-Class Performance

Aberdeen used four key performance criteria to distinguish Best-in-Class companies:

- 148% current mean-class Return on Marketing Investment (ROMI)
- 63% current mean-class growth in revenue
- 13% average year-over-year increase in customer profitability
- 12% average year-over-year increase in customer acquisition

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- Campaign performance is periodically measured and benchmarked across all marketing channels; 59% Best-in-Class, versus 21% of Laggards
- Data driven marketing is cross-functional, involving multiple stakeholders (finance, marketing, operations, etc.); 33% Best-in-Class versus 8% of Laggards

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- **Integrate sales and marketing data to a centralized database.** Thirty-nine percent (39%) of all respondents indicated data silos were a top three challenge to data driven marketing.
- **Focus on increasing retention revenue, not just acquisition revenue.** Best-in-Class organizations allocate more marketing budget to retention versus all other organizations. The Best-in-Class are also two-times more likely than all others (Industry Average and Laggard companies combined) to be capable of identifying high value customers and marketing to them uniquely.

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

"There's no shortage of customer data, but there is a shortage of insight about how to grow and use customer data for better decisions."

~ Mike Linton, Ex-CMO Best Buy and eBay

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Chapter One: The Data Driven Frontier

The role of the CMO has evolved dramatically over the last 10 years. The average CMO is on the job for just 23.6 months. The CEO and Board of Directors at many companies are demanding a new level of accountability from senior marketing leaders which requires tangible justification for marketing decisions. Marketers can no longer afford to make decisions or measure results based on gut feel. For CMOs, this leads to one undeniable truism; job security is directly correlated with data driven marketing.

In the August 2008 benchmark study, [*Customer Analytics: Segmentation beyond Demographics*](#) respondents cited that the top two challenges around segmentation and analytics were a lack of data quality (62%) and an inability to collect or access the data needed to calculate key performance metrics (31%). This study explores how companies use data to drive marketing activities. It answers the questions:

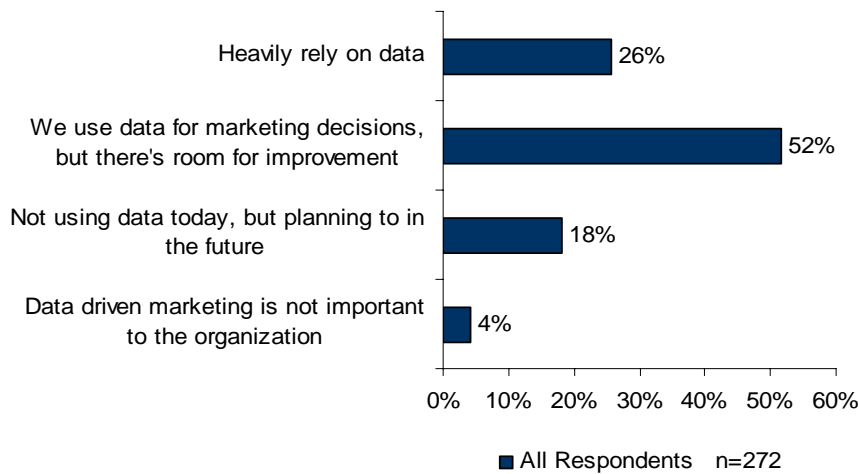
- How do Best-in-Class organizations mitigate challenges around data driven marketing?
- What are the most common sources of data for Best-in-Class marketers and how do they use the data to deliver superior marketing results?

Data Driven Marketing: State of the Market

It's a bold statement, but one could posture that marketing is one of the last remaining functions in an organization to heavily rely on data and tangible measurement to optimize performance - while finance, accounting, operations, and sales, for example, all rely on 'the numbers.' The days where marketers could get away with gut feel are coming to an end. In this consumer driven environment where expectations culminate to a one-to-one relationship with customers, the numbers have never been more important.

Few marketers would argue that data is not essential to making marketing more efficient and effective. Likewise, few CEO's, shareholders, and board members would argue marketing effectiveness isn't a top concern; particularly for an ongoing expense that will always have some degree of qualitative benefit. Just over half of all respondents (56%) indicated that data played a role in optimizing marketing performance, but there was still room for improvement in the organization (Figure 1).

Figure 1: Current Use of Data in Marketing



Source: Aberdeen Group, September 2009

“We are currently in the process of becoming a data driven organization. We upgraded from a 25 year old order processing system to an ERP system in August of last year and just completed a real-time integration of Salesforce.com with the new ERP system in April of this year. We are only now beginning to assemble the data to the point of making decisions based upon the information we are extracting from the system.”

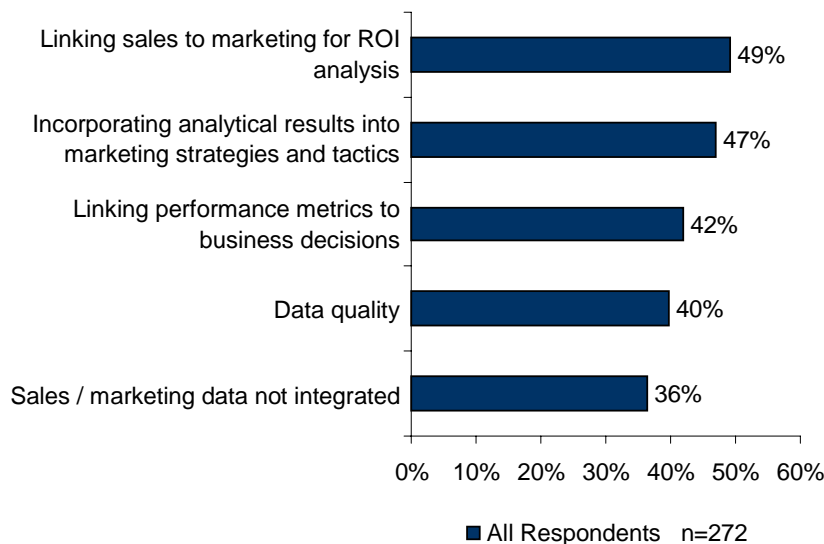
~ John McLoughlin, EVP
Marketing, Nook Industries,
Inc.

Twenty-six percent (26%) of respondents indicated data was heavily used (over half of the respondents that “heavily rely on data for marketing decisions” achieved the highest annual revenue growth, customer acquisition, customer profitability, and ROMI).

Challenges with Data Driven Marketing

Identifying ROMI was a top challenge for 49% of all respondents who indicated “linking sales to marketing for ROI analysis” was the biggest challenge with respect to data driven marketing. An inability to properly allocate sales to marketing investments (49% of all respondents) leaves many marketers wondering which combination of marketing channels deliver the biggest bang for the buck (Figure 2).

Figure 2: Top Challenges with Data Driven Marketing



Source: Aberdeen Group, September 2009

The data also suggests that for many marketers, the challenge with data driven marketing is not a lack of data, but a lack of actionable insight that can be derived from the data that already exists. When asked about the top three challenges with marketing data, 47% of respondents indicated one of the top three was an inability to translate data into business insight. Unfortunately, data quality issues (40%) and disparate data silos (36%) across the organization add to the challenge of fostering a “data driven approach” in marketing.

The Maturity Class Framework

Aberdeen used the following four key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations:

- **Customer acquisition.** Rated as the top pressure for 59% of all respondents, Best-in-Class companies use customer data to deliver timely, relevant, personalized marketing messages that realize some of the highest new customer acquisition rates in the market today.
- **Annual revenue growth.** Revenue growth from acquisition and retention is the top pressure for 50% of all respondents. In the context of data driven marketing, marketers need access to historical revenue data to measure return, identify profitable channels, and provide tangible justification for marketing investments.
- **Customer profitability.** Best-in-Class organizations don’t just attract new customers, they attract profitable customers and they regularly measure customer profitability as a gauge for the long-term success of the business.
- **Return on Marketing Investments (ROMI).** This is the pinnacle of data driven marketing. The challenge of measuring and optimizing ROMI was rated as a top three data driven marketing strategy for all organizations.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 148% current mean-class ROMI ▪ 63% current mean-class growth in revenue ▪ 13% average year-over-year increase in customer profitability ▪ 12% average year-over-year increase in customer acquisition
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 72% current mean-class ROMI ▪ 12% current mean-class growth in revenue ▪ 1% average year-over-year increase in customer profitability ▪ 2% average year-over-year increase in customer acquisition
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 44% current mean-class ROMI ▪ 1% current mean-class growth in revenue ▪ 12% average year-over-year decrease in customer profitability ▪ 13% average year-over-year decrease in customer acquisition

Source: Aberdeen Group, September 2009

The Best-in-Class PACE Model

Using data driven marketing to achieve corporate goals requires a combination of strategic actions, organizational capabilities, and enabling technologies, as shown in Table 2.

Table 2: The Best-in-Class PACE Framework

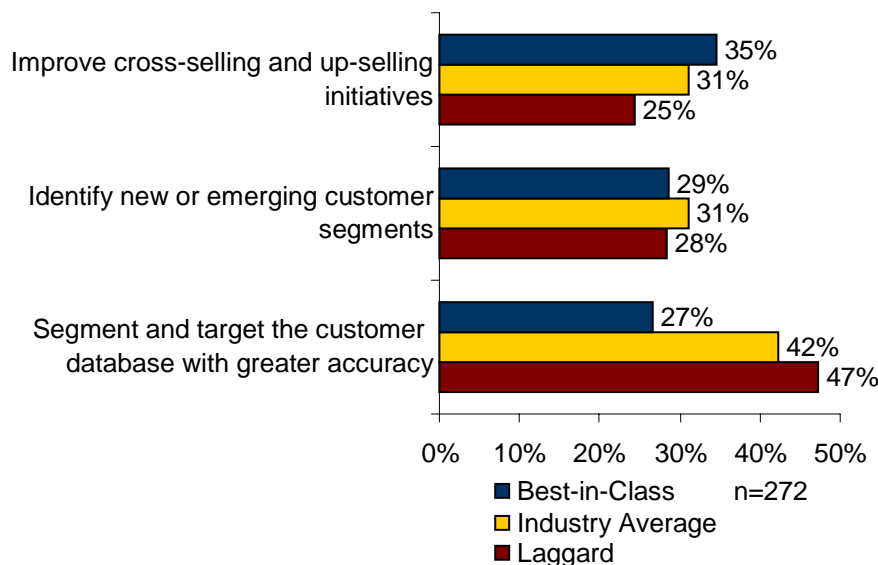
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ Difficulty acquiring new customers to meet top line revenue objectives 	<ul style="list-style-type: none"> ▪ Link revenue to marketing spend ▪ Improve cross-selling initiatives 	<ul style="list-style-type: none"> ▪ Processes to uniquely market to high value customers ▪ Executive level mandate to leverage “data driven marketing” ▪ Marketing and finance collaborate to measure budget and returns 	<ul style="list-style-type: none"> ▪ Customer database ▪ Web analytics ▪ Data hygiene ▪ Marketing automation ▪ Marketing dashboards

Source: Aberdeen Group, September 2009

Best-in-Class Strategies

Given an intense desire to increase top line revenue, more than a third (35%) of Best-in-Class organizations are applying data and analytics to existing customers to improve cross-selling and up-selling initiatives (Figure 3). Existing customers remain a source of highly profitable revenue. In fact, respondents are increasingly relying on customer acquisition tactics (segmentation and targeting, personalization, multi-channel campaigns) to improve cross-selling and up-selling initiatives within the existing customer base.

Figure 3: Top Strategies for Improving Data Driven Marketing



“Data gives a very practical view, but it does not do a good job of showing how all of the various aspects of marketing relate to one another.”

~ Marty Brandwin, EVP Marketing, AVIcode

Source: Aberdeen Group, September 2009

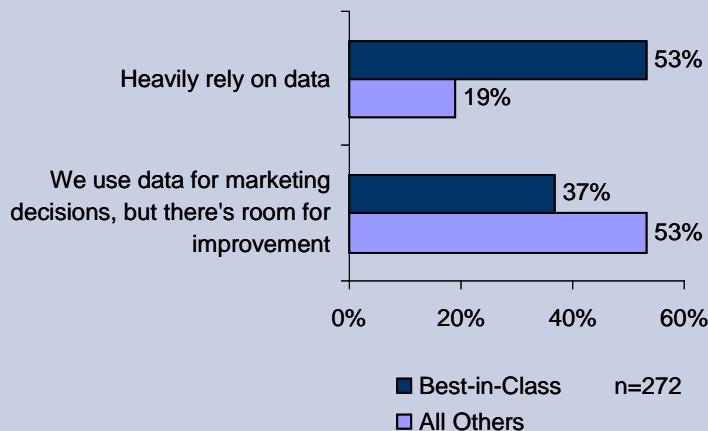
Overall, the top three strategies for all respondents suggest all organizations are looking to data driven marketing initiatives to improve retention

revenue opportunities. Marketers want to learn how to use data to extract more revenue out of our existing customers; through repeat purchases, cross-sales, and up-selling. Laggard and Industry Average organizations are almost twice as likely as the Best-in-Class to seek strategies for segmenting existing customers with greater accuracy, suggesting these organizations struggle with retention revenue initiatives. Finally, one-third of all respondents (34%) are turning to marketing data to identify new and emerging customer segments. This suggests an increased desire to justify new targets and segments based on data and analysis, instead of gut feel. At the same time, organizations should focus on ways to evangelize existing products or services to new customer segments which is far more profitable than investments in R&D and new customer development.

Aberdeen Insights — Strategy

Most marketers will accept that some portion of marketing will always be an art that is difficult to measure. However, the Best-in-Class reveal data driven decisions about strategy, tactics, and marketing effectiveness are a component to almost every marketing decision they make. Best-in-Class companies were 2.8-times more likely to indicate they heavily relied on data driven decisions to optimize marketing performance (Figure 4).

Figure 4: Best-in-Class Use of Data



Source: Aberdeen Group, September 2009

In Chapter Two we will see exactly how the Best-in-Class leverage data in marketing and isolate the capabilities that are giving the Best-in-Class a competitive advantage in an economic trough.

“Client needs should drive strategy which should drive structure.”

~ David Cliche, VP of Global Interactive Marketing, AON

Chapter Two: Anatomy of a Best-in-Class Data Driven Marketer

After establishing that superior performing organizations are more likely to heavily rely on data for marketing decisions, we now turn to how Best-in-Class organizations actually use the data. The majority of organizations, including the Best-in-Class, struggle with data driven marketing challenges. In fact, Best-in-Class organizations indicated the number one challenge with data driven marketing was a lack of data quality (55% of Best-in-Class versus 34% of all others). As such, data quality limits the extent to which Best-in-Class, and all organizations, can rely on customer data for more granular, personalized customer engagement.

Prior research from 2008, *Email Marketing: Get Personal with Your Customers*, revealed that only 13% of Best-in-Class organizations leveraged heavy dynamic content personalization in email marketing campaigns. Heavy personalization was defined by a personalized salutation, product recommendations, references to past purchases, and other highly personalized techniques that mirror a true one-to-one marketing relationship with customers. In this case, data quality was preventing organizations from delivering more personalized content, not a lack of technology. Eighty-seven percent (87%) of Best-in-Class organizations leverage email marketing technologies, and almost all email marketing tools have dynamic capabilities.

What Data Driven Initiatives do the Best-in-Class Target?

Aberdeen asked all respondents to rank the relative importance (to the company) of a series of data driven activities including segmentation, modeling, and performance analysis. The respondents were asked to select between current focus and future focus, extremely important and somewhat important, or not critical. Measuring ROI was as a top data driven concern for 51% of Best-in-Class organizations (Table 3). Likewise, Best-in-Class organizations rely on data to identify who to target and how to target them more effectively (47%). As a result, data cleansing emerges as an extremely important current focus with respect to data analysis for Best-in-Class organizations (47%). Garbage in, garbage out.

Table 3: Best-in-Class Priorities for Data Driven Marketing

	Current Focus	Future Focus
Extremely Important	Measure Marketing ROI (51%)	Cost per customer analysis (35%)
	Customer segmentation (47%)	Marketing planning analysis (33%)
	Data cleansing (47%)	Lifetime value analysis (33%)
	Profitability analysis (41%)	Marketing mix modeling (31%)
	Track customer retention (33%)	Cross-sell analysis (29%)
	Customer profiling (29%)	Predictive modeling (27%)
		Data mining (25%)
	Behavioral analysis (25%)	
Somewhat Important	Behavioral modeling (25%)	

Source: Aberdeen Group, September 2009

Fast Facts

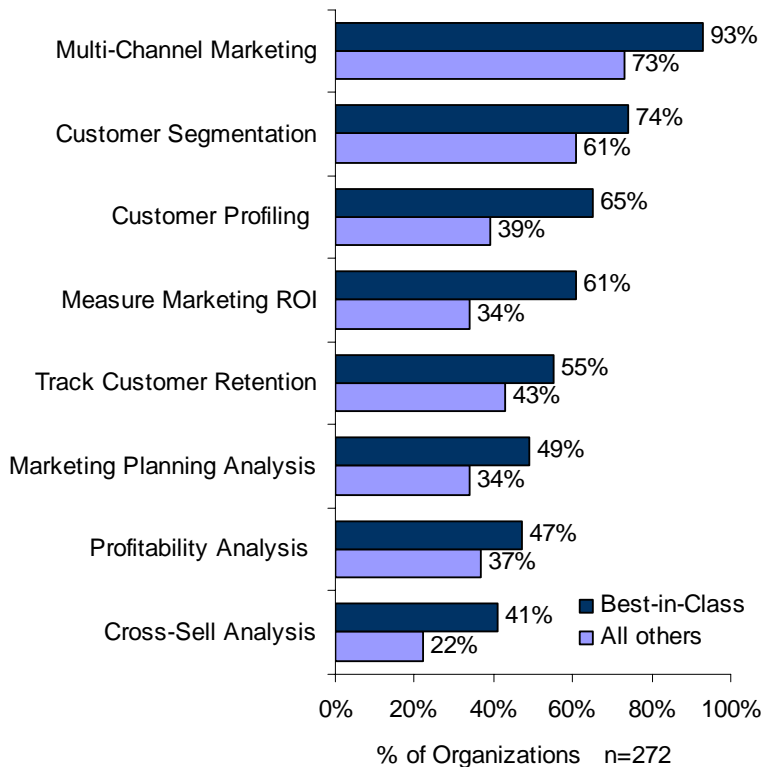
- √ 54% of all respondents indicated they would be investing in technology solutions to enhance data analysis in the next two years
- √ 36% of respondents voiced dissatisfaction with cross-channel marketing campaigns, while 7% were very satisfied
- √ 27% of the Best-in-Class are very satisfied with their organizations ability to measure campaign performance (versus 2% of Laggards that claim the same)

Table 3 segments the most common answer choices from Best-in-Class organizations. In almost all cases of the ‘Extremely Important’ ‘Current Focus’ initiatives, the Best-in-Class were twice as likely as Laggards to indicate those activities fell in this category (a revealing characteristic that will be factored into the recommendations in Chapter Three).

The Current State of Data Driven Marketing in Best-in-Class Organizations

Best-in-Class organizations are predominantly using data to segment and target the market (74%) to develop more impactful delivery of multi-channel campaigns (93%), as shown in Figure 5. However, the research reveals Best-in-Class organizations are 1.7-times more likely than all others to use customer data to develop customer profiles. These customer profiles help standardize customer segments and targets for the organization, and simplify cross-channel engagement campaigns. Best Buy is a great example of a Best-in-Class organization that uses customer profiles to train in store employees. About a year ago, Best Buy’s customer personas training document was leaked to the press. The document outlined unique customer personas that would help in store employees (otherwise known as ‘blue shirts’) engage with customers and enhance customer service based on customer profiles or personas.

Figure 5: Current Best-in-Class Use of Marketing Data



“Data does not lie, or give opinions.”

~ Anonymous, EVP Marketing

Source: Aberdeen Group, September 2009

While measuring marketing return is a top strategy for all organizations, the Best-in-class also reveal they are 1.8-times more likely than all others to actively attempt to use customer data for measuring marketing returns. The Best-in-Class are also more likely to use customer data to engage in modeling techniques for; profitability analysis (47% of Best-in-Class currently using), lifetime value analysis (27%), predictive modeling (25%), behavioral modeling (22%), and marketing mix modeling (20%).

Case Study — Best Buy

Best Buy is the world's largest consumer electronics retailer. It is also one of the world's most sophisticated companies when it comes to analyzing and acting upon customer data to drive business growth and profitability. For Best Buy, acting upon customer data means, in part, serving up highly relevant marketing messages, store recommendations and product offers in response to individual customer behavior.

Best Buy uses a robust database that interlaces customer transaction histories to enable trigger marketing. Advanced analytics are used to reveal meaningful patterns in the data while a CRM solution makes it possible to manage all of the database extracts. According to Matt Smith, Vice President of Marketing, data driven marketing is the foundation for more impactful marketing campaigns. "Four years ago, we were doing about 50 data pulls a month to drive marketing campaigns," says Smith, meaning the company pushed direct mail or email offers 50 times a month. Today the company does so more than 800 times a month. "Keeping all of those streams of communications clear and allowing customers to communicate in some but not others becomes a very complex issue," he says.



According to Smith, Best Buy is now focused on creating the vehicles and access to offers whereby customers themselves can pull the information they need. "The idea is to make a range of offers available to the consumer filtered based upon activity so, in a sense, triggered," he says.

Of course, trigger marketing is not applicable to every customer purchase. Once a customer builds a computer network, for example, he or she likely won't need another one for a while. The same is true for durable goods like a washer and dryer or even a home theater. "Once we have enough data to recognize you to trigger, you're actually done building out the solution," says Smith. "Most of the time, you're going to replace the solution typically because it's not meeting some need you have, and often that's a break-fix need. We don't have a lot of ways to get advance warning of that."

continued

Case Study — Best Buy

Non-traditional data, including web navigation clickstream data, holds some promise. Best Buy is trying to push as much of this data to the sales associates as a fulfillment vehicle for triggered offers. The goal is for so-called "blue shirts" to connect customers to relevant offers available in the moment through online, in the store, a store kiosk, and through offers that are available locally.

Another challenge for Best Buy is the fact that the SKU set turns in almost every part of the store every 90 days or so. A particular laptop model is only on the floor for about three months. Most cameras have a six-month product cycle. Home theater is the same as screens become cheaper and thinner. That creates a big challenge at the metadata level.

"One way we looked at early adoption was when a customer purchased a product relative to its SKU life," says Smith. "But if you're buying a brand new SKU of plasma TVs right now you're not actually a plasma TV early adopter. The guys who would have bought one six years ago are early adopters. So there's an extensive mapping process that has to happen as our SKUs cycle through and that process can overwhelm us to a certain degree. The juice isn't always worth the squeeze."

"Our brand is based on what we do with what we learn from experience."

~ David Cliche, VP of Global Interactive Marketing, AON

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of appropriate tools and effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 4) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 4: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Processes to uniquely market / target high value customers		
	51%	31%	23%
	Defined processes to validate the quality of the data in the customer database		
	39%	34%	25%

	Best-in-Class	Average	Laggards
Organization	Desire to leverage “data driven marketing” is mandated from executive levels		
	53%	27%	23%
	Data driven marketing is cross-functional, involving multiple stakeholders (finance, marketing, operations, etc.)		
	33%	20%	8%
Knowledge	Customer data is centralized to one database for one view of the customer		
	48%	33%	28%
	Defined processes to update the quality of data in the customer database		
	39%	30%	15%
Technology	Technology used for data driven marketing:		
	<ul style="list-style-type: none"> ▪ 87% email marketing ▪ 67% web analytics ▪ 53% reporting and analytics ▪ 51% customer database ▪ 43% data hygiene ▪ 43% marketing dashboards ▪ 37% marketing automation 	<ul style="list-style-type: none"> ▪ 68% email marketing ▪ 50% web analytics ▪ 47% reporting and analytics ▪ 49% customer database ▪ 30% data hygiene ▪ 31% marketing dashboards ▪ 27% marketing automation 	<ul style="list-style-type: none"> ▪ 65% email marketing ▪ 38% web analytics ▪ 25% reporting and analytics ▪ 42% customer database ▪ 17% data hygiene ▪ 25% marketing dashboards ▪ 19% marketing automation
Performance	Campaign performance is periodically measured and benchmarked across all marketing channels		
	59%	36%	21%
	Marketing and Finance collaborate to measure budget and returns		
	47%	35%	25%

Source: Aberdeen Group, September 2009

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen’s analysis of the Best-in-Class shows how superior performing organizations leverage a combination of process, organization, knowledge management, performance measurement, and technology enablers to maintain a competitive advantage.

Process

Data is meaningless without analysis and context. As a result, process becomes a critical component to an organizations ability to develop useful insight and information from customer data. The process related qualities that differentiate the Best-in-Class from all others suggest data driven marketing is a structured repeatable process in Best-in-Class organizations. The Best-in-Class are twice as likely as Laggards to be capable of identifying high value customers. This is a unique and essential component to achieving superior performance. While Industry Average and Laggard organizations focus on customer acquisition, the Best-in-Class are actively using data to ensure new customers are profitable customers.

The number one challenge with data driven marketing for Best-in-Class organizations was data quality. If the quality of the data cannot be trusted, then the outcomes and business insights that are derived from the data are of little value to the organization. The Best-in-Class demonstrate a propensity to develop pre-defined formalized processes to continually validate and cleanse the quality of data in the customer database. Data hygiene tactics should be an ongoing concern for every organization. But, Best-in-Class organizations are two-times more likely than Laggards to periodically leverage data hygiene services and augment customer data to ensure data analysis results in actionable insight that constantly improves marketing effectiveness.

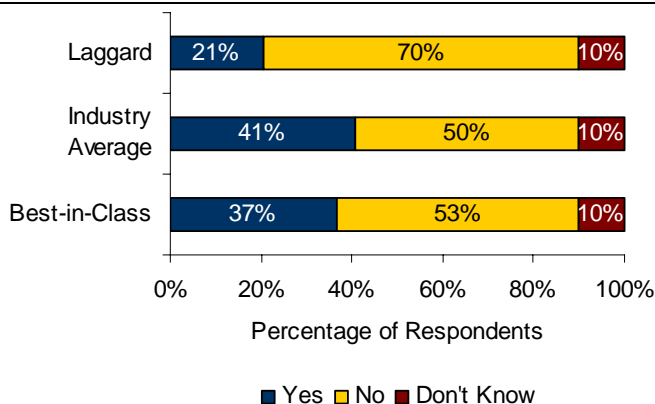
“We continue to improve our data capture from customers in all channels due to our loyalty program and new web platform. Richer data has resulted in an increasingly complex yet productive customer segmentation scheme.”

~ Duff Stokes, Director of Marketing, Healthcare Uniform Co.

Organization

About one third (33%) of all respondents kept a dedicated budget for marketing analytics initiatives. The data suggests that having a dedicated budget is not a differentiating factor in superior performing organizations. For the Best-in-Class, data driven marketing is not an initiative; it’s a way of life for the organization (Figure 6).

Figure 6: Separate Budget for Marketing Analytics



Source: Aberdeen Group, September 2009

Data driven marketing is so engrained in the Best-in-Class culture, it becomes a cross departmental focus. The Best-in-Class were eight-times more likely than Laggards to involve multiple stakeholders (finance, marketing, operations, etc.) in data driven marketing activities. At the same time, data driven decisions are more likely to be mandated by executive level ranks at Best-in-

Class companies. Without data, CMO's hands are tied when it comes to justifying investments and optimizing marketing spend. Research suggests data driven marketing campaigns can yield almost three-times the response rates as generic mass email techniques. In the 2008 study, [Cross-Channel Campaign Management: Next Generation Multichannel Marketing](#), research revealed even light personalization and customer segmentation could deliver two-times higher response rates in multi-channel campaigns.

Knowledge Management

The core differentiating factor between Best-in-Class organizations and all others with respect to data driven marketing is knowledge management techniques. After all, data driven marketing must be fed by robust data. Regardless of whether the data is being used for better customer engagement or performance measurement, organizations must centralize disparate data and democratize access for the entire organization. The Best-in-Class are 1.7-times more likely than Laggards to centralize customer data to one database for one view of the customer. Given the fact that the Best-in-Class have multiple functions within the organization accessing customer data, this prevents data discrepancies from analysis, and ensures data stewards have access to just the right data for their needs.

As previously stated, the value of customer data management cannot be underestimated. Customer data cleansing is an ongoing process that must be owned and maintained by a resource in the organization. Thirty-five percent (35%) of Best-in-Class organizations have dedicated data stewards to own customer data integrity and completeness (versus 23% of Laggards.)

Technology

Technology plays a critical role in collecting and aggregating multi-channel and multi-function data for the organization. A lack of integration between technology tools is a consistent challenge for 78% of Laggard organizations. Key technologies for the Best-in-Class include web analytics (67%), marketing automation (37%), and marketing dashboards (43%). These technologies are often the source of reporting and analytics capabilities for all organizations, and as a result, even the Best-in-Class are constrained by limitations in existing siloed solutions. However, adoption of dedicated business intelligence tools that sit on top of centralized customer databases are common in 35% of Best-in-Class organizations. Marketing dashboards are also adding a new level of democratization for data driven performance initiatives. The Best-in-Class are 1.7 times more likely than Laggards to leverage marketing dashboards, and 43% of the Best-in-Class plan to invest in marketing dashboards in the future.

Performance Management

In today's "eclectic" multi-channel environment, all organizations are looking to measure the return on marketing campaigns and identify new opportunities to increase revenue. In some cases, data driven performance measurement initiatives are limited by resources and domain expertise. After all, marketers haven't historically been the first resources to "jump into the numbers." As a result, it's interesting to note that Best-in-Class

organizations were 1.9-times more likely than Laggards to collaborate with finance on linking budget to campaign expenditures. Often times, finance can deliver a far more granular view of sales, allowing the marketer to marry relevant campaigns with overall return. At the same time, the Best-in-Class reveal a structured mythological approach for measuring campaign performance. By benchmarking internal campaign performance over time, the Best-in-Class can actively benchmark campaigns in real-time. Large variances from what would otherwise be a consistent number could alert Best-in-Class marketers to issues with marketing effectiveness much quicker than Industry Average and Laggards.

Aberdeen Insights — Technology

Research from 2008 and 2009 revealed that website and email are the two most profitable channels for all organizations. The recession caused many organizations to shift budget away from traditional media and towards digital media. Digital media provides a highly interactive medium for engaging with customers. More importantly, digital marketing produces loads of data about customer behavior, preferences, and sentiment. Eighty-seven percent (87%) of the Best-in-Class leverage an email marketing solution and 67% use web analytics.

Recent research for the [Web Analytics: Actionable Insights for Unlocking the Hidden Potential of Online Data](#) report revealed 47% of respondents were frustrated by a lack of insight about how to convert web analytics data into an actionable business strategy. After all, web analytics tools can have an organization drowning in data overnight, but exactly what data is relevant and how to analyze it is a mirage for many organizations. Consider the following recommendations for extracting data driven value from web analytics:

- **Integrate web analytics and email marketing.** Currently, 41% of Best-in-Class companies integrate web analytics data with email marketing. Use website data to develop trigger marketing campaigns that engage prospects at just the right time, with just the right content. These types of personalization initiatives generate 3% to 4% conversion rates versus traditional generic mass email or drip campaigns that get 1% to 2% conversion.
- **Dynamically personalize online content.** Dynamically personalizing online content based on unique visitor behavior is a sophisticated step towards improving the online customer experience. After all, the goal of a web analytics solution is to gather information about how customers respond to messages. By dynamically personalizing online content based on click patterns, past purchase behavior, or similar interests, businesses can positively affect key metrics. Currently, only 7% of Best-in-Class companies personalize online content in real-time and based on session behavior. An additional 61% of the Best-in-Class plan to add this capability in the future.

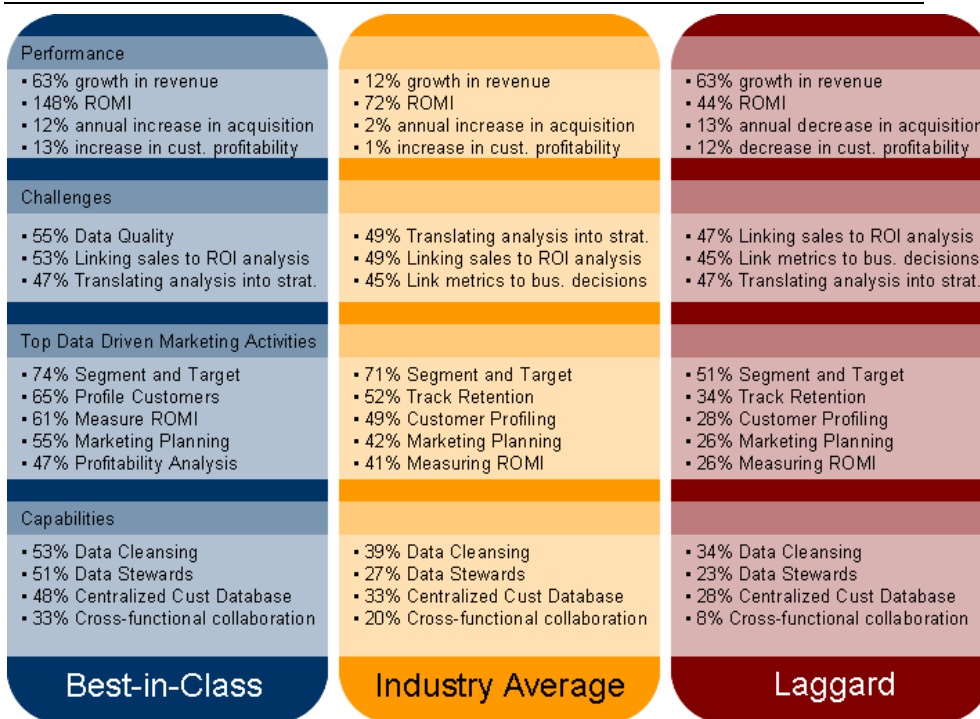
Chapter Three: Required Actions

Before identifying specific recommendations for using data more effectively in marketing decisions, use the following maturity model as a gauge for your organizations use of data driven marketing (Figure 7). The difference between Best-in-Class and Laggard performance is quite staggering; Best-in-Class organizations underscore the value of data driven marketing decisions. Most notably, the Best-in-Class are far more likely than all others to engage in modeling and performance analysis activities.

Fast Facts

- ✓ 94% of the Best-in-Class indicated they could identify their most profitable customers and market to them uniquely
- ✓ The Best-in-Class increased overall marketing spend by an average of 5% in 2009, while Laggards cut marketing spend by an average of 10%

Figure 7: Data Driven Maturity Model



Source: Aberdeen Group, September 2009

Metrics like customer profitability, marketing ROI, cost per sale, marketing mix modeling, and customer lifetime value empower Best-in-Class organizations with insight about how to engage customers and prospects in a relationship or an experience, instead of a one sided forced communication from marketing.

Laggard Steps to Success

Develop a formal plan for leveraging data. Laggards lack formal processes around how to actually use the data they collect. Consider the following:

- **Start by using data for activities that will impact revenue.** The best way to ingrain a data driven culture in the organizations is to demonstrate how the use of data can optimize customer engagement and grow top line revenue. The Best-in-Class are 1.5-times more likely than Laggards to use data to segment and target customers more effectively. By demonstrating a lift in conversion rates after a segmentation initiative, everyone in the organization can see how powerful data driven marketing can be. This may also help free up resources to invest in data quality.
- **Develop a periodic process to scrub the customer database.** Garbage in, garbage out. Data quality is an ongoing issue. Customers change very rapidly in today's digital age. Putting off database hygiene initiatives is a mistake for Laggard organizations (only 17% of Laggards have data hygiene initiatives). Laggard organizations are typically sitting on a goldmine, but they don't know it. The customer data that already exists in the organization can provide deep insight about new or emerging opportunities to sell existing products, customer profiling, and customer loyalty. Think of the customer database like a beautiful old fashioned car with engine problems. If Laggards don't take the time clean up the existing assets, they are failing to maintain a competitive edge. Data quality is not an expense, it's a necessity, and Laggards will be left in the dust of Best-in-Class organizations if they don't take immediate steps to leverage existing data.
- **Use data for marketing planning and forecasting.** Best-in-Class organizations are 2.1-times more likely than Laggards to incorporate data into budget and forecasting decisions. That's right Laggards, the Best-in-Class don't just take last years marketing budget, multiply by a percentage, shift everything a little bit and call it a day. Superior performing organizations heavily rely on data for justification of budget and optimization of marketing spend.
- **Rank marketing channels by performance.** The Best-in-Class engage in multi-channel initiatives that span two-times more marketing channels than Laggards. Why? Because the Best-in-Class have deep insight about marketing channel performance and can even anticipate performance when more than one channel is used. Laggards often rely on one or two marketing channels because "they work for us." Expand the marketing mix, but don't take a shot in the dark. Data analysis provides a guiding light for making better choices.

Industry Average Steps to Success

- **Validate and cleanse data.** The Best-in-Class demonstrate a propensity to develop pre-defined formalized processes to continually validate and cleanse the quality of data in the customer database. In fact, the Best-in-Class are 1.5-times more likely to leverage dedicated data stewards to own customer data integrity and completeness. Consider developing a formal data hygiene strategy that may incorporate some of the following activities:
 - Data cleansing, also known as data scrubbing, is the act of detecting and correcting corrupt or inaccurate records from a record set, table, or database
 - Data append adds data to existing records, which could include additional granularity about customer preferences, purchase behaviors, credit scores, income, etc.
 - De-duping is the process of removing duplicate records
- **Engage multiple departments for data analysis.** No function is an island, especially when it comes to data driven marketing initiatives. The Best-in-Class are 1.3-times more likely than Industry Average organizations to have marketing and finance departments that collaborate to measure budget and returns. Likewise, the Best-in-Class are 1.7-times more likely than the Industry Average to engage other cross-functional departments including operations, finance, sales, and marketing in data driven marketing insight. Ultimately, the customer should drive the strategy, and the strategy should drive structure in the organization.
- **Aggregate data to one centralized database.** Thirty-six percent (36%) of Industry Average organizations have a centralized customer database. This is no easy task, particularly for larger organizations. But centralized data opens the door to performance measurement and optimization of multichannel campaigns. Likewise, if data is being leveraged by multiple functions in the organization, it helps to have one source of the truth for analysis and recommendations. Twenty-seven percent (27%) of Industry Average versus 30% of Laggards indicated one of the biggest challenges with respect to data driven marketing was the fact that data existed in the organization, but it was not centralized.

“Data quality is the key to success. Start small and test your new approaches before full implementation. Continuous measurement / monitoring is critical... Define priorities / objectives that are aligned with your organization strategy and with visible results in the next 6 to 12 months.”

~ Derlin Mputa Kinsa,
Marketing Manager, Wolters
Kluwer

Best-in-Class Steps to Success

- **Use data for more advanced analysis and modeling.** While the Best-in-Class are more likely than all others to leverage modeling and analysis, only a small percentage (between 20% and 30%) actually engage in the following analysis and modeling:
 - **Profitability analysis.** Linking sales to marketing investments has always been difficult. But, marketers should also seek to understand which customer profiles are

profitable and why. By developing data driven marketing campaigns for profitable customers, marketers contribute to the top and bottom line in the organization with greater effectiveness and efficiency.

- **Behavioral analysis.** Also called the “learning perspective” this analysis is based on a psychological concept that links all things humans do (the way customers act, think, and feel) to behavior. The Best-in-Class are already developing customer profiles at two-times the rate of all others.
- **Customer Lifetime Value (CLV) analysis.** In theory this a measure of how much the customer is worth over the lifetime of the customer, in monetary terms. This requires organizations to also calculate the cost per customer and make some meaningful inferences about the lifetime revenue from a target, segment, or customer persona. Marketers can use CLV to determine exactly how much they should be spending to acquire new customers. This can influence marketing mix and channel decisions.
- **Marketing mix modeling:** The traditional “4 P’s” product, price, place, promotion. These should be controllable and tactical marketing tools that work to achieve objectives. While all organizations should be focused on optimizing the marketing mix, the Best-in-Class are well positioned to apply quantitative, rather than qualitative, data to allocate budget more effectively. Only 31% of the Best-in-Class currently rank marketing mix modeling as an extremely important current focus.
- **Predictive modeling.** Predictive modeling is a process for predicting a probability of outcome. Predictive techniques can be applied to marketing budget decisions in advance of investing. The Best-in-Class rank predictive modeling as an extremely important future focus. This is a highly analytical, data driven approach to marketing.

The Best-in-Class have already invested the time and process into data quality, so future initiatives should focus on leveraging the data to a greater extent:

- **Walk in the customers shoes every now and then.** Data is a powerful tool in the Best-in-Class competitive toolbox. But, there’s simply no substitute for personal interaction. Context refers to the condition with which something exists, and context is exactly what marketers need to translate data and analysis into actionable business strategy. Forty-seven percent (47%) of the Best-in-Class indicated that incorporating analytical results into marketing strategies and tactics was a top two challenge with respect to data driven marketing. Marketers should take the time to experience the services or products the organization sells from the customers’

point of view. Try purchasing a product online as a customer, no special treatment, company discounts, etc. This can be an eye opening experience for all organizations, and more importantly, this can provide a level of insight and context about how to translate analysis into actionable business strategy.

Aberdeen Insights — Summary

The data driven marketing revolution is upon us. Today's multi-channel environment demands a structured approach to customer engagement and marketing measurement. Data becomes the lifeblood for all organizations and the key to CMO job security.

All organizations are looking to link marketing analytics to real business strategy. This is accomplished through context, which is derived from data and experience. Best-in-Class organizations revealed data is heavily used for customer engagement through segmentation, customer profiling, and multi-channel initiatives. The Best-in-Class were also 2.7-times more likely than all others to heavily rely on data for marketing decisions. More importantly, superior performing organizations have injected process and structure into data driven marketing. By engaging multiple functions in marketing analysis and developing process driven data quality capabilities, the Best-in-Class have secured a lasting competitive advantage that makes it impossible for Industry Average and Laggard performing organizations to ignore data driven marketing.

Appendix A: Research Methodology

In August 2009, Aberdeen examined the use, the experiences, and the intentions of 272 enterprises with respect to data driven marketing processes and capabilities.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on lead management strategies, experiences, and results.

Responding enterprises included the following:

- *Job title / function:* The research sample included respondents with the following job titles: marketing (49%), sales (19%), operations (5%), other (27%); senior management (42%), and director / manager (58%).
- *Industry:* The research sample included respondents from: software / hardware (21%), finance and banking (6%), retail (6%), and other industries (67%).
- *Geography:* The majority of respondents (67%) were from North America. Remaining respondents were from the Asia-Pacific region (12%) and Europe (21%).
- *Company size:* Nineteen percent (19%) of respondents were from large enterprises (annual revenues above US \$1 billion); 25% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 56% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Thirty-four percent (34%) of respondents were from large enterprises (headcount greater than 1,000 employees); 29% were from midsize enterprises (headcount between 100 and 999 employees); and 37% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

- √ How organizations use data in marketing
- √ The structure and effectiveness of data driven initiatives
- √ Best-in-Class use of data and the capabilities that make these organizations unique

The study aimed to identify emerging best practices for the concept of data driven marketing and to provide a framework by which readers could assess their own management capabilities.

Table 5: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, September 2009

Table 6: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, September 2009

Table 7: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, September 2009

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [Web Analytics: Actionable Insights for Unlocking the Hidden Potential of Online Data](#); September 2009
- [Lead Lifecycle Management: Building a Pipeline that Never Leaks](#); July 2009
- [The Marketers' Guide to Justifying Investments in Digital Asset Management](#); May 2009
- [Marketing Automation: A Strategic Guide for Optimizing End-To-End Marketing Activities](#); May 2009
- [The ROI on Customer Feedback: Why it Pays to Listen to the Voice of the Customer](#); March 2009
- [Brand Reputation Management: Using Online Monitoring to Protect the Company's Crown Jewels](#); April 2009
- [The ROI on Social Media Marketing: Why it Pays to Drive Word of Mouth](#); February 2009
- [Recessionary Marketing: How Best-in-Class Companies are Weathering the Storm](#); January 2009

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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Since 1988, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.2 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

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