

BusinessWeek

RESEARCH

SERVICES

From Survival to Success:

Honing the Practice of Online Marketing Measurement in a Time of Change



Background and Methodology

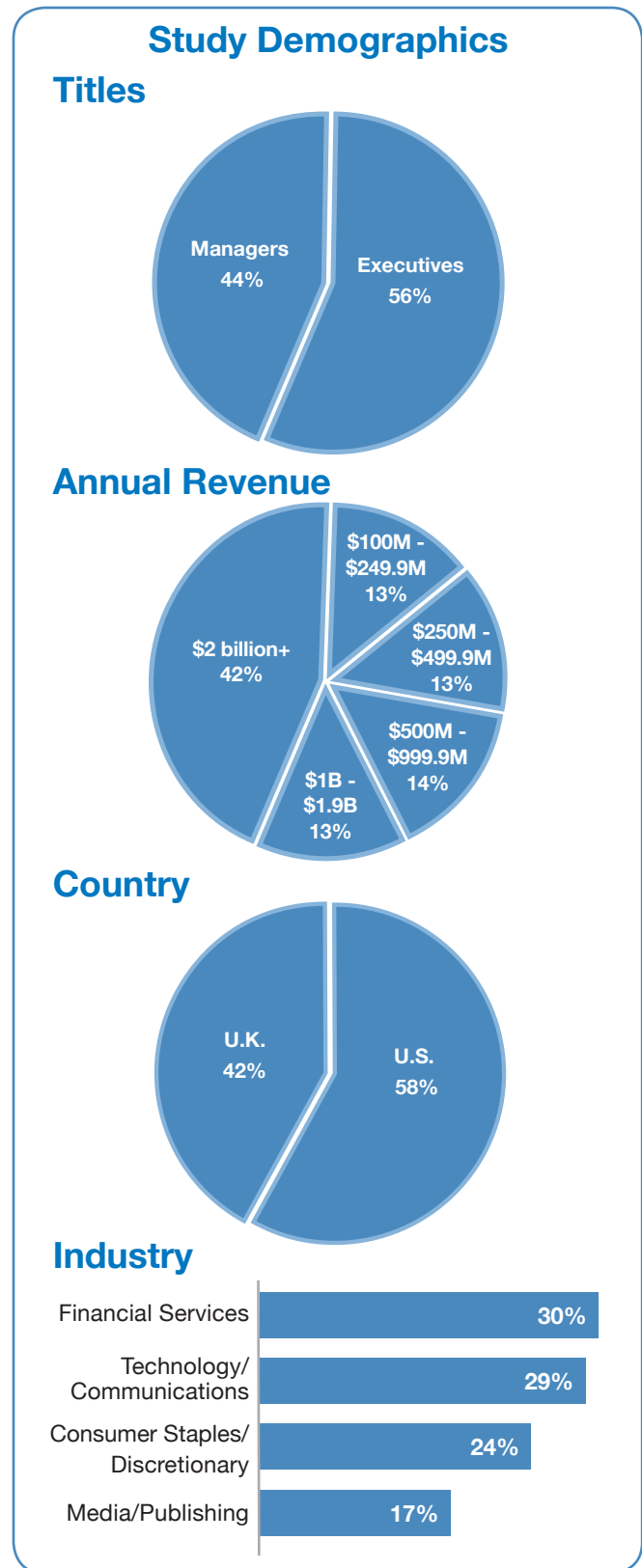
Bloomberg BusinessWeek Research Services launched a research program in September 2009 to determine the attitudes and opinions of marketing executives and managers with regard to the current online marketing landscape, the future of online marketing, and the use and value of online marketing tools.

This white paper, "From Survival to Success: Honing the Practice of Online Marketing Measurement in a Time of Change," reviews a portion of the research and provides analysis and insights on the topic of online marketing measurement. It is the first of two white papers intended to facilitate sharing the most important insights from the research. As part of a wider research program, more data and insights will be available through webinars and videos at this Web site: www.coremetricsBW.com

This research program is an online survey of marketing executives and managers at leading large companies. Overall, a total of 361 senior marketing executives in the U.S. and the U.K. were surveyed in September and October 2009 (see Chart 1). For more information about the contributors to this research program, please visit: www.coremetricsBW.com

This research project was funded by a grant from Coremetrics and was written by Bloomberg BusinessWeek Research Services. The editorial department of Bloomberg BusinessWeek was not involved in this project. For more information about this project, please contact samuel_gager@businessweek.com.

Chart 1



The Current Marketing Landscape: The Push for More Rigorous Online Measurement

The continued growth of digital marketing reflects the desire within many businesses to more precisely target and measure the results of marketing investments. Online marketing measurement has come into its own for a reason: In 2009, marketers across the globe had to hunker down and extract value as best as possible.

It used to be that marketing was far less a science than an art, with corporate budgets allocated to those who were perhaps better at convincing than justifying. No longer is this the case. The rise of online marketing and its attendant stream of quantifiable information has fast replaced the “finger-in-the-wind” method of managing marketing.

Today’s marketers appear to be moving towards more rigorous measurement and accountability, and as they do, data is taking on a larger role in marketing decisions. Yet when heading toward a distant point on the horizon, any degree of variance can mean missing your mark by a wide margin. While data collected may be accurate, the decisions that marketers make about what they’re measuring in the first place may ultimately take them in an unexpected or unwanted direction. It’s best to start the process with a clear knowledge of what to measure.

Return on Investment and “What Works”: The Backbone of Marketing Accountability

In 2009, marketing accountability was based on effectiveness: Understand what’s working and

what’s not and get the best return. Doing so has meant that managers and executives have relied on—and demanded—the use of sophisticated tools to measure the effectiveness of each marketing dollar. Return on investment and “what works” have been the mantra.

The Strength of Online Marketing: Seeing Businesses through their Darkest Hour

As the global economic crisis subsides and corporate leaders look forward to more prosperous times, online marketing is emerging as a survivor from the wreckage. This is mainly due to its ability to prove value through data—compared to offline marketing options, which aren’t as information-rich. 2010 is shaping up to be the year that online marketing builds on what it delivered to organizations in their darkest hour—turning measurement for survival into measurement for success.

The Importance of Key Performance Indicators

2009 may well go down as the year that digital supplanted offline media as the main vehicle for business marketing. Online marketing’s greatest strength is its ever-increasing measurement capability: The swift and accurate calculation of impact created from dollars spent. That strength is built on the pillar of Key Performance Indicators (KPIs), measures upon which marketers base not only their campaign spend, but also their measurement spend. Though companies across the business spectrum are increasingly shifting more dollars from offline to online, those with a true grasp of online’s measurement strength are working to ensure that it isn’t undermined by a weak KPI infrastructure.

Building a KPI Foundation

Knowing customer and prospect names, profiles, addresses, habits, and other, ever-deeper, information is driving the flight toward quality marketing measurement. Lack of information obscures value and locks away current and future dollars. Proving a return through this data can be the key to success. And just as importantly, ensuring a sustainable business model means making sure one's marketing house is built on solid ground not sand. For many marketers, the KPI foundation is key.

The data-driven potential of online marketing is not lost on executives striving for value. The majority of marketers report that online marketing is seen as an integral part of the marketing efforts in their organization (60%). More than half (54%) claim it is viewed as a cost-effective way to drive revenue (see Chart 2).

Chart 2

Question:

Which of the following statements describes how online marketing is viewed in your organization? (Please select all that apply).



The Benefits of Better Measurement

Not every campaign has the same objective, and in fact each may require a customized measurement approach. The nature of online marketing and its measurement capabilities can give organizations a 360-degree view of just how well their marketing dollars are being allocated. Knowing how a campaign's impact is felt by the consumer, and how it affects that consumer's attitudes and behavior, continues to accelerate the move away from traditional marketing toward online marketing. Those extracting the most value from the transition are not necessarily those who move fastest—as one might assume—but those who measure the right things to begin with. The tactic of accuracy supports the strategy of collection.

While online offers enhanced ways to quantify value, the goal falls in line with the goal of traditional marketing: The Customer is King. In fact, this maxim is arguably truer online, where companies can offer personalized and tailored information, content, incentives, and more. Online marketing efforts are focused on what's broadly known as being "sticky:" attracting, converting, and retaining customers. Marketers expressed a consistent opinion that the three most important objectives of online marketing campaigns are retaining existing customers, converting visitors into customers, and attracting new website visitors.

Marketers ranked value-add imperatives such as making sure visitors do not encounter website problems and increasing visitor value through compelling product/offers/content, just under these customer-building goals.

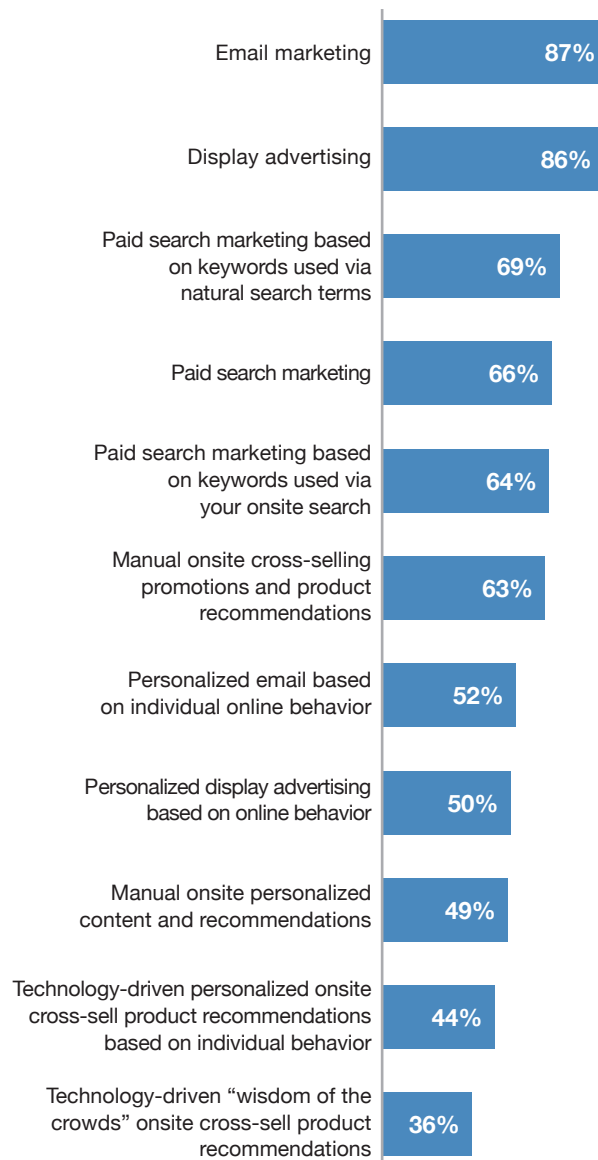
Personalization is Key

Email, display advertising, and paid search marketing based on natural search terms are the most widely used online tools (see Chart 3). But few marketers are utilizing technology-driven

Chart 3

Question:

Does your organization utilize the following online marketing tools? (Percent “yes”) (Please select all that apply).



personalization to drive online sales, even though many indicate that these programs are becoming a priority.

For a marketer, personalization is about having a relevant and persuasive conversation with one’s customer. Using online tools to their full capacity means stepping up and ensuring the maxim of “customer is king.” Though perhaps not totally a zero sum game, marketers must understand that for the most part, they are either all in or all out. To engage in personalization, marketers must *commit* to it, which means commissioning the full spectrum of technology advantages to capture the attendant returns.

Moving Beyond the “Silo” Approach

While most marketers are also utilizing marketing measurement tools that gauge individual campaign performance, customer behavior, and display ad performance, many do not appear to be taking a holistic approach and examining their campaign performance in one view (see Chart 4).

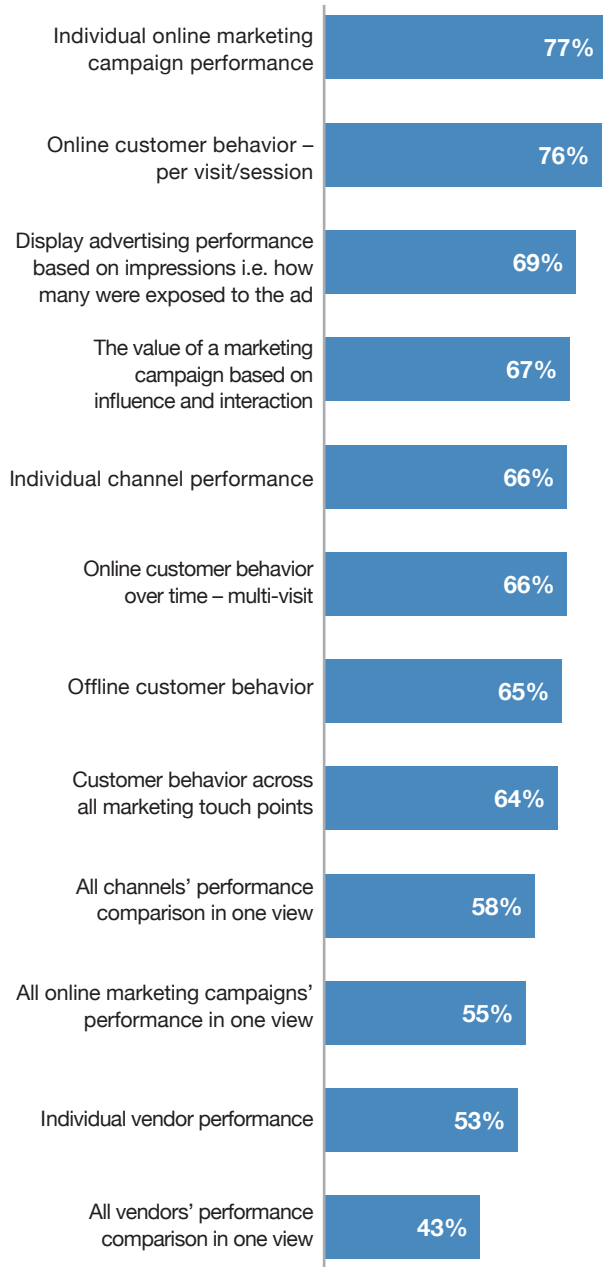
As has been discussed, online affords a holistic view of the full marketing construct. The irony is in the effect that agile, online marketing has on its offline cousin. The lack of directly-linked KPI fundamentals in offline is perpetuating a “silo” approach in the traditional space. The days of this approach may be numbered, and for more progressive, modern marketers, ensuring its demise means reconnecting KPIs to the overall process.

An interesting side note garnered from this research is that far more executives (60%) believe that personalized emails based on individual online behavior are being utilized in their organization, compared to 40% of managers.

Chart 4

Question:

Does your organization utilize any of the following online marketing measurement tools? (Percent “yes”) (Please select all that apply).



Enhancing Online Measurement for Optimal Marketing

The discussion over effectiveness and any disconnects in the process shows how far marketing activity has come in the digital age; it used to be that the simple act of marketing—taking out a display ad or running a radio spot—was enough. These days, effective marketing means effective marketing measurement. Today’s marketers know the challenges far better than their predecessors, and at a time when the top three challenges facing online marketing are getting an integrated view of customers (45%), understanding the influence of the campaign (45%), and interpreting the data (41%), the questions are no longer about tactical marketing activity but the relentless drive for marketing measurement excellence (see Chart 5). Marketers understand that measuring the right metrics, rather than simply amassing data will yield the most value.

More Frequent Measurement Yields Greater Success

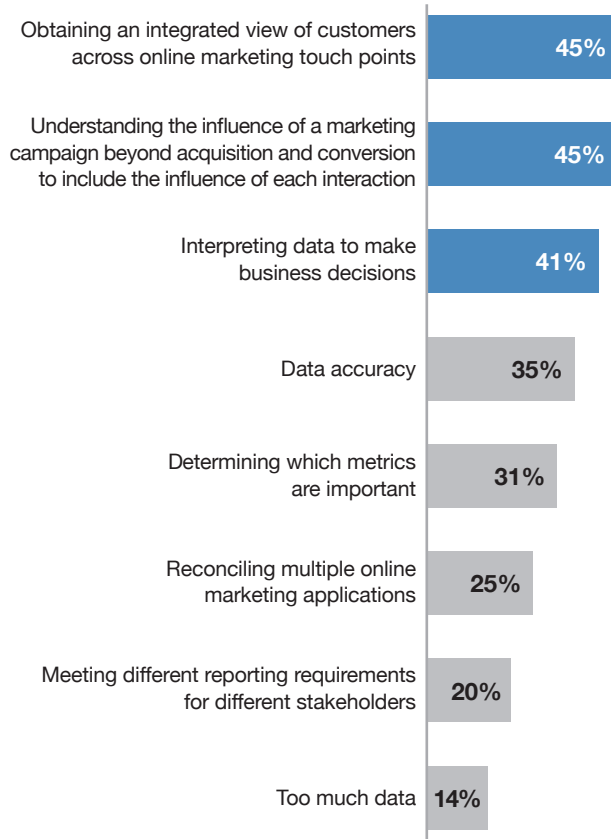
Moreover, the study shows that while most marketers review their online metrics regularly and adjust them at defined intervals, just over half of the marketing professionals surveyed (52%) review their online performance metrics weekly, while an additional 30% do it only monthly. When it comes to adjusting their online campaigns, 41% do so at “regularly defined intervals.”

However, conventional marketer wisdom strongly supports the conclusion that using traditional offline marketing measurement techniques and reviewing them only monthly does not work online. The online world favors the nimble and the quick, which is at direct odds with the accustomed

Chart 5

Question:

What are your top three challenges when it comes to online marketing? (Please select top three).



techniques used in the traditional marketing space. To impede the fast-moving online sphere with the gradual—some might say idle—methods used offline is to miss the mark.

The trend of more frequent measurement seems to be gaining ground. Data from 2009 showed that retailers who benchmarked performance daily to watch what was and wasn't selling considerably outperformed those who did not.

Return on Marketing Investment: Justifying Spend by Proving Value

Return on investment is the universal yardstick for measuring the success of any business endeavor. Marketing is no different. Measuring a particular marketing campaign's success is the starting point for evaluating whether a company has grown, or shrunk (or wasted) its dollars by investing in a particular marketing activity.

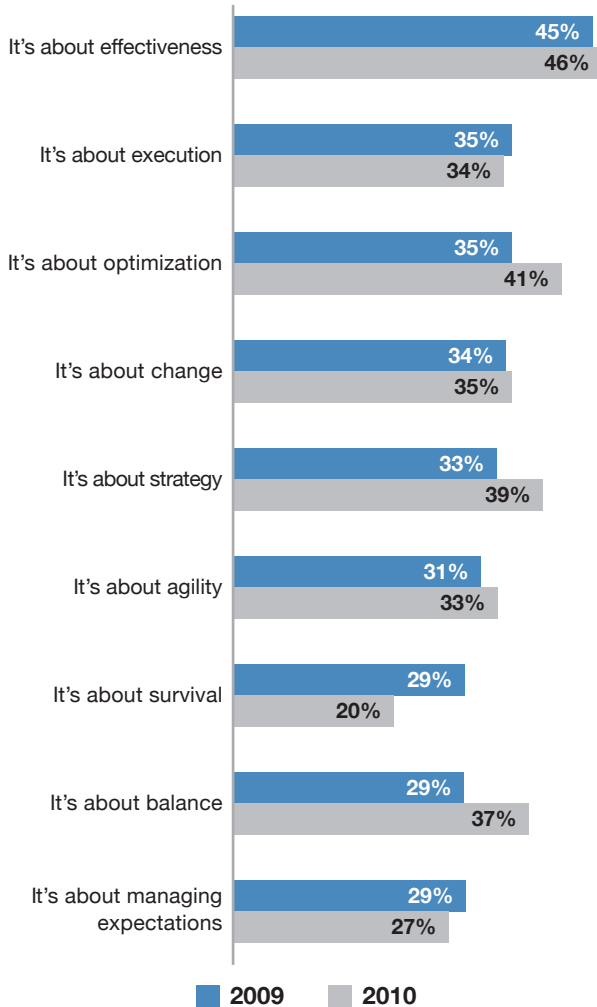
In 2009, with profits under attack and budgets being slashed, marketers based success on the tenet of *effectiveness*—what's working and what's not (see Chart 6). Online marketing's ability to deliver near-real-time data has given pressured executives the ability to justify the "spend." Executives know that marketing matters, but it's a marketing manager's job to communicate just how much it matters, and what type of investment is best. Online measurement gives managers the capability to prove the value of their activity.

Investing in programs that yield the best return was the focus in 2009. Overall executives in both the U.S. and U.K. felt a greater scrutiny than in previous years to understand what's working and what's not. When asked how they evaluate marketing success, most marketers report that meeting key performance indicators (KPIs) is the top choice for measuring whether a campaign has been effective (47%). Similarly, improving performance levels over last year is the second most common measure (41%) and providing the ability to trend and measure to what extent a campaign has been effective is the third. Looking back on 2009, more executives (22% vs. 9% managers) will evaluate 2009 marketing success as "having capitalized on an economic upturn."

Chart 6

Question:

Which statement best describes marketing accountability as it relates to 2009? To 2010?



Compared to executives, managers felt the pressure of 2009 more acutely, with 32% saying that in 2009, marketing was about survival. Only 19% believe this will continue in 2010.

Going forward, 2010 will again be about effectiveness—but optimization and strategy are also emerging as key in both the U.K. and U.S.; managers are looking beyond survival and taking a more calculated, even tactical approach when it comes to their marketing investments.

Among managers and executives, managers lead the way in believing effectiveness will be key in 2010 (54% vs. 41% of executives). More executives believe there will be a shift to optimization (43% vs. 38% of managers).

The Self-Fulfilling Cycle

Marketing return on investment has consistently been one of the most difficult things for an organization to measure, but the ability to do so has quickly become a competitive advantage for companies that have made it a priority. Perhaps that explains why, though a third of revenue is currently driven by online marketing (versus 60% by offline marketing), 74% increased their financial investment in online marketing in 2009. In fact, 31% did so by more than 10%. However, quick and nimble measurement will only deliver its full value when the process is complete: Acting on the measurement in a timely fashion. After all, measuring quickly and acting slowly is definitely not in the spirit of measurement excellence.

The increased expansion of the online side of the equation reveals that marketers are deriving ever-increasing value from what online marketing measurement provides. Offline marketing may currently dominate among marketers, but investment in online marketing is growing. The three areas that have seen the biggest spending increase are all online-related (see Chart 7).

Moreover, three in four say they are increasing their financial investment in online marketing activity, which appears to be driven by the fact that 60% of marketers say that online marketing is an *integrated* part of their marketing efforts, and 54% say that it is a cost-effective way to drive revenue. This integration must come with a 360-degree, holistic view, to be most effective. While marketers say their efforts are integrated,

it would behoove them to audit their activities to ensure comprehensiveness.

Accurate, Automatic Marketing Accountability

Those surveyed believe that moving spending from offline to online is a more cost-effective customer acquisition and retention strategy. To be able to measure ad effectiveness for any campaign with unparalleled accuracy gives marketers the fuel, and the cover, of accountability and optimized performance. Online marketing provides the

ability to measure what matters, which in turn draws more dollars to the effort in a self-fulfilling cycle of data-driven effectiveness measurement.

The Global Appeal of Online Marketing

The ability to effectively allocate budgets across marketing initiatives is a critical success factor for marketers on both sides of the Atlantic. Although in both the U.S. and the U.K. the top three choices for allocating marketing budget were online-based, the study shows that marketers in Britain had differing priorities from their counterparts in America.

The same issues surrounding marketing measurement exist around the globe: Again, advertising is not an exact science. Currently, most marketers do not have a precise way to measure the success of a campaign. Determining how many sales dollars are generated by each advertising dollar spent is as elusive in the U.K. as in the U.S., as is evidenced by the parallel tack of U.K. marketers to move toward online.

In the U.K., online marketing efforts were still the number one spending area, but closely followed by new customer acquisition (57%), customer retention (55%), and customer profitability and value (51%) (see Chart 8). Furthermore, the U.K.'s spending increases appear to be more balanced across all areas of the marketing mix. The U.K. market is exhibiting similarities to the U.S. market of 2006 and 2007: Investing in traditional marketing tactics.

Chart 7

Question:

Compared to last year, has your spending in the following areas increased, decreased or stayed the same? (Percent "increased").

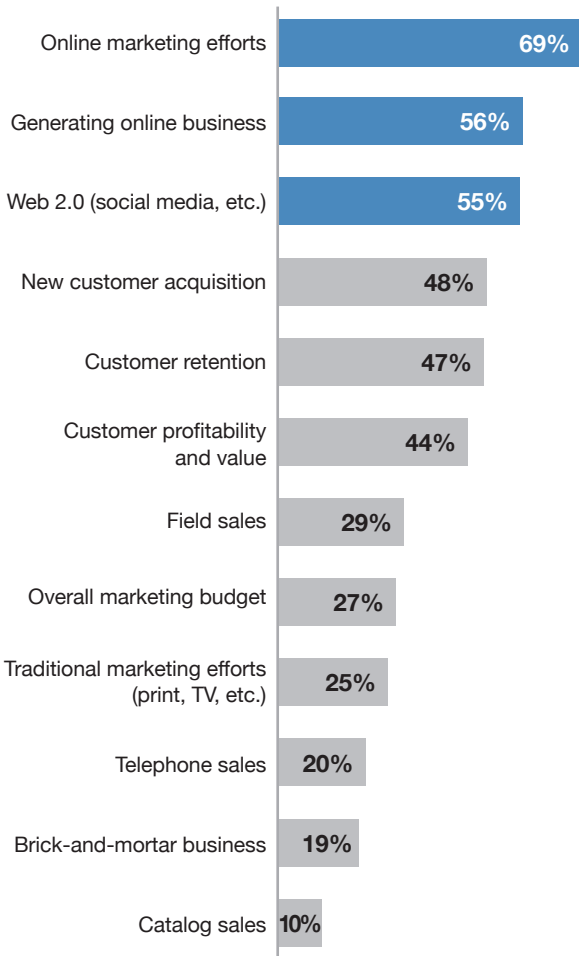
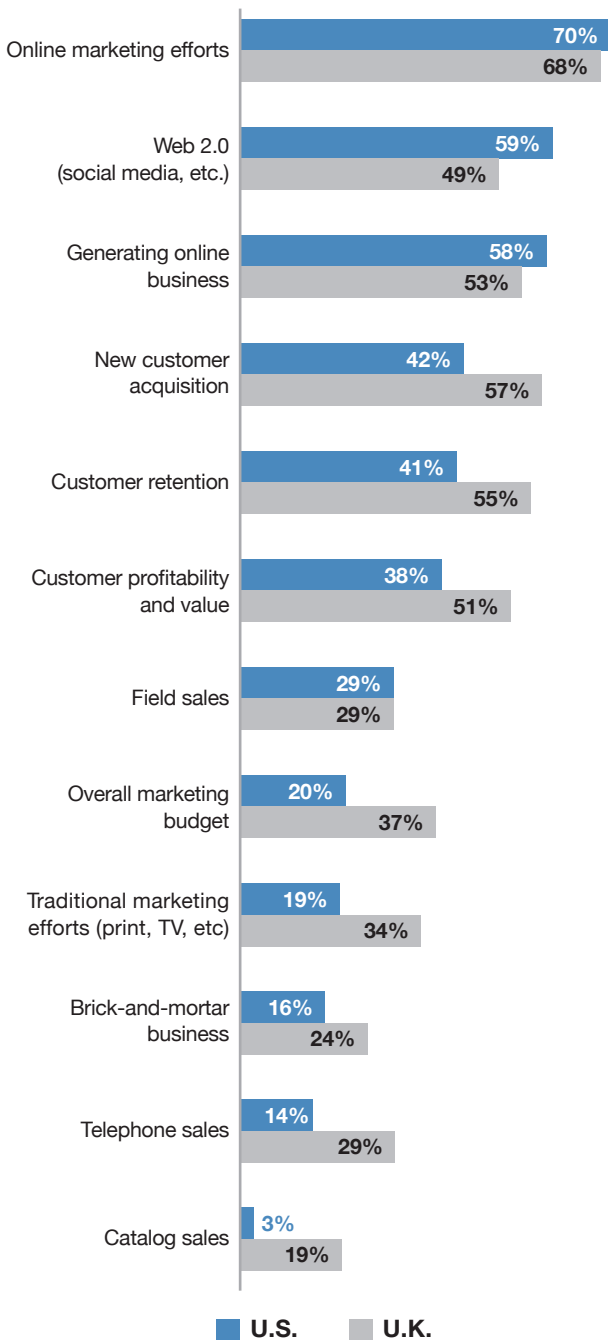


Chart 8

Question:

Compared to last year has your spending in the following areas increased, decreased or stayed the same? (Percent "increased").



The Business Challenge: Reliable Data, Wrong Metrics

The demand to make marketing more accountable becomes more insistent every year. Online marketing can be a complex endeavor, which makes it all the more important to align business goals with online measurement effectiveness.

Yet this study found a disconnect between using *effectiveness* as the benchmark of marketing accountability and corresponding investment increases in online, versus what marketers are actually measuring. Moreover, a notable number of marketers, both executives and managers, do not believe they are measuring the right type of data to begin with.

Getting Back to Basics: Measure What Matters

Only two in five marketers are confident that they are tracking the right metrics. As noted earlier, meeting KPIs is the most common method of measuring campaign effectiveness. It stands to reason that marketing goals cannot be adequately evaluated if marketers are not sure they are measuring the right metrics from the start.

Matching expectation and efficacy is a must or the modern marketer will continue to miss the opportunities afforded by online and its measurement capacity. The marketer who takes accountability seriously will ensure a proper alignment between foundational KPIs and organizational goals. The executive who doesn't will almost certainly waste time, money, and good will. As competition heats up in 2010, not meeting expectations by being "disconnected" is a risky proposition.

The study also found notable differences among managers and executives in perceived marketing challenges. Marketing managers feel that interpreting data to make business decisions is more challenging than executives do (47% vs. 36%), as well as data accuracy (39% vs. 32%) (see Chart 9).

Executives find it more challenging to reconcile multiple online marketing applications (28% vs. 20%). In addition, more executives than managers feel it is important to segment and target using historic behavior data on multi visits (74% vs. 66%) and both online and offline behavior (70% vs. 61%).

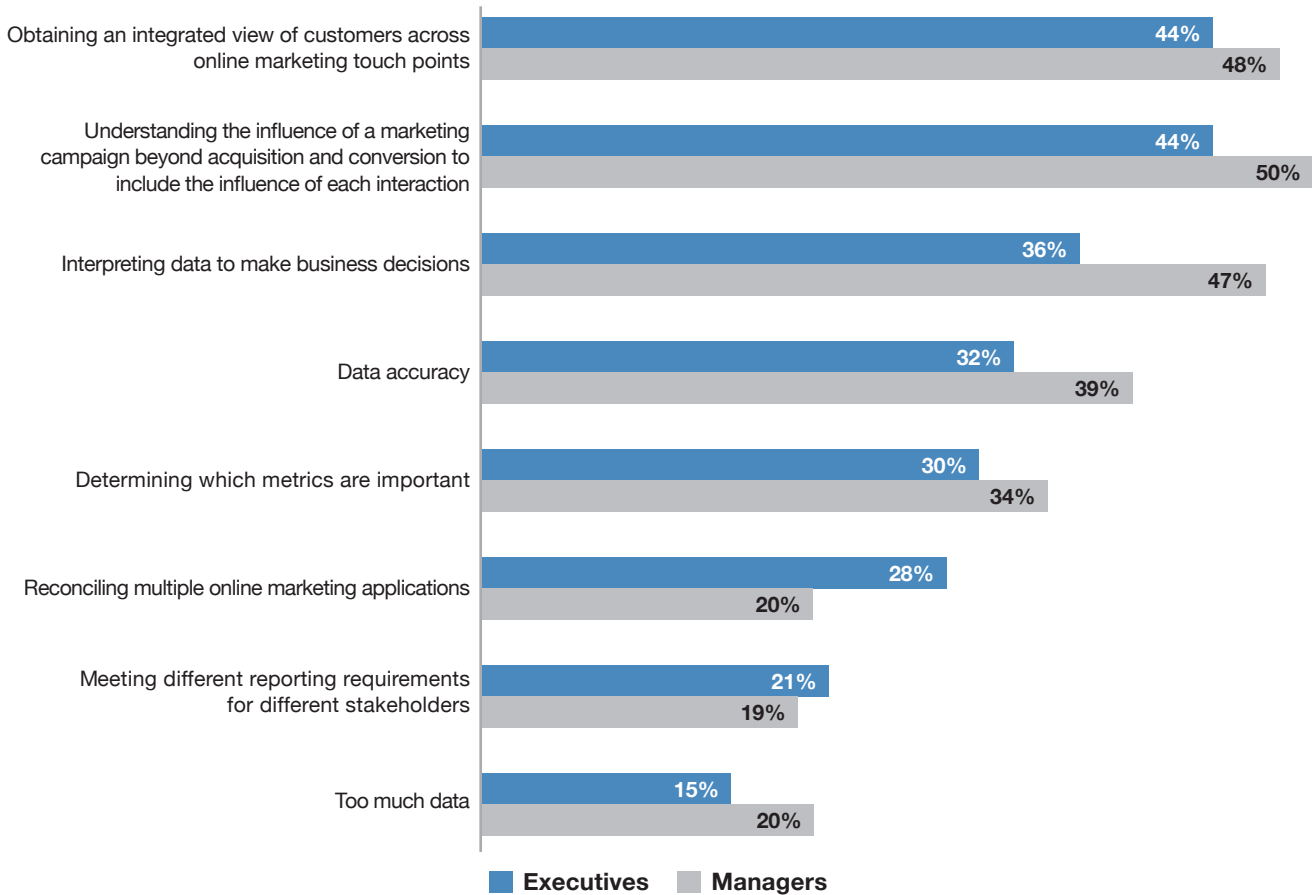
The Promise of Online Marketing: Unlocking the Value of Greater Measurement


The inherent measurement advantage of online marketing continues to make it an increasingly important part of the marketer's palette. In 2009 this advantage helped marketers survive. The realization that online marketing measurement could provide significant benefits in times of stress portends a greater reliance on digital marketing for 2010.

Chart 9

Question:

What are your top three challenges when it comes to online marketing? (Please select top three).



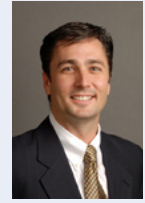


As marketers on both sides of the Atlantic report, the ability to measure the effectiveness of their marketing investment allows them to justify their activity and get the best return by better understanding what's working and what's not. As such, marketers are expanding their online investment as they derive ever-increasing value from what online marketing measurement provides. This self-fulfilling cycle of investment, effectiveness measurement, and justification is helping to increase the number of dollars dedicated to online.

To be sure, modern marketers are constantly wondering if they are measuring the right things, allocating dollars correctly, and using the tactics that will best serve them. Yet the fact that the dialogue has become about measurement and what their success exposes shows how far marketing has come from the days of “finger in the wind” marketing activity and obscured value.

A Message from Our Sponsor

John Squire
Chief Strategy Officer
Coremetrics



Dear marketer,

Some say there's irony in everything. Well, there was plenty of irony in Bloomberg BusinessWeek Research Services' (BWRS) enlightening report. As I read through, I couldn't help but notice how a lot of us in online marketing find ourselves in these Catch-22's:

- We believe that key performance indicators (KPIs) are the best measure of marketing success. But we're not sure which KPIs we should use.
- We know that online marketing demands speed and agility. While we claim to measure our performance frequently, we only change our direction by the month or quarter—not by the hour or the day.
- We recognize that online marketing return on investment (ROI) requires quantifiable data. But we measure effectiveness on our own past performance versus how we stack up against the competition.

I'm excited about this survey and how it outlines the state of online marketing. Coremetrics commissioned BWRS for this study to better understand the industry and our customers' most pressing needs. The insights in this study will help us refine our solutions, and hopefully they'll help you strengthen your online marketing efforts as well.


This study communicates loud and clear that online marketing is a work in progress. Some leading companies are approaching online marketing excellence, and I'm happy to say many of them are Coremetrics customers. Others among us need to continue building, refining, and improving. Here are my key takeaways.

We need to be faster and more agile.

Online marketing is dynamic. Customers move fast. We have to move faster. We have to adapt on the fly. But not many of us do. Most of us still apply old-school, offline marketing techniques to the hyperactive online world.

I was surprised to see that in BWRS's survey data that just 8 percent of companies monitor performance metrics in real time. Nearly half monitor metrics either monthly or quarterly. And then, few of us quickly adapt our campaigns based on what the metrics are telling us. That's too much lag time. That's opportunity wasted.

Those that do adapt in real time can win big. We saw real-time online marketing in action in the U.S. just before Christmas 2009. When the East Coast was walloped by a snowstorm that kept thousands of



shoppers at home on the weekend before Christmas, savvy online companies seized the opportunity. Some whipped up storm-specific emails and personalized display ads. Others offered free two-day shipping. You could hear the cha-ching from coast to coast.

Coremetrics' benchmark data captured the stunning results. Online sales shot up more than 20 percent for the weekend, compared to 2008. That's agility in action. That's speed of execution. That's what Coremetrics enables.

Hundreds of Coremetrics customers are putting our technology to work to accelerate online marketing and measurement alike. They're leveraging real-time automation in our Coremetrics Continuous Optimization Platform to zero in on opportunities with targeted messaging, fast.

We need to measure the right metrics.

On one hand, BWRS survey participants ranked meeting KPIs as the no. 1 measure of marketing success. Fair enough.

But I did a double-take when I read a related data point: More than 60 percent were unsure if they were tracking the best metrics! If meeting KPIs are critical to marketing success, we'd better know which metrics are most meaningful to the bottom line. To top it off, I learned that 77 percent measured performance by individual campaigns. Far fewer had achieved the ideal of KPI measurement across multiple campaigns and channels.

Over the years, we've seen how the most successful Coremetrics customers are often the ones with the richest, broadest KPI foundations. These companies excel because they take literally the old maxim, If you can't measure, you can't improve. These customers have built metrics into the fabric of their online marketing solutions. They enrich their KPIs with ever-deeper customer data and integrate them across channels. They're zealous users of our analytics and reporting technologies to continually monitor, adapt, and win.

We need to continually rethink effectiveness.

What best describes marketing accountability? According to BWRS participants, effectiveness is the no. 1 answer. So I had to ask myself, well, what best describes effectiveness?

As BWRS put it, effectiveness boils down to what works and what doesn't. ROI is the universal yardstick, but ROI measurement has often been more an art than a science. That's changing, thanks to the quantifiable data generated by online marketing. Coremetrics customers that exploit that data are more precisely measuring ROI, and other characteristics of success.

One of those characteristics is a company's competitive position in its industry versus competitors. But as I saw in the survey data, nearly 60 percent didn't find it easy to compare their online marketing performance against the competition.

Enter Coremetrics Benchmark. One of the crown jewels in our portfolio, Coremetrics Benchmark is the industry's only peer-level solution that lets you benchmark performance against competition and in

your industry. More than 500 top businesses contribute data to Benchmark, including Abercrombie & Fitch, Harvard Business School Publishing, Macy's, Men's Health Magazine, myFICO, Office Depot, and PETCO.

And Benchmark is growing. We've doubled the number of participating companies in the past year, and incorporated new features for near-real-time data and advanced analytics. Best of all, our Benchmark service is free to all Coremetrics customers.

When it's time to grow your online marketing, we hope you'll take a hard look at Coremetrics. Leading companies such as Bank of America, Fair Isaac, InterContinental Hotel Group, Macy's, Staples, and Victoria's Secret are among the more than 2,100 global brands that use Coremetrics Software as a Service (SaaS) to optimize online marketing through real-time personalized recommendations, email and display ad targeting, search engine bid management, analytics, benchmarking, and more.

Central to our solutions are the Coremetrics Continuous Optimization Platform and our Lifetime Individual Visitor Experience (LIVE) Profile, which tracks customer behavior both online and offline over the long term. Featuring full automation, Coremetrics technology is engineered to help you deliver the right message via the right channel to the right customer at the right time.

We share the optimism expressed in BWRS's survey. Nearly a third of managers felt that marketing was about "survival" during the economic ordeals of 2009. Only 19 percent believed that would continue in 2010. Instead, managers are looking forward to effectiveness, execution, and optimization—and ultimately, the science of success.

To learn more, please visit www.coremetrics.com

John Squire
Chief Strategy Officer
Coremetrics

Copyright and Disclaimer Notices

Neither Bloomberg BusinessWeek, Bloomberg nor Coremetrics makes any guarantees or warranties as to the accuracy or completeness of this report. Neither Bloomberg BusinessWeek, Bloomberg or Coremetrics shall be liable to the user or anyone else for any inaccuracy, error or omission, regardless of cause, or for any damages resulting therefrom. In no event will Bloomberg BusinessWeek, Bloomberg, Coremetrics, or any of their third-party licensors be liable for any indirect, special or consequential damages, including but not limited to lost time, lost money, lost profits or lost good will, whether in contract, tort, strict liability or otherwise, and whether or not such damages are foreseen or unforeseen with respect to any use of this document. This document, or any portion thereof, may not be reproduced, transmitted, introduced into a retrieval system or distributed without the written consent of Bloomberg and Coremetrics.

© Copyright 2010 Bloomberg and Coremetrics. All rights reserved.

The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

ELECTRONIC VERSION AVAILABLE

To see or use an electronic copy of this document in PDF format, please visit <http://www.coremetricsbw.com>

