

BusinessWeek

RESEARCH

SERVICES

From Collaboration to Personalization:

Unlocking the Potential of Online Marketing Optimization



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, “The Technology Transition: Unlocking the Potential of Online Marketing Optimization,” reviews a portion of the research and provides analysis and insights on the topic of online marketing measurement. It is the second 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

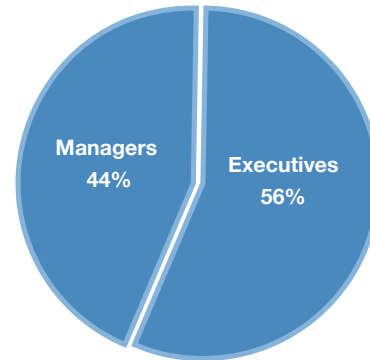
This research program is an online survey of marketing executives and managers at leading large companies. Overall, a total of 361 senior marketing executives in the U.S. and the U.K. were surveyed in September and October 2009 (see Chart 1). For more information about the contributors to this research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

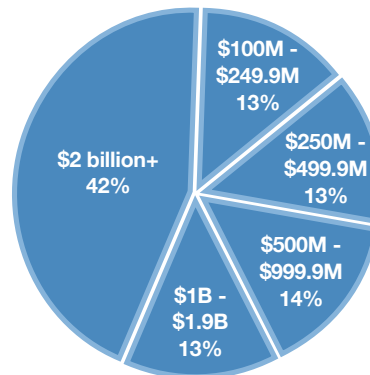
Chart 1

Study Demographics

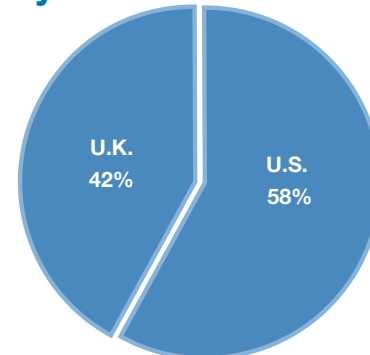
Titles



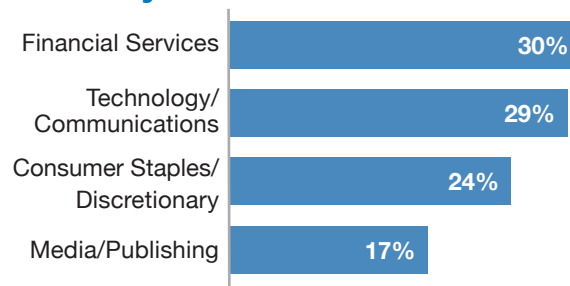
Annual Revenue



Country



Industry



Introduction

Today's marketers live in an age of volatility and transition. Instantaneous transactions, multiple touch points, and the merging of offline with online have combined with a multitude of media outlets (including social media) to create ever-savvier audiences that are harder to find and keep. Modern marketers need greater clarity so as to move faster, stronger, and better to deliver their messages and capture consumer attention.

Amidst this fast-moving environment is online marketing. Online marketing is increasingly affording the situational awareness needed to not only know what works in the marketplace, but how to continuously make what works, work better. For many marketers, enhancing online marketing measurement is the first step toward capturing the value of the wealth of data provided by online marketing.

While online marketing makes data readily available, for many of today's marketing decision-makers, the clutter of information received from the vast array of sources can blur the bottom line rather than bring it into focus. Therein lies the irony: Today's marketing environment offers a rich menu of options for reaching the customer, and in return delivers a vast amount of data to the marketer, who must capture the meaning, implication, and importance of that data. Without the tools to do so, the data is meaningless and the marketing activity does not meet its full potential.

Online marketing can be powerful, but many companies don't fully understand how to measure return on investment. What those companies don't yet recognize is that online marketing measurement puts marketing executives in the unique position to leverage technology advancements to gain customer

insight and drive ever-new approaches to doing business.

Increasingly, innovative marketers are looking to three essential processes steered by technology to optimize the value of online marketing: collaboration, multichannel marketing, and personalization. These processes allow marketers to synthesize customer data gathered at different touch points to get a "single view" of each individual customer. In fact, by employing innovative online marketing tools and creating a cycle of self-fulfilling benefit using these techniques, future-forward companies stand to gain a game-changing competitive edge.

Three Pillars: A Primer

In this quest to capture modern audiences and synthesize this data, marketers are increasingly looking to these three pillars (collaboration, multichannel marketing, and personalization), which are emerging with the advancement of online marketing technology. When collectively deployed, these three elements afford marketers the "single view" that enables them to target individual customers with personalized messages and targeted offers.

Collaboration

Collaboration has both internal and external resonance. Internally, the opportunity for collaboration exists between marketing teams that transact with all relevant marketing functions stemming from online and offline activity. Without collaboration, marketers may potentially employ both online and offline data and still be unable to serve customers fully. When internal departments and their functions do not exchange customer information, marketers are unable to craft a unified view of individual customers, and thus cannot

target them with tailored information, offers, and products.

Externally, collaboration is about the way a marketer coordinates the online and offline customer experiences and data. Many companies today keep what should be “team” functions separated in silos, both internally and externally. Failure to coordinate marketing across silos results in an inability to fully enable multichannel marketing, which in turn prevents an effective personalization strategy.

Multichannel Marketing

Multichannel marketing is the act of bringing together online and offline data and functions. By weaving together the functions and consolidating information gleaned from combining multiple marketing activities, marketers can set in motion the actions that lead to full personalization. Only when multichannel marketing is employed will a company be able to personalize and target customers.

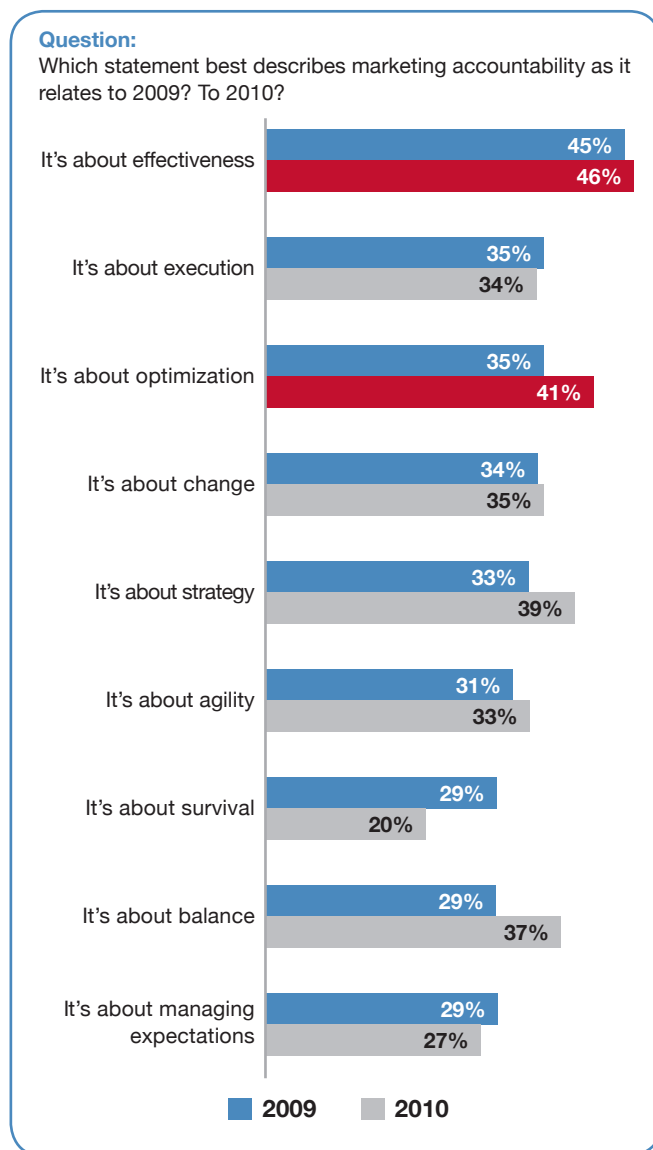
Personalization

Personalization is rooted in the concept that the “customer is king,” and utilizes multichannel data to target customers with products and services specific to them based on their behavior. It requires a 360-degree view of a customer’s behavior so as to provide the most complete marketer-to-customer experience. The full concept depends on an integrated approach (collaboration), which in turn depends on multichannel marketing, without which personalization cannot be attained, and all of which depend on employing the most innovative technology available.

Changing Priorities of Online Marketing

In 2010, marketers will be working to optimize online marketing efforts. In 2009 marketing accountability was based on whether or not campaigns were *effective* (understanding what’s working, what’s not, and investing in programs that yield the best return) (see Chart 2). Going forward, 2010 will again be about effectiveness but *optimization* (ensuring that

Chart 2



all parts of marketing work collaboratively to maximize results) is also emerging as the yardstick of marketing accountability for 41% of marketers.

Marketers are moving beyond simply asking what has been effective in yielding value from the marketing function. The goal now is to move toward a more targeted marketing approach, relying on the inter-related methods of collaboration, multichannel marketing, and personalization. By communicating information gathered from multiple customer touch points, and directing marketing efforts on the individual customer level based on this information, marketers will be able to develop a single, integrated view. This will allow marketers to extract the greatest possible value from their marketing efforts.

To attain this value, marketers are readying their teams to embark on the multichannel marketing discussed previously, combining online with offline and building on the combined value. Doing so supports targeting individual customers via more personalized methods, and avoids the clash between offline and online that comes from a lack of collaboration.

The Problem with Online Marketing Measurement

As the difficulties of 2009 recede and the promise of prosperity in 2010 grows, the question isn't just "Why don't marketers use online marketing measurement to optimize their business processes?" but also "Why don't they better measure and optimize online marketing?"

As budgets bend to the logic of online marketing and the real-time action it provides and demands, executives are finding that marketing optimization solutions help their companies measure and advance the effectiveness of online marketing programs beyond anything available in the offline

space. However, the immediacy of real-time information is creating a new urgency and speed that has many marketers scrambling, particularly those who lack the technology to capture and make sense of this information. But for the leaders who understand its potential, the result is direct improvement of the bottom line and creation of a self-fulfilling cycle of effectiveness.

With the onset of the global economic crisis, money moved out of traditional media at a faster rate toward less expensive and more measurable interactive tools. As marketers found that they needed to look at the allocation of their money to better understand how to accomplish their market-making objectives, reasonable marketers recognized that in order to prove marketing's value within their organization, they had to drive revenue as well. Results matter and getting results means knowing the effectiveness of every dollar spent.

The real-time nature of online marketing has placed an increased demand on marketers. Because of the data generated in real-time through online transactions, marketing activities and campaigns are now expected to be measured, evaluated, and revised in real-time, and return on investment

Chart 3



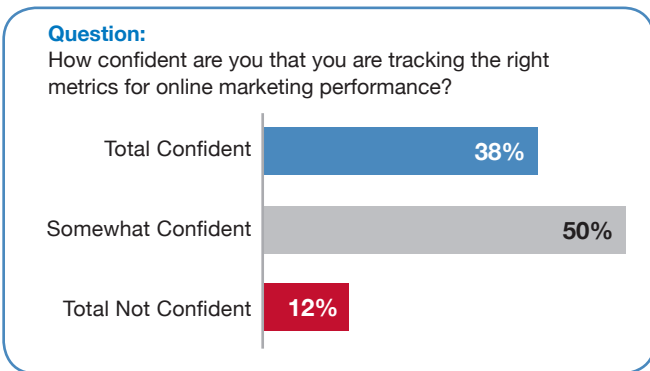
for every marketing dollar must be proven at every stage. Many marketers, however, are not yet *measuring* data in real-time.

Currently, most marketers are satisfied with their company’s investment in technology to support online marketing efforts. About eight in ten (79%) assert that the investment in technology is “good” (see Chart 3). Additionally, one in four marketers feel his or her online marketing systems have had a direct impact on increasing revenue, indicating that even though investment in marketing technology may be just beginning, it is already starting to provide real value to some organizations.

However, a disconnect exists in the gap between the confidence shown in current technology and the degree to which it is actually being used to optimize marketing efforts. Only 38% of marketers are confident that they are tracking the right metrics for online marketing (see Chart 4). It is worth mentioning that marketers in the U.K. are more confident than their counterparts in the U.S., (U.K. 43% vs. U.S. 35%).

In addition, only 49% of marketers claim that “it is very easy to compare our online marketing performance against industry standards” and only 41% claim “it is very easy to compare our online marketing performance against competition,” indicating that many marketers, while confident in their technology, lack a sufficient benchmark

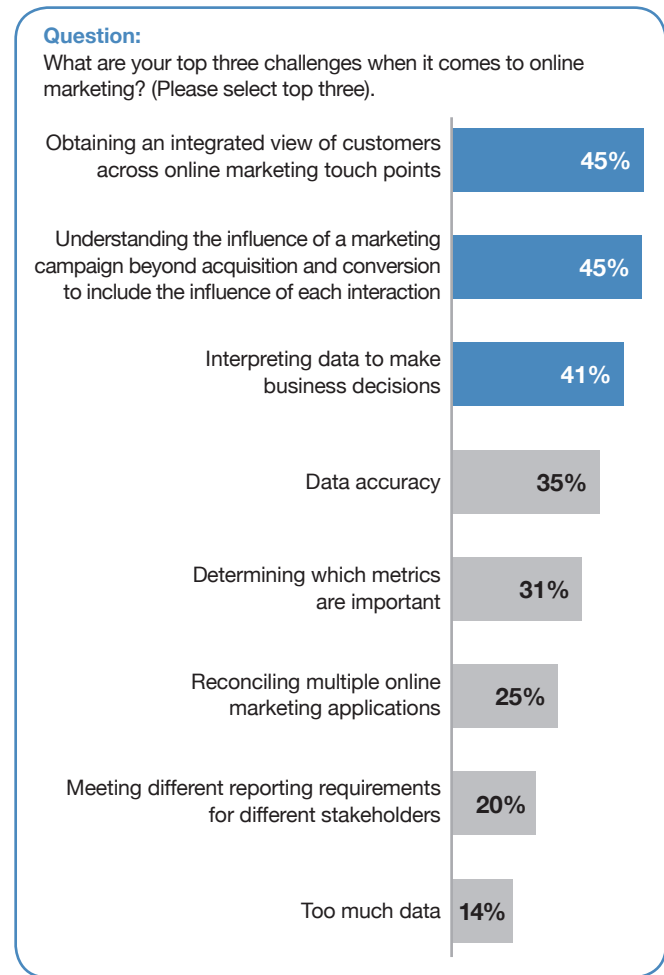
Chart 4



against which to adequately judge their own success. The novelty of the new online marketing age means that many companies are navigating uncharted territory. Without benchmarks to measure their activities, marketing executives could continue to steer off course. Benchmarks are key for gauging marketing performance.

When it comes to online marketing, the top challenges marketers face relate to gaining an all-encompassing view of operations and in determining the value they are deriving from the data they collect, including obtaining an integrated view of customers, understanding the influence of the marketing campaign, and interpreting this data to make business decisions (see Chart 5).

Chart 5



The Push Toward Multichannel

While today's marketers would seem to be moving in the same direction with regard to online marketing and the tacit measurement value it provides, results indicate that the shift doesn't signify that all marketing activity is being executed equally.

Many executives and managers are choosing a multichannel approach to their activity structure. That's because marketing is currently still heavily skewed toward offline efforts. In fact, overall, marketers report that 60% of revenue is driven by offline spending, compared to 27% by online.

However, 74% of marketers state that their financial investment in online marketing has increased in the last year. Moreover, 69% have increased spending in online marketing and 56% have increased spending in generating online business (see Chart 6). Also, 66% of marketers want to be able to target their market and segment their customers using both offline and online data results and behavior metrics.

Despite this apparent push toward a multichannel approach, at present only 58% of marketers report that they use technology to measure and compare all channels' performance in one view. Organizations that are not using multichannel marketing technology to its fullest extent could suffer from long-term competitive disadvantage.

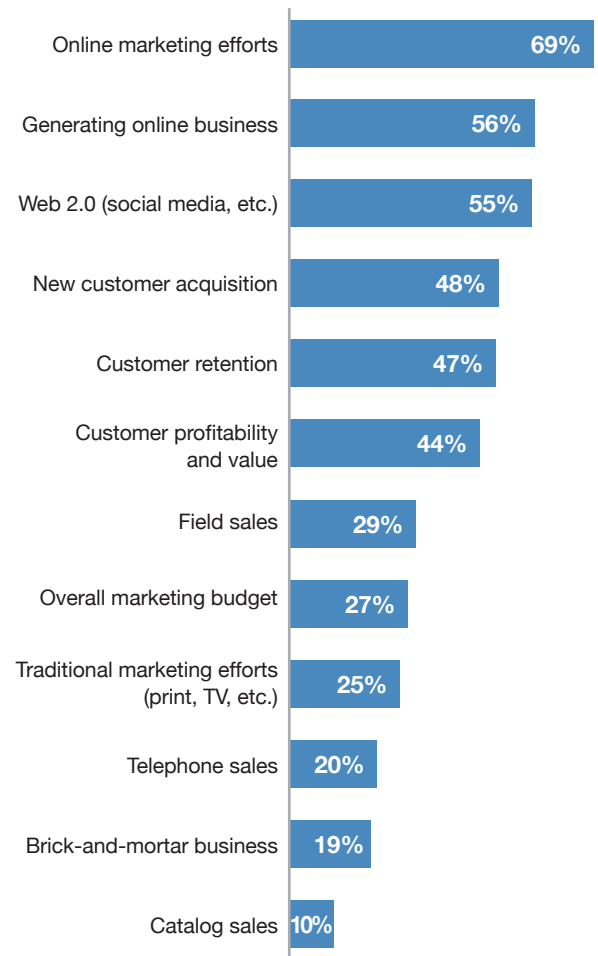
Personalization Serves the Customer Best

The disconnect between the desire for a multichannel approach and the less-measured reality mentioned before may be leading marketers toward the more measurement-driven act of

Chart 6

Question:

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



personalization. Increasingly, consumers demand a faster response to their needs. They want to be served their own way through their preferred channels. Personalizing the customer experience is a key priority for many marketers.

When considered holistically, there is no in-between. Either the customer experience is personalized, or it is not, and customers know the difference. To engage in the combined “collaborative+multichannel+personalized” equation means to fully embrace the concept of “customer is king,” described before. No doubt marketers of old, regardless of the esteem they may have had for their customers, never could have imagined the personalized capabilities available to the modern marketing executive. The age in which we live has given us the technological capability to interact with each individual customer in a personalized way in real-time.

Data collected through automation tools that capture information at the customer level enables personalized, targeted marketing derived from personal habits, allowing marketers to advertise based on behavior and deliver information relevant to the customer. Unsurprisingly, 81% of marketers indicated that it was very important for them to increase visitor value through compelling product and content offerings.

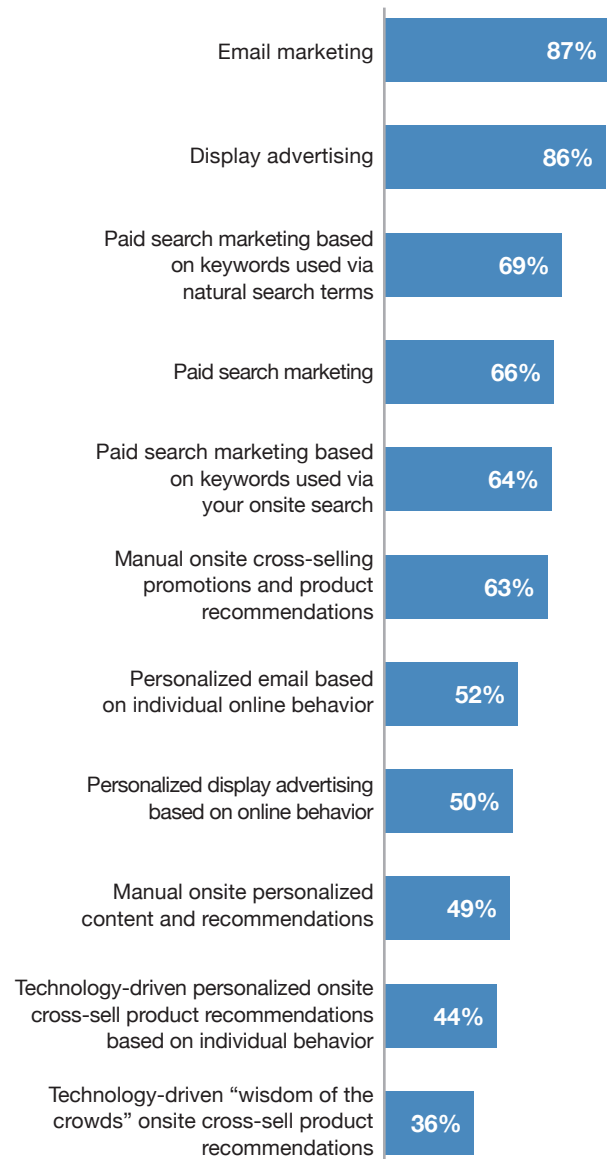
Despite the importance marketers place on using technology to push personalized content, only half report they use personalized online tools (see Chart 7). The disconnect between what they are actually doing and what they want to be doing indicates that companies have a lot of ground to cover in order to realize their personalization aspirations.

A lasting competitive advantage can be attained by leaders—those who can harness and utilize

Chart 7

Question:

Does your organization utilize the following online marketing tools? (Percent “yes”).



the power of real-time data and information to measure the value of their marketing efforts and obtain an integrated view of individual customers and their experiences. This will enable these leaders to deliver a personalized customer experience—something today’s consumers are growing to expect.

Singular View is the Ultimate Goal

Currently, most online marketing analytics tools are individual visit or session-based—data is gathered based on activity from one visit. However, most customers’ behavior is much more complex. They may be exposed to other advertising, both offline and online, or visit the site multiple times. These elements can also have an effect on their buying behavior. Merely looking at data from a single visit does not provide the ability to measure behavior over time, measure the impact of specific campaigns, nor offsite exposure.

Most of the executives and managers surveyed are seeking a singular, integrated view of their marketing universe. This desire for a full-spectrum view is shared by a strong majority (83%) who claim that having a unified view of activity across all areas of marketing, both offline and online, is “important.”

However, many marketing professionals still struggle to achieve the full-spectrum vantage point through technology. As mentioned earlier one of the top challenges is obtaining an integrated view of customers across online marketing touch points. By extension, only 55% of marketers claim that their organization uses tools to measure all online marketing campaign performance in one view, and only 43% use tools to measure all vendors’ performance in one view.

Marketers know that having a singular, holistic view of various marketing channels will enable the optimization many confirm will be so unerringly important in 2010. As with measuring and interpreting data from a multichannel view, marketing tasks involving measuring and interpreting data of many campaigns, vendors, customer visits, and across various touch points is much more difficult. But the process is one of positive reinforcement: It is impossible to personalize without a holistic, multichannel view of customer activity. Therefore, once you have this view, the interrelated processes of collaboration, multichannel marketing, and personalization cascade into consistently targeted and personalized marketing.

Forward Motion, 2010 and Beyond

In 2009, marketing accountability was based on campaign effectiveness; understanding what’s working and what’s not and investing in programs that yield the best return. Forward-looking marketers are reporting that in 2010, effectiveness will continue to be an important part of the online marketing exercise, but that it will work in tandem with optimization; ensuring that all parts of the marketing endeavor work collaboratively to optimize results.

In fact, optimization is emerging as the primary ruler used for the purpose of marketing accountability by 41% of marketers (see Chart 2). The implication is clear—marketers are moving beyond simply asking: “What marketing function is effective in yielding value?” and now also asking “how can we eke the most value out of all our marketing functions?” To answer this question, innovators are looking to technology-enabled collaboration, multichannel marketing, and personalization.

This is not to downplay the importance of effectiveness or the sincere insight gained by a marketer seeking to identify the levels of effectiveness in his or her campaign. Knowing the effectiveness of marketing spending has historically been the hallmark of online marketing measurement.

Modern marketers are moving toward integrating offline and online activities, with the goal of creating a full spectrum, single-view capability. Marketers are quickly coming to the realization that the greatest value to be had from investing precious marketing dollars is in the integration of effectiveness and optimization: Knowing what works, in which channels, and targeting individual customer behavior in each channel across multiple touch points. Integration, collaboration, effectiveness, and optimization together comprise the wide-angle viewfinder executives and managers increasingly use to stay ahead of the competition as they get the biggest bang for their budget. The question is no longer whether to move forward, but how fast.

Ready, Set, Grow...

For many, 2009 was a year of retrenchment and survival. It was also a year of preparation. Marketers on both sides of the Atlantic are approaching the gates, readying their teams to adopt the processes and tools that allow them to market continuously. The goal: To track each customer over time, follow them on their site and beyond, better combine offline and online business data, and provide the flexibility to adapt in real-time.

In the push toward continuous optimization in 2010 and beyond, marketers' top priority for online marketing is to use personalized email based on individual online behavior (79%). Additionally, other top priorities for marketers include both technology-driven site personalization based

Chart 8

Question:

How much of a priority is it for your organization to utilize the following online marketing tools in the future?

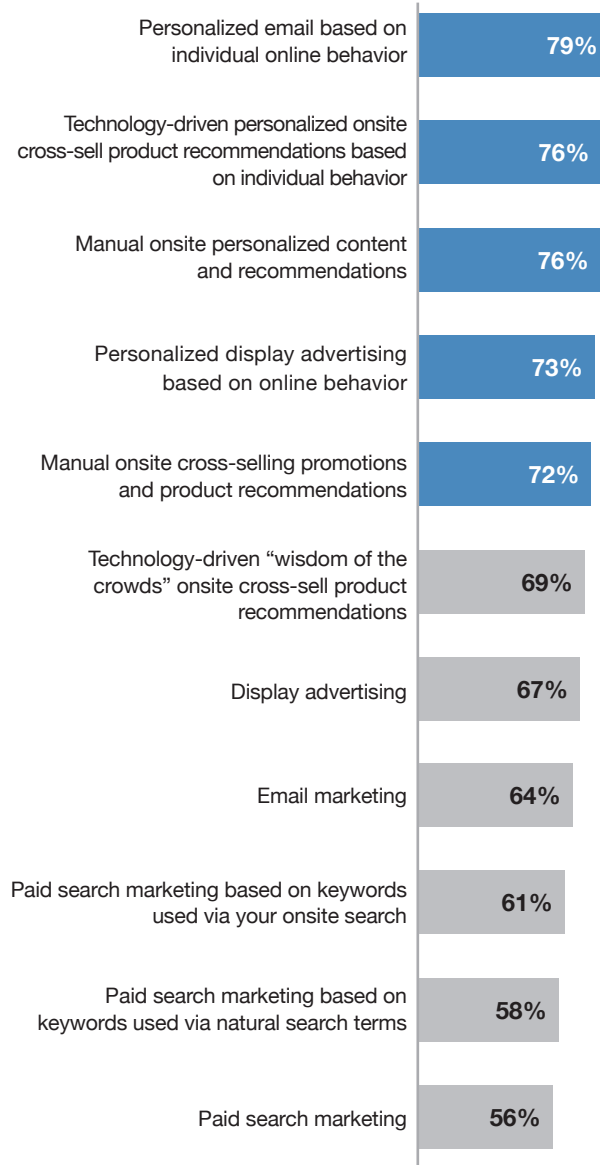
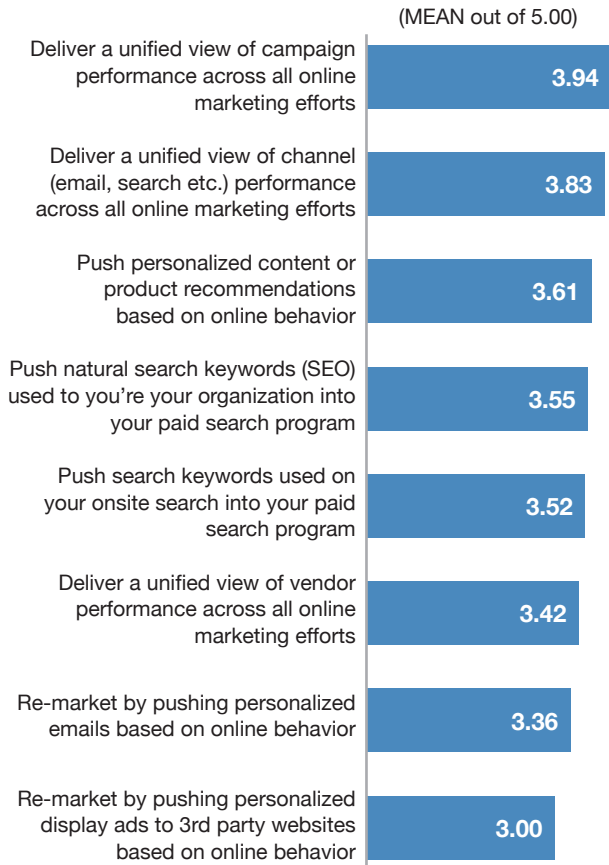


Chart 9

Question:

On a scale of 1 to 5 how important is it for your organization to use technology to automate the following marketing tools?



on individual behavior and manual onsite personalized content and recommendations (see Chart 8).

It is important to note, based on the survey results, that while marketers may be planning to make personalized email based on individual behavior a top priority going forward, they need to remember the importance of the “self-fulfilling cycle” mentioned before: There is a fundamental disconnect between what marketers think they should be doing and the steps they need to take to get there.

Marketers need to ensure that their efforts are

aligned *in sequence*. The importance of beginning with collaboration and then moving to multichannel marketing, and finally achieving synchronous personalization cannot be overstated. To act in any other way is to put the proverbial “cart before the horse.”

In order to achieve the goal of continuously optimizing their marketing campaigns, marketers must adopt the technologies that will allow them to fully understand how their campaigns perform. Marketers indicated that automating the following marketing tools in 2010 were most likely the most important to their organization (see Chart 9):

- Delivering a unified view of campaign performance.
- Delivering a unified view of channel performance.
- Pushing personalized content or product recommendations based on online behavior.

Conclusions and Recommendations

The transition toward online marketing optimization is happening because of the benefits highlighted by online measurement. Momentum is building due to the obvious benefits of what online can offer. For those who use it to its fullest, online works. The ability to benchmark a company’s relationship to competitors, automate program management, and syndicate a brand message across multiple channels, means online measurement is fast becoming the weapon of choice for marketers seeking greater optimization.

As budgets bend to the “data immediacy” of online marketing, executives are realizing that marketing optimization solutions help their companies measure and advance the effectiveness of

online marketing programs. The result is direct improvement of the bottom line and creation of a self-fulfilling cycle of effectiveness.

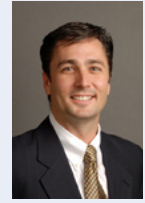
Though online can be powerful, many companies do not yet have a solid business model with which to drive their investment. What those companies don't yet understand is that online marketing measurement puts marketing executives in the unique position to leverage technology advancements to gain customer insight and enable ever-new approaches to doing business.

Technology continues to deliver valuable advantages on the margin as well as at the core. As the results of the recent survey show, those executives and managers who choose to move forward in tandem with continuous optimization technology will be well-positioned for the future of modern marketing. Companies that invest in collaboration, drive toward a multichannel approach, and focus on a personalized customer experience will be able to create a lasting competitive advantage.

Companies that master personalization and make it the mainstay of their operation will change what consumers expect from their standard customer experience. In turn, their experience with companies that do not adopt personalization, or lag in any of the three key areas—collaboration, multichannel, and personalization—will become unacceptable. Being a leader in this space will enable companies not only to provide stellar service to their customers, but also to back their competition into a corner.

A Message from Our Sponsor

John Squire
Chief Strategy Officer
Coremetrics



Dear marketer,

I almost felt as if I was reading a roadmap.

Bloomberg BusinessWeek's report did a terrific job pinpointing where online marketing is today—and more importantly, the destinations on the road ahead.

What caught my attention was the distance between where we are starting and some of the waypoints on our journey. Like any good roadmap, it gives us a choice of routes and reveals detours and landmarks we may encounter. Finally, it spotlights our ultimate destination—highly personalized multichannel marketing that delivers quantifiable return on investment (ROI).

We'll run into construction zones, because as Bloomberg BusinessWeek's study shows, work needs to be done to address some of the disconnects between today's reality and tomorrow's vision. A few that jumped off the page at me:


- We increased our online marketing spend in 2009—but we need better benchmarking and performance measurement to ensure that we're not navigating blindly.
- We view our investments in online marketing technology as “good” or “excellent”—but we need to build on success and broaden our systems to achieve the goals of multichannel marketing, personalization, and a single customer view.
- We recognize that online marketing is integral to our overall marketing—but we need greater integration of online and offline efforts and visibility into ROI from all channels.

To get from where we are today to the ultimate destination, we in online marketing need to focus on becoming more holistic, personalized, and collaborative. The question isn't so much what we need to do—it's more about how to get on a path that will get us there quickly.

We need to be more holistic.

The future is about multichannel marketing. It's about integrating online and offline data to get to that proverbial single customer view. Some 83% believe it's “extremely to very important” to have a unified view of marketing, as Bloomberg BusinessWeek Research Services found in this study.

Yet most of us measure performance myopically, by individual online campaigns. Few of us measure all online campaigns in a single view. Fewer still have holistically integrated offline and online data and campaigns. To top it off, the survey found the no. 1 challenge in online marketing is “obtaining an integrated view of customers.”



Coremetrics' top customers are at the forefront of multichannel marketing. We're seeing our customers leverage an intelligent, automated platform to deliver the right message to the right customer via the right channel at the right time. They're capitalizing on rich, historical customer data that reflects both online and offline activity. And they're taking advantage of our analytics and benchmarking technologies to measure results in near-real time and adapt accordingly.

We need to be more personalized.

Customers like personalization. Numerous industry studies have found that personalization invariably pays big dividends in customer acquisition and retention, cross-sell and up-sell, conversion rates, and ultimately revenue.

But there's a big gap between vision and reality. Nearly 80% of marketers in Bloomberg BusinessWeek's study named personalized marketing as their top priority—but less than half of them use any form of personalization. One reason is that personalization is not easy to do with manual techniques and ad hoc efforts.

Automation is the answer. We're seeing stunning results from marketers that use the Coremetrics Continuous Optimization Platform to deliver personalized emails, product recommendations, display ads, and site content to millions of customers. Featuring full automation, our solution enables personalization with breadth and precision far beyond what can be achieved with manual techniques and point solutions.

Rich, historical customer information is another part of the equation. The Coremetrics Lifetime Individual Visitor Experience (LIVE) Profile is helping our users track customers and prospects as they interact via email, affiliate sites, display ads, social media, and more. It then integrates that online data with offline information to generate a single view of each visitor's behavior over time and across channels. And that information drives automated, personalized marketing.


We need to be more collaborative.

Without collaboration between marketing teams (both online and offline), it can be next to impossible to gauge campaign effectiveness. Better collaboration is essential to bringing together the rich customer information that is stored across disparate silos inside an organization.

Collaboration is a key ingredient in *optimization*—a top goal for marketing accountability in 2010. But collaboration can't happen on technology islands. It needs to happen on a comprehensive, unified technology platform that engages all stakeholders and promotes a holistic approach to marketing.

By utilizing a single platform supporting a full suite of solutions, Coremetrics customers are making effective collaboration a reality across a variety of marketing efforts. They're able to analyze customer behavior over time both online and offline and tap into that integrated data to deliver the right message every time.

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) solutions to optimize online marketing through real-time personalized recommendations, email and display ad targeting, search engine bid management, analytics, benchmarking, and more.

To learn more, please visit www.coremetrics.com

John Squire
Chief Strategy Officer
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