IBM Software
Business Analytics

Marketing analytics

Measure, analyze and manage: optimizing marketing results with business analytics

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The marketing landscape has changed dramatically from what it was a few years ago. Organizations today face overwhelming amounts of data. Savvier customers are more demanding and require more value than in the past, compelling marketers to have a deeper understanding of both individuals and markets. Chief marketing officers (CMOs) are under pressure to deliver insight-driven programs and results, yet their teams lack the tools and skills to do so. Marketers are now also expected to generate revenue, rather than just leads. Combined with the need to expand digital strategies to address the proliferation of social media and new channels such as mobile commerce, it's a challenging time to be a marketing executive.

For many leaders, the rate of change is outpacing their ability to keep up. An IBM study of 1,700 chief marketing officers in 19 industries reveals that marketing organizations are largely unprepared to deal with key market factors, including two of the biggest technology shifts.

- 59 percent of CMOs surveyed said they have made surprisingly little progress in the last several years towards implementing key digital marketing strategy components.
- 82 percent of marketing leaders feel underprepared to cope with the data explosion, an increase of 16 percent from the 2011 CMO survey.
- 66 percent said they are not ready to take on the proliferation of social media.

Three distinct CMO profiles also emerged from the analysis, with one making significantly more progress in preparing for a digital marketing future than the others.

- 37 percent of marketing organizations are just setting out on their quest to build capabilities around social, mobile and digital marketing.
- 33 percent put "social" at the front and center of their sales, marketing and customer service strategy.
- 30 percent are making good progress towards building end-to-end connections between the customer and their organization.[1]

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What distinguishes the third, and smallest, group of CMOs is their regular use of advanced analytics to extract insights from customer data. These organizations are also reasonably prepared for the data explosion, well-positioned for the growth in social and mobile channels and the proliferation of devices, and are actively integrating their physical and digital sales and service channels. Such findings point to the need for all marketing leaders to rethink their roles, seek out new kinds of skills and tools, and reshape their organizations to make the most of the information and channels available to them.

Organizations that build a strong analytics foundation typically outperform their peers and grow profit faster than revenue. This paper discusses the advantages of an analytics-driven marketing platform that can provide marketers with the tools to tackle the opportunities and challenges of a data-and consumer-driven marketplace.

"Marketing is a data-driven science. People often see it as a 'nice-to-have' because they don't think it drives the future of the company. But marketing is actually about using data to target audiences and create value. It's about monetizing things."

— Chief Marketing Officer, Chemicals and Petroleum, Germany

The evolution of marketing

The business of marketing is changing dramatically. Companies are collecting, storing and linking to massive amounts of data. Customers are generating huge amounts of new digital information through postings on web sites, social media platforms, transactional data, product reviews, emails, chat and more. This data is growing in both size and value and is a gold mine for marketers—but to tap into it, they need a structured approach that will enable them to uncover insights and drive action and results.

The explosion of mobile technology has changed how, when and the ease with which consumers purchase—people now have the ability to shop anytime, anywhere. Many shoppers regularly use smartphones and tablets to compare products and prices while they browse store shelves, and buy from the source with the lowest price. Mobile technologies will continue to influence every stage of the customer's buying journey—from in-store price checking and location-based marketing to mobile payment systems. Marketers need to exploit this opportunity to reach people whenever and wherever they happen to be.

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Social media is transforming everyone into a potential influencer who can drive purchase decisions or brand perceptions. Consumers have access to hundreds or in some cases thousands of customer reviews, and can instantly comment on buying decisions using tools such as Facebook and Twitter. Up until recently, social media has remained relatively siloed. But integrating social media behavior and data into the rest of the marketing mix has become crucial in order to reach customers with relevant messages in real time.

CMOs have a strong desire to engage with customers at a more personal and meaningful level, but remain hampered and frustrated by their inability to access and integrate all of the data being generated by a growing number of marketing channels and gain a complete, unified understanding of each customer. As CEOs begin to look to their marketing executives and chief financial officers for strategic input at the enterprise level, marketing executives are under increased pressure to show that they can turn their initiatives into revenue generators.

Imperatives for today's marketing leaders

Marketing is entering an exciting new era where capabilities that were impossible a few years ago—a true 360-degree view of the customer, integration of rich social media insights and extending personalized offers in real time—are a reality. Given this rapid change, marketing leaders must consider new approaches, tools and technologies that will enable them to:

- Reach customers and prospects in the way they prefer to be contacted, regardless of location or device.
- Create a digital strategy that places increasing importance on mobile commerce and social intelligence.
- Use advanced analytics to deal with the data explosion and capture customer insights across every touch point inclusive of all relevant interactions.
- Understand trade-offs and generate measurable return on investment (ROI) from all marketing activities.
- Develop strong measurement and monitoring systems and practices to guide marketing performance.

These imperatives demand the more widespread and effective use of data and insight across the full range of marketing functions, from the CMO's office to email, mobile, web and social media campaigns.

By adopting a data-driven approach that incorporates business intelligence (BI), predictive analytics and performance management capabilities, marketing executives can empower their teams to measure, analyze and manage marketing efforts for greater effectiveness and contribution to top line revenue growth. These advanced analytics techniques help marketers harness all of their data, detect patterns of customer behavior, find associations and relationships, and acquire a deeper understanding of customers as individuals—ultimately leading to new methods of personalized engagement. CMOs that succeed with this approach will have a huge competitive edge in the market, in addition to providing a superior customer experience.

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Marketing innovation

Develop new, differentiated, and unique ways to connect with the empowered customer

Deliver value across all touch points

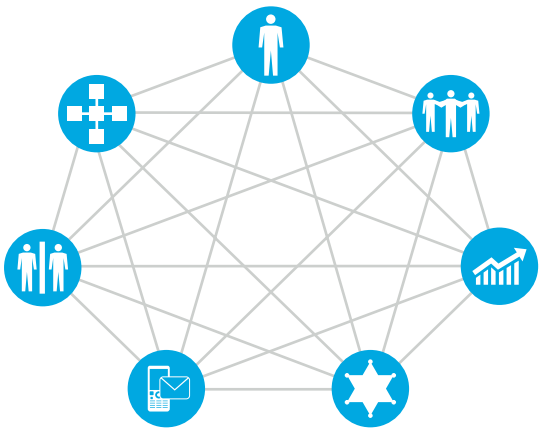
Build opportunity for revenue growth throughout marketing value chain

Maximize 1:1 consumer relationships

Deliver personalized offers aligned to unique behaviors, needs and desires

Optimize marketing mix

Model and plan balancing needs of channels, probability of ROI success and resource constraints



Customer growth and retention

Demanding customers, commoditized products and crowded competitive marketplace

Marketing productivity

Increased breadth of digital channels, emphasis on cross-sell / up-sell opportunities, understanding and embracing ROMI

Brand reputation

Right message to the right customer through the right channel

Figure 1: Chief marketing offers are faced with marketing imperatives that are expanding and becoming more complex. An analytics-driven marketing platform can provide them with the tools to tackle the opportunities and challenges of a data- and consumer-driven marketplace.

Marketing Analytics: A foundation for marketing success

Marketing analytics comprises the processes and technologies that marketers can use to evaluate how their programs are performing. It helps them gather data from multiple sources and channels, aggregate that data into a single view and extract insights that can help them continuously assess and improve their marketing results. In addition to providing the ability to measure, calculate and evaluate traditional marketing (KPIs) such as response, lead, conversion and pipeline coverage ratios, marketing analytics can offer new insights into customer preferences and trends, helping to make your analytics actionable.

Gaining the greatest benefit from business analytics requires an approach that is:

- *Personalized*: Marketing analytics harnesses sophisticated analytics techniques that enable marketers to better listen to, acquire, grow and retain a unique relationship with their customers over time — making deep customer insight and relevant response central to the relationship, not a relationship simply defined as a series of disconnected revenue and service transactions.
- *Contextual*: Marketing analytics empowers marketers through automated intelligent and real-time decision-making to meet ever-heightening consumer demands for relevancy.
- *ROI-driven*: Marketing analytics provides the ability to accurately and repeatedly model, measure and quantify the impact of omni-channel campaign marketing execution, removing the investment guesswork and replacing it with fact-based insights that drive objective allocation and reallocation of marketing funds.

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IBM business analytics solutions provide all of these capabilities in an integrated portfolio that supports all types of marketers, data and decisions. The remainder of this paper provides an overview of the capabilities available with IBM business analytics software, and includes examples of how IBM customers have used these solutions to meet, or exceed, their marketing objectives.

Marketing analytics for demand generation

Demand generation professionals are focused on improving the customer experience through channel-neutral, relevant, timely offers based on their understanding of where buyers are in the buying journey. To do this effectively, demand generation experts need to know which offers are relevant, down to the micro-targeting level or developing "markets of one." They need tools to help them:

- Attract and acquire the ideal customer.
- Increase customer repeat visits and grow loyal and profitable relationships.
- Deliver a smarter, personalized, seamless customer experience regardless of channel.
- Provide relevant offers at point of impact to minimize risk of churn.
- Make smart, fact-based decisions to improve marketing ROI and contribution to the business.

With IBM marketing analytics software, demand generation professionals can perform more accurate customer segmentation to help them acquire the ideal customers, including insights from sentiment analysis, survey research, chat interactions, influencer scores and insights gleaned from traditional data sources such as billing, financial, customer intelligence and marketing automation systems. Analysis and reporting tools help marketers track, analyze, measure and report marketing campaign results across all channels, markets and customer segments—no matter the size or permutation of dimensions. Using powerful visualizations, campaign managers can share insights and act on findings to drive the company forward.

Predictive customer intelligence solutions that determine real-time recommendations during web and contact center interactions enable marketers and customer service representatives to build long-term, profitable relationships that drive enterprise business results one interaction and one decision at a time, and recommend the most appropriate action at the right time and the right place for each unique customer.

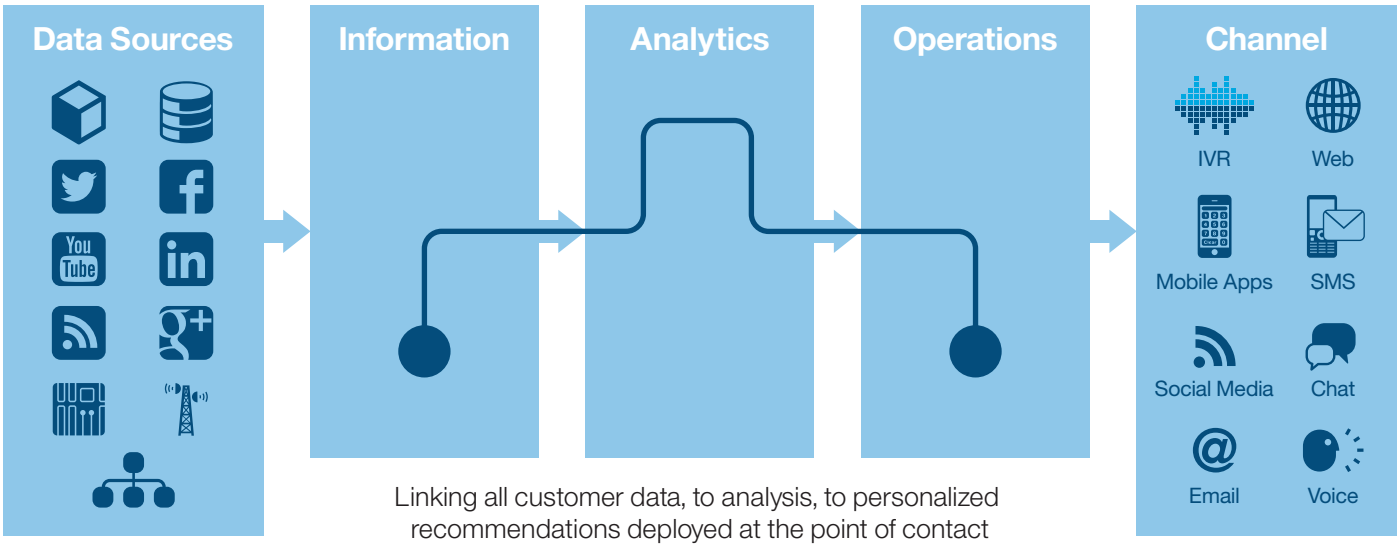

Figure 2: Marketing analytics solutions provide marketing organizations with the ability to link all customer data types to analysis, and analysis to personalized recommendations that are deployed at the point of interaction.

Analytics for promotional planning make it easier for marketers to optimize and evaluate plans using scenario modeling and planning. They can also analyze and evaluate the success of promotions, and predict the response rates of direct marketing promotions based on customer attributes, driving conversions and net margins.

Campaign insight and optimization solutions for banking help marketers conduct efficient and effective marketing campaigns to enhance customer wallet share. Using these tools, marketers can significantly improve bank marketing campaigns by increasing lead generation and conversions while at the same time reducing costs by better targeting to run and implement campaigns.

Solutions designed for telecommunications churn prediction provide marketers with the tools to predict which customers are likely to leave, and determine and make personalized retention offers to keep them, using customer interaction history, transactional history and social media behavior to present customers with highly personalized and relevant offers at point of impact.

Likewise, marketers in the insurance industry can use targeted IBM solutions to improve customer retention and growth. For example, predictive analytics tools enable them to analyze the results from historical campaigns and products, then build models to accurately predict how likely each individual customer is to accept each individual offer.

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Retailer builds 360-degree view of customer satisfaction

A fashion and lifestyle products retailer wanted to provide its brands with a common, user-friendly predictive analytics tool that would be able to operate in a big data environment and help them optimize their marketing strategies.

Using IBM predictive analytics, the company created a solution that enabled it to exploit its colossal customer database, ultimately reducing data processing time by a factor of 10. The result is that the retailer can make strategic data on purchase history and customer satisfaction available rapidly, and transform it into meaningful, actionable insights. The company can also spread predictive analytics best practices throughout the group via an increasingly web-oriented environment.

Marketing analytics for marketing operations

Marketing operations professionals work to increase marketing efficiency and build a foundation for excellence by reinforcing marketing with processes, technology, metrics and best practices. Individuals in these roles typically rely on manual spreadsheet-based processes, or need to pull financial and campaign/program data from multiple, disconnected sources. To succeed they need the ability to:

- Engage in what-if analysis and reallocate resources to meet fluid funding and revenue reforecasts.
- Measure, track, report and share marketing KPIs and return on marketing investment (ROMI).
- Determine profitable customers, segments, channels, markets, products and combinations of these factors.
- Improve contribution to revenue growth, customer retention and wallet share.
- Improve campaign, channel and customer segment ROMI.
- Improve marketing effectiveness across all touch points.
- Understand best-performing program assets.

Marketing performance analytics empowers marketing operations managers with the tools to improve campaign and performance insight, marketing mix decisions and ROMI, so they can eliminate the guesswork from marketing program execution and prioritization.

Marketers use these solutions to gain visibility into key marketing performance indicators across all touch points and campaigns. Capabilities such as powerful what-if scenario modeling help to optimize marketing resource allocation. Marketers can simulate marketing scenarios to improve decision-making, planning and budgeting and understand investment tradeoffs. Insights from multiple data sources — including marketing automation platforms, social media, CRM and financial systems — can be unlocked. Customized reporting options such as dashboards, KPIs and powerful visualizations enable them to track, analyze, measure and report marketing performance analytics results, then share insights and act quickly on findings to drive the company forward.

Specialized customer profitability analysis solutions are designed to make it easier for marketers to optimize customer interactions and deliver increased customer lifetime value. With tools such as pre-built executive reports, scorecards and dashboards, these solutions enable organizations in any industry to build or enhance existing customer profitability models based on any number of target customer attributes and any type of desired aggregation to support campaign objectives.

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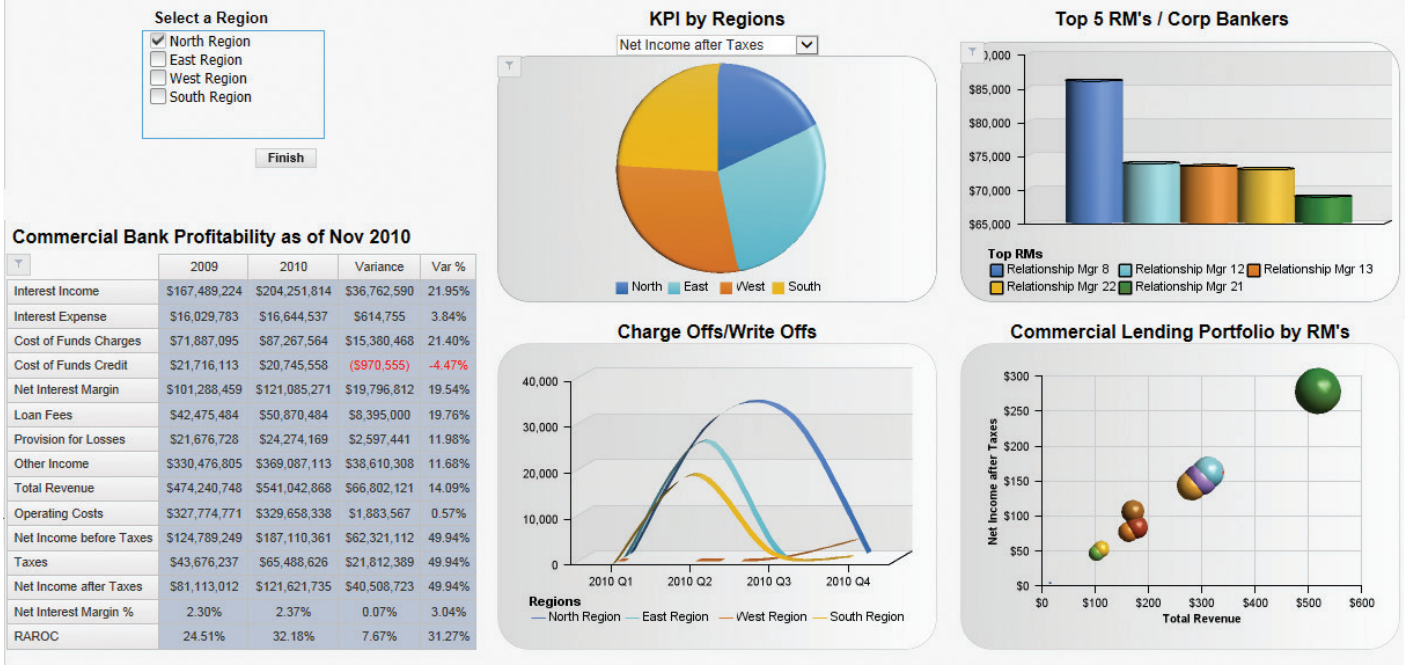

	2009	2010	Variance	Var %
Interest Income	$167,489,224	$204,251,814	$36,762,590	21.95%
Interest Expense	$16,029,783	$16,644,537	$614,755	3.84%
Cost of Funds Charges	$71,887,095	$87,267,564	$15,380,468	21.40%
Cost of Funds Credit	$21,716,113	$20,745,558	($970,555)	-4.47%
Net Interest Margin	$101,288,459	$121,085,271	$19,796,812	19.54%
Loan Fees	$42,475,484	$50,870,484	$8,395,000	19.76%
Provision for Losses	$21,676,728	$24,274,169	$2,597,441	11.98%
Other Income	$330,476,805	$369,087,113	$38,610,308	11.68%
Total Revenue	$474,240,748	$541,042,868	$66,802,121	14.09%
Operating Costs	$327,774,771	$329,658,338	$1,883,567	0.57%
Net Income before Taxes	$124,789,249	$187,110,361	$62,321,112	49.94%
Taxes	$43,676,237	$65,488,626	$21,812,389	49.94%
Net Income after Taxes	$81,113,012	$121,621,735	$40,508,723	49.94%
Net Interest Margin %	2.30%	2.37%	0.07%	3.04%
RAROC	24.51%	32.18%	7.67%	31.27%

Figure 3: Using IBM marketing analytics, marketers can understand calculated profitability measures by region and product through dashboards that offer drill-down capabilities into individual customer and account details.

Bank optimizes customer cross-selling and acquisition

An Argentine bank wanted to increase customer satisfaction and life-time value while maximizing bank profitability by analyzing and carrying out optimal cross-selling and acquisition strategies. It chose IBM SPSS predictive analytics software, which it implemented in four consecutive phases: predictive models for identifying clients most likely to accept an offer; a "cross-selling machine" to anticipate the next best offer for each customer; sales system optimization to maximize the profitability of the sales system; and finally, delivery of personalized, customer-guided offers.

The new analytics solution also predicted the payback on each product offering while tracking several variables, including budget limits and contact restrictions. With a better-informed view of its customer base, the bank achieved a 40 percent revenue increase from existing customers and a 60 percent margin increase from retail customers.

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Marketing analytics for brand managers

In the age of social media, your brand is whatever people say it is. Many factors drive customers to insist upon or be loyal to specific brands. If their preferred brand is not available from one source, they will seek it out somewhere else or wait until it is available again rather than purchase a substitute product or brand. Brand managers need the ability to identify, understand and translate customer needs and preferences for product and service offerings and feature sets, and align these needs with pricing, placement, and promotion requirements. Their goal is to improve differentiation through better execution upon the four Ps and outcompete other brands.

Many brand managers today lack the tools or ability to:

- Increase product profitability with customer and market demand transparency.
- Obtain 360-degree understanding of the customer and their preferences and opinions.
- Meet the changing needs of local markets.
- Understand evolving sentiment and share of voice in the marketplace.
- Optimize pricing, improve margins and interpret brand perception in the market through the lens of social intelligence.

IBM social media analysis software enables brand managers to understand and obtain a clearer picture of who their customers are, and how they perceive the company's products or services, by looking at data from digital sites such as blogs, forums, and social sites, and combining this information with traditional data from CRM, ERP, and billing systems for example.

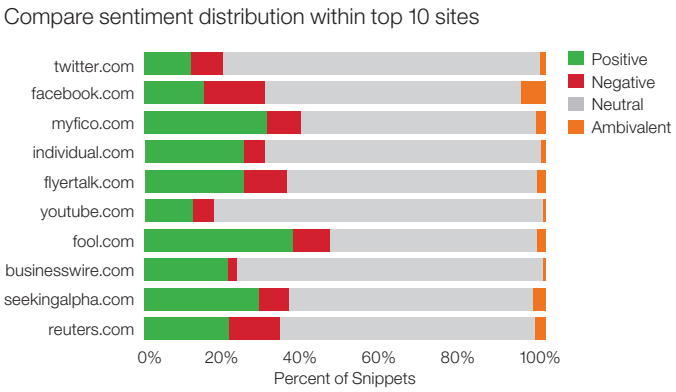

Figure 4: IBM solutions enable brand managers to measure customer sentiment by analyzing and comparing comments on web and social media sites.

Profitability analysis solutions enable marketers to identify profitable customers, products and services, and identify and segment less profitable areas for migration campaigns. Tools are available to help determine the profitability contribution of relationship managers, including cost allocation and activity-based costing techniques which can provide additional insight. In addition, profitability models offer alternatives for customer responses or retention strategies and can be used to communicate customer insight to front-line employees along with cross-sell offers.

With IBM sales and operational planning solutions, brand managers can improve decision-making through integrated strategic planning, and integrate sales, supply chain and finance to collaborate on strategy for a financially-driven sales and operations planning process.

Retail product profitability can be increased with business analytics solutions that enable marketers to raise brand reputation with customers and partners; assess investment in marketing campaigns; and provide a better understanding of the impact of product features on brand perception.

Firm monitors and responds to online feedback

A global group that offers individual and corporate customers a comprehensive range of financial and non-financial products and services, needed an online tool to detect possible risks to its reputation and to increase positive feedback and customer satisfaction. Branches around the world reported individual analyses about the firm's online presence to communications, brand and reputation, and customer service departments, but widely differing samples and criteria in different countries made reporting inconsistent.

IBM marketing analytics solutions for social media automate the online analytic process, identifying online comments made about the company and its brands on news channels, blogs, forums, Facebook and Twitter. This approach helps marketers get in-depth insight in consistent, easy to understand packaged reports, so they can focus on the most important topics of online discussions and immediately plan the correct and most suitable reactions.

Conclusion: Making analytics actionable

We are in the midst of a marketing revolution. For the first time, marketers have the ability to gather, analyze and use hard data to discern marketing effectiveness and make fact-based investment decisions that contribute to revenue growth. Marketing analytics is the foundation that allows marketers to engage with customers as individuals across interactions and channels — for smarter decisions, more successful campaigns and stronger, more profitable customer relationships.

IBM marketing analytics solutions combine business intelligence, predictive analytics and performance management features, providing a real-time, 360-dgree view of the customer and insight into past, present and future marketing performance. Through analysis of structured, unstructured, hybrid, streaming and static data, marketers can now provide the right offer, at the right time, at the moment of impact. In addition, these solutions offer marketers the ability to respond more quickly to new customer insights, strengthen the customer relationship with relevancy over time and provide ROI transparency, accuracy and objectivity for all marketing investment decisions.

Applied holistically, marketing analytics allows for better, more successful marketing by enabling you to close the loop on your marketing efforts. It can lead to better customer understanding, which can in turn improve lead nurturing and conversions. This leads to higher rates of new customer acquisition, increases customer lifetime value and profitability, and results in more consistent and predictable revenue streams. To learn more, visit **ibm.com**/software/analytics/solutions/marketing-analytics.

About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualize trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision-making to achieve business goals. For further information please visit **ibm.com**/business-analytics.

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1 Institute of Business Value, *Stepping up to the Challenge: CMO Insights from the Global C-Suite Study*, IBM Institute for Business Value, 2014. (http://ibm.co/1qC49aN)

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