Briefing: Measurement and Growth

How leading brands are connecting measurement with business goals

Part of the *Driving Business Growth Series* in association with Google

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Foreword by Google

Does your brand approach measurement with long-term business growth in mind?

This is a question that smart marketers are answering in the affirmative. By using today's unprecedented opportunities to become a useful and valued part of consumers' everyday lives, leading marketers are focussed on building meaningful relationships over time, unlocking and measuring the lifetime value of each customer—rather than focusing on the short-term gain of individual transactions.

So, what are these savvy marketers doing to make sure they can be there for consumers long-term, and drive profitability?

First, they're investing heavily in first-party data. This helps them better understand how each shopper browses and buys, so they can offer the excellent, personalized service consumers expect across all platforms. And today, with so many different ways for consumers to connect with your brand, each interaction will impact decision-making. In fact, each piece of information your consumers receive could influence whether or not they choose to continue the purchase journey with your brand. Leading marketers know first-party data offers a wealth of information that can help you maximize those interactions.

Second, these marketers use new systems of measurement focussed on long-term goals, integrating KPIs across departments, and tying them to the overall value of the consumer journey. Companies excited about building long-term relationships with high-value consumers organize internal teams with this in mind. These brands understand that traditional sales attribution models are outdated and don't work in our multichannel, multi-device world. So, team budgets are based on maximizing lifetime value, rather than individual sales.

Third, leading marketers don't wait until they know everything to act—they aren't afraid to use proxies in place of hard-to-establish metrics. This enables them to quickly establish what's working and what isn't. Such a forward-thinking strategy affords the opportunity to build towards a highly personalized customer experience that truly drives lifetime value.

The most successful brands avoid the distractions of vanity metrics and short-term gains. The future will be won by focusing on what's really important: driving lifetime value and keeping consumer relationships fresh, exciting, and constantly moving forward.

Methodology

This report is based on an online survey conducted in the first quarter of 2017, using primarily third-party providers for distribution. Respondents from third parties were offered an incentive to complete the survey. It closed on March 3rd with 514 total responses.

The sample was comprised of marketing executives in North America. They qualified for the sample based on revenue, sector and seniority.

- Any respondent below the 'manager' level was disqualified. Forty-seven percent describe their role as "executive management" in marketing, with an additional 7% in corporate management.
- The study represented a wide range of consumer-facing sectors. The most heavily represented industries were healthcare/pharma (21%), retail (19%) and consumer goods (13%).
- All qualifying organizations reported annual revenues above $250 million, with 23% reporting over $1 billion in 2016.

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Key Takeaways

- Leading companies are shifting their focus from short-term goals to long-term customer value.
- To understand and maximize that value, leaders recognize first-party data as a strategic asset and are investing in its quality and volume.
- Addressing the whole customer journey is reflected in how leaders structure the marketing organization and budgets. They are more likely to have end-to-end teams, merge their online and offline media planning and to feel that marketing should own all customer experiences.
- The need for faster decision making is driving the use of proxies for hard to establish metrics. This is part of a larger effort to connect marketing investments with business outcomes.
- Leading brands are experimental. They go beyond optimization to exploring strategic questions and the challenges and opportunities of emerging trends. Today, central areas of inquiry are omni-channel experience and mobile journey optimization.

Introduction

This briefing is part of the ***Driving Business Growth Series*****,** based on a multiple surveys of over 1,000 enterprise brands, conducted in partnership with Google. Beginning with a report called ***Driving Growth with Measurement in Mobile World***, the series explores how marketers are adapting to the challenge of users who move effortlessly across media and devices.

Other reports in this series look at how marketing and measurement are evolving in the areas of customer experience, audience and local.

Measurement and growth

Step back from the specific findings of this research and a central line becomes clear; leading companies are fundamentally shifting their focus from short-term goals to the long-term value of a customer, connecting this approach with their ongoing growth.

The speed of commoditization has grown steadily in the digital era and can only increase further as manufacturing and processes are automated and accelerated by machine learning. This applies equally to digitally-enabled services as it does to physical products.

These pressures move value from the point-of-sale transaction to the larger relationship, with customer loyalty the only variable with long-term implications on what brands can charge.

To commit to this model where growth is driven by customer experience is to invest in return visits, higher basket values and wider margins.

Leaders vs. the Mainstream

To gain a perspective on where marketing is today and where it's headed, respondents have been divided into two groups based on performance. *Leading* companies significantly exceeded their top 2016 business goal and comprise roughly one-fourth of the sample. The remaining seventy-five percent are designated the *mainstream* for comparison.

Throughout the research, the differences between these groups are significant and educational; leaders are consistently further along in building organizations that are data-driven, focused on larger business goals and committed to customer experience as a path to growth.

These companies offer guidance and inspiration for marketers as they work to answer the big questions that will define their future.

An Integrated Approach to Experience and Measurement

Prior to the launch of iOS and Android smartphones around 2007-2008, online channels typically existed as separate business units. Digital activity was fixed in place or at least to a single device. Offline experiences were walled off and television was rarely complimented by a second screen.

That's ancient history. Equipped with smartphones, consumers blend digital activity across all areas of their life – whether watching television at home, visiting stores or on the commute, the opportunity to find and consume information (and begin a purchasing journey) is everywhere.

Businesses and their marketing organizations have evolved in response, but haven't all been able to keep up. Leaders differentiate themselves in a variety of ways, but the central tenet is to know and serve the customer as an individual. Achieving this means remaking the marketing organization.

First, the company has to go beyond simply understanding the customer – they need to be able to serve them individually. Consumers have enormous choice and little patience, and both trends will only accelerate as artificial intelligence is woven into supply chains and customer experience.

A model that's built on experience depends on first-party customer data. It's the only way of knowing what an individual wants today and building a picture of who they are over time. That is what makes it possible to predict the lifetime value of that customer and best segment them.

First-party data unlocks the preferences necessary for excellent service, as well as enabling more advanced merchandising based on the customer's profile. For example, is the individual a loyal or VIP customer? These groups are responsible for an outsized ROI and a significantly higher customer lifetime value, and should be treated differently than an itinerant bargain seeker.

Leading marketers are already sold**;** they are 58% more likely than the mainstream to strongly agree that first-party data is a strategic asset that informs their decision-making. (57% vs. 36%)

First-party data provides the opportunity to personalize and that leads to improvement on the bottom line. Of the organizations that invest in personalized experiences, 41% strongly agree that personalization significantly contributes to increased profitability.

Second, the structure of marketing must be flexible and integrated. Ownership of customer experience across channels is a key differentiator. Ninety-two percent of leaders agree that to truly deliver best-in-class experience, marketers must be responsible for all customer experiences, including digital/mobile.

Within marketing itself, different channels should not be siloed. Leading marketers make digital/mobile everyone's responsibility; they're 36% more likely than the mainstream to strongly agree that digital/mobile should be integrated in all marketing efforts.

This integrated and collaborative approach also plays out in measuring the effects of advertising, particularly in the case of merged budgets.

Ninety percent of leading marketers actively plan their online and offline media together with merged budgets, while 88% have adopted KPIs and measurement tactics that reflect the offline results of online investments.

Merged budgets (along with KPIs that track impact across channels) make marketing teams more flexible in terms of shifting budget according to the impact on the bottom line.

Leading for Business Outcomes

Investor reports mention revenues and profit as a matter of course, but they seldom feature media metrics such as Cost per Acquisition or Return on Advertising Spend.

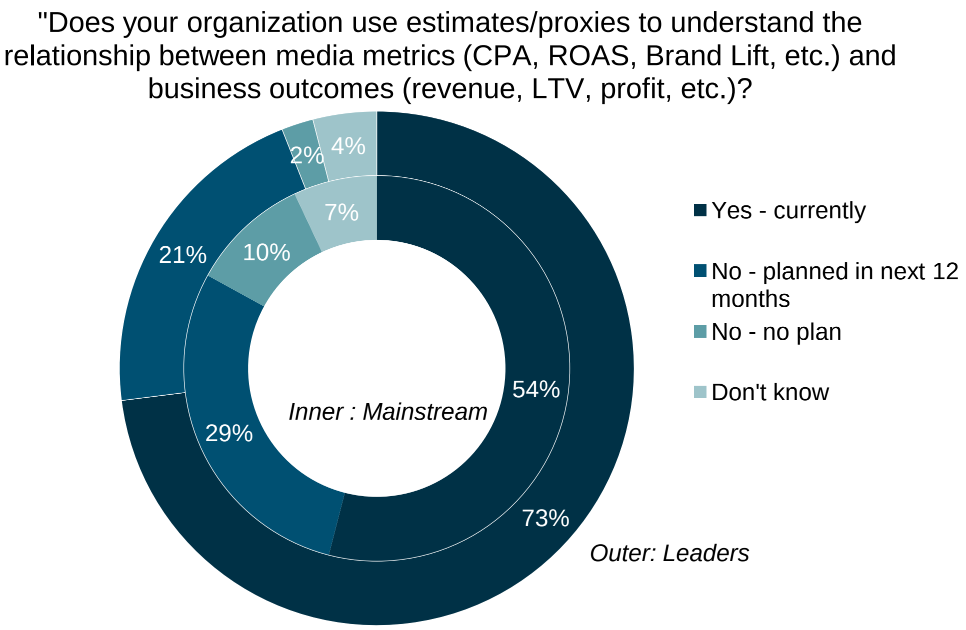
The bottom line should always be the goal in measurement, but arcane metrics, gaps in data and siloed technology keep many companies from moving to KPIs that matter to the larger business.

At the same time, marketers can't (and shouldn't) trade their current metrics for a new set that can't be collected reliably or doesn't provide efficient feedback. Business metrics can lag, particularly where purchase cycles are long (e.g. automotive) or where consumers typically need to complete their purchase through a partner (e.g. CPG).

The answer for many organizations is to tie media metrics with financial outcomes using more accessible measures that strongly correlate with outcomes, and to effectively use estimates.

Leaders do not get distracted by small levels of ambiguity, nor the lag in business metrics. They know doing so can slow them down. The research highlights that they are much more comfortable with using proxies and estimates than their mainstream counterparts.

Mainstream vs. Leaders
Figure 1: Does your organization use estimates/proxies to understand the relationship between media metrics (CPA, ROAS, Brand Lift, etc.) and business outcomes (revenue, LTV, profit, etc.)?



Respondents: 475

Seventy-three percent of leading marketers use proxies to tie media metrics with business outcomes and are 35% more likely to do so than mainstream marketers. When asked why, 70% said that they do so to make faster decisions.

Once the connections between proxies and financial outcomes are well established, leaders can speak about marketing success in a language that finance and the board understand. Eighty-seven percent of top marketers agree that their C-suite is following the right KPIs to understand how mobile and digital are driving business outcomes.

Experiments and Long-Term Payoffs

Experimentation is nothing new to marketers, and the majority are engaging in it. Econsultancy's Driving Growth with Measurement in a Mobile World, also conducted in partnership with Google, showed that over 80% of enterprise level marketers were engaging in some level of testing.

However, most organizations focus their efforts on optimization - iterative improvements of campaign variables or owned media sites and applications.

This is a highly useful process, but optimization is not exploration and in times when markets and consumers are changing quickly, that's a critical difference. Experiments that address larger questions are necessary to discover new opportunities to delight customers and add value to the bottom line.

This means switching some of the focus from short-term confirmation to long-term inquiry.

The research shows that leading marketers are already on their way. They are 47% more likely than mainstream to be investing in experiments that test new omni-channel experiences.

Fifty-six percent of leaders also say that their organizations dedicate time and budget to strategic experimentation.

Marketers who want to join the leaders need to expand their thinking from hitting this quarter's targets to proving that investments in experiences will pay off in the months and years to come.

Perhaps the clearest example of where companies can benefit tomorrow by experimenting today is in the area of mobile customer experience. Mobile has fundamentally affected how consumers interact with brands, and marketing is only starting to decipher the implications.

Mobile behavior is in the process of redefining the customer experience, regardless of sector. But most sales are still offline or via the desktop, so at many companies mobile CX is simply one of many competing priorities.

Leaders have a sense of urgency**.** They are more than three times as likely as the mainstream to be significantly increasing their investment in mobile customer experience. Just as important, an increase in profitability is the most commonly cited reason to increase investment.

In Summary

Leading marketing organizations are defined by decisiveness. They have invested in the tools, people and capabilities necessary to understand and react to sweeping changes in consumer behavior, with the shift to mobile at the center of strategy.

Recognizing a central issue in the customer journey and how businesses react to it, high performers place an emphasis on speed – in information gathering, decision making and delivering content to the customer.

Perhaps most importantly, leaders are more likely to be building structures and processes for continued evolution. The curve of change is unlikely to flatten, with artificial intelligence the driver for the foreseeable future. Organizations can't afford to transform from one fixed state to another or they will be quickly outdated.