Driving Growth With Measurement in a Mobile World

In association with Google

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Foreword by Google

Right now is an exciting time to be a marketer. Today, thanks to mobile, brands are able to make more meaningful connections with their consumers in the moments that matter. This, in turn, means greater opportunity for people to say 'Yes!' to the brands that are there and useful in these micro-moments.

But with this new opportunity comes new challenges, and for marketers today one of the greatest difficulties is understanding how to measure the impact of mobile on our brands.

Let's explore why.

Think about the steps you took to make your last purchase. Did you do any research? Compare products? Where did you buy? Online? In a store? How did you find out where to go? I would wager that you turned to your smartphone to help you make one or all of these decisions along the way.

Because of mobile, consumer behavior has changed and the purchase journey is no longer a simple, linear experience. Like you, the vast majority of consumers today don't just walk into a shop to find the information they need, or even to make a purchase. They use their phones to research, to compare, to find the best deal, to buy… the list goes on. And this rings true regardless of the type of purchase – it could be a couple buying their first home; a groom-to-be searching for his wedding suit; or a teenager trying to find the right shade of lipstick. Consumers increasingly rely on mobile at every step of the way.

Given that this once-linear experience is now more like a game of connect-the-dots, it stands to reason that our measurement practices cannot be as straightforward as they used to be, either.

Many of the measurement rules marketers still use today were established during the desktop era. They do not hold true for our smartphone-forward society, as they fail to fully account for the role of mobile throughout the entire buying journey. The last-click attribution model, for example, is broken because any number of the thousands of 'clicks' that consumers make on mobile *prior* to pressing the buy button contribute to the sale.

It's clear that our approach to measurement has got to change. Marketers need to reassess their thinking around measurement to better reflect and capture the role of mobile in driving results and new growth.

At Google, we believe that marketing campaigns will be more successful when they reflect wider organizational goals, rather than only marketing ones. We believe organizations being entrepreneurial in using data to fill gaps to validate decisions are more likely to drive growth. And we believe that brands willing to experiment with new measurement tools and test new measurement rules are better placed to influence organizational strategy and decision making.

In this report, we explore how marketers who are shifting their attitude to measurement can overcome the attribution challenges associated with mobile-first consumer behavior. Because in this new world, where the smartphone reigns supreme, there are countless opportunities for brands to grow. Especially when they are willing to take that first step into the future, and evolve their approach to measurement.

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Defining a new approach to measurement

Setting the bar for modern marketing

"The real power of analytics isn't producing insights. It's producing actionable recommendations and helping align leaders with well-framed business cases. And it doesn't have to be decimals, it can be directional."

Harry Tannenbaum, Head of Business Analytics, Nest Labs

The modern path to purchase jumps across media and devices, from the digital to offline world and back again. These interactions can be obscured from the marketer, appearing independent or not registering at all. Yet, understanding how these moments contribute to one another is essential to improving the customer's experience and ultimately to growth.

How should measurement evolve to meet this challenge? This report began with the premise that marketing measurement needs to reflect the complex reality of our customers. That it is most effective when it is flexible and actionable, with a focus on business outcomes. *Driving growth with measurement in a mobile world* is based on a study of over 500 executives in marketing and analytics across a range of consumer and business-facing sectors.

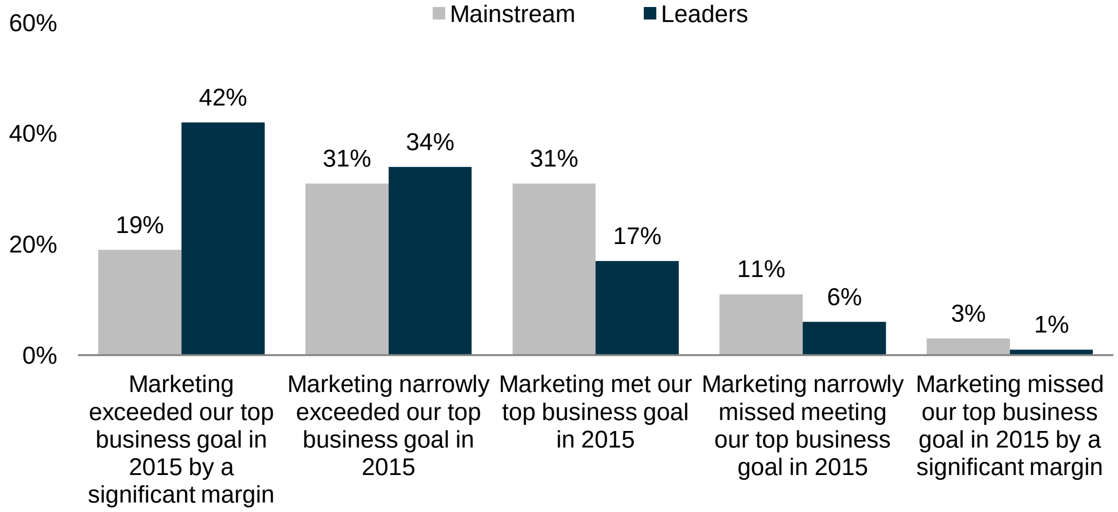
To explore the premise, the research sample was examined divided using three hypotheses:

1. Marketing achieves greater success when its measurement reflects the goals of the wider organization than when focused solely on marketing.
2. Organizations must have not only the capability to understand complex behaviors in mobile and across channels, but rely on that data to make decisions.
3. Experimentation beyond optimization is the key to discovering new opportunities, agility and successful decision making.

Based on the results, it's clear that together these characteristics define organizations that are successfully using measurement to power growth; **companies fitting this model were more than twice as likely to have significantly exceeded their top business goal in 2015 as those that didn't**. This confirmation led us to define the two groups as *Leading* and the *Mainstream*. The leaders represent roughly one-fourth of the total sample.

Mainstream vs. Leaders

Figure 1: Thinking about 2015 performance, which statement best describes how marketing performed versus its top business goal?



Respondents: 502

Throughout this report, the differences are positive, significant and consistent; leading companies offer guidance and inspiration for marketing leaders as they design their organization's future.

From clicks to customer value – the move to business KPIs

Growth from a customer focus

"We're seeing the greatest success in working cross-functionally to better understand the customer journey and building programs and measurement around that. Yes, this is a shift from a backward-looking approach to one with a forward-looking, longer-term view of data strategy, analytics and ultimately the customer."

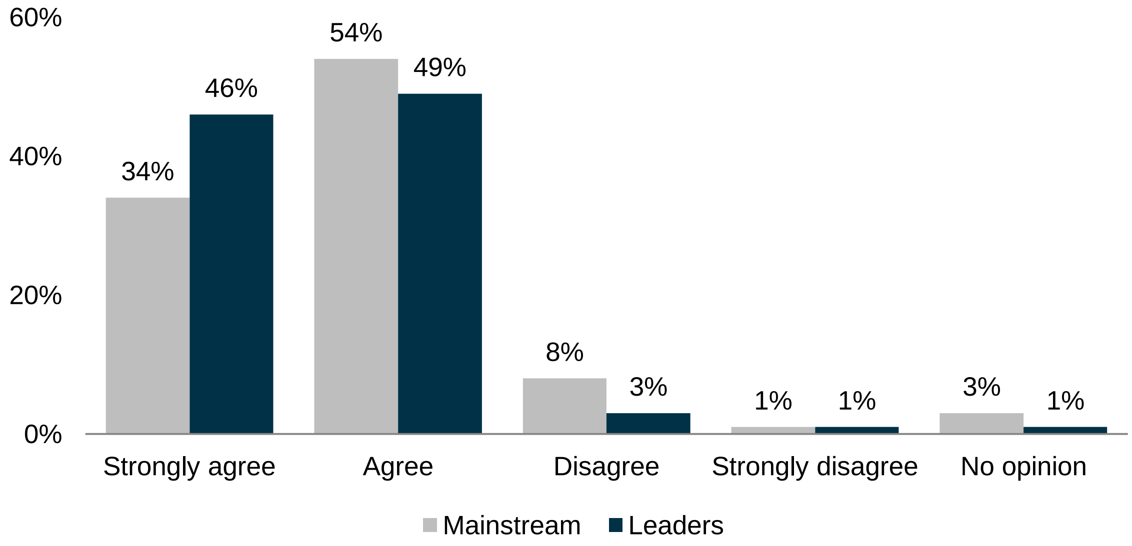
Matt Miller, EVP, Performics

How we define success defines our efforts to achieve it. Marketing practices that use business measures instead of focusing solely on marketing-focused metrics appear to have a stronger impact on growth and wider influence on the organization.

Leading organizations are more likely to see the importance of aligning their marketing department's goals with sales and finance, but there is agreement across the sample; the vast majority of organizations agree that their KPIs must be tied to broader business goals to truly matter. The evidence supports this view.

Mainstream vs. Leaders

Figure 2: Agree or disagree: 'To truly matter, marketing analytics' key performance indicators must be tied to broader business goals.'

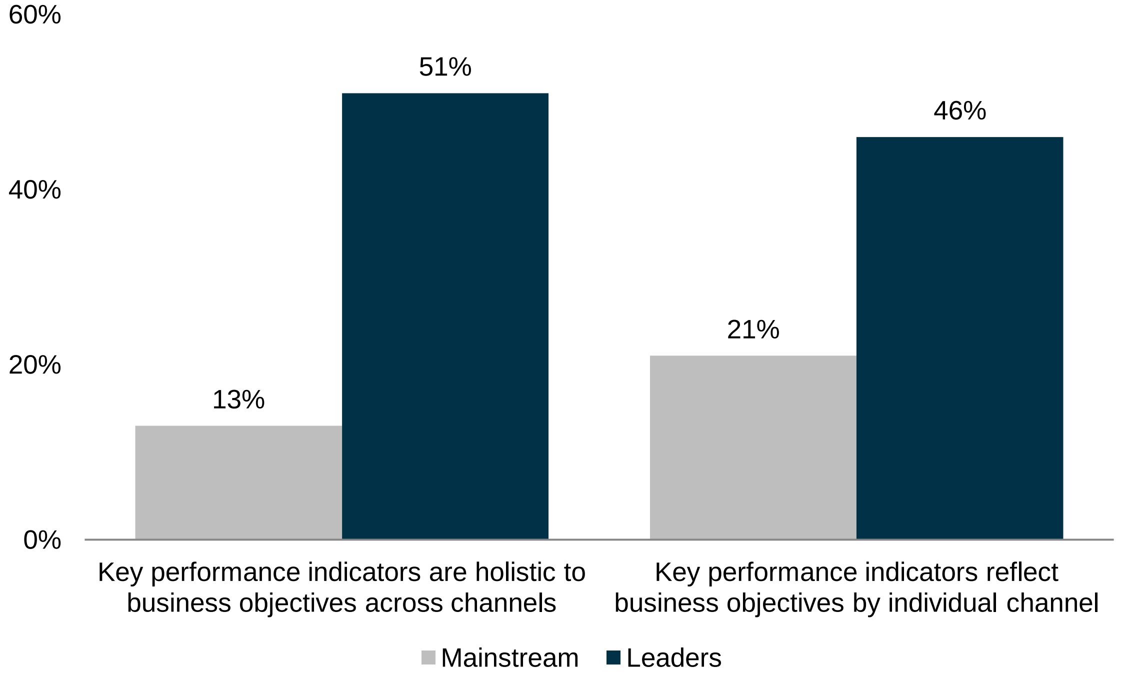


Respondents: 440

Over the last 15 years, the digital revolution has reoriented many customer interactions from sales to marketing. That movement has vastly expanded the responsibilities for marketing, without always resulting in a change in status. For most organizations, measurement has been a headwind, as marketing relied on arcane metrics that didn't resonate to the C-suite.

A measurement approach that centers on business outcomes appears to help marketing take a more central role in steering the organization. Leaders are twice as likely than the mainstream (44% vs. 22%) to say that they have a 'powerful role in setting corporate strategy.'

Mainstream vs. Leaders
Figure 3: Thinking about your organization, do you agree or disagree with the following statements?



Respondents: 476

Alignment of KPIs with business objectives is a defining trait of leaders, and perhaps the most striking difference between this group and the mainstream. Across the larger industry, only 13% report that measurement is both tied to business objectives and is viewed across channels.

Using L&D to drive digital maturity

"We are refreshing [digital marketing's] role as a learning and development support function. We're focusing on how well our lines are doing, what we can do to contribute to growth or reduce costs and how we measure. We do a lot of planning and strategy around that. Reporting is reactive, but as we do more dashboarding and more automation and self-service style data gathering that benefits a wider group of stakeholders – that's when the organization [pays attention] to what we're doing with the data."

Scott Schaffer, Global Head of Learning Measurement and Analytics, Ericsson

One advantage of moving from the words and KPIs of marketing to more universal business metrics is that it enables marketing to influence the broader organization more easily, whether through a Center of Excellence model or another learning and development mechanism.

This has several powerful effects that benefit marketing:

- Advances the strategic role of marketing.
- Normalizes marketing across divisions and regions.
- Drives digital maturity through opportunity instead of 'initiative'.

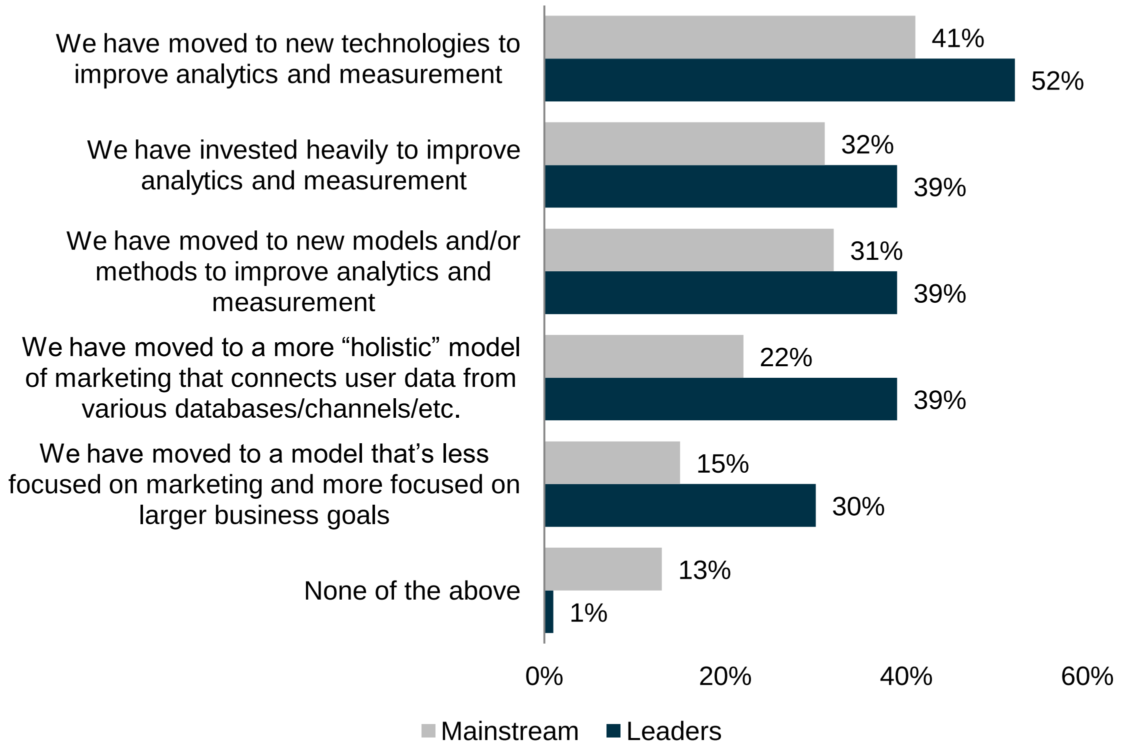
The straightest path to a well-rounded view

Understanding all the moments that matter

"Today's shift is about being relevant across all moments that matter. It's not just when they're buying; it's not just about on a specific device. It's about understanding those moments together to have a complete view of a customer journey. It boils down to lifetime value — but this is currently missing if you look too narrowly at the individual parts without also having the bigger picture in mind."

Jim Yu, CEO and Founder, BrightEdge

Mainstream vs. Leaders
Figure 4: Thinking about your marketing organization's approach to measurement over the last 24 months, please check any of the following that apply.



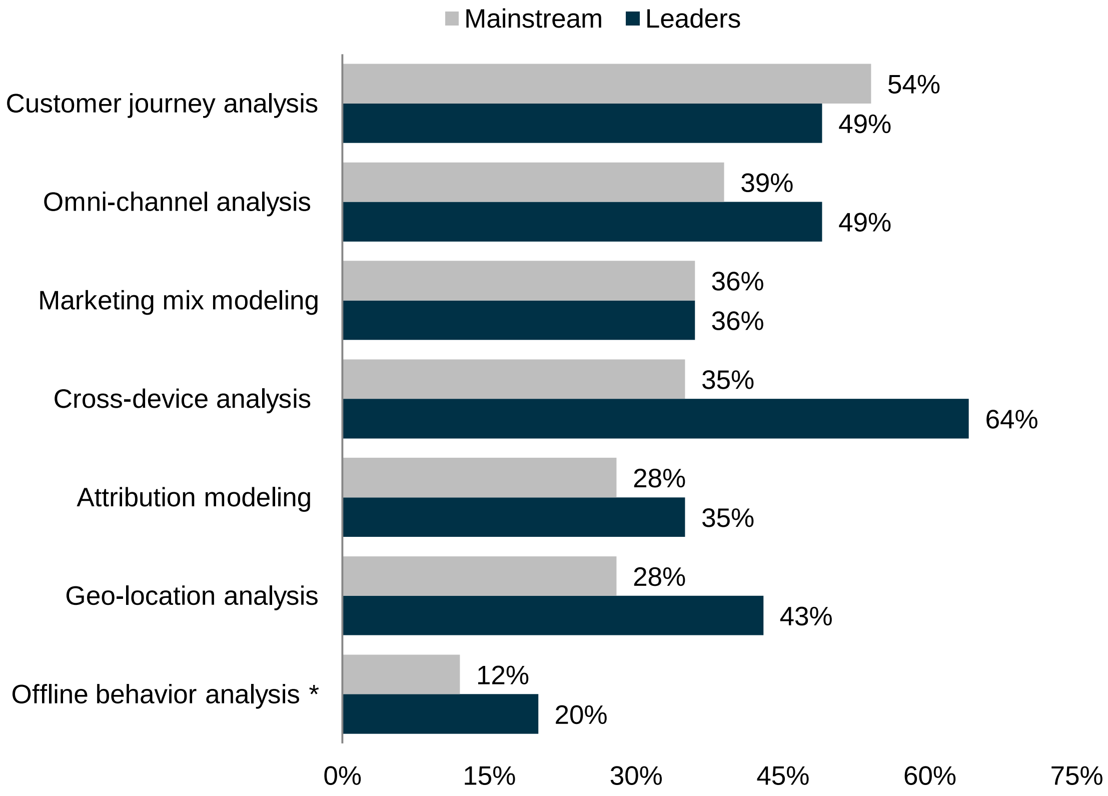
Respondents: 438

While 86% of the total sample reported that they have taken steps to advance their analytics or measurement practices in the last two years, leading companies are more likely to have evolved their models and philosophy of measurement.

Investment and new tech are on top of the list for the mainstream segment. These are important steps, but tools are just means to the end of defining, measuring and acting on data. Leaders are more focused on the implications of their approach. **They are almost twice as likely to have moved to a more holistic model** that includes data from disparate sources and to adopt a model that's less singularly focused on marketing in favor of larger business goals.

For most marketing organizations, achieving a truly holistic view of the customer that spans channels, platforms and databases is still in the future. Every cycle sees an incremental rise in the capabilities that comprise that view, outlined in *Figure 5*, but there are missing pieces, even among leading measurement organizations.

Mainstream vs. Leaders
Figure 5: Which of the following is part of your analytical model for customer experience?

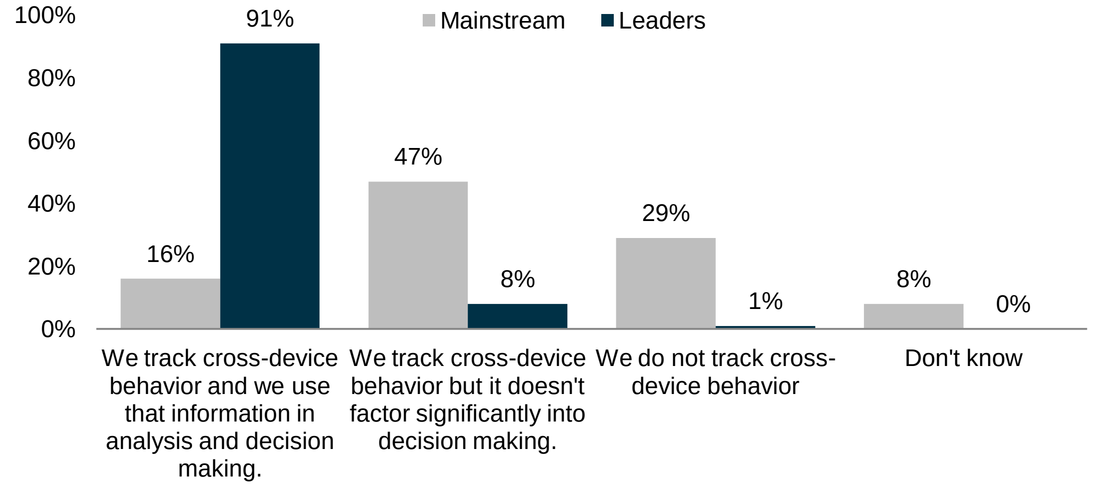


Respondents: 393

Analytics practices aren't always the result of careful maturity planning. Often the addition of new lenses or models is an ad-hoc necessity or part of a larger technology implementation. Nor do any two companies have precisely the same priorities as they build their digital capabilities and maturity. A forward-leaning retailer might view omni-channel analysis as a top priority, while a consumer media company sees geo-location as a key to growth.

Looking at where leaders outstrip the mainstream, it's clear that their priority is to understand the mobile user. The mainstream prioritizes customer journey and omni-channel analyses, but for most these approaches will lack essential insight into mobile customers and audiences. **Leaders are 83% more likely to include cross-device data in their modeling.**

Mainstream vs. Leaders
Figure 6: Which statement best describes your organization's approach to decision-making based on cross-device behavior?

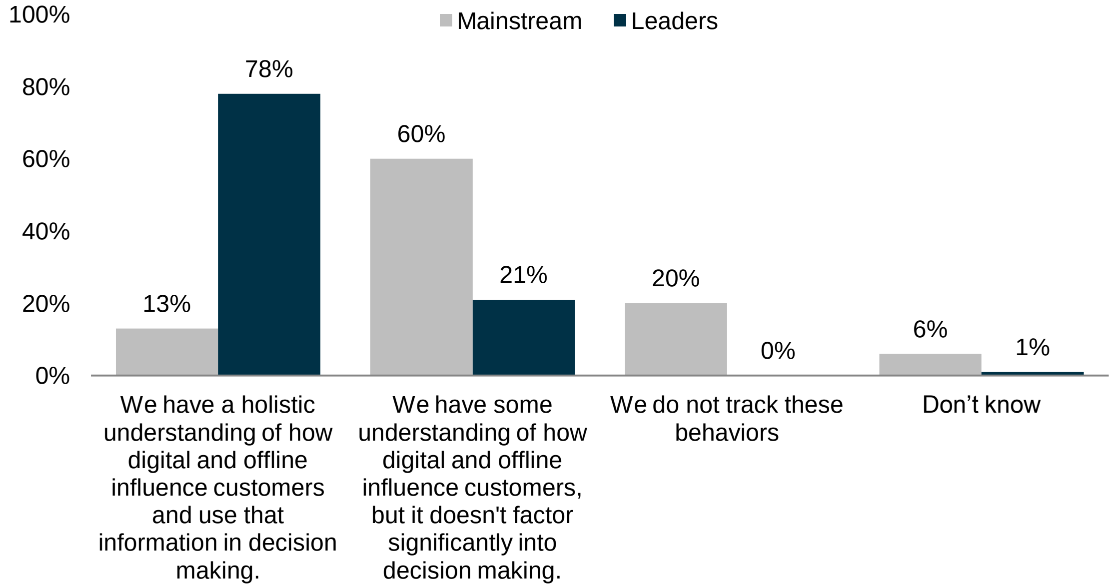


Respondents: 420

Cross-device analysis isn't easy. The technical challenges involved are significant enough that many marketers don't fully understand the process by which their organization creates a picture of mobile customer behavior on an individual or even an audience basis. The cost of this confusion is trust; although 63% of the mainstream do some level of cross-device tracking, only 16% use that information in decision-making.

The ratios are similar for companies' understanding of the online/offline relationship. Most are grappling with the data and attempting to model the influence of one on the other, but while nearly 80% of leaders are confident enough in their insights to use them for decision-making, that's only true for 13% of the mainstream.

Mainstream vs. Leaders
Figure 7: Which statement best describes your organization's approach to decision-making based on how online and offline data influence customers?



Respondents: 217

Real data has issues

Gaps are inevitable, perfection is impossible

"Marketers are uncomfortable with estimates; we've labored with the idea that data is so perfect and that we can track and measure everything. It's a fiction and will become more of a fiction as we have more things that we can't measure one for one. The goal isn't to have perfect data - it's to have good enough data to drive insights and make decisions. We try to figure out what is a proxy metric that is aligned with our ultimate goals."

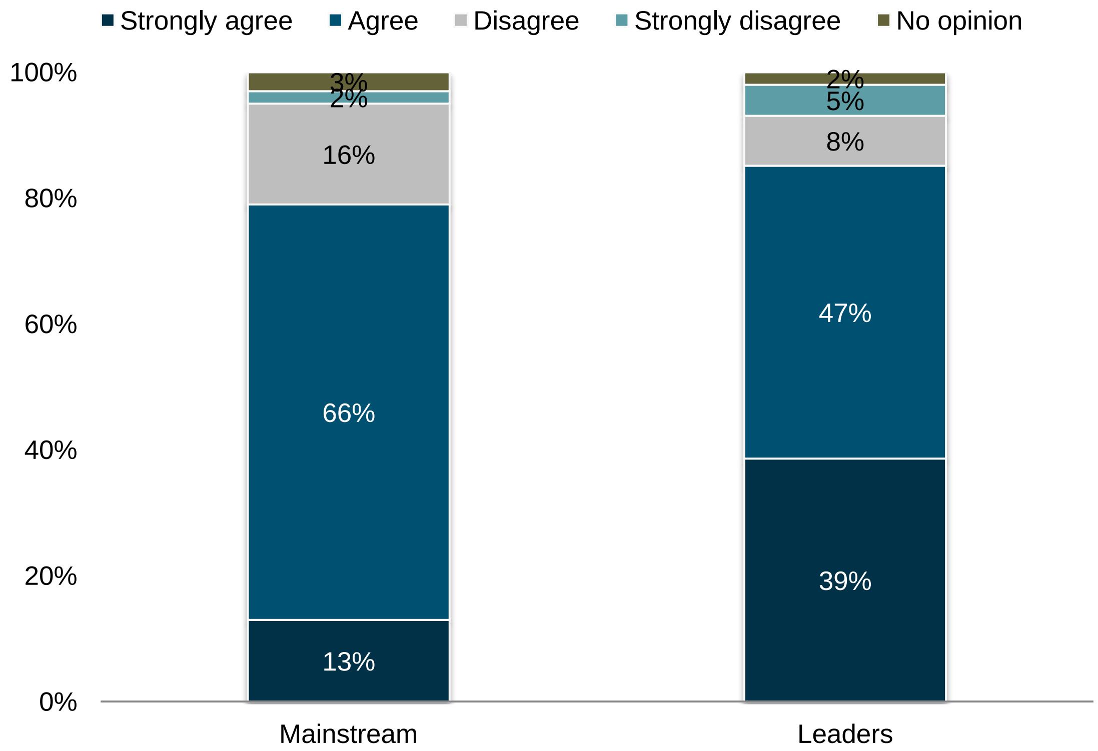
Jeremy Hull, EVP, iProspect

It's easy to fall into the trap of perfect data. Every innovation in ad tech promises a step towards a flawless, holistic view of the customer that's managed through a single interface.

But data isn't perfect. Despite advances in the tech they use to collect and manage customer information, marketers and analysts have to work with datasets that are prone to errors and missing pieces.

The lives of modern consumers are already too complex to capture easily, and the trend is toward further diversity in devices and digital inputs. Customer journeys are as diverse as the people engaging in them, and they become more mobile and erratic every day.

Mainstream vs. Leaders
Figure 8: There will always be gaps in the data connecting people, channels and devices – Agree/Disagree



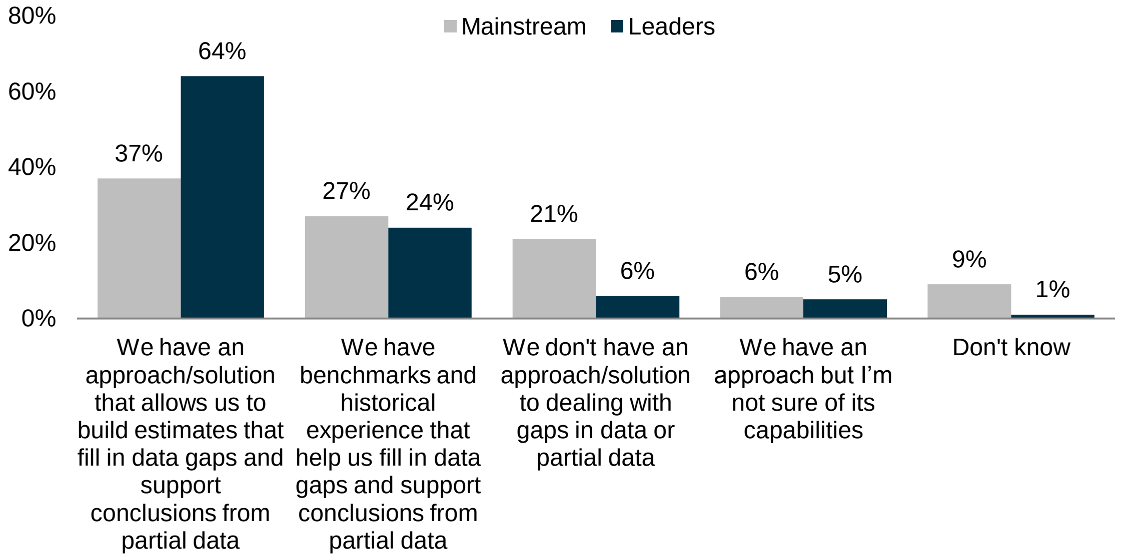
Respondents: 440

Among the mainstream, only 13% 'strongly' agree that gaps are inevitable and endemic, but that figure is three times higher among the leaders (39%). Along with other indicators, this suggests that leaders have a more realistic view than the mainstream. Even though they are accomplishing more with their analytics practices, leaders are clear-eyed about the limitations of technology and their organizations' ability to process and use data.

Related to this realism, leaders emphasize their ability to work around issues; 88% have developed processes for dealing with gaps and partial data, compared to 59% of the mainstream. Moreover, the mainstream tends to rely on history to fill in data gaps, basing their answers on history and benchmarks. But in digital contexts prior results may no longer describe a rapidly changing reality. Leaders tend to use approaches and systems to build estimates that reflect current, if partial results (64% vs. 37%).

Their choice in approach to the problem of data gaps has a strong relationship with how the two groups view the reliability of their estimates; **54% of leading respondents describe their estimates as 'very reliable' compared to only 16% of the mainstream**.

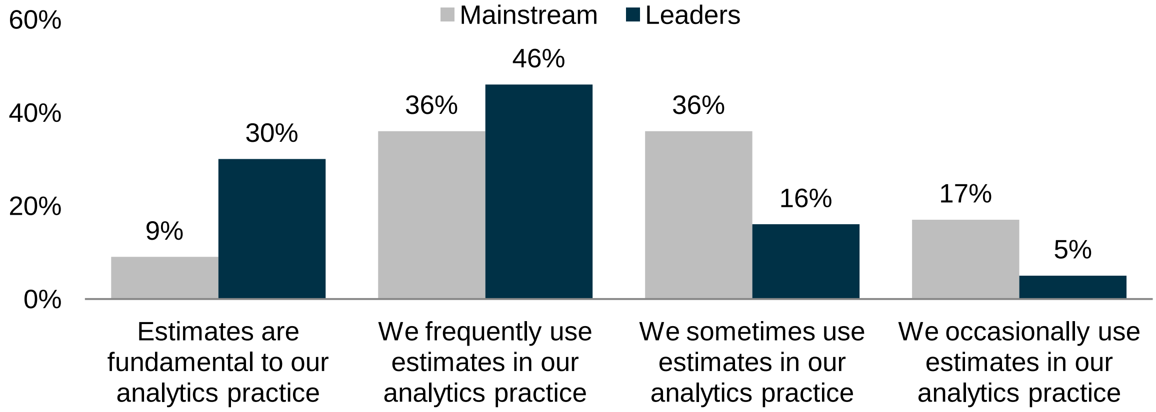
Mainstream vs. Leaders
Figure 9: How does your measurement/analytics practice deal with gaps in data or partial data?



Respondents: 420

With reliable data to work with, estimates become a vital and practical part of the leaders' approach to measurement. Seventy-six percent of this group use estimates at least 'frequently,' in contrast with 45% of the mainstream.

Mainstream vs. Leaders
Figure 10: You indicated that your organization uses estimates to fill in data gaps and address partial data. How often do you use them in your analytics practice?



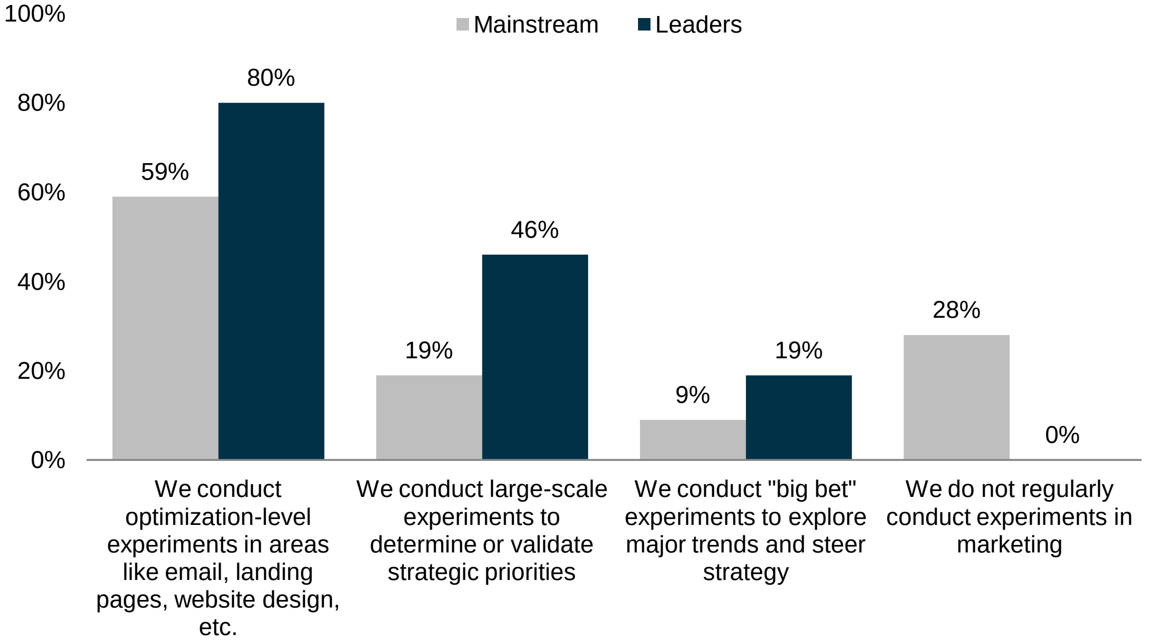
Respondents: 282

Experimentation – small steps and big bets

An early promise of digital business was easy experimentation. The ability to rapidly test and learn has been touted as an advantage of digital businesses since the early internet days. Yet relatively few companies take testing beyond the basics of optimizing at the campaign level.

The potential for experimentation in decision-making is an important difference for leading companies. They are significantly more likely than the norm to conduct all types of experiment, but the divide is widest when it comes to strategic experimentation.

Mainstream vs. Leaders
Figure 11: How does your organization use experiments in marketing, if at all?



Respondents: 429

In a time where major shifts in the landscape are putting many tried-and-true business models at risk, experimentation should be far more common than it is. Apart from the routine use of optimization-level experiments, only about a quarter of mainstream companies rely on large-scale experimentation to help determine direction.

Conclusions and recommendations

#1 Alignment of KPIs with business goals makes marketing more powerful

One of the central hypotheses of the study was that marketing achieves greater success when its measures and processes reflect the goals of the wider organization than when they're focused solely on the metrics and concerns of marketing. In the real world we need to look for those metrics that can make the leap between marketing and finance instead of trying to contend with every possible digital marketing statistic, most of which don't resonate outside the team let alone outside of marketing.

Leaders bear out this premise; 95% *agree* with the statement 'to truly matter, marketing analytics' KPIs must be tied to broader business goals.'

One advantage of moving to a business focus is that it enables marketing to influence the broader organization more easily, whether through a Center of Excellence model or another learning and development mechanism.

This emphasis on business KPIs has several benefits for marketing:

- *Drives digital evolution through opportunity instead of mandate*. Teams and individuals are far more motivated to change when they see the benefit than simply as a response to a strategic directive, which is often how organizations try to drive transformation.
- *Normalizes marketing across divisions and regions by focusing on universal goals*. Every part of an international company is, to varying degrees, an independent actor with unique issues, capabilities and opportunities. Getting them to play in concert is an eternal challenge, but it's impossible when they use different measures. Using a limited basket of metrics that are agreed upon by finance and marketing as representing the top business goals is one of the most effective paths to motivating and level-setting between regions.
- *Advances the strategic role of marketing*. Today's marketing department is tasked with far more than awareness. It has to be in the head of a new kind of mobile, social customer and represent their needs for a better experience across the organization. It also has to adapt to media, channels and platforms that are changing at breakneck speed. Through it all, marketing is asked to contribute more to the bottom line, often with fewer resources. Despite these rising demands, marketing doesn't always have a seat at the table. Perhaps the most important reason to use business goals to define marketing's KPIs is to ensure that marketing is always speaking the same language as sales and finance.

Where to start: identify the top three business goals set in your 2017 strategy and meet with analytics leaders to argue for the one KPI that best fits with each one. These 'hero' metrics won't stand alone, but they should be at the center of every measurement conversation.

#2 Metrics don't matter if they don't affect decisions

It's one thing to measure, it's another to use that information. One surprise of the study was the large share of organizations that have one or more advanced measurement capabilities, but fail to use them in decision-making.

For example, 47% of mainstream organizations say they track cross-device behavior but that it doesn't factor into decision-making. That's an equal share to those that do use their cross-device analysis in planning and strategy.

When data is collected but goes unused, there is often a lack of trust in its validity that might go to the complexity of measurement (such as in the case of cross-device identification) or an inability to use that data in context. One trait of leading companies is the realization that there will be gaps in data, especially in emerging areas. They are comfortable making estimates to fill those gaps to move forward with their decision-making.

Where to start: create a list of all of the available KPIs and measurement capabilities. This might range from simple email metrics through advanced attribution, depending on the organization. Go through the list and consider whether each metric is unused, used only in reporting or used for planning. Any gaps in the third column indicate a gap in trust, a missed opportunity or a meaningless measure.

#3 Perfection isn't the goal

Between the enthusiasm of technology vendors and the genuine revolution in data-driven business, it's not surprising that marketing has fallen into the trap of pursuing perfection. Every cycle brings new tools, models and filters, each suggesting a better way of collecting, managing and interpreting data.

Our data describes our customers and customers are people – chaotic, fickle, emotional, mobile people. Even when we fix every technical glitch and connect every database, data will never be perfect.

Some marketers are building their measurement and analytics practices with this in mind. It's an attitude and approach as much as it is a selection of technologies or models. It's about approaching problems in a way that is nimble and effective with the knowledge that there will be gaps and mistakes and odd shapes that won't fit into square holes.

The most effective analytics organizations are also those that recognize that the reality is imperfection. Leading measurement practices are three times more likely than the mainstream to strongly agree that there'll always be gaps in the data connecting people, channels and devices (39% to 13%).

Where to start: identify those areas where data issues arise most frequently and explore processes, practices and technologies to address them. For example, build estimate models based on existing data, look for reliable industry benchmarks or look at tools that analyze and add in missing data. Of note, leaders are more likely to develop specific models and employ technology to fill these gaps than the mainstream, who tend to rely on historical precedents.

#4 Experimentation isn't just optimization

Optimization is an important advantage of digital marketing. It's fast, easy and makes an incremental, consistent positive difference. But optimization isn't the most powerful business use of experimentation. At its best, the scientific method can be used to identify most valuable customers, explore major trends and validate strategic direction.

Leading organizations are more than twice as likely to conduct these 'big bet' experiments than the mainstream, and by doing so they overcome some of the issues that often arise in large organizations trying to evolve. Typically, any major shift in spending or direction will create political divides as gut instinct and inertia work against change. Experimentation can be an antidote to this kind of resistance, giving a black-and-white answer to key questions.

Where to start: identify the intersections between business goals and customer behavior and use these lessons to prioritize experiments. Where are you losing to competitors? What is important to customers but under-represented in your experience? Whatever the experiment, make sure that it's testing a specific hypothesis that's unambiguous, that the test will be able to provide meaningful data and that the test results focus primarily on overall business impact, not simply efficiencies or optimization.

Appendix: methodology

This report is based on an online survey conducted in the third and fourth quarters of 2016, using primarily third-party providers for distribution. Respondents from third parties were offered an incentive to complete the survey. It closed on October 12th with 502 qualified responses. Survey results were supplemented by telephone interviews with executives in management and analytics roles.

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. Fifty-five percent were at the director level or above, with 39% in executive management.
- The study represented a wide range of sectors. The most heavily represented industries were financial services (13%), consumer goods (16%) and retail (17%).
- All qualifying organizations reported annual revenues above $250 million, with 57% reporting over $1 billion in 2015 revenues and one-third reporting over $5 billion.