Marketing Analytics: It works, so why aren't more companies using it?

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Marketing analytics is becoming big business. With the promise of improved precision and performance, advanced analytics and big data have set off something of a buying frenzy.

Companies currently spend 6.7 percent of their marketing budgets on analytics and expect to spend 11.1 percent over the next three years, according to our most recent CMO survey. Brands plan to increase their spending on the category by a whopping 73 percent over the next three years, according to a recent VentureBeat report. The same report highlighted that more than a billion dollars have been invested in data analytics companies this year while Chief Marketing Technologist Blog's Scott Brinker has estimated that the number of marketing-tech companies has doubled to almost 2,000 this year alone.

Given all the money being spent on analytics, there is surprisingly little scrutiny of their impact. In the end, analytics effectiveness boils down to two questions: Do marketing analytics improve profits or ROI? And are companies using marketing analytics effectively?

Our CMO survey focused on answering both of these questions (among others). While it may not be surprising to know that marketing analytics can have a positive impact, the real issue has been how to quantify that impact, which then can inform decisions about investing in and using analytics. We created a metric that reflects the number of ways companies use marketing analytics in eleven areas, from customer acquisition to multichannel marketing. Across all companies, this “use metric” has a mean of 2.9 (standard deviation = 3.22). To figure out how much impact marketing analytics can have, we took each firm’s use metric and related it to the firm’s reported change in profits and marketing ROI over the last year, then compared results across all firms.

Our results show that a one-unit change in the use of marketing analytics (i.e., the application of marketing analytics to one more area) yields a 0.39 percent increase in profits. This means that using three “units” of marketing analytics improves profits by over 1 percent. For marketing ROI, the figure is 0.61 percent. This use metric has a positive and significant effect on both outcomes, even after controlling for marketing-analytics spending, product vs. service, and B2C vs. B2B.

The survey also asked marketing leaders to report all the areas in which they use marketing analytics to make better spend decisions. The table below shows the usage rates across various strategic and tactical areas of marketing, and highlights that there’s plenty of room for improvement. Customer acquisition is the highest use activity, at 36.6 percent, and represents the only instance where more than one third of companies use analytics. So while marketing analytics can have significant bottom line and ROI impact, their use is surprisingly limited.

How can companies get more from their investments in marketing analytics? Our experience as well as results from the survey highlights three things:

1. In our experience, a core issue with generating insights is that they don’t get to the people who can use them. McKinsey analysis of a recent ANA survey revealed, for example, that only 10% of respondents believed they were very effective at feeding insights into customer behaviors back into the organization to improve performance. We have found that companies that invest time and energy focusing on activating insights rather than just generating them have the greatest success. Doing this effectively requires working

with decision makers – whether that's in the C-suite or on the front lines – to identify what insights are necessary so that analysis can be better focused. It also means delivering insights in a way that's easy to use (i.e., simple language, intuitive graphics, and speedy delivery).

2. Developing and delivering both analysis and insights require an often complex series of hand-offs and communications from business users at one end to hardcore data crunchers on the other. That leaves ample room for miscommunication, misunderstanding, and wasted effort. Companies should consider hiring analytics translators to bridge the gaps. These are people who have enough knowledge across at least two functional areas so they can communicate effectively between them both. Analytics consultant, for example, is a role that is specifically tasked to help bridge the gap between analytics professionals and business decision makers.

3. We've found that the enthusiasm to use marketing analytics often results in a "peanut butter" approach – companies spread it around everywhere. The result is a poor articulation of the goals of the use of marketing analytics, a lack of focus on what it takes to get it right, and limited application of learned lessons across the organization. We recommend using analytics for just 1-2 new marketing activities at first. Criteria for determining which activities will gain the most from analytics investments include the expected financial impact and level of investment, time required to develop and implement changes, fit with business strategy, impact on customer perception, risks, internal capabilities, and potential obstacles. Creating a heat map of current capabilities across marketing activities and comparing with industry leaders can help to determine which ones to prioritize.

Marketing analytics can have substantial impact on a company's growth. But if companies cannot figure out how to make the best use of it, in the end, it's just another expense