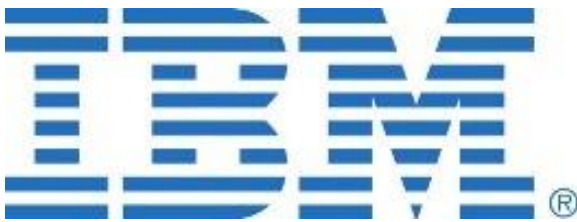Econsultancy
Achieve Digital Excellence™

↓

Secrets of Elite Analytics Practices

Translating Customer Knowledge to Growth

In partnership with IBM

Secrets of Elite Analytics Practices

In partnership with IBM

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Contents

1. Foreword from IBM

We've all been saying it for years, and each year, it becomes increasingly true: consumers have high expectations, are quick to judge, and the competition is only a click away.

We all know analytics is a crucial ingredient to delivering the types of exceptional experiences that make brands stand out and customers come back for more. But, there are countless data sources and analytical tools out there and it's hard to make sense of it all. Where do I start? What type of results can I expect? What type of analytics delivers the best result? How do they work together? What are the best practices leaders have found in deploying different types of analytics?

IBM partnered with Econsultancy to answer these questions, so we can provide brands with the valuable insight needed to develop the right customer analytics strategy to achieve their goals. The result is *Secrets of Elite Analytics Practices: Translating Customer Knowledge to Growth*. In this exciting new research, we reveal the attributes of customer analytics leaders and the secrets to their success.

We hope you find this research insightful and that it helps you define and execute a profitable customer analytics strategy.

2. Executive summary

The pursuit of growth through improved customer experience is driving companies in every sector to build new capabilities in customer analytics and improve on existing ones. This report explores the relationship between these efforts and business results.

Secrets of Elite Analytics Practices examines a variety of different disciplines within analytics for their maturity and impact on key performance indicators. The report is based on a survey of 225 executives at the director level and above at organizations reporting revenues over $250 million in 2015. Respondents were also qualified based on geography and knowledge of ecommerce, marketing and analytics.

Better information leads to happier, more profitable customers. This logic is borne out by results; companies with strong capabilities in multiple disciplines of customer analytics see an advantage over their peers in tangible metrics such as conversion rate, customer satisfaction and even revenue growth rate.

What are the returns on customer knowledge?

First, the study looked at the relationship between the strength of specific capabilities and results.

For example, the **30% of the sample with strong customer journey analysis enjoy conversion rates 104% higher than those with less sophisticated capabilities**. This may well relate to their being much more likely to include customer preferences in their analysis (66% vs 29%). **This could also contribute to customer satisfaction rates that are 27% higher than the rest of the sample** as measured by Net Promoter Score.

Similar inquiries were made in the areas of customer struggle, automated analysis, ecommerce product/category performance analytics and the ability to extrapolate individual issues to the audience level.

In addition, to get an idea of its cumulative impact, customer analytics maturity was used to divide respondent companies into elite, average and laggard groups. Elites were defined as those organizations with strong capabilities in customer journey and struggle analysis as well as in insight automation.

A number of striking differences emerge in the comparison of the three groups, but one stands out above the rest. **The revenue growth rate of companies with elite analytics practices is 19% higher than the rest of the sample.**

Full results can be found in the body of the report.

The most powerful benefit of analytics practices

When asked about the benefits of their ability to gain customer knowledge, elite organizations gave a somewhat surprising answer. They might have been expected to point to large areas of learning such as "understanding customer behavior" or "evaluating and improving user experiences." **Instead, they were significantly more likely than the other groups to cite "understanding where and why problems arise" – the definition of customer struggle.**

Identifying an individual customer's struggle is powerful because it not only solves the specific problem, it often points to larger issues and opportunities. Recorded sessions show programmers and managers what happens when visitors encounter problems and why. They get passed around as real life examples; visual anecdotes that inspire change and improvement.

Chart data:

	Elite	Average	Laggard
Highly successful at sharing data between teams	81%	25%	7%
Somewhat successful	19%	47%	34%
Somewhat unsuccessful	0%	24%	46%
Highly unsuccessful	0%	5%	13%

■Elite ■Average ■Laggard
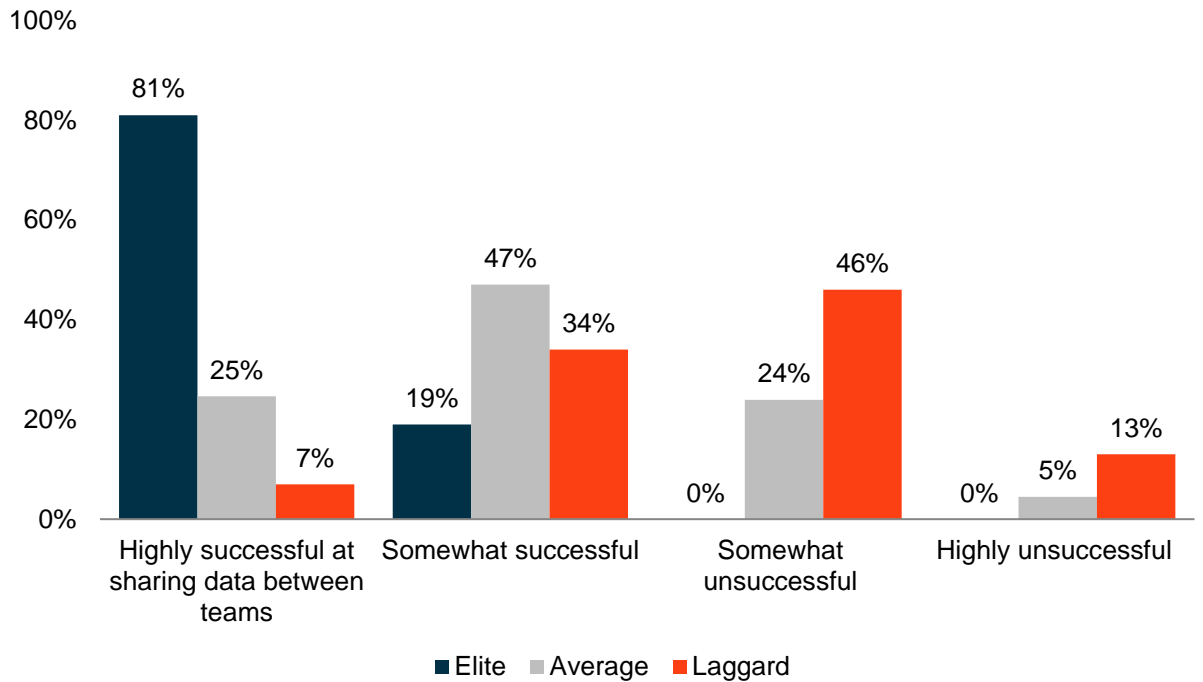
The best at gaining knowledge are the best at sharing it

Most businesses want to foster information sharing throughout the enterprise, but they are hindered by a lack of capability and trust. As companies become more adept and mature at their data gathering and analysis, they build the scope and credibility of their insights for their team and beyond.

Eighty-one percent of companies with elite analytics practices describe information sharing between teams at their organizations as highly successful. This is in sharp contrast with the average at 25% for laggards in analytics, of whom 59% admit that their organizations are unsuccessful.

Success is defined by accuracy, insight and dissemination. The systems for collecting data must be trusted, and analysis must be helpful. Just as importantly, sharing must be proactive; it's not enough to have information freely available – strong analytics teams will pursue ways in which their insights can help.

More in *Secrets of Elite Analytics Practices*…

- What are the meaningful differences in customer journey analysis between companies with strong and weak capabilities?

- Which analytical capability correlates with the greatest improvement on conversion rate?

- Do systems for automating insight work to save analysts time and how many of these systems are able to take actions beyond alerting business users?

- What is the most important challenge to overcome for companies wanting to elevate their analytics practices?

- What factors have the greatest impact on success, regardless of a company's sophistication?

2.1.   Methodology

This report is based on an online survey conducted in April 2016, using primarily third-party providers for distribution. Respondents from third-parties were offered an incentive to complete the survey. It closed on April 15th with 225 qualified responses.

The sample was comprised of executives in ecommerce, marketing and analytics in North America who were qualified based on revenue, knowledge in relevant areas, geography and seniority.

- Any respondent below the "manager" level was disqualified. Thirty-four percent were at the director or senior director level, with 36% at a VP level or above.
- The study represented a wide range of sectors. The most heavily represented industries were financial services (19%), retail (12%) and technology (9%).
- All qualifying organizations reported 2015 revenues above $250 million.

2.2.   About Econsultancy

Econsultancy's mission is to help its customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

Founded in 1999, Econsultancy has offices in New York, London and Singapore.

Econsultancy is used by over 600,000 professionals every month. Subscribers get access to research, market data, best practice guides, case studies and elearning – all focused on helping individuals and enterprises get better at digital.

The subscription is supported by digital transformation services including digital capability programmes, training courses, skills assessments and audits. We train and develop thousands of professionals each year as well as running events and networking that bring the Econsultancy community together around the world.

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2.3.   About IBM

IBM helps brands attract, delight and grow the loyalty of customers by enriching the ways they engage with them. Its suite of customer engagement solutions empower marketing, merchandising, commerce and customer service teams to identify the customers and moments that matter most, and to rapidly apply those insights to develop and deliver personally rewarding brand experiences.

IBM ignites innovation by leveraging patterns of success from thousands of client engagements, original industry research and solutions that are consistently recognized as industry leaders in major analyst reports.

3. The spectrum of analytics

By all accounts, business is squarely in the age of the consumer, where growth depends equally on understanding what people want and how best to provide it. In this setting, the ability to analyze customer data is arguably the most important capability organizations can cultivate.

Modern business analytics includes a variety of disciplines and the configuration is often unique to an organization. For this study we've identified five areas that reflect different aspects of a holistic approach to customer data;

- Growth in **customer journey analytics** reflects businesses' need to optimize the customer experience. It's impossible to provide a great shopping, purchase or loyalty experience without understanding behavior.

- Every relationship will inevitably hit a bump and what happens next determines future success or failure. Therefore, understanding the **customer struggle** is critical to retain individual customers. From there, the question is whether organizations can zoom in and out from the experience of a unique person to draw conclusions about larger audiences and back again.

- An excess of data is a common complaint, but the real problem is a gap between insight and action, or delays in arriving at insights to the extent that they are no longer relevant. **Automating insight** helps close this gap by addressing some of the rote tasks that occupy analyst time, speeding response and freeing up time for higher level inquiries. This is one of the newer opportunities, but increasingly an expected component of analytics systems.

- For ecommerce companies, understanding **product and category performance** is fundamental to outward-facing elements of the customer experience as well as essential business functions from product marketing to inventory and supply-chain management.

- Finally, with each new capability assisting in gathering and processing information, businesses are challenged to pull together their findings about customers by **integrating their analytics solutions**.

In each of these areas, this study set out to answer two essential questions;

1. How mature is the industry?

2. What is the impact on business performance?

More broadly, this report also looks at the organizational factors that affect the successful adoption and use of customer analytics.

3.1.   Decoding the customer journey

In the early days of digital commerce, the online portion of the customer journey was a comparatively simple series of jumps from search to website to email and back again. Today, the constantly connected customer interacts with brands across a variety of devices and channels in ways that aren't linear or constant.

Most businesses have failed to keep pace with the rapid changes in how customers and prospects interact with them. Marketing channels and analytics remain siloed, ignoring the reality that few customer interactions happen independently in a single visit or are influenced by a single channel.

Figure 1: Which of the following best describes your organization's ability to understand the "customer journey" – how people interact with all of your marketing channels and touchpoints during the purchase process.
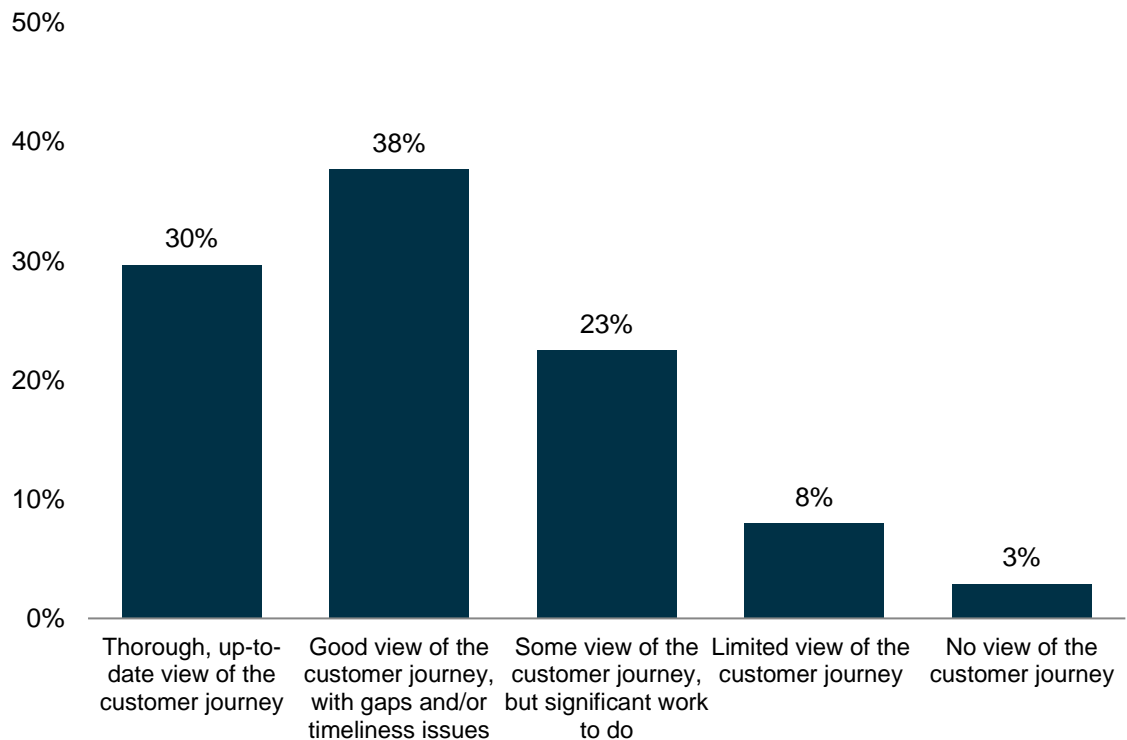
Respondents: 206
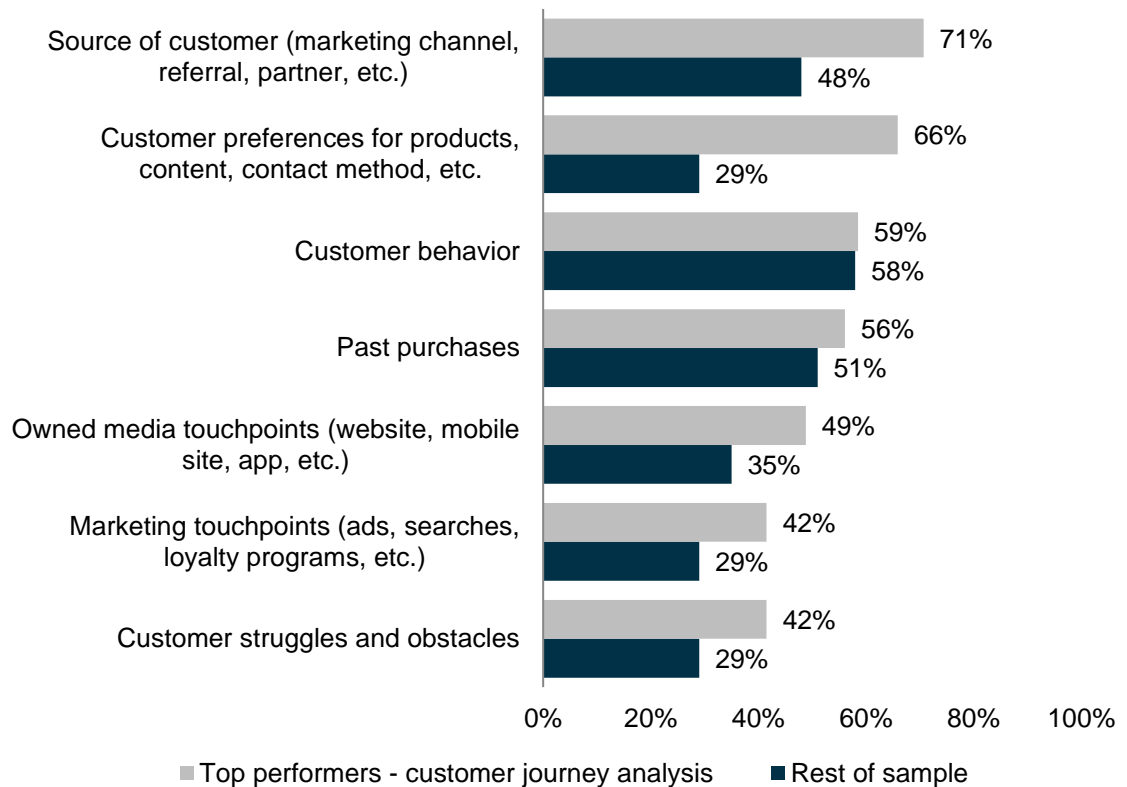
Although the industry is headed in the right direction, only three in ten responding companies report that they have a thorough and up-to-date view of the customer journey.

In Figure 2 (next page) we compare specific differences between those with strong or weak capabilities in customer journey analysis, but the most important takeaway applies broadly; few companies are strong enough.

Figure 2: Which components are parts of your customer journey analysis?

Component	Top performers	Rest of sample
Source of customer (marketing channel, referral, partner, etc.)	71%	48%
Customer preferences for products, content, contact method, etc.	66%	29%
Customer behavior	59%	58%
Past purchases	56%	51%
Owned media touchpoints (website, mobile site, app, etc.)	49%	35%
Marketing touchpoints (ads, searches, loyalty programs, etc.)	42%	29%
Customer struggles and obstacles	42%	29%

■ Top performers - customer journey analysis　　■ Rest of sample

Respondents: 189

Figure 2 separates the 30% of companies with a strong capability in customer journey analysis, identifying both strengths and weaknesses;

1. No organization is perfect. There are significant missing pieces even for the highest performing companies.

2. The greatest disparity is around customer preferences (66% vs 29%). For companies adept with journey analysis, information about what customers like and want is a mainstay of their analysis. It's hard to create a great customer experience if the customer's desires are unclear.

3. Another near-standard for high performers is considering the source of a customer. Often underutilized by the mainstream (71% vs 48%), this variable can cast light on the customer in several dimensions. For example it can be an indicator of their brand connection (email subscriber vs. paid search driven visitor), their interests (nature of referring deal or ad) or their fit with an ideal customer model (partner profile or media source).

4. The majority of respondents need to improve the inclusion of owned media touchpoints (49% vs. 35%). It's increasingly important for brands to understand the slipstream of customers that move between offline and online stores as well as from device to device.

Return on Customer Journey Analysis

Companies with a sophisticated customer journey analysis practice (the top 30% of the sample) enjoy **average conversion rates that are 104% higher** than those with less sophisticated capabilities.

These companies also report **27% higher average customer satisfaction** as measured by Net Promoter Score.

3.2. What's going wrong? Understanding customers' struggles

The most important moments in a relationship are when problems arise. In the digital context of instant gratification, the smallest issue can lead to a customer clicking away in frustration. The ability to identify how and why these struggles take place is cited by many (see Figure 13) as the single most powerful capability in customer analytics.

Figure 3: Which of the following best describes your organization's ability to automatically detect when and how online customers are struggling?
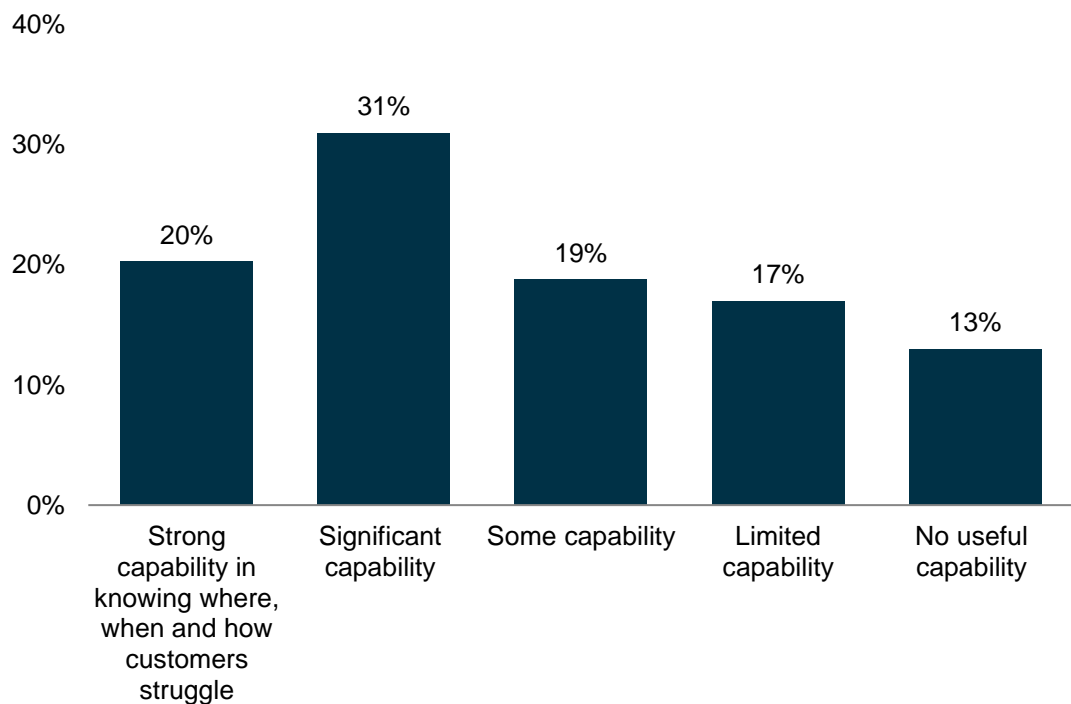
Respondents: 206

Friction is the most important force in the physics of online commerce. Any moment of doubt, mistrust or confusion is a moment too long and abandonment rates on many sites and pages approach 100%. Even purchases with long consideration cycles have an emotional element and are subject to a gut response. There are dozens of variables that together form the customer experience, but any one of them can increase the friction to purchase and lose a sale.

Customer struggle analysis begins with the simple premise of fixing obvious issues that arise. But over the long term, it can be a remarkably effective optimization tool. Every session that's recorded has storytelling power. It might only apply to the single visitor who gets confused or encounters an obvious problem, but there's potential for more. Taken together, sessions are powerful records of the user experience, showing UX professionals, designers and site managers what's working, what isn't and what's possible.

Return on Customer Struggle Analysis

Companies with a strong capability in customer struggle analysis (the top 20% of the sample) enjoy **average conversion rates that are 188% higher** than those with less sophisticated capabilities.

These companies also report **54% higher average customer satisfaction** as measured by Net Promoter Score.

Brands embarking on building a customer struggle capability should consider several factors in building or buying a solution.

First, the ability to view mobile sessions is vital. Mobile traffic and commerce is increasing quickly, but mobile visitors can be even more averse to frustration than those on the desktop. The small screen tends to encourage higher abandonment and less browsing/shopping – which is emerging as a central issue for retailers and other businesses as mobile traffic increases. It can be difficult for brands to understand how their customers are using mobile, but customers' real-life sessions on their owned mobile properties are an excellent source of information.

Second, solutions vary in their ability to record and display all visitor sessions versus a sampling of them. While a sampling is likely to catch mass issues, it's inherently less useful as a learning tool and individual problems will slip through the cracks, which translates to lost customers and revenue. At a moment in marketing's evolution that emphasizes recognizing and catering to the individual, being able to respond to these less obvious issues is a way in which brands can differentiate themselves.

Figure 4: Are you able to review individual customer sessions on your desktop/mobile properties?
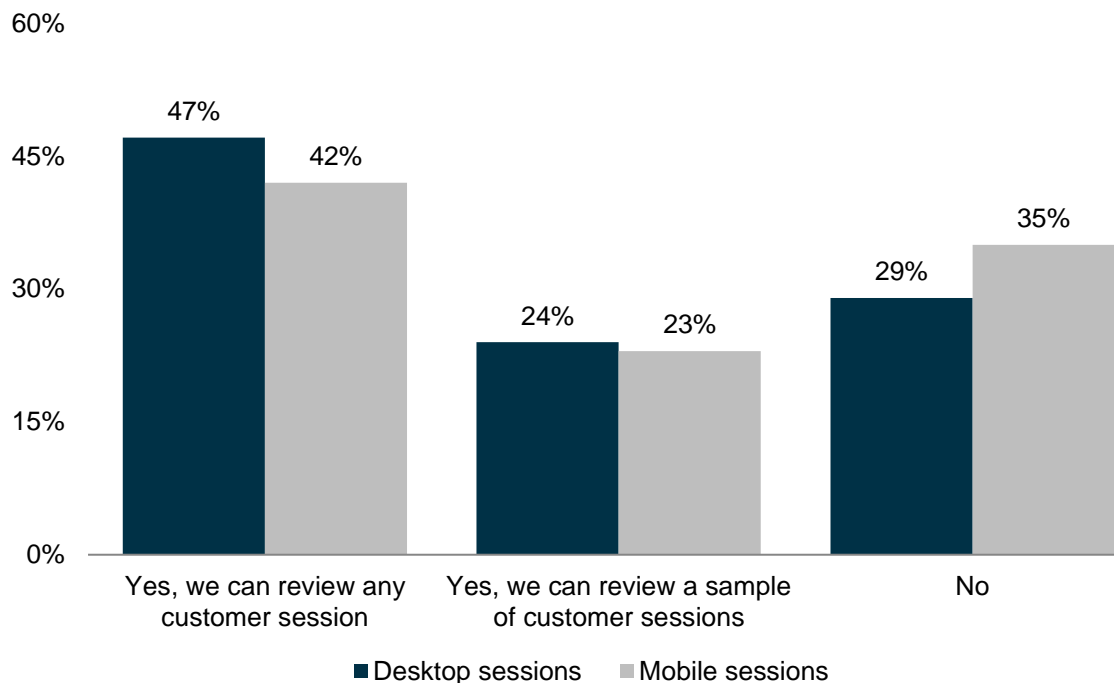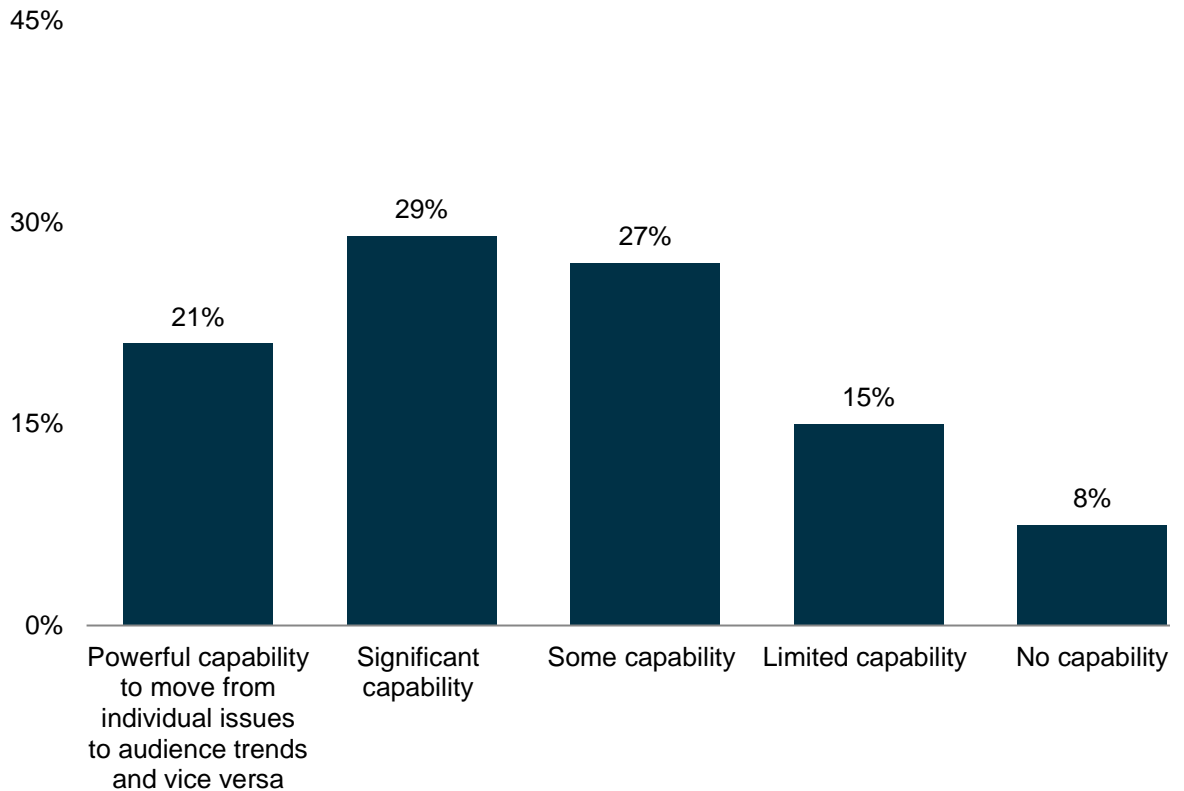

Respondents: 206

3.3.   Viewing struggle at the audience level

Is an issue unique to an individual or is it broadly applicable? That's the first question that arises in customer struggle analysis. It's important when any customer encounters a problem, but it's potentially devastating if that issue is a sign of a widespread issue.

Figure 5: To what extent, if any, does your analytics solution allow you to move from identifying issues in individual sessions to zoom out to see how that applies to larger audiences or vice versa?

45%

21%	Powerful capability to move from individual issues to audience trends and vice versa
29%	Significant capability
27%	Some capability
15%	Limited capability
8%	No capability

Respondents: 200

Figure 5 sorts the sample by its relative ability to use struggle analysis to move from an individual to the audience level and back again. For the roughly one-in-five brands that have a powerful ability to do so, there's a strong correlation with conversion and much higher than average customer satisfaction rates.

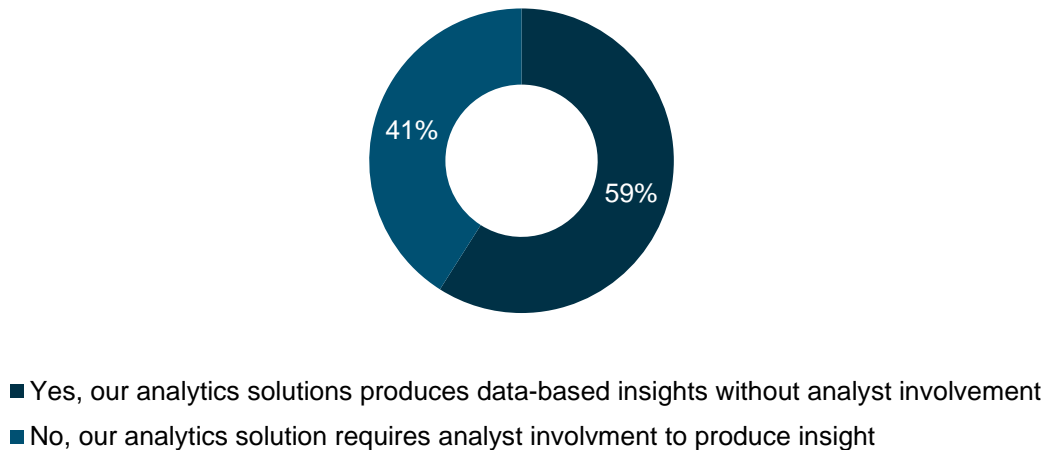### Return on Individual to Audience Level Extrapolation

Companies with a powerful capability to translate individual issues to an audience level and vice versa (the top 21% of the sample) enjoy **average conversion rates that are 136% higher** than those with less sophisticated capabilities.

These companies also report **29% higher average customer satisfaction** as measured by Net Promoter Score.

3.4. Saving time through automated insight

As enormous traditional companies have fallen behind more nimble competitors, it has become clear that time is a business's most precious resource: time to understand and experiment, time to develop solutions, time to change. Many technologies aim to simplify and streamline marketing functions with the intent of saving time, but those that fulfill on that promise are rare. One example is in automated analysis, where nearly 60% of respondents report that their solutions are capable of offering some level of insight without analyst involvement.
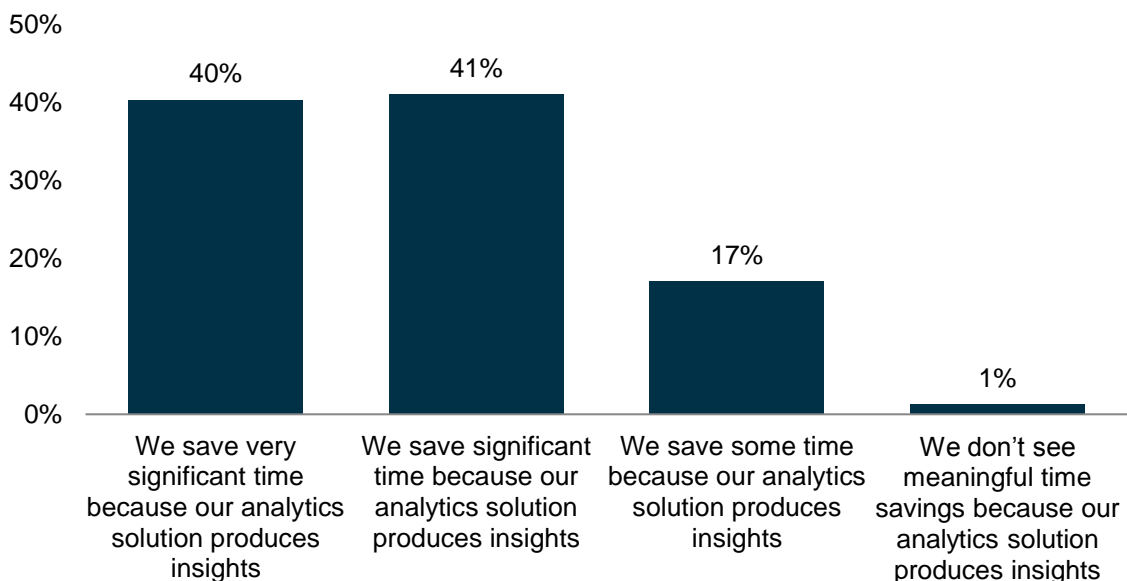
Figure 6: Does your analytics solution provide insights without analyst involvement?

41%

59%

■ Yes, our analytics solutions produces data-based insights without analyst involvement
■ No, our analytics solution requires analyst involvment to produce insight

Respondents: 206

Of the companies with some automated capability, over 80% report saving significant time as a result. The capability has a two-pronged effect. In the short term, instant insights coupled with alerting systems give the organization an early warning system for issues and opportunities. Perhaps more importantly, analysts are freed to concentrate on higher order tasks.

Figure 7: You indicated that your analytics solution provides some insights without analyst involvement. Does that result in time savings?

	40%	41%	17%	1%
	We save very significant time because our analytics solution produces insights	We save significant time because our analytics solution produces insights	We save some time because our analytics solution produces insights	We don't see meaningful time savings because our analytics solution produces insights

**Secrets of Elite Analytics Practices**   In partnership with IBM

As marketers and analysts move to a more automated approach, they're seeing how technology can not only save time, but take action.

Forty-two percent of those with insight automation are using solutions that monitor performance for issues and opportunities, alerting users when various events occur. These might be a drop in inventory thanks to a surge in purchases, an escalating abandonment rate for users of a given payment system or any other marked change in behavior.

Going further, 44% are using tools that can make decisions in real time, in concert with business rules and other systems. These systems can take steps like ordering inventory, changing prices based on surges of interest or optimizing the use of external partners in the supply chain.

Figure 8: You indicated that your analytics solution provides some insights without analyst involvement. To what extent does your analytics solution notify your organization with insights or automatically take action?
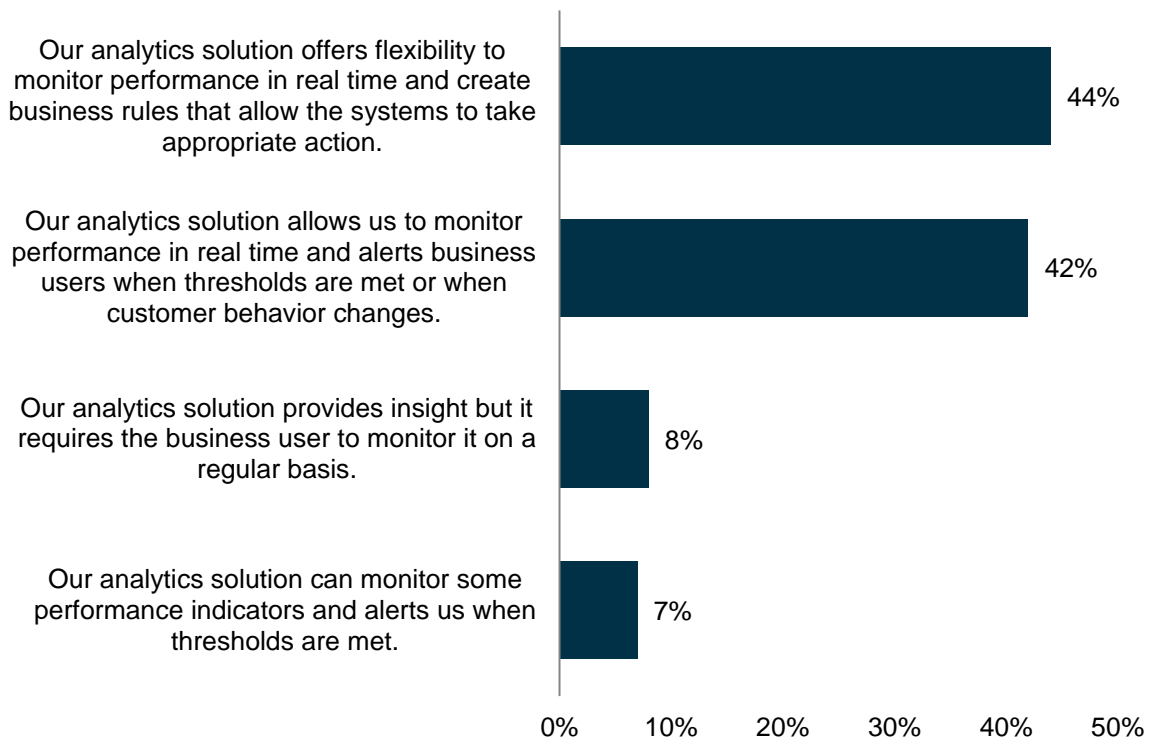
3.5. Product and category analysis

Every retailer has access to data on how well products and categories are selling, but that's only the visible tip of what's happening below the surface. Only about one-in-four retailers are able to maintain a complete and current view of product and category performance, with "current" the word that truly distinguishes this group from the rest. Real-time data is at the heart of how some retailers take their analysis – and actions – to the next level.

For most retailers, product and category reporting amounts to rows on a spreadsheet that tabulates sales over the last week or two. By the time reports are viewed, the opportunity to take merchandising action to improve performance has come and gone. For the forward-leading 28%, the online marketer's and merchandiser's view of performance changes in the moment and in the context of the store pages where those products reside.

Figure 9: Which of the following best describes your organization's ability to understand how your products and categories are performing?
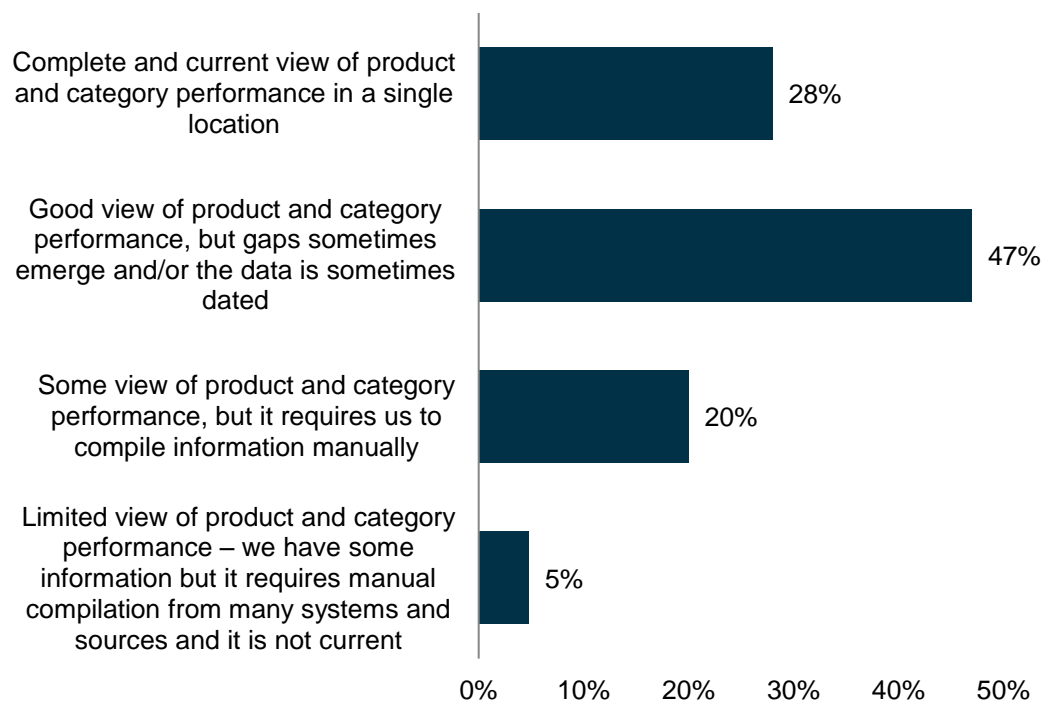
Respondents: 150

By integrating real-time data into a single environment with merchandising capabilities, retailers can gain the ability not only to see issues as they arise, but to take actions in response. At the leading edge, these systems go beyond reporting to optimization, learning from experience to make adjustments and corrections that align with business rules.

Return on Product/Category Analysis

Companies with a complete and current view of product and category performance (the top 28% of the sample) enjoy **average conversion rates that are 143% higher** than those with less sophisticated capabilities.

4. The results of an analytics-first approach

Every analytical capability is valuable both in its own right and in concert with other capabilities. With better understanding of the customer journey, insight automation can be more finely tuned. Overlaying journey analysis with an understanding of customer struggle can lead to changes that shift audience behaviors. Over time, insights build on insights and a full view of the customer emerges.

When respondents to the survey are broken down by their sophistication across multiple analytics capabilities, interesting differences emerge. One of the most striking is their likelihood to have pulled their information sources together, either through integration of disparate tools or the use of a consolidated platform.

Given that the elites are defined by the number of tools at their disposal as well as the sophistication with which they use them, it makes sense that nearly 80% have fully integrated their analytics solutions. This is more than twice the share for average companies and many times that of laggards.

Figure 10: Which of the following best describes your organization's approach to these different types of analytics?
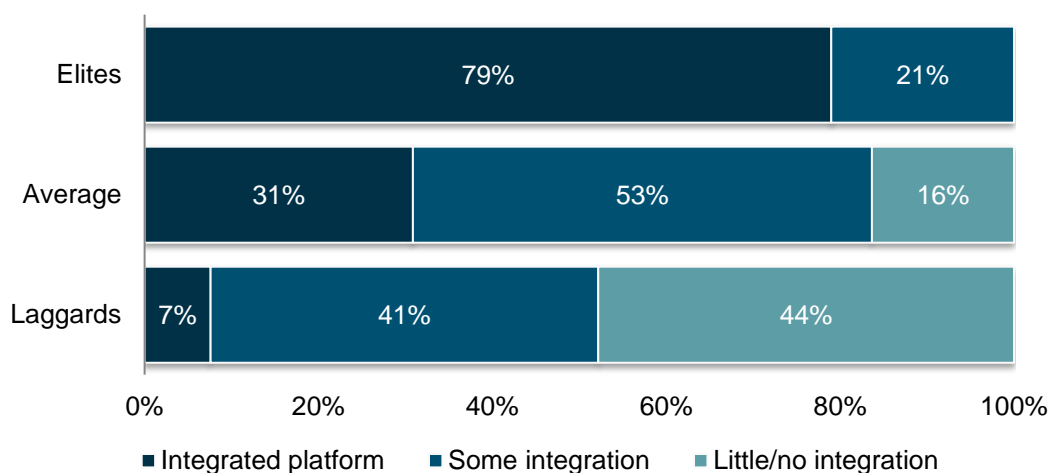
Respondents: 204

Integration doesn't assure improved capability in itself, but it allows analysts to more easily see a fuller picture of audiences and the individual customers that make them up. Analytical insights are cumulative, and the elite group benefits from not only having a strong capability in multiple areas of analysis, but being better able to view them holistically.

When looking at the real-world connections between insight and financial impact, nothing is as powerful as growth. The evidence suggests a relationship between the ability to bring multiple layers of analysis to bear; the elite category (those with strong capabilities across the range of analytics capabilities) outperforms the rest of the sample by nearly 20%.

Return on Elite Analytics Practices

Companies with strong, simultaneous capabilities in customer journey analysis, customer struggle and automated insights – the elites – have **revenue growth rates that are 19% higher** than the rest of the sample.

In most cases we see significant differences between companies with elite analytics practices and the rest of the industry. But in Figure 11 there is remarkable consistency; those at every level of maturity agree on the factors contributing to their success or the lack thereof.

Figure 11: What do you believe has had the greatest impact on your organization's success in using data to understand the customer?

■ Elites ■ Average ■ Laggards
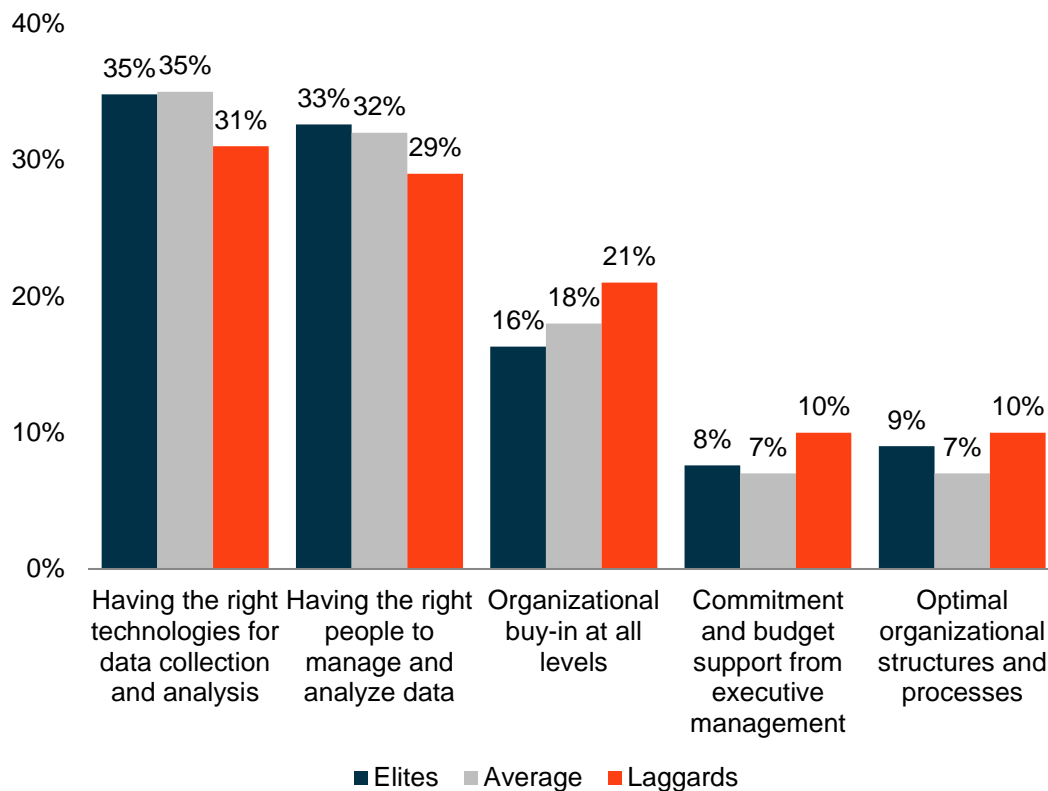
Two factors are dominant. First, but only narrowly, organizations point to having the right technologies underpinning their analytics efforts. Looking ahead to *Figure 12* we see that laggards identified *disparate data sources* as the chief challenge they face. The technologies they point to, therefore, may be different from their most advanced peers which have largely overcome structural issues.

The second factor in analytics success, having sufficient staff, is also across the board. Of course, their roles will differ depending on the type of organization. For example, elites are more likely to have systems that automate some insight gathering and surfacing, but that doesn't mean they don't need the right people to manage and analyze data clearly.

In fact the data suggests that by having these capabilities, analysts at elite organizations are better able to spend their time on higher impact activities. Instead of sifting through a multitude of metrics, they're able to spend more time deciphering the true meaning of data trends and findings, as well as coming up with and testing potential improvements.

Figure 12: Which of the following challenges has your organization faced in building its digital intelligence?

	Elites	Average	Laggards
Support from senior leadership	**63%**	35%	36%
Budget considerations	50%	**63%**	63%
Tying together disparate data sources	49%	53%	**70%**
Quality of available data	44%	48%	57%
Organizational structure	31%	37%	43%

Respondents: 194

Every organization faces challenges in its evolution, but while laggards point to structural difficulties around data management and availability, more analytically mature companies identified other issues.

For average companies the problem is seen as simply budget; carving out enough investment for technology and people at a time when marketing and ecommerce leaders are driven to evolve their organizations on many fronts while trying to hit revenue goals.

Respondents from elite organizations are nearly twice as likely as their peers to point to having overcome resistance from senior leadership as the key to building their digital intelligence practices.

Each of these challenges highlights the role of analytics in the strategic makeup of the company and their evolving digital maturity. For laggards, the problem is a chicken and egg dilemma; the results of their data programs are limited, which in turn limits growing the capability. Data isn't seen as an asset, let alone a strategic one.

For average companies, the analytics practice is a work in progress, with hits and misses, and is impacted by the normal ebb and flow at budget time. There's perceived value, but it's tactical and unlikely to affect strategy.

Those with elite analytics practices cracked the code with corporate leadership and are now more likely to get the support they need. At these organizations, customer insight and analytics are seen as a strategic asset and are used in decision making. But before that could happen, champions for marketing analytics made the case to executive leadership for investment and long-term commitment.

Figure 13: What are the most powerful results of your analytics capability?

Quickly understanding why problems arise
- Elites: 63%
- Average: 43%
- Laggards: 27%

Quickly understanding where problems arise
- Elites: 56%
- Average: 33%
- Laggards: 7%

Understanding customer behavior
- Elites: 27%
- Average: 37%
- Laggards: 40%

Gleaning customer knowledge
- Elites: 25%
- Average: 34%
- Laggards: 47%

Evaluating and improving user experiences, internal processes, etc.
- Elites: 13%
- Average: 13%
- Laggards: 10%

Associating online activity with financial outcome
- Elites: 6%
- Average: 13%
- Laggards: 23%

Effectively personalizing experiences with data
- Elites: 0%
- Average: 5%
- Laggards: 13%

■ Elites ■ Average ■ Laggards

Respondents: 198

Every relationship is defined by its highs and lows. In a business context, especially through the lens of customer experience, this translates to understanding when the relationship is experiencing stress and why.

A significant majority of elite respondents cite their ability to quickly understand where and why problems arise as their most powerful tool. This is in sharp contrast with the average and laggard companies who give more general responses around understanding customer behavior and gleaning customer knowledge.

Identifying an individual customer's struggle is powerful because it not only solves their problem, it can often point to larger issues and opportunities. Recorded sessions show programmers and managers what happens when visitors encounter problems and why. They get passed around as real-life examples, visual anecdotes that inspire change and improvement.

Understanding customer behavior and gaining customer knowledge are valuable, but only when the information can be put into action. Customer struggle analysis routinely sparks action and resolution.

Figure 14: Which of the following best describes how your organization shares analytics data internally?
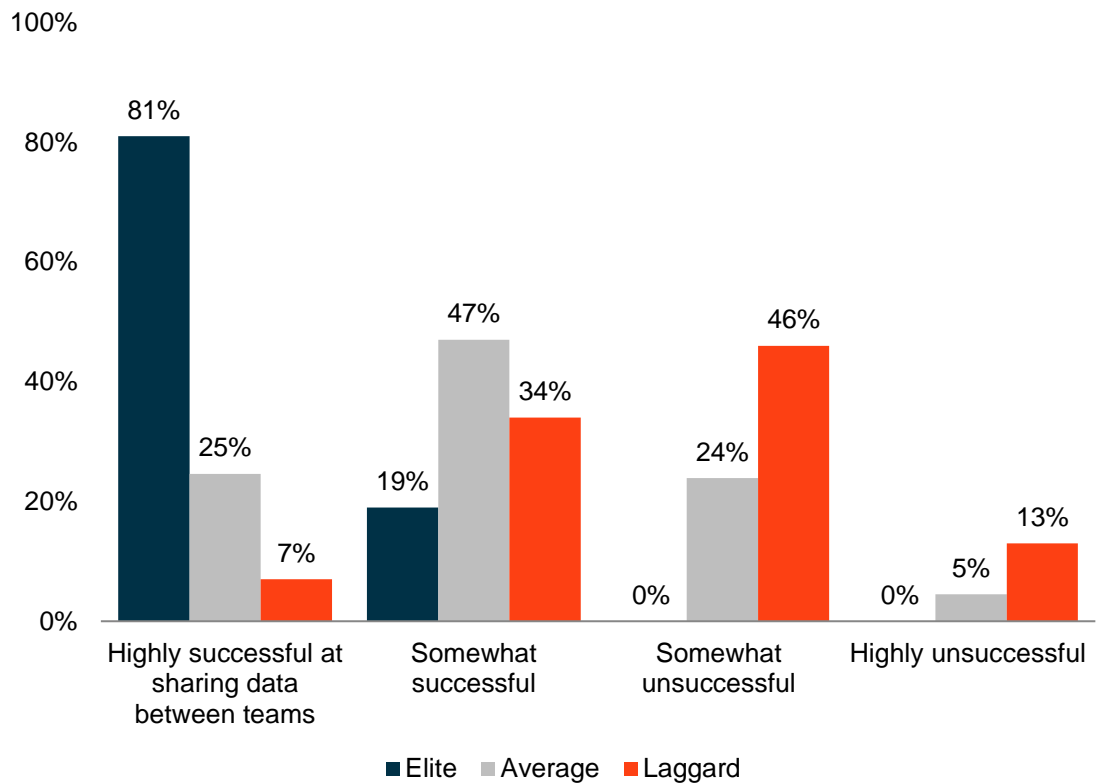
Respondents: 198

One of the surest signs of analytical maturity is the degree to which an organization shares its knowledge and data internally. A simple maturity model would start with companies still contending with the issues of assembling data in hopes of processing it for information. These companies are still working toward the ability to tie together disparate data sources, to clean data and to agree on data definitions between databases.

At the second level, organizations are successful in working with their data and garnering real knowledge, but it is largely sequestered in pockets within marketing or ecommerce.

The final group is separated by their success and their ability to share data, both inside of sales and marketing and beyond. Customer insights are valuable to virtually any team in the enterprise.

Companies that are betting their growth on customer experience should take heed to the lessons of the analytical elite; the circulation of knowledge is vital to success. Customer experience is enterprise wide, but marketing can lead the way, if its data is valuable and trustworthy.

Throughout this study there are questions of causality. Can analytics spark higher growth, better information sharing and improved customer experience…or are the kinds of companies who enjoy that success simply more likely to practice good analytics? This last chart may be a clue to the answer.

Companies with unreliable or incomplete datasets don't share their data. They barely trust their insights enough to use them in specific scenarios and information is kept siloed. Elite organizations are different; they share knowledge throughout the company and it appears to be having a powerful effect.