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How An Analytics Culture Drives Exceptional Business Results

Brands With Advanced Analytics Cultures Experience Greater Success — Learn What Sets Them Apart And See How To Improve Your Company's Analytics Culture

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Executive Summary

Today's advanced marketing measurement tools and technologies are game changers, but they only take an organization part way to the remarkable performance improvements that are ultimately possible. Companies that are achieving extraordinary results have discovered that the secret catalyst to making data and analytics truly transformative lies in a single word: culture.

Nearly all businesses see value in data. But only a few have fully harnessed its potential to contribute directly and substantially to business results ranging from greater decision-making speed, flexibility, and customer understanding, to improved ROI, profitability, and marketing credibility. Those few companies succeeding at this are the ones that are mastering the art and science of building sophisticated data and analytics-centered cultures where employees (top to bottom) are all-in on using data and analytics as the single "common currency" behind decision making.

In August 2018, Neustar and the Association of National Advertisers (ANA) Data Analytics Center commissioned Forrester Consulting to examine the importance of: 1) developing an analytics culture and 2) the associated challenges marketers face in building those cultures. To do this, Forrester surveyed 150 marketing decision makers from US companies that are members of the ANA. Findings from the study reveal clear financial and organizational advantages for companies that are ***mastering*** measurement and analytics compared to those that are just *starting* or *developing* such programs.

Companies with advanced analytics cultures averaged a 9.1% increase in marketing ROI over the last one to two years — a 1.7x performance improvement over those without.

KEY FINDINGS

› The *mastering* companies see nearly a 3x improvement in business decision-making speed and time-to-market with new products, higher marketing ROI, greater marketing efficiency, and new customer insights among other benefits; compared to companies with less sophisticated analytics cultures.

› Companies with strong analytics cultures involve customer insights and data teams more in marketing decision making, keeping data insights more directly connected to decision making.

› An analytics culture is best cultivated when aligned with the right strategy and combined with operational and organizational change, from the top down. Having the right data, technology, methodologies, and data-science expertise is impactful only once an organization has laid a deep and enduring analytics mindset, or foundation.

› All companies should self-assess where their analytics culture stands and take steps toward improving it. Those just *starting* should focus first on developing an analytics strategy, engaging employees, and gaining buy-in for using data to support better decisions, both large and small.

› If your analytics culture is at the *developing* or *mastering* stage, continue pushing boundaries by asking the difficult questions — expand the breadth of your analytics to optimize decisions around pricing, store locations, assortment, and the entire customer experience. Seek out new analytical tools and techniques, and never stop improving.

Analytics-Based Decision Making Supercharges Results For Companies That Get it Right

It is no secret that data has a huge potential to improve how companies operate. Nearly all surveyed companies agree that data- and insights-driven decisions yield substantially better business outcomes. The larger question is whether putting data insights at the center of decision making yields a large enough payoff to justify the organizational change required. The answer is a resounding yes.

Our survey results show that 81% of *mastering* companies — those that put data insights at the center of their decision-making processes — see substantially better business outcomes, compared to just 53% of companies with less mature analytics cultures for whom data insights are used ad hoc (see Figure 1).

Survey participants also reported dramatic differences in marketing performance, based on the degree to which they've created an analytics culture. For example, 43% of companies surveyed with *mastering* (mature) analytics cultures reported over-performance against key metrics (e.g., conversions, engagement, growth), compared to just 15% for companies with less mature analytics cultures.

Mastering **companies also report significantly better performance on a range of outcomes such as ROI, revenue, and marketing efficiency. Most notably, *mastering* companies report a nearly 3x improvement to business decision-making speed and time-to-market with new products when compared to *starting* or *developing* companies** (see Figure 2). One CMO from a global financial services company, for example, attributed a 30% reduction in the cost of customer acquisition to their company's increased focus on analytics.

ANALYTICS CULTURE MATURITY MODELING

As part of this study, Forrester asked survey respondents to rate themselves against numerous criteria related to how their company approaches analytics, from both a technical and organizational standpoint (see Figures 3 and 4 for details).

Using those responses, a composite score (out of 100 points) was created to reflect each company's overall analytics culture maturity. Respondents were divided into three maturity groups relative to their score:

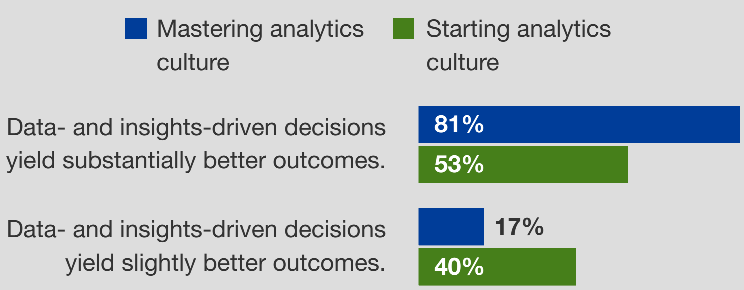
- Those that are ***starting*** to develop an analytics culture.
- Those that are ***developing*** an analytics culture.
- Those that are ***mastering*** an analytics culture.

Throughout this report, *starting* companies will be referred to those who are less mature and *mastering* companies will be referred to as companies with more mature analytics cultures.

Additional attributes of these individual groups are defined later in the report.

Figure 1

"How much more successful have your marketing decisions been when using data and insights?"

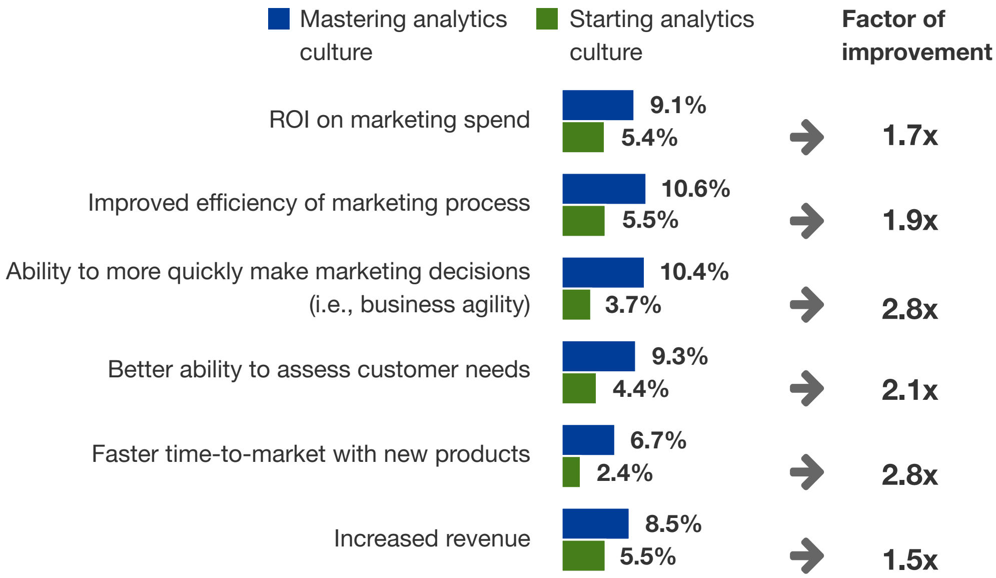


Base: 150 marketing strategy decision makers from US-based companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar and ANA, August 2018

Mastering companies report significantly better performance on a range of outcomes such as ROI, revenue, and marketing efficiency.

Figure 2

"Over the past one to two years, what incremental improvements has your company achieved through using marketing analytics to support business decisions?" (Showing weighted average % improvement over the past two years)



Base: 150 marketing strategy decision makers from US-based companies
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An Analytics Culture Is Much More Than Just Tools And Tech

At the end of World War II, many of the warring nations abandoned the airbases that they'd built for dropping cargo and supplies along the Pacific Islands. In the military's absence, islanders created "cargo cults" founded on the belief that if they rebuilt the bases, airstrips, and even the airplanes themselves, cargo and other western goods (via parachutes or planes) would somehow re-appear.[1] Needless to say, the cargo never came, but the example offers a striking analogy to the way many companies approach analytics today.

Similar to the cargo cults, there is a common misconception among businesses that implementing analytics tools and technology will somehow lead to better data insights for the company. While data and analytics tools have tremendous value in helping enterprises uncover insights, that value is unrealized if there is a not a strong organizational structure and focus placed on leveraging analytics for decision making. As with the cargo cults, the "cargo" — in the form of better decisions that improve profits, ROI, efficiency, speed, and other business benefits — never arrives. Without the cultural mindset to deploy the insights consistently, and within a common framework (or common currency), even the latest and greatest measurement tools and technology will offer little benefit.

KEY ATTRIBUTES OF AN EFFECTIVE ANALYTICS CULTURE

Our survey found that the most effective analytics cultures are influenced by five core factors:

1) Strategy
2) Organizational adoption
3) The ability to turn insights into action
4) Technology
5) Data science expertise

Survey respondents were asked to rate themselves against 20 criteria covering these five core factors to gauge the overall sophistication of their analytics culture (see Figure 3 for more details of each factor).

Figure 3

Strategy	Organizational adoption	Turning insights into action	Technology	Data science expertise
• Reliance on analytics insights to guide marketing decisions and planning • Analytics applied in a structured way • Desire to embed analytics within all marketing channels	• Marketing analytics efforts have C-level support • Active exchange of information and insights across the marketing organization • Marketing is perceived as a growth driver for the business	• Insights can be provided in a timely manner • Ability to translate data insights into business action with speed • Ability to make changes to campaigns while in market through active assessment	• Using various data sources to fuel analytics • Tools to make analytics and data available on demand • Ability to break down siloes to create a "single source of truth"	• Ability to weed through data clutter • Application of advanced methodologies and predictive capabilities • Fully integrated customer-level data with multiple forms of analytics

*Note: This is not an exhaustive list of attributes that define analytics culture. Other attributes were tested as part of this methodology.

A composite score of the survey responses (out of 100) was created and used to divide respondents into three even groups relative to the maturity of their analytics culture:

1) Companies *starting* to develop an analytics culture (score of 0 to 47).

2) Those actively *developing* an analytics culture (score of 48 to 65).

3) Organizations *mastering* an analytics culture (score of 66 to 100).

The analysis of the different groups' attributes revealed that a company's analytics-culture maturity is most strongly impacted by its strategy and organizational adoption score. Scores for technology, data science expertise, and the transformation of insights into action showed more substantial increases for higher maturity levels, proving that those capabilities are secondary to first aligning the company strategy with data and analytics-first thinking. For example, when looking at the challenges that businesses face today, *starting* companies struggle to get their organization aligned around strategy, budget, collaboration, and processes. Those same challenges are far less common for *developing* and *mastering* companies (see Figure 4), suggesting a shift has taken place within those companies. With the organization rallied behind the right strategy, organizations can start to better leverage the data science skillsets, technology, and processes for turning insights into action.

Figure 4

Analytics Culture Maturity Profile

STARTING	DEVELOPING	MASTERING
COMMON ATTRIBUTES:	**COMMON ATTRIBUTES:**	**COMMON ATTRIBUTES:**
1) Analytics are conducted mostly on an ad hoc basis on a small number of use cases.	1) Analytics are conducted frequently on a good number of use cases.	1) Analytics are always conducted and on a wide array of use cases.
2) Analytic insights are distributed mostly on an ad hoc basis.	2) Analytical insights are delivered at regular intervals.	2) Analytical insights are delivered via self-service platforms or dashboards.
3) Less likely to have an analytics CoE or dedicated team(s).	3) Analytics are shifting toward dedicated team(s) across the marketing organization.	3) Data and insights team(s) have a seat at the decision-making table.
CURRENT CHALLENGES:	**CURRENT CHALLENGES:**	**CURRENT CHALLENGES:**
86% Lack of sharing between data silos	**57%** Lack of sharing between data silos	**46%** Lack of sharing between data silos
84% Lack of process to integrate analytics	**49%** Lack of process to integrate analytics	**32%** Lack of process to integrate analytics
78% Lack of advanced analytics capabilities	**61%** Lack of advanced analytics capabilities	**42%** Lack of advanced analytics capabilities
73% Lack of proper dashboards	**63%** Lack of proper dashboards	**44%** Lack of proper dashboards
73% Budget not reserved for analytics	**55%** Budget not reserved for analytics	**36%** Budget not reserved for analytics
73% Lack of clear strategy/objectives	**39%** Lack of clear strategy/objectives	**30%** Lack of clear strategy/objectives
69% Too many difference objectives/ opinions	**65%** Too many difference objectives/ opinions	**46%** Too many difference objectives/ opinions

Base: 150 marketing strategy decision makers from US-based companies
Source: A commissioned study conducted by Forrester Consulting on behalf of Neustar and ANA, August 2018

A True Analytics Culture Works In Lockstep With Strategy, Operations, And A Common Decision-Making Currency

Companies wanting to advance their organization's analytics culture should focus first and foremost on shifting the company's decisioning to be more analytics focused, and then rally employees behind the use of data and analytics. This approach was evident when interviewing companies who were classified by our study as *mastering* analytics culture. Here are two examples:

EXAMPLE 1 — EXECUTIVE SPONSORSHIP

At *mastering* companies, the organizational focus on analytics starts at the top. A top-down approach allows companies to spend less time getting employee support — a challenge for only 40% of *mastering* companies compared to 87% of *starting* companies. This affords them the time to focus more attention on technical/data-related challenges rather than change management as part of an ongoing effort to improve analytics within their business.

For example, a global financial services company wanted to accelerate its growth and saw leveraging data and analytics as a key strategy. The firm promoted a senior analytics executive to become the new CEO. He instilled an analytics-driven approach to decision making and brought in his own team — including a new CMO to reshape the organization.

With new leadership and a new philosophy in place, the team began the transition to an analytics culture by focusing first on the people and processes, ahead of the technology. The first priority was a close integration of the marketing and analytics teams so that, as the CMO described, "They sit in the same room and their collaboration has been pretty seamless."

The CMO further noted that, "Education is [still] an ongoing effort and will be for a significant period of time." She broadened this education initiative to bring senior leaders from the field offices into headquarters for a rotation to expose them to working with analytics and data. As a result, these leaders shared new insights about customer purchasing behavior with their teams when they returned to the field.

Technology was still an important part of the company's transition. The company gradually brought in new technology, but it was in response to the changing needs of the business (as it became more analytics-focused), rather than the starting point for developing an analytics culture.

EXAMPLE 2 — DEMOCRATIZING DATA AND INSIGHTS

A marketing agency we interviewed provided a good example of how companies can work to expand their data usage by being more transparent. The VP of marketing communications for this agency explained that her company was "just throwing darts" as they sought new ways to keep up with the competitive pressures, realizing that they needed to better leverage data insights in order to be effective going forward. What changed? "There was a lot that had to be done in terms of getting people to understand the purpose [of analytics]."

Small efforts were made to get employees more engaged with data, such as making marketing reporting data (conversions, clicks, impressions, sentiment, engagement, etc.) more visible to the company as a whole — because few people were actually seeing that data. This led to more organic conversations among employees that resulted in more data-related questions on a day-to-day basis, eventually driving them to want to understand the "why" behind everything they did.

The VP describes how this change impacted her company saying, "[Analytics] has become more of the way of life around here. People are always saying, 'Okay, here's what we're going to do and here's specifically why we're doing it. Here's the data that we have to back it up. Here's our analysis of it, and here's how it performed."

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>
> *VP of marketing communication, marketing agency*

OTHER IMPORTANT CHARACTERISTICS OF MATURE (*MASTERING*) ANALYTICS CULTURES

In comparing survey responses between companies at different analytics maturity levels, and by reviewing the examples from the interviews conducted, we identified several additional behaviors that help explain how companies further developing their analytics cultures:

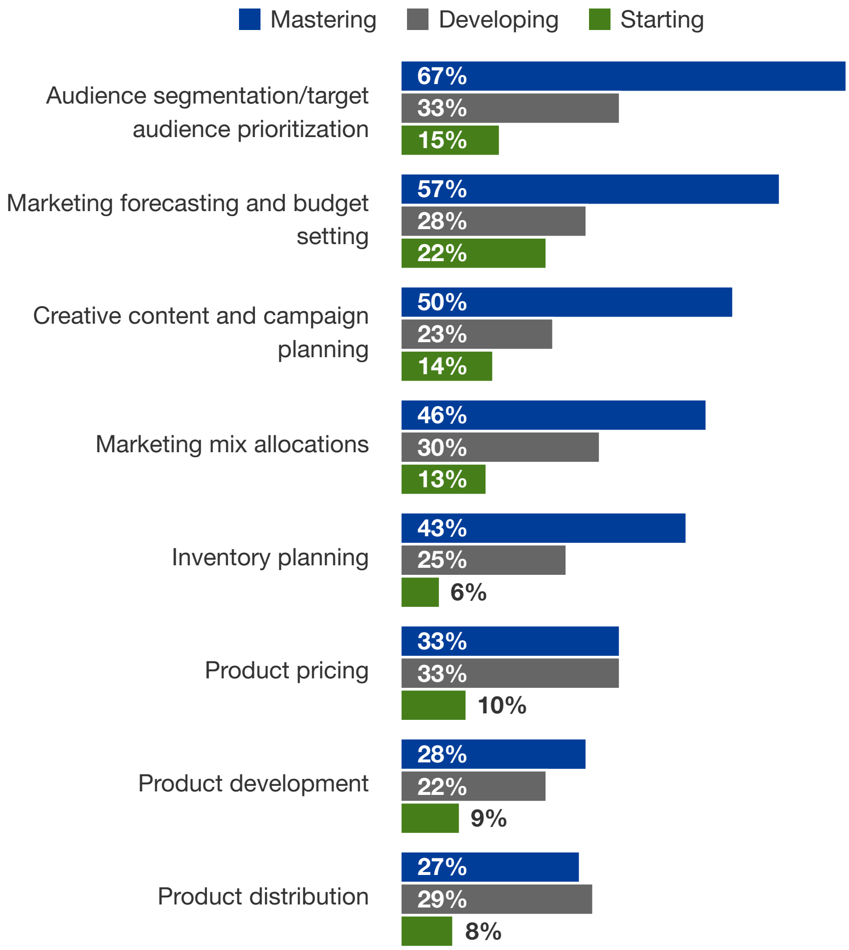
- **Adapting partner relationships as their analytics culture matures.** Partnering with an external analytics expert provides value at all stages of maturity, but the value differs. *Starting* companies have the least skills and experience in-house — so 40%, on average, rely on an external partner for support, compared to 29% of *mastering* companies. However, the way and extent to which those partners are leveraged is not the same. Rather than using partners for things like data management and translating insights into recommendations — which are needed when organizations are less mature — *mastering* companies can utilize partners for more complex tasks such as apply analytics expertise to new business questions and new areas of the enterprise.
- **Using analytics to inform a much broader set of decisions.** While over two-thirds of companies use analytics for most budgeting, targeting, and campaign-planning decisions, *mastering* companies don't stop there. These advanced analytics marketers also leverage insights for product pricing, development, distribution, and inventory planning decisions. On average, *mastering* companies reported two times the number of data use cases to inform decisions, compared to *starting* companies (see Figure 5). It's important to note as well that data is used frequently for making these decisions and it's not just something that is applied ad hoc.

On average, *mastering* companies reported 2x the number of data use cases, compared to *starting* companies.

Figure 5

***Mastering* Companies Constantly Use Data To Support Decisions**

"How often is your company leveraging marketing analytics to support the following types of business decisions?" (% selected "Always")



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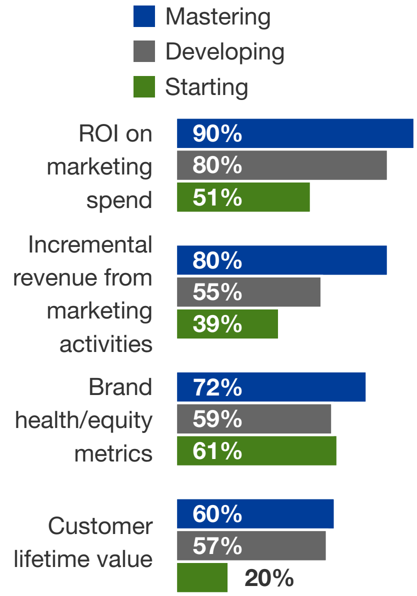
- **Applying greater emphasis to financial metrics.** *Mastering* companies find themselves better positioned to succeed because they put greater focus on measuring the metrics that impact their company's bottom line: ROI on marketing spend, incremental revenue, brand equity metrics, and customer lifetime value. *Mastering* companies were nearly twice as likely to be measuring some of these metrics compared to *starting* companies (see Figure 6). Also, directional data from the survey shows that *mastering* companies more commonly overperform against these financial metrics.
- **Turning data into actionable insights.** *Mastering* companies are adept at constructing compelling data and analytics stories that communicate analytical findings in clear and succinct ways. As one VP of brand marketing pointed out, analytics is about "storytelling on the data, not just reporting the glossary of what we have." In the long run, 63% of companies we surveyed see their ideal state of analytics to be automated and embedded into existing processes and application. *Mastering* companies are the closest to this as they implement more self-service options (such as dashboards) to access insights, but this ideal future is still far off for most companies.
- **Data insights teams are more directly involved with decision making.** Thirty-five percent of *mastering* companies report their analytics center of excellence (COE) is a key influencer and decision maker, compared to just 6% for *starting* companies. Likewise, 41% of *mastering* companies also say that dedicated data analysts within line-of-business (LOB) teams are key influencers and decision makers, compared to just 17% at *starting* companies. As companies mature, the role that analytics plays in decision making migrates out to the LOB with the central COE playing a supporting role.

Bringing data insights teams to the decision-making table was a challenge for one financial services company that we interviewed — classified as a starting category from the survey. The VP of brand marketing described the challenge saying, "We need a more formalized approach, a discussion that marries what's important to the brand and marketing and what the analytics team has on their radar." This comment was a response to the company's analytics team running analytics which were "cool" or interesting, but it was not based on any direct business need. Without this crucial collaboration between data insights and senior decision makers, companies won't experience the full value of developing an analytics culture.

Figure 6

Financial Metrics That Companies Are Tracking



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> "Analytics is about "storytelling on the data, not just reporting the glossary of what we have."
>
> *VP of brand marketing and advertising, financial services company*

Key Recommendations: How To Develop a Transformative Analytics Culture

First, take a hard, realistic look at your company across all the factors that influence analytics culture: strategy, technology, data science expertise, organization adoption, and turning insights into action. Look for any gaps and use the criteria described in Figure 3 to self-assess your company's current analytics maturity level.

Since an embedded analytics culture is such a significant contributor to improving business performance, companies must work to remove friction throughout their journey to organizational mastery.

For *starting* companies:

Creating and perpetuating an analytics culture is a top to bottom effort. It's critical to recruit an executive champion, and then reach across the organization to individuals and teams that will be impacted and engage them early. Finance, for example, will be critical in defining the metrics that link to C-level priorities. Brand and field marketing will have insights and hunches about what market factors must be accounted for and where data about them lives. IT will be critical allies to acquire and cleanse data. Depending on the structure of your business, valuable insights and data could be gathered and contributed from customer service, corporate communications, distribution, or even HR. From the early days, create a collaborative team environment where each function's contribution is actively solicited, and findings are communicated back to them to acknowledge their value.

Building an analytics culture is a journey, not a sprint. Starting and keeping an analytical mindset across the company requires planning, perseverance, and clear communication. Begin your next cycle (or a mid-year revision) by requiring more detailed data than is typically provided to support requests. This will begin to change the conversation and identify the data/insights gaps that need to be filled. Use this process as an input for defining new skills, hiring staff, upgrading technology, and managing data. It may take several cycles for the shift to truly take hold. Along the way, evaluate deficiencies in organizational structure and processes that may impede full support of data-driven decisions. During this transition, while decisions might be made with less than perfect data, insist on progress over perfection, as the former is more important than adhering to a level of data quality that isn't yet available.

The good news is that *starting* companies have the greatest upside potential compared to other groups when it comes to creating an analytics culture. *Starting* companies can anticipate seeing significantly improved business performance in areas such as ROI on marketing spend, marketing efficiency, and increased revenue.

For example, nearly a third of *starting* companies experienced a 20+% improvement on customer acquisition, and 20+% improvements on ROI, compared to just 14% and 5% for *mastering* companies, respectively.

For *developing* companies:

Involve analytics teams more deeply in decision making. An analytics report that sits on a shelf fails to deliver value to the brand. And if analytics initiatives are created and activated only after a marketing plan is developed, they may fail to deliver the full potential of data-driven decisions. The analytics team — and the data insights they generate — should be woven into the entire strategy, planning, budgeting, and execution processes. Each analytics exercise will answer some questions, while posing others. Having the analytics team fully engaged in this iterative process will spur faster progress.

Continuously reinforce the value and reliability of analytics. Not everyone will have a deep enough quantitative background to fully understand the methodologies and techniques applied, so the process may feel like a "black box." To avoid this, take time to provide the entire marketing organization and all stakeholders — from top to bottom — the basics of how these analyses work, how they are applied to business problems, and any potential pitfalls. This will help gain buy-in for an analytics-driven culture, and will help everyone act and communicate effectively through a common currency approach that frames issues in ways everyone will readily understand.

Eliminate walls between analytics and other key functional areas. The point of creating an analytics culture is to enable better decisions and generate improved business outcomes across the entire organization. Analytics teams and efforts that are placed in their own silo can lead to misunderstandings, miscommunication, and lost time. The more exposure each group has to the other, the faster they will learn and create value from analytics. One company we interviewed co-located marketers and analytics colleagues in "pods" to create a daily, free-flowing exchange between the groups.

Take time to provide the entire marketing organization — from VP and director down to channel managers — the basics of how these analyses work, how they are applied, and any potential pitfalls.

For *mastering* companies:

Use analytics to stay hungry and agile. Avoid preconceptions about where, when, and how analytics can be applied in your organization, and ask yourself: What new questions can we answer that will move the needle for our business? Embrace questions that might be seemingly impossible to answer. Present them as a group challenge and give team members permission to experiment, push boundaries, and fail along the way. Even if the answers prove elusive, you will learn valuable lessons along the way.

Expand the depth and breadth of your analytical focus. Many companies concentrate their analytics initiatives in an area with high visibility: the media budget. *Mastering* companies move beyond this to optimize decisions around pricing, store locations, assortment, and other factors among the four Ps of marketing. In this age of the customer, firms must optimize the entire customer experience, not just media and advertising. This demands a more unified and consistent approach to analytics that captures the impact of all of the marketing levers.

Never stop improving. *Mastering* companies must recognize that building a true analytics culture never ends. That's why you are always "*mastering,*" and never quite reaching the ultimate "master" level. Continuously pursue new and better-quality data, seek out improved analytical tools and techniques, identify new business questions, and innovate. Benchmark your analytics maturity level against other companies and the criteria presented in Figure 3 (in the key categories of strategy, organizational adoption technology, the ability to turn insights into action, technology, and data science expertise). You will know when your analytics culture has taken root when new ideas and applications for analytics come from the ground up, rather than being pushed from the top down.

Never stop investing. Companies must continuously invest in expanding analytics capabilities. Thirty-four percent of *mastering* companies spend 10% or more of marketing budgets on measurement and analytics, compared to 71% of *starting* companies which spend five percent or less. As confidence and support grows for analytics programs, more and more budget can be shifted to support analytics goals.

You will know when your analytics culture has taken root when new ideas and applications of analytics come from the ground up, rather than being pushed from the top down.

Conclusion

Competitive pressures are increasing across the board for brands today. Customer demands and preferences are constantly changing, and there is increasingly less margin for decision-making error. Meanwhile, torrents of data are flowing from an ever-broadening array of sources.

Marketers have a quantifiably-proven opportunity to develop an analytics-driven culture that can dramatically improve results, ranging from higher ROI and greater speed, to improved effectiveness and ultimately, more revenue.

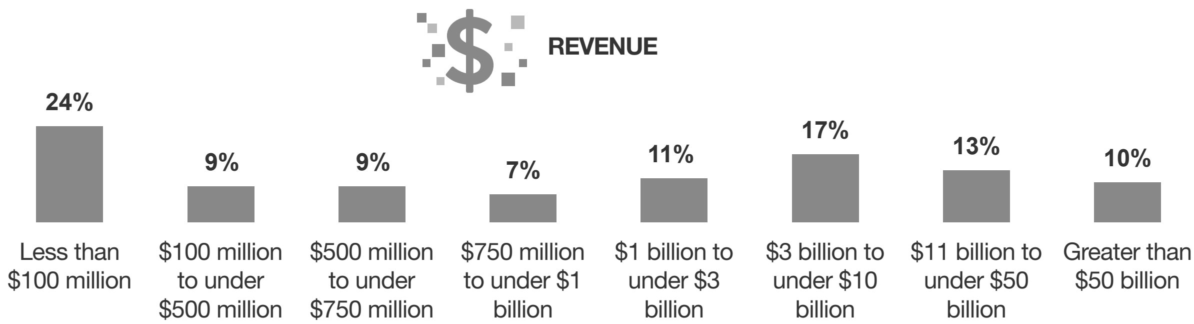
An analytics culture matters. However, unlike those Pacific islanders who were replicating the features of military airbases and expecting it to bring prized cargo, an analytics culture needs a strong strategic and organizational foundation to flourish rather than solely relying on tools and technology to provide insights. The recommendations in this report — based on the real-world experiences of companies at all analytical maturity levels — can help you foster the kind of analytics mindset that will cement marketing's role as a true growth driver for your organization.

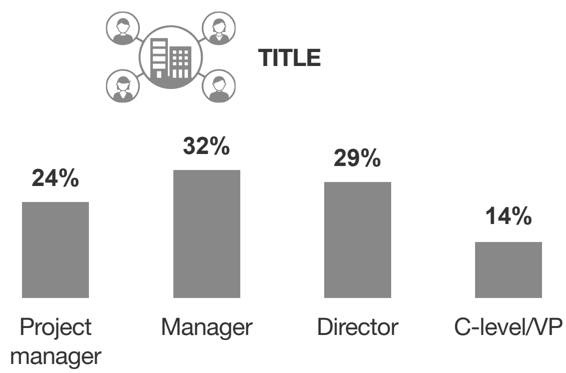
Appendix A: Methodology

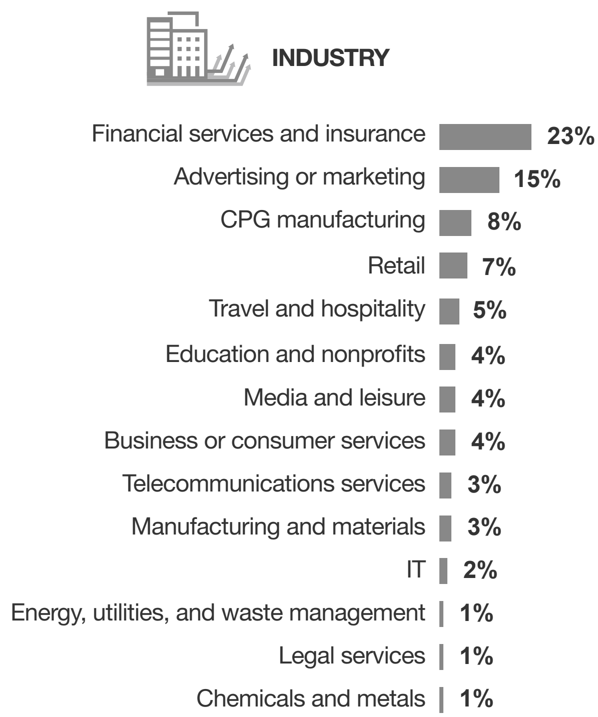
In this study, Forrester surveyed 150 marketing decision makers responsible from US companies who are members of the ANA. Questions provided to the participants asked about their firms' use of analytics to support marketing decisions and challenges associated with marketing analytics. Participants were offered a small incentive for their participation. The study was completed in August 2018.

Four qualitative interviews were also completed as part of this study. Participants were sourced from the survey respondents who opted in for a follow-up discussion.

Appendix B: Demographics/Data







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Appendix C: Endnotes

[1] Source: NewHistorian (https://www.newhistorian.com/melanesian-cargo-cults-consumerism/8821/)