Adapting Measurement For Digital Intelligence
by Joe Stanhope, July 19, 2012

KEY TAKEAWAYS

Traditional Reporting Is Not A Substitute For Actionable Analysis
Despite the widespread availability of reports and metrics, measurement programs fail to deliver value because they present irrelevant metrics, lack sufficient depth to meet business requirements, and rely on incomplete information.

Firms Must Match Metrics, KPIs, and Segments To Their Digital Business Models
Organizations must select metrics, segments, and KPIs based on their digital business models to provide effective channel and tactic level measurements as well as the ability to evaluate achievement against business objectives.

Comprehensive Digital Intelligence Visibility Requires Several Layers Of Analysis
Effective digital intelligence measurement relies on multiple sources and perspectives. No single source of data can provide a holistic view to complete customer interactions, so CI pros must collect and analyze quantitative data across the customer experience to drive comprehensive metrics, segments, and KPIs.
Adapting Measurement For Digital Intelligence

Deliver Comprehensive Measurement Using A Tiered Framework

by Joe Stanhope
with Dave Frankland and Michelle Dickson

WHY READ THIS REPORT

Organizations have a rich trove of data resources and analytics technology at their disposal to support effective customer interactions and process efficiencies. Yet many firms struggle to translate those assets into actionable outcomes that drive the business forward. This report helps customer intelligence (CI) professionals align their analytics programs with their firms’ digital business model to deliver relevant business oriented key performance indicators (KPIs) and comprehensive visibility across a full range of measurement capabilities.

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April 27, 2012

Welcome To The Era Of Digital Intelligence
February 10, 2012
REPORTING AND ANALYSIS ARE NOT SYNONYMOUS

Digital intelligence portends a golden age of analytics for customer intelligence professionals. Business stakeholders have strong appetites for data-driven analysis to support accurate business decisions, wring efficiencies out of processes, and justify investments. And technology options for the collection, processing, storage, and distribution of analyses are abundant. Yet, although firms are heavily invested in technology and there's no shortage of data to collect, measurement remains a constant challenge for organizations. Analytics programs generate myriad reports and dashboards but struggle to deliver actionable analysis because:

- **Metrics lack business relevance.** Reports and dashboards might be chock full of metrics, but it is often unclear why those metrics are included, how they are calculated, or how they should be applied. Although certain metrics may be interesting or have historical value, they are useless unless they clearly correlate to business objectives. It is impossible to take action on metrics without a full understanding of their relevance. At best, irrelevant metrics provide a false sense of security, but at worst they may inspire incorrect actions by stakeholders.

- **One-size-fits-all reporting obscures insights.** Too often, organizations develop and distribute analyses in the form of aggregated batches of reports — the dreaded “report pack.” Users are easily overwhelmed as they hunt through large amounts of information in search of insights that have some bearing on their respective roles. This style of reporting is inefficient for users and can result in frustration, inability to locate key information, and misunderstandings about which data is relevant to whom.

- **Measurement presents an incomplete picture.** Siloed data collection and analysis results in inconsistent information access within organizations. Reporting may feature large amounts of certain information, such as customer or campaign metrics, while lacking access to other pertinent sources entirely, such as interaction or channel analysis. Piecemeal data visibility reduces CI professionals’ ability to perform analysis in context, map out complete visitor interaction paths, and track activities against appropriate metrics.

BUILD A TIERED DIGITAL INTELLIGENCE MEASUREMENT FRAMEWORK

CI professionals must strike a careful balance in their measurement strategies between providing a broad perspective that illuminates the full scope of activity and overwhelming users or losing relevance. Forrester recommends a three-stage digital intelligence measurement framework to adequately guide analysis planning, implementation, and ongoing maintenance. First, organizations must identify the digital business model that defines the ultimate purpose of engaging with customers online. The digital business model will drive the development of KPIs that define success. Second, leverage segmentation techniques to filter granular and complex data for efficient analysis. Third, organizations must develop a curated set of metrics that correlate to business objectives and deliver a complete view of the customer experience (see Figure 1).
Begin By Defining The Digital Business Model

To establish the context and purpose of a measurement program, CI pros must identify the business model that governs their organizations’ digital interactions with visitors and customers. Understanding the fundamental outcomes and objectives of each digital business model provides the basis for defining appropriate KPIs to track performance. Some companies may straddle multiple digital business models; for example, an appliance manufacturer may support eCommerce for direct sales alongside customer engagement elements such as product information and a distributor locator to support retail channel sales. At the macro level there are four digital business models:

- **Publishing.** The publishing model features the delivery of content to visitors to support subscription sales and advertising. News outlets such as The Wall Street Journal and video sites such as Vevo are representative of this model. Measurement focuses on ensuring that visitors are presented with and are able to consume relevant content and that they consume content repeatedly.

- **eCommerce.** The eCommerce model is focused on selling a product or service directly to visitors. This model obviously includes pure plays such as Amazon.com and multichannel retailers such as Best Buy as well as event promoters, such as Live Nation, and fashion flash-sale retailers such as Gilt Groupe. The transaction may occur in any digital channel, including
websites, mobile, or through applications. Measurement focuses on effective merchandising, conversions, and repeat purchases.

- **Engagement.** The engagement model provides information and reinforcement to drive actions or purchases in other channels. Common examples include consumer packaged goods firms that sell products primarily via retail channels, such as Procter & Gamble, automotive manufacturers such as Ford Motor, and pharmaceutical firms such as Abbott Laboratories. Measurement focuses on content consumption, subscriptions, and community participation.

- **Product delivery.** The product delivery model directly deploys an organization’s offering to customers as an on-demand service via digital channels in lieu of a physical product or installed software. Common examples include SaaS customer relationship management (CRM) tools such as salesforce.com, instant television and movie viewing provider Netflix, or online brokerage platforms such as E-trade. Measurement focuses on cost of service, task completion, functional usage, and usage patterns.

### Filter Complex Data For Efficient Analysis

Customer intelligence teams have massive amounts of data to inform analysis and campaign execution, and the majority of this information is highly accessible. But the overwhelming breadth and volume of the data make atomic level analysis impractical in day-to-day practice. Segmentation applies a filter to vast data stores to categorize and aggregate data into logical groupings. Digital intelligence segmentation strategies rely heavily on demographic, historical, behavioral, and environmental data and can be derived via rule-based or data-mining techniques. With a segmentation strategy in place, the rule sets that identify key audiences and behaviors can be efficiently applied to metrics, reports, and analysis projects to focus users on actionable outcomes. In addition, enterprise segmentation strategies are extensible to acquisition and retention marketing efforts, creating continuity throughout the customer lifecycle.

### Support The Business Model With Comprehensive Visibility

Using the digital business model as a lens, CI pros must create a digital intelligence measurement framework by developing a set of metrics that provide a total view of the digital customer experience. These metrics will correlate to — or provide proxies for — the business model’s strategic objectives, track the efficacy of touchpoints and tactics, and expose multiple customer experience perspectives. A complete measurement approach ensures coverage across several layers of analysis (See Figure 2):

- **Channel analysis.** At a tactical level, organizations must monitor the basic health of individual channels such as websites and applications. Understanding channels on their own merits is critical for avoiding weak links in the multichannel chain. Standard metrics such as traffic volume, returning visitors, traffic sources, and content consumption provide a basis for optimizing individual channel performance and continuity across channels.
- **Campaign analysis.** Documenting return on investment (ROI) and driving traffic to owned touchpoints is critical for campaigns such as search, display, and email. Conversion is the gold standard for campaign measurement, but other key metrics include impressions delivered, response rates, and multistage conversion funnel reporting.

- **Optimization analysis.** Optimization programs require their own set of metrics to track the effectiveness of segmentation, targeting, and testing efforts. Metrics are designed to identify the performance of content and promotion variations against a control group to identify an optimal configuration as determined by success metrics such as conversion rate, order size, registrations, and form completion.

- **Interaction analysis.** Interaction analysis provides an experiential layer of insight on top of standard metric-driven tracking to understand the actions of visitors and customers. This may incorporate path analysis within sites and applications as well as session recording to identify granular user movements and inputs for customer experience, support, and archival purposes.

- **Voice of the customer analysis.** Voice of the customer (VoC) — a systematic approach for incorporating the needs of customers into the design of customer experiences — provides a qualitative layer of insight to support digital intelligence. VoC collects customer preference, feedback, and satisfaction information using surveys delivered via intercept pop-ups or self-selected feedback buttons. But it also provides valuable color around the reasons that certain outcomes occur and how visitor perceptions correlate to quantitative measurements.

- **Competitive analysis.** Competitive intelligence supports an understanding of the total universe of digital consumers and the relative performance of digital properties. Competitive intelligence is typically sourced externally from a variety of providers via panel, ISP, search, and browser data. Competitive reporting includes a list of competitors with traffic in a given market, the volume of traffic, page performance, and search rankings. Increasingly competitive analysis incorporates social intelligence — including feeds from social channels to track buzz, news, and sentiment.

- **Performance monitoring analysis.** The delivery of digital customer experiences is predicated on the availability of server and network infrastructure to deliver content and applications. Ensuring the performance of these systems has traditionally been the purview of IT, but CI pros have been increasingly proactive in tracking this foundational component of digital intelligence. Users typically monitor elements such as the timing of page loads, redirects, domain lookups, downloads, and server responses.

- **Customer analysis.** Effective measurement must also evaluate channels and tactics in the context of the customer. This perspective is necessary to track the ultimate impact of acquisition, retention, and upsell/cross-sell efforts and for understanding the interplay of multiple channels that support customer relationships. Customer analysis identifies metrics such as lifetime value, revenue per user, behavior by channel, and product propensities.
### Figure 2 Digital Customer Experience Metrics Categories

<table>
<thead>
<tr>
<th>Digital customer experience metrics category</th>
<th>Value to the marketer</th>
<th>Analysis examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Channel analysis</td>
<td>Evaluate the health of discrete channels to maximize individual touch point performance and support multichannel interactions.</td>
<td>Traffic volume, returning visitors, traffic sources, and content consumptions</td>
</tr>
<tr>
<td>Campaign analysis</td>
<td>Evaluate owned media campaign performance to maximize return on investment.</td>
<td>Conversion rate, impressions delivered, response rate, and conversion funnel analysis</td>
</tr>
<tr>
<td>Optimization analysis</td>
<td>Evaluate the performance of content and promotion variations against a control group to determine the optimal configuration of customer experience elements.</td>
<td>Conversion rate, order size, registrations, and form completion</td>
</tr>
<tr>
<td>Interaction analysis</td>
<td>Evaluate visitor and customer behavior to visually understand how users interact with customer experiences to identify areas for improvement and validate quantitative metrics.</td>
<td>Path analysis, session replay, granular user actions such as mouse movements, and form usage</td>
</tr>
<tr>
<td>Voice of the customer analysis</td>
<td>Evaluate self-selected visitor and customer preferences, feedback, and satisfaction indicators to understand qualitative user needs and why interactions occur.</td>
<td>Responses to survey questions and freeform feedback</td>
</tr>
<tr>
<td>Competitive analysis</td>
<td>Evaluate industry or competitive benchmarks to understand the total universe of consumers and relative performance of digital properties.</td>
<td>Competitor traffic volume, site performance, search rankings, and social buzz.</td>
</tr>
<tr>
<td>Performance monitoring analysis</td>
<td>Evaluate infrastructure performance to determine that content and applications are effectively delivered to visitors and customers.</td>
<td>Page load speed, domain lookups, downloads, and server responses.</td>
</tr>
<tr>
<td>Customer analysis</td>
<td>Evaluate digital channels and tactics at the customer level to understand the value of multichannel interactions on customer relationships.</td>
<td>Lifetime value, revenue per user, behavior by channel, and product propensities</td>
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Source: Forrester Research, Inc.

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### Recommendations

**DON’T MEASURE EVERYTHING; MEASURE THE RIGHT THINGS**

Digital channels offer the inherent advantage of being able to measure a nearly infinite array of clicks and events. But collecting and exposing all available data isn’t a viable data management or analysis strategy. To keep analytics relevant to stakeholders and keep processes manageable, CI pros must curate the available measurement options. Selecting and delivering analytics is as much art as science: understanding which metrics correlate to goals, which are relevant to business stakeholders, and crafting a total view of the digital customer experience. To plan an effective digital intelligence measurement strategy and keep it on track, CI pros must:

- **Set goals.** Defining success is the most basic requirement of measurement. Goals galvanize the purpose of channels and tactics and provide a clear understanding of how success is measured.
and at what level success is achieved. Goals provide critical context and the ultimate reference point for the development of relevant, business-oriented metrics and KPIs.

- **Understand the difference between metrics and KPIs.** Metrics and KPIs both play a part in digital intelligence measurement, but they are not the same. Metrics describe events or actions in a quantitative manner, such as a count or trend. Metrics provide an understanding of the basic mechanics and health of a channel or tactic. KPIs describe progress against an objective, perhaps a corporate strategic objective or a campaign objective. KPIs provide indicators of the contribution of channels and tactics to the business.

- **Pay attention to presentation as much as the data itself.** Data collection and management are critical components of digital intelligence measurement, but delivering that data to the business in a timely, effective manner is equally crucial. Poor presentation can instantly negate the best measurement strategy. CI pros must deploy measurement via well-designed reports and dashboards with appropriate segmentation and exploration capabilities, within highly usable and accessible applications, and with information that's relevant to the needs of individual stakeholders.

- **Emphasize balanced delivery.** CI pros should treat the measurement framework tiers as integrated components. Enhancements to one or two components will not be fully productive until the remaining elements are upgraded to match. For example, comprehensive data access and well-constructed segments offer limited utility without ratified KPIs. Organizations are better off focusing on deploying measurement capabilities that balance visibility, filtering, and KPIs, even if it means focusing on a narrower set of data or users.

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**ENDNOTES**

1. CI professionals struggle to organize customer data and measure marketing performance. See the February 28, 2011, “Marketing Technology Adoption 2011” report.

2. Segmentation for CI professionals is less of a modeling or analytical effort and more of a data summarization problem. See the June 9, 2011, “Segmentation: New Approaches To An Old Problem” report.

3. With a gradual shift from funnel-based marketing to a customer life-cycle model, firms need to mobilize people, tools, and systems — including segmentation. Here's how: Segmentation insights are applicable across the customer life cycle, from acquisition to retention. See the February 28, 2011, “Improving Customer Segmentation” report.

4. Firms that are serious about improving customer experience have a lot to gain from implementing a VoC program, which we define as a systematic approach for incorporating the needs of customer in to the design of customer experiences. See the February 8, 2007, “Building Your Voice Of The Customer Program” report.
As social channels continue to gain importance and listening platforms build more functions to power the benefits of tracking online discussion, CI professionals must harness the power of data from social media to serve a wider audience. See the May 18, 2012, “Defining Social Intelligence” report.

Users need intuitive and aesthetically appealing display metaphors to quickly derive insights and determine whether further action is warranted. See the August 3, 2010, “Demonstrate Marketing Accountability With Effective Dashboards” report.
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