

The CMO Strategic Agenda: Automating Closed-Loop Marketing

March 2008

Executive Summary

Aberdeen surveyed 315 enterprises to identify current closed-loop marketing challenges, tactics, and strategies. The study reveals astounding results about the strategic value of closed-loop marketing. Top performing organizations are improving message relevancy, conversion, and Return on Marketing Investments (ROMI) with closed-loop marketing practices and processes.

Best-in-Class Performance

Aberdeen used three key performance criteria to distinguish Best-in-Class companies. Best-in-Class demonstrated the following performance:

- 36% average increase in year-over-year annual revenue
- 26% average increase in year-over-year ROMI
- 21% average lift in year-over-year conversion rates

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics:

- Currently leverage closed-loop marketing processes or technologies (88%)
- Analyze customer behavior to segment and target markets with future marketing efforts (56%)
- Documented processes to collect and manage customer response from all customer-facing functions in the organization (42%)

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- **Develop a robust customer database for closed-loop marketing efforts.** Best-in-Class centralize profile data, customer behavior, and sales and marketing activity to one database.
- **Be pragmatic about closed-loop marketing adoption.** Closed-loop marketing can positively impact revenue, conversion, and ROMI. However, it takes time to nurture the organizational processes that support the technologies. Consider a phased approach to closed-loop marketing and be sure to include small wins to maintain organizational momentum.

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

“What is the most common process for leveraging customer analytics for closed-loop marketing? It seems to me that web analytics and customer analytics create a great deal of data points, but it's difficult to translate all of them rapidly enough to make real-time changes to marketing messages.”

~ Director of Marketing,
Financial Services Company

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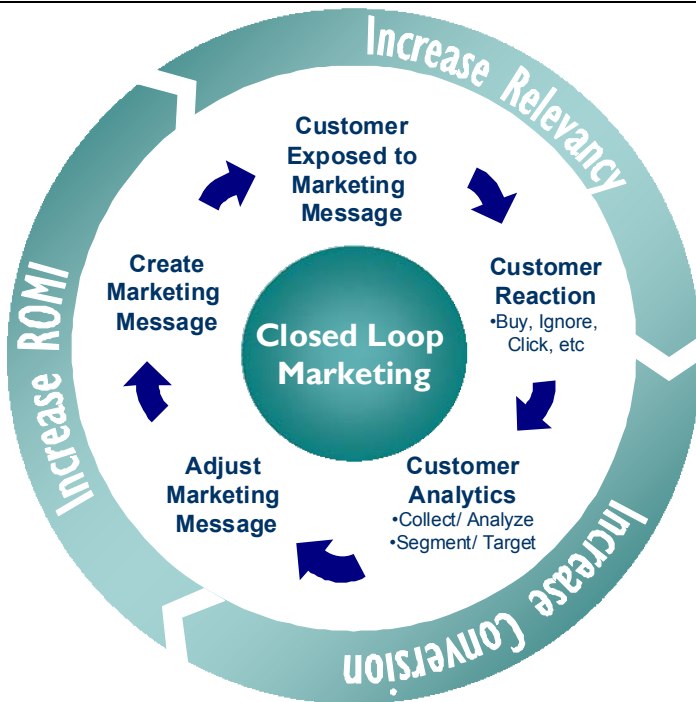
Chapter One: Benchmarking the Best-in-Class

What is Closed-Loop Marketing?

The term “closed-loop marketing” has been around for decades. The proliferation of marketing channels adds complexity to the challenge of optimizing outbound marketing to deliver relevant messages to customers and prospects. Aberdeen research reveals closed-loop marketing practices and processes are fundamental drivers of superior performance for Best-in-Class companies; making closed-loop marketing as important today as it ever was in the past. All respondents look to closed-loop marketing practices to help increase top line revenue in online and offline channels (62%) and return on marketing investments (47%).

Closed-loop marketing refers to the feedback loop between the customer and the marketing message. Simply put, customer data and behavior is used to adjust marketing campaigns to direct and refine marketing strategy and tactics creating a constantly optimizing closed-loop system (Figure 1).

Figure 1: What is Closed-Loop Marketing?



Source: Aberdeen Group, March 2008

Closed-loop marketing is sometimes referred to as the process of closing the loop between sales and marketing. However, sales and marketing integration is actually a subset of closed-loop marketing and is essential for analyzing how customers react to marketing messages (did they click an email, purchase a product, purchase a cross-sell, etc.); which requires

Fast Facts

- ✓ **75%** of survey respondents are B2B
- ✓ **25%** of survey respondents are B2C
- ✓ **49%** of respondents are currently leveraging closed loop marketing

“Closed-loop marketing for me is more than just the communication back from the customer, but also closing the loop between marketing and sales (answering the question ‘what happened to those leads I sent you?’).”

~ Daniel, Marketing Director,
High Tech Software

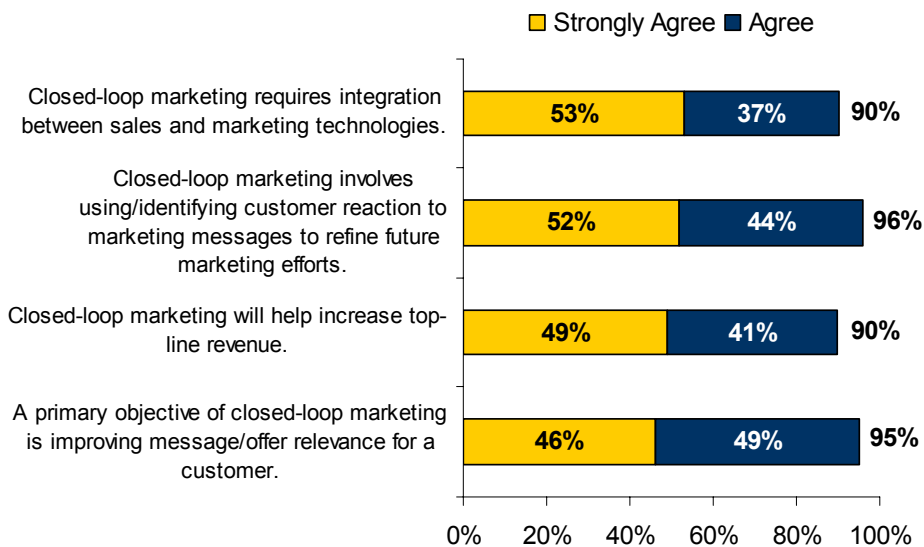
extensive integration between sales and marketing technologies. Ultimately, closed-loop marketing is about increasing the relevancy of marketing messages to lift conversion, grow revenue, and improve return on marketing investments.

There are many ways to leverage closed-loop marketing. The concept of closed-loop marketing is universal across a single marketing message, an individual campaign (email, direct mail), or across multi-channel campaigns; it's about optimizing the marketing message. Every marketer relies on past experience to dictate and shape the effectiveness of their marketing campaigns; in a sense, all marketers practice closed-loop marketing on a daily basis. However, as the research will demonstrate, today's organizations are deploying far more advanced closed-loop marketing processes and practices in pursuit of higher revenue and return on marketing investments.

Market Perception of Closed-Loop Marketing

Aberdeen asked respondents to clarify their perceptions of closed-loop marketing. Almost half of all respondents indicated they strongly agreed to the following statements about closed-loop marketing (respondents were asked to select multiple answers) as shown in Figure 2.

Figure 2: Market Perception of Closed-Loop Marketing (All Respondents)



Source: Aberdeen Group, March 2008

In Chapter Two, we will identify how top-performing organizations use closed-loop marketing to consistently achieve superior performance.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations (Table 1).

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 36% average increase in year-over-year annual revenue ▪ 26% average increase in year-over-year return on marketing investment ▪ 21% average lift in year-over-year conversion rates
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 11% average increase in year-over-year annual revenue ▪ 5% average increase in year-over-year return on marketing investment ▪ 7% average lift in year-over-year conversion rates
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 5% average increase in year-over-year annual revenue ▪ 16% average decrease in year-over-year return on marketing investment ▪ 3% average lift in year-over-year conversion rates

Source: Aberdeen Group, March 2008

The Best-in-Class PACE Model

Leveraging closed-loop marketing to achieve corporate goals requires a combination of strategic actions, organizational capabilities, and enabling technologies that can be summarized as follows:

- Develop a central repository / database for collecting sales and marketing activity and customer behavior
- Automate marketing optimization processes
- Analyze customer behavior to segment and target markets more effectively
- Track and monitor customer response

Table 2: The Best-in-Class PACE Framework

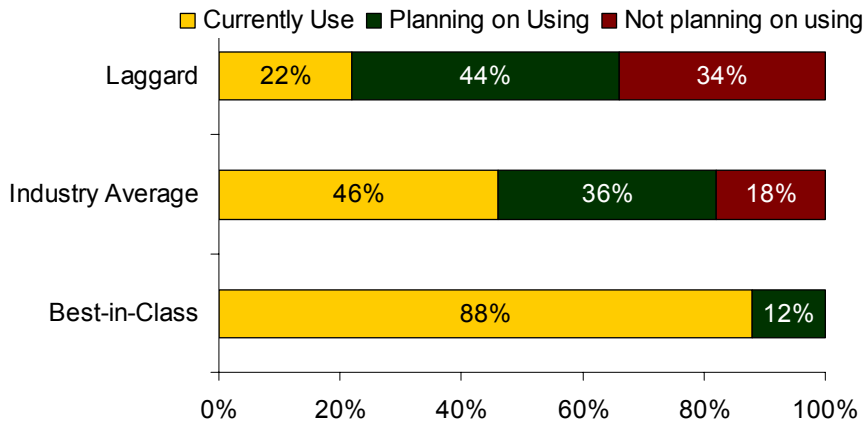
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ Increase online and offline sales 	<ul style="list-style-type: none"> ▪ Develop a central repository / database for collecting sales and marketing activity and customer behavior ▪ Automate closed-loop marketing processes with technology 	<ul style="list-style-type: none"> ▪ Sales and marketing work collaboratively to share information about marketing activity and win statistics ▪ Executive-level support for closed-loop marketing programs ▪ Centralized database containing prospect marketing activity, sales activity, and customer behavior ▪ Collected customer data and behavior is used to build a profile of customers 	<ul style="list-style-type: none"> ▪ Customer ratings and feedback ▪ Integrated web analytics and email marketing solution ▪ Web analytics solution ▪ Event triggers / rules engine ▪ Lead prioritization / scoring tool ▪ Email marketing - click through tracking

Source: Aberdeen Group, March 2008

Best-in-Class Closed-Loop Marketing Strategies

Best-in-Class organizations leverage closed-loop marketing to increase online and offline revenue (75%) and return on marketing investments (61%). The Best-in-Class are 2.6 times more likely than their peers to leverage closed-loop marketing techniques (Figure 3).

Figure 3: Use Closed-Loop Marketing

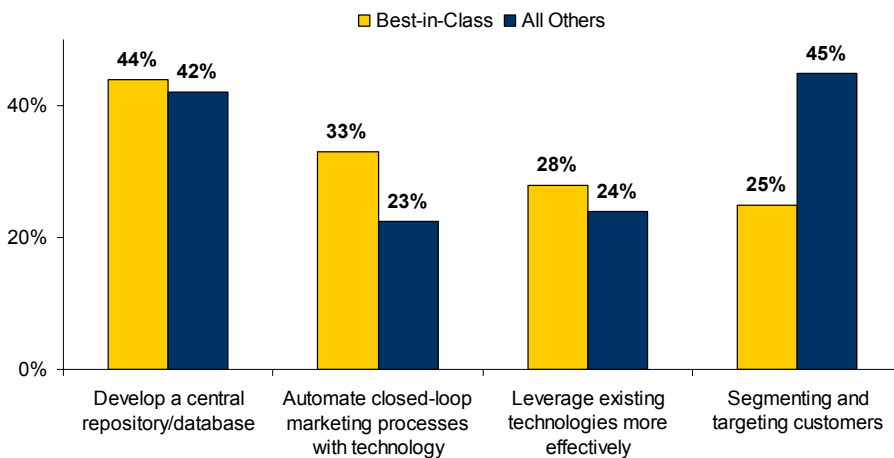


Source: Aberdeen Group, March 2008

Top-performing organizations are using closed-loop marketing processes and technology enablers to deliver higher revenue and return on investments. Best-in-Class companies support closed-loop initiatives with two primary strategies:

- Develop and maintain a marketing database (44%)
- Automate closed-loop marketing with technology (33%)

Figure 4: Best-in-Class Strategies



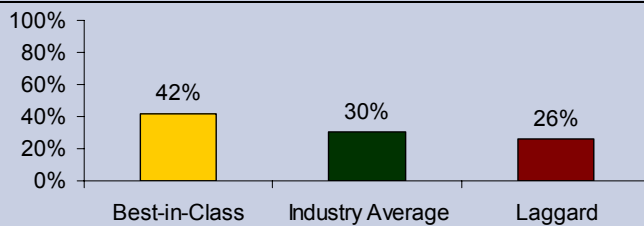
Source: Aberdeen Group, March 2008

Closed-loop marketing starts with robust data that is centralized and accessible for marketing individuals. Fifty-nine percent (59%) of Best-in-Class companies use a centralized marketing database containing customer profiles, marketing activity, and data on customer behavior (versus 45% of Laggards). However, data is only useful when it is transformed into actionable and timely information. As a result, Best-in-Class companies seek processes and technologies that will automate closed-loop marketing interactions (marketing message, channel, delivery vehicle, etc.) based on customer behavior or profile data within the marketing database (Figure 4).

Aberdeen Insights — Strategy

All organizations indicate automation is a top strategy for maximizing investments in closed-loop marketing. Figure 5 shows the current degree of closed-loop marketing automation that exists within the different maturity classes (Best-in-Class, Industry Average, and Laggard). Remember, Best-in-Class are over two-times more likely than their peers to currently leverage closed-loop marketing.

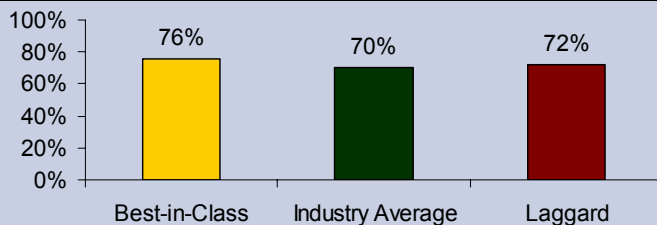
Figure 5: Percentage of Closed-Loop Marketing Processes that are Currently Automated



Source: Aberdeen Group, March 2008

The research demonstrates that today's closed-loop marketing practices (even within Best-in-Class organizations) still require a great deal of manual effort. However, Best-in-Class companies can easily justify the extra effort through significant returns on marketing activities, technology, and human capital investments. The research also suggests that organizations are seeking new ways to automate and optimize marketing messages to maximize the value of existing data and to optimize marketing activities. Respondents overwhelmingly indicate that the current level of automation with respect to closed-loop marketing is not optimal (Figure 6).

Figure 6: Percentage of Closed-Loop Marketing Processes that Should be Automated



Source: Aberdeen Group, March 2008

continued

Aberdeen Insights — Strategy

What Does it Mean to Automate Closed-Loop Marketing?

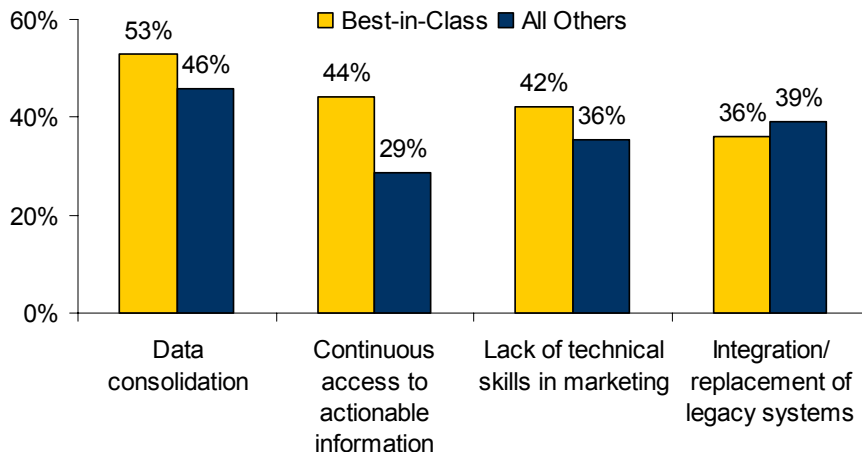
Automation can be achieved through a number of different technologies and processes. Tools like campaign management, lead management, email marketing, personalization, web optimization, event-based triggers, and dynamic content delivery enable organizations to automate the closed-loop marketing process. The challenge is leveraging all these technologies as part of a holistic solution to enable closed-loop marketing. As always, Best-in-Class companies demonstrate an aptitude for supporting closed-loop marketing initiatives with technology and organizational processes that maximize the use of the technology (Table 4). Nevertheless, closed-loop marketing starts with robust data. Tools like web analytics can quickly saturate organizations with data collection; the challenge is making all that data actionable. Best-in-Class organizations are leveraging a number of technologies to maximize the value of marketing databases. Marketing databases help deliver targeted, personalized messages based on customer behavior and the customer's reaction to marketing messages. Fifty-three percent (53%) of the Best-in-Class use auto-response tools to automate marketing campaigns based on customer behavior, demographics, and even attitudinal analytics.

In the next chapter, we will see what the top performers are doing to achieve superior performance in online and offline revenue, ROMI, and conversion rates.

Chapter Two: Benchmarking Requirements for Success

Fifty-nine percent (59%) of the Best-in-Class currently have a single customer database containing customer profiles, marketing activity, and customer / prospect purchase behavior (versus 47% of all other organizations). As a result, the Best-in-Class are constantly struggling to consolidate and access actionable data to analyze and optimize marketing messages (Figure 7).

Figure 7: Top Implementation Challenges for Closed-Loop Marketing



Source: Aberdeen Group, March 2008

Organizations also indicate that the lack of technical skills prevents them from fully maximizing the value from marketing analytics data - particularly when closed-loop practices are not automated through technologies like: event-triggered campaigns, campaign management, lead management, offer testing, and website optimization. Time and resource constraints are common obstacles to closed-loop marketing efforts for all organizations. Only 31% of the Best-in-Class and 12% of Laggards leverage dedicated resources that are responsible for analyzing customer behavior to test marketing effectiveness. As a result, analysis becomes yet another burden for marketing operations and therefore, the vast majority of organizations that actually leverage closed-loop practices demonstrate organizational support and end-user accountability for the success of the initiatives.

Despite the fact that 88% of the Best-in-Class leverage closed-loop marketing practices and 56% currently use a centralized customer database, these organizations still struggle with the robustness and completeness of marketing data. Only 21% of the Best-in-Class indicated they were completely satisfied with their marketing databases (Figure 8); one-third believe the current centralized marketing databases is adequate, while the

Fast Facts

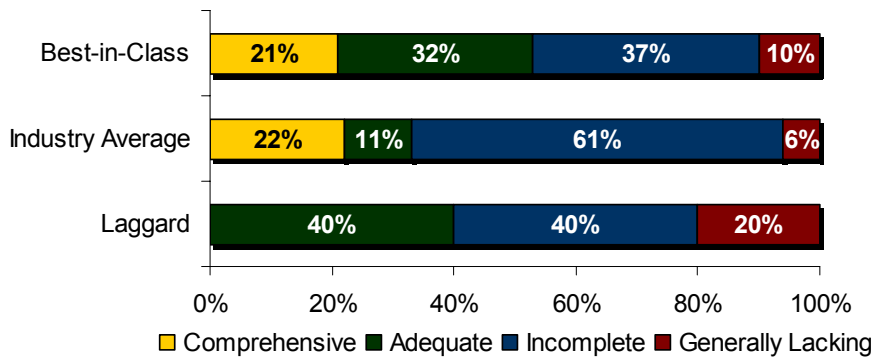
- √ **53%** of Best-in-Class use auto-response tools to automate lead management (versus 15% of Laggards)
- √ **73%** of all respondents use or plan to use multi-variant testing tools

“One of the biggest challenges around closed-loop marketing is customer response. We use landing pages with all of our advertising to get feedback and hopefully some idea of its effectiveness. But, this is the most nebulous of our marketing activities. Our customers and potential customers claim they aren’t that influenced by our advertising, but, when they come to trade shows, they are often coming with an express intent to evaluate equipment.”

~ Kurt A. Bradtmueller,
Director, After Sales and
Marketing, Panasonic Factory
Solutions Company of America

remaining one-third believed their current database is incomplete; a testament to how Best-in-Class continuously strive to optimize processes and technologies.

Figure 8: Completeness of Customer Database



Source: Aberdeen Group, March 2008

Metrics that Matter: Measuring Closed-Loop Marketing

Measurement is a central component to leveraging closed-loop marketing effectively. Survey respondents indicated one of the top challenges to optimizing and supporting closed-loop marketing is identifying and tracking the right metrics. Aberdeen explored the metrics Best-in-Class organizations leverage to track and monitor the effectiveness of closed-loop marketing initiatives. These metrics can be divided into three succinct categories: relevancy (identifying the effectiveness of the marketing message), conversion (identifying and understanding the impact of message relevance), and ROMI (understanding the holistic cost / benefit of marketing activities).

“I think closing the loop between marketing and the customer is important, however, very difficult to measure. The true measurement of a good marketing campaign is an increase in sales. If your message did not generate an increase in sales, then you know something went wrong.”

~ Daniel, Marketing Director, High Tech Software

Table 3: Top Metrics Used by Best-in-Class to Measure Closed-Loop Marketing

Type of Metric	Best-in-Class Metrics
Relevancy metrics	Response rates (88%)
	Cost per lead (66%)
	Website activity (63%)
	Click-through (56%)
	Subscription / form completion (56%)
Conversion metrics	Conversion rate (91%) - based on the company definition of conversion
	Marketing campaign activity (81%)
	Sales (78%)
ROMI	$\text{ROMI (98\%)} = \frac{(\text{Revenue} - \text{Cost of Sales}) - \text{Marketing Investment}}{\text{Marketing Investment}}$

Source: Aberdeen Group, March 2008

Justifying Investments in Closed-Loop Marketing

Seventy-two percent (72%) of Best-in-Class companies claim to have executive-level support for closed-loop marketing initiatives. This is a key capability for these organizations. The Best-in-Class continuously optimize closed-loop marketing through processes, knowledge management practices, performance measurement (as we saw earlier) and organizational culture. Table 4 demonstrates the strategic value Best-in-Class companies derive from implementing closed-loop marketing. The research underscores the value of leveraging Best-in-Class tactics for closed-loop marketing. Table 4 also demonstrates that Industry Average and Laggard organizations do not always realize improved performance simply from leveraging closed-loop marketing practices.

Table 4: Average Performance Realized After Implementing Closed-Loop Marketing

Performance Metric	Average Performance for Best-in-Class	Average Performance for All Others
ROMI	Increased by 26%	Decreased by 8%
Annual revenue	Increased by 35%	Increased by 7%
Lead to sales conversion rate	Increased by 19%	Increased by 1%
Average order value	Increased by 21%	Increased by 4%
Campaign click-through	Increased by 32%	Increased by 2%
Customer retention rates	Increased by 17%	Decreased by 1%
Sales lift on personalized promotions	Increased by 27%	Increased by 2%

Source: Aberdeen Group, March 2008

Aberdeen also analyzed the mean performance from companies that currently leverage closed-loop marketing practices and those that do not. This data demonstrates the value in leveraging closed-loop marketing to optimize marketing messages and increase message relevancy (Table 5).

Table 5: Performance Comparison - Companies using Closed-Loop Marketing versus Companies Not Using Closed-Loop Marketing

Performance Metric	Average Performance: Using Closed-Loop Marketing Processes or Technology	Average Performance: Not Using Closed-Loop Marketing Processes or Technology
ROMI	Increased by 24%	Increased by 18%
Lead conversion rate	Increased by 23%	Increased by 16%
Average revenue per account	Increased by 15%	Increased by 12%
Average deal time	Decreased by 13%	Decreased by 10%
Average return on marketing campaigns	Increased by 27%	Increased by 13%

Source: Aberdeen Group, March 2008

Table 5 demonstrates that companies that leverage closed-loop marketing also achieve higher average performance than those that do not leverage closed-loop marketing. This does not mean there is a correlation between performance and closed-loop marketing, but there is certainly a meaningful trend in the data suggesting that closed-loop marketing is an integral component to consistent marketing performance improvement.

Case Study — Accor Hotels

Accor is the European leader in hotels and tourism and operates in nearly 100 countries with 170,000 employees. With more than 4,000 hotels worldwide, covering all segments from economy to upscale. Accor offers hotel services tailored to individual customer needs. Global operations demand multi-lingual marketing campaigns, dozens of back-end support systems, and a detailed network of partners.

Accor embarked on an initiative to globally optimize customer relationships. “Six to seven years ago this goal was much more difficult to realize, because technologies were expensive and internet penetration was low. But, today, we are able to automate customer interaction based on customer profiles and customer activity,” says Mathieu Staat, Customer and Relationship Marketing Director of AccorHotels.com. “We needed a way to nurture our customer loyalty program.”

Accor developed an automated closed-loop marketing system that automatically delivers personalized, targeted marketing messages based on customer activity, demographics, and loyalty characteristics. “We started with a goal in mind; it’s easy to get sidetracked with technology constraints and scope creep. Be pragmatic about developing the system.”

A phased approach helped Accor create small wins that could be measured and monitored for success. “We started with a robust database. Our first goal was to develop a central repository of customer data. We integrated data from our booking system, the website, CRM, customer profiles, marketing activities, etc.” After developing a marketing data mart, Accor implemented tools and technologies to make actionable, timely, automated decisions based on the data.

continued

Case Study — Accor Hotels

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“Our solution requires constant optimization; it’s a never-ending cycle of optimization. We send out automated marketing messages, identify how well they worked, and then optimize the next generation of marketing campaigns to consistently increase conversion, customer satisfaction, and customer retention.” The new processes and technologies allowed the same number of resources to send out two and a half times as many targeted marketing messages. Lead time in creating communications reduced by 50% and they saw an increase of 30% in ROMI over a three-year period.

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of appropriate tools and effective deployment of those tools); and (5) **performance management** (the ability to measure their results to improve their business). These characteristics (identified in Table 6) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 6: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Utilize processes to adjust / react to customer responses to marketing campaigns		
	50%	32%	21%
	Documented processes to collect and manage customer response from all customer facing functions in the organization		
	42%	29%	15%
Organization	Executive-level support for closed-loop marketing programs		
	70%	54%	33%
	Sales and marketing work collaboratively to share information about marketing activity and win statistics		
	69%	56%	48%

	Best-in-Class	Average	Laggards
Knowledge	Sales and marketing share a common view of customer data		
	75%	52%	50%
	Customer data and behavior is used to build a profile of customers		
	58%	38%	34%
	Analyze customer behavior to segment and target markets with future marketing efforts		
	56%	48%	35%
Technology	Technology currently in use:		
	<ul style="list-style-type: none"> ▪ 71% marketing database ▪ 70% customer ratings and feedback ▪ 54% lead prioritization / scoring tool ▪ 48% business process management ▪ 35% behavior / customer analytics 	<ul style="list-style-type: none"> ▪ 67% marketing database ▪ 55% customer ratings and feedback ▪ 31% lead prioritization / scoring tool ▪ 35% business process management ▪ 20% behavior / customer analytics 	<ul style="list-style-type: none"> ▪ 58% marketing database ▪ 45% customer ratings and feedback ▪ 22% lead prioritization / scoring tool ▪ 22% business process management ▪ 10% behavior / customer analytics
Performance	Determine and measure customer interest levels to aid in lead qualification and offer targeting		
	42%	31%	19%
	Frequency of customer behavior analysis:		
	<ul style="list-style-type: none"> ▪ 40% during campaigns ▪ 33% after campaigns ▪ 13% real-time 	<ul style="list-style-type: none"> ▪ 23% during campaigns ▪ 18% after campaigns ▪ 0% real-time 	<ul style="list-style-type: none"> ▪ 0% during campaigns ▪ 33% quarterly ▪ 0% real-time

Source: Aberdeen Group, March 2008

Capabilities and Enablers

Based on the findings in the Competitive Framework and interviews with end-users, Aberdeen’s analysis of the Best-in-Class demonstrates best practices for adopting or implementing closed-loop marketing.

Process

Best-in-Class organizations are 2.3-times more likely than Laggards to have processes in place that dictate how to use and leverage customer analytics. These processes allow top-performing organizations to consistently measure and monitor message relevancy and customer response. All respondents indicated one of the top challenges to closed-loop marketing is defining and documenting processes. The Best-in-Class mitigate this challenge by developing documented processes for aggregating and

collecting closed-loop data from all customer-facing functions in the organization to identify campaign response, open rates, conversion, product sales, and overall campaign performance. Closed-loop marketing requires a unified combination of people, process, and technology.

Organization

Alignment issues between sales and marketing prevent organizations from fully realizing the value of closed-loop marketing practices. Best-in-Class companies develop organizational practices to encourage sales and marketing to work in collaboration and take accountability for performance. Top performing organizations are also 2.1-times more likely than Laggard organizations to maintain executive-level support for closed-loop marketing initiatives and practices.

Knowledge Management

The keystone of effective closed-loop marketing is an organization's knowledge management practices. Best-in-Class companies realize continuous improvement in message relevancy and conversion by maintaining a robust marketing data mart with customer profiles and detailed information on customer behavior. This information is used to segment and target customers more effectively - enabling higher conversion, annual revenue, and return on marketing investments.

Technology

Best-in-Class organizations are leveraging a host of technologies to deliver closed-loop marketing. However, closed-loop marketing starts with one essential element, a robust data set. Seventy-one percent (71%) of the Best-in-Class leverage a marketing database; however, 67% of Industry Average organizations also leverage databases. The Best-in-Class also use lead management tools to automate actionable timely decisions based on customer behavior in the data mart. As we saw in the previous sections on process and organization, top-performing companies support data collection by documenting, formalizing, and creating accountability for data quality. Despite the use of marketing databases, Industry Average companies that automate or analyze mediocre data merely accelerate the deterioration of key performance metrics - garbage in, garbage out.

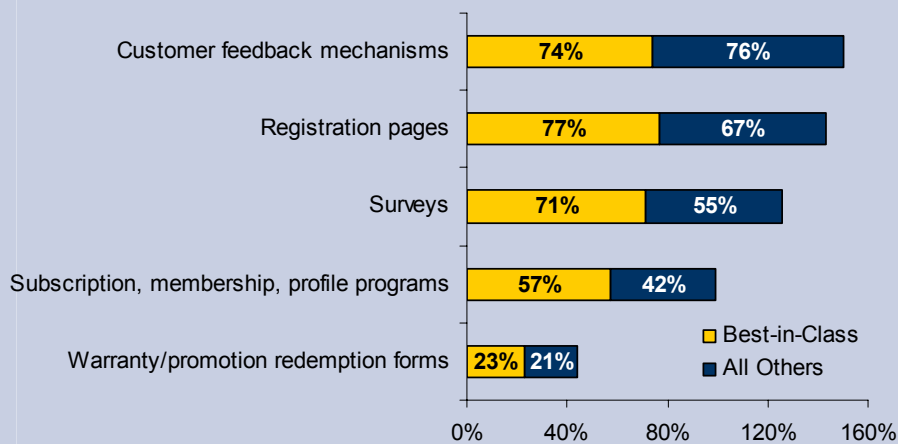
Performance Management

Best-in-Class companies are two-times more likely than Laggards to measure customer interest levels and leverage these metrics in lead qualification and offer targeting tactics. More importantly, top performing organizations are far more apt to conduct customer behavior analysis on a regular basis and use this analysis for optimizing marketing messages. In fact, Best-in-Class are four-times more likely than Laggards to measure customer behavior during campaigns to correct and optimize campaigns in mid-cycle.

Aberdeen Insights — Technology

Closed-loop marketing requires the collection of both implicit and explicit customer data. The Best-in-Class are 1.4-times more likely to leverage feedback and survey tools to track and monitor customer satisfaction, message relevancy, and customer retention issues (Figure 9).

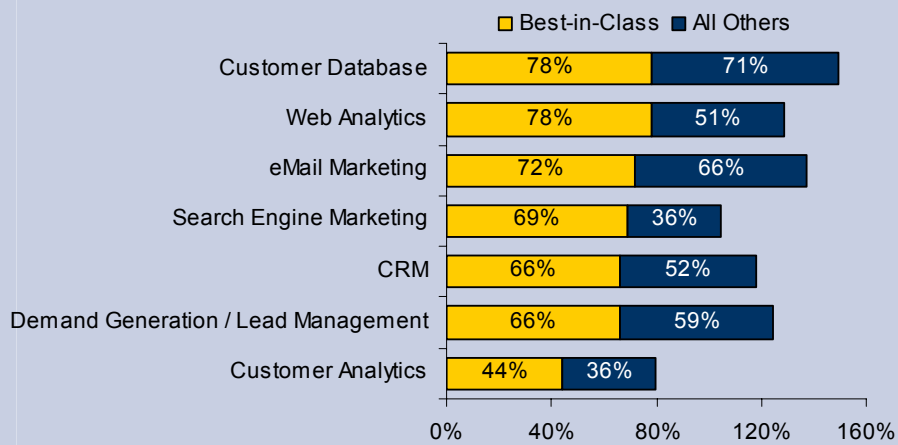
Figure 9: Sources of Explicit Customer Profile Data



Source: Aberdeen Group, March 2008

Figure 9 demonstrates the sources of information that can be captured directly from the prospect. The Best-in-Class also leverage a number of technologies to capture implicit (based on customer behavior) data about customers (Figure 10).

Figure 10: Tools Used to Capture Implicit Customer Data



Using Technology to Collect Implicit Data

Source: Aberdeen Group, March 2008

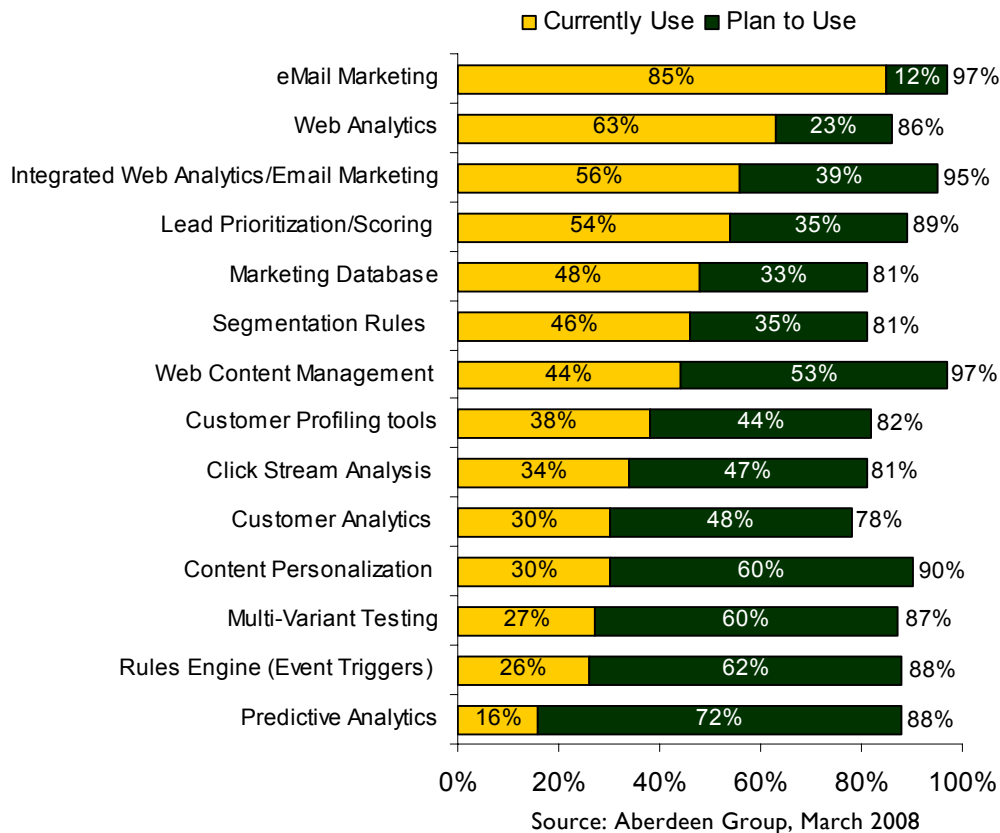
Enabling Technologies for Best-in-Class

Aberdeen research revealed how top-performing organizations effectively blend process and human capital to support closed-loop marketing efforts. Despite future strategies, closed-loop marketing processes are still quite manual. However, the Best-in-Class clearly leverage a number of enabling technologies which are essential to superior performance. Figure 11 demonstrates the current technologies leveraged by Best-in-Class. Data indicates that these companies will heavily leverage online tools for closed-loop marketing in the immediate future.

"Multi-variant testing resulted in a 23% lift in conversion on our website. Identifying user behavior online helped us create targeted collateral materials for our direct sales force."

~ VP Marketing
Communications, Software /
High Tech Company

Figure 11: Best-in-Class Technologies for Closed-Loop Marketing



Best-in-Class organizations seek automation to mitigate the challenge of optimizing closed-loop marketing initiatives. As such, top-performing organizations anticipate adopting technologies like lead prioritization, behavioral analytics, multi-variant testing, rules and event engines, and web content management to continue optimizing closed-loop marketing processes and practices in the future.

Case Study — RedSeal Systems Inc.

RedSeal Systems Inc. provides security risk management solutions that give instant visibility into the threats that leave an open door to valuable company resources. The company recently placed a heavy emphasis on lead generation and the development of a closed-loop marketing system to identify the effectiveness of marketing materials and qualify leads based on propensity to buy. “This is an exciting time for me” said Cynthia Nowicki, Director of Marketing. “This is the closest I have ever come to implementing a closed-loop marketing system that marketing can own and maintain.” RedSeal uses a combination of on-demand CRM, a prospect database, and an ASP-based service that generates, tracks, and develops qualified prospects for the sales team. Prospect activity is tracked and stored in a customer database for profiling and analysis. “We have automated the processes which dictate how we treat our prospects and leads. I can go into our database on a weekly basis to identify how many responses we receive from marketing campaigns. Additionally, through integration with CRM, we can view the optimal combination of marketing campaigns that lead to a sale.” This kind of granularity helps RedSeal operate a true closed-loop marketing system where marketing messages are analyzed based on customer behavior and optimized to continuously maximize return on investments.

Chapter Three: Required Actions

Whether a company is trying to move its performance in revenue, ROMI, or conversion rates from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Analyze customer behavior more often.** Best-in-Class organizations are four-times more likely than Laggards to analyze customer analytics during marketing campaigns and 3.3-times more likely to analyze customer behavior in real-time. Closed-loop marketing is a continuous cycle of optimization. The Best-in-Class realize superior performance because they have intimate knowledge of message relevancy and customer reaction at all times.
- **Leverage feedback and survey tools.** The Best-in-Class are two-times more likely than Laggards to capture explicit data about customers by using these tools. Explicit tools capture information directly from prospects. The Best-in-Class use both implicit and explicit information about prospects to optimize marketing messages.
- **Closed-loop marketing delivers improved performance.** Seventy-seven percent (77%) of Laggards are not using closed-loop marketing processes or practices. Eighty-eight percent (88%) of organizations that achieved the highest performance in year-over-year annual revenue growth, year-over-year return on marketing investments, and year-over-year conversion rates use closed-loop marketing tactics. Additionally, Aberdeen research demonstrates that organizations that leverage closed-loop marketing also realize higher performance.

Industry Average Steps to Success

- **Document processes for aggregating or collecting customer data from customer-facing functions within your organization.** The Best-in-Class are 1.5-times more likely to document these processes, and this helps to continuously optimize and identify inadequacies in data collection or quality.
- **Focus on data quality, not data quantity.** Marketing databases can rapidly become unusable if too much data is collected. Automating closed-loop marketing with mediocre data will merely accelerate mediocre performance.
- **Don't bite off more than you can chew.** Closed-loop marketing will require support from people, process, and technology. Industry Average organizations already leverage many of the technologies

Fast Facts

- √ **Other metrics used by the Best-in-Class to track closed-loop marketing performance:** customer value, cost per acquisition, ratio of new to returning visitors, customer satisfaction
- √ **80%** of Industry Average companies score and prioritize leads (versus 77% of the Best-in-Class)

that support closed-loop marketing efforts. Sixty-seven percent (67%) of Industry Average companies have marketing databases, which are essential elements to closed-loop marketing. Consider the following:

1. Executive support for closed-loop marketing initiatives is essential.
2. Start by tracking simple metrics like click-through rates, conversion rates, and click-stream analysis. Get the organization accustomed to identifying the impact of messaging on these metrics. Track and monitor them over time and identify correlated variables that have a direct impact on these metrics: time, demographics, promotions, cross-sells, etc.
3. Move to light personalization in outbound marketing (for example, the customers name in the email salutation). Measure and identify the impact. Measurable positive results will demonstrate the value of closed-loop marketing and help maintain momentum for future investments.
4. Start using the customer database to segment and target a handful of customers or prospects. Personalize offers to these individuals and measure the results. This may require investments in new technologies with segmentation capabilities. However, 48% of Industry Average organizations already segment customers.
5. Consider ways to automate closed-loop marketing through technology. Use existing experience to validate the impact of various technologies. Focus on adopting technologies that are aligned with your company's business goals and objectives - if a web presence is desired - consider event-based email marketing or multivariate testing capabilities.

Best-in-Class Steps to Success

- **Maintain steadfast focus on the end goal to increase message relevancy and improve revenue.** Closed-loop marketing is challenging to implement and maintain, particularly for large organizations with complex IT environments. It's easy to get caught up with IT constraints, database challenges, resources, and budget.
Consider a phased approach to continuous improvement initiatives. When momentum becomes sluggish, focus on quick wins to demonstrate how continued commitment to closed-loop marketing can consistently deliver benefits.
- **Automate closed-loop processes by increasing investments in new technologies.** This is a top-two strategy for the Best-in-Class. Consider technologies that marketing can own and maintain. Marketing ownership of closed-loop marketing optimization is

"Cut the monster into pieces- you always want to gather more information. Focus on the central database first and start with a phased approach. Bite off what you can handle and identify the benefits of each phase before moving on."

~ Mathieu Staat, Customer and Relationship Marketing Director of AccorHotels.com

essential to the continued success of these initiatives. Your peers are considering investments in the following technologies in the next 12 months:

- Predictive analytics (72%)
- Multi-variant testing (60%)
- Event-triggered tool / rules engine (60%)
- Web content management (53%)

Aberdeen reveals closed-loop marketing practices provide meaningful strategic value for top performing organizations. Closed-loop marketing is heavily leveraged by Best-in-Class companies and requires process and technology to implement effectively.

Aberdeen Insights — Summary

The concept of closed-loop marketing has been around for many years. In fact, some might argue the term is overused and overrated. However, Aberdeen research provides solid evidence that closed-loop marketing helps top-performing organizations deliver measurable improvement to key performance indicators like annual revenue, ROMI, and conversion rates. Closed-loop marketing is complex, costly, and requires constant optimization. However, research reveals it's worth the effort.

Closed-loop marketing requires a blend of people, process, and technology. For this reason, future closed-loop marketing strategies will focus on automating and streamlining processes to reduce manual efforts. By automating closed-loop marketing activities, organizations can consistently deliver more impactful marketing messages resulting in higher message relevancy, conversion, online and offline revenue, and ultimately return on marketing investment.

Send to a Friend 

Appendix A: Research Methodology

Between February and March 2008, Aberdeen examined the use, the experiences, and the intentions of more than 320 enterprises to identify how closed-loop marketing tactics are leveraged and deployed.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on closed-loop marketing strategies, experiences, and results.

Responding enterprises included the following:

- *Job title / function:* The research sample included respondents with the following job titles: marketing (55%); sales (13%); business process management (11%); IT (7%); other (14%); senior management (36%); director / manager (46%); staff and operations (17%).
- *Industry:* The research sample included respondents from both B2C (45%) and B2B (55%) - including high tech (37%); telecommunications (8%); consumer package goods (6%); publishing and media (11%); finance and banking (4%); computer and peripherals (5%).
- *Geography:* The majority of respondents (69%) were from North America. Remaining respondents were from the Asia-Pacific region (6%) and Europe (24%).
- *Company size:* Twenty-two percent (22%) of respondents were from large enterprises (annual revenues above US \$1 billion); 34% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 44% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Thirty-six percent (36%) of respondents were from small businesses (headcount between 1 and 99 employees); 30% were from midsize enterprises (headcount between 100 and 999 employees); and 34% of respondents were from large enterprises (headcount greater than 1,000 employees).

Solution providers recognized as sponsors were solicited after the fact and had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

- √ The degree to which closed-loop marketing practices and technologies are deployed and the financial implications of leveraging closed-loop techniques
- √ The structure and metrics used to support closed-loop marketing
- √ Current and planned use of closed loop-marketing
- √ The benefits, if any, that have been derived from closed-loop marketing

The study aimed to identify emerging best practices for closed-loop marketing and to provide a framework by which readers could assess their own management capabilities.

Table 7: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, March 2008

Table 8: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, March 2008

Table #: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, March 2008

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [CMO Strategic Agenda: Demystifying ROI in Marketing](#); February 2008
- [Green Marketing: Leveraging Customer Data to Reduce Direct Mail Waste](#); February 2008
- [Marketing Digital Asset Management: Capturing Storing and Retrieving Digital Media to Deliver Strategic Value](#); January 2008
- [Social Media Monitoring and Analysis: Generating Consumer Insights from Online Conversation](#); January 2008
- [Sales Effectiveness: Leveraging Content to Close Deals](#); November 2007
- [Contact Center Analytics](#); October 2007
- [Demand Generation: Kick-Start Your Business](#); September 2007
- [This Time It's Personal; Making Online Experiences Unique](#); August 2007
- [Sales Effectiveness: Getting Sales Back to Selling](#); July 2007
- [Success Strategies in Marketing Automation](#); July 2007
- [Online Content Speaks Volumes](#); June 2007

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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