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PREDICTIVE MARKETING ROUNDUP

Predictive analytics is gaining plenty of traction with client-side marketers and agency-professionals alike. eMarketer has curated this Roundup of articles, trends and interviews to help you understand how marketers are using customer data to provide improved personalization, understand user behavior across devices and anticipate consumer needs.

presented by

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Overview

Predictive analytics, a discipline that helps marketers use customer data to provide improved personalization, understand user behavior across devices and anticipate consumer needs, is gaining plenty of traction with client-side marketers and agency-professionals alike.

According to data on predictive analytics from Econsultancy and marketing automation firm RedEye, 40% or more of agency professionals and client-side marketers said they either currently use the technology or have set aside a budget to implement a predictive analytics program in the next 12 months.
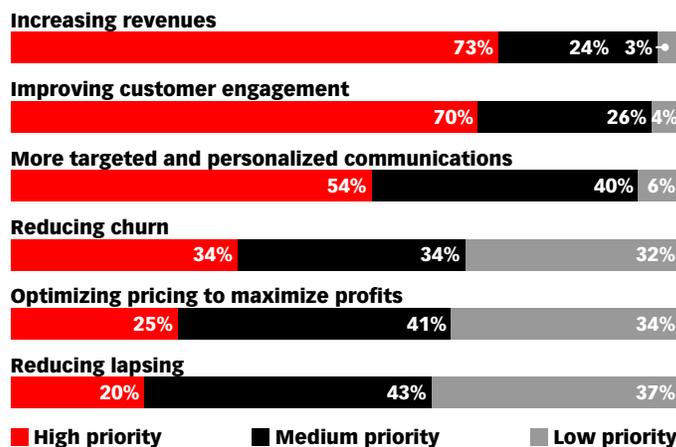
The majority of marketers who turn to predictive analytics hope to use the technology to increase revenue and customer engagement. Among the respondents surveyed, increasing revenue and improving customer engagement were the two most frequently-mentioned goals, with 70% or more mentioning the two objectives as a high priority.

Among those marketers who already use or plan to use predictive analytics, the technique is also helping provide a variety of customer insights. Some 84% of marketers either already or plan to use it to generate insight around customer conversion, while another 83% said they used or planned to use predictive analytics to better understand customers.

Still, even as predictive analytics gains steam with more organizations, many companies continue to hold back due to factors like lack of budget, siloed teams and a lack of internal knowledge. Indeed, 40% of agency professionals said lack of budget was a key obstacle. On the client side, 32% of respondents said siloed organizations were holding back their predictive analytics strategies, while 30% mentioned the lack of internal knowledge.

Goals for Developing Predictive Analytics Capabilities According to Client-Side Marketers Worldwide, by Priority Level, May 2016
% of respondents

Increasing revenues
| 73% | 24% | 3% |

Improving customer engagement
| 70% | 26% | 4% |

More targeted and personalized communications
| 54% | 40% | 6% |

Reducing churn
| 34% | 34% | 32% |

Optimizing pricing to maximize profits
| 25% | 41% | 34% |

Reducing lapsing
| 20% | 43% | 37% |

■ High priority ■ Medium priority ■ Low priority

Note: n=117
Source: Econsultancy, "Predictive Analytics" in association with RedEye, June 29, 2016

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Predictive Marketing Roundup
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Predictive marketing will be a key piece of the marketing stack

Predictive marketing is becoming important among marketers. In fact, more than six in 10 executives worldwide said that achieving a more complete view of the customer helped them more accurately predict customer needs and desires. That made it the leading benefit of a unified customer view.

According to an October 2015 survey from Forbes Insights and SAS research, 63% of executives worldwide said so. Improving customer experience and service was another benefit to achieving a more complete view of a consumer, according to 60% of respondents.
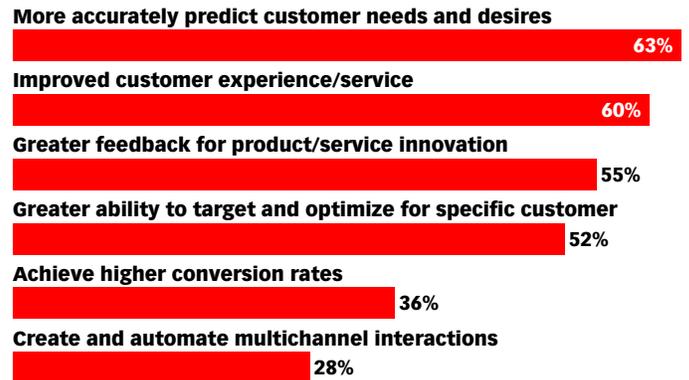
Additionally, greater feedback for product innovation, as well as greater ability to target and optimize for specific customers were also benefits, according to more than half of executives worldwide.

Marketers are continually using data to better understand their customers. A survey by Econsultancy found that the most common use of data modeling was for attribution, among both client-side marketers and agency professionals worldwide, followed by calculating customer lifetime value.

And predictive marketing will be a key piece of the marketing stack, especially for B2B marketers. Indeed, more than two-thirds of US B2B marketing professionals at the director level or higher believe so.

Benefits of Achieving a More Complete/Unified View of the Customer According to Executives Worldwide, Oct 2015
% of respondents

More accurately predict customer needs and desires
63%

Improved customer experience/service
60%

Greater feedback for product/service innovation
55%

Greater ability to target and optimize for specific customer
52%

Achieve higher conversion rates
36%

Create and automate multichannel interactions
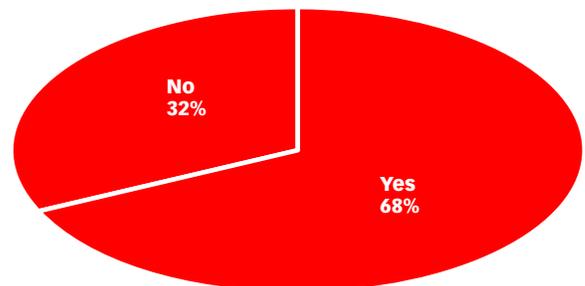28%

Source: Forbes Insights, "Blazing the Trail from Data to Insight to Action: Executive Briefing" in partnership with SAS, Feb 2016

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US B2B Marketing Professionals Who Believe Predictive Marketing Will Be a Key Piece of the Marketing Stack, Sep 2015
% of respondents

No
32%

Yes
68%

Note: director-level or higher marketing/advertising professionals
Source: EverString, "The 2015 State of Predictive Marketing Survey Report," Oct 13, 2015

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Predictive has a forward-looking approach that can be applied across the customer funnel

A typical business-to-business (B2B) brand now has a staggering amount of data in its arsenal, and the marketing department's goal is to use that data to deliver more effective results than ever before. Enter predictive marketing, which uses machine learning to deliver more accurate insights across the funnel to encourage sales from existing and new customers, as explored in a new eMarketer report, "Predictive Analytics in B2B Marketing: Using Data Decisively, at Every Stage of the Funnel."

Predictive marketing is "rooted in forward-looking analysis," said Rolf Olsen, chief data officer at Mindshare North America. "Predictive marketing is really about how you take the backward-looking components and make them forward-looking to—for lack of a better word—predict outcomes."

Goals for predictive analytics span across the customer funnel. A VB Insight study found that 33% of US marketers polled cited customer acquisition as the most important, but right behind that, with 17% each, were four other primary objectives: measuring customer behavior and audience insights, ad/campaign effectiveness, calculating and improving customer lifetime value and customer retention.

Further, in an April 2015 survey of US B2B marketers conducted by OnTarget Consulting & Research for predictive intelligence platform 6Sense, 43% of respondents used predictive analytics to get insights about where prospects are in the sales funnel. According to the Forbes Insights study mentioned above, 26% of marketing executives in North America said that a benefit of predictive marketing was better funnel conversions.
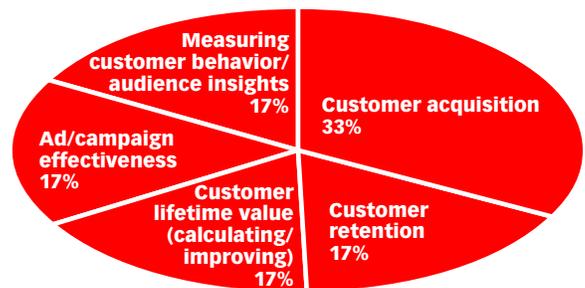
Predictive analysis can achieve these goals by learning from patterns within the data that are derived from customer touchpoints—every interaction that a B2B decision-maker has had with a company. "Predictive technology learns from data to render predictions for each individual in order to drive decisions," said Dr. Eric Siegel, founder of Predictive Analytics World and author of "Predictive Analytics: The Power to Predict Who Will Click, Buy, Lie, Or Die."

According to an April 2015 study of marketing executives in North America from Forbes Insights and predictive analytics vendor Lattice, the most common types of data used for predictive marketing included website data (47%), demographics (44%), digital transactions (41%) and social (39%).

Every application of predictive analytics, whether it is for marketing or for quantifying the risk of fraud, crime, or health or finance outcomes, follows the same two-part structure. First, understanding what is being predicted, and second, figuring out what to do with that prediction.

Primary Objective for Big Data/Unstructured/ Predictive Analytics According to US* Marketing Professionals, July 2015
% of respondents

Measuring customer behavior/ audience insights 17%
Customer acquisition 33%
Ad/campaign effectiveness 17%
Customer lifetime value (calculating/ improving) 17%
Customer retention 17%

Note: n=94 that use big data/unstructured/predictive analytics; numbers may not add up to 100% due to rounding; *primarily US-based
Source: VB Insight, "The State of Marketing Analytics: Insights in the Age of the Customer," Aug 21, 2015
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Use cases abound, with predictive analytics a top focus

Many IT executives in North America currently have—or plan to have—machine learning programs in place, according to research. Predictive analytics and recommender systems are some of the leading implementations.

Data from 451 Research and Blazent revealed that more than two-thirds (67.3%) of respondents said they currently have machine learning programs for predictive analytics in place, or are planning to implement them. Additionally, 66.7% said they are currently using machine learning for recommender systems—or are planning to.

Furthermore, more than half (58.9%) of IT executives said they are using machine learning for cluster analysis and segmentation currently in place or plan to soon. Other machine learning programs that a minority of respondents said they have implemented—or will implement—include outlier detection and similarity search.

Machine learning programs can be valuable to IT executives, especially in their marketing strategies. And 451 Research and Blazent also looked at specific use cases for which IT executives plan to use machine learning.

Nearly a third of respondents said that their organization's machine learning program would be used for campaign and sales program optimization.

Other highly ranked use cases included data discovery and decision-making, as well as risk management and cybersecurity. Almost a quarter of respondents said their machine learning programs would be used for fraud detection or prevention. Some 24.4% also said their organization's machine learning program would also be used for market and consumer segmentation.

Supply chain analytics, power generation management and social graph analysis were other use cases indicated.

Machine Learning Programs Implemented* by IT Executives in North America, Nov 2015
% of respondents

Predictive analytics	67.3%
Recommender systems	66.7%
Cluster analysis and segmentation	58.9%
Outlier detection	48.8%
Similarity search	30.4%
Other	0.6%

Note: *currently in place or plan to implement
Source: 451 Research, "The State of Enterprise Data Quality: 2016: The Role of DQM in Machine Learning and Predictive Analysis" commissioned by Blazent, May 10, 2016

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Tactics for Which IT Executives in North America Use* Machine Learning Programs, Nov 2015
% of respondents

Asset management	47.0%	Customer segmentation	23.2%
Data discovery	44.6%	Call detail record (CDR) analysis	21.4%
Decision-making	38.1%	Product recommendations	20.8%
Risk management	37.5%	Clickstream segmentation and analysis	20.8%
Cybersecurity	35.1%	Energy network management/optimization	20.2%
Campaign and sales program optimization	30.4%	Abnormal trading analysis/detection	20.2%
Credit risk scoring	28.6%	Event/behavior-based targeting	19.6%
Pricing optimization	26.8%	Customer churn management	19.0%
Cross-channel analytics	26.2%	Market basket analysis	18.5%
High-speed arbitrage trading	25.6%	Events/activity behavior segmentation	17.9%
Forecasting and optimization	25.6%	Supply chain analytics	17.3%
Ad targeting/selection	25.6%	Power generation management	16.7%
Network performance optimization	25.0%	Patient care quality and program analysis	14.3%
Campaign management and optimization	25.0%	Threat detection	12.5%
Market and consumer segmentation	24.4%	Social graph analysis	12.5%
Fraud detection/prevention	24.4%	Drug discovery and development analysis	12.5%

Note: e.g., cluster analysis/segmentation, outlier detection, predictive analytics, recommender systems, similarity search; *currently use or plan to use
Source: 451 Research, "The State of Enterprise Data Quality: 2016: The Role of DQM in Machine Learning and Predictive Analysis" commissioned by Blazent, May 10, 2016

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More respondents are in the investigating phase compared to a year prior

Last year, nearly half of US executives said their company was in the deployment phase of production for predictive analytics. However, their efforts haven't translated to successful deployments a year later, research from Deloitte found.
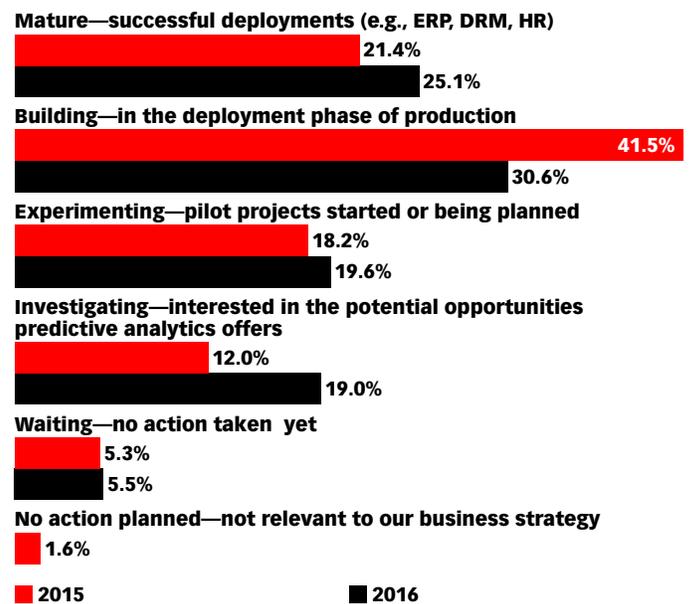
In 2016, just 25.1% of US executives said their company's current use of predicative analytics could be described as mature, meaning they've had successful deployments. But given that a large percentage of respondents (41.5%) said their company was in the deployment phase of production last year, more respondents might have expected successful deployments a year later.

That hasn't happened, however. This year, nearly a third of US execs said their company was in the building phase for predictive analytics—down from last year. But it's likely that the deployment phase of production didn't work out for them, and some had to go back to the drawing board: In this case, the investigating and experimenting phases, both of which gained in share since last year.

For example, last year, 12.0% of respondents said their organization was in the investigating phase—they were interested in potential opportunities predictive analytics offers. A year later, more respondents said their company was investigating their company's implementation of predictive analytics. Additionally, slightly more respondents are in the experimenting phase compared to last year, meaning they are currently piloting projects or in the stages of planning them.

Predictive analytics may be gaining plenty of traction with many marketers, but even so, many continue to hold back due to factors like a lack of budget, siloed teams and a lack of internal knowledge. A May 2016 survey from Econsultancy found that 40% of agency professionals said lack of budget was a key obstacle. On the client side, 32% of respondents said siloed organizations were holding back their predictive analytics strategies, while 30% mentioned the lack of internal knowledge.

Implementation of Predictive Analytics at Their Company According to US Executives, 2015 & 2016
% of respondents

Mature—successful deployments (e.g., ERP, DRM, HR)
21.4%
25.1%

Building—in the deployment phase of production
41.5%
30.6%

Experimenting—pilot projects started or being planned
18.2%
19.6%

Investigating—interested in the potential opportunities predictive analytics offers
12.0%
19.0%

Waiting—no action taken yet
5.3%
5.5%

No action planned—not relevant to our business strategy
1.6%

■ 2015   ■ 2016

Note: numbers may not add up to 100% due to rounding
Source: Deloitte, "Technology in the mid-market," Aug 18, 2016
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Technologies like cross-channel measurement can also help

Roughly half of marketing and media executives in North America said they believe predictive analytics and modeling to be one of the most helpful technologies for getting more value out of data, August 2016 research found.
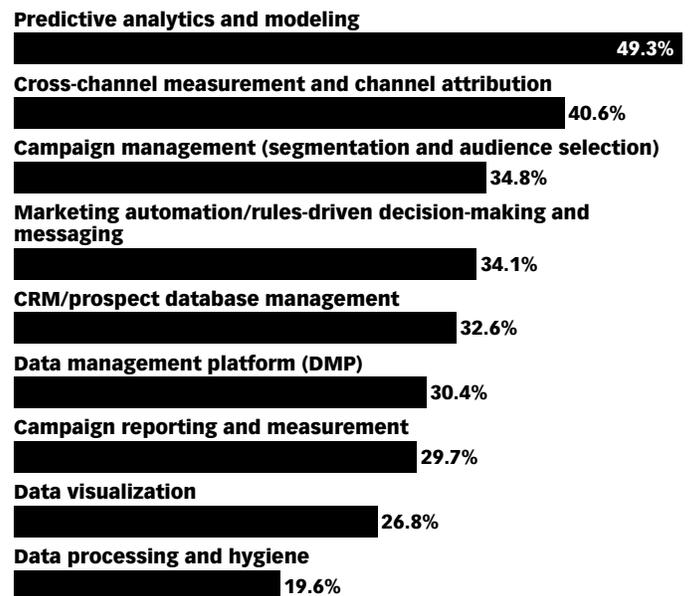
Winterberry Group, in partnership with the Direct Marketing Association (DMA) and Interactive Advertising Bureau (IAB), polled 211 media and marketing executives primarily in North America and asked respondents to choose the top three technologies that they believe will be most important in supporting their efforts to achieve value from data in the future.

In addition to predictive analytics, 40.6% of respondents said that cross-channel measurement and channel attribution is helpful for getting more value out of data. And more than a third said that campaign measurement, which includes segmentation and audience selection, was another important technology.

Nearly a third of marketing and media executives believe data management platforms (DMPs), tools that help businesses aggregate marketing information from across a variety of channels, will be most important in supporting future data use efforts.

Generally, marketers are shifting their attention, and budgets, to marketing technology. A study from DataXu , Morar Consulting and WithPR found that in total, more than two-thirds of respondents in the US and Western Europe said understanding of marketing technology is becoming an increasingly important skill for successful senior marketers. This skill set was identified as the second-most-important only to creativity—and ranked slightly higher than other skills such as understanding digital media and managing people.

Most Important Technologies for Achieving Value from Future Data Use According to Marketing/Media Executives in North America, Aug 2016
% of respondents

Technology	%
Predictive analytics and modeling	49.3%
Cross-channel measurement and channel attribution	40.6%
Campaign management (segmentation and audience selection)	34.8%
Marketing automation/rules-driven decision-making and messaging	34.1%
CRM/prospect database management	32.6%
Data management platform (DMP)	30.4%
Campaign reporting and measurement	29.7%
Data visualization	26.8%
Data processing and hygiene	19.6%

Note: respondents chose their top 3
Source: Winterberry Group, "The Data-Centric Organization: Transforming for the Next Generation of Audience Marketing" in partnership with Direct Marketing Association (DMA) and Interactive Advertising Bureau (IAB), Sep 21, 2016

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Marketers recognize more internal efficiency and gains in sales due to implementation

More B2B marketers are tapping into the world of marketing analytics in an effort to improve ROI and try to more efficiently allocate their marketing dollars. In fact, as executives at B2B firms increasingly realize, many of these marketing analytics efforts are having a noticeable impact on their bottom line.

Based on April 2016 data from digital marketing organization Regalix, which surveyed more than 500 B2B marketers worldwide, more than 60% said they've witnessed a sales increase of between 11% and 50% due to marketing analytics.

When digging more deeply into the benefits marketing analytics, the reasons for the sales boost becomes more clear. As it turns out, the deployment of such analytics tools appears to give B2B marketers better visibility into their marketing spend, allowing them to more efficiently allocate their marketing dollars and identify top-performing channels. Many of the B2B respondents in Regalix's survey mentioned identifying marketing channels with the best ROI, more effectively allocating marketing spend and optimizing the marketing mix as the key benefits of using marketing analytics.

Although the main benefits of marketing analytics today are mostly focused on efficiency, a growing niche of B2B executives is also using analytics in a "predictive" capacity as they attempt to better understand and anticipate customer needs. One March 2016 study of predictive analytics by Demand Metric found that 44% of B2B marketers were either already implementing or testing such predictive analytics tools in their organizations.

Percent Increase in Sales Revenues due to Marketing Analytics According to B2B Marketers Worldwide, April 2016
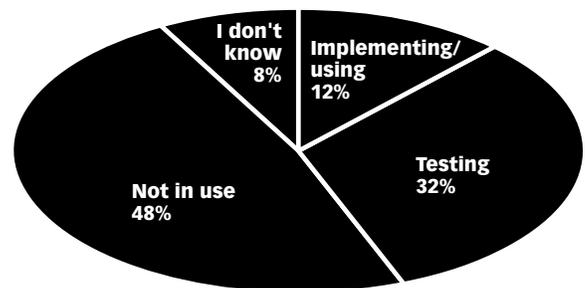*% of respondents*

<10%	29%
11%-25%	42%
26%-50%	21%
50%+	8%
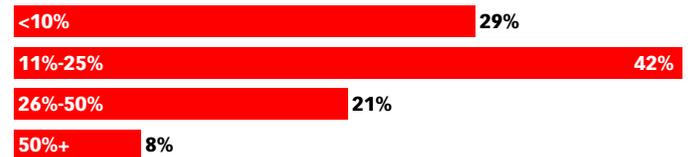
Source: Regalix, "State of B2B Marketing Metrics & Analytics 2016," July 28, 2016

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US B2B Marketers Who Use Predictive Analytics in the Demand Generation Process, March 2016
% of respondents

I don't know 8%
Implementing/ using 12%
Testing 32%
Not in use 48%

Source: Demand Metric, "B2B Demand Gen: How Predictive Analytics Address Challenges Both Now and in the Future" in partnership with Radius, April 27, 2016

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Getty Images Implements Predictive Marketing to Maximize Customer Lifetime Value

Jason Widup

Senior Director, Demand Generation and Marketing Operations

Getty Images

Getty Images began its foray into predictive marketing practices late last year. In the short time since, the stock photography service provider has noted efficiencies in its process and in its lifetime customer value. eMarketer's Jillian Ryan spoke with Jason Widup, senior director of demand generation and marketing operations at Getty Images, to learn how the business-to-business (B2B) company is using predictive capabilities to identify opportunities in its pool of current customers and beyond.

eMarketer: Getty Images started using predictive marketing in late 2015. Walk me through how you use it within your business model.

Jason Widup: We ventured into predictive marketing to become more efficient with how we market to and upsell to our prospects and existing customers. We've got two main brands that we are selling: iStock and then Getty Images.

On the iStock side it's 95% online transactions for individual credits or a subscription. But on the Getty side it's 95% assisted sale, and we use predictive marketing to identify existing customers within our iStock brand that could potentially be good Getty customers. Predictive has made us fairly sophisticated with how we would identify leads within our existing customer universe.

"We use predictive marketing to identify existing customers within our iStock brand that could potentially be good Getty customers."

eMarketer: It sounds like predictive marketing is helping Getty Images increase its customer lifetime value. How does that work?

Widup: We've got millions of existing customers that are in varying stages of their life cycle with us. We create queries for our data warehouse that would identify existing customers that may be ripe for some kind of a sales call or activity, and we build marketing campaigns around things like a declining activity. So, for example, we look at a customer's last three months of purchase and download transactions vs. the last 12 months and if we detect a decline of more than a certain percent, we will flag that and trigger a lead to that account's sales representative for them to call and figure out what's going on.

We do the same thing with a potentially higher spender for upsell opportunities. We also look for predictive triggers, like what customers might be increasing their activity.

eMarketer: Are you tracking anything other than level of usage?

Widup: We also do multiuser blocking. Our subscription customers are only supposed to be using one login per user. If we find an account is abusing the power, we upsell them and say, "Hey, did you know we have this product called Team Share? And for a little more a month, you can actually take your existing subscription and share it with other people on your team."

We also have a custom predictive indicator for us that will go out to a prospect or a customer's website, and it will scrape it and look at all the images on their site and it will tell us if they are from us or from one of our competitors. This has been very useful for sales because then they can see what specific buyers or accounts have potential to grow.

eMarketer: What does the technology and data powering these predictive capabilities look like?

Widup: We leverage our own customer data within our predictive capability, and we couple that with external data for enrichment. We're able to associate one of our contacts or leads with a company, and then our predictive provider, Mintigo, provides us with data about that company that is important to us.

So company size in terms of revenue and employees and the standard company name and their address and the industry that they're in, for example. [That's how we get all] this data about the company that we just didn't have because we don't ask that in registration and we don't have a progressive profiling process. So we actually bring this data into the predictive model and create our own indicators in the predictive platform.

The machine learning is happening within the predictive modeling software itself, and it gets smarter just based on the information that we continue to feed it as well.

"The machine learning is happening within the predictive modeling software itself, and it gets smarter just based on the information that we continue to feed it as well."

eMarketer: How are you measuring the value and ROI [return on investment] of this program, especially since you are in the initial stages?

Widup: We're still in the middle of evaluating the lift, or the efficiency gains, that we're going to get from it. But I can say that from a net new side we are heavily leveraging scoring. And we are tempering the volume of leads that we send over to sales—so we are gaining efficiencies on their time spent with prospects. On net new customers, for example, we're only passing over people that score an A or a B. We're not even touching our C and D leads. Whereas three months ago, we would have just sent everybody over. Sales is definitely using it to order and prioritize their follow-ups.

Predictive Analytics Boost Personalization Effectiveness at Farmers Insurance

Chris Ciccarello

Senior Director, Pricing and Customer Analytics

Farmers Insurance Group

Though traditional metrics still play a role in brands' marketing strategies, predictive technology is what keeps companies moving forward. Predictive tools make historical data actionable, and enable brands to make more informed marketing decisions. Chris Ciccarello, senior director of pricing and customer analytics at Farmers Insurance Group, spoke with eMarketer's Maria Minsker about how predictive analytics help strengthen the brand's personalization efforts.

eMarketer: How does predictive technology fit into your overall approach to marketing?

Chris Ciccarello: It's a key part of the marketing strategy. One area of focus is understanding how long we will retain specific customers and how we can grow our business with them. We use historical data to figure out what appeals to customers and use predictive tools to project that into the future and determine the right products and messages for them. It helps ensure that we get the right mix of spending and optimize what we're putting out into the market.

eMarketer: How are predictive analytics better than traditional metrics?

Ciccarello: Traditional metrics are typically backward-looking. Looking backwards is important because that's where the historical data is, but now it's about projecting that forward.

"Personalization is a huge initiative for us. [We need to be] better at understanding our customers and what they've liked in the past in order to target them with a message that works for them."

eMarketer: How do you ensure you're getting the right insight on your customers?

Ciccarello: Our senior leadership sets clear goals for the year, and the functional teams collaborate to hit the goals. One thing we do a lot is test and learn. You can't measure it if you haven't tried it, right? Experimentation is a key part of advancing our knowledge, whether that's a change in ad spend or more personalized messaging. Technology is also critical. We've got a lot of data and we're getting better at pulling it together.

eMarketer: What kind of data do you rely on?

Ciccarello: We've got a ton of data on our own customers, but we also work with third parties to add to our knowledge and improve our understanding of what would appeal to prospective customers.

eMarketer: How are you using predictive tools to improve personalization in your marketing?

Ciccarello: Personalization is a huge initiative for us. [We need to be] better at understanding our customers and what they've liked in the past in order to target them with a message that works for them. Whether it's somebody that has some trepidation about insurance, or somebody else that wants a breadth of offerings, tailoring the message is absolutely something that we are working on.

eMarketer: What are some of the challenges you face as you implement predictive tools?

Ciccarello: One big challenge is getting all our data together to be able to do the analytics we want to do. Another challenge is getting the right talent to perform the modeling and advanced analytics. We need folks who have both strong analytic ability and the ability to work with big data.

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