Understanding and optimizing the digital budget
The EY Digital Analytics Benchmarking Survey analysis
How do you value and improve your investments in digital sales, marketing and customer care?

Whether you are in a B2C or a B2B business, you know that your customer base is going online … to your website, your social media channels and your mobile applications. You also know that your employees are depending on these same digital channels to communicate, educate, market and expand your customer base.

Consider this: B2B e-commerce is expected to grow to $1.13 trillion by 2020\(^1\) and B2C e-commerce is expected to reach $2.36 trillion by 2018\(^2\).

As of Q4 2014, less than 7% of B2C retail sales\(^3\) and an estimated 18% of B2B sales were e-commerce.\(^4\)

With this as a backdrop, we see two questions that organizations are challenged to answer:

- How do we determine the value of our digital channels?
  
  If your organization garners the majority of its revenue directly online and your operations are aligned to this model, the value of digital channels may be fairly straightforward. But if you’re like most businesses, the digital channel is not a direct revenue generator; it is a marketing, communications or lead generator that complements offline revenue generation. In this model, digital value is harder to determine and we see organizations view digital channels as a cost center. This failure to properly value digital often leads to significant organizational under-investment; worse, the inability to correctly value digital makes it impossible for line managers in the digital space to optimize the digital business. When the important downstream impacts of campaigns and content aren’t known, there’s no practical way to decide which efforts are most effective. You can’t improve what you can’t measure.

- How do we optimize our budgets to meet the demands of doing business in a digital world?
  
  Many of our clients are seeking to get better control over digital spend by understanding all of the factors associated with digital operations, marketing, supply chain, customer care and fulfillment. They are diving deeper to understand the value they obtain from third parties, such as digital ad agency spend on digital property development and marketing. They are trying to determine how to balance investment in new methods for growing the customer base – digital personalization and digital customer market influence – with legacy sales and marketing approaches, such as direct mail, print and TV advertising, and sales teams. Yet it is increasingly challenging to measure the value of each of these channels in either influencing or closing the sale. For example, we have seen repeated instances where email marketing may result in closing sale, yet paid search and digital display had significant influence in contributing to the results. These are data points that can only be captured through digital data collection and reporting; back-office financial systems simply cannot provide this insight alone.

   For organizations that don't derive 100% of their revenue from their websites, mobile and social media investments, financial reporting tells even less of a story and does not provide the guidance needed to improve operational efficiencies. To understand digital effectiveness in this scenario, there is a need to view digital success through methods that are not as direct as online purchases. This includes developing models and methods for interpreting your customers' interactions with your digital properties and assets, and understanding their journey from prospect to customer and to lifetime customer both within and outside of digital channels.

As your organization increases investment in using digital channels for sales, marketing and customer care, the importance of developing a digital analytics infrastructure and leveraging the insights from digital data to improve operations and drive cost savings is a key to positioning for success in the market.

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\(^1\) Internet Retailer [www.internetretailer.com/2015/04/02/new-report-predicts-1-trillion-market-us-b2b-e-commerce](http://www.internetretailer.com/2015/04/02/new-report-predicts-1-trillion-market-us-b2b-e-commerce)


\(^3\) US Census Bureau, Quarterly Retail E-Commerce Sales, 4th Quarter 2014

\(^4\) [www.internetretailer.com/2014/10/31/b2b-gets-bold](http://www.internetretailer.com/2014/10/31/b2b-gets-bold)
Understanding and optimizing the digital budget

Where are the opportunities?

Focusing digital analytics to the bottom line is an opportunity for your organization to unearth more value in a channel that, inspite of its significant growth, is little understood. Organizations that have focused efforts on driving cost efficiencies and integrating digital and offline operations have seen results.

- A leading biotechnology company lacked a clear understanding of what value they were getting for their paid search investment and how to maximize that value for each of their nine key branded websites. EY created a series of statistical models showing the relationship between the six key paid search drivers and campaign effectiveness, and provided recommendations on how to improve effectiveness and optimize investment.

- A Fortune 100 financial services company invested heavily both in web operational servicing and call center resourcing but was unable to understand or optimize the level of call deflection or the appropriate servicing channel by segment. EY developed predictive models that showed the company new insights into customer segments that enabled them to shift hundreds of thousands of calls to the web.

- A global pharmaceutical company was trying to determine the best mix of email, direct mail, print ads, third-party content news alerts and field team visits to health care practitioners to drive sample ordering while better managing allocation of overall marketing budget. EY developed media mix attribution models that clearly demonstrated the “winning” combinations of channel tactics and the frequency of contact leading to sample ordering, thereby providing guidance and direction to guide future campaigns.

- A leading manufacturer of consumer products that conducted all sales offline had no way of evaluating the influences of its web and mobile properties on revenue generation. EY developed a program that combined online visitor behavioral analysis and post-web purchasing activity that resulted in a $10-million revenue increase and a continuous cycle of digital channel customer experience optimization.

Most organizations are failing to capitalize on the full potential of insights from digital visitor data

Typically, most digital analytics programs focus on providing data insights related to customer experiences while using digital properties or how to identify opportunities to improve sales and marketing-related activities. Nearly 66% of survey respondents indicated that this was the most common use. In a recent Forbes Insight and EY survey: Building trusted relationships through analytics and experience, only 38% of the responding CMOs strongly agree that they are leveraging analytics to identify where in the experience life cycle trust is being eroded.

What is digital analytics?

Digital marketing analytics comprises analysis and insights that are based on data collected from visitors, visits and interactions to your organization’s websites, mobile applications and social media channels. This data is used with increasing frequency in combination with customer, financial and purchasing data to get a more complete understanding of how to wisely invest and allocate budget and resources in digital channels. It is also used to understand potential areas of reputation and brand risk, site and application availability, fraud detection and security vulnerabilities.

66% of organizations use digital analytics to support content and marketing personalization

Using insights from visitor behavior data from customers’ website visits and from their interaction with mobile applications and social media properties to drive sales and marketing strategy and tactics is a fundamental use of digital analytics data.

This is indeed useful information for your organization’s marketing and digital teams. However, the greater potential for using this data is in the smarter allocation of marketing budgets, improving digital customer care’s operational efficiency and discovering how to maximize its value. These are areas on which organizations are not fully applying their digital analytics capabilities.

47% of organizations use digital analytics to determine optimal marketing budget allocation

33% of organizations use digital analytics to determine cost savings related to moving operations to the digital channel

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5 Forbes Insights and EY: Building trusted relationships through analytics and experience, http://goo.gl/bYNs1W
How can your organization mobilize its analytics capabilities to optimize investment in digital channels?

Focusing on analyses that are meant to provide insight into cost optimization rather than website or digital property customer experience optimization may require a priority reset. It may also require an investment in analytics resources who have the skillset to properly stand up an analytics platform, conduct analyses and communicate insights. According to our survey respondents, this may be challenge. Scarcity of qualified resources is ranked as the number one challenge by 73% of organizations surveyed — both today and in three years.

Scarcity of qualified resources, today and for the next three years, will continue to be a top organizational challenge

73%

EY can help you get more from your investments in digital

EY’s Digital Analytics Target Operating Model Assessment will provide your organization with a comprehensive evaluation and road map based on the EY Digital Analytics Benchmarking Survey and our nearly 20 years of experience helping leading brands optimize their digital strategy, tactics and customer experience. We will evaluate your organization’s capabilities and opportunities for using digital data insights to drive more value from digital channel budgets, customer service operations and resource investments.

To learn how EY can prepare your organization for digital personalization, please contact:

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EYG no. DH0082
BMC Agency  
BACS 1002235  
ED None

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