CARDINALPATH

STATE OF DIGITAL MARKETING

ANALYTICS IN THE TOP 1000 ONLINE RETAILERS

Report | January 2017

INTRODUCTION

The blurred lines between marketing and technology grew more pronounced in 2016. The martech world added thousands more vendors, and marketers grappled with this increasing complexity in a bid to become more data-driven.

In addition, the retail sector saw record turnover in its marketing leadership, amidst a need to meet the challenges of the digital economy. [1]

"Some CMOs are struggling to keep pace with the rapidly evolving skill set necessary to be successful. They are expected to play a leadership role in data analytics, customization, personalization and optimization, and to drive highly targeted, sophisticated, complex, digital-led campaigns and activities."

- Richard Sanderson, Co-leader, Marketing Officers Practice, Russell Reynolds

Reflecting these challenges, this year's *State of Digital Marketing Analytics* report shows that while marketing analytics adoption is at an all-time high across leading online retailers, many organizations are still falling short of activating their data through testing and personalization.

In addition, many organizations have yet to bring formalized structure and processes to their analytics environments through the use of tag management systems (TMS). Building on our previous report on analytics within the top 500 online retailers, this year's report provides a snapshot of the marketing analytics platforms, TMSes, and testing, optimization,and personalization tools in use by the retailers of the Internet Retailer Top 1000 (IR 1000) for 2016.

[1] Russell Reynolds Associates, Marketing Turnover Reaches New High, August 1, 2016

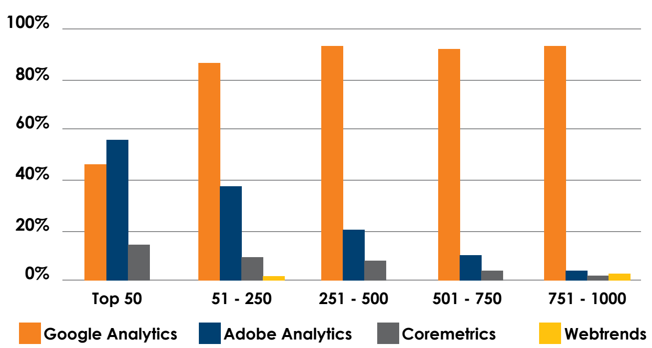
PART I: DIGITAL MARKETING ANALYTICS

At this point, **marketing analytics platforms are nearly universal.** Across the IR 1000, analytics coverage is at least 100% (it can be higher than 100% since some companies use more than one analytics tool). And while adoption of basic analytics is now very broad, interesting trends emerge when we break the IR 1000 retailers into smaller groups.

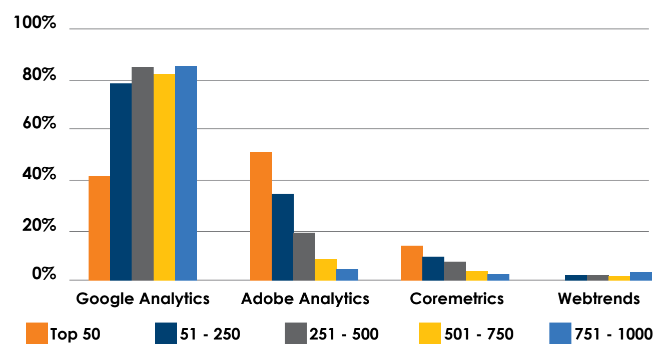
For example, we find that **Adobe Analytics has the largest market share within the top 50** online retailers, while **Google Analytics adoption quickly outpaces Adobe Analytics outside the top 50**. Indeed, as we move from the largest retailers to the smallest (within the top 1000 retailers), we find that Google Analytics adoption increases to nearly 100%, while instances of Adobe Analytics become increasingly rare. This finding is similar to what we found last year.[2]

We also see that the world of digital marketing analytics is increasingly becoming a "Coke and Pepsi world" — there are really only two major players. As shown below, Coremetrics has a bit of a foothold — especially with larger retailers — but market share for both Coremetrics and Webtrends is quite small compared to Adobe Analytics or Google Analytics. It's worth noting here that for the purposes of this report, we have not distinguished between instances

Analytics Platform Adoption by Retailer Ranking & Platform



Analytics Platform Adoption by Platform & Retailer Ranking



of Google Analytics and Google Analytics 360, which is Google's premium analytics offering (formerly Google Analytics Premium). However, using the relative strength of Adobe Analytics amongst the top 250 retailers as a proxy, we surmise that Google Analytics 360 is similarly concentrated at the "high end" of the industry, while smaller retailers are more likely to be using the free version of Google Analytics.

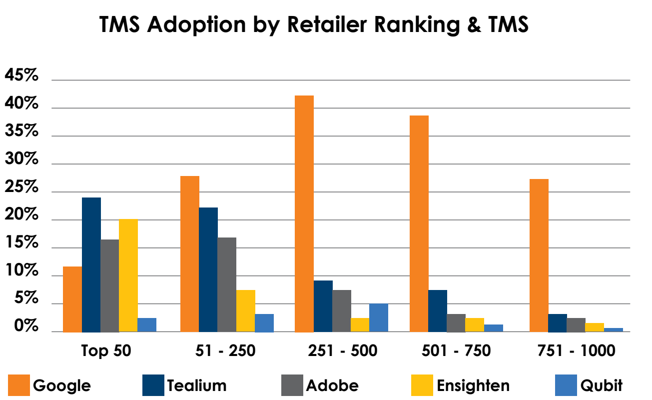
[2] Note that in 2015, we grouped retailers by revenue, rather than by ranking within the IR Top 1000 database.

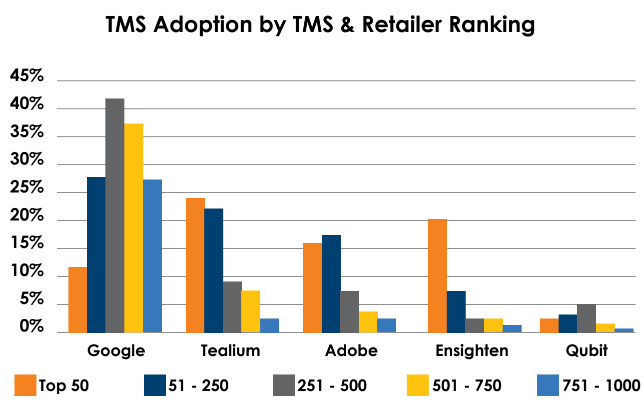
PART II: TAG MANAGEMENT SYSTEMS

Adoption of fundamental marketing analytics tools is critical to understanding the performance of digital campaigns and digital properties. However, simply scanning for the presence of analytics tools does not necessarily give us a clear picture of how "mature" organizations are with respect to analytics. For that reason, we also scanned the IR 1000 for usage of tag management systems (TMSes). TMSes are valuable for a host of reasons: enabling organizations to manage their analytics environment with far greater agility, helping marketers to affect the analytics changes they need, and bringing about much-needed process and structure to the deployment and maintenance of analytics tools.

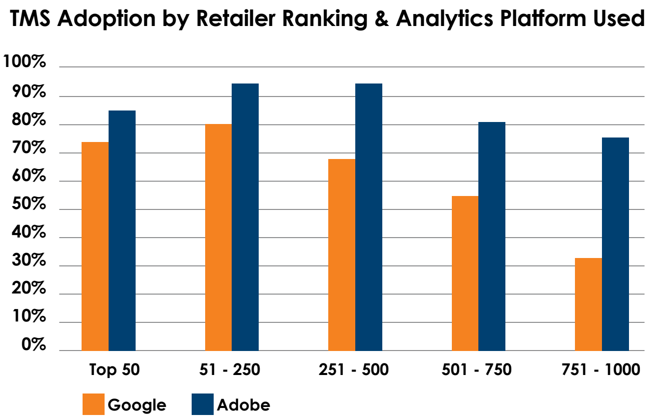
What we find is that unlike analytics tools, tag management systems are not universal across the IR 1000. While **TMSes are nearly omnipresent within the Top 250 retailers, adoption begins to fall off as we look at retailers ranked #501-1000, where total adoption of any TMS is just 42%**. This suggests that these retailers are likely deploying and maintaining their analytics tools via traditional methods.

That said, we do see the industry increasing its adoption of TMSes over time. **In 2015, TMS adoption within the 500 largest retailers was 58% and for 2016, that number has increased to just over 71%**. As shown below— and similar





to what we saw with analytics tools — Google Tag Manager's (GTM) market share skyrockets outside of the Top 250 retailers. This could be due to the fact that Google Tag Manager is the only free offering among the major players in the TMS space. While the analytics space features two major players, tag management is a bit more competitive with Tealium's IQ and Ensighten's Manage quite strong in the Top 250. In fact, both **Tealium IQ and Ensighten Manage outperform Adobe Dynamic Tag Management and Google Tag Manager within the 50 largest retailers.**

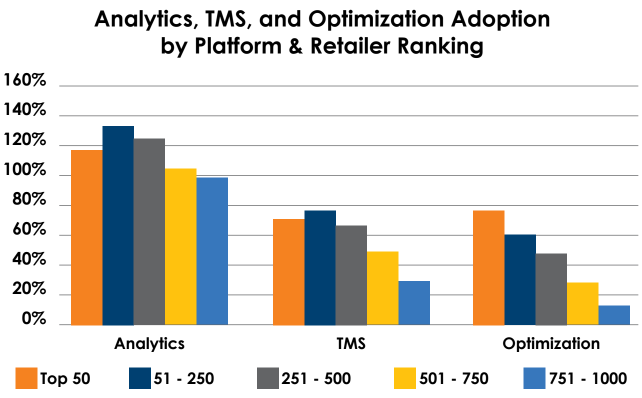


In sum, TMS coverage isn't quite as high as analytics, but we do see some similarities between the landscapes for analytics and tag management. Lastly, as shown in chart at left, when we isolate companies using either Google Analytics or Adobe Analytics, we find that the retailers using Adobe Analytics have a higher adoption of TMSes, regardless of which "bucket" the retailer happens to be in. This may be a reflection of greater analytics maturity in organizations who have invested in Adobe's suite of tools.

PART III: TESTING, OPTIMIZATION, & PERSONALIZATION TOOLS

Analytics tools are the key to collecting data on the performance of an organization's digital campaigns and properties. Tag management systems support analytics by efficiently deploying, maintaining, and upgrading analytics tools.

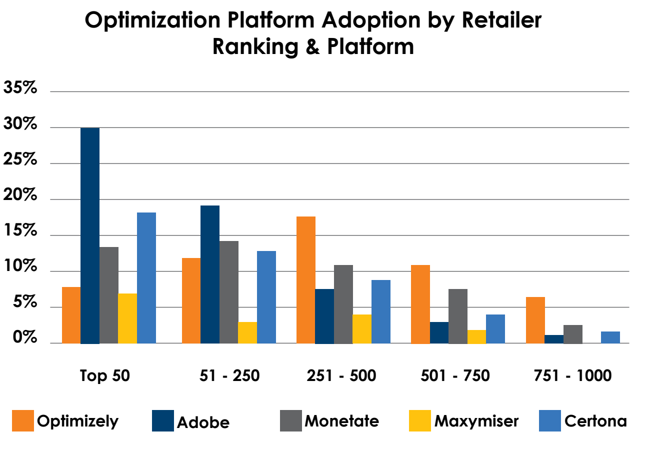
But by themselves, neither analytics tools nor tag management systems can consistently help marketers drive performance optimization at scale. So, we decided to take a look at tools for testing, optimization, and personalization. Interestingly, what we find is that, as shown in chart at right, adoption of these kinds of tools — the systems that are crucial to helping organizations activate their data — is much lower than the adoption of analytics or tag management.

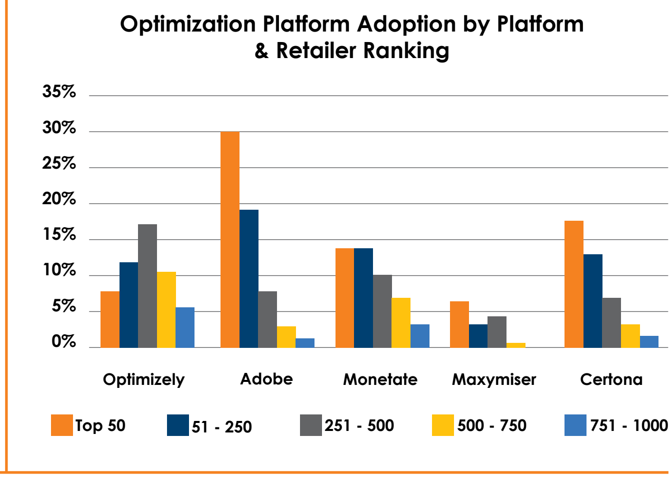


Unsurprisingly, **adoption of testing, optimization and personalization tools is quite strong within the Top 250 retailers.** However, as we saw with TMS adoption, usage of optimization platforms falls fairly quickly outside of that group. **Looking at retailers 501 - 1000, adoption is just 18%.** This suggests that while analytics itself — the collection of marketing data — has become universal, the ability to activate that data to drive optimization at scale is lagging some distance behind.

The optimization space is much more crowded than either analytics or tag management, so we've chosen to focus on tools that, based on our research and experience, are the most commonly deployed. What we find is that, as with analytics and tag management, **Adobe, with its Test&Target solution, has the greatest market share within the Top 250 retailers.**

Beyond the Top 250, Optimizely is the most commonly-used platform, although the distribution of tools across the various retailer segments is fairly even. For example, we see tools like Monetate and Maxymiser appearing consistently across the Top 1000. Meanwhile, Certona's market share, like Adobe Test&Target, is strong at the high end of the market, and tails off outside of the Top 250.





All told, **37% of IR 1000 retailers have a testing, optimization, or personalization platform** — compared to the 71% adoption of TMSes. We find that testing and optimization tools are, so far, mostly being leveraged by the top-ranking retailers. **76% of the Top 50 online retailers have deployed the major testing and optimization solutions, but this consistently declines with each bucket, reaching just 11% adoption in the 751-1000 group.**

CONCLUSIONS

The adoption of basic digital analytics tools has become universal across the Internet Retailer Top 1000 organizations. However, when we examine other signals of analytics "maturity," such as the use of tag management systems or testing, optimization, and personalization platforms, there is still a lot of room for growth — especially outside the very largest organizations. We see some evidence that adoption of more advanced tools, like TMSes, has increased since 2015, and we expect that trend to continue in 2017.

Of course, there's much more to driving success in analytics than simply "checking the box" by purchasing and implementing a tool. Organizations considering adding new tools to their marketing technology "stack" in 2017 would do well to consider whether or not they have the talent, training, and support needed to see a meaningful return on an investment in any technology designed to drive better marketing outcomes.

Adobe's suite of tools (Adobe Analytics, Adobe Dynamic Tag Manager, and Adobe Test&Target) is found most highly-concentrated among the largest retailers, while Google's suite of tools (Google Analytics, Google Analytics 360, and Google Tag Manager) achieve vast coverage outside of the Top 250. The testing, optimization, and personalization space is much more crowded, given the variety of niche players and platforms offering solutions to specific problems, but we find that as with tag management systems, the adoption of these tools ranges from fairly robust within the Top 50 to very low at the other end of the spectrum.

As organizations continue to see value from their core analytics platforms and seek to push the envelope in the future, we expect that testing, optimization, and personalization solutions will see a great deal of growth in 2017 and into the future.

ABOUT CARDINAL PATH

Cardinal Path is an award-winning digital data analytics and optimization consulting firm that works with the world's most prominent organizations to create, implement and action advanced analytics. Known for its industry leadership with tools such as the Online Analytics Maturity Model, a framework for assessing enterprise-wide analytics maturity, Cardinal Path comprises dedicated teams of analysts, statisticians, academics, developers, and many of the top minds in the digital marketing space. We help our clients unlock the value of their data, sharing all that we know and empowering people to make confident business decisions for sustainable growth.

METHODOLOGY & RESOURCES

Retailers were identified using the 2016 Internet Retailer Top 1000 Guide. To scan sites and discover which tools were being used, we used automated site scanning tools, including WASP and Ghostery.

Some retailers may be collecting data server side, or via other methods not detectable by these tools.

ABOUT THE AUTHORS

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As Director of Digital Intelligence at Cardinal Path, Nick is responsible for helping clients improve their profitability by building their analytics capabilities. Nick began his career in digital analytics at Google, where he managed Google's Analytics Guru team. Using analytics to improve marketing accountability and profitability comes naturally to Nick, who managed tens of millions of dollars in AdWords campaigns during his time at Google.

Nick holds an MBA from the University of Michigan Ross School of Business, and is a regular columnist for Marketing Land.

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Pratik is a Consultant on the Digital Intelligence team with Cardinal Path. An IT-business enthusiast, he began his career as a software engineer for Accenture. Pratik has also worked as an IT Systems Administrator at UIC - School of Continuing Studies where he performed a variety of tasks including web and database development and maintenance, and helping to kick-start their digital marketing efforts by implementing Google Analytics. He has deep experience in Google Analytics and Tag Manager implementations from various Cardinal Path client engagements.

Pratik is Google Analytics 360 Certified,and holds a Bachelor's degree in Computer Engineering from the University of Mumbai and a Masters in Management Information Systems from University of Illinois - Chicago (UIC).