



UP CLOSE & PERSONAL

Digital and Personalisation Top the Agenda of CMOs in 2017 – But Should Mobile Be A Higher Priority?

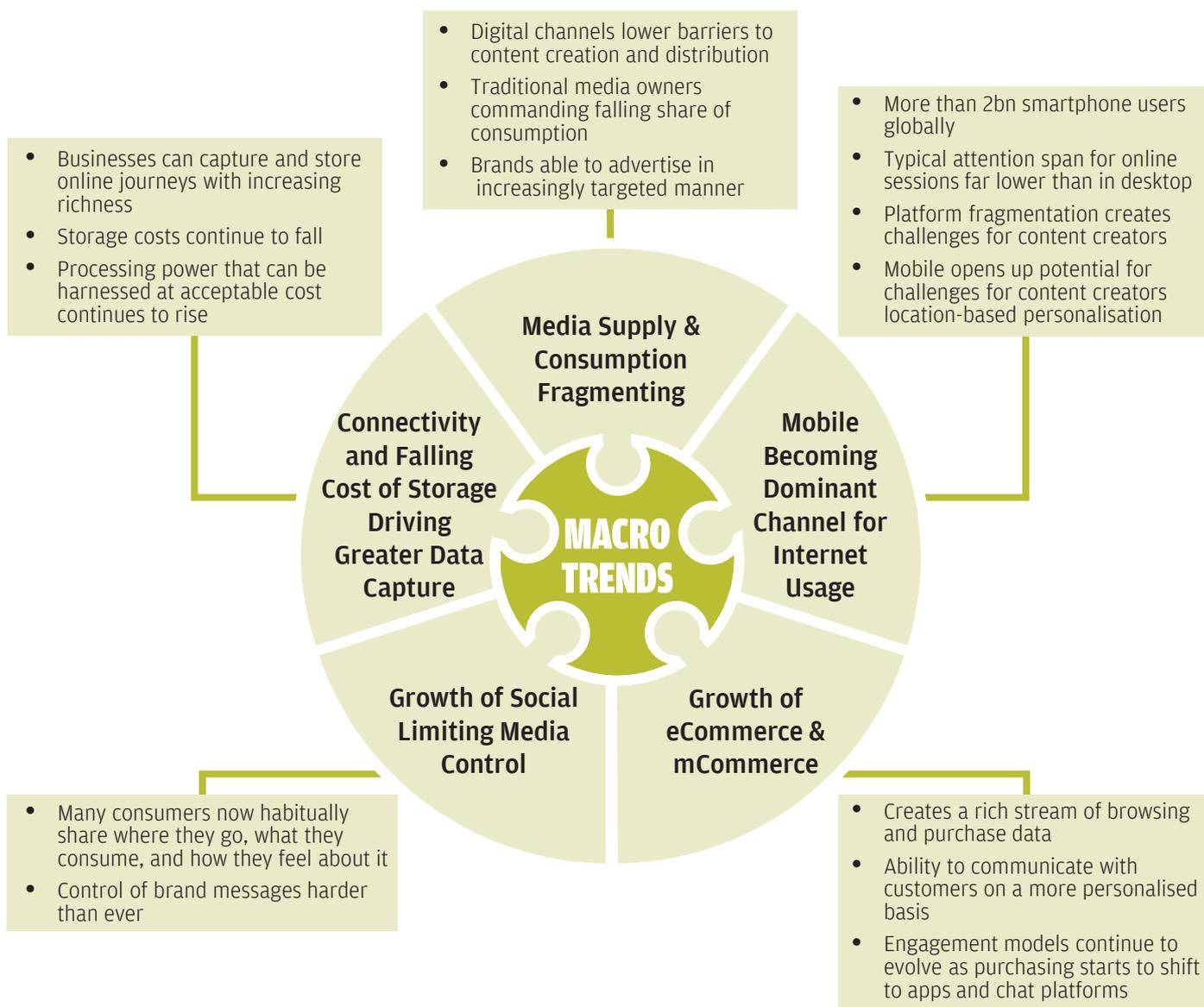


THE LATEST EDITION OF OUR CMO AGENDA STUDY IS INFORMED BY IN-DEPTH INTERVIEWS WITH OVER 100 CMOS AND SENIOR MARKETING EXECUTIVES FROM A RANGE OF INDUSTRY SECTORS ACROSS UK, THE USA, CHINA AND CONTINENTAL EUROPE

CONTEXT

The macro environment that businesses are operating in continues to evolve at a rapid rate. Consumer behaviour and choices around the physical, digital or mobile platforms that they engage with are morphing, and as a result the ways that they are influenced and their expectations around digital, mobile and overall customer experiences continues to grow. The much talked about multi-channel relationship with customers is increasingly becoming a consumer expectation and demands a response.

FIGURE 1:
Macro Trends Shaping the Marketing Ecosystem



2017 is the year where mobile will become the consumer's platform of choice for online engagement and transactions in some developed markets. In the next 12 months, in the UK time spent looking at content on a mobile will surpass that spent on TV for the first time with the average person spending a staggering 3.2 hours a day looking at content on their phone. Online will account for one-third of all purchases (excluding Food and Grocery) by 2020, and more than 70% of purchases will have been researched online, irrespective of how they end up being fulfilled. Of all online purchases, more than 50% will involve a smartphone in many developed markets in 2017. Similar transitions are taking place in how content and entertainment are consumed. The rise of mobile presents a host of new strategic questions to which few CMOs are ready to respond. In fact, many of them are still trying to put in place the key pillars of their digital strategy let alone think about how to address mobile.

In many verticals, mobile will be a key source of competitive advantage - but only for those who understand the role that this channel plays in customer journeys, and how it interacts with other digital and offline channels. Companies who build this into their proposition and digital strategy, who adapt their offerings to harness the power of social and visual in mobile, and who push the boundaries with mobile chat in customer service and transactions will start to see past investments in data and analytics pay off. This will drive incredibly powerful user engagement engines in the pocket of every potential customer.

The coming of age of mobile requires CMOs to pivot and re-focus on a channel with great promise. However, for most, fixing the basics of digital remains the most pressing priority. This is perhaps surprising given the relative maturity of digital offerings but hints at the complexity of getting businesses to optimise customer experiences across multiple channels.

The implications of these changes principally impact three areas:

- How businesses **access potential customers at the relevant trigger points** is becoming more sophisticated. This is pushing CMOs to better understand the appropriate marketing channel for each consumer and the ROI of their spend across physical, digital and mobile
- The array of **relevant data** available to **understand consumer behaviour, signal potential trigger points, and enable targeted interventions** is increasing. Properly capturing, storing and extracting insight is a key requirement for creating a seamless experience
- The number of potential touchpoints is expanding, making **engaging in a relevant context more critical than ever**. This is raising the bar in terms of consumer understanding and targeting and will drive response and conversion.

The upcoming year will hold opportunities for significant gains to be made by the companies that manage to knit together a compelling response to these challenges whilst their peers are more focused on fixing the basics.

However, there are a number of challenges for marketers trying to react to these dynamics.

“WE NEED TO SHIFT FROM TALKING ABOUT DIGITAL MARKETING TO TALKING ABOUT HOW TO MARKET IN A DIGITAL WORLD”

“FOR MANY COMPANIES, MOBILE IS NOT JUST A CHALLENGE - IT’S THE ONLY CHALLENGE”

Our research highlights five high-level areas that can define a winning marketing strategy in today’s digital ecosystem.

- 1** Properly understand your customer, their journeys, and trigger points - use this as the cornerstone for your marketing strategy
- 2** Plan and build a set of **holistic touchpoints to access consumers at trigger points**, as well as **building brand awareness and affinity**
- 3** Create and work to a **data roadmap** that **enables and helps test the effectiveness of your touchpoints**
- 4** Build the **best context** to engage at each trigger point - **look to provide genuine utility, rather than interruption or annoyance. Relevance is key**
- 5** Use data and segmentation to **make calls to action more intelligent and precise, and make it as easy as possible to complete the journey**

THE CHANGING CMO AGENDA

The nature and specificity of the issues posed by digital are front of mind for the majority of CMOs, but mobile is often taking a back seat

CMOs are confronting some material challenges as they think about how to respond to some of the macro trends in consumer behaviour and an increasingly complex supplier landscape. Adapting to the backdrop of changing media and purchasing behaviour is driving digital transformation to the top of the agenda. To keep brands in front of potential customers, remain relevant to them, and achieve effective cut-through is tricky and is consuming significant amounts of effort.

57% of the marketing executives interviewed highlighted digital transformation (of various forms) as their biggest strategic challenge.

“DIGITAL IS THE REASON THAT THINGS ARE CHANGING, AND DIGITAL IS THE WAY FORWARD”

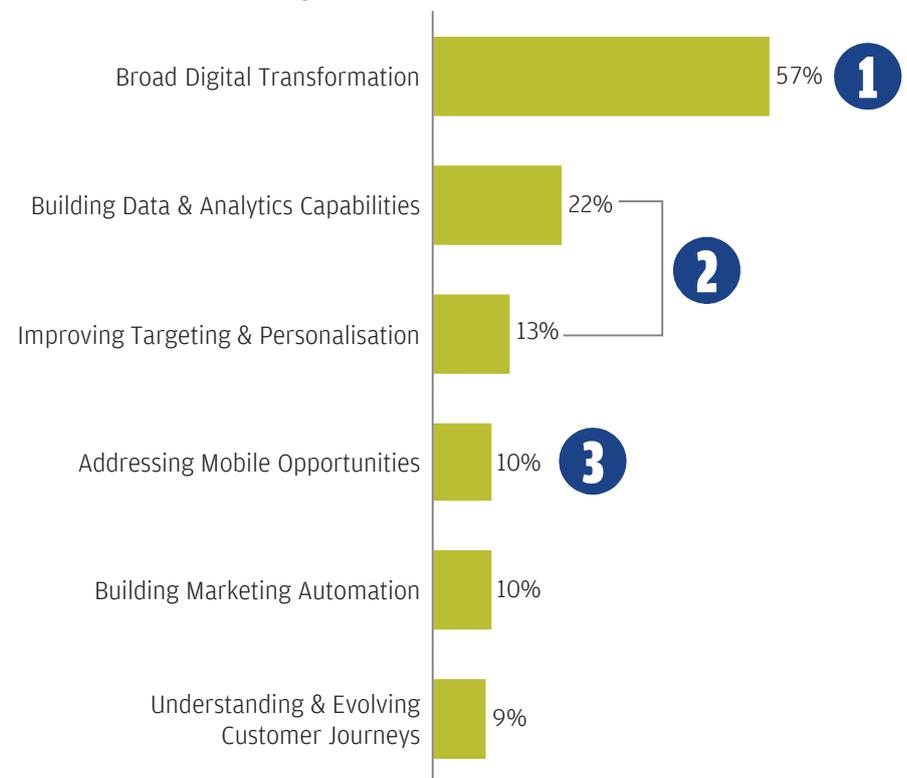
THEME 1: DIGITAL TRANSFORMATION

The scale and scope of digital transformation described covered a range of topics, including:

- Building a holistic digital strategy
- Fundamentally understanding customers' journeys in a digital context
- Re-thinking the advertising mix
- Internal reorganisation to integrate touchpoints and interactions with customers across the expanding range of channels available

“WE’RE STILL HAVING TROUBLE INTEGRATING EVERYTHING INTO AN OVERALL PLAN - WE STILL HAVE A VERY TACTICAL APPROACH, RATHER THAN HAVING A DIGITAL STRATEGY TO REACH OUR GOALS”

FIGURE 2:
Biggest Strategic Challenges Faced by CMOs
% of Respondents Citing Factor (Unprompted)



Source: CMO Interviews

FIGURE 3:
Components of Digital Transformation in Marketing

DIGITAL STRATEGY	What role do online, offline & mobile channels play in customer journeys? How should the proposition and business model be adapted? How do we respond to disruption?		
MARKETING & PROPOSITION	Customer Acquisition <ul style="list-style-type: none"> Advertising channel mix & effectiveness Changing acquisition dynamics Managing acquisition costs vs customer lifetime values 	Customer Activation <ul style="list-style-type: none"> Customer insight Coherence across touchpoints Driving loyalty Targeting & personalisation Social 	Fulfilment <ul style="list-style-type: none"> Changing economics of fulfilment Developing self-service channels
DATA & ANALYTICS	What are the priority outcomes that the business should look to affect? What data will enable this? How should it be captured and used?		
CAPABILITIES & SYSTEMS	What tools and systems will drive the most impact? What capabilities are needed to deploy & operate these?		
ORGANISATION & WAYS OF WORKING	How should we adapt our core processes given the changes to customer behaviour and supply chain? How should we re-draw organisational boundaries? How do we create digital shared services?		

The continued expansion of scope and span of the marketing function is putting a clear strain on resources...

Our last CMO Agenda study in 2014 highlighted how the role of the CMO was expanding from being the custodian of the brand into much deeper involvement in proposition, customer journeys, technology and sales. This trend has continued, and will continue over the coming years - in many instances, the blurring of the line between marketing and sales has already started, and is now extending into increasing overlap between marketing and other operational areas, such as customer support.

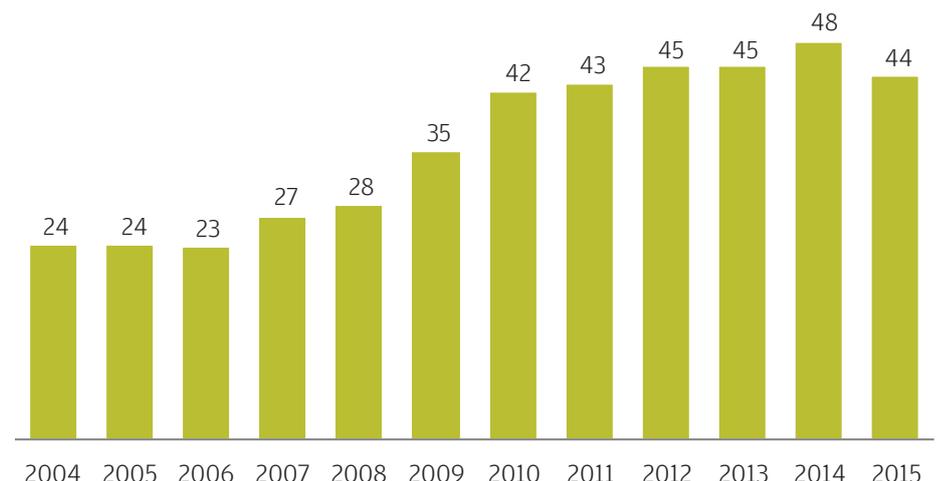
The resultant proliferation in channels, tools and complexity to keep on top of is putting pressure on resources and bandwidth. Consequently, most of the companies in our study were being forced to prioritise heavily, often focusing on the near-term at the expense of more fundamental strategic issues that can't be solved quickly.

This 'stretch' may be part of the reason that the average tenure for CMOs in leading US consumer brand companies dropped in 2015 for the first time in a decade - from 48 months to 44 months.

To address this challenge, marketing executives need to have a clear (ideally ROI-based) objective for each of the initiatives and investments they undertake, and prioritise aggressively. There are countless 'shiny new things' out there - using the right few, well, is likely to yield far better results than dabbling with too many.

“WE HAVE TO KEEP UP WITH SO MANY NEW TOOLS AND TECHNIQUES THAT ARE CLOUD-BASED, ON TOP OF THE DAY JOB - THAT IS DIFFICULT”

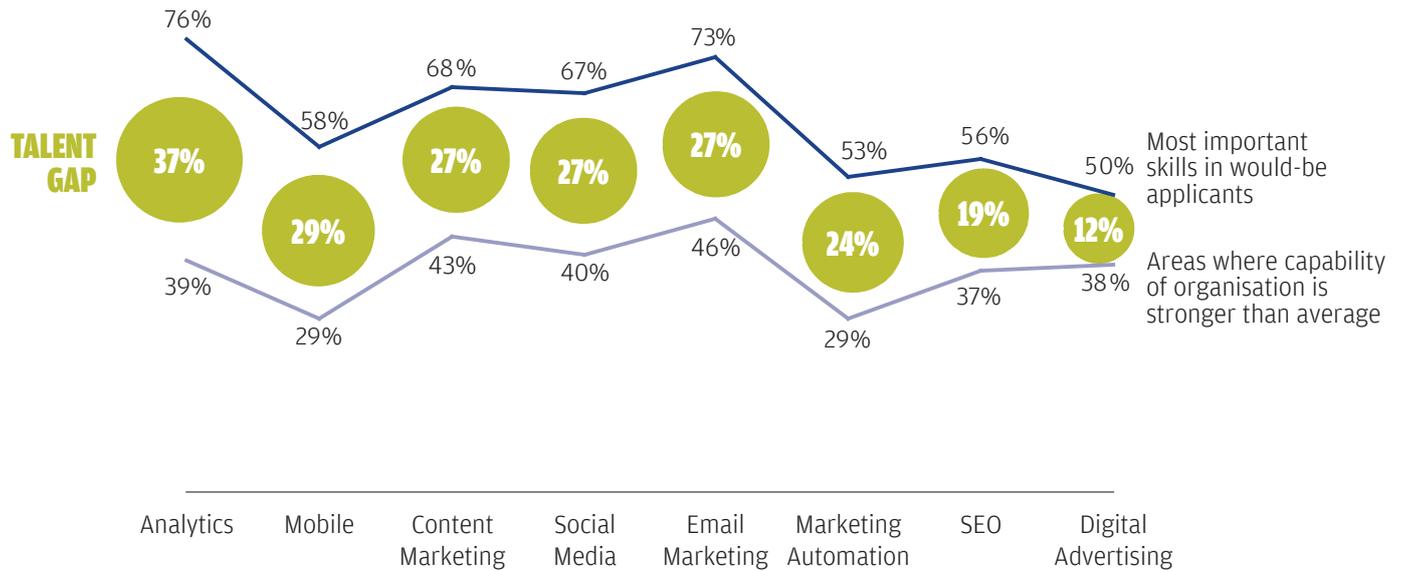
FIGURE 4:
Average Tenure for CMOs of Leading US Consumer Brands
Months



Source: Spencer Stuart

“WE DON'T FEEL LIKE THERE'S AN EXPECTATION TO BE BLEEDING EDGE, BUT EVEN BEING AN EFFECTIVE FAST-FOLLOWER ACROSS ALL OF THESE DIMENSIONS TAKES A LOT OF RESOURCE”

FIGURE 5:
Major Talent Gaps in Marketing
% Respondents



Source: Online Marketing Institute

...and exposing capability gaps at a market-wide level

This continued expansion of role and remit is compounding the skills challenge that was also highlighted in our last study. Building the right team to function effectively in the modern marketing landscape continues to create a big headache for marketing and business leaders, as handovers between the design, build and operate phases of capability development are often poorly executed.

The root of this challenge stems from the evolution of marketing from a traditionally creative endeavour, into one where a strong analytical engine to segment, target and assess effectiveness is also needed. This engine needs to function at a strategic level, as well as being able to operate campaigns across an expanding range of tools and platforms.

The most acute problem area cited in our study was in data science and analytics, followed by mobile.

Many of the companies that have had most success in adopting new tools and approaches start with a clear view of what impact they are looking to drive in areas such as analytics and mobile, and work with third parties to get initiatives off the ground. Internal teams are built in parallel. However, there is clearly a fine line here - with some feeling that increasingly mission-critical functions are at risk of becoming a black box to the organisation.

“FINDING THE RIGHT BALANCE BETWEEN CREATIVE AND ANALYTICAL IS A MAJOR CHALLENGE”

“WE CANNOT HIRE THE PEOPLE THAT WE NEED DUE TO THE COMPETITIVE NATURE OF THE WORKFORCE AND THE SALARIES THAT ARE BEING DEMANDED”

THEME 2: ANALYTICS & TARGETING

Investments in data and analytics are continuing apace. Many are still grappling to get access to workable customer data, while those at the next stage are largely still testing effectiveness of different targeting and automation approaches

Automation, nascent mechanics such as mobile push messaging, and increasing media exposure are creating more and more opportunities for brands to engage with potential customers.

To unlock this, companies across the board have been investing heavily in capturing, storing and using customer data – and expect to continue to do so going forward, with 90% of our respondents planning to increase spending in this area in the next three years.

Despite the hype around behavioural datasets, most targeting today is based on demographics and purchase history. This is largely driven by the fact that most companies are still struggling with the basics of capturing and analysing more and richer data. Most still only have a partial view of their customers and much of the data captured is still only partially usable. Very few really understand the additional data variables that can move the dial in terms of response rates.

Leaders in this area have a clear view of the outcomes that will be most business-critical, whether that be improving conversion rates or driving cross-sell. Once this focused set of aims has been identified, they ask what is the most relevant data to help understand customers, identify potential trigger points and target those trigger points. Using third parties to get the analysis-insight-action process running, and developing in-house capabilities around that for the long-term is key to creating competitive advantage through data.

However, as automation and targeting increases, achieving effective cut-through is harder than ever

One of the biggest challenges that marketers face though, is how to effectively stand out against an increasingly noisy backdrop. Even those companies at the leading edge of digital marketing are still in an experimental stage with how to intervene. Most have focused efforts on getting to a point where targeted, personalised engagement is even possible. Few know how effective interventions can be, or how to effectively engage consumers in this context – although test-and-iterate approaches mean that a growing number will be measuring responses obsessively in coming years.

Only 17% of the companies interviewed were using personalisation extensively in their proposition and communications today, while 60% were planning to increase or significantly increase their investment in this area in the coming year.

Personalisation and targeting of content, proposition and communications has the potential to dramatically enhance effectiveness – but is currently being executed poorly, as can be seen from the clutter of marketing messages in the typical email inbox, and the growing stream of unsolicited push messages that a smartphone user sees.

Rather than mindless deployment of emails and push messages, marketers need to put themselves in the shoes of the consumer, and consider the context of their interactions with customers. Getting this access in the right context can increase consumers' propensity to respond significantly, and even create new purchasing trigger points.

The aim is to provide genuine utility, rather than interruption or annoyance; this is hard to get right

- Most products and services have 'natural' trigger points – what are your potential customers doing at or around these points, and how can you best inject yourself into the conversation?
- What kind of intervention are potential customers most likely to consider, or have a higher propensity to react to?
- For more discretionary categories, are there ways in which you can accelerate the demand cycle, or trigger new demand?

“I THINK ULTIMATELY COMPANIES LIKE OURS WILL CREATE MORE PRODUCTS AND SERVICES TO SIMPLY ACQUIRE MORE CUSTOMER DATA”

“ONE OF THE BIGGEST CHALLENGES THAT WE FACE IS JUST CUTTING THROUGH THE CLUTTER, AND A LOT OF THE DECISION MAKERS ARE INUNDATED CONSISTENTLY”

ADVERTISING RELEVANCE IS GENERALLY POOR...

...BUT CONSUMERS ARE MORE LIKELY TO RESPOND WHEN IT IS DONE WELL

49%
of consumers believe the ads they see online are rarely relevant

72%
of consumers have clicked through on an online ad

51%
of over 55s don't like targeted ads

26%
of consumers are more likely to respond when messages are tailored to their interests

38%
of under 25s don't like targeted ads

22%
...when specific to their location

21%
...when contextually relevant to what they are doing



THEME 3: MOBILE

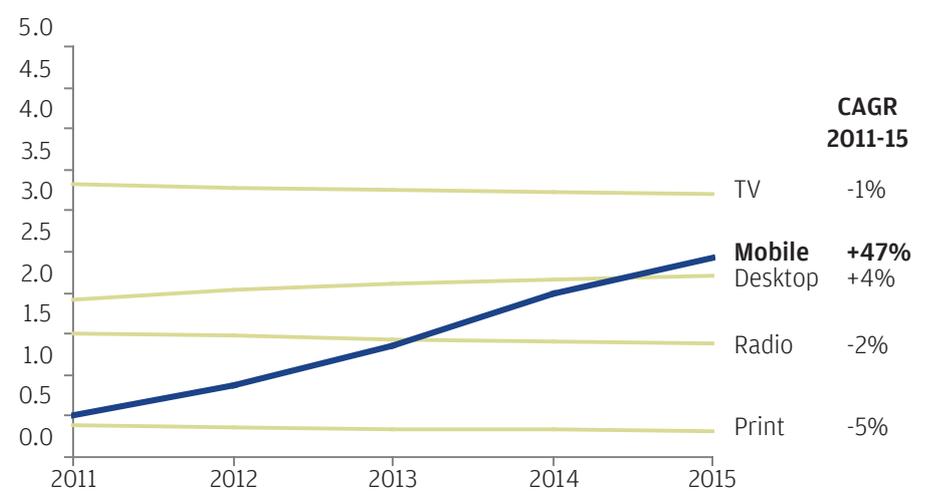
While mobile is recognised as important to reaching and engaging with customers across a range of industries, many have yet to move to address this challenge.

Mobile has been the major growth area in recent years, in terms of media consumption, product research / inspiration, and in transactional commerce. OC&C research shows that 2017 will be the year of 'mobile first', with over 50% of online purchases involving a smartphone.

Clearly, this has major implications on customer journeys in a broad range of categories - changing the path to purchase in some instances, and creating new types of purchase in others. While the strategic importance of this shift was recognised by most of our interviewees, we found many organisations shying away from addressing this challenge or opportunity front on.

Firstly, mobile was the area, alongside data and analytics, where respondent companies felt like they were least well prepared to address the challenges and opportunities.

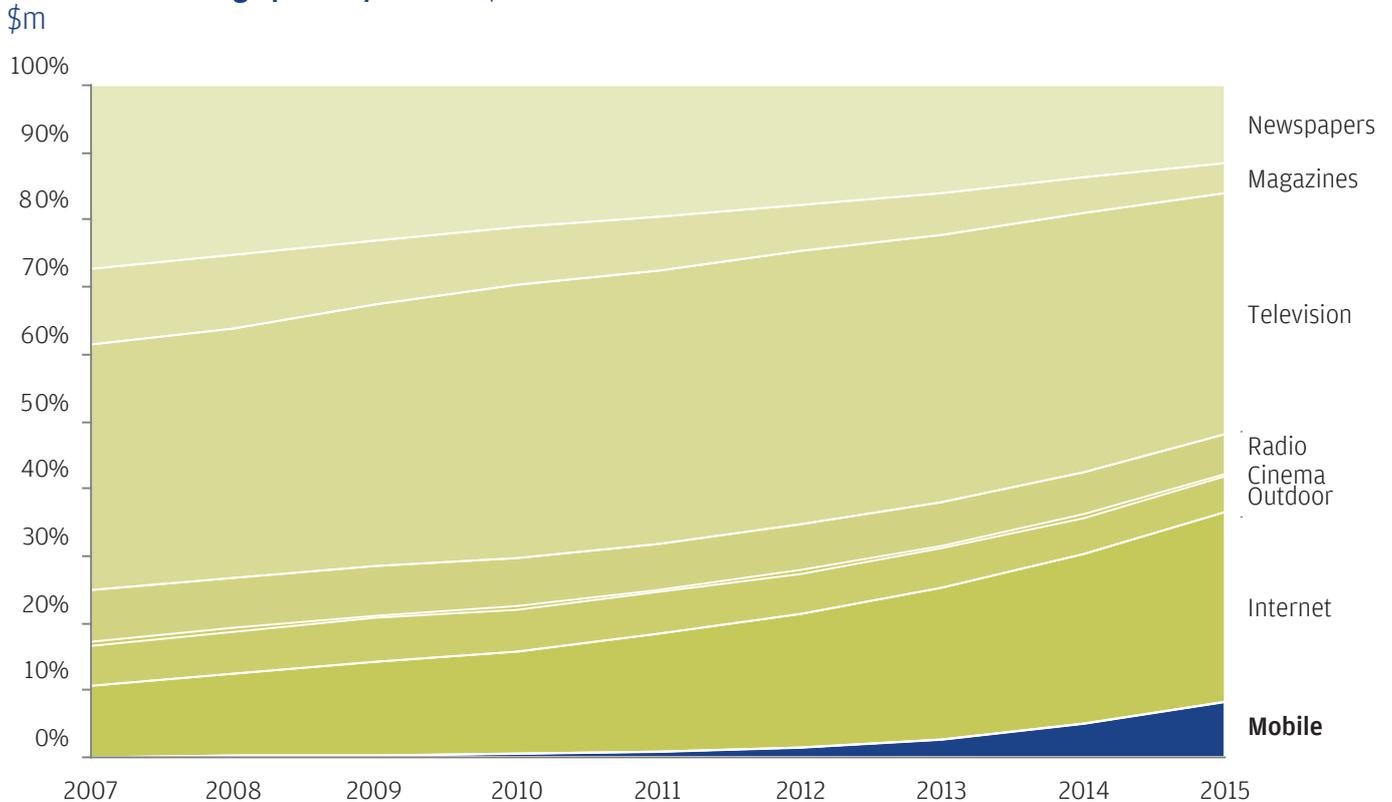
FIGURE 6:
UK Time Spent per Day by Channel, 2011-15



Source: eMarketer

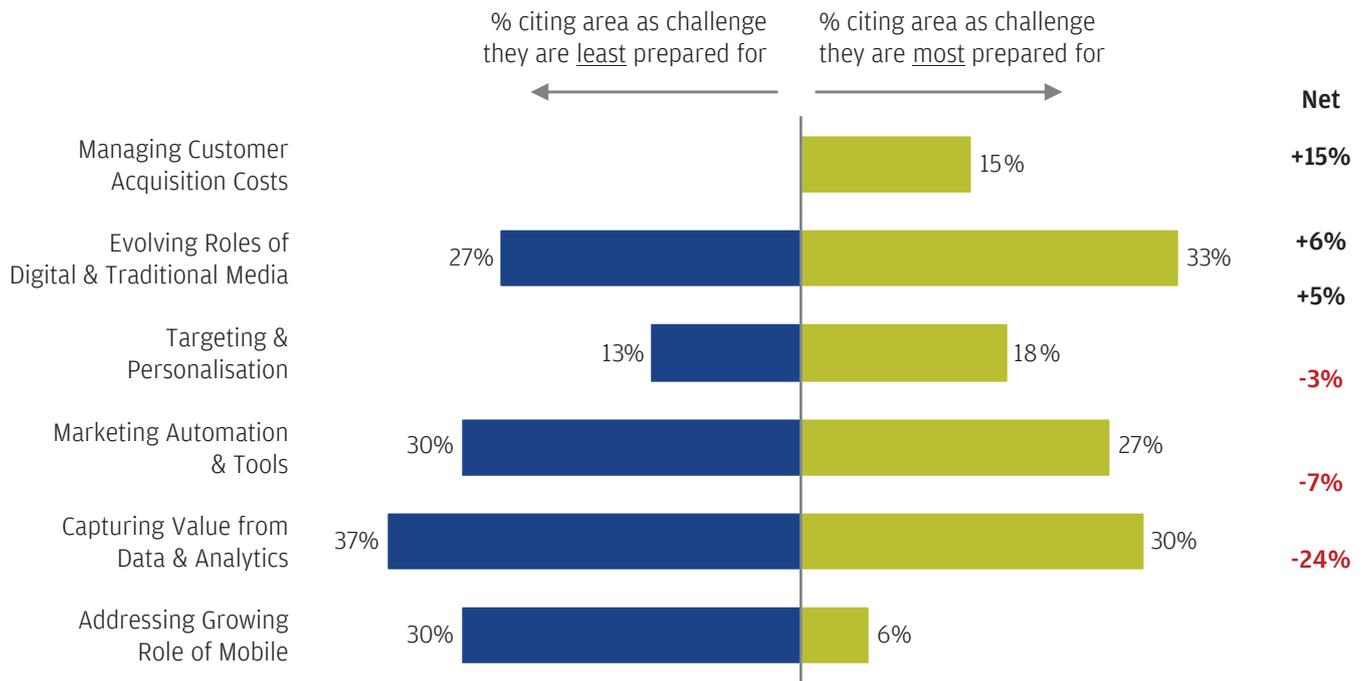
“IT FEELS LIKE WE AND OUR COMPETITORS ARE A LONG WAY FROM WHERE WE NEED TO BE ON MOBILE - WHOEVER CRACKS THIS WILL CLEAN UP IN THE NEXT FEW YEARS”

FIGURE 7:
Global Advertising Spend by Channel, 2007-15



Source: WARC, PwC, OC&C Analysis

FIGURE 8:
Readiness to Address Challenges
 %



Source: CMO Interviews

Consequently, mobile was also the area where least is being done to address the challenge – with mobile representing less than 10% of the marketing budget for 75% of respondents. This is reflected in the way in which mobile advertising spend significantly lags media consumption through the channel.

Clearly getting your marketing right via mobile not only presents new challenges in terms of how you configure your campaigns, but more importantly creates a number of risks in terms of how, when and how often to engage with whom. The mobile by its nature is a highly personal, always on, device so getting the balance right and a creating a positive encounter is key. For those that get it wrong the perils of social media are but a consumer click or swipe away.

There is a danger that CMOs miss a trick here. Forming a holistic strategy that addresses mobile must start with a clear understanding of the role the channel plays in inspiration, research and purchase, as well as the touchpoints that could be formed with consumers through this channel. This understanding must form the cornerstone of any digital and mobile strategy.

“WE’RE FOCUSING ON GETTING THE FOUNDATIONS RIGHT – DIGITAL FIRST, THEN MOBILE”

Some interviewees cited tackling higher priority digital ‘fixes’ before moving on to mobile as the driver for this, while others expressed a lack of clarity on what ‘being ready’ on mobile actually meant in practice for their business.

“THE FINE LINE FOR US IS HOW YOU DO IT EFFECTIVELY, BUT NOT BE A NUISANCE”

“WE HAVE NOT YET SEEN A MOBILE USE CASE THAT DOES NOT COME OFF AS INTRUSIVE TO OUR TARGET AUDIENCE”

“GETTING TO KNOW A CUSTOMER INSIDE OUT IS CRUCIAL TO LEARN HOW TO REALLY TOUCH THEM – IT IS NOT ONLY ABOUT UNDERSTANDING THE JOURNEY”

About OC&C

OC&C Strategy Consultants operate around the world to bring clear thinking to the most complex issues facing ambitious management.

We develop strategies with our clients that are creative, sometimes provocative, always practical and, above all, actionable.

Digital is a major area of functional expertise, working with blue chips clients on topics including digital strategy, digital marketing and data science & analytics.

For further information, please contact:

Fergus Jarvis, Partner
fergus.jarvis@occstrategy.com

Zeeshan Ashraf, Associate Partner
zeeshan.ashraf@occstrategy.com

About Experian

Experian unlocks the power of data to create opportunities for consumers, businesses and society. At life's big moments – from buying a home or car, to sending a child to college, to growing a business exponentially by connecting it with new customers – we empower consumers and our clients to manage their data with confidence so they can maximize every opportunity.

We gather, analyse and process data in ways others can't. We help individuals take financial control and access financial services, businesses make smarter decision and thrive, lenders lend more responsibly, and organisations prevent identity fraud and crime.

For more than 125 years, we've helped consumers and clients prosper, and economies and communities flourish – and we're not done.

For further information, please contact:

marketing.services@uk.experian.com