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Leading A Digital Marketing Evolution

Lessons in Transformation, Culture and Technology from the Global 1,000

in association with Epsilon

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Contents

Executive Summary

Enterprise marketers are working through a time of chaos. The last 15 years have seen more changes than the 50 years that came before them. The digital age has been difficult, especially for global companies that move deliberately and adapt slowly.

This report, conducted in partnership with **Epsilon**, looks at how Global 1,000 enterprises are remaking themselves to deal with the modern, always-on and mobile shopper. It explores the challenges that large companies face in being responsive, efficient and innovative. It asks how and why some businesses excel and others lag behind. Using industry leaders for comparison, this report offers dozens of measures that marketers can use for education, benchmarking and inspiration.
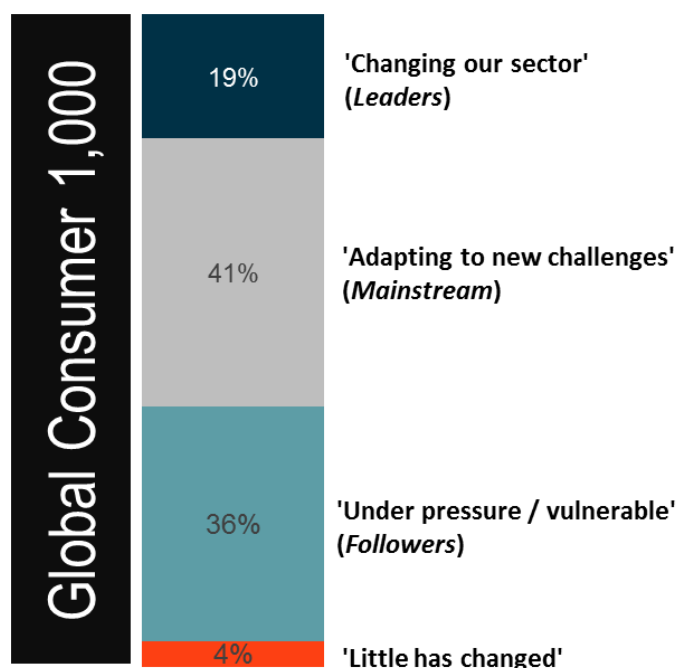
Leading or falling behind – distribution of the Global 1,000

The digital age has been kind to some companies and hard on others, but few are unaffected.

The Digital Evolution Survey of over 400 consumer marketing executives at companies with over $1.5 billion in annual revenues found that only **4% say that 'little has changed' in their sector over the last several years**.

Almost 20% are driving that change and over 40% are working to adapt to it despite feeling challenged.

But for **36% of the consumer enterprises** we studied, market shifts have left them **feeling 'under pressure and vulnerable.'**

Global Consumer 1,000

19%	'Changing our sector' (*Leaders*)
41%	'Adapting to new challenges' (*Mainstream*)
36%	'Under pressure / vulnerable' (*Followers*)
4%	'Little has changed'

An important factor about those companies that are in the forefront of change is that they are outperforming the field financially. **'Leaders' are 43% more likely than 'mainstream' companies** and **77% more likely than 'follower' companies to be growing faster than their sector averages**.

There are a number of different ways to plot the complexity of businesses and their component parts. For the purposes of the Digital Evolution Study, these were broken into four areas; **culture**, **structure**, **practice** and **technology**. Selected findings in each area are featured in the full report.

Cultures from traditional to innovative

Among the most startling findings in the area of culture concerns executive leadership, where **only 44% of organizations feel that their C-suite 'gets' digital and is setting strategy for it effectively**. They aren't alone as boards of directors and middle managers are similarly low-rated.

An important area where executive talking points diverge from action is around customer centricity. Despite being a top-rated priority, **most companies can't draw substantive**

Econsultancy Achieve Digital Excellence™

conclusions about the financial impact of customer satisfaction. Even fewer use the metrics of customer satisfaction to contribute to executive compensation formulas.

Every company in the study is attempting to become more innovative, but creativity is not easily turned into standard operating procedure. While many believe they have cultures that promote decision-making through experimentation, **few have learned how to truly learn from failure or give innovators room to work**.

## Structures for the future of marketing

Many marketing organizations are struggling to rebuild themselves from the inside out. These structural challenges are pressing and difficult to overcome. The walls between teams and strict role descriptions make change difficult and keep digital on the fringes of many campaigns and activities. But things are changing; **55% of mainstream companies say that they've already created some fluidity in roles and lowered silo walls to a significant extent**.

Strategy is never more important than when an organization is under pressure and attempting to reorganize in response. Enterprise marketing departments are strong at including planning and strategy, as well as ensuring that progress against strategic goals gets measured. But the ultimate test of a strategy is its usefulness throughout the organization, and here respondent organizations display some weakness; roughly **75% say their plans are 'easy to apply to everyday questions' but that drops sharply when confronted by more specific scenarios**.

Technology as a competitive advantage

Many organizations have found it difficult to accurately value and implement the emerging technologies of marketing, but leading organizations that have excelled in these areas are benefiting. They are **far less likely to be confounded by data** and **far more likely to have tied their various applications into a cohesive, useful structure**.

Our digital marketing technologies...

Leaders ■ Mainstream ■ Followers
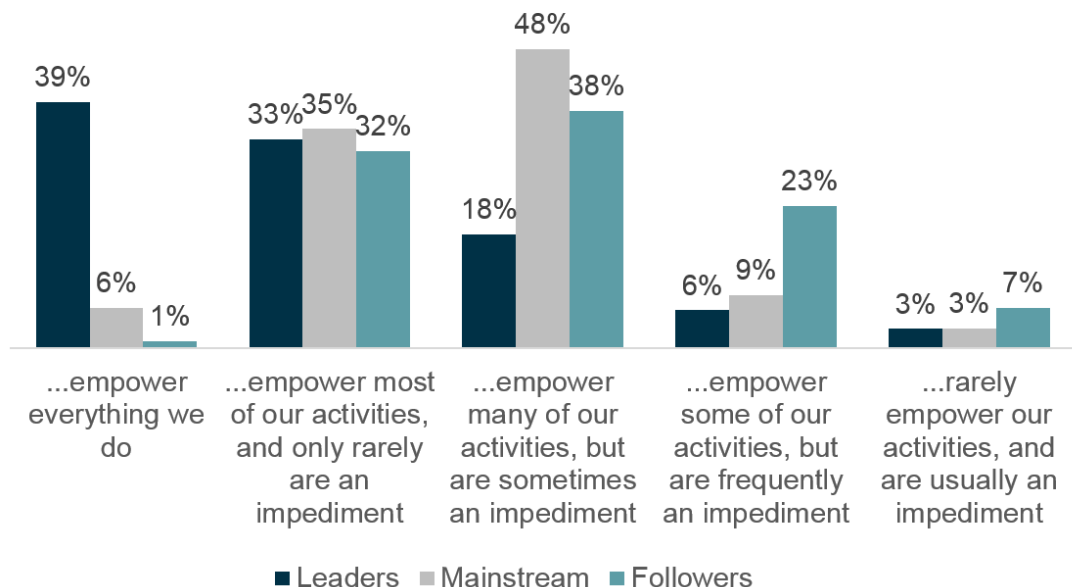
N=413

The difference in how companies view their marketing technologies is one of the most dramatic in the study. While **nearly 40% of leaders say that their tech 'empowers everything we do,' that number drops to 6% of the mainstream and a scant 1% of follower organizations.**

New practices and new people

The practice of marketing itself hasn't changed at its core. It's still about knowing the customer and reaching them in ways that delight and satisfy. But the methods by which marketers learn about their audience and how they interact with them have been transformed. The study looks specifically at how the Global 1,000 maintain their teams' digital skills and value capabilities in **mobile**, **social** and **content marketing**.

The role for each is growing, if not entirely understood in every case. Over two-thirds of survey respondents say that their organizations **are already devoting 20% or more of their media mix to content-based, inbound marketing efforts**, and an even higher percentage believe that share will rise to over 50% in the future.

With all companies building their digital practice, attracting and keeping talent is a challenge, and each company's degree of success corresponds strongly with the various qualities explored in the study. **Those companies with rigid structures and high barriers to innovation find themselves with a circular problem; they are nearly twice as likely to have difficulty attracting and keeping the talent in tech and digital (57% vs 31%)** that can help them evolve.

Also in the *Digital Evolution Study;*

- How leaders are built to encourage innovation and balance it with steady adaptation and improvement through experimentation.

- Where the Global 1,000 rank mobile as a strategic priority.

- Differences in how leaders are dealing with social and content marketing.

- The keys to keeping and cultivating talent that set leading companies apart.

- How leading companies define the state of the art through their capabilities related to data and technology.

- Why leaders are excited and empowered by their marketing technologies and the rest of the industry is trying to catch up.

- Five important lessons from Leaders in the Global 1,000.

About the research

The Digital Evolution Survey was fielded by Econsultancy via multiple third-party panels on April 2nd 2014 and closed on June 24th 2014, garnering 442 responses. Participants were given an incentive to compete the survey.

The study focused exclusively on companies with over $1.5 billion in annual revenues, roughly in alignment with the top 1,000 global organizations. Respondents were in North America and limited to positions of Director or above. Nearly two-thirds (62%) of the resulting sample is in senior leadership (VP or above) and 36% is from the C-suite or board level.

See the **Appendix** at the end of this report for a demographic breakdown of the respondents.

About Econsultancy

Econsultancy's mission is to help our customers achieve excellence in digital business, marketing and ecommerce through research, training and events.

Founded in 1999, Econsultancy is used by more than 600,000 professionals every month, and has offices in New York, London and Singapore.

Our subscribers have access to research, market data, best practice guides, case studies and elearning – all focused on helping individuals and enterprises get better at digital.

The subscription offering is supported by digital transformation services which include capability programs, training courses, skills assessments and audits. We train and develop thousands of professionals each year as well as hosting events and networking that bring the Econsultancy community together around the world.

Subscribe to Econsultancy today to accelerate your journey to digital excellence.

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Foreword by Epsilon

Anyone who has been working in the marketing field for any length of time is well aware of the dramatic change that has taken place in recent years. Consumers now expect to interact with brands on their own terms, and new digital media make it possible to take more control of their relationships with favorite brands.

On the other side, marketers have access to more information than ever about their consumers, most of it in real-time, enabling a truly personalized dialog with individual consumers.

At Epsilon, we find our most successful clients are using digital resources and tools to proactively improve their brands' relationship with consumers along two dimensions: how consumers *engage* with their brands and how they *experience* their brands.

Brands that can identify consumers at the right moments and communicate in a way that triggers an emotional response are increasingly the ones that win. Today's explosion of tools, content and channels are making this possible.

We have seen brands succeed wildly using this strategic approach and taking advantage of these new capabilities, while others have stumbled and still others seem unable to take the leap.

Organizational structure and culture is one of the biggest barriers we see to successfully deploying digital marketing strategies and tactics. Firms that cling to outdated ways of working will understandably find it difficult to build strong, emotional bonds with their consumers using these new tools.

In order to better understand the organizational factors driving positive results for companies in today's technology-enabled marketing environment, we partnered with Econsultancy to field research among a global audience of senior-level executives at top consumer marketing firms. We asked questions about whether and how their own digital marketing capabilities have evolved.

We think you will find the results point to a clear need for senior level executives in both marketing and other disciplines to embrace the value of technology, and work together as a team to use digital marketing approaches to become more innovative, truly customer-centric, and to respond to marketing opportunities in real time.

Andy Frawley

President of Epsilon

About Epsilon

Epsilon is the global leader in helping clients create customer connections that build brand and business equity. A new breed of agency for a consumer-empowered world, our unique approach harnesses the power of rich data, world-leading technologies, engaging creativity and transformative ideas to ignite connections between brands and customers, delivering dramatic results.

Recognized by Ad Age as the #1 U.S. Agency from All Disciplines, #1 World Largest CRM/Direct Marketing Network and #3 Largest U.S. Digital-Agency Network, we employ over 5,000 associates in 60 offices worldwide.

Epsilon is an Alliance Data company. For more information, visit www.epsilon.com, follow us on Twitter @EpsilonMktg or call 1.800.309.0505.

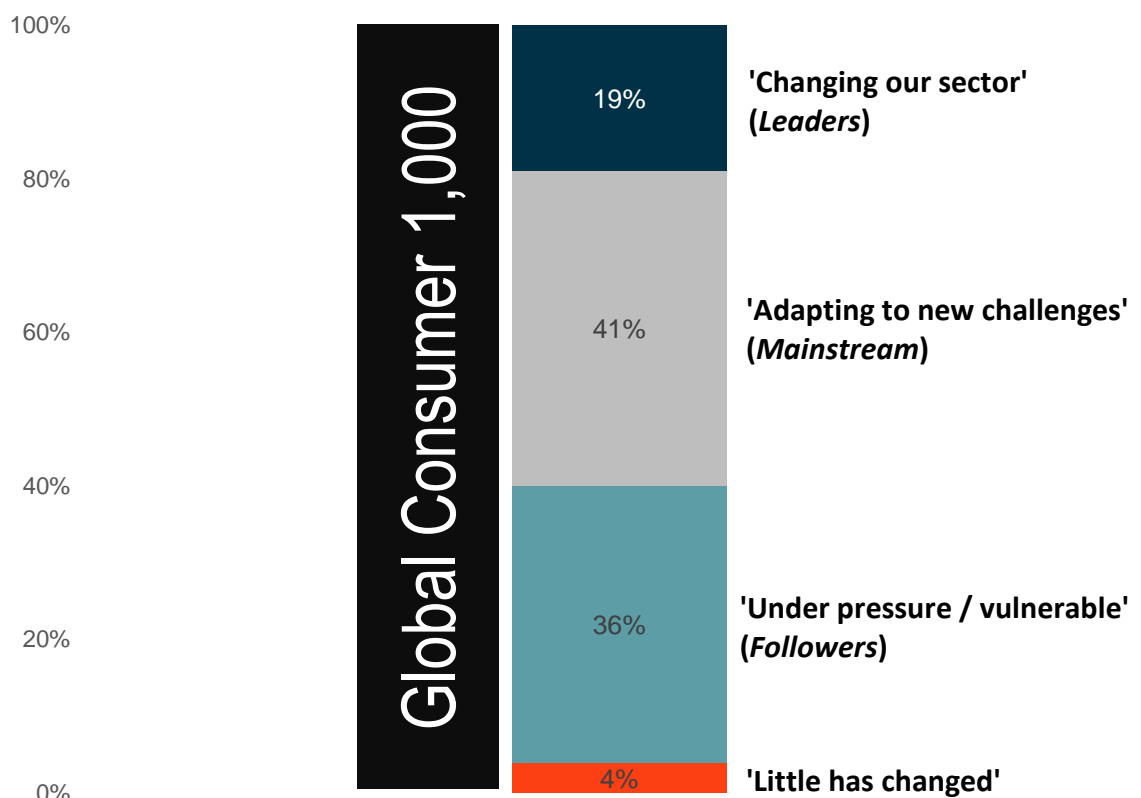# Transformation or evolution? A digital balance.

For more than a decade, marketing has been defined and redefined by rapid changes in the lives of consumers. The mobile, always-online and social consumer has new priorities and new ways of learning and buying which fundamentally alter the landscape for brands. In fact, an overwhelming 96% of the companies we surveyed for the Digital Evolution Study say that their markets and even their business models are under significant pressure from the shift to digital.

But change doesn't come easily to complex systems. Inertia builds with success and standard practice. People in these systems like that stability because it makes the future predictable and experience adds to their value.

The Global 1,000 companies studied in this report are highly complex systems. They are international institutions with revenues in the billions of dollars and tens of thousands of employees. They invest in the future as much to counter the threats of change as to capitalize on the promises of opportunity.

It's in this context that the digital shift in consumer behavior is fundamentally altering how businesses understand and manage change. In fact, the approach to change is an increasingly important part of their corporate identity, one that correlates with success and failure across a wide variety of measures.

Figure 1: Digital pressures on the Global 1,000

Global Consumer 1,000

- 19% 'Changing our sector' (*Leaders*)
- 41% 'Adapting to new challenges' (*Mainstream*)
- 36% 'Under pressure / vulnerable' (*Followers*)
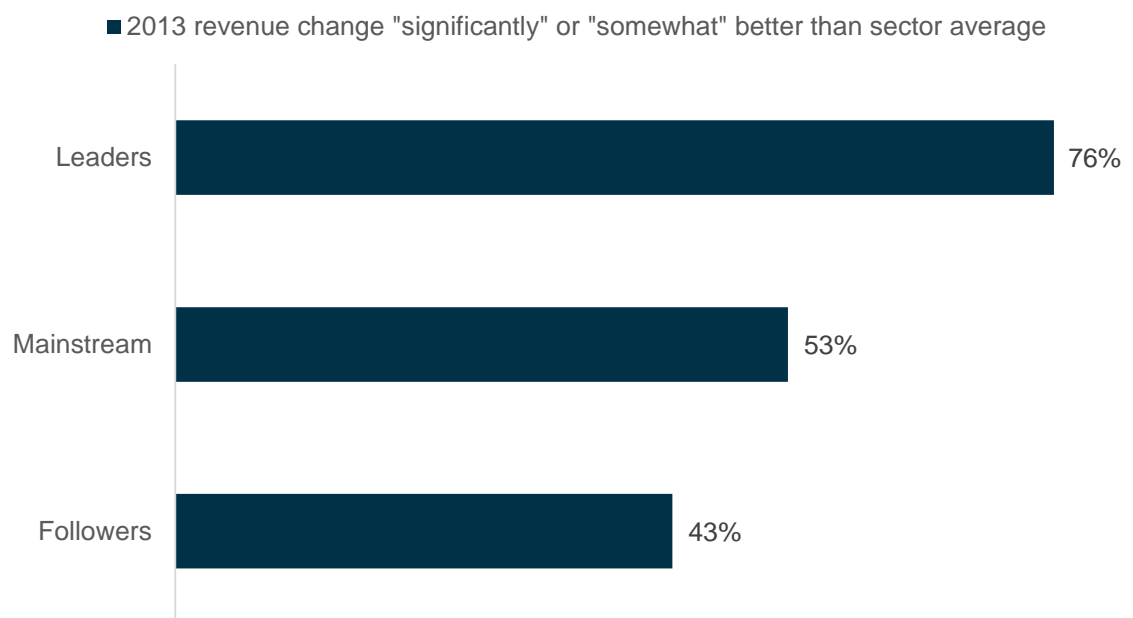- 4% 'Little has changed'

N=439

When we asked the Global 1,000 how they were affected by pressures directly related to digital, we found an astonishing percentage of these companies describe a time of chaos. Some are benefiting and some are foundering but few (4%) are able to say 'little has changed.'

Using this lens in Figure 1, we divide the remaining respondents into three main groups;

- The first group, which we've labelled as *leaders*, are the companies that are part of the change or disruption of their sectors. They make up nearly 20% of the Global 1,000 and in the course of this report, we'll see why they should serve as a benchmark to companies evaluating their own progress.

- The *mainstream* form the largest block of companies; they may not be winning the game, but they're playing it and getting better. They are adapting to new challenges by adding capabilities, exploring technologies and reconsidering everything from how they approach innovation to the basic structures of the organization.

- By contrast, the third major group, the *followers*, is comprised of those organizations that are not simply lagging in key areas of investment or evolution, but are lacking agreement and alignment about how to proceed. These companies feel themselves to be under pressure from the changes wrought by digital and vulnerable to disruption.

These distinctions are useful as a means to understand and highlight the findings. Time and again we find that *leaders'* behavior differs significantly from *followers* and the *mainstream*.

Figure 2: Financial performance by type of digital organization

■ 2013 revenue change "significantly" or "somewhat" better than sector average

Leaders	76%
Mainstream	53%
Followers	43%

N=439

Distinctions of digital evolution are meaningless if they aren't ultimately connected to success. The model of *leading*, *mainstream* and *following* companies is valid in part because of the differences in their recent financial performance. Most companies have enjoyed relative success in these post-recessionary years, but *leading* companies are outpacing the rest. Over three-fourths of them say that they are doing 'somewhat' or 'significantly' better than their sectors.

Enterprise culture and modern marketing

Large organizations have advantages in resources, brand and financial flexibility, but scale is a challenge. Corporate politics and processes can make the simple complex and delay even necessary actions. In general, the study suggests that while most organizations share goals that are aligned with the shift to digital, their reality hasn't necessarily caught up with rhetoric.

Figure 3: Does leadership 'get' digital?

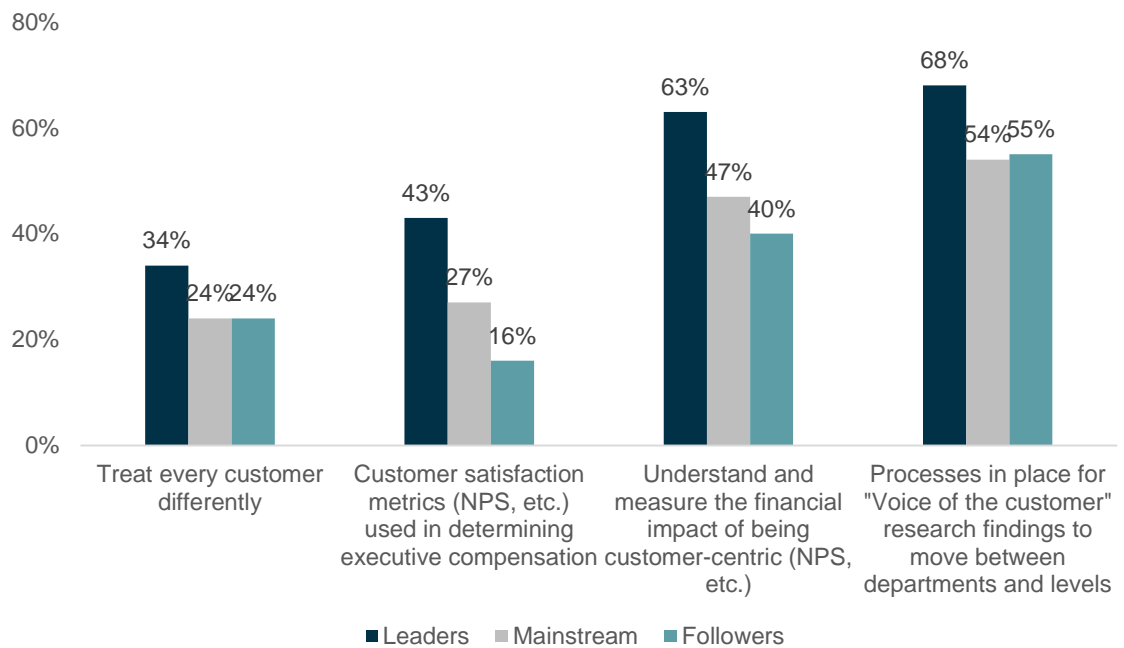|	
Board supports a digitally-forward organization and investing to achieve it	47%
C-suite "gets" digital and is setting strategy with that in mind	44%
Upper management is working to integrate and encourage digital expertise	63%
Middle management is open to learning and encouraging to digital	46%
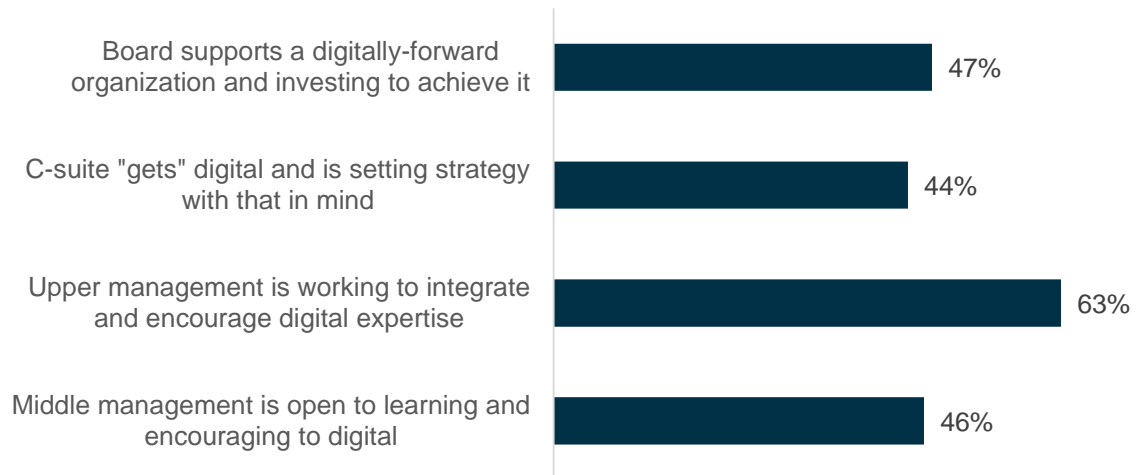
N=442

In Figure 3, we see that executives in the enterprise give each other relatively low marks in being the shepherds of digital progress. Note that each group was evaluated by the others; the C-suite, for example, was evaluated by the board, upper and middle management, but not by themselves.

Organizations need leadership invested in change whether that change is dramatic transformation or simply steady evolution. Each level of leadership is essential to affecting components of that change.

● The direct influence of the board on the operations of the company varies but in many examples of digital transformation there are specific board members who originate or at least support digital change initiatives. Especially in cases where an organization has to consider or undertake a fundamental restructuring, it's essential that core members of the board understand and believe in these initiatives.

● The C-suite is a collection of titles, and any major shift in the organization needs all of their support, but a marketing transformation is generally led by the CMO. The good news is that the tenure of CMOs has been getting longer after a period of contraction in the 90s and 2000. That time is absolutely necessary as true reformation is a process with many moving parts and that inevitably involves outside constituents and more time than originally planned.

● Upper-level management (VPs and EVPs) fare better than the other categories with nearly two-thirds getting good ratings in terms of their ability to work with digital and integrating it into the enterprise. This may in part reflect the demographics of enterprise organizations where often the most highly placed 'digital natives' are at this level. Anecdotally, it is consistent that the people sparking digital education initiatives within large consumer-facing enterprises are at the VP/EVP level. Over the next five to 10 years, we can expect many of these senior managers to make the transition into the C-suite.

Figure 4: Measures of customer focus

80%

68%

63%

60%

55%
54%

47%

43%

40%

40%

34%

27%

24% 24%

20%

16%

0%

Treat every customer
differently

Customer satisfaction
metrics (NPS, etc.)
used in determining
executive compensation

Understand and
measure the financial
impact of being
customer-centric (NPS,
etc.)

Processes in place for
"Voice of the customer"
research findings to
move between
departments and levels

■ Leaders   ■ Mainstream   ■ Followers

N=439

One sign of whether top leadership is committed to becoming a more responsive, digital age company is their focus on the customer. Most companies would describe themselves as 'customer-centric,' as putting the customer at the center of product development, service and marketing. But the reality isn't so clear.

Shifting from a product or market-led approach isn't easy or cheap, nor is it a guarantee of success. So for many the importance of the customer's experience has grown, but is only one factor in strategy, not a dominant one.

Listening is the easy part. Virtually all enterprise organizations have mechanisms in place to monitor the 'voice of the customer' and most have dedicated technology. It's more challenging to extract the lessons from what they've got to say and carry them where they need to go within the organization. This is an area of strength for *leaders* where nearly 70% report having the capability of moving social lessons between departments and levels, compared to approximately 55% of their peers.

The question of whether established companies can make the turn toward being customer-led can be examined in how they relate customer satisfaction with financial measures and compensation. At a fundamental level any initiative that is not built on financial underpinnings is at best limited in scope if not doomed to failure. Fewer than half of all *mainstream* organizations report being able to understand and measure the financial impact of being customer-centric.

Compensation isn't the only significant driver of executive behavior but it is universal and easy to measure. Behaviors that don't have incentives or disincentives are rarely prioritized and are the first to be set aside when challenges arise or conversely when profits are high. By this measure, customer satisfaction as a strategic priority has a long way to go. Roughly one in four of the *mainstream* respondents report having instituted a formal connection between satisfaction metrics and compensation for any executives.

The nirvana of the customer-focused organization may be to treat every customer differently. The reality is a remote one at product- focused companies and even for most services companies. Yet one in three leaders report having achieved this at some level. Regardless of whether it's a

practical goal, the principle of individualization should at least be an inspiration for innovation and customer service.
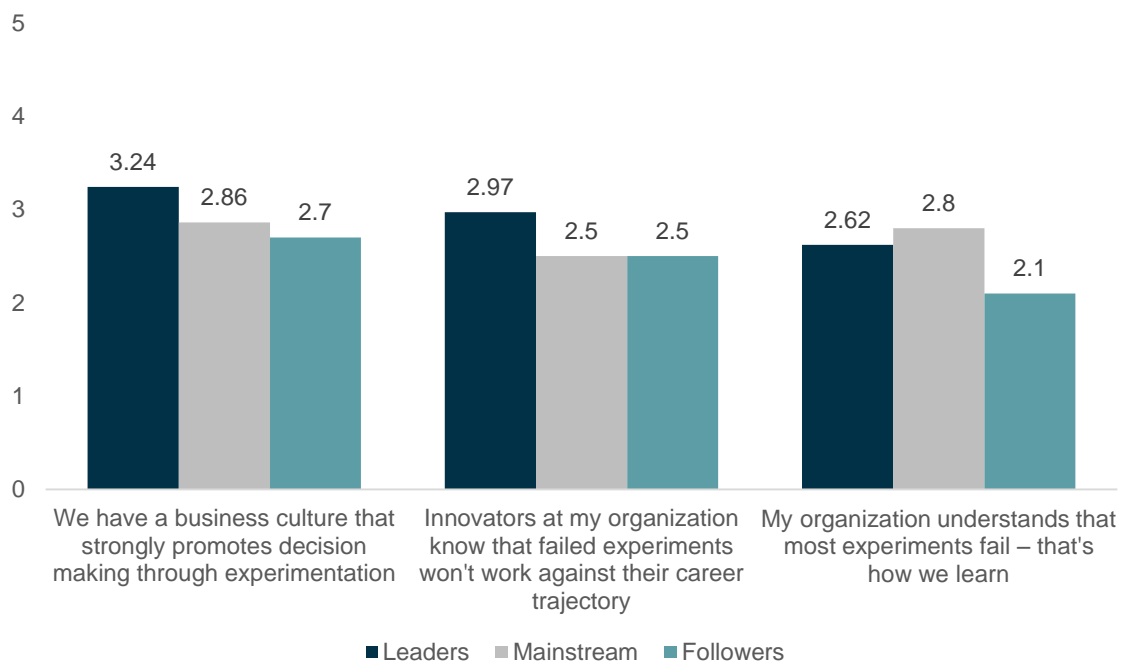
The needs of the customer should be the North Star, but it takes more than one angle to navigate. Companies that have been leaders for decades have found themselves outpaced by digital upstarts and displaced by market shifts, leading many to re-evaluate how they learn and create.

Figures 5 and 6 look at corporate and marketing structures around experimentation and innovation. These two capabilities are often spoken of in the same breath, but are distinct. The structures and skills that encourage them often exist independently and even in conflict. Some companies are good at incremental change based on experimentation but lack a culture that sparks innovation, while the opposite is true for others.

Creativity at any level is the most difficult capability to systematize. Very often innovation is tied to specific individuals or programs, instead of being 'baked-in' throughout marketing, let alone the enterprise. Meanwhile, experimentation and testing requires consistent focus, specialized skills and unrelenting precision.

In both cases there is a large gap between what companies want and what they are able to support. We'll also see that the ability to put creativity into a sustainable institutional context is a powerful advantage for *leaders*.

Figure 5: Cultures of testing and learning

	Leaders	Mainstream	Followers
We have a business culture that strongly promotes decision making through experimentation	3.24	2.86	2.7
Innovators at my organization know that failed experiments won't work against their career trajectory	2.97	2.5	2.5
My organization understands that most experiments fail – that's how we learn	2.62	2.8	2.1

N=431

Figure 3 suggested that corporate management is still grappling with the implications of the digital age. Figure 5 confirms that the cultures they manage are still more traditional than innovative. When asked to rate their organizations in aspects related to experimentation, most respondents are lukewarm at best. Instead of seeing their organizations as flexible, adaptable and able to learn, they describe themselves as still led largely by instinct and often unable to build on failure.

Most companies have, or aspire to have, the kind of culture that promotes decision-making through experimentation, that uses data not instinct alone. *Mainstream* respondents give themselves an aggregate score of 2.9 out of 5 in this characteristic, a positive if not glowing review.

But experimenters live in failure. The majority of experiments don't pan out, whether they're technical or creative. The essence of agility and flexibility isn't to avoid failure, but to use it to inform the future. For nimble start-ups, this is a way of life; they fast fail their way through product iterations, marketing messages and sometimes even business models. For the enterprise, this is still a challenge.

Companies that truly want to use experiment-based decision-making have to start by learning how to protect those brave enough to offer new ideas. In Figure 5 *mainstream* and *follower* respondents score themselves at only 2.5 out of 5 in having a setting where innovators know that failed experiments will not work against their careers.

This is especially worrisome in the setting of marketing to consumers, whose patterns of consumption are evolving quickly. If companies can't think radically and change with them, they become vulnerable to competitors who can.

Figure 6: The processes of innovation

Leaders ■ Mainstream ■ Followers
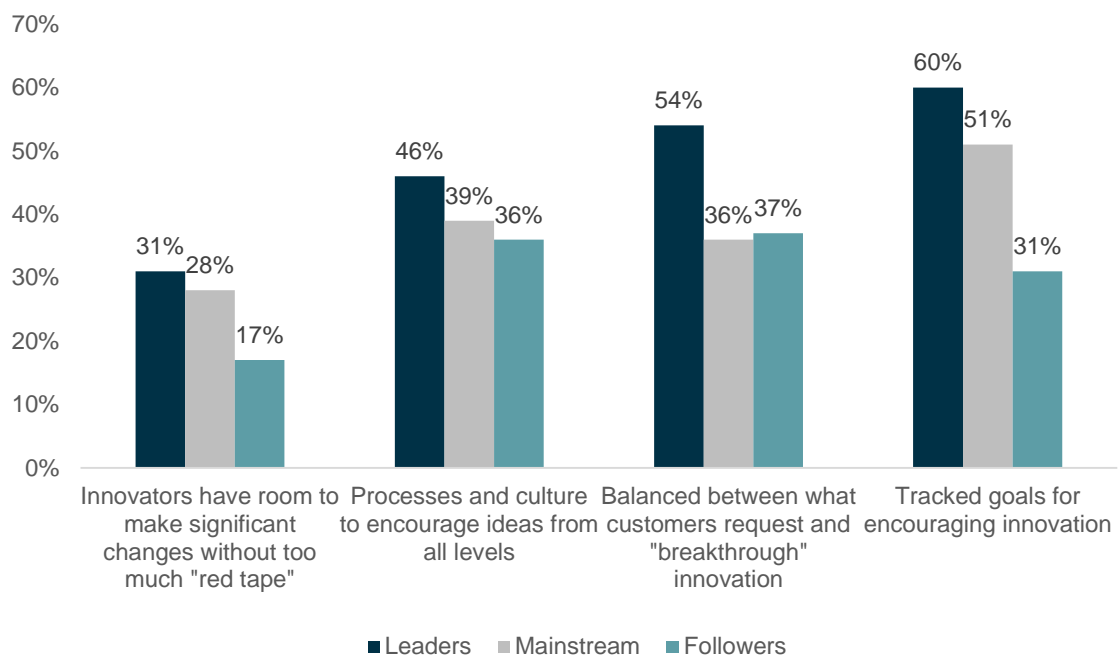
N=431

Many companies are attempting to implement a systematic approach to encouraging innovation. Importantly, the goals of such processes do not focus on the results of innovation initiatives. Instead they look at whether the pieces are in place to foster idea generation and sharing, benchmarking the practice of considering problems and opportunities in new ways.

This is a differentiator among leaders, with 60% having a system and regular measures for encouraging innovation, followed by just over half of the *mainstream* and less than one-third of *follower* companies.

One of the trickiest elements of an innovative culture is creating a balance between small changes, often driven by customer requests or a competitor's feature, with so-called breakthrough innovation.

By definition, these big changes don't come from incremental processes and only rarely come from customer requests. They require looking at the same landscape in an entirely different way and this is an area of weakness for the Global 1,000. A slim majority of *leaders* describe their organizations as well balanced, but it's an issue for most of their peers.

One thing that most organizations fail to do at a high level is encourage ideas from all levels and/or all segments of the organization. Encouraging junior and mid-level employees to spend some of their time considering questions outside their immediate remit is not part of the culture at traditional organizations, let alone big ones.

A top-down structure is to some extent a necessity at a certain scale or at least is the easiest way to manage and control systems. However, the chance of good ideas coming from junior and mid-level staff is significant and has likely grown with the modern focus on customer experience, the customer journey and the customer conversation. It's the staff on the front lines that have the truest vision of who the customer is, what they want as well as how products and services truly function.

Something that few organizations are good at is giving innovators relative freedom from red tape. It's a clear advantage of the start-up over the enterprise. Institutions are defined by their processes. The rare corporations that can build and maintain structures that allow innovators to operate outside of the machinery have a distinct advantage.

Organizational structures for marketing success

One defining characteristic of modern, digitally-focused marketing departments is having a relatively flat, free structure. This means that departments readily communicate with each other, share budgets and perhaps most importantly, take advantage of the skills and experience of people regardless of the role and department on their business cards. This flexibility allows companies to adapt more quickly under adversity and take better advantage of opportunity.

Figure 7: Flexibility of silos and roles
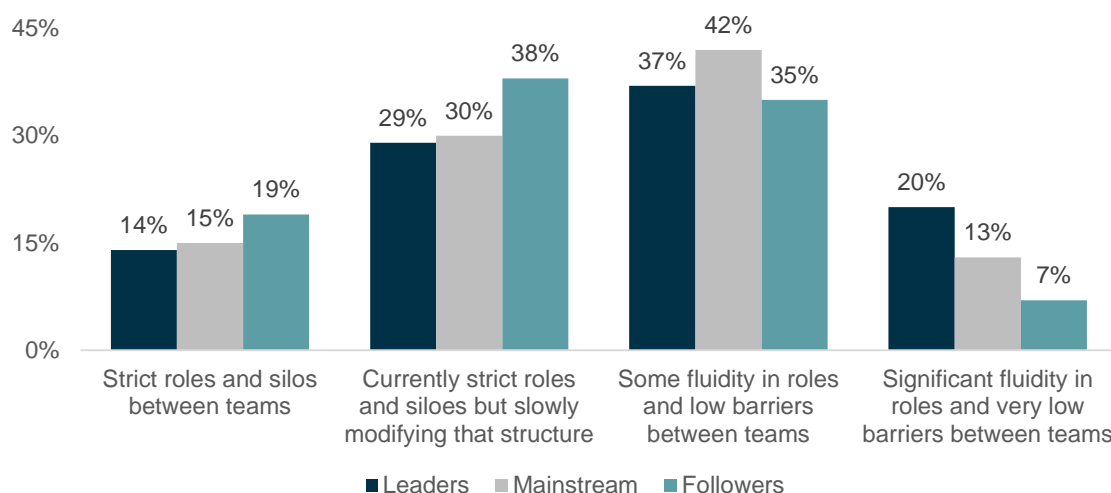
N=433

For the enterprise, fostering that flexibility is a difficult. Figure 7 roughly describes a Bell curve; most companies are still dealing with barriers but there is progress towards some fluidity in roles and lowered barriers. It's of note that *followers* skew to traditional models.

Figure 8: Applications of marketing and corporate strategy

N=432

What makes a good strategy? That it is far-reaching or comprehensive? Or perhaps that it reflects a unique understanding of the future? In the current marketing environment, defined by too many choices and too little time, it can be argued that the best strategy is the one that is the most

useful on a daily basis and that there is nothing more powerful than a ready tool to determine priority and action.

At first pass most organizations feel that their strategic plan is exactly that: useful and easy to apply to everyday questions. Even among *followers*, a majority give themselves good marks. But when that same question is approached from different angles, the percentages don't hold. There are two primary issues; the accessibility of strategy and its application to decision-making.

If the real measure of corporate strategy is its usefulness, then it must be useful to those outside the executive class. While three in four members of the *mainstream* say that their strategic plan is easy to apply to everyday questions, only 56% say that all marketing team members understand the strategy well enough to describe it.

One easy way to determine whether or not a strategy is useful is to see whether or not it helps the team say 'no.' The life of the modern marketer is simply too busy to take every opportunity. There are too many technologies, too many channels across too many media to pursue them all. All this makes 'no' the most powerful concept in corporate productivity.

The question, then, is not whether an opportunity is 'good' or not. Instead, it should be whether it's true to strategy. Even the most well-funded marketing departments in the world are limited in the number of strategic initiatives they can simultaneously engage with in a meaningful way. Everyone should understand what those initiatives are and why they're the priority. This will allow them to move through their day in step with larger corporate direction, and be able to quickly assess how to allocate their own and company resources.

The new practice of marketing

The marketing palette includes so many channels, media and platforms that it's easy to get mired in tactics. But the Digital Evolution Study identifies three key areas that represent the core of the modern marketing value proposition.

Content, **social** and **mobile** marketing are all important on their own, but are deeply interconnected and can only fulfil on their potential in tandem. Collectively, they are primary contributors to an overarching goal of delivering a better, more profitable customer experience.

Figure 9: The growing role of content

Leaders ■ Mainstream ■ Followers
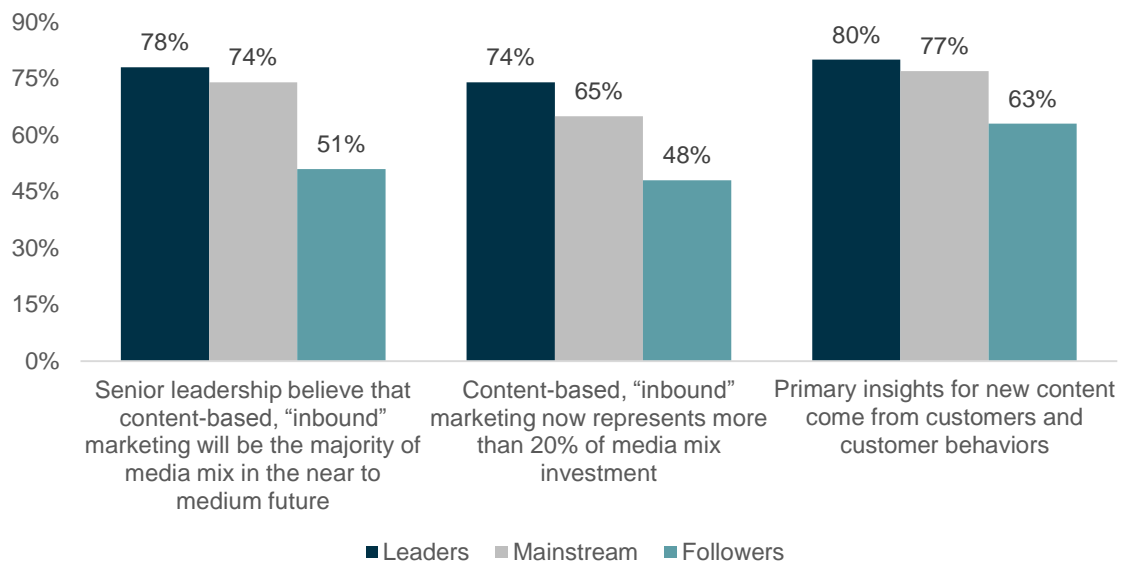
N=426

Content marketing is not simply another channel; it represents part of the shift in power from the marketer to the market, from push to pull. As paid media efficiency steadily erodes, the potential for inbound marketing has grown along with the role of search and online research in the customer journey.

The approach to content and its role in the future is an area of strong agreement between the *mainstream* and *leading* organizations. For both groups content already represents a significant investment with over two-thirds reporting that it accounts for at least 20% of their media mix. Even more remarkably, roughly three in four say that they see content marketing growing to become the majority of that mix in the near to medium term future.

It may be that these estimates are somewhat inflated because content marketing has been a key topic in the press and among analysts, but even so the trend is a powerful one. Of note, *following* organizations are roughly 50% less likely to see content marketing as central to their marketing today or their strategy for tomorrow.

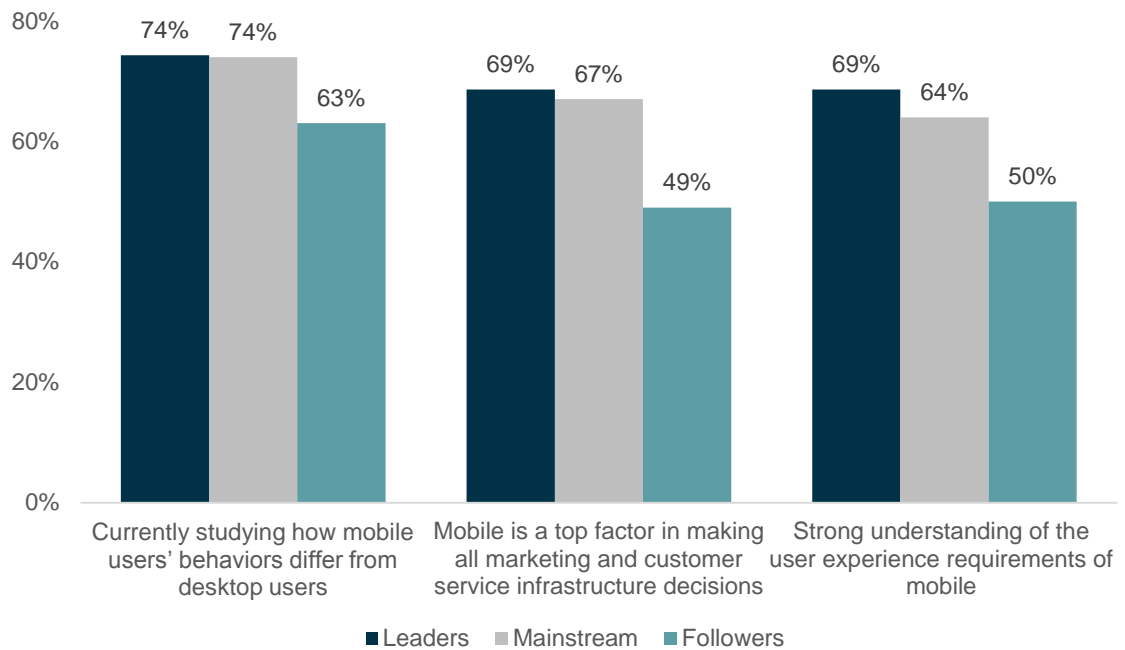Figure 10: Social capabilities – conversing with the market
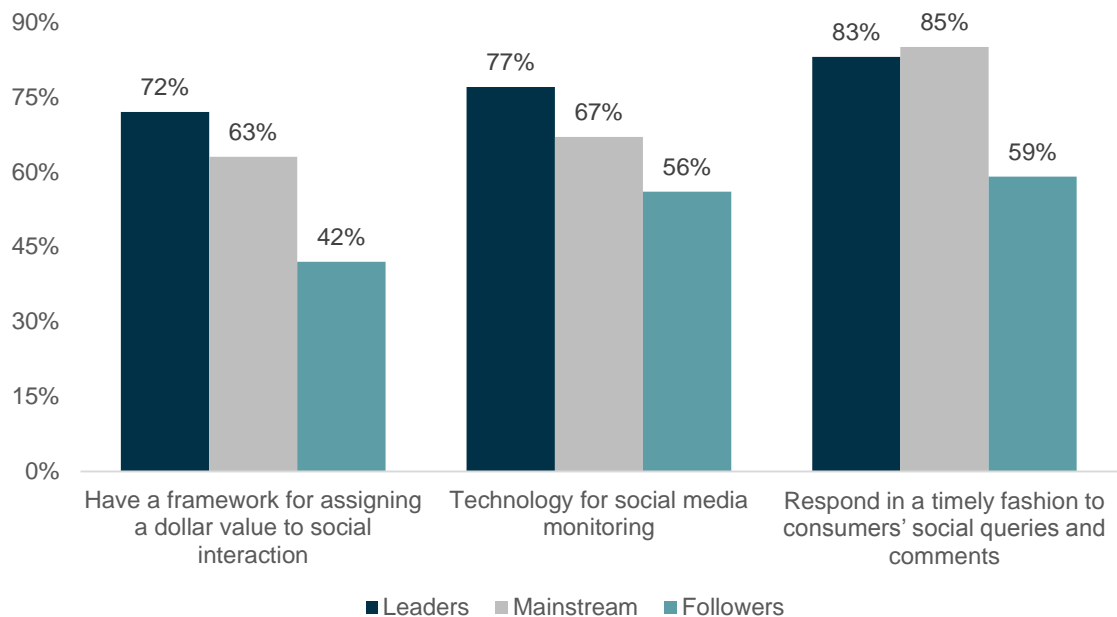
N=426

The term 'social marketing' tries to capture a variety of activities and capabilities. Many are simply public relations wrapped in the authenticity of a social platform, others are directly commercial and some are a nuanced combination of customer service and marketing. Many brands still find it challenging to extract value from social interactions, to understand their influence and to define the role of social in their marketing strategy.

Figure 10 looks at three essential ingredients to an effective social practice; listening to consumers, communicating with them and ultimately placing a value on these interactions.

Social listening has become common in the enterprise, with more than two in three respondents reporting that they access a specific technology for monitoring the medium. One use is to power direct response to customer queries and most believe they're good at it too, with over 80% of *leading* and *mainstream* respondents saying that their responses are timely. But brands shouldn't necessarily relax, as 'timely' is in the eye of the beholder; in various studies consumers have expressed frustration with social response times and their expectations will only grow with the evolution of the medium.

Perhaps the most challenging element of all things social is determining financial benefit. Social interactions with brands are very often early or mid-funnel activities so their contribution to sales can be murky. But attention and investment have given rise to a number of different approaches to valuing the social relationship. Nearly two-thirds of the *mainstream* and over 70% of *leading* companies report having some framework for assigning value to social. Each has its limitations, but engaging with the question and agreeing on methodology is an important step. Any company that seeks to be customer-driven or even customer-aware has to have social as a central part of its strategy.

Figure 11: Mobile – understanding the big world of small screens

Leaders: 74%, 69%, 69%
Mainstream: 74%, 67%, 64%
Followers: 63%, 49%, 50%

Categories:
- Currently studying how mobile users' behaviors differ from desktop users
- Mobile is a top factor in making all marketing and customer service infrastructure decisions
- Strong understanding of the user experience requirements of mobile

■ Leaders ■ Mainstream ■ Followers

N=421

The shift to mobile devices is fundamentally changing how marketers communicate with their customers. While the desktop still dominates most direct purchase interactions, companies have seen the mobile share of traffic rise sharply and steadily. The attention being paid to the small screen can be seen in the behaviors and capabilities detailed in Figure 11.
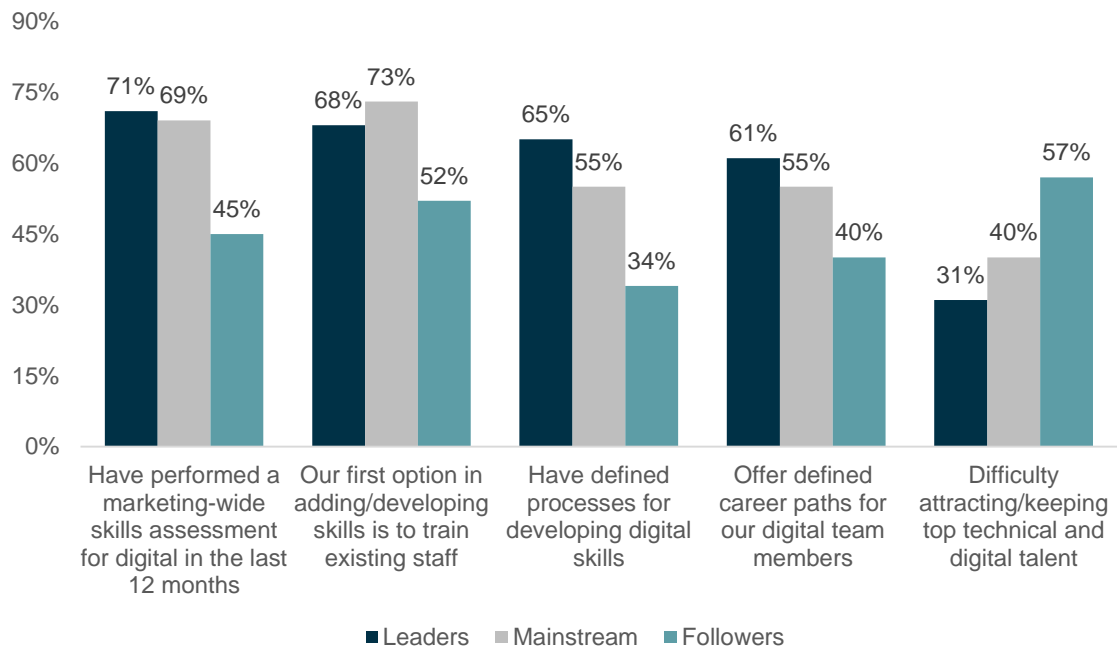
Most of the Global 1,000 see a near future where their sales and marketing efforts must be 'mobile first.' Two-thirds report that mobile is central to all decisions about the marketing and customer service infrastructure that will power these companies and their go-to-market strategies over the next decade.

Understanding the mobile user is essential. Nearly 75% are examining the differences between desktop and mobile customers. Within that should be studying the differences between smartphone and tablet users which are often mistakenly lumped into one group. Research into these differences is part of understanding what makes for a superior user experience on mobile platforms.

Mainstream and *leading* organizations give themselves relatively high marks, with roughly two-thirds saying they have a strong understanding of the mobile user experience. This may be the case, but with investment and attention can come the belief that a problem has been solved. As with some other emergent customer priorities (see response times in social media in Figure 10), executives may overestimate their organizations' understanding of the mobile CX, and do so at their peril.

Large organizations striving to excel in these critical areas are challenged in supporting them with talented people. In a post-industrial world built on information and unique skills sets, individual contributors are not easily found or replaced. The behaviors of *leading* organizations, as seen in Figure 12, provide an example in how to approach digital talent with a long-term view.

Figure 12: Finding, keeping and cultivating talent

	Have performed a marketing-wide skills assessment for digital in the last 12 months	Our first option in adding/developing skills is to train existing staff	Have defined processes for developing digital skills	Offer defined career paths for our digital team members	Difficulty attracting/keeping top technical and digital talent
Leaders	71%	68%	65%	61%	31%
Mainstream	69%	73%	55%	55%	40%
Followers	45%	52%	34%	40%	57%

N=420

Generally speaking, elite brands don't suffer from an inability to attract top talent. They enjoy the benefits of their status, international scale and highly developed recruiting organizations. But top digital and technical talent is in short supply. Nearly one-third of *leaders* say that they have difficulty in attracting and/or keeping the best people in emerging areas, but that number is nearly doubled at *follower* organizations.

Most *leading* and *mainstream* companies believe in and practice a train-first approach. Part of this is defining skill development processes that are complementary to marketers' core competencies. For example, someone tasked with email deployment should be trained in content development, and might benefit from understanding customer journey analysis.
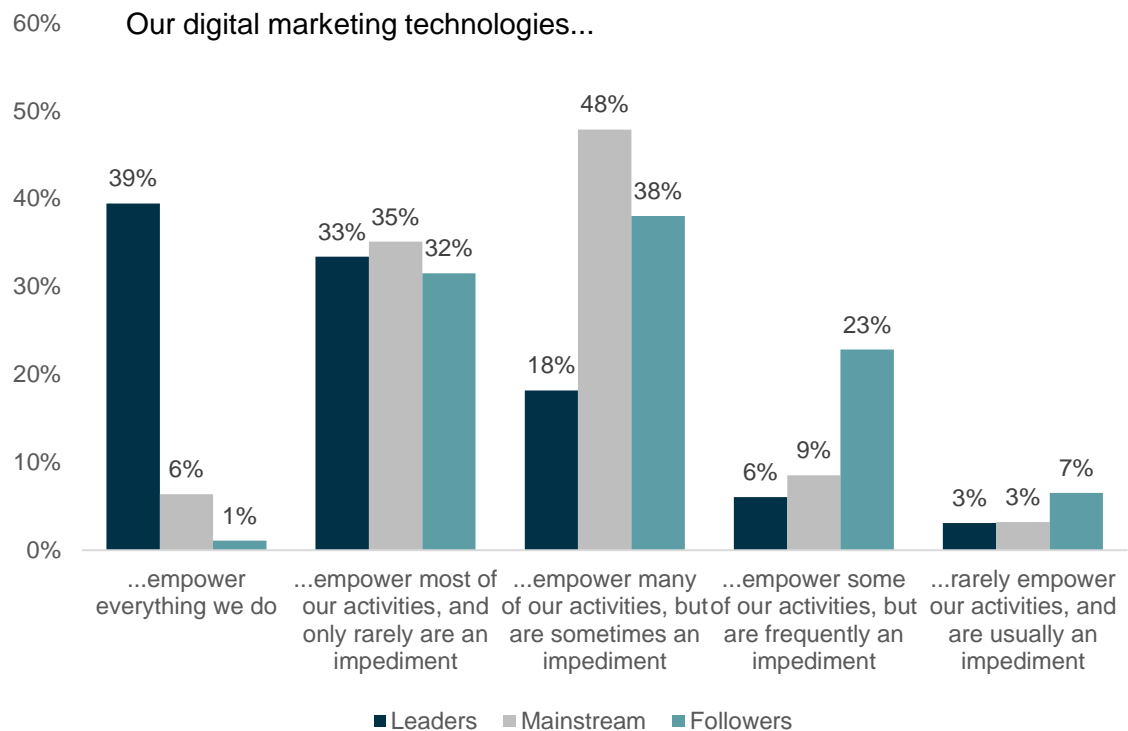
One of the reasons that skilled digital marketers leave large organizations is that they find themselves limited by their own expertise. Channel-level skills are important, so companies often make the mistake of letting good people sit still. For example, optimizing paid search campaigns is vital and a great way to get started, but it is not necessarily what someone wants to do for their entire career. If there's no route out that person will be lost, along with their expertise and institutional knowledge.

One way to avoid this phenomenon is to have defined career paths that show team members that they can progress in the organization, not only within the digital team but in marketing as a whole and potentially outside marketing itself. Making these possibilities and paths known and then letting team members pursue directions of interest can dramatically improve retention.

Springboard or trip wire? Tech in the digital enterprise

Technology can't produce great marketing, but great marketing increasingly depends on technology. Perhaps the starkest difference between *leading* organizations and their peers is the role played by technology.

Figure 13: Technology powers *leaders*, holds back followers

Our digital marketing technologies...

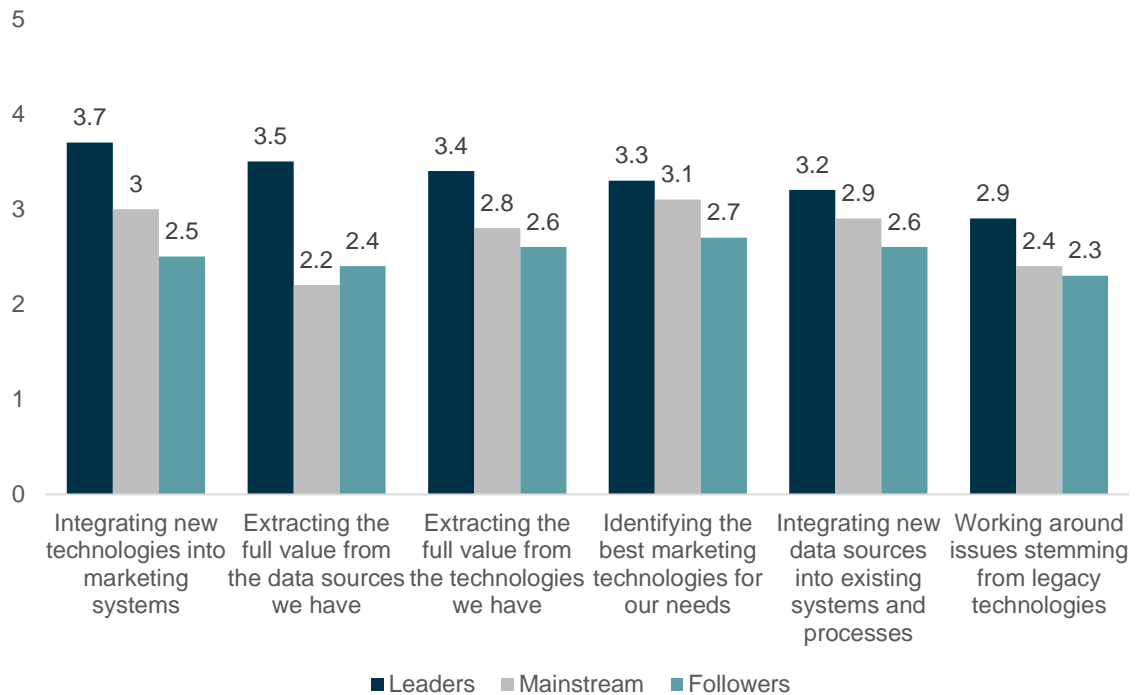|	...empower everything we do	...empower most of our activities, and only rarely are an impediment	...empower many of our activities, but are sometimes an impediment	...empower some of our activities, but are frequently an impediment	...rarely empower our activities, and are usually an impediment
Leaders	39%	33%	18%	6%	3%
Mainstream	6%	35%	48%	9%	3%
Followers	1%	32%	38%	23%	7%

N=413

Nearly 40% of *leaders* agree that their digital marketing technologies empower *everything they do*. Coupled with those who say that their technology empowers *most of their activities*, 72% of *leaders* see their technology as an enabler for success. This is true for only 41% of the *mainstream*.

What are the fundamental capabilities of the modern marketer? There are many and the list is debatable, but most reflect the accumulation of knowledge about what customers want, what they need and how they're trying to solve their problems. The modern marketer needs this knowledge to grow their business, to increase efficiency and to be creative... and it depends on technology that organizes, defines and compares data before human insight can take over.

At its best, technology makes a marketer's life easier and expands their capabilities, letting them focus on their audience. But for *mainstream* and *follower* organizations, technology is too often a barrier. It's a sign that companies don't fully understand how fundamental technology is to the modern commercial relationship and it stands in contrast with a commitment to improving the customer experience.

Figure 14: General weakness in taking advantage of marketing technology

Chart data:

Category	Leaders	Mainstream	Followers
Integrating new technologies into marketing systems	3.7	3	2.5
Extracting the full value from the data sources we have	3.5	2.2	2.4
Extracting the full value from the technologies we have	3.4	2.8	2.6
Identifying the best marketing technologies for our needs	3.3	3.1	2.7
Integrating new data sources into existing systems and processes	3.2	2.9	2.6
Working around issues stemming from legacy technologies	2.9	2.4	2.3

N=422

Despite the role that it plays in marketing today, relatively few organizations excel at the fundamentals of sourcing, implementing and utilizing technology. Figure 14 explores the marketing technology cycle, from identifying the best tools to integrating them and extracting their full value.

Not surprisingly, large organizations are most likely to feel pain from working with legacy technologies. Issues of missing data, data fragmentation and basic construction all confound easy integration. Fortunately, a number of solutions are coming available that sit in between older systems, acting as translator and transit system for disparate data sources, but adoption is slow.

Underlying many of these capability gaps is the issue of human resourcing. It is easier to sell a new technology internally on the promise of cost savings than improved performance. As a result, senior marketers are often shy to include sufficient additional headcount as part of their technology plans. This can lead to a lag period in which new solutions are under-utilized or require outsourced support.

Taking advantage of existing data and technology is another area of differentiation for *leaders*, which may reflect their strategic focus on the customer experience. Fundamentally, a better CX is built on data and the tools to make use of it.

Figure 15: State of the art in tech capabilities and utilization

N=415

Rapid changes in markets and consumer behavior set a high bar for marketing technology and keep moving it upward. Demands are driven by new opportunities in marketing and expectations in customer experience that require personalized information instantly. Even *leading* organizations are still building their 'technology stacks' and the teams needed to support them. Figure 15 examines several capabilities that are bellwethers in technology and represent the state of the art in using technology for marketing.

1. The *single customer view* has been pursued since marketers first had data to work with. The goal is worth the trouble; by pulling together all the relevant data into a unified, easily usable view, marketers can better understand and predict their audiences' actions and use that knowledge to segment and personalize marketing and service interactions.

2. What is *real-time*? Is it nimbly posting a viral-ready response to social networks about real-world events? Or is it the capability to send triggered messages via email or SMS to an installed base of customers?

   A definition for today could include both of those, but go further. True real-time means being able to deliver unique, personalized content and advertising in virtually instantaneous response to the signals given by a consumer.

   Over half of *leading* respondents define real-time in this way, but the *mainstream* lags. Less than 40% see real-time in this light and it will require a change in industry thinking as a precedent to a shift in technology.

3. First-party data gets much of our attention but has its limits, even for large companies. Getting a full and current view of the consumer often requires the use of *third-party data*. Consider the leading edges of display advertising, where several complementary data sources are used in tandem to determine placement, audience and creative; this kind of optimization requires the interplay of multiple third-party sources, taking place in less than a second.

4. Earlier in this report we saw that fewer than one in 20 marketers report that their sector is largely unchanged (Figure 1). One of the reasons that the other 96% are scrambling to adapt is that the ways in which customers research, find and buy their products have scattered and multiplied. These *customer journeys* have become less linear, more digital and increasingly mobile.

Lessons from *Leaders* in the Global 1,000

Taken collectively, the findings of the Digital Evolution Study suggest a fundamental difference in personality between *leading* companies and their peers, especially at *following* companies. That difference is that they have found ways of being simultaneously flexible and measured.

Many companies have taken digital leaps into the unknown. Some fared well but many were left wondering what was achieved. Leaders distinguish themselves by being open to change, by harnessing risk with measurement, through constant learning and ongoing investment.

1. Transformation and evolution, in balance

The digital revolution has made every brand wary of disruption… the kind of upheaval that requires companies to transform in reaction. But most changes in the marketplace happen in smaller increments to which agile companies can adapt.

Leaders are well built to evaluate these forces and the need for both transformation and evolution. They have the tools, mindset and structures to look ahead and make small adjustments or big changes as necessary.

Part of this advantage comes from cultivating both customer-driven and so-called 'breakthrough' innovation. In other words, *leaders* invest in exploring what the market needs and what it asks for. They are 50% more likely than the average to have achieved this difficult balance.

2. Customer centricity and revenue

It's easy to say that the customer is at the center of strategy, but another to make a budgetary commitment to customer centricity across product design, marketing and customer service. Unless a company understands the financial impact of customer focus, that commitment is difficult to make.

Leaders are between 34% and 58% more likely than their peers to be able to measure the impact of being customer-centric on revenue or costs. This gives marketing and other departments the ammunition to win internal arguments around the speed and degree of investment in digital technology and marketing.

3. The power of 'no'

Is strategy a collection of management jargon or a vital document that helps people at every level of the organization do their jobs better? It's an important question because companies that lack a useful strategy find themselves responding to every new trend and opportunity.

One measure of usefulness is whether a strategy can be used a 'cheat sheet' for what's truly important, helping everyone from the CMO down to junior staff know when something is worth pursuing or not. *Leaders* have an edge on their competitors. They are between 43% and 56% more likely to have strategic plans that make it easy to make decisions.

4. Building from the inside

People are the key investment in any organization's shift to digital. A significant difference in approach for *leaders* is an emphasis on training and development for existing staff. They are between 20% and 91% more likely than mainstream and following companies to have defined processes for evaluating and developing digital skills.

## 5. Technology sets *leaders* free

Technology is supposed to help, to give marketers new capabilities and improve on existing ones. But for many companies, sourcing, scaling and integrating marketing technology has been a problem that affects every campaign and program. The promise of digital marketing is that it's smart, personal and accountable, but all of these depend on using data easily and efficiently.

Leaders are capitalizing on this promise, in sharp contrast with much of the industry. While nearly 40% of *leaders* say that their 'marketing technology enables everything we do,' that's true for only 6% of the *mainstream* and a bare 1% of *follower* organizations.
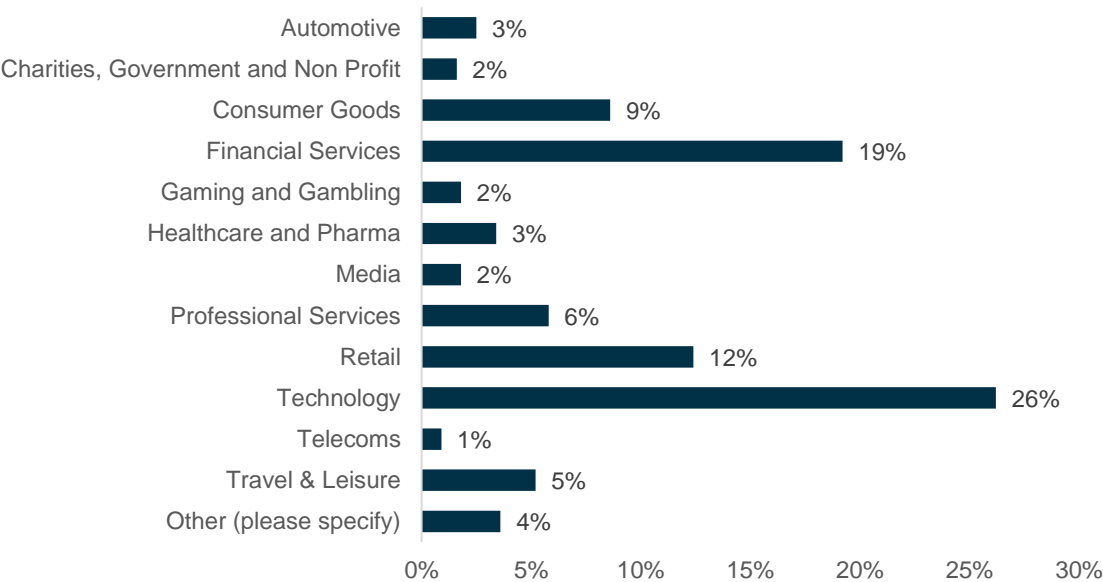
Appendix: Respondent Profiles

All 442 respondents were in North America, at organizations with annual revenues over $1.5 billion dollars.

Figure 16: Respondent Titles

- Board level
- C-level executive
- VP/EVP
- Senior Director / Director
- Manager
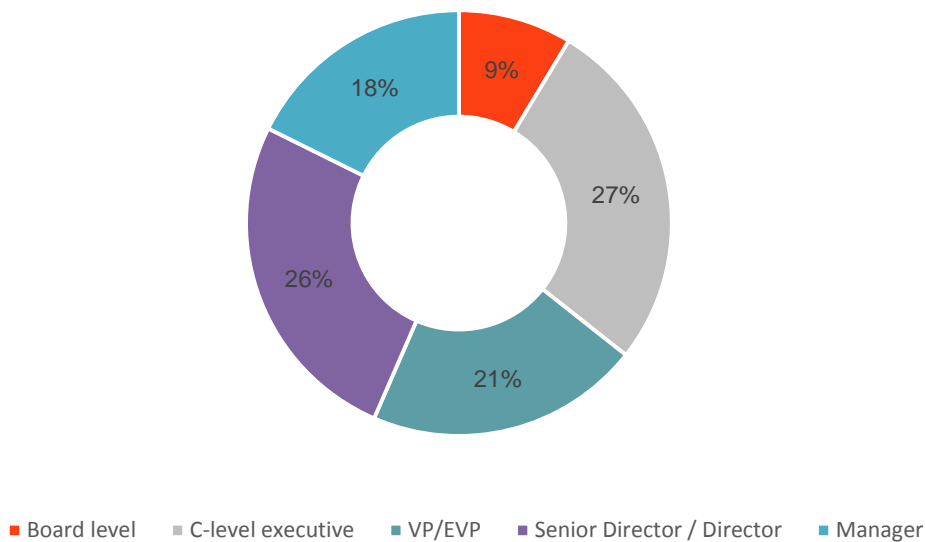
N=442

Figure 17: Respondent Industries

N=442