The CMO's Guide to Digital Transformation

Marketers need to shift strategies to keep up with consumers, and stay ahead of the curve. It's time to re-focus your efforts and put people first.

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Introduction
The New Digital Era: Distracted Consumers, Frustrated Marketers

The digital landscape is changing and new consumer behavior calls for new rules to engage them.

Digital use has become so pervasive that it's no longer considered a unique media—it's a way of life. Today's households and individuals use multiple devices to surf, shop, interact, and purchase. Mobile now accounts for 60 percent of all online searches[1], and Forrester predicts an additional 32 million smartphone users by 2020.[2] Mobile's near universal adoption has transformed media consumption as well as how media influences buying. The Interactive Advertising Bureau (IAB) reported paid search spending in 2016 grew by $6 billion overall, driven by mobile as desktop declined.[3]

Mobile device use is so high that it actually makes it harder to connect with audiences, because multi-screen multi-tasking creates more distractions. A person watching TV on the big screen while searching IMDB cast info on another device and maybe even checking Instagram on a third will be exposed to multiple ads—both intentional and inadvertent—but with little to no value as they're not paying attention. Add to that the blending of online and offline experiences and navigating the new marketing landscape is even more confusing.

People today are so inundated with ads and messages that our attention spans have reached an all-time low of just eight seconds—that's less than a goldfish.[4] According to Media Post's *OMMA Today*, ad recall, a measure of advertising effectiveness in which people are exposed to ads and later asked if they remember them, is now just 20 percent of what it was three decades ago.

In addition to ignoring digital ads, consumers are actively avoiding them. Cord-cutting, which began with people canceling their cable subscriptions and instead streaming shows via ad-free websites and apps like Netflix has spread to social media, with more and more people simply tuning out. And an estimated 68.9 million Americans now use a web browser ad-blocker because they're tired of being bombarded by ads.[5]

As people find new ways of getting what they want, ads continue to lose value. For marketers, this means making your message heard isn't just difficult; it's near impossible.

To meet today's consumer expectations, marketers need to answer two questions:

1. How do you break through the digital noise and be heard?

2. How do you make your message valuable for your audience?

[1]Search Engine Land: 2016: 2016: The year in paid search (A year of massive change!)

[2]Forrester: US Digital Marketing Forecast: 2016 to 2021

[3]IAB 2016: Internet Advertising Revenue Report Conducted by PricewaterhouseCoopers (PWC)

[4]Microsoft 2015: Attention spans: Consumer Insights, Microsoft Canada

[5]eMarketer: Tired of Being "Bombarded," US Internet Users Turn to Ad Blockers

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Part 1: State of the Industry and Paid Digital Media Trends

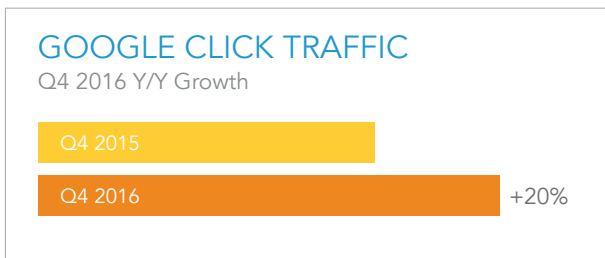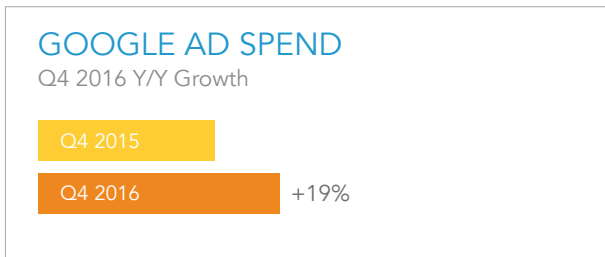Let's start by taking a look at the current landscape. By 2021, digital media spending is expected to reach almost $119 billion, with 11 percent compound annual growth rate (CAGR). But as consumer behavior changes, that spending has to change to keep up. According to Forrester's US Digital Marketing Forecast: 2016-2021 marketers are shifting budgets to social media and online video (e.g. YouTube), with a predicted CAGR of 17-18 percent for social and video respectively, compared to just 8 percent for paid search. Investment in ad impressions is expected to decline in the next five years, with marketers shifting budgets to brand experiences, high quality customer experiences across the entire customer journey, in-store experiences, and sales agent knowledge.[6]

PERCENT OF TOTAL DIGITAL AD SPEND

	PAID SEARCH	DISPLAY ADVERTISING	SOCIAL MEDIA ADVERTISING	ONLINE VIDEO
2016	49%	13%	21%	13%
2021 Forecast	42%	9%	28%	18%
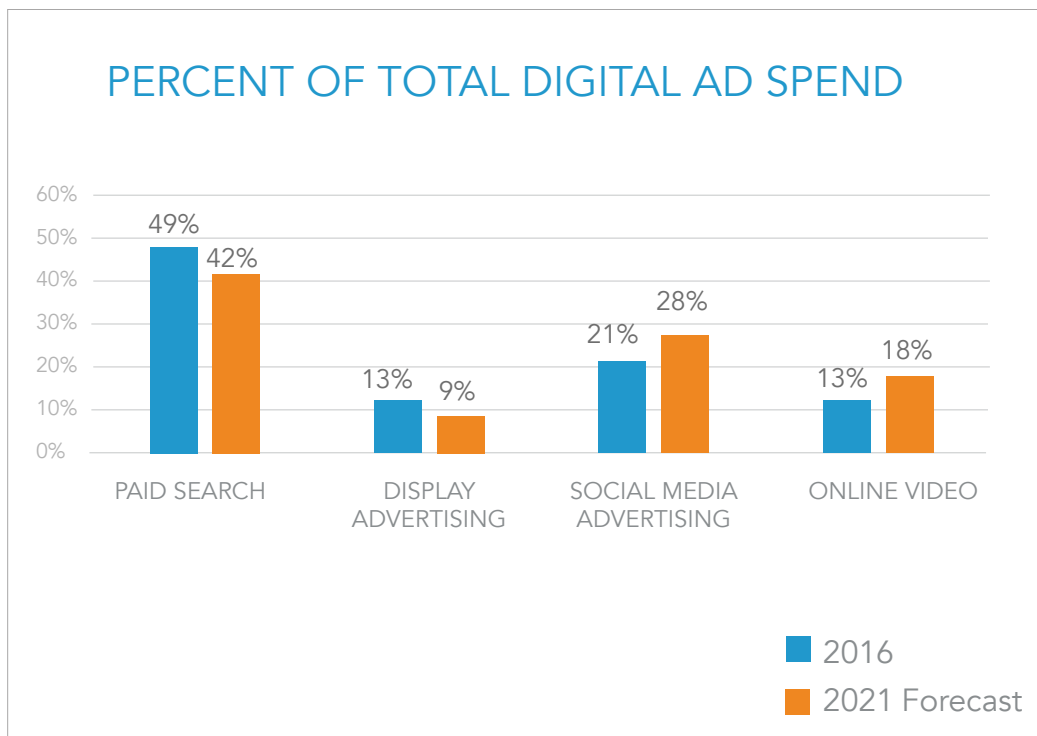
[6]Forrester: US Digital Marketing Forecast: 2016 to 2021

Search Still Shines

Paid search continues to grow and is still the number one channel for customer acquisition. According to Forrester, paid search accounted for 48 percent of total digital spend ($35 billion) in 2016[7] and by 2020 marketers are expected to spend $48.2 billion[8]—more than on any other digital channel. Growing click volume also suggests people are still using paid search ads. Google reported 19 percent overall spend growth and 20 percent increased click volume in Q4 2016. Mobile ad inventory grew from adding third and fourth position text ads, expanded text ads, and promoted places in Google Maps. Mobile search has overtaken desktop[9], but many mobile searches are not related to purchasing. While mobile ads cost less, desktop ads still yield a bigger payoff.

GOOGLE AD SPEND
Q4 2016 Y/Y Growth

Q4 2015

Q4 2016   +19%

GOOGLE CLICK TRAFFIC
Q4 2016 Y/Y Growth

Q4 2015

Q4 2016   +20%

Consumers are moving away from Google and finding new ways to search for products and information online, from going directly to Amazon, to finding websites and information via social media and online videos. Social sites like Facebook and Pinterest offer answers before users ask for them, which can feel more organic. And AI-powered intelligent assistants (IAs) like Siri, Alexa, and Cortana are giving consumers a direct line to what they're looking for.

According to Forrester, 33 percent of US online adults already use an IA[10] and most marketers agree that voice is the future of mobile. It's also the biggest competition Google faces in the realm of search.[11]

52.4%
of consumers now begin their product searches on Amazon vs. Google.[12]

36%
of US online adults now find websites and information through Facebook.[13]

14%
of US online adults now find websites and information through online videos.[14]

[7]Forrester: US Digital Marketing Forecast: 2016 to 2021

[8]Forrester: The State of Search Marketing, 2017

[9]Microsoft 2015: Attention spans: Consumer Insights, Microsoft Canada

[10]Forrester, 2017: The End Of Advertising As We Know It

[11]Forrester: The State of Search Marketing, 2017

[12]Internet Retailer Digital Marketing Report

[13]Forrester: The State of Search Marketing, 2017

[14]Ibid

Automation vs. Accuracy

Buying in the traditional display ad market is becoming more and more automated, but less and less efficient. Marketers are using programmatic media buying which automates digital advertising bids using intelligent software, and Forrester predicts this will grow by 22.8 percent by 2020.[15] This kind of exchange allows marketers to serve up ads in real time using first- and second-party customer data, but it also enables ad fraud and may rely on outdated assumptions and metrics. Marketing budgets are better spent focusing on who you're targeting and how to connect with those segments.

Quality Over Quantity

Content is still king, but the priority has shifted from quantity to quality, with marketers using creative content to deliver consistent messages across screens, devices, and channels. High-frequency ads are less important than delivering on brand promises. According to Forrester, this shift will direct where digital marketers invest their budgets across paid search, display, online video, and email.[16]

Right Tools, Wrong Data

Marketers today need to target the right audience, with the right message, at exactly the right time. But the technology that powers marketing can inhibit as well as enable. While marketing tools have come a long way, too many of them are still channel-centric, which limits their value. Disconnected data and tools that focus on individual channels leave marketers feeling frustrated because they lack the insights they need to deliver consistent messages and experiences to the same people across different channels.

[15]Forrester: US Digital Marketing Forecast: 2016 to 2021
[16]Ibid

Part 2: What's Next?
New Era, New Strategy

So how can marketers succeed with today's consumers? By putting people first. This will allow marketers to get the most out of existing budgets and stop wasting money. To reduce customer acquisition costs while increasing both conversions and lifetime customer value, you need to transform your strategy for the digital-everywhere era and distracted audiences.

How to Be Heard: Focus on People

With users interacting on so many devices, displays, and channels, the key to getting your message heard is focusing on the individual. According to Gartner, most marketers now expect customer experience to be the primary differentiator.[17] People-based marketing means moving away from targeting audiences on specific channels and towards engaging individuals. It's about identifying the same users across devices and channels and guiding them down the path to purchase by delivering high quality content instead of high volume communication.

Start by knowing your customers. Most companies today have access to a wide range of information about customers and potential customers, thanks to data analytics, tag management, customer relationship management (CRM) software, and third-party data. Leverage cookies and logins to authenticate users to enable 1:1 personalization or crunch key attributes to build buying personas—things like age, gender, income, interests, and previous purchasing behavior. This helps you understand who they are. Next, you need tools to anticipate what they're trying to do, so you can automate the best responses.
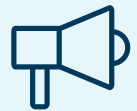
Marketers need to shift their focus to:

1. People-based marketing in the moment.

2. Connecting the dots across channels and screens.

3. AI-powered, data-driven marketing.

[17]Gartner Research 2015: Why You Need to Rethink Your Customer Self-Service Strategy

How to Make it Meaningful: Focus on Intent

How do you know what people really want? By analyzing first-, second- and third- party data to identify behavior patterns that indicate intent.

When you can anticipate what people want to do at any given moment, you can help them do it.

INTENT-DRIVEN PERSONALIZATION

	INTENT	Purchase, Explore, Offer Seeking, Share
	LOCATION	City, DMA, Zip, Lat/Long
	PERSONA	Age, Gender, Income, Interest, Purchase Behavior, etc.
	TIME OF DAY	Morning, Afternoon, Evening, Night
	SCHEDULE	Weekdays, Weekends, Months, etc.
	WEATHER	Rainy, Sunny, Cloudy, Hot, Cold, Dry, Wet, Windy, Snow, etc.
	DEVICE	Desktop, Smartphones (iPhones, Android, others), Tablets, and smart TV
	SEGMENT	Based on buying behaviors, interest, or any other custom segments

With the right tech solution, whether it's a single platform or a combination of solutions that work together, marketers can create rich customer profiles from multiple data sources, determine individual intent, and have the ability to act on it. Machine learning and data science can help marketers understand what's the most appropriate product for a person right now, and in the future.

For example, a buyer who has purchased shoes from a brand in the past might today be scored with a low propensity to buy shoes, but a high likelihood for purchasing sweatpants. Using deep data analytics to crunch a complex combination of content and context enables marketers to understand people on multiple levels, and accurately predict and deliver the right combination of product and channel based on the buying persona. According to the 2017 Internet Retailer Digital Marketing Report, the companies winning the e-commerce game are those who know their customers best, and leverage that knowledge to target discrete segments based on specific needs plus their propensity to buy at any given moment.[18] Personalization—creating and delivering individualized content based on previous behavior—is powerful, and it's on the rise.

Intent-driven engagement: Harnessing the power of AI and machine learning to predict what consumers want to do, and then using every tool available to make it easier for them—from resolving issues to completing purchases.

[18] Internet Retailer Research, 2017: The Best Digital Marketers in E-Commerce

AI: The Secret Sauce

AI is the missing link between understanding consumer intent and acting on it. Machine learning has reached the tipping point, with new technologies and platforms that are intelligent, automated, and scalable changing the marketing game. According to Gartner, more than two-thirds of marketers plan to base most of their decisions on analytics within two years.[19] But not just any analytics will do. Marketers using redundant technology with disparate budgets can cannibalize their own marketing spend (targeting the same audiences multiple times—in effect competing with themselves) and under-optimize machine learning, both of which can lead to media waste.[20] An omnichannel approach is essential.

Meet Madtech

As AI delivers more knowledge about customers, technology is converging to enable marketers to make the most of that knowledge. Adtech tools and platforms use automation and machine learning to buy, sell, and deliver display ads and target audiences. Martech enables cross-channel campaign management using attribution models and other analytics to nurture leads and opportunities. Adtech and martech are converging, giving rise to "madtech," which Forrester predicts is going to revolutionize marketing.[21]

Madtech innovation is driven by cross-channel/cross-device behavior, the rise of machine learning and predictive analytics, and prescriptive analytics, which involve customer intent and enable in-the-moment, one-to-one marketing. The more data you have, the smarter madtech becomes, enabling automated, intelligent engagement at every touchpoint.

[19]Gartner Research 2015: Why You Need to Rethink Your Customer Self-Service Strategy

[20]Forrester: US Digital Marketing Forecast: 2016 to 2021

[21]Ibid

Customer Experience is King: CMOs Must Focus On CX

The balance of power has shifted and customers are now in control. While customer service agents used to be the only ones focused on individual customer experiences (CX), now Chief Marketing Officers (CMOs) care too because giving people what they want is the most efficient way to acquire new customers. Brands need to engage people with dynamic content, delivered in context. While high levels of automation and personalization drive engagement embedding brand personality into every conversation is more important than popping up everywhere your audience turns.

As customer experience becomes more crucial to marketing efforts, CMOs are seeing a shift in their responsibilities. In over 30 percent of organizations some aspects of sales, IT, and customer experience are now reporting to the CMO because these functions increasingly contribute to overall growth.[21] CMOs need to focus on CX to get people's attention and hold onto it.

[21]IAB 2016: Internet Advertising Revenue Report Conducted by PricewaterhouseCoopers (PWC)

Part 3: Real-World Success Story

In 2014, one of Australia's leading telecommunications providers decided to change the way they engage with people by implementing digital personalization. They used multi-intent models to determine those most likely to purchase, covering all categories with a single set of metrics to track over time. Incremental performance tracking is a key part of their business, and all models are measured against a control to ensure high performance. This model has yielded such excellent results that the company is now implementing it across all segments.

Foundations:
- Real-time data
- Digital identity and ID mapping
- Real-time intent predictions
- Real-moment action
- Cross-channel orchestration
- Machine learning for continuous optimization

Goals:
- Create unrivalled knowledge of every Australian.
- Use data to predict customer behavior in real-time.
- Tailor messages precisely to their audience.

Results:

SALES	ADVERTISING	WEB & APP	CUSTOMER SERVICE
20%	**30%**	**15%**	**80%**
growth in 2016	lower cost per acquisition	better sales	call reduction

Lessons:
- Data-first strategy underpins success.
- Early market execution should be customer-centric.
- Start with a good tech ecosystem and strong partners.
- Scaling requires new people skills and structure.
- Measure, measure, measure—everything!

Part 4: A Practical Approach to Digital Transformation

Five Critical Steps to Digital Success

Shifting the way you target and engage consumers based on their behavior and intent may seem like an audacious goal but remember, digital transformation is a journey not a destination and getting started is a lot easier than you think. Here are 5 key steps to guide you:

UNDERSTAND CUSTOMER JOURNEYS AND PERSONAS
Leverage customer journey analytics to identify who your customers are and their path to purchase across channels and devices. Collect and collate data within the journeys to identify where consumers engage and abandon. Combine behavioral, transactional, and CRM data with second- and third-party data for richer understanding of personas. Sometimes it's easier to start with your desired business objective or end goal, and work backwards from there.

01

PRIORITIZE JOURNEYS. PICK ONE OR TWO.
Look at the frequency and complexity of each journey and identify high-frequency/low-complexity/high-value journeys that are candidates for optimization. Assess requirements and realign priorities until you've identified one or two journeys that you can realistically optimize based on internal resources and constraints.

02

ASSESS REQUIREMENTS
Better understand how customer profiles are built, how experiences are orchestrated, and the supporting technology/systems currently in place. Identify which capabilities are needed to optimize and automate the journey and achieve the desired experience. Understand internal resources and dependencies and re-prioritize as needed.

03

START SMALL
Starting with journeys that are simple, focused, and high-value gives you the opportunity to build organizational "muscle" and drive buy-in from key stakeholders before you tackle bigger, more complex journeys. Clearly define metrics and KPIs up front.

04

OPERATIONALIZE. OPTIMIZE. RINSE AND REPEAT.
Operationalize and automate the journeys with the biggest impact. Focus on integrating key data, and the systems needed to monitor, support, and improve defined journeys. Prove ongoing performance lift by maintaining a control group.

05

Core Technologies

Marketers need a platform that combines artificial intelligence with cross-channel orchestration to make digital transformation a reality. Using a single solution is the only way to create a seamless brand experience for your audience. Without a unified platform to meet consumers wherever they are, all you're doing is creating a series of disjointed interactions that may or may not have any real value.

Artificial intelligence and machine learning help you understand who your audience is and what they want. The most critical insight is what their intent is at any given moment, which is essential to personalizing and improving the customer experience across touchpoints. A powerful digital marketing platform enables you to build in business rules and application logic once, and deploy everywhere.

Choose Your Partner Wisely

With so many technologies available, it's hard to know where to start. Be sure the company is media and channel agnostic—avoid "walled gardens" like Google and Facebook, which allow you to reach consumers but never to really own them.

Look for leading edge, proven technology for automating customer journeys.

Platforms should be able to provide customer success case studies that demonstrate their capabilities. For analytics to be meaningful and valuable, it's important to have access to a deep pool of data. Platforms gain deep operational insight from using the same technology on behalf of clients—the bigger the client list and the longer it's been in use, the deeper the insight.

Lastly, make sure they have demonstrable expertise and success in your industry. Customer intent models are different for every industry, so choosing a partner that understands both your needs and your audience is essential to help you reach your goals.

The Power to Transform

People today want quality, not quantity. As audiences turn away from traditional channels and find new ways to get what they want, marketers need to focus on people-based marketing in the moment. They need to orchestrate cross-channel campaigns to make meaningful connections in real time. And they need to invest in AI powered, data-driven tools that let them know their audience and gently guide them down the path to purchasing and re-purchasing.

[24]7.ai is uniquely positioned to help companies successfully transform the customer experience. The [24]7 Customer Acquisition Cloud (CAC) platform enables intent-driven personalization so you can put people first. Create individual ads at scale, and manage cross-channel campaigns with a channel agnostic solution. And with AI built in for continuous improvement, [24]7.ai provides the keys you need to achieve digital transformation today and keep driving performance tomorrow.

Let [24]7.ai help your organization achieve extraordinary results. Contact us today to get started.

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About [24]7.ai

[24]7.ai is a customer experience software and services company that is redefining the way companies interact with consumers. We help businesses attract and retain customers, and make it possible to create a personalized, predictive, and effortless customer experience.

For more information visit: www.247.ai