

DIGITAL MARKETING

a SAS Best Practices white paper

Are You Ready
to Go Agile?



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practices
THOUGHT PROVOKING BUSINESS

CI advisory services

by
Rachel **ALT-SIMMONS**

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Adjusting to a Customer-centric Landscape

A generation ago, consumers were at the mercy of advertisers, being spoon-fed marketing messages across a few media channels: print, billboards, television, radio. These advertisers created markets, defining and reinforcing consumer stereotypes. In the 1950s, the idealized “average” American family was white, suburban, with two children, one car and a dog, and most advertising was targeted to that idealized audience. Advertising was primarily a one-way conversation with a captive audience. Experts were the style makers.

With the explosion of digital media, people began to engage with each other – and the companies they do business with – in new ways. The relevance of traditional print and broadcast channels declined, completely changing the consumer-corporation dynamic. Digital channels opened doors for consumers, who no longer are passive participants in a one-sided marketing conversation, but empowered authors, publishers and critics. The digital landscape is participatory, an area where consumers exchange ideas. Marketers no longer drive the discussion. Everyday people are the style makers and trendsetters. For marketers trying to compete in this new medium, it's incredibly difficult to surface your message above the noise. While the amount of time consumers spend on web and mobile has increased dramatically, the amount of available content has increased exponentially: More digital content is created in a day than most people can consume in a year. With so many distractions and choices, your audience has a very short attention span.

The exponential growth in digital channels has given rise to the importance of digital marketing. But digital marketing isn't just about the channel, it's the mechanism by which people are creating and sharing experiences; engaging not only with each other, but with companies they do business with.

With such high channel fragmentation, making strategic decisions on audience, content and platforms is critical. Marketers need the capability to define their market, build outstanding content, tailor messaging and provide that messaging in the right medium – quickly!

A Burning Platform

One global consumer packaged goods (CPG) company started feeling the effects of the economic and demographic changes. With their brands in 98 percent of US consumer households, they acutely felt changes happening in the marketplace as consumers were making fewer trips to stores and spending less money per trip. The company began to see leakage from online competitors, and the money they were spending on traditional advertising was no longer paying off. This confluence of factors spurred a complete re-invention of marketing within the organization.

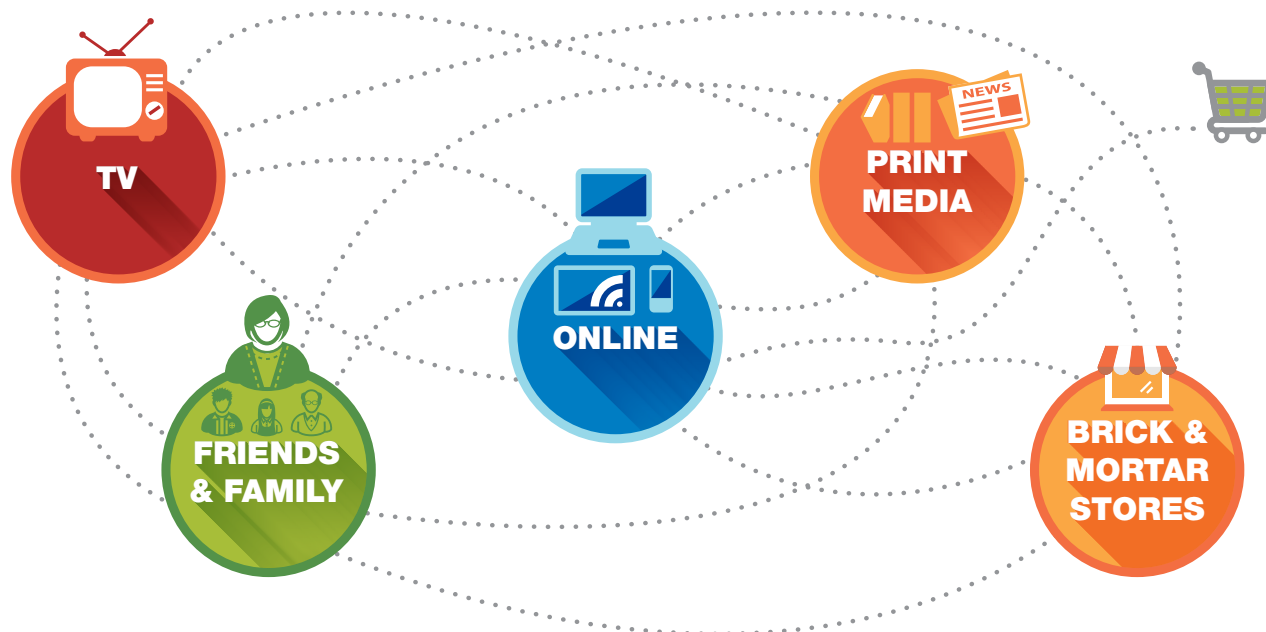
The CPG company noted that the fundamentals of marketing (the “4 P’s”: product, price, placement and promotion) hadn’t changed, but the inputs to those fundamentals had. Specifically, the use of data and technology, new media platforms and channels, and deep segmentation became critical inputs leading to the insights, targeting, real-time decision making and engagement necessary in driving profitable growth.

But in order to execute on that strategy, the company’s marketing managers needed to create a self-sufficient ecosystem centered on an agile marketing framework, which they defined as “the ability to flex with the consumer and manage precision by getting to consumers with the right message and right medium at the right moment.”¹ The punch-line is that agile marketing is characterized by the ability to rapidly respond and adapt to consumer, channel and environmental influences.

Change Is Your Only Normal

A study by McKinsey found that there is no longer a traditional “path-to-purchase.”² The customer journey is no longer linear, and purchasing decisions are taking place across multiple channels. In fact, in their research, McKinsey discovered that as consumers evaluate product options, two-thirds of interactions and touchpoints are consumer-driven. This includes reading Internet reviews, recommendations from friends, family members or other trusted sources, as well as their own personal experiences and interactions with a brand. The other one-third of the touchpoints were driven by the marketing organization; and while it remains an important part of the buying process, the shift in how consumers make purchasing decisions means that marketers must learn how to influence consumers across different touchpoints.

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With customer interactions constantly changing through your brand relationship, consumer behavior is difficult to predict. New consumer-driven marketing tactics are emerging every week.

Six-month marketing planning cycles are a thing of the past: Your digital strategy has to be adaptive and relevant. Slow and predictable internal processes must be replaced with quick and creative execution. You need to create a messaging that speaks to each audience segment differently. Agile marketing gives you the ability to create that level of precision.

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The Old Way

Let's say that you're a retailer launching a new women's professional clothing line. In order to market your line, you look for media that indexes higher among women age 34 to 45. You create an advertising spot that will air on a television channel geared toward women. Here's the problem: Television assumes that all viewers look the same. If we break down the demographics for our women's channel, we find that 15 percent of viewers are actually men and 25 percent are women over age 45. Now 40 percent of your advertising delivery is wasted because you're not getting the right message efficiently delivered to the target. But efficiency is only one metric: Of your target demographic (women age 34 to 45), half are already loyal to your brand, and the other half hasn't been to one of your stores. Should those groups receive the same message?

Unfortunately, this is the marketing operating model that many organizations are still stuck in. Generic marketing messages need to be replaced with targeted communications that speak to different audiences and interaction points in a buying cycle. This requires a shift away from traditional media outlets to consumer-centric digital platforms, and an ability to listen to and interpret customer needs.

The New Way

Agile marketing is about understanding where your customers are in the buying journey:

A Japanese automaker began steering its marketing spending away from traditional advertising and into digital channels. Digital allowed them to target consumers with content based on where they were in the buying cycle. If someone sees the digital ad the first time, they might receive a brand message. In subsequent engagements, the consumer might receive a special offer or promotion. While television advertising is still important to the company, digital channels help it define and track who that customer is.

Agile marketing is about listening to your customers and responding in real time:

Consumer product goods company Kraft experienced a shortage of its family-favorite cheese product Velveeta in advance of the Super Bowl – a high-volume sales period for the company. A social media frenzy emerged after Kraft announced the #Cheesepocalypse on its Facebook site. Kraft further capitalized on the shortage by creating a special Cheesepocalypse website and mapping to highlight geographic areas experiencing a shortage. The story was picked up by major news outlets and went viral. Kraft's ability to hear customers, respond in near-real time and create shareable content resulted in a 9 percent increase in sales compared to the previous year, in spite of the shortage!

Agile marketing is about meeting your customers where they are:

Retailer Target is releasing a new mobile app to improve the shopping experience. Customers can create shopping lists and determine in-store item availability. Once in the store, geo-location services on the user's phone pinpoint the items on an interactive store map. In addition to the enhanced mobile capabilities, Target has recently completed an overhaul of its web and mobile capabilities, creating a new platform for integrating user-generated content from other social sites. Target customers will see trending items from Instagram and Pinterest, have the ability to customize their homepages based on their preferences, and receive personalized recommendations. Jason Goldberger, Senior Vice President of Target, announced, "We view mobile as the new front door to Target."³

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Realizing the “new way” is a transformational endeavor: A 2014 CMO survey by the Leapfrog Marketing Institute uncovered three barriers in executing on data, digital and mobile marketing strategies. These barriers included:

- Product and functional silos within the organization.
- Resistance to changing the way they go to market today.
- Lack of comfort or skill with many of the emerging technologies and analytics that enable digital strategies.⁴

Compounding the challenge is that consumer adoption of technology vastly exceeds corporations’ ability to keep pace.

Companies are recognizing the need for cultural change as part of their digital strategy. Many are bringing in change agents to transform capabilities. One company approached its data-driven marketing transformation as if they were starting up a new company. They sketched out how they wanted their marketing ecosystem to work and identified how their current operational model would need to evolve to support it. Incorporating digital thinking within the organization – understanding and engaging with consumers on their terms – was paramount.

Even as companies increasingly move toward data-driven approaches in shaping their customer-engagement and marketing strategies, the shift away from traditional methods based on gut feel can be challenging. More and more data-centric companies are using rapid experimentation approaches (also called test-and-learn) to better understand how consumers react to their products and services to drive more effective marketing, channel and contact strategies.

It can be difficult to convince the organization to try risky and radical approaches in engaging with consumers, but the beauty of experimentation is that it allows you to run tests to investigate whether the idea should be pursued further. This culture of experimentation enables curiosity and provides a forum for exploration and breakthrough discovery.

Establishing Your Own Agile Digital Strategy

An agile digital strategy encompasses five areas: The ability to listen, respond, measure, adapt and anticipate.



Listen

Social listening, the ability to monitor social media channels in real time, is an important consumer observation tool. Social listening technologies provide the capability to observe trends, monitor brand and reputation, and even find inspiration from consumers. Social media analysis helps marketers hear the conversation, understand what it means, and drive insights to action against.

Social media also gives customers another channel to engage with a brand or a company, blurring the lines between customer service, sales and marketing functions. Social media has become the new customer complaint desk. Gartner estimates that a brand's failure to respond via social channels leads to a 15 percent increase in customer churn.

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Your competitors are taking advantage of that: In the telecom industry, wireless providers are monitoring customer complaints for their competitors and using that insight to offer alternatives and steal customers away.

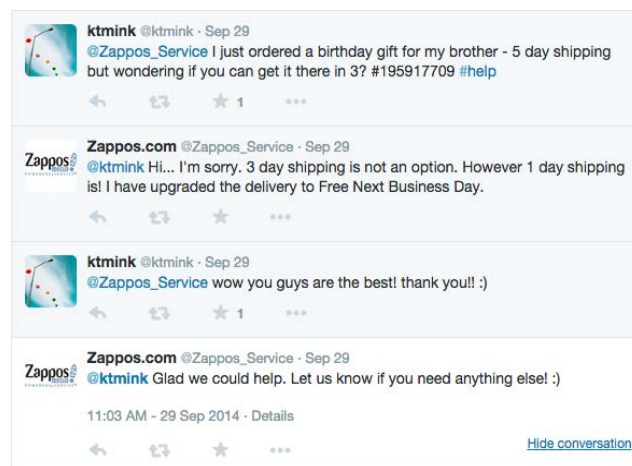
In product development, many retailers are now using customer sentiment analysis to determine which brands to carry or discontinue. One retailer monitored sentiment around customer service, price, product select and website experience to respond to customer feedback in real time. Their SAS® Social Media Analytics hub captures data automatically from Facebook, Twitter and other social media channels, helping them manage their brand experience outside of their own website.



Respond

It's not just about eavesdropping on the conversation; it's about doing something with the information.

Clothing and shoe e-tailer Zappos.com strives for industry-leading customer service. At the heart of their customer-centric strategy is social media, using channels like Twitter and Facebook to engage with their customers. Their social team responds to all kinds of questions – from customer inquiries and complaints, to customer shout-outs (“Nice kicks!” they responded to one happy customer) and brand sharing. A recent Twitter exchange illustrates why their customer satisfaction rates are so high.



Zappos' goal is to respond to every social media post within minutes. During an all-company meeting, a customer complained on social media about a problem they were having. Since all employees were at the meeting, no one was available to respond (they

did put an “out of office” note on Twitter and Facebook). Even before the Zappos team could react to the problem, another customer responded to the negative comment, telling the unhappy customer that Zappos would take care of her as soon as possible. That’s enviable brand advocacy.



Adapt

Digital channel fails abound. A large e-tailer belatedly apologized for a Halloween costume section on their website – “Fat Girl Costumes” – after it drew intense social media criticism. Pizza maker DiGiorno inadvertently used a hashtag associated with domestic violence (#whyistayed) in a recent Twitter marketing campaign, creating a firestorm of bad publicity. Social media amplifies your message at extremes. Our Cheesepocalypse example shows how Kraft successfully responded to a cheese “crisis,” helped its customers and got them engaged. Kraft’s ability to respond quickly let it capitalize on a market opportunity.

If you get it wrong, you need to respond even faster. In our e-tailer example, the offensive costume page was left on the website for most of the day. An upset shopper took them to task on Twitter and received the following robotic response: “Your comments and suggestions are important to us and help make us even better.” The company eventually took the offending page down and publically apologized – so much for listening and adapting.



Measure

As engaging as your marketing campaigns and social engagement strategies may be, data and measurement need to underlie every decision you make. Treat innovation as a discipline, not a free-for-all. And just because you innovate, that doesn’t mean you’re going to get it right every time. Digital leaders aggressively use test-and-learn approaches to shape their go-to-market strategies. Marketing agility allows them to execute quickly, and a culture of innovation encourages risk taking.

With all of the data available to marketers today, you no longer have to stab in the dark to find out what your customers will respond to and know if your action was effective. Online dating website OkCupid conducted customer experiments to evaluate the influence of certain user profile changes in compatibility matching (manipulating compatibility scores, suppressing user profile photos and the impact of rating scales and photos

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– the cool versus pretty test). “If you use the Internet, you’re the subject of hundreds of experiments at any given time, on every site,” said OkCupid CEO Christian Rudder. “That’s how websites work.”

“OkCupid doesn’t really know what it’s doing. Neither does any other website ... Most ideas are bad. Even good ideas could be better. Experiments are how you sort all this out.” Measurement is how you gauge effectiveness.

A recent survey by WhichTestWon.com highlighted that more than 25 percent of online direct-to-consumer marketers aren’t doing any testing of their site or campaigns. In B2B organizations, more than 50 percent of marketers are not testing. With web and mobile becoming an important and integrated component of many organizations’ channel strategies, you can’t afford to not continually (and quickly) evaluate those strategies.



Anticipate

The nirvana state for any customer experience and marketing professional is being able to anticipate customer needs. One CPG company tapped into its vast stores of first- and third-party data to build out consumer microsegments and drive more relevant engagement with consumers. It is currently managing 500 proprietary target segments that help it facilitate a one-to-one conversation with the consumer. The company’s ability to mine that customer data allows it to anticipate what consumers will respond to – in fact, if the data predicts you won’t use a certain product, you won’t see an ad for that product.

No agile marketing infrastructure would be complete without robust analytic capabilities. This includes the tools and talent needed to analyze the data, create market segments and response models. Many organizations are struggling to hire the analytic talent they need to drive customer listening and personalization strategies: Ad agencies and other marketing providers are stepping up to include data strategy, data management and analytics services. “[Many marketers] are afraid to dive into [big data], worried that they will not be able to understand which pieces ... have value,” says Miles Young, Chairman and CEO of Ogilvy and Mather.⁶ Partners can help bridge that gap.

Software companies are also doing more to make the analytics process less painful and more transparent for marketers by embedding analytics (the ability to rapidly create segments and build response models) into digital intelligence applications. The good news is that marketers have a lot of choices, including in-house, partner or outsourced models, to advance their analytic programs.

It's All About Content

It's important to remember that data is not a substitute for creativity. There is no point in creating targeted segments if you don't have relevant messaging for a particular audience. Many organizations budget for data and technology, but don't make equal investments in content development.

The New York Times recently highlighted the trouble with too much segmentation and not enough creative: "The Big Data era ... has left some [organizations] drowning in their own sophisticated advances. They simply cannot produce enough new, effective messages to keep up with the surgical targeting that the data and analytics now allow."⁷

Continued investments in creative content need to be made. More and more organizations are finding themselves becoming both content providers and publishers. The CPG company in our earlier example notes that a best practice is to create content that is "precise, accountable and actionable" while driving revenue. But it's not all about the sale – you need to create content themes that speak to the essence of the brand while acknowledging the interests of the audience. By combining brand content themes with segmentation, you create a base for personalized content ideas that engage consumers. More than 30 percent of Amazon's revenue comes from personalized recommendations, and 75 percent of shows consumers watch on Netflix come from their suggested watch lists (subscribers can even help train the predictive recommendation engine by adding preferences). While these web powerhouses have been using personalization strategies for many years, most organizations are struggling to combine the segmentation, response prediction and content strategies needed to make this a reality.

Envisioning Your Digital Future

Creating engaging relationships with customers requires significant organizational and operational change. Marketing velocity – the ability to respond and adapt to your market – needs to increase at the same speed as changes in the market environment. While digital marketing can reward organizations through better customer engagement, satisfaction and ROI, new levels of complexity introduce risk. An agile marketing foundation provides a framework for innovation, adaptation and execution, but each organization's digital journey is unique.

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Irrespective of industry, changes in the consumer landscape and the explosion of digital media demand attention. The pressure points for each organization are different.

CMOs must evolve their marketing plans to bring life to the digital journey. This includes assessing the organizational, operational and infrastructure components necessary to support digital transformation. However, with the integration of big data and analytics into the operational marketing model, many CMOs are struggling with the infrastructure modernization needed to support their marketing ecosystem.

Research firm Forrester predicts that US advertising dollars spent on digital media will surpass television by 2016, and account for 36 percent of all ad spending by 2019.⁸ The digital channel growth in the direct-to-consumer space is attributed to marketers' ability to quantify the value of their investments in that space.

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about the author

RACHEL ALT-SIMMONS is an analytics and technology professional with 20 years of experience developing and integrating business analytic and technology strategies. Having worked across North and South America, she's helped Fortune 500 organizations build and continuously improve their analytic competencies.

Rachel is a Certified Lean Master, Six Sigma Black Belt, PMI Agile Certified Practitioner and Project Management Professional. A frequent industry speaker, writer, contributor and thought leader, Rachel is currently SAS' Business Process Transformation Lead for Customer Intelligence where she consults with companies across Canada, the U.S. and Latin America on the strategic use of analytics, and defining integrated approaches to aligning business and technology strategies.

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100 SAS Campus Drive
Cary, NC 27513-2414
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Phone: 919-677-8000
Fax: 919-677-4444

