



CONNECTED INTERACTION
to power brand **ATTRACTION**



WHITE PAPER | DECEMBER 2016



INTRODUCTION

Digital is not a destination.

An organization can't "reach" digital as an end point of a project. There is no digital finish line, where the work is suddenly done and marketers can sit back and marvel at the transformation. The shift to digital is two-fold: a shift in buyer behavior that has fundamentally changed where, how and when our customers are choosing to engage and transact coupled with a shift in business behavior that has fundamentally changed where, how and when organizations are connected both internally and externally.

Digital is a moving target.

This shift, from the vantage point of the senior marketing decision-maker, has translated into a heightened need for new expertise, new campaigns, new content and new data-rich repositories for marketers to gain intelligence and insight about their customers. In short, the digital shift has changed everything.

But with this change has come incredible opportunity as senior marketers find themselves in the vanguard of organization-wide digital disruption. As the voice of the customer and the orchestrator of the customer experience, marketers now have the opportunity to lead this digital shift, spearheading organization-wide innovation and transformational programs that optimize operations while yielding engagements with customers that are as efficient as they are profitable.

Yet far too often, rather than seeing digital as a new state of being, marketers have focused on digital as a campaign enabler. While this has created highly measurable campaigns, it has compartmentalized digital into a channel-enabler, speeding and automating processes and deployments. But the momentum is growing, and the opportunity is there.

According to the 198 marketers that took part in a recent survey fielded by the CMO Council, in partnership with IBM, as digital transformation has impacted almost all aspects of marketing operations, 38 percent of respondents feel that digital strategies—those strategies directly developed to engage the digital customer—have delivered mixed results to date. Furthermore, marketers admit that they have yet to effectively integrate physical and digital experiences as 49 percent admit that alignment is selective at best, with some ties between physical and digital being made while many remain totally disconnected.

What the findings in this study reveal is that, despite the disconnects and challenges, marketers have their intentions and plans firmly set to advance and enhance the customer experience. Marketers are looking ahead to new innovations that will demand new relationships with both data and technology. The question that remains is how ready marketing organizations are for the speed at which this transformation will advance.



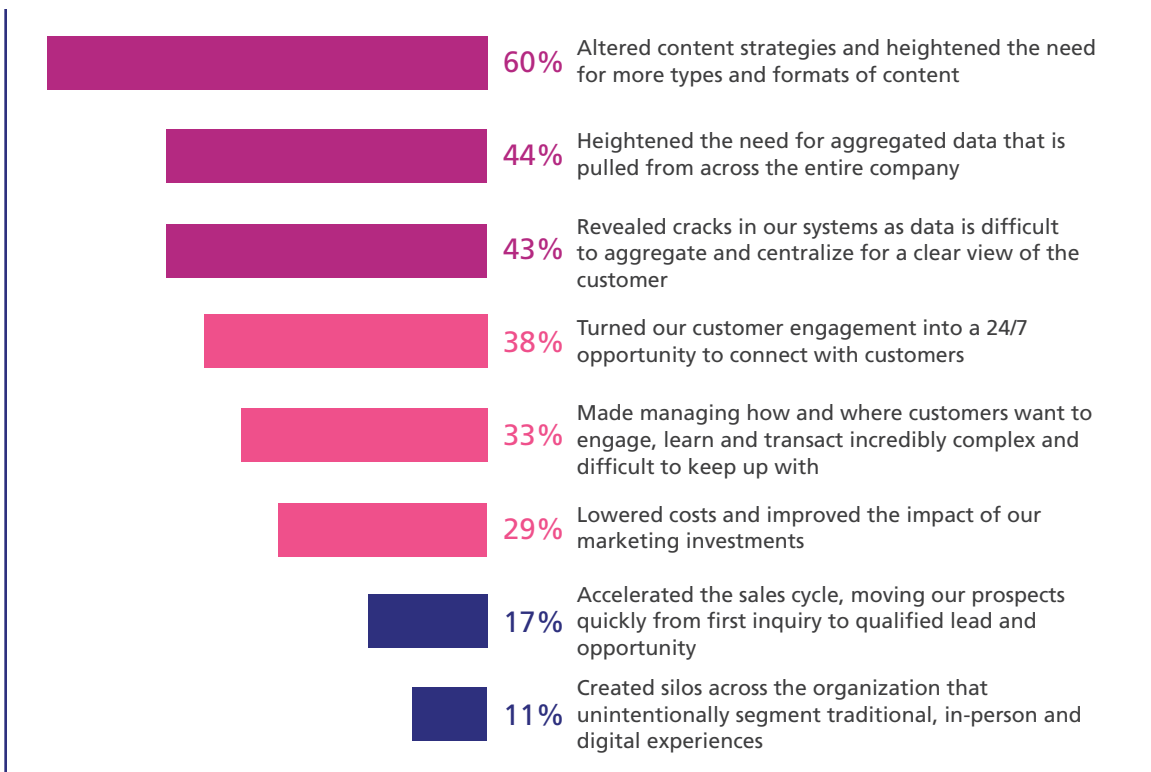
KEY FINDINGS

The Impact and Repercussions of Digital

The shift to digital experiences has invigorated customer engagements as marketers look to ramp up the ways in which brands can enliven, activate and deepen relationships with today's connected consumer. According to the senior marketing leaders taking part in an online survey fielded in the second half of 2016, digital is reshaping everything from content strategies to 24/7 customer engagements. However, with this surge forward, marketers also admit that the rapid advancement has revealed cracks in the actual systems and foundations that power these experiences.

First and foremost, digital has altered content strategies and heightened the need for more types and formats of content, according to 60 percent of respondents (see Figure 1). Some marketers also believe that, to a lesser degree, digital has lowered costs while improving the impact of marketing investments (29 percent) and accelerated sales cycles, quickly moving prospects from an initial inquiry to an opportunity (17 percent).

FIGURE 1: HOW HAS THE SHIFT TO DIGITAL EXPERIENCES MOST CHANGED HOW YOUR ORGANIZATION ENGAGES WITH CUSTOMERS AND PROSPECTS?



But while digital has opened opportunities to engage with the customer through 24/7 connected engagement, it has also challenged organizations as 43 percent of marketers say digital has revealed cracks in systems as data is difficult to aggregate and centralize for a clear view of the customer. This challenge is further heightened as 44 percent of marketers admit that digital and data have become inextricably linked as the shift to the digital experience has heightened the need for aggregated data that is pulled from across the entire organization.

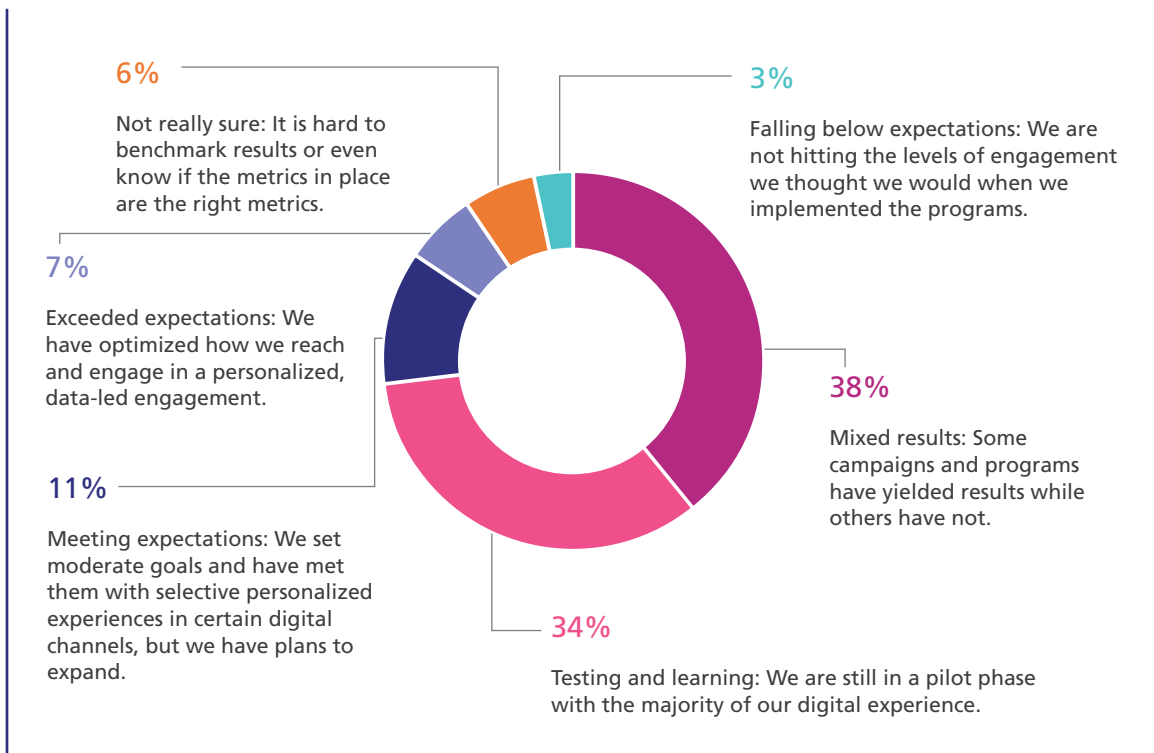


Digital Is Advancing, but Goals Are Still Just Out of Reach

As digital has forever reshaped content strategies, marketers are also rapidly reworking and re-envisioning overarching engagement and experience strategies to not just meet digital demand, but also create competitive differentiation among an increasingly savvy and expectant customer. According to 34 percent to senior marketers, they are still testing and learning, using each engagement as an opportunity to improve and advance the majority of their digital experiences.

But it is telling that only 7 percent of marketers are exceeding expectations, having optimized how the brand reaches and engages an individual customer with a personalized, data-driven experience. In fact, most marketers (38 percent) admit they are seeing mixed results as some campaigns are hitting the mark and delivering results while others have simply not yielded what was anticipated (see Figure 2).

FIGURE 2: HAVE THE STRATEGIES IN PLACE TO ENGAGE THE DIGITAL CUSTOMER REACHED YOUR INTENDED GOALS?



When you consider how dependent marketers have become on digital channels and how heavily marketers plan on allocating toward engagements and channels throughout 2016, these mixed goals are troubling, at best. According to marketers, the top areas of budget allocation will surround campaign drivers, including:

1. Content marketing development and deployment (59%)
2. Metrics and analytics to measure campaign performance (48%)
3. Social media (advertising and engagement campaigns) (47%)
4. Data management (including data cleansing, aggregation and collection) (39%)
5. Digital advertising (including retargeting, asset management and placement) (33%)



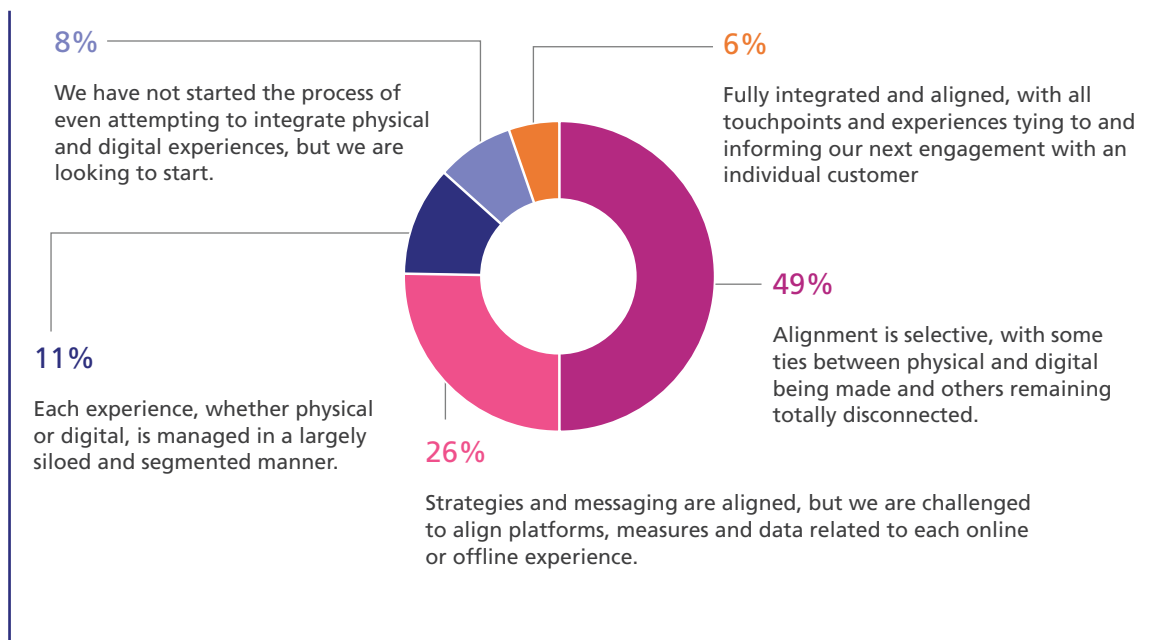
Most telling about these allocation priorities is how campaign-centric the investments will be. In light of the key challenges around data and personalization that marketers have expressed, it is notable that allocations for predictive analytics (29 percent) and personalized campaigns (31 percent) fall just outside of the top five investments.

This list of allocation highlights an even more pressing issue: digital demands an increasingly complex blend of initiatives and platforms to power truly personalized and enriched engagements. The question that begins to emerge is how ready marketers are to advance beyond the campaign-focused investments that launched digital experiences as new demands in data, personalization and predictive intelligence spread across the organization.

Omni-Channel Challenged by Engagement Disconnects

As marketers work to align content, channel and customer, digital channels have emerged as those most likely to connect. Unfortunately, neither the customer nor digital experiences can exist in a neat bubble. True omni-channel alignment has become a significant challenge for marketers as few have been successful in connecting digital and physical engagements (see Figure 3).

FIGURE 3: HOW EFFECTIVELY HAVE YOU INTEGRATED PHYSICAL EXPERIENCES (INCLUDING IN-STORE, EVENT-DRIVEN, SUPPORT AND SERVICE CALLS, OR TRADITIONAL MEDIA EXPERIENCES) WITH DIGITAL ONES?



Only 6 percent of organizations have fully aligned and integrated digital and physical touchpoints and experiences, thereby missing the opportunity to leverage each customer engagement to inform and influence the next experience. Half of respondents admit that alignment is selective, with some ties between online and offline, but many engagements remain totally disconnected.

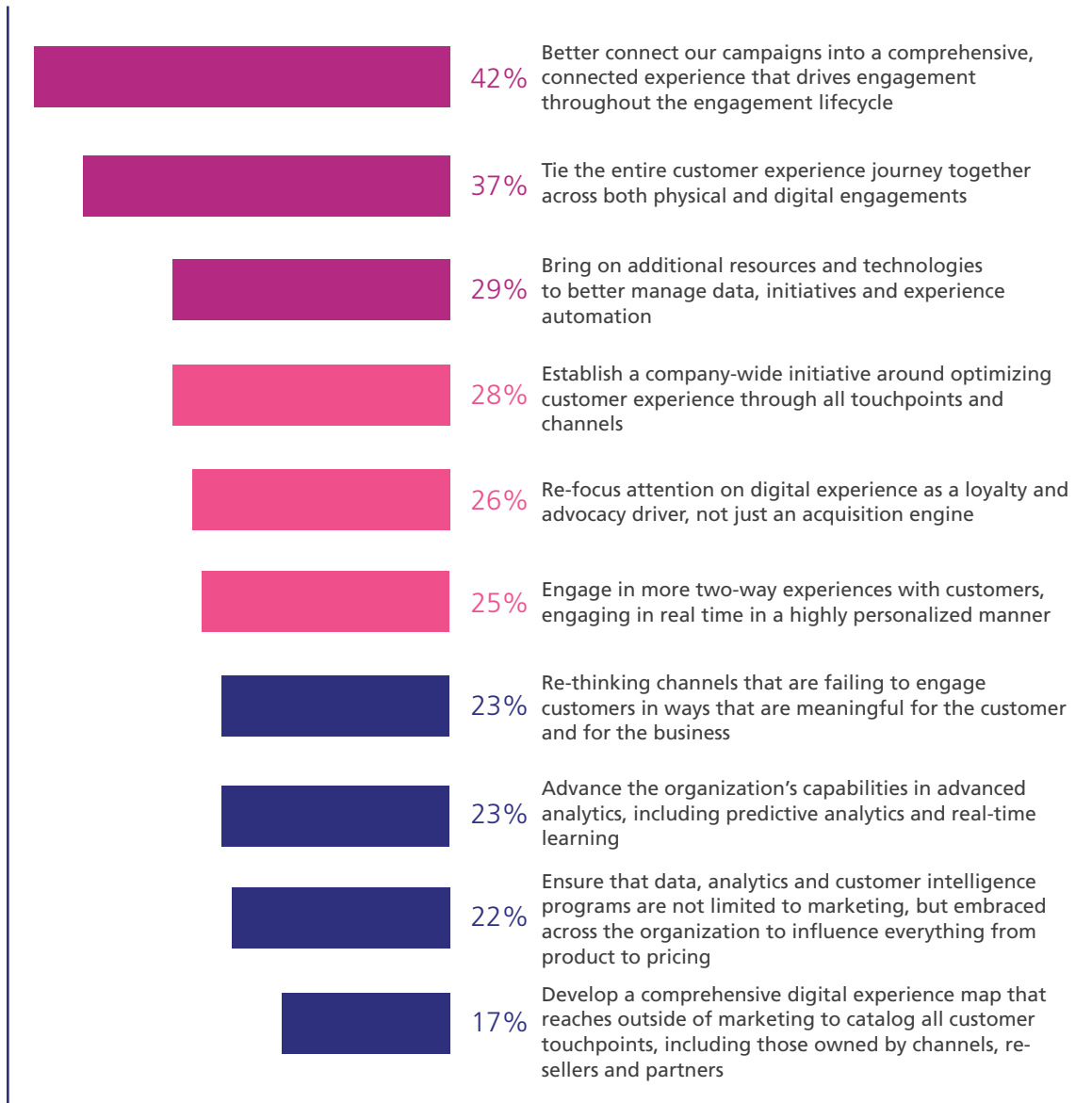
While 26 percent of marketers have made strides in achieving an omni-channel experience for customers—with strategies and messages aligned across channels but with disconnects across the platforms, measures and data related to each experience—some 11 percent admit that their experiences are completely siloed, with each experience being managed and segmented apart from the other.



But silos may be a larger problem than marketers are ready to admit. In previous questions (see Figure 1), only 11 percent of marketers indicated that the shift to digital had created silos that had unintentionally segmented traditional, in-person and online experiences apart from one another. And here again, only 11 percent admit that these silos continue to challenge channel integration. Yet these silos between experiences and across the organization are often the greatest roadblock to establishing a comprehensive view of the customer. From the aggregation of data to the deployment of true lifecycle engagements, cross-functional and marketing-channel silos may be the greatest threat to achieving experience goals.

But omni-channel engagement sits at the very top of the list of digital experience goals that marketers have outlined for the next 12 months. According to 42 percent of respondents, better connecting campaigns into a comprehensive, connected experience is the top goal (see Figure 4).

FIGURE 4: WHAT ARE YOUR TOP DIGITAL EXPERIENCE GOALS FOR THE COMING YEAR?





Also high on the list is the ability to tie the entire customer journey together across both physical and digital engagements (37 percent). Marketers are keenly aware that something must shift around data in order to make the shift to digital complete, and they intend to start with team transformation as 29 percent intend to bring on additional resources and technologies to better manage data, initiatives and experience automation.

In fact, upon deeper investigation, the top goals for the coming year will all require new resources, new strategies and new thinking around data, from how it is aggregated to how it is leveraged across every part of the customer experience journey.

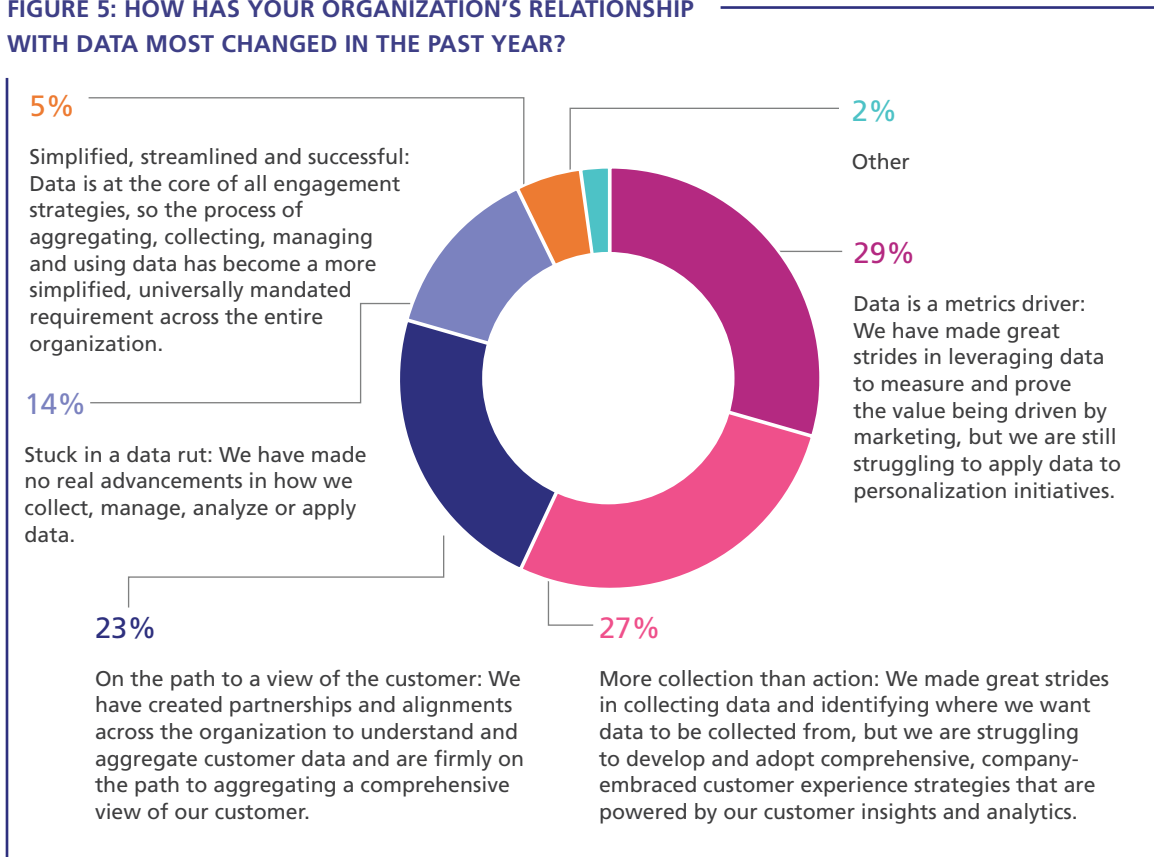
Data Evolution Must Occur to Power the Experience Revolution

Marketers have made tremendous strides in leveraging digital channels to learn more, measure more and engage more. From the application of new measures and metrics that can track engagement and return to the new insights that can be gleaned from customer listening programs across all touchpoints, the customer has started to come into focus for the digitally savvy marketer.

However, in order for marketers to achieve their stated goals of deepening relationships, driving bottom-line improvements and achieving a true, data-led connected customer experience, entire organizations must adopt new and more forward-looking data stances.

According to 29 percent of marketers, data is primarily a metrics driver as marketers have made great strides in leveraging data to measure and prove the value being driven and created by marketing. But these marketers also admit that while measurements are advancing, personalization has stalled (see Figure 5). In fact, some 14 percent of marketers admit that they are stuck in a rut—collecting, managing, analyzing and applying data in the same way as always, making no real advancement despite digital’s rapid refresh and advancement.

FIGURE 5: HOW HAS YOUR ORGANIZATION’S RELATIONSHIP WITH DATA MOST CHANGED IN THE PAST YEAR?





But there are some early leaders as 5 percent of respondents have been able to simplify, streamline and turn their data programs into true success stories. These organizations have redefined their data strategies to sit at the core of all engagement efforts so that the process of aggregating, collecting, managing and using data has become universally mandated across the organization—removing some of the friction and creating alignment across all functional areas. And there is also a growing number (23 percent) who feel they are on this path to a view of the customer, actively creating partnerships and alignments across the organization in an effort to understand and then aggregate critical customer data. These are the organizations that feel they are on their way to this single view of customer truth.

Interestingly, an organization’s relationship with data is also impacting how well it understands customer behaviors. According to 36 percent of all respondents, understanding customer behaviors is an area of challenge and concern as brands struggle to identify customer behavior information at scale, instead boiling down insights for an individual. Alternatively, for the 5 percent of marketers previously identified as advancing their data strategies, only 10 percent feel they are still struggling to understand behaviors. In fact, some 80 percent are leveraging data and analytics around how, when and where customers are engaging and transacting with the brand.

FIGURE 6: ORGANIZATION'S RELATIONSHIP WITH DATA

SOURCES OF CUSTOMER BEHAVIOR KNOWLEDGE		LAGGARDS (14% stuck in a data rut)	ALL MARKETERS	LEADERS (5% reaching data success)
	Where customers are engaging and transacting	15%	51%	80%
	Customer feedback	48%	55%	30%
	Third-party market data that could impact the customer	30%	33%	40%
	Customer forums/panels	15%	24%	20%
	Collaborating and co-innovating with customers	26%	32%	40%
	Predictive analytics tools	14%	23%	40%
	We are struggling to identify customer behavior information	78%	36%	10%

What emerges from this vantage point of data leaders versus those who feel they are stuck in a rut is the shift away from customer listening as a campaign or single point of action—like feedback forms and customer panels—and a move toward a far more dynamic, real-time listening and learning dynamic. These customer behavior and data leaders are listening where the customer is engaging... and they are intentionally collaborating and co-innovating with customers so that the brand more



directly reflects the customer. The leaders are also looking into the future by taking those past actions and insights from third parties to better predict and anticipate the needs of their customers.

But how ready is the rest of marketing to take this step closer to the customer? If these results are any indication, while there is early movement and even some excitement, there is even more doubt that new advancements in data and customer engagement will ever truly be within reach.

Excitement Builds as the Future of Experience Calls

Customers, much like digital technologies, are not waiting for permission to advance, and they likely are not going to wait much longer for organizations to keep pace. This makes new advancements in data, intelligence and engagement critical for the modern marketer. From establishing strong mobile engagement strategies to leveraging new application program interfaces (APIs) that can connect in new ways to new customers, the future is not a far-off aspirational environment but has emerged as the new battleground for customer attention and loyalty.

But according to the majority of marketers, that battle may need to wait.

When looking at critical and emerging engagement technologies and trends—mobile connections through the internet of things (IoT), connecting and collecting new intelligence and experiences through APIs—marketers are hopeful but not yet fully invested.

Specific to APIs, well over half of the marketers surveyed have started some type of program (5 percent are with businesses wholly reliant on API connections; 21 percent are leveraging APIs to learn more about customers; and 29 percent have just started piloting API-driven initiatives). The remaining 45 percent either are not sure if they are using APIs (11 percent), don't know what an API is (2 percent), are in the process of understanding how APIs could impact their business (15 percent), or are simply not planning to leverage them (18 percent).

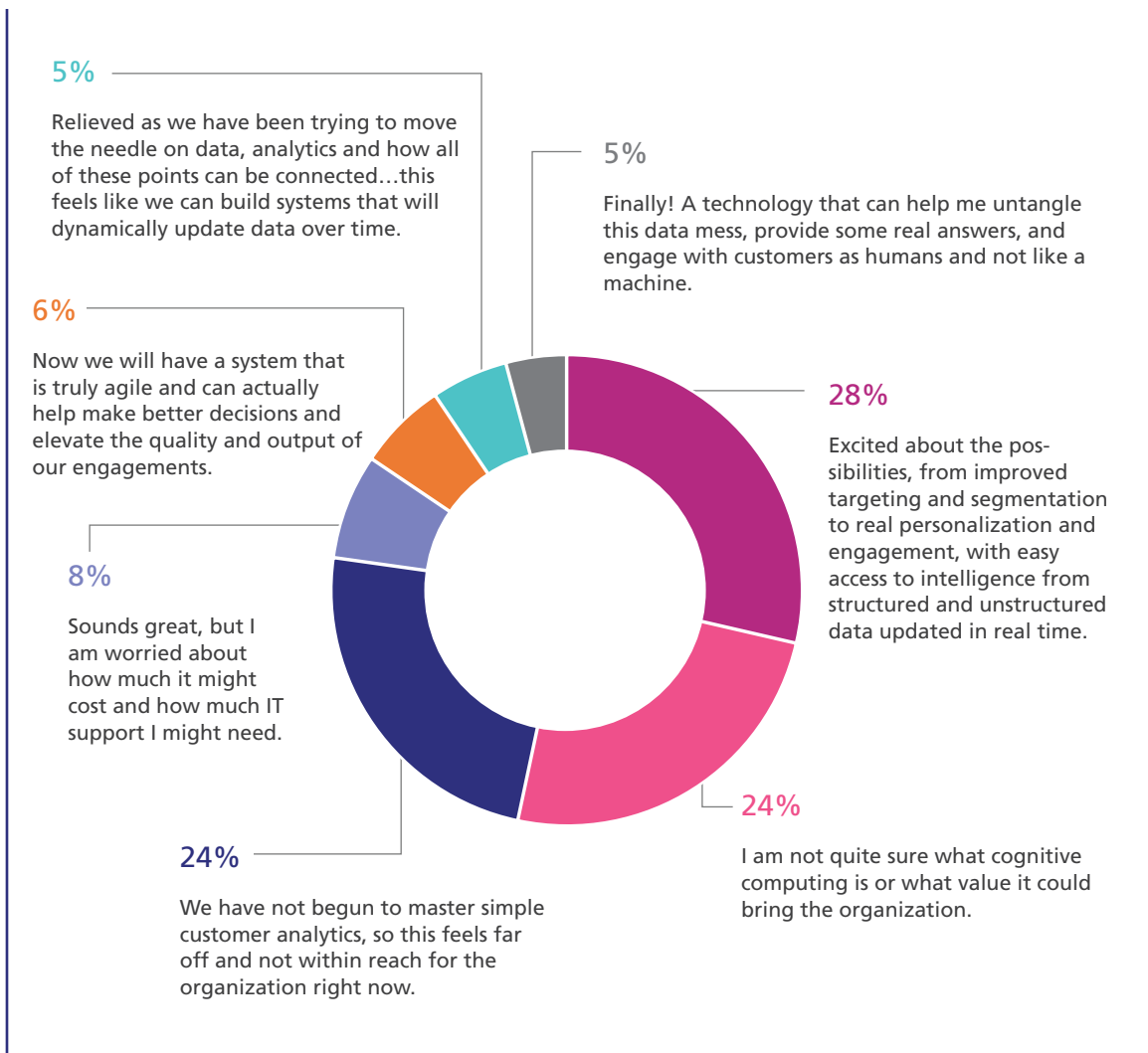
When asked about connections through devices across the IoT, marketers were less prepared to tackle this engagement of tomorrow as 49 percent admitted they had yet to launch any form of IoT program. While 36 percent have launched some form of IoT device or program, only 12 percent of that group is currently using the data from those connections to learn more about their customers.

But marketers also admit that the innovation of cognitive computing has given them the most to think about and plan for in the near future. Cognitive computing is defined as the simulation of human thought processes in a computerized model involving self-learning systems that use data mining, pattern recognition and natural language processing to mimic the way the human brain works.

For many marketers, this ability to learn as seamlessly as we engage—to truly understand our customers and, in real time, be empowered to act in a way that is natural and “human” to our customers—is the competitive edge they have been seeking. According to 5 percent of respondents, cognitive computing could not come soon enough. More than one out of every four senior marketing respondents says they are excited about the possibilities, from improved targeting and segmentation to real personalization and engagement that can come from easy access to intelligence derived from both structured and unstructured data (see Figure 7).



FIGURE 7: WHEN THE INDUSTRY TALKS ABOUT “COGNITIVE COMPUTING,” WHAT IS YOUR FIRST REACTION?



In the near future, we are likely to see great strides being made with the adoption of technologies like the Internet of Things and cognitive computing, but there are those who are, in the near term, focusing on the realities of their current data systems. Right now, 24 percent of marketers admit that they have not even begun to master simple customer analytics, so the thought of advancing to new innovations feels more like an aspirational goal.



CONCLUSION

Fundamentally, what is holding many of these marketers back from leveraging any of these new technologies and trends is a lack of confidence in the data and the digital platforms that have been implemented across the organization. In order to maximize this next phase in digital's evolution, marketers must re-focus on the journey rather than the campaign.

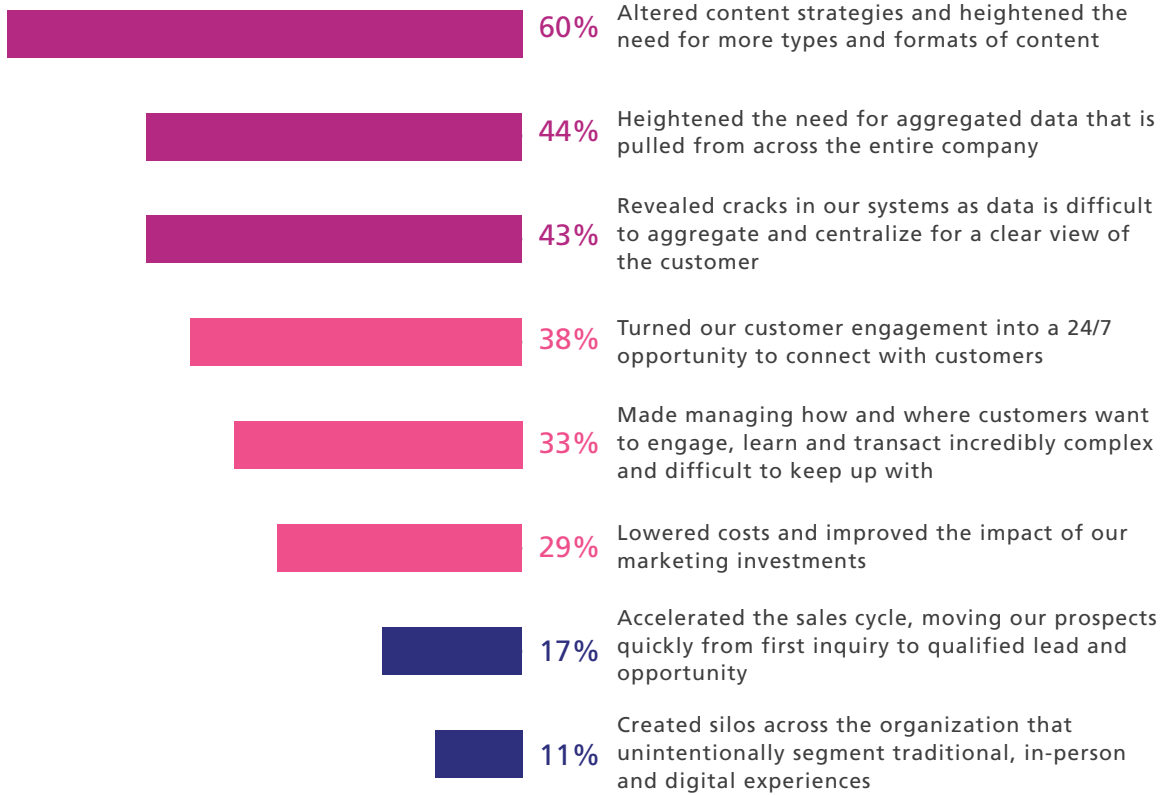
As marketers reframe their customer relationships to center more intensely on the behaviors, desires and expectations of each individual, new relationships with data and technology must be forged. These new strategies must be based on the knowledge that today's connected customer will not keep today's expectations for service and engagement for long. Instead, these bars will continue to rise...new expectations will be established based on experiences from completely unrelated and unexpected places.

Marketers have come incredibly far over the past five years, advancing the digital agenda from an advertising-focused conversation of banner ads and click-through rates into a dialogue around people, platforms and processes that connect campaigns with the right audience. The new challenge before us all is the next stage of the journey...advancing beyond the campaign and toward more human relationships that are data-driven, compiled in real time and measured for improvement in an instant.



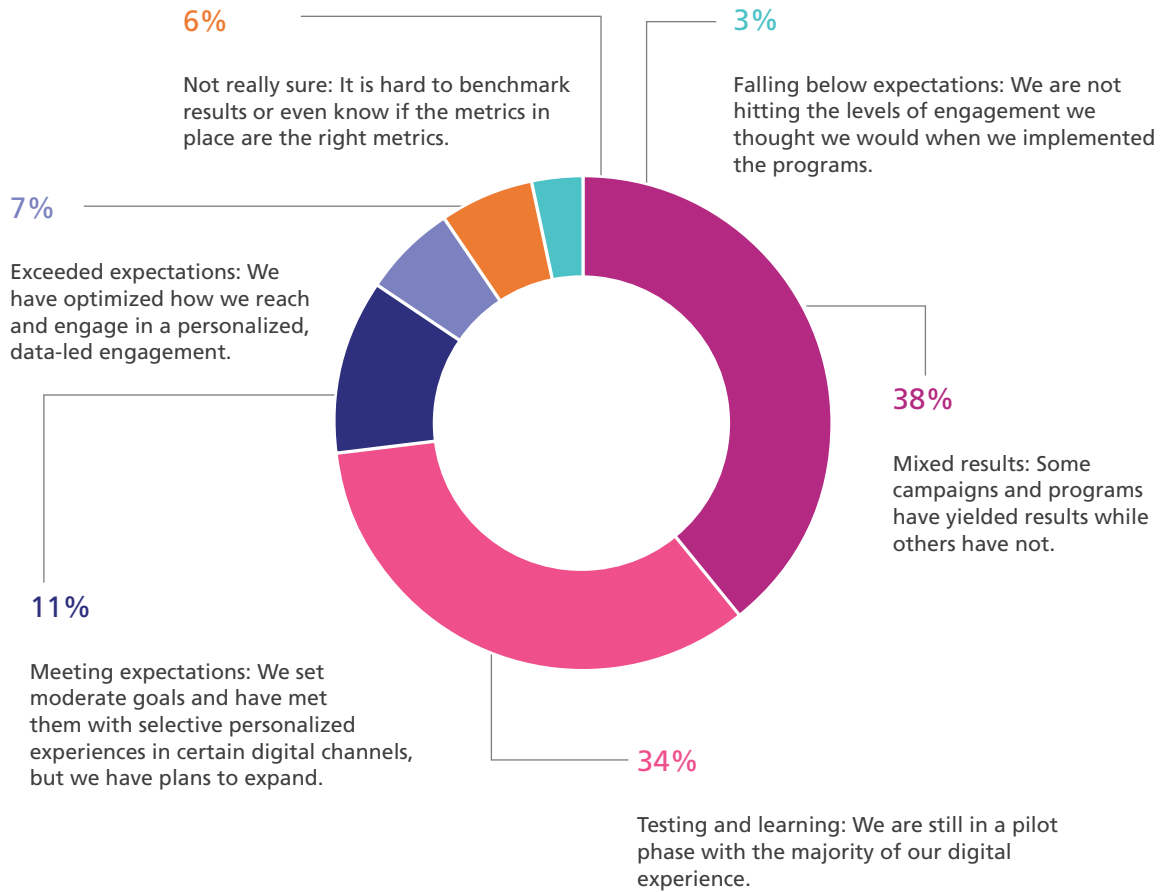
DETAILED FINDINGS

How has the shift to digital experiences most changed how your organization engages with customers and prospects? (Select top three)



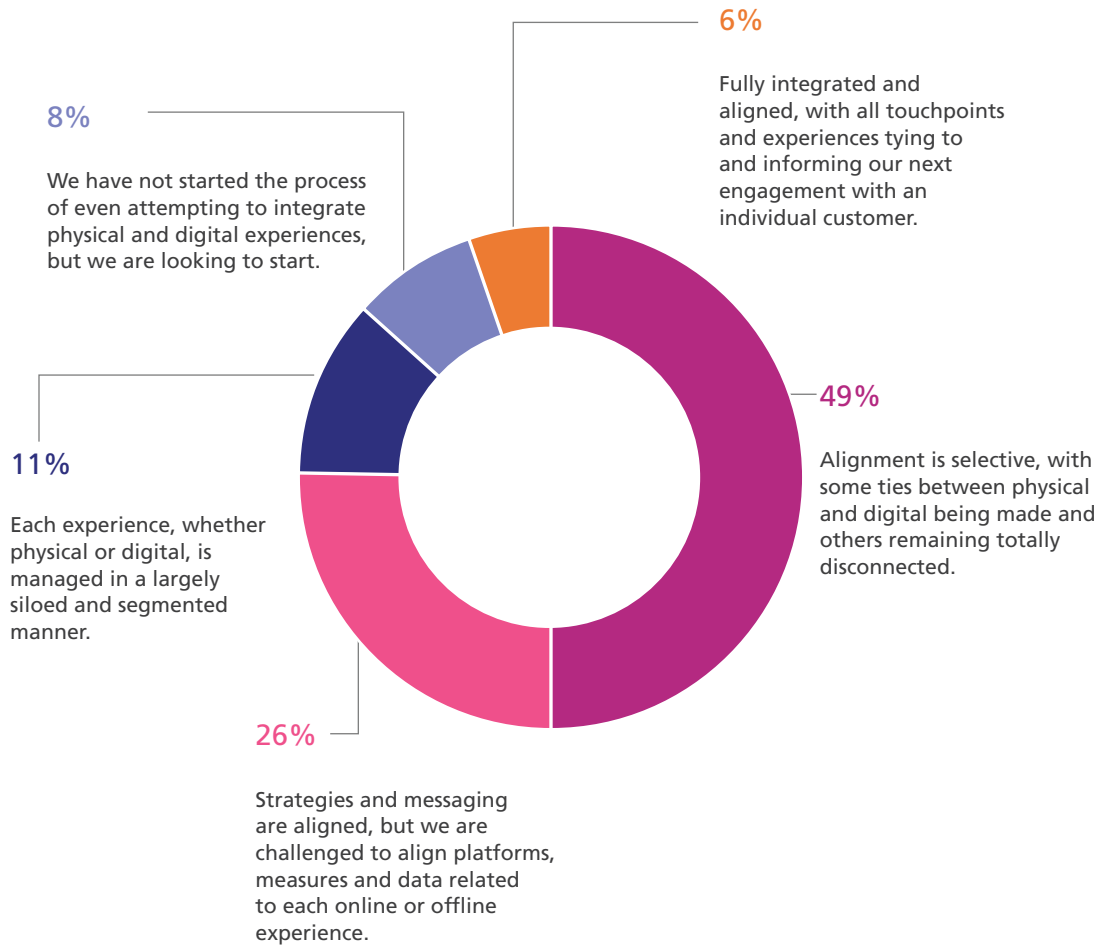


Have the strategies in place to engage the digital customer reached your intended goals? (Select one)



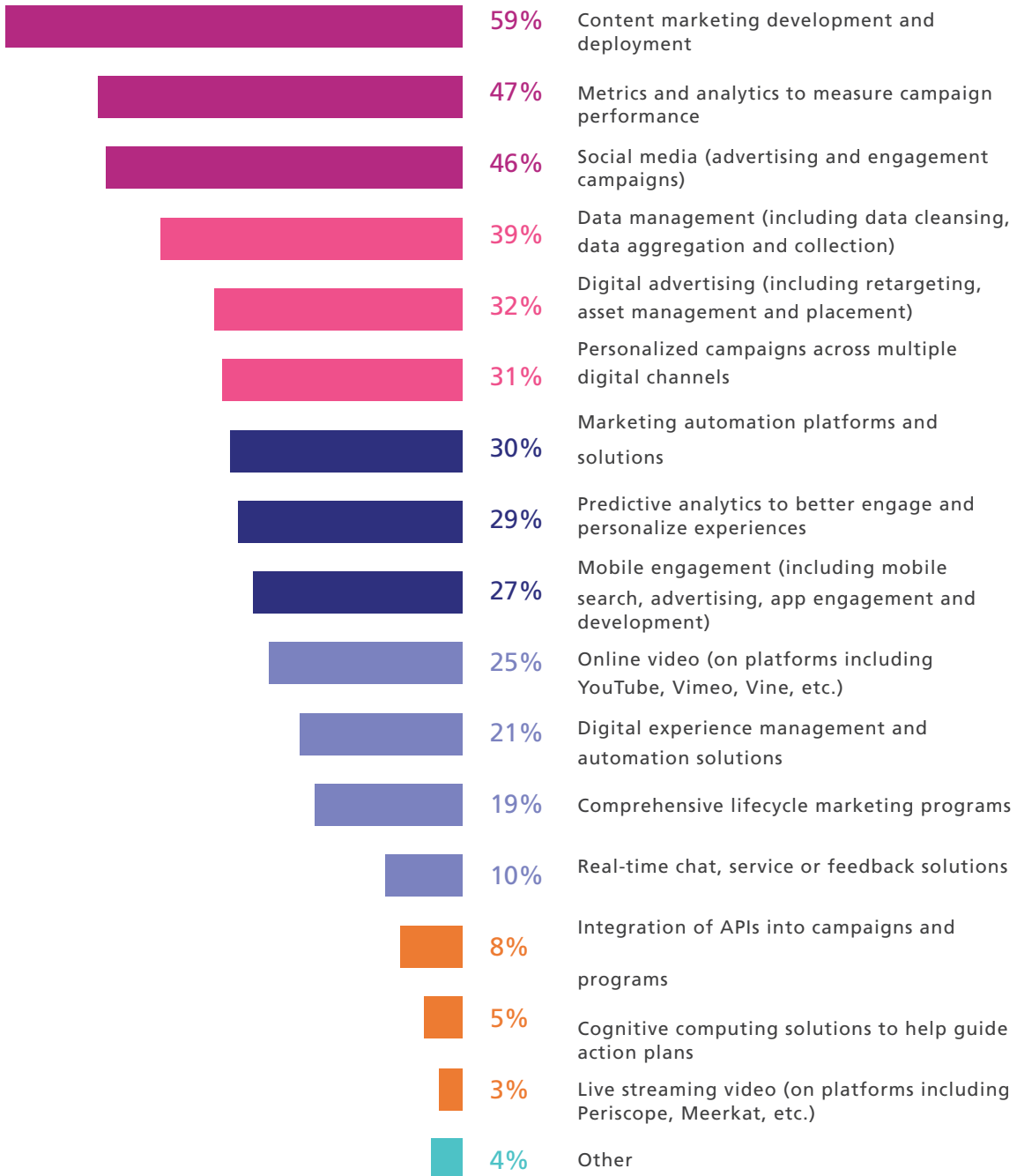


How effectively have you integrated physical experiences (including in-store, event-driven, support and service calls, or traditional media experiences) with digital ones? (Select one)



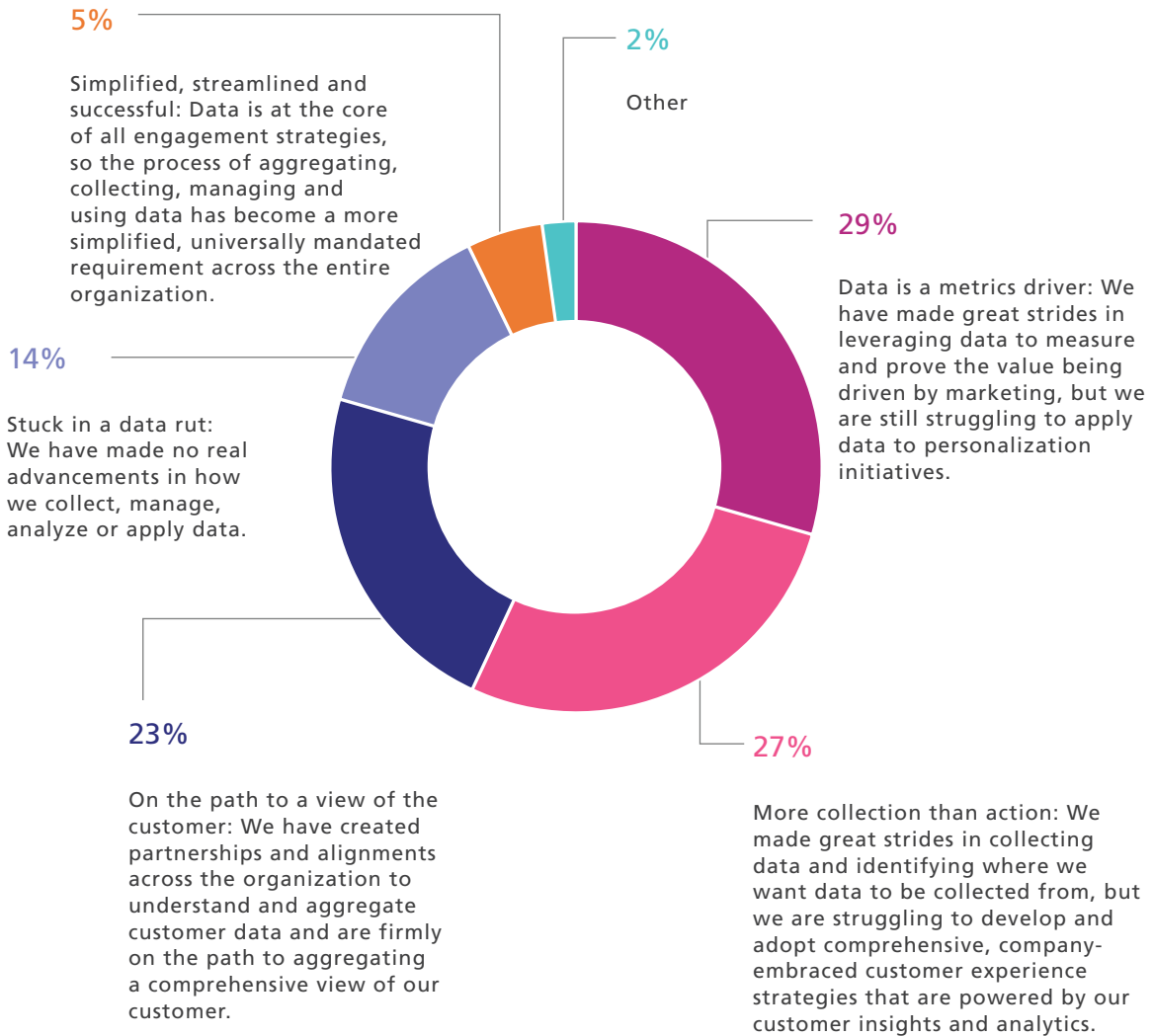


Where do you anticipate allocating the greatest amount of resources (budget, technology and talent resources) to power the digital experience in the coming year (2016)? (Select top five)



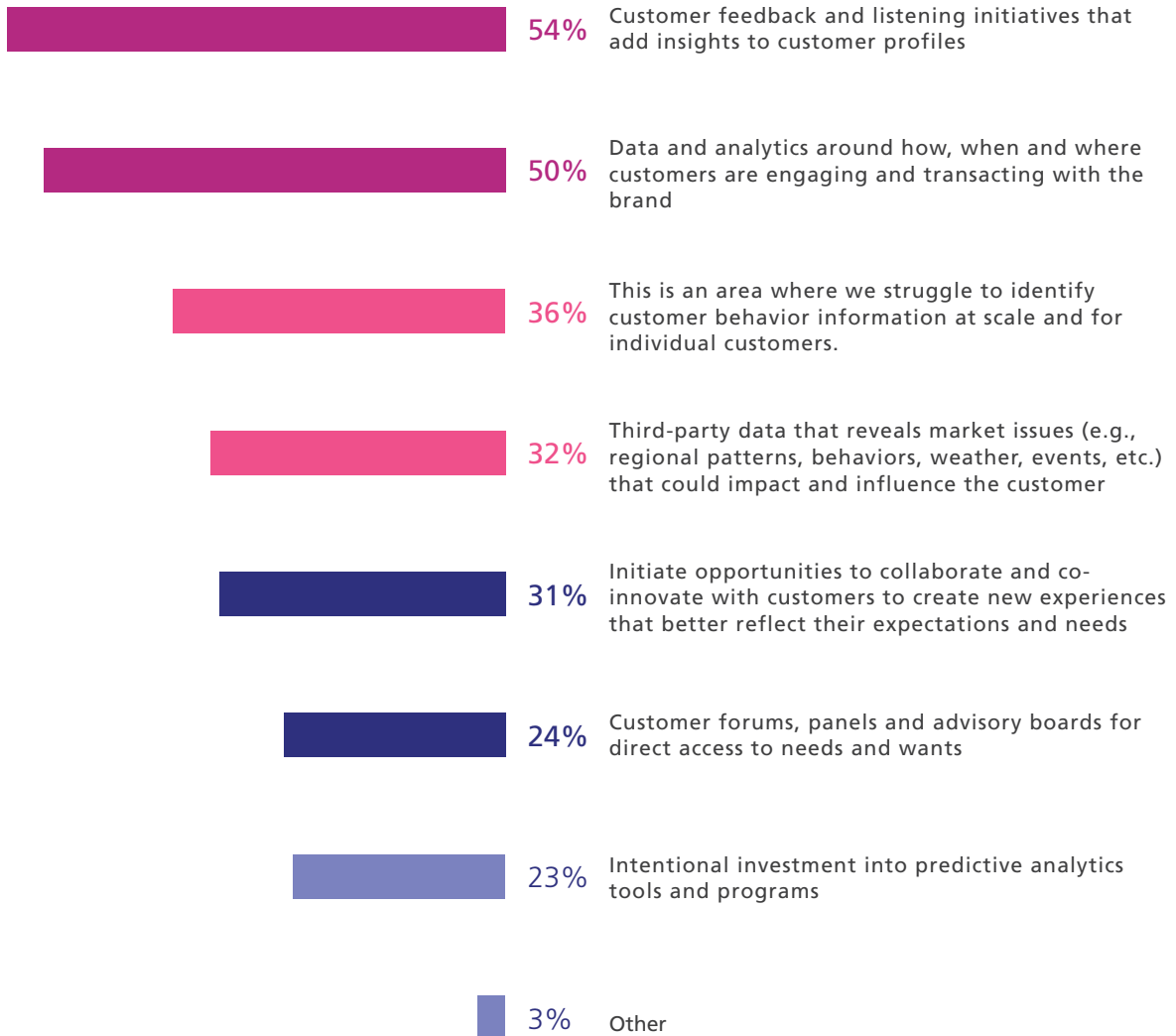


How has your organization's relationship with data most changed in the past year? (Select one)



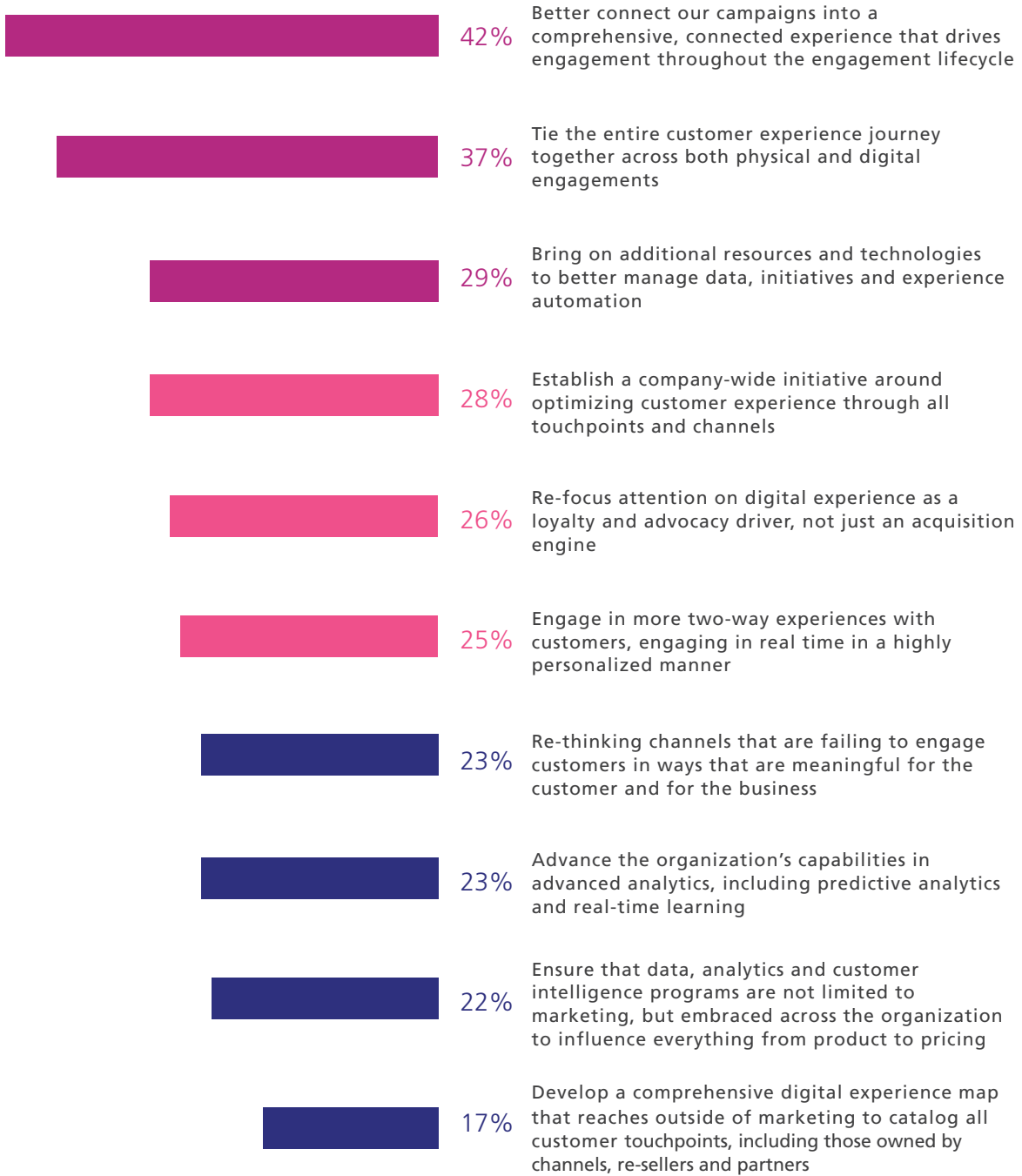


How does your organization understand what is driving customer behaviors? (Select top three)



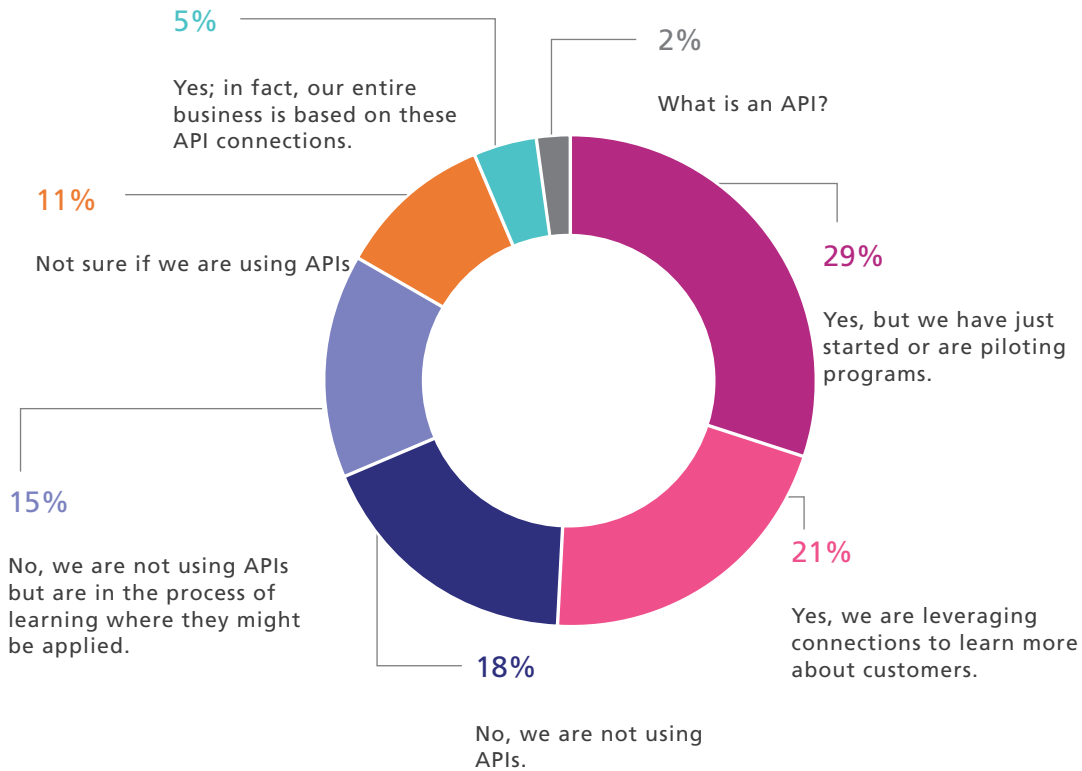


What are your top digital experience goals for the coming year? (Select top three)



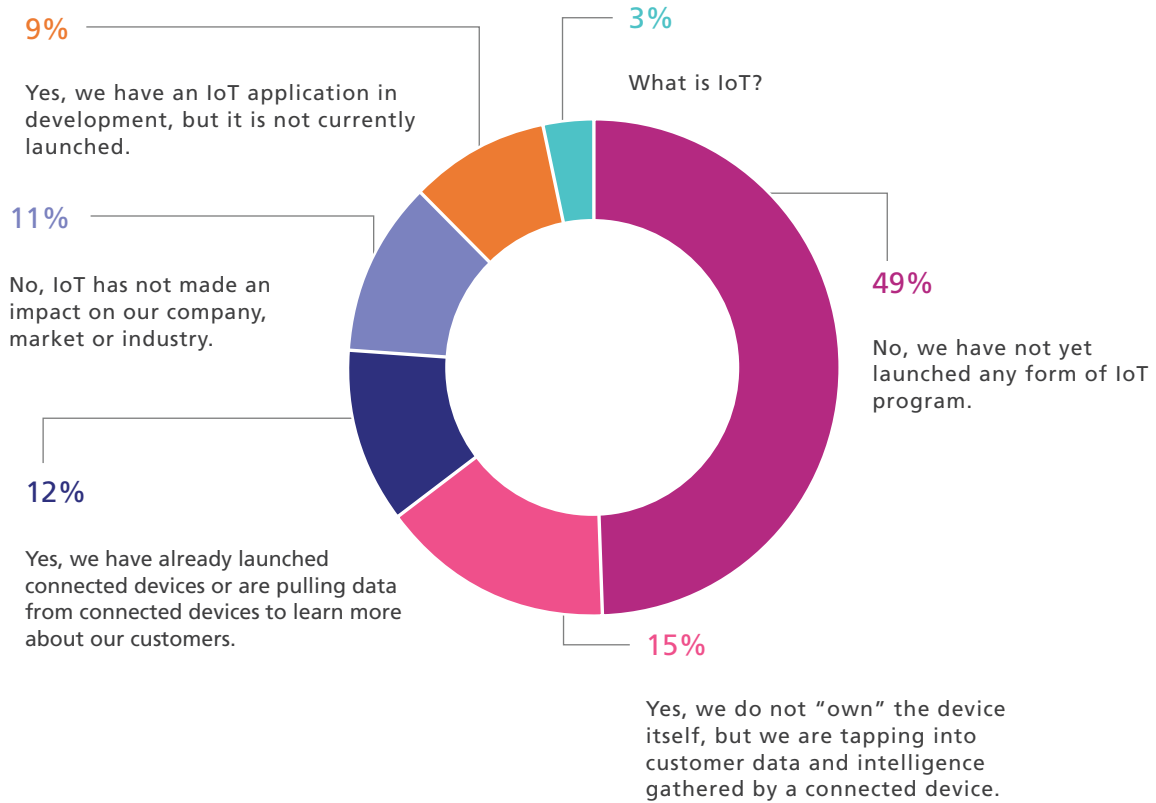


Are you currently leveraging APIs (application program interface) to connect to or collect customer data or intelligence? (Select one)



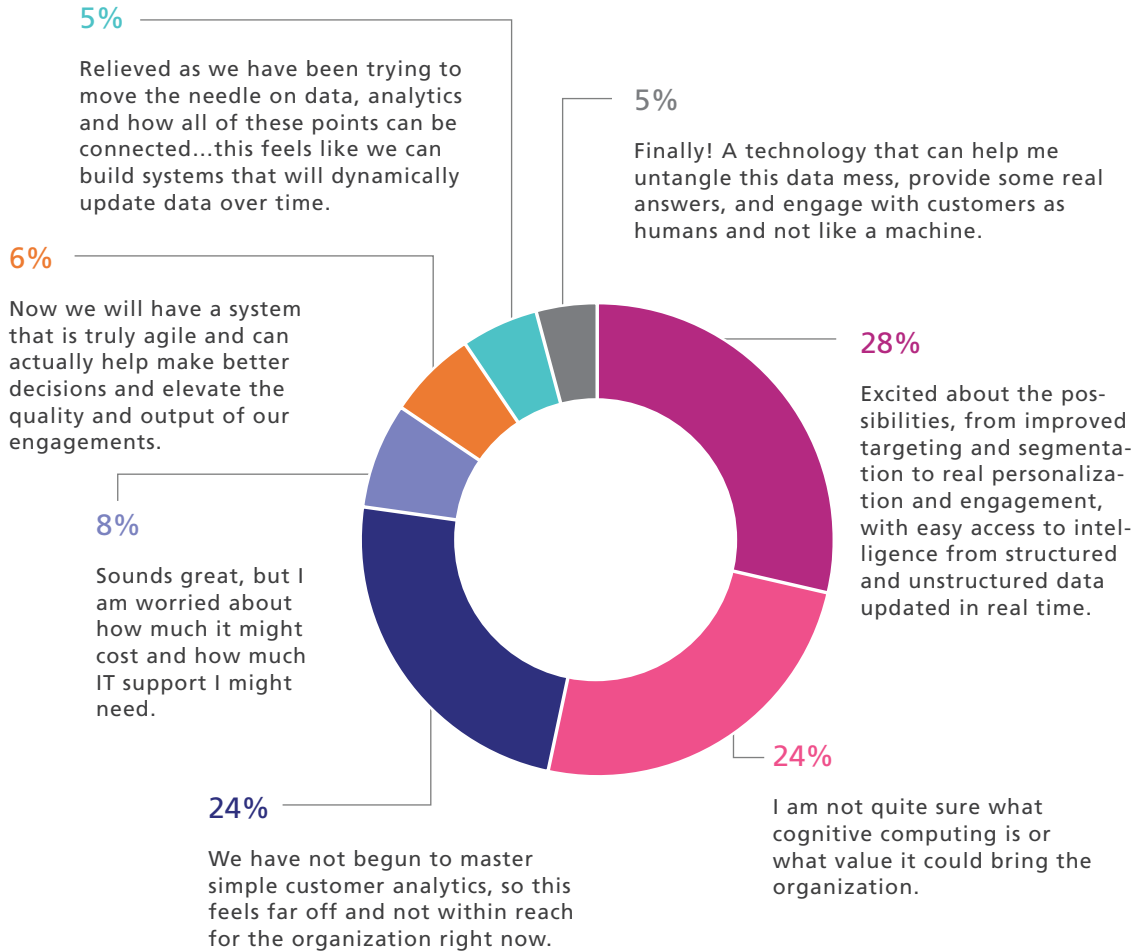


Are you currently integrating mobile technologies or tapping into the opportunity presented through the Internet of things (IoT)? (Select one)



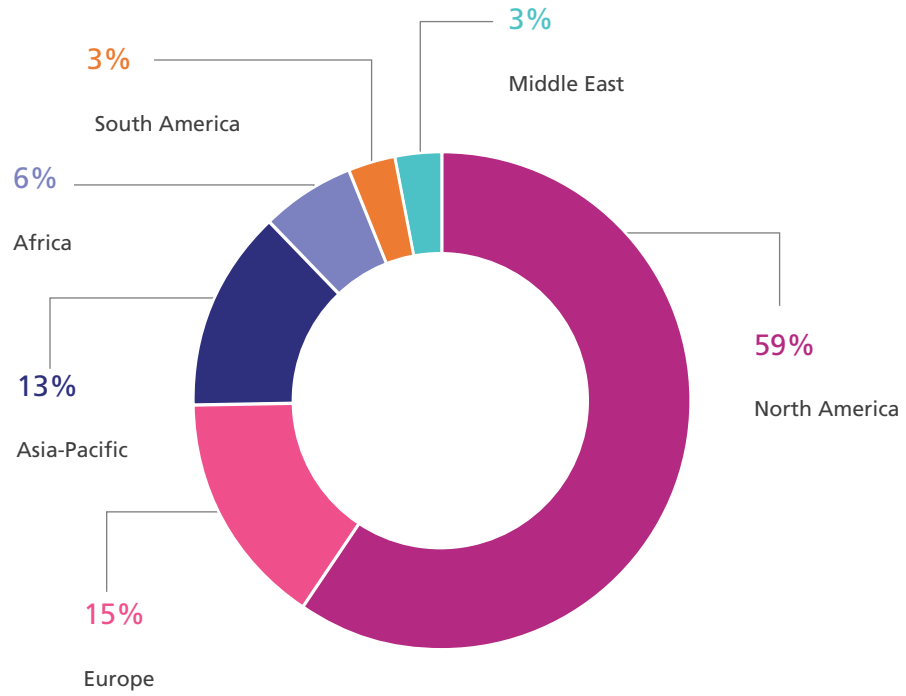


When the industry talks about “cognitive computing,” what is your first reaction? (Select one)



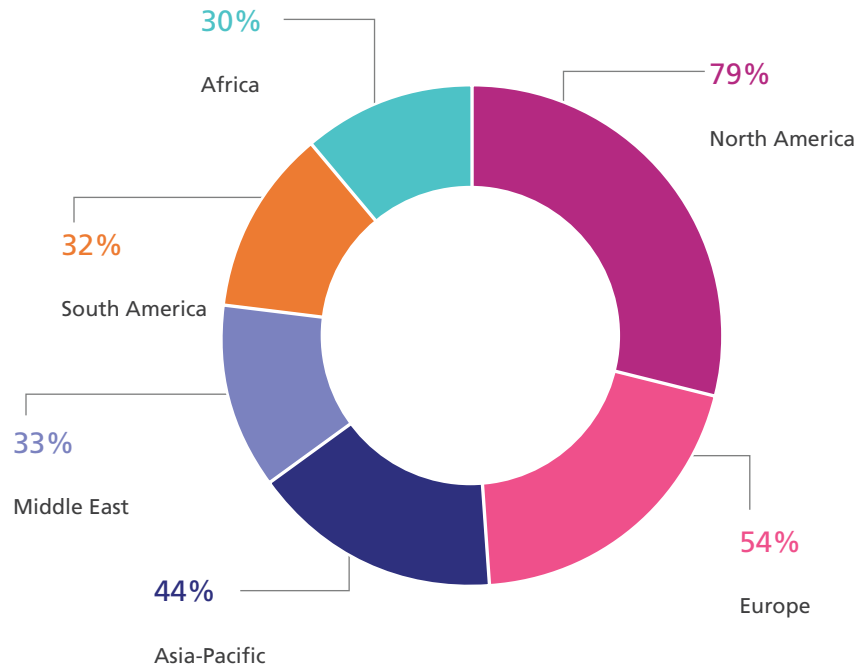


In which region are you and your marketing team located? (Select one)



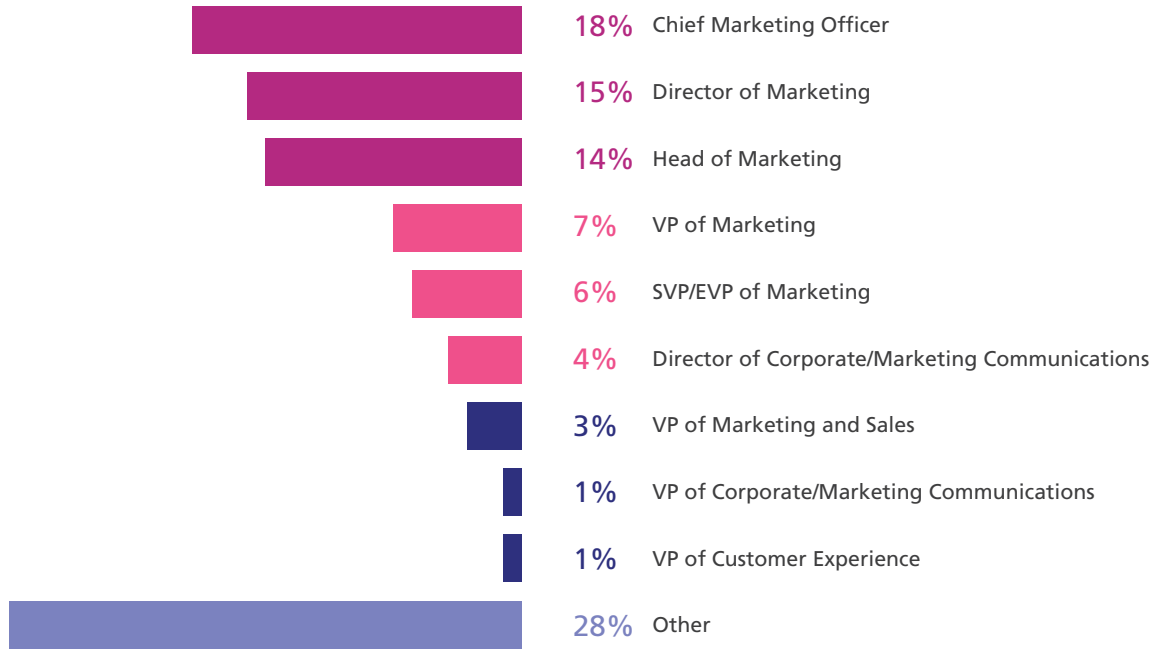


In which regions does your company operate? (Check all that apply)



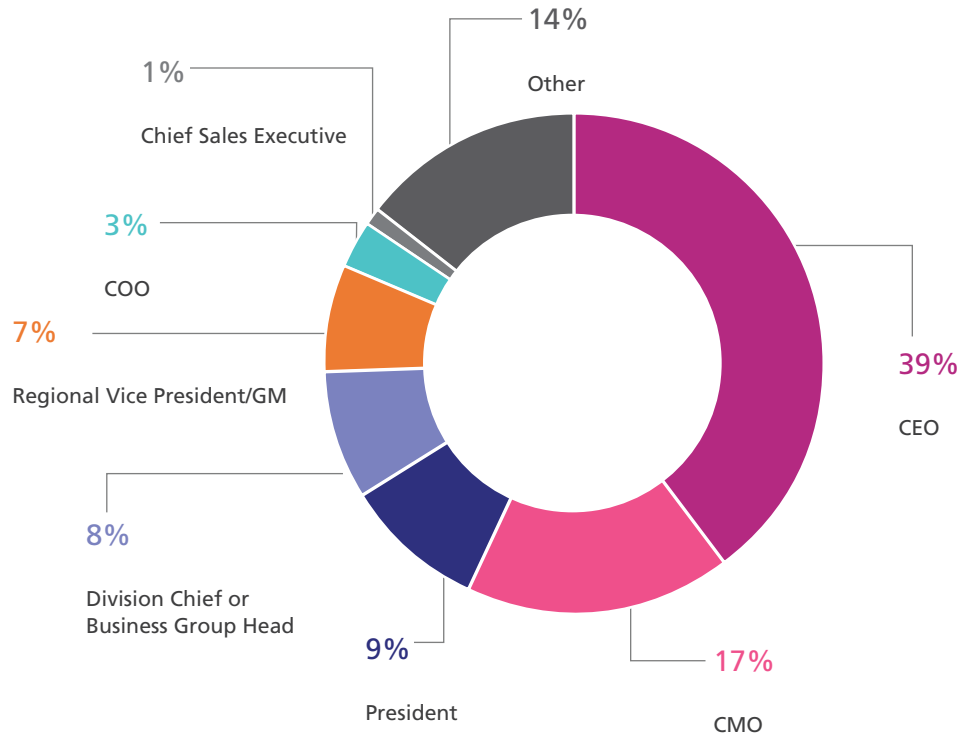


What is your title?



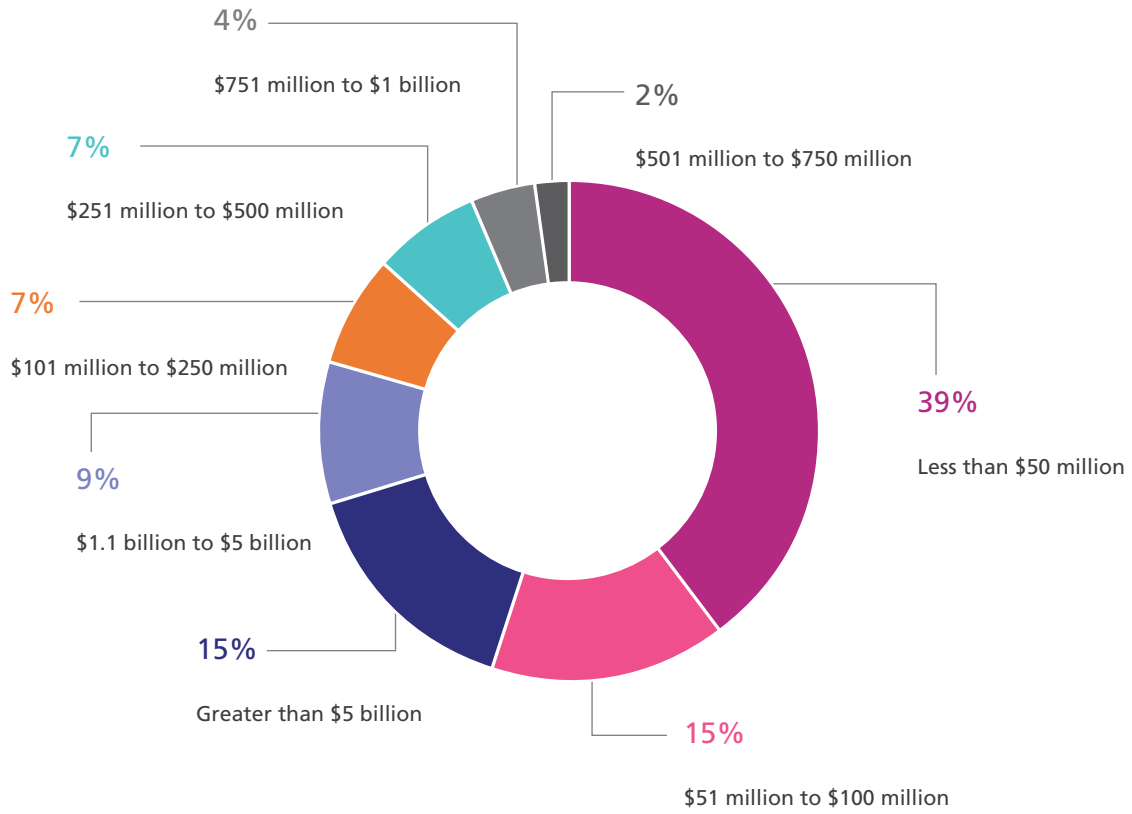


To whom do you report?



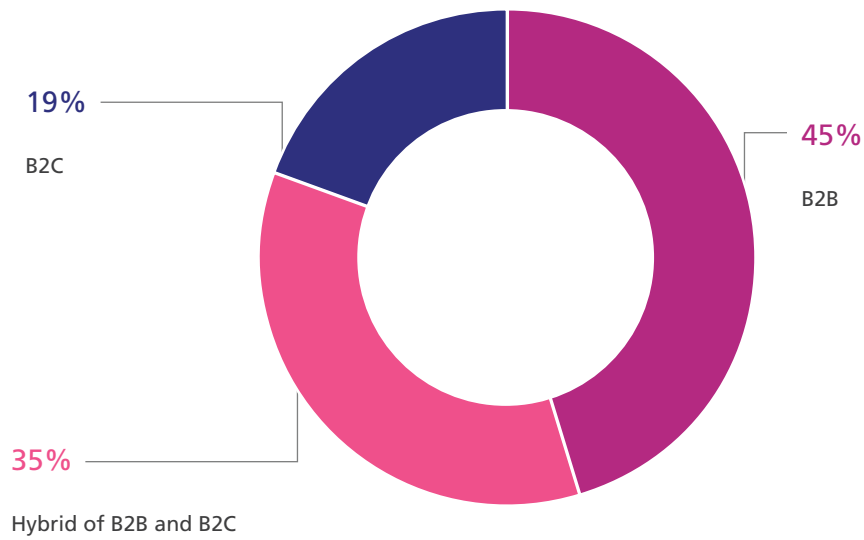


How large is your company?



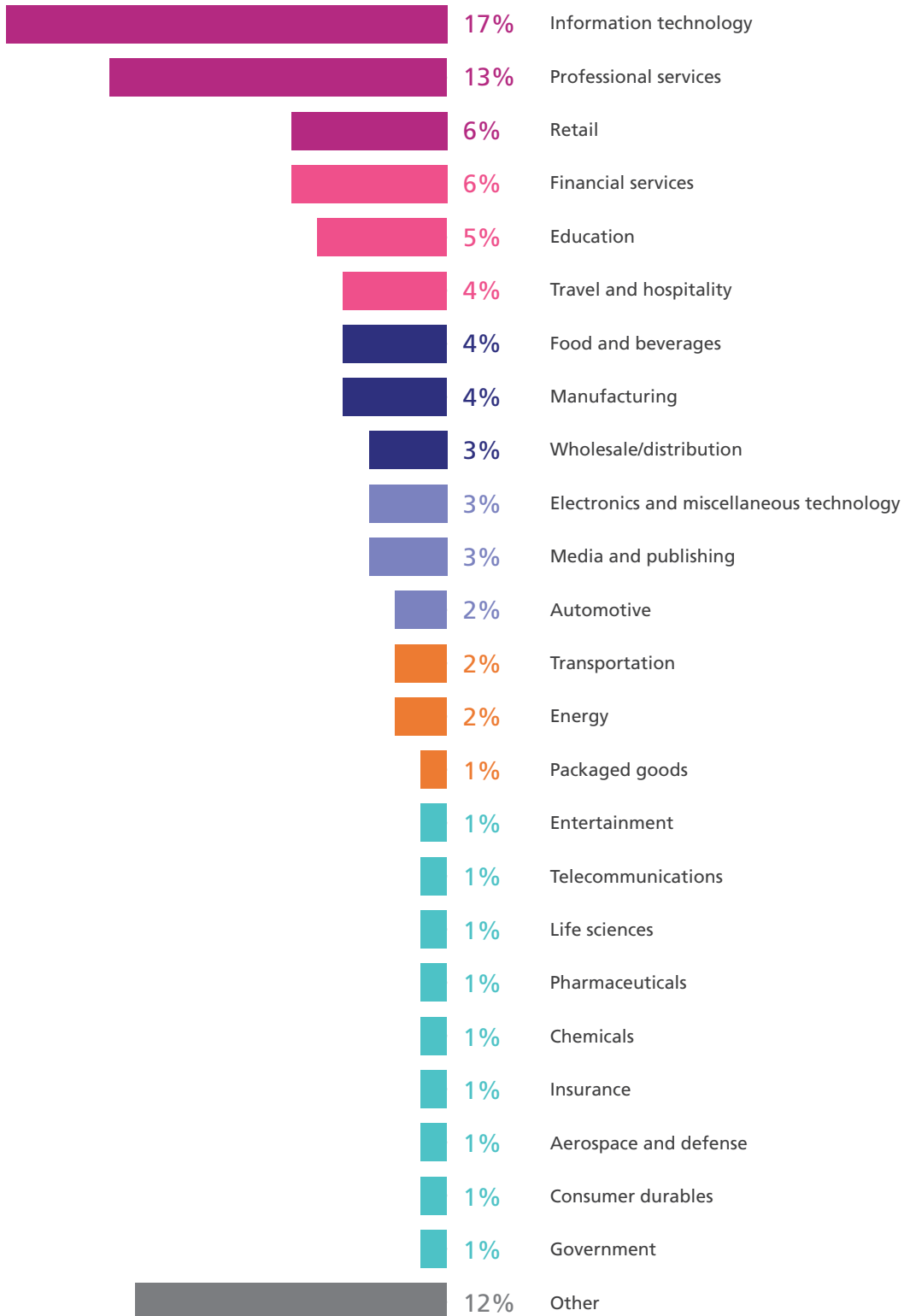


What best describes the focus of your business?



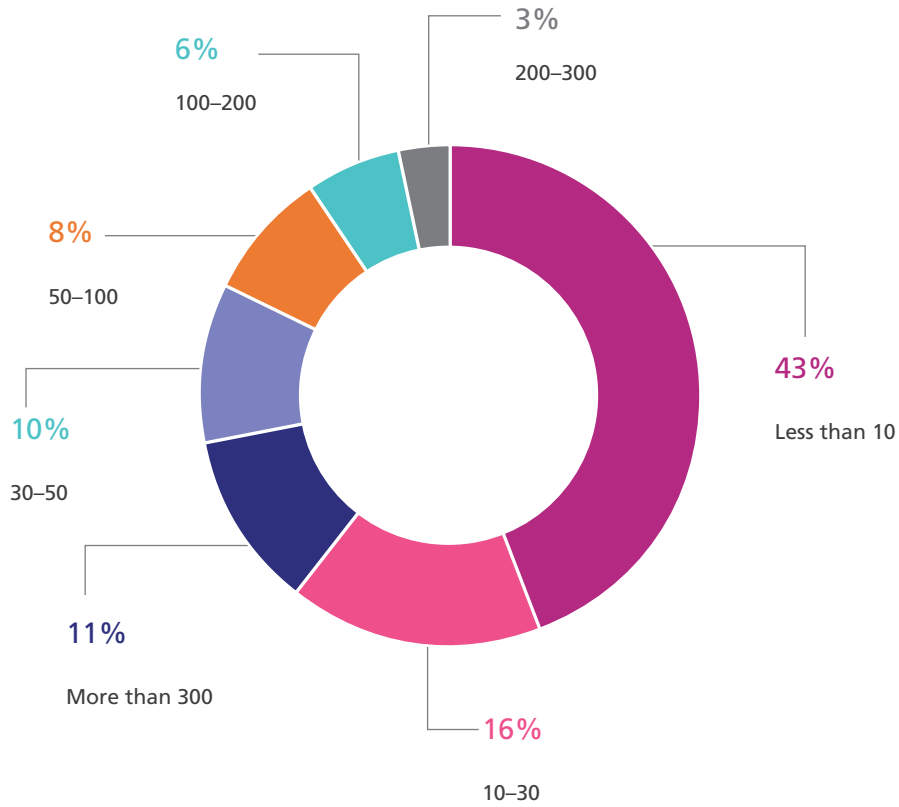


What best describes your company's industry sector?





How large is your global marketing staff/team?





A NOTE FROM IBM'S EXECUTIVE DESK

By Maria Winans, CMO, IBM Watson Marketing, Watson Commerce, Watson Supply Chain

Dear reader,

When IBM started this research in partnership with the CMO Council, the aim was to understand how marketers are connecting, in real time, with their customers to build a strong brand promise. Given that the digital shift has already disrupted marketing strategies and customers are more than willing to share their preferences, we wanted to find out how marketers have managed to incorporate this shift in their strategies. The study also took into account the day-to-day activities marketers are performing to engage with customers and the challenges they are facing to meet customer expectations to create unified experience at every touchpoint—be it a soft touch, face-to-face engagement or just a service call.

When the survey findings started coming in, we learned that—according to 43 percent of senior marketing respondents—this new era of digital transformation has revealed cracks in systems and processes across organizations...cracks and gaps that make it more difficult than ever to create a fully integrated marketing ecosystem spanning digital and physical channels.

Considering how fast digital engagement strategies and digital infrastructures (from data to engagement) are changing, marketers' jobs are harder and also more exhilarating than ever, with new technologies such as mobile, IOT and cognitive changing the scope and reach of our roles.

IBM has been working closely with marketers to develop solutions that help marketing professionals embed better decision-making into the work they do every day. Adding Watson's cognitive learning to everyday marketing tasks can be a game-changer. When you unleash the power of Watson, you deepen customer connections, grow brand value and fuel strategic growth. Please visit our new hub at www.ibm.com/Watson/marketing to learn more and experience Watson Marketing for yourself.

More than ever, marketing professionals need peer-to-peer discussions/reviews, hands-on technology experts and software trials at their fingertips. That's precisely why IBM is introducing IBM Think Marketing hub, where marketers can gain knowledge of existing and new technology trends, share experiences, try technology with just a click and gain access to experts. Join us at www.ibm.com/marketing to gain more insights, examine innovations to create more meaningful customer interactions, and network with peers.

This study reveals what your peers are doing and how digital is shaping the new work of marketing. Happy reading!

Best wishes,

Maria Winans



Bio

Maria Winans is responsible for defining and executing the marketing strategy to deliver higher value solutions to clients. As the CMO for the IBM Watson Marketing, she embraces her leadership role to make IBM the go-to brand for clients on C2B (customer-to-business) and cognitive commerce. Fueled by cognitive technologies and real-time insights, Watson Marketing, Watson Commerce and Watson Supply Chain solutions help forward-thinking leaders in marketing, selling, and merchandising and supply chain execution with embedded expertise, advice and recommendations to make better decisions, turn insight into action and deliver innovation.

Winans also managed a worldwide team that was responsible for bringing together the unique value of social and mobile portfolios to address IBM clients' desires to optimize workforce productivity, cultivate collaboration, inspire advocacy and implement successful mobile strategies for organizations everywhere.

In her previous marketing positions, Winans was responsible for strategic marketing leadership supporting IBM Business Analytics, Collaboration Solutions, Watson and Industry Solutions (including IBM Smarter Cities, Enterprise Content Management and Smarter Commerce). She led the design and delivery of client-centric marketing to make and capture markets and fueled the strategy and planning for business alignment and marketing to help in the building of market-leading, integrated capabilities that leverage and showcase IBM's strength across mobile, social, big data and cloud categories. Winans led the introduction of Smarter Commerce into the market, the launch of the IBM CMO Study, and the planning and go-to-market strategy for Smarter Cities.

Winans also served in various product and marketing management roles in the IBM PC Company. She worked as a marketing strategist for IBM Latin America, supporting the development and implementation of a direct marketing operation in all major Latin American countries. She was directly involved in the planning, staffing, training and measurements of all direct sales and marketing activities that supported the IBM go-to-market strategy.

Winans joined IBM in 1991 as a sales representative. During her IBM career, she has held a number of sales and marketing management positions across IBM's Sales and Distribution division and within IBM Software.



ABOUT THE CMO COUNCIL

The Chief Marketing Officer (CMO) Council is the only global network of executives specifically dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide range of global industries. The CMO Council's 10,500-plus members control more than \$500 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include more than 35,000 global executives in more than 110 countries covering multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia-Pacific, Middle East, India and Africa. The council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Mobile Relationship Marketing (MRM) Strategies, LoyaltyLeaders.org, CMOCIOAlign.org, Marketing Supply Chain Institute, Customer Experience Board, Digital Marketing Performance Institute, GeoBranding Center and the Forum to Advance the Mobile Experience (FAME). For more information, visit the CMO Council at www.cmocouncil.org.



ABOUT IBM

IBM offers our clients the most comprehensive and market-leading solution for delivering differentiated and personalized digital experiences that help these organizations grow and maintain loyal relationships with customers. These digital interactions can be tailored to unique customers and are adaptable to any device in order to make every interaction count. Explore customer testimonials and product demos at <http://www.ibm.com/watson/marketing> to learn more today.