

THE C-SUITE'S CHALLENGES

**How the Best CMOs are Digitally
Personalizing the Brand Experience**

The CIO as Digital Ecosystem Enabler

**The New-Age CFO:
Driver of Real-Time Business**

How the Best CMOs are Digitally Personalizing the Brand Experience

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More customers than ever—consumers and businesses—discover products and services through digital channels. They are introduced to the brand and its products, purchase online, get online support, and make additional after-sale purchases through digital channels.

Yet, too few companies have reorganized themselves effectively enough to respond to these digital-first customers. Not nearly enough of their marketing departments are set up to offer consistently excellent, authentic, and digitally personalized brand experiences, both before and after they become customers, while preserving privacy.

In fact, from an extensive TCS study of marketing practices at more than 500 large North American and European companies, we estimate that only about one in 25 marketing

departments are highly effective at creating digitally personalized content for customers throughout the brand experience. This is despite the fact that the average company we surveyed spends 3.7% of revenue on marketing, with 38 companies each spending more than \$1 billion a year.

We see this as a major lost opportunity. The 4% of the 516 marketing organizations we surveyed that *do* personalize communications for customer journeys throughout the brand experience have created significant advantages for their companies. Their marketing is far more effective, and far more likely to generate revenue and retain customer loyalty.

We believe this small minority of marketers provide hugely valuable lessons for all marketers. They demonstrate how marketing departments need to be organized and operated for the foreseeable future.

At the very least, they make a powerful case that the time is now for marketing to go far beyond its traditional role of creating brand awareness and getting prospects to buy—and to build—digital capabilities that allow them to personalize communications for each and every customer, across the entire brand experience.

These were among the biggest findings in TCS' Chief Marketing Officer study, which we conducted this spring. In this article, we will discuss what we see as the most important findings. We will especially focus on what we have learned from the 4% of the companies in our research base that are far ahead of the game in digital marketing.

Furthermore, we explain how these marketers are using digital technology to *emotionally appeal to*—not just satisfy—customers throughout the brand experience. From numerous examples, we'll demonstrate how they are doing it through highly relevant and personalized communications that get customers to buy and positively engage.

Most Customers Want to Interact Digitally with Companies



The evidence that a growing number of customers favor digital interactions with the companies they do business with is overwhelming. For example, even when customers visit stores, nearly six in 10 use their digital devices to compare prices and read reviews, according to eMarketer. More Americans now get their news from social media sites than from print newspapers, says Pew Research Center.⁶⁰

The rise of online shaving-product sellers like Dollar Shave Club and Harry's has reduced reigning champion Gillette's share of the \$3 billion U.S. men's market from 70% a decade ago to 50% by 2018 despite Gillette price cuts, says market researcher Euromonitor.⁶¹ Even business-to-business (B2B) purchases are increasingly digital. As an example, Amazon Business, an online B2B marketplace, has seen its business increase ten-fold since 2015, to \$10 billion in revenue in 2018⁶².

Customers' desire to begin their search for products and services has now reached products many thought needed to be physically seen before purchase. For instance, eMarketer projected U.S. online sales of furniture and home décor would top \$50 billion in 2018, the fastest-growing sector in retail ecommerce⁶³. Online furniture giant Wayfair's revenue last year (\$6.7 billion) rose 44% from the prior year. For many customers, Wayfair's user experience beats going to furniture stores: the selection is greater, it's easier to find what you want, you can review recommendations, and using Wayfair's smartphone app you can picture the furniture in your home.⁶⁴

⁶⁰ Pew Research Center, Dec. 10, 2018. Accessed July 24, 2019. <https://www.pewresearch.org/fact-tank/2018/12/10/social-media-outpaces-print-newspapers-in-the-u-s-as-a-news-source/>

⁶¹ CNBC report, Sept. 26, 2018. Accessed July 24, 2019. <https://www.cnbc.com/2018/09/26/startups-shook-up-the-sleepy-razor-market-whats-next.html>

⁶² Amazon Business web page, Sept. 11, 2018. Accessed July 24, 2019. <https://www.amazonbusinessblog.com/amazon-business-connects-millions-of-business-customers-and-sellers-worldwide>

⁶³ eMarketer, June 15, 2018. Accessed July 24, 2019. <https://www.emarketer.com/content/consumers-are-warming-up-to-purchasing-furniture-online>

⁶⁴ Wayfair press release, Dec. 6, 2016. Accessed July 24, 2019. <https://investor.wayfair.com/investor-relations/press-releases/press-releases-details/2016/Wayfair-Mobile-App-Lets-Shoppers-Visualize-Furniture-and-Dcor-in-Their-Homes-before-They-Buy/default.aspx>

Few Marketers Digitally Personalize Communications Throughout the Brand Experience

Despite wanting to engage through digital channels, not enough customers are getting consistently compelling digital brand experiences. A key reason, we found, is that most marketing departments are focused on attracting new customers—not creating digitally personalized communications with them *after* they become customers.

To determine this, we asked CMOs about their marketing organization’s involvement—especially in digitally personalized communications—in four stages of the brand experience:

- **Stage 1:** Awareness creation
- **Stage 2:** Sales
- **Stage 3:** Customer support after the purchase
- **Stage 4:** Customer retention, cross-selling and upselling

The majority of marketers are involved in Stages 1 and 2, but not Stages 3 and 4. (See Figure 8.) In fact, we found that while every marketing team produces communications to build awareness of their products and services, only 72% are involved in sales, 37% in customer support, and 47% in retention, cross-selling, and upselling.



Figure 8: The Four Stages of the Brand Experience

The lack of engagement across all stages of the brand experience was even more pronounced for B2B companies. While 80% of business-to-consumer (B2C) marketers play a role in shaping sales communications, only 49% of B2B marketers do so. Likewise, 58% of B2C marketers contribute to retention, cross-selling, and upselling, versus only 19% of B2B companies. For customer support, B2C marketing teams showed a slight edge in participation: 38% versus 35% B2B. (See Figure 9.)

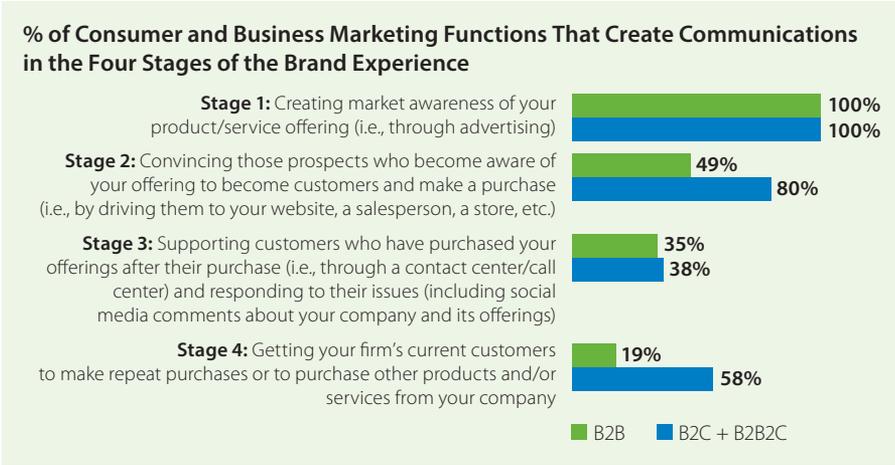
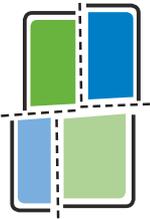


Figure 9: How Marketing Shows Up in the Brand Experience

The Problem: A Lack of Brand Oversight



The biggest reason most companies fail to deliver a digitally personalized and compelling brand experience throughout the entire experience is that they are simply not organized to do so. The vast majority of companies create communications to prospects and customers with a fragmented approach, with different departments working independently on their parts of the brand experience. In general, our study found that marketing tends to run Stage 1, sales runs Stage 2, customer service handles Stage 3, and marketing and sales share Stage 4.

The traditional way these departments have been structured is now a major roadblock to digital success.

But it isn't the only one. So is the cost of collecting and managing data, which is often beyond the budget of any one department. Collecting, maintaining, and leveraging huge amounts of data on customers is expensive. As the marketing technology head of a bank's credit-card division pointed out, "The systems and licensing data management platform are not an incremental expense. You need the software, and the tools to support it. You must be able to process the data smartly, and if you are looking to do third-party data matching, that's not a cheap service." Other major expenses include vendors and of course data scientists: "The very good ones, who understand campaign strategy as well as data modelling, are not cheap," he said. Individually, none of these expenses "will necessarily break the bank. But you have to commit to all of them to get the leverage. So, it's an expensive proposition altogether."

Another challenge in building such a personalized brand experience machine is the way most companies collect customer data: without an integrated end-to-end digital experience in mind. Fragmented operating departments build fragmented data systems, intended to address their own needs rather than supporting a unified brand experience.

As a result, companies struggle to integrate data from sales, marketing, service, finance, and other systems, and customers contend with piecemeal communications from different parts of the companies they do business with.

Of course, personalization depends on data, and the best systems are useless without customer permission to use data. With the advent of Europe's General Data Protection Regulation (GDPR) and California's Consumer Privacy Act (CCPA), customers' growing reluctance to share their data further makes it difficult to provide a personalized end-to-end brand experience.

That said, customers tend to be more willing to grant permission for companies to use their data if they

get something valuable in return, such as discounts or rewards, or an authentic, delightful experience. Surprisingly, only 45% of the companies we surveyed have customer loyalty programs, although this varied widely by sector. While 92% of retailers and 78% of financial services firms offer them, only 2% of industrial manufacturers and none of the media/entertainment/information firms do.

The Solution: Put Marketing in the Center of the Entire Brand Experience



To understand what the best marketers do differently than the rest, and how they digitally personalize the brand experience, we analyzed the survey responses of 16% of our 516 surveys. These 85 marketers were those that said they had a strong impact on metrics such as revenue and customer retention—an impact that was measurable and accurate. We deemed these marketers as ‘leaders.’ We also identified ‘followers’—95 marketers who told us that marketing in their companies had a weak impact on key metrics, and whose accuracy they couldn’t vouch for.

We found that marketing leaders were more likely than followers to create communications in all four stages of the brand experience. (See Figure 10.) The differences between marketing leaders and followers was greatest in Stage 4:



Figure 10: Communication in the Four Stages of the Brand Experience

Another key difference between leaders and followers is that leaders are more likely to possess data that customers willingly give up, for example via loyalty programs. More than half of leaders (54%) have loyalty programs, compared with only 41% of followers. Leaders were also more aggressive in using such data. Some 44% of them use analytics to understand behavior in Stage 3 (customer service), compared with 26% of followers. Likewise, 54% of leaders use analytics in Stage 4 (retention, cross-selling, and upselling) vs. 38% of followers.

Yet only about a quarter of these marketing leaders created communications for prospects and customers in all four stages of the brand experience. We believe the practices of these 23 CMOs—the elite digital marketers, or if you will, the leaders of the leaders in our study—deserve even greater scrutiny. The way we see it, they provide many CMOs with a bird’s-eye view of what marketing functions are going to look like over the next decade.

The way we like to put it, these marketers will not only focus on using digital technology to keep customers satisfied; they’ll maintain an online

relationship with customers that provides incremental value. That value, most of all, takes the form of helping them choose, use, and get more out of the products and services they buy—with such support especially coming at moments when customers need the most help.

All this takes substantial amounts of digital customer data, unification of that data, cloud computing prowess to process and use it in real time, and savvy uses of artificial intelligence and other predictive technologies to deliver personalized experiences when customers need it.

Marketers that can do this throughout the brand experience won’t just keep customers satisfied; they’ll keep customers delightfully engaged. As the CMO of a large travel services company told us, “Marketing must be integrated with all four stages to succeed. Due to the evolving role of marketing, more and more functions are increasingly under the marketing umbrella.”

Let’s explore how these elite marketers are doing that today.

Who Are These Elite Digital Marketers, and What Do They Differently?



Who are these elite digital marketers? Most are in B2C companies (61%), while 30% have a fairly even mix of B2B and B2C revenue.

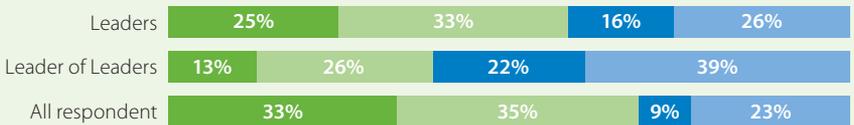
One is a pure B2B company, and one is B2B2C. About a quarter (26%) are retailers or consumer packaged goods companies; 22% are telcos; and 35% are in financial services (including banking and insurance).

Seventy percent are based in the U.S.; 22% are in the UK, Netherlands, or Germany, and 9% are in Canada. Sixty-one percent had revenue between \$5 billion and \$10 billion, and 57% had a marketing budget of at least \$500 million.

One of the biggest differences between these elite digital marketers and the rest of the CMOs we surveyed was where they believe they should spend their resources on digital personalization: on prospects or existing customers. Their answer: the customers their firms already have.

The majority of the elite marketers (61%) believe that between now and 2020 they should focus their digital personalization on Stage 3 (supporting existing customers) and Stage 4 (retaining, cross-selling, and upselling to them). Only 42% of leaders and 32% of all survey participants said the same thing. (See Figure 11.)

Marketing Leaders vs. Followers Who Create Communications in Each Stage



- **Stage 1:** Creating initial awareness of our offerings
- **Stage 2:** Convincing customers who become aware of our offerings to purchase them
- **Stage 3:** Responding to customers queries on social media and providing post-sale customer support
- **Stage 4:** Getting existing customers to make repeat purchases or new purchases

Figure 11: Where the Best Marketers are Focusing on the Brand Experience

What do the elite marketers do differently in each of the four stages? Put another way, how do they keep customers mesmerized—pleased and even dazzled by the information, support, and capabilities that they get, especially after they become customers. We found that they are using digital technologies in at least six ways: to surprise customers with unexpected help; delight them with greater value; enlighten them with useful information; prepare them for the unexpected; reassure them by proactively addressing concerns; and unburden them by streamlining tasks using advanced automation. (See Figure 12.)

Figure 12 summarized these approaches, provides examples, and discusses their impacts. We found these marketers are going beyond the norm in attracting and keeping customers.

These six ways illustrate how the best digital marketers that we surveyed are using the technology to attract and convert more customers, as well as to keep them loyal and buying more. What they do is turn the marketing function on its head, both in its ability to:

- **Scale up the personalization of communications** to tens of thousands, or even millions of customers. This truly moves the old-world of mass marketing of common messages to the new world of individualized messages.

Six Ways Digital Technology Can Keep Customers Mesmerized

Elements	When	How	Impact	Examples
Surprise them... with unexpected help	Stage 2, 3, 4	Sensors, software, and social media analytics that track when customers struggle	Greater customer satisfaction	Sephora uses Bluetooth-enabled sensor beacons to guide customers through the store and offer promotions.
Delight them... with greater value and customized options	Stage 2, 3, 4	Video and personalized interfaces that show how to use or operate a product	Better, more extensive use of offerings, ease purchase decisions	Warby Parker's app uses face mapping and AR to let people virtually try on its glasses
Enlighten them... with useful information	Stages 1, 2, 3, 4	Articles, tutorials, videos, real-time Q&As	Solves problems, convinces people they need your product	Beauty-product seller Glossier hosts a blog to educate customers about makeup. Apple offers instructional videos to help customers get more from its products.
Prepare them... for the unexpected	Stage 4	Apps and sensors that help users manage risks	Trust and reliance boosts loyalty	A pharma company is launching digital-sensor implants to report livestock health issues. Apple Watch—'part guardian, part guru'—helps users manage health conditions.
Reassure them... by proactively addressing concerns	Stage 3, 4	Messaging that informs during moments of tension and crises	Demonstrates that the brand understands customer concerns	An asset management firm develops personalized videos from money managers during market upheaval.
Unburden them... by streamlining tasks and advanced automation	Stage 2, 3, 4	Apps, sensors, blockchain, and cloud services that simplify life	Mesmerizes the customer by automating routine tasks	Disney's MagicBand digital bracelet handles payments and other logistics at Disney World. Neiman Marcus' Snap Find Shop app lets users take a picture of shoes or a handbag and find similar items on the company's website.

Figure 12: How the Best Marketers Use Technology to Attract and Keep Customers

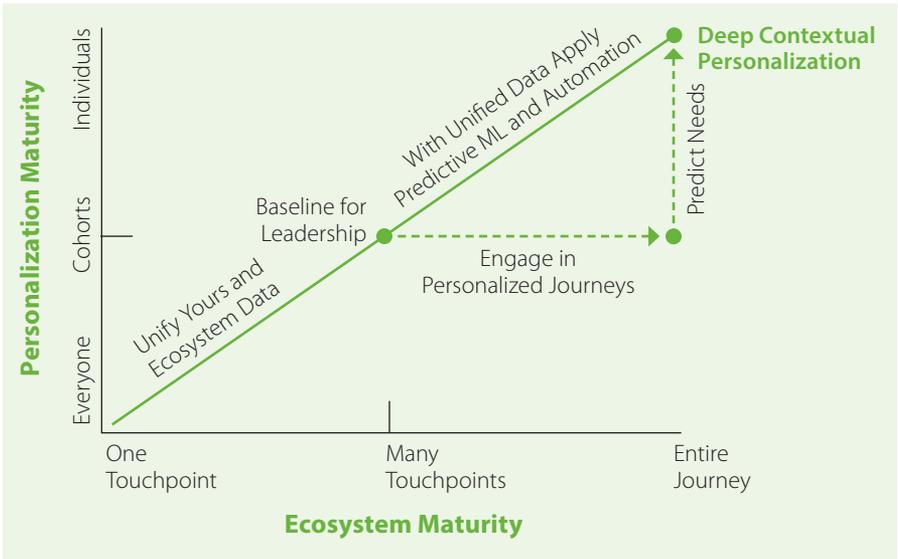


Figure 13: The Journey of Intelligent Orchestration of Customers

- **Extend market’s scope** from a few touchpoints (commonly in Stage 1 or 2) to the entire customer journey, the full brand experience which begins when a customer learns about a company and ends when that customer no longer does business with that company. (See Figure 13.)

The core capabilities required to do that are not built in a day, week, or month. It’s why companies that build them gain a significant edge in attracting and keeping customers. Let’s explore what those capabilities are next.

Five Core Capabilities Behind the Best Digital Marketers

What underpins the ability of these elite marketers to mesmerize prospects and customers with digital technology? We see five core capabilities:

1. Integrated systems that collect data (in marketing, sales, support, finance, etc.) on customer interactions in all four stages of the brand experience. For followers, this is frequently a problem. One senior marketing executive for an insurance company indicated that his team does not have access to the sales department's customer database. Instead, they receive spreadsheets from sales about who to target with new promotions, but these arrive months late.

2. The ability to provide digitally personalized and highly relevant information to prospects and customers throughout their brand experience with the company. It's far more important to these elite marketers to provide helpful information to customers in each of the four stages than it is offer special deals and prices. In our view, their thinking is this: "The more that we help prospects make better buying decisions and get more value

from our offerings after the purchase, the more they will buy from us." We know from the way CMOs answered our question about which types of communications will be most important to personalize by 2020. In all four stages, a far higher percentage of elite digital marketers said it was useful product/service information than said it was messaging about special deals. The entire survey population tended to see these two types of information as equally important in each of the four stages.

3. Customer loyalty programs. Some 78% of elite marketers have them, vs. 54% of leaders and 45% of all respondents. That said, not all loyalty programs are effective. They work best when they go far beyond offering points for additional purchases, and extend customer benefits via other partners. For example, Australian retailer Woolworths' loyalty program

partners with Qantas, amusement parks, and other entities. This has boosted satisfaction and retention. Loyalty programs must also be personalized so that they are relevant to the company's customers. A customer who doesn't travel abroad should not get offers for foreign travel.

4. Extreme amounts of marketing automation. The elite marketers have automated far more of their marketing operations than the rest of the survey population. 60% of their marketing-tech infrastructure is currently cloud-based—a critical requirement for automation—versus 51% for all surveys. By 2020, they project 80% will be cloud-based compared to 70% for all respondents. A higher portion of elite marketers

(83%) value artificial intelligence (AI), machine learning (ML), and big data/ analytics skills for marketing today and in the future. Automating a greater portion of marketing operations frees up marketers to spend more time on creative pursuits, such as creating new campaign ideas, producing better messaging, and the like.

5. Agile campaign teams. Outside of IT, marketing has been among the first adopters of agile, project-based teams. 87% of the elite marketers we surveyed use agile to run marketing campaigns, compared to 64% for all respondents. About half (52%) of the elite marketers' agile teams discuss making adjustments to live marketing campaigns at least once a day; only 31% of all respondents do the same.

CMOs need to more deeply understand how to manage the technology, and they should partner with the CIO to do so.

Next Steps: Winning the Digital Marketing Challenge

So how can CMOs build the capabilities mentioned above so they can offer mesmerizing brand experiences that attract, retain, and continually provide more customer value? Regardless of where a company is on this journey, several essential steps can help promote progress.

First, the marketing team must redefine its mission. Instead of focusing on creating awareness and driving prospects to make purchases, the team must commit itself to engaging across all aspects of the brand experiences. It must provide leadership and produce communications to attract, keep, and continually satisfy profitable customers for life, by providing an engaging brand experience.

The marketing team must also restructure to get closer to sales and support functions. In companies where it's become crucial to constantly connect with the customer throughout the brand experience, the walls between marketing, sales, and support must come down. Marketing leaders need to be influential throughout the brand experience, although there are different approaches to making this happen. Some companies are expanding the CMOs' remit. In others, CMO positions are being replaced by "chief growth" or "chief revenue" or "chief commercial" officers who oversee marketing and sales. Hyatt Hotels eliminated its CMO position in early 2019 and replaced it with a chief commercial officer reporting to the CEO. The CCO runs sales, marketing, customer service, loyalty programs, and more⁶⁵.

CMOs must also become deeply familiar with digital technology. Earlier this decade, Gartner predicted the CMO would spend more on technology than the CIO by 2017. That has happened. However, CMOs need to more deeply understand how to manage the technology, and they should partner with the CIO to do so.

CMOs should also work closely with company technologists to simplify the increasingly complex tangle of marketing, sales, and support technologies. The typical CMO that we know has dozens marketing tools and hasn't tied them

⁶⁵ AdAge article, July 15, 2019. Accessed July 24, 2019. <https://adage.com/article/cmo-strategy/why-more-brands-are-ditching-cmo-position/2183166>

together. Simplification of marketing's technology stack of technologies has to be the CMO's priority.

Finally, if marketing is to become more involved across all four stages of the brand experience, it is essential to make sure they dedicate much more technology to supporting Stages 3 and 4. That's what the elite marketers do, and that requires CMOs to be measured not just on metrics in Stage 1 and 2 (awareness and leads) but also metrics in Stage 3 and 4 (i.e., retention, satisfaction, customer expansion, and loyalty).

A Brave New World for Marketing

Marketers must exercise leadership and work rapidly with their counterparts in other customer-facing functions (sales, service, etc.) to organize how the company communicates digitally and individually with customers throughout the brand experience. They must do this to reach their target market both before and after they become customers.

Companies that use digital technology to create personalized and superior brand experiences will make it difficult for customers to switch brands. Further, the more that customers trust their brands, the more they'll interact, and the more data they'll provide on what they need. This virtuous cycle will in turn build a brand that is irreplaceable to customers and nearly invincible to competitors.

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