

Challenges for digital marketing capabilities within the context of the main ongoing marketing management trend

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Abstract

It is well-known what a beginning and end for a digital strategy means, and to what are customers responding most positively, and also that there are new disciplines and innovations supporting digital business, and that there is a bridge between human and technology enabling new business models. As digital is a dynamic marketing function, there is a real need to build digital marketing capabilities, including digital strategy, social media, and mobile marketing activities, considering the impact on performance of digital practices, and understanding convergence of market-oriented behaviors associated with the usages and purchases of goods or services. And as digital transformation is the main ongoing marketing management trend, it is important to see not only how the growth within this transformation is fueled, but also the link between challenges and key drivers of this transformation, and to understand how to better approach the personalized marketing.

Keywords: Customer Experience; Digital Marketing Capability; Digital Transformation,
Marketing Technology; Personalized Marketing

JEL Classification: L86; M15; M31; O33

The difference between a good and a great customer experience: reacting to live feedback from real customers

According to McKinsey's representatives, a crucial way to ensure that digital strategies (which begin and end with understanding customers' thinking along every step of their decision journey and working accordingly to meet those expectations) pay off is pairing back-end analytics and digital expertise with the right people out on the front lines. This involves spending significantly more time and money on sales-force training (fast-growing companies use digital tools and analytics to empower salespeople to work more effectively and efficiently) who can integrate the information and insights (concerning customers' unmet needs and how they use the web, from searching sites to browsing on apps) extracted from various sources. (Hatami, Mahdavian, Valdivieso de Uster, and Yee, 2016) A McKinsey research of distinctive customer experience (CX) in financial services analyzed the series of interactions a customer has with a brand to complete a task in banking and insurance, (Dias, Ionutiu, Lhuer, and van Ouwerkerk, 2016) revealing that by digitizing complete journeys the financial services providers can significantly improve CX, digital-first journeys leading to higher customer-satisfaction scores and generating more satisfaction than traditional journeys (see figure below). One of the four pillars of distinctive customer journeys identified by this research was that it is important to

continuing after mastering these digital-first journeys. It was underlined, among other aspects, that low cycle times alone (journey times being cut back given the digitization of processes involved) don't equate to superior CX, customers responding most positively to the ease of a transaction or process.

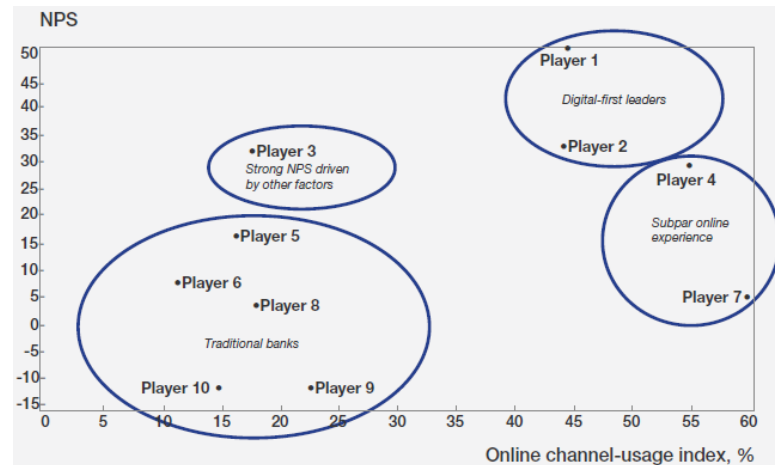


Figure 1: Digital-first players generate higher customer satisfaction

Source: Dias, KJ., Ionutiu, O., Lhuer, X., and van Ouwerkerk, J., *The four pillars of distinctive customer journeys*, McKinsey & Company, September 2016

From emerging tech trends to important steps in developing digital marketing capability

A Gartner analyst (one of the authors of Gartner's "Hype Cycle" report on emerging tech trends, published on 19 July 2016; Gartner hype cycles tracking the maturation of a wide swath of technologies from market noise to mainstream adoption), Betsy Burton: described in September this year, on the occasion of a webinar, the technologies as the foundation of digital business 2.0, the digital business technologies (like wearables, block chain, 3D printing and the Internet of Things) moving beyond the initial hype, beginning to see new disciplines and innovations supporting digital business in a more effective way; together with her fellow analyst Mike Walker (a co-author of the above mentioned report), framed the emerging tech hype cycle in IT terms, pointing to three "macro" trends (the need of CIOs and IT leaders to help create more dynamic, seamless experiences for customers; half of the equation is the experience, the other half being intelligence; the bridge between human and technology is the platform both enabling new business models, and helping companies scale digital business up and out. (Laskowski, 2016)

As digital is not an IT function, but a dynamic marketing function, the CMO Survey approached the challenging issue of "Driving toward the Digital Marketing Organization",

(Moorman, 2016) by creating a matrix that crosses marketing capability importance and organizations' biggest gaps in marketing capabilities as shown in the figure below:

	Low importance rank	Moderate importance rank	High importance rank
Small organizational gaps	Agency management capabilities	Creative capabilities	Customer focus capabilities (i.e., actions that prioritize the customer)
Moderate organizational gaps	-	- Marketing analytics capabilities - Marketing innovation capabilities	- Brand development and management capabilities - Customer development and management capabilities
Large organizational gaps	-	Omni-channel execution capabilities	Digital marketing capabilities (including digital, social, and mobile)

Figure 2: Marketing capability importance by organizational gaps

Source: (Figure 8.5. from CMO Survey, August 2016, p.54) Moorman, C., *Driving toward the Digital Marketing Organization*, October 24, 2016, retrieved on 25.10.2016, from: <https://cmosurvey.org/uncategorized/driving-toward-digital-marketing-organization/>

Christine Moorman (Director of The CMO Survey and the T. Austin Finch, Sr. Professor of Business Administration, The Fuqua School of Business, Duke University) highlighted, considering the above mentioned ranking made by the marketing leaders asked within the CMO Survey (2956 top U.S. marketers at for-profit companies; 427 responded for a 14.4% response rate; Email contact with four follow-up reminders; Survey in field from July 12, 2016 -August 1, 2016; 94.9% of respondents VP-level or above), eight important steps covering both underdeveloped digital marketing capability and necessary to be emphasized areas: *building digital marketing capabilities around the customer, developing digital capabilities not just digital strategies, hiring and training digital experts, bolting digital into the fabric of the organization, integrating marketing strategy and digital strategies, demonstrating the impact of digital spend, driving digital actions against marketing goals, not confining digital to its own department.*

Allow us to remember that according to this CMO Survey from August 2016 *digital marketing capabilities* (including digital strategy, social media, and mobile marketing activities) got ranking number 3 – considering rank order of most important marketing capabilities to an U.S. organization (where brand, customer, and digital-related capabilities are ranked most important), and *ranking number 1* – considering top gaps in an U.S. organization's marketing capabilities (where digital tops company gaps in marketing capabilities, ahead of: customer development and management capabilities; marketing innovation capabilities; brand development and management capabilities; marketing analytics capabilities; customer focus capabilities; creative capabilities; agency management capabilities), while *digital marketing*, from the viewpoint of how marketing analytics is driving marketing decision making (this

question being asked for the first time in February this year), got ranking number 3 (where customer insight, customer acquisition, and digital marketing are ranked most important).

Interactive behaviors, the main ongoing marketing management trend, and personalized marketing

In the opinion of McKinsey's representatives, like B2C companies, B2B companies (considering their overall digital maturity) can create long-term value by focusing on the right digital practices. McKinsey's research revealed six digital practices having an outsize impact on performance: *commitment to digital at a strategic level; creation of consistent experiences online and off; use of data to enable and empower the sales force; end-to-end connection of processes to improve insight and decision making; creation of a culture anchored on innovation and execution; willingness to shake up the organizational structure and metrics to support digital aspirations.* (Catlin, Harrison, Plotkin, and Stanley, 2016) What presupposes the ability to take the right approach to digitization, including identifying which skills need to be reallocated.

In today's evolving digital economy, B2C or B2B companies, in order to keep pace with, need to rethink their market strategies by considering digital transformation and understanding how market-oriented behaviors are transforming. (Zambito, 2016) Tony Zambito (who established in 2002 the first buyer persona development methodology designed specifically for B2B Marketing and Sales) attracted the attention on the unprecedented convergence of market-oriented behaviors associated with the usages and purchases of goods or services, and identified four behavioral areas converging and being impacted in the same time: (market) organizational behaviors; buying behaviors (becoming both self-directed, and more goal-directed); usage behaviors (also considering elements of emotions and experience tied to active usage); (digital) interactive behaviors (consumer and business behaviors being reshaped by mobile, cloud, social platforms, data analytics, and artificial intelligence).

There is no doubt that only by understanding customers changing needs, wants and characteristics a company's devising marketing plans and campaigns should always start, as the prestigious Dave Chaffey showed in September 2016, (Chaffey, 2016) who also reminded us: the main Marketing Technology options across the customer lifecycle defined by him in the valuable "RACE" digital planning framework (see the figure 3 below); eight key Marketing Techniques which are essential both for individual marketers to develop skills, and for businesses to manage today (see the figure 4 below).

ESSENTIAL DIGITAL MARKETING TOOLS

ARE YOU MAKING THE MOST
OF ALL OF THESE INSIGHT
AND MANAGEMENT TOOLS?



Figure 3: Essential digital marketing tools

Source: Chaffey, D., Digital Marketing Trends 2016 – 2017, September 8, 2016



Figure 4: Digital experiences

Source: Chaffey, D., Digital Marketing Trends 2016 – 2017, September 8, 2016

On the other hand, Chaffey also argued, among other aspects, that digital transformation (defined as the integration of digital marketing activities and technologies into wider marketing

and business activities to create a digital business), is the main ongoing marketing management trend, the growth in this digital transformation being fueled by many of the changes in adoption of mobile and digital devices.

It is also worth taking a look at the challenges of digital transformation according to digital strategists/executives in North America and Western Europe, April 2016 (revealed by Altimeter and Phronesis Partners, which surveyed 528 strategists and executives across various industries). As we can see (eMarketer, 2016) from the figure 6 below, 71% of respondents underlined the challenge of *understanding behavior or effect of a new customer*, while from the figure 7 below, we can see that *evolving customer behaviors and preferences* was underlined by 55% of respondents as being the main key driver of digital transformation.

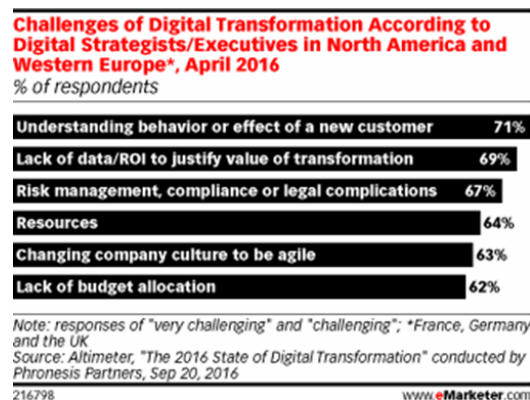


Figure 6: Challenges of digital transformation according to digital strategists/executives in North America and Western Europe, April 2016

Source: eMarketer, Key Drivers of Digital Transformation Are Also Key Challenges, October 5, 2016

In other words, also considering the other challenges and key drivers of digital transformation, it is easy to notice a resemblance between some of them. And this looks like an invitation to keeping up the progress already achieved, to accelerate the process of adapting company culture for digital technology, and of gaining digital maturity.

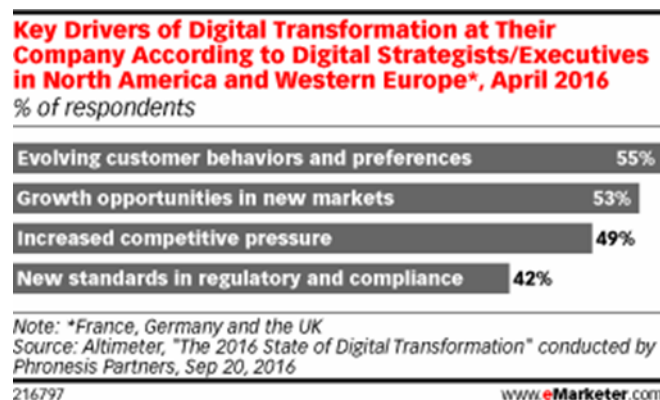


Figure 6: Key drivers of digital transformation according to digital strategists/executives in North America and Western Europe, April 2016

Source: eMarketer, Key Drivers of Digital Transformation Are Also Key Challenges, October 5, 2016

In today's digital world it is especially important to understand that acting on behavioral data (by grouping customers with similar behaviors and needs, and by understanding the customer journey for each segment given to the integration of information from internal and external sources) is considered to be the foundation of personalization, the basis of 1:1 personalization being formed by the combination of segments and customer journeys (numerous "microsegments" evaluated and prioritized based on relative value).¹ Within the framework of personalized marketing, companies respond to customers' signals with relevant and timely messages (so-called "triggers" - images, copy, titles, and offers - combined so as to match a specific situation) sent to the individual customer. McKinsey's representatives underlined a company's need: first, of using a test-and-learn process (sending an initial message, evaluating the results, altering the trigger, and measuring the results again) in order to get the full value from these messages, this kind of approach being started with the so-called "war-room teams", small groups of 8-15 carefully selected people (including a campaign manager and staff from creative, digital media, analytics, operations, and IT), who dedicate full-time to this "war room" launching (while using the right automation technology, and guiding the evolution of the tech stack) one to two new triggers per week at the beginning of the process; then, of investing in the automation and institutionalization of such new ways of working across the whole company over time.

Instead of Conclusions

In summer 2014, a representative of Marketo² argued that: the distinction between offline and digital marketing has become practically irrelevant, being necessary to understand the complementarity of different marketing channels; marketing (which should be integrated) means results: conversions, sales and leads.

This involves, in our opinion, reacting to live feedback from real customers, understanding emerging tech trends, and making important steps in developing digital marketing capability, stimulating interactive behaviors within the evolution of digital transformation.

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