
THE MARKETER'S GUIDEBOOK TO DIGITAL TRANSFORMATION

TECHNOLOGY, STRATEGY & TALENT >>>



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THE CUSTOMER EXPERIENCE IS KING

As a specialist investor in the marketing services industry—and owner of the leading industry media platform, Adweek—Beringer Capital has enjoyed a front-row seat to the customer experience (CX) revolution that’s taken place over the past five years.

To better understand these trends, we conducted in-depth research into how CX affects the brand marketing ecosystem, including in-depth discussions with more than 30 senior executives at technology providers, brand marketers and agencies. Findings from that research are found in this report.

»» 4 AREAS COVERED «« IN THIS REPORT

1

Why digital transformation is a strategic imperative

2

The essential role of technology

3

The most important questions executives need to ask

4

The factors most critical to success

WORD FROM OUR EDITOR

“We are at a fascinating inflection point where brands, marketers and agencies are starting to shake off the shock and stupor of digital disruption and transform themselves into companies that will be competitive for the next 100 years by embracing data and a more customer-centric approach and culture to doing business.”

JAMES COOPER, EDITORIAL DIRECTOR, ADWEEK

EXECUTIVE SUMMARY

Brands used to thrive on making promises to customers and fulfilling them. Today, brands live or die on the customer experience. Every single touch point—marketing, advertising, shopping, purchase, social, etc.—informs that experience.

To succeed in customer experience, brands must embrace digital transformation. However, many marketers are still struggling with how to implement change at the deepest levels—rethinking people, technology and processes, as well as business and marketing strategies. Not everyone will be up to the task.

SUMMARY OF FINDINGS

- Marketers have the opportunity to enhance CX in a way that until recently was impractical, if not impossible. Using large data sets and predictive analytics, marketers can fine-tune offerings to match each individual's profile across their entire customer base.
- Sophisticated, cloud-based marketing suites enable one-to-one marketing at scale, delivering the right content in the right context to the right person at the right time. These technologies are the engine driving CX; they're table stakes for every consumer-facing brand.
- Technological implementation is not the same as digital transformation. Without the investment in talent and culture, and a willingness to rethink operations and processes, transformation won't succeed.
- Choosing the right partners is critical. Management consultancies are muscling in on territory traditionally controlled by creative and digital agencies. Their advantage is the ability to handle all levels of transformation, including tech implementation, talent, strategy and creative services.

TERMINOLOGY

DIGITAL TRANSFORMATION

Application of digital technology to reinvent how companies operate, engage customers and deliver products and services. Also includes how businesses adapt their talent, processes and culture to take full advantage of digital opportunities.

DIGITAL CUSTOMER EXPERIENCE (CX)

Optimizing a customer or potential customer's interaction with a brand through their digital devices (e.g., phone, tablet, computer) and connected products and services.

A brand that has shifted its people, technology and processes such that CX is core to the business has undergone digital transformation.

CHAPTER 1 THE DISRUPTION ERUPTION

We live inside the disruption economy. Business models are upended on a near daily basis. With domestic market growth slowing, competitors sometimes battle for the same pool of aging millennials and Gen Zers, whose loyalties are at best tenuous and temporary. As multiple reports have shown, Americans under the age of 40 value experiences over possessions. They'd rather rent than buy, they're mobile centric and they expect highly relevant offers that speak directly to them wherever they happen to be.

Startups like Uber, Airbnb and Dollar Shave Club are succeeding, despite deeply entrenched incumbents, because of their ability to capitalize on new opportunities in the digital realm. These businesses are built around solving customer pain points—hailing cabs,

making hotel reservations, refilling razors—using technology to do it at scale. They've created multi-billion-dollar companies by putting the customer experience at the heart of their business strategy.

In a world where every angry customer is just one tweet away from the CEO, this experience can make the difference between success and failure. Brands that want to survive in this tumultuous environment need to go back to square one and rethink all of their processes. They need to reimagine the kind of company they really are and re-examine their relationships with customers.

And without crucial investments in technology and a commitment to culture change, they risk becoming irrelevant.

“FOR MARKETERS, DIGITAL TRANSFORMATION CAN BE SEEN MOST CLEARLY IN HOW THEY MANAGE AND ENHANCE THE CUSTOMER EXPERIENCE.”



“WHEN I’M WORKING WITH

a business leader, I challenge them to answer the following question: What business are you *really* in? A slight shift in the answer can truly make or break your business.

Take Apple for example. In 1997, they were near bankruptcy, brought Steve Jobs back and answered that exact question. The result was a complete paradigm shift. They weren't a 'computer' company, they were in the business of connecting people with their passions. They shifted mindset from product features to customer experience; integrating the way users interact with devices and do what they love – listen to music, watch movies, create and connect with others, in an elegant and seamless manner that seems to anticipate their needs.

The result? Today, only about 13 percent of Apple's revenue comes from computers, the rest from mobile devices, apps and services, all tied to an integrated customer experience-driven model. This transformation has created one of the most valuable companies in the world.

I've worked with hundreds of executives in dozens of industries who have totally redefined their business through this same process and allowed them to adapt versus being disrupted by the competition."

TONY ROBBINS, ENTREPRENEUR, INVESTOR, NEW YORK TIMES BEST-SELLING AUTHOR, PHILANTHROPIST, AND THE WORLD'S NO. 1 LIFE AND BUSINESS STRATEGIST

CHAPTER 2 TRANSFORM OR DIE

On its surface, the expression “digital transformation” can mean many things. It encompasses everything from JP Morgan Chase using predictive analytics to decrease customer acquisition costs, to GE embedding sensors in trains to intelligently manage rail traffic, to McDonald’s experimenting with drone delivery.

Thus, digital transformation may be easier to define by what it’s not. It’s not simply bringing analog processes into the digital age, as when word processors replaced typewriters and hard discs supplanted filing cabinets during the first phase of the computing revolution. That was just doing the same thing, only cheaper and more efficiently.

Digital transformation goes beyond trading paper for pixels. It’s about using data to create new products, new revenue streams and new ways of

doing business. To achieve that, organizations will need to deploy cloud-based services that provide a competitive advantage by driving efficiencies, eliminating waste and increasing revenue.

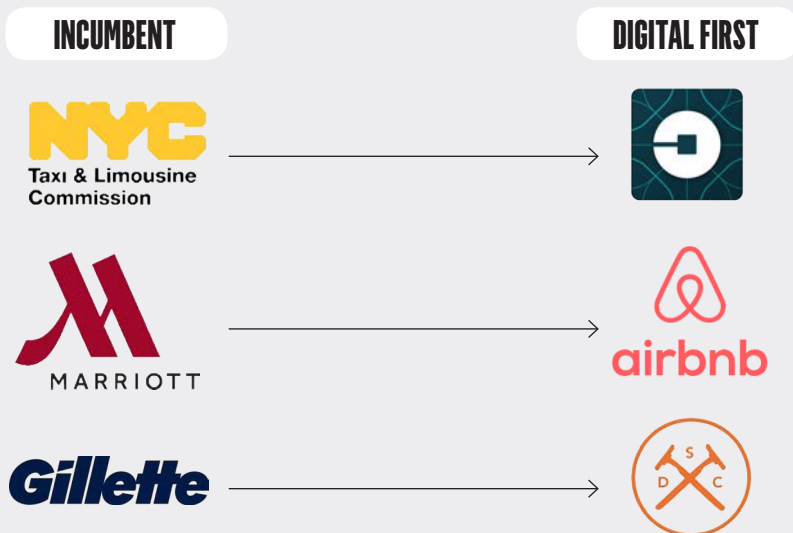
For marketers, digital transformation can be seen most clearly in how they manage and enhance the customer experience. Powered by cloud marketing solutions, companies now possess the ability to deliver a highly personalized experience to tens of thousands of customers, automated and in real time.

Organizations that excel at CX discover that their customers have become a force multiplier to their marketing efforts—loyal advocates who promote their brand via social media and word of mouth. But good CX can also produce actionable data on customer behavior, generating new insights that further opportunities to lower acquisition costs, boost retention and increase customer lifetime value. And because this data is proprietary—captured entirely within each brand’s customer journey—it can provide them with a unique competitive advantage.

ILLUSTRATION

THE DISRUPTION ERUPTION

INCUMBENT BRAND MARKETERS WERE CAUGHT OFF GUARD BY DIGITAL-FIRST CHALLENGERS.





“WE ARE EXPLORING

opportunities in multidimensional play, which allows kids to move seamlessly between physical and digital play. We have some great new platforms such as Lego Boost, which combines coding and robotics, and Lego Life, our new safe social network for kids to build and play. We are also increasing focus on digital and social media in engaging with kids and parents.”

JULIA GOLDIN,
CMO, LEGO GROUP

SENIOR EXECUTIVE VIEWS ON THE IMPORTANCE OF DIGITAL TRANSFORMATION



87%

THINK DIGITAL
TRANSFORMATION IS A
“**COMPETITIVE OPPORTUNITY**”

51%

BELIEVE IT IS “**CRITICAL**”
TO IMPLEMENT DIGITAL
TRANSFORMATION IN THE
NEXT 12 MONTHS

27%

RATE DIGITAL
TRANSFORMATION AS A
“**MATTER OF SURVIVAL**”

59%

WORRIED IT MAY BE TOO
LATE TO IMPLEMENT DIGITAL
TRANSFORMATION BEFORE THEY
FALL BEHIND TO COMPETITORS

CHAPTER 3 TECHNOLOGY IS ESSENTIAL

Marketing budgets are growing, and technology is playing an ever-increasing role. In 2017 CMOs will spend more on tech than CIOs, according to Gartner Research. That's largely driven by an increasing emphasis on improving the digital customer experience.

Per Gartner: "Customer preferences and behaviors have changed and buying journeys are increasingly self-directed and digitally led. Which means that, more than ever, multi-channel marketing is among the most critical customer-facing, revenue-generating functions. And as 'digital marketing' becomes marketing in a digital world, technology is woven into virtually every planning assumption."

Enhancing the customer experience is by far the No. 1 digital priority among brands, according to a survey of more than 7,000 marketing professionals

conducted by Econsultancy. It found that the most exciting opportunities for marketers in 2016 were optimizing customer experiences using compelling digital content, and data-driven marketing that's focused on individuals. Respondents also said optimizing the customer journey across multiple touch points will be very important in the future.

The need to both enhance the customer experience and manage an ever-increasing number of touch points has spurred the development of sophisticated cloud marketing suites. At the most basic level, a marketing cloud allows a brand marketer to tie together multiple data streams, discover its most valuable customers and automate relevant, personalized messaging across digital touch points. This is accomplished using a workflow tool that can integrate with other point solutions and digital channels.

Cloud marketing technology is an integral part of any marketing-led digital transformation strategy. It's no longer a question of whether marketers will adopt these tools, but when.

CASE STUDY

WHAT HAPPENED WHEN MGM BET BIG ON BIG DATA

With some 20 resorts worldwide, including some of the most profitable casinos in Las Vegas, MGM Resorts International is one of the biggest global hospitality vendors. But until a few years ago, the \$10 billion company also had a big problem.

Until 2013, information about each MGM customer was siloed by property and type of purchase. This meant that if the same customer stayed at MGM Grand, Bellagio and Mandalay Bay on three separate trips to Vegas, MGM's systems would treat him as three distinct customers. Worse, the meals he ate at hotel restaurants, the goods he bought in hotel stores and the tickets he purchased for events and shows were all stored in separate databases.

Because MGM lacked a holistic view of its customers, it was unable to effectively market and upsell to them. That changed when MGM extracted the disparate customer information stored in its data warehouse and combined it into a single "golden record" for each customer. It employed SapientNitro (now Sapient Razorfish) to map out its customer journey and marketing cloud software to effectively package and track offers

to them, integrating its marketing efforts into the company's M life loyalty program.

Now MGM is able to deliver personalized offers for food, entertainment and other goods in real time while its customers are still at one of its properties. Using golden record data and predictive analytics, MGM knows that if someone has purchased tickets to an UFC fight, for example, they're more likely to be enticed into attending a concert by Guns N' Roses.

In 2014 MGM appointed a chief experience officer responsible for overseeing the entire customer journey, understanding customer pain points and alleviating them. CXO Lilian Tomovich has also introduced several new initiatives aimed at attracting millennials, who are less inclined to spend money at the gaming tables and more interested in social experiences. MGM Resorts now feature nightclubs with top-tier DJs, pool parties, and skill-based games like pool and Ping-Pong.

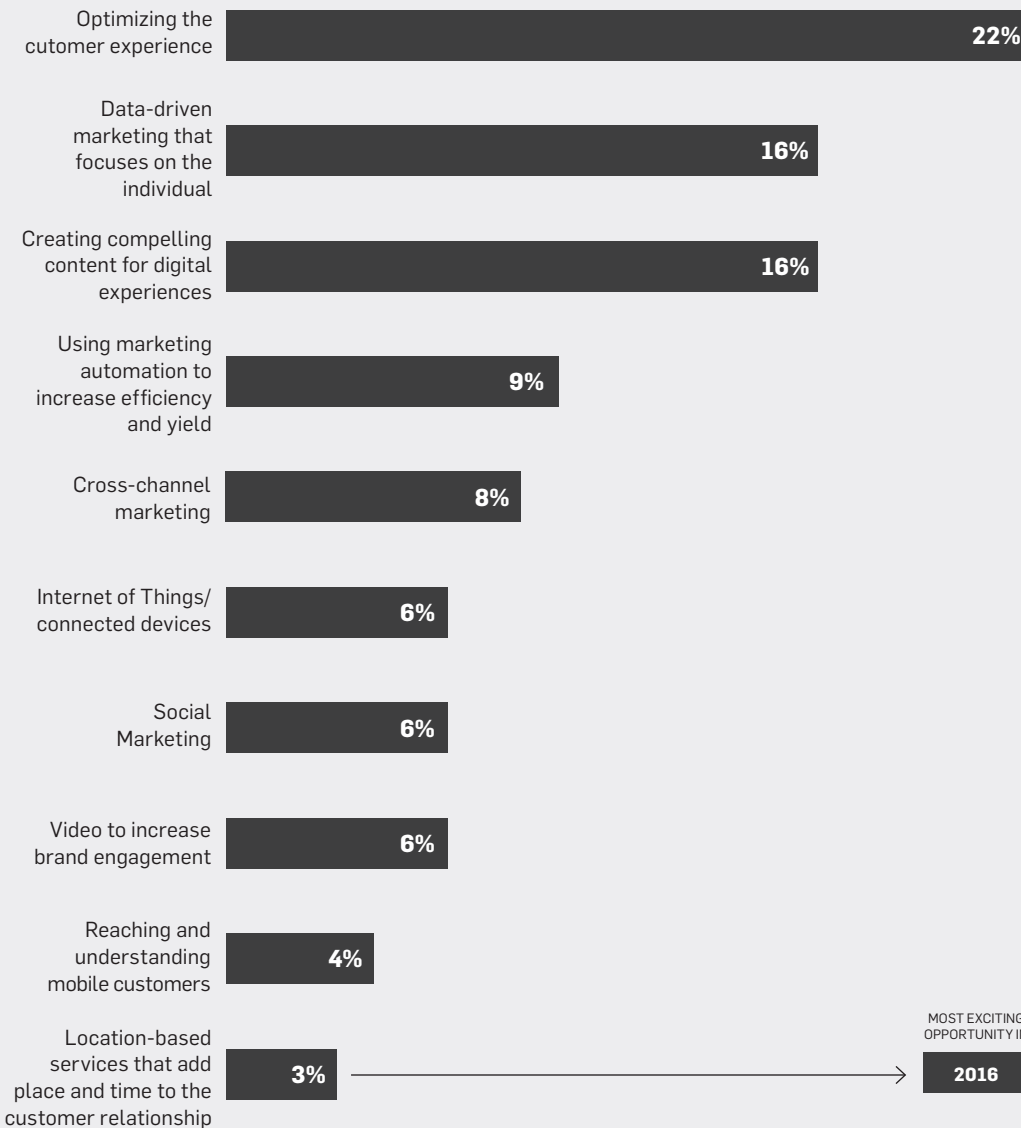
"Everything we do involves technology in some way, shape, or form, from mobile apps to customer service bots," she told CMO.com. "If you don't have a strong interest in technology, you're in trouble."



DATA POINT

MARKETERS SEE CUSTOMERS EXPERIENCE AS THE MOST EXCITING OPPORTUNITY

SURVEY OF 7,000 MARKETING PROFESSIONALS SHOWS DIGITAL PRIORITIES



»» HOW THE DIFFERENT MARKETING CLOUDS STACK UP

Each marketing cloud has different strengths. For example, Salesforce excels at customer relationship management, while Oracle offers strong data analytics via its acquisitions of Datalogix, BlueKai and Moat. Salesforce Commerce Cloud, Magento and SAP Hybris are best of breed at e-commerce. Adobe is strongest on content management and programmatic advertising workflow and also has strong data and analytics.

Marketing cloud providers continue to innovate. There has been particular emphasis on AI/cognitive computing capabilities to enhance data and analytics, as well as personalizing creative renderings based on user profiles (for example, automatically changing the gender or age of a model to appeal to a user's demographics). IBM had a significant head start on this front through its Watson program,

but Adobe has made a play through Sensei, and SAP recently launched its Leonardo AI capability.

We are also seeing Google and Facebook enter the fray with their own unique data-management-platform and campaign measurement capabilities. Given their inherent advantage, sitting in the middle of massive troves of data, they could become formidable disruptors in this field.

There are also dozens of single-point solutions for managing email, content, social, video and more, leading many marketers to adopt a best-of-breed approach. As a result, the market for managing and enhancing the customer journey is booming. MarketsandMarkets projects that the global customer-experience-management market will grow from just over \$5 billion in 2016 to more than \$13 billion by 2021.

FRAMEWORK

MARKETING CLOUD IS COMPOSED OF VARIOUS FUNCTIONALITIES, ALSO KNOWN AS 'THE STACK'



BACK-END



FRONT-END



CRM

OVERVIEW

- System for organizing, tracking and managing interactions with current and potential customers
- Serves as customer and prospect database
- Usually integrates into ERP

LEADING PROVIDERS



MARKETING AUTOMATION

- Allows companies to automate digital marketing workflows and tasks, directing specific content to specific customer segments
- Can integrate with CRM to optimize marketing to potential and current customers



DATA MANAGEMENT PLATFORM

- Combines first- and third-party data sets and provides complete view of audience
- Allows marketers to develop audience segments for targeting and personalization
- Integrates with DSP (demand side platform) and automates media buying through programmatic



ANALYTICS

- Takes data from customer, marketing and ecommerce interactions across channels and translates it into metrics that inform ongoing marketing decisions
- Seen as component of the stack with the most potential, particularly with predictive analytics



WEB CONTENT MANAGEMENT SYSTEM

- Creates and organizes digital content that is viewed by users, customers and others (e.g., build websites, manages and edits existing marketing content, etc.)
- Integrates with marketing automation functionality to send out the appropriate content at the appropriate time



ECOMMERCE

- Designs and optimizes transactional sites and mobile touch points while managing catalogs, shipping, etc.
- Can sync with CMS to pull content onto ecommerce sites from larger repository
- Has strong back-end functionality as it works with the ERP and CRM for inventory and sales data



9 THINGS THAT MOST MARKETING CLOUDS WILL DO: «

1

Collect customer data from a variety of sources through CRM and various customer touch points. This is married with partner and third-party data to allow marketers to build and target precise audience segments

2

Process customer data through a data management platform (DMP) to scrub, aggregate and model data, creating clear customer profiles and continuously refreshing them

3

Plug into media planning tools, enabling marketers to reach customers across the full range of interactions: email, web, mobile, video, social networks and traditional advertising

4

Provide tools for creating, publishing and managing content throughout the customer lifecycle by connecting with ad servers, content management systems, and optimization platforms

5

Offer deep personalization using predictive analytics to gauge the right messaging and timing for each customer

6

Allow users to access extensive analytics and insights for managing leads and measuring campaign performance

7

Enable a common brand interface across each digital touch point

8

Offer an integrated dashboard that helps streamline and automate workflow across a range of marketing tools

9

Provide an ecommerce module that allows brands to sell directly to the consumer

CHAPTER 4 STRATEGY STILL MATTERS

Digital transformation is changing every industry, not just marketing. And in every industry, CEOs and CMOs need to be careful that their strategy drives the transformation, not the other way around. Here are three key principles to keep in mind:

- As Tony Robbins suggests, companies must decide what business they are really in. Massive changes in technology are why 20th century corporate giants like Ford, General Electric, and McDonald's are redefining themselves as digital companies. It's why Kodak considers itself a "technology company focused on imaging," not a camera-maker, while Snapchat calls itself a camera company, not a social network.
- Brands need to be clear about their goals. Are they attempting to hold on to their existing customers or attract new ones? Are they seeking to open new market segments? Do they want to boost average revenue per customer or their lifetime value? And so on.
- Marketers need to understand the relationship consumers have with brands, their underlying category and how they can capitalize on that. Is the opportunity with consumers to create more value by adding functionality/eliminating friction, or can inspiring new use cases be developed?

The strategy will come from a deep understanding of each brand's user base, as well as identifying the most attractive market opportunities given their core competencies and assets. All of this is being driven by data—"privileged insights" gathered from customer behavior, buying patterns, preferences and pain points. If a brand can create ongoing relationships with consumers where transactional and user data is captured and analyzed, insights are created that have the potential to unlock signifi-

cant revenue opportunities.

The key is to avoid becoming mired in interesting but nonessential data that doesn't move the needle. As a digital leader at one global consumer products company lamented, "I see a ton of 'interesting data' all the time, stuff you would classify as 'good to know,' but not really that valuable. It's important to stay focused on the data that can deliver significant outcomes that would merit recurring investment or deliver new business models, revenue streams, efficiency or waste elimination."

Companies on a digital transformation journey must ask themselves these questions because they go to the heart of how customers use their products, the role these products play in people's lives and how they need to engage and transact on an experiential level. Brands that put the consumer and their journey at the heart of their strategy—and have the data and systems to pinpoint deep proprietary insights—can spin those insights into gold. What's key is how well an organization and its business model can adapt to the underlying opportunity.

EXECUTIVE POV

"THE DESIRE TO COMMUNICATE AND TRANSACT VIA MOBILE DEVICES AND ONLINE HAS CHANGED HOW COMPANIES INTERACT WITH CONSUMERS. ONE EXAMPLE IS IN RETAIL, WHERE STORE CLOSURES AND CONSOLIDATION HAS CREATED A BIG OPPORTUNITY FOR SERVICE PROVIDERS TO HELP THEM BUILD COMPELLING CONTENT, ENGAGE WITH CONSUMERS IN NEW WAYS AND CREATE A USER EXPERIENCE IN LINE WITH NEW EXPECTATIONS."

SANJAY CHADDA, PARTNER & MANAGING DIRECTOR, PETSKY PRUNIER

“IN TODAY’S AGE,

you need to be personally engaged with customers and give them experiences that are better that will keep them coming back. So the emergence of tech-savvy CMOs is really important—because we have tech-savvy customers.”

GERALDINE CALPIN, CMO, HILTON WORLDWIDE

CHAPTER 5 CULTURAL CHANGES

Technology is essential. But any digital transformation effort that relies too much on technology will fail, unless it also addresses people and processes. A practice group leader at one of the world's largest consulting firms actively discourages C-level clients from thinking about tools first: "I talk to them about the fact that it's 5 percent technology and 95 percent culture."

The Adobe/Econsultancy survey highlights the importance of organizational change: 73 percent of marketing pros consider a cross-team approach with the customer at the heart of all initiatives as important to the company's success.

Per the survey: "Cultural change is arguably

the hardest to engineer when it comes to digital transformation. Even with a limitless budget, without the full buy-in and support of all management employees, it can be difficult to elicit meaningful change, with common objectives and incentives."

Rajdeep Endow, managing director for SapientRazorfish's Asia-Pacific division, notes that too many organizations see culture change as a by-product of digital transformation, when the reality is the reverse—organizational culture must change in order for transformation to occur. Organizations, he writes, "need to move away from valuing business outcomes to valuing customer outcomes ... from top-down governance to fast, delegated decision-making ... from being rewarded for not making mistakes to being rewarded for speed."

CASE STUDY

DOMINO'S GIVES CUSTOMERS A PIZZA THE ACTION

There are few more dramatic stories of digital transformation than Domino's, the pizza delivery chain that boasts some 12,500 outlets in more than 80 countries. The \$2.5 billion company has thrived by putting customers in the driver's seat.

Seven years ago, then-newly minted CEO Patrick Doyle decided to reinvent the company around technology. Now half of the 800 employees at its Ann Arbor, Mich., headquarters work in software development or analytics.

One of the tech innovations Doyle brought was how customers can order a pie. In the U.K., nearly 80 percent of Domino's orders are made online, versus less than 30 percent some five years ago, and two-thirds of those are made via a mobile device. In the U.S., customers can also order via the pizza chain's Zero Click mobile app, text message, Facebook Messenger, Twitter, a Samsung smart TV, an Apple Watch, a Ford automobile using Sync AppLink, or a voice-driven assistant like Amazon Alexa or Google Now.



Pizza lovers can also use the Domino's app to track their order from the moment the pie goes into the oven until it arrives on their doorstep. And Domino's is equally innovative on the delivery side; it has experimented with delivery via unmanned aerial vehicles (drones), terrestrial robots and custom-designed automobiles.

The key to Domino's success, says Doyle, is failure—specifically, the willingness to take big risks (like opening a pizza franchise in Italy), make big bets and suffer the consequences, good or bad.

To prove that the transformation of Domino's corporate culture is working, Doyle points to seven consecutive years of domestic sales growth and a share price that zoomed from just under \$5 to over \$155 during that same period.

In his public presentations, Doyle encourages CEOs to think like investors, not managers, and to try to get ahead of the curve, even if it doesn't produce tangible results right away.

"Providing permission to fail is energizing," he says, "and energy creates positive momentum."

3 THINGS THAT TRANSFORMATIVE COMPANIES HAVE IN COMMON



1 Adopt both a consumer-first approach and a Silicon Valley startup mentality of “fail fast, fail often.” Because experiments will fail, that means upper management must change its culture to be both risk tolerant and failure friendly.

2 Require senior leadership and commitment to transformation. As Gerald Kane, associate professor of information systems at the Carroll School of Management at Boston College notes, “One of the biggest factors is senior leadership vision.”

3 Develop culture where job roles are built around how well they implement technology into their marketing efforts—thus explaining the new breed of chief digital officers (CDOs), chief experience officers (CXOs) and chief marketing-technology officers (CMTOs).



“WE MAKE A DISTINCTION

between 'doing' digital and 'being' digital. Marketers mistake buying technology solutions for digital transformation. However, when you look at culture, creative and content, it changes your operating model not just your tech stack. One multilevel marketing organization we worked with in the wellness sector made the shift from person-to-person selling to social selling. They also thought 'digital first' about innovation, launching new IoT-based products integrating the customer experience with products and services. This demonstrates that digital transformation goes far beyond what's happening at the screen level and into the way a business works.”

MARK SINGER, LEAD MARKETING PRINCIPAL, DELOITTE CONSULTING

CHAPTER 6

KEY QUESTIONS FOR BRANDS SHIFTING TOWARD CUSTOMER EXPERIENCE

Brands looking to change their internal culture and structure their organizations around the customer experience must address the following existential questions:

WHAT DO YOUR CUSTOMERS TRULY WANT?

This is the essential question every brand must answer. They need to view their organization through their customers' eyes and map their journey from product awareness to post-purchase support. What are customers doing at each stage? What motivates them to move to the next one? What barriers do customers encounter at each step in the process, and how do they overcome them?

HOW WELL ARE ALL YOUR TOUCH POINTS MEETING YOUR CUSTOMERS' OBJECTIVES?

Brands must start by making an inventory of all the touch points consumers will encounter and where in the customer lifecycle they will find them. They must then define the operational purpose of every touch point and identify the internal owner of each. The final steps are rating the impact of each touch point on the purchase decision, evaluating their effectiveness and identifying what's not working. Still, it's not enough to manage each touch point efficiently; as a September 2013 report in the Harvard Business Review notes, it's the cumulative effect of all touch points that ultimately determines customer satisfaction.

HOW DO YOU ORGANIZE STAFF AROUND THESE OBJECTIVES?

Traditional top-down hierarchical teams simply aren't nimble enough to survive in the digital age. Smart organizations create cross-functional teams with expertise across a wide range of business processes. For example, some brands are aligning cross-functional teams against specific customer segments in lieu of organizing around traditional marketing capabilities.

DOES YOUR ORGANIZATION HAVE THE TALENT AND SKILL SETS TO MAKE TRANSFORMATION HAPPEN?

The majority of companies do not feel they have sufficient technical talent to take full advantage of the digital transformation. The solution comes down to both recruitment and continuous training in an environment where talent is in short supply and skills become obsolete faster than ever. Companies are having to get creative about how they source and develop talent. For example, according to Capgemini Consulting, Procter & Gamble entered into an employee exchange program with Google to foster innovation and cross-pollination of talent.

HOW DOES THIS VISION FIND ITS WAY TO THE FRONT-LINE PERSONNEL WHO DEAL DIRECTLY WITH YOUR CUSTOMERS?

While the vision starts with the C-suite, companies need to conduct their own internal branding campaigns, customizing the message to each stakeholder within the organization, from board members to front-line employees. If a business is built around a membership model and its call center employees treat in-bound callers like strangers, then the strategy won't be successful.

HOW DO YOU KNOW WHEN YOU'VE BEEN SUCCESSFUL?

There are multiple key performance metrics organizations can use to gauge the success or failure of the customer experience—from traditional customer satisfaction ratings to net promoter scores (the percentage of customers who would recommend your product), customer effort scores (the effort required to accomplish a task or resolve an issue), speed of first response, average handling times and churn. Organizations need to pick metrics that allow them to determine whether their digital transformation efforts align with their strategic objectives.

CASE STUDY

CARNIVAL CRUISES INTO THE INTERNET OF THINGS

Cruise ships run on fuel, free-flowing alcohol and an endless bounty of food—but increasingly, they also run on data. That's why in 2017, Carnival Corporation plans to launch the first "smart cruise," using data to personalize the experience for its passengers.

When the Regal Princess leaves port next November, each of its 3,560 passengers will be sporting an Ocean Medallion, a wearable device that uses NFC and Bluetooth to communicate with 7,000 sensors embedded in the cabins and decks, as well as more than 4,000 touchscreen displays.

Each quarter-size medallion is personalized—it even has the names of each passenger etched into it—and serves as a kind of universal ID, similar to the "MagicBand" Disney introduced at its Florida theme parks in 2013. (John Padgett, who headed up the MagicBand team at Disney, is now chief experience officer at the \$38 billion Carnival.)

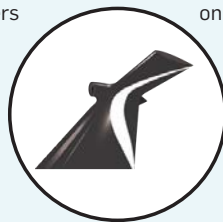
The medallion can track any passenger's location anywhere on the ship. It can unlock the

door of their cabin as they approach, turn on the lights and crank the HVAC to their preferred settings, then shut everything down when they leave, saving on power.

When passengers approach a touchscreen, it identifies them and can show them their itinerary for the day, or make "experience invitations" based on their previous activities, whether they like to lounge by the pool with a good book or shake their booties in the disco.

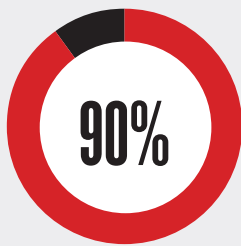
And of course, the device makes it easier for passengers to purchase more food, drinks and activities, then have waiters bring it to them wherever they happen to be—no more waiting in line. But aside from increasing the potential revenue per passenger, the medallion also makes cruises more appealing to a younger, more tech-savvy clientele.

"For millennials, value is important," Padgett told Fast Co.Design. "But hassle is more important, because that's the era they've grown up in. It's table stakes. You have to be hassle free to get them to participate."

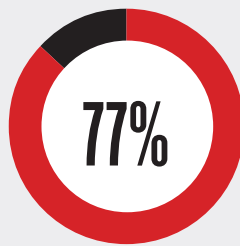


DATA POINT

COMPANIES REALIZE THE DIGITAL SKILLS GAP AND ITS IMPORTANCE

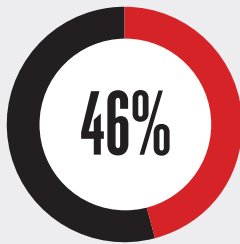


90% OF COMPANIES LACK DIGITAL SKILLS



77% OF COMPANIES CONSIDER MISSING DIGITAL SKILLS AS THE KEY HURDLE TO THEIR **DIGITAL TRANSFORMATION**

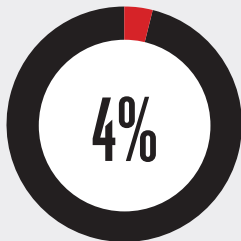
YET, THEY ARE NOT INVESTING IN DIGITAL SKILLS



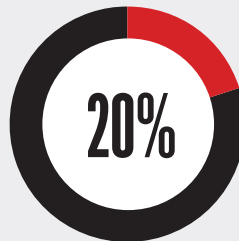
ONLY 46% ARE **INVESTING IN DEVELOPING** DIGITAL SKILLS



MOREOVER, EXISTING EFFORTS TO DEVELOP SKILLS ARE OUT OF SYNC



ONLY 4% OF COMPANIES **ALIGN THEIR TRAINING EFFORTS WITH THEIR DIGITAL STRATEGY**



ONLY 20% OF COMPANIES' EMPLOYEES **BENEFIT FROM DIGITAL TRAINING**



“COMPANIES WHO GET DIGITAL TRANSFORMATION

right know they have to slow down to speed up. That means investing in the right talent and training as well as evaluating platforms, processes and partners. Marketers have to take these risks on the people side. You cannot acquire these sophisticated technologies and expect your legacy team to get the ROI from them without the right level of support, training and empowerment. The reality is these initiatives fail without the right people in place.”

GREG BOONE,
CEO, ICIDIGITAL

CASE STUDY

GETTING THE TALENT PIECE RIGHT



PROCTER & GAMBLE ENTERED INTO AN EMPLOYEE EXCHANGE PROGRAM WITH **GOOGLE** TO FOSTER INNOVATION AND CROSS-POLLINATION OF TALENT.

FACEBOOK AND DELOITTE DIGITAL HAVE FORMED AN ALLIANCE TO HELP COMPANIES **ACCELERATE CHANGE** WITHIN THEIR OWN ORGANIZATIONS TO FULLY EVOLVE THEIR DIGITAL BUSINESSES.

CHAPTER 7

THE ROLE OF AGENCIES AND PARTNERS IN CUSTOMER EXPERIENCE

Brands are not the only parts of this value chain that must embrace culture change. Traditional ad agencies also need to reinvent themselves to meet the challenges of 21st century marketing and continue to serve brand marketers at the highest level.

At the same time, they're facing intense competition from consultancies with deep technical expertise, such as Accenture, Deloitte and IBM. These firms are combining their knowledge of technology and background in business management with portfolios of recently acquired creative agencies, offering a one-stop shop for many brands.

That's a big reason many of the world's biggest ad agencies are tech consultancies and other nontraditional firms. And with 10,000 employees spread across 25 offices worldwide, IBM iX is now the world's largest digital agency.

"The consultants' bread and butter has traditionally been large IT and business transformation projects," says Julie Langley, a partner at M&A and fundraising advisory firm Results

International. "But, increasingly, these types of projects have 'customer experience' at their center. In other words, 'How do I improve the experience my customers get whenever and however they interact with my brand? How do I onboard new customers in a way that's as easy as using Uber?" This skill set has historically been owned by agencies offering disciplines such as user experience (UX), design, creativity, customer-centric data analytics and customer engagement."

Some agencies, like Interpublic Group's R/GA, are taking the fight to consultancies. The company opened its own business transformation practice via what it calls its Hybrid Model. So far, it seems to be working. R/GA had its best year ever in 2016, with revenue surging more than 20 percent.

Agencies that succeed at the "CX services stack" will need to define the right strategy, build the technology stack behind it and then bring it to life with creative services and content. This is what Accenture and IBM are doing for large companies. As the technology becomes cost effective and the ROI more obvious, the market will open up to smaller-scale providers that can offer these services in ways that make sense to their clients.

FRAMEWORK

CONSULTANCIES OFFER END-TO-END SERVICE PLATFORMS THAT CAN ASSIST COMPANIES IN DELIVERING DIGITAL TRANSFORMATION

CX SERVICES STACK

- Define business objectives and success metrics
- Map user journeys and reveal insights
- Conceptualize end product



- Conceptualize experience "culture"
- Develop relevant content across formats
- Distribute through paid, earned and owned channels

- Determine underlying technology approach to support strategy
- Implement and integrate supporting software and data sets
- Engineer journey pathways and site wireframes

- Capture and analyze customer engagement data
- Apply predictive behavior tools to generate insights
- Apply insights to optimize future execution



PUTTING THE TECH IN PLACE WITH CONSULTANCY PARTNERS

Deploying a cloud marketing suite is a bit like buying a Formula One race car. It's a powerful machine that can get you where you need to go in a hurry, but you still need fuel, a racetrack and someone to drive it.

Many brand marketers lack the technology staff or skills to manage an IT project like software implementation. That's where third-party partners like Accenture, PwC or iCiDigital come in.

An essential part of the brand marketing ecosystem, these tech partners can implement cloud suites within organizations, design the architecture, integrate digital assets and make the system operational.

Typically, makers of cloud marketing suites have partnerships with specific agencies or consultancies, and will offer recommendations for partners they

have certified. Increasingly, these service providers are fully-fledged creative agencies in their own right, able to help brand marketers define their customer journeys, develop experiences that inform those journeys and implement touch points where customers interact with them. They build the digital interface, help create content and optimize the channels where it will be distributed.

Regardless of whether a marketer engages with a single partner or deploys a best-of-breed approach, a significant investment in digital tools is essential. But neither approach will succeed if marketers lack the strategic vision to bring the customer journey to life. Bringing in the right partners is critical to the process.



“EXPERIENCES ARE PARAMOUNT

in consumers' lives today. This has fundamentally shifted our strategy as an agency toward both experience design and the data intelligence that informs it. To ensure we deliver the most impact, we begin with multiple streams of performance and predictive data to provide a granular understanding of human insights, behavioral change triggers and the context of communication delivery. As an example, for a global spirits brand, we are looking at connecting on- and off-premise data intelligence coupled with occasion insights, heuristics and experience design to create experiences across live, digital and retail. Along with commercial growth, this work embeds the brand far more deeply into rituals to create affinity and loyalty. However, the data-centric approach doesn't stop at planning, it provides unprecedented speed and agility in a perpetual state of learning for a consumer and an economy both focused on immediacy.”

MICHAEL DILL,
CEO, MATCH MARKETING GROUP

SKILLS AGENCIES MUST HAVE TO SERVE BRANDS UNDERGOING DIGITAL TRANSFORMATION



1

STRATEGIC BUSINESS THINKING

Creative executions -no matter how brilliant- which are divorced from the brand's underlying business strategy are of limited value.

2

360° DATA INTEGRATION

Actionable insights form the basis of marketing campaigns and agencies must be able to feedback results in terms of clear ROI

3

TECH FLUENCY

Agencies must understand how to take advantage of the power that marketing cloud offers and be able to directly engage with those systems

4

PLAY WELL WITH OTHERS

As agencies increasingly specialize and internal brand capabilities grow, having impact means working across a brand's agency ecosystem and collaborating with in-house teams

CONCLUSION

We've entered a new era of big data, automation and the ability to drive business strategy by delivering real-time access to the voice of the customer. The explosion of data provided by social and digital offers marketers an incredible opportunity to drive real business outcomes.

That means marketers need help solving business problems, not just creative problems. They need to focus on mapping out the ideal customer experience and working backward to execute it.

But it won't be easy. It will require long-term strategic thinking and serious investments in technology as well as

flexibility and creativity. Marketers will need the ability to extract the gold from all the data they are mining.

Marketers have more choices than ever when it comes to the types of partners they can leverage to build out these digital transformation programs. Consultancies are now offering holistic solutions that address the critical technology elements as well as the strategic and creative ones. Marketers should re-evaluate their legacy agency providers and seek partners who can truly help them with the challenges of building a modern marketing function.

5 COMMANDMENTS OF DIGITAL >> TRANSFORMATION

1

Be willing to reinvent your company for the digital age and challenge its most fundamental value propositions.

2

Allow the customer journey to inform every key decision.

3

Adopt a marketing cloud technology suite that enhances your organization's mission.

4

Don't adopt technology without also having the right people, processes and partners in place.

5

Be willing to experiment and fail quickly until you achieve success.

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ABOUT BERINGER CAPITAL

Beringer Capital is a private equity fund specializing in the marketing services, digital agency and media sectors. Since 2001, Beringer has operated three successive funds and is led by a team of operators, strategists and finance practitioners. Beringer currently owns Match Marketing Group, iCi Digital and Blue Acorn, as well as Adweek.

