

IBM Performance 2012

Smarter Analytics. Smarter Outcomes.



Bringing Together Digital and Cross- Channel Marketing

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Marketing Executive IBM





THINKMarketing Paris – October 24 & 25, 2012: 300 CMOs and CIOs of Europe’s leading companies discuss the Future of Marketing

“You represent 21 industries from 19 countries, from Australia to Sweden. The total revenues your companies generate? Any guess? \$3Trillion!”

Ginni Rometty, IBM
Chairman, President and
Chief Executive Officer



*“The new basis for competitive advantage is driven by two shifts happening at the same time:
A shift in the nature of the customer relationship and a new role for IT – moving out of the back office and into the front office.
We believe this is going to redefine the role of marketing and also cause the leaders of marketing and IT to re-imagine their partnership”.*























The role of marketing is changing

The timeless responsibilities of marketers everywhere...

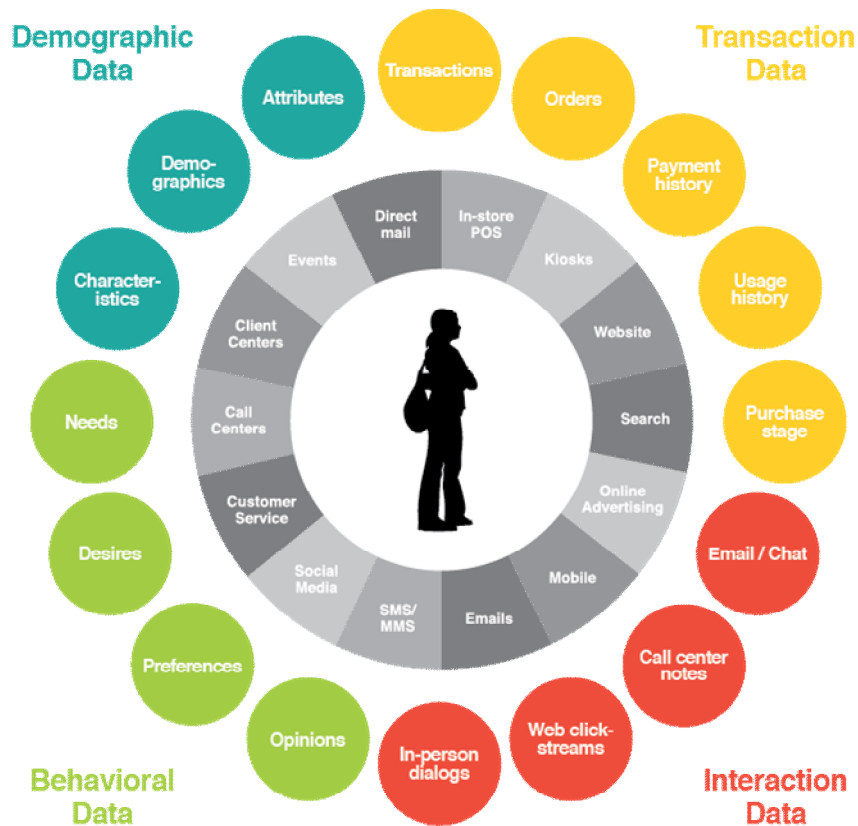


...are evolving into **three imperatives** for a new profession.





Imperative #1: Understanding each customer as an individual



- **Instruments** all key touch points to gather the right data about each customer
- **Connects** social media data, online, transaction data and other information to paint a complete picture of each customer
- **Runs** the right analytics at the right time on the right customer to generate new ideas about whom to serve and how best to serve that person
- **Builds** capabilities to do this on a massive scale

“Owning the data means”owning” the customer”

“Big data is bringing cultural change. Organisations need ‘infostructure’ not ‘infrastructure’”



In February of 2012, The New York Times published an article that gave us a glimpse of the future practice of marketing.

NATE SILVER ON WHAT OBAMA SHOULD DO NEXT, P. 44 DON'T MOCK THE ARTISANAL PICKLE MAKERS, P. 14 A NANNY'S VIEW OF THE WORLD, P. 47 MANAGEMENT TIPS FROM 'DOWNTON ABBEY,' P. 52 GREECE CONFRONTS ITS SPARTAN FUTURE, P. 38 *It's the not doing it that's scary.* Nina Aramida, P. 22

The New York Times Magazine

February 19, 2012

A grid of various consumer products including food, cleaning supplies, and personal care items. The products are arranged in a grid and include brands like Kraft, Band-Aid, Trident, Bounty, and Jif. The products are arranged in a grid and include brands like Kraft, Band-Aid, Trident, Bounty, and Jif.

How your shopping habits reveal even the most personal information. By Charles Duhigg



Andrew Pole had just started working as a statistician for Target in 2002, when two colleagues from the marketing department stopped by his desk to ask an odd question: "If we wanted to figure out if a customer is pregnant, even if she didn't want us to know, can you do that?"

Pole has a master's degree in statistics and another in economics, and has been obsessed with the intersection of data and human behavior most of his life. His parents were teachers in North Dakota, and while other kids were going to 4-H, Pole was doing algebra and writing computer programs. "The stereotype of a math nerd is true," he told me when I spoke with him last year. "I kind of like going out and evangelizing analytics."

As the marketers explained to Pole — and as Pole later explained to me,

back when we were still speaking and before Target told him to stop — new parents are a retailer's holy grail. Most shoppers don't buy everything they need at one store. Instead, they buy groceries at the grocery store and toys at the toy store, and they visit Target only when they need certain items they associate with Target — cleaning supplies, say, or new socks or a six-month supply of toilet paper. But Target sells everything from milk to stuffed animals to lawn furniture to electronics, so one of the company's

primary goals is convincing customers that the only store they need is Target. But it's a tough message to get across, even with the most ingenious ad campaigns, because once consumers' shopping habits are ingrained, it's incredibly difficult to change them.

There are, however, some brief periods in a person's life when old routines fall apart and buying habits are suddenly in flux. One of those moments — the moment, really — is right around the birth of a child, when parents are exhausted and overwhelmed and their shopping patterns and brand loyalties are up for grabs. But as Target's marketers explained to Pole, timing is everything. Because birth records are usually public, the moment a couple have a new baby, they are almost instantaneously barraged with offers and incentives and advertisements from all sorts of companies. Which means that the key is to reach them earlier, before any other retailers know a baby is on the way. Specifically, the marketers said they wanted to send specially designed ads to women in their second trimester, which is when most expectant mothers begin buying all sorts of new things, like prenatal vitamins and maternity clothing. "Can you give us a list?" the marketers asked.

"We knew that if we could identify them in their second trimester, there's a good chance we could capture them for years," Pole told me. "As soon as we get them buying diapers from us, they're going to start buying everything else too. If you're rushing through the store, looking for bottles, and you pass orange juice, you'll grab a carton. Oh, and there's that new DVD I want. Soon, you'll be buying cereal and paper towels from us, and keep coming back."

The desire to collect information on customers is not new for Target or any other large retailer, of course. For decades, Target has collected vast amounts of data on every person who regularly walks into one of its stores. Whenever possible, Target assigns each shopper a unique code — known internally as the Guest ID number — that keeps tabs on everything they buy. "If you use a credit card or a coupon, or fill out a survey, or mail in a refund, or call the customer help line, or open an e-mail we've sent you or visit our Web site, we'll record it and link it to your Guest ID," Pole said. "We want to know everything we can."

Also linked to your Guest ID is demographic information like your age, whether you are married and have kids, which part of town you live in, how long it takes you to drive to the store, your estimated salary, whether you've moved recently, what credit cards you carry in your wallet and what Web sites you visit. Target can buy data about your ethnicity, job history, the magazines you read, if you've ever declared bankruptcy or got divorced, the year you bought (or lost) your house, where you went to college, what kinds of topics you talk about online, whether you prefer certain brands of coffee, paper towels,

cereal or applesauce, your political leanings, reading habits, charitable giving and the number of cars you own. (In a statement, Target declined to identify what demographic information it collects or purchases.) All that information is meaningless, however, without someone to analyze and make sense of it. That's where Andrew Pole and the dozens of other members of Target's Guest Marketing Analytics department come in.

Almost every major retailer, from grocery chains to investment banks to the U.S. Postal Service, has a "predictive analytics" department devoted to understanding not just consumers' shopping habits but also their personal habits, so as to more efficiently market to them. "But Target has always been one of the smartest at this," says Eric Siegel, a consultant and the chairman of a conference called Predictive Analytics World. "We're

This article is adapted from "The Power of Habit: Why We Do What We Do in Life and Business," by Charles Duhigg, to be published by Random House on Feb. 28.

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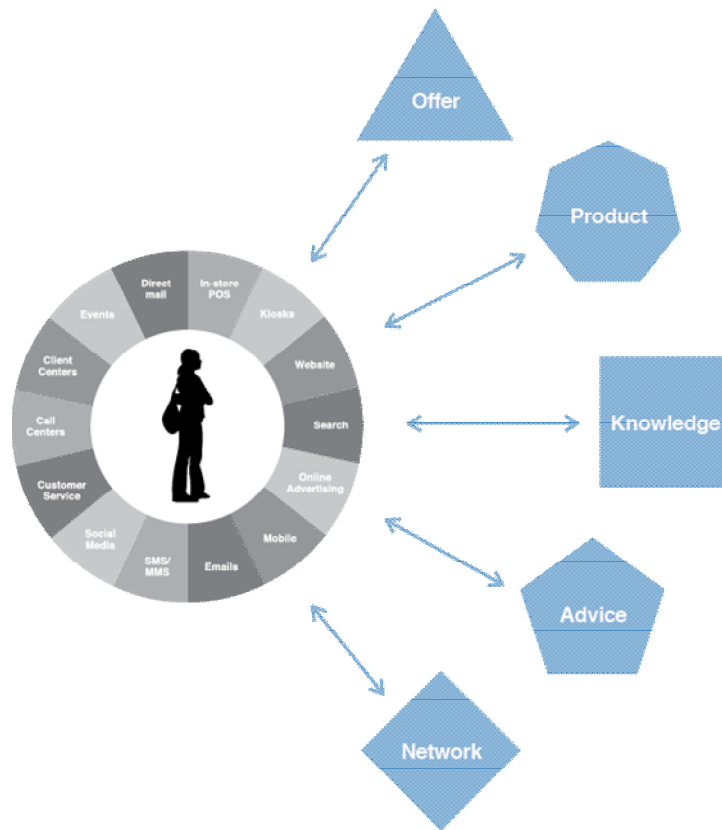
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Imperative #2: Creating a system of engagement that maximizes value creation at every touch



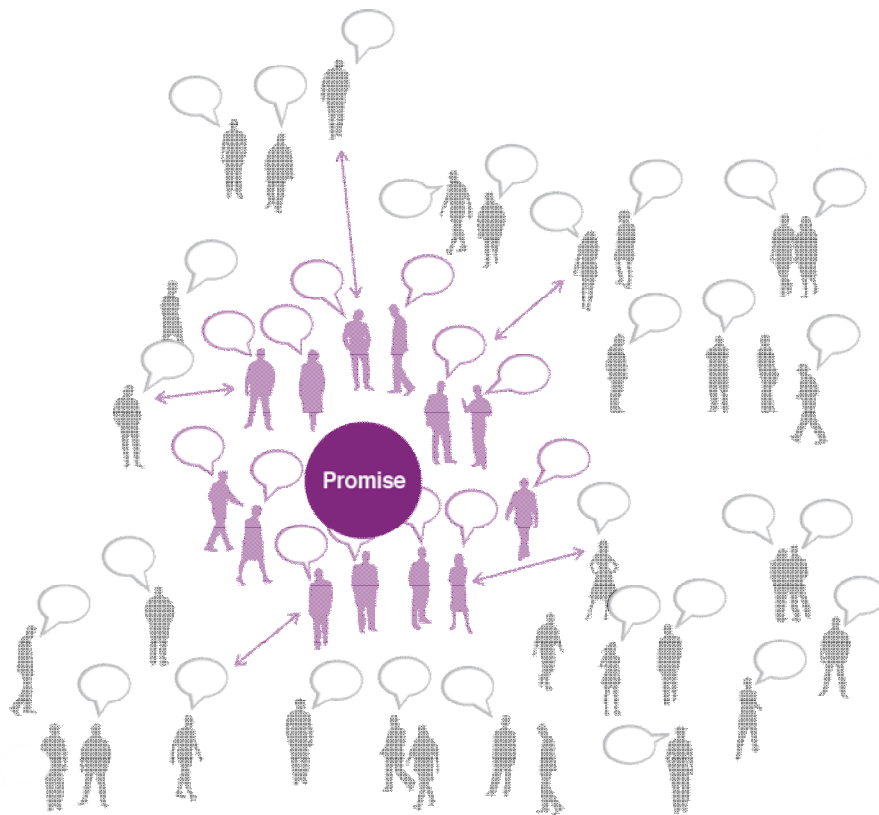
- **Designs the full customer experience**, based on the needs and preferences of each **individual** customer
- **Personalize interactions** based on individual customer data: marketing as relevant that it feels like a service
- **Cross channel marketing** – build consistent and relevant interactions across all channels
- **Creates and automates** a system of engagement to deliver these personal interactions—at a massive scale

“The challenge is how to capture all behavioural data and information from your customers, and how to exploit all the transactions and contact points to trigger specific actions at the right point in time.”

“Mass marketing vs customer as an individual needs completely different skill set.”



Imperative #3: Designing your culture and brand so they are authentically one



- **Develops** an acute understanding of its reputation by actively listening and engaging in social media.
- **Systematically** closes the gaps between a company's unique character and its reality—in all critical interactions.
- **Champions** tools that connect the organization, and platforms that enable employees to delight customers.

“Social media will be a major asset and tool in understanding what our clients think. Every person in the company is empowered to engage in social media discussions, and there is training on what to do and not so when using social media.”

“Just a few social users can have a huge influence on common opinions”



Imperative #3: Designing your culture and brand so they are authentically one

Social Media Disasters

Dell lies. Dell sucks. Dell lies. Dell sucks

I just got a new Dell laptop and paid a fortune for the four-year, in-home service.

The machine is a lemon and the service is a lie.



Enables you to...

- **Actively listen to social media**, early warning system for key signals and understanding sentiment
- **Engage in social dialogs** with individual customers, resolving issues before they becoming trending topics
- **Champions** tools that connect the organization, and platforms that enable employees to delight customers.
- **Leverage** social as an effective channel.



Highlights of the presentation

- Consumer Buying behavior has fundamentally changed: cross channel, online, mobile and social are key
- The role of Marketing is changing ...
 - Understanding each customer as an individual
 - Creating a System of Engagement that creates value at every touch
 - Design your culture and brand so they are authentically one.
- ... but change requires:
 - Collaboration between marketing and IT
 - Skills in data analysis, cross channel marketing, digital marketing, social
 - A platform to automate and support these functions
 - A vision on how your company interacts with your customers, and a roadmap to realize that vision

