# New Era of Customer Interaction

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# IBM research:
## understanding marketing trends, challenges and best practices

**IBM CMO Study**

- Surveyed 1100 CMOs WW - largest CMO survey ever
- Identifying trends and challenges
- Indepth face-to-face interviews
- See www.ibm.com/cmostudy
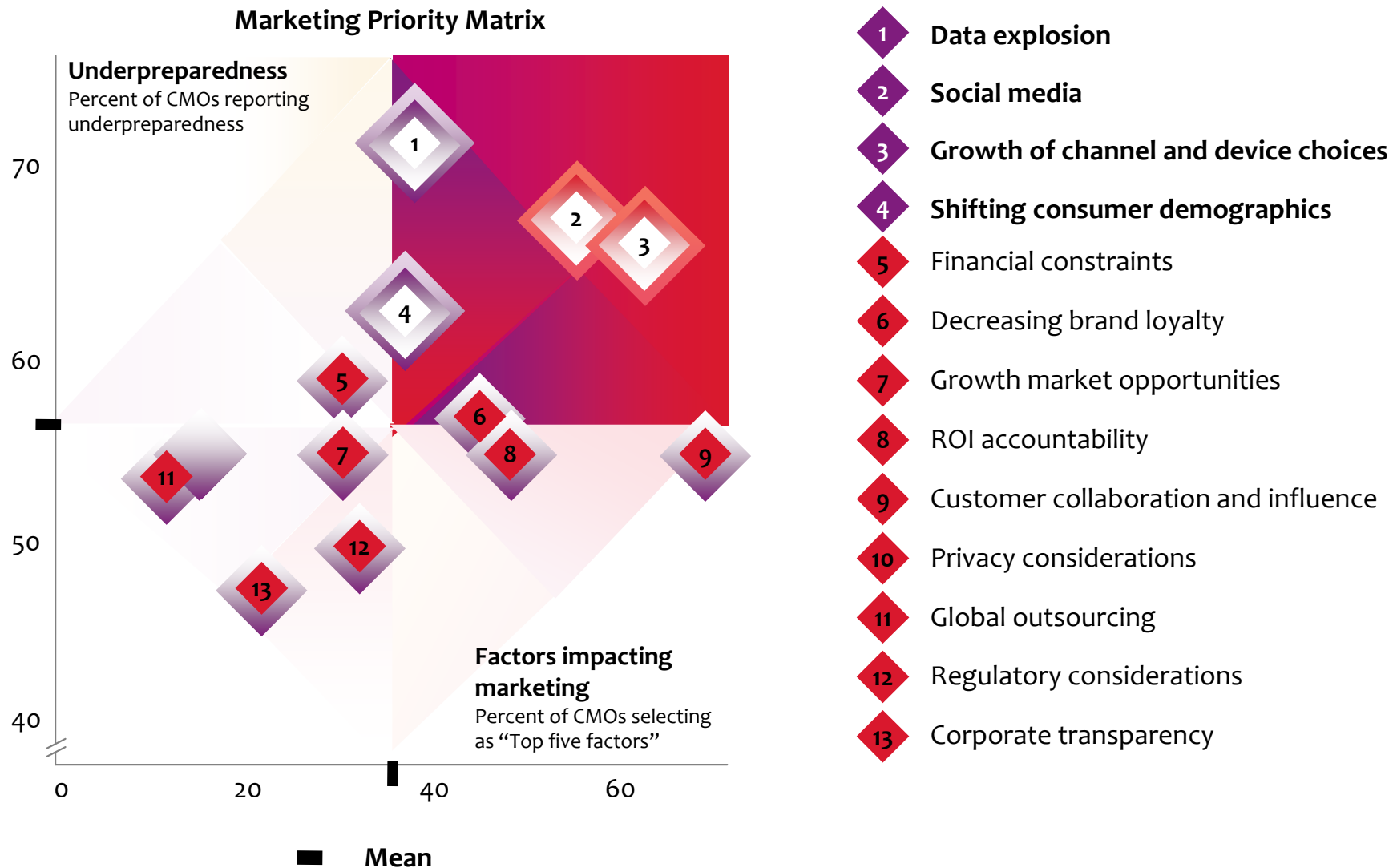
**IBM Holiday Readiness Report**

- IBMs marketing solutions are used by the leading retailers world wide, providing a wealth of data on consumer behavior
- Frequent reports and benchmarks on consumer trends
- See ibm.com

**IBM State of Marketing 2012**

- Survey 370 marketing executives
- Compared high performing organization to the rest
- Identifying best practices – how to become a high performing organization
- See ibm.com

# IBM CMO Study:
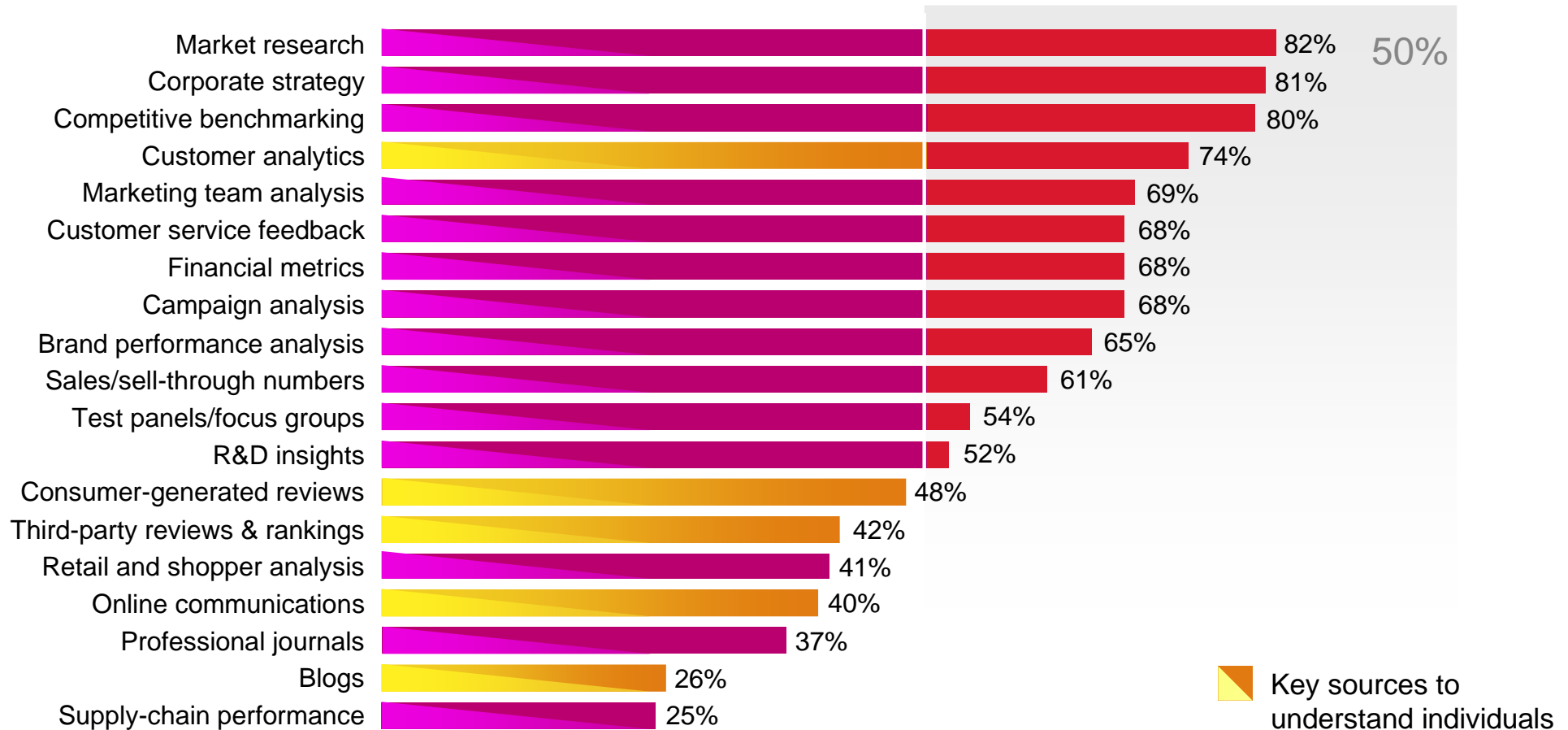## which underprepared areas are the most critical for CMOs?

### Marketing Priority Matrix

**Underpreparedness**
Percent of CMOs reporting
underpreparedness

70

60

50

40

**Factors impacting marketing**
Percent of CMOs selecting
as "Top five factors"

0          20          40          60

■ **Mean**

| | |
|---|---|
| 1 | **Data explosion** |
| 2 | **Social media** |
| 3 | **Growth of channel and device choices** |
| 4 | **Shifting consumer demographics** |
| 5 | Financial constraints |
| 6 | Decreasing brand loyalty |
| 7 | Growth market opportunities |
| 8 | ROI accountability |
| 9 | Customer collaboration and influence |
| 10 | Privacy considerations |
| 11 | Global outsourcing |
| 12 | Regulatory considerations |
| 13 | Corporate transparency |

TURKCELL IBM

# Most CMOs are still focusing on understanding *markets* versus understanding *individuals* to shape their strategy

## Sources used to influence strategy decisions
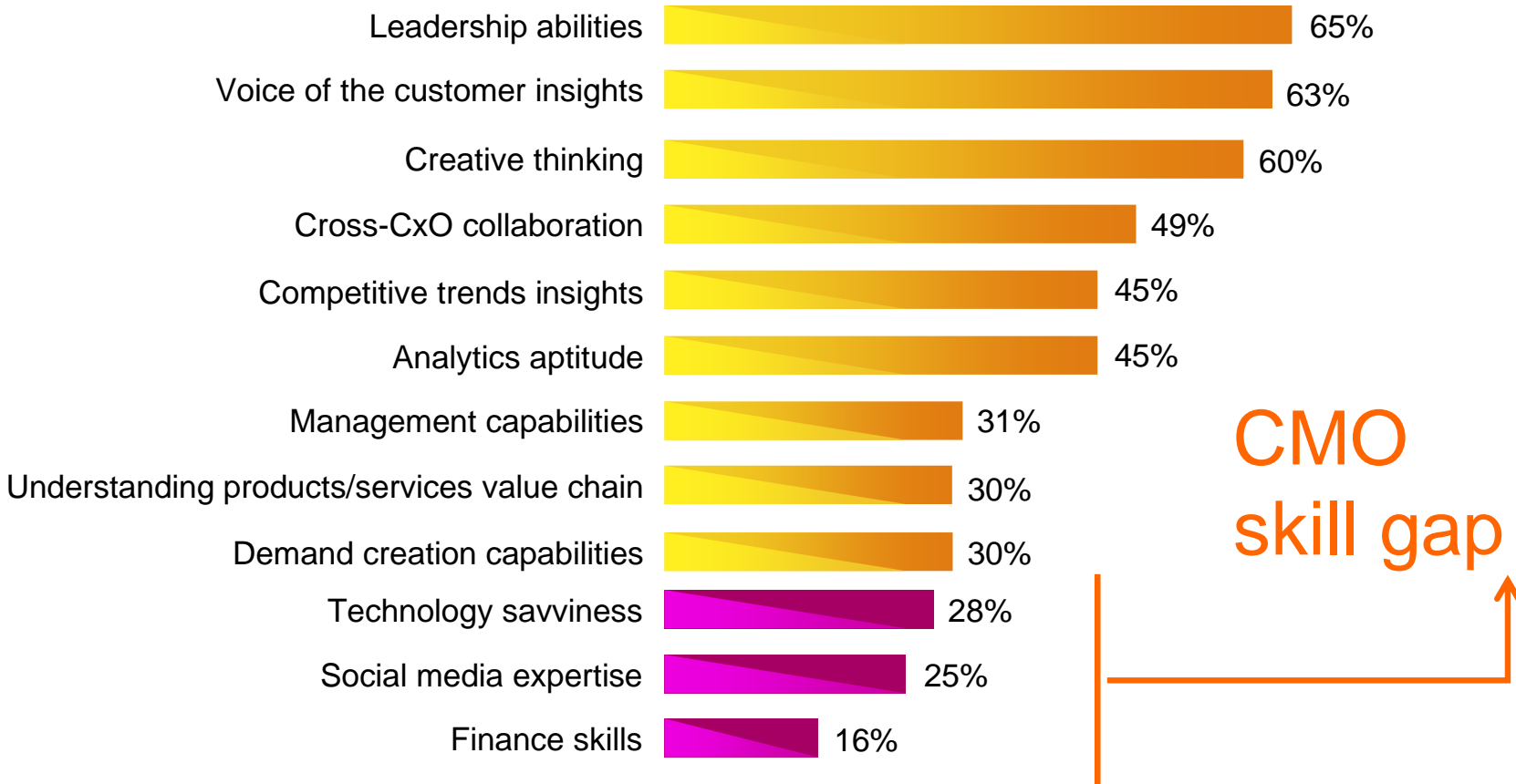*Percent of CMOs selecting all sources that apply*

| Source | Percent |
|---|---|
| Market research | 82% |
| Corporate strategy | 81% |
| Competitive benchmarking | 80% |
| Customer analytics | 74% |
| Marketing team analysis | 69% |
| Customer service feedback | 68% |
| Financial metrics | 68% |
| Campaign analysis | 68% |
| Brand performance analysis | 65% |
| Sales/sell-through numbers | 61% |
| Test panels/focus groups | 54% |
| R&D insights | 52% |
| Consumer-generated reviews | 48% |
| Third-party reviews & rankings | 42% |
| Retail and shopper analysis | 41% |
| Online communications | 40% |
| Professional journals | 37% |
| Blogs | 26% |
| Supply-chain performance | 25% |

50%

Key sources to understand individuals

Source: Q15  What sources of information influence your marketing strategy decisions? n=1733

IBM & Turkcell Confidential

**TURKCELL** **IBM**

# CMOs also can expand their personal influence by shifting to new capabilities that focus on technology, social media and ROI

## Capabilities for personal success over next 3-5 years
*Percent of CMOs selecting capabilities*

| Capability | Percent |
|---|---|
| Leadership abilities | 65% |
| Voice of the customer insights | 63% |
| Creative thinking | 60% |
| Cross-CxO collaboration | 49% |
| Competitive trends insights | 45% |
| Analytics aptitude | 45% |
| Management capabilities | 31% |
| Understanding products/services value chain | 30% |
| Demand creation capabilities | 30% |
| Technology savviness | 28% |
| Social media expertise | 25% |
| Finance skills | 16% |

## CMO skill gap

Source: Q17 What capabilities do you need to be personally successful over the next 3 to 5 years? n=1733

IBM & Turkcell Confidential

# IBM Holiday Readiness Report: Mobile and Social are on the rise

**Mobile Site Traffic and Sales Percentage**
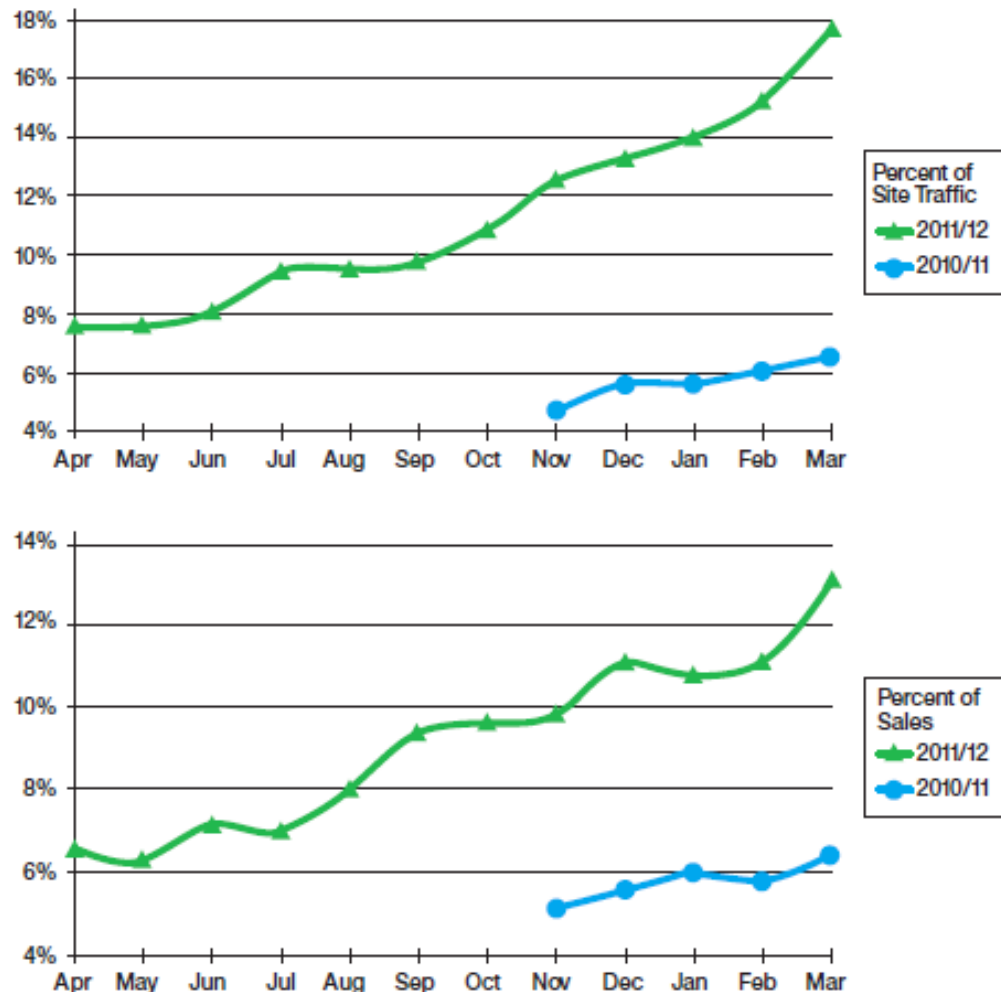


- **Mobile** sales as a percentage of total site sales hit a record 13% in March 2012 - double 2011

- Visitors referred from a **social** site are 50% more likely to buy then visitors overall

*Figures 3*: The mobile channel shows strong growth in percent of both site visits and sales.

6

# IBM State of Marketing 2012:
## What are the best practices of high performing companies?

**Revenue Growth / Gross Profit Growth**

3-year CAGR, 2008-2011

**Engage:**
optimize experience
across all channels

High

**12 % / 10%**

Leading
Marketers

Low

**6% / 7%**

Low                    High

**Analyze:** sophisticated usage of
customer data
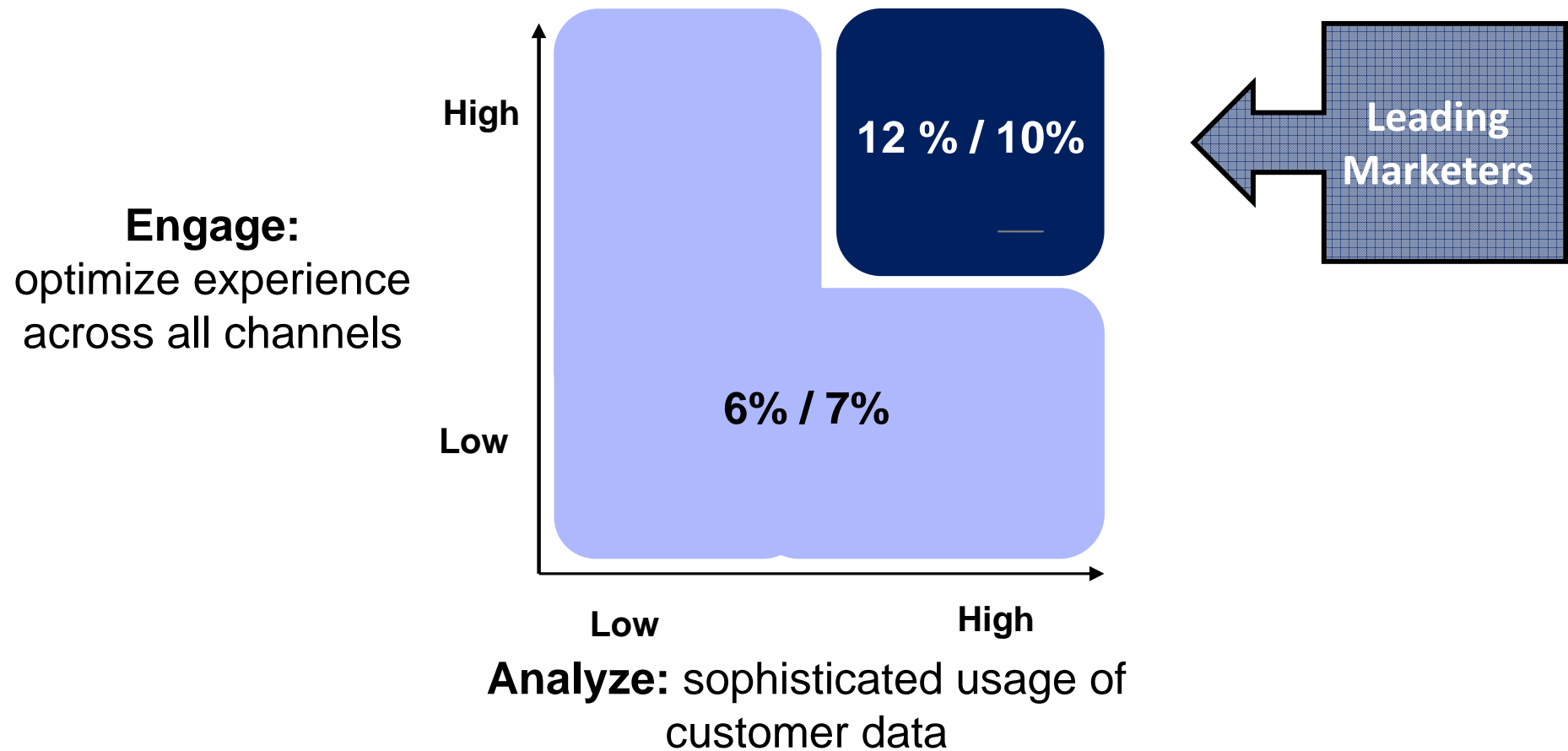
# Leading marketers extend their role beyond marketing

Marketers from high-performing companies are more likely to lead the coordination of messages in different functional areas that are not marketing, expanding their strategic role and application of technology to proactively improve their customers' experience.

*Figure: Marketing Responsibility by Business Outcome*

*Q. Please rate the level of responsibility marketing has for each of the following areas.*

Creates and manages 1:1 marketing across all channels
- 72%
- 59%

Serves marketing messages during purchase
- 62%
- 52%

Serves marketing offers & customer care messages
- 53%
- 40%

Provides input into supply networks based on consumer demand
- 45%
- 40%

■ Top Performers  ■ Rest of Population
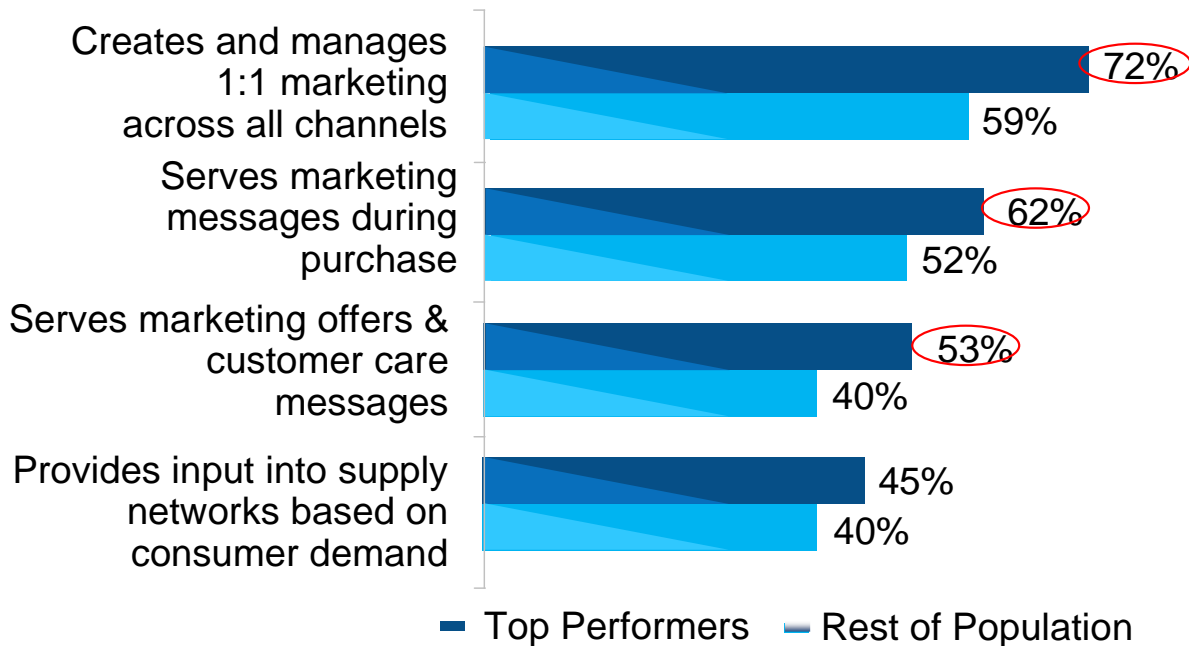
⬭ *Significantly higher than the Rest of Population*

# Marketers

from high-performing companies are nearly 3X more likely to be proactive leaders driving the customer experience across all channels

*Base: Total Sample (n=362), Top Performers (n=252), Rest of Population (n=110)*

# Leading marketers use innovative marketing techniques

■ Leaders
■ Others

## Mobile

**41% 25%**
Currently use mobile
messaging campaigns

**36% 20%**
Currently use location-
based targeting

**33% 18%**
Currently use
mobile ads

## Social

**71% 56%**
Currently use apps
on 3rd party social
networking sites
(or plan to use within
a year)

**48% 31%**
Currently use
social/local group
buying (or plan to
use within a year)

**43% 30%**
Currently use
location-based games
(or plan to use within
a year)

# Leading marketers take advantage of combining on and offline data

## 65%
Of respondents are doing the basics by reporting and analyzing their online visitor data.

## Only a third
Use this data in targeting one-to-one offers or messages in digital channels.

## Less than 1 and 5
Leverage online data to make one-to-one offers in traditional channels.

*Figure: Use of Online Visitor Data Comparing Company Performance*
*Q. How are you using your online visitor data?*
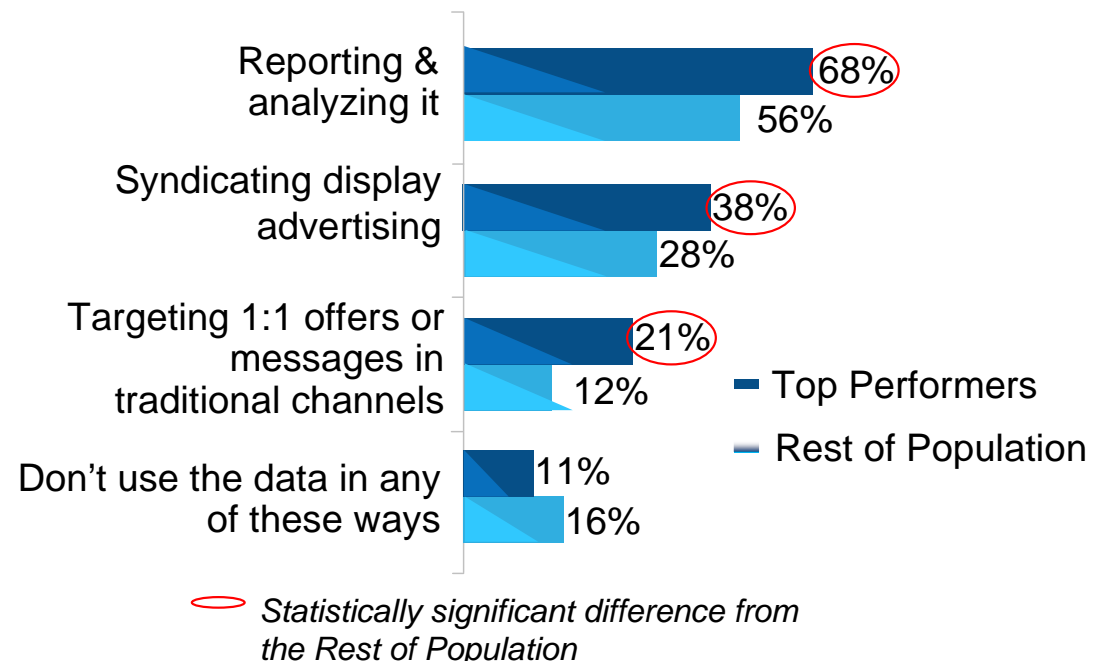
# High performing companies leverage their online data in other channels

Reporting & analyzing it — 68% / 56%

Syndicating display advertising — 38% / 28%

Targeting 1:1 offers or messages in traditional channels — 21% / 12%

Don't use the data in any of these ways — 11% / 16%

— Top Performers
— Rest of Population

Statistically significant difference from the Rest of Population

*Base: Companies that have online visitor data (n=351)*

Leading marketers require an integrated marketing suite to coordinate action across channels …

**85%**

Of marketers agree with the need for an integrated suite.

**But 27%**

Of marketers don't perform attribution.

**And 34%**

Manually analyze attribution through spreadsheets.

… and show the impact of marketing activities on business results

# Leading Marketers work closely with IT

**76%**

Of marketers either drive the purchasing decisions for marketing software or collaborate with IT.

**48%**

Believe improved technology infrastructure or software will enable marketers to do more.

**Nearly 60%**

Indicate that lack of IT alignment and integration are significant barriers to the adoption of technology.

*Figure: Collaboration Between IT and Marketing on Technology Purchases.*
*Q. How well does marketing collaborate with IT?*

51%

**High Performers**

41%

**Rest of Population**
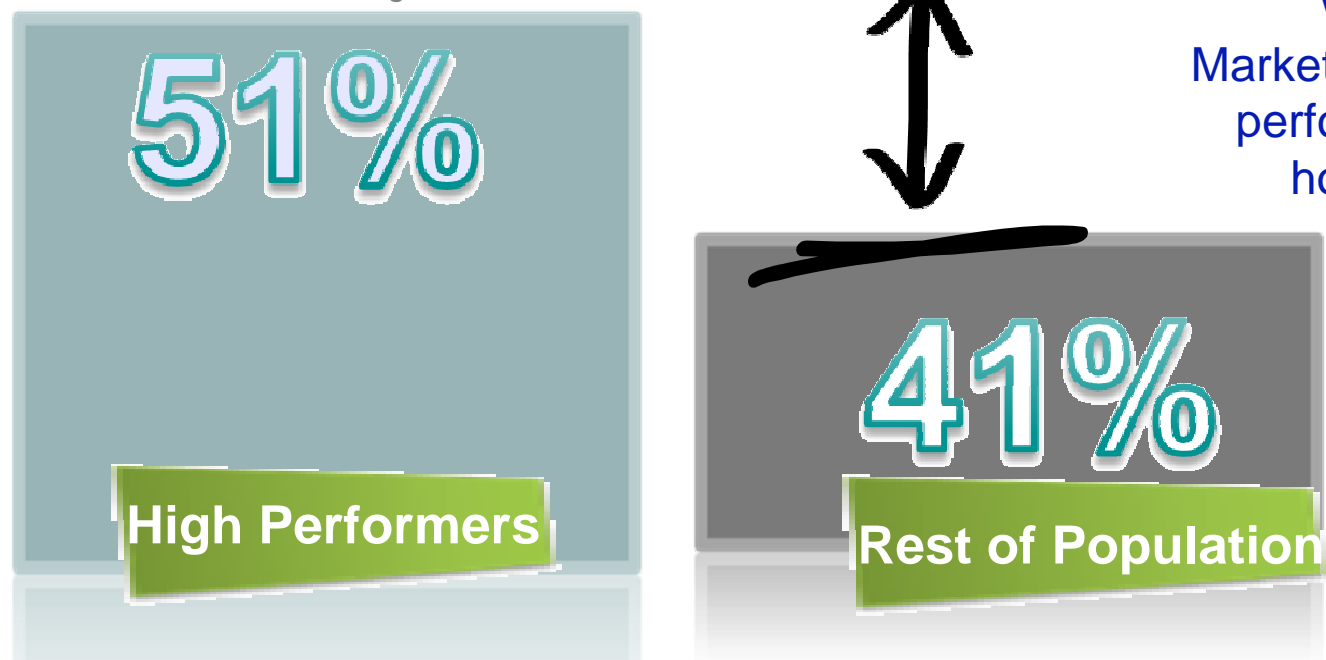
Overall, marketing and IT work well together. Marketing and IT at high-performing companies, however, work more effectively.

*Base: Total Sample (n=362)*

cell Confidential

# Marketing Trends, Challenges and Best Practices

- **Trends and Challenges**
  - Cross channel behavior poses challenges to marketing organizations
  - Social and mobile are on the rise
  - Organizations do have a wealth of customer data, that could help here, but they struggle to take advantage of this data

- **Leading organizations**
  - Include more channels in their campaigns, using advanced mobile and social
  - Leverage customer data better, combining on and offline behavior
  - Use (or require) an integrated suite
  - Place greater emphasis on marketing measurement and linking marketing to business results
  - Partner more effectively with IT

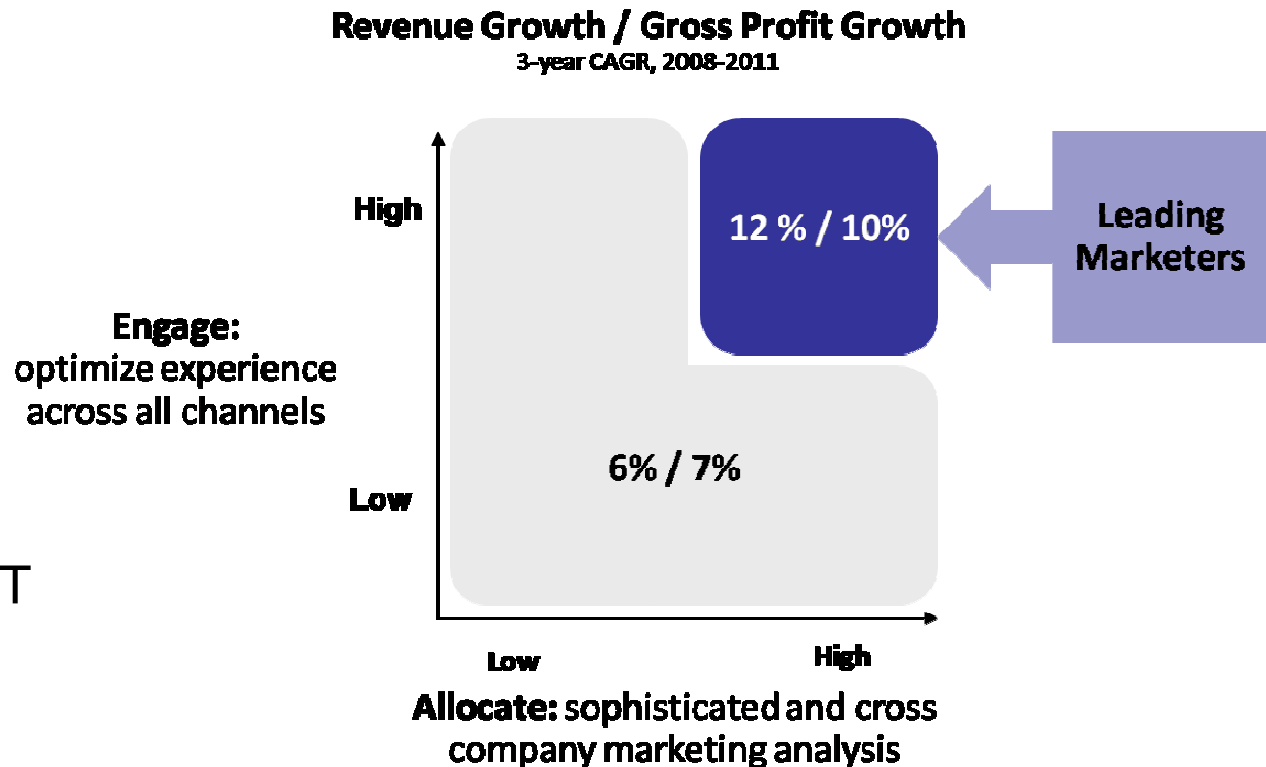# Creating a platform for a comprehensive system of engagement

## Integrated Functional Layers

- Cross-channel Execution
- Centralized Decisioning
- Customer and Marketing Analytics
- Data Management
- Instrumentation

On-Cloud, On-Premises, and Hybrid Offerings
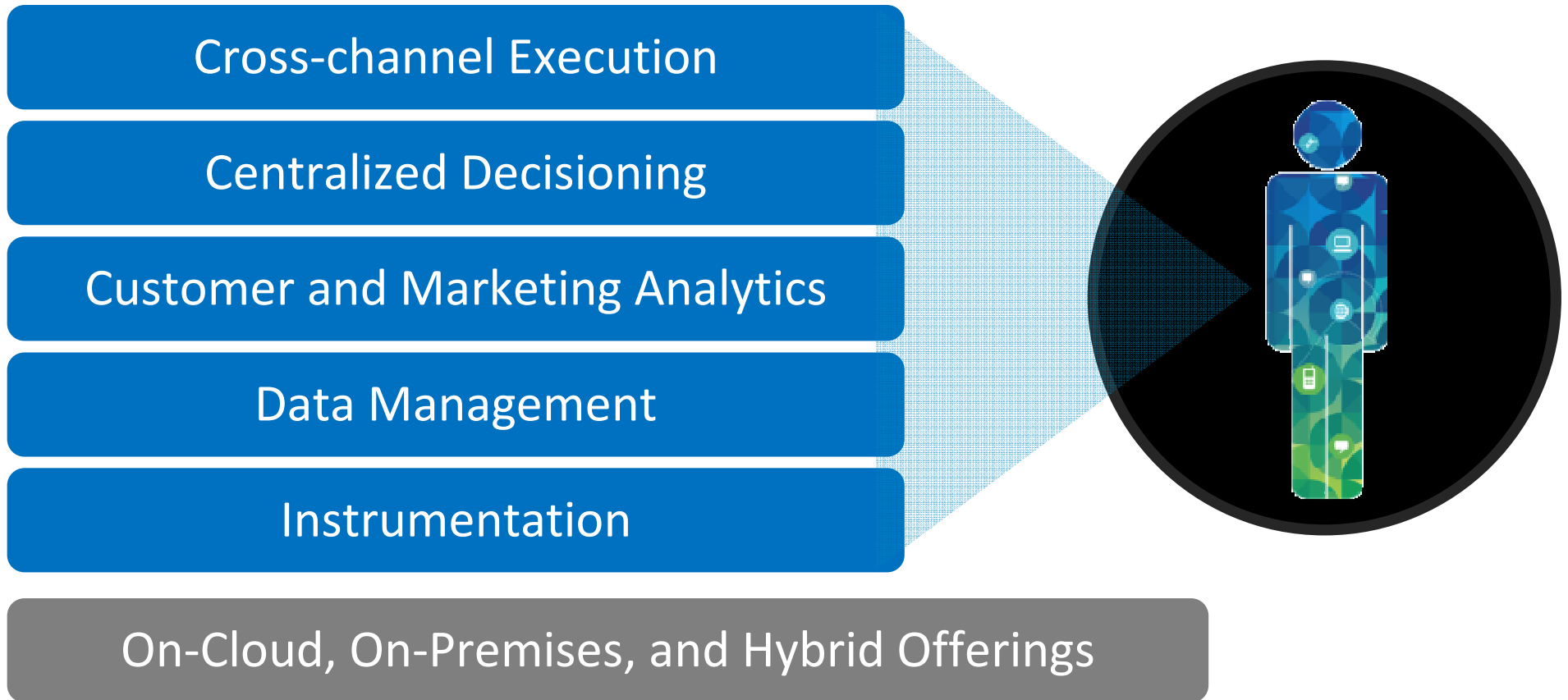
# Future of Marketing Platforms

## Lessons learned from marketers at leading companies

- Focus more aggressively on leveraging all channels – including emerging channels

- Place greater emphasis on marketing measurement and linking marketing to business results

- Partner more effectively with IT

- Working to build a system of engagement and integrate disparate technologies

**Revenue Growth / Gross Profit Growth**
3-year CAGR, 2008-2011

High

12 % / 10%

Leading Marketers

**Engage:** optimize experience across all channels

Low

6% / 7%

Low    High

**Allocate:** sophisticated and cross company marketing analysis

# Leading marketers are reimagining the role of marketing

- **Know your customer as an individual**
  - Deep customer insight
  - Integrate digital behavior
  - Listen to social

- **Create value at every touch**
  - Marketing that feels like service
  - Complete customer experience
  - Ability to scale to millions of relevant offers
  - System of engagement across all channels

- **Be an authentic brand and culture**
  - Align operations with the brand across all areas of the business
  - Delegate more problem resolution power to front-line employees
  - Respond authentically to customer needs and amplify your fans' experience
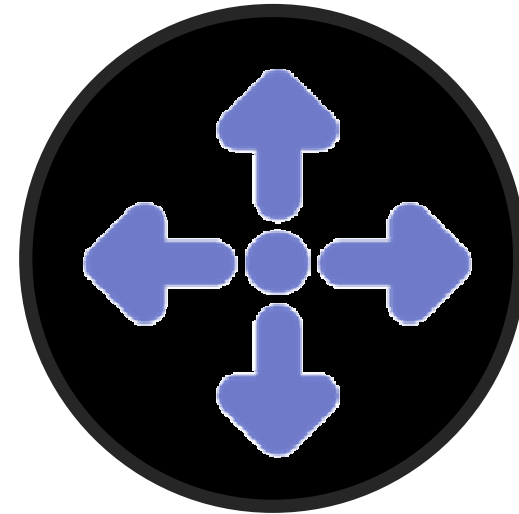
# It's awfully hard to re-imagine marketing when the technology infrastructure looks like this…
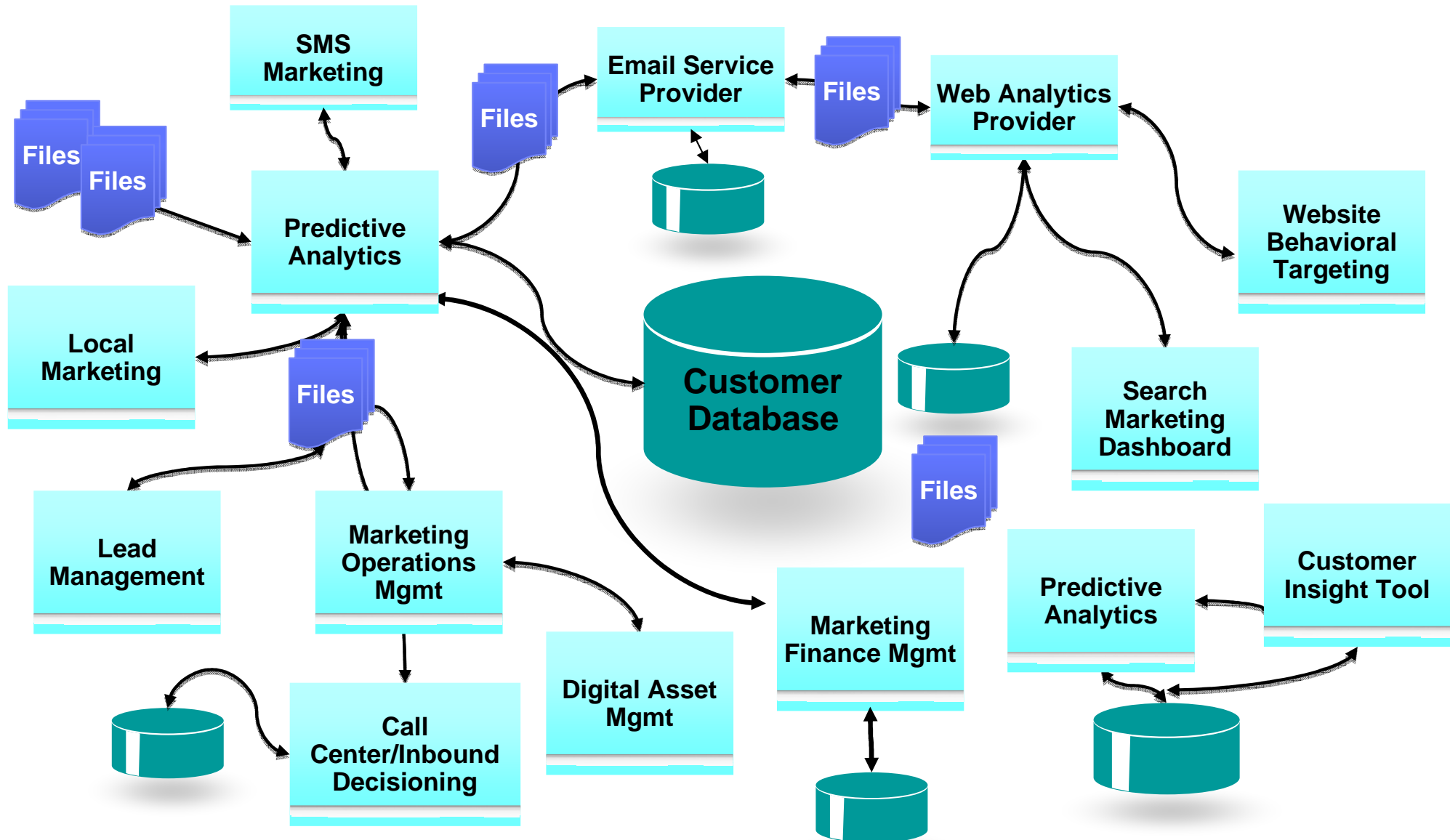
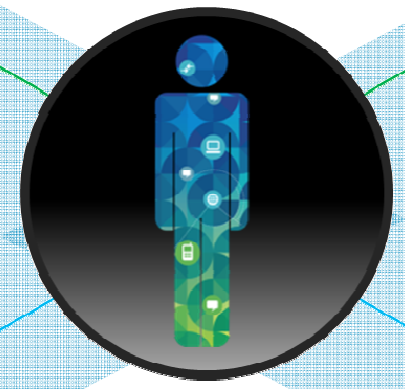…Instead, leading marketers need a comprehensive and integrated marketing suite

## Key characteristics of an integrated marketing suite

- Fueled by fully integrated customer and marketing analytics

- Incorporates best-in-class digital marketing capabilities

- Delivered via a hybrid architecture blending on-cloud and on-premise elements in a seamless business user experience

- Ability to scale to manage millions of relevant offers - delivered in real-time

- Data syndication and sharing standards inside and outside the organization

### These characteristics will grow more important over time

# IBM has embraced the opportunity and is aggressively investing in Enterprise Marketing Management (EMM)

A marketing technology category that supports the end-to-end marketing function across all marketing disciplines

unica

Coremetrics

DemandTec

tealeaf
an IBM Company

Cognos

SPSS

Initiate
an IBM Company

NETEZZA

CAST IRON
SYSTEMS

IBM DB2

InfoSphere

Analyze

Decide

Collect

Deliver

Manage

## EMM Solutions

- Interaction Optimization
- Digital Marketing
- Customer Experience
- Pricing and Assortment
- Marketing Performance

# Delivering critical marketing capabilities built around deep customer knowledge....
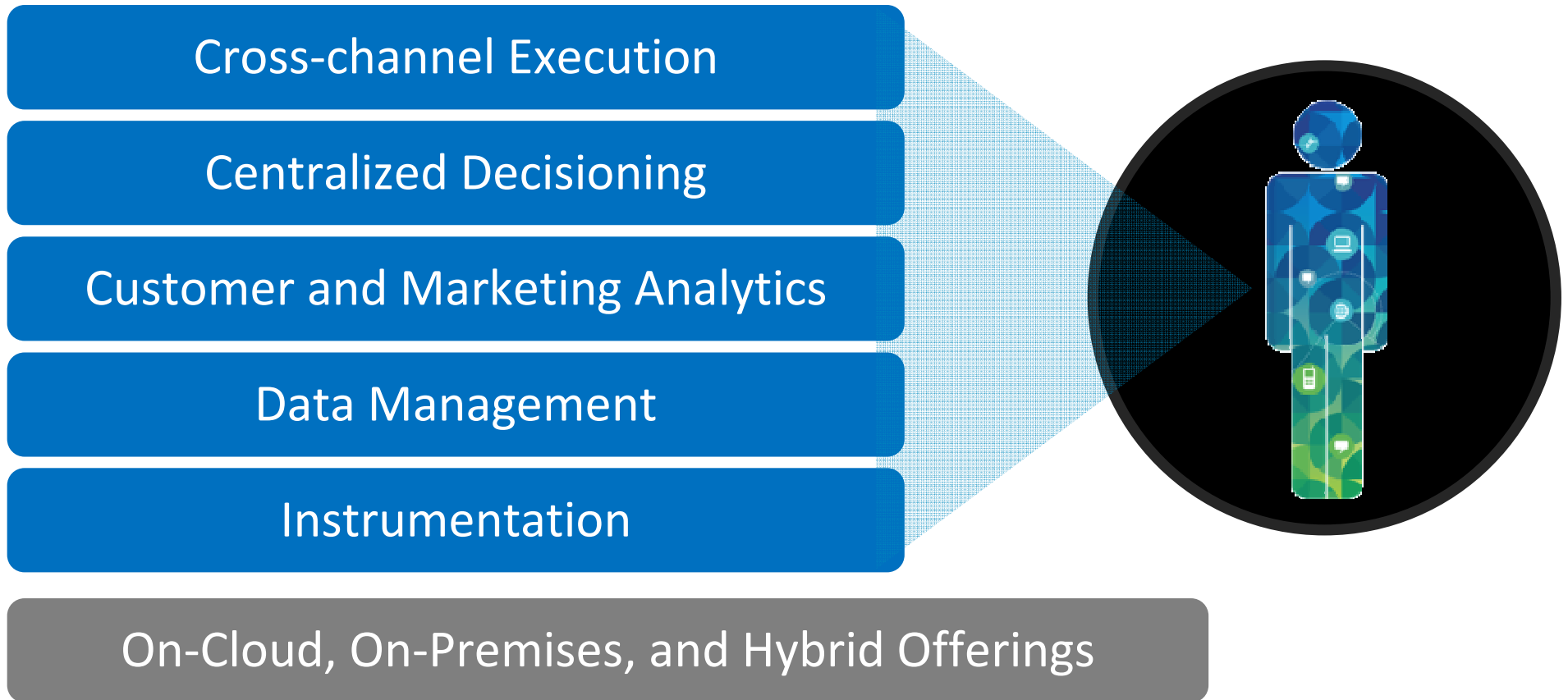
## Cross-channel Profile
is a *virtual* customer profile, made up of:

- Your existing data, accessed by EMM

- Data from outside sources, captured by EMM
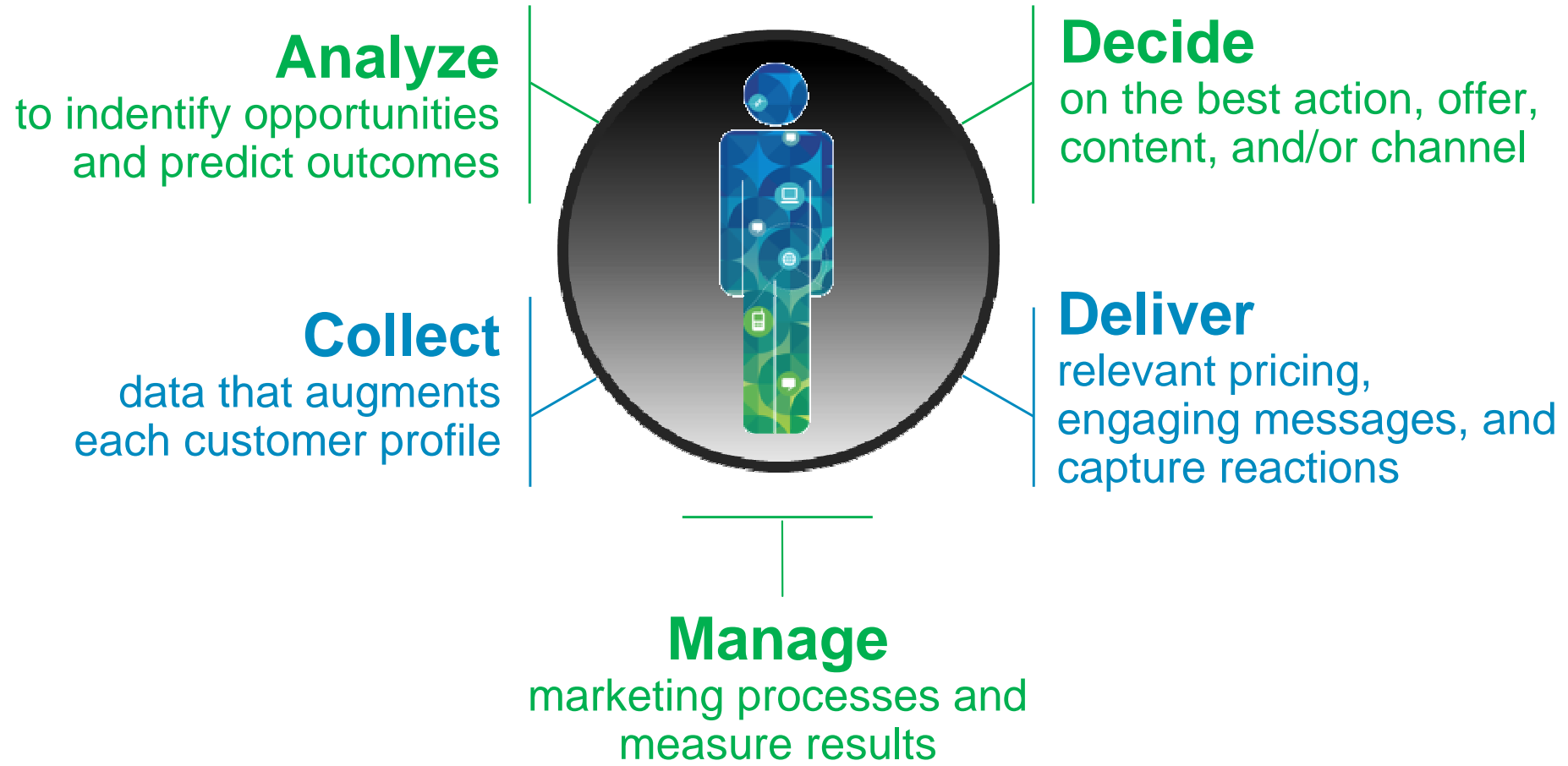
- New data, generated by EMM

***Leveraged by all EMM solutions***

# Creating a platform for a comprehensive system of engagement

## Integrated Functional Layers

Cross-channel Execution

Centralized Decisioning

Customer and Marketing Analytics

Data Management

Instrumentation

On-Cloud, On-Premises, and Hybrid Offerings

# Supporting the end-to-end marketing process

**Analyze**
to indentify opportunities
and predict outcomes

**Decide**
on the best action, offer,
content, and/or channel

**Collect**
data that augments
each customer profile

**Deliver**
relevant pricing,
engaging messages, and
capture reactions

**Manage**
marketing processes and
measure results

# Across all media types



Earned media

Paid media

Owned media

http:www

ad

BILLBOARD

NEWS

ad

# With integrated solutions designed for critical marketing roles
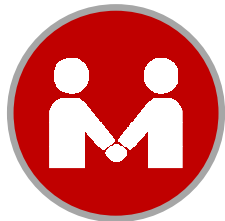
| AUDIENCES | NEED | EMM SOLUTION |
|---|---|---|
| Digital marketers | Focus on the whole digital experience to turn online prospects into repeat customers and loyal advocates | **Digital Marketing Optimization** |
| Customer relationship marketers | Engage each customer and prospect in a one-to-one dialogue across communication channels | **Interaction Optimization** |
| Pricing, promotion, and product mix planners | Improve pricing and promotions to increase customer loyalty and profit<br><br>Align product offerings with needs and preferences of shoppers | **Price, Promotion, and Product Mix Optimization** |
| Marketing leaders, planners & decision-makers | Improve marketing operations and planning to maximize marketing ROI | **Marketing Performance Optimization** |
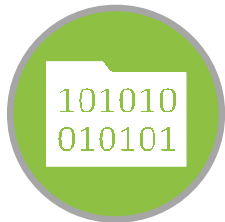
# Good marketing *IS* service

AIRFRANCE   KLM

### Objective

Differentiate the airline with superior customer service and relevant messaging driven by marketing thereby increasing customer value

### Solution

- Phase 1: Service – real-time notification service sends information to passengers on unexpected changes (in advance, on the spot, proactive)
- Phase 2: relevant and real-time marketing

### Results

- 35% increase in customer satisfaction
- 30% increase in repurchase intention
- 25% increase in social recommendation an TAF

### Company Profile

**AIR FRANCE KLM is one of the leading European air transport groups. In 2011, AIR FRANCE KLM carried 75.8 million passengers and 1.4 million tons of cargo. The group's fleet comprises more 586 aircraft.**

# Customer-centric real-time next best action

**BMO** **Financial Group**

## Objective

Provide a new and innovative capability to deliver highly relevant and real-time next best action across channels

## Solution

- Real-time connection from channels to the IBM Unica Interact that serves up offers through "the Hub": call centre, branch, digital
- A back-end connection to customer profile and historical transaction information

## Results

- Shift from
  - Product to customer-focus
  - Insensitivity to customer conditions to responsive to customer behavior and real-time interaction context
- 9x increase in utilization rate of targeted offers by CSRs
- Positive outcomes increased from 2-4% to over 35%

**Our Values**

Take Pride

Embrace Diversity

Have Courage to Win

Do the Right Thing

Keep Your Word

## Company Profile

**BMO Financial Group serves more than 12 million personal, commercial, corporate and institutional customers in North America and internationally providing a broad range of retail banking, wealth management and investment banking products.**

# wehkamp.nl goes "all in" on digital

## Objective

- Shift towards younger demographic
- Shift brand image from practical to trendy
- Fully transform the business from traditional print catalog to 100% digital

## Solution

- Leverages IBM's EMM solutions including Coremetrics, Unica, and Tealeaf to understand and respond to digital behaviours and drive top notch customer experiences

## Results

- 98% of customer interactions are personalized
- Targeted online banners generate 500% increase in click-thrus and 15x increase in ROI
- Highly customized email reduced opt-out by 67% and increased sales by an avg of 271% per campaign
- Direct mail downward spiral stopped: 35% increase in sales and 10% increase in ROI

## wehkamp.nl



## Company Profile

**wehkamp.nl is the Netherlands' largest online retailer, with 1.6 million customers and more than 110 million visitors per year.**

# Why should you take IBM seriously in this market?

- It's the "perfect" technology problem
    - Capture and synthesis of disparate information
    - Integration across data and technologies
    - Analytics (of various types)
    - Expertise across a variety of disciplines
    - Cutting edge research and technology

- Success also requires strong services…

- …And a broad partner network

**Marketing is the #1 focus of big data initiatives**

*Source: Forrester Research 2011 Global Big Data June Online Survey*

There are precious few companies who can solve a problem of this magnitude – IBM is one of them.