



MARKETING FOR THE DIGITAL CONSUMER

ROADMAP FOR CPG COMPANIES

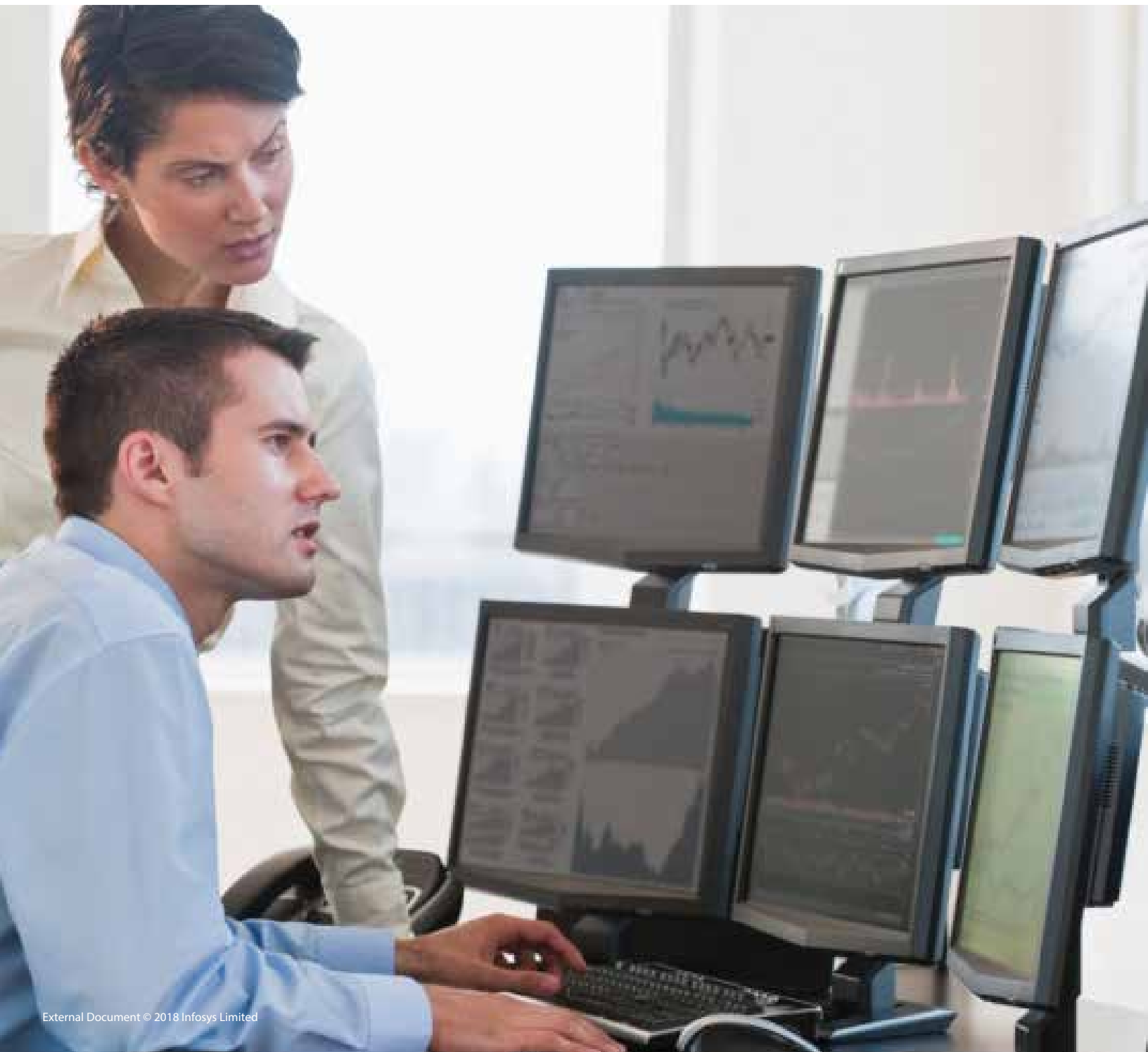
Savvy consumers drive the digital revolution

In today's hyperconnected market, the voice of one consumer can grow into a community of brand advocates or a crowd of critics in the matter of a few hours. Demanding and informed, the digital consumer is leading and influencing a global conversation about products and services, and brands and companies. Through the internet and the mobile, and by way of wikis, blogs,

tweets, and social media, the digital consumer has transformed how she buys products. Consumer packaged goods (CPG) enterprises need to understand the new reality and engage with this digital consumer in a dialogue to market their products effectively.

This new reality has thrown up a range of opportunities that CPG companies can

leverage to grow their business – but the challenge lies in figuring out how to utilize these opportunities to generate value. The digital revolution has brought to the forefront devices, channels, and media that did not even exist a couple of years ago. And if they existed, they were being deployed in a very different way.



Mobile, search and social media



Take mobile phones, for instance. Mobile phones are no longer devices users employ to talk and text. Instead, they have become portable computers – by 2014, mobile internet usage will overtake desktop internet usage. The usage of the mobile has become so integral to daily life that today 4.8 billion people have mobile phones – only 4.2 billion of the world's population owns toothbrushes. Over a billion of these mobile phones are smartphones¹. These phones are used for everything from talking and texting, to browsing, searching, buying, social networking, and much else.

Let's consider search as an opportunity. As many as 20% of searches every day are done on topics that have never been Googled before, which means a phenomenal amount of content is being added on a daily basis. In 2011, more than 50% of all "local" searches were done from a mobile device². With the internet and social media, customers have a podium from which they can tell everyone how they feel about a brand. Search results not only give links to CPG company sites, but also to reviews by dissatisfied customers.

Consumers don't make their buying decision based on what the brand advertises, but base their purchase on what they read and what they search for. According to a study, 86% of consumers say search engines are very important in the buying process³. Add social media to the purchase decision matrix, and we see that search and social media complement each other in helping consumers decide what to buy. According to the same study, nearly half of consumers said they use a combination of search and social media to guide their purchasing decisions. Another study found that 38 million people in the US said social media influences their purchasing decisions. That number is up 14% over the past six months⁴.

Keeping up with changing times

What these numbers demonstrate is that the entire selling-buying framework is transforming. A traditional marketing approach can no longer suffice for CPG companies. As market dynamics change and new opportunities arise, these companies need to keep pace by understanding their customers, innovating

and creating a marketing strategy that engages the customer in the digital world. However, this is not as simple as it sounds. Digital marketing is not merely about having a presence on Facebook and following up on Twitter. With the digital consumer becoming pervasive, many CPG companies are exploring the digital channel. Most, however, appear to be hopping onto the bandwagon without understanding digital marketing.

In the Facebook community of 1 billion users, 61 of the top 100 companies by size have Facebook brand pages⁵. However, a successful Facebook brand page is not decided by the size of the company but by how effectively a company engages with customers. Thus, the leading page belongs to Victoria's Secret, which has close to 17.3 million fans⁶. Most brand companies using Facebook to broadcast messages – 95% of Facebook wall posts are not answered by brands. The secret of Victoria's Secret lies in the fact that it leverages Facebook to actively engage with the customer and have conversations with them. Thus, a Chief Marketing Officer (CMO) will succeed in the digital marketing space if there is a concerted orchestration of processes, people and technology to understand and engage with the customer.

And the digital space is critical. Gartner says that by 2015, digital strategies – such as social and mobile marketing – will influence at least 80% of consumers' discretionary spending⁷.



Challenges for CMOs in the digital era

As consumers change, CPG companies must make – and are making – a paradigm shift in their marketing efforts to take advantage of digital reach. Communication with consumers is more about ‘pull and engage’ rather than ‘push and broadcast’, as it used to be earlier. And with consumers living in a multi-channel environment, businesses need to engage with them across channels. Digital marketing is not about adding online channels; it is about integrating digital channels and a digital mindset into all aspects of a CPG company’s marketing game plan.

As customers interact with their peers in social media sites across the internet, companies need to reach customers in an environment familiar to them to forge closer and more meaningful relationships. Some of the best campaigns running typically run across channels – paid media,

internet, mobile, and to search and social. CPG companies are linking conversations across channels and connecting the entire consumer journey. Thus, leading brands such as Starbucks (the most engaged brand with a presence in 11 channels according to Wetpaint and Altimeter), Nike, Coca-Cola, Ford, and SAP are conversing with customers across channels⁸.

We are seeing a move within CPG companies from investing in paid media such as television spots and print advertising to investing in earned/digital media. A year or two ago, digital spends were in the range of 10 to 12% of marketing spends. Now most CPG companies are planning to grow this figure to 25-30%.

As these companies adapt to the digital consumer context and design their marketing strategy, they face several

challenges in this uncharted territory. Typically, CPG companies are working with several agencies and vendors, and it is almost impossible to get campaigns out quickly and cohesively. What CMOs need for a focused marketing campaign are actionable insights into customer behavior. However, data resides in silos, or is consolidated around a specific brand. As a result, CMOs lack a 360-degree enterprise view of customers.

With CPG companies spending more time and effort and investing more money in the digital space, they need to get digital marketing right – or the entire organization may face adverse consequences. Let us see what the CMO needs to focus on to ensure that the CPG company’s digital marketing effort gives a high return on marketing investment (ROMI).



Focus areas for the CMO

While consumers still want the best product at the best price, the ecosystem in which consumers thrive and CPG companies operate has undergone a dramatic change. This change must be regarded as an opportunity CPG enterprises can use to engage with customers, build brand loyalty and forge lasting relationships.

Build long-term relationships with individual customers

As expectations soar, customers are demanding personalized products and services. CPG companies are moving away from merely considering market segments to looking at micro-personalization. This is critical because a mere demographic or income criterion cannot decide buying behavior. For instance, there is a huge difference in the buying patterns of a 40-year-old middle-class housewife, a 40-year-old affluent single woman, and a 40-year-old affluent married woman. Thus, the standard concept of the typical must be challenged by the CMOs.

The digital marketing framework of a CPG company needs to deploy capabilities, tools and processes that help understand each individual customer and her buying patterns. Such micro-personalization is critical to nurturing brand loyalty and establishing a rewarding relationship.

Leverage multiple channels effectively

CPG companies typically focus on broadcasting and pushing content. With the focus shifting to engaging and pulling, companies need to have conversations that offer consumers an incentive to engage. The best campaigns are those that link all channels to provide an integrated experience even as they pique the customer's curiosity across touch points.

For example, once of the world's largest brewers ran a mobile campaign for its lager that gave drinkers in Ireland discounts based on the weather. The hotter the day, the greater was the discount offered. A mobile app informed consumers about the local temperature, and how much they could save at any of the participating bars. The mobile campaign was integrated across channels with digital video, television, and social media sites. By the end of the campaign season, the application was downloaded 150,000 times and 50% of the target market took part in the promotion.

Centralize to harness actionable data and drive efficiency

The data gathered from all these interactions needs to be captured a holistic level to be acted upon by the CPG company for future reference. Businesses can understand their customers through the data they gather from digital marketing, learning about their likes, demands and motivations. With the advent of intelligent solutions that study and understand customers through peer interactions and transactions, companies can capture implicit preferences and interests. CMOs must harness data and treat it not just as data but as a true asset.

Today, human beings have access to 295 exabytes of data. And with the increasing adoption of social media, the explosion of big data is only becoming more intense. Even then, 80% of organizations are focusing on traditional ways of market research when they have cross-channel data to take real-time decisions. Such data must be leveraged to drive targeted products to shoppers. There is an increasing focus on analytics, and CPG companies must step up and meet that challenge. Thus, CMOs must focus on a technology solution – like a digital marketing platform – which ensures that

the CPG company gets unified aggregated consumer data. Such data can be harnessed to gain insight into consumers and engage with them. CMOs must define marketing KPIs, actively listen to consumers, and engage with them across channels.

Integrate to measure ROMI in digital marketing

Measuring return on any investment is critical. As CPG companies increase spend on digital marketing, measuring the value gained from the initiative can be a challenge. Operating in multiple geographies and dealing with multiple brands, CPG companies traditionally work in silos. There is a proliferation of digital assets that are high on creativity, but lacking in discipline, centralization and efficiency. Most CMOs struggle to gather the ROMI numbers in such a disjointed setup. CPG companies require a unified customer database and a secure and robust platform that captures all consumer interactions across channels.

The platform must also drive usability and speed. As digital marketing becomes more prominent, a company needs to tap into past assets and reusable components. This provides CMOs with the speed and agility they require to lower time to market and cut costs, ensuring that the CPG company is extremely competitive and effective. A leading CPG company with global brands and 70+ creative agencies embarked on a transformational journey to deploy a digital marketing platform two years ago and was able to lower costs by 25-30%, and reduce speed to market from months to weeks to days. It now has a unified view of the consumer, allowing micro-personalization, and it has been able to introduce new tools that allow further innovation.

Forging a partnership with the CIO organization

In many CPG organizations, collaboration between the IT and marketing departments is limited. Typically, the marketing organization does most of its digital work on its own and IT plays a secondary role by providing basic infrastructure. Today, as digital marketing intensifies into a high stakes effort, it is critical that the CMO and the CIO work together to define hybrid working models with joint ownership.

With CPG companies operating in an environment where technology is a key differentiator for marketing organizations, the CIO is best suited to evaluate technology solutions. The key challenge is where to draw the line between marketing and technology. The CIO needs to assist the marketing organization and not impose. It is important for both organizations to bridge the gap and ensure that they are taking small steps forward towards a larger picture.

So, what can the CIO do to enable the CMO?

Enhance collaboration

CMOs and CIOs need to work together to challenge the traditional way of working. Generally, the IT organization wants to work with rigid structure and processes while CMOs work with agility, flexibility and creativity. The successful CPG companies are those that define a new way of working by creating structures that build in control and compliance but do not impact creativity. CIOs and CMOs need to take joint responsibility of marketing activities.

Build marketing skills

With the IT and marketing organizations working in close collaboration, the CIO needs to offer diverse skillsets and tools. For example, while IT will work with project managers with IT knowledge, for the marketing set-up the CPG company may need people from a creative agency background.

Foster innovation

Typically, it is the marketing team which comes up with innovative ideas; IT implements these. However, the marketing function today works not only with creative agencies but in an ecosystem with technology partners, service partners and product companies. Therefore, the best of CPG companies are focusing on how they can give innovative ideas to their marketing teams. It is becoming a co-partner in the process.

Merge targets and governance

The collaborative journey is a slow one, as both the marketing and IT functions adapt to each other's needs and learn to trust. It is critical that the CIO does not run marketing projects as IT projects. Both the CMO and CIO must set up joint collaborative teams and teams with clear roles and responsibilities.



Conclusion

To fulfill the demands of the digital consumer, CPG companies need to make a paradigm shift in their marketing. The CMOs of these companies must think of marketing as a horizontal effort across all of channels since consumers need to see consistent messages across all channels with campaigns that are optimized for all devices. CPG companies need to understand their customers, and innovate a marketing strategy that engages the customer in the digital world.

To make consumer interactions relevant and nurture loyalty, CMOs need to build long-term relationships with individual customers, leverage multiple channels, centralize to gather actionable data, and integrate to measure ROMI. This calls for a robust and consolidated technology solution that helps engage customers, gather and analyze data, and create an effective marketing campaign. A collaborative partnership with the CIO can help complement a CPG company's marketing effort and drive home the marketing message.

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