



# Breakthrough levers to embark on digital marketing

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*How companies should transform themselves to attract  
and engage customers with real, omnichannel journeys*

# Content

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# Executive summary

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At the dawn of internet, content publishers started generating revenues by advertising products and services of the real world on their websites. Today the advertising industry is a blend of digital and physical media, and companies need to stay on top of its fast evolution. Following the original path, but years later, marketing and sales practices are relying more and more on digital channels. However, companies do not take most of the potential opportunities, because they are still tied to conventional customer engagement models and operate through traditional organizational structures.

Digital advertising investments are growing at a fast pace, with over 17 percent CAGR since 2011 and reaching 42 percent of total global ad spending. The forecasts see this shift continuing up to 50 percent in 2020, and in some markets, the share will be even larger. Here the key issue seems to be how to optimize ad spending, balancing the media mix between online and offline and earned and paid media, in order to maximize advertising effectiveness. In this regard, new trends are coming up, showing increasing integration between physical and digital channels: audience targeting, mobile and apps, social media, hot spots and IoT devices must be properly leveraged to unleash the full potential of future advertising campaigns.

As sales and advertising evolve online, customers are also increasingly using digital channels to shop, compare, interact and communicate, generating a huge amount of information about their needs and expectations. The potential behind this data is driving investments in big data software and tools, which globally accounted for over \$22 bn in 2015 and is expected to grow at a 47 percent CAGR in the next four years. However, investing in sophisticated technologies does not create value if marketing fails to create a comprehensive model to turn data into sales opportunities.

Nowadays, companies are struggling to deal with a more and more sophisticated customer. Online and offline touch points are generally unbound, failing to create the unique and continuous journey customers expect. The main challenge for digital marketing is to rule the omnichannel customer experience by embracing a vision to integrate marketing and sales processes aimed at increasing lead generation and conversion. Therefore, a new engagement model is key to interacting with the customer on the journey, which takes place in both the digital and physical worlds.

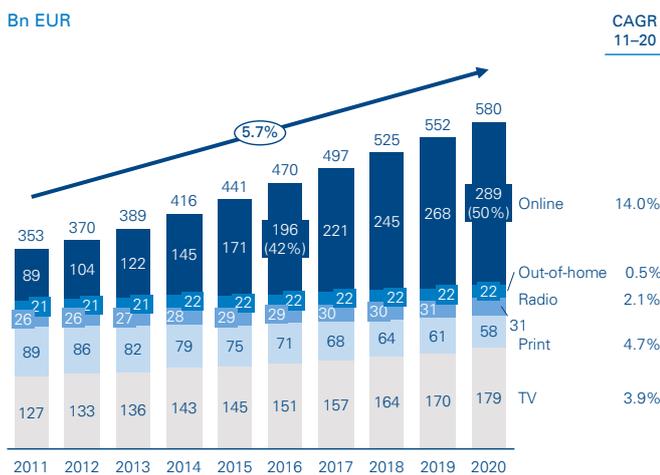
According to a 2017 survey of US senior executives about big data business impact, 85 percent of respondents said their companies had started programs to create data-driven cultures, but only 37 percent reported success so far. The issues are associated with management understanding, organizational alignment and organizational resistance.

Marketers are facing the above-mentioned challenges, which demand a redesign of processes, tools and competencies to cope with the new paradigm of the digital era. We envision the marketing department of the future as a function that (i) generates fast and continuous data-driven market insight, (ii) directly governs and influences the sales channels and (iii) integrates its operations with the sales department to guarantee a seamless experience for the potential customer.

# 1. The evolution from *paid* to *earned* media

In 2016, the global advertising spend amounted to EUR 470 bn, with TV advertising and online advertising as the two largest segments. However, online advertising has rapidly grown in importance over the past 10 years, and by 2020, it will represent more than half of total advertising spend. In some leading countries, online advertising was already by far the largest advertising segment in 2016 (e.g., UK 58 percent of total ad spend, France 49 percent, Germany 43 percent, South Korea 42 percent).

Figure 1: Global advertising spend by type, 2011–2020



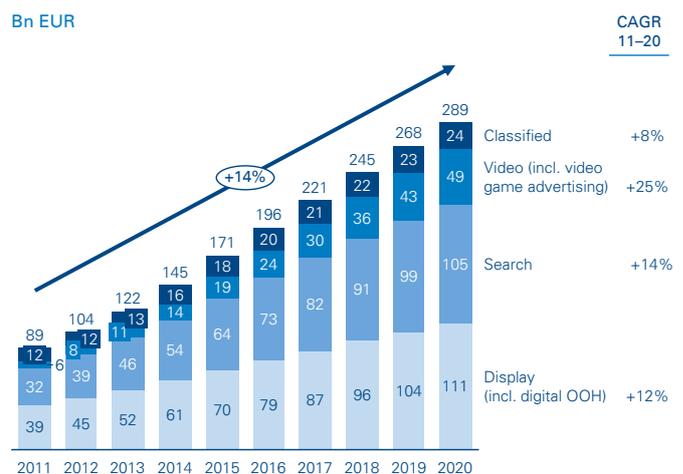
Source: Arthur D. Little "Media flow of funds database", 2017

The range of online advertising types is rapidly expanding, and so far more than 20 sub-segments exist. For simplicity, they can be clustered into four main segments: online classifieds, video, paid search and display advertising. All main segments show strong growth until 2020, although classifieds and display advertising will prove somewhat less dynamic in comparison to video and search advertising.

The main advantages of online advertising over other media is the opportunity to efficiently address specific groups of customers. In order to serve targeted advertising, a number of elements need to be in place:

- The ability to identify a given recipient of an advertisement
- The knowledge of relevant targeting information for that individual
- The ability to distribute the targeted advertisement

Figure 2: Online advertising by type of advertising, 2011–2020



Source: Arthur D. Little "Media flow of funds database", 2017

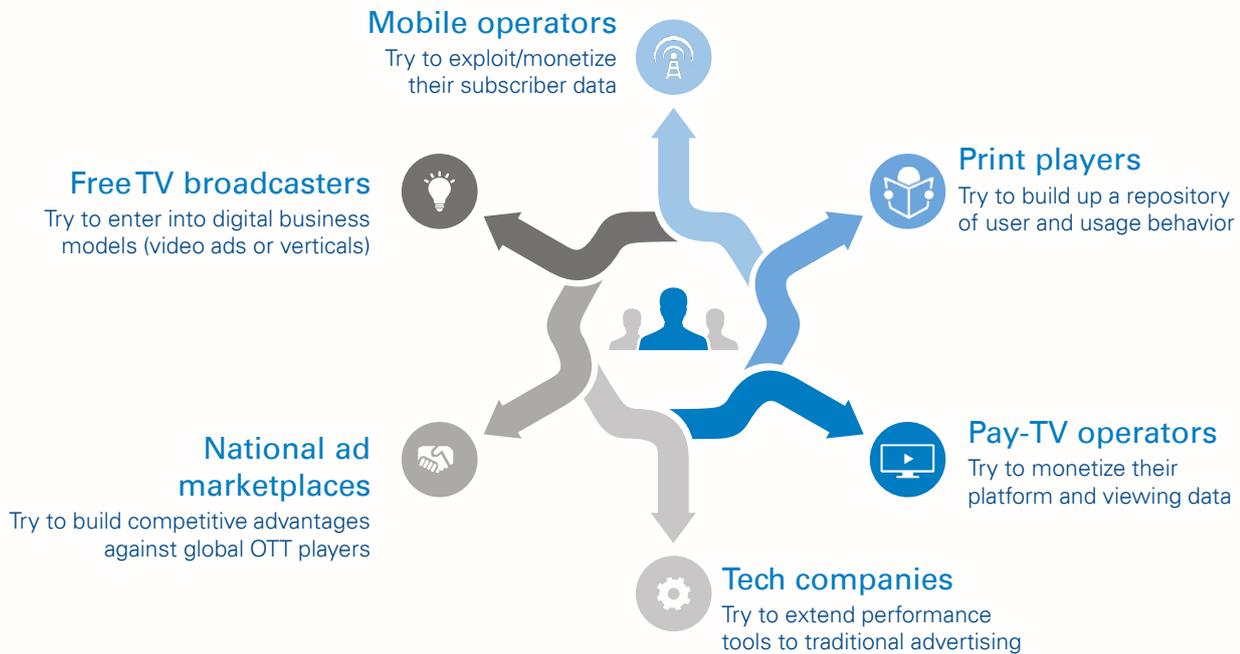
Along the advertising value chain, different players are leveraging their data and capabilities in different ways to take advantage of the growth opportunity given by targeting online advertising audiences.

One of the most interesting trends is the creation of large advertising marketplaces at national level. These platforms add to the efficiency of programmatic advertising in a large and complete nationwide ad inventory. A recent example is the foundation in 2016 of Admeira in Switzerland. Swisscom, Ringier and SRG created a cross-media targeted advertising joint venture, thereby regrouping Switzerland's most desirable ad inventory with a potential net reach of 80 percent. Admeira includes:

- All titles and online property of the leading newspaper & magazine group
- Audience share leading free-to-air TV and radio broadcasting (public)
- Largest pay-TV platform & mobile operator (for targeting purposes)

To avoid regulatory remedies, the JV is open to all other interested media companies in TV, radio and print and online that want to market their inventory through the marketplace. As the JV is committed to developing an independent, total-audience advertising currency, this will ultimately result in a quasi-requirement for all ad inventory owners to join.

Figure 3: Players in the advertising value chain and their opportunities in the digital channel



Source: Arthur D. Little

As large advertisers shift more and more of their budgets online, their online advertising operations become more sophisticated, too. Organizations are discovering a new purpose for using digital channels: collecting data and insight from customers. FMCG players such as Nestlé and Henkel have built up dedicated teams and invested in software solutions that allow them to steer and measure (ROI) their online advertising spend across segments and match this to their customers’ behavior.

Conversely, offline media typically face hard challenges when it comes to measuring the ROI of advertising investment. In the age of advanced data analytics, the low measurability of offline media spend becomes increasingly untenable. Thus, a considerable number of start-ups are currently working on making traditional advertising spend as measurable as online ad spend. Telecom operator Telefonica O2 in the Czech Republic has developed a tool that allows for accurate footfall measurements of out-of-home advertising, based on anonymized mobile-subscriber location data. Another such example is the real-time TV advertising measurement company AdScanner. Its video recognition algorithm and analytics process automatically recognize, track and catalog TV advertisements in real time. Its searchable database can visualize broadcast reports for each industry, category, company, brand, product, campaign or individual ad. In addition, advertisers are informed via automated, customizable notifications (API) whenever a predefined scenario has occurred with their or their competitors’ presence on TV. AdScanner has also developed real-time

audience measurement technology to evaluate the performance of TV content and ad campaigns by integrating the viewer behavior of hundreds of thousands of IPTV households.

The involvement of social media in marketing products is evolving so fast that the lines that separate social media from sales are blurring. Major brands are facing key challenges as their digital communication channels get more and more important in marketing communication. Typically, digital-channel operations are outsourced to local/regional social media agencies. Furthermore, marketing budgets are coming under pressure. Consistent communication of brand values is thus more difficult than ever, as digital channels are becoming increasingly global. At the same time, entry barriers into publishing and broadcasting are decreasing fast. This has led to large, in-house digital media operations at some brands.

The most aggressive move into digital marketing was undertaken by Red Bull. With Red Bull Media House, the energy-drink company created a dedicated media unit with the clear goal of communicating and shaping the brand values through high-quality “earned media”, i.e., advertising messages packed into editorial content. The company was launched in 2007 in Salzburg, Austria as a multi-platform media company with a focus on sports, culture, and lifestyle. Since then, a network of correspondents in more than 160 countries has been established, along with a subsidiary in Los Angeles, California in 2011 for digital and film productions. The company can rely

Figure 4: Red Bull Media House



 <p><b>The Red Bulletin</b> A global magazine about sports, culture and lifestyle. A magazine with a difference.</p> <hr/>  <p><b>Servus in Stadt &amp; Land</b> Natural, down-to-earth, authentic, and grounded in the region – that's the mindset behind this magazine.</p> <hr/>  <p><b>Terra Mater</b> Nature, science and old-fashioned journalism: the perfect read for anyone looking to enjoy their sense of wonder.</p> <hr/>  <p><b>Bergwelten</b> An alpine adventure magazine for everyone who likes getting out into the mountains or dreams of doing so.</p> <hr/> <p><b>#ICH</b> The new fashion magazine – surprisingly different.</p> <hr/>  <p><b>Seitenblicke</b> An entertainment and must-have magazine for anyone interested in the world of showbiz and celebrities.</p>	 <p><b>Red Bull TV</b> Programming offer for sports, culture, and lifestyle content, available globally and in a variety of forms and broad-casts through different channels.</p> <hr/>  <p><b>ServusTV</b> TV broadcast for Germany, Austria and Switzerland – premium content, focusing on stories of human history, cultures and technologies.</p> <hr/>  <p><b>Terra Mater Factual Studios</b> Production unit specialized in top-end documentary and non-fiction production, featuring genres like wildlife, science, and history.</p> <hr/>  <p><b>Red Bull Air Race The Game</b> <b>Gaming motorsports series</b> The fastest motorsports game in the world.</p> <hr/>  <p><b>Gran Turismo 6</b> <b>Console game integration</b> Exclusive Red Bull race cars in this awesome racing game series.</p> <hr/>  <p><b>Red Bull Reality Check</b> <b>Gaming reality series</b> Reality series building bridges from the real to the virtual world.</p>	 <p><b>RedBull.com</b> The Redbull.com network is the main entry point to a world of content, games, social tools, and applications.</p> <hr/>  <p><b>RedBull.TV</b> Platform for live programming and on-demand video content from Red Bull Media House and its partners.</p> <hr/>  <p><b>RedBulletin.com</b> RedBulletin.com is based on the idea of visual storytelling and translates The Red Bulletin magazine's content into the digital world.</p> <hr/>  <p><b>Social Media</b> Our social channels are highly frequented and liked by millions of followers, friends and fans.</p> <hr/>  <p><b>Speedweek</b> Cars, motorbikes and the sound of engines. Every issue brings all the latest information on global motorsports events.</p> <hr/>  <p><b>Red Bull MOBILE</b> The ultimate mobile experience: apps and games and exclusive content, paired with uncompetitive tariffs.</p> <hr/>  <p><b>Mobile applications</b> Our unique universe of apps contains more than 25 apps for diverse fields of interest.</p>	 <p><b>Red Bull Music Publishing</b> Professional development for upcoming artists and business entity for partnerships with established artists and brands.</p> <hr/>  <p><b>Red Bull Records</b> Full-service independent record label dedicated to long-term artist development and music sync opportunities for partners.</p> <hr/>  <p><b>Red Bull Music Academy Radio</b> One of the most listened online radio stations in the world, on-demand music programming with thousands of exclusive shows.</p>
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Source: Arthur D. Little

on extensive global logistics through the energy-drink business, thereby covering major events across the globe efficiently. Red Bull Media House has also built a fully integrated digital production environment for all media channels.

In the long-term, the increasing prevalence of targeted advertising will result in a rise in online advertising prices, i.e., targeting effectively is "gold-plating" for online advertising. At the same time, the emergence of real-time and data-heavy performance measurement capabilities for traditional advertising inventory and the continuous decline of their reach will exert pressure on traditional ad inventory prices (print, TV, radio). At this stage it also appears that media agencies will find it increasingly difficult to justify their dominant demand-and-supply aggregation role.

The crisis of traditional ad marketplaces will arise fast, as they will fail to provide transparency, increase efficiency of demand-and-supply matching, and lower fees and commissions. Companies should foresee this scenario and act in order to advance their communication practices. The growth of companies' earned media gives them the chance to evolve traditional communication functions into internal media agencies. In line with this vision, the communication manager will supervise content production, which will benefit from messages more coherent to internal brand culture than those created by external agencies.

## 2. A new customer engagement model

If the valorization of earned media can transform the way companies reach customers, a new customer engagement model can be created by digitally disrupting the traditional marketing practice. The existing model must be rethought in a logic that takes advantage of new, digital customer interactions. Through the customization of these interactions and finally the identification of online users, the virtual and real worlds can be linked, thus enabling companies to offer customers seamless experiences with their brands.

The consequent knowledge transfer between the two worlds will become the most precious asset to decoding customers' behavior and comprehending *how, where* and *when* to interact with them. This is even more relevant for non-digital-born companies, most of which still rely on large, physical networks for customer interaction. These companies must define new roles for their physical networks before they become obsolete.

The generation of continuous and fresh market insight and broadened knowledge of new and potential customers are key levers to determining higher sales results.

We have demonstrated that the growth of customer proximity increases the generation and improves the conversion of sales opportunities.

Digital channels have posed serious challenges to the ways customers are engaged. A look at these challenges for some of the major industries is convenient before further examining the above-mentioned topics.

### A comprehensive vision for digital marketing

Companies must embrace a new approach in order to give strategic relevance and a clear purpose to the digital marketing practice. This approach is based on seven major activities grouped into three areas, which recur iteratively to achieve progressively more accuracy and commercial success:

#### Data management

- **Data collection** activities must be systematic and regard structured processes implemented both online and offline. Because they will find value in the interaction, customers

Figure 5: Gaps and challenges from digital disruption in different industries

	Durable goods  Automotive	FMCG  Fashion & apparel	Services  Financial services
Omni-channel gaps	<ul style="list-style-type: none"> <li>■ 74% of online test drive requests are managed after more than 4 days (51% after more than 10 days)</li> <li>■ Salesmen do not leverage insight and data gathered online</li> <li>■ Leads generated are not fully exploited</li> </ul>	<ul style="list-style-type: none"> <li>■ Physical stores do not have availability of full product lines like customers experience online</li> <li>■ Price asymmetry online-offline</li> <li>■ Only 20% of US users frequently use coupons collected offline for online fashion purchases</li> </ul>	<ul style="list-style-type: none"> <li>■ Information asymmetry between website, call centers and branch visits</li> <li>■ Only 40% of customers who requested an offer proposal received it in the end</li> <li>■ Retention and conversion rate is high for branch visits only</li> </ul>
Future challenges	<ul style="list-style-type: none"> <li>■ How to improve connection between online and offline touch points?</li> <li>■ How to create actionable insight from big data?</li> <li>■ How to enhance targeting and sales from leads generated online?</li> </ul>	<ul style="list-style-type: none"> <li>■ How to create the expected seamless experience in the online and offline channels?</li> <li>■ How to leverage complementarity of online and offline retail channels?</li> <li>■ How to leverage digital tools to enhance physical customer experience?</li> </ul>	<ul style="list-style-type: none"> <li>■ How to maintain strong reputation and trust with reduced human contact impact?</li> <li>■ How to reach the high conversion rate of physical network with online channel?</li> <li>■ How to create and implement omnichannel synergies?</li> </ul>

Source: Arthur D. Little project experience

will agree to provide the information required. Mandatory, easy-to-fill-in contact forms should be located at all touch points, while new physical formats can enrich the journey for customers, prompting them to release more information.

- Data collection from multiple sources, structured or unstructured and with different format or size, can be useless if not properly managed. The purpose of **Data integration** is to merge available data into a single data lake, where it is cleansed, transformed and linked, ready for advanced analysis and visualization.

## Data intelligence

- Data analysis has to rise to a superior level to create insight relevant to business. **Predictive models** can predict results of digital actions. Reverse engineering of purchases can identify common paths from customers that successfully complete the sales funnel. Finally, machine-learning algorithms can support marketing automation by adapting analysis outcomes in real time to better match customer preferences and attributes.
- **Advanced clustering** must be executed through combining multiple dimensions (purchase intention, demographic, personal interests, competitors' awareness, social media behaviors, etc.) to recognize profiles of customers and users with similar characteristics. Homogenous groups are adjusted dynamically to raise the accuracy of the most relevant customer behaviors.

- A group of customers must be targeted through specific actions in accordance with their characteristics. Choosing the right cluster through the right channel, with the right content at the right time can maximize the effectiveness of **targeting** and the returns for each action.

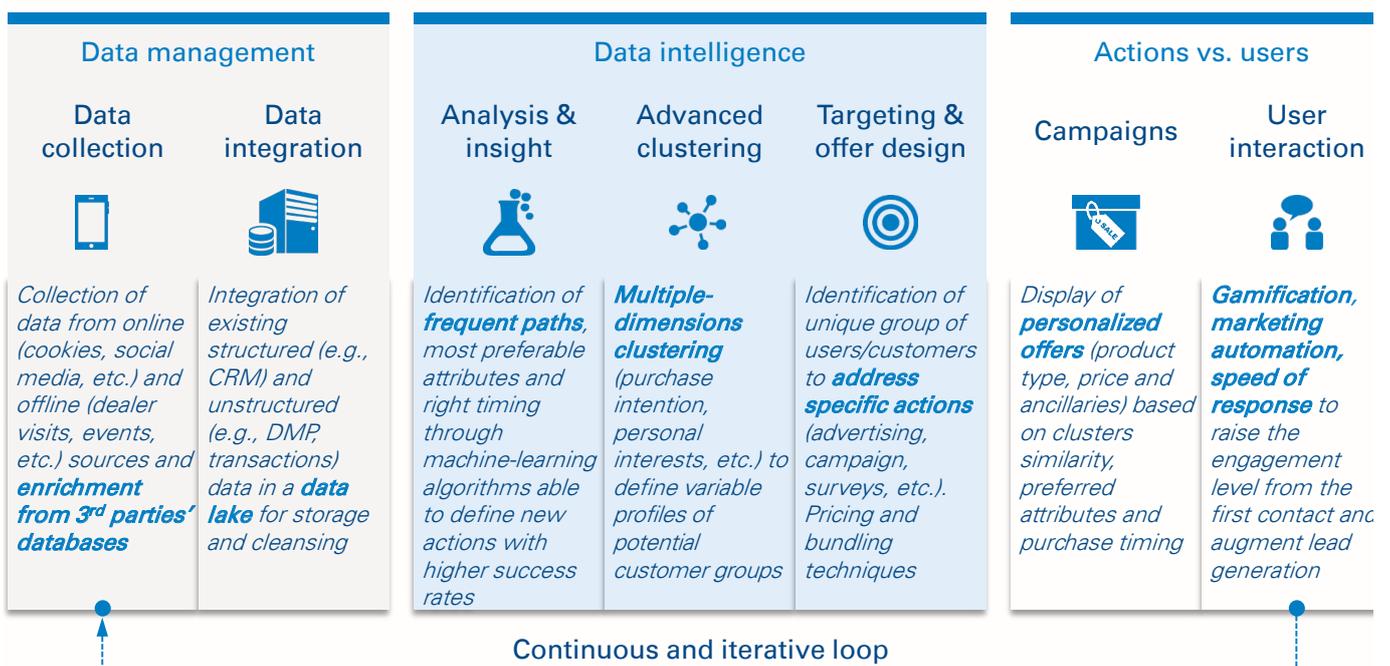
## Actions versus users

- **Dynamic offering** must be adopted in order to display personalized offers that meet customers' preferences in terms of models, price and ancillary services.
- **Gamification** techniques must be employed to engage customers/users with rewards, collect their contact information and keep them connected for longer times. **Marketing automation** must increase the speed of response to customers' inquiries. Every online interaction must aim to **identify the user**, linking the user ID to the physical identity, in order to create a seamless experience for the customer in a truly omnichannel relationship.

## A new role for the physical network

A physical network of stores or branches has, for a long time, been the most effective way for retailers to get in contact with customers. The rise of the digital channel started threatening the role of the physical channel, with most businesses considering one a substitute for the other. This idea is fallacious. In fact, it is more likely that the two will coexist in a complementary, synergic relationship.

Figure 6: New digital marketing approach



Source: Arthur D. Little

While e-commerce is increasing its performance, targeting one-day delivery time and highly efficient order fulfillment, physical networks are still the center of retail business, cooperating with online websites in the so-called ROPO<sup>1</sup> model. However, the rise of smartphones and cheap prices from online stores is pushing the growth of the opposite phenomenon: TOPO, try offline and purchase online – also known as “showrooming.” This model defines a new purchase behavior, and ultimately has the power to transform the business models of retailers and the role of physical networks deeply.

The future might no longer see physical stores as the core of sales operations, but as the core of customer emotion, intended to be everything that cannot be experienced online: feel, touch and immersion into a real experience can make the difference in the engagement process and eventually determine the sale (even if online). An American online men’s apparel brand created a physical network, now accounting for 20 stores in the major US cities, with the purpose of allowing customers to try on its clothes. Other fashion brands are equipping their stores with interactive glass walls to support customer choice with additional online content.

Pop-up stores and hot spots will increase their penetration in urban and metropolitan areas, delivering highly emotional and content-rich experiences with the aim of capturing incoming traffic and the attention of potential customers. The automotive industry is one of the most active in this sense. All major premium brands have already set their city showrooms to seduce passing pedestrians and raise the emotions created by high-tech products. In line with this trend, a shift in budget from network development to big retail events is expected.

The physical network as we know it will not disappear, but it is likely to be re-engineered. Retailers will have to optimize stores’ distribution and dimensions, design new formats, rationalize internal layout, improve operations efficiency and create sensorial networks that can track customers’ in-store behavior. At the same time, other devices will need to interact with customers to provide real-time, customized content.

Customer data is driving the optimization process. Some digital-born retailers are already exploiting the customer insight generated in the digital channel to build more rational (and profitable) retail networks. Leveraging information about customer locations, they are placing their stores closer to their customer bases, sizing them in accordance with the real market size and minimizing the value erosion of last-mile delivery. Additional intelligence on historical online transactions allows

customized promotions to be created, the right pricing to be established and customers’ purchase frequency to be matched.

Disregarding where the sale or other phases of the purchase process will happen, online and offline channels will be more and more integrated. Customers demand an omnichannel experience, and companies with large physical networks must recognize the gaps to fill:

- Non-digitized data collected offline, which prevents integration with online data and a better understanding of customer omnichannel behavior
- Shortage of product-portfolio offers, despite the website showing the full product line
- Lack of highly emotional experience, which the online channel cannot deliver

To fill these gaps, companies must make good use of customer data and deploy new digital-marketing visions that can reshape the way they interact and engage with their customers.

### **Closing the circle with an effective conversion model**

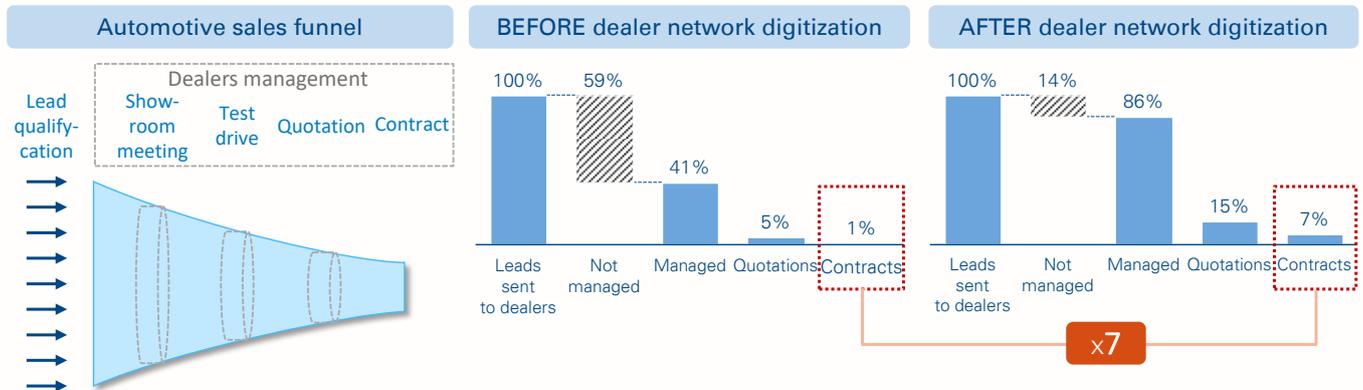
A forward-thinking approach and productive use of sophisticated technologies to perform digital marketing can be useless without an effective conversion model in place. All the data collected and analyses executed must create sales opportunities and increase their quality level. However, even the “most-likely-to-purchase” situation might not be successful if a proper set of actions is not triggered to complete the sales process.

For companies that market durable goods, this issue is more evident. In fact, it creates clear discontinuity between the creation of an opportunity online and the real purchase, because the latest must occur in the physical channel. An example is the automotive industry. Leads generated in OEMs’ owned media and recorded as “interested in purchase within one to three months” might not be converted into contracts if they are not properly managed by the dealer’s network. In this case, the connection between the digital and physical channels must be seamless to prevent low conversion rates and impacting the digital marketing strategy.

Our experience shows that with a systematic and structured approach to sales-funnel management, the conversion rate of a marketing campaign can be boosted by 87 percent, with sevenfold offline conversion of leads. The pillars of successful lead management are still data analysis and customer centricity. The generation of insight from unsuccessful sales allows minimizing of dropouts from the sales funnel in the future. In addition, an essential support to steering and improving the

<sup>1</sup> ROPO: Research online, purchase offline

Figure 7: Leads management performance of automotive dealers network, before and after digitization



Source: Arthur D. Little project experience

offline process has been the “voice of the customer”, gathered through thorough market research on different clusters of leads that have connected with the OEM’s brand. Implementation of the proper lead management solution valorized the existing physical network by digitizing the traditional sales process and transforming the sales force’s approach towards customers.

Many other industries can benefit from sales-funnel analysis and “voice of the customer” insight. In the telecom industry, a major breakthrough occurred with the introduction of push notifications and geo-localization. Leading companies have doubled campaign conversion rates after improving sales-funnel monitoring through new sets of information collected with mobile apps. In the financial-services industry, a case study

proved a 39 percent increase in the new-account conversion rate: the analysis of customer data gathered in the digital channel enabled identification of clear actions to improve the application process.

Ultimately, to achieve high conversion rates, companies must establish attentive lead management practices. This endeavor requires companies to embark on medium-term programs to transform their sales-force approaches in physical channels. Regardless of where purchases are finalized, companies need to develop data analyses and market research to minimize sales-funnel dropouts. Effective lead management will guarantee full access to digital-marketing returns.

### 3. The digitally transformed marketing organization

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The digital-marketing vision depicted in the previous chapter might miss its goal of engaging potential customers if not properly implemented. Nevertheless, this vision integrates the two main changes that any industry must accomplish to overcome future challenges: achieve customer-centricity and embrace digitization.

Unfortunately, many companies face internal resistance to organizational transformation. Generally, they limit the change to small parts of their organizations, keeping the existing structure and introducing dedicated teams to deal with digital channels and customer centricity. In the end, the impact on company performance is secondary and, most of the time, business management remains in the hands of traditional functions.

Marketing and sales departments in particular need to find new organizational solutions to embrace digital marketing. A small team of digital-savvy people within the communication department cannot be enough to exploit the full potential of digital marketing. Conversely, marketing and sales should rethink their structures and governance and identify the resources with the capabilities to implement a real digital vision that can generate benefits for the whole organization.

#### The set-up of a new organization model

Most existing marketing and sales organizations consider data from digital channels byproducts of online advertising, using it to feed a basic targeting process. Each unit keeps its data siloed, even if it relates to the same customer. Market-insight generation is limited by first-level data analysis that cannot completely decode customer behavior. Consequently, actions towards customers/users are not as effective as they might be, and high returns on digital investments remain locked.

A transformation must occur in order to define a new marketing organization inspired by a set of guidelines to exploit the digital channel and develop specialization in the customer:

- High level of integration of the offline and online customer journeys
- Higher speed in decision-making for all customer/prospect operations

- Development of an omnichannel approach
- Development of advanced analytics and big data management
- Specialization of communication in paid-media budget allocation and earned-media management
- A leaner governance model with specific objectives for each marketing unit

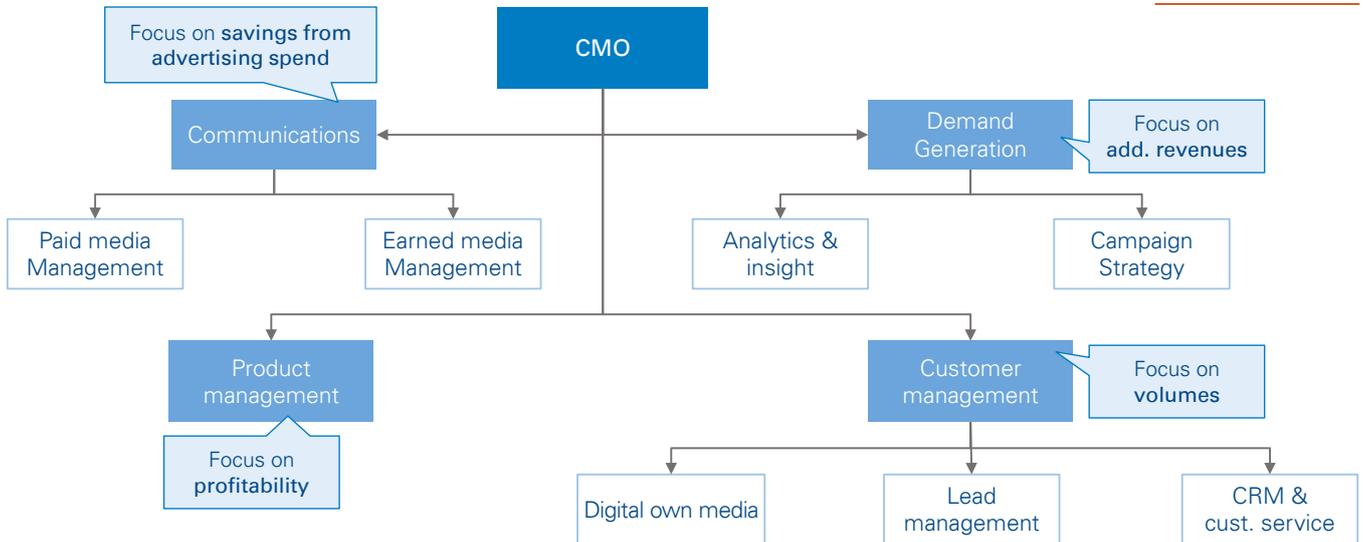
In order to achieve this transformation, organizations need to change their perspectives of digital marketing and customer management. They must recognize the business impact of these activities and define objectives accordingly. This includes establishment of dedicated KPIs and new incentive schemes that take into account sales results attributed to them.

With the creation of digital and customer-focused units accountable for business results, marketing departments can bring customer and product to the same level. The specialization in the two main assets of the market can enable the marketing practice to drive sales performance. While a product management team is common in most marketing organizations, a new unit uniquely focused on customer management can make the difference now that the digital channel allows effective interaction with customers.

All the typical functions that deal with customers (or prospects), in both digital and physical channels, converge within the customer management unit. In addition to traditional CRM and customer-service teams, a team of experts on lead management focuses on carrying customers along the sales funnel, maximizing the conversion rate of each step of the commercial process. Finally, the digital owned-media team is responsible for both data management and the digital experiences of customers: its main goals are to improve the effectiveness of customers' digital journeys and collect and integrate their data in order to arrange it for analytics. Separation of digital operations from communication purposes will increase the effectiveness of lead generation by aligning the digital team with the conversion objectives of the whole customer management unit.

Figure 8: The digitally transformed marketing organization

NOT EXHAUSTIVE



Source: Arthur D. Little

Other staff units complete the marketing department, providing services to the product and customer units. The communication unit turns into an internal media agency, managing both paid and earned media. The communication manager focuses on generating savings from paid-media purchases by effectively dealing with external media agencies or directly managing programmatic ad marketplaces. Mindful utilization of earned media, as previously discussed, will require a new specialization in content strategy in order to produce content that improves brand reputation and increases word of mouth.

In the demand generation unit, analytics and campaign strategy converge to provide market insight and define offers and campaigns to be executed by customer management. This last unit must concentrate its efforts on developing advanced analytics by leveraging big data collected from the customer, and on identifying clusters that effectively describe the multitude of customer-base profiles. Eventually the success of data intelligence activities also depends on skills and competencies that companies can develop internally or take from the outside.

**Building skills and competence for digital marketing**

While companies raise the bar of digital-marketing expectations, marketing directors feel the urgency to develop expertise that their current teams still have not mastered. Advanced analytics, data management and digital-channel operations face a shortage of required skills and capabilities.

One of organizations’ recurring answers to competency gaps is outsourcing expertise from specialized firms. This might be a valid alternative during the initial phase of the transformation process, but it must not be considered a permanent solution. The growth of digital marketing will increasingly impact business

performance, and hence the capabilities it demands will become core assets for any organization. Newly established analytics or data management teams need time to grow and learn the new skills before taking over the activities outsourced to experts.

Recently, new models have been emerging to spur innovation among market incumbents. One of these is collaborative innovation, or co-innovation, among companies, whether they are established brands or start-ups, with state-of-the-art expertise in specific fields. Even partnerships with existing technological suppliers can produce mutual benefits. In fact, co-innovation can accelerate the innovation process by providing companies with skills they have not yet developed, and technical partners with concrete business cases with which to test and improve their products and/or services. In addition, companies can reduce time to market by leveraging their partners’ experience in other industries and transposing their best practices.

By following this model, digitally transformed marketing organizations can support advanced data intelligence activities from the very beginning. They should seek collaboration with small firms that are focused in big data analytics and filled with data scientists able to add value to the enormous data sets of large companies. Digital marketing will have a long-term impact on business if companies can innovate their practices and transform their organizations continuously, in order to improve their ability to extract value from all data collected in physical and digital channels.

## 4. Open-data platforms – the next digital breakthrough?

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The evolution of the marketing department into a modern organization that can leverage opportunities offered by digital channels is still behind expectations in most of the industries. In this report, we uncovered two major challenges to achieving success in digital marketing: (i) governing the new media ecosystem by innovating customer communication management and (ii) realizing a new engagement model that individualizes the relationship with the potential customer. To accomplish this endeavor, companies must pursue disruptive transformation of their organizations, firstly redesigning the roles and responsibilities of the internal marketing structure and then internalizing the new skills and competences needed to handle a digital world.

We have seen how advanced players in the advertising value chain are reshaping their role, driven by the new capabilities unlocked by digital channels. The rise of earned media offers companies the opportunity to balance media-budget expenditures counter to paid media, and gain a degree of freedom to stimulate customers. The consequence is evolution of the communication function into an internal media agency, which can manage and create innovative content, leverage programmatic advertising to reach a better-targeted audience and generate savings from traditional media-budget expenditures.

The proliferation of touch points and the need to connect physical and digital journeys have increased the complexity of customer engagement. The latest developed technologies can facilitate knowledge transfer between online and offline channels, enabling identification of users/customers during interaction with brands. Businesses equipped with retail networks must adopt omnichannel approaches integrating their online and physical presences, focusing on providing emotional experiences. An attentive use of customer information gathered throughout the buying process can boost the conversion ratio of leads in sales.

Companies that will have the vision and commitment to accomplish these changes will gain distinctive positions in the

market and be able to exploit the best market opportunities through the latest technology innovations. They will rely on competitive advantage built around deeper customer knowledge and solid ability to manage and comprehend large amounts of data.

Furthermore, companies operating in the EU will have to increase their specialization in data policies as they will face strengthening of customer data protection laws with the May 2018 introduction of the new EU General Data Protection Regulation (GDPR). This regulation requires companies to comply with more duties such as data-breach notifications and appointment of data protection officers, but it also offers interesting opportunities such as those behind the principle of data portability.

At Arthur D. Little, we believe the next level of this trend will be the employment of “open-data” platforms: the creation of more and more valuable insight by connecting cross-industry data. The “open-data” model particularly suits companies that operate in adjacent sectors, since they can all benefit from data sharing and expand the knowledge of their customers into different journeys without any competition conflicts.

The typical digital experience can involve different products and services from different vendors, although the customer perceives the journey as unique. For example, a rail-infrastructure manager, a telecom company, a financial-services company and a tourism player could collectively gather different data sets for the same user, and would find mutual advantages from sharing this information. As a result, the comprehension of the customers’ behavior and profiles could be discerned and understood in a wider and more complete context.

Deeper knowledge of the customer would originate more personalized relationships and better-tailored actions, resulting in higher success rates for businesses. Eventually the potential of these “open-data” platforms, though still undiscovered, could represent the visible point where digital marketing should direct its expansion and set its ambition.

# Notes

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Breakthrough levers to embark on digital marketing  
– How companies should transform themselves  
to attract and engage customers with real,  
omnichannel journeys

## Arthur D. Little

Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. Arthur D. Little is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

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