

Creating a Connected Consumer Experience Through Measurable Digital Marketing



Connected Experiences for **Consumer Goods**

Delivering Value Today, Driving Innovation for the Future

Introduction

At the beginning of the industrial revolution, market power resided with the manufacturers that had economies of scale and could control the supply chain. Typically, these manufacturers were vertically integrated, would produce to capacity, and would then push their products through the supply chain. Even today, many business models still reflect many aspects of the old “push” model approach.

In the 1980s, a few retailers—for example, Walmart, Carrefour, and Tesco—grew to such large proportions that they were able to exert tremendous pressure on their suppliers. The result was a “buy and leverage” model: a retailer would purchase large quantities of a product at heavily discounted prices, and keep inventories high to support promotional pricing. This practice of “forward buying” caused havoc for suppliers as manufacturers struggled to control costs.

In the late 1990s, with the advent of the Internet, shoppers gained new online capabilities and access to huge amounts of information. The new connected shopper is able to leverage this information and translate it into real shopping power that influences not only product design, but also the features, pricing, availability, and service levels that CPG companies must deliver in order to remain relevant in the marketplace.

Today, manufacturers and retailers need to be smarter about meeting consumer needs, offering products and promotions, and managing their inventories more efficiently. Being “demand-driven” has become the order of the day for industry-leading companies. Accurate prediction of demand and replenishment is critical to meeting the expectations of today’s connected shopper.

There is, however, good news for manufacturers. Currently, there is enough computer capacity and processing power, along with analytical capability, to track shopper behavior in near-real time—in other words, to observe shoppers’ behavior patterns as they unfold, and then serve the shoppers with the products and services they want. While the new “observe and serve” model is a viable way to adapt to technology-led changes, many companies are still trying to understand how to adjust their existing business models to support it.

Connecting with Today’s Shoppers

Technology has radically transformed the practice of marketing, and it continues to transform the way customers interact with businesses. As a result, consumer goods companies and their retail partners need to differentiate themselves from the competition by using new formats and channels for connecting with consumers.

Market-responsive companies are embracing digital marketing, mobile promotions, integrated analytics, and new forms of promotions in order to create a two-way conversation with shoppers and consumers. In fact, the digitally connected lifestyle has created a dynamic environment in which companies can listen to their customers’ wants and needs, and then use what they learn to create new, innovative products and promotions, and to quickly address new market opportunities.

Key Challenges for Consumer Goods Companies

Reaching Empowered Shoppers and Consumers

Today's consumers have a plethora of choices, and they rely on abundant product information—including price and availability information, reviews, and special offers—to help them make decisions. Increasingly, consumers are gaining power in the marketplace and, in many cases, are dictating the terms of the purchase. To better cultivate brand champions, build one-to-one relationships with purchasers, and adapt product supply to meet fluctuating shopper appetites, consumer goods companies need to blend new technologies, such as digital marketing and social networking, into their traditional marketing programs.

Building Shopper Loyalty with Promotions

Traditional consumer promotions are declining in effectiveness. New technologies offer opportunities for consumer goods companies to create robust promotional campaigns, such as digitally targeted or mobile coupons, and various types of consumer engagement programs, both in-store and online.

Managing Trade Promotion Complexities

Trade promotion spending is typically the second-largest spending area for consumer goods companies, representing as much as 10 to 20 percent of revenue. What's more, these funds are often dispersed throughout a sales organization, leading to challenges in managing, monitoring, and tracking the expenses. As more trade promotion tactics become digital, increased visibility, accountability, and compliance become possible. The following figure illustrates some typical marketing issues.

The graphic is titled "Connecting Shoppers & Consumers" and is set against a dark blue background. It features three distinct panels, each with a quote, a person, and a screenshot of a software interface.

- Panel 1 (Left):** A quote from a Marketing Manager: "I need a way to reach our best customer communities." Below the quote is a man standing in front of a screen displaying a "Home Theatre Campaign" website. The panel is labeled "Social Networking".
- Panel 2 (Middle):** A quote from a Chief Marketing Officer: "I need to understand how our investments are impacting market share and profits." Below the quote is a woman standing in front of a screen displaying a dashboard with various charts and graphs. The panel is labeled "Accountable Digital Marketing".
- Panel 3 (Right):** A quote from a Director Trade Promotions: "I need tools that simplify how our people work with our retail partners." Below the quote is a woman standing in front of a screen displaying a "Partner Business Planning" interface. The panel is labeled "Collaborating Effectively with Partners".

Creating additional, measurable information about trade promotion tactics can help marketers make more informed decisions about the best way to optimize the marketing mix, understand program effectiveness, and justify specific tactics by showing meaningful value.

The Importance of Building a Responsive Marketing Campaign

Marketing is typically the second-highest budget line item, exceeding all other expenses except the actual cost of goods sold. As consumer goods companies strive for more efficient marketing spending and a demonstrably higher return on investment (ROI), they are increasingly focusing large portions of their marketing budgets on digital advertising, promotion, and trade tactics. Companies that engage in a conversation with consumers about what they want and need, and then deliver against that, will succeed. Companies that are able to observe patterns and serve consumers with a custom marketing message or offer will achieve even greater results.

One of the biggest challenges that businesses face in their marketing campaigns is that, for the most part, marketing strategies and processes have not caught up with the consumer shift to a digital lifestyle and workstyle. The lines are blurring—buying and selling occur in many places, as do searching and online social interaction. This digitization of people's worlds creates new pressures on existing models—but it also creates new opportunities to reach people in more ways.

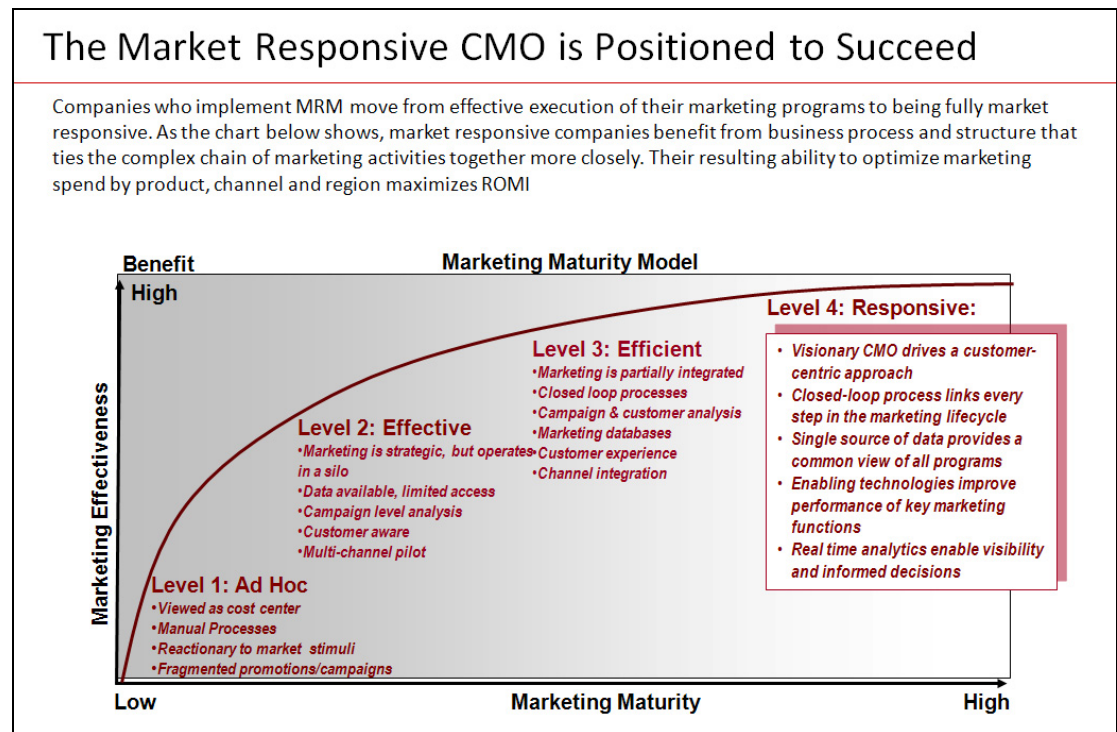
Consider the following:

- Twenty-first century marketing has become a world of specialization that is focused on an ever-increasing response to markets, competitors, and customers.
- The role of marketing is strategically changing, and decisions are increasingly focused on hard data.
- Marketing must increase relevance, improve customer experiences, and increase transparency.
- Marketing today is about top-line growth:
 - Competing via technology to increase sales and marketing effectiveness
 - Bringing professional management techniques to pricing, marketing, and trade spending
 - Growing sales while holding margins

As marketing becomes more complex, it creates more CMO risk. To mitigate this risk, it is essential to build a responsive, measurable marketing campaign that embraces technology that delivers critical real-time data, and that promotes marketing accountability by providing leaders with a complete picture of all marketing activities. Market-responsive companies are managing trade and marketing spending to be more accountable and more effective at driving targeted demand and margins.

At the same time, however, it is important that market-responsive companies never lose sight of what it is that makes marketing successful. It isn't about technology. It's about bringing the tactics to the consumer in the right place, at the right time, and with the right message, whether digitally or not.

The following figure illustrates the effectiveness of market-responsive companies.



Determining Appropriate Success Metrics

As you add digital marketing to your portfolio of tactics, another challenge during this transition is that no standard process has yet been adopted. Businesses are still figuring out what defines successful digital marketing practices. How do you measure success in digital marketing? What do you measure? What metrics do you use? The key is to develop a flexible digital marketing method that will work with the campaigns you are running *now*.

Collecting Relevant Data

For marketing professionals, a large incentive to adopt digital marketing is the desire to provide better experiences for customers across all their channels and touch points. Demographic and data-based digital marketing offers opportunities to tap into the consumer experience as it is occurring. It is also a source of supplemental data that can be collected and used.

The data for Web advertising has been fairly well documented over the last few years and is just starting to reach a maturity level at which marketers can start to incorporate it into their decision-making process. Newer forms of digital marketing, such as social media, are just starting to be defined. According to the Interactive Advertising Bureau, social media can be divided into three categories:

- Social media sites
- Blogs
- Social media applications

Social media sites are characterized by the inherent functionality that facilitates the sharing of information between users within a defined network. The nature of social media allows either party to initiate a conversation—a key differentiator from established broadcast channels. For marketers, endorsements by consumers, in the form of friending, following, and subscribing, validate their efforts and activate a viral distribution of their brand across channels.

Blogs offer an interactive channel for reaching engaged and enthusiastic consumers. Additionally, because of their conversational nature and affinity with readers, blogs can provide supplementary insight about consumer behavior and intent. With blogs, it is possible to map psychographic elements of engagement to traditional consumer demographic profiles.

Social media applications are software programs designed to work on one or more platforms.

The term *application* is most commonly used to describe a platform-specific program, such as a Facebook or MySpace application, that can tap into the sharing functionality or data available on a particular social network. This data includes such things as a user's friends and location.¹

Relevant types of data from social media sites and digital advertising can include:

- Unique visitors
- Cost per unique visitor
- Page views
- Visits (specific to UGC/social media)
- Return visits
- Interaction rate
- Time spent (section, microsite, and community)
- Video installations
- Relevant actions taken (for example, contest entries, poll votes, and comments posted)

Knowing how to get this data, and what to do with it, requires that businesses and marketers become educated about where they should be focusing. For example, to gather relevant data from blog posts, it is important to focus on conversations and conversation phrases. A *conversation* is a collection of authors/sites and their audience, linked by relevant content. A *conversation phrase* is a combination of keywords and keyword phrases used to associate an author/site, its content, and its audience to a conversation. Other relevant metrics to focus on include conversation size, site relevance, author credibility, and content freshness and relevance.

With digital advertising and social media playing an increasingly large role in the consumer experience, it is important to consider whether the online experience your company offers is optimized to take advantage of these trends.

¹ Interactive Advertising Bureau (2008)

Consider the following:

- The Internet experience is constantly evolving, and new communication technologies are emerging faster than you can perfect your Web site.
 - What's your mobile experience like?
 - Are you leveraging geospatial information?
 - How are you using voice?
- As traditional media evolve, it is important to use them efficiently.
 - Internet Protocol Television (IPTV) is on the way.
 - Content is moving from radio and television to new media such as Zune, iPod, and Xbox, and also to Internet sites such as YouTube and Hulu.
- The in-store experience must be responsive to the evolution of new media and the Internet.
 - How do you help a sales associate make a recommendation in the store that matches the recommendation the customer will get on the phone or on the Internet?

As a result of these changes, we are all drowning in data. To understand customer needs, and to approach customers with the right message in the right place and at the right time, marketing must make heavy use of customer data and analytic techniques.

In many companies, data and systems have evolved in silos driven by campaigns or individual brand teams. The question is, how can you consciously connect your existing business systems into a closed-loop process that will not only provide a better experience today, but also enable your business to adapt to changes tomorrow?

Creating a Successful Marketing Solution

Successful marketing management should encompass the business strategy, processes, and technologies in order to effectively align resources, execute customer-centric strategies, and improve marketing performance. It should utilize technology to enable—and, where possible, automate—the cohesive execution of the four Ps across every customer touch point.

A Marketing Resources Management (MRM) system can be very effective in optimizing the overall marketing efforts required for effective campaign management (CM).

- **Marketing Resources Management (MRM):** Enables the development of a set of processes and capabilities that enhance a company's ability to manage and optimize marketing resources. It also improves the planning, budgeting, creation, and execution of marketing programs.
- **Campaign Management (CM):** Enables processes for communicating offers to customer segments in a multichannel environment. It also provides functionality for segmentation, campaign execution, and campaign workflow.

Marketing Solution Focus Areas

Building the Market-Responsive Company Framework means developing a “closed loop” management process to help maximize revenue and margin opportunities. This is accomplished through demand-shaping activities such as pricing, trade spending, contract compliance, and MRM. Critical to this are the people, processes, and tools that represent the underlying infrastructure that unlocks the marketing execution.

The marketing execution enablers include all the activities that leverage the people, processes, and tools by which the marketing plan is implemented, and they are the bridge to the communication channels that reach customers.

These marketing execution enablers are:

- **People and Resources:** The individuals who execute marketing activities, and the way in which they are integrated into other departments.
- **Marketing Process:** A sequence of operations or events that are necessary in order to complete a task related to a marketing activity.
- **Marketing Tools:** The technology that leverages data and process automation in order to make the marketing activities more efficient.

In order to implement an efficient digital marketing solution, most businesses need to take a hard look at what their marketing process is now, and assess what changes, if any, they need in order to extend their model to include integrated digital tactics. Specific focus areas include:

- **Strategic Marketing Assessment:** Evaluate marketing needs, and functional and business requirements; assess gaps in processes; and provide a specific business case or roadmap.
- **Marketing Process Reengineering and Technology:** Assess current marketing processes, recommend marketing process improvements, define roles and responsibilities, document new marketing processes, and automate marketing process change management.
- **Campaign Management and Analytics:** Conduct a needs assessment of functional, business, and implementation requirements.

Next Steps

Positioning your company to be market-responsive and invest in the right technologies requires asking key questions:

- How was the marketing budget spent? Where were marketing investments made against key priorities?
- How is data managed in order to help us understand the marketing mix and how investments can achieve the maximum marketing impact?
 - Who has access to this information? Is it pervasive throughout your company or limited to specific silos?

- Which digital marketing vehicles provide the greatest return on investment?
 - Are you trying to create a new community? Are you trying to digitally enable a community that already exists, by helping it find an online gathering place? Or, do you want to take advantage of a community that already gathers online?
 - Do you have the right technology infrastructure to enable you to bring programs to market in a scalable, repeatable way?
- How much confidence do you have that this campaign will work before you start to run it? Should you launch it broadly or do a trial first?
 - Do you have the right technology infrastructure to enable you to bring programs to market in a scalable, repeatable way?
- What is the actual cost to change a customer's attitude about your brand?

Conclusion

Today, more than ever, technology can help manufacturers navigate the ever-changing and increasingly complex world of marketing. What is emerging is a marketplace where shoppers can communicate directly with manufacturers. For example, they can share details about their wants and needs—what terms and conditions would be right for them, and how and when they would like to make purchases. In addition, they can provide rich feedback about how satisfied they are with a manufacturer. Manufacturers that choose to engage with shoppers will find new rewards and relevance in the new marketplace.

Microsoft and Hitachi Consulting are committed to helping manufacturers become more successful in a world of short shelf lives and rapid business cycles, by providing solutions that enable quick and accurate responses to these demands. By engaging in this new, shopper-focused, "observe and serve" model for doing business, manufacturers will be able to manage the increasingly complex marketing and promotional ecosystem, reduce ineffective promotional spending, and gain marketing insight that will enable business growth and profitability.

Microsoft: Solutions for Connecting with Consumers

As a consumer goods company itself, Microsoft is well versed in the challenges of connecting with today's empowered shopper and consumer. No other technology company can provide the same depth and breadth of marketing solutions that span technology, advertising, product ideation, consumer promotion, and trade promotions. Microsoft has the best solutions for enabling consumer goods companies to connect with consumers anytime and anywhere, through Internet, mobile, in-store, and in-home experiences.

Microsoft represents a powerful partner with a full spectrum of solutions in a variety of categories:

- Internet Platform and Infrastructure
- Business Intelligence
- Application Development Tools
- Mobile Marketing
- Online Media and Interactive Digital Advertising

Hitachi Consulting: Leadership in Consumer Strategies

As the global consulting company of Hitachi, Ltd., Hitachi Consulting is a recognized leader in delivering proven business and IT strategies and solutions to Global 2000 companies throughout the United States, Europe, and Asia. With a balanced view of strategy, people, process, and technology, Hitachi Consulting works with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions. From business strategy development through application deployment, Hitachi Consulting is committed to helping clients quickly realize measurable business value and achieve sustainable ROI.

Hitachi Consulting has identified three specific areas of focus, based on its experience helping numerous consumer goods companies face these challenges over the years:

- **Marketing Effectiveness/Digital Marketing:** Accountability of Spending
- **Store-/Shelf-Level Demand Responsiveness:** Actionable Information
- **SAP/Microsoft Platform Interoperability:** Leveraging Existing Software Assets

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