



TREND REPORT:

DIGITAL TRANSFORMATION IN MARKETING: TAKING STOCK



selligent

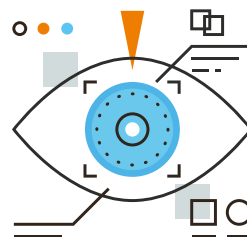


1. Digital transformation in marketing: time to take stock

Digital transformation is “the change associated with the application of digital technology in all aspects of human society” (Wikipedia), and it should come as no surprise that this transformation is happening exceptionally quickly, with almost daily announcements of new technologies and trends that people claim will overturn the status quo. But as Bill Gates warns us, “We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.”

Wise words, particularly when applied to hi-tech industries like marketing. In the 10 years since Apple launched the iPhone, for example, companies have radically changed the way they advertise and sell their products, as well as the way they communicate with their customers. Back then, Steve Jobs (RIP) captivated audiences with the possibilities of mobile internet. Today, even shopping on a smartphone at the bus stop is no big deal.

There’s been phenomenal shift also where marketing budgets are concerned: in 2008, digital ad spending for ads on desktops, laptops, mobile, and other internet-connected devices still ranged at **\$23.64 billion**, only 13.4 percent of total media ad spending. Fast-forward to 2017, and digital ad spend in the U.S. already accounts for 40.5 percent of total advertising investment at **\$83 billion**. Looking ahead, it’s going nowhere but up: By 2019, digital ad spending in the United States will reach **\$105.44 billion**, a whopping 46.6 percent of the total media ad market. By 2021, U.S. digital ad spending will account for the majority of total media ad expenditures (51.3 percent) at **\$129.26 billion** (eMarketer).



Time to take stock

Reiterating Bill Gates, which changes did we expect but were overestimated? And which point the way ahead? Welcome to the Trend Report.

2. Sector trend: What do today's entitled consumers want?



Besides technologies and approaches, one factor in particular changed significantly over the last ten years: the customer. We are witnessing a radical power shift in digital marketing towards a trend in which today's customer exert ever-greater influence over trends, opinions and buying decisions – and they know it. Consumers have tremendous spending power nowadays. According to an analysis by Forrester Research, U.S. online retail sales in 2007 reached **\$175 billion** in total. Compare that to 2017, when the National Retail Federation (NRF) forecasts online retail sales to net between **\$427 billion and \$443 billion**, based on Census Bureau data. For perspective, general retail will grow by around 3.7 percent in 2017, while the NRF expects online retail to grow 8 to 12 percent. And customers are becoming increasingly demanding - expecting marketers to work for brand loyalty; and if disappointed, won't hesitate to be vocal about criticizing brands using Facebook for their offensive.

"Customers' voices, amplified by social media, now trump even the best marketing," writes CRM expert Richard White, who coined the term "entitled customer" – the privileged consumer with an extremely pronounced sense of entitlement and very little patience. According to Richard White, we are living "in an age where users, not brands, wield unprecedented power." Accordingly, customers have developed massive expectations where their dialogue with brands and companies is concerned – they want to be recognized as individuals and addressed with personalized messages.



What do we know about customers?

Never before has so much data been available about customers. Much of that data comes from customers themselves: according to IDC, the quantity of data in the digital network will increase tenfold between 2013 and 2020 – when **44 trillion gigabytes** will be available. But here's another sobering fact: according to IDC, at present no more than **10 percent** of that data is analyzed or used for marketing by agencies and companies.



Digital marketers are already going all out to fulfill those expectations and offer genuine "consumer-first marketing", which places the focus on the individual customer. And rightly so, because, as White notes, "Going forward, customers will feel entitled to an amazing customer experience and woe to companies that don't give it to them."

3. Mobile marketing: Real time, everywhere

The launch of the iPhone, ten years ago, ushered in the digital revolution in mobile marketing. Suddenly, email, website, shopping, and social media usage are no longer tied to PCs and laptops - they are completely mobile. And mobile technology shows no signs of abating: in 2017, American users consumed an average of **27.3 percent** of their daily media intake on mobile devices while only **17 percent** are consumed on desktops and laptops. The rise of mobile will continue and in 2019, consumers will access **29.6 percent** of their media content, while computer intake will drop to **16.7 percent**.

Meanwhile, television still accounts for **33 percent** of media time in 2017, but will also decline to **31.2 percent**

and rate products, order meals or book transportation – all instantly and when it suits them.

U.S. consumers now spend 5 hours per day on mobile devices (Flurry) and time spent on mobile apps has increased 69 percent year-on-year. Over half of U.S. adults consult information on the Internet before buying new items such as clothing or shoes (Pew Research Center).

Customers are quick to write product recommendations and reviews of restaurants, hotels and service providers, becoming influencers themselves (see 8. Content marketing).

Marketers are doing everything they can to keep up with these mobile and discerning customers in real time, using tools such as push notifications, in-app advertising or behavior-triggered emails, but customer journeys (see 5.) are increasingly convoluted.

Nonetheless, customers want to be instantly recognized and receive personalized service when, for instance, they enter their store with their smartphone, as 53

percent confirmed in a recent study (MobileMarketer). That means expecting push notifications with relevant special promotions, coupon schemes or product recommendations – even when merely walking past a store. All the better if sales staff can also deliver on personalized customer service as well. The good news is that mobile customers generate a LOT of data while on the move – and if marketers are able to follow this trail of digital breadcrumbs, they can offer genuine consumer-first marketing even on mobile devices.



Mobile marketing is reliant on efficient data analysis

69 percent of companies today admit that their customer data is not sufficiently integrated to identify mobile customers (MobileMarketer). But that will change. With CRM tools that offer integrated customer profiles – like those on the Selligent platform – marketers can now identify customers “on the move” and target them with automatic triggers. They can also share up-to-date CRM data (location, behavior, time of day) to in-store sales personnel via tablets to craft excellent customer experiences.

by 2019 (eMarketer). It's no surprise that mobile marketing is the key player right now in the marketing mix: In 2016, digital ad revenue grew to **\$72.5 billion**, while more than **51 percent** of the total spending, or **\$36.6 billion**, went to mobile ads (PricewaterhouseCoopers). But here too, the huge demands made by consumers are starkly apparent. For a long time, the smartphone was viewed as a digital remote control unit for everyday life. In the hands of today's entitled consumers, however, the smartphone becomes a whip. They buy, research

4. Brand and company websites: Dynamic and individual

Ten years ago, company websites left much to be desired in terms of design and interactivity. But thanks to the dominance of advanced technologies such as HTML5, content management systems such as WordPress, and the flexible integration of social media accounts (see 6.), company websites are able to offer an increasingly sophisticated and individual customer experience. In 2017, brand websites replaced emails as the key marketing channel for the first time – according to **63 percent** of B2B marketers (Ascend2) – and expectations are correspondingly high.

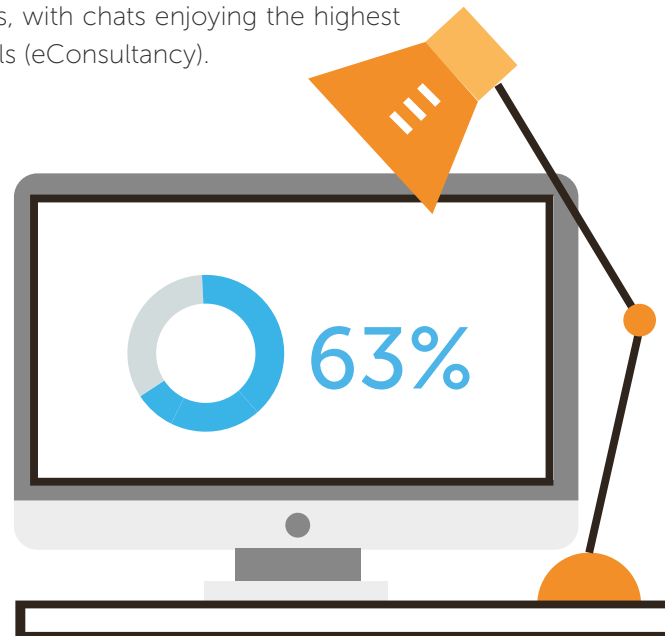
A visit to a brand website is like a visit to a brick-and-mortar store. Customers want flexibly adapted pages that immediately give them relevant offers and easy access to content designed to promote sales – especially videos. Adaptive websites first show the type of offers that interest particular customers – and also suggest, in a pop-up, a product chat with a personal shopper. Afterwards, consumers like receiving emails about the products and services they have viewed. Insights from CRM databases can be transformed directly into personalized website experiences or newsletters, with the use of dynamic content tools. Here too, the key lies in integrated customer profiles that are updated and supplemented with each online session. Very prolific, high-profile customers are identified as such and can also be “picked up” live on the page by chat support and given special advice. Triggers, such as products abandoned in the shopping cart, can be used to send targeted follow-up emails.

In the age of fragmented customer journeys (see 5.), many roads lead to conversion (see 9.). The company website is an increasingly important channel for this, and is becoming the key stopping-off point at every stage of the customer journey – including post-purchase. Currently, customer service live chats are an increasingly popular interface between brands and consumers, with chats enjoying the highest rate of satisfaction (73 percent) of all customer service channels (eConsultancy).



Ad blockers: A growing cause for concern

Over the last ten years, software to block display advertising has become a thorny issue for marketers. More than a quarter of U.S. internet users (**27.5 percent**) will block ads in 2017 (eMarketer), up from just **15.7 percent** in 2014. In response, many brands stepped up their investments in content marketing (see 8.). A smart move, since the situation is worsening: By 2018, user penetration of ad blocking will reach **30.1 percent**, and more and more mobile users resort to ad-blocking (currently **33 percent** in the U.S.).

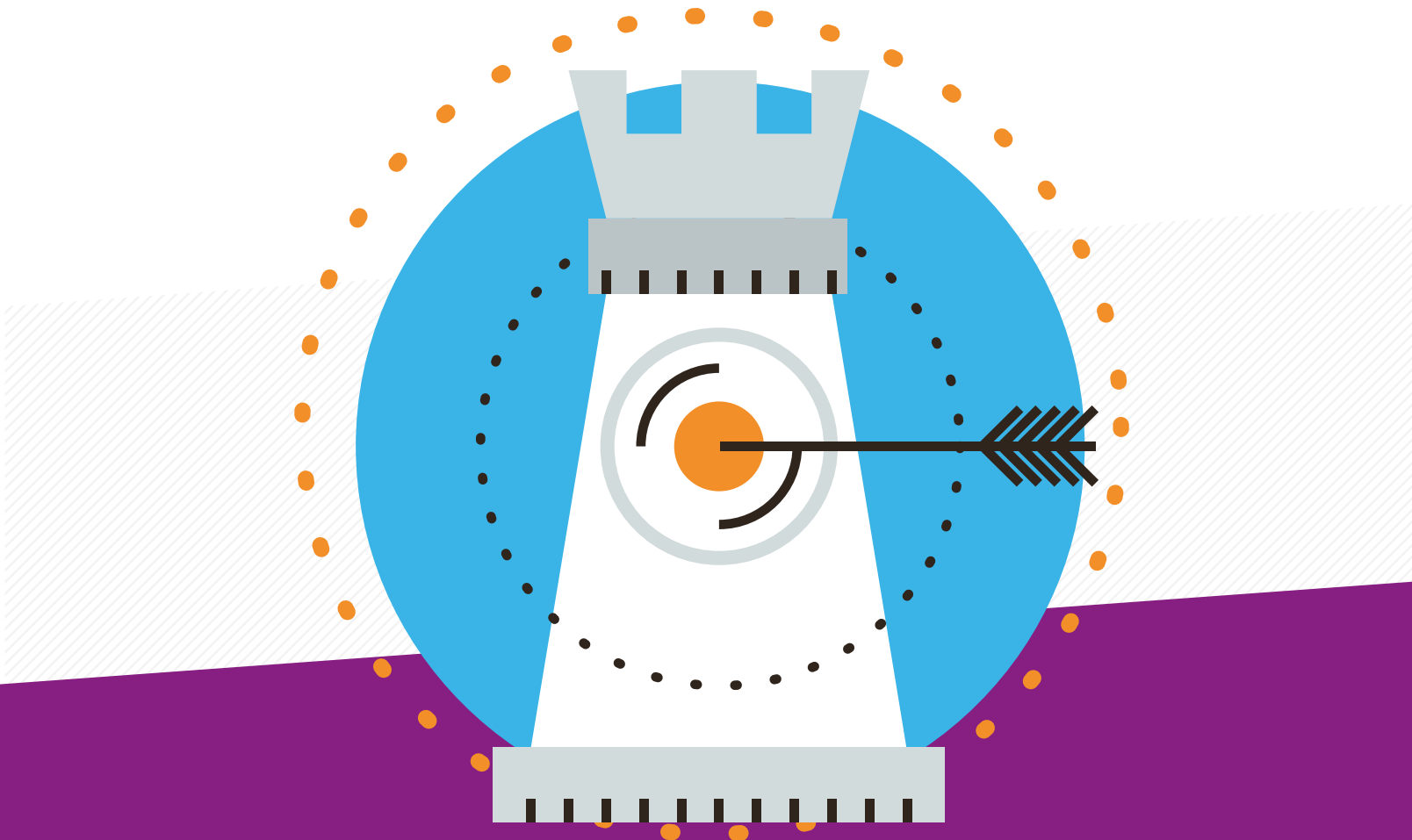


63 percent of all marketers consider company websites to be the most important channel when targeting customers.

5. Customer journeys: Fragmented and individualized

Everything was so simple ten years ago – or at least that’s the way marketers remember it. Before, a customer would hear an ad for beer or a chocolate bar on the radio, drive straight to the nearest gas station and purchase it. It’s a beautifully linear customer journey map from first contact to conversion. Back then, the customer was predictable and followed the expected course. Today, the classic customer journey is fragmented and carved up into many small steps that don’t follow a predictable map. And there is huge reliance on mobile devices now that didn’t exist before: according to a recent Adwords study, **90 percent** of all smartphone users use their phone on the move to get information, compare product features and get closer to long-term goals.

Today, a customer journey map looks more like this: a customer looks for newly-release sneakers online – and maybe adds a pair to the cart – but doesn’t buy. Coupons and triggered emails follow. The customer doesn’t buy. Then, one day, the customer passes a sneaker store and receives a push notification with a **15 percent** discount coupon. The customer buys the sneakers in-store. Nowadays, it is through real-time micro-moments like these that marketers make conversions – and money. It takes relevant personal data and contextual personalization, enabled by geo-targeting or beacons in-store, to propel customer action forward.



6. Email marketing: Relevant and situational

To reference Bill Gates again, one of the most underestimated of developments in the last ten years is the evolution of email marketing. In the U.S., marketers currently invest **343.2 billion** in email ad spending (2017), and investments are expected to grow to reach **\$457.8 million** in 2021 (eMarketer).

Currently, **52 percent** of all B2B marketers regard email as one of the most effective communication channels, second only to company websites (Ascend2 study). But, it takes a lot to dissuade entitled consumers from clicking the spam button when they are receiving upwards of 300 emails each day. Fortunately, there have been many advances in the design and quality of marketing emails.



Ten years ago, marketers had to make do with standard emails and newsletters sent via centrally-maintained contact lists. In 2017, these would go straight to the spam folder, as today's customers want to be addressed by their correct name and treated like a person. A person, first and foremost, with particular preferences and a previous history with the brand (purchase history, date of first order, subscriptions, etc.). They also want the service they receive to reflect their current specific wishes and situational requirements – all the way through to the purchase or conversion in the here and now (see 9. Conversion).

Brands respond to customers' wishes with context-relevant content, appropriate to their current situation. They use tools such as dynamically adapted emails, capable of changing their content in line with the time at which they are opened, the device and current behavior, or automatically triggered birthday or customer anniversary emails accompanied by a relevant coupon. The inbox of the future will be an e-commerce channel: PayPal's omnicommerce technology enables customers to shop directly from their inbox for what they want – if the offer appeals to them.



7. Social media marketing: Personal and in real time

How times change: in 2007, the world of “social media” was largely uncharted territory. Back then, the talk was only of “Web 2.0” and Facebook had just gone from an invite-only service to an open platform with **20 million** active users in April 2007; most of them in the United States. One year previously, when it was still a limited platform, that figure was just 12 million (AdWeek).

Fast forward to 2017, and the status of social media is unprecedented: Facebook has **2 billion** monthly active users worldwide, up from only 1 billion in 2012 (TechCrunch). The company has allowed advertising on its platform since November 2007 and now generates revenues of almost **\$18 billion** per annum. Today, **823 million** users use Facebook exclusively on a smartphone, i.e. more than **50 percent** of users (see 3. Mobile). Such growth would have been almost unimaginable ten years ago. And what virtually nobody could have foreseen in the social media realm is the number of different networks – Snapchat, Vine, Instagram et al – that are now popular among different user groups.



Regional differences

Facebook has its eyes on cracking the **3-billion** users benchmark. But while the social network added an impressive **746 million** users in Asia and the rest of the world region since hitting **1 billion** users total – Mark Zuckerberg’s company only added **41 million** in the U.S. and Canada. In contrast, photo platform Instagram is a rapidly growing phenomenon, with **700 million** monthly active users worldwide and counting (TechCrunch).

Latest trend: Live is where it's at on social media

Live content is becoming more and more important on Instagram and Facebook and is Snapchat's stock-in-trade. Reflecting this trend, real-time advertising that adjusts to what users are seeing is on the rise: Out of the total **\$32.56 billion** programmatic ad spending in the United States, **44.0 percent** will be bought via real-time bidding (eMarketer). Social media is increasingly attractive for marketers because it supports behavioral targeting – one example being the Selligent Social Media components – and personalized content. Live events involve entire social teams, who answer customers' questions and engage in personal dialogue. As well as live streams, videos – such as product descriptions – are hugely important across the board, with **73 percent** of all adults being more inclined to buy a product if they can find video content about it on social media (Animoto) (see 8. Content marketing).

That said, the trust of the entitled consumer must first be gained, then maintained for the long term. Consequently, marketers investing in a new social media platform should cultivate their presence and constantly inspire their audience, as live marketing in real time is over in a matter of seconds but the unfriending of a brand is forever.

Above all, customers expect direct dialogue with brands and **28 percent** of respondents in a recent study said their purchase decision is contingent on a brand's social media presence (Epsilon). Dialogue means personally inviting customers to a brand's live events (on Snapchat, etc.) and listening to their comments during the live stream. It also means getting concrete answers to concrete questions on social media.

GLOBAL SOCIAL MEDIA USE IN 2017



Facebook

2 billion monthly active users worldwide



Instagram

700 million monthly active users worldwide



WhatsApp

1.2 billion monthly active users worldwide



Snapchat

255 million monthly active users worldwide



FACEBOOK MESSENGER

1.2 billion monthly active users worldwide



Twitter

328 million monthly active users worldwide



Pinterest

200 million monthly active users worldwide



XING

1.5 billion monthly active users worldwide



LinkedIn

500 million worldwide

8. Content marketing: Credible and on an equal footing

In keeping with the time frame of this trend report, the term “content marketing” is also exactly ten years old. U.S. marketing expert Joe Pulizzi founded the Content Marketing Institute in 2007 and published the first studies on this new approach in marketing. The concept was prompted by a trend reversal in marketing: instead of using push methods to “drum” their messages into customers, brands began to rely on the pull effect of strong content that persuades customers with its usefulness. Also in 2007, Austrian soft drink manufacturer Red Bull founded the Red Bull Media House, becoming a pioneer in content marketing.

In 2017, the marketing mix is inconceivable without content marketing: according to a recent survey, **92 percent** of companies in the U.S. already use at least one paid method in their content marketing. By embedding their products and services in credible content marketing, brands also ultimately improve their conversion rates (see 9.) as, in their increasingly fragmented customer journeys (see 5.), customers will, sooner or later, consult that content when making their purchase decisions. There are at present three major trends in content marketing. Video content and blogs are popular, as both formats have proven highly resistant to ad blocking (see 4. Company websites). Marketers continue to enjoy great success with data-driven content, tailored to the specific wishes of their audiences.

VIDEO CONTENT IS KING

Consumers can never get enough video content. The segment is growing at a fast clip, and marketers in the U.S. currently spend **\$13.24 billion** per year on video advertisements, which now account for **31.7 percent** of total digital ad spending. Spending on video will almost double by 2021, when eMarketer expects the channel to account for **\$22.18 billion**.

Video adverts that run as a pre-roll before clips on YouTube and cannot be hidden are providing particularly effective with audiences. Around **90 percent** of Generation Z uses YouTube daily (Adweek) and some of the content is directly related to a product. The hugely popular “Haul” and “Unboxing” clips of shopping forays by prominent YouTube stars feeding their hungry audience with content are proof of this.



BLOGS ARE EXPERIENCING A COMEBACK

This is the second major development in content marketing. Specialized blogs had been badly hit by ad blocking. Nowadays, resourceful bloggers seamlessly work advertising or product placements into their posts, engaging in content marketing as influencers (see bar) in their own specialist areas. Accordingly, pro-bloggers in the U.S. are now demanding a fee in the region of **\$250** (BloggingWizard) per blog post. Marketers happily pay these sums, as bloggers offer credible placement and editorially prepared content. And, in an era of fragmented customer journeys (see 5.), bloggers also contribute to conversions: the customer might see a recommendation for a professional food processor on a cupcake baker's recipe blog and immediately buy it. Would such a path to conversion be conceivable with traditional marketing funnels? No. Has the customer just bought a premium food processor for **\$350**? Yes!



DATA-DRIVEN CONTENT HITS THE TARGET

Push marketing is far from passé – the difference is that, in 2017, it is far more targeted and more subtly positioned. Drawing on numerous freely available data sources, marketers are able to gear their content specifically towards trends in the audience's searching and buying behavior. Data-driven content is the magic phrase and it helps marketers achieve an important goal: in a recent study by eConsultancy, **53 percent** of the marketers surveyed wanted to improve their data-driven marketing, while **29 percent** also wanted to optimize their content.

The advantages of data-driven content can be seen in numerous areas. Marketers have long been using methods like A/B testing to test the resonance of various headings for blog articles or social media posts as well as email subject lines – then posting the top-performing version. The optimum time of day for posting certain content for maximum impact can also be determined on the basis of data. Decisions as to whether a particular type of content should be repeated or expanded into a series can also be made on the basis of metrics such as social performance and CTRs from emails. With a view to content planning, marketers always know exactly what customers are searching for: with tools such as search trends on Google Keyword Planner, text content and whole campaigns can be geared specifically towards the most-used search keywords. These keywords provide a sound basis for brainstorming ideas for new content – and should always feature prominently in newly-created content. Data-driven content can even be used to produce keyword-optimized content in advance, which customers with particular search targets will then encounter in a prominent location on their fragmented customer journeys (see 5.).



Influencer Marketing 2.0

Agencies and marketers are now rethinking the old influencer marketing approach. In the past, (a very high) number of followers was the most important variable applied to bloggers or other social media personalities such as Instagram stars. But nowadays there are so many “product spongers” with followers bought online – usually fake accounts, sometimes even bots – that advertisers are becoming more discerning. Genuine influencers, however, work: around **92 percent** of Generation Z customers go online daily, where they get fashion inspiration from pop stars and brands (CMG Generation Z Study). Just recently, Rihanna's appearance at London Fashion Week attracted **35,000 mentions** on Instagram within minutes with the hashtag #FentyXPuma, referring to her new collection.





9. Conversion: Anytime, on any channel

Ten years ago, it wasn't just customer journeys (see 5.) that were straightforward; conversion also followed a pretty fixed route. In the past, the path to conversion ended on a fashion brand's shopping website or in the brick-and-mortar store. But today, mobile is increasingly bringing in the sales. When the iPhone appeared ten years ago, **49 percent** of Americans already used the internet to make online purchases, a sharp rise from only **22 percent** in 2000 (PewInternet). But in 2007, shopping on mobile devices was still the exception, which is hard-to-imagine today: In 2017, mobile e-commerce sales account for **34.5 percent** of total e-commerce in the United States. By 2021, mobile will become the dominant channel for shopping online and create about **53.9 percent** of all revenues (Statista).

The next evolution in shopping makes no distinction between sales channels and social media. Omncommerce enables customers to click on the "buy" button anywhere, anytime. Technologies like PayPal Commerce and Stripe Relay enable brands to design all kinds of digital communication leading to the point of conversion: advertising, emails, push notifications and posts on social media lead directly to the shopping cart. Alternatively, customers can simply shop by voice command in their living room using Amazon Echo. Editorial articles – fashion magazine Elle being a recent example – can still serve as clickable shopping guides, jointly sponsored by brands. The customer journey can lead to success at any point, not just in the brand's online store. In the process, marketers obtain valuable data about which channels and messages work and can optimize their initiatives accordingly. In 2017, one thing is clear: many roads lead to the shopping cart – but the entitled consumer determines the exact route.



Conversion with Consumer-First-Marketing

Instead of starting the sales approach with a product or a communication channel, the focus is now on the individual customer and their personal wishes and preferences – regardless of when and on what channel the conversion takes place. Using a marketing platform such as Selligent, marketers gather multi-channel data from a whole host of touchpoints to create integrated customer profiles – in real time – so that they really know what customers want. The result is a relevant, profound relationship between marketers and customers in which conversion is not the final goal but part of a sustained cycle.

Outlook: The Digital Transformation in Marketing Calls For Relevant Customer Data

Developments are happening thick and fast these days but, looking to the future of the marketing industry, Bill Gates' words still ring true: "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten." Despite the many new technologies in the marketing space, a few solutions are emerging as future-proof – and most of them are based on relevant customer data. When our marketing automation platform appeared on the market, some ten years ago, automation in marketing and the collection of relevant customer profiles were still in their infancy. Since then, both our platform and the sales approach in general have massively changed. Today, thanks to constantly updated behavioral data contained in 360-degree customer profiles, our omnichannel customer engagement platform provides the tools to precisely target clearly defined audiences via the appropriate channels.

One thing is already clear: over the next ten years, genuine consumer-first marketing will be based on relevant data collected and updated throughout the customer journey. Customer behavior from social, web, email and shopping will tie in with up-to-date location data and proximity, both physical and time-wise, to shops and events. This will enable marketers to keep track of even fragmented customer journeys and achieve profound and lasting customer engagement. That's exactly what today's entitled consumers demand. They pay attention to successful campaigns and, despite ceaseless digital transformation, will also bestow their long-term loyalty.





About Selligent

At Selligent, we focus on helping brands embrace Consumer-First Marketing with proven solutions for insight-led engagement. As the world's leading independent provider of relationship marketing solutions, Selligent unifies consumer data and omnichannel engagement into a single, flexible platform for unparalleled ease of use and efficiency.

Selligent increases conversions and enhances engagement for mid-market to enterprise B2C marketers, helping companies to create a powerful, contextual feedback loop with their consumers. Featuring enterprise-strength performance, Selligent's natively integrated technology bridges the gap between insight and engagement with industry-leading solutions for data management, campaign orchestration, and audience analytics.

Powering 1-to-1 marketing for more than 700 companies across retail, travel, automotive, publishing, and financial services, Selligent's client roster includes **Samsung**, **InterContinental Hotels Group**, and **ING**.

Selligent serves more than 30 countries and has more than 50 partnerships with leading agencies and MSPs. Headquartered in Brussels, Selligent has 10 offices across the United States and Europe, including Silicon Valley, New York, London, Paris, Munich, and Barcelona.

Learn more at www.selligent.com.



