



# INSIGHTS 2013

Redefining Experience: Transforming  
Global Business Through Connected Thinking



**There is nothing so terrible as activity without insight.**

–Johann Wolfgang von Goethe





# TABLE OF CONTENTS

5 WELCOME TO INSIGHTS 2013

Alan Herrick

7 IN-STORE DIGITAL RETAIL:  
THE QUEST FOR OMNICHANNEL

Hilding Anderson, Rachel Zinser  
with Rebecca Prettyman, Lauren Egge

21 2012 DIGITAL IQ EXCERPT

L2 Think Tank

25 TRENDS: FOUR TRENDS SHAPING  
MARKETING PRIORITIES

Hilding Anderson, Todd Cherkasky,  
Donald Chestnut

**TREND 1**

**Real-Time Control: New Consumer-  
Oriented Devices and Data**

29 FUTURE OF TV

David Hewitt, Lucy Devassy

35 CUSTOMER EXPERIENCE IS ON THE MOVE

Nigel Vaz

39 MOBILE PAYMENTS:  
THE FUTURE OF MONEY

Perry Chan

45 THE ECONOMY OF ONE:  
THE CONSUMER AS PRODUCER,  
INFLUENCER AND PURCHASER **OE**

Dan Israel, Perry Chan

47 HOW SENSORS ARE CONNECTING  
THE WORLD AND THE IMPLICATIONS  
FOR EXPERIENCE DESIGN **OE**

Benno Schmidt

52 INVISIBLE BRAND INTERFACES **OE**

Daniel Harvey

56 IS THERE A TERMINAL VELOCITY FOR  
YOUTH AND DIGITAL? **OE**

Omaid Hiwaizi

61 RESPONSIVE DESIGN 101:  
OPTIMIZING FOR MULTIPLE SCREENS

Dan Israel, Mayur Gupta

**TREND 2**

**Predicting Desire: Building the Infrastructure  
to Anticipate Consumer Needs in Real Time**

69 PREDICTING DESIRABILITY—  
LESSONS FROM A TEEN GENIUS

Sheldon Monteiro

75 THE FUTURE OF BUSINESS INSIGHT

Lee Woodard, Chris Handley

81 THE “BIG DATA” ERA:  
LEARNING TO ACT IN REAL TIME

James Buchanan

86 DIGITAL LUXURY 101: HOW TO ENHANCE  
THE CUSTOMER EXPERIENCE **OE**

Hazel Reed



**OE** O.E. represents exclusive content which is only available in the online version.

91 **GAMIFICATION AS A DIGITAL STRATEGY** **OE**

Mohammed Iqbal, Syed A. Suffiyan

96 **MEDIA-SAPIENS: USING SOCIAL INSTINCTS TO EXPLAIN, PREDICT AND INFLUENCE DESIRABILITY IN THE DIGITAL AGE**

Melissa Read

101 **REBUILDING TRUST: HOW BANKS CAN RECONNECT WITH CONSUMERS**

Chris Baker, James Buchanan, Omaid Hiwaizi

**TREND 3**

**Continuous Experiences: How Companies Are Blurring the Online and Offline World**

109 **STORYSCAPING: BUILDING WORLDS, NOT ADS**

Gaston Legorburu

113 **BRAND AS CHANNEL: TODAY'S "ALWAYS-ON" MESSAGING**

Alan Schulman

119 **ADAPTING TO A FRAGMENTED MEDIA ENVIRONMENT**

David D'Alleva, Peter Colapietro

124 **THE FUTURE OF CONTENT EXPERIENCE AND HOW TO DESIGN FOR IT**

Kevin Nichols

130 **I CAN SEE CLEARLY NOW ... ACROSS THE ENTIRE EXPERIENCE: THE ANALYTICS MATURITY MODEL** **OE**

Jennifer Patterson, Dave Kane

136 **VALUING FANATICAL ENGAGEMENT**

Scott Petry

142 **MEASURING GERMAN MULTI-CHANNEL: APPROACHES AND IMPLICATIONS** **OE**

Uwe Tueben

149 **THE CMO TOOLKIT: WHAT EVERY MARKETER SHOULD KNOW** **OE**

Gary Shannon, Omaid Hiwaizi

156 **RETAIL GOES ROGUE: HOW DIGITAL CONVERGENCE WILL REVITALIZE THE IN-STORE EXPERIENCE**

Charlie Sayers, Rob Milstead

**TREND 4**

**Globalization: The Global Marketer and the Rise of the Global Consumer**

165 **UNDERSTANDING ECOMMERCE IN CHINA**

Robert Wang

171 **FUTURE OF COMMERCE: LIFESTYLE SOCIAL COMMERCE GOES BEYOND PINNING** **OE**

Jeff Blais, Sushobhan Mukherjee

175 **CHASING THE GLOBAL CHINESE LUXURY CONSUMER: A CONNECTOLOGY APPROACH**

David Thorpe, Jake Wheeler

181 **GLOCALISATION AND THE ANTHROPOLOGY OF GLOBAL MARKETING** **OE**

Megan Bannon

187 **FIVE CHALLENGES TO TOMORROW'S GLOBAL MARKETING LEADERS**

Hilding Anderson, Freddie Laker

190 **INTERNATIONAL ECOMMERCE EXPANSION**

Don Shields **OE**

194 **INTERNATIONAL PERSPECTIVES**

US  
UK  
Germany  
Russia  
India  
Singapore  
Japan  
China  
Australia

217 **NOTE FROM THE EDITORS**

Hilding Anderson  
Lauren Nguyen Cohen



# WELCOME TO INSIGHTS 2013

Written by Alan Herrick, President and CEO, Sapient Corporation

When history looks back on this season of robust innovation and progress, I think it is likely to remember it as one of the most significant paradigm shifts in, not only daily life, but in the business of relevance in daily life. We are perpetually challenged to connect

think about creativity and what can happen to a compelling idea when it's amplified by the scale of technology and personalized by the intimacy of human interaction.

To that end, we believe that a brand's ability to innovate is not just about technology. It's about combining technology with powerful ideas and insightful perspectives on human moments to create highly relevant ways to connect.

Who would have anticipated that one of the most esteemed luxury car brands in the world would create a mobile app that allows consumers to virtually build their entire car—from the very first bolt to the last drop of paint?

Or that a 125-year-old British sports gaming company would be the one to pioneer a combination of analytics, social media and mobile technology to drive a record surge in betting?

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Our thinking is stretched daily to help bring brand stories to life in relevant ways across the consumer ecosystem.

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the dots between our brands and the daily lives of our consumers in meaningful ways.

As stewards of brands and purveyors of ideas, we are both humbled and exhilarated by the impact of technological innovation on how we



“It is the function of creative man to perceive and to connect the seemingly unconnected.”

—William Plomer

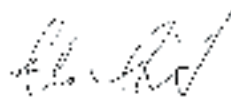
Or that a ski resort would be one of the first to introduce RFID technology as a way to enhance their guest experience on the slopes and way beyond? We had the honor of helping Vail Resorts innovate a way to connect skiers to RFID tagging to social media so that they can track and share their Vail stories across their personal networks. The result was more than 100,000 social photos shared, yielding approximately 12 million social impressions for photos alone, and that's in just the first season. Vail Resorts empowered 150,000 people living the Vail Resorts story to tell the Vail Resorts story to an audience of 12 million? What once might have begun as an ad for a ski vacation has become a panorama of experience that lives in perpetuity.

It has been our privilege to participate in these and many other breakthrough changes that reinvent the definition of “idea” and unfetter the boundaries of creativity for new pathways of connection.

Our thinking is stretched daily to help bring brand stories to life in relevant ways across the consumer ecosystem. As consumer, retail and communications landscapes continue to stretch and evolve, we will continue to wake up in the morning propelled by the challenge.

In this edition of Insights, SapientNitro thought leaders offer you approaches and tools that help navigate this completely digitized, borderless world—to be used as a flashlight of sorts. It offers research, observations and compelling points of view from subject matter experts to students of life, to help us all see the path we're on a bit clearer, so the next step feels a bit more confident.

Thank you for your interest and support of SapientNitro, and with continued resolve, we invite the challenges of our time, walking alongside partners connecting in new and creative ways to their consumers.



# IN-STORE DIGITAL RETAIL: THE QUEST FOR OMNICHANNEL

Written by Hilding Anderson, Sr. Manager Research + Insights, Washington, DC & Rachel Zinser, Sr. Associate Research + Insights, Chicago, with Rebecca Prettyman, Associate Research + Insights, Chicago & Lauren Egge, Associate Government Services, Washington, DC

**“Of the 71 retailers, only 4 emerged with ‘baseline’ scores. Effectively, in-store digital experiences today are only weakly integrated with in-store goals and activities.”**



The Nike Store, while not formally evaluated as part of the research, offered some of the most immersive digital experiences.

Over the past decade, retailers of all sizes have been driven by disruptive technologies and the changing consumer to make major investments in digital channels, particularly ecommerce and mobile platforms. But now, more retailers are starting to embed sophisticated interactive tools—from digital displays to interactive exhibits—into the store layout itself.

Ecommerce investments used to be focused on simply complementing the traditional retail store footprint. In that world, shoppers would browse online, compare prices through their PC and ultimately end up in the store to purchase. It was a linear journey.

But increasingly, new ecommerce tools are able to directly influence the in-store shopping experience. This is reshaping the traditional role of the store: What used to be a key step on the path is now optional on the way to the purchase through a digital platform.

Smartphones have reinforced this transient behavior. Now, search and price comparison is happening in the store aisles, and a new behavior of test-and-buy-elsewhere are becoming much more common.<sup>1</sup>

In response, retailers are increasingly embedding digital experiences into their physical locations, and applying connected thinking to enable consumers throughout their journey with the brand. Examples include mobile apps with built-in scanners to discourage showrooming, inventory visibility and tools to enable cross-channel shopping (e.g., wish list management). Retailers such as Walmart are also

exploring in-store self-checkout with smartphones.

To measure the degree to which retailers are successfully building links between their digital and physical stores, SapientNitro independently conducted a four-month audit of specialty retailers. We evaluated the physical locations of 71 retailers across 7 key criteria, gathering over 500 points of data (See Methodology & Approach).

In the end, what we found was surprising. Of the 71 retailers, only 4 emerged with “baseline” scores. Effectively, in-store digital experiences today are only weakly integrated with in-store goals and activities: The content and functionality (if it exists at all) of these experiences struggle to support in-store goals and activities.

In most stores, digital has a limited effect on the visit—mobile, kiosk or tablet-based ecommerce and digital display screens could be removed entirely from the shopping process and there would be little change. Yet despite the sad state overall, there were interesting examples that were doing one category very well. For example, Nordstrom, Coach and Crate & Barrel earned high scores in inventory visibility and fulfillment, UNIQLO had fantastic in-store digital displays and merchandising and Bloomingdale’s had great digital brand and merchandising examples in the cosmetics section. JCPenney and Macy’s also offered distinct Levi’s digital touchpoints (the Denim Bar and Levi’s kiosk respectively) and sales associates were enabled with iPads.

<sup>1</sup> 59% of smartphone owners report having used their phone to find a better price while in-store. InsightExpress, Q1 2012, “Digital Consumer Portrait.” Jan 25, 2012



## KEY THEMES

The goal of this research was to evaluate the digitization of physical spaces. Our hypothesis was that most retailers—particularly in their marquee New York City Fifth Avenue stores—would have made substantial investments, and the investments would have been made here prior to other cities.

We discovered that simply “adding digital” is not the answer for retailers—yet that was an approach too often taken. As you’ll note in the scores, brands that simply bolted on a screen or added a tablet did not score well. In our view, the retail store must focus on tools that help sell in-store and extend the visibility of both the customer and the sales associate into the digital space: product reviews, near-infinite inventory and a much broader product assortment.

Just as ecommerce spurred the evolution of a new type of shopping experience, in-store retail is poised to undergo the same type of disruptive evolution—transforming itself into something so different it requires a new name: **Connected Retail**. A Connected Retail experience<sup>2</sup> is a fully integrated, digitally enhanced experience that engages the customer in both the virtual and the physical worlds. It enables stores to exploit and extend their unique advantages into the digital realm.

To understand the implications of the research, we focused on several questions we expect retailers to ask and developed six key findings based on them.

### KEY FINDING 1: DIGITAL IN-STORE DISPLAYS ARE POWERFUL TOOLS—BUT TOO OFTEN POORLY EXECUTED

When done well, in-store digital branding added tremendous energy and engagement to the retail shopping experience. Unfortunately, most digital experiences suffered from major shortcomings, if they existed at all—40 of the 71 retailers evaluated had no visible digital displays. Interestingly, many of the best in-store experiences—Chanel’s sleek runway video and Clinique’s iPad skin evaluation—appeared to be created in positive partnerships between vendors or suppliers and retailers.

More troubling is that few retailers embraced the interactive element of digital. Screens are great, but our expectation is that in-store digital must move beyond glorified wall hangings and deliver content and functionality that supports<sup>2</sup> users in the shopping process. Many of the screens focused solely on branded content; while this

can enhance the experience, it lacks interactivity. We saw little content focused on product information and utility, and even fewer interactive experiences designed around user goals and actions.

**What worked:** UNIQLO’s in-wall screens were tightly integrated with the physical design of the store and visually compelling. In larger stores, consistent usage of digital display as part of the brand experience was essential in creating the desired impact. For example, Bloomingdale’s had screens throughout the store, which was in stark comparison to other large retailers that often had a single, and sometimes difficult-to-find, screen for an entire floor. Digital entertainment for kids is an interesting concept; both Abercrombie and PS from Aéropostale featured digital displays at kids’ heights, which offered a distraction for



The Adidas store, not part of our formal evaluation, included a display obviously added onto the in-store experience.



One example of well-integrated digital merchandising was the Bloomingdale’s in-store in-wall displays. Not interactive, they still were well-executed and supported the brand goals in the store.



LEGO’s in-store augmented reality experience has received considerable buzz in the digital space. But like many experiences in our audit, lack of support (in this case, the display was not operating) hampers the use of these devices. The LEGO store was not part of our formally evaluated retailers.

<sup>2</sup> For more information on Connected Retail, see “Retail Goes Rogue: How Digital Convergence Will Revitalize the In-Store Experience” in the Trend 3 section of this report.



# METHODOLOGY & APPROACH

60+	Excellent
50-59	Good
40-49	Average
30-39	Fair
29 and below	Weak

## Methodology

Store Experience	70%
Visibility	15%
Content	20%
Functionality	20%
Brand Translation	15%
Social Sharing Integration	10%
Mobile Experience In-Store	10%
Cross-Channel Inventory & Fulfillment	10%

Each retailer was scored in each category from 0 (not present) to 5 (best). The scores were weighted to create a composite index, and then multiplied by 15 to achieve an easy-to-read overall score from 0 to 75. See the Omnichannel Scorecard for the results.

To measure the degree to which retailers are successfully building links between their digital and physical stores, SapientNitro independently conducted a four-month audit of specialty retailers.

Our research approach consisted of in-person visits to the physical properties of 71 retailers, focusing on flagship and other prominent locations in New York City.<sup>3</sup> Researchers assessed each store's digital offering(s) while equipped with Android and iOS smartphones.

## DEFINITION OF CATEGORIES

**Visibility:** To what degree are digital elements clearly visible in the store? Is digital integrated throughout the shopper's path?

Top Scores: UNIQLO received a five in this category—the highest possible rating—for its dynamic, visually stunning store experience.

**Content:** Is the content relevant to the brand and its products and services? How well is the content tailored to the in-store experience?

Top Scores: No brand received a five, but Ethan Allen and Sephora secured a four by offering product information and exploration to support the in-store shopping experience.

**Functionality:** Are digital tools interactive? To what degree are the functions relevant to shoppers' goals and the in-store experience?

Top Scores: No experience garnered a five, but Sephora's digital touchpoints, including the Scentsa fragrance finder, netted the retailer a four.

**Brand Translation:** Is digital well integrated into the physical space? Do digital touchpoints enhance the brand image and store experience?

Top Scores: Bloomingdale's, especially its cosmetics experience, and UNIQLO's spaces were clearly designed with digital in mind, earning each a five.

Retailers' physical stores were evaluated across seven criteria: Visibility, Content, Functionality, Brand Translation, Social Sharing Integration, Mobile Experience In-Store and Cross-Channel Inventory & Fulfillment (See Methodology Chart). And ultimately, each retailer received an Omnichannel Score based on its composite score (See Omnichannel Scorecard).

**Social Sharing Integration:** How well is cross-channel or social sharing (e.g., email, Facebook, Twitter) enabled?

Top Scores: Sephora earned a four because many of its touchpoints supported easy email sharing, and there was some social integration though it was not seamless. Overall, a category average of 1.4 out of 5—which excluded the 40 retailers that received a 0 score—indicates significant room for improvement across all retailers.

**Mobile Experience In-Store:** Does the retailer have a native mobile app with functionality relevant to the in-store experience (e.g., push notifications, barcode scanner)?

Top Scores: No mobile experience warranted a five. Most apps were singular in function if they worked at all. However, Bloomingdale's did earn a four; in addition to the product scanner provided by its Big Brown Bag app, the "Bloomingdale's @ 59th & Lex" app offered interactive floor maps for its flagship store.

**Cross-Channel Inventory & Fulfillment:** Does the retailer provide store inventory visibility in other channels? How well does the retailer support cross-channel shopping and fulfillment?

Top Scores: Coach, Crate & Barrel and Nordstrom allowed shoppers to easily check in-store availability via the website and mobile site and offered an option for in-store pickup, which plays up a physical retailer's advantage of immediate fulfillment and no shipping costs.

<sup>3</sup>71 retailers were audited. Of those, we evaluated one or more locations in New York City for 68 retailers and locations in Chicago for three retailers with limited or no presence in New York City.

weary parents and kept kids engrossed. The Levi's Denim Bar at JCPenney was well designed and reasonably well integrated. Converse—not on our list—offered digital tools to allow consumers to customize their shoes in-store and walk out with one of many designs printed on their sneakers. This is a strong example of a tool that adds value to the in-store shopping experience, is relevant to in-store purchasing and can't be replicated at home.

**What didn't:** In smaller stores, such as Lindt and Bath & Body Works, large screens behind the checkout displayed

video footage, but didn't add to the visit. Over and over, we saw stores that had clearly not thought through the digital, omnichannel environment. We encountered many examples of poor placement including a digital display tucked under stairs and another hidden behind a rack of clothes. One store had seven-foot-high kiosks, which were both broken and awkwardly placed at an exit and in the middle of a crowded clothes section. Another beauty and skincare store mounted a touchscreen computer to the wall, but left the outlet and cables clearly exposed.

## KEY FINDING 2: POORLY PLANNED DIGITAL IS WORSE THAN NO DIGITAL AT ALL

Digital is a key component of the shopping journey, but retailers that rush to extend digital to the physical store experience won't win the race. Retailers must plan for the long-term; this includes technology support and sales associate training in how to use the tools and in the value they provide. Staff shouldn't be surprised when shoppers use smartphones to scan a barcode or interact with a touchscreen. Floor plans have to be redesigned for digital displays and interactive elements.

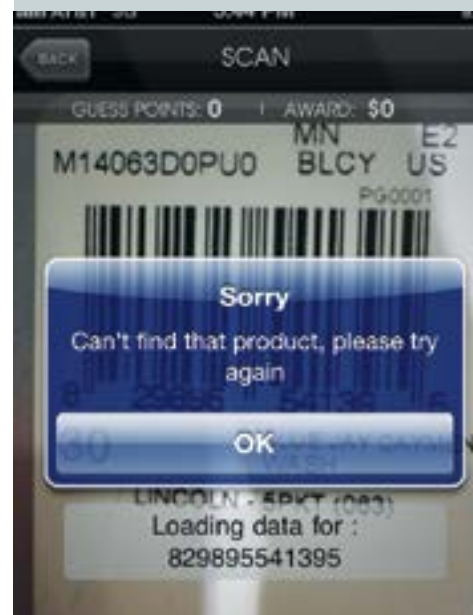
**What worked:** UNIQLO is a prime example of a store designed with digital in mind, but even stores like Saks Fifth Avenue and Ralph Lauren that had fewer displays with little to no interaction executed what they did have well—displays were integrated and smooth.

**What didn't:** JCPenney had great experiences at the Levi's Denim Bar and had iPad-equipped sales associates, but the overall experience was hampered by broken price-check kiosks and two broken "findmore" touchscreen kiosks. Display errors on Guess' touchscreen overshadowed any value the content could provide. Several retailers integrated scanning capabilities into their mobile apps, but few worked seamlessly and consistently. Guess' sales associates intercepted us as we tried the style selector, and in American Eagle Outfitters, the sales associate wasn't aware of the mobile app's barcode scanner. Even several Sephora employees provided misinformation about the Beauty Studio tool.

## KEY FINDING 3: IT ISN'T JUST THE HARDWARE: CONTENT AND SOFTWARE MATTER

Great digital signage and interactive digital elements require great material. Nothing emphasized the gap between the promise and the reality better than the lack of software and content to

match the hardware. In our research, we found many examples of large-scale runway videos, but were left scratching our heads about the lack of other stories. Where were the stories about



Several retailers integrated scanning capabilities into their mobile apps, but our attempts to scan were mostly unsuccessful. The scanning software usually worked, but the mobile app was unable to look up the barcode.

## Retailers' Digital Assets (Content) Grow More Critical

"The content owners that will thrive in this digital ecosystem are the ones that understand the need to deliver seamlessly across every possible platform."  
—eMarketer

# 80%

Companies that optimize their mobile web content outperform those that don't by 80% in year-over-year increases in web traffic.<sup>4</sup>

<sup>4</sup> Aberdeen Group "The Business Value of Adapting Web Content For Mobile Devices," 2011

**“Based on SapientNitro’s work in the space, we have found a significant increase—on the order of 10% to 40% in additional in-store sales—relative to other stores.”**



The Marks & Spencer Paris location offered co-browsing for associates and is a move towards the “endless aisle,” particularly important in the most profitable high-traffic, small footprint stores.

how a great design came to life? Where was the product information, or even promotional material?

In fact, Sephora’s tools, Clinique’s skin evaluation, Macy’s Levi’s kiosk, JCPenney’s Levi’s Denim Bar and Ethan Allen’s Express platform were some of the only software implementations focused on in-store tasks. In-store tools need to offer more than something a shopper can do at home.

There are hundreds of potential stories for strong brands, and digital in-store tools offer the opportunity to tell them. The failure to highlight and feature these stories is a key gap for many retailers. Content needs to be integrated into the development of digital in-store experiences, and content is a powerful tactic within a larger omnichannel strategy. Content must tell a story consistent with the brand.

**What worked:** Clinique’s iPad skin evaluation has been out for

several years, but is a solid tool, delivering personalized product recommendations based on users’ skin types and key concerns (e.g., acne, redness). It is integrated with email—which worked—and usually a printer, and was a popular tool at Macy’s, Bloomingdale’s, Nordstrom, Saks Fifth Avenue and Lord & Taylor. While most had the Clinique iPad propped up in a very basic (likely standardized) freestanding base, Bloomingdale’s went a step further to integrate the iPads into a custom counter.

**What didn’t:** Barneys had over a dozen iPads placed consistently throughout the multi-level store, but the content was generic dot-com material (typically linked to the blog “The Window”). ALDO was even worse—they mounted tablets next to the shoes, offered no content targeted at consumers and even had sales associates scold shoppers when they attempted to scan the shoes themselves.

## KEY FINDING 4: THE RIGHT TOOLS GENERATE POSITIVE ROI

One of the key questions to consider prior to in-store digital investment is ROI. The cost of installing and supporting these tools is significant, but the question of a positive return is too often unknown. Based on SapientNitro’s work in the space, we have found a significant increase—on the order of 10% to 40% in additional in-store sales—relative to other stores. These benefits are primarily due to decreased lost sales, the ability to ship-to-home, improved in-store shopping by enabling co-browse with sales associates, and brand contribution. Retailers with a physical presence need to play up the benefit of in-store experiences. Quite simply, sales conversion is much higher in the retail store than anywhere else. It also offers

unique advantages: immersion, direct support of sales associates, immediacy and focus, social elements and the opportunity for fun. It makes sense to invest in the channel that represents more than 90% of most retailers’ sales (even as ecommerce continues to grow).

**What worked and what didn’t:** Obviously, our audit of in-store experiences couldn’t determine the direct impact of each digital experience. What we’ve found in our work in the space is a significant ROI increase in well-designed convergent retail tools such as in-store kiosks connected to the right technology on the back end.

## KEY FINDING 5: RETAILERS SHOULD FOCUS ON SUPPORTING USER TASKS

Well-designed, task-based tools emerged as being few and far between in our research. We found that the leading examples included wedding registry kiosks, mobile barcode scanners and product explorations like the skin evaluation and fragrance finder.

But much was left on the table. While 43% of brands had some sort of functionality supporting in-store tasks, the majority were digital displays. Even fewer (22%) brands had interactive tools, which support those user tasks. And we saw none of the digital try-on technologies that various publications have lauded. Not only did we not see virtual fitting rooms, but also some of the experiences that the industry raves about, like iPad kiosks, failed to deliver. We also failed to find any future-thinking examples similar to Marks & Spencer's touchscreen co-browsing experience (see image to the left) recently rolled out in Paris, or examples such as LensCrafters'

Magic Mirror, which allows shoppers to quickly try on many new glasses styles while still being able to see the styles properly wearing their own.

**What worked:** Crate & Barrel included both a wedding registry kiosk and a mobile app that allowed users to walk the store and scan items to add to their registries. Clinique's iPad tool delivered personalized product recommendations, helping shoppers narrow down the options at the point of sale. Macy's mobile app included a barcode scanner that worked, although it returned a higher price online than in-store.

**What didn't:** Bath & Body Works' mobile app included a scanner, but every attempt to scan a product resulted in an error—this issue was common across retailer apps assessed. Guess' app also promised to look up prices and customer reviews, but also threw an error. And we already noted ALDO's "tablet trap."

## KEY FINDING 6: THE OMNICHANNEL BATTLE HAS BEGUN

We awarded three retailers a five in the Cross-Channel Inventory & Fulfillment category. This is the only category that had more than two top-scoring retailer and reflects, we believe, a growing interest in this area and increased retailer awareness of cross-channel behaviors. This is the first of a series of steps towards omnichannel thinking.

We assessed how well retailers are facilitating cross-channel shopping behaviors, specifically from the web (and mobile web) to the physical store. With the large number of consumers that research online and buy in-store, retailers have a significant opportunity to support these cross-

channel purchasers. Across the seven categories we evaluated, more retailers were awarded top scores (4 and 5) in Cross-Channel Inventory & Fulfillment than in any other.

We also examined the flexibility of cross-channel shipping. The ability to check store inventory in multiple channels is highly relevant to the omnichannel shopper. Additionally, three retailers pushed the bar higher to support cross-channel fulfillment. Coach, Crate & Barrel and Nordstrom gave shoppers the option to purchase an item online and then pick it up at a nearby store that had the item in stock. Though it does not offer the

## New, Creative Retailing Models Are Proliferating

"The highly targeted assortment and short-term leases are a low-risk way for Walmart to reach new shoppers and capture shopping occasions it may not otherwise have access to."

—Instoretrends.com, referring to Walmart's 2011 Holiday Pop-Up Store Strategy

# 130%

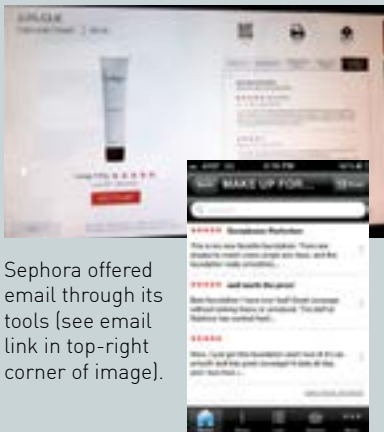
The increase in online sales over 3 months after Tesco's South Korean commuter campaign was 130%.



Scentsa's design invited shoppers to try it out.



Beauty Studio iPads linked shoppers to tutorials, social content and available services.



Sephora offered email through its tools (see email link in top-right corner of image).

In-store scanning with the Sephora app surfaced helpful reviews.

level of immediacy that in-store pickup provides, some retailers also offered a ship-to-store service, which, when offered for free, might appeal to the large number of shipping fee-averse shoppers.<sup>5</sup>

**What worked:** Crate & Barrel had clear inventory visibility as well as the option to see if larger furniture pieces were on display at a nearby location. They also provided in-store pickup services as well as an option of free shipping to a store. Nordstrom offered innovative functionality on its mobile site, allowing users to filter by the

usual specs like size or color, as well as “nearby” through which users can set a location and narrow products by store availability.

**What didn't:** Among the surprises were H&M and UNIQLO, which did not have ecommerce offerings in the U.S. and provided no visibility into store inventory. And while several large department stores provided at least some level of inventory visibility—including Macy's, JCPenney, Bloomingdale's and Saks—it was a surprise to see a few exceptions, including Neiman Marcus and Lord & Taylor.

## CASE STUDY: SEPHORA

While no brands achieved the “Excellent” status in this inaugural omnichannel index, Sephora did emerge as a leader among its peers. Sephora had a seemingly well thought out strategy for digital in its physical spaces, in addition to a relevant mobile offering and cross-channel—both dot-com and mobile—inventory visibility.

Inside the store itself, the Scentsa touchscreen kiosk served as a centerpiece in the fragrance space. The best-in-class interactive display let visitors explore fragrances through multiple paths, such as by brand or by fragrance note. The touchscreen was responsive and easy to navigate, and offered shoppers helpful product information. When a shopper found something of interest they could email it or scan the QR code to pull up the product on their phone. The screen also prominently displayed Facebook links, but didn't follow through with social sharing capabilities. A second touchscreen kiosk, Sephora's Skincare IQ, offered a very similar experience catered to skincare needs.

In addition, Beauty Studio iPads were positioned along the vanity mirrors at Sephora's makeover stations.

The location made the touchpoint less inviting to passersby if the station was in use, but those that ventured to check it out found how-to videos and tips, an overview of available in-store services, social content from Sephora's networks and more. Shoppers could also share content via email or social networks, though some speed and system issues were encountered when we attempted to do the latter.

Sephora's mobile app also offered shoppers a scan feature, providing easy access to additional product info and reviews, which could help with purchase decisions.

Each touchpoint hit the mark across several criteria, but the overall experience still fell shy of “Excellent.” On reflection, we felt Sephora missed making the final strong connection between shoppers' in-store goals and experience. Scentsa helped shoppers wade through the overwhelming number of fragrances, but after finding the perfect scent on the screen, how does it make its way to their cart? There was no indication of whether the fragrance was on the shelf at that moment and no assistance locating it.

<sup>5</sup>When asked the main reasons they don't make online purchases, 36% of consumers cited the shipping costs. That made shipping costs the second-most common reason they balk at buying online, only slightly behind the 37% who prefer to see and touch an item in person before purchasing. (Internet Retailer 2012)



## CASE STUDY: MACY'S

Across nine floors and over two million square feet of retail space, the Macy's flagship store in Herald Square had more in-store touchpoints than any other store evaluated. Yet it was clear it was optimized for an analog world; digital displays had limited functionality and the visibility of the tools in such a large store held the retailer back from achieving a "Good" designation.

Top experiences included the Clinique skin evaluation iPads—Macy's most ubiquitous (available on three separate floors) and successful implementation, although not unique to Macy's. The sleek display of the Levi's touchscreen kiosk in the kids' department, while tucked among the racks in the girls' denim section, drew attention. Users could browse very basic product information related to kids' denim styles and snap a pic with the digital photo booth. Finally, the Macy's mobile app was a strong point with a scanner for price comparison (although it returned a higher price than the physical tag) and its "find in-store" function.

Price-check kiosks were easy to find and were used frequently by shoppers

during our audit. Though the five-inch LCD screens were not a vision of beauty, the kiosks provided basic product specifications along with price, in which shoppers clearly saw value. There was a missed opportunity to further engage, cross-sell and delight customers at this already frequented touchpoint.

Other areas of opportunity included the digital branding and merchandising displays throughout the store, which weren't as integrated as, for example, Bloomingdale's. In addition, the single gift registry in the ninth floor luggage department worked, but seemed oddly placed. Users could search for a registry, but the output was a several-foot-long, receipt-style printout of products.

As a whole, the Macy's digital in-store experience has established several key pieces of a complete offering: cross-channel inventory visibility, a mobile scanner and the beginnings of in-store digital content. Developing tools that enhance the brand and truly support shoppers' in-store activities remain a significant opportunity.



The Clinique skin evaluation in Macy's offered clear instructions and a clean interface, but was also featured at most of their competitors.



The Macy's Levi's kiosk was visually striking.

The Macy's mobile app included a basic scanning capability, as well as the ability to scan and add items to a registry.



The Levi's kiosk was easy to use, but product information was limited.





# NASCAR RACES TOWARDS

# OMNICHANNEL

The blurring of lines across online and offline are not just impacting retailers. We work with multiple industries that are addressing the same challenges to their businesses. From travel and hospitality to telecom, most consumer-facing industries are, to some extent, facing similar challenges. However, few have pushed as hard or as fast as NASCAR.

NASCAR is one of the premium professional sports businesses, with massive reach—hosting 17 of the 20 most attended sport events—while delivering significant results to sponsors' products and services. With over 70 million fans worldwide, it is the second most-viewed broadcast sport, and has the longest sustained season of any sport.

Yet their digital channels have traditionally been under-emphasized—with no YouTube channel (until recently), substantial conversation drop-off in the off-season and a fifth place in online conversation after the NFL, NBA, NHL and MLB.

In addition, their customer base is evolving. Their biggest fans are increasingly connected consumers who expect to be able to interact with their favorite brands, drivers and teams through digital channels.

The solution is to reinvent and recognize the strategic opportunity to evolve to a more connected fan experience that extends before, during and after events.

## **Extending the In-Venue Experience**

Analogous to the in-store experience, attending races used to be dominated by the cars and a basic scoreboard with positions. Yet today, NASCAR is seeing fans arrive with smartphones who expect a platform to extend their

experience. The opportunity—to be fair, as yet unrealized—is to surface great analysis and social conversation, and to see aspects of the event they may have missed—without diluting the intensity of the real-world experience. For example, they are considering leveraging digital signage, Jumbotron integration, in-venue kiosks and even mobile ticketing to make the experience richer.

## **Connecting Digitally at Home**

Similarly, while watching at home, second screen viewing can extend and increase the richness for consumers. Personalized experiences similar to ecommerce platforms in retail can allow fans to connect with existing media broadcasts (e.g., follow their favorite driver's audio or watch pit row videos), live data feeds (e.g., tire state, fuel state, speed) and education and analysis (e.g., history of the track, live analysis), or even enable social conversation (e.g., Twitter, Facebook) on NASCAR's own platform.

## **Building the Brand**

NASCAR fans are some of the most passionate in the world. Part of the opportunity of digital is to deepen that connection by bringing great content about the history of the teams, sponsors, cars and drivers. There is incredible richness in the stories, which can be told through these platforms. And off-season, digital channels offer the opportunity to flatten seasonality and shape engagement.

In summary, just as retail stores have started to consider in-store, NASCAR has started to think about in-stadium and at-home digital experiences. Integration with live television programming allows deeper engagement—and more opportunities for lifting the lifetime value of fans.

## CASE STUDY: JCPENNEY

JCPenney has the opportunity to be among the leaders in relevant digital in-store experience, with several strong experiences. But in practice not only did a majority of digital touchpoints fail to impress, too many were inoperative or unsupported.

The first touchpoint encountered was the price-check, a staple in many department stores. Similar to other retailers, the design did nothing to boost the brand image, but the real issue was that the price-check was non-functioning. The kiosk display indicated that the “Price check system is unavailable. Please see an associate.” This message appeared at seven of the eight kiosks we visited throughout the store location.

JCPenney’s “findmore” kiosk offered a strong visual impression, although the content and functionality struggled. The kiosk essentially brought shoppers to the retailer’s website without specifically tailoring the experience to in-store goals. In terms of functionality, the touchscreen interface on the first kiosk was largely unusable—the navigation would rarely respond to touch—and the second kiosk tested

was entirely unresponsive. The promotional material promised media-rich content and social sharing options, but we saw little of note.

A more recent effort—the Levi’s Denim Bar—hit the mark across several criteria. Relative to the kiosks, visibility was improved, with in-store marketing messages of “a new way to shop for jeans” and a prominent location adjacent to an aisle. The Denim Bar—which was only in the men’s department of the location visited—was well designed, with the feel of a store-within-a-store. iPads were mounted on the Denim Bar, and the interface was smooth and provided shoppers access to basic information such as available styles and washes, as well as video and images highlighting the fit.

Beyond in-store offerings, JCPenney provided inventory visibility through both its dot-com and mobile site, which supports the omnichannel shopper. And though the Levi’s experience and inventory visibility resulted in a slight lift in scoring, it was still overshadowed by inoperative kiosks and price-checkers.



iPads at the Levi’s Denim Bar were easy to navigate.



The “findmore” kiosk had a fairly clean look but was not functioning correctly during our multiple visits.

## CONCLUSION

Our research teams visited over 70 retailers across New York City. What we found were major gaps in the in-store digital experience. Substantial pressure is on retailers to meet the connected consumer's push for a seamless omnichannel experience, and while it is inspiring retailers to consider new ways to extend aisles, create adaptive environments and deliver augmented packaging experiences, the reality is humbling.

That only two stores—Sephora and Bloomingdale's—achieved a "Good" rating in SapientNitro's Omnichannel Index reflects the substantial challenges that remain in developing a strategy for in-store experiences. In the end, no retailer received the top "Excellent" rating because too few have overcome the underlying challenges of execution: organizational alignment, clear strategy and an actionable roadmap with quick wins.

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We did find compelling experiences. From UNIQLO to the Bloomingdale's cosmetics section to Sephora's Scentsa, it was clear that some retailers have made the necessary conceptual and material investment. But too often, we also found major problems: broken devices, bolted-on displays and disconnected experiences.

Achieving an omnichannel digital vision has challenges. Our study found that much work remains for retailers to achieve their vision—but this also means that we are even earlier in this process than in ecommerce or pure digital experiences and that, as a result, more opportunities remain.

And the retailer who cracks this nut will receive a disproportionate share of the reward.

# OMNICHANNEL SCORECARD

60+	Excellent
50-59	Good
40-49	Average
30-39	Fair
29 and below	Weak

Rank	Retailer	Category	Omnichannel Score <sup>6</sup>	Class	Descriptions
1	Sephora	Beauty & Skincare	59	Good	Our #1 for having a variety of useful interactive tools that enhance the store experience, but there's still room to push the envelope
2	Bloomingdale's	Department Store	52	Good	Exemplary use of video screens, delightful 59th @ Lex app for use in the flagship store and seamless execution of Clinique iPads
3	Macy's	Department Store	46	Average	On the right track with a diverse range of digital touchpoints, but visibility and functionality need a boost
4	Crate & Barrel	Home & Gift	44	Average	Competent implementation of gift registry, but only cross-channel inventory & fulfillment goes above and beyond
5	American Eagle Outfitters	Apparel	43	Average	Kids' section features fun, digital entertainment, plus displays and mobile investment
6	Nordstrom	Department Store	40	Average	Cosmetics department screens, mobile app and inventory visibility shine but the rest fall flat
6	Saks Fifth Avenue	Department Store	40	Average	A minimalist approach: branded video screens complement the fine-art feel of the store
8	UNIQLO	Apparel	36	Fair	Branded video screens around every corner enhance the store's high-tech feel but none offer interactivity
9	Lord & Taylor	Department Store	33	Fair	A sleek cosmetics department bolsters an otherwise mediocre digital experience
10	Ethan Allen	Home & Gift	32	Fair	Touchscreen kiosk is a strong step in the right direction, but location and in-store role need attention
10	ZARA	Apparel	32	Fair	Handful of well-placed digital video screens and a smooth mobile scanner, but no visibility into store inventory
12	Guess	Apparel	31	Fair	Solid endeavor with its touchscreen denim finder, but system errors bring it down a notch
13	JCPenney	Department Store	29	Weak	Valiant effort, but maintaining tools is a must
13	Lacoste	Apparel	29	Weak	No mobile integration, but bonus points for good design and appealing digital video content
15	Barneys New York	Apparel	27	Weak	Mounted iPads look sleek, but deliver only website content that shoppers can browse at-home
15	Diesel	Apparel	27	Weak	iPads and video screens compliment the brand, but none blew us away
15	Tourneau	Watches & Jewelry	27	Weak	Unimpressive screens, but online shoppers can schedule in-store appointments for an item of interest
18	Steve Madden	Accessories & Shoes	26	Weak	Digital video experience is well-branded though underwhelming
18	Williams-Sonoma	Home & Gift	26	Weak	A basic gift registry kiosk with a print option sums up the digital offering
20	Aéropostale	Apparel	25	Weak	Digital photo booth in kids' PS store is a fun diversion, but limited in functionality and offers no sharing capability

<sup>6</sup> A retailer's maximum score is 75. See Methodology & Approach for more detail.

Rank	Retailer	Category	Omnichannel Score	Class	Descriptions
20	Bath & Body Works	Beauty & Skincare	25	Weak	Digital falls flat: uninspired marketing video and a mobile scanner that returns only errors
20	French Connection	Apparel	25	Weak	Single video screen behind the cashwrap is integrated and branded well
20	Ralph Lauren	Apparel	25	Weak	Classic but minimal: on-brand video and well-designed displays, just not many of them
24	Ann Taylor	Apparel	23	Weak	One poorly mounted screen tucked away in the fitting room that serves up the dot-com leaves much to be desired
24	BCBG	Apparel	23	Weak	Room for growth: runway videos looped on a couple of screens
24	H&M	Apparel	23	Weak	Floor-to-ceiling projector screen makes a statement, but still has no ecommerce in the U.S.
27	Brooks Brothers	Apparel	20	Weak	No digital to be had except for shoppers seeking a round of virtual golf practice
27	Lindt	Home & Gift	20	Weak	Single screen mounted behind the cashwrap doesn't grab shoppers' attentions
27	Neiman Marcus	Department Store	20	Weak	Meager: Nothing beyond the Chanel runway video screen
27	Stuart Weitzman	Accessories & Shoes	20	Weak	Branding video facing the street may catch the attention of passers-by, but not of the in-store shoppers
31	Gymboree	Apparel	14	Weak	The small TV encapsulated in protective plastic may keep the kids entertained, but fails to impress
32	bebe	Apparel	9	Weak	Mobile scanner and inventory check are the only pluses
33	Coach	Accessories & Shoes	8	Weak	Online shoppers can easily check nearby stores' inventory, but won't find any digital content when they arrive
34	Talbots	Apparel	6	Weak	The website and mobile site highlight in-store availability, but the digital offering ends there
35	A X Armani Exchange	Apparel	5	Weak	Great dot-com inventory check for in-store pick up, but fails everywhere else
35	American Apparel	Apparel	5	Weak	Can check inventory via dot-com, but lacks digital in-store and mobile relevance
35	Banana Republic	Apparel	5	Weak	Mobile scanner is the lone bright spot
35	Express	Apparel	5	Weak	Mobile app has a scanner, but it is disappointingly glitchy
35	Urban Outfitters	Apparel	5	Weak	No in-store touchpoints and does only dot-com inventory check well
40	Gap	Apparel	3	Weak	A frustrating mobile scanner is the extent of the in-store digital experience
40	Victoria's Secret	Apparel	3	Weak	App with scanner claimed exclusive offers, videos and info, but never delivered
42	Chico's	Apparel	2	Weak	The in-store experience is void of digital and the online offering to 'find a store' is riddled with errors
42	White House   Black Market	Apparel	2	Weak	Store inventory supposedly visible via mobile and dot-com, but worked not once when evaluated

**The following retailers received an overall score of 0 as all three components evaluated were absent:**

- No digital touchpoints were visible in the store location visited
- No native mobile app with relevant in-store functionality
- No store inventory visibility on the retailer's website or mobile site

Retailer	Category
ALDO	Accessories & Shoes
Cole Haan	Accessories & Shoes
Nine West	Accessories & Shoes
Tumi	Accessories & Shoes
7 For All Mankind	Apparel
Abercrombie & Fitch	Apparel
Anthropologie	Apparel
Club Monaco	Apparel
Intermix	Apparel
J.Crew	Apparel
Juicy Couture	Apparel
Lucky Brand	Apparel
lululemon athletica	Apparel
Rugby	Apparel
L'OCCITANE en Provence	Beauty & Skincare
LUSH	Beauty & Skincare
The Body Shop	Beauty & Skincare
Bergdorf Goodman	Department Store
Dean & DeLuca	Home & Gift
Godiva Chocolatier	Home & Gift
Pottery Barn	Home & Gift
Restoration Hardware	Home & Gift
West Elm	Home & Gift
Cartier	Watches & Jewelry
Swarovski	Watches & Jewelry
Swatch	Watches & Jewelry
Tiffany & Co.	Watches & Jewelry
Zales	Watches & Jewelry

**The following retailers were not evaluated due to limited locations in the geographies visited or lack of physical retail presence:**

Harry & David	Home & Gift
Blue Nile	e-tailer
Bluefly	e-tailer
Net-A-Porter	e-tailer
Shopbop	e-tailer



# WHAT'S OLD IS NEW AGAIN

Written by Scott Galloway, Clinical Professor of Marketing, NYU Stern, Founder, L2

The brave new world of social media has simmered as it appears that (thus far) hype has trumped impact. Meanwhile, 15+ years on, e-commerce has become the disruptive force first envisioned in the late 1990s. In the first quarter of 2012, online retail spending in the United States reached \$44.3 billion, up 17 percent YoY.<sup>1</sup> E-commerce is expected to grow at a 13.3 percent CAGR, reaching \$361 billion in the U.S. by 2016.<sup>2</sup> With brick and mortar retail flat or declining, the percentage of sales (and growth) traditional retailers register online could become the arbiter, sorting winners from losers. Many traditional retailers now register more than a quarter of their sales online.

## Size Matters

Scale is beginning to translate online. For the first time, there is a significant relationship between the size of a retailer's business and Digital IQ. The relationship strengthens when looking at the size of retailers' online businesses.

## Department Stores: Rumors of Their Deaths Are Greatly Exaggerated

Department stores have found sanctuary in the digital domain. Building on the successes from 2011 for the first time, the average Digital IQ for the category outpaced children of the medium, the e-tailers. The top two spots in the 2012 Digital IQ Index®: Specialty Retail were (decisively) captured by Macy's and Nordstrom, respectively.

## Amazon.com: The Great White Shark of Retail

A peerless e-commerce experience coupled with a 37 percent share of U.S. m-commerce<sup>3</sup> make Amazon.com the force reshaping retail. The most recent victims are other e-tailers who can't compete. Amazon now has brick and mortar peers squarely in its cross hairs. As Amazon reinvests cheap

capital in a supply chain marching to same day delivery, it eats away at one of the few remaining advantages of terrestrial retail—immediacy. Amazon is the retail ocean's lone Great White Shark, broadening its prey from slow fat seals to ... everything that swims.

## Mobile: "I Can't Believe How Much You've Grown!"

What was supposed to take ten years took three. Everyone, including Facebook, has been caught flat-footed by the adoption rate of smartphones, which has reached 165 million users in the U.S. alone.<sup>4</sup> M-commerce is now the fastest growing retail channel in history, and mobile devices are likely influencing more on- and offline purchases than traditional broadcast, let alone an in-store salesperson. E-commerce is now m-commerce. Social media is now consumed via mobile app. Digital marketing is now centered on mobile search and mobile-optimized email.

## Digital IQ = Shareholder Value

The L2 study attempts to quantify the digital competence of 76 global retail brands. Our aim is to provide a robust tool to diagnose digital strengths

## Methodology

L2 is a think tank for digital innovation. SapientNitro has partnered with L2 to deliver the highlights from their 2012 Digital IQ Index®: Specialty Retail study. The Index measures brands against their peers on over 675 quantitative and qualitative data points, diagnosing their strengths and weaknesses across four dimensions:

- 1. Site:** effectiveness of brand site and e-commerce operations
- 2. Digital Marketing:** search, display, and email marketing efforts
- 3. Social Media:** brand presence, community size, content, and engagement on leading platforms
- 4. Mobile:** compatibility, optimization, and marketing on smartphones, tablets, and other mobile devices

This year's Index ranked the digital efforts of 76 retail brands. Based on their overall performance, brands were classified as either: **Genius**, **Gifted**, **Average**, **Challenged**, or **Feeble**. More information on the ranking and methodology can be found in the full report.

and weaknesses and help brands achieve greater return on incremental investment. We have modified our methodology, increasing the weighting of a brand's site from 30 percent to 40 percent and decreasing the weighting of social media from 20 percent to 10 percent. In addition, we measured each retailer's order and return fundamentals, and purchasing and tracking from three distinct locations.

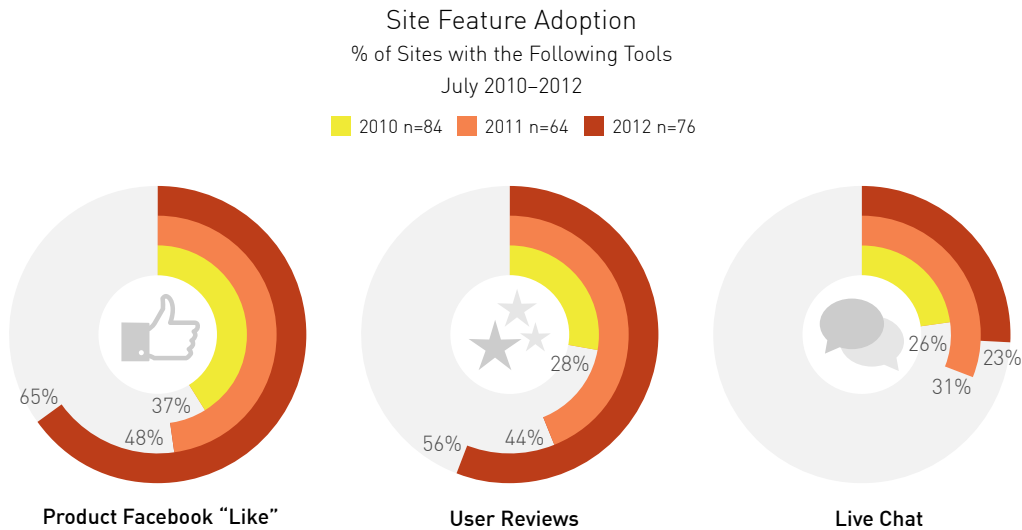
## KEY FINDINGS The Return of E-commerce

Brand sites continue to be the primary revenue-generation engine online, however significant low-hanging fruit remains. Only 50 percent of brands incorporate conversion-enhancing user reviews. Similarly, the Facebook “Like” API, a valuable source of

incremental traffic, is employed by only 65 percent of retailers. Most notably, adoption of live chat fell to 26 percent, bucking the nationwide trend<sup>5</sup> and suggesting that prestige retail brands are not seeing ROI on the technology. However, brands are

investing more on their sites than in mobile or social platforms.<sup>6</sup>

Site investments appear to pay off—Genius brands keep users on their sites two and a half minutes longer than Feeble brands do.



“Straight e-commerce sites serve a purpose, but to compete in a digital space a brand’s web presence needs to be more than pictures and a shopping cart. To compete in today’s retail world, the brand needs to create that personalized, one-of-a-kind, unique online experience, presenting consumers with options they didn’t know they had.”

– BILL KANARICK, WORLDWIDE CMO, SAPIENTNITRO

<sup>1</sup> “comScore Reports \$44.3 Billion in Q1 2012 U.S. Retail E-Commerce Spending. Up 17 Percent vs. Year Ago,” comScore Press Release, May 9, 2012.

<sup>2</sup> “Apparel Drives US Retail Ecommerce Sales Growth,” eMarketer Press Release, April 5, 2012.

<sup>3</sup> “Amazon To Book \$2 Billion In M-Commerce This Year,” Steve Smith, Media Post, September 29, 2011.

<sup>4</sup> “Smartphone Adoption Rate Fastest in Tech History,” Stephanie Miot, PC Magazine, August 27, 2012.

<sup>5</sup> “Live Chat Effectiveness—A Survey of Internet Shoppers 2012,” Bold Chat Research Report.

<sup>6</sup> “Website investment still key for online retailers despite the rise of social and mobile,” Maria Wasing, Econsultancy, September 3, 2012.

## KEY FINDINGS Red Light, Green Light

While Facebook's stock price may be down, the platform is not necessarily losing importance. Once again, Facebook is a key traffic driver of users to retailer sites, representing 10 percent of upstream traffic. Conversely, Twitter does not represent any reportable upstream traffic, suggesting the medium is not a major e-commerce driver. Pinterest has

emerged as a notable source of both upstream and downstream traffic.

Analysis of traffic to and from Amazon.com and other third party e-commerce sites reveals higher rates of downstream traffic than upstream, reinforcing the threat of the e-tailer. Facebook and Amazon together is an even bigger challenge

to retailers. Last year, 14.5 percent of Amazon.com's 22.3 million hits<sup>7</sup> on Black Friday came from social sites, up from 9 percent in 2010<sup>8</sup>—a powerful force. Overall traffic to retailers fell 7.1 percent year over year while Amazon.com's already massive traffic rose 13 percent, suggesting it feasts on the traffic cookie while everyone else fights over increasingly small crumbs.

### Referral and Destination Sites for Specialty Retail Sites Upstream and Downstream Traffic to and from the Following Sources July 2012



<sup>7</sup> "Retail traffic on Black Friday up 2%," Experian Hitwise Blog, November 26, 2011.

<sup>8</sup> "Social media helps big retailers drive traffic during the holidays," Internet Retailer, January 30, 2012.

## KEY FINDINGS **Movin' On Up**

Smartphone penetration is almost 40 percent,<sup>9</sup> and tablet adoption skyrocketed from zero to 25 percent in only two years.<sup>10</sup> Sixty-nine percent of mobile users have used their device to get product information, and 82 percent of smartphone owners use devices to help with shopping in-store.<sup>11</sup> All signs point to a future built

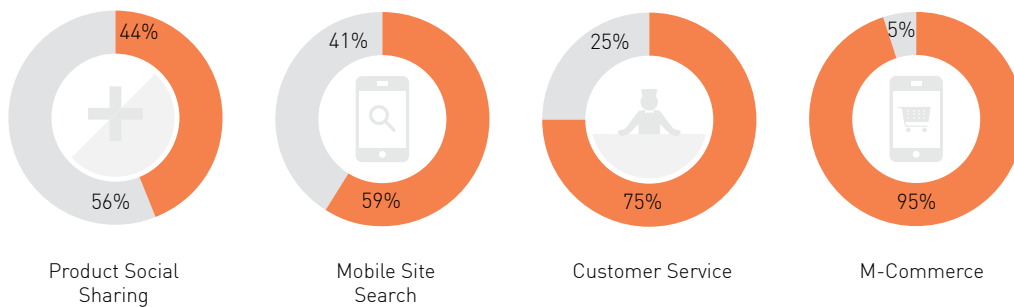
around mobile. Seventy-eight percent of brands in the 2012 index have a mobile-optimized site, up from a quarter two years ago.

Brands are building apps for iOS and Android, however iPad app adoption dropped from 39 percent in 2011 to 29 percent this year. Many retailers demonstrate higher conversion from

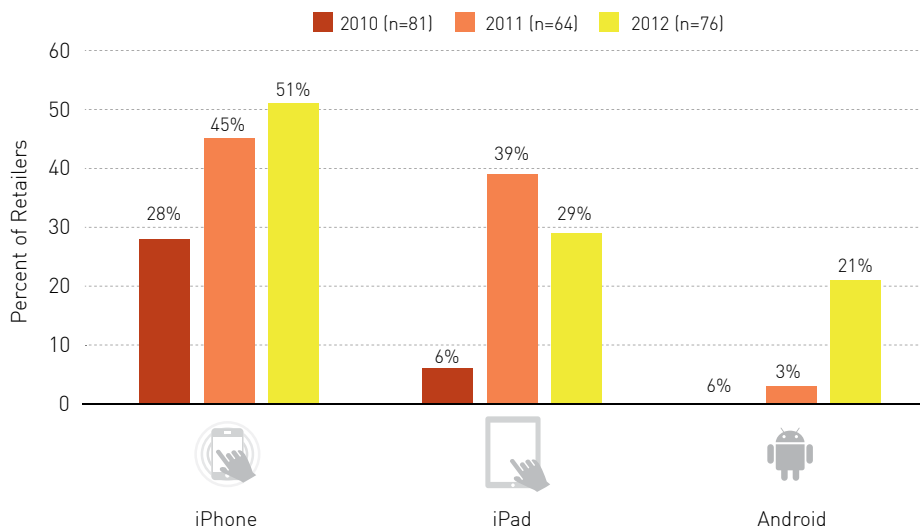
their site on the tablet and likely don't want to obfuscate sales by having an app in the equation. Nine brands removed their 2011 iPad applications: Abercrombie & Fitch, Banana Republic, Bath & Body Works, bebe, Bergdorf Goodman, Bluefly, Diesel, Tiffany & Co., & Williams-Sonoma.

### Mobile Site Features

% of Mobile Sites with the Following Features  
July 2012, n=59



### Mobile Application Platform Adoption Rates 2010-2012



<sup>9</sup> "Smartphone penetration in the U.S. from 2010 to 2016," Statista, 2012.

<sup>10</sup> "Tablet Shopping Growing, but Retailers Must Keep Up," eMarketer, June 15, 2012.

<sup>11</sup> "The Retailers Definitive Guide to m-Commerce Success," Cheryl Sansonetti, 5th Finger, May 2012.



Download the full **EXCERPT** of the  
2012 Digital IQ INDEX®: Specialty Retail Study  
<http://www.l2thinktank.com/research/specialty-retail-2012/>

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# TRENDS

## FOUR TRENDS SHAPING MARKETING PRIORITIES

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We are witnessing fundamental changes at the intersection of technology, business and customer experience. The collective impact of “disruptive technologies” on the human experience is causing chaos for companies. Old business models are failing. Communication and commerce are converging—in the home, on-the-go and at the store.

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Written by Hilding Anderson, Sr. Manager Research + Insights, Washington, DC,  
Todd Cherkasky, VP Research + Insights, Chicago  
& Donald Chestnut, Chief Experience Officer, New York

# OVERVIEW OF TRENDS

We call this “experience-led business transformation.” Brands are increasingly defined by the experience—by the sum of the interactions and value exchanged. Today, experience is the brand.

As we collected the materials for this section of the report, we identified four major trends that define our space today and shape the future.

The four trends are areas where experience is being re-conceptualized. From the consumer's embrace of new devices and real-time control to the increasing global nature of marketing, these trends will be driving marketing priorities over the next three to five years.

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## **TREND 1:**

### **Real-Time Control: New Consumer-Oriented Devices and Data**

As the world of experience evolves, one of the most critical trends is consumer demand for real-time control of their data, their lives and the world around them.

While not always met, this expectation, and how brands are striving to meet it, is driving some of the most interesting developments in marketing today.

The future of television, the growth of smartphones, the rise of alternative methods of payment and the development of new ways to deliver content: Our authors have explored each of these ideas in detail.

## **TREND 2:**

### **Predicting Desire: Building the Infrastructure to Anticipate Consumer Needs in Real Time**

The second major trend we're seeing is that companies are predicting—and even shaping—desire among their target customers.

A combination of new technology, customer changes and business viability is making this possible.

The rise of data warehouses and analytics, the future of mobile data, real-time analysis, the use of social networks to monitor and influence desirability, and ways banks can rebuild trust were all topics our authors chose to explore in this category.

## **TREND 3:**

### **Continuous Experiences: How Companies Are Blurring the Online and Offline World**

The third trend in the evolution of great experiences is the blurring of the online and offline worlds into one continuous spectrum.

Great brands are increasingly using all their assets to reach their customers in the right time, place and with the right tools to shape the purchase decision.

A new conception of the story, the role of brand, new strategies for content and new retail models are all topics our authors chose to address in this section.

## **TREND 4:**

### **Globalization: The Global Marketer and the Rise of the Global Consumer**

The final trend in the future of experience is the increasing globalization of the marketing environment.

No longer are marketing assets, brands and messages restricted within a single country's borders. Information travels farther and faster today than in the past.

To adapt to this world, marketers must rethink how they operate. Few regions represent the magnitude of the challenge—and the opportunity—as China.

In this section, we posit a new CMO mindset necessary to operate in the new marketing environment. In addition, our authors focused on ecommerce and the luxury consumer in Southeast Asia.





## TREND 1

# REAL-TIME CONTROL

As the world of experience evolves, one of the most critical trends is consumer demand for real-time control of their data, their lives and the world around them.

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Future of TV

29

Customer Experience  
Is on the Move

35

Mobile Payments:  
The Future of Money

39

OE

The Economy of One:  
The Consumer as  
Producer, Influencer  
and Purchaser

45

OE

How Sensors Are  
Connecting the World  
and the Implications for  
Experience Design

47

OE

Is There a  
Terminal Velocity for  
Youth and Digital?

56

OE

Invisible Brand  
Interfaces

52

OE

Responsive Design  
101: Optimizing for  
Multiple Screens

61

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# FUTURE OF TV

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Written by David Hewitt,  
Vice President, Mobile and Multi-Channel Experiences, Atlanta  
& Lucy Devassy, Sr. Manager, Global Shared Services, Atlanta





**American teenagers spend an average of 100 hours per month watching TV—and that doesn't include computers, phones or tablets—proving there is something still special about the in-home TV experience. But that archetype is about to undergo a massive change.**

In the last few years, there has been a substantial wave of new products, startups and ventures all circling the TV ecosystem. Changes in social TV, cable companies and satellite companies are a direct reflection of the crossover between the traditional big screen and the growing integration of smart devices. However, the majority of innovation has been relegated to individual silos with limited success, even though the technology is here and consumers are showing record engagement with emerging devices.

So why is the living room taking so long to evolve? Let's take a look at some underlying dynamics of both the industry and consumer behavior and their implications.

### THE TELEVISION IS SET TO CHANGE

#### The New, In-Control Consumer

Consumer behavior has already changed to a channel-agnostic, anywhere, anytime multi-channel mentality. No longer are consumers only watching programs on the TV, tweeting on their iPhones or checking scores on an iPad. The second screen needs to help blur the lines instead of relegating specific tasks to siloed touchpoints.

Providing content across screens is the new expectation—and consumers won't have it any other way. Take Netflix. In June of 2011, the company announced price hikes on existing subscriptions, followed by plans to split their streaming and mail order services into separate brands just two months later. The customer backlash was instantaneous and Netflix was forced to backtrack. Today streaming and mail order still remain under the Netflix brand.

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We know that people long to watch and share TV experiences on their schedule and in a social way.

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We know that people long to watch and share TV experiences on their schedule and in a social way. And it's clear that the one-to-one, on-demand, online environment will continue to take over.

#### Evolving Consumption Habits and Industry Trends

Expect to see other big changes—very soon. Some shifts that are affecting consumer consumption habits are:

#### Product and purchasing lifecycles

Prices for displays are down and quality of content is up, hence consumers are replacing their TV sets more often. This churn will allow the latest technology to enter the market at a faster rate and opens up next generation experiences to a larger consumer base. The newer sets also

ESPN media found that the average consumer spent just 7 hours a week watching TV, but when a second screen was used, time spent rose to 13 hours. With a third, time spent rose to 24 hours—just by bringing more content touchpoints to the experience.



boast a higher resolution, giving way for a wider variety of content and applications.

### **Connected devices**

In the past, the set-top box was king and “the web” was confined to a desktop PC or laptop. That notion is disappearing as broadband penetration has reached maturity and as emerging devices are highlighting the power of a “connected everything.” Even gaming consoles are standing in as set-top boxes for the convenient pairing of on-demand and entertainment. In addition, smartphones and tablets continue to evolve as remotes, schedulers and social input devices, while an ecosystem of passive sensors will better predict our viewing desires and shape an advertiser’s media spend.

### **Measurement**

Smartphones can identify us by a phone number, check-in or log-in. On a PC, visits are cookie'd and often bookmarked. At the end of the day, most digital channels know who is interacting with what content and brand. This is all in stark contrast to the living room’s methods of measurement. Expect brands to continue to look for ROI and relevant targeting with predictable outcomes.

### **Emerging interfaces**

Traditional IPTV access points are failing the consumer against a bevy of content options and consumer behaviors. Clunky remote controls and program guides are not keeping up with our 130+ TV channels or on-demand content. Voice and gesture tools will replace the remote, resulting

in an improved experience. The mobile application paradigm has already made its way onto the set via Samsung, Xbox and Apple TV. Even with mixed results, it’s clear that the simplicity and focus of the small screen’s user interface is influencing how big screen content gets traversed. Perhaps the greatest innovation potential is already brewing on leading smartphones. When Apple transformed the phone into an intuitive communication device and handheld computer, they solved more problems through detection and fuzzy logic (e.g., the proximity sensor that turns off the phone’s keyboard once next to an ear). Samsung has built upon this human pattern-based logic. Their new Galaxy III phone’s Direct Call feature allows a user to initiate a call by just holding the phone up to his ear and the Smart Stay feature leverages its camera to ensure that the screen won’t turn off when being viewed.

Now put this construct in the living room. Instead of miniature predictive moments of a smartphone user interface, we now have a collection of input devices, sensors and displays that can work together. TVs could switch to power-saving modes when a person leaves the room or falls asleep. When a baby cries, the TV could let the broadcast network know to serve diaper ads instead of dating ads.

### **Social media**

Social interaction and the viewing experience will be inseparable. Each user can decide how he or she will socialize, and with whom. It will also offer the ability to share content around favorite shows, make predictions

and take polls. Critical to advertisers, the fanfare buzz and bragging that surrounds the content often hits before and after the event; what brand wouldn't want to extend their name in those conversations? And the second a fan posts a tweet about their favorite show character, that device will ping the cloud and let the advertiser and producer know who or what type of consumer is watching their sponsored content.

### Format changes

Bite-sized content continues to dominate the user-generated content universe. Those libraries contain both premium and standard broadcast content by way of streaming boxes and services like Apple TV and smart TV sets. Amazon and Google are investing in production capabilities to drive longer-form engagement media. Along with those on-demand and streaming services, linear programming will continue to diminish and primetime events will get a boost. As engagement options continue to build, trusted, curated content from peers and providers will play a more important role. In addition, the mobile app store phenomenon is shaping a more purposeful mentality to proactively dive directly into specialized content and features.

## THE EVOLUTION OF THE EXPERIENCE

### Second Screen Takes the Stage

The businesses and brands that best figure out how to dominate the second screen experience will be the ones who capture the greater consumer mindshare.

Those investing in second screen include TV networks, cable companies, social media players and media publishers, just to name a few. Web 2.0 giants like Google, cable company behemoths like Comcast and electronics manufacturers from Samsung to Sony are all making strides to bring interactive to digital.

And the more screens consumers use, the more time they spend with the content. According to Patrick Stiegman of ESPN, 85 million Americans consume TV and the web simultaneously. ESPN media found that the average consumer spent just 7 hours a week watching TV, but when a second screen was used, time spent rose to 13 hours. With a third, time spent rose to 24 hours—just by bringing more content touchpoints to the experience.

The traditional publisher is also going after the second screen to expand media dollars and consumer engagement. Traditional players like The New York Times are starting to position their staff writers to pick up where passive TV is trailing off. During the last Oscars, the staff writers crafted complementary stories on tablets that shared supplemental information where the program left off. In another example, The Huffington Post expanded from being a news site to a streaming TV network. Soon, many content producers and content-rich brands will become networks themselves in an attempt to capture the magic only the big screen can deliver.

Second screen is perhaps most effective with real-time content like

## How can brands and industry players best prepare for second screen experiences?

### Ask yourself:

- Does the experience drive participation? What we do often stays with us longer than what we see. The most impactful experiences will bring something more than passive content and leave the consumer with a reason to share and come back.
- Does the second screen experience sync? While there are many hurdles, those that provide a differentiated and connected real-time experience have a big advantage.
- Does the experience gracefully adapt? The experience should be ready for the Android tablet market and be optimized for leading smartphone platforms.
- Does the experience support an ad model that brands can participate in? Brands realize there is power in messaging across multiple touchpoints, so ad platforms and media buys need to support a connected, consistent brand experience.



## Content in the Cloud

In the past, we watched snail mail turn into email. We all had one computer and email account. Now we expect to read our email wherever and whenever. Traditional TV is on the same path—it has to be delivered to every device while being optimized for device form factors and consumer preferences.

While Google has largely failed with Google TV thus far, it understands the importance of the cloud whereby multiple channels, social tools, user accounts and viewing habits get aggregated into one universe—to the benefit of both the consumer and advertiser.

Microsoft, Apple and Amazon are all making heavy investments and realizing that the less the content is tied to any one device, the more scalable it becomes. In addition, the more the consumer personalizes the experience, the more it pays off and the less likely they are to move to a competing provider.

sports or awards shows; there was a huge spike in second screen use during the 2012 Olympic Games. NBC showed more than 3,600 hours of Olympic coverage—a stark contrast to the 2008 Olympic Games when NBC was hesitant to live stream anything. This gave viewers in the U.S. a more enjoyable viewing experience with a front row seat through at least one channel.

Another example is the IntoNow app from Yahoo!, which identifies what a consumer is watching, and then looks beyond that content, giving her related information she may find interesting as well. Yahoo! has also announced responsive design capability with upcoming advertising products, ensuring optimization across multiple screens and form factors.

### The Shift From Smart to Dumb

As devices and screens become more intelligent, the cloud will mature—unifying everything from storage to streaming to personalization. And once the cloud crosses a threshold of intelligence and ubiquity, it will put pressure back on devices to become dumb again.

Why is this? When multiple devices try too hard to “accomplish everything” for the consumer, the bigger benefits get lost through the limited perspective of any one device. However, when an orchestrated set of devices feed a centralized brain, the devices can work together to feed inputs and deliver on commands—not much different than a

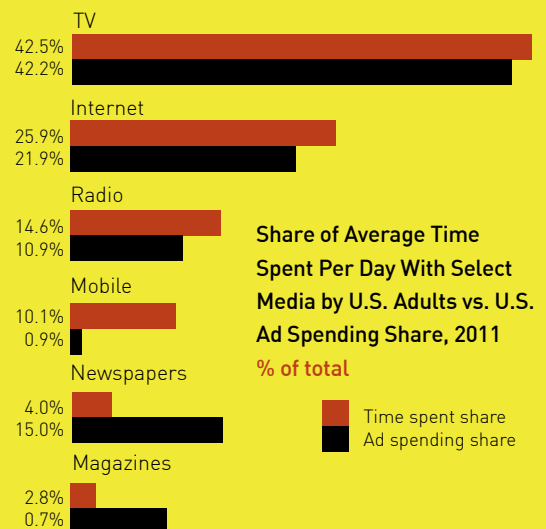
quarterback who syncs with his team and coordinates with coaches to execute the best plays on field.

This new cloud-centered world will not only ensure the right content reaches the right device at the right time and place, but will also provide the right analytics to allow brands to spend their media dollars in an effective, more profitable way.

## UNDERLYING FACTORS

### The TV Advertising Model

The advertising model for both TV and mobile is broken. While TV is well monetized, it isn't well measured. Conversely, consumers are spending significant time on mobile, but advertisers haven't figured out how to best meet them there. This conundrum is reflective of an advertising model that would need to work on a small screen for a time-conscious, place-sensitive and task-driven consumer. Quite simply, an effective model has not yet emerged; Facebook is the poster



child for this challenge as so many of its users are migrating to mobile without a complementary ad experience.

So why talk about TV and mobile advertising together? Each has something to offer the other, especially as 41% of smartphone and tablet owners are using their devices while watching TV. Through fingerprinting technologies, mobile can enhance TV's measurement capabilities while some of TV's premium media dollars can start to bleed into mobile screens as advertisers look to drive more participation and extend before and after the moment. Samsung's newest sets have cameras built in and soon advertisers will be able to target based on age, sex and number of people in the room—all capabilities of today's facial recognition technology. Seem invasive? Don't forget the millions of Facebook users who publically post their most personal information.

### The Fight for Control

Telcos and cable companies—among others—are vying to own the viewer experience as the business model changes.

Today, cable companies have more leverage over content companies than telcos because many own cable stations (e.g., Comcast owns NBC) and have been in the entertainment space decades longer. But telcos have more sophisticated IPTV and opportunities to dovetail with mobile devices. With emerging technology companies and complementary dispositions, don't be surprised to see more partnerships as players realize the power of combined strength—even the love-hate kind. Both cable companies and telcos

are vulnerable to nascent customer experiences. The future of TV will reinvigorate the relationship between brands and consumers into an à la carte model that caters to a viewer's taste

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41% of smartphone and tablet owners are using their devices while watching TV.

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instead of programming bundles that substitute quantity for quality. Brands will continue to increase their power and influence while cable companies and telcos struggle to maintain power.

### Considerations and Challenges for Brand Advertisers

With all the promise the future of TV has to offer, there are still some bugs. Besides the fight for control, multiple screens increase the touchpoints that have to be managed. And, fragmentation between devices, platforms and networks, as well as a broken model for media planning, buying and analytics are adding to the complexity.

For brands considering a new experience for multiple screens, there are additional risks. For one, is the experience complementary, redundant or cannibalizing? Also, how does a multitude of available second screen experiences (one from the cable company, network provider and content publisher) get reconciled for the consumer? How do broadcast rights apply to second screen experiences? What is the optimal staffing required to support new experiences? And, when it comes to measuring ROI, is it worth the investment?

## Conclusion

The future of TV remains difficult to cast. But the changing consumer, shifting technology and the breakdown of traditional business models are all resulting in an environment where existing players are threatened and new opportunities exist. The underlying themes of connectivity, participation, personalization and prediction sit below many of the emerging trends we see and are bound to change TV forever.



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# **CUSTOMER EXPERIENCE** IS ON THE MOVE

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Written by Nigel Vaz, SVP and Managing Director, London

**Just a few years ago, the idea of mobile taking the lead in customer experience would have seemed ridiculous.**

But in 2011, sales of smartphones and tablets outpaced those of PCs for the first time ever; in the final quarter leading up to Christmas, Apple sold more iPads than any single computer manufacturer sold PCs. Mobile is now significantly more important to most brands, and has become an integral part of their multi-channel experiences.

Within three years, mobile web usage will outstrip desktop Internet use, and brands must adapt accordingly. The brand is the experience and the experience is the brand. In the near future, mobile will be pivotal to the quality of that experience. Brands will have to create great customer experiences, and with this comes challenges and questions that must be addressed.

#### **Is Mobile Working?**

To understand how far mobile can go, it is important to understand how far it has come. Mobile ownership is now nearly ubiquitous. The phenomenal uptake of tablets and smartphones is driving huge change, and the need for change, in the ways brands meet consumers.

Until recently, we were at a stage where technology was producing new products and consumers were playing catch-up. We've tipped over into a space where consumers are familiar with the technology and now have a greater expectation than ever of what is, and should be, possible.

While phone and text still dominate usage, interactive usage has grown significantly in two major areas of mobile—Internet and native apps.

People now spend on average 32 minutes a day using mobile Internet services, and more than 18 billion apps have been downloaded from the iTunes App Store alone. Customers are also increasingly comfortable transacting on mobile, which has led to impressive revenue figures. Online retailer ASOS brings in more than £1 million a month through mobile transactions, Amazon brought in \$1 billion from 2009 to 2010 and eBay sold \$2 billion worth of products last year.



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To understand how far mobile can go,  
it is important to understand how far  
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The influence of mobile reaches far beyond just direct sales. Brands are using mobile to build awareness through advertising and create affinity through customer care and loyalty programmes, and consumers are using mobile to research products both at home and in-store. Because mobile devices are carried with the consumer constantly, they become powerful tools for creating multi-channel brand ecosystems that can deliver real value.

The enablement and freedom of connection that tablets and smart-





phones have afforded is changing our expectations. Whether in a store, airport or hotel, people are more used to having mobilised members of staff engage with them to complete a transaction without having to queue at a fixed location. The ways in which people expect to be able to transact online, without journeys being broken, on mobile or tablet devices, is far greater. We can see evidence of that in the 20 percent of online sales over Christmas that were mobile-enabled.

On the other hand, some mobile services and experiences are far from perfect: 90 percent of apps are deleted after 30 days and 38 percent of people are not satisfied with their favourite brand's app. The mobile web does not fare much better: 25 percent of people would not revisit a retailer's mobile site after a bad experience and 75 percent of the UK top 100 retailers do not have mobile-optimised versions of their website, even though people spend three-and-a-half times longer and look at three-and-a-half times as many pages on optimised sites, compared with non-optimised.

#### **Will Mobile Continue Its Rapid Ascent?**

The demand for mobile services and their commercial importance will only increase—and quickly. SapientNitro has identified four areas that have influenced mobile growth, and will continue to do so.

#### **Rise of the smartphone and tablet.**

Mobile has been propelled by the explosive sales of smartphones and tablets that give people a far richer experience. Sales of smartphones in

the UK jumped 74 percent between 2010 and 2011. Worldwide tablet sales in 2010 exceeded 17 million units, rising to a forecast 60 million-plus for 2011 and 99 million in 2012.

**Availability of cheap, fast data.** The availability of cheap data bundles, the rollout of 3G across the UK and the launch of LTE/4G in 2014 will mean greater mobile broadband speeds and even more mobile growth.

**Awareness of mobile services.** Many mobile solutions fall at the first hurdle because firms fail to pay proper attention to launching their services. One example? There are over 500,000 apps in the Apple App Store alone. To compete with the saturation, smart brands are looking at how to best tag apps, categorise and drive participation.

**Better technology.** In the past few years, a range of improved technologies such as cloud-enabled, NFC-enabled and location-based services have started to deliver more complex experiences. Over the next few years, technology will continue to improve.

#### **Can You Meet the Challenges?**

Just because the screen is smaller doesn't mean the obstacles are any less. There are key challenges to keep in mind.

**Match your offering with your audience.** Understanding your audience is the first step. This is particularly important in mobile as audiences are fragmented by form factor and usage, which are also heavily influenced by culture and geography.

**Mobile behaviours should also be considered.** This includes filling spare time, performing small jobs that are ideally done on-the-go and offering a third screen at home. Then, the real value comes from detailed understanding of your audience and unveiling key insights.

**Craft the right experience.** The range of front-end technology is broad and is changing by the day. They include native apps, hybrid apps, NFC, 3D and good old SMS, to name a few. From the business point of view, a deep understanding of the technology is not necessary. What is important is choosing the right technology. These decisions have a direct impact on the consumer. For example, typing in a URL is very different than downloading an app. The end solution may accomplish the same goals, however the consumer expectations can be wildly different.

**See what the customer doesn't.** Richer mobile experiences frequently

require access to back-end systems such as product catalogues, ecommerce systems and account information. Too often, companies do not consider their back-end architecture sufficiently. As a result, mobile experiences that rely on good access to back-end systems are often delayed or never come to life at all.

**Think strategically.** When creating consistently great mobile experiences that deliver customer and business value, strategy matters. The time for one-off mobile experiments has now passed.

The first step is to have a clearly defined mobile strategy in place that includes a roadmap. This needs to be supported by a conviction that warrants the growing investment required. Many analysts will suggest that there is no such thing as a “mobile strategy”—only a multi-channel strategy. While this is true, mobile often carries the load for innovation and business transformation.

### The Takeaway



#### Could Mobile Lead Your Customer Experience?

The simple answer is yes. And even if it does not lead, it will without doubt play a critical role because mobile is the primary channel to create and fulfill demand in real time. There are a series of mountains to climb, but consumers are demanding it and the opportunities are huge, so the time to act in a serious fashion is now.

Originally published in Figaro Digital







# MOBILE PAYMENTS: THE FUTURE OF MONEY

Written by Perry Chan, Creative Director, Experience Innovation, New York

There's a major transformation happening between people and their relationships to their money, a transformation enabled by the arrival of mobile payments (mPayments). The magnitude of this change—and the disruption—will greatly impact consumers, banks, retailers, merchants and wireless carriers, among others, and will be felt across the globe. The mPayment landscape is rapidly evolving, with many different players, technologies and alliances all fighting to assert their relevance and control between the consumer and the future of money.

From entertainment and electronics to train tickets and travel services, there are virtually no limits to what consumers are using their phones to purchase. In fact, in Japan, it's already a way of life: 7.6 million consumers have made a mobile purchase in a retail or convenience store, 3.2 million have made a purchase from a vending machine, 2.7 million have paid for public transport, 2.6 million have made a purchase in a grocery store and 1.5 million have paid a restaurant bill—all using their mobile phone instead of cash, card or check. And 47 million Japanese have adopted tap-and-go phones in the last three years. East Asians will continue to lead this market.<sup>1</sup>

It's becoming clear that mPayments will radically change the way consumers spend. And in this new age of mPayments, retailers, financial institutions, technology companies and wireless providers will have the power to deliver it. Across the globe we will see different applications and

implications of mPayment that will reflect regional needs. Below are 10 implications to be aware of.

**1. mPayment solutions will fundamentally transform consumer relationships with money.** The notion of making a deposit at a branch bank used to give people a sense that their money was being held in a physical place and a specific destination. But with the advent of mPayments and mobile wallets, as well as the emergence of unconventional banks like PayPal and Amazon, the perception of money, what it is and where it lives has changed from money at a physical location to money that can live anywhere, anytime, and is received, delivered and

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Today, there are approximately 30 million NFC-enabled phones. By 2016, this number is expected to reach a staggering 700 million.<sup>2</sup>

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transacted through multiple venues, mechanisms and devices.

There will be a paradigm shift in how money works, and how it's perceived and used, and that will lead to the end of physical currency as we know it.

Since the 1930s, the U.S. began a worldwide effort to end tying currency to gold. At that point in time, the notion of money became abstract. This shift continues today with the use of debit cards, credit cards, ATMs and pre-paid mPayment services

<sup>1</sup> IDTechEX (R&M), Feb 2011

<sup>2</sup> Berg Insight (BGR) - <http://www.bgr.com/2012/03/26/shipments-of-nfc-enabled-handsets-reached-30-million-units-in-2011/>



that let consumers access money anytime, anywhere. Peoples' perception of money is directly connected to trust—and trust is fundamental to peoples' relationships with money and with whom they choose to do business with.

**2. The meaning of credit cards, and the way they're used, will be redefined.** As the model of credit extension, acquisition and receiving changes, so does the role of credit card services. Consumers, in general, are sometimes ignorant on how to best use and manage credit. Credit cards, for many consumers, have just become another form of payment. mPayments and smartphones have the ability to educate customers on method of payment choices at the point-of-sale to select the right way to pay.

For banks, mPayments and smartphones provide the ability to influence payment method choice at the point-of-sale versus trying to create brand recognition, loyalty, affinity, then "hope and pray" at the moment of truth. Retailers and banks may have to compete for customers' payment options for every individual purchase. A smart delivery mechanism with a screen at the point-of-sale changes the game dramatically for both banks and customers.

The emergence of credit card models will empower businesses and consumers more than ever before. With companies like Stripe and Square leapfrogging credit cards by making one-click payment available

from our mobile devices, will this mean the end of credit cards? How will this impact card service brands? How will they redefine themselves and their connection to consumers? Payment terms will be completely redefined as financial institutions will have the power to personalize individual terms for every single purchase, for every single customer, in real time. And with the absence of credit cards, credit card marketing will have to evolve.

**3. The customer's relationship to money and commerce will move from singular moments to an "always-on" relationship.** Paying for an item used to be simple: Add an item to your cart and pay at checkout. It used be clear: The role of a store was to put product in the hands of the consumer. It used to be easy: Drive store traffic, stock the shelves and accept payment.

But digital experiences have created a new age of connected consumerism. When does "shopping" happen? When does "purchasing" happen? Consumers are buying products online but picking them up at the store. Or purchasing an item at a store but paying for it two days later with multiple payment methods, and with unconventional modes like PayPal credit or Bitcoin, or with micro-lending or "layaway plans."

**4. mPayments will cause a fundamental change in the retail store experience.** Today and tomorrow, they will enable the "checkout" process to occur anywhere, whether in-aisle or at

home. As a result, mPayments will challenge, and redefine, long standing assumptions of how stores are designed with emphasis on product interaction. They will also drive retailers to learn new ways to connect brands with consumers through connected experiences like geo-fencing, mobile wayfinding, mobile checkout, augmented reality, endless aisle shopping and virtual try-on.

Breakthrough innovations in mPayment services (and the digital wallet) will exploit the unique advantages of the retail store:

- Environments that inspire, adapt, curate and evolve in real time,
- Associates supported with tablet and mobile-based collaborative tools,
- Intuitive account information and expert product information,
- Products with interactively enhanced merchandising, augmented packaging and universal SKU and inventory access, and
- Customers who are seamlessly connected with virtual and in-store data that can be mashed, customized and shared through personal, wired devices—while still shopping in the store.

**5. The arrival of mPayments will enable a new generation of real-time, insight-driven shopping and financial tools.** mPayments will end the days of the uninformed and passive shopper before, during and after the point-of-sale, giving way to the “empowered” consumer. And a fundamental shift in consumer interaction will occur where each offering will be an experiential

element that satisfies a desire for greater convenience and control. Additionally, it will give consumers unprecedented control of their finances, in relationship to their purchases, through real-time and integrated personal financial management. Imagine a customer purchasing a television set, and upon finalizing their payment method, sees a notification that says, “You’ve exceeded your vacation budget by \$400. You may want to consider applying \$200 towards loyalty points and \$200 towards Facebook Credits.” Brands will also be able to individually

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“There is nothing more imaginary than a monetary system. The idea that we solemnly hand around printed slips of paper in exchange for food and water shows just how trusting and fond of patterned behavior we human beings are. So why not take the next step? Of course we’ll move to even more abstract representations of value.”

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—Susan Crawford, Harvard Professor, from the Pew Report on the Future of Money, April 17, 2012

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deliver promotions, discounts and incentives customized and contextual to each individual customer.

**6. There are a variety of hurdles for mPayment success, with user adoption being paramount.** The ability to pay by phone will not guarantee success. Overcoming user adoption will require better inter-operability of systems and





platforms, privacy and security, and government regulations. More over, there are approximately 2.5 billion un-banked adults globally, 17 million alone in the U.S. Also, not everyone has a mobile phone or a credit card. Other concerns include the potential susceptibility of NFC (near field communication) to hackers and market fragmentation. Lastly, mPayments must be as—if not more—convenient and secure than using cash and credit cards.

#### **7. mPayments will enable a whole new class of merchants and services.**

From a fisherwoman in Kenya to the kid selling lemonade from his lemonade stand to the services industry, mPayments will make it possible for more people to participate in the economy-of-one, empowered by increased access to content, data and services anytime, anywhere and on their own terms.

The days of mass pricing, terms and incentives are numbered. Increasingly, payment terms and services will be driven and dictated by independent merchants and individuals, either creating, delivering or demanding personalized messaging, pricing and other incentives.

**8. The mPayment landscape is diverse, and success may come from a wide variety of players.** For the moment, the players leading the charge are from the supply side. Companies like Google, V.me from Visa and PayPal, as well as joint ventures like ISIS, and the Merchant Customer Exchange (MCX), are all trying to vie for the lion's share of

this emerging opportunity. Based on some formidable challenges, the mobile payment market is likely to evolve along four different trajectories:

**Wait and see:** Experimenting with limited services in specific markets.

**Fly solo:** A visionary player with significant market power makes the required investment.

**Joint venture:** Various businesses come together to provide payment solutions, share risks and rewards and develop harmonized and defined business models.

**Open federation:** Players (financial services, carriers, merchants, handset makers, chip makers, application providers, trusted service providers and others) come together to form one standardized, altruistic platform to provide a portfolio of mobile payment services.

It's likely that no one player will emerge as the sole owner of the digital payment ecosystem. Instead, there will be several players, some emerging from joint ventures, technology companies, merchants, card services, remittance companies, traditional FS, government, carriers and others.

**9. NFC technology will fuel mPayment growth, but mPayment success is not dependent on it.**

mPayment adoption is not about any specific technology. It's about the experience of frictionless, cloud- and consumer-empowered commerce, in ways that make it more convenient, secure and productive than cash and credit cards are today.

According to a source from the Pew Report on the Future of Money on April 17, 2012, “The consumer cannot drive the move to NFC payments. The cost to build the infrastructure to support NFC is too large. Additionally, the security issues related to passing data using NFC outweigh the benefit of adopting this new technology. If NFC was able to be used by 85% of the population, and could displace a more costly form of payment it may have a chance to succeed, but the reality is that cash will always be in the economy, and bank-issued cards (debit and credit) provide too much profit from them to be displaced.”

**10. mPayments will open up access to money transactions for the under-served—those without bank accounts, access to branches, smartphones and financial institutions.** Already, payment services are underway for the un-banked and under-served in Africa, Afghanistan, Cambodia, the Middle East and other regions. Services like M-Pesa, launched in 2007 in Kenya, reports having 9.5 million subscribers

using the service and made more than 405 billion Kenyan shillings worth of person-to-person transfers as of March 2010.<sup>3</sup> It remains to be seen how the approximately 17 million un-banked adults in the U.S. will be addressed and served.<sup>4</sup>

With opportunities abound, significant hurdles such as trust, security, ingrained behaviors, addressing predator targeting and lending, and creating great experience design will be critical to success. And what about the cash customers? The pre-payers? The non-smartphone users? How will they be accounted for?

And without checkout counters, cashiers or tellers, what happens to actual store and bank spaces? With no need for cash, will ATMs even exist? And what about your competitors? You may discover they are whom you least expect and where you least expect them.

Are you ready for the revolution?

<sup>3</sup> 2011 KPMG Mobile Payments Outlook

<sup>4</sup> FDIC National Survey of Un-banked and Under-banked Households, December 2009





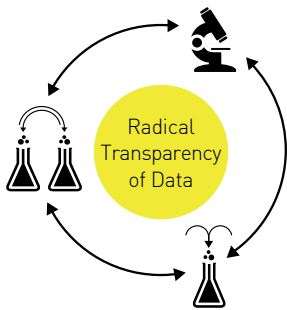
# THE ECONOMY OF ONE:

## THE CONSUMER AS PRODUCER, INFLUENCER AND PURCHASER

Written by Dan Israel, Strategy Lead, Mobile Center of Excellence, Atlanta  
& Perry Chan, Creative Director, Experience Innovation, New York

In the past, businesses centrally controlled the brand message and the customer experience. But a transformation is now taking place in the marketplace driven by four major trends: transparency, synchronization, optimization and the rise of digital

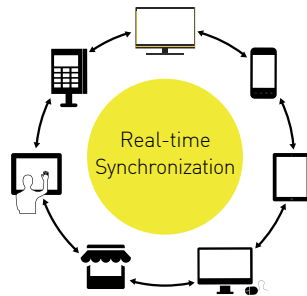
platforms. These result in, we believe, a new type of economy: The Economy of One. This new economy operates by very different rules — an increasingly active, enabled consumer, and a higher level of expectation in the role of brands and the tools they provide.



### Trend 1: Radical Transparency of Data

The ability for consumers to discover, combine and recombine data with or without the brand's consent has resulted in transparent access to data. This is leading to disruptive innovation across industries; entire value chains are being revealed and rearranged.

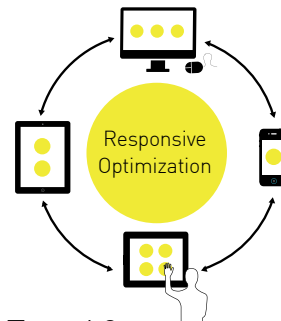
Example: The music industry struggles as consumers discover and share music socially and in "bite-sized," single tracks. Transparency is enabling bands and venues to set pricing and availability directly.



### Trend 2: Real-time Synchronization

Consumer behavior has changed. Customers now conduct "bite-sized" engagements that start on one touchpoint, continue on another and may end somewhere else. Implicit in this customer journey is the need for all data to be synchronized in real time. Brands that create cloud-based solutions for these new customer journeys will have an advantage over others.

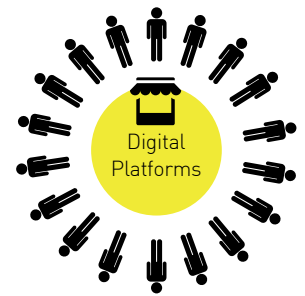
Example: The Amazon Kindle uses cloud-based data, allowing users to switch between mobile, tablet and PC platforms, while being updated in real time to the current page or author highlights.



### Trend 3: Responsive Optimization

Along with real-time synchronization comes an expectation for data to be rendered appropriately on any and every touchpoint where interaction occurs. But delivering this experience is quite challenging; thousands of content elements must be optimized for context, screen size and device type.

Example: Many media firms leverage responsive design techniques and built-in apps to deliver richer experiences on different touchpoints. ABC News, The Wall Street Journal, The New York Times and many others optimize their tablet experiences to include video, while their smartphone experiences remain more text focused.



### Trend 4: Digital Platforms

Digital platforms are everywhere. And with social tools, analytics, low cost and a high degree of scalability, these platforms now drive new consumer behavior—competition through social reputation, disruption and disintermediation of traditional players, and simple tools to find, evaluate and sell products.

Example: eBay's storefront, Etsy and Airbnb are all leading this trend. Airbnb is particularly strong, based on their passionate user base and quality of the user experience. Their platform offers a breadth of services: a personalized calendar, social platform, massive scale and full financial integration.

## Introducing the Economy of One

### Characteristics of the Economy of One:

- It refers to the consumer who is empowered as a producer, influencer and a purchaser.
- Customers operate in a multi-touchpoint world, often beginning with the smartphone. The consumer has a greater impact on a brand than just the initial action of buying a product or service.
- Never before have consumers been able to generate a “network effect” as they can today - now, consumers can reach a huge audience with lightening-like speed and impact brands, either positively or negatively.
- Consumer behavior has shifted to “bite-sized” engagements on multiple touchpoints. These touchpoints often become the primary mechanism of interaction in the long-term relationship with the brand..

#### CONTRIBUTE

##### Let me contribute more than just reviews and comments

- Let me analyze, organize and manipulate information about me, your brand, your product, your service and more
- Help me understand who is my most important customer

#### SHARE

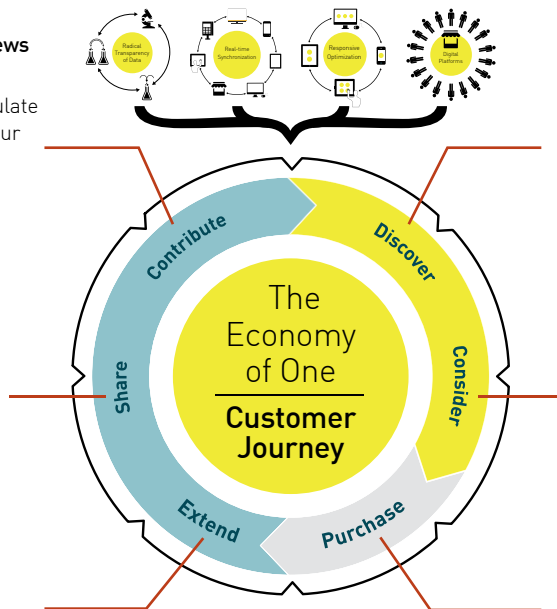
##### Enhance our networks together

- Make me look smart and make me look relevant to my networks
- Make me feel included

#### EXTEND

##### Nurture our relationship beyond selling to me

- Let me engage on my terms
- Let me pick up the experience where I left off, be it on a PC, mobile device, tablet or other emerging device
- Enable me to communicate with my best customers
- Help me connect with other influencers



#### DISCOVER

##### Make my life easier, better and simpler

- Anticipate what I want
- Provide tools to let other people discover my content
- Enable me to (re)combine existing products
- Let me share my content to accelerate discovery

#### CONSIDER

##### Shape the experience around me, not you

- Acknowledge and act on the feedback of me and my network
- Let me influence those considering my products
- Deliver a relevant experience and information at the right time in the right context
- Empower associates so they can better assist me

#### PURCHASE

##### Offer me everything I am entitled to—the best prices, terms and points

- Make it easy for me to buy, re-order and ship
- Integrate my financial life and be cognizant of my purchasing ability
- Let me sell my stuff without massive fees and expenses
- Let me optimize the purchase through any device for my customers

## Implications

- Consider rolling out products and services that provide new transparency and access between customers, as well as to customers
- Implement cloud-based storage and synchronization of data across touchpoints
- Reshape your product or services to accommodate “bite-sized” engagements through multiple touchpoints
- Consider partnering and amplifying the voices of your best customers (e.g., Vail’s EpicMix)
- Leverage responsive design or other techniques to offer your products through all your customers’ preferred touchpoints



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# HOW SENSORS ARE CONNECTING THE WORLD

AND THE IMPLICATIONS FOR EXPERIENCE DESIGN

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Benno Schmidt, Manager of Experience Design, Washington, DC

### Here's the thing. We are surrounded by sensors.

Your car knows if the car behind it is too close and warns you. Your office knows when you have walked in, and turns on the lights. Your phone knows where you are and tells your friends. With the explosive sales of smartphones, we are all carrying sensors with us everyday. More importantly, we are acclimating ourselves to sharing personal information with these devices. We use geofencing to trigger iOS reminders that we get when we arrive at the office, or return home. We use geolocation to check in on Foursquare, or geotagging to add location data to a photo on Instagram. As end users, we are at the center of our digital lives, and every day we are attaching sensors to ourselves.

For experience designers, incorporating sensors into a digital product or online service can give end users the ability to measure and analyze themselves in ways that were previously impossible. The intersection of earlier trends in data collection—ubiquitous computing, pervasive computing and the quantified self—has given everyday consumers new, inexpensive ways of capturing information about themselves. We are increasingly wrapped in data—our own information about ourselves.

#### Sensors

Worn on a belt or embedded inside a phone, compact, powerful, personal sensors are more and more commonplace. These sensors are so small, or so deeply implanted in the

context of a familiar device that they become invisible, silently collecting information.

There are a variety of sensors available to designers: audio, heat, input button, light, motion, pressure, proximity and image.

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With the explosive sales of smartphones, we are all carrying sensors with us everyday.

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Obviously, smartphones are the most common consumer device: camera, accelerometer, GPS, proximity and magnetometer (digital compass) are typical. The Android platform supports three sensor categories. Motion sensors include accelerometers, gravity sensors, gyroscopes and rotational vector sensors. Environmental sensors include barometers, photometers and thermometers. Position sensors include orientation sensors and magnetometers. The diversity of the Android ecosystem is mirrored in the types of sensors it offers, which are included on the phones. Most handset devices and tablets include an accelerometer and a magnetometer, while fewer devices (e.g., the Galaxy Nexus) include a barometer or, more rarely, an external thermometer.

But increasingly, however, non-smartphone sensors are proliferating. Activity monitors like the Fitbit, NikeFuel and Jawbone Up provide another source of personal

## Sensors Are Proliferating

#### Motion Sensors

- Accelerometers
- Gravity Sensors
- Gyroscopes
- Rotational Vector Sensors

#### Environmental Sensors

- Barometers
- Photometers
- Thermometers

#### Position Sensors

- Orientation Sensors
- Magnetometers

#### Medical Sensors

- Blood Pressure
- Glucose Measurement
- Heart Rate Monitors
- Scales

#### Network Sensors

- Bluetooth
- Wi-Fi
- Cellular



data collection, often available through an API to third parties. Even more powerful, medical devices (frequently connected to smartphones) include blood pressure, glucose measurement, heart rate monitors and Bluetooth-enabled scales that allow the collection of sensitive and personal information at home. Most also permit the data to be uploaded to the cloud.



Bluetooth itself is actually adapting to the needs of these new devices. The Bluetooth 4.0 standard is gradually rolling out specifications for a new generation of health-monitoring wireless devices based on its low-energy capabilities.

Even more interesting, this technology is being integrated directly into our daily lives. Smart clothing, with sensors knitted into the fabric, is already available; for example, UA E39, a compression shirt fitted with electronic sensors made by Under Armour, tracks the body motion and

biometric signals sent to a device at the front of the shirt. Breathing rate, heart rate, horsepower and g-force generated by an athlete are all tracked.

Another example, Riddell's Head Impact Telemetry System (HITS) and Sideline Response System (SRS) allow sideline monitoring of on-field head impacts. Sensors built into the helmet automatically record impacts and this data can be downloaded wirelessly to a computer or collected in real time.

### Implications

These technologies raise major challenges for experience designers and product designers as they attempt to take advantage of the design opportunities, while acknowledging the significant privacy implications.

Healthcare is leading the charge. Few industries have more experience with personal information, or have moved so deeply into digital collection, as healthcare. The ubiquity of these sensors is a new opportunity for healthcare experience design (HCXD) to help patients and caregivers collect information about themselves, or the people they care for, and then share it with clinical care teams.

These applications, coming out of a focus on user-centered design, point to both opportunities and risks in device design using these new sensors.

The new opportunities also face challenges, most notably the regulation and legislation of personally identifiable information (PII) and personal medical information (PMI). While designing with sensors in HCXD may seem like a casual, even trivial, data collection problem (e.g., number of steps climbed), this data can very quickly cross over into personal information (e.g., weight loss, mood changes) that must follow a very different set of, often legal, constraints. As these designs begin to collect PII and PMI, design teams must be aware of the legal and regulatory restrictions that impact their work.

A weight-loss coaching app that prompts the end user to add their name, age, height, weight and location, for instance, could be considered collecting PII. As the weight loss app is enhanced and a feature to collect blood sugar levels is added, the design team for this app is now responsible for meeting the requirements of HIPAA, the Health Insurance Portability and Accountability Act of 1996. If the app connects to a glucose meter, then the design team may find themselves subject to the recently announced FDA oversight for mobile medical applications.

But the success of initiatives like the U.S. government's Blue Button implementation show that patients and caregivers want more control over their personal data.

### New Design Challenges

For experience designers—both in

healthcare and in other industries—these sensors represent major new challenges in the storage, manipulation and consumption of data.

### Tracking time-series data

HCXD teams are creating new interaction patterns for users to review, understand and share this data. Great design, information dashboards and graphics, data feed processing and validation become important elements in allowing big data to be easily interpreted by consumers.

### Multiple vendors and ecosystems

Carriers, device manufacturers and software developers all are factors in



Head impact telemetry was used by the NFL to monitor head impacts during the 2011 season.

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Major new healthcare applications for these sensors include tailored reminders for medications, real-time appointment management and notification and prescription conflict resolution.

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choosing the best delivery platform for your customers. Designers and product developers must decide which smartphones or stand-alone devices to support, and need to understand the technical implications of those choices.

### Cognitive overload

Designers must simplify. The more data end users capture about themselves, the greater the risk that they will be overwhelmed. Is the user's connection to their data



clear and immediate? Can the end user see themselves in the data and how the collected data helps them with their needs and goals? Or are they overwhelmed to the point where they simply abandon the process of collecting data, like a digital shopping cart full of purchases gets abandoned? End users will reward designs that prioritize the most important functions and eliminate or simplify the rest.

### **Network management**

Connection to the network becomes critical as sensors have very little data storage, or depend on centralized data shared with a community. Don't assume robust access to the network. An application that mines the data collected by a sensor, and guides the end user to relevant video information on YouTube will fail if the videos cannot load.

### **Data management**

Looking closely at the lessons learned in developing applications and services in the financial sector, product and service providers must be able to show their customers data accuracy, data security, data availability and data portability if they want to build a trusted relationship with them.

### **Narrative**

The end user's story must be reflected in the design. With so much information being captured, it's critical that end users see themselves in the design. Device context, content placement and how personal information is imaged

all contribute to the narrative of the design.

### **Task**

Design solutions that target specific healthcare tasks must be ruthlessly simple and surprisingly pleasant. Designers can take advantage of the way games have introduced patients to sensor data. Understandably, game consoles like the Nintendo Wii or the Microsoft Kinect use sensors to enhance or create new forms of game play that can serve as models for healthcare tasks.

### **Conclusion**

Increasingly, we are connected by a network of sensors that have the potential to track our health, location, behavior and preferences.

Yet this enormous breadth of data and connectivity raises real challenges—both in terms of regulatory issues and in terms of design challenges, not least of which is making the enormous quantity of information available and meaningful for consumers. Hundreds of different smartphones—each with their own sensor suite—and consumers with a wide range of technical ability result in demands on designers to make simple, yet powerful, interfaces to allow access to these systems.

Experience design with sensors offers an opportunity to build personal relationships with customers and end users, assisting them with their short-term needs and their long-term goals, both in healthcare and other industries.

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# INVISIBLE BRAND INTERFACES

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Written by Daniel Harvey, Experience Design Director, London



**Brands are more important than ever. But the traditional brand interface is changing as products and services are evolving to take advantage of touch, voice and gestural inputs.**

Advertising and marketing have historically been invested in the 30-second spot because it dominated your primary attention. But now we encounter brands increasingly as interfaces.

The ever-increasing presence of screens in our lives—in our hands, strapped to our wrists, resting on our laps, against our living room walls and gently glowing on our coffee tables—have turned primary attention into a battlefield.

As a result, there is a new focus on secondary attention. Savvy creative types of all stripes have realised that this demands tailored experiences to reach consumers who are only half-watching and half-listening, when the glance is worth more than gaze and the morsel is worth more than the meal.

When we're multi-tasking and splitting our focus, designers are forced to deliver surprise and delight in the corner of our eyes, just out of earshot. They're trying to make things that are ephemeral and useful—experiences that reward attention, not demand it.

The leaders in this field of ephemeral and invisible brand interfaces include so-called second-screen experiences. Some forerunners are striking a delicate balance between these more active and passive experiences.

### Keeping Television Relevant

One successful example is IntoNow (a free iOS and Android app from Yahoo!) that, with a tap of a button, takes a "sound print" of what a consumer is watching on TV and then provides complementary information such as expanded stats for sports broadcasts or articles from other news sources. The app also affords quick in-app social chatter so the consumer doesn't have to worry about toggling over to Twitter or Facebook to get into the conversation with friends and peers.

TalkingTV by Starling is another audio app that lets users talk to people who are watching the same TV show. The creators refer to it as "a one earpiece experience," allowing consumers to keep one ear primed for the show and the other for friends. They can also record audio messages for the rest of the audience. It seeks to replicate watercooler conversations amongst friends in real time while the show is airing. Think of it as a social version of the long-lost laugh track, an important comparison since the laugh track was initially created to make viewers at home feel as if they were part of something more.

Both experiences are designed to keep the audience engaged with programming, even when the programming is away for a commercial break. That helps defeat the impulse to switch channels, check email or become distracted, thereby losing valuable eyeballs. Networks like MTV, USA and IFC have entered into relationships with pioneers in the space and have created their own stand-alone experiences. They are trying to better



understand and measure new insights into engagement and are providing big, old, slow TV with a real-time feedback loop for the first time in its existence.

### Marketing as a Service

Outside of the second screen and social TV space are other examples of this phenomenon. Nike+ GPS is a great example of an app that follows that pattern in a number of ways. After announcing a run via Facebook, whenever someone replies to your status, you're awarded with cheers and applause. When you break a personal record, you receive props from a celebrity in Nike's stable. Turning social data into sensory encouragement that further motivates you to go harder, go faster and "just do it" is exactly the sort of behaviour that makes sense for a brand that is all about providing "inspiration and innovation to every athlete in the world."

Engagement is the thing. Staying plugged in even when it doesn't feel like it. Habituating on the experience thanks in no small part to these intangible, seductive hooks. And it works. Nike+ athletes use various experiences in the ecosystem an average of three times a week.

### Designing for Secondary Attention

When you move beyond current experiences, and start to look at new or upcoming products that are designed with secondary attention in mind, things get really interesting. Siri is obviously the tip of the iceberg with this phenomenon, its evolution in the coming year even more so. Within the next few months, several automotive manufacturers including BMW,

Mercedes, GM and Chrysler will be releasing models with "Eyes Free" Siri integration.

How will it work? Simple. Mount your iPhone, tap the voice control button on your steering wheel and voila—Siri works for you, answering phone calls, posting tweets, sending texts, getting sports scores and more—without even triggering the iPhone's screen, which stays dormant out of obvious necessity. Your primary attention and your eyes

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"It's not the nature of the screen that's important, it's the nature of the attention."

—Russell Davies

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and hands get to stay focused on the road and the wheel where they belong. Your secondary attention, however, can leverage your hearing and speech to help you resolve all those last minute details you need to address before you get to where you're going.

This interaction model has more to do with call and response music than the typical app experience. The experience isn't reliant on launching the application from a screen tap (rather, a button press in the case of Siri) or clicking or swiping through menus and sequences as you do in most other applications. It's not about all the choices inherent in those kinds of paradigms. Instead,

turn Siri on, put the right sounds in, and the right sounds come out. It's just that simple.

While the Siri microphone is a clear piece of brand visual identity, the real substantive brand element is the voice behind the app (which, in the case of UK Siri, is also the voice of GPS service TomTom) itself.

The voice controls for the Kinect for the Xbox work in a similar pattern: You address the product ("Xbox"), tell it what you want ("Apps") and then what to do ("Play Netflix"). The brand experience in the Xbox is even more scaled back and reduced. With it, there is no obvious persona, gender or voice for the device. Rather, your actions are simply acknowledged by a pleasing "ping." Here, Microsoft missed an opportunity to reinforce an invisible brand interface.

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"You might as well pay attention because you can't afford free speech." –George Clinton

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As APIs open and other applications become more integrated, a host of questions about brand hierarchy will need to be addressed. Imagine the opportunities and challenges when Foursquare or Facebook are given access to tools like Siri within their own experiences. Will you be asking Foursquare for help or will Siri still be the preferable choice? What is the experience when brands are layered into one another? Which brand dominates?

These broad considerations aren't just the domain of big tech or media companies, but retailers as well. Walmart's iPhone app lets you add items to your shopping cart by voice, ETRONIKA allows you to use Xbox Kinect to bank online and Pillsbury recently launched an interactive TV campaign with Shazam that allows for second screen integration.

Earphone Bully is another example of a campaign-oriented experience, wholly designed for secondary attention to deal with an important social issue. By using 3D sound technology and roleplay, it prepares kids and parents for bullies and gives them ways to speak up about the issue. All you need is the URL and speakers or headphones. After clicking play, the experience is totally aural.

### Conclusion

Creating these kinds of experiences requires clients, technologists, strategists, animators, writers and musicians, as well as visual, interaction and experience designers, to think about brands in a way that isn't locked into the same default thinking that has plagued more traditional branding agencies for the last few decades.

A brand is more than just your logo, colour palette or tagline lockup. Those elements were critical in an era when the visual spectacle was what you had to stand out in, and the gaze was your goal. In an era when the glance or echo is every bit as important, you need to consider other triggers and interfaces and stimuli to provide a robust brand experience.



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# IS THERE A TERMINAL VELOCITY FOR YOUTH AND DIGITAL?

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Written by Omaid Hiwaizi, Planning Director, London



**Social media's impact on the young has long been a cause for discussion. For example, at a recent talk about the effects of social media on children at a Steiner Waldorf school, a teacher remarked that he believed the onslaught of digital was creating a burnt-out generation—strung out, dead-eyed kids without a real sense of themselves or the world.**

The school has a very limited approach towards exposing youth to technology. It teaches a system where reading and writing are not taught until age 7 and computers are not introduced until age 14. The curriculum emphasises emotional development and claims to result in more well-rounded individuals.

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What if the continuing increase of speed and intensity of modern life, driven by technology, was somehow hitting a physiological or psychological barrier?

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While this may seem extreme, we should consider how ubiquitous digital technology has influenced the development of the young, and what digital agencies can do to create enriching and rewarding digital experiences.

But what if there is a terminal velocity where youth and digital can go no faster, instead heating up and burning out? Are there ways we can keep pace with our changing environment? Or could there be an evolutionary leap in response?

### **Technology Has Always Shaped Society**

Technology in the broadest sense has caused societal change throughout history—from soot markings on cave walls to motorised transport to the printing press to television. Naysayers theorised about how and when this world would end.

In every case, the culture and the pace of life adapted and life carried on.

### **The Brain Is a “Muscle” —Use It or Lose It**

Various studies have shown that medical students, mathematicians, jugglers, multi-linguists and musicians all increase the volumes of specific parts of their brains as they practice their particular skills. A famous University College London (UCL) study also showed this is true for London taxi drivers, whose posterior hippocampi, the part of the brain they use to recall a mental map and calculate the shortest route from A to B, grow in proportion to the time they spend on “The Knowledge”—the 2 to 4 year process where they learn 320 routes and 25,000 London streets.

Interestingly, the same brain change does not take place amongst London bus drivers, who learn a handful of routes and repeat them turn for turn. There is also evidence that taxi drivers who have taken The Knowledge struggle more than others to adapt to changes in the road network or drive in unfamiliar cities. Dr. Katherine Woollett, co-author of one study from UCL, said, “The posterior hippocampus is at its full capacity; it cannot incorporate any more of this same type of knowledge because it is full.”

Therefore, it appears that our brains are like a muscle—the more we use a particular part of the brain, the more neural pathways are developed and the better we become at a skill. We can therefore rewire how our brains operate by practicing particular actions throughout our lives, though the effects are most profound before the age of 30.

MRI scans of the brain ranging from those ages 4 to 21 show clearly how the frontal lobes, responsible for reasoning and problem solving, are established. The process appears to follow the principle of “use it or lose it”—neural connections that get exercised are retained, while those that don’t are lost.<sup>1</sup>

### The Effect of Digital on Youth

Don Tapscott, the author of “Grown Up Digital,” asserts that by their 20s, today’s youth will have spent more than 20,000 hours online or playing video games. This coincides with the period when their brains are developing most, and has the effect of changing mental reflexes, habits and the way they learn and absorb information. Playing action video games, for example, helps people process visual information more quickly.<sup>2</sup> And Internet users develop new skills in scanning content faster, as well as the ability to read in different directions and an increased sensitivity to visual information. This is particularly profound, given Malcolm Gladwell’s hypothesis that it takes 10,000 hours of practice to be exceptional at something.

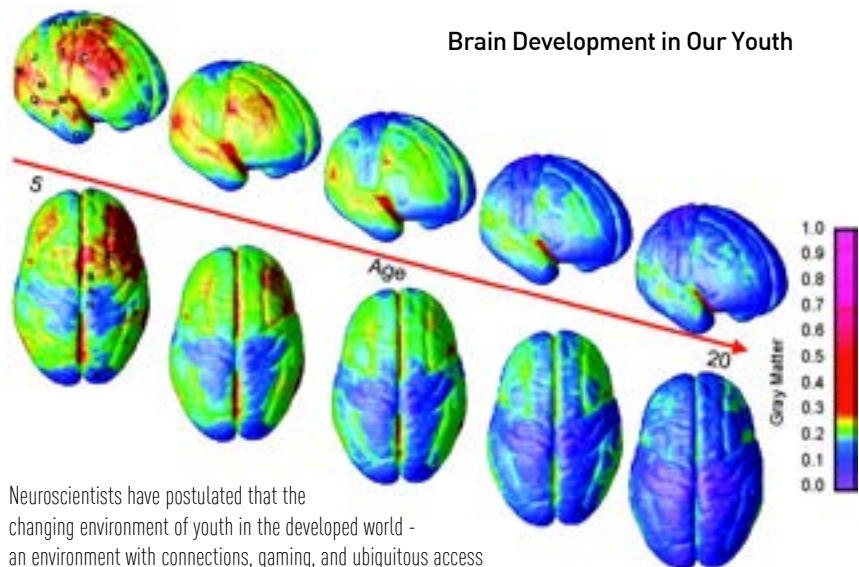
The powerful influence of digital is also demonstrated by “The Google Effect,” the shift away from retaining primary facts towards a skill for knowing how to search for them, documented by

Betsy Sparrow at Columbia University. On the face of it, this is an example of our profound adaptability, outsourcing a skill we’re not brilliant at (e.g., remembering lots of facts). But are we in danger of creating a society of amnesiacs? And given that what we know forms our framework for thinking, could this have a negative impact on our ability to conceptualise?

### What Are the Impacts?

Oxford Neuroscientist Baroness Susan Greenfield repeated expressions of concern about the effect of technology on youth, in particular the immersive experience of gaming leading to a “yuck and wow” mentality:

“... the environment in which that brain is developing will be very much influenced by the kind of features of that environment. And if, for the first time—and this is my reasoning—



Neuroscientists have postulated that the changing environment of youth in the developed world - an environment with connections, gaming, and ubiquitous access to data - must be having an impact on brain development. From “The Google Effect” (the shift away from primary fact recollection) to the impact of 20,000 hours of videos games, we may be approaching the limits of our adaptability.

<sup>1</sup>The National Institute of Mental Health and University of California Los Angeles

<sup>2</sup>Nature, 2003

that environment has changed in an unprecedented way, if it's bombarding you with boom bang and bang images, what I call the "yuck and wow" scenario where every moment you're having something flash up in your face and bombard your ears. All I'm suggesting is that that might drive brain connections and drive the configuration of your brain cell circuitry into the kind of mindset that mandates a short attention span."

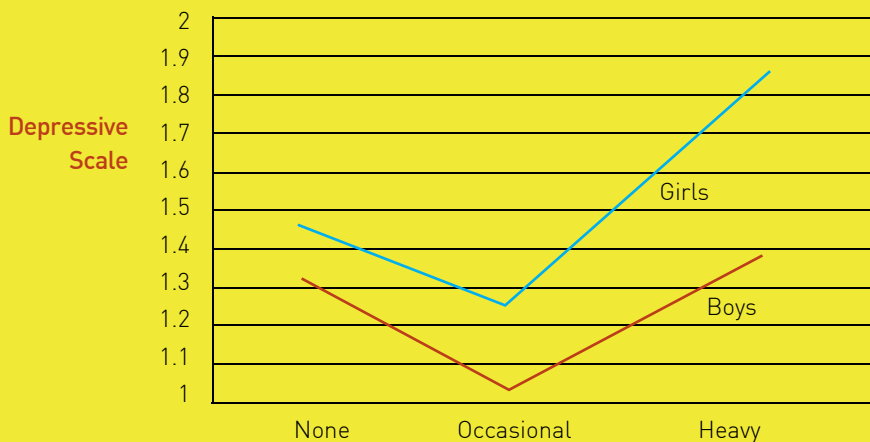
She also highlighted that the lack of consequence in visceral gaming environments could mean a generation losing valuable evaluation skills in real life.

Recent research on U.S. teenagers by Common Sense Media adds some detail to the picture: While 90% of teens are online, and 75% have social media profiles that they believe positively affect their social and mental well being, the majority said they preferred face-to-

face communication, a third desired time off from the Internet and around 36% said they wished they "could go back to a time when there was no Facebook."

Research does indeed show that heavy use of digital communications also has a measurably negative impact on a tween's social cognition: Their ability to read subtle communication clues gained from face-to-face contact is diminished.<sup>3</sup> Also, Robin Dunbar (famous for having defined Dunbar's number) has measured increased satisfaction from face-to-face communication over other forms. Interestingly, Skype conversation scored higher than the telephone, which scored higher than email, texting and social networking. Even text-based communication that used emoticons scored higher than texts without. The more human the communication is, the more it makes us feel good.

### Under or Over Use of Internet Have Similar Negative Effects



**U-shaped association—none or heavy use of Internet correlates with depressive illness.**

Source: University of Lausanne

However, getting the right balance is key, as has been evidenced by a University of Lausanne study. It shows that teens who are heavy users of the Internet (those who are online over two hours per day) have considerably more incidences of depressive illnesses—perhaps due to a lack of real-world experiences and deep friendships. The study also indicates that non-Internet users show a similar increase—perhaps because of feelings of exclusion, as social conversation, content and experiences have increasingly moved online. Moderate Internet use appears to correlate with better mental health. This is the new model behaviour.

<sup>3</sup> The Dana Foundation



### Our Hypothesis

Research has shown that different parts of the brain develop in response to practicing specific skills, and young brains become hard-wired towards the age of 20. So, while youth become expert at outsourcing memory ("The Google Effect"), they also lose an aspect of human identity and connection, the symptoms of which include an increase in depressive illnesses.

We have reached a terminal velocity—many young brains cannot keep up with the way that technology has sped up life. Historically, as technology has evolved, so too has the rate of human cognition. But we may now be at a point of inflexion where human limitations can result in real challenges for people, like a loss of connection with friends, with the real world and with themselves.

This isn't to say that no youth can keep up; not everyone is the same and some are better suited to today's technology-driven life. We also know that crises often precede huge shifts—we might be on the cusp of an evolutionary leap, in response to our changing environment, where we develop a different consciousness, one fully equipped to deal with the new digital world.

### The Digital Experience Connection

The research indicates that technology is indeed outpacing the abilities of human physiology. However, as much as technology presents a challenge, it also presents an opportunity—an opportunity for clever brands to use digital to help overcome the chasm between technological possibilities and human capabilities.

We have already seen some brands begin to realise opportunities to reconnect with customers in meaningful ways. For example, in a world where there is less physical human contact, Unilever developed the Share Happy iVend, an interactive, smile-activated vending machine. In a world where there's more bad news than good, Coca-Cola's Longest Celebration campaign extended moments of the 2010 World Cup into a global dance party. And in a world where most people don't venture off the beaten track, Mammut used online communities to create 150 teams, and inspired them to scale 150 mountains, all over the world.

These brands are starting to use digital to overcome these limitations through experiences that solve these emerging challenges at the intersection between life and technology, creating real and enduring value.

## What We Can Do

Some will try to wind back the clock and pull the young out of the digital torrent by limiting access, a solution that the Steiner Waldorf teacher would recommend.

We disagree, and think the data also gives us a few clues about how to productively move forwards, ways to make the work we produce for brands fulfilling and healthy experiences for youth:

- Normal behaviour has moved online, so digital should always be part of the mix.
- People desire human and social connection through channels that are nuanced and create deep ties with others—ideally real-world friendships.
- People want valuable utility—useful experiences embedded into the world around them.





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# RESPONSIVE DESIGN 101:

## OPTIMIZING FOR MULTIPLE SCREENS

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Written by Dan Israel, Strategy Lead, Mobile Center of Excellence, Atlanta  
& Mayur Gupta, Director, Technology and Marketing Services, Miami



**For most people in North America, Western Europe and vast portions of the Asia-Pacific, when they first tried the Internet, they didn't know what to do with it. But just as previous technologies before it—from the telephone to the automobile—the more it was used, the more indispensable and intertwined it became in their lives.**

The benchmark experience—the “large”-screened UNIX, Mac or Windows workstation, PC or laptop—defined the Internet since its inception for most people in North America, Europe and, debatably, the Asia-Pacific.

But that is no longer the case. With the rapid growth of mobile, touchscreen interfaces and the rise of the global web, brands see a proliferation of screen sizes, devices and user contexts. As a result, massive new challenges are being created for businesses. How do you develop the best possible experience for the widest possible set of customers—particularly if those customers are as diverse as a middle-class Indian technology worker with a smartphone, and a rural Eastern-European farmer with a tablet?

One new tool is Responsive Design—an emerging design philosophy that will enable businesses to design a fantastic, optimized Internet experience regardless of the size of the screen or the nature of the device. With this method, one platform can deliver the design and content to smartphones, TVs, tablets or laptops. Responsive Design lets you stretch the content effectively and easily across platforms, which is especially

important for content-heavy sites. Also, if no needs exist for certain mobile phone elements (such as access to the camera), content can easily be ported to a variety of mobile devices. Additionally, Responsive Design lets a brand maximize SEO.

#### **Mobile Web Will Surpass Desktop Web**

A third of all people on Earth—2.3 billion—access the Internet and roughly 1.2 billion do so via a mobile device.

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Responsive Design is an emerging design philosophy that will enable businesses to design a fantastic, optimized Internet experience regardless of the size of the screen or the nature of the device.

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As smartphones replace feature phones, Internet access through a mobile device will dramatically increase. According to GO-Globe.com, of the 5 billion mobile phones in the world in 2012, about 1.08 billion are smartphones. Owners of a smartphone consume the Internet at a vastly higher amount than feature phone consumers—according to Nielsen, 82% of smartphone owners access mobile browsers, compared to only 19% of feature phone owners. Sales of mobile devices already eclipsed sales of PCs in Q4 of 2010, and Morgan Stanley projects that by 2014, mobile web surfing will eclipse that of desktop web surfing.

Marketers can now engage consumers on their most intimate piece of technology: their mobile device. But what can be done to preserve the reliability and consistency of the

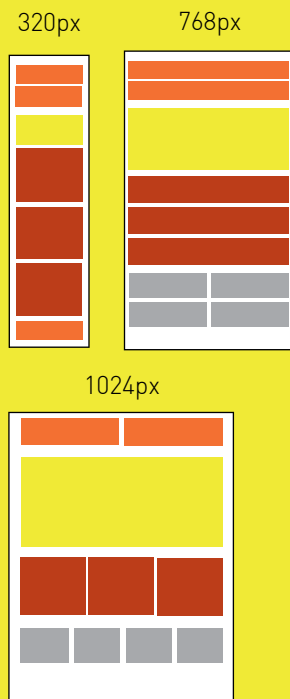
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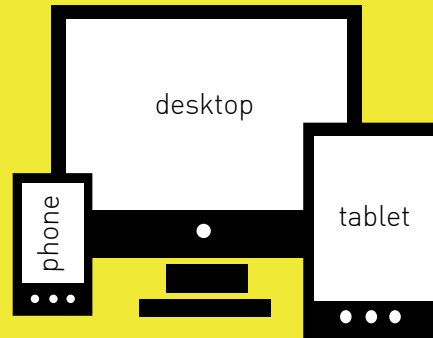
Responsive Design is a fundamentally different way of envisioning user experience and web design—a mental shift from thinking pixels to proportions that requires connecting strategic, creative and technology disciplines.

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Internet experience on devices that aren't the standard bearer? And then there are other challenges companies have to master.



How do you avoid creating multiple versions of the same webpage for different devices? Even if iPhone and Android devices are all a brand cares about, how do you prepare for new devices that will sport Internet access, such as readers, TVs and a host of emerging products? Also, since screen space is at a premium on a mobile device, a company has to triage what capabilities and experiences they will

"sacrifice" for the mobile web. Lastly, how do you ensure that changes to your "regular" Internet experience do not negatively impact the mobile web experience?

### What Is Responsive Design

Ethan Marcotte first coined the term "Responsive Design" in May 2010. Simply put, Responsive Design enables you to design your "regular" Internet experience to fit into practically any device with a full browser, be it a smartphone, a tablet or a TV.

At its core, Responsive Design "snaps" the regular website into the shape of the browser on any device. Using a mix of flexible grids, layouts, images and intelligence built into the CSS media queries, the website presented will change "on the fly" to accommodate for the resolution, image size and other factors on the detected device.

Considered more a design philosophy than a hard-and-fast set of rules, the beauty of this system is that the creator does not need to create a different design for each medium. This represents a fundamentally different way of envisioning user experience and web design—a mental shift from thinking pixels to proportions that requires connecting strategic, creative and technology disciplines.

Let's take a closer look at what Responsive Design really looks like. In the illustration on the left we see a prototypical website on a smartphone, PC and tablet. The orange, yellow and red boxes represent the same content, but are displayed or hidden depending on where the content is being accessed and how it impacts the user experience.

### When Responsive Design May Make Sense

Brands must ensure that Responsive Design truly fits business needs and provides clear benefits. To help make this determination, we will examine the “Whens” (business considerations) and “Whys” (benefits) for Responsive Design.

#### The “WHENS”

**Traffic distribution and targeted devices.** If you want customers to have consistent web experiences no matter where they come from, and more than 10% of your web traffic comes from non-PC devices, then Responsive Design may make sense.

**Content and marketing sites.** If your web experience and design objectives lean toward content and marketing and less on ecommerce or business transactions, Responsive Design may make sense. “Content” includes product information, news, blogs and marketing materials. Good examples include Boston Globe, Sony and even Starbucks.

**Consistent behaviors.** Consider Responsive Design if your customers—whether they access your site on a PC, a mobile device or some other touchpoint—consistently carry out the same behavior and activities. In other words, they do not expect to do different things on different devices.

**Skill matrix.** This refers to human resources. How easy is it for you to find people with the relevant strategy, creative and technology skills to execute Responsive Design solutions?

#### The “WHYS”

**Scalable adaptation.** In an ever-evolving digital device landscape, which is hugely fragmented by varying screen sizes, view ports, resolutions and capabilities, it is almost impossible to build an isolated experience for each combination. Responsive Design offers a scalable solution that can adapt to these variations to create a connected user experience; it is a design approach based on proportions as opposed to pixels.

#### Single source of content and code.

Responsive Design relies on a unique feature of HTML5 called “media queries,” which can apply selective style-sheets to a page based on the screen size and resolution. In essence, only one set of code (e.g., HTML templates, HTML5/CSS3) is required for all touchpoints, so there’s no need to create and manage a separate codebase for different web experiences.

**Device-agnostic URL.** By having one URL for mobile, tablet and desktop, Responsive Design provides simplified access and marketing strategies, with efficiency gains in development, QA and launch management processes. In addition, it removes the risks associated with relying on a user agent to detect the device and send the customer to the right template on a server.

#### Traffic lift through improved SEO.

Responsive Design allows incoming traffic across all touchpoints to be directed to a single URL. This consolidation enables higher link equity that subsequently leads to better ranking than separate desktop, tablet and mobile webpages.



## 10 Considerations for Responsive Design Execution

1. Identify all viewports and breakpoints, and select a progressive (mobile first) versus downward (desktop first) approach.
2. Define the navigation approach, and decide what the overall navigation structure should be for the different breakpoints, which are typically driven by functional and content relevance.
3. Define the approach for content choreography—what content will be hidden or displayed on mobile, tablets and PCs.
4. Set guidelines and standards for media queries.
5. Use fluid grids—think proportions instead of pixels.
6. Come up with an image and video handling strategy.
7. Account for display and banner ads.
8. Optimize for touch versus cursor effects; design should be optimized for both cursor-based (desktops) and touchscreen usage (mobile, tablets).
9. Define a creative and performance testing strategy.
10. Validate SEO.

**Reduced maintenance risks and release cycle times.** The more devices and templates you have to support, the higher the cost of regression testing with each release. With Responsive Design, the code base is identical across all devices, making it easier for developers to pinpoint what changes they made and where a problem may be lurking.

**Experience optimization across resolutions.** Responsive Design also enhances experiences for desktop users with large or high-resolution screens and eliminates the conventional challenge of white space and manual resolution adjustments.



### When Responsive Design May Not Make Sense

**Unique mobile experiences are preferred.** Consistency is at the heart of the Responsive Design value proposition, but this doesn't always work for all brands. The more functions and capabilities envisioned in a user journey, the less adaptable and flexible Responsive Design can be for the brand. For instance, a brand may want customers to access a camera on a

mobile device to scan a 2D bar code, but not on a PC. A travel website for a desktop and tablet may focus on search, pricing, competitive analysis and bookings, while a mobile interface may cater to completely different user behaviors like check-ins and status updates.

### Higher cost, effort, time and risk.

Responsive Design is still in its infancy. The design philosophy lacks advanced frameworks, libraries, patterns and standards, which forces some teams to go through a steep learning curve. As an approach, it requires a far more collaborative and cohesive effort across design, IA, strategy, content and technology teams.

### Performance impact.

Responsive Design relies on content manipulation using media queries and selective style-sheets on the client side. This is different from web proxy solutions used by other design approaches, whereby the experience is optimized on the server side.

What this means is that the same amount of content, images, HTML and CSS code delivered across desktops (higher memory and processing power) must be sent to a mobile device (limited bandwidth capacity), leading to potential performance bottlenecks.

**Native or hybrid apps.** Responsive Design is not meant to replace the need or capability of a native or hybrid app installed on a device. It is a mobile



web methodology that relies on mobile browsers, while a native app leverages native capabilities of a smartphone device.

**Browser compatibility.** Older browsers sometimes do not support HTML5 code. In turn, designers may have to spend development effort to create workarounds for these situations.

### Approach to Responsive Design

As mentioned, Responsive Design represents a relatively new design philosophy. No industry standard blueprint exists. To help you in your assessment of Responsive Design, we have developed a possible approach [See 10 Considerations for Responsive Design Execution].

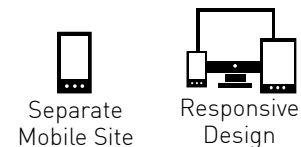
Keep in mind that Responsive Design represents a truly collaborative plan, and an agile methodology to design. As such, establish a team composed of an information architect, creative designer, content strategist and site developer to define the overall approach and methodology.

### Conclusion

Responsive Design offers much promise, and it is being used by several brands with great success. We end with two thoughts.

When considering Responsive Design, brands should avoid the temptation to “design to respond.” In this scenario, a team decides to adopt Responsive Design even before the idea is conceptualized or desired customer journeys are created. The decision factor here tends to be based purely on the number of devices, ignoring the design and functional gulf that may exist between the desktop and mobile versions of a site. A better approach is to “respond to a design.” This scenario considers Responsive Design as one option for consideration to create an optimized and relevant user experience.

One thing is for certain—Responsive Design is here to stay. And as more standards and more devices emerge, the need for Responsive Design will only continue to grow.



## Which solution is better for your mobile site?

RESPONSIVE DESIGN CONSIDERATIONS		
Lower cost, effort and complexity		
Scalable and seamless adaptation across devices and screen sizes		
Consistent experience across digital touchpoints and devices		
Suited for ecommerce, transactional and highly interactive sites		
Optimized for content driven and marketing sites		
Higher search engine optimization		
Low performance risks		
Easier site maintenance and future release management		
Availability of existing design patterns, frameworks and platforms		
Skill and knowledge level required		

KEY POOR FAIR GOOD BEST



## TREND 2

# PREDICTING DESIRE

The second major trend we're seeing is that companies are predicting—and even shaping—desire among their target customers.

A combination of new technology, customer changes and business viability is making this possible.

The rise of data warehouses and analytics, the future of mobile data, real-time analysis, the use of social networks to monitor and influence desirability, and ways banks can rebuild trust were all topics our authors chose to explore in this category.

Predicting  
Desirability—Lessons  
From a Teen Genius

69

The “Big Data” Era:  
Learning to Act in  
Real Time

81

The Future of  
Business Insight

75

OE

Gamification as  
a Digital Strategy

91

OE

Digital Luxury 101:  
How to Enhance the  
Customer Experience

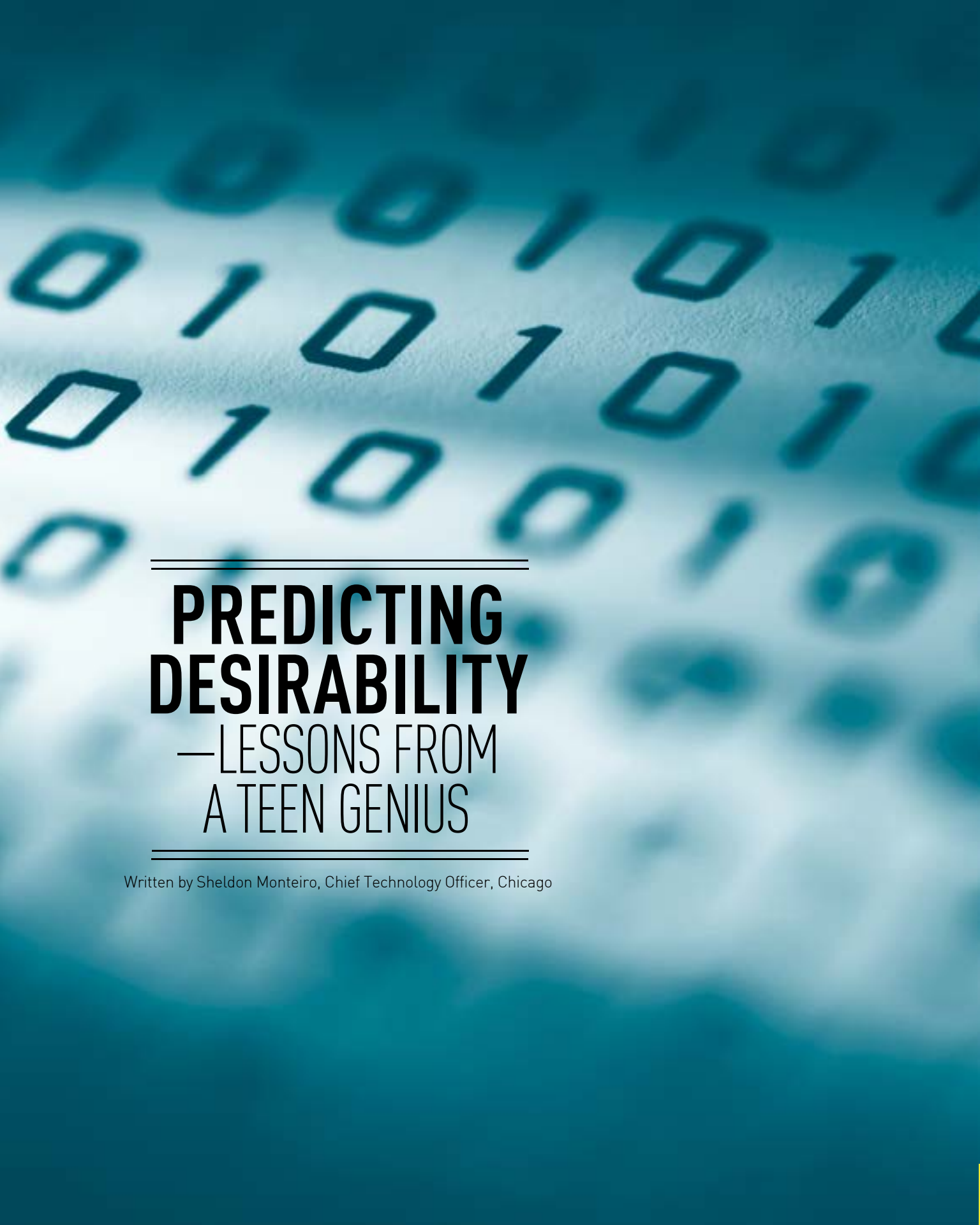
86

Rebuilding Trust:  
How Banks Can  
Reconnect  
With Consumers

101

Media-Sapiens:  
Using Social Instincts  
to Explain, Predict  
and Influence Desirability  
in the Digital Age

96



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# PREDICTING DESIRABILITY

—LESSONS FROM  
A TEEN GENIUS

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Written by Sheldon Monteiro, Chief Technology Officer, Chicago

On July 23, 2012, a Florida teenager won the Google Science Fair grand prize<sup>1</sup> for creating an app that helps doctors diagnose breast cancer with a 99.11% success rate. Brittany Wenger, 17, observed that the least invasive diagnostic test for the disease, called fine-needle aspirate, is also the least certain one. Often, if results aren't clear, doctors order a second biopsy with a bigger needle or even surgery. Brittany wanted to boost the less-invasive test's diagnostic accuracy rate.

She developed a computer program called a "neural network," which mimics the human brain, and "trained" the program with public data from 7.6 million trials. Leveraging mathematics and statistics, she created program code to convert inputs from the trial's data to binary 1s and 0s to simulate the on and off firing of the brain's neurons. She deployed her program in the cloud and made it freely accessible to any doctor, anywhere in the world. Perhaps the most powerful quality of her program is that its prediction accuracy trends towards 100% as more doctors use it. Like the human brain, it gets smarter as it learns new facts.

On the scale of large problems facing humanity, predictive targeting hardly compares with cancer diagnosis and treatment, but within marketing science, few problems are tougher than understanding and predicting customer behavior. Marketers have leveraged many techniques—statistical surveys, opinion polls, focus groups, ethnographic research, analysis of transaction, demographic and psychographic data, experimental design, multivariate

testing and sophisticated response modeling using regression analysis and discrete choice algorithms, among others. However, prediction science must advance from segment understanding and marketing mix models to provide real-time intelligence to inform unique experiences for segments of one. In a world of radical price transparency, showrooming and consumer empowerment fueled by mobility, search and social media, customers demand a relevant, engaging and coherent experience within and across channels.

Brittany's inspiring achievement applies principles applicable across a multitude of "predictive" problems:

### 1. Centralizing intelligence.

Learning systems build intelligence as relevant data available to them increases. Brittany encouraged physician usage by deploying a central, scalable database in the cloud and making her application available from any browser or smartphone.

### 2. Connected thinking.

She applied mathematics, statistics, medicine and computer science, surpassing results that the individual disciplines had achieved to that point.

## HOW CAN WE APPLY HER PRINCIPLES TO PREDICTIVE MARKETING?

### Centralizing Intelligence

Digital businesses like Amazon have demonstrated that customer knowledge is foundational to shaping personalized experiences that help

<sup>1</sup> Google Science Fair Project Summary: Global Neural Network Cloud Service for Breast Cancer  
<http://goo.gl/z4gB1>



each customer achieve her goals while promoting the firm's commerce goals.

However, a concept as basic as a single view of the customer has been well described, but has been elusive to achieve. For instance, basic contact information forms the foundation for any customer profiling strategy, but a recent Experian survey reports that 92% of businesses feel their contact data is inaccurate in some way, and 66% of respondents who have customer loyalty programs believe their programs were negatively affected in the last year due to inaccurate data. Against this backdrop, McKinsey estimates that firms with more than 1,000 employees across nearly all sectors in the U.S. economy have at least 200 terabytes of stored data (twice the size of Walmart's data warehouse in 1999). Many sectors had more than 1 petabyte in mean stored data per company. With so much data, and such poor data quality, being "data rich and insights poor" is significant enough to warrant its own acronym—DRIP.

Centralizing intelligence is easier in theory than in practice, particularly for non-digital customer touchpoints. That's changing quickly—nearly half of all consumers in a retail store carry around a portable computer equipped with a host of sensors, and will use the said computer if it helps them achieve their goals, as the "showrooming" phenomenon has demonstrated. That computer—those smartphones and tablets—make each consumer addressable. Beyond retail, Pew Research found that television's solitary screen is being supplemented by multi-screen interactivity—half of all adult cell owners (52%) have used their phones recently for

engagement, diversion or interaction with other people while watching TV. Like showrooming, multi-screen experiences enable the evolution from one-way, mass segment reach to immersive interactions where individual customer behavior can be studied and enriched in real time.

Today, leading organizations are adopting two sets of capabilities that build the foundation for centralized intelligence:

**a. Agile data.** For decades, firms like American Express and Target have aggregated customer information into data warehouses to out-market their competitors with targeting. But dig deeper and what most of these leaders built their customer insight on was past transaction information combined with some external data such as geo-demographics.

Today, we know more about our customers. If we choose to look, we can view social, reputational, behavioral, transactional and local information, among others. The sources of this data, whether mobile or online experiences, in-store RFID, sensors and kiosks, Facebook and Twitter, Klout and others, are increasing daily.

What's changed from the last decade is the rate at which new data sources are emerging, which drives the variety, volume and velocity of data. This trifecta, known as the 3Vs, is commonly referred to as "the big data challenge." Existing enterprise databases have room to scale and address some of these changes, but they are managed with elaborate policy and rigid change controls. Commonly, the speed with which new data sources may be integrated

cannot keep pace with changing customer behavior or fast marketing campaigns.

Leading organizations are assembling the people, technology and processes to prepare their organizations for the onslaught of big data. For example, in an aggressive capability play, Walmart has invested more than \$500 million to create WalmartLabs—an independent, agile organization with big data skills that combines store data with social media data. Walmart understands that an agile data capability will enable leadership in the next decade of retail innovation.

An agile data capability requires a strong partnership between marketers and technologists. Data architects, technologists and marketers embrace agile processes, with short, time-bound delivery cycles, high communication, low documentation and superb talent—with the ultimate proof being the early delivery of working software yielding actionable customer insights.

**b. Integrated platforms.** Existing structures for siloed brands and

broadcast media have exacerbated the DRIP problem. With channel proliferation, marketers commonly hire specialist agencies to focus on each channel. It's not unusual to see direct marketing campaigns tracked in outsourced promotion databases, web analytics in isolated cloud databases, purchases in line of business transaction databases, social analytics in their own tools and so on. Firms may pull some of these

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What's changed from the last decade is the rate at which new data sources are emerging, which drives the variety, volume and velocity of data.

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information sources into a central warehouse to seek insights, but aggregation can seldom address the data marketer's Holy Grail: linking each customer touch to a single customer record in real-time.



## KEY TECHNOLOGY BUILDING BLOCKS FOR AN AGILE DATA COMPETENCY

**Hadoop:** Hadoop is a platform for data storage and processing that is scalable, fault-tolerant and open source. Every click, every friend request on Facebook or action on Yahoo! will land in a Hadoop cluster. If you book travel online, there's a high probability that a Hadoop cluster helped determine your flight or hotel options. Hadoop is economical, scales almost infinitely as volumes grow, deals with a tremendous variety of data and complements existing enterprise database investments.

**Graph databases:** Compared with traditional databases, graph databases are often faster for associative data sets, such as storing complex relationships in a social network. They scale well and can be better suited for managing ad-hoc and changing data with evolving schemas. Graph-like questions, such as how many degrees you are from another LinkedIn member are answered with simple queries like the shortest path between two nodes in the graph.

**Fast data:** About a decade ago, Intel introduced their first 64-bit processor, doubling the bus width, which can (in theory, though not yet in practice, for memory and architecture cost reasons) address about a trillion times more memory than a 32-bit processor. It's taken a decade, but today, you

would be hard-pressed to buy a new laptop without one. Combined with falling memory prices and multiple core processors, it is now feasible to store entire databases in the main memory of powerful servers. Accessing data from main memory is orders of magnitude faster than physical disk drives. In-memory databases are not new, but have been expensive at scale. Today, the economics are viable for larger deployments.

**Agile development:** Agile encompasses a group of software development methods based on iterative and incremental development. Requirements and solutions evolve through structured collaboration between cross-functional teams. Agile promotes just-in-time planning, evolutionary development and encourages rapid and flexible response to change. Agile is sometimes criticized for only being applicable to projects with a small number of developers and low external dependencies, but leading organizations have overcome these challenges and scaled Agile to large enterprise programs.

A global, multi-brand CPG firm with dozens of brands has implemented SapientNitro's managed brand platform. Deployed entirely in the cloud, different brands and their agencies create digital campaigns—microsites, social, sweepstakes and mobile—and deploy these to the managed platform. The customer database is centralized and captures all data, behavioral and transactional, and associates it with unique visitors. Correlation with broadcast media activity and search metrics are also integrated into this database. Insight enables targeted content and customization across brands. Content processes, shared brand assets, security and scale are managed centrally, delivering reliability and trimming costs. The platform is more than technology—it is supported by a customer-centric insights team and account managers who work with the brands, their agencies and the development team to maximize platform value.

Agile data and integrated platforms together provide the centralized intelligence foundation for delivering relevant, engaging customer experiences.

### Connected Thinking

Brittany's other ingredient builds on, and complements, the centralized intelligence foundation. Connected thinking is looking around corners, across silos and asking how techniques and tools from one discipline can be applied and multiplied by those in another discipline.

For instance, Apple is exemplary at using physics in the design of its user interfaces. The fluid motion characteristics of the iPhone interface are inspired by the laws of inertia and momentum.

Connected thinking, in theory, sounds easy. But many firms struggle with it, because the sub-disciplines of marketing strategy, creative, technology and analytics have typically resided in organizational silos. Marketers may lean towards big ideas, or creative excellence, and technology or analytics may be viewed as commodity enablers. Implicit or explicit favor of some disciplines over others impedes collaboration. After overcoming discipline bias, two additional ingredients—common language and physical and virtual spaces for cross discipline collaboration—must be in place and widely adopted. For example, SapientNitro's social collaboration platform—Vox—is so widely adopted and used across the firm that the technology has become invisible. Like Google, Vox is more a verb than a platform when a group of our Idea Engineers works on anything.

In his popular book, *Web Analytics 2.0*, Avinash Kaushik, Analytics Evangelist for Google says, "When I walk into a supermarket, I don't expect the employees to recognize me or rearrange the store for me. Yet when I visit an online supermarket, I am annoyed that on my third visit they still don't know I live in California and they are not presenting me with items for sale at my local store." Avinash observes that when people shop online, they have a different set of expectations.

As more consumer touchpoints become digitally enabled, consumer expectations will evolve, but the key to rich contextual experiences will remain consumer insight and the power of prediction, built on centralizing intelligence and connected thinking. Thanks, Brittany. You inspire us.





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# THE FUTURE OF BUSINESS INSIGHT

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Written by Lee Woodard, Director, Client Services, SapientNitro London  
and Chris Handley, Group Head of Mobile Analytics, Vodafone



**As mobile phones continue to grow in sophistication and power, marketers are taking note. Yet many are overlooking one of the most significant implications of these new mobile devices: the fundamental shift that mobile data intelligence will enable for businesses. Mobile Analytics has the potential to change the business intelligence landscape as fundamentally as ecommerce has for retail.**

In this paper, we identify three examples of how rich Mobile Analytics can enable businesses to make better decisions about investments, and also discuss the privacy and fraud challenges.

Our understanding of the Internet and mobile is undergoing a transformation that is nearly as important as the invention of the Internet itself. Digital is causing fundamental shifts everywhere, from marketing and advertising to business models and organisation structures. Through digital transformation, brands have the opportunity to redefine the way they interact with their customers.

“Big data” has become a sub-set of this transformation (and a handy buzzword) in recent years—with good reason. But the opportunity is to extract meaning from these technologies and extract the layers of data to create products and insights for different industries. The power is how this data reveals new ways to meet consumers’ needs.

### **Big Digital + Big Telco = Big Opportunities**

Digital and telco services offer substantial opportunities for today’s businesses. Through their very existence, mobile phone companies have data that is tremendously deep and rich. It is a side effect of the network that is the backbone of their business.

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Between the dawn of civilization and 2003, the human race created 5 exabytes of data. Now, we generate that every 2 days. By 2020, some reports say nearly 20 billion devices will be connected to the Internet.

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Telcos have multiple sources of data that, when combined and cross-matched, become new assets. Through a phone’s billing relationship with a consumer, they know who she is, where she lives, how fast she moves between points and how long she lingers at those places. They also have the ability to know what she does on her phone: what she browses, what kind of apps she buys and more. And network operators have large population samples, device data and M2M (machine to machine) sources, all generating huge amounts of raw data.

But it’s what is done with all that data that is most interesting. The enormous opportunity is the ability to look at the same layers of data and interpret them to create products and insights for different industries and outcomes.



The real power is how each specific use of that data reveals the base foundation and therefore reveals new ways to use the data at hand.

### **Taking Business to the Next Level**

Vodafone, a long-standing client of SapientNitro in the UK, is bringing this vision to reality. Because they have a greater than 20% share of the market, they have a statistically representative sample, one that can be extrapolated to give an overview of the entire population, and we are working to create a customer experience and roadmap that will form the basis of their Mobile Analytics offer.

Imagine the way today's consumers are thinking as a nuclear-powered steam train. If they're given something too revolutionary, they will not be able to match their current experience to the sophisticated experience being described. But if they can relate their current experience to improved, evolved ones, they can see how their lives can be made better.

To that end, Vodafone and SapientNitro have chosen three immediate opportunities that will interest marketers and retailers. All three are areas businesses wrestle with. And though some data sources are available, much of it is old, inaccurate or just plain unusable, and the real work is in taking those sources and trying to decipher the answer.

**Retail footfall analytics.** Imagine you own a chain of coffee shops.

It's a crowded marketplace, and a competitive one where every advantage counts. You are reviewing your retail properties. As usual, you have top-performing shops and ones at the bottom in need of improvement. There are some new locations you've got your eye on, but which locations will yield the highest profits? Is one part of the street better than another?

To find out, open up the web version of Vodafone Mobile Analytics, choose your location, upload any specific data you want to cross-reference (e.g., revenue per square foot of your best-performing location) and choose a timeframe.

Over the map of that location, the roads glow red with the footfall of customers. You know that dwell times are different for customers in different places. You know how far customers have travelled, and when the area is most popular. You instantly compare three locations and see one is influenced by a new major office block. And you've got your answer.

**Outdoor media measurement.** As a busy CMO, you may love your new outdoor campaign. It may even be digital or up for a few awards. But Mobile Analytics has the ability, for the first time, to tell marketers how their outdoor campaign is really performing.

Imagine you are on your way to a meeting with the CEO. You grab your iPad and open the Vodafone Mobile Analytics app. You had previously

uploaded the campaign parameters, including locations, dates active and the target audience. By mapping network cells to points of interest, you know if specific locations will be better for specific communications.

The data tells you how fast people walked past your ads, what they did on their phones immediately afterwards and if they visited a competitor. You can then tell the CEO you are changing the campaign at four digital locations and switching spend to three different locations that have better demographics and dwell times.

**Market share analytics.** What if you upped your prices 5% in a given location? Would you gain revenues or lose customers? Your bank might tell you the former. The Vodafone Mobile Analytics app can tell you if those customers decided to go to the coffee shop down the road instead or whether you attracted a customer demographic happy to pay a bit more. Mobile Analytics allows you to measure multiple locations at the same time—near real-time market share data.

More importantly, market share analytics allow you to see what share of the daily footfall traffic you are receiving in comparison to the competition. Vodafone can simultaneously measure the footfall levels for all the businesses within the same vertical, and can then break them down to expose the relative performance levels each market player is receiving. This can be combined with other data, like pricing

or promotion data, to help establish a price elasticity curve that is specific to a time, a day or in relation to other external events. It is highly valuable for a business to know how they are benchmarking against their competition.

### Other Applications

Mobile Analytics will offer the opportunity to have a fundamentally

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To paraphrase Nicholas Negroponte from 1995, “Everything that can be connected will be connected,” and mostly, that means wireless.

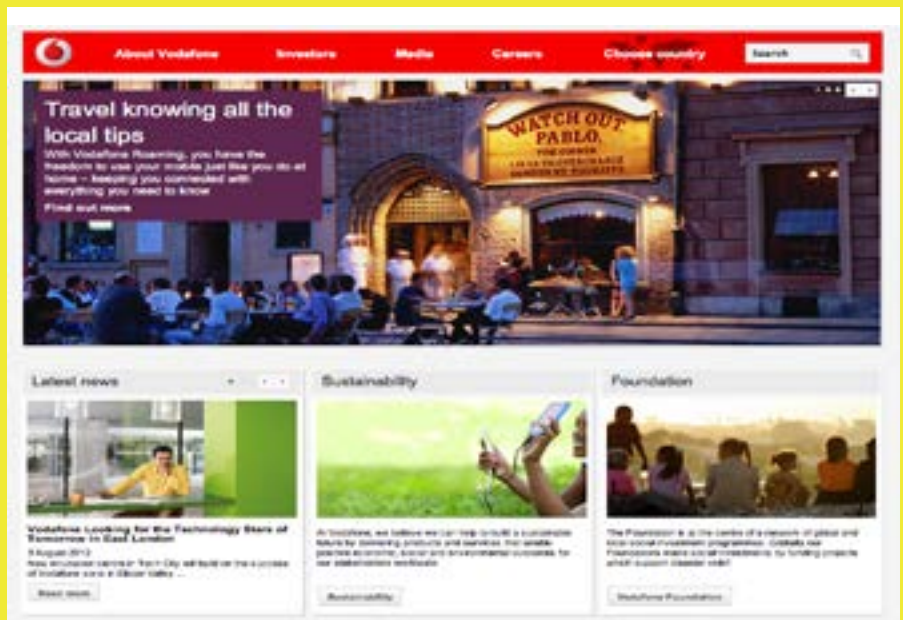
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different interaction with customers, not just more targeted mobile ads. In fact, as soon as the customer gets something that is irrelevant or unwanted, they will have the power to manage the permission that enabled it to happen. They will have the ability to take advantage of the data value exchange.

This isn't just mAdvertising; it's fundamentally more valuable than that. These two applications can illustrate the benefit to both society and the individual in very powerful ways.

**1. Civil planning analytics.** When your local hospital wants to assess coverage in a given area to make sure it's the right size and shape, and that expertise is on hand, Mobile Analytics can help decide where the hospital should extend its services for maximum coverage and efficiency.



**2. Fraud prevention.** Banks already have systems in place for a person not in the same location as his or her credit card; if the card is swiped, the card will be frozen and the purchase will be cancelled. Mobile Analytics helps with the “false positives.” You get declined, but you are where your card is—Mobile Analytics can ensure this doesn’t happen.

### Privacy Concerns

For all the potential new business benefits, privacy concerns remain part of the mix. While governments and regulators are increasingly wary of violations of privacy, network operators realise that if they scare customers away, they’ll also increase customer churn.

The one thing that differentiates telcos from the digital giants is direct revenue. Unlike telcos, companies like Google use data to earn advertising

revenues, which then fund services and products that consumers use for free. Meanwhile, a network operator has millions of customers that pay it regularly. Verizon in the U.S. has approximately 100 million customers and Vodafone has over 400 million customers worldwide. No CEO wants to upset that revenue by making mistakes. Ultimately, this can be a real benefit for customers and, therefore, a very effective acquisition strategy.

Vodafone is very serious about protecting data; they realise that it is the customer’s data. They are leading the industry in their approach to this new data-led relationship. They have created a clear and transparent charter that lays out the fundamental importance of the customer’s permissions and preferences. Even more importantly, they are rolling out ways for customers to access

their permissions and preferences easily, encouraging customers to understand and interact with Vodafone about their data.

Vodafone and all telcos will not be able to give customers better experiences, or create wider value, unless they respect customer permissions to use data.

The ability for customers to control their personal data, and understand that it has value, is becoming more common. As the Millennial Generation continue to get older, their attitudes about sharing personal information will change the business landscape.

It won't be long before customers will expect and demand a value exchange; the network operators will welcome this. Those who do it well and are transparent about the value exchange will attract customers from networks where that isn't happening.

### Excited Yet?

Your mind is probably racing with ideas about how Mobile Analytics can help your business. This isn't some future innovation. It exists today. Go back to your office, tell your colleagues about how to transform the company's business model, create revenue and create success.





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# THE “BIG DATA” ERA: LEARNING TO ACT IN REAL TIME

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Written by James Buchanan, Senior Experience Strategist, London

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**The amount of customer data available to marketers is exploding. We have already seen data-smart businesses disrupt the video rental, newspaper and retail industries. Marketers need to get on board now or fall behind.**

Ironically, the huge potential of data may actually be holding marketers back. The opportunity is so big and so fundamental that they want to get it right, but legacy systems and internal politics make that almost impossible. Every year, we hear from clients that data is put in the “important” but “too hard” box.

This is a mistake. Data does not become valuable by being well structured. It becomes valuable when it is used to answer questions that improve the business. The task for marketers is to spot these questions and work out how to answer them before competitors do.

To step up, marketers need to stop worrying about technology and big analysis, and focus their attention on softer skills like problem solving, analysis and application, curiosity and rigour: the human side of data if you like.

Rather than being scary, we actually think this makes big data the perfect opportunity for businesses to sharpen up the way they think. To do so, we suggest making two big changes:

### **1. Switch from analysis to action.**

Instead of producing reports, run experiments and find out what works.

**2. Think flexibly, and think about the way you think.** Balance different perspectives and continually reflect on any biases in the way you think.

### **Switch From Analysis to Action**

The simplest way to think about data is as feedback from customers. They click on what they like and ignore what they don't. A smart business acts on that data, just like a smart person stops telling a joke if no one laughs.

Businesses have one huge advantage though. Instead of only trying out one joke at a time, a large business can have thousands of interactions in one hour. This speed of learning is important because it allows businesses to adapt and respond within a time scale that can make a difference.

### **Examples:**

**A. The Huffington Post** is one of many online newspapers using real-time data to test story headlines. For the first hour of a story's life, they run two headlines. After one hour, they check the figures and switch to the headline that has received the most attention. If the newspaper had to wait a week for the report, the data would be interesting but useless. By getting real-time feedback, they make a change while it still matters.

**B. Dunkin Donuts** shows that real-time data can be used to sell products in physical stores. Digital screens display offers that vary minute-to-minute depending on the



time of day and stock availability. Till receipts are used to run experiments on offers and messaging to find out what generates the strongest response. Revenue is up and stock wastage is down.

**C.** The pace and excitement of betting makes **Ladbrokes** the perfect brand to act in real time. Last year they became the first betting brand to include live odds in their TV ads. While this does not make use of data as feedback, the increase in web and mobile traffic, as well as in recall and attribution, shows that real time is engaging in itself. Real-time data is also used to engage customers in social. TV and press ads have encouraged customers to use #GameOn in tweets about sports. This has given Ladbrokes a Twitter stream into which they can drop provocative tweets and odds at just the right time. As the results show, it's working.

These examples all use the speed of digital communication. It simply wouldn't be possible to make adaptations as fast in printed media. And unless data is used quickly, its value is gone. In addition, none of them involve complex analysis. Yes, analysis has a role later in understanding the activity and improving it, but, at the time, analysis is quick and directly drives an action.

The approach borrows significantly from direct marketing. The difference, though, is that the findings are being applied to the core brand experience, not mail packs or emails. The brand cannot afford for the tactics to degrade the brand.

If, for example, salacious headlines are more popular with readers, then in just a few cycles what once was carefully curated content can end up like [dailymail.co.uk](http://dailymail.co.uk). The instant response is tempting, but it will often need to be resisted.

Marketers are increasingly considering how to design experiments and then how to respond to the results, while simultaneously thinking about how each small step contributes to the overall goal. They need to be short- and long-term at once.

The question is: How do you find people who can accomplish that? And is it a skill that can be taught?

### Think Flexibly, and Think About the Way You Think

The accepted view is that businesses need to focus on one simple strategy above all else. Indeed, in "Good to Great," Jim Collins argues that businesses need to cultivate the single-minded focus and simplicity of the hedgehog rather than the flexibility of the fox.

While this may be true in periods of stability, in periods of disruption, when consumer behaviour is changing, it's suicidal. Instead, businesses need to embrace their foxy characteristics and look at the world from multiple perspectives.

Support for this view comes from Philip Tetlock, a psychologist who has conducted research into peoples' abilities to predict the future. Not a bad proxy for the development of successful strategy. On average,

the results have been disappointing. It turns out that predictions, even educated predictions, are little better than guesswork.

However, Philip Tetlock and Dan Gardner noted, "...what separated those with modest but significant predictive ability from the utterly hopeless was their style of thinking. Experts who had one big idea they were certain would reveal what was to come were handily beaten by those who used diverse information and analytical models, were comfortable with complexity and uncertainty and kept their confidence in check."

To make good predictions, marketers need to avoid those who keep trying to explain everything with one over-arching model. They're not just going to be impractically perfectionist about data—they're also a lot less likely to be right.

We also want marketers to be humble. Ideally, they need to practice what Jonah Lehrer calls "metacognition." That is, reflecting on the way they think, and understanding any in-built biases that might affect their judgement.

Most marketers know a bit about cognitive biases, as, under the heading of behavioural economics, they've been a major topic of discussion in the last five years. The difference is that now, instead of using the thinking to change consumer behaviour, they should try turning the spotlight on themselves to see if they can improve the way they think.

As an example, most people place far higher value on things they own than things they do not. A person who wants to re-purchase an item she once owned will typically only offer half the price she originally paid.<sup>1</sup> People also tend to put a high value on things they are certain to get but dramatically undervalue things they might get in the future, even if they are likely to get them.

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Marketers need to stop worrying about technology and big analysis, and focus their attention on softer skills like problem solving, analysis and application, curiosity and rigour: the human side of data if you like.

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This suggests that uncertainty itself will make marketers value short-term gains even more highly—a worry for any brand trying to pursue a long-term plan at the moment.

Alternatively, people are also much more likely to believe something when they hear others express that opinion. As marketers spend more time reading social media posts and comments, they need to make sure that they maintain some distance and don't unconsciously adopt the views they read.

<sup>1</sup> Dan Ariely: Predictably Irrational: The Hidden Forces That Shape Our Decisions, Chapter 7



These are just two examples among many. The human mind is not perfectly “rational” and struggles to value outcomes. Any marketer who wants to improve the quality of the judgement should start by reflecting on that.

### Putting It Into Practice: Creating a Culture of Smart Thinking

Perfect data is a distraction; it’s what businesses think about and do with it that counts. This should be tremendously liberating. No one has to fit the company’s strategy into a top-down programme. Instead, strategy is devolved to front-line marketers who know their businesses and can use data to make a difference. Everyone has a mandate and everyone will be rewarded if they get it right.

But change won’t happen overnight, and some businesses may struggle to make the change at all. The reason is that bottom-up change is, by definition, difficult to organise. If businesses want people to think and act independently, they can’t tell them what to do; they need to learn how to recognise good thinking themselves. At the same time, independence must not lead to anarchy, but for people to think independently in a similar way by fostering a culture.

To do that, just like any society or culture, businesses need to reward behaviour they value and punish behaviour they reject, while leaving a grey area for opportunity in between. Strong cultures are founded on things that everyone can agree on.

Get these things right and the details and nuances will work themselves out in the future.

This buck stops with the CMO. They need to incentivise action and, if the climate is too risk-averse, positively encourage people to be comfortable failing (sometimes). In terms of practical steps this means:

- Have a formal objective to run a test that generates empirical results. Marketers should not get through the year without learning something empirical about their customers.
- Discuss and share data-driven improvements alongside monthly sales figures. After all, the results of these experiments drive the sales figures of the future.
- Allocate a percentage of time to data innovation. It can be in groups or individually, but everyone must show progress on their own left-field projects.
- Invest in regular training sessions. Run war games to test the ability of key people to make the right call in real time.

These are not aspirations—they are rules. Each one requires a big commitment and a real behaviour change from everyone on the team. It is hard to implement and it should be. The question marketers have to ask themselves is whether they want to develop the culture first—or leave it up to their competitors.



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# DIGITAL LUXURY 101: HOW TO ENHANCE THE CUSTOMER EXPERIENCE

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Written by Hazel Reed, Brand Strategist, London

**There has been a noticeable growth in luxury brands' usage of digital. After many years of watching from the sidelines while other brands explored and reaped the benefits of digital media and technologies, 2010 was the year when luxury marketers appeared to wake up. The arrival of the iPad, and its rapid adoption among affluent individuals, was a significant factor in convincing luxury marketers that their customers were also digital consumers.**

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Luxury brands have always understood that, more than just the product, their customers are buying service, membership of an exclusive club and a shared philosophy.

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For all their early digital shortcomings, luxury marketers have been more advanced than their non-luxury counterparts in terms of understanding the importance of customer experience. Luxury brands have always understood that, more than just the product, their customers are buying service, membership of an exclusive club and a shared philosophy.

Indeed, the focus on experience has become even more crucial as Western luxury consumers have moved away from conspicuous consumption, and their purchase motivations have become more inner-directed. For example, the process of learning

about an item's provenance or design ethos has become as much a part of the value of luxury as the item itself. In the offline world, luxury brands are able to curate their customers' experiences. However, three of the most important values are potentially compromised by digital—quality, exclusivity and personal touch.

### Quality

In the early evolution of digital, the quality required by a luxury brand was difficult to deliver. The potential for attention to detail and aesthetic preeminence was insufficient to capture the dream of the brand in digital format. Furthermore, the standardisation and utilitarian nature of websites did not offer luxury brands the scope they needed to distinguish themselves from the ordinary. Quality of delivery was also a problem, with luxury brands unwilling to let the success of their brand experience be dependent on factors such as connection speeds over which they were powerless to control.

As digital quality has improved, and connectivity and devices have taken quantum leaps forward, luxury brands are now able to create digital experiences that match the fidelity of their products, retail environments and customer communications. Luxury digital experiences need to be rich and immersive, conjuring up the dream of the brand and not allowing the spell to be broken.

Brand films are a perfect showcase for the exceptional quality of content and experience that luxury brands can now deliver through digital. Cartier's

short film *L'Odyssee de Cartier* is a notable example. The richness of the film reinforces Cartier's history, using cutting-edge special effects to create a cinematic masterpiece and intense emotive responses from viewers. Luxury is all about emotion—there is little rational about it—and luxury brands can achieve a more powerful impact by taking a cinematic, rather than a print-inspired, approach—not just to their video content, but also to their fixed-web and app offerings.

### Maintaining the illusion

It might be said that Cartier could have made *L'Odyssee* an even more compelling digital experience by incorporating an element of interactivity. However, this is a case in point for where luxury should remain cautious about following the popular conventions of digital. Luxury brands need to be very careful to preserve the spell when creating interactive experiences.

Gucci's recent "shoppable" video is a cautionary tale in this respect. It is the perfect example of how new technologies and digital functionalities need intelligent application by luxury brands. The execution of the interaction is visually poor, with crude, overbearing logo hotspots. To compound this, pop-up boxes fracture the experience, disappointingly showing only the item and its price. The main issue here is that luxury should never "sell." A more sophisticated use of interactivity would have been to enhance the experience by taking the customer on a seamless journey of enticement, exploring the item's materials, design, styling inspiration

and lifestyle associations—reinforcing its aspirational value, rather than laying bare its transactional value.

### Exclusivity

Exclusivity has significant implications for the adoption of digital among luxury professionals. In fact, the word "luxury" derives from the Latin *luxatio*, meaning distance. The democratic nature of the Internet is often cited as one of its defining features, and seems at odds with the concept of exclusivity and luxury. Indeed, luxury brands have stayed away from TV advertising because it is too populist a medium, and risks making the brand too ubiquitous. Luxury brands were equally as nervous about digital. Luxury brands feared that digital would not allow them to curate access to their brand in a way that is necessary to maintain exclusivity.

Luxury brands are beginning to realise that digital does not mean lost exclusivity. Luxury brands need to maintain levels of access, and digital can help them achieve this in a way that no other media can. While luxury customers and fans may be equally passionate about a brand, digital experiences need to discriminate between those few who can attain the brand, and a much larger group who desire it.

When it comes to these audiences, brands need to make sure that their customers and prospects feel closest to the brand, and should be reflected in the customer experience. Customers are part of the brand's exclusive world, and they enjoy the unique privileges that come with this



Cartier's *L'Odyssee* short film delivers the richness of Cartier's history.



Gucci's "shoppable" video is a cautionary tale that many interactive tools still have some way to go to be seamless and smoothly executed.

status. They get to hear news before anyone else, they have insider access to the people behind the brand and they get to attend special events. Fan support needs to be maintained and encouraged, but maintaining some mystique is vital, too; when things seem unattainable, they become even more attractive.

#### **Audiences and access**

Digital channels have an important role to play in curating access to luxury brands for different audiences. This allows the brand to create a personal experience for prospects and customers with exclusive, tailored

customers feel closer to the brand. As part of a series of installations enacted for a select local audience in Shanghai, the brand created a live CGI 4D spectacular, which brought to life London's Trafalgar Square, featuring a simulation of all four seasons over the course of one day. The result was a unique, multi-sensory experience, which immersed customers literally but lyrically in the brand culture.

Whereas customers and prospects should be nurtured with personal and invitation-only event experiences, social media is the perfect media for engaging non-buyers. But luxury brands shouldn't feel they have to mirror the more casual register of language that their fans might use, or feel intimidated by the real-time nature of social interaction. In the case of brands such as Rolls-Royce and Chanel, a handful of timeless stories and myths have sustained brand engagement over many decades. Luxury brands should be reassured that just because social engagement may seem instant and reactive, much of the engagement can be planned in advance. Furthermore, luxury brands' heritage and archive content provides a fantastic source of fresh inspiration for social fans.

In particular, Pinterest has real potential for luxury brands, by allowing them to connect their unique lifestyle, aesthetic vision and values with fans in a way that goes beyond their manifestation in products. The opportunity is there to invite fans to create their own content that represents their appreciation of the

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Whereas customers and prospects should be nurtured with personal and invitation-only event experiences, social media is the perfect media for engaging non-buyers.

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content. Digital can also enhance the in-store experience, perhaps using tablets to facilitate access to exclusive information and content, and to create memorable event experiences.

British luxury brand Burberry famously invited customers to 25 of their flagship stores to watch a live streaming of London Fashion Week, where guests were able to purchase selected garments via a bespoke companion iPad app. Another British brand, Dunhill, took a different approach to using digital to make its



brand. Oscar de la Renta recently turned to his fans to help inspire his creativity, asking them to create Pinterest boards. This is an excellent example of how luxury brands can create different levels of experience for fans and customers: While fans are given the opportunity to indirectly influence the brand's vision, customers might get a call from a person on Oscar's team, telling them about next season's influential trends.

### A Personal Touch

Personal touch, perhaps more accurately expressed as the "human touch," continues to cause the biggest headache for luxury in its increased adoption of digital channels and technologies. The importance to luxury of the human aspect is most immediately evident in luxury products. "Made by hand" and craftsmanship are quintessential luxury attributes. The value of an object increases when we perceive that human skill, effort and imagination have been invested in the work. The same human quality should also lie at the heart of the service and experience that luxury brands offer their clients.

It does seem here that an insurmountable divide separates luxury and digital, but it is impossible to say what the future of digital may hold in terms of answers to this apparent impasse. Virtual meeting technologies are developing at a rapid pace, so perhaps there will come a time when digital can facilitate a one-to-one experience that brings the brand representative and the world

of the brand to customers, without them needing to come into the store. It may be that, as luxury buyers are decreasingly the traditional leisured classes, and increasingly becoming infinitely ambitious entrepreneurs, that time, or lack of it, becomes a more important factor in the luxury experience than genuine human interaction.

### Conclusion

The evolution of digital has reached a stage where previous limitations no longer constrain luxury brands seeking to build digital experiences. Digital now offers exceptional fidelity for luxury brands to convey their prestige and quality. It enables such brands to create powerful, emotional connections with admirers and customers alike.

However, luxury brands should continue to approach new digital innovation thoughtfully. They should consider carefully how new digital technologies correspond to their brand values and the principles of luxury. Luxury brands, and indeed all brands, should think about how they can apply digital intelligently, and adapt it in a way that reinforces the essential integrity of the brand experience.



Burberry invited customers to 25 flagship stores to watch live streaming of London Fashion Week. They recently revamped their stores to make this type of experience even more immersive.





ONLINE  
EXCLUSIVE  
CONTENT

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# GAMIFICATION AS A DIGITAL STRATEGY

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Written by Mohammed Iqbal, Manager—Information Architect, Bangalore  
& Syed A. Suffiyan, Information Architect, Bangalore

**It was not until early 2010 that gamification started catching up as a mainstream digital strategy. In 2010, corporations spent \$100 million on gamification, and this number is expected to rise to \$2.8 billion by the end of 2016.**

Tracking the trends in shifting digital strategies will help to understand the importance of gamification and its relevance going forward. Between 1990 and 2004, marketers relied heavily on one-way communication; it was about making claims and telling a story. Understanding markets and audiences gained importance while demographics started driving marketing strategy. Acquisitions and success metrics were taken more seriously. There was too much reliance on hard selling, resulting in an overdose of online promotions and banner blindness.

Today, digital marketing strategies are based more on engagement and connections. Customer experience and persuasion have taken the dominant position and social is now a crucial part of marketing. Reviews, "likes," ratings and comments have become an integral part of information online and marketers can now view trends in social forums to identify user needs and expectations. This has led to several downsides, as social maturity has caused information overload and network fatigue, resulting in a passive consumer audience. Between July 2009 and June 2011, there has been a large level of decline in contribution and active participation on Facebook.

This raises questions on the quality of user data that often underpins huge valuation figures. It also raises the question of whether brands should invest everything in Facebook pages. To counteract this, marketers need to diversify their digital marketing activities.

Marketers now realize the need to transform passive behavior into a dynamic high-end user engagement and involvement activity. Gamification and its essential dynamics, coupled with social networks, is a very powerful tool to enable multiple levels of engagement.

But why games? Games have always been an integral part of our community, culture and human experience, be it dice, role-play or board games. In fact, 1 out of 10 artifacts discovered in the ancient city of Mohenjo-daro is related to games. Board games have been discovered in Iran, Iraq, Egypt and parts of Africa dating back to 3000 BC.

**Gamification =  
(Mastery + De-Stress + Fun) x Social**

Human behavior studies indicate that people need to play. We love the feeling of achieving mastery in a game by overcoming obstacles, learning, gaining skills and earning rewards for our achievements. Games also cater to our need to de-stress by indulging in something pleasant and engaging, and help in esteem-building activities. Playing a game also has aspects of entertainment and escape; it allows us to role-play and be a part



of a story. The social aspect of playing increases this fulfillment; social provides competition, bonding and multiplies the fun quotient by making it much more real and engaging.

What is it that makes playing games so engaging? Every game includes gaming dynamics, some of which are described below.

- **Positive reinforcements.** A reward is a form of positive reinforcement given or received in recompense for actions performed or time invested in the game. Rewards

- **Avatars.** Avatars allow gamers to become immersed into the storyline by embodying themselves into a game character. They allow users to assume a different identity, even through personas like super heroes or super villains. An alter ego who can face challenges and take risks is limited only by imagination.

It is important to ask ourselves what behaviors we want people enacting, and choose and apply those dynamics to make the gamification effective.

### The Gamification Process

A behavioral engineering process can be applied through three phases of implementation:

The strategy phase focuses on understanding business and brand requirements, as well as critical success factors. Detailed user research enables a business to understand its audience and determine the behavior we want to affect. Ethnographic and behavioral research techniques are used to identify audience behaviors, pain points and motivators. This phase results in identifying the founding rules of the game, and defines the game experience and underlying concepts.

In the design phase, the operational rules are defined—the specific gaming dynamics that define the experience like onboarding and positive reinforcements.

The implementation phase is an agile process, which includes continuous testing, analysis and iterations. Gamification also offers many feedback points from which to measure

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“Gamification” is defined as “the use of game design techniques, game thinking and game mechanics to enhance non-game contexts.”

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for users come in the form of points, badges and power-ups. Some points can also be used to buy merchandise and other game-related items.

- **Risk mitigation.** Risk mitigation is any reinforcement that requires a minimum activity to avoid negative occurrences (e.g., Farmville crops that die when a user neglects to water them).
- **The power of “free.”** This dynamic shows users that they can get something free from someone else’s actions (e.g., Groupon).
- **Goals.** A goal is a result or achievement towards which effort is directed. For gamers, goals provide a reason to play and a way to feel progression with a sense of accomplishment.

success like accomplishments, game completion, winners, choices made and rewards gained.

### **Gamification in Action**

Now that we have seen the essential mechanics that make a game, let's look at some companies that are already putting them to use in some of their products.

**Health and fitness.** One of the most recent and best-known examples of how gamification is being used in the health and fitness industry is the example of the Nike+ FuelBand. The FuelBand is strapped onto a user's wrist and uses LED lights to form a progress meter—an indicator of how active the user has been throughout the day. This visual representation of daily activity hits the conscience of the user and innately pushes him or her to achieve a more active day, in turn allowing the user the satisfaction of having achieved the goal of “an active and healthy day.”

**Financial planning.** Mint.com can empower its users to take charge of their financial lives and better manage their money. It does this by allowing its users to see their bank accounts all in one place by culling and organizing the information from all those accounts. The goal of the product is to help its users choose how much they want to spend or save for the future by allowing the user to set definitive financial spending rules.

**Lifestyle.** SuperBetter is one of the best examples of gamification

through avatars. The target audience is generally someone trying to achieve health goals or suffering from an illness or injury. The game helps these users by allowing them to motivate themselves by setting up tasks and goals to achieve things that make them truly happy. In order to do this, users have to embody themselves into avatars, write down the things that make them happy and start doing those things over a period of time.

**Education.** Khan Academy has revolutionized the education industry by allowing students to take self-paced classes and evaluate themselves by the number of rewards they earn from each class. A reward in the Khan Academy is a token of achievement for completing the given assignments regularly and correctly. Teachers can also monitor how students have been performing—whether the student is grasping the concepts by focusing rewards on specific topics or assignments.

**Social spaces.** Foursquare is a popular social app that allows users to virtually own a place. The app allows users to check into the places they regularly visit and post it amidst their social contacts. When a user checks in often enough, that user becomes the location's mayor. If one of the user's social contacts is also a frequent visitor of the place, that person can look at the leaderboard to try and compete for the position of mayor.

**Food and beverage.** Unilever's Share Happy iVend, the world's



first smile-activated vending machine, offers a unique brand experience. The vending machine makes the experience of eating ice cream immersive by using an attractor screen and an interface that challenges the user to smile. The smile-o-meter encourages users to smile more and then allows them to select a free ice cream as a reward. Ultimately, it encourages people to share life's small moments of happiness.

In addition, Sprite's #crickwit campaign brought a unique game of "tweet cricket" to the Indian Premiere League (IPL) in 2011, where every re-tweet counted as a run and was rewarded with a weekly cash prize or the ultimate award of an LED TV. It extended Sprite's philosophy of fresh thinking to people and rewarded consumers who had a novel take on cricket.

### Implications for Gamification

Gamification is great if done correctly; otherwise, it has its own pitfalls. For example, it's motivational and interesting to get a badge for completing the user profile, but when the whole point of the experience is framed around the positive reinforcement of earning badges, it can get boring. Gamification should be an added layer as a meaningful motivator around existing content. A game can become shallow when there's not good content to bolster it.

Using gamification as a quick and tactile solution can lead to poor engagement and can result in low ROI. When positive reinforcements like badges and rewards are used, when and how they happen are elements that need to be carefully considered and well integrated into the site. Gamification solutions should be tested continuously with end users, feedback should be analyzed and designs should be iterated. It is also important to innovate new techniques; solutions that lack originality will have a difficult time.

### Conclusion

Gamification, when coupled with social, has tremendous potential in dynamically engaging users, and is a strategy marketers can use to diversify their offerings in the future. However, it is very important to understand the process of gamification and behavioral engineering to make this endeavor a success.





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# **MEDIA-SAPIENS:** USING SOCIAL INSTINCTS TO EXPLAIN, PREDICT AND INFLUENCE DESIRABILITY IN THE DIGITAL AGE

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Written by Melissa Read, Ph.D.  
Director of Marketing Strategy and Analysis, Atlanta



## Ancient Walls



Neanderthal crimson hand stencils in El Castillo cave<sup>2</sup> around 38,000 BC, perhaps representing some of the earliest “check-ins” ever.

**“Sometimes it pays to stay in bed on Monday, rather than spend the rest of the week debugging Monday’s code.”<sup>1</sup> That’s not something we heard a lot growing up, but digital changed things. Life is interactive from the time we are born.**

Our first computers are our toys and we usually get them before we can talk. Technology is an extension of ourselves. When we forget our cell phones, we feel lost—sometimes scared, too. And our focus has shifted. Just because we’re in the same room with another person doesn’t mean we’ll talk to them. We are often so digitally immersed that we don’t even notice they are there. We engage in “media snacking”—consuming bite-sized pieces of media throughout the day. We engage in “media multitasking”—consuming several bites of media at once.

Some marketers think their targets look so different from anything they’ve seen before that they gave them a new name—“media-sapiens.” They don’t recognize us. We’re like nothing their textbooks have described under the previous name homo-sapiens. We’re in our own category—unfamiliar, strange, frightening.

We are a threat to the bottom line—a risk to their targets, to their budgets, to their livelihoods. But are we unpredictable? Perhaps not. Our behavior has drastically changed with the evolution of digital media, but our instincts have remained the same. We thrive in communities. We have a tribal culture. We are collaborative decision-makers. We are expressive and enjoy sharing our unique points of view.

When marketers come to understand the basic instincts that have guided human social behavior for thousands of years, they see that today’s strange digital interactions are not really new. They can anticipate the shape of things to come and pull the levers in our digital world to drive desirability and influence change. It’s the knowledge of human instincts that inspires the most successful brands to act as catalysts for communities, drive social commerce and amplify the consumer voice.

### Ancient Walls

The first wall dates back long before Facebook, MySpace and Friendster. The oldest known wall is El Castillo cave. Over 40,000 years ago, people drew crimson stencils of their hands on it. There has been great debate about the meaning of these stencils and many theories. Perhaps the simplest is that these paintings are ancient check-ins that say, “I was here.”

Our first drawings were simplistic, but over time we drew bison, reindeer, elk and people chasing them. The simplest interpretation of these scenes is, “Here’s me on my big hunt.”

The most fascinating ancient social network is perhaps the Nämforsen rock art in Sweden, showing animals, people, rivers and hunting. Many saw these drawings, adding layers of information to them while gaining intelligence from the original authors. There are repeated acts of carving, showing interaction and revisions between authors—not unlike comments on Facebook statuses or the collaboration of a “Wiki” article. Some of these drawings were more helpful than others, with the most

<sup>1</sup> <http://naich.soup.io/post/223460989/Top-50-Programming-Quotes-of-All-Time50>

<sup>2</sup> <http://news.nationalgeographic.com/news/2012/06/120614-neanderthal-cave-paintings-spain-science-pike/>



helpful receiving primitive versions of “likes.” Some drawings were so desirable that they “went mobile” as they were chiseled off the rocks and incorporated into ancient tools, like knife handles.

Thousands of years ago, cave walls and rocks were a powerful kind of media. With them, we could say something about our status to those who weren’t there at the time. We could check in to say we were OK, share intelligence that made our community smarter, learn to avoid danger, find food and even gain inspiration. Thousands of years ago, we used rocks and walls to share culture across time and space. We read “timelines” that connected us to our ancestors and built upon them to connect with generations to come.

Walls and rocks were just one of many forms of social media that allowed humans to connect over time and across distances. Telecommunication—like fires, beacons and smoke signals—came next, and were followed by drums, horns and pigeon post.

### Modern Cave Walls

Today, digital has brought a drastic change in media inputs and outputs—but past, present and future communication drivers have stayed the same. Be it on a cave or Facebook wall, we use communication for the same reasons.

At first glance, Facebook status updates might seem like pointless communications that are much different from the hand paintings we see on cave walls. Looking closer

though, they demonstrate something critical about human instinct: Over thousands of years, we have been using social media for the same basic fitness consequences—survival and reproduction. These guide what we say and do. Deconstructing the seemingly pointless social communications we see in social networks can help us understand this. Here are a few examples of status updates we’ve seen online and what they really mean:

#### “Sitting in a sketchy cab.”

This sounds like someone with a little too much time, but it may serve as an alarm signal made in the presence of a potential threat. It tells us the approximate location of this person as well as their comfort level. This status is like a white-tailed deer flicking up its tail. It increases the chances of getting help and of survival. From this message, we also know that we should avoid joining this person for our own wellbeing. Here, the fitness consequence for both the communicator and recipient is survival.

#### “If you drink enough, your brain starts photoshopping people.”

This sounds like someone who’s just being cute, but this may serve as a mating signal to attract a partner. Here, the person uses humor, something others may find attractive. While this comment alone may not be enough to win a mate, the culmination of comments like these over time may be enough to attract a partner one day. This is similar to a peacock fanning its tail. There’s nothing evolutionarily advantageous about it, but it does attract attention. Here, the fitness consequence is reproduction.

## Other Examples Include:

### Status update:

“Facebook allows me to see what my life would look like if I had married my college girlfriend. Dodged a bullet there.”

### Meaning:

This is how I feel.

### Status update:

“You need only two tools. WD-40 and duct tape. If it doesn’t move and it should, use WD-40. If it moves and shouldn’t, use the tape.”

### Meaning:

I have important insights to share.

### Status update:

“I’m surprised people still ask me if I want to hold their baby given the number of times I’ve dropped my phone.”

### Meaning:

Here’s something you should know about me.

### Status update:

“If they made a movie about Morgan Freeman, who would narrate it?”

### Meaning:

I want to know about what you think.

**“All girls are DEVIL but my wife is QUEEN ..... Of all of them :)”**

This sounds like someone who’s being sarcastic, but it may serve as an ownership signal used to claim or defend a mate. This is similar to the low grunts of an elephant, which travel for miles to lure mates and establish dominance. While the fitness consequence is reproduction, this status also serves as an anti-mating signal for every other woman,

these media forms—with strong influencers, basic communicators and a higher volume of message recipients. The digital age is only different because new media drives a difference in who plays each of these roles and who has the greatest influence.

On cave walls, an influencer was likely the one who had the best cave access, could paint the best and had the best painting materials. In the skies, the best smoke signals likely came from the one who had the best understanding of wind direction and the best control of fire. Through spoken media, the one with the greatest influence is typically the most eloquent and educated speaker, the most visually appealing, tallest, loudest and most senior. Through digital, the influencers are often the most knowledgeable about the topic, the most socially adept in writing, the fastest typers and best spellers. In digital, your physical characteristics have little impact on your influence—as long as they don’t limit your typing speed.

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Despite these changes, marketers can continue to drive relevance if they ground their strategies in connecting people.

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which could threaten reproduction. This kind of social Darwinism shows that people can weed themselves out of the gene pool for what they do and say.

#### **Dorks Unite**

The social instincts that drive us have persisted for thousands of years, across multiple media forms. We have lived in networks through



Because of the vast variability of influence across media, someone can be an influencer in one media form but not another. This means that even if you're soft spoken and not influential offline, you may live a totally different life online. The cool kids look a lot different these days, because looks matter less.

### Actionable Instincts

Marketing media will only continue to evolve with technology. As this happens, our targets will look and feel different. Despite these changes, marketers can continue to drive relevance if they ground their strategies in connecting people. Knowing that survival and reproductive instincts drive human behavior today, just as they did thousands of years ago, gives us tremendous leverage because these things determine what people say, think, feel, do and buy. Being relevant in digital marketing means amplifying and extending the natural instincts that drive people and not creating obstacles that stand in the way. Here's how:

- **Be a catalyst for communities.**

Communities and their connections are critical to human survival and reproduction, online and off. In ancient times, people who chose to stay with their tribes survived. Those who didn't perished. Community behavior is so ingrained in us that it is critical for marketers to drive and sustain it.

- **Drive social commerce.** Humans are collaborative decision-makers. They have long relied on the wisdom of crowds. Medieval villagers used crowdsourcing to learn about treatments for the plague. Today, we continue to use crowdsourcing to solve medical problems online,

as well as a host of other things like purchase choice. Marketers who foster a collaborative environment understand that people need social commerce to spend, because antisocial commerce is not natural.



- **Amplify consumer voices.** Basic social expression can feel deeply fulfilling. When people share, they contribute to the intelligence of the community and experience strong human connection. They protect themselves from predators and connect with potential partners too. When marketers foster self-expression, they not only fulfill a basic human need in their targets but also gain critical insight about where their targets are coming from. This intelligence can be used to drive relevance.

Past, present and future marketers who understand human instinct will be able to explain, predict and influence digital desirability and deeply connect with their targets to drive action. The best marketers will never define themselves as B2B or B2C. They will understand that we are all just B2P—Business to People.





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# REBUILDING TRUST: HOW BANKS CAN RECONNECT WITH CONSUMERS

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Written by Chris Baker, Senior Marketing Strategist, London,  
James Buchanan, Senior Experience Strategist, London  
& Omaid Hiwaizi, Planning Director, London

### Who'd Be a Bank?

On top of their daily kicking from newspapers and government, it seems that their customers don't like them either. Banks are, rightly or wrongly,<sup>1</sup> repeatedly and widely blamed for the economic situation that much of the world finds itself in and are constantly bearing the brunt of protest movements.

It is fair to say that banks are far from popular, despite delivering services that their customers really could not live without, and would be paying for in any other industry.

### Trust Is at an All-Time Low, and Apathy Is Lifting

Trust in banks is in free-fall; two-thirds of UK consumers say their trust in banks has fallen<sup>2</sup> and six out of ten people in the UK fear that their bank or building society could collapse in the next year.<sup>3</sup> The same is true across the Atlantic; while 65% of Americans trusted their banks in 2007, now only 35% do.<sup>4</sup>

As a result of this lack of trust and transparency, any mistake or scandal, such as those suffered by NatWest, HSBC and Barclays recently in the UK, is leapt on enthusiastically by all and sundry. It has gotten so bad that the apathy that banks have relied on for so long to keep customers is showing signs of lifting; 52% of U.S. bank customers would leave their current financial institution for one that offered better money-management capabilities<sup>5</sup> and the number of people who have actually switched banks in the past 12 months has leapt by 25% since 2010.<sup>6</sup>

### Time For a Fresh Start

The time has come for banks and their customers to start afresh; surely the "anti-consumer" economic model of retail banking that makes money by punishing customers for making mistakes, charging them for basic access to their money and getting them to spend above their means, is on borrowed time in today's world. Instead, banks need to offer services that their customers genuinely value. In return, customers are going to pay for what they get and they will even go as far as to recommend their bank to their friends. This may seem a world away from where we are now and its not going to be an easy journey, but by making some significant changes it is possible.

However, now is not the time for banks to feel sorry for themselves—they will be hard pressed to find any sympathy in the current climate.

It's also not the time to continuously look to cross-sell and up-sell every customer they come into contact with. This sort of behaviour is only going to antagonize the customer even further and sour the relationship. And now is absolutely not the time to invest millions in ill-founded advertising campaigns that attempt to sell the idea of service and a relationship that has long since expired.

### Actions Speak Louder Than Words

Now is the time to "do," not "say." Banks won't regain trust by standing up and shouting from the rooftops that they've changed. This will, at

<sup>1</sup> Thankfully, apportioning blame is not the purpose of this article.

<sup>2</sup> YouGov – July 2012

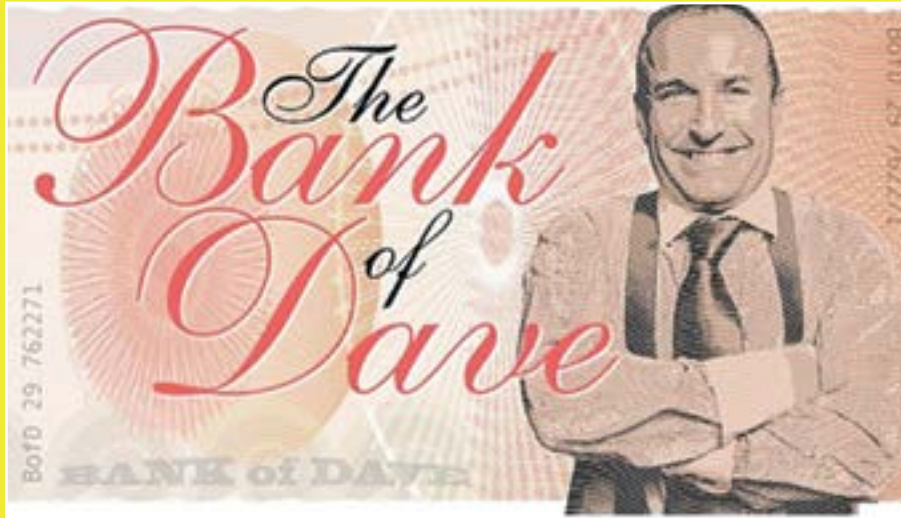
<sup>3</sup> Harris Interactive – July 2012

<sup>4</sup> FT.com – January 2012

<sup>5</sup> Intuit.com – June 2012

<sup>6</sup> ConsumerReports.org – February 2012

best, fall on deaf ears or, at worst, further irritate a disillusioned audience.



Trust is rebuilt from the bottom up, one customer at a time, by doing the

right thing and genuinely being a positive force in someone's life.

Now is the time for action, to go back to basics and look at the new tools that are at a bank's disposal. The world and the banking industry has changed fundamentally and by actively embracing these changes, it is possible for banks to help customers navigate through their lives, even in tough economic times.

By becoming useful again, banks can rediscover relevance and actually add value to a relationship that has been one-way for too long. Let's explore five ways banks can become useful and trustworthy to their customers again:

### 1. Easy peer-to-peer lending

Alternative lending models are gathering steam as consumers look to avoid the murky dealings of the big banks. Zopa is long established in the UK, and France's first P2P lending site, Pret d'Union was launched by two former bank employees who were shocked at the rates charged by banks for short-term loans. The site attracted 20,000 borrowers and 1,000 lenders in its first 12 weeks of operation.<sup>7</sup>

A colourful example is Burnley Savings and Loans, the independent small bank founded by David Fishwick, which trades as "Bank on Dave!" They act as a channel between savers and borrowers and take a commission, with Dave personally underwriting all loans because they don't have a banking license.

With this model gaining traction, it is clear that it's here to stay. P2P lending should not be seen as the enemy as there is an opportunity to bring them into the conversation. Ultra-cautious consumers are increasingly taking the advice of banks with a pinch of salt, looking elsewhere for the best plan of attack.

Existing P2P models are a hassle; instead of a one-stop shop, consumers must manage a number of relationships—and there is the inherent uncertainty of the model to contend with. A traditional bank can bring weight to the table and simplify the process.

<sup>7</sup> Capital.fr – May 2012

By investing in this service, a bank would ensure a cut of a growing pie and it would go some way to bringing customers back on its side.

## 2. Crowdfunding

If banks are being blamed for the downfall of the world economy, then the best way to turn around public opinion is to do something to right those perceived wrongs.

Taking P2P a step further, crowdfunding via sites such as Kickstarter have taken off and are financing creative and business projects that have the potential to get the economy moving again.

If a bank took the lead on this, both in terms of an initial investment and building the platform, they would add structure and credibility to the process. In addition, it would give entrepreneurs

a voice and the opportunity to gain the investment required to get projects off the ground, creating jobs and value.

## 3. Use data for good

Banks find themselves in an extremely privileged position in a customer's life; they can see absolutely everything that a customer is spending their hard-earned cash on. But even though they sit in this lofty seat, they use this information to facilitate cross-sell and up-sell rather than to improve the overall financial position of each of their customers.

It's time to put those insights to work for the greater good. Are they spending more than average on utilities in the area? Is their mobile bill more than double the average monthly spend? Are they spending more than 50% of their income on restaurants and booze? If so, they could benefit from







receiving information on utility switching, better deals on mobile phones and insurance and advice about vouchers and promotions that they could be taking advantage of to bring down their spend.

All of this, if done sensitively, would be well received as an attempt to help the modern household manage costs (and could allow the bank to set up a handy affiliate revenue stream). Bank of America recently conducted a trial of a Groupon-like service based on their previous spending activity and it will be interesting to see what further developments we will see in this space.

#### 4. International relations

As the world has become more connected, banking has not kept up. More customers than ever before need to manage financial transactions across borders. This includes students studying abroad (the number of international students increased from 2.1 million in 2002 to 3.4 million in 2009)<sup>8</sup> and relatives sending money back home (international remittances doubled between 2004 and 2008).

The costs of using bank accounts for international transfers drive many customers to use alternative providers, such as Western Union and TransferWise. This is a lose-lose situation: Consumers get frustrated and banks encourage their customers to shop around for other products in the future.

#### 5. Butler banking

Life is complicated and is getting more so. As a result of hours at work, childcare and increasingly ambitious leisure time, more and more consumers are outsourcing some of the practical tasks in their lives.

At the same time, thanks to books like Nudge, consumers are learning that it's very difficult to balance their day-to-day financial decisions with the need to save and contribute to a pension.

These two trends are combining to create a group of consumers who will pay a small amount to be encouraged to do the right thing. If it works over the long term, they know it will be worth it.

The butler bank acts as your financial conscience. Based on your circumstances, it thinks ahead, works out a budget for you and sets those decisions as defaults. Every time you try to change the defaults, or spend more than you planned, it offers up better suggestions. You're still in control, but you're being persuaded to do the right thing.

This is a service that's picking up steam outside of banks. Mint.com has over 8 million users and Money Dashboard has launched a similar product in the UK. Consumers are increasingly looking elsewhere for help with their finances when, in reality, banks should be the first port of call.

<sup>8</sup> <http://www.wes.org/ewenr/12feb/feature.htm>



The Lloyds TSB Money Manager and Standard Chartered's Breeze Wishlist are merely scratching the surface when it comes to the potential of these tools. While there are internal challenges in implementation, by delivering a truly useful service to their customers, banks can go a long way to rebuilding the trust that has ebbed away.

### **The Road Ahead**

We have shared five examples of how banks can go about rebuilding trust through actions rather than words,

refocusing on their reason for being and putting customer needs at the core of how they reconnect with their customers.

While not an easy journey, it is achievable and potentially very profitable for whichever bank succeeds in reinventing itself with trust at its core. As we have seen, trust has moved beyond being simply a hygiene factor to being the ultimate differentiator to address the cautious and cynical mindset that is all too common today.






## TREND 3

# CONTINUOUS EXPERIENCES

The third trend in the evolution of great experiences is the blurring of the online and offline worlds into one continuous spectrum.

Great brands are increasingly using all their assets to reach their customers at the right time, place and with the right tools to shape the purchase decision.

A new conception of the story, the role of brand, new strategies for content and new retail models are all topics our authors chose to address in this section.



Storyscaping:  
Building Worlds,  
Not Ads

109

Brand as Channel:  
Today's "Always-On"  
Messaging

113

Adapting to a  
Fragmented Media  
Environment

119

The Future of Content  
Experience and How to  
Design For It

124

OE

I Can See Clearly  
Now ... Across the  
Entire Experience:  
The Analytics  
Maturity Model

130

OE

Measuring German  
Multi-Channel:  
Approaches and  
Implications

142

Valuing  
Fanatical  
Engagement

136

OE

The CMO Toolkit:  
What Every Marketer  
Should Know

149

OE

Retail Goes Rogue:  
How Digital Convergence  
Will Revitalize the In-Store  
Experience

156



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# **STORYSCAPING:** BUILDING WORLDS, NOT ADS

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Written by Gaston Legorburu, Worldwide Chief Creative Officer, Miami

**Once upon a time, there was a story. That story was read to a child before bed, sent through an email, told through a movie or spoken over the phone. It's no surprise that stories are all around us and are a meaningful, critical part of our lives.**

However, it can be a struggle to create stories in the digital space. Next-generation storytelling has evolved. Today, "storyscaping" takes the foundation of the tradition of storytelling to the next level by focusing on the experiences, patterns and structures behind them.

But storyscaping isn't just a philosophy—it's an approach. We are the authors of story experiences, and by leveraging stories as catalysts, we can ultimately drive and shape consumer behaviors.

### The Same Story

The definition of storytelling has remained the same for centuries. Webster defines it as the sharing of events with words, images, sounds and experiences, sometimes with improvisation or embellishment. Even in its earliest definitions, "experience" has always been a part of the description. While the words and the pictures are what make up a physical aspect of a story, in reality it's a bigger idea—and always has been.

But regardless of the story being told, it's often the same story—one that connects on an emotional level with a plot, characters and a narrative point of view, just as songs always have a chorus and a melody.

Stories are patterns we use to make sense of the world. And these patterns help us make connections with each other and develop a common understanding.

There's a real discipline and craft around storytelling, which often starts with the seven basic plots: comedy, tragedy, overcoming the monster, the voyage and return, the quest, rags to riches and rebirth. But if you think about storytelling today, part of the storytelling solution involves making decisions about what plot type will best serve the medium. For example, "overcoming the monster" or "the quest" may be best served in a video game while the "tragedy" role may have a social element to it. Start with one basic plot type that everyone recognizes and relates to, and then find the place that story belongs to in the new consumer ecosystem.

### It's All in the Mind

Stories are hard-wired into the human brain. Because of this, stories can create a bond and then drive the behaviors we want. We can use stories to convince consumers to purchase things they weren't previously thinking about buying, and then tell their friends to buy them too. Stories can fill that role, using emotions as the pivot point to do so.

To create a story, we sometimes ride on the backs of others. Remember the viral Volkswagen commercial during the 2011 Super Bowl? That ad would not have been possible if Star Wars didn't already exist in peoples' heads or if those patterns hadn't already been cemented in our culture.

## CONTINUOUS EXPERIENCES

### Ten Emotional Desires

- The desire to be taken seriously
- The desire for "my place"
- The desire for something to believe in
- The desire to connect
- The desire to be useful
- The desire to belong
- The desire for more
- The desire for control
- The desire for something to happen
- The desire to find love



Sometimes, stories are built on top of other stories, such as this Volkswagen ad, which first ran during the 2011 Super Bowl.<sup>1</sup>

<sup>1</sup> <http://www.youtube.com/watch?v=R55e-uHQna0>



## In the past, marketers have used five experience dimensions, or lenses, to create stories:

### 1. Access.

The ability to reach other people, activities, services, information or places.

### 2. Control.

The degree to which a user can manipulate their experiences.

### 3. Fit.

The match between a person and their surroundings.

### 4. Vitality.

The tapping of human powers like functions and emotions.

### 5. Sense.

The ability to know identity and place, and where or when one occurs.

But more often, we are the creators of the story. And it's crucial to do more of this as we move forward in the industry. Ask yourself: What is the purpose-driven story for this brand and how should it best manifest itself?

### The Five New Experience Dimensions

Consumers already have patterns of behavior, and that's not something we should try to change. The smartest companies recognize this and look for the missing pieces that consumers don't yet have—and may not even know they're missing. The new story experiences should be based on that.

To create a storyscape, you need to consider five new experience dimensions:

#### 1. Understand the experience space.

The experience space is that vast space between the brand and consumer—it's what ultimately connects them to each other whether that's word of mouth, a viral video or a call center.

All too often, storytelling in advertising is just story yelling—brands are just trying to break through. But those brands are missing a critical lesson that the experience space can teach them: Consumers will learn much more from experiences than they will from a story.

It's the difference between watching a story and being immersed in that story. It's the strength of engagement through interaction. The story becomes much more powerful if done right, and once you recognize that, you can build worlds, not just ads. For instance, telling a story about your first kiss is not as powerful as that kiss itself. If you can feel an experience, and find yourself caught up in it, it's an entirely different level of interaction.

The experience space is not about today's "new and improved" app, website or company. Next week, everything will be new once again. But the story, when done right, will always remain the same. At the end of the day, brands shouldn't have a digital strategy and a traditional strategy or any other strategy contingency. There's just one plan, one experience—a communication strategy—that can transcend any campaign.

#### 2. Find an "organizing idea," not just a big idea.

Today, real is virtual and online is offline. The consumer sees no distinction and the lines are merging and blurring. While this can sound confusing, it's really an opportunity to give brands and businesses a framework for an approach for how we arrive at a solution—one that takes a philosophy and develops an approach to drive it in a real way.

An organizing idea transcends a campaign. It can be as large as a superstore or as small as 140 characters, but it will always provide a consumer the same experience, and that experience must serve the overarching story.

An organizing idea offers consistency. As the experiences we create today become more and more complex, the story experience we provide should become proportionately simple. This will allow for a message that is truly purpose driven, one that doesn't need to be diluted to fit into the constraints of social media, in-store advertising, ecommerce or mobile experiences. When you have a great organizing idea, everything falls into place, making it

easy to make sense of the storyscape you've created.

### 3. Think outside the storyline.

It's impossible to design a workable linear experience anymore. Today, consumers can drop into any portion of a brand's experience at any time or level of engagement, so it can't be scripted from point A to point Z.

An example of this is the Bible. Very few people read it cover to cover. But a person can open it to any page and get value from what they read. Even though the Bible contains many pages, with multiple sections, authors, writing styles and time periods, it still serves the bigger story—the story system—and all works together.

Harry Potter is another example of a great non-linear brand experience that is working. It's clear that this company that has been incredibly successful at building worlds, not just ads. This billion-dollar franchise has created an immersive environment that consists of books, movies, merchandise and games—even a theme park. Because Harry Potter uses a well-thought-out storyscape, it doesn't matter where a consumer enters the brand; it's still that core story. And no matter the level of immersion, whether it's bite- or super-size, the consumer will always experience the brand as it was meant to be experienced, over an entire spectrum of engagement possibilities.

### 4. Apply "systems thinking" to connect the story.

Systems thinking has the ability to help us understand how individual

to problem solving that uses a framework—or a foundation—to arrive at the best possible solution.

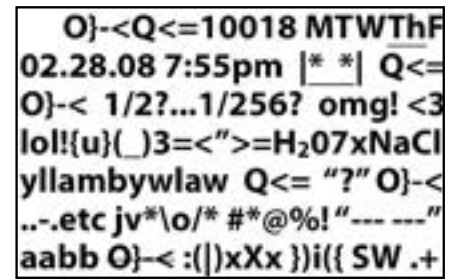
When a construction company builds a home, a school or a retail store, the foundation is arguably the most crucial part—and the same applies to storyscapes. Without a strong foundation, a story's architecture has nothing solid to stand on. Storyscapes take the foundational concept of storytelling to the next level.

Another way to think about good systems thinking is a spider's web. It's imperative to weave a web in order to connect every good story's individual pieces into a cohesive, immersive experience. To create successful marketing and advertising solutions, businesses must think in a very real way about how to best use their dollars to give consumers the experiences they crave.

### 5. Never use a period, always a comma.

Remember to close the loop. With a storyscape experience, everything's connected.

There should be no loose threads, no dead ends and no pieces that don't fit the puzzle. If a consumer begins their experience with a brand on Facebook or on a website or via a digital display, it should always lead back into the experience as a whole. By thinking in a circular, cyclical way, the consumer will become "lost" in a brand's story and experience so much more than words and images.



The language can become part of the story, such as in John G. Rives' TED talk. In it, he used typography to tell a fairy tale which is "short and bittersweet."<sup>2</sup>

## Conclusion

We have the opportunity to be the new storytellers—the new storyscapers—of our products and services, which can propel brands into another dimension.

Storyscaping is an evolution, not a revolution. Instead of thinking in entirely new ways, by using the familiar patterns and emotions of stories, we can truly embrace and appreciate today's craft of marketing, advertising and storytelling.

The bottom line is that storyscaping will solve any business or brand need, and it will do so by building on the foundations of storytelling to develop an approach that will create an experience that will appeal to its consumers. Storyscaping allows businesses and brands to turn a philosophy into a plan—to take the resources they have and focus their energy on the right choices for a connected consumer experience.

<sup>2</sup> [http://www.ted.com/talks/rives\\_tells\\_a\\_story\\_of\\_mixed\\_emoticons.html](http://www.ted.com/talks/rives_tells_a_story_of_mixed_emoticons.html)

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# BRAND AS CHANNEL:

## TODAY'S "ALWAYS-ON" MESSAGING

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Written by Alan Schulman, Vice President, Regional Chief Creative Officer, New York City



**Quick. There goes your brand message. Did anyone notice? If they noticed, did they remember it? Did they remember the story, but not your brand? Was it compelling enough to go viral? Will it have enough cultural currency to be passed on, remixed, personalized and picked up by the press? And if so, what do you do for an encore? Can you sustain the momentum?**

Welcome to brand communication at the speed of culture—where the criteria and key performance indicators (KPIs) for brands in today's connected and time-constrained world have increased exponentially. ROI may remain the ultimate metric, but the task of preparing for sustainable, memorable brand communications requires much more than a joke at the end of your TV spot or a traditional "campaign pool" of annual television and print executions driving to your Facebook page—with some incremental digital media spending to support it.

Today's most progressive brand marketers have realized that to remain top-of-mind in this environment requires brand messaging from a much more persistent and powerful platform than a traditional ad campaign—without interruption. This messaging is sometimes referred to as "Brand as Channel," a big, broad, idea-based platform or interface through which brand content, services and multi-channel digital and physical experiences are continually programmed and served.

From the technology side, it's the same as what we call an API or Application Programming Interface—a back-end mechanism for distributing content persistently through an application.

Think of it as "always-on" messaging like a news network.

### **Think Programming, Not Publishing**

If you're like most marketers, you've probably already become a pro at optimizing your web destinations—starting with your brand website and bolting on additional presences on Facebook, YouTube and Twitter, all linked with the myriad Web 2.0 sharing applications. Perhaps you've even optimized the pursuit of the publishing model of the 3 Cs—Content, Community and Commerce—across your sites and partner sites. All of this is essential to the table stakes of a digital ecosystem in today's user-centric world. But to take the next step towards "Brand as Channel" requires the need to back up your brand platform and umbrella-selling proposition with a fundamental question:

Which does your brand have? A campaign tagline written to synopsise the proposition of an ad campaign? Or, is it a Big Brand Platform idea? One that's wide enough and big enough to connect with consumers, understand their human behaviors and adapt to all the devices and channels they use over the long term.

### **How do you know?**

Stress test it. Is the idea big enough that you could iterate or expand on it in

"Today's environment requires persistent and powerful brand messaging—sometimes referred to as "Brand as Channel"—a big, broad, long-lasting, idea-based platform or interface."





Above, SONY illustrates the action and spirit of its brand platform and defines it as “uniting imagination and reality, designers and engineers, hardware and software, electronics and entertainment, Sony and its consumers. The dot that links make and believe is the place where imagination and reality collide. It’s this point of ignition that transcends reality. The dot is the role of Sony.”

Given the power of a platform this broad and extensible, imagine the channel-programming opportunities to iterate around it.

any channel, to multiple segments, with any kind of content? In the world of paid, earned and owned media opportunities, can it be remixed, crowdsourced, socialized, mashed up and made whole again? Or is it just a slogan?

Unfortunately, these are questions that many traditional, above-the-line agency partners fail to address when distracted by the largesse and allure of the traditional television campaign. It’s often left downstream for the digital agency partner to try to make as expansive as possible within the context of a campaign, rather than originating it as a content platform.

The general rule is: You know you have a Big Idea when it writes itself. What to look for is the opportunity to go beyond the written word and answer the question, “If this idea were a cable television channel, could we program it 24/7/365?” To go even further, do the brand’s core values and permissions truly resonate with this idea? Or is it an inelegant stretch just to accommodate your desire to draft off of high-traffic consumer content categories like music, movies and games?

Take the Liberty Mutual Insurance platform: “Responsibility. What’s your Policy?” (Shown on next page.) This is anything but an advertising campaign. It’s a great big idea-based content platform that features dozens of consumer, cause and community-centric ideals and ethics built around doing the responsible thing. The beauty is that the product—insurance—offers the central brand

permission to reveal, in very human stories, the many ways one can, should and does do the responsible thing. It features numerous additional categories of persistently provided and refreshed multi-channel content across all things text, audio and video—including everything from relationships and ethics to pets and animals, sports, education and many others.

Creating, curating and programming this Brand Channel is no small task and no small investment. Yet, the opportunity for continuous cultural currency that connects back to the brand is both resonant and evergreen. It’s not a campaign that begins and ends, but a regularly scheduled persistent platform that is discovered in progress.

### Multiple Products Require a Moving Platform

For marketers with portfolio products in multiple categories, this approach becomes even more essential.

The alternative ad campaign-based approach often yields different brand campaigns from different divisions, all with different selling propositions competing for the consumer’s attention.

For a global brand like SONY, whose business units and brand architecture span multiple categories and consumer target audiences (consumer electronics, gaming, filmed entertainment and music), divisions iterate around one big entertainment-centric content platform: “Make. Believe.” Consider how this SONY brand platform idea makes itself so extensible for content creation. In certain verticals, like consumer-



packaged goods, adopting the “Brand as Channel” approach is even more challenging as low-traffic, owned brand sites have given way to Facebook pages, applications and a paid-media propensity to push price promotions to drive case shipments. Digital ecosystems here take on a different shape as functional benefits and product utility often overwhelm brand platform possibilities.

But this needn’t be the case if marketers and their agencies are able to pivot toward a more service-oriented content creation mindset around the brand’s functional category, rather than relying on impression-based campaigns that focus too heavily on traditional brand awareness, recall and health measures.

### Connected Thinking With Corporate Messaging

At a corporate marketing level, the “Brand as Channel” approach has become an imperative in the digital age. No one seems to know it or execute it as well as General Electric and their “Imagination at Work” content channel platform. From

the outset of the effort, GE appears to have committed tremendous resources, both human and capital, to storytelling through this Big Brand Platform. At the organizational level, GE staff includes a Head of Content Programming whose remit transcends

Creating, curating and programming this Brand Channel is no small task and no small investment. Yet, the opportunity for continuous cultural currency that connects back to the brand is both resonant and evergreen.

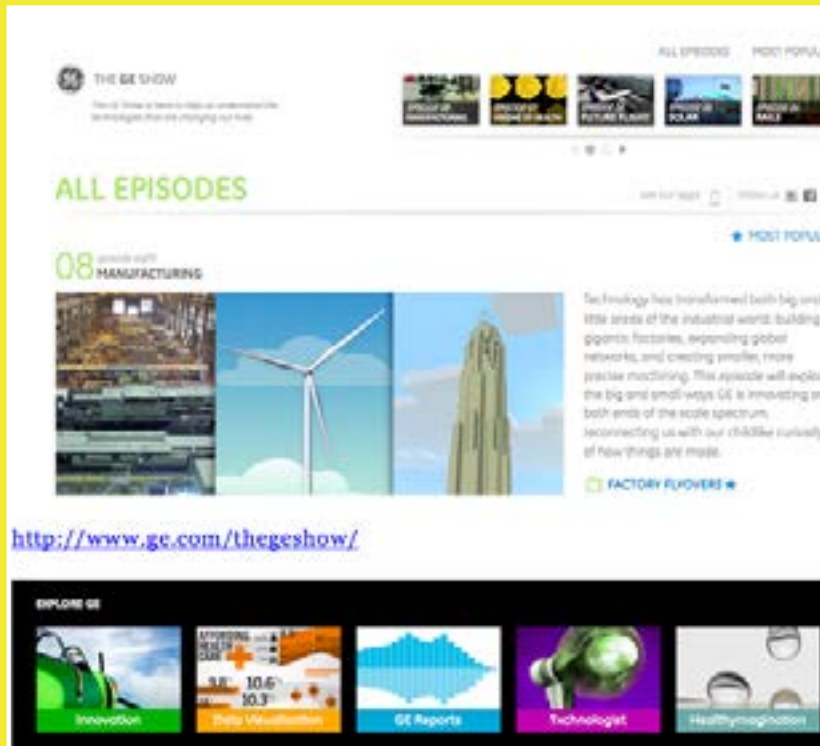
mere website-based content. In categories ranging from Innovation and Ecomagination to Data Visualization and Healthy Imagination, literally dozens of hours of content are ready to connect to a variety of audience segments from the investor, the enterprise, the customer and the consumer in the GE Imagination at Work storyscape. This content is made available through multi-channel distribution—not just



Building a big idea: You know you have a big idea when it writes itself



the corporate site—and provides deep dives into the diversity of GE's divisional engagements. Importantly, the content isn't presented like commercial messaging, but rather as unique news and documentaries that function as edutainment.



The GE Show

### The “Brand as Channel” Media Approach: Intrigue, Involve, Persuade

In the “Brand as Channel” approach, once the Big Brand Platform idea is stress-tested to accommodate both real-time relevance and evergreen extensibility, the challenge turns to overlaying this content-centric ecosystem for success around pre-determined and defined KPIs in the paid, owned and earned channel media.

First, “paid” media has a critical role to play—right along with tactical social platforms like YouTube. Marketers who leverage their paid media to focus on intriguing the target audience by pulling them into the story in a disruptive yet alluring manner will out-clickthrough impression-based banners that try to tell the whole brand story and typically support traditional mass reach media (consider how successfully Hollywood studios do this in their teaser trailers).

The secret is to employ both teaser tactics and unbranded headlines that pull the target in without giving away the brand. This takes courage for marketers who live by effective frequency measures that ladder purely to brand awareness KPIs. For business case proof, one need only look to the pre-launch programming efforts of HBO to discover the power of pure intrigue as a message focus to drive interest.

On the “owned” side of the equation, the goal becomes more about consumer involvement and persuasion. This means providing plenty of brand-centric short- and long-form storytelling content opportunities that will populate your site, and native application-based channels that you commission and program. When appropriately linked to click-to-download PDF, RFI, coupon, sample or even purchase functionality, the continuum between brand communications, data capture and commerce is closed.

And “earned” media within social platforms is actively partnering, curating and crowdsourcing variations on a theme by the consumer—while being mindful of adequate backend filtering and appropriate age criteria for consumer-generated content. These “create, customize, share” interactive content offerings and applications are as essential to provide as your library of “owned and commissioned” storytelling content. They should reside in places other than your brand website (e.g., Facebook, Twitter, Pinterest)—where the social conversations and creations are actually happening.

The combination of these offerings is “storyscaping”—the deliberate and measured effort to move from traditional fixed-term, campaign-based thinking to a big brand, content-centric platform idea that serves as a multi-channel value proposition for your brand.

For “now showing,” persistent brand communications at the speed of culture and evergreen extensibility, there’s only one question that remains:

Can your ad campaign do this?







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# ADAPTING TO A FRAGMENTED MEDIA ENVIRONMENT

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Written by David D'Alleva, Media Director, Boston  
& Peter Colapietro, Sr. Manager, Media, New York

**Over the past few years, a digitally driven revolution has permeated everything we connect with, resulting in many changes. And while the media allocation pie itself continues to shift—from one dominated by traditional to one more balanced by digital—so does consumer consumption. This digital era of connected and continuous experiences is evolving humans into a race of “digital social beings.”**

Shifting consumer habits, powered by technology, has helped shape a new digital landscape across four screens—computers, smartphones, tablets and televisions. Whether it’s sharing, commenting, submitting response videos or creating original content, the ability for frequent interaction on multiple devices is fueling organic experiences, and brands are trying to tap into them to meet their goals. And as the old phrase “the only constant is change” continues to ring true, humans continue to be both enablers and contributors in this digitally driven media revolution evoking one key question:

Does the ability to weave content and experiences across newer platforms generate new ways to think about connecting brands and customers?

#### **The Rise of “Platform Shifting”**

Today, the digital space often applies an approach to solving problems that is irrespective of medium or channel. But finding the perfect media mix is still a question that needs answering—and one size doesn’t fit all.

It has nothing to do with merely shifting traditional to digital dollars.

It has to do with the particular audiences being targeted, and the methods used to connect with those audiences. As these audiences continue to mature technologically—as has been the case with the growth and expansion of Millennials—the shifting is not so much just about “time shifting” but rather “platform shifting,” particularly as it relates to video consumption.

For businesses and brands that want to explore the digital channel further and attract the Millennial customer, a two-prong approach is often the best

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“The only constant is change, continuing change, inevitable change, that is the dominant factor in society today. No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be.” –Isaac Asimov

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way to accomplish that: Build a plan with an adaptive media mix measured against goals and use both brand and direct response messages to create a continuous, trackable experience from the top down.

For example, TV and radio spots often have trackable URLs that connect to a central landing page. Conversely, digital video can be used as a mass-reach vehicle in markets that can’t afford TV. These digital videos can then lead to the same central landing page.





It's fairly common to pair brand awareness with traditional media, while digital media gets aligned with direct response because of its inherent interactivity and trackability. However, these lines can and should be blurred to prevent any medium from ever being pigeonholed. Regardless, businesses must build multiple entry points to a single trackable sales funnel while giving customers reasons to purchase along the way no matter where they enter the conversation. This takes the emphasis off the need for a conventional "media mix" and shifts it to building communications that connect from start to finish.

#### **Not "Creative and Media," but "Creative Through Media"**

The complexity of communication tactics available (whether digital or traditional) requires a purposeful and diverse set of creative assets to drive the conversation to the next logical checkpoint. Repurposing creative from one channel into another just doesn't work. It's wasteful to deliver an out-of-place message to a potential customer that doesn't tap into their current state-of-mind or match the environment it's displayed within. Always match the creative content and message to the context it's delivered within and the content it's surrounded by.

There are three pillars of practice to consider in order to mature at the rate of digital change:

**1. Cross skill sets.** This requires a fundamental change in how creative specialists work with media

specialists. Both, in essence, need to become well acquainted with the limitations and capabilities of the other. For instance, media strategists need to become familiar with the level of effort and production timelines required for different types of assets in order to prevent building an impossible plan. And creatives should be aware of the target audience, the sites and content that audience will see and the context of the environment in order to closely match message and call-to-action.

Whether the cross-over of skill sets is deep or not, creative directors and media strategists should be involved at the onset of the planning cycle to trade knowledge while brainstorming plan design. This may not sound like a new concept, but with the rapid fragmentation of the media landscape, it becomes even clearer to the end user when this process is undervalued.

The benefits to this process are seen with Foot Locker's back-to-school campaign that employed their overarching campaign message used in television spots within a co-op content creation sponsorship with YouTube "super-users"—those with a YouTube channel and significant following. The "super-users" were selected using inputs from SapientNitro's media and creative teams based on their ability to hit the target audience and how well their channel content matched the creative tone of the campaign itself. The media team provided the guardrails for the program, giving the creative team the ability to construct a

cohesive creative brief for the “super-user” during production and editing.

The video episodes that were created were pushed out through paid YouTube video placements in conjunction with a significant amount of earned views coming from the subscribers of the two “super-users” chosen. The video content was connected to other paid placements outside of YouTube and released over the duration of the campaign.

The resulting cost-per-view on YouTube was very low and complemented Foot Locker’s television impressions in a big way. Through paid YouTube video placements, embedded YouTube videos and earned views, the co-op video content netted over 1.5 million views, over 42,000 comments and nearly 6,000 participants in a six-week campaign flight. Through close collaboration between media and creative from the beginning, the brand’s TV spots were augmented with significant views and exposure within digital video online at efficient costs. Seeing a positive effect on sales during this campaign period proved that produced, branded TV spots mixed with guided, partner-produced digital content can be a formula for success.

**2. Pull customers in with strong content, then retarget them.** The Internet enables instant, widespread sharing of an enormous quantity of content, so a good amount of ammo is needed to make a lasting impression.

Video, for one, is exploding in a big way with evolving technology and faster Internet speeds, enabling a wide array of video-based placements and inventory. Much of it doesn’t have the time constraints (i.e., 15- or 30-second limits) used exclusively in pre-roll. The sweet spot now hovers around 1 to 2 minutes, giving advertisers the opening to become content creators in a more substantial way and then capitalize on the response.

Building out a launch plan, which considers teasers on television that drive to long-form installments or continuations of video online, creates a strong interest platform for retargeting. By using a continuous message through mediums, marketers can steer potential consumers to connect digitally in order to pull them in and then retarget them with another message. Mass-reach vehicles such as television, radio and print should always have a primary call-to-action that entices customers to connect digitally. Whether it’s visiting a “pixelated” website or signing up for an email, all media should drive to a connected retargeting platform. Done properly, a pool of potential customers are acquired, primed and ready to be exposed to discounts, exclusive offers or other relevant messaging.

**3. Create balance between advertising and experience.** Whether it’s the publisher or advertiser, balancing advertising and experience should be a required consideration for any launch strategy. With cost-per-



engagement and cost-per-view becoming more prevalent and scalable, its use should be the center of any media spend. Not only does it mean you are paying for the people who want to see your ad or content, but it also means you're not inhibiting or tarnishing the experience either.

YouTube's TrueView product is one very good example of how this is done right. Advertisers can purchase inventory against a desired audience geographically and will only pay for a video view if the user doesn't choose to skip their ad in the first 29 seconds. If they do skip it, that free partial impression didn't impede their experience. It's all about creating valuable content and then letting the user self-select the content they want to see.


#### **Harness the New Frontier**

The strategy of weaving content and sponsorship experiences across video platforms to generate new ways to connect brands with customers works, but it isn't a new consumer DNA—the need for speed and

information has always been there. The Pony Express riders began their "speedy" delivery service in 1860, only to be rendered obsolete a year later by the telegraph.

In the end, it is vital that businesses and brands place less focus on the channels themselves and more on the pathway of content communication tied to desired outcomes. For many advertisers, agencies and publishers, these types of changes might require a bit of restructuring—not only in how teams are set up, but also how business problems are approached to begin with. Content is the new frontier that's already here. Harnessing its potential and connecting all the way through the funnel is a fundamental requirement for any strategy built alongside a media mix that is designed to adapt to change. Whatever the medium or message, the matrix of communications should be simple and specific. If it's not tracked, retargeted or saying something of value then get back in the room and finish road-mapping.



An aerial, high-angle photograph of a crowded public space, possibly a transit station or a busy plaza. The image is heavily tinted with a monochromatic blue color. In the upper center, a set of stairs with a metal railing leads down into the space. Numerous people are seen from above, walking in various directions, some standing in small groups, and others moving towards the stairs. The ground is light-colored, and the overall scene conveys a sense of busy, shared public life.

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# THE FUTURE OF CONTENT EXPERIENCE: AND HOW TO DESIGN FOR IT

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Written by Kevin Nichols, Director and Practice Lead, Content Strategy, Boston



## Defining Content

First, let's be specific about what we mean by "content."

Ask 10 different people to define content, and you'll end up with 10 different perspectives. Usually the definitions involve the many types of content—audio, text, video and images—what is read to a customer from a support call center representative or what a car dealer picks up from their auto manufacturer to share with customers (or mechanics). But this approach merely defines content by format; it is much more than that. So let's try a broader, more useful definition that can encompass them all:

In the digital landscape, content is:

- created by someone to communicate an idea,
- recorded and stored electronically, and
- consumed by or shared with others.

**Someday very soon, shopping for your daughter's birthday present will look like this:**

You are at an electronics store looking for a tablet. You see one model you like, pick up the box and scan its bar code with your phone. Your phone immediately retrieves product information based on what it knows you prefer to see; in this case, comparative products and prices.

You quickly compare other tablets by swiping your phone against other models—never touching the screen—and decide one model and brand is perfect. You take a picture of the tablet with your glasses, send it to your phone with a simple voice command and text the image to your daughter with a "happy birthday" message.

While you scan your phone over a checkout counter to finalize the purchase, you ask your cell whether you left the lights on at home—something you just remembered. Your phone assures you that the lights are off.

Most people assume that incredible technologies work together in this birthday-shopping scene, but it's actually content that connects all the elements to create the overall experience. Several different business units in several different companies have, somewhere along the line, decided to invest in robust and compelling content processes and strategies.

**So... What Is This "Content Experience"?**

Content includes any material that you publish on your organization's

website or mobile site, and via any type of physical communication (internal or external to your business) within your brand, company or communication ecosystem. This includes communication at every customer touchpoint, as well as the data captured about those customers. In many ways, content is the manifestation of a brand that isn't that brand's actual products or services. Think about that for a minute: In addition to its products and services, a brand is actually its content.

Content creates a customer's experience with brand. As such, you need that experience to be successful—it's a brand asset that requires much effort to grow, evolve and produce value. When used properly, content can become a major part of a brand's life force. And it makes a customer's connection to your brand seamless and engaging.

### The Future of Content

With over 10 billion indexed webpages, 1 million mobile apps and seemingly endless amounts of user-generated content, we're drowning in information. Many organizations have little insight into how much content they possess, what to do with it or, most importantly, how to meet their customers' content consumption needs.

Over the next five years, we can expect these challenges to grow significantly. People will be overloaded with content and, although their consumption patterns may evolve, their need to get what they want when they want it won't change.



Businesses will encounter even greater challenges to get consumers relevant, meaningful and timely content.

Consumer expectations will drive intelligent content solutions; they want real-time information delivered at a variety of different moments and events. Personalization will be a critical component—like automatic traffic alerts as a customer drives into a city. For example, a woman researches a product at home, then goes to the store and swipes her phone at a kiosk. She's greeted by name and the customer representative has all of her relevant information. So her in-store experience is personally connected to her needs, regardless of platform. Later, on her birthday, she receives an offer and, after that, updates about the product warranty.

In the next few years, many types of advancements will evolve the format, medium and consumption of content. Wearable technology (eyewear that captures video, for example), mobile as a universal remote and wallet, and voice command technology will all be integrated into our everyday lives. As the virtual reality of gaming goes mainstream, consumer demand for immersive content (like 3D and 360-degree video) will spill into other parts of their lives and continue to advance. 3D printing will be just another feature on a printer. Semantic technology will evolve given the sheer amount of data businesses have on consumers' behaviors, creating a whole new market around technology that can predict specific consumer behavior and respond to it.

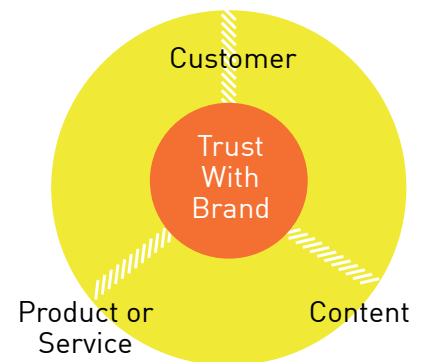
For instance, a search engine will automatically filter through 10,000 search results to give you what it knows you want to see.

More and more regulations over the use, collection and sale of consumer data will unfold. Last year, the Privacy, Technology and the Law Senate Judiciary Committee was formed, which monitors data mining, ensures consumer information transparency and suggests new laws to protect consumer privacy. Issues like cyber-bullying and increases in plagiarism and misuse of intellectual property will further focus on questions of technology and ethics. All of these factors will impact what businesses can and cannot do with consumer information and will create new companies in social media, search and other venues that promise "mining-free" and "cookie-free" experiences.

New players in social media will emerge as "degrees of separation" technology increases. Already companies such as Hachi are helping introduce folks to people they think they should know. Social media will leverage semantic technology to create even more sophisticated networking opportunities. Knowledge-sharing sites will continue to emerge, such as Quora, which allows users to ask any question and receive accurate, clear answers from authoritative sources. Social shopping will become a reality for mainstream consumers as customers automatically share purchases with friends and solicit their feedback. Finally, peer-to-peer,

Are businesses getting the right content experiences to their customers? A Havas Media report surveyed 14 countries and 50,000 consumers in November 2011 and found that "70% of people would not care if brands ceased to exist."<sup>1</sup> Though many variables contribute to consumers' perceptions of brands, content experience plays a large role. And consumer cynicism presents a huge opportunity for businesses to differentiate themselves through honest, constructive and consequential content.

### Content Experience as a Brand Asset



<sup>1</sup> [www.havasmedia.com/2011/11/meaningful-brands-havas-media-launches-global-results/](http://www.havasmedia.com/2011/11/meaningful-brands-havas-media-launches-global-results/)

user-generated content sites for brand and product evaluation will create more ways to authenticate customer reviews and increase the integrity of responses.

#### Success in the Future

These present and future challenges offer unique opportunities. Understanding holistic content

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Though many variables contribute to consumers' perception of brands, content experience plays a large role. And consumer cynicism presents a huge opportunity for businesses to differentiate themselves through honest, constructive and consequential content.

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strategy—connecting timely, relevant content to the right user at the right time—will only get businesses so far. Content strategists understand the types of content experiences consumers need, and then determine operational and governance processes to create and maintain those experiences. Businesses must act upon what content strategy requires and make an investment of time, money and resources in what we outline below.

**The first rule of thumb** is that businesses that deliver successful content experiences in the future will do so because they recognize content as a strategic brand and business asset. Content has a

tangibly measured value; an effective content experience translates into higher conversion rates, stronger customer loyalty and a more consistent brand experience across all brand channels, from a product package to a customer call center, from Facebook to a mobile app to the company website. This reality may seem like a no-brainer, but even today after all of the “content is king” talk, many businesses don’t put their money behind this concept.

Timely, meaningful and relevant content creates a successful customer experience and as such, requires investment to empower its full potential. To engender this practice, a business must measure and evaluate all areas where content lives—internally and externally—extending well beyond just web analytics. A strong metrics and measurement strategy will help future evolution. It also facilitates another important principle: Just as an organization cares for its institutional financial portfolio, content requires constant “seeding and feeding.”

**The second rule of thumb** is that businesses must understand that investing in content strategy is only useful if they also invest in creating the content itself. Why develop a beautiful website or mobile experience sans a robust new content experience to support it and a publication model to ensure continued relevance? Content is not inexpensive, so figuring out the type of content experiences you should create must be directed by a long-term roadmap and strategy.

Just as brands make significant investments in marketing collateral and campaigns, they should reprioritize content that serves customer needs: support content, white papers, thought leadership and decision tools to assist the customer in finding the right product, just to name a few. If Forrester's annual

future success. This model, pictured on the following page, drives sustainability. As a business creates content, it continuously evaluates its efficacy and then optimizes or archives it. This process is repeatable, extensible and agile. These steps are predicated on a solid metrics strategy, defining success criteria for



reports on customer experience make one point clear, it's that customer experience embodies the entire customer engagement with a brand. High quality content at each point of exchange has a direct impact on the customer's brand perception. An investment in the continuous creation and renewal of meaningful content will competitively differentiate a business and position it as a superior brand.

**The third rule of thumb** is that the development of a closed-loop content strategy will position a business for

content, creating KPIs to measure it, rolling results up into dashboards and reviewing it semi-annually—on a program level—to set future priorities.

**The fourth rule of thumb** is that transparency about what customer data is collected yields customer trust. This practice will not only increase customer loyalty to the brand, but will also position businesses to respond to future regulations and prevent potential litigation.

## Closed-Loop Content Strategy Model

### Step 1: Assess

- Audit content
- Conduct shareholder interviews/surveys as needed
- Analyze and validate content ecosystems (sites, channels, social, partners)
- Analyze competitors' content experiences

### Step 2: Plan

- Set objectives with global stakeholders
- Define measurement plan
- Determine accountability
- Create content recommendations
- Define governance strategy

### Step 3: Design

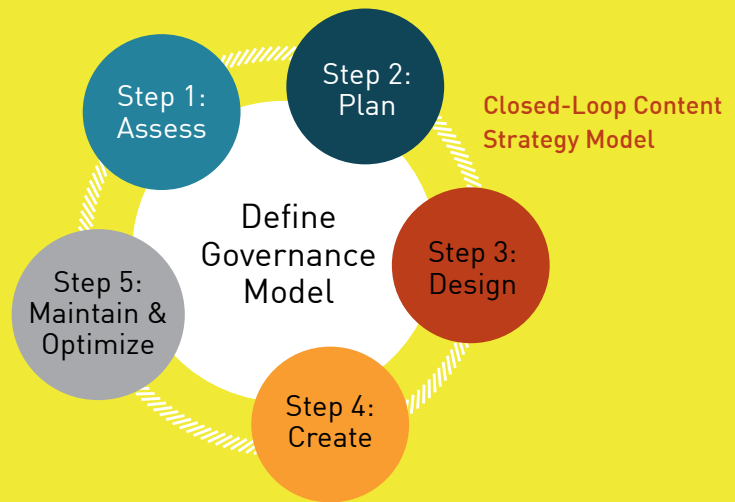
- Plan experience and content
- Define new workflows including loop
- Prepare staffing recommendations
- Prepare metadata strategy
- Develop taxonomies
- Develop editorial guidelines
- Develop content model
- Develop content production/migration
- Draft editorial calendar

### Step 4: Create

- Create assets and copy
- Input into CMS
- Localize as necessary
- Review and test
- Implement governance model and workflows
- Finalize editorial calendar

### Step 5: Maintain & Optimize

- Deploy content and application changes
- Use analytics to determine areas of success and failure
- Plan periodic audits
- Adhere to editorial calendar
- Optimize as necessary
- Archive unnecessary content



A/B testing and multivariate testing, consumer surveys and the like are all proven mechanisms to measure the efficacy of content solutions and can help businesses glean much information on consumer behavior to guide future content decisions in a non-invasive manner.

**The final two rules of thumb** are interconnected: Content experience is no longer a one-way conversation, and customers weigh in on a brand through their own content and word-of-mouth experiences. Obviously, consumers are your most important mouthpieces. Simultaneously, consumers want more control over the content with which they interact. Make content as portable as possible, so that users can consume, share and post information on a variety of different formats. Always think about the channels on which content will be consumed and create content for those experiences, but don't limit it to that—provide options. You may not want to immediately serve up long

articles on a mobile device, but that does not mean that a man on his way to work doesn't want to consume a white paper on his mobile phone. Content should be agile so that it can be shared, repurposed and easily consumed in many different environments.

### Conclusion

To quote punk rock goddess Nina Hagen, "the future is now," and businesses should appreciate this fact. No matter where the future takes us, we have the tools to meet its demands. Customer needs should drive content experience, investment in respective content and the operational model to support its creation, delivery and governance. This will keep any business at the forefront of modernized content, regardless of how technology may evolve, and will enable businesses to meet the future without overreaction or afterthought, thereby positioning them for differentiated success.

A blue-tinted photograph of three business professionals in suits gathered around a table, looking at a document with a bar chart. One person's hand is pointing at the chart, while another's hand rests on the table. A pen is visible on the right side of the table.

# I CAN SEE CLEARLY NOW... ACROSS THE ENTIRE EXPERIENCE: THE ANALYTICS MATURITY MODEL

Written by Jennifer Patterson, Sr. Manager Marketing Strategy and Analysis, Birmingham, MI  
& Dave Kane, Manager Interactive Strategy and Analytics, Chrysler Group LLC, Auburn Hills, MI



**Imagine being the CEO, CMO or head of sales of a major manufacturing company with these insights: If your daily website conversion rate declined even half a percentage point, you could accurately predict millions in revenue would be at risk. Conversely, if it increased, there could be a corresponding increase in your monthly sales.**

Imagine if you could predict the number of key marketing activities needed to drive marketing campaigns to meet your sales goals, or knowing which strategies, channels and tactics should be tweaked mid-campaign to meet success targets. Do you understand those exact marketing initiatives that are impacting your sales, whether offline, online or across multiple channels? Do you know what is and is not working, and where the user experience must be optimized? We have the honor of working with many organizations that have analytic insight and use it to make key marketing decisions.

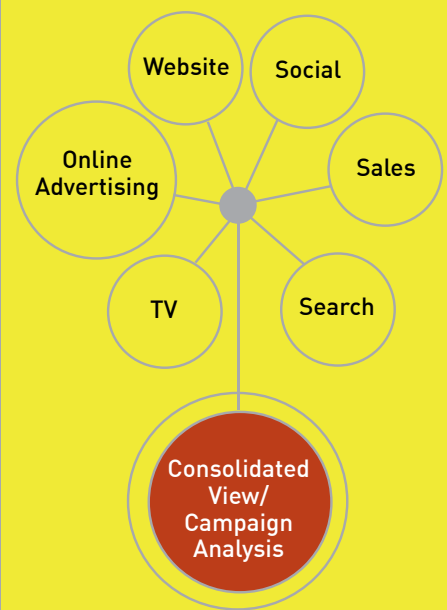
#### **The Data-Driven Approach**

Many organizations claim that they are data driven, but to what extent are they really using data to make decisions to improve the cross-channel continuous experience? Usually, when we hear an organization claim that they are “data driven,” it means they determine success by looking at a few metrics for a specific marketing channel or even just straight up sales. With the rise of cross-channel experiences, the ability to understand user behavior and how channels

work together via analytics across the entire experience is a must in order to optimize and positively impact the bottom line.

There are many common challenges along the path to becoming an organization that uses data to drive meaningful cross-channel experiences. This data-driven approach can definitely be disruptive. It changes the way we do business, and it does not happen overnight. By expanding the view of data to span across multiple channels and brands, agencies can understand how marketing initiatives are working together, and that information can be used to improve the consumer’s continual experience. This is achievable with stakeholder commitment, a champion to drive it and by following the Analytics Maturity Model roadmap. It is

#### **Analytics Must Pull in Data From Across the Entire Experience**



important to understand that there is no cookie cutter checklist to follow that will get you from Phase I to Phase V (see page 133); rather, it is an organizational change to be embraced by your teams and

embedded in your projects. Once this happens, there will be benefits that begin to pay off quickly.

### The Analytics Maturity Model

This all sounds great, but how do you really begin to use data and insights to change how your organization executes marketing strategies and move towards the next level of cross-channel continuous experiences? Start out by gaining acceptance and striving towards advanced usage of the Analytics Maturity Model. This requires three things:

**1. Understand that this is going to cause disruption.** Disruption sounds scary. No one really wants to be disruptive. Be transparent and let your teams know what you are going to start doing. Give them some time to hear about it, digest it and understand that this can benefit them. There may be some chaos starting down this path; accept it, embrace it and plan for it. You are changing the accountability of a team. You must emphasize that by working together with the same strategies, the results will be markedly more beneficial for the consumer and the organization.

**2. Partner with a champion to take ownership.** The “analytics champion” is one of the most important people needed to create change within an

organization. The champion roots for analytics and takes the initiative to share insights and recommendations for improvements with all the teams. Finding a champion can be tricky; this individual may cause the most disruption at first. In many cases, the person that embraces and evangelizes analytics is one of the savviest because they know the power of data and how to use it.

You may recognize your champion because when you interact with them—when you talk about data, insights and testing—their eyes light up. You’ll notice the champion leaning forward and you can see them thinking about how to use the insights provided. The champion should have influence in the organization and others should gravitate toward him or her for expert opinions. Sometimes, this person is already charged with owning analytics; other times, this person might be part of a different team. To be most effective, this person must knock down walls and influence changes in marketing strategies and tactics driven by data and insights.

**3. Leverage the Analytics Maturity Model.** Now that the teams have been forewarned that their world is about to be disrupted and that an analytics champion has been identified, the organization must figure out where it stands within the Analytics Maturity Model so that the right tools can be utilized to progress through all of the stages. Our Analytics Maturity Model is a phased approach for building the foundation and putting into practice a best-in-class marketing optimization organization, based on data-driven

## The benefits of cross-channel marketing analysis include:

- Faster decision-making, benchmarks and goals utilizing consistent success metrics per channel or campaign
- Flexible implementation with reduced time to shift media spend dollars and tweak marketing initiatives mid-campaign—with 360° views of consumers and insights throughout each stage of the customer journey
- Organizational alignment around the power of analytics, ensuring best practices lay the foundation for future marketing initiatives
- Focus on continual improvement of return on optimization (ROO) and return on investment (ROI)



decisions. The following phases are some of the milestones that are key turning points.

### **Phase I—Reporting**

This stage is critical. It sets the foundation for the rest of the model and roadmap. Here, we generate simple reports to show that data can be leveraged to make decisions rather than just being used to interject numbers into a Powerpoint. The champion must set the groundwork. Progress can be made by getting relevant data to each audience by identifying and reporting on a few basic key performance indicators. We typically start this phase by building out a regular weekly or monthly report to be monitored in order to understand baselines and look for areas to dive into deeper. The first report can be extremely eye opening.

As an example, SapientNitro implemented a monthly report for Chrysler and immediately identified that the landing pages for the banner ads driving traffic to the website needed to be optimized to increase the rate at which users ventured deeper into the site for more information.

### **Phase II—Analysis**

In this phase, we begin to analyze reports and encourage recipients to ask questions. We look at recent launches and campaigns to review performance. We dive into user behavior to see if there are opportunities for improvement. We introduce analysis to the marketers and the creative teams to discuss opportunities found in the data.

People may still be a little resistant in this stage, but they will also be curious. We have gotten past this hurdle across many clients by simply gathering stakeholders and internal team members regularly to talk about data and insights. The outcome of these discussions includes getting the teams engaged with the analytics teams and identifying areas for improvement and additional investigation.

### **Phase III—Execution**

This is one of the most exciting phases and is usually a turning point. Execution is where the teams get to start experimenting and testing across channels to identify how they work together. The champion and your marketing teams (especially creative) can use this data to drive experiences and design. Best practices on how to execute tactics are identified and shared. Analytics start to be invited to the table as objectives are being devised. Recently, SapientNitro redesigned websites for Chrysler. Since analytics was starting to be accepted within the organization, we were able to join the project at the beginning and pull many ad-hoc reports aimed to answer questions about users' current website behaviors and interactions.

The results were analyzed and leveraged by the creative teams as an input into their designs, hence data-driven insights. The success of the project was not solely based on the analytics by any means, but this data was a contributing factor towards the objective success of the redesigned websites.

In this phase, we also start up an A/B and multi-variate testing program. We use the term program because when fully launched, the experience will be continually optimizing via testing across channels by developing a testing queue, building tests right into projects from the brief and launching major changes via testing. Only 26% of organizations use testing on their websites<sup>1</sup> and the number is much smaller for those companies testing across channels. This is a great opportunity to be a leader to anticipate user behavior, tweak experiences based on test results and identify quick wins.

#### Phase IV—Strategic

The fourth phase is strategic data use. We can start tapping into the big data space by compiling data across channels and looking at trends and correlations to see what activities influence each other. Data modeling and predictive analysis are leveraged to start creating ROI models and targets. Marketing initiatives are identified that can be tweaked to deliver successful outcomes. SapientNitro conducted an analysis for Chrysler that identified the “mid-level content” that people utilized, which was directly correlated to buying indicators for demand. Once we identified those metrics, via statistical correlation, we were able to recommend that those pieces of content be served up in online ad units and surfaced to users on the website in the proper context during the information-gathering steps of their journeys.

Another phase IV stand-out experience was participating in a SWAT team for a cross-channel marketing campaign. The campaign kicked off via television commercial during a major sporting event. Imagine, from an analytics perspective, being brought into the conversations when tactics, across the many channels from television, newspaper, social, search, banner ads, email, website, store and sales, were still being developed. Because Chrysler was advanced within the Analytics Maturity Model, we were able to bring in best practices from previous and similar campaigns.

We described how each channel impacted another, and pulled in data around specific channel interactions to help shape the execution of the tactics. We also had the ability to develop objectives and baselines for each channel individually and as a whole, as well as targets for success.

During the campaign, if we were not meeting targets, we could dial channels up or down to stay on track and perpetuate a positive consumer experience throughout the multiple channels for the duration of the campaign. Teams involved rallied around the initiative—they were aligned from the beginning and were dedicated to the user experience as well as measuring success across all the channels.

#### Phase V—Analytics Competitor

This is where analytics are embraced and utilized throughout the organization. Once an organization reaches this phase, key executives

<sup>1</sup> Forrester, “Organizing For Site Optimization,” August 2012

## Take this quiz:

Ask yourself the following questions. If the answer is unclear, you may be further behind in data-driven user experiences than you thought:

- What is each group's goal?
- Where do these goals overlap?
- Are you setting objectives and key performance measures that extend beyond the original ask?
- Do you understand how your online media is driving sales?
- Do you understand how your paid search and natural search are working together?
- Do you understand how your local store event is driving an increase in your social media buzz?
- Do you know how all of your channels are working together to impact the bottom line?

invite analytics to the table beyond marketing initiatives. This maturity level means that case studies and ROI stories are shared outside of the marketing organization. Very few organizations are truly at this level.

### Conclusion

The five phases of the Analytics Maturity Model may sound overwhelming. Accepting the power of analytics and leveraging the model requires organizational support, executive visibility and commitment across all teams. But ultimately, this approach allows us to understand consumers across channels so that we can better shape and optimize their experiences throughout their journeys with tactics such as anticipating demand or creating personalized experiences. It will help change the way we market to consumers across the experience, setting the stage for breakthrough performance, as well as improved ROI and an improved consumer experience. So who is going to be the champion driving this change within your organization?



The background of the entire page is a photograph showing the silhouettes of many people's arms and hands raised high against a bright, cloudy sky. Some hands are making the 'rock on' or 'devil horns' gesture, while others are open palms. The overall tone is energetic and celebratory.

# VALUING FANATICAL ENGAGEMENT

Written by Scott Petry, Vice President, Technology, Atlanta

**The fan experience is changing. No longer is it sufficient to focus on discrete in-venue, broadcast and digital experiences, with separate revenue streams in each channel. Disrupted by the connectedness of fans, sports franchises from NASCAR to the Football League (UK) are taking a hard look at how they engage fans, and how they value that engagement.**

To respond, these organizations are rebuilding their engagement model with digital at the core as a way to remain connected with fans continuously, and allow fans to engage more deeply.

It all starts with the fans. Fans by definition are fanatical. They wear jerseys, paint their faces, buy equipment, watch every game and brag about their team when they win. Fans have made sports into a \$120 billion industry around the world. Yet the opportunity is even greater for sports, teams and athletes who can connect with fans in deeper, more engaging experiences.

#### **The Engaged Fan**

The engaged fan is not just a fan. The engaged fan watches broadcasts, goes to events, buys better seats, subscribes to content and participates in special promotions. The engaged fan shows off that he or she is a fan by wearing branded merchandise, bragging about a team and emulating favorite stars by using sponsors' products. The engaged fan teaches other people to be a fan by inviting them to watch the broadcast, taking them to events,

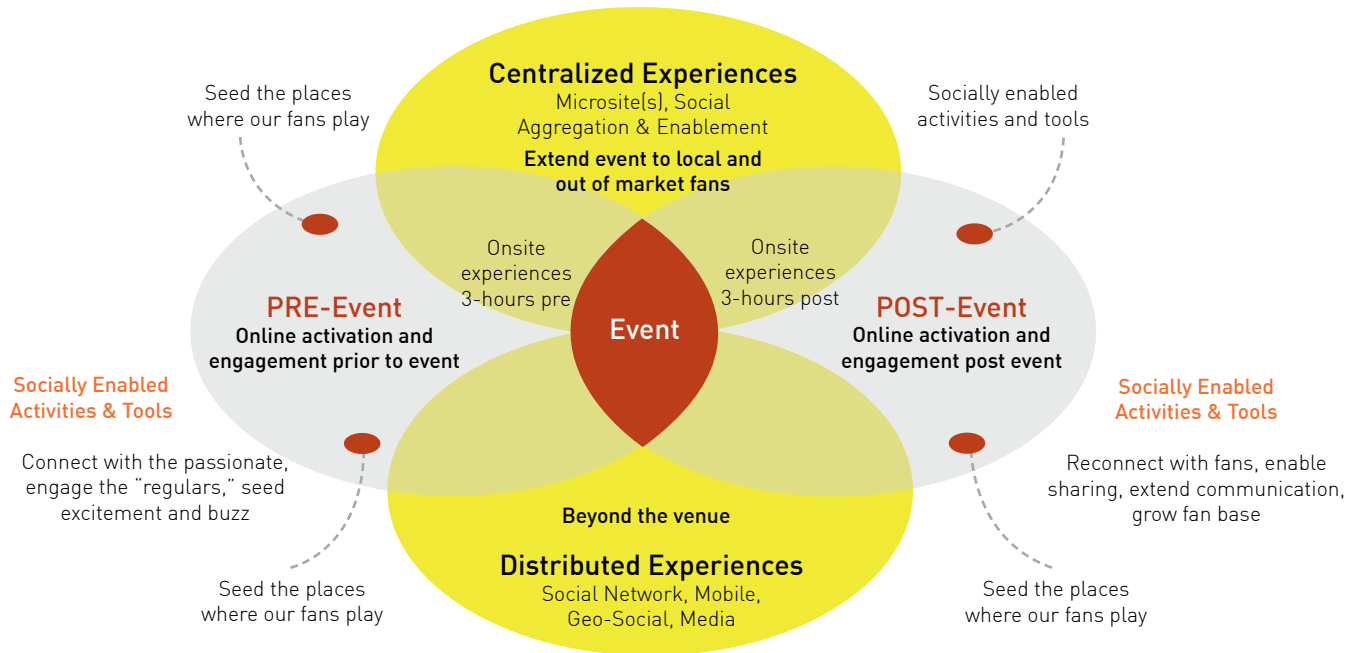
explaining the rules of the game and advocating for the sport or team in social media. And, most importantly to the industry, the engaged fan spends time and money consuming content and experiences by buying tickets and filling seats in-venue, driving TV ratings and broadcast license revenue and generating ad impressions across every advertising medium.

The experience of the fan has become continuous. Throughout the year, fans show support for their team or their favorite athlete. The fan wants information throughout the offseason leading up to the next season—about trades and changes, new rules and news and points of view. The fan wants full coverage during each week of the season—the build up to the next event, the event itself from every perspective and the recap and replay of the event. They also want the mid-week stories about the preparation for the next event and information about the personal lives of their favorite players. The fan wants a breakdown of the season at the end—analysis, human-interest stories and coaching changes. And then the cycle starts all over again.

During an event, the fan might be engaged while in-venue, while watching the broadcast on TV or while out and about on a mobile device or tablet. The fan may be engaged socially with other fans at an event or at a party or on Twitter or Facebook. The fan both consumes content and creates content. There is no moment when an avid fan is not engaged.



## CONTINUOUS EXPERIENCES



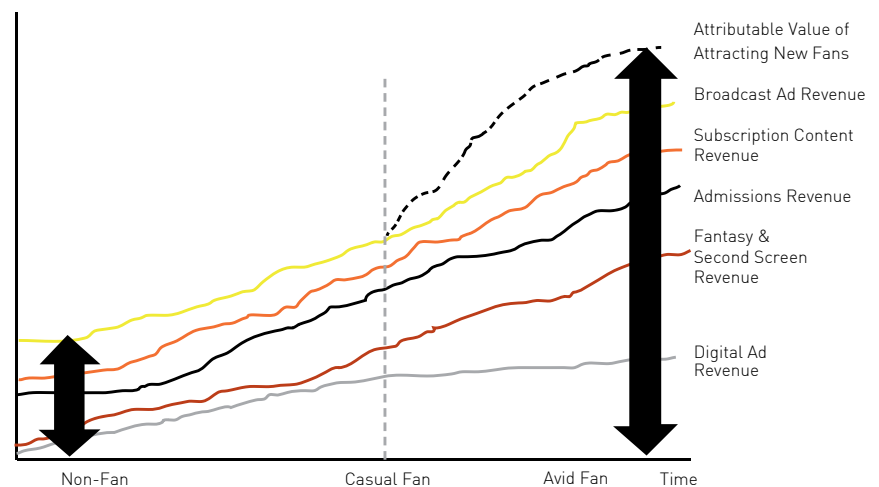
## The Fan Engagement Lifecycle

### Sports Revenue Models

The sports industry has to evolve to engage this connected fan to deliver experiences when and where the fan is ready to engage. Today's sports revenue models rely heavily on advertising, sponsorships and broadcast licensing rights. The next biggest revenue source is from direct attendance at events through ticket sales, concessions and merchandise. A third, and significant, source of revenue is advertising and sponsorships in-venue and on digital properties such as websites.

The most engaging experiences are often in-venue, but they reach only a small percentage of fans. Broadcast reaches more fans, but doesn't engage them on the same level as live experiences, and tends to blanket the audience with generic advertising.

### The Value of a Fan



## Three Categories of Fans



We think about fans in three categories:

### 1. Avid fans love the sport outright.

They want detailed statistics and technical information about teams, athletes and events.

### 2. Casual fans enjoy the sport but only engage when it's convenient.

They need educational content and community support to build their knowledge and help them understand the sport.

### 3. Non-fans don't engage at all.

They need a reason, a personal connection to the sport, to engage in the first place.

## Understanding Fans

We've found that the best opportunity to balance engagement and monetization is actually in digital channels, where the fan can be immersed in an interactive experience. Advertising can be targeted to the interests of the fan, and the channel is always on, creating an opportunity for continuous engagement.

The first step to engaging fans is to understand them. Fans of the largest sports brands cut across most demographic segments: gender, ethnicity, age, socio-economic status, proximity to major metropolitan areas and others.

## Best Practices for Cross-Channel Engagement

Observing fans is key to understanding how different fans want to engage. We need to figure out when and where they are engaging, and what they do. We need to understand what content they are consuming and what experiences they are engaging in. And we need to understand what content they create. We need to figure out which fans are avid and which are casual, and how their interests vary.

**Rule number 1:** Build a single, cross-channel view of fan behavior.

Leverage research and expertise in the sport to build a deep understanding of relevant behavioral segments, and establish the critical components of fan behavior. However, we also need to build a measurement framework in our digital experiences to observe and track fan behavior. This data will

help us truly understand our fans. A North American motorsports client is building a fan intelligence database in their platform to help integrate data from many sources with digital fan behavior. The database will be used to segment fans and drive marketing and advertising rules.

The more we understand the fan, the better we can engage them. In addition to understanding whether a fan is avid or casual, we also need to learn whether they live near a venue, whether they go to live events and whether they have a favorite team or athlete. In their digital behaviors, we need to figure out if they are more interested in live content, news, blogs, technical content or video replays, and whether they are willing to produce content.

**Rule number 2:** Create personalized experiences for fans.

Personalized experiences built on what we have learned about fan behavior need to be incorporated into the engagement strategy. The same motorsports client will offer more detailed technical data to avid fans without making them click through links, but on the same pages they will provide simplified information with helpful explanations for casual fans. In the same way, if they can identify the fan's favorite athlete, they will offer more content and information related to that athlete. They will also leverage these attributes in the on-site advertising the fans see as they engage in the experience, creating a more relevant, tailored experience. To truly engage fans, we also must

consider where and how they are engaging. If a fan is researching tickets or parking information, they may be planning to go to an event. We may be able to identify if they are already at an event, and even if they are hungry or looking for a meeting point. Or they may want to buy a souvenir. We may be able to identify if they are watching the event on TV and get them to participate on a second screen. They may be blogging or tweeting, or just listening. They could be tracking their fantasy team. We also need to determine what type of device they are using—whether phone, tablet, PC or other.

**Rule number 3:** Engage the fan where the fan plays, and make sure the experiences align to the fan's needs.

In one solution, for instance, we designed a social smack talk second-screen application for a sports entertainment client to allow fans to support their favorite athlete during events. The ability to support athletes and engage in a social conversation about them drives deeper engagement with the sport.

In another solution, we leveraged Responsive Design (a technical solution that allows the same content to easily be delivered to different devices) to support multiple channels with the primary digital experience, but also offered a second screen and social TV application to enhance broadcast viewing and drive appointment viewing.

We know from research that creating fan engagement, and making fans avid, involves certain specific behaviors. Attendance at an event has a significant influence, as does selection of a favorite team or athlete. With that in mind, the experiences we create need to emulate the best aspects of in-venue experiences for the fan, and they also need to drive attendance and affinity to a team or athlete, or a "favorite."

**Rule number 4:** Encourage the fan to attend events, not only through advertising tickets, but also through their sense of nostalgia and their desire to experience the sport at "game speed."

Let fans feel the competition at every point of engagement. Encourage them to love one team or player. The energy around favorites drives deeper engagement and long-term love for the sport.

For example, allow fans to declare and share their passion points around one team, and their dislike for others. A visit to any digital experience should provide an experience that is designed to extend that "fanaticism" through content and design.

Once the fan is hooked, benefits include more increased fan activations of sponsorships, and improved targeting of advertising impressions. Ultimately, a much fuller understanding of each segment—regardless of the channel they prefer to engage with—is revealed.



**Rule number 5:** Leverage fan intelligence data to highly target on-site advertising and sponsorships.

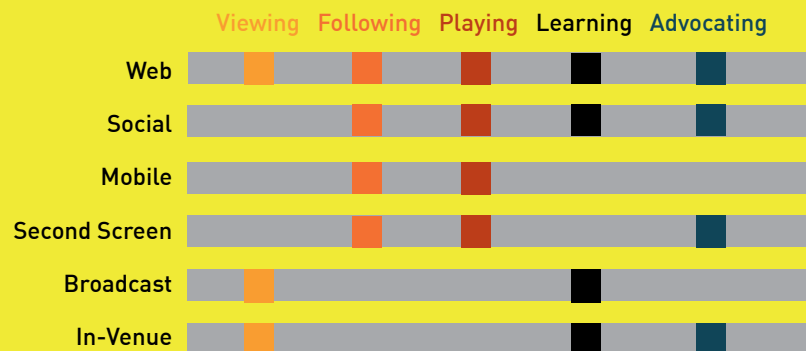
By using fan data to target advertising and sponsorships, it's possible to drive the highest value for impressions, rather than blanketing the experience with less targeted billboard advertising that reduces fan engagement. For example, a European sports league client is leveraging an advertising engine designed specifically to monetize sponsorships and content in a way that enhances fan engagement by delivering highly targeted advertising content in a visually appealing way.

### Conclusion

Digital fan engagement represents the early stages of a massive shift in content ownership, distribution and consumption—perhaps the biggest in 50 years.

As the distribution model in broadcast is disrupted, sports management teams will need to be able to distribute content digitally, in addition to working with multiple broadcast partners—both traditional and non-traditional. Monetization of sports content is changing, and it seems clear that an owned or licensed digital platform may have a role to play.

Fans are amazing consumers. Their passion can be amplified and broadcasted through digital channels, stretching fan engagement far beyond the venue and the broadcast. Reaching the fan throughout the lifecycle of the sport—before, during and after the event, and across multiple stages of “fandom”—is an enormous opportunity. Improving fan engagement will deliver deeper engagement and also dramatically increase the opportunity to derive revenue from the same.



As the customer journeys through the viewing, following, playing, learning and advocating stages, each channel should be leveraged to engage, educate and enrich the experience and their love of the brand.

# MEASURING GERMAN MULTI-CHANNEL: APPROACHES AND IMPLICATIONS

Written by Uwe Tueben, Head of Digital Commerce Continental Europe, Dusseldorf

### What defines success in multi-channel retailing and how can it be measured?

Even for a very mature multi-channel retailer, this question is difficult to answer. Yet for much of Europe, the commitment to digital channels—much less multi-channel—remains a work in progress.

In order to assess the importance of an effective online customer experience, SapientNitro partnered with OC&C Strategy Consultants to take a closer look at the leading multi-channel retailers in Germany and evaluate their multi-channel performance.

First, we found that there was a lot of untapped potential amid German multi-channel retailers. In our customer experience score, the highest brand—OTTO—scored just 640 points out of 1,000. We believe this finding is true across much of Europe, as older retailers grapple with the changing business landscape.

Second, we found that there was a direct correlation between customer experience and clickthrough or sales probability. We established that there were direct financial benefits of higher quality experiences.<sup>1</sup>

#### A Challenging Time

In our search, we noted that online stores represented the largest piece of the pie for most of the leading 25 multi-channel retailers in Germany. Yet these companies varied broadly in their use of multi-channel marketing.

For some, such as established mail-order companies, this has been a logical and natural step as they shifted their business from catalog, postcard and call center to the Internet. For others, the shift was less clear.

For example, traditional brick and mortar retailers have made major online expansion happen only recently. And our list of the 25 retail stores covers almost every category from consumer electronics to apparel to furniture to health and beauty.

We believe these retail businesses and brands have to be leaders in four areas to be true multi-channel forerunners:

- The **attraction** of visitors
- The **conversion** of visitors into customers
- The ability to convince customers to **recommend** the shop to others
- The ability to motivate customers to buy on **different channels**

In other words, they not only have to connect with their customers, but they have to inspire customers to connect in multiple ways, and, where possible, encourage social sharing as well.

#### Attraction: A home run for mail-order giants

Based on our survey, we found that mail-order giants—a group that included OTTO, Neckermann and Conrad—scored well at attracting and driving visitors to their online and offline properties. We believe that this is a natural consequence of their business shift from offline to online, and goes hand-in-hand

<sup>1</sup> We evaluated experience across 152 criteria.

with high management attention and significant marketing spend. Vertical retailers like IKEA and H&M are still doing well, while the brick and mortar generalists tend to struggle to attract online visitors.

### Conversion: Where the rubber hits the road

One of the most significant findings from this survey is an accurate, survey-based estimate of the sales probability for major retailers. Most retailers keep conversion rates a secret, and even publications, such as Internet Retailer, make their own estimates. We wanted to do better than that. Through our consumer survey, we calculated the "sales probability" for all our retailers' digital shopping destinations.

It was also interesting to see that OTTO, the retailer that scored best in terms of customer experience, only achieved a score of 640 on a scale

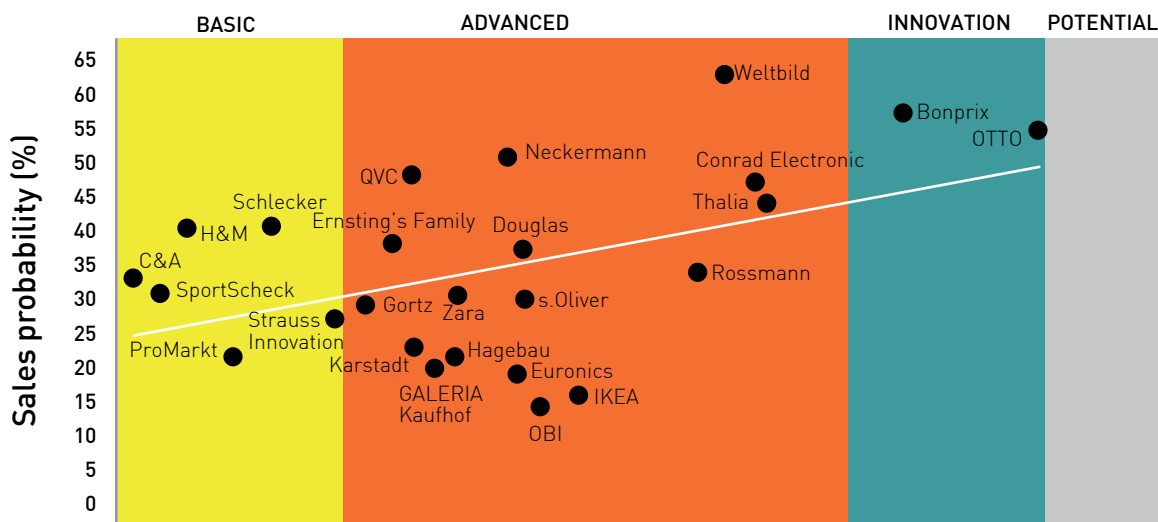
from 0 to 1,000. In terms of good customer experience, there is clearly a lot of potential left to be addressed.

We found that there was a direct correlation between customer experience and sales probability.

### Advocacy: True fans are hard to find

Two retailers that focus on customer satisfaction and emotional shopping, Ernsting's Family and Douglas, lead the pack in this category. The main drivers for customers to recommend a retailer's online shopping site to friends are data security and stock availability. It surprised us to see that the ability to return goods that have been purchased online or in a store was the least important factor.

The Top 25 German Multi-Channel Retailers



Higher customer experience scores correlate with a higher conversion/sales probability, yet even the strongest retailers have room for improvement.

**Multi-channel: Many roads can lead to a purchase**

An average of 87% of all online customers also use other sales channels operated by the evaluated retailers. But we do not think this is necessarily good news: We believe that such high percentages of multi-channel customers can be indicative of the retailer's lacking ability to attract new, pure online customers. Such online shops serve more as an additional offer to existing customers. With online's share of the wallet

evaluated retailers, at least 50% of surveyed online shoppers said they also shop offline at that respective retailer.

**Wrapping Up: Four Areas, One Profile**

Finally, we wanted to compare the 25 leading multi-channel retailers on the basis of the four success areas: attraction, conversion, advocacy and multi-channel capabilities. We tried to find a comprehensive formula to compute an overall score and ranking, but quickly realized that such a one-dimensional comparison would not have been appropriate given the very diverse nature of the competitive landscape.

We found that each organization could be grouped into one of four major strategic "profiles" (see page 147), each with a set of strengths and weaknesses that represent their strategic position in the multi-channel marketplace.

Each profile has four success areas. On each success area axis, we mark the retailer's relative score in the respective area. The four coordinates enclose a figure—the retailer's profile. Each leading multi-channel retailer can be described with one of these profiles:

**Profile 1: Basic multi-channel retailers.** This profile includes traditional brick and mortar department stores, which have typically made only small moves into the multi-channel space. OBI and Hagebau are DIY hardware

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Multi-channel opponents claim that each dollar (or euro) can only be spent once, regardless of sales channel. But our evaluation has shown that for many multi-channel retailers, frequent online shoppers often also shop offline.

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increasing in many categories, we believe that it is not enough for multi-channel retailers to defend their market shares against Internet pure plays. Established retailers should not be satisfied if their online shops are just there to serve their customer base.

Channel cannibalization is another interesting phenomenon. Multi-channel opponents claim that each dollar (or euro) can only be spent once, regardless of sales channel. But our evaluation has shown that for many multi-channel retailers, frequent online shoppers often also shop offline: For 11 out of the 25



(similar to Home Depot). Thalia is a fairly traditional bookstore. All have an online shop, but one that is not sufficiently supported.

Few of these organizations have a robust multi-channel strategy. For example, GALERIA Kaufhof launched a Hybris implementation of their online store, but chose not to support click-and-reserve to pick up the ordered goods in the store. These organizations need to strategically determine the role of their digital channels, and then act on the strategy.

Low scores in attraction, conversion and advocacy characterize this profile. Only the multi-channel score is average, leading to the conclusion that these retailers mainly address their existing customer base with their online shop. We believe that these retailers have yet to find out how to adapt their business model to the digital revolution.

**Implication:** The retailers have a limited extension of the traditional retail model online; the results are lower customer experience scores and poor conversion rates.

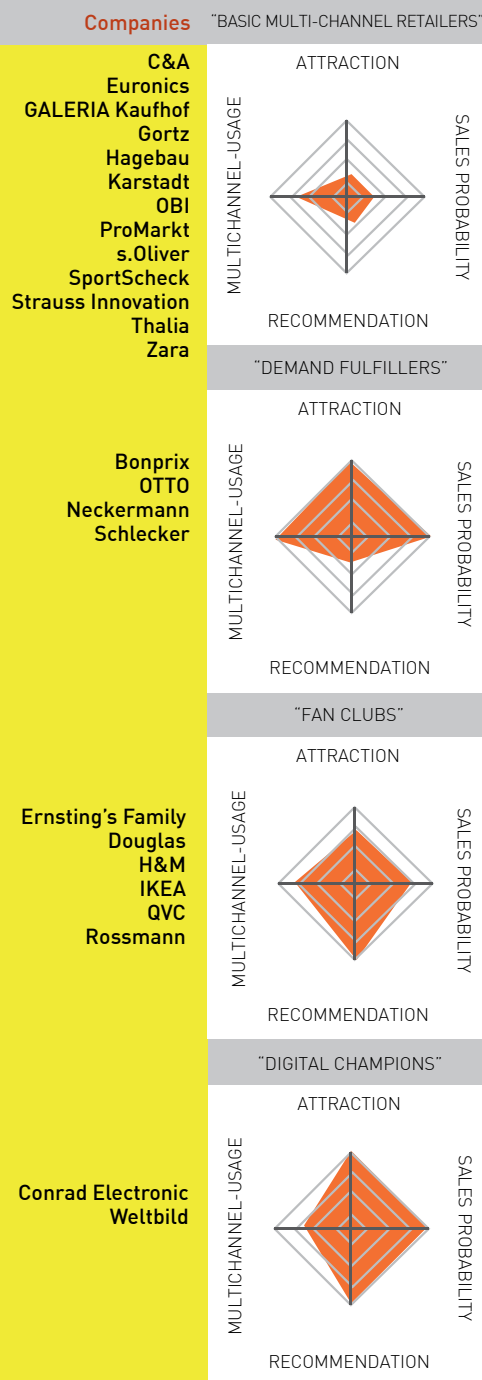
**Profile 2: Demand fulfillers.** In this profile, relatively low-price fashion retailers such as Bonprix and OTTO have traditionally fought it out. They target consumers who desire something fashionable but not expensive. Some are online only, such as OTTO, while others are traditional mail-order giants.

This profile received high scores in attraction, conversion and multi-channel, yet advocacy scores—based on their lack of differentiated product—tend to be lower. They need to strengthen their relationships on a social level, perhaps by becoming more active on social platforms, to connect more deeply with the consumers. There is nothing special about the offering—their products tend to be commodities, and not particularly distinctive.

These retailers satisfy their customers through a broad assortment of merchandise and fair prices, but must find a way to strengthen the emotional link between themselves and their customers to improve customer loyalty. Two of the evaluated retailers didn't address this challenge fast enough: Schlecker went out of business in June 2012 and Neckermann filed for bankruptcy.

**Implication:** Low advocacy companies with an unfocused product selection will struggle in a multi-channel environment. The basic weaknesses lie in the recommendation and loyalty aspects. The opportunity for ecommerce is in maximizing loyalty and product recommendations for their customers.

**Profile 3: Fan clubs.** Similar to "passion brands," these profiles tend to deliver a differentiated shopping and customer experience, and are challenged in bringing that shopping experience online—but they have to do even more. They need to reach



Source: OC&C/SapientNitro Online-Survey;  
OC&C/SapientNitro-Analysis

not only people who like the brick and mortar shopping experience, but also people who don't currently shop online. We saw examples of firms who struggled to bring their experiences online. For example, QVC has struggled to transport their emotions from TV shopping into the online world.

Top advocacy scores but only average scores in attraction, conversion and multi-channel categorize this profile. The customer base is devoted to this respective retailer, though they're often restricted in size. We believe these online shops are often used as digital display windows for the brick and mortar channel. It's not surprising to find brands like H&M and IKEA in this category.

**Implication:** High-loyalty retailers need to find ways to extend their customer base online, among other things, through superior customer experience.

#### Profile 4: Digital champions.

These firms have made considerable investments in digital and online elements. Attraction, conversion rate and advocacy are strong, and the only aspect that is not digital is multi-channel usage. But they struggle—relative to the other dimensions—in the linking of other channels to digital. These companies are learning to compete with pure-play electronic retailers. For example, Conrad has competed effectively with online pure-play electronic retailers, but struggles in integrating online and offline profiles.

Consistent high scores in attraction, conversion and advocacy, but below average scores in multi-channel, characterize this profile. We don't interpret the comparatively low multi-channel scores as a sign of weakness because we believe that these retailers have learned to compete with the digital pure players in their respective categories. Still, retailers with this profile need to find ways to motivate their customers to better leverage the different existing sales channels.

**Implication:** Outperformed by their attraction, conversion and advocacy scores, these organizations need to invest more in multi-channel to complete their offer to customers.

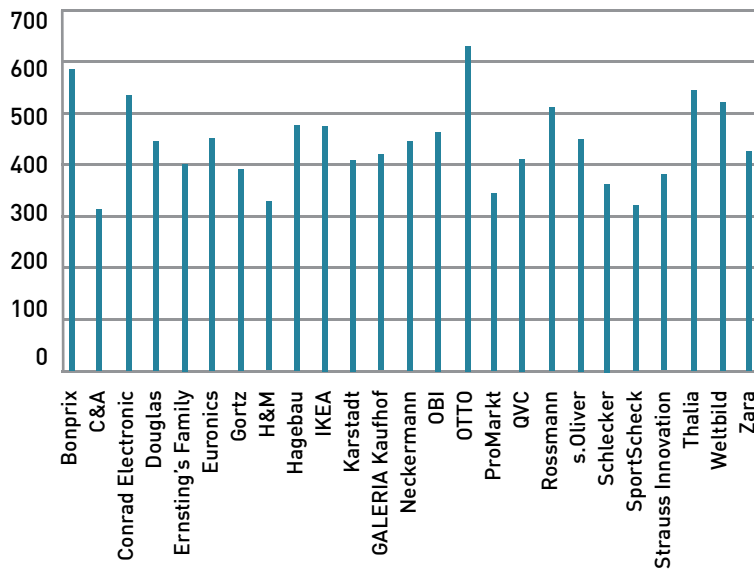
#### Conclusion

We evaluated 25 leading German multi-channel retailers and evaluated their performance across four categories: attraction, conversion, advocacy and multi-channel. We also evaluated their customer experience score on a scale from 0 to 1,000 and mapped it to our own estimates of conversion rates.

We also grouped these retailers into four main groups, based on affinity and in order to understand what made each type of retailer effective.

What we found was that higher quality online customer experiences correlate to higher conversion rates. We also identified four distinct profiles, which reflect different strategic modes of retailers.

Final Customer Experience Scores



Top-scoring, high-performing organizations such as OTTO and Bonprix operate across all four categories: attraction, conversion, advocacy and multi-channel, and offer an interesting path for slower-moving retailers in other European or international markets.

**Methodology:** "Customer experience" is the sum of all experiences a consumer gathers when he or she interacts with a multi-channel retailer. Among other things, we included the completeness of payment and shipping options as well as the availability of customer support over phone or chat in our evaluation.

### Scoring Methodology:

The model evaluated the customer experience in eight main categories:

20%

#### Navigation

Main navigation  
Filters and sorting  
Search  
Site map  
Specific functions

20%

#### Products

Text  
Product details  
Pictures and images  
Cross-selling

15%

#### Ordering

Consumer basket  
Checkout  
Shipment  
Permissions  
Payments

15%

#### Merchandising and Campaigns

Home page  
Themes  
Sales and specials  
Newsletters  
Social commerce  
Miscellaneous marketing

10%

#### Personalization

Closed loop  
Activities  
Loyalty program

10%

#### Contact

Country information  
Contact  
FAQ

5%

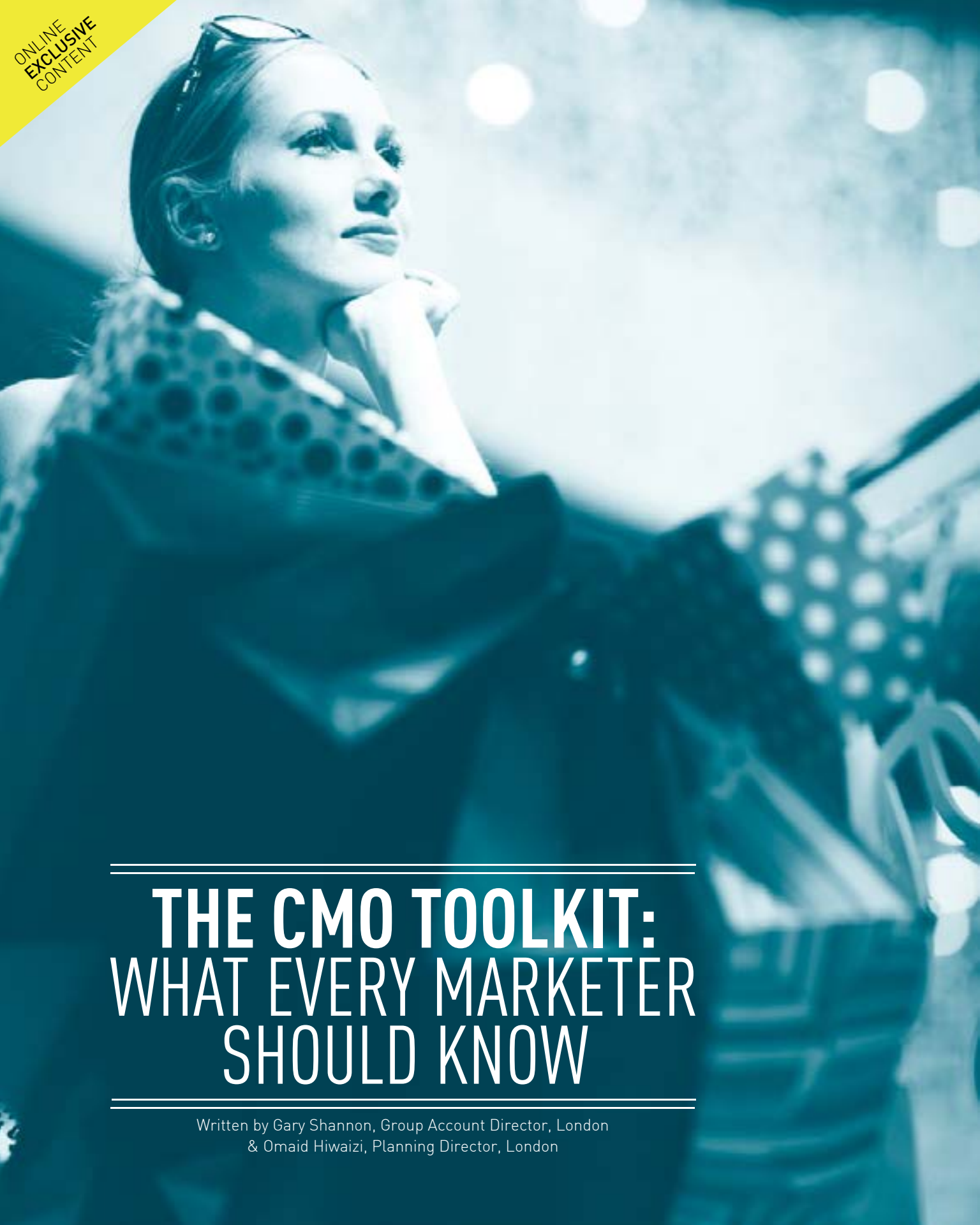
#### Layout and Design

Structure  
Design  
Creative expression  
Emotion

5%

#### Technical

Screen layout  
Browser support  
Load and wait time



ONLINE  
EXCLUSIVE  
CONTENT

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# THE CMO TOOLKIT: WHAT EVERY MARKETER SHOULD KNOW

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Written by Gary Shannon, Group Account Director, London  
& Omaid Hiwaizi, Planning Director, London

Compared to a few years ago, a CMO's world doesn't just look different—it's barely recognisable. Commerce and communications are coming together, data is driving the multi-channel brand experience and the opportunity for connected experiences is growing. Marketers must become more sophisticated to be a driving force behind the operations of a business and the products it creates. The CMO is in a better position than ever to take a more central role in driving a company's revenue and success.

### Marketing Has Changed

The once familiar linear path from awareness to purchase to loyalty is a thing of the past. It has evolved into a multiple touchpoint journey. Potential consumers can enter this ecosystem at any point and take any route—from selecting a product in a store and then using a mobile device to price-check and buy it, to learning about a product and immediately purchasing it after chatting with friends on Facebook.

It's difficult to know how to create and manage the huge range of experiences required for these multiple consumer touchpoints. It's also difficult to isolate and measure the effect of an individual piece of

marketing. These changes present two broad challenges to CMOs:

**1. Complexity.** With a growing number of channels, consumer behaviour is more fragmented. And processes, organisational structures and required skill sets are more complicated.

**2. Rate of change.** What is right today is wrong tomorrow, making it difficult to know which investment decisions are future proof and which will be redundant next year.

Underpinning this are some fundamental shifts in the focus of effective marketing. Communications are changing from broadcast of message to an always-on, two-way approach. But even more significant is the shift from creating communications to creating holistic experiences—a landscape of experiences that encompass communications, content, services and products.

There's a great comparison between the evolution of marketing and the entertainment business. Marketing used to be like a Hollywood movie production. It started with a pitch and ended in an awards show, and this cycle was repeated every 12 to 18 months.

**"The changing marketing lifecycle: what used to be a monthly cycle is now a daily one."**





Today, it's more like making a TV talk show, starting with a show creation and ending in ratings and viewer mail—a process that is repeated daily.

### THE HOLY TRINITY OF MARKETING

So how does this change the focus of CMOs? In the past, CMOs had a fairly singular focus; they knew what marketing would look like from one year to the next.

Today, we are seeing a requirement for CMOs to maintain multiple focuses. There are three key silos to consider separately and optimise together. Let's take a look at those silos and some businesses and brands that are doing it right.

#### Communications, Experience and Commerce

Brands need to create consistency of message and experience across every touchpoint. Instead of creating a story, marketers must create a "storyscape" that allows people to join the conversation at any point and facilitates their engagement in any direction they choose. When data is endless and portable across channels and platforms, the experiences and actions taken at one touchpoint will affect and change the experience at the next. Not only will the brand recognise a consumer, it will acknowledge his part in changing that story.

Telling stories and creating connected experiences in this way requires distinct skills to come together. Storytelling, experience design, commerce, data and technology need to work as one team.

#### Paddle Pop: Engagement through entertainment

Ice cream is an impulse product that competes with all snack foods, so gaining loyalty is difficult. Paddle Pop has developed a new entertainment franchise built around the brand mascot: Max, the Paddle Pop Lion. At the core of the entertainment package is an eight-episode film, an online gaming portal, a TV show, a movie road show and traditional media support.

On Cartoon Network India, the Max movie received higher ratings than Harry Potter and an increase of 24.4% value growth in the Indian market. Across Asian markets, there was an increase of 14% in the "Brand Consumed Most Often" rating category.



#### Sneakerpedia: Collision of community and commerce

Sneakerpedia, a global community of "Sneakerheads" powered by Foot Locker, provides an online meeting place and drives offline connection. It enables passionate Sneakerheads to gain the social capital they thrive on, generate insights for Foot Locker and drive consideration and retail sales: In the first year, 42% of the Sneakerpedia community



CMOs must maintain multiple areas of focus, and optimise them together.

visited a retail store and 41% visited an ecommerce website due to Sneakerpedia, of which 39% bought from Foot Locker.



### Products and Services

Consumers have more and more choice over what they see, hear, read and experience. Brands have to become useful or entertaining (or both) and deliver real value to be an important part of anyone's life. This is especially important if consumers are expected to share their personal data in a more meaningful way than just entering a prize draw. And this is the only way we can create storyscapes.

Brands that follow this principle to its natural conclusion make marketing that goes beyond content and functionality and becomes part of the core product. In effect, we are going back to basic principles where the marketer is creating products that sell themselves to engaged audiences. The principles of product development and design are now skills no marketer can do without.

Product development and marketing need to work in parallel. This has a

massive effect on processes, skills requirement, organisational shape and budget allocation. More marketers are trying to use marketing budgets to fund innovation. Unfortunately, the annual and quarterly marketing budget planning cycle is often out of sync with the development cycle of products and operations, and ROI often has to be measured over a much longer period than marketing budgets can justify.

### Vail Resorts: Digitising the mountains

The experience at the luxury ski destination Vail Resorts is even more exciting through the use of RF-enabled technology to track runs, reward points and produce league tables. On-mountain photographers capture special moments, and add them to visitors' digital profiles, so they can re-live their day through photos and stats, and share them with friends. This is as much a part of the service as building a new ski lift.



### AutoTrader: Searching the way people think

We developed a playful yet effective method for searching for used cars whilst on the go, a way of "searching

for a car the way you think about a car”—effectively giving potential customers the ability to buy a car when they see one they like on the street. The app leverages a phone’s camera to capture an image of a car, send this information to the DVLA (Driver and Vehicle Licensing Agency), determine its make and model, then process a search through Endeca for matching cars in AutoTrader.



### Marketing Technology

There are a plethora of brand experiences that need to be delivered across multiple channels and driven by data. This can’t be done at scale and with any consistency without a digital marketing platform that integrates with internal systems (e.g., CRM, supply chain) and third parties (e.g., social platforms, retailers). At a basic level, these are things like infrastructure and security, but also include analytics, content management, asset management and data management driving multi-channel experience.

A digital marketing platform delivers multiple benefits to the business, not least of which is an enhanced ability to measure the effectiveness of marketing activity in real time. The ability to set KPIs that are relevant to

the business (not just marketing) and report on them accurately is what allows CMOs to speak the language of business.

Whether a digital marketing platform is licensed or bespoke, different organisations have different requirements and the platform needs to be configured accordingly.

Examples of different brand scenarios that drive different platform set-ups are:

1. **Single identical global presence.** Identical messages, actions and processes apply worldwide.
2. **Globally identical presence with localised content.** Identical messages, actions and processes apply worldwide but local differences such as currencies and stock lists are needed.
3. **Presence with common experience, common components and localised elements.** Consumers recognise the brand but it does different things in different places.
4. **Presence with shared components, different local experiences.** The same building blocks drive different experiences.
5. **Single geography, single brand** One that’s tailored to unique requirements of brand, audience and geography.

Common principles that guide the vast majority of marketing platforms include, but are not limited to:

- Common views of data and CRM across brands and territories
- Consistent process and security at scale
- Creative and technical partners to develop brand experiences
- Focus on customer experience
- Reduced cost and time to market for each experience
- Reuse that saves time and money and reduces technical risk
- Support of multiple experiences, brands, geographies, languages and devices

#### Football League Interactive: 90 websites produced and governed from one platform

One platform hosts the websites for 90 Football League clubs, all with unique content across three core templates. This includes pre-, during- and post-match content, second screen experiences during



live games and other unique content. Aggregating the smaller pools of traffic from multiple sites on a single platform has enabled an ad



network of considerable scale and monetisation opportunity.

#### Chrysler: Multiple brands, experiences and partners

Chrysler's powerful platform houses multiple brands, experiences, regional variations, time-based promotions and the experience across the dealer network. It also drives Uconnect, the in-car media experience.

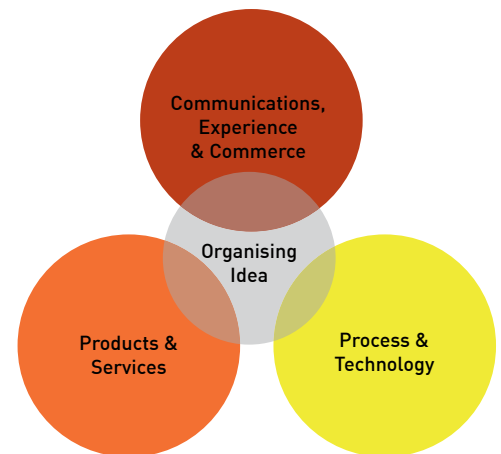
This has enabled Chrysler to expand rapidly into new international markets with high growth potential.

#### How to Deliver in a Converged World

Organising ideas—not big ideas—define the approach to brand experiences, product development and technology. An effective organising idea bridges business vision and brand ideas.

The CMO is uniquely placed to deliver the organising idea and therefore has the opportunity to drive real change at a business strategy level, not just marketing strategy. Traditionally, a CEO and CFO have set the strategy that is then rolled

#### An Organising Idea Enables Convergent Thinking



An organising idea centers and defines three key focus areas for CMOs, and (below) connects the corporate vision with the brand idea.



out to marketing and IT through the COO. The changes in the marketing landscape allow the CMO to become part of the team setting corporate strategy, but to do so requires much more operational and technology knowledge than has ever been required before.

#### **Ladbrokes: Game On!**

Looking at the drivers for gambling shows a key opportunity in the space



of excitement. The Game On! ad campaign is the organising idea that now drives their approach to retail, communications and the betting experiences across all platforms—and the technology platform that delivers live odds in real time.

#### **Conclusion**

As we have shown, inspired CMOs in innovative companies have embraced the opportunities presented by the convergence of commerce and communications and data-driven, multi-channel experiences. These CMOs have taken a central role in shaping not only the marketing of their brands but also the strategy and ultimate success of their businesses.

An effective CMO needs to do three things to be successful in this changing world:

1. Use organising ideas to align multi-channel brand experiences, data strategy, organisational change and technology.
2. View marketing as part of the company's product—not just as a way of talking about the products.
3. And finally, learn to embrace operations and technology. Today's CMO is just as responsible for them as for a television commercial or print ad.

**With thanks to:** Dan Barnicle, Scott Petry, Tony Terranova, Alyssa Altman, Anil Garapati, Jillian Moore



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# RETAIL GOES ROGUE:

## HOW DIGITAL CONVERGENCE WILL REVITALIZE THE IN-STORE EXPERIENCE

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Written by Charlie Sayers, Director, Atlanta  
& Rob Milstead, Vice President, Atlanta



**Before the big boom in online retail, there was a place around the corner we'd all visit to get the latest and greatest products we'd heard and read about. We called it a store. Well, despite all the attention and excitement around the meteoric and seemingly limitless rise of ecommerce, stores are poised to make a comeback in a huge, digitally convergent way.**

The connected consumer's push for seamlessly integrated omnichannel experiences is inspiring retailers to go rogue by introducing new ways to extend aisles, create adaptive environments and deliver augmented packaging experiences—all at the point where digital and physical converge.

It wasn't that long ago when an ecommerce site simply complemented a retailer's physical store presence. Shoppers would browse at their leisure, manually

compare prices and head out to the store to examine the product and make their purchase.

But as ecommerce technologies advanced and new capabilities to directly influence and control the shopping experience emerged, brick-and-mortar stores saw their role and relevance shift from "the place to buy" to "a stop along the purchase path."

The rise of the smartphone and ecommerce mobility further compounded the challenge for retailers. They began to watch a new "see and search" approach to shopping happen before their very aisles—where showrooming and test-and-buy-elsewhere became the norm.

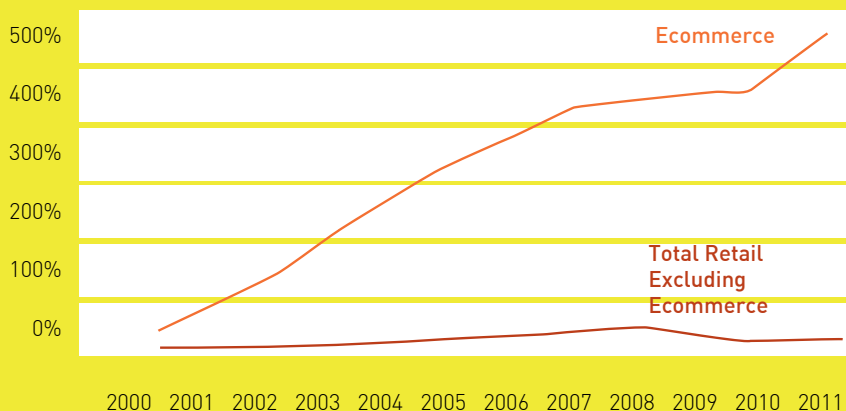
### Shopping Habits Have Shifted

Shoppers no longer have to physically visit a store for product information, pricing or purchase. They can create shopping lists on-the-fly, access expert reviews and consumer reports from any location, generate custom price comparisons or snap a quick product picture and share it with their social community for collaborative evaluation and opinion.

Today's shopper has fully evolved into an empowered "omnichanneler" with the ability to access and combine a wide variety of information—from product-specific to socially influenced—through any device, anywhere, any time of the day or night.

**While not at the same pace, both online and in-store sales are growing.**

Retail sales growth from 2000 to 2010 (Base: 2000)



Source: Retail Indicators Branch, U.S. Census Bureau

Yet despite the continuing success and growth of ecommerce, mCommerce and social shopping, the physical in-store retail experience continues to command a significant amount of a shopper's interactive attention. In fact, Forrester predicts that brick-and-mortar stores will still command more than 90% of all retail purchases by 2016.

With an expected growth rate of about 3% per year for the next four years, this means that in-store sales will expand by more than \$88 billion in the U.S. alone—significantly outpacing the \$13 billion ecommerce will generate.

#### Retailers Must Do More Than Use Innovative Technology in Traditional Ways

Responding to the demand and growing success of ecommerce, brick-and-mortar stores have begun fighting to regain relevance by adding technology-enhanced touches to their physical footprints. They are replacing print signage with traditional displays, installing self-service checkout, incorporating in-aisle price and coupon scanning and introducing touchscreen way-finding from everything from kiosks to store windows.

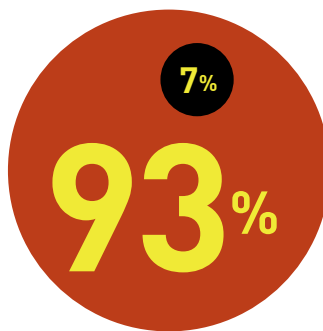
The same underlying expectations around access, convenience and control remain the same whether online or off. But the purpose and relevant methods to achieve that control are profoundly different.

But what works online doesn't carry the same level of relevant value to the physical store where consumers expect completely different experiences.

Most successful ecommerce experiences enable shoppers to gain greater control over acquiring a product. In contrast, shoppers expect an in-store experience that is more interactive and relational.

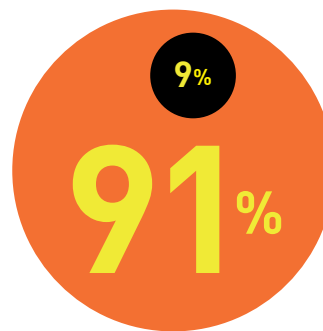
These shoppers are crossing store thresholds with a new and evolving set of immersive technologies at their

2012 Retail Sales Distribution



● Online \$16 Billion ● In-store \$210 Billion

2016 Retail Sales Distribution (Projected)



● Online \$29 Billion ● In-store \$298 Billion

SOURCE: Forrester Research Online Retail Forecast, 2012 to 2016 (US)

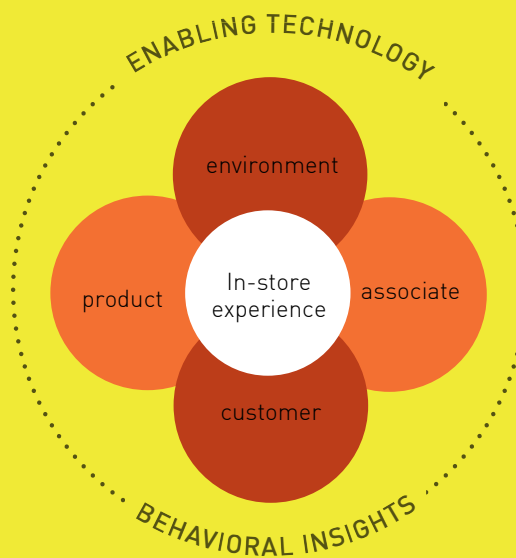
disposal (and in their pockets). For them, there is no store. There is no online. There is no mobile. There is only that short distance between the things they want and all the tools and technologies they use every day to connect to them—with the blended expectation for a greater level of digitally enhanced immersion within the physical space.

#### Retail's Greatest Opportunity for Growth Lies in Connected Retail

Just as ecommerce spurred the evolution of a new type of shopping

## A Connected Retail Experience Must Take Into Account Four Required Aspects:

- Environments that inspire, adapt, curate and evolve in real time
- Associates who are brand experts, equipped with mobile-based, collaborative tools and access to consumer and inventory information
- Products that do more than simply sit on a shelf, but feature augmented packaging and digitally enhanced merchandising that can be activated and viewed through mobile devices
- Customers who are given free reign to connect to virtual and in-store data that can be mashed, customized and socially shared while still shopping in-store



experience, in-store retail is poised to undergo the same level of disruptive evolution—transforming itself into something so different it requires a new name: Connected Retail.

Connected Retail goes beyond the introduction of cool in-store technologies. It involves creating fully integrated, digitally enhanced experiences that engage the customer at the intersection between the virtual and physical worlds—where breakthroughs in in-store innovation will exploit its unique advantages.

### Building the Foundation for Connected Retail

So, how do you approach getting to the promised land of retail nirvana?

Certainly it's obvious that retailers are experimenting with lots of ideas. That rapid iteration—built on ideas that are

tested, modified and retested—is a strong one, but it's very easy to end up with lots of fragmented ideas without the right infrastructure and business processes to support the new way of thinking about omnichannel.

Foundational investments in four core areas can make the difference in building a platform that can ideally support how retail is evolving.

### 1. Integrate your ecommerce engine and order management

What may have originally started as just your website's engine to drive online transactions has now fully evolved into being capable to act as the hub of your connection to your customers through order management that can likely extend beyond your existing POS. Supporting sales-assisted remote checkout and even self-checkout are more critical than ever as customer expectations are shifting.

## 2. Drive pricing and inventory management consistency

Being able to present a single face to the customer across your channels is an important capability that has almost become table-stakes in the mind of the customer. She doesn't think in channels and it's next to impossible to try and guess her ever-changing needs and expectations. She uses multiple devices in multiple ways at home, online and in-store and she needs the same information in all of those places. Ultimately, this is easier said than done, but it's important to plan properly to drive towards enterprise-level views of your inventory as well as consistent pricing regardless of channel.

## 3. Consolidate sources for product information

Typically retailers find themselves in a situation where multiple points of entry for product data have arisen either through vendor systems and spreadsheets or simply through operating at the place of business and ending up supporting multiple systems and processes. It's easy to see how this can spiral out of control with product set-up, merchandising and marketing across numerous channels. Having slightly different systems and tools to support store, online, mobile assortments and others is all too common. Developing a roadmap towards consolidation is a critical step that most brands never take.

## 4. Develop a single view of your customer

As your customer engages with your brand through numerous channels, how do you capture their information?

Opt-ins in-store, online and mobile can easily create redundant information. In order to move to a world where the customer's data can improve how we market, we'll need accurate and complete data.



## Connected Retail Requires a Shift in Both Perspective and Organization

Change can be challenging, but Connected Retail offers huge rewards to retailers. Success will hinge on overcoming the following obstacles—and taking full advantage of in-store's unique opportunities—to better connect to an enterprise-wide experience strategy.

**Establish P&L ownership that can be operationally shared, but departmentally managed.** Budgetary ownership is typically divided between multiple stakeholders, by channel or by departmental divisions without accurate sales allocation systems.



A core set of metrics needs to be acquired, shared and maintained so that everyone throughout the organization is working from the same pool of data.

**Build consensus on win-win approaches to track measurable return.**  
Demonstrating ROI across investment costs that are shared across

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In-store retail is poised to undergo a disruptive evolution—transforming itself into something so different it requires a new name: Connected Retail.

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multiple channels and managerial stakeholders is complicated. There's no silver bullet solution. But by leveraging the collective insights and expertise of your current leadership to define a consistent approach, a manageable, efficient and profitable system that supports the business and the customer can be designed and implemented.

**Create a behaviorally aware customer interaction and analysis system.**  
Designing and implementing innovative in-store experiences in a rapidly evolving world of traditional retail, ecommerce, social, mobile and other channels is a constant battle. The same technologies you use to connect customers to your in-store experiences should feed your analytic engine to enable rapid innovation at the point of convergence.

**Close gaps between implementation partners.**

Multiplication of highly specialized in-store activation companies, local advertising and in-store merchandising partners without a holistic view of a seamlessly connected, omnichannel experience creates inconsistencies in branding and operational management. If it affects the store, it affects the customer.

**Enterprise collaboration is demanding so give it time.**

Even if there is consensus for change throughout the organization, the change itself can be time-consuming and difficult to govern. It will take time and a mash-up of perspectives. Your in-store retail team will have a completely different set of logistical challenges than those facing your online retail team. Find the points of consensus. Build bridges to connect not only their experiences, but their operational objectives as well.

**Digital Is the Opportunity, Not the Threat**

Customers want everything. They genuinely believe everything they can do online can be done in-store, whether that's rich product information, immediate access to an entire, global inventory, comparative pricing or social shopping.

But when they're in the store, they want even more. They want the advantages of digitally enhanced physical experiences—dynamic environments, endless aisles, personal service, augmented packaging and displays, locally

relevant selection and messaging and an immersive environment that is less task-based and more of an event.

It's not a matter of online versus offline, ecommerce versus in-store. Consumers have made the leap to omnichannel. And that leap has a place and evolved expectation for that quaint store of old. Regardless of the phenomenal growth of online and mobile retail, stores are here to stay.

Retailers will need to push beyond traditional in-store environmental

thinking and adopt a rogue mentality to redefine—not simply enhance—what meets and greets shoppers. What happens in the store no longer stays in the store—nor did it necessarily begin there.

Connected Retail offers a unique and powerful advantage to design and deliver connecting in-store experiences that will revitalize and redefine the role of the store in the omnichannel shopping behavior today, and well into the future.





## TREND 4

# GLOBALIZATION

The final trend in the future of experience is the increasing globalization of the marketing environment.

No longer are marketing assets, brands and messages restricted within a single country's borders. Information travels farther and faster today than in the past.

To adapt to this world, marketers must rethink how they operate. Few regions represent the magnitude of the challenge—and the opportunity—as China.

In this section, we posit a new CMO mindset necessary to operate in the new marketing environment. In addition, our authors focused on ecommerce and the luxury consumer in Southeast Asia.

Understanding  
Ecommerce in China

165

OE

Future of Commerce:  
Lifestyle Social Commerce  
Goes Beyond Popping

171

Chasing the Global Chinese  
Luxury Consumer:  
A Connectology Approach

175

OE

Glocalisation and the  
Anthropology of Global  
Marketing

181

Five Challenges to  
Tomorrow's Global  
Marketing Leaders

187

OE

International  
Ecommerce  
Expansion

190

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# UNDERSTANDING ECOMMERCE IN CHINA

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Written by Robert Wang, Business Consulting Manager, Planning Department, China





**China's ecommerce industry has continued to grow at a torrid pace, reshaping traditional businesses and changing the digital market landscape. Prior to 2010, annual growth of Chinese ecommerce was higher than 100% for several years, which lead to a 4.3% online penetration rate in 2011, out of the total retail sales of consumer goods. And, in 2014, it is estimated that ecommerce in China will reach the same 7 to 8% penetration level as the U.S., France and Germany.**

But not only is China's ecommerce growing exponentially, it also employs unique business strategies due to their major ecommerce players, their B2C growth and the way their consumers shop and make purchases.

#### **Who's Playing?**

In 2011, 76.8% of online retail sales were consumer-to-consumer (compared with roughly 20% in North America).<sup>1</sup> Taobao Marketplace is by far the most dominant, with a 90.4% share. With more than 800 million product listings, and over 500 million registered users as of June 2012, Taobao Marketplace is similar in some ways to eBay, although the vast majority of products are new, and sold at a fixed price.<sup>2</sup>

Much lower than global practice, the remaining 23.2% of online retail sales are business-to-consumer. Of this 23.2%, half is from Tmall (Tian Mao). Next is 360buy with 17.2%. Mecox Lane and Dangdang, the first two China B2Cs that went public in the U.S. stock market, only take 0.7% and 1.9% respectively.

Although B2C is growing faster than C2C, Taobao is still estimated to represent more than 60 to 70% of

all online retail sales through 2015. Given the option between Taobao and Tmall, most big brand owners choose Tmall as their first ecommerce choice.

#### **What's Different?**

Understanding Chinese ecommerce is crucial in understanding how they conduct business. There are four big differences that distinguish Chinese ecommerce from any other country:

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In 2011, only 4 of the top 20 online retailers had offline businesses in China.

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#### **1. More online-only retailers**

In 2011, only 4 of the top 20 online retailers had offline businesses in China, which is just the opposite of the U.S.; among the top 20 online retailers in the U.S., only Amazon, Newegg, Netflix and CDW don't have offline retail. In addition, few Chinese retailers are providing online and offline combined services, such as Zbird.com, Shopin.net and Walmart.

#### **2. Customer behavior:**

##### **Dominance of online chat**

Most customers in China do their online shopping during working hours and most tend to use online chat to solve pre- and post-sale problems, only using call center services when absolutely necessary. This phenomenon is especially typical with Taobao. In addition, most Chinese like to open a new product page in a different tab or window, meaning they use the "go back" button much less than their Western counterparts.

<sup>1</sup> Forrester Research, 2005

<sup>2</sup> Alibaba Company Website. <http://news.alibaba.com/specials/aboutalibaba/aligroup/index.html> Accessed August 7, 2012

### 3. Different payment options and checkout paths

Debit cards are the dominant payment method in China. The credit system is not mature enough and credit cards are not yet widely used or accepted in second- and third-tier cities. Cash on delivery (COD) is widely used by most B2C companies except Taobao.

Alipay, a payment processing company, is dominating the online payment business; PayPal has little influence. But this online payment process often leads to problems: In China, the order is generated before personal payment information is supplied whereas, in the U.S., people fill in the payment information before submitting an order. The average successful payment rate in China is 70 to 80%.

### 4. Mobile commerce

Mobile commerce is less developed in China than in other commerce counterparts. The few good practices are not from foreign big brands, but from local online players such as Taobao, 360buy and VANCL. The mobile apps for B2C are still mainly for retail function. Some more innovative functions like QR codes and pricing comparisons were first copied by 360buy.

### Is B2C the Right Choice?

Since Taobao is dominating the online shopping environment, independent B2C websites are having trouble staying afloat, partly because the building phase of both front-end and back-end systems are expensive, requiring extensive customization. The local solutions require a great

effort to integrate with the existing systems, where language proficiency and business understanding are huge obstacles to overcome.

Consider Tmall.com. Formerly Taobao Mall, Tmall was first introduced by Taobao in April of 2008. It is a site for B2C online retail and a platform for local Chinese and international businesses to sell quality goods to consumers in China.

There is no doubt that most brands are suitable for Tmall, but should these retailers open flagship stores on the site? Due to finance problems in 2011, many retailers did just that, since new customers were relatively cheaper to capture in this space. These retailers covered almost every major category for online retail: computers, electronics, apparel, baby products and more. However, the strategy was considered temporary and many retailers provided a limited inventory. For example, the Hong Kong-based cosmetics retailer Watsons, which has both retail and private label brands, choose to sell only the private label on Tmall.

Another obstacle for businesses has been money and ROI. The Chinese ecommerce market has been hot since 2010, which has lead to huge expenses in marketing and hiring. So large investments and bad returns in sales have left the independent B2C retailer with a question mark. To answer this question, businesses

must think about what a B2C can provide that sites like Taobao can't:



**Online to offline (O2O)**

The store locator function is weak in China, but physical stores can enhance the customer user experience, help sales and offer stronger connections with customers. In addition, offline opportunities are huge in certain categories, like furniture, where store experience is very important.

**Special supply chain management (SCM)**

For some categories like food, logistical services are not always professional in China, and Tmall can't satisfy that demand due to constraints. However, some big retailers already have in-house supply chain teams for offline business, so expanding that advantage online would be a unique business opportunity.

**Helping customer relationship management (CRM)**

O2O businesses can help improve the CRM greatly, especially for the retail industry where CRM is not yet available (e.g., apparel). In addition, ROI on CRM is excellent.

**Digital marketing and branding**

On Tmall, function and design

options are limited. However, with an independent website you can customize the marketing and branding options. In addition, retail function is not a must with an independent B2C website.

**The B2C Plan**

If the former all point to yes, there are four recommended phases in order to open and sustain a profitable, successful B2C:

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Prior to 2010, annual growth of Chinese ecommerce was higher than 100% for several years, which lead to a 4.3% online penetration rate in 2011.

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**Phase 1: Strategy**

At the onset, it's important to consider the Tmall market size overview, competitor analysis, Tmall strategy and Tmall product and pricing strategy. UNIQLO is a good example. Its products, pricing and promotions are consistent for online and offline channels. Very few players have such discipline in China.



**Phase 2: Building**

Once the strategy is sorted out, Tmall retailers should select vendors (many large brands choose to outsource daily operations) and hire a team, from customer service to operations to marketing to warehouses. Next, the shop can be designed and integrated with systems like ERP, WMS or CRM to manage and coordinate all resources. In addition, thought must be given to inventory planning, warehouse setup and financial and legal planning among other aspects.

**Phase 3: Marketing**

Tmall is famous for its discounts, so marketing and promotions are critical to success. Discounts are even more important than marketing expenses, which can be a problem for pricing strategy. According to a top partner of Taobao, the average ROI of market expense is around 10 to 15% of revenue. The refund rate of Tmall is lower than the Western standard (the average refund rate of apparel is less than 10%), and accounts receivable is longer, at an average of seven days.

Among all the marketing tools, CRM, SEO and SEM have relatively better ROI, while online display ads, TV

commercials and offline billboards are not as worthwhile.

**Phase 4: Daily operation**

Once you've set up the foundation for a B2C, these operations and decisions should be top considerations as well:

- Manage your vendor(s) closely
- Decide if you want to support COD
- Choose a form of online payment (e.g., Alipay, Tenpay, 99Bill)
- Establish brand awareness with SNS tools
- Consider opening more stores on other platforms (e.g., 360buy.com, Amazon.cn)
- Consider opening more stores on group-buying or flash-sale channels

**The Warehouse and Delivery Bottleneck in China**

The logistics industry takes 18% of China's GDP, which is twice as high as Western countries. For online retail businesses, every order is considered a parcel and can be quite expensive, eating up a budget. Average costs for a parcel are:

- 5-10 RMB: Normal, low-service local courier
- 5-15 RMB: Warehouse cost
- 12-20 RMB: Good delivery partner

Even if you can control the expense well, don't expect too much on the logistic service level. Most foreign brands in Tmall perform around industry average. Today, there are still many issues with delivery services:





- The damage and theft rate is much higher than Western countries.
- The on-time rate of delivery is around 80% for a normal courier.
- Only foreign logistic companies like FedEx or UPS and local company ShunFeng, can provide solid service, but are much more costly.
- For first- and second-tier cities, punctuality is better (1–2 days). In remote areas, 4–5 days are required.
- Only state-owned company China Post (EMS) can cover all rural areas, but they have the worst service.
- For some festivals, most third-party logistic companies do not work. And in promotion season (e.g., Double 11), the orders back up and it takes a week for warehouse and delivery companies to operate.

#### **Government Policy and Tax Issues**

It is illegal for foreign companies to conduct retail online in China. Only 100% domestic companies can apply

for an ICP (Internet Content Provider) license, which allows them to operate an online retail business, and common practice is to have at least two companies: one for the license and one for retail.

However, policies are changing. We see some foreign brands conducting retail online without a license, though technically they are still illegal. Unlike Amazon's better tax treatment in the U.S., B2C merchants in China have many taxes similar to offline retailers. Only C2C merchants can avoid taxes. Invoice issues are quite complicated in China as well. There are no e-invoices and merchants often don't give an invoice to a customer if not specifically asked.

#### **Conclusion**

Ecommerce in China is complex, unlike any other country and in a constant state of flux. But understanding Chinese business practices can improve your Chinese ecommerce strategy—and even your business strategy at home—immensely.





ONLINE  
EXCLUSIVE  
CONTENT

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# FUTURE OF COMMERCE:

## LIFESTYLE SOCIAL COMMERCE GOES BEYOND PINNING

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Written by Jeff Blais, Creative Director, Multi-Channel User Experience, Singapore  
& Sushobhan Mukherjee, Vice President, Strategy, APAC, Singapore

**Social commerce is commonly seen as a loop from curation to inspiration to shopping. A slew of properties like Pinterest and Fancy, which help consumers create inspirational pinboards for action, seem to define the territory.**

We sought to redefine the arena, creating a device-agnostic, cloud-based proof of concept that upends current beliefs and has disruptive potential in how brands, retailers and consumers create profitable connections.

#### **Pinterest: Making Commerce Social**

The juxtaposition of “social,” “commerce” and “lifestyle” almost immediately suggests Pinterest. Crowned the fastest-growing independent site in history by comScore and touted as driving more online retail traffic than Google+, LinkedIn, Reddit and YouTube combined, Pinterest dominates mindshare in the arena of social commerce.

It is not difficult to see why Pinterest does seem like the future of social commerce, at least in the U.S. and UK (the source of most of its early adopters). With the site doing away with invites, one expects its distribution of users to quickly mimic the distribution and penetration of the larger social networks, Facebook and Twitter.

This brings us to Asia. The third and fourth largest nations on Facebook are India and Indonesia. The second and third largest nations on Twitter are India and Indonesia. And China, with 538 million people online, the largest population on the net, doesn't have Facebook or Twitter. But, what they do

have is 388 million users who go online from mobile and wireless devices.

When one looks around Asia, online looks distinctly mobile. What does social commerce mean in this mobile world?

#### **Understanding the Mobile Continent**

Asia accounts for more than half of the world's mobile subscribers. That means three out of four have a mobile phone. Now, imagine almost two billion people for whom the mobile phone is the first phone, the first

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“No one knows for sure what social commerce will be in the future, but it's starting to look a lot like Pinterest.”

—Tricia Duryee, Technology Writer for AllThingsD (The Wall Street Journal)

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computer and the first private space they have had. And with smartphone prices dropping below 100 USD, half the phones are already smartphones of some hue or the other. This phenomenon of entire generations of technologies being skipped is described as leapfrogging.

For decades, Asia lagged the developed world. Recovering from the ravages of colonialism, multiple military conflicts and fledgling economies, most of Asia endured slow economic growth. Japan drew away first, quickly transforming itself into the second most powerful economy.

Sometime in the 70s, the Asian tigers of Taiwan, Thailand, Singapore and Korea broke out. Then it was the turn of China, followed by India, Vietnam and Indonesia.

This rapid economic development coincided with the consumer adoption of computers. Then, the Internet exploded around the same time as the telecommunications infrastructure moved to mobility. Technology products were embraced quickly by a population that was young, hungry for aspirational products and driven by a need to flaunt their newfound prosperity through status symbols. Leapfrogging was the result. It still continues.

Interestingly, leapfrogging makes consumers embrace innovation faster, because they don't need to unlearn. The rapid adoption of SMS or MMS in Asia was perhaps aided by not having landlines or voicemail. Mobile payments, for example, are aided by low penetration of banking and credit cards, and catalyzed by the inherent need to repatriate cross-border earning—and, of course, mobile phone penetration.

On Device Research found recently that 38% of Chinese Internet users were mobile only. That number rises to about 60% in Indonesia. As these numbers grow, it is increasingly apparent that the future of digital is mobile.

Which begs the question: Just how valuable are desktop, web-based ideas for commerce?

## STYLEBOOK: RE-IMAGINING LIFESTYLE COMMERCE FOR THE MOBILE-FIRST AGE

### Insight

Mobile devices—whether phones, tablets or the intriguing phablet (phone+tablet)—are ubiquitous companions. Consumers use them to view and share content, create content, socialize, compare, shop and purchase.

Ubiquity enables consumers to be spontaneous. Spontaneity lets consumers seize the moment.

Inspiration exists everywhere and strikes unexpectedly. A dress one likes on another or a display in a shop window or a set in a film—each can be an inspiration to enhance oneself and one's life.

Ubiquity + Spontaneity + Inspiration = A strong platform for ideation.

### Ideation

Social commerce, currently, is all about reacting to collections that others have created. For example, one creates a pinboard after re-pinning images from other pinboards, which were discovered passively.

The new and novel idea is to transform passive discovery into active identification, by collecting whatever inspires oneself. Inspiration lies in the eye of the beholder. Capturing these inspirations and enabling them to be stored, shared and purchased is the core of the promise.

Social sharing happens after the inspiration, both to affirm one's choice and include others.

### Implementation

A working prototype for this mobile social commerce experience has been created using Netbiscuits technology, which is the leading cloud platform for the development and delivery of web experiences for multiple screens and operating systems.

**Collect and capture.** People use their phones to capture things they like (e.g., the design of furniture, the styling of a bar or the design of a showroom). They might capture a bag or dress they see on the street or capture a page in a magazine of certain products they want to buy or are interested in looking up on the web. They "like" products their friends have posted on other social sites such as Pinterest or Facebook. Given a multi-device world, ability to aggregate across a spectrum of sources is essential. All these collected items are stored in the cloud, so that they may be accessed from anywhere.

**Recognize and purchase.** Image recognition engines such as Google Goggles are able to match products in the cloud to merchants selling them. At the same time, while the cloud items shape a user profile, merchants are able to push matching items the user might like. At the end of the process is the connection to the merchant, and the mobile social commerce experience allows the user to buy the items online.

Stylebook connects people, and their inspirations and styles, to retailers and brands that created them in the first place. What a consumer chooses is a reflection of who he or she is, and this makes it a powerful lifestyle statement.

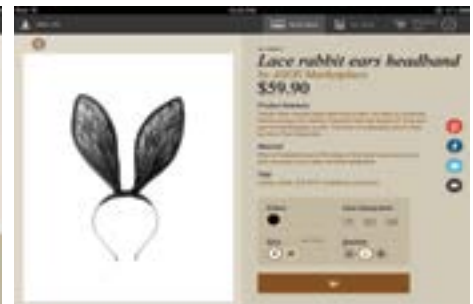
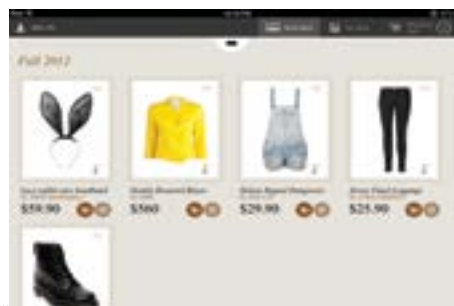
A working prototype can be seen at [sapientpoc.com/stylebook](http://sapientpoc.com/stylebook).

### A Future Beyond Pinning?

This is a demonstration of a "lifestyle social commerce" experience that enables consumers to discover, collect and purchase products based on trends, lifestyles and social connections.

It is built to help brands and retailers participate in the multi-device, multi-channel reality of consumers, especially rapidly evolving mobile-first consumers, as seen across Asia.

It does seem like the future. Until the next innovative idea, that is.





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# CHASING THE GLOBAL CHINESE LUXURY CONSUMER: A CONNECTOLOGY APPROACH

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Written by David Thorpe, Vice President, Strategy, Miami  
& Jake Wheeler, Creative Director, Global Projects, Shanghai/Miami





**In the throes of a persistent global economic downturn, the Chinese luxury consumer has proven extremely resilient. In 2005, Ernst and Young predicted China would spend more than \$11.5 billion on luxury goods by 2015. Last year, China spent more than \$15.6 billion. China's "middle" class of 160 million people—currently 12% of the population—is expected to surge to 74% of the population by 2030, and \$15 billion could be pocket change in a decade or so.**

So what's the problem? The belief that China today would be to luxury what Japan was in the 1980s and 1990s is one assumption Western companies have made in their haste to see China as the answer to slowing markets back home. The speed of China's growth is impressive, but it's also a complication. In 2012, many established luxury brands reported declining sales, slowed growth or a desire to pull out of mainland China. These figures offer fog as much as light; business is booming on the mainland for niche brands such as Roger Vivier and major brands are enjoying uninterrupted success to their global profits.<sup>1</sup>

It seems the appetite is growing but the diet and location are changing. A significant part of the Chinese luxury market<sup>2</sup> is not in mainland China. This poses a novel challenge: The traditional luxury model of conspicuous consumption relies on the relatively static socio-economic progression of a culture. It's not geared to map a hyper-dynamic "glocal" market or manage diversity across aspirations, contexts,

expectations and evolving notions of luxury. The field remains open for those with an insightful strategy to capture the ultimate prize in the luxury game—the Chinese luxury consumer.

### A Luxurious Problem

Since the 1980s, European artisans, traditionally low-volume, high-margin producers noted for timeless style, quality and craftsmanship, used hi-gloss branding to leverage their status and introduce "diffusion" lines in the shape of handbags, lipsticks and perfumes as on-ramps to mass luxury

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"Fashion is an odd jumble of contradictions, of sympathies and antipathies. It exists only by its being participated among a certain number of persons, and its essence is destroyed by being communicated to a greater number."

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—William Hazlitt, *Table Talk: Essays on Men and Manners* (1818)

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consumption. This "democratization of luxury" was meteorically successful; enormous fortunes were won and the expectations of the consumer forever changed. An array of innovation seeks to address demand; traditional retail seasons of spring, summer and winter are now augmented with pre-season lines. And today, even supermarkets have lines with luxury branding and higher pricing.

Success comes at a price as high as an Alta Sutura De Morgan Isaac

<sup>1</sup> Richemont expects its half-year profits to be up to 40% higher than last year, despite concerns a slowdown in Asia could crimp its earnings. Prada said that in 6 months to July 31, sales rose 36.5%. *Financial Times*, August 7, 2012

<sup>2</sup> According to the Hurun Wealth Report 2012, China's millionaires continue to spend heavily despite slower growth in the broader economy.



gown: Democratization has created a world where luxury is fast losing its meaning. Traditional luxury brands face competition with high-volume, minuscule margin brands at one end and high-margin, fashionized brands at the other, not to mention the rising ranks of newcomers including Chinese luxury brands such as Shanghai Tang.

To contend with such fierce competition, big holding companies acquire forgotten names to reinvigorate their pipeline and push their lucrative ones to create new heights of ultra-luxury (products made largely inaccessible through price and planned scarcity), which sets the context for a mass market of “affordable luxury” diffusion lines.

Upping the stakes is a well-trodden path, but it avoids larger existential questions: What is luxury in a market of a billion people? What must luxury do to meet the promise of China? Can it meet the demands of the new global market, its scale and diversity, with a model born in the 1960s and 1990s?

Speed is not only confined to the cycle of fashionized product lines. Chinese consumer taste is evolving fast; especially in larger, cosmopolitan cities, the craving for highly recognizable luxury products appears to be shifting to niche and under-the-radar products that will distinguish their owners from the masses. This doesn’t fit with notions about collectivist cultures. Speed of growth and dynamism pose an interesting quandary for the traditional model of spectacle and diffusion, further complicated when a culture has an

ambiguous relationship to luxury itself: Mao, Confucius and Louis Vuitton in Tiananmen Square is a conversation held in a strange gravity.

### A Different Consumer

The typical Bentley owner in China is a 30-something Internet-savvy entrepreneur—hardly the image of a Bentley owner to Westerners.<sup>3</sup> Why Bentley over a Rolls-Royce? A Rolls-Royce is too showy, too obviously luxury for the Chinese sensibility, where modesty is valued but held in balance with face and respect.

Another feature of Chinese growth to confound Western observers is the “failure” of the middle class to materialize in the way expected. While relatively easy to bundle Chinese consumers into a middle class socio-economic group, they simply do not exhibit the same aspirations and shopping habits of the middle class in the West; rather, the Chinese see “middle” as a phase on the path to riches. In order to accelerate that journey, people will save for months to purchase a luxury good, whose symbolic power imbues social status and garners respect. To do so, they’ll trade down to discount brands elsewhere. Feast and famine live as bedmates.

Companies that position themselves in the middle place themselves in no-man’s land.<sup>4</sup> When venerable British retailer Marks & Spencer took its middle message to China, the market and target weren’t interested. Ralph Lauren<sup>5</sup> hit the same void and is now buying back its licenses and concentrating on select theater retail

<sup>3</sup> [http://www.forbes.com/2008/11/21/car-buyer-types-identity08-forbeslife-cx\\_jm\\_1121cars\\_slide\\_11.html?thisspeed=25000](http://www.forbes.com/2008/11/21/car-buyer-types-identity08-forbeslife-cx_jm_1121cars_slide_11.html?thisspeed=25000)

<sup>4</sup> <http://www.businessweek.com/articles/2012-04-16/for-u-dot-s-dot-brands-theres-no-middle-in-chinas-middle-class/>

<sup>5</sup> <http://www.forbes.com/sites/greatspeculations/2012/06/21/rf-ralph-lauren-acts-like-coach-in-china-its-stock-will-take-off/>

in a concerted effort to reposition itself as a premium brand in China.

### Ways of Seeing

The West, like every culture, has a problem: It assumes the way it sees is the “right” way. A culture’s mode of thinking forms the backbone of how individuals relate to one another; it informs how we reason and how we construct meaning. But it also limits the ability to see beyond context.

Western thought is geared to causality. It rests on a belief that things can exist in isolation and are subject to governing rules; break something down to its component parts and you can find the truth. In stark contrast, the Chinese view this type of thinking as inviting extreme and mistaken conclusions. Chinese thought sees any event as embedded in a meaningful whole in which all the elements are constantly changing and rearranging themselves.

This fundamental difference in organizing concepts is apparent in our cultural storytelling modes. Western stories describe actions whereas the Chinese equivalent describes relationships between people. When given a series of images, an Asian child is more likely to group relationally, pairing a cow with grass because a cow eats grass. A Western child tends to place the cow with a chicken because they fit into the same “taxonomical” category.<sup>6</sup> Balancing differences in the construction of meaning is crucial when “storyscaping” global brand narratives, from the use of imagery and language to choices in celebrity endorsement.

The relational nature of Chinese society creates a paradox of tighter collective binding but also a low-trust environment, which explains the importance of rituals and principles like “guanxi” and “shai.”<sup>7</sup> “Guanxi” describes the basic dynamic in personalized networks of influence. It closes the distance of network ties to reduce risk, a form of insurance in a low-trust environment. In turn, the principles of “guanxi” are bound by face (“mianzi”) and reciprocity (“bao”), subtle acknowledgements of the

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The West, like every culture, has a problem:  
It assumes the way it sees is the “right” way.

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power dynamic within the network. Position in relation to others is loaded with meaning, which explains why some luxury brands become essential utilities in belonging to the crowd (e.g., Bentley).

A new phenomena emerging in social networking sites is “shai” — bragging about possessions is a hyperbolic embrace of consumerism and individualism, and it flies in the face of traditional structures, yet it also deeply mimics its rules. According to the China Youth Daily, most brag about “connections” (65.4%), followed by “income” (64.7%) and “consumption” (62.1%). Many attribute the explosion of “shai” to a decline in social morality. Hard to ignore and harness, “shai” is the double-edged sword of Chinese mass exposure. The fantasy component

<sup>6</sup> Richard Nisbett, “The Geography of Thought”

<sup>7</sup> Fei Xiaotong, “From the Soil”

of “shai” makes it tricky territory for luxury brands that want to promote timeless quality.

For luxury brands, understanding the relational society offers insights necessary to tread through the contradictions. Luxury retailers must remember that the exceptional meaning of a luxury good cannot be construed in and of itself; rather, its value is created in terms of its influence on and for a person in respect to their network. It’s not enough to say, “This car is the best,” because of external criteria. In a network society, the standard by which something imparts prestige in their inner and outer networks is the dictum of value for a luxury product. The engagement of a brand is not just in producing spectacle but in adding value to its context; the relationship it has with place is vital.

#### **Making It Work**

For luxury brands, success begins and ends with meaning. Resuscitating luxury and sustaining its value requires pushing a label’s meaning beyond the label itself. Most often this occurs as a service or status to the buyer that has a deeper resonance. To create resonance, brand strategies must evolve to be in service of their audience and the relational context of that audience.

Take the organic farm at the Fairmont Yangcheng Lake Hotel. Having an on-premise organic farm isn’t a harbinger of a local slow-food movement in China like it might be in the U.S. Rather, it cleverly positions hotelier Fairmont as a

luxury experience. In a country where food safety and food sourcing are hot button topics, this kind of quality assurance conveys meaning beyond 1,000 thread count sheets. Fairmont’s strategy is a manifestation of a broader shift to enhance its in situ experience and seamlessly meld place and space, the physical and the digital into a unified value experience.

#### **Evolution of Luxury Marketing as Service**

Despite talk for decades about customer-centricity, brand marketing hasn’t really caught up with oratory. When perceived as a service, the realm of marketing activities is liberated from the constraints of a bought channel world; it offers take-with-you interactive utility. In a networked society, the traditional media cascade doesn’t have staying power. A shift to service addresses this deficit. There’s always a role for what happens at home, but in a digital world you have to be able to let the value you created “there” pay off “here”—and to know what’s working requires connecting the two.

When you can buy anything from the comfort of your own home, the physical and personal experience has to step up. Department stores like Harrods blaze the trail on social, local and mobile integration of their institution into the cultural fabric of the environment, and Barneys New York has long integrated cultural events into its store experience. In China, TAG Heuer recently launched an effort to better its penetration and reputation with a digital editorial approach. Employing

a quarterly journal filled with high-end content, and partially authored by key opinion leaders, their strategy aims to build trust within network influencers while giving end readers a native-language brand experience with global themes and quality mixed with local interests.

China's low-trust environment is iterated by a state-controlled mediascape. Service addresses the pervasive trust issue as does brand editorial over pure advertising. It took Net-a-Porter's melding of editorial perspectives with service to successfully usher premium fashion into ecommerce. Editorial's role is to provide a trusted shortcut through the maze of choice. But when editorial is melded into a commerce vehicle, there must be new assurances to ensure content honors its allegiance to the customer.

### Connecting With the Chinese Luxury Consumer

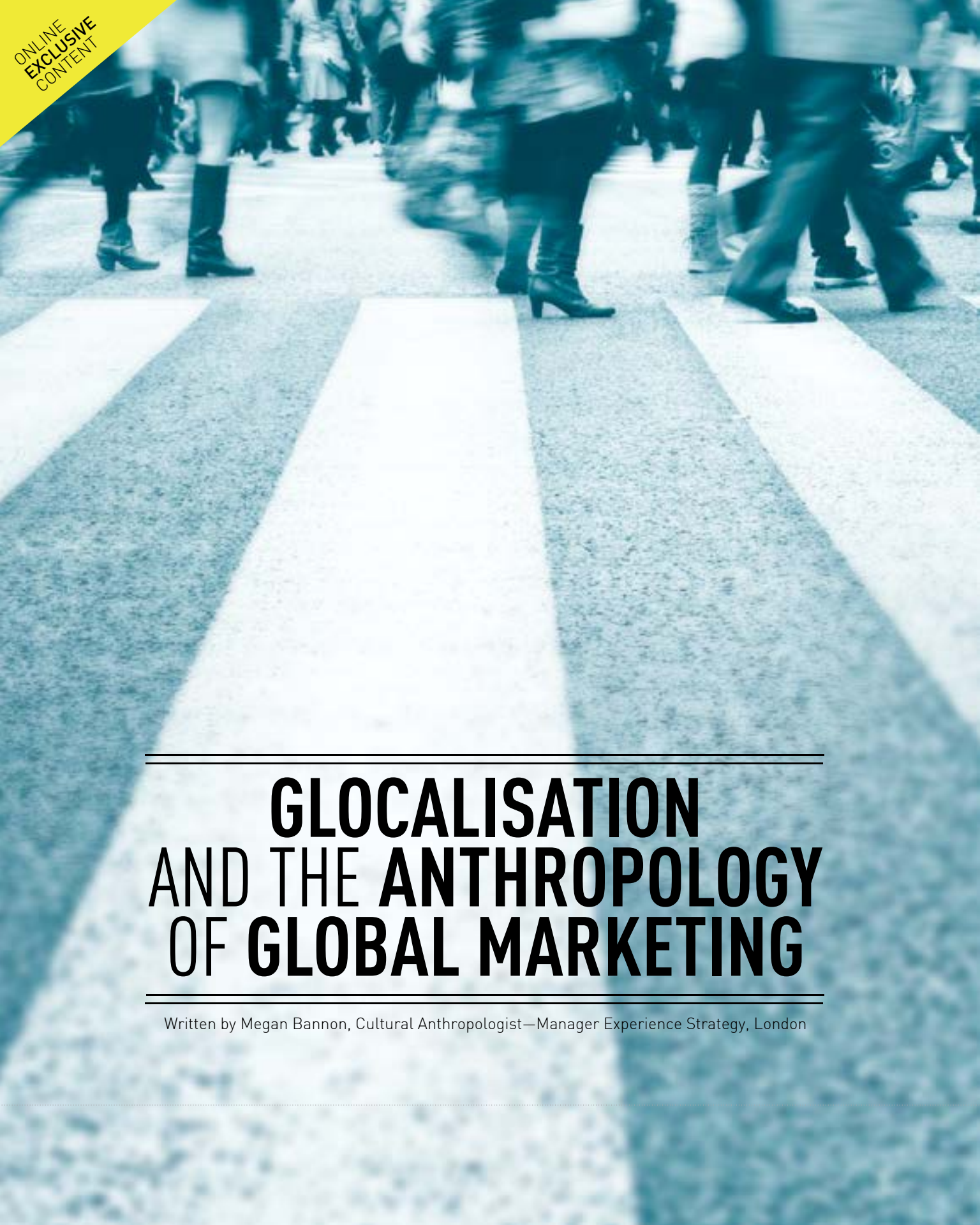
For all its vast potential and opportunity, China is equally complex and idiosyncratic. Perhaps fittingly, to a Chinese perspective, there are answers but there isn't one answer.

An optimal solution for a brand is where connected thinking drives meaning, trust and service for the new Chinese luxury consumer. A brand must understand how its unique service proposition plays out within the mechanics of a relational society. For the Chinese luxury consumer, any meaningful solution should be native-language, globally portable and connected.

In the end, while messaging will take many forms on many devices in many languages, and while our target is fast-moving, rapidly-evolving and transnational, the plan to capture them starts in a deceptively simple place—by thinking more like the Chinese.







ONLINE  
EXCLUSIVE  
CONTENT

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# **GLOCALISATION AND THE ANTHROPOLOGY OF GLOBAL MARKETING**

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Written by Megan Bannon, Cultural Anthropologist—Manager Experience Strategy, London

**A client asks you to employ a global marketing campaign in China, Brazil and the U.S. Oh, and they need it in six weeks. What do you do?**

It's often a mixed reaction. The first feeling is excitement, but a controlled freak-out quickly follows. How do you connect with people in multiple countries on a real and relevant level that will be successful? How do you do this under such time constraints? How many times have brands and their agencies failed at this?

On a global scale, it's not good enough to simply have a great product or campaign. Just because it works in one region doesn't mean it will work in another. Success for global brands comes when they figure out how their product or service culturally fits into peoples' lives. In order to form authentic connections and breakthrough ideas, we have to have a deep understanding of people. It takes a truly anthropological approach.

As globalisation has continued to be fueled by advancing technologies and the opening of political boundaries, marketers are forging into territories they've never gone before. In some senses the world is getting smaller, but our jobs as marketers are getting much, much larger. More and more, our clients are global in nature, and, increasingly, so is our work.

There are approximately 198 countries, roughly 6,500 languages and countless cultures and sub-cultures in the world. So how as marketers do we cope with globalisation? Not even the best

social scientists in the world have a grasp on a fraction of these cultures, so how are we expected to design products and campaigns that are globally consistent, yet locally relevant?

While we can't expect to become experts in every market we operate in, through a "glocalised" approach, we can design successfully on a global scale.

### **What Is Glocalisation?**

The term "glocalisation" was first coined in the 1990s by British sociologist Roland Robertson (following a long history of discussions on global forces in the marketplace). The term was fanatically discussed in social science, economics and

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**Glocalisation is the act of taking something global and adapting it on a local level.**

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business circles, both practicing and academic. It disappeared from the mainstream scene for a number of years, and now the term's relevance seems to have made a resurgence in the business world.

As the name suggests, glocalisation is the act of taking something on a global level and adapting it on a local level. McDonald's is often cited as one of the most successful examples, as they have created local formats for their restaurants. While globally, you can get the same Big Mac in Shanghai that you get in New York, locally, McDonald's has

adjusted their menus and restaurant layouts to meet the local tastes and dietary needs in each of their 100-plus countries.

Conversely, we've seen brands like Best Buy fail. Recently, they had to close their UK operation because their U.S. model just didn't fit. It seems they fell into the trap of overlooking the major differences in culture between the two markets.

So how do we make it work and increase global success?

research findings into successful marketing campaigns on a global scale.

So how do we cope with these challenges, and make authentic connections with people around the globe? While anthropology is at the heart of the approach, an interdisciplinary team, distributed across geographies, provides the global perspective tempered with key local expertise. It's part methodology, part tried-and-true experience and a lot of detail management.

### Making Global Work

One of the biggest challenges of working globally is logistics. Managing people, vendors, translation, interpretation, moderation resources, travel and time zones can't be underestimated or undervalued. To maintain your sanity:

**1. Go native.** Plan for time to acclimate to new time zones and contexts. Anthropologists spend one to two years studying a particular culture. You will likely spend a few days to a few weeks. Make sure you build in time to acclimate to the places you are travelling. It's quite a shock to the body and the mind to skip ahead or back a number of time zones. You will not do your best work the moment you step off the plane.

Employ a key tenet of ethnography and conduct participant observation. There is a lot to be gained contextually from experiencing your surroundings. Don't make the business traveler mistake of only

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Go see where your product or service is sold. Observe people. Get a sense for the context and culture you will be designing for.

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SapientNitro's Research and Insights department is often at the forefront of experiencing and coping with the challenges of working on a global level. We are often the first to be deployed to various corners of the world, both physically and virtually, to test the waters and report back on the hearts and minds of people. Even though we can, through technology, be in the living rooms of people in Brazil, China and the U.S. all within the same day, the freedom and ability that this has granted us does not come without its challenges.

We are faced with complex issues of linguistics, customs, symbols, meanings, rites, rituals and laws. The ultimate challenge is turning

seeing the hotel and the inside of the office. Go see where your product or service is sold. Observe people. Get a sense for the context and culture you will be designing for.

### **2. Choose your gatekeepers wisely.**

Consolidate the number of third-party vendors you work with. The fewer moving parts that need to be managed the better. For research in particular, a single vendor managing recruiting, translation, moderation and facilities is ideal. This will reduce the number of dependencies and possible mistakes that can be made.

Make sure you have fully qualified partners—they are your gatekeepers and can hold the keys to your success or failure. Just because they are great in one region does not mean that they will be in another. Wherever possible get references, and make sure they

have real experience in the region you are working. Ask how they will ensure and guarantee quality control.

**3. Use locals as your seers.** As you are gathering data and insights in multiple regions, you are going to want to make the most of your time. Schedule regular debriefs and rest that will allow you to think about your conversations and observations. Conduct debriefs with a current local native. As you are reporting your observations, they will help guide your interpretations and call out nuances that you perhaps didn't pick up on.

### **Go Virtual**

The past few years have seen the rise of virtual techniques for gathering human insights across the globe. Often called virtual ethnography, these tools and vendors use a series of video





cameras combined with moderated and un-moderated techniques to get into the homes and hearts of people around the world.

There can be some great time and budget benefits to doing research this way. It can often be ramped up fairly quickly and it allows a dispersed team to participate in the research without having to travel. With some platforms, you may get searchable transcripts with accompanying videos, which can be great for analysis and client presentations.

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One of the biggest challenges [of remote ethnography] is evolving discussions as we learn more and begin to develop and test hypotheses. This is much more difficult remotely than in person.

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However, it's not without its limitations. The cost for good solutions on the market can be quite high, and contextually, it can leave something to be desired. While you are talking to people who are sitting in their living rooms, you are not actually there with them.

One of the biggest challenges is evolving the conversation. One of the most powerful elements of contextual research is being able to evolve the discussions as we learn more and begin to develop and test hypotheses. When doing remote research, we don't

have the time or ability to do this on the spot because the scripts we use are static and often translated once.

That's not to say that virtual techniques are not valuable. They are—but they should be chosen wisely and with the benefits and drawbacks in mind.

### Bringing It All Together

In the end, you are tasked with creating something that is glocal—globally consistent and locally relevant. You have reams of data gathered locally to analyse and turn into a global view. How do you identify those global truths and local nuances?

#### 1. Maintain cultural relevance.

Simple translation of data from a foreign language to English is not enough. Often, straight translations lack context, and much can get lost. It's important that what is gathered is not just translated, but interpreted. This means making sure that information is not just linguistically translated, but also culturally translated, which needs to be done by someone who has local context.

**2. Keep the tribe together.** Once you are finished doing fieldwork, it's essential to bring everything together—and this means bringing all of the team members together. Each person holds different pieces of context and perspectives that are going to be key inputs into determining the right glocal approach.





Typically, we spend at least a week debriefing all of our sessions and getting the data back out of our heads. This is best done in a war room—a room dedicated to immersing the team in the worlds and people being studied. It often starts in pure chaos, as individual pieces of data get unloaded from our brains and notes. Over the course of the week, this data becomes more organised, until finally we walk away with key insights that will help us make design decisions.

**3. Include the native perspective throughout the process.** Whenever possible, include the native perspective. By working with people who are from—and live in—the markets we are studying, we can cross-check our analysis and make sure that our interpretations truly resonate from the native perspective. This will also help

avoid major marketing gaffs such as linguistic or cultural no-nos. The native perspective can be found through global colleagues, moderators and consultants in the local market, or research participants. As things progress from idea to product, continually check in with these natives to make sure that products and campaigns are still culturally relevant.

Global marketing is not an easy feat. While borders are seemingly disappearing, the need for local relevance is not. Through an anthropological approach that is carefully guided, we can understand how products and services can be both globally consistent and locally relevant. This is a step that agencies and brands alike cannot afford to skip in their global expeditions.



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# 5 CHALLENGES TO TOMORROW'S GLOBAL MARKETING LEADERS

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Written by Hilding Anderson,  
Sr. Manager Research + Insights, Washington, DC  
& Freddie Laker, VP Global Marketing, Miami

**CMOs are struggling to adapt to a world that has fundamentally changed over the course of their careers. Disruptive digital technologies and the new expectations of the global consumer are forcing global firms to adjust and innovate.**

SapientNitro has made a significant effort to understand how these changes are impacting large global organizations. What we found was surprising: Just 15% of senior marketers feel prepared to deal with the rapidly changing consumer, and just 8% believe agencies are succeeding in their support of global brands.

Our CMO Global Marketing Readiness Study, a 6-month research study of 114 CMO-level marketers, identified 5 significant challenges that should act as a wake-up call to global marketers:

### 1. Disruptive technologies

The proliferation of new technologies—from social media and mobile apps to in-store digital experiences and mobile payments—represents a set of obstacles for which senior marketers are ill-prepared. Just 20% consider themselves “very knowledgeable” about technology, yet by 2017 these CMOs will purchase more technology than their CIOs, according to Gartner. The scale of these investments must be at a global level within the organization, yet be mindful of local market requirements. The challenge points to a need for a technology-savvy global CMO with a sensitivity for local-global relationships and the

flexibility to adapt to and embrace disruptive technologies and social media-driven, personalized marketing.

### 2. Globally connected consumers

A new class of consumers, adept with and empowered by affordable ubiquitous technology, has changed the marketing rules. Our research shows that 82% of senior marketers feel that interconnected consumers have broken down the barriers between global and local marketing. Global marketing's core challenge has been to deliver relevant messages to the local market, but in an age where assets designed for one country are rapidly shared around the world, the challenge is to give global consumers a delicate balance of local, regional and global campaigns—simultaneously.

### 3. Localization revisited

Coping with the diversity of “global consumers” who also have strong regional subcultures is regarded as a challenge by 75% of senior marketers. A recent Millward Brown study found that, of ads that tested exceptionally well in one country, just over 1 in 10 did equally well in another country—raising real questions about the cost efficiencies of cross-border campaigns. Add to this the growing tensions between local and global roles and authority within the organization—challenging for 82% of senior marketers—and what becomes clear is the need for organizational design and digital platforms that allow for a multi-channel, multi-disciplinary mindset across the organization.

## GLOBALIZATION

### GLOBAL MARKETING IS MORE IMPORTANT THAN 5 YEARS AGO

% of respondents who agreed or strongly agreed

43%

45%

88%

The importance of managing global campaigns is greater than it was 5 years ago.

50%

32%

82%

The interconnectedness of today's consumer is breaking down the barriers between global and local marketing.

**The core challenge for today's global marketer: Global marketing is recognized as more important than 5 years ago, even as global and local marketing distinctions break down.**

### COMPANIES ARE STRUGGLING TO ADAPT

% of respondents who strongly agreed

15%

Our global marketing organization is prepared to deal with rapidly changing consumer trends around digitalization and globalization.

9%

Our marketing activities are fully integrated and working together (e.g., digital activities are in sync with traditional media campaigns).

**To survive in the new marketing world, marketers must be flexible. Yet a minority of marketers feel prepared to deal with integrating their marketing activities to reach these consumers.**

Source: SapientNitro Q2 2012 online survey to 114 senior marketers with global responsibilities

#### 4. Multi-channel misses

A full 37% of senior marketers don't believe that their marketing activities are fully integrated across digital and traditional channels. The opportunity to grow revenues from multi-channel consumers require investments in digital experiences that are too large for a single market, but which must provide flexibility for localization. The bottom line is that senior marketers need to adopt the "global mindset" that will let them displace strong organizational silos, specialized partners and a reliance on traditional single-channel campaigns in order to

to organize efficiently for the new global marketing environment. Our research shows that 56% of marketers agree coordination between digital and traditional marketing teams is more challenging than five years ago—silos and a lack of coordination are getting worse just as the need for collaboration is becoming greater.

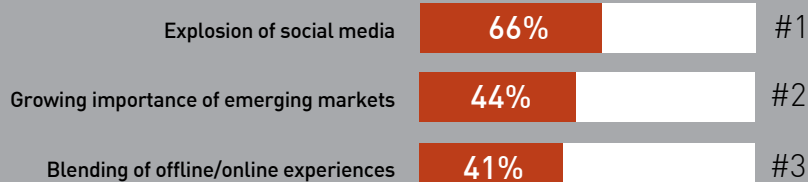
These trends lead us to believe in the rise of a new breed of marketer with a global marketing mindset. This new global CMO should build strategies that cross silos and approaches and combine the characteristics of a traditional marketer with the skills traditionally associated with a CTO—and even with the recently created CXO offices. A decade ago the ecommerce or digital function would have reported to the CIO, but today we're seeing about 50% report to the CMO—the single largest bucket of C-level oversight for digital.

Mastering this evolved global marketing mindset could be what defines the most successful brands of the next decade. But having a global mindset isn't just for global brands; as businesses look to export their success into other markets, brands must increasingly defend against new global competition.

Top performing firms and their agency partners are already addressing the obstacles and adopting the new global mindset to successfully build their brands with a worldwide audience. Only the best-prepared organizations and CMOs who embrace this mentality will thrive.

#### SOCIAL MEDIA RISES TO BE A TOP CONCERN—GLOBALLY

Q: What are the most important global trends in marketing that will impact your business in the next 3–5 years?



Managing global campaigns in the new digital world was underlined as a key challenge. In particular, social media and blending offline/online experiences were key global marketing challenges.

realize the benefits of cross-channel experiences.

#### 5. Organizational structures

Too often, the three executive branches of CMO, CEO and CTO claim an overlapping interest in the area of digital experience, leading to a failure



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# INTERNATIONAL ECOMMERCE EXPANSION

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Written by Don Shields, Multi-Channel Strategy Director, London



## What do these different stories say about successful expansion today?

I found five themes in common amongst the successful expansions:

- Do and don't overthink
- Invest wisely in your website
- Keep your early costs low
- Have the capacity to keep customers happy
- Let the customers lead you

**Many retailers in both the USA and UK are now realising that, with weak economies at home, their only real hope for substantial sales growth is from international expansion. But, this is not an easy path to tread; there are many tales of failure to be found next to the success stories. What can we learn from these stories and what do they tell us about international expansion in the digital age?**

International expansion, in the past, would entail lengthy meetings to plan strategy and investigate the best markets for expansion, with multiple studies done and endless hours of plotting and planning. A recent example being the much-planned and strategised opening of Best Buy stores in the UK, including years of preparation and meticulous planning with thousands of hours of new store staff training. They opened beautiful shops the size of small aircraft hangars across the UK, along with a brand new website. We look back now as Best Buy leaves the shores of the UK and retreats to the Americas where it is also suffering a loss of market share and sales. This is a very cautionary tale. How does a company so well known for customer service and attention to detail end up having to give up and go home?

Then we turn our gaze to a small online clothing retailer, originally named As Seen on Screen (ASOS). This company has grown from nothing to expected sales of £1 billion by 2015. They started selling aggressively overseas two years ago, and now have more sales overseas than within the UK. In order to sell

overseas, ASOS simply worked with their shipping partners and changed their checkout to accept addresses in other countries. As sales in a country start to grow, they add additional languages to the product descriptions. How does such a young company with only a website grow and expand so quickly? What is their secret?

These two examples represent two dramatically different approaches to expanding retail internationally. In between these two extremes you find other retail stories.

One of our largest clients, Marks & Spencer, has reinvigorated their international expansion efforts. They have reentered France a decade after their exit, with a new shop on the Champs-Élysées and a new website. This gives them the advantages of a physical location for PR and psychological use with press and customers, but allows them to deliver products to anyone in France via the website. This strategy of targeting shops in major cities with an ecommerce website to cover demand in the rest of the country is a very interesting approach.

Clas Ohlson, a SapientNitro client in Sweden, has recently launched their UK website. They have expanded their stores to 12 in major metropolitan areas around the UK. They have also adopted a strategy of placing stores in strategic locations and allowing the website to fulfill demand outside of those areas. This approach will also allow them to pursue more national advertising. They were previously

constrained by the locations where they had stores, but now they can fulfill orders anywhere in the UK.

Clas Ohlson is not new to international expansion, having shops and websites in both Norway and Finland, but the UK was a big jump, both geographically and culturally. This jump is the only website where product is picked, packed and shipped from a warehouse in the UK. They had to do this to accommodate the demand for next-day deliveries from UK customers. They have partnered with a third-party logistics provider (3PL) in a shared warehouse facility to keep down costs as the website builds in popularity.

#### Do and Don't Overthink

The key lesson here is from both ASOS and Marks & Spencer: When they started their ecommerce international expansion, it was by getting an international shipping partner and modifying checkout to accept foreign addresses and credit cards. This does not require three years of planning and preparation. Reliable shipping partners are available in the UK and USA that can explain the complexities of international custom laws and other logistical hurdles. Multiple payment gateways are available that cover most major countries for credit card transactions and offer fraud protection services. A simple selection of shipping partner and global payment can be done with changes to checkout on a website, and can be up and running in less than four months. The sooner you decide to act, the sooner you can start collecting revenue from international customers.

#### Invest Wisely in Your Website

This does not require a major IT effort in most cases, though it may well lead to a major IT effort after the international revenue stream has been proven. Marks & Spencer choose to go with the Software as a Service (SaaS) provider Demandware to launch their French website. Their current website is running on the Amazon platform. They were not ready to undergo a multi-million pound re-platforming just for the French website. The key was less is more. The end goal of a French website was not a glorious technological achievement but resulted in a French ecommerce site that could ship products from existing UK fulfillment centers.




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“Bolland would not be drawn on further European expansion plans but said the French strategy of targeting a major city with stores and covering the rest of the country with a website could be replicated elsewhere.”

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—guardian.co.uk, Friday, 1 April, 2011

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#### Keep Your Early Costs Low

This is a recurring theme in all the successful stories. The key is to limit up-front investment until the new international revenue stream is proven. ASOS does not translate their website into a native language until sales from that country indicate a strong interest in their products. They currently only offer six languages and three of those are different versions



of English (American, British and Australian). They continue to grow revenue and keep costs low.

### **Have the Capacity to Keep Customers Happy**

This is crucial as it is the flip side of keeping costs low. You have to invest enough so if the offer is a success, you can meet the demand. Marks & Spencer and ASOS deal with this the same way—by having a giant pick, pack and ship capacity for the UK that also serves international customers. This works well for clothing retailers where parcel sizes are often small and light. It is the heavier goods, like tools, electronics and homewares that present the real problems. Clas Ohlson decided the best solution was to share a warehouse and staff with other UK retailers. They share their warehouse with two other retailers, allowing their 3PL partner to be flexible in staffing and capacity planning. This allows them to keep their costs low, but have capacity to meet significant peaks of demand.

### **Let the Customers Lead You**

The best plans often fall apart in the heat of trading. Therefore, the more flexible you are, the easier it is to respond to your customers and follow their lead. If you have good contracts with your shipping partners and good capacity in your warehouse, when you get an additional 2,000 orders from Spain, you can satisfy those customers, start increasing your marketing budget for Spain and start translating your website into Spanish. Clas Ohlson will be using its UK website to help plan their next store openings. They are watching where people are ordering from and what they are

ordering to help fine-tune their store ranges.

Those retailers who successfully expand their brand internationally are seeing significant sales gains. In July 2012, The Financial Times reported that, “Shares in ASOS rose more than 10 percent after the online fashion group posted a solid increase in UK sales, bucking the trend of dismal trading figures from the British high street. Although ASOS’s year-on-year UK sales growth of 8 percent was the smallest among its four divisions, the figures cheered City investors who have become accustomed to gloomy news from retailers. ... The figures were aided by stronger growth in US sales, up 83 percent year-on-year to £12.9m, while at ASOS’s rest of the world division, which includes its Asian and Australian operations, retail sales rose 61 percent to £43.5m.”

The real key to today’s successful international expansion is using the flexibility of ecommerce to help lead the expansion. It is these intrinsic advantages to ecommerce that allow the retailer to maintain cost, but remain flexible enough to follow their customers and deliver good quality products and services.



US  
**195**

UK  
**198**

GERMANY  
**201**

RUSSIA  
**203**

INDIA  
**205**

# INTERNATIONAL PERSPECTIVES

We asked our strategists across nine countries a set of six key questions to understand the global marketing landscape. Touching on top creative campaigns, examples of great multi-channel marketing and the role of social in their area, they revealed some of the best local work.

Importantly, they also revealed what they see as the key opportunities for marketers in the region. From Southeast Asia to Europe, this is our perspective on how marketing continues to evolve.

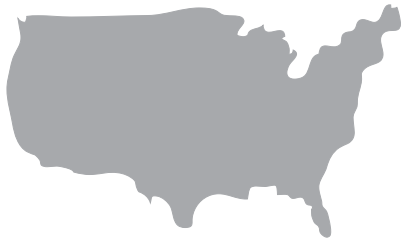
SINGAPORE  
**208**

CHINA  
**213**

AUSTRALIA  
**215**

JAPAN  
**211**

# US PERSPECTIVES



## Written by:

**Justin Barkhuizen**,  
Strategist, New York

**Gabe Weiss**,  
Digital Director, New York

**Rob Murray**, Senior Manager,  
Research & Insights, New York

**301.7B**

\$ of eCommerce

**338,000,000**

Mobile Connections

**107.9%**

Mobile Connections  
Penetration

**39.2%**

Smartphone  
Penetration

**\$32.03B**

Online Advertising  
Spending

1. Facebook 89.70%  
2. YouTube 2.33%  
3. Twitter 1.30%

Top 3 Social Media  
Platforms by Reach

## QUESTION 1:

**IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?**

Something that stood out for us this year because of its balance of discovery with the delivery of content and stunning imagery for a new interface is the Katachi Magazine for iPad. We highly recommend you support the download and just dive in.



## QUESTION 2:

**IN THE NEXT 12 – 24 MONTHS, WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR MARKETERS IN YOUR REGION?**

### **Brands can challenge and change pop culture**

The global recession saw budget cuts everywhere. Conversely, consumer expectations from the entertainment world have never been higher. The symbiosis between brands and entertainment has never been more tantalizing.



We either love or hate the Heineken and 007 tie up for the new movie in the franchise. But it's brave—it's brave for Heineken to pay 45 million pounds for the placement, and it's brave for the producers to take on the Bond mythology. We are living in an era in which brave brands will be rewarded.

Adjunct to this is an interesting phenomenon that's cropping up as we move away from message and towards behavior: Brands that put their money where their mouth is. On July 9th, the Old Spice Twitter page mused, "Why is it that 'fire sauce' isn't made with any real fire? Seems like false advertising," to which Taco Bell replied, "Is your deodorant made with really old spices?"

### **The revenge of retail**

We were equal parts compassionate and baffled when Best Buy freaked out at the phenomenon of showrooming. Their fear was based on a loss of control. And we can't help but feel that that way of thinking is old and unsustainable.

Retailers need to take a page out of the book of hotels. What hotels have always been amazing at is designing additional services—rooftop bars, spas, entertainment and clubs—



that attract people from other hotels. Retailers will need to honor the sacred space that physical retail is today through magical, intimate and personalized experiences.

### **Pilot, pilot, pilot**

For the most part, organizational change needs to catch up to technological change and consumer expectations. And that is an expensive thing to do, both in hardware and comfort terms. Pilots can drive organizational evolution because of their discernable parameters. In March, Square quietly rolled out a 30 NYC cab pilot program. Five months later, Square announced a \$25M collaboration with Starbucks with significant implications for the mobile payments market. Roll one out.

### **QUESTION 3: WHAT WOULD YOU HIGHLIGHT AS THE BEST EXAMPLES OF MULTI- CHANNEL MARKETING CAMPAIGNS IN YOUR REGION?**

We love what J.Crew has done. In 2011, they were a brand with no viable proposition either as a value or as a premium brand, and that was reflected in their sales. By getting behind the taste makers (like men's stylist Jack O'Connor and his Jack Knows Best style guide blog), they matched consumer-driven design language à la Pinterest in their catalogues for resonance, placed their wares within a lifestyle context

and opened a few bespoke retail stores. Store sales are up 26% and direct sales are up 19%.<sup>1</sup>

The other multi-channel marketing campaign that has us surrounded is the brand of Sarah Palin. She's a reality TV show star (the premiere of which was TLC's most watched ever), an anchor on a news channel, a savvy user of social media and an author (her book sold 300,000 copies in its first week). No doubt, a PS3 game is in the works. Love her or hate her, you know her name and her agenda.



### **QUESTION 4: WHAT IS THE LATEST, HOTTEST MOBILE APPLICATION OR MOBILE PRODUCT IN YOUR REGION?**

The apps we use every day have gotten better, but mobile continues to be the hotbed of innovation.

Many apps are in version 3.0+. What is different are the upgrades. While SXSW 2012 saw buzz around a litany of local social discovery networks from Sonar to Highlight

to Banjo, those apps lost their hype pretty quickly with little adoption. Excitement about new apps has been replaced by excitement for the latest upgrades. Recent upgrades we love include:

Social: Twitter, Foursquare  
News: Flipboard, Pulse  
Music: Spotify, Shazam  
Travel: Triplt, Flight+

Emerging app areas include second screen apps (e.g., HBO GO, NBC Olympics TV Everywhere), simple gaming (e.g., Jungle Run, Where's My Water) and app discovery (e.g., Appsfire, Apps Gone Free).

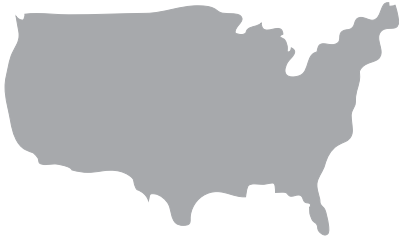
### **QUESTION 5: HOW HAS MOBILE CHANGED THE WAY MARKETERS ENGAGE IN COMMERCE? WHAT IS NEW AND INNOVATIVE IN MOBILE COMMERCE IN YOUR REGION?**

Big box retailers are increasingly using omnichannel tactics like wishlists, rewards, social shopping, coupon alerts, geo-fencing and image recognition to leverage the shift to mobile commerce. Connecting tastes, networks, curation and mobile commerce in fashion and style apps is a rich area of innovation. We've seen many retailers move to Pinterest, but other startups to watch include Trendabl, Pose, The Cools and Lyst.

Showrooming continues to be the white elephant in the aisle. It's

<sup>1</sup> [http://www.nytimes.com/2012/08/08/business/media/j-crew-wants-to-reconnect-with-its-base.html?\\_r=1&ref=business](http://www.nytimes.com/2012/08/08/business/media/j-crew-wants-to-reconnect-with-its-base.html?_r=1&ref=business)

# US PERSPECTIVES



trending in a few retail sectors, especially in certain areas like books, games and electronics, but the categories are expanding beyond these three. Best Buy, Target, Walmart, JCPenney and Stop & Shop are all addressing these new behaviors with strategies such as a renewed focus on service that consumers can only get in-store.

WalmartLabs' "social genome" project is an example of how retailers are using data from Facebook and other social sites in order to tailor content to specific people based on deep data analysis. Walmart calls it a "deep semantic analysis of social media." We call it very interesting.

## QUESTION 6: HOW HAVE SOCIAL PLATFORMS EVOLVED IN YOUR REGION? WHAT DOES IT MEAN FOR BRANDS?

"Evolve" is indeed the operative word when looking at social platforms in 2012. Facebook, Google+, Twitter, LinkedIn and Foursquare continue to mature and optimize their user experiences and their monetization, especially on their mobile apps as they test various advertising approaches.

In 2012, we are witnessing a Precambrian-like explosion of micro-niche social platforms focused on mobile. Each app or platform focuses on one key social aspect to attract and serve. For example, Pair and Duet connect couples one-on-one, Viddy and Cinemagram gives users a way to share and customize videos and Path is a closed-circle photo sharing and geo-check-in tool.

Knowing that people are using things like Pinterest to collect, save, categorize and share products and moments means that, at the very least, brands need to think through their photography strategy.



# UK PERSPECTIVES



## QUESTION 1:

**IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?**

One creative, design-driven campaign worth mentioning is the Invisible Drive for the Mercedes-Benz F-Cell.

The F-Cell has zero emissions being, in effect, almost invisible to the environment. A spectacular piece of creative technology was used to demonstrate this key feature: A camera and projection system that made the car nearly invisible to those on the street. As the ghost-like vehicle drove by, the attention it created was intense. It was featured in both offline and online press, blogged about and talked about the world over.

## QUESTION 2:

**IN THE NEXT 12 – 24 MONTHS, WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR MARKETERS IN YOUR REGION?**

The ubiquity of smart mobile devices, combined with the explosive growth of tablets (primarily the iPad), is impossible to ignore. There are clearly opportunities for creating engaging marketing experiences on those platforms. It is remarkable to think that five years ago, the iPhone had just launched, Facebook had only (!) 100 million primarily college users, Twitter was a blip on the radar and

the iPad was still years away. The new norm is a multiplicity of channels like none we've ever seen.

Thus, the real opportunity for marketers in the UK and Europe (as with the rest of the world) is the combination of these channels rather than obsessing on any single one. Marketing as a service, the blending of channels in real time to create new experiences and trans-media storytelling are the most exciting and value-rich campaigns or services we can bring to life.

**Written by:**

**Zachary Paradis,**  
Director Experience  
Strategy, London

**Omaid Hiwaizi,**  
Planning Director,  
London

**Dean Wilson,**  
Experience Strategy,  
London

**Zanna Wharfe,**  
Social Strategy,  
London

**Simon James,**  
EU Lead of Analytics,  
London

## QUESTION 3:

**WHAT WOULD YOU HIGHLIGHT AS THE BEST EXAMPLES OF MULTI-CHANNEL MARKETING CAMPAIGNS IN YOUR REGION?**

One great example of multi-channel marketing in the UK is the I AM PLAYR Nike campaign.



I AM PLAYR is a visceral campaign, enabling football-loving teens to live the lifestyle of a professional footballer. Delivered primarily through a microsite, I AM PLAYR also leveraged a Facebook app,

**109B**

\$ of eCommerce

**81,900,000**

Mobile Connections

**130.6%**

Mobile Connections  
Penetration

**51.3%**

Smartphone  
Penetration<sup>1</sup>

**\$7.72B**

Online Advertising  
Spending

**1. Facebook 48.20%**  
**2. YouTube 25%**  
**3. Twitter 2.30%**  
Top 3 Social Media  
Platforms by Reach

Source: eMarketer Digital World Atlas and Comparative Estimates (April 2012) provided all data except as noted. Data is for the full year 2011.

<sup>1</sup> Source: comScore 2012

# UK PERSPECTIVES



print-based support in sports and men's magazines, digital advertising, social media marketing and in-game viral mechanics to provide a web of engaging interactions. The campaign introduced players to new products in the Nike boot store as well as the Nike Academy, two properties that legitimize Nike's relevance to the target market and drive sales of related products.

## QUESTION 4: WHAT IS THE LATEST, HOTTEST MOBILE APPLICATION OR MOBILE PRODUCT IN YOUR REGION?

There have been a myriad of interesting mobile apps recently released, but none are more captivating or potentially widely applicable than Chirp.

Chirp is an app and platform that enables the sharing of links, photos or other content, using sound. Why sound? Chirp explains, "Because sound is everywhere. Because there are billions of little loudspeakers on Earth: in radios, TVs, laptops, phones. So everywhere there's a loudspeaker, you can put links to useful or interesting or helpful stuff. That's why."

Can marketing be delivered by the sound of a bus engine driving past? Could service be embedded into the beeps of a doorbell or the squawk of an ATM? Sound is powerful because it can share information at a distance, not necessarily when visible and in a way that doesn't require us to be logged in or already "connected." Although not yet at critical mass, it's



pretty interesting to imagine a world filled with data delivered through sound. Chirp, built by a startup in London, could help us get there.

**QUESTION 5:  
HOW HAS MOBILE CHANGED THE  
WAY MARKETERS ENGAGE IN  
COMMERCE? WHAT IS NEW AND  
INNOVATIVE IN MOBILE  
COMMERCE IN YOUR REGION?**

Mobile is forcing every marketer to push service and commerce capabilities directly to consumers, wherever and whenever. Many of the first wave of mobile “brand utilities,” developed by marketers aligned with advertising and communications, were brand heavy and utility light. Customers have overwhelmingly responded negatively to these types of solutions that are big on flash and small on function.

Conversely, one UK brand that has really nailed mobile commerce is Ocado, the grocery and retail delivery service. While their excellent website is tuned to help customers minimize time spent shopping, all the while showing options for saving money with alternatives, the brilliance of Ocado’s experience really comes into its own through mobile channels. The Ocado on the Go app supports mobile experiences across BlackBerry, Windows Phone 7 and, of course, iOS. The initial launch was successful and each successive iteration of their app has introduced additional functionality to extend its value.

**QUESTION 6:  
HOW HAVE SOCIAL PLATFORMS  
EVOLVED IN YOUR REGION? WHAT  
DOES IT MEAN FOR BRANDS?**

We might say this year after year, but 2013 will be a big year for social. Given the high-profile IPOs for Facebook and LinkedIn, and the expensive acquisition by Facebook of Instagram, social media is growing up fast; it’s now more accountable to investors and businesses than ever before. This seems sensible given social’s reach.

Over 73% of European Internet users use at least one social network. While social networks generally were once the domains of the young, they are now used across age groups. For example, over a quarter of UK Facebook users (nearly 10 million people) are 45 or older.

News of social media’s influence on the London riots in 2011 was only partially true. There was blame placed on social media for contributing to and inciting violence, but social media’s impact in the community’s clean up effort was notable too. Needless to say, brands targeting Europe need to have a clear social media strategy and a willingness to embed it into their business.



# GERMANY PERSPECTIVES



**Written by:**  
**Laura Van Soest,**  
Marketing Manager,  
Munich

**41.3B**

\$ of eCommerce

**110,300,000**

Mobile Connections

**135.4%**

Mobile Connections  
Penetration

**37.5%**

Smartphone  
Penetration<sup>1</sup>

**\$5.85B**

Online Advertising  
Spending

1. Facebook	72.70%
2. StudiVZ sites	13.20%
3. Wer-Kennt-Wen.de	9.8%

Top 3 Social Media  
Platforms by Reach

## QUESTION 1: IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?

CNN's ECOSPHERE was a digital ecosystem, a living 3D visualization of the online global discussion, that grew from tweets using the hashtag #COP17. The design and mechanics of the ECOSPHERE were closely based on organic growth in the plant world. Tweets that spoke about similar things were grouped together on each branch, while new thoughts were planted as seeds. Topics competed for space and survival in the limited environment.

The ECOSPHERE showed the audience the well-trodden climate change theme from a fresh perspective. It built fascination into the story by giving the audience new insights into the issues. By making the public actively involved in the global discussion, it drove interest by making people's opinions and comments part of the story and part of the conference.

The ECOSPHERE project brought over 120,000 voices to the UN Climate Change Conference in Durban (COP17) and generated 6.7 million non-CNN media contacts in just one month. 20 million viewers followed CNN's COP17 coverage on TV. Today, the ECOSPHERE continues to grow (with the RIO+20 Earth Summit),

displaying over 226,000 tweets from around the world.



## QUESTION 2: IN THE NEXT 12 – 24 MONTHS, WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR MARKETERS IN YOUR REGION?

We all know that people love to play games on their phones, especially short games that are not too difficult and offer a reward at the end. In 2012–2013, we'll see an explosion of engagement-focused content. Retailers will deliver simple, brand-focused games to their customers. The customers will play those games and receive a reward at the end—perhaps an especially good coupon.

## QUESTION 3: WHAT WOULD YOU HIGHLIGHT AS THE BEST EXAMPLES OF MULTI-CHANNEL MARKETING CAMPAIGNS IN YOUR REGION?

At the German Mail Order Business Conference, Europe's largest meeting place for mail order business, direct marketing and ecommerce, Sport Chek won the multi-channel special

Source: eMarketer Digital World Atlas and Comparative Estimates (April 2012) provided all data except as noted. Data is for the full year 2011.

<sup>1</sup> Source: comScore 2012

prize. Their campaign—"We do sports. What are you doing?"—was voted the best strategy of the year.



**QUESTION 4:  
WHAT IS THE LATEST, HOTTEST  
MOBILE APPLICATION OR MOBILE  
PRODUCT IN YOUR REGION?**

Farming Simulator is the #1 paid app in Germany, Austria and Switzerland. This app lets its users cultivate their fields with various vehicles and start their own agricultural enterprises by choosing seeds, plowing fields, growing crops and selling the harvest.



Another popular mobile product is Free Throws like Dirk Nowitzki from ING-DiBa. ING-DiBa wanted to make their young target group aware of the effectiveness and simplicity

of direct banking during basketball events across Germany.

Passers-by were able to control a billboard with their smartphone and throw virtual basketballs, with simultaneous live interaction with the web community. ING-DiBa was able to demonstrate how easy and efficient banking can be in a very compelling way, and position itself as an innovation leader. The campaign attracted hundreds of enthusiastic on-the-spot players. And, in turn, their friends generated several thousand "likes" to cheer them on.

**QUESTION 5:  
HOW HAS MOBILE CHANGED  
THE WAY MARKETERS ENGAGE  
IN COMMERCE? WHAT IS NEW  
AND INNOVATIVE IN MOBILE  
COMMERCE IN YOUR REGION?**

In 2012, all the top companies in Germany adopted "digital assets" for mobile. For example, big car manufacturers have their key marketing tool, the car configurator, available on smartphones. And almost all big retailers now have a mobile shop. The willingness to spend more money and time into concepts for mobile is increasing.

The next step will be to connect the digital added value with the physical stationary shops via mobile by providing specific relevant and contextual information, localized campaigns and integrated experiences.

**QUESTION 6:  
HOW HAVE SOCIAL PLATFORMS  
EVOLVED IN YOUR REGION? WHAT  
DOES IT MEAN FOR BRANDS?**

The enterprise market of social collaboration, content and communication tools has exploded over the past 12 months; on-premise or cloud versions of social media tools can help balance openness with acceptable risk.

Public social media sites are viewed as only one part of an overall social business strategy, used primarily as sources for social sentiment signals, vehicles for brand management and external communication and channels for customer management and sales.

Millennials joining the workforce are wired to use social and mobile channels to bond, socialize and solve problems. Organizations that lack internal, governed social media and computing channels may find their younger employees using public tools as a well-intentioned, but risky, alternative.

Businesses large and small are now making focused investments in deploying social technology and media into well-mapped social networks for specific business objectives across the enterprise value chain.

# RUSSIA PERSPECTIVES



**Written by:**  
**Alex Astakhov,**  
Senior Strategic  
Planner, Moscow

**11.8B**

\$ of eCommerce

**185,900,000**

Mobile Connections

**134.0%**

Mobile Connections  
Penetration

**19%**

Smartphone  
Penetration

**\$1.56B**

Online Advertising  
Spending

1. Vkontakte 42M  
2. Odnoklassniki 34M  
3. Moi Mir Mail.ru 19M  
Top 3 Social Media  
Platforms by Reach

## QUESTION 1:

**IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?**

### IKEA "Kitchen View"

A very simple and powerful idea is enabled by the technology. A consumer can explore design and functionality of furniture sets online from different perspectives, with the eyes of a grandma, a kid, a dog or the fish in the tank.



### GM "Yes of Corsa"

This campaign achieved great sales results by appealing to hipsters.



### MegaFon 4G launch

One of the loudest product launches by a tier 1 telecom operator.

## QUESTION 2:

**IN THE NEXT 12 – 24 MONTHS, WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR MARKETERS IN YOUR REGION?**

Due to slow growth of economics and stagnant disposable income for consumers, the competition in all domains is getting stronger. The marketers will be focusing on smart, innovative solutions aiming to win consumers' attentions and wallet shares. There will be a big demand on technology-empowered ideas. Digital signage, interactive in-store solutions and location-based and mobile marketing have a solid potential.

## QUESTION 3:

**WHAT WOULD YOU HIGHLIGHT AS THE BEST EXAMPLES OF MULTI-CHANNEL MARKETING CAMPAIGNS IN YOUR REGION?**

Adidas All Originals Make Moves incorporated numerous online videos featuring top stars like Katy Perry and footballer Lionel Messi. Social media and traditional spots were used to promote a new tag line of "all original" for Adidas to support the launch of their new ZX shoe line.

### Red Quest

The story, centered around an environmental catastrophe in Russia, was created to invite customers of MTS Russia, a mobile service operator, to find the "Guardians" who

Source: eMarketer Digital World Atlas and Comparative Estimates (April 2012) provided all data except as noted. Data is for the full year 2011.

<sup>1</sup> Source: Research & Markets, 2012

hold the secret to save the earth from ecological disaster. Points earned during play could be redeemed for prizes at the Red Quest store.



#### QUESTION 4: WHAT IS THE LATEST, HOTTEST MOBILE APPLICATION OR MOBILE PRODUCT IN YOUR REGION?

##### WhatsApp Messenger

This cross-platform smartphone messenger uses push notifications to instantly get messages to friends, colleagues and family. A encrypted replacement for SMS, it allows you to privately exchange text, pictures, audio notes and video messages at no cost—even if they are sent internationally.



##### Yandex.Taxi

Billing itself as “the quickest way to get a taxi in Moscow,” Yandex.Taxi follows in the paths of other taxi apps in the U.S. and Singapore by offering integration with multiple taxi companies, taxi tracking on GPS and up-to-date taxi numbers for 300 cities across Russia, Ukraine, Belarus and Kazakhstan.



#### QUESTION 5: HOW HAS MOBILE CHANGED THE WAY MARKETERS ENGAGE IN COMMERCE? WHAT IS NEW AND INNOVATIVE IN MOBILE COMMERCE IN YOUR REGION?

Mobile has not made a significant change for marketing or commercial functions yet. The budgets allocated to mobile marketing or very low. However, there is a very strong accelerating trend towards mobile marketing in financial and retail domains.

#### QUESTION 6: HOW HAVE SOCIAL PLATFORMS EVOLVED IN YOUR REGION? WHAT DOES IT MEAN FOR BRANDS?

Social platforms have a very solid coverage of the Internet population. For brands, this channel is a great opportunity to build awareness and meaningfully engage with consumers using the variety of technical opportunities available.

# INDIA PERSPECTIVES



**Written by:**  
**Shubhradeep Guha,**  
 Global Capability  
 Lead & Vice President,  
 Gurgaon

**9.9B**  
 \$ of eCommerce

**893,800,000**  
 Mobile Connections

**75.2%**  
 Mobile Connections  
 Penetration

**8%**  
 Smartphone  
 Penetration

**\$0.35B**  
 Online Advertising  
 Spending

<b>1. Facebook</b>	<b>50M</b>
<b>2. Twitter</b>	<b>15M</b>
<b>3. LinkedIn</b>	<b>15M</b>

Top 3 Social Media  
 Platforms by Reach

## QUESTION 1: IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?

### Fox Crime

The launch of the Fox Crime Channel on Indian TV was one of the most creative, brand-driven, integrated digital campaigns. The campaign launched nationwide with three 30-second films. Outdoor, print and online display ads were leveraged to drive eager detectives to solve the case on the Fox Crime website and collaborate with other fans on Facebook.

The game blended investigative elements with clues hidden in film, the Facebook brand page and microsites linked to a particular crime scene. For each clue deciphered, players unlocked a part of the mystery, which they could share with friends on Facebook and Twitter. The five winners were sent on all-expense paid trips to the Museum of Crime and Punishment in Washington, DC.



So far, the microsite has received 330,000 views, over 180,000 unique website visitors and 77,000 followers on Twitter. The Facebook fan page has grown by more than 400% from 19,000 to over 76,000 fans.

### Why This Kolaveri Di

This social media campaign caught the world's attention and effortlessly became India's biggest meme. It instantly went viral on social networking sites because of its "Tanglish" lyrics. Many people didn't realize it was a planned campaign and organically shared it on their own.

In the first 4 days, the video had 4 million views, swelling to 19 million views in 3 weeks. On Facebook, 6.5 million users have shared it, while 40 radio stations have played it across the world. At last count, the video had registered over 60 millions views on YouTube and been downloaded by 2 million people on their mobile devices.

### The Coolest Job

Having launched the Miller High Life beer in India, and to publicize their brand, Miller was looking for "qualified individuals" to promote the beer. The lucky winner was paid 100,000 rupees (€1,532 or \$2,184) per month to travel to different clubs in India to drink, dance and promote the brand.

The competition generated a lot of hype in India through a number of strategies. For example, Miller launched the competition but didn't



reveal the brand for over a month, which created a lot of buzz. In addition, a Facebook application was created to test applicants' social credentials, increasing the number of "likes." And gamification was added by getting users to complete missions before they could advance further into the competition.

**QUESTION 2:**  
**IN THE NEXT 12 – 24 MONTHS,**  
**WHAT DO YOU SEE AS THE KEY**  
**OPPORTUNITIES FOR MARKETERS**  
**IN YOUR REGION?**

**Integrated campaigns**

While obvious, integrated campaigns are a particular opportunity in the Indian market because they are still warming up to digital. After juggling mainline and digital agencies separately, clients and marketers are fast realizing the importance of working on large, integrated digital platforms that can deliver consistent brand messages.

**Contextual and location-based marketing**

As more and more people are getting digitally equipped while on the go, there exists a huge opportunity for brands to contextualize their messaging based on the geography and mind-state of the consumer.

**QUESTION 3:**  
**WHAT WOULD YOU HIGHLIGHT**  
**AS THE BEST EXAMPLES OF**  
**MULTI-CHANNEL MARKETING**  
**CAMPAIGNS IN YOUR REGION?**

**#Anything4Jetta**

Anything4Jetta set a benchmark for integrated brand campaigns. The strategy of the campaign combined innovations in both print and digital advertising for maximum impact. The involvement of followers on Twitter prompted participation, with the opportunity of winning the ultimate prize—a Volkswagen Jetta.

Over the first 3 days, the campaign recorded 54,000 tweets and the website received over 100,000 views. The @volkswagenindia account also netted an incremental 4,000 followers, fostering a community for future activities.

**Tata Tea**

In November 2011, the Soch Badlo campaign for Tata Tea was launched under the brand's Jaago Re platform. The nation was in turmoil, and there was a lot of negative sentiment driven by global and domestic factors. The words "Soch Badlo" literally mean "change of perspective." Launched with a series of TV ads, the campaign instantly and successfully gained traction on social media.

The digital campaign was built on the premise that if we see perspective in the form of a positive story, it will

lead to positivity. Today, the website is a crowd-sourced aggregator of all things positive, be it real-life unsung heroes, music, art or books.



**QUESTION 4:**  
**WHAT IS THE LATEST, HOTTEST**  
**MOBILE APPLICATION OR MOBILE**  
**PRODUCT IN YOUR REGION?**

WhatsApp, Dropbox, Facebook, Twitter, Pulse, Burrp and Zomato are some of the top mobile apps and products in India currently.

**QUESTION 5:**  
**HOW HAS MOBILE CHANGED**  
**THE WAY MARKETERS ENGAGE**  
**IN COMMERCE? WHAT IS NEW**  
**AND INNOVATIVE IN MOBILE**  
**COMMERCE IN YOUR REGION?**

Mobile is growing in India with more than 800 million subscribers, and the advancement of smartphones with 3G-enabled services is rapidly expanding. With that, online retailers, telecom service providers and banks are providing users a platform where they can make their payments using their mobile devices. Mobile payments are the next big thing.

# INDIA PERSPECTIVES



This has opened the gates to mobile advertising, mobile application development and mobile commerce in India. According to BuzzCity's latest report, India is the top-performing mobile advertising region in Asia. The growth in mobile advertising globally is tremendous with ads served on a year-on-year growth of 139%. With respect to some number crunching, more than 126 billion ads were served in 2011, compared with 52 billion in 2010.

Key players and platforms include Paymate (an SMS-based payment service), Obopay (a U.S.-based mobile payment service that entered the Indian market last year) and ICICI Bank (which recently introduced its mobile banking application iMobile).

## QUESTION 6: HOW HAVE SOCIAL PLATFORMS EVOLVED IN YOUR REGION? WHAT DOES IT MEAN FOR BRANDS?

### Facebook

After the mass exodus from Orkut, Facebook has become the Indian youth's favourite pastime. Facebook has said its user base in India has grown from 8 million in 2010 to 50 million now and most people access the site through mobile phones, prompting it to rethink its business model. While for other countries it was the desktop that was first used, in India it's the mobile phone.

From brand perspectives, Facebook has evolved as a platform. "Like-gating" is giving way to newer forms of engagement and brands have started to look for more meaningful engagement from their Facebook users.

### LinkedIn

LinkedIn is fast becoming a native digital channel. Indians have seen tremendous value in it and have gone on to become the second largest country on LinkedIn with 15 million users.

It also derives its value from trust and attracts a much purposeful audience. Interestingly, one of India's popular matrimony sites—bharatmatrimony.com—tied up with LinkedIn to enhance its credibility. Brands have a fabulous opportunity to speak to the desired and right set of consumers. The ability to sharply segment and profile the consumers makes it an excellent platform for brands.

### Twitter

Twitter is a breaking news channel in India. Driven by celebrities and Twitter demi-gods, it is fast assuming its seriousness as a brand platform with around 15 million users. Brands have started to leverage the full potential of Twitter by elevating it from being just a conversational channel to an immensely participative and engaging channel for consumers. Last year, India saw some successful brand campaigns on Twitter including SapientNitro's #crickwit campaign for Sprite.

# SINGAPORE PERSPECTIVES



## QUESTION 1:

IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?

### OK Go

All Is Not Lost is an interactive campaign (OK Go calls it a "Video Dance Messenger"), presumably to promote Google Chrome, which uses spandex-clad dancers to send a personalized message through an interactive HTML5 interface.

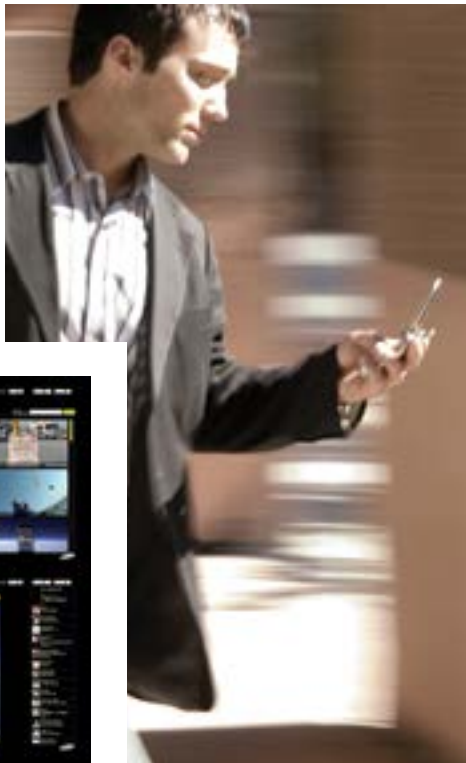


Space Balloon

## QUESTION 2:

IN THE NEXT 12 – 24 MONTHS, WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR MARKETERS IN YOUR REGION?

Key opportunities lie in social and mobile commerce for marketers who are able to understand them and come up with innovative tools while keeping an eye on local requirements and demand. The reach—billions of mobile subscribers—makes mobile such a great channel for brands to engage with consumers. Asia Pacific will also have the most mPayment users in the world.



### Written by:

**Joe Lu**, Manager, User Experience Design, Singapore  
**Ekin Turker Ozer**, Senior Information Architect, Singapore

**1.6B**

\$ of eCommerce<sup>1</sup>

**7,755,200**

Mobile Connections

**149.5%**

Mobile Connections Penetration

**59%**

Smartphone Penetration<sup>2</sup>

**\$0.11B**

Online Advertising Spending

1. Facebook 72.70%  
2. Twitter 19.9  
3. LinkedIn 13.5

Top 3 Social Media Platforms by Reach

Source: eMarketer Digital World Atlas and Comparative Estimates (April 2012) provided all data except as noted. Data is for the full year 2011.

<sup>1</sup> Sources: Yahoo!/Singapore Management University/PayPal

<sup>2</sup> Source: Synovate, Pax Q4 2012-Q3 2011

# SINGAPORE PERSPECTIVES



**QUESTION 3:**  
WHAT WOULD YOU HIGHLIGHT  
AS THE BEST EXAMPLES OF  
MULTI-CHANNEL MARKETING  
CAMPAIGNS IN YOUR REGION?



**Connecting Lifelines**

## **Honda Internavi Connecting Lifelines**

Through a 3G network, this navigation system recommends routes based on real-time traffic data collected from other Internavi-equipped vehicles. By color-coding roads based on accessibility, Honda converts complex data into an easy-to-read real-time map.

## **Emart Sunny Sale**

The sundial QR code, which uses sunlight and shadow, only works from 12 p.m. to 1 p.m. and gives users a unique shopping experience.



**Sunny Sale**



**Backseat Driver**

## **ToyToyota's Backseat Driver**

This iPhone application lets kids enjoy driving while safely buckled up in the back seat. The ToyToyota website states that the "Toy inside Toyota" is "for the kids, and for the grownups," and we wouldn't be surprised to see some dads taking a backseat too.

## **Mobile Medic**

An augmented reality mobile application bringing "medically diagnosable advertising to life" for the Australian Defence Force.



**Mobile Medic**

**QUESTION 4:**

**WHAT IS THE LATEST, HOTTEST MOBILE APPLICATION OR MOBILE PRODUCT IN YOUR REGION?**

Today's most popular apps are gaming, photo and video editing and IM apps.

Gothere.sg is an example of good use of technology. This app lets its users search places, browse amenities and find directions for bus, train, taxi or car anywhere in Singapore. Directions are given with estimated trip duration and fare.



Go There

**QUESTION 5:**

**HOW HAS MOBILE CHANGED THE WAY MARKETERS ENGAGE IN COMMERCE? WHAT IS NEW AND INNOVATIVE IN MOBILE COMMERCE IN YOUR REGION?**

Mobile commerce is gaining traction in the Asia Pacific region; forecasts predict that the transaction value for payments being settled over a mobile device will reach \$267 billion in 2016. In some markets such as Indonesia, users have leapfrogged over ecommerce and gone straight to mobile commerce. In-app and service purchases enticed by content providers and mobile apps are new in mobile commerce in our region.

**QUESTION 6:**

**HOW HAVE SOCIAL PLATFORMS EVOLVED IN YOUR REGION? WHAT DOES IT MEAN FOR BRANDS?**

Across the region, consumer adoption of social platforms is increasing (72.7% reach), and in many cases driving Internet adoption. While Facebook is the dominant player in markets like Singapore, local social platforms dominate in others. Hundreds of millions of people connect on Facebook, LinkedIn, Cyworld, Mixi, Qzone, Renren, Kaixin and other localised equivalents.

Users are increasingly moving from being just consumers of content to actively sharing and, recently, creating new content. For brands, this means the opportunity to start being a part of the conversation that's already going on about them.



# JAPAN PERSPECTIVES

Written by:  
**R. Lance Garcia,**  
Associate Creative  
Director, Miami



**112.9B**

\$ of eCommerce

**121,800,000**

Mobile Connections

**95.6%**

Mobile Connections  
Penetration

**18%**

Smartphone  
Penetration

**\$8.53B**

Online Advertising  
Spending

1. Mixi	13.5M
2. Twitter	13.2
3. LinkedIn	5.3

Top 3 Social Media  
Platforms by Reach

## QUESTION 1:

**IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?**

### Chivas 18 “Aroma of Tokyo”

Isobar Japan’s Chivas 18 “Aroma of Tokyo” campaign stands out. It melded augmented reality (AR) with geo-locational smartphone apps in order to show a younger drinking audience in Japan (the legal drinking age is 20) an authentic bar-going experience—all in order to curb their current habit of having lighter drinks solely with their meals. This work was developed in collaboration with 18 well-known bars across Tokyo that served 18 different cocktails, each celebrating the Chivas 18YO brand. The AR browser Layar, Google Maps and Foursquare were used to guide customers to the bars using a gamification approach.



### Intel’s Museum of Me

This campaign allowed Facebook users to “create and explore a visual archive” of their social lives. It transformed Facebook profile data into a virtual hall of memories, including galleries and imaginary crowds.

## QUESTION 2:

**IN THE NEXT 12 – 24 MONTHS, WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR MARKETERS IN YOUR REGION?**

While the Japanese mobile market has long been far ahead of the rest of world, it has been regulated, resulting in a higher usage of feature phones. But with smartphone penetration going from 6% in 2011 to 20% in 2012 (according to Google), and smartphones outselling feature phones for the first time ever in February 2012 (per comScore), marketers will need to shift to this more robust platform of delivery. It’s well understood that a “keitai” (cellphone) is not just another tool in the device toolbox for the “Nihonjin” (Japanese people). For many, a mobile phone is the only personal media that they have, since a work computer is for work, and many families share a home computer, due to home size limitations. As a result, the average Japanese person is highly engaged and uses the phone to do more things than any other country.

So beyond building useful or fun applications, pre-conditioning from years of making payments with feature phones should allow for a frictionless transition to smartphone mCommerce and mobile payments for businesses of all sizes. Also, current ad spend to mobile time spend is tipped so low that smart marketers will begin to ensure

that spend in mobile advertising is increased and think carefully on how to add value for the world's most sophisticated mobile users, who are notably enthusiastic about embracing the latest gadgets and trends.

**QUESTION 3:  
WHAT WOULD YOU HIGHLIGHT  
AS THE BEST EXAMPLES OF  
MULTI-CHANNEL MARKETING  
CAMPAIGNS IN YOUR REGION?**

The brand Lotte collaborated with YouTube to promote the new Fit's gum. The dance competition campaign used a great integration of communication efforts with online and offline tactics.



**QUESTION 4:  
WHAT IS THE LATEST, HOTTEST  
MOBILE APPLICATION OR MOBILE  
PRODUCT IN YOUR REGION?**

NHN Japan Corporation's smartphone application LINE is a global messaging service that's available in 230 countries. The company has 35 million users worldwide (16 million in Japan alone) since its launch a year ago.

**QUESTION 5:  
HOW HAS MOBILE CHANGED  
THE WAY MARKETERS ENGAGE  
IN COMMERCE? WHAT IS NEW  
AND INNOVATIVE IN MOBILE  
COMMERCE IN YOUR REGION?**

Consumers will engage themselves more with mobile applications on smartphones, especially youth in high schools and colleges. NHN, the service provider of LINE, recently announced that they have developed the communication tool "Stamp," which enables online users to communicate with cute iconic characters. It has already sold 350 million Japanese Yen worth of stamps within the first two months.



Mobile commerce is much older in Japan than in the U.S.; it has been many years since we had native barcode readers and NFC capabilities. And many things are possible today like paying vending machines and mobile banking.

**QUESTION 6:  
HOW HAVE SOCIAL PLATFORMS  
EVOLVED IN YOUR REGION? WHAT  
DOES IT MEAN FOR BRANDS?**

Social platforms are evolving and spreading, and the number of users on social platforms has increased. This means that brands will need to consider one-to-one communication with users to reach them. SoftBank is one company that's doing well on social platforms. They use Twitter to support users' questions or solve problems.

Emergency services are also considering using social networks in disaster situations, with the National Fire and Disaster Management Agency recently assembling representatives of Mixi, Twitter, Yahoo! and NHN Japan, as well as various government and emergency groups to consider options. This evolution is motivated in part by the March earthquake and tsunami—and the role in which Google's Person Finder played in recovering from that disaster. These services could introduce an additional role for social media for consumers.

# CHINA PERSPECTIVES



## Written by:

**Kaki Law**, Associate Creative Director, UX, Shanghai  
**Florian Pihs**, Senior Planning Director, Strategy, Innovation & Optimization, Shanghai

**182B**

\$ of eCommerce

**983,600,000**

Mobile Connections

**73.6%**

Mobile Connections Penetration

**19%**

Smartphone Penetration

**\$8.1B**

Online Advertising Spending

1. Tencent Qzone 40%  
2. Sina Weibo 26%  
3. QQ 22%

Top 3 Social Media Platforms by Shares

## QUESTION 1:

**IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?**

Volkswagen's People's Car Project, a campaign that tapped into the energy of post-communist China, stands out to us.



## QUESTION 2:

**IN THE NEXT 12 – 24 MONTHS, WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR MARKETERS IN YOUR REGION?**

### Mobile integration

Marketers in China already understand the huge potential of mobile marketing. More than 1 billion mobile subscribers and more than 120 million smartphone users are hard to ignore. Nevertheless, marketers still view mobile as an additional "screen" for their campaigns. We believe that in order to harvest the potential of mobile, marketers need to realize that the mobile phone is much more than a screen; it is the key connector between the physical and digital realms of their product and communication experiences.

### Evolution from reporting to optimization

Chinese marketers are already collecting data about their campaign and communication performance. In order to make full use of their own, as well as publicly available third party data (e.g., Baidu keyword searches, Taobao ecommerce searches), they need to learn how to optimize their communication based on test results that verify hypotheses generated based on this data.

### Content marketing

Social media has been the key marketing trend in China for more than 2 years. Increasingly, brands have learned that in addition to creating products and marketing messages, they need to create useful or entertaining content that represents and amplifies their brand online. That learning process is still painfully slow as marketers fear a loss of control over the conversation and fraudulent posts continue to poison trust in the conversation online.

## QUESTION 3:

**WHAT WOULD YOU HIGHLIGHT AS THE BEST EXAMPLES OF MULTI-CHANNEL MARKETING CAMPAIGNS IN YOUR REGION?**

The Nike Festival of Sports is a sports festival that covers almost every major sport in China (e.g., basketball, football (soccer), badminton, table tennis, running, golf, tennis).

Gamification plays a very important role throughout the campaign. Participants are given tasks that could take place at the event, in-store and on social media platforms. Points collected can be redeemed online at Nike's ecommerce platform. Participants can also meet superstars like LeBron James, Amare Stoudemire, Kyrie Irving and Paul Rodriguez.



**QUESTION 4:  
WHAT IS THE LATEST, HOTTEST  
MOBILE APPLICATION OR MOBILE  
PRODUCT IN YOUR REGION?**

The latest mobile application is MeYou. MeYou (which means "close friends" in Chinese) is a path-like application recently launched by Sina Weibo to enhance its private messaging feature. This move also reveals Sina's intention to enable deeper relationships between bloggers and their followers. In terms of top mobile applications, we would highlight WeChat, Sina Weibo and Dianping.

The mobile payment category is also expanding. There are 2 major

kinds of mobile payment products in China: one from leading technology companies and one from startups. Alipay's mobile payment service is currently the most popular mobile payment product in China. In addition, there are a few Square-like mobile payment applications. Unlike Square from the U.S., which focuses on allowing users to purchase at the retail space, Lakala and Yeahka focus on enabling users to make payments to their personal bills.

Mobile phones themselves are also very hot these days, particularly those that are China-made. The most popular brands are Xiaomi, OPPO Finder and Meizu.

**QUESTION 5:  
HOW HAS MOBILE CHANGED THE  
WAY MARKETERS ENGAGE IN  
COMMERCE? WHAT IS NEW  
AND INNOVATIVE IN MOBILE  
COMMERCE IN YOUR REGION?**

While the mobile market in China is very innovative and robust, and mobile commerce is growing rapidly (Taobao, China's ecommerce behemoth, reached its annual mobile commerce target in June 2012), brands are slow to adapt. Most brands are still grappling to find an effective approach to ecommerce and multi-channel marketing and we've just started to see mobile commerce on the horizon. We expect mobile commerce to come into focus in 2014 once brands have nailed down their ecommerce strategies.

**QUESTION 6:  
HOW HAVE SOCIAL PLATFORMS  
EVOLVED IN YOUR REGION? WHAT  
DOES IT MEAN FOR BRANDS?**

It's a critical time for social platforms in the social ecommerce category in China. Social platforms like Tencent Qzone and Sina Weibo have evolved in 3 major areas: social commerce integration, VIP/membership services and features, and the launch of their real-name verification system.

Among all these major moves, social commerce integration is the most important one to brands. For example, on Sina Weibo, brands can go beyond just building awareness: They can actually place products on their brand page with the Sina Weibo Enterprise Solution. The actual purchase can then take place either on Tmall or on their own online ecommerce platform. This kind of integration closes the experience gap between social platforms and a brand's website.

There are also newcomers in the social commerce platform category and they are going through a critical time. Leading are two Pinterest-like platforms: Mogujie and Meilishuo. Mogujie has more than 3 million registered users and fosters over RMB 120 million for Taobao. And Tencent may buy Meilishuo to get into the game of social commerce.

# AUSTRALIA PERSPECTIVES



**Written by:**  
**Mark Krebs,**  
Strategy Planner,  
Brisbane  
**Dan Wilson,**  
CRM Director,  
Brisbane

**32.2B**

\$ of eCommerce

**24,800,000**

Mobile Connections

**113.9%**

Mobile Connections  
Penetration

**40%**

Smartphone  
Penetration

**\$2.66B**

Online Advertising  
Spending

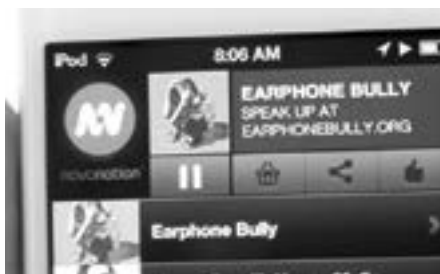
1. Facebook 7.612M  
2. YouTube 5,778  
3. QQ 4,395

Top 3 Social Media  
Platforms by Reach

## QUESTION 1:

**IN THE LAST 12 MONTHS, WHAT WERE THE MOST CREATIVE, DESIGN-DRIVEN CAMPAIGNS OF NOTE IN YOUR REGION?**

Our Brisbane office recently won a Gold Lion at Cannes for Earphone Bully, an anti-bullying interactive experience for kids. The project was awarded for its innovation in radio (the team used 3D sound to literally put bullies in your head), however, the website itself uses powerful imagery and simple design to bring the user into the world of a bullying victim. The screen intentionally transitions to black to focus the listener on the sound, while also subtly revealing his or her own reflection.



## QUESTION 2:

**IN THE NEXT 12 – 24 MONTHS, WHAT DO YOU SEE AS THE KEY OPPORTUNITIES FOR MARKETERS IN YOUR REGION?**

There's certainly great opportunity to capture people researching products online through great quality content. In short, getting the right content to the right person, in the right place and at the right time. Content marketing is a beast in its own right, but there are plenty of examples of brands doing it well.

It goes without saying that connecting marketing communication and experiences through data and technology will be key over the next 12–24 months. So there's a lot of digital marketing and analysis and technology opportunities presenting themselves to marketers at the moment. What is most important in deciding which avenues to take is to stay true to the brand.

## QUESTION 3:

**WHAT WOULD YOU HIGHLIGHT AS THE BEST EXAMPLES OF MULTI-CHANNEL MARKETING CAMPAIGNS IN YOUR REGION?**

Commonwealth Bank has upped the ante since last year, not just from a multi-channel marketing point of view, but from an overarching customer experience point of view as well. Some examples of their work include the CommBank



Kaching app and the overhaul of their website experience.

From a pure multi-channel campaign point of view, another highlight would be Coca-Cola Australia's "Share a Coke" campaign.

**QUESTION 4:**  
**WHAT IS THE LATEST, HOTTEST MOBILE APPLICATION OR MOBILE PRODUCT IN YOUR REGION?**

Despite great mobile applications like Kaching, it seems really basic mobile app games like Draw Something, Autodance and Face Juggler have taken Australia by storm, showing that Australians are increasingly turning to their mobile devices during moments of boredom as well.



**QUESTION 5:**  
**HOW HAS MOBILE CHANGED THE WAY MARKETERS ENGAGE IN COMMERCE? WHAT IS NEW AND INNOVATIVE IN MOBILE COMMERCE IN YOUR REGION?**

The growing use of smartphones, especially the iPhone in Australia, is a key factor driving Internet retailing. mCommerce is increasingly becoming mainstream for merchants and consumers. PayPal Australia revealed it processed mobile transactions to the value of 42 million Australian dollars in 2010.

Wesfarmers' Coles brand and Woolworths each developed iPhone and Android applications to assist shoppers in their grocery buying experience in 2011. Woolworths' app has been the more successful of the two. They have also branched out into broader mobile experiences creating a Tesco-like out-of-home mobile shopping experience.



**QUESTION 6:**  
**HOW HAVE SOCIAL PLATFORMS EVOLVED IN YOUR REGION? WHAT DOES IT MEAN FOR BRANDS?**

The biggest platform evolution was the introduction of Facebook's Timeline layout, a clear indication of their intention to take a stronger grasp on content (both consumer and brand). What this means is that users are spending more time engaging with content on timelines, and less on content streams within Facebook tabs. Facebook is increasingly connecting to other social platforms and behaviours. Brands will need to understand not only the ways in which they can use the channel to connect with consumers, but also the "why." Why should consumers connect with us, and what are the social behaviours we want to create as a brand? Of course, the more Facebook spreads out and connects functions within the social space, the more opportunity there is for niche platforms to focus on "just one thing" and do it better, as seen with the explosion of Pinterest this year. Brand marketers will need to keep an ear to the ground, and be nimble and flexible enough to be able to spot opportunities, for the brand and business objectives.

# NOTE FROM THE EDITORS

Each year, we sit down to face the difficult challenge of distilling SapientNitro's thinking into a single report—a daunting task given our 10,000 employees, spread across 35 global offices.

Yet, ultimately, it's a rewarding one.

Last year, we focused on the evolution of mobile. This year, our focus is on the evolving nature of experience. We believe that the nature of our experience with brands—be it retail, financial services, travel and hospitality or the many others we serve—is in a period of dynamic change. No longer are there strict divisions between the digital and physical worlds.

We see the key drivers of this change across the four major trends we chose this year—the rise of the consumer who demands real-time control, the role of business infrastructure in tracking and personalizing services, the blurring of lines across the online and offline worlds, and the increasingly global nature of the marketing environment.

Some highlights from the report include “Responsive Design 101: Optimizing for Multiple Screens,” in which Dan Israel and Mayur Gupta highlight the strengths and weaknesses of a flexible design system. In “The ‘Big Data’ Era: Learning to Act in Real Time,” James Buchanan identifies the balance that marketers must maintain to respond quickly yet accurately to their data—even with partial information. And in “Storyscaping: Building Worlds, Not Ads,” Gaston Legorburu notes how storytelling, which marketers have been doing for generations, is changing.

We also made a substantial investment in research: We believe “In-Store Digital Retail: The Quest for Omnichannel” makes a meaningful contribution to the current state of the in-store experience. What we found was that in-store experiences—at least at the New York-based store locations we visited—remain display oriented, and didn't support user tasks and goals in the shopping process, despite much posturing and discussion about how retail is evolving.

Regardless of the specific article, one theme comes across clearly—we live in a period of intense change. New competitors are rising, even as traditional and slow-moving firms struggle and weaken. Companies that are able to innovate their products and services—and, ultimately, the experiences they offer—will be best equipped to survive.

We hope you enjoy Insights 2013, and make sure you visit [sapient.com/insights](http://sapient.com/insights) for exclusive, digital-only content you can't find anywhere else.

Thank you for your interest and time,  
Hilding and Lauren

**About SapienNitro**

SapienNitro<sup>SM</sup>, part of Sapien<sup>®</sup>, is an integrated marketing and technology services firm. We create and engineer highly relevant experiences that accelerate business growth and fuel brand advocacy for our clients. By combining multi-channel marketing, multi-channel commerce and the technology that binds them, we influence customer behavior across the spectrum of content, communication and commerce channels, resulting in deeper, more meaningful relationships between customers and brands. SapienNitro services global leaders such as Chrysler, Citi, The Coca-Cola Company, Lufthansa, Target and Vodafone through our operations in North America, Europe and Asia-Pacific. Visit [www.sapiennitro.com](http://www.sapiennitro.com) or follow us on Twitter @sapiennitro.

**For additional information:**

Lauren Nguyen Cohen  
Director, Marketing  
[lcohen@sapien.com](mailto:lcohen@sapien.com)  
@ltnnguyen

Hilding Anderson  
Senior Manager, Research + Insights  
[handerson@sapien.com](mailto:handerson@sapien.com)  
@hildinganderson

**For media inquiries:**

David LaBar  
Global Communications Director  
[dlabar@sapien.com](mailto:dlabar@sapien.com)  
@dlabar

**Design:**

Chiny Chewning  
Creative Director

Carol Montoto  
Associate Creative Director

Emily Carroll  
Designer