

How marketing is taking charge: leading the customer experience

Insights from the IBM State of Marketing 2013 survey



In the United States alone, roughly US\$83 billion is lost each year as a result of poor customer experiences.¹ That's more than the revenue for the entire U.S. e-commerce retail sector.² Many businesses have yet to unlock the potential of information, technology and customer engagement to stem these losses.

A number of leading companies, however, are using marketing technology and information resources to take charge of the customer experience from end to end, "owning" it to improve business outcomes and achieve better financial performance. The IBM State of Marketing 2013 survey examined what these Leaders are doing to differentiate themselves in a perpetually shifting omnichannel world.

About the study

To understand the impact of marketing management on business outcomes, IBM regularly surveys marketing professionals from around the world and across many industries. Their responses are linked to publicly available financial information to identify the correlation between marketing sophistication and financial performance. In the latest survey, we engaged more than 500 professionals across 15 industries.

A fresh look at the customer experience – and why it matters

In the IBM *State of Marketing 2012* survey, leading companies reported that they were investing heavily in marketing technology and working to build effective omnichannel systems of engagement. This year's survey shows that the focus has shifted in an important way. Investment and development of marketing systems and competencies is ongoing, but there's a difference: the Leaders now place increasing emphasis on using those tools to deliver differentiating customer experiences.

Last year, forward-thinking marketers were working hard to redefine their role and influence within the enterprise. Today, they've earned a seat at the business strategy table and are taking on the hard work of "owning" the customer experience across the enterprise. They're seeking to integrate customer insight and omnichannel engagement – including social and mobile, as well as more traditional channels – to coordinate activities and improve the overall customer experience. Marketing technology is an essential component of these efforts; however, it's not just the breadth of technology adoption alone that matters, but how well it's integrated across channels and the enterprise.

This subtle shift in emphasis led to a new examination of leading marketers in this year's survey. The respondents were categorized by the degree to which they proactively influence the customer experience across channels and the extent to which they optimize marketing technology to coordinate their activities (see Figure 1). This segmentation revealed that those who excel at both also significantly outperform their peers (see Figure 2).

Leaders use technology to influence customer experience

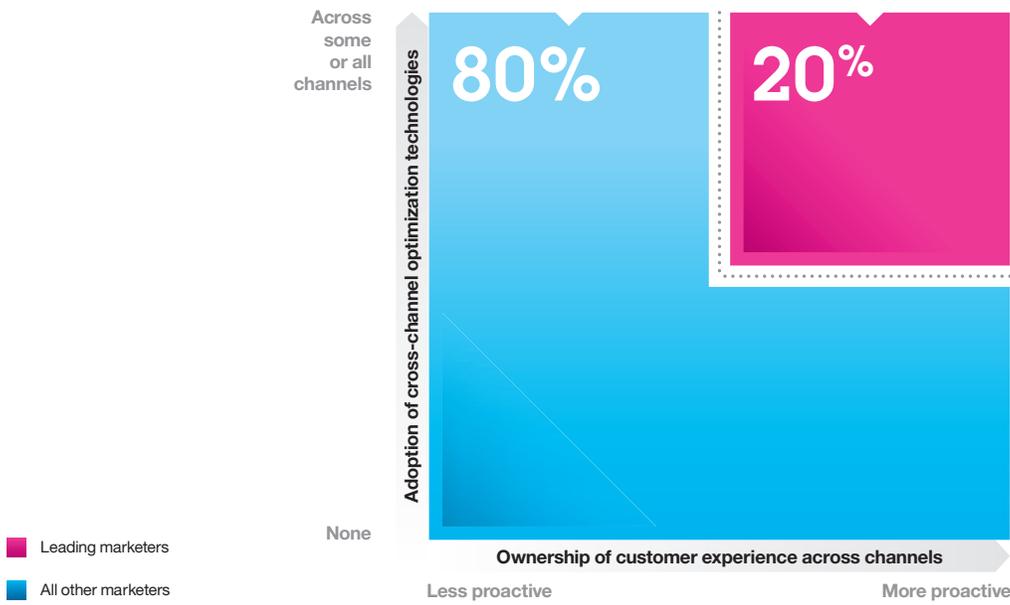


Figure 1 – Technology alone is not enough to proactively drive customer experiences across channels – “ownership” is also necessary.

Leading marketers outperform financially

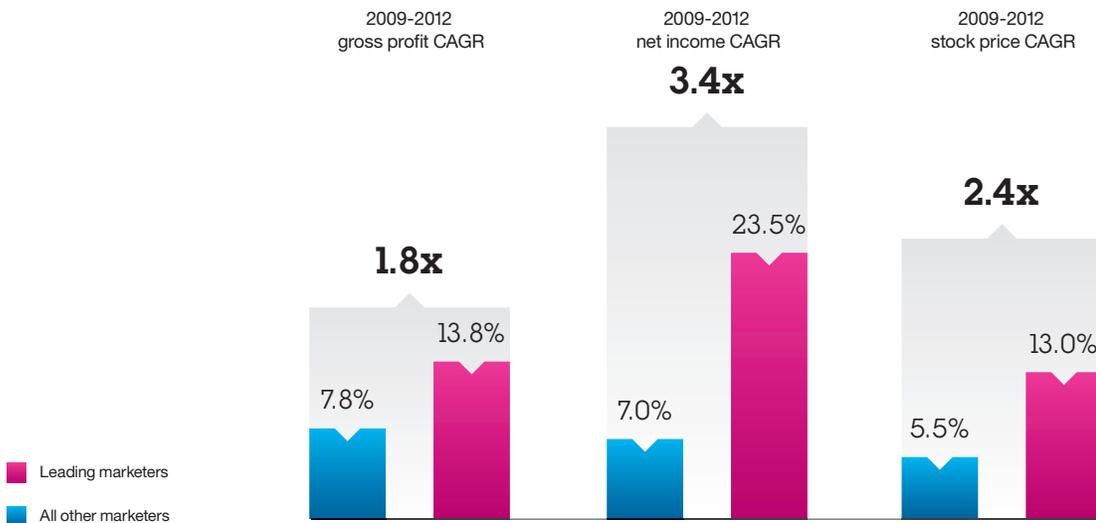


Figure 2 – When companies are able to effectively integrate technology to influence the customer experience, they can achieve financial results that far outpace their peers.

Looking more closely at the Leaders, three common characteristics stand out—attributes that can serve as valuable guideposts for those looking to ramp up the quality of their customer engagement:

- *Know customer context and integrate accordingly*—The best marketers not only understand the context of customer interactions, but also put integrated capabilities in place to take action based on that knowledge. As a result, they're more flexible and responsive to fast-shifting expectations and circumstances.
- *Act on insights systematically*—Leaders make better use of technology to develop customer insights and act on them in a consistent, systematic and in many cases automatic manner.
- *Take a broader view of the customer experience*—Forward-thinking marketers understand in detail the full scope and nature of their engagement with customers. They use rigorous measurement to guide their actions and build customer relationships that grow and strengthen over time.

Marketing takes the lead

By its very nature, the customer experience extends to every customer touch point within an enterprise, from the call center to a mobile app to the store floor. Marketing can play a vital role even in areas beyond its traditional realm by addressing difficult issues tied to that experience. How can the company orchestrate the engagement of its customers across all its channels? How can it understand the context and motivations of that engagement? And how can it differentiate itself with highly personalized and unique communications? Across industries, some companies are renowned for their sophistication in finding the answers to these questions. They approach the challenge of creating superior cross-channel experiences by making full use of every tool available to them.

Consider how Apple has taken ownership of the entire customer experience by using marketing technology, insight and engagement in a carefully orchestrated way. When customers want to schedule an in-store service appointment, they encounter a seamless blend of live web information and interaction, relevant in-store displays and in-person employee interaction that is both customized to them and made more convenient by mobile technology. The entire process flows smoothly. An experience like this does more than employ channels effectively. It sends a powerful message that the brand is invested in building a better customer relationship by making it easier to interact and conduct transactions. This cross-channel illustration displays broad understanding, knowledge of context and ability to take systematic action, all brought to life through a single customer interaction.

Combined with marketing's greater influence and accountability across the enterprise, these three attributes help to make the Leaders better at addressing the classic "four Ps" of marketing—product, price, place and promotion—that underpin customer experiences. The survey results bear this out: Leaders are 1.6 times more effective at influencing products (functionality, brand, packaging) and place (distribution, channels, logistics). Influence over pricing is even greater: 1.8 times that of their peers. Only in promotion, an activity most companies already link to marketing, is the gap close, and even then the Leaders outstrip their peers by 1.3x.

Context, systematic action and the broad view: inside the differentiators

The survey highlights where the Leaders are focusing their efforts—in understanding customer context and integrating accordingly, systematically acting on insights and taking a broad view of the entire customer experience. They see these competencies as essential elements of a differentiated customer experience and engage in them to a much greater degree than their peers (see Figure 3).

When real-time understanding of customer context can be achieved and used to coordinate activities, for example, it becomes possible to create highly sought-after right-time, right-place offers. Monitoring, tracking and understanding the quantitative value of customer experiences also provides critical insight that can directly influence the company's actions—and help to ensure that the correct choices are consistently made. These outperformers devote considerably more effort to understanding what's going on and then use the resulting knowledge to drive action. They measure results, identify what's working and what isn't, and follow up to verify that their efforts are making a difference.

Competencies that distinguish leading marketers

		Others	Leaders	Difference
Knows customer context and integrates accordingly	Adjusts real-time offers based on context	15%	39%	2.6x
	Uses optimization tech. across all channels	8%	45%	5.6x
	Integrates inbound/outbound and online/offline	68%	92%	1.4x
Acts on insights - systematically	Conducts root-cause analysis of customer insights	33%	68%	2.1x
	Applies advanced analytics to determine media spend	31%	69%	2.2x
	Detects transaction struggles and takes action	27%	60%	2.2x
Takes a broader view of the customer experience	Tracks commitments from service interactions	39%	75%	1.9x
	Identifies/remedies execution gaps in brand promise	58%	80%	1.4x
	Tracks customer lifetime value	16%	32%	2.0x

Figure 3—Leading marketers engage in critical activities tied to customer experience far more than others.

Knowing the customer context and integrating accordingly

Leaders use every interaction as an opportunity to enhance the overall experience. To do this well, a company needs to be hypersensitive to not only behavior, history and preferences, but also the real-time circumstances customers are facing. For example, a wireless subscriber with a history of heavy smart phone usage might be browsing for a tablet, indicating that it's an ideal time to make an offer to move them to a higher-tier data plan that matches their consumption pattern. Leading companies are more than twice as likely to be able to capitalize on such an opportunity, because they can adjust offers in real time.

Integration and context enable action

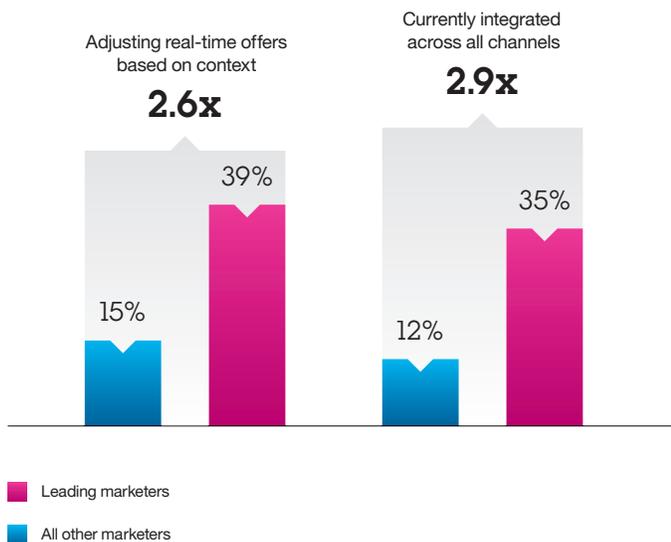


Figure 4 – Leaders are able to respond to customer context more effectively because they have done a better job of integrating and optimizing across channels.

There's a major challenge, however. Understanding the full context of each and every customer interaction across all channels is a gargantuan task, far too complex to manage manually. The Leaders tackle this issue by automating their decision processes across channels to calibrate their responses based on the behavior and context of each individual engagement. For example, a contact via social media might automatically prompt a tailored response via the customer's preferred contact method – say, a mobile app – without manual intervention. When extended across the entire range of customer touchpoints and transactions, such actions would be impossible without underlying automated business logic for each personalized engagement.

Real-time action is important, but it's not enough. If actions are disjointed across channels – if what's encountered online, via mobile devices, in social media and physical stores differ – the company has failed in its task of creating an integrated and consistent customer experience. To win customers' trust and loyalty, it's essential to coordinate activities and messages across all channels at all times and keep them aligned as circumstances change (see Figure 4). For the company, it's a highly dynamic and interdependent undertaking. But for the customer, it's a seamless experience that sends the message that the company truly knows and understands them.

This is a major point of differentiation. Leaders are generally more likely to integrate inbound, outbound, online and offline marketing across *some* channels (as shown in Figure 3). However, when it comes to integrating across *all* channels, Leaders outnumber their peers three to one. In fact, almost 40 percent of their peers aren't integrating at all.

Personalized offers yield a €20M earnings increase

ING, a major European bank, was struggling with ineffective outbound campaigns because it wasn't taking advantage of inbound interactions. By deploying a system that enabled unified cross-channel customer relationships and interactions, it was able to create dynamic web offers that generate 4x more revenue than the previous static offers, reduce its direct marketing costs by over a third and foster higher response rates, resulting in millions in incremental revenue.³

Acting on insights systematically

For the Leaders, insight informs action and action drives revenue. While many companies are investing in analytics, the Leaders are adopting a much more rigorous approach to analysis and measurement—and integrating it into business processes. The technical ability to act in real time is of limited use if there is no insight into what is happening and what should be done about it. Conversely, insight has little value if the ability to act on it is absent.

To the Leaders, the quality of a customer experience is tangible—it can be measured and analyzed so that action can be taken to correct any shortcomings. Nearly two-thirds of the Leaders do exactly that, systematically determining the monetary value of individual customer engagements by measuring the revenue generated—or lost—and then using that data to take action (see Figure 5). For example, how well is the business converting all of its customer interactions? Have all the obstacles to online purchases been removed? Can the company identify and re-target those customers that have abandoned their online purchase to recover lost revenue?

Those that perform best are highly sophisticated in their understanding of marketing’s impact on the business. More than 90 percent tie business performance directly to specific marketing activities. Moreover, they measure more broadly than other companies, going far beyond standard metrics like net sales increases. They’re twice as likely as their competitors to measure customer lifetime value and 1.8 times more likely to quantify purchase intent. These companies know what works and what does not in great depth. As a result, leading marketers are more able to quantify impact and outcome, which allows them to justify a broader functional role within the enterprise that’s focused on the customer experience.

Increasing campaign relevancy, integration and speed boosts ROI by 600 percent

First Tennessee Bank had reporting and tracking systems that were slow and limited its ability to develop and act on customer insights. By improving its ability to analyze customer data and implementing a system to generate and deliver offers in real time, the bank was able to achieve a 600 percent increase in marketing campaign ROI.⁴

Leaders take a more rigorous approach to corrective action

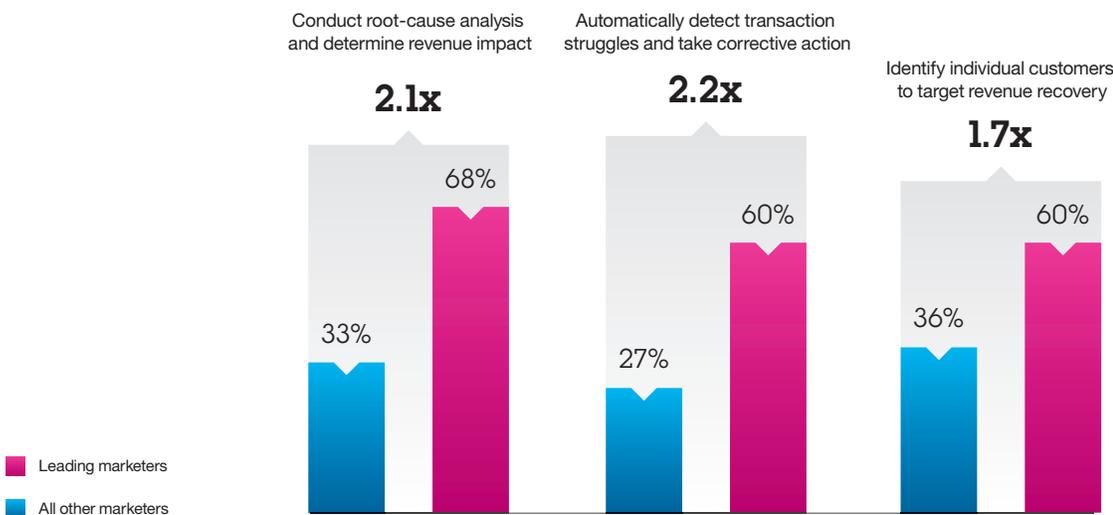


Figure 5—The Leaders link insight to corrective action at roughly double the rate of their competitors, often through automated processes.

Taking a broader view of the customer experience

In the IBM *State of Marketing 2012* survey, leading marketers reported how rigorous and extensive analytics were enabling them to demonstrate the outcomes of their efforts to different parts of the enterprise. In so doing, they clearly defined the customer context and its value to the business—and created a case for a larger role in the end-to-end customer experience.

In the 2013 survey, this expanded role expressed itself in many ways. These range from an in-depth understanding of how different touch points affect customer context to deeper involvement in individual channel activities related to customer experience, such as brand training for call center and sales staff.

This broader view of—and involvement in—the customer experience makes leading marketers stewards of their brands, able to bring clarity, consistency and high standards to every customer interaction. The Leaders demonstrate greater care for the brand in all its dimensions—reputation, message, delivery and communication both internally and externally—and its execution in the marketplace.

The alignment and ownership of the brand allows for a much broader operating construct to manage the customer experience, ensuring its continuity and authenticity across all facets of the purchasing cycle and relationship with a customer. Leaders understand that, while optimizing each customer transaction is important, the real key to success is the ability to look beyond the short-term gain. They are extending themselves beyond the traditional realm of marketing, viewing customer relationships holistically and influencing business functions outside their own domain.

Here too, the Leaders are far more likely to use performance metrics and analytics to guide their actions and wield influence over customer interactions. They are far more likely to monitor and track commitments to ensure fulfillment, contact customers to measure satisfaction and do a better job of training customer-facing staff (see Figure 6).

Extending the influence of marketing

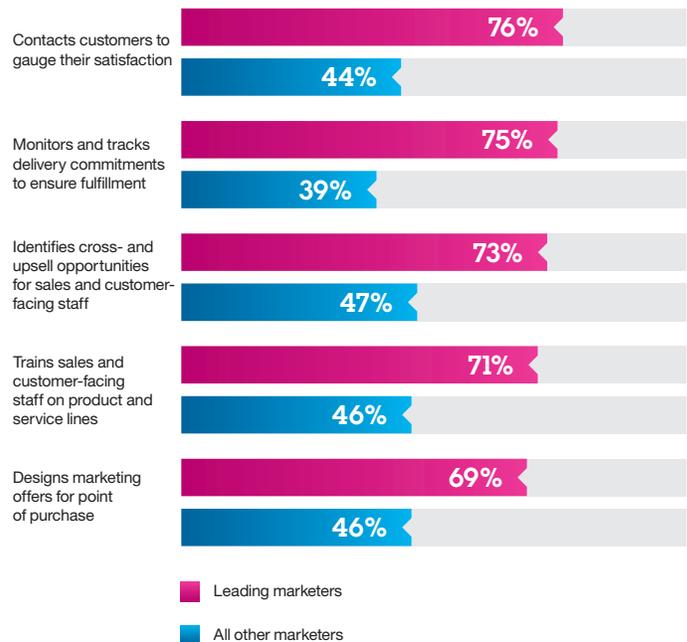


Figure 6 – The Leaders extend the influence of marketing across far more of the customer experience than their peers. This enhances their ability to influence customer interactions.

Four-fold increase in cross-sell activity through cross-channel promotion

One of Asia's leading telecommunications groups knew it had an opportunity to improve cross-sell/upsell activities across all customer interactions, not just those that take place in its stores. Its marketing group deployed a system that connected those channels and enabled the company to develop and deploy personalized offers in call center service interactions and mobile channels, as well as in stores. By leveraging its broader view of the customer experience across channels, the company quadrupled its cross-sell/upsell success rate.

Learning from the Leaders

The IBM *State of Marketing 2013* survey showed that, when it comes to creating superior customer experiences, many companies have at least some of the elements in place. Yet only one in five has managed to leverage its technology investments and marketing capabilities to effectively drive better cross-channel customer experiences. The reward for those that have has been markedly greater financial performance. By examining how the select few have achieved this higher rate of return, others can work to create similar success.

These Leaders are focusing intently on customer engagement – “owning” the entire customer experience and delivering it through tightly integrated cross-channel marketing technology. They’ve worked hard to develop valuable customer insight – but more importantly, equipped themselves to act on it.

The way in which leading marketers have taken charge of the customer experience points the way for companies that aspire to similar success. They must address both their technology and the role of marketing across the enterprise. Critical goals include:

- *Accelerating channel integration* – Channel activities should be mapped and prioritized to foster integration, ideally under the purview of a cross-channel marketing leader with broad authority and influence. To lay the foundation, a common data repository containing all customer interactions will be needed, as well as an anchor technology platform that extends across channels.
- *Building an insight-driven organization* – The Leaders measure more than just individual transactions. Insights should be developed to create a holistic view of the customer relationship and should be applied systematically. It is also critical to invest in the skills and resources needed to uncover, understand and act on relevant insights.
- *Focusing on customer experience enterprisewide* – It is essential to understand in depth how customers engage with you to identify opportunities to serve them better. That’s a two-way street that entails “living” the brand and placing the customer at the center of the business.

While these leading marketers are outperforming on the financial front, they still face important challenges. Integration issues continue to exist, with only a third of leading marketers fully able to coordinate their programs across all channels. In addition, like 31 percent of their peers, leading marketers struggle integrating mobile and social channels with other campaigns and tactics.

What sets the Leaders apart, however, is a clear vision of the end game. They view marketing as much more than a siloed function. Its influence – and responsibility – extends across the entire buy/market/sell/service cycle to bring all channels and all kinds of interaction together. They understand that success is about more than making an individual sale. To them, superior end-to-end customer experiences are critical to success and worthy of great attention. It’s a lesson that these exemplary organizations have taken to heart and one that can show the way forward for many others. If companies seize the opportunity, it can result in a winning scenario for customers and business alike, both in a better experience for the customer and improved revenue for the company.

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Notes:



Notes and sources

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⁴ *First Tennessee: Banking on Targeted Marketing Strategies.* IBM Leadership Series. <http://www.ibm.com/smarterplanet/us/en/leadership/firsttenbank/>

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