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Four clear paths for winning and retaining customers today.

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# How to Choose the Right Digital Marketing Model

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**L**ook at virtually any consumer industry and you'll see how changes in digital technology are fundamentally altering the way that consumers engage with brands before, during, and after a purchase. Consumers today expect to browse, research, solicit feedback, evaluate, and push the “buy” button at their own pace, and at the time and place—and via the platform—of their choosing. Consumers also continue to engage with brands online after a purchase and to share experiences with one another. Much of this consumer journey is beyond the direct control of companies, and marketing organizations are

sprinting merely to keep pace.

The good news for chief marketing officers (CMOs) is that digital marketing can offer detailed data on and analysis of consumer behavior, as well as precise results about a marketing program's effectiveness, with a degree of detail and precision that previous generations of CMOs could hardly fathom. The challenge is that these new technologies and consumer behaviors are raising the requirements for what will succeed in the market.

Building powerful consumer experiences requires brands to operate outside their comfort zone; for example, they must work with much shorter cycle times, with more rapid and frequent iterations, and through a broader ven-

дор ecosystem than the traditional advertising agency process.

In addition, consumers increasingly demand marketing messages and offers that are highly personalized, relevant, and targeted. Miss the mark, and you risk losing them forever. In that regard, digital marketing offers both greater rewards (in terms of higher engagement and ROI) and greater risk (due to the execution complexity and the need for behavioral changes across the organization).

In this environment, CMOs know they need new capabilities to succeed. In a recent survey of more than 300 CMOs in the United States that Strategy& conducted with the Association of National Advertisers and Korn/Ferry, 72 percent said that building capabilities in the area of digital marketing is vital. The difficulty is that there's no one set of capabilities that applies universally. Companies must identify what kind of marketing organization they need to make their strategy a success, choose a digital marketing model based on their strategic objectives, and then focus on developing a handful of marketing capabilities that will allow them to bring that model to life and consistently excel.

## Four Digital Marketing Models

Strategy& has identified four equally successful digital marketing models: Digital Branders, Customer Experience Designers, Demand Generators, and Product Innovators. A company's focus for marketing investment might have elements of each, but odds are that one of these models represents the right marketing organization for your company.

- **Digital Branders** are most often consumer products compa-

nies or other marketers that focus on building and renewing brand equity and deeper consumer engagement. These companies are shifting their investment from traditional linear advertising toward more immersive digital multimedia experiences that can connect consumers to the brand in new ways. They are reimagining how they engage consumers, with the primary goal of recruiting new consumers to the brand and driving loyalty through multiple experiences with the brand.

- **Customer Experience Designers** use customer data and insights to create a superior end-to-end brand experience for their customers. Typically, these companies (such as financial-services companies, airlines, hotels, and retailers) build their business models around customer service. By reinventing how they interact with customers, and wowing them at multiple touch points, these companies hope to create an ongoing dialogue and build a loyal customer base.

- **Demand Generators** (typically retailers) focus on driving online traffic and converting as many sales as possible across channels to maximize marketing efficiency and grow their share of wallet. All elements of the digital marketing strategy—website design, search engine optimization, mobile connected apps, and engagement in social communities—are tailored to boost sales and increase loyalty. Although Demand Generators also need to leverage content to drive engagement, they're more focused on driving volume and efficiency than on curating the deep, emotional branded experiences that Digital Branders pursue.

- **Product Innovators** use digital marketing to identify, develop, and roll out new digital products

and services. These companies employ digital interactions with consumers primarily to rapidly gather insights that can shape the innovation pipeline. By helping nurture new sources of revenue, the marketing group increases the value of the company.

### The Menu of Capabilities

These digital marketing models are not industry-specific. In fact, companies in the same industry can choose different digital marketing strategies with which to go to market. For example, in the telecommunications industry, Vodafone aligns most closely with the Digital Brander model, Verizon functions

search tools to analyze transactions, identify customer pain points, and interpret non-transaction data (e.g., social media). By better understanding how specific subsets of customers assess, purchase, and use products, the company can more directly target advertising, promotions, and content along the path to purchase.

- 2. **Measurement**, or the development of consistent metrics across the full path to purchase (i.e., at home, on the go, and in stores). This capability also includes metrics for consumer engagement across paid media (e.g., advertising), owned media (such as the company website), earned media (coverage in other publications), or shared media

## Consumers increasingly demand marketing messages and offers that are highly personalized, relevant, and targeted.

as a Customer Experience Designer, KPN/E-Plus is a Demand Generator, and Orange is a Product Innovator. Each of these companies has focused on a different set of capabilities to bring its digital marketing strategies to life, and each capability entails building the right combination of processes, tools, knowledge, skills, and organization.

There are eight basic marketing capabilities, which are more or less relevant depending on which of the four digital marketing models a company applies. (Of these eight, the first four focus on building insights and the last four focus on activation based on those insights.)

- 1. **Segmentation and needs assessment**, or the use of digital re-

(e.g., Facebook or YouTube). Implemented correctly, these metrics can help quantify ROI across the digital marketing program.

- 3. **Real-time decision making**, fostered by regular monitoring of social sentiment and brand health that enables adjustments during marketing campaigns—including branded media and in-store merchandising—to make them more effective.

- 4. **Personalization and targeting**, or the creation of a singular view of the consumer across sales channels and digital touch points through the integration of multiple data sources—including household data, shopping behavior, mobile data, and Web analytics. Companies can also augment customer profiles

with social media data to improve target marketing and specific offers.

**5. Optimized content**, or the dissemination of branded content through multiple direct-to-consumer platforms (such as websites, mobile devices, and social media channels) that are easy to search and navigate. Optimized content helps the company engage consumers and drive registration and sales across a variety of formats, so that it can better provide relevant products and services to those consumers for specific occasions or phases of life.

**6. Innovation**, spurred by the leveraging of social media for richer consumer insights that fuel product development. Besides improving the product itself, these insights can enhance the customer's experience with the product.

**7. Social influence and advocacy**, or the provoking of consumer engagement to create and share content, while also mining this social sentiment to further improve consumer engagement. Companies with strong social influence and advocacy can encourage consumers to create and share content about the brand within their social networks, and then use the resulting insights to optimize their marketing communications.

**8. Omnichannel experience**, or the implementation of marketing programs across channels. This capability also entails investing in technology, analytics, and talent to support seamless mobile, social, and e-commerce experiences, allowing consumers to engage with the company wherever and whenever they want. Omnichannel experiences also include integrated marketing programs with third parties, along with broader media and trade-promotion strategies.

Exhibit: **Capabilities Mapped to Digital Marketing Models**

	Capability	Digital Branders	Customer Experience Designers	Demand Generators	Product Innovators
INSIGHT AND ANALYTICS	Segmentation and needs assessment	2	4	2	3
	Measurement	1	2	3	4
	Real-time decision making	2	2	4	1
	Personalization and targeting	4	2	4	1
PLATFORMS AND ACTIVATION	Optimized content	4	3	1	2
	Innovation	1	3	2	4
	Social influence and advocacy	4	2	3	2
	Omnichannel experience	3	4	3	2

Note: 1 = not relevant; 4 = highly relevant

Source: Strategy& analysis

### Building the Right Capabilities

It's virtually impossible to be great at all of the digital marketing capabilities we've identified. That's why each company must focus only on the capabilities that align best with its digital marketing model. There is a link that connects the company's strategy, the digital marketing model it needs, and the marketing organization and marketing capabilities required to succeed with that model. The capabilities necessary to succeed as a Digital Brander will be different from those required by a Demand Generator. This is not an ironclad relationship—there are multiple paths to success, and even companies pursuing the same Demand Generator model, for instance, may choose to emphasize different capabilities. But in general, certain models require that the company have a specific set of supporting capabilities (*see Exhibit*).

### Digital Models in Practice

Coca-Cola is a perfect example of a Digital Brander. Teens and young adults are its biggest consumer segments, and to keep its brand strong with these consumers, Coca-Cola is hyper-focused on finding ways

to embed itself in popular culture. With this in mind, the company has invested in differentiated capabilities including “optimized content” and “social influence and advocacy.”

This means that Coca-Cola identifies experiences that are consistent with its brand, creates content around those experiences, and then encourages its community of users to share additional content that they create through social engagement. Although not all of this material goes viral in the communities Coca-Cola is targeting, the company is far more successful than others, thanks to the development of these specific capabilities.

For example, in one recent promotion, Coca-Cola developed unique vending machines equipped with video displays that allowed consumers in two cities (Lahore, Pakistan, and Delhi, India) to interact. Because of political and religious differences, the two groups know very little about each other, but the video project—an update of the company's famous “I'd like to buy the world a Coke” campaign—was aimed at connecting them through a shared experience. The campaign generated tremendous buzz for

Coke, and was heavily shared on social media, in part because it was so emotionally resonant.

Another example of seeding content into popular culture was a Coke Zero contest on social media for “my favorite dance moves.” The winning dance went viral around the globe, with the Coke Zero brand integrated into the content throughout. Coca-Cola was recognized as the marketer of the year at Cannes in 2013, in large part due to its innovative approach to marketing through shared content.

Virgin’s airline operations, on the other hand, are a good example of a Customer Experience Designer. Like many other airlines, Virgin wants to avoid being seen by passengers as simply a utility. Instead, it aims to create a more customer-centric branded experience that starts before the customer buys a ticket, continues during the flight, and extends after the trip is over. With this in mind, Virgin has focused attention on building a “segmentation and needs assessment” capability and an “omnichannel experience” creation capability.

In practice, this means the airline uses purchasing and behavioral data to segment customers, identify needs and pain points, and create a personalized experience across all channels—whether customers are at home on the computer, on a mobile phone, using in-flight screens, or interacting with Virgin staff members.

For example, Virgin is investing in a more interactive and personalized in-flight experience that is tailored to different segments of travelers. A frequent traveler to London might get specialized content after takeoff, like the latest reviews of restaurants around Piccadilly. Passengers will also be able to interact

with a concierge service while on the flight and with other passengers via Chatter, a social media messaging platform from Salesforce.com. The entertainment options and other aspects of the experience will also be personalized on the basis of a user

alization and targeting.”

The company’s in-house media platform, Walmart Exchange, is a robust ad-serving platform that allows brands to target shoppers precisely, measure the ROI of both online and offline impact, optimize

## By curating the passenger’s journey, Virgin hopes to create a community and deliver an experience that goes beyond the flight itself.

profile built over time (through factors such as the videos customers opted to watch, the meals and drinks they purchased, and other personalized elements).

By curating the passenger’s journey in this manner, Virgin hopes to create a community and deliver an experience that goes beyond the flight itself to reinforce the airline’s brand image of adventure and fun. Virgin’s corporate culture is a significant asset in this endeavor—its highly engaged employees embrace the idea of cultivating positive experiences for customers. (That has helped Virgin America become the fastest-growing airline in the United States.) Critically, Virgin’s marketing investments are intended to support this culture, while also empowering employees to innovate and continue improving the customer experience.

And then there is Walmart, a prototypical Demand Generator. For example, the company is focused on converting visits to its website, social media properties, and mobile apps into actual sales. To accomplish this, it has developed capabilities in “real-time decision making” and “person-

content and assortment of products, and track non-Walmart.com digital ads to see which sites are driving traffic to Walmart.com (and whether users are making purchases). For example, a shopper who visits the website after viewing a targeted display ad embedded with a health-and-beauty-aid coupon might find an assortment of other, related products to consider on the site.

Beyond these offers and assortment tools, Walmart is also developing relevant content aimed at driving conversion—and pushing its network consumer packaged goods manufacturers to do the same. For example, “how to” videos, ratings, reviews, and listings of foods’ nutritional content can all help drive engagement and conversion on the company’s site. Investments in this kind of optimized content can boost conversion by more than 70 percent.

Perhaps the least typical of the digital marketing models (but no less powerful than the others) is the Product Innovator. Henkel, a manufacturer of various household chemical products including detergents, adhesives, and cosmetics, based in Germany, is a clear Product

Innovator. The company so strongly emphasizes R&D that about 40 percent of its annual cosmetics sales come from products that were launched within the previous 24 months. On the marketing side, this success is due to a finely honed innovation capability as well as a sophisticated measurement capability that continually tracks preset key performance indicators to determine whether to continue a product trial or stop it and redirect resources to more promising projects.

The company encourages employees in the marketing and R&D departments to participate in the innovation process through idea-generation contests and incentives. Marketing employees are also required to work in sales regularly to stay in touch with the market and help identify customer pain points. The payoff is an innovation process that has generated consistent results. For instance, one recent product innovation—a laundry detergent known as MAS Color “con un Toque de Suavidad” (“with a Touch of Softness”)—won the “Best New Product” award in the household care category in Mexico.

### **Bringing the Capabilities to Life**

No matter which marketing model a company selects—and which capabilities a company chooses to emphasize—the CMO must make certain decisions and adapt certain aspects of the marketing organization to bring the digital model to life. For example, the CMO must decide whether the marketing capabilities will be developed internally or outside the company. If the CMO wants the capabilities in-house, the organization will need to ensure that the right skills, processes, technology, and governance

are in place, along with metrics to measure results. This is hard work, and sometimes it’s preferable to leverage outside partners and vendors as the company stitches together the capabilities needed to support the digital marketing model. As part of this “stitching-together” process, marketers are redefining how they work with media partners to create and distribute content, as well as how they manage social media. CMOs are also learning to work more closely with technology providers to understand better how to leverage technology such as data analytics, media mix modeling, content management, and customer relationship management.

The CMO must decide how best to manage these capabilities—centrally within the organization or distributed throughout the company at the business unit level. The right approach is usually some combination of the two. The central function naturally houses the design of capabilities, selects and coordinates with outside vendors, and administers those marketing functions with particular scale advantages (e.g., search engine optimization or social listening). At the same time, certain capabilities need to reside at the business unit level if they are to be incorporated into the daily workflow of the business units—and the marketing function overall.

For example, Procter & Gamble invests in scale marketing programs through center-led teams. Some of these scale programs—such as BrandSaver, e-Store, and Tremor—have their own general manager and P&Ls. The company also embeds specialized talent in the divisions and customer teams as a way to further integrate planning and execution processes. L’Oréal, by

comparison, takes a more decentralized approach, building capabilities primarily at the level of divisions and customer teams. The company is willing to sacrifice scale to push talent closer to its brands, with fewer capabilities built and governed centrally. This decentralized structure is in keeping with the culture of greater competitiveness among brand teams at the company.

To bring the digital marketing model to life, the CMO must also think carefully about which behaviors to encourage and which to discourage—and how to nudge employees to adjust their behavior accordingly. This kind of cultural evolution is not easy and requires that leaders make use of all formal and informal organizational levers at their disposal. Formal levers include organizational structure, decision rights, discrete career models, and financial incentives. Informal levers include networks of relationships across organizational boundaries, shared vision and objectives, individual goals, and common sources of pride.

Finally, the CMO must decide on a road map and sequencing of efforts. Odds are that some capabilities will take longer to build than others; it’s important to incorporate this variation into expectations and create stepping-stones by which the marketing organization can pursue capability goals over the next 12, 24, and 36 months.

### **The Journey Starts Now**

Much of today’s “customer journey” occurs in the digital realm—a place beyond the direct control of companies, but highly sensitive to efforts to provoke and amplify social engagement. As a result, marketers need to adopt digital marketing

models to better engage customers before, during, and after the purchase. They need to “pull” consumers into an ongoing conversation about the company’s products and services. There is no one right way to accomplish this engagement, and there are many possible pathways to success. But it’s critical that marketing organizations begin the digital journey as soon as possible to keep pace with shifting consumer expectations and behaviors. +

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