



Marketing Transformed: Big Data Sciences and the Revolution of Customer Engagement and Loyalty

The digital transformation happening now in marketing will drive more change to customer loyalty in the coming five years than the last few centuries combined.

To manage it, marketers need an approach that preserves creative engagement while applying technology and analytics. Those with powerful data integration platforms will constantly reinvent customer loyalty, with ever-changing sources of data and powerful ways of putting it to use.

In this transformative time, the race is on for each marketer to be connected and digitally fluent. This whitepaper addresses the trends that are influencing Marketing and how to capitalize on them.

1 | CUSTOMER DATA WILL GO UNUSED

Most customer data will go unused even as marketers work to increase relevance and engage more with customers. IDC¹ predicts this number to be as high as 80 percent and bases that on “immature enterprise data ‘value chains.’” The lack of maturity in managing data is very common and costly to retailers who want to build brand awareness, increase profitability, and create customer loyalty and advocacy.

¹ <http://www.idc.com/getdoc.jsp?containerId=prUS24541813>

As we continue through the next nine marketing trends, you'll quickly see that the inability for an organization to see and use customer data prevents the kind of customer-centricity that consumers today expect and brands require. Without the tools and techniques to react quickly to changes in customer behavior or other customer dynamics, brands lose their view into customer tastes and needs. They can also no longer hear the voice of the customer and can no longer consider themselves to be customer-centric. Keep in mind that hearing the voice of the customer is more than gaining feedback in the digital world; it is the only way a brand can understand:

- 1 What the customer likes and dislikes
- 2 Where to push out gained insights across the business (including in product development, the supply chain, and customer service)
- 3 How to gain business value from those insights
- 4 Where to purposefully engage customers
- 5 How to give customers an ability to engage with the brand at the time, place, and context of their own choosing

Anyone planning to execute a modern marketing plan across all available channels needs to put the spotlight on this common problem as soon as they can. Going one step further, a marketer's effective use of all available customer data will be a leading competitive differentiator in the near to medium term. The only thing worse than wasting data is wasting time turning this problem around.

2 | MARKETING WILL BECOME EVEN MORE DATA DRIVEN

Despite the immaturity of the data value chain, marketing will become even more data-driven in 2014, requiring integration of data silos within marketing applications as well as across the enterprise information technology landscape. Managing marketing data effectively will involve the use of platforms that have integration capabilities built in. As reported in Forbes, "Tearing down silos isn't easy."² It will take a strategy and cooperation with other parts of the organization, especially IT.

Making matters more complicated are the silos created from wasted spending over the past few years by the more technology-naïve marketers. Once-bitten CMOs and marketers coming from a deeper foundation in technology see the value of integration-friendly marketing platforms that enable data management, analytics, and action. A broad view of customers and an ability to respond in the perfect moment—something we call right-time marketing—require access to data from any source and delivering data to any and all channels. We're past the experimental phase of big data, analytics, and mobility, where existing software was repurposed in clumsy fashion because it seemed like the only choice. Today, it takes a marketing platform to connect, engage, and inspire customers.

2 <http://www.forbes.com/sites/lisaarthur/2013/09/19/data-driven-marketing-step-two-tear-down-the-silos/>

3 | ANALYTICS WILL BE A HOT SKILL

Analytics will be a highly sought after skill on the CMO's team. Data discovery, developing hypotheses, and test and learn approaches will become crucial to compete with a wide array of brands gradually increasing their data management capabilities. CMOs will actively recruit analytics talent and will look more for marketing platforms with business-friendly analytics as part of the ecosystem.

The rise of analytics corresponds to other trends that aren't completely marketing-specific but are powerful drivers of marketing—big data and mobility. The exponential increase in data is in part driven by a sudden increase in consumer information, like customer preferences and behaviors, collected and disseminated through mobile platforms like smartphones and tablets. There is a corresponding rise in supply chain data as transportation and logistics become digitized. While big data's core story is the rapid rise in our ability to store and perform complex analysis of data, those capabilities have found perhaps their most powerful purpose in gaining a much better understanding of the supply chain, the customer, the market, and drivers for business growth.

For the marketer, analytics is incredibly important because it allows visibility into customer behavior across many different touch points. It gives the ability to identify opportunities, engage with customers, and influence behavior. These aren't new concepts to the marketer, but a self-service, business-facing marketing platform with powerful analytics in the hands of an analytics-skilled analyst is a remarkable engine for brand profitability. Make no mistake; creativity remains an important skill for marketing. Ideas are the lifeblood of revenue generation, but analytics provides the genesis and the proving ground for every great idea.

4 | THE CIO WILL CEDE EVER MORE DATA CONTROL TO THE CMO

Adding these analytics skills into marketing is exactly why the CIO will continue to cede data control and budget to the CMO. We call this marketer centricity, which means bringing data back to the marketer as part of demystifying it and making data actionable at the ideal moment, whether that's now, in real time, or at some other time. This "full circle" approach requires the CMO have control over customer data to the degree that they can operate their own actionable models and analytics. This allows the marketing department to be self-sufficient in measuring the outcomes of their work and continuously refining and improving their approach.

CIOs who built their careers on custom application development and data management will need to look carefully at their relationship with the CMO. Without clear lines of sight between their respective organizations, CMOs under pressure to modernize will continue to seek out solutions that can be implemented very rapidly and provide measurable ROI in days and weeks instead of months and years. They'll do this because they see traditional IT as old school and an information gatekeeper, rather than a business partner ready to support rapid change. The CIO who acts as a business partner brings important understanding of where and how existing sources of data can be rapidly combined with marketing data to create a 360-degree view of the business and the customer.

Ultimately, CIOs need to abandon a doctrinaire approach to information or have their control of enterprise information gradually taken away. Neither party can see the other as rigid (the traditional CIO) or detached from everyday reality (the traditional CMO). There's no need to start from scratch to create this relationship. A powerful marketing platform provides the rallying point for both teams and puts reasonable boundaries around cost and ROI. This also makes ceding data control a perfectly acceptable outcome, but only in organizations that have a functioning partnership between the CMO and CIO.

5 | ACTIONABLE MODELS AND ANALYTICS WILL DRIVE MARKETING

This may be the fifth in order, but everything until now builds up to this trend. Big data will form the DNA of understanding and influencing how consumers make emotionally based, deeply rooted purchase decisions. While mobile shifts consumers' focus to making more and more rational, priced-based decisions, data scientists will uncover the innate influences of purchase decisions that go far beyond issuing a deeper discount. Those innate influences become part of actionable models, developed with visualized analytics, which allow marketing to interact in precise and clever ways with consumers.

Gathering feedback on what works and doesn't in marketing is just one part of the game. Getting the full benefit of today's rapid rise in data and analytics technology means understanding the nature of segmentation, which establishes the playing field for the marketer. It also involves having a firm grasp of the power of propensities, which is a way to build actionable models and also is a diagnostic tool for campaigns. Traditional models of propensity to buy are being expanded to include propensity to attrite, take social media action, and more. Lastly, it includes having a culture of test and learn: testing ideas in a subset of the market to learn valuable lessons before rolling out to broader audiences. Test and learn is the only way to understand the variation that can be expected at scale and to pinpoint the components of marketing programs that are most effective.

The developments in marketing analytics are a game changer and create a new urgency for advanced tools and techniques. Data visualization and self-discovery are necessary to manage marketing to ever-higher levels of effectiveness. This is also marketing's answer to the challenge of data that is growing exponentially. Without analytics, marketers can easily be swamped by increasing amounts of data that lack meaning, context, and actionable information. The payoff for implementing robust analytics is increasing brand advocacy from loyal customers and increasing profitability.

6 | DATA SOURCES WILL CONTINUE TO INCREASE

More smartphones, tablets, and the Internet of Things means more sources where brands can directly find consumers and deliver highly relevant, situational, and personalized messages. This is the very near-term future for customer engagement management.

These sources also introduce complexity; the mobile world makes purchase decisions a more challenging affair. Shoppers are consuming an increasing number of sources before making their decisions and are able to make choices based on digital interactions at the shelf or point of sale thanks to smartphones. As new data sources become available, there is a need to quickly integrate that new information into the marketing analytics that drive the business. Once integrated, interacting with the customer closer and closer to the moment of decision becomes a matter of rapid intake of data and just as rapid determination of the best way to interact. Right-time marketing becomes more effective as multiple sources of data determine the optimized moment, method, and content for interaction.

Marketing software hasn't been particularly helpful historically in this regard and to date has created discrete digital customer experiences. As Forrester puts it, "Today's digital landscape is distributed across a fractured array of services and devices...companies need to ensure that they present a coherent face across all interactions."³ Increasing sources of data puts pressure on the marketer to unify the customer experience so fragmentation of data doesn't lead to fragmentation of channels and interaction.

7 | LOCATION DATA IN PARTICULAR WILL RAPIDLY INCREASE

Location data in particular will quickly increase in volume, velocity, and importance for marketers. Apple and PayPal's Bluetooth Low Energy (BLE)-based location tracking systems provide a rich array of possibilities for approaching a customer at the actual "moment of truth." For several years, Apple has been making their mobile devices BLE-capable even before the technology was fully developed and rolled out in 2013. BLE allows people and objects to connect wirelessly, and because of its low energy draw, anywhere a consumer travels using a smartphone or tablet. It will allow hands-free payment or even pre-payment for items in physical stores and will be augmented with right-time information or offers. This is where marketing and the Internet of Things find themselves in a powerful partnership.

Location data offers a second, more subtle opportunity to combine loyalty data and demand- and time-based offers. Overstocked items will be offered at a discount first to nearby loyalty program customers. Customers with higher status will be pulled out of a queue to be offered more personalized service, and other service and price delights will be offered to loyal consumers based on timing and their precise location.

³ http://blogs.forrester.com/kerry_bodine/12-09-07-top_10_ways_to_improve_your_digital_customer_experience

Lastly, location data offers micro-segmentation of consumers not only by what they buy, but also how they buy. The time it takes to consider a product, the number of products considered, and the pattern by which the customer arrives at an item or location in a physical store are all highly relevant breadcrumbs and play strongly in the nature of segmentation and the creation of actionable models.

Customer loyalty programs that reward customers for sharing their physical location are the quid pro quo—providing the incentive to permit being physically tracked.

8 | BIG DATA WILL BE USED MORE OFTEN THAN IT IS STORED

The real view of big data will change to massive streams of data that are noted but never stored. Better technology and rapid digitization forces will be used to make choices about what we keep in a permanent record and what we hold just temporarily. Specific data derived from larger amounts of it can serve the same purpose in models without the cost of keeping every discrete piece of information. The pressures to gain actionable intelligence from fast-moving streams of consumer and supply chain data will push brands to use technology that pre-filters and consumes only the data necessary to interact intelligently in the moment.

This winnowing matters because big data includes an increasing number of events (discrete occurrences described by data, like a shopping cart being abandoned or a customer entering a store) that are important in understanding a customer's environment and mindset. Events need to be discovered and collected because they feed actionable models. Event processing, once the stuff of algorithmic trading and other fast-moving, data-rich industries, has arrived in retail and is cornerstone to an effective marketing platform.

9 | LOYALTY WILL BE KEY TO PROFITABILITY

Loyalty is the increasingly important target of engaging customers. The high cost of customer acquisition and the move toward analytics and data-driven marketing make loyalty an over-arching trend in marketing for 2014. Profitability for most brands requires a loyal customer base, and the popular belief is that it is six to seven times more expensive to acquire new customers than it is to keep a current one. While those numbers are hard to prove and vary for every market and customer segment, it is fair to say that a loyal customer brings benefits to the table that can't be denied. Beyond the cost of acquisition, a loyal customer's lifetime value to the brand is much higher, with a popular statistic being ten times the first purchase. Loyal customers are also emotionally attached to a brand and more likely to see products and services favorably than someone who doesn't have that attachment. Lastly, a loyal customer is an advocate for the brand and highly effective at spreading the brand's appeal throughout their personal and professional networks.

Customers will return repeatedly to and develop trust in a brand when they feel they are in a mutually beneficial relationship. Proving that relationship for the brand means being able to offer an increasingly personalized and customized experience. Convenience is a key part of that experience, and the same data can be used to remind and suggest products and services that a customer might otherwise overlook or forget. Once again, brands that can tap into the vast amount of customer data that others waste will deliver more personalized benefits by acting on superior insights from their marketing analytics platform.

For more information, head to www.loyaltylab.com, email loyaltylab@tibco.com, or call us at +1 415-633-1400.

10 | CRM SYSTEMS WILL CEDE GROUND TO MARKETING AND REAL-TIME CUSTOMER ENGAGEMENT MANAGEMENT (CEM)

Because customer loyalty management matters so much, marketing technology and techniques will take over most of the consumer-facing role of customer relationship management (CRM). Traditional CRM systems haven't been architected to manage the sources and amounts of data necessary for the new role of marketing. What's more, today's CRM systems lack any real focus on real-time customer engagement management (CEM), which brings permission to interact, makes offers purposeful, and puts the customer's needs and desires at the focus of selling (pull through) instead of the brand's (push). As much as CRM systems share the word "customer" with CEM, they were established to track leads and close sales for the brand and don't represent the customer's perspective or needs in any meaningful way.

It's understandable that marketers have been forced to build solutions atop existing systems, whether that system is CRM or web content management, because those systems seem to have the components of personalization and analytics, but these were only a stop-gap as available customer loyalty platforms came of age. Many enterprise vendors are scrambling today to buy up marketing applications with the hopes of heading off the challenge from loyalty marketing applications, but they are far behind when it comes to understanding how to integrate these products to create solutions that provide a center of gravity for actionable models and analytics.

SUMMARY

The goal of every marketer needs to be a unified customer experience that doesn't require difficult integration and customization. Reliance on monolithic systems and tools has been very costly and hasn't solved the challenge of presenting a solid customer experience. The TIBCO Customer Experience platform exceeds the data integration, advanced analytics, complex events processing, loyalty management, and agility requirements of an industry going through very rapid change.

As with any trend, you have the option of waiting it out and seeing how the marketplace develops. For these trends, however, smart marketers know it takes being ahead of the curve to truly achieve success.



Global Headquarters
3307 Hillview Avenue
Palo Alto, CA 94304
+1 650-846-1000 TEL
+1 800-420-8450
+1 650-846-1005 FAX
www.tibco.com

TIBCO Software Inc. (NASDAQ: TIBX) is a global leader in infrastructure and business intelligence software. Whether it's optimizing inventory, cross-selling products, or averting crisis before it happens, TIBCO uniquely delivers the *Two-Second Advantage*[®]—the ability to capture the right information at the right time and act on it preemptively for a competitive advantage. With a broad mix of innovative products and services, customers around the world trust TIBCO as their strategic technology partner. Learn more about TIBCO at www.tibco.com.

©2014, TIBCO Software Inc. All rights reserved. TIBCO, the TIBCO logo, and TIBCO Software are trademarks or registered trademarks of TIBCO Software Inc. or its subsidiaries in the United States and/or other countries. All other product and company name and marks in this document are the property of their respective owners and mentioned for identification purposes only.

06/17/2014