Marketing in a Digital World

Learnings and Success Stories in
Digital Transformation of the Customer Experience

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A Case Study
Prepared for Adobe Systems Inc.
by Patricia Seybold Group

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Executive Summary

As customers, we experience digital transformation all the time—perhaps almost every day. In the past decade alone, the ways we consume music, movies, photography, news, retail, and travel have changed utterly. We are on the cusp of similar transformation of transportation and manufacturing, with the advent of onboard computers in cars, driverless cars, and 3D printing. And digital transformation won't stop there, either.

Companies who ignore disruption of their industries will not be successful, and ultimately won't survive.

Digital marketing is a microcosm of digital transformation that is well underway in all industries. Digital transformation of marketing means that customer interactions with a brand create rich relationships that are tracked, optimized, and enhanced throughout the customer lifecycle, and customer experience has a coherent strategy and continual measurement. The lines between marketing, sales, and fulfillment have blurred.

Customers flock to the brands that deliver an engaging and useful experience. Not surprisingly, 82 percent of marketers in a recent survey cited their greatest concern as reaching those customers[1]. In the same survey, 68 percent of marketers said they think companies won't succeed unless they have a digital marketing approach.

Leaders in the digital transformation were on average 26 percent more profitable and had a 12 percent greater market capitalization, according to an MIT Sloan study[2].

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[1] https://wwwimages2.adobe.com/content/dam/Adobe/en/solutions/digital-marketing/pdfs/adobe-digital-distress-survey.pdf

[2] http://www.capgemini.com/resources/the-digital-advantage-how-digital-leaders-outperform-theirpeers-in-every-industry/

The leaders who share their stories here cite compelling achievements. Malaysia Airline doubled its funnel, site visits, and Internet revenue. Sears increased its online and multi-channel revenue by 10 percent annually, and 69 percent of Sears' revenue comes from Members of the Shop Your Way program. At Suncorp, 70 percent of sales in a leading line of business now start online. Malaysia Airline tripled its internet revenues, and doubled its market penetration. A global manufacturer's first global customer experience project received unprecedented worldwide traffic. These companies have achieved success via investments in a unified platform for marketing tools and data; digital marketing skills and practices; and competence in data-driven decisions, supported by ongoing testing and optimization. They use maturity models to guide their roadmaps.

The key first step for each of these leaders was establishing a culture of data-driven decisions and continually testing and experimenting. Maturity in optimization is fundamental to digital marketing transformation.

This report presents four case studies of leaders in digital transformation, and concludes with a summary of their lessons for others on this journey.

Marketing in a Digital World

Digital transformation is entering its third decade, forever changing business models, customer experience, services, and operations for all industries. You may not be thinking in terms of digital transformation for your company, but you are likely pondering how and when to refresh your digital face or your digital heart in order to respond to customer expectations, competitive pressures, and employee innovation.

Over the past two decades, software and data innovations have disrupted whole industries: music, cinema, photography, news, magazines, retail, and travel. This is just the beginning for digital transformation. In the coming decades we will see driverless vehicles disrupt trucking, taxi, bus, and delivery markets—perhaps even leading to a precipitous drop in vehicles on the road. Three-dimensional (3-D) printing has the potential to disrupt manufacturing and its supporting industries, including shipping, supply chain services, equipment, and more.

In marketing, digital transformation has been underway in every industry for some years—with much left to be done. Just as a company cannot succeed in holding back the tide of disruption, so marketing cannot succeed by ignoring digital transformation. In an MIT Center for Digital Business study, 70 percent of executives reported pressure to transform from customers and competitors.

The digital transformation of marketing is not just marketing via digital channels, but marketing to a digital world. It is not only engaging customers throughout the lifecycle, and across channels and devices, but also generating, gathering, and using customer and interaction data to create the customer experience that will deepen customers' relationships with your brands.

Success stories from four leaders in digital transformation demonstrate that an integrated platform, skilled people, and mature optimization capabilities are the keys to success. The goals and results, summarized in Table A, include the following:

- Sears Holding Corporation loyalty members now account for 69 percent of sales, and the online and multi-channel sales are growing 10 percent per year.

- Suncorp Group's sales in the personal insurance business start online 70 percent of the time; uptake of the mobile banking app exceeded 20 percent of customers within 6 months.

- Malaysia Airline doubled its Facebook followers, doubled its site visitors, and tripled its online revenues in 14 months.

- A global manufacturing company's first unified global customer experience delivered unprecedented web traffic and social mentions.

These leaders have a culture of experimentation, customer experience management supported by mature optimization programs, and measurements relevant to their goals. Customers and expectations change rapidly, and the leaders succeed by having an integrated platform that enables them to personalize customer interactions and measure success by managing, delivering, and tracking content across channels and devices.

There is no holding back this tide. You can jump in now or linger on the deck, but ultimately, you'll have to get your feet wet. Just as it's a rare company that is successful without a web site today, it will be a rare company that is successful without digital marketing tomorrow.

Success Stories from Leaders

Success Goals				
	Suncorp Group	**Malaysia Air**	**Sears Holding**	**Global Manufacturer**
GOALS				
Consistent customer experience	Group shares customer relationship	Increase conversion rate	1:1 personalization	Universal customer experience, globally
Revenue/online revenue	Increase	Double conversion rate in 2 years Drive 35% revenue online	Increased online revenue	
Digital marketing effectiveness	Increase agility	Leverage information Integrate the loyalty data	Data-driven decision-making	Shift resources to digital marketing
RESULTS				
Consistent customer experience	4x sales increase in one market	RM 1.4 Billion (Malaysian ringgit) incremental sales in 12 months		Unprecedented traffic and mentions
Revenue/online revenue	70% sales now start online	3x internet revenues 40% more passengers 2x market penetration	10% annual growth in online and multi-channel sales	
Digital marketing effectiveness	10-20% year-over-year conversion improvements in one business unit	2x Facebook followers 2x site visitors 3x online revenues	69% sales from members	

Table A. The goals and results for four leaders in digital transformation

Suncorp Group

Suncorp Group is a conglomerate of 15 insurance and banking brands in Australia and New Zealand with nine million customers. It is structured so that each business's results are transparent to investors. Senior management has been focused on operations, solving business problems, and executing business and operations plans, but in recent years has recognized that the customer must be central to focus, strategies, and plans. Suncorp can control changes to its own business operations, but it must react to changes to customer needs and expectations. The organization realized it needed to become agile and adaptable in order to meet evolving customer expectations, and that digital transformation is the heart of this evolution.

Suncorp's digital transformation, just three years along, has made great strides in establishing a unified digital platforms used by all businesses; streamlining some customer experiences resulting in a dramatic increase in sales; and shifting focus from operations to customer needs.

The digital strategy leads this transformation. Murray Howe, Executive Manager of Digital Strategy & Innovation, describes five broad cultural changes necessary to support Suncorp's digital transformation:

- **Integrated Platforms.** The lines of business need to adopt common platforms and become proficient with them. At Suncorp, there is one technology business serving all companies, and a single digital team supporting three dozen or so web front ends.

- **Customer Knowledge.** Each core business must embrace the shift from optimizing channels to understanding customers. This effort has been underway for about three years, and capabilities are not yet mature.

- **Using Data Assets.** The organization must also learn to unlock the value of data, which means shifting its focus from transaction data to interaction insights. In FY2013 there was broad recognition that data is a strategic asset that can be managed and valued better.

- **Consistent Customer Experience.** Each business needs to design and deliver continuous or consistent customer conversations. Remembering a conversation across channels and sessions should influence future conversations. Since the various Suncorp businesses share customers, new practices for leveraging the customer asset across organizations are evolving. Rather than think in terms of success in advertising and attracting, marketing teams are starting to think in terms of service, sales, and customer experiences. In one of Suncorp's markets, improved customer experience has contributed to quadrupling of online sales, and an additional 70 percent of sales now start online.

- **Continuous Improvement.** Continual improvement and experimentation need to be embedded in the culture, capabilities, and practices of every business. Conversion rates in one of the businesses have improved between 10-20 percent, year-over-year (YOY).

Unified Platforms and Data

During the first three years of this digital transformation, Suncorp established a common, unified platform for marketing and customer experience, as well as building skills and practices. Suncorp lines of business each have marketing organizations supported by a shared IT services division. In the past, lines of business invested to achieve their own goals without considering the impact on the rest of the Group. It is not surprising that there were multiple independent platforms and databases that must be merged and replaced. Today, the marketing organizations recognize that only common platforms can deliver the scale and agility they will need to be successful, and to make best use of skills and investment.

Maturity Model

Howe believes they have achieved the first stage of maturity, according to a model he has developed, and are now focused on the second. He sees a big risk in underestimating the difficulty of reaching the next level of maturity. The environments for marketing, business information and customer interaction need to merge, and merge across lines of business. How do you replace technology and develop new skills and practices, without bruising your business? Who leads deployment of new capabilities—marketing organizations or IT?

Howe's maturity model for being able to deliver the right interaction, for the right customer, at the right time, on any channel has these four stages:

1. Tracking and measuring. Click and campaign tracking; standard metrics

2. Benchmarking, analytics, optimization; segmentation, retargeting, path analysis, automated reporting

3. Advanced segmentation and integration. Personalized content, integration with channels and across devices; cross-channel path analysis and targeting

4. Machine learning; single customer view with third party data enhancement; outbound predictive targeting

There are 21 capabilities in Howe's model, and each business has competency scores for each capability. Business initiatives are mapped against the model to assess maturity required vs. maturity currently achieved, and roadmaps are developed accordingly.

Howe's aim is a pyramid of technology and capabilities. "If the foundation blocks are weak in capability, the next layer will be weak. The common denominator is data accuracy, data integration, and data knowledge." Integration and simplicity are more important than best of breed tools, because the market changes rapidly and the unknowns are both internal and external.

Making the technology core as simple and adaptable as possible, with widely used tools and integrated platforms, will make Suncorp more agile. Suncorp chooses partners who have a similar vision, even if their products don't yet provide all the required features.

One such partner is Adobe. With Adobe Target, Adobe Analytics and Adobe Media Optimizer already deployed, Suncorp is investigating Adobe Marketing Cloud to provide a common core for marketing. For such a broad set of capabilities, Howe envisions implementing for a single brand, and then rolling out to others in baby steps as business demands.

Skills and Practices

As Suncorp invests in unlocking the value of data, and in digital marketing, skills are the key. These skills are sourced internally in part because of the scarcity of experienced applicants, and in part because business knowledge is so important. In Howe's view, the overarching requirement for staff development is learned rather than bought capability.

Experimentation

Experimentation and innovation are crucial to the future health of a company. But it is hard for an organization that is operationally focused—and accomplished—to learn how to incubate. You need to carve out time, money, and staff to experiment and learn and fail. Howe cites the 70/20/10 model of learning and development as a useful tool for helping to focus effort and resources on capability change. In this model 70 percent of resources are dedicated to core business activities; 20 percent is focused on bringing new capabilities to scale, and 10 percent is focused on experimentation.

Even without executive sponsorship, Howe feels you can experiment. "Any leader can create the environment that allows people to try things, by lending small amounts of money, supporting small process changes, and lending political support. We know we that today we don't have the processes, the skills, the data readiness, and the content readiness to be effective with a unified marketing platform. But we don't need everything in place to start experimenting with it," observes Howe.

Wisdom

Howe relies on his maturity model to formulate his investment plans. "You need to have a maturity model and a roadmap, and understand where you are**.** This tells you the two things you need to know: what initiative should be next, and how are you enabled with the capabilities to do it."

"We move forward with repeated quick, small wins, with eyes on a grander plan," says Howe. While he is gun-shy about huge projects, he is also careful not to compromise the integrity of his platform by accepting the wrong quick wins. A cheap, simple tool that satisfies one need for one line of business will in the long run cause great expense and complexity, and impede the organization's agility.

"One of best ways to experiment and learn is to be organic. You don't need the CEO's permission to start."

Malaysia Air

Recapturing Market via Digital Transformation

In 2011, Malaysia Airline began its digital marketing transformation. The company was far behind competitors in customer experience, marketing, and profitability, having underinvested in marketing for many years. The loss of customers and revenues and a net loss of two billion ringett (roughly USD 600 million) finally convinced executives that the company faced a crisis, and that incremental improvements to the business would not save the day.

With only two months cash in bank it was clear that more spending on TV advertising was not an option. "We needed to embrace a strong digital platform and approach. There is a massive emerging digital environment for how consumers engage and create relationships with brands. We needed a new digital core, and to embrace a whole new way to engage with customers," observes Dean Dacko, CMO.

Today, Malaysia Airline has a highly engaged audience, with a million Facebook followers, double that of a year ago. It has 2.5 million loyalty members. Internet revenues are more than 7 million ringgit (roughly USD 2 million) per day.

First Challenge: Resources, Skills, Practices

Transformation started with creating a marketing organization and a strategy. Dean Dacko, CMO, had just come on board and found he had nearly a blank canvas; there was no brand marketing team, and only small teams managing promotions, operations, and loyalty. Their efforts had been tactical, with no overarching plan or vision. He brought these groups together to form his nascent digital marketing organization.

His immediate challenge was to convince the management team to commit resources. Executives were attached to traditional views developed over their quarter century at Malaysia Air, and reluctant to change. They weren't familiar with the rising importance of marketing, especially digital marketing. They weren't familiar with benchmarking or modern practices for marketing. In fact, the team didn't really understand or believe in marketing. Dacko had a big education task, all through the organization. In Dacko's words, "Marketing was still regarded as witchcraft." Tellingly, the chairman's statements to investors in 2012 mentioned branding in terms of the logo on the new A380 fleet.

In order to deliver results rapidly with his new organization, Dacko needed to rely on partners and align with best practices. He turned to Adobe, Google, Facebook, and Linkedin for practices and resources.

Unified Platform

The new organization's strategy, and business plan required a new operating platform that would encompass all marketing activities with a central focus on social CRM. Malaysia Airline has 16 country sites with local language, content, and people, all under one URL. Adobe Marketing Cloud provides the technology to support all the capabilities and data to support complex campaigns, social efforts, and loyalty programs.

Objectives and Results

Marketing's objectives were to improve conversion rate from three percent to eight percent in two years, and drive 35 percent of revenue from the internet.

Within 12 months, overall revenues increased by RM 1.4 billion (USD 427 million); internet revenues doubled to RM 7 million per day (USD 2 million); passenger volume increased by 33 percent; and daily visits to the site more than doubled. Market penetration improved to 18 percent, and is expected to grow to 35 percent next year.

Next Challenges: Customer Experience

The new marketing organization's immediate challenges were brand identity and customer culture.

Dacko describes the Malaysia Airline brand as being widely recognized, but incoherent. Was it a national airline, a five-star premium airline, or your partner in Asia Pacific travel? He tackled this issue with brand marketing campaigns via social media and a strategy for customer experience that involves personalized content and dynamic landing pages based on loyalty data, Facebook data, and context. They initially suffered from lack of analytic capability that would tell them how site content affected conversion rate. Multivariate testing now enables them to align content with customer interests.

Because of the complexity of delivering its services around the world, Malaysia Airline was operationally focused. While operations must be efficient, according to Dacko, "The only way to be successful today is to be customer centric and meet expectations, which is the opposite perspective to operations. We have to identify the brand expectation, find the hole in the market where we can be successful, and map our product and communications to that. This is still a struggle."

With an operational focus and outdated strategy, efforts weren't coordinated. "Customer data is important, so we ended up with eight special purpose databases—which means we had no single view of the customer. We invested in a central customer data source, but we couldn't query it, and data was missing. We have been working on it for 18 months, and still have a ways to go. But we have accomplished two important objectives: effectively using existing information, and integrating the loyalty program data." The next project: enterprise-wide CRM, to enable integration of multiple data streams, and tracking the customer journey across platforms. This will be supported by a single unified digital marketing platform.

Wisdom

Dacko's view of the critical steps in the digital transformation journey:

1. **Create a strategy and business plan, and get the financial commitment.** You need infrastructure and technology to power digital marketing. Moving in a new direction requires substantial resources from CFO, but the payback can't be substantiated. The temptation is to invest a little—but this is hugely dangerous. You can trash your brand in 20 minutes by not responding to a Tweet or Facebook post. Keep in mind that this is an on-going effort: you are never done.

> If you needed $10 million to build your capabilities, you'll need $5 million to keep up with rapidly changing markets and customers.
>
> 2. **Clearly communicate objectives, roadmap, and results.** This is a team effort, not only within the organization but also with agency and technology partners. You need to constantly review the game plan with the team to answer these questions: where are we, where are we going right now, and are we still on track?
>
> 3. **Rely on partners.** Partners have the knowledge and tools to accelerate your progress. You won't have the resources in house, and it is too hard to find the talent. Partners will bring the talent to cross-pollinate your team.

Sears Holding Company

In 1893, Sears, & Roebuck and Company created a new type of business that changed retailing—and lives——across the nation. Its catalog linked people on remote farms to the biggest store in the country, freeing them from reliance on the local general store. The catalog brought new styles, ideas, and products to their doorsteps. Sears was America's largest retailer until 1989.

Today, Sears Holding Company is a conglomerate of hundreds of brands and stores. It rode to success on the wave of one revolution—the postal and transportation network that linked the USA in the second half of the 19th Century. And its future success is threatened by another revolution, the digital transformation of retailing. Its response, in the face of significant losses, is to transform itself into an integrated, multi-channel retailer.

Two Strategies Drive Digital Transformation

Sears has two strategies that are driving digital transformation in marketing—or perhaps, two digital marketing strategies are driving transformation.

First, the culture has shifted to data-driven decision making, starting at the CEO's office. "Data-driven decision-making is key to digital transformation," observes Sai Koppaka, Divisional VP, Customer Analytics. The foundational tactic is continual experimentation and testing: try out improvements, measure the results, and try out more improvements.

Second, Sears' strategy for its customer experience, across channels, is 1:1 personalization. Whereas today segmentation supports a handful of customer experiences, 1:1 will deliver hundreds of thousands of unique customer experiences. A key element of this strategy is transformation into a member-centric integrated retailer. This transformation is embodied in the shopyourway.com social shopping platform, which provides unified access to the many Sears brands via apps and services for members.

Big Investments: Platform, People, and Optimization

Sears is investing millions of dollars annually to further these strategies, while also supporting the current business models, with notable achievements. Today, 69 percent of sales are made to ShopYourWay members, and the online and multi-channel sales are

growing 10 percent per year. Multi-channel sales include in-store orders delivered to homes, and online orders picked up in-store.

Koppaka's team works with Sears product and engineering teams to execute the personalization strategy. He defines success as getting the right product in front of a member as quickly as possible.

Achieving success depends on using the right data, having the right people, and effective optimization efforts.

How to get the right data? First, establish a unified platform that provides a full complement of marketing tools across the customer lifecycle, channels, brands, and properties. Sears uses a combination of in-house tools plus the Adobe Marketing Cloud. As daunting as this goal is, Koppaka observes that "Infrastructure is the easier part of the problem. The hard part is figuring out the member experience you want to deliver." Your customer experience design determines what data you want to collect and use.

Next, the right people: "You can get lost in all that data. You need people who can find patterns and decipher member experiences." Koppaka looks for the right people internally, placing particular value on member focus and knowledge of customers, members, and data. "Learning the analytical tools is the easy part. To be effective, people need to understand the bigger picture of the business."

The third success factor is optimization, meaning continual improvement of the customer experience. "If we have the right data, we can continually optimize. We do a lot of A/B and multivariate testing to find the creative that works best overall. Then we zero in with 1:1 testing." Koppaka's team has spent two years establishing and maturing optimization capabilities. This maturation positions Sears to proceed with the 1:1 personalization roadmap.

Wisdom

As Koppaka succinctly summarizes, "The three pillars of digital marketing transformation are the right data, the right people, and optimization."

Sear's top executives are very data-oriented, and they push for effective investment in collecting and using data. Many companies are reluctant to invest in the right data infrastructure, but that investment is fundamental. Without executive support, it is possible to change the culture to value and use data, but slowly, and it requires flashy successes.

During the past two years, Sears Holding Company has invested in testing and optimization. Maturing your optimization capabilities so that you can continually improve the customer experience is fundamental to successful digital marketing. It is the foundation for personalization, and for improving the customer experience. Everyone has an opinion, but optimization testing identifies the real improvements to customer experience.

Global Manufacturer

A global manufacturer of transportation equipment and services has commenced its journey to universalize its customer experience. This journey began eight years ago, with the internal shift to using data— at all levels, for all processes— to improve decisions, communications, and results. This company has spread continuous improvement tactics to every corner of the organization, and this includes customer experience and digital marketing. Moreover, digital interaction is positioned as the beacon that will guide the transformation.

Universal Customer Experience

Beginning in fourth quarter 2013, marketing teams around the globe engaged in an intense, worldwide, nine-week project, which culminated in the simultaneous global unveiling of a new product. Around the world, every one saw the new images and messages at the same minute. The response from customers was unprecedented traffic and unprecedented social buzz for this company.

The project required the collaboration of teams around the world, working together on a new and exciting objective. It demonstrated that this type of collaboration could have a significant impact on customer engagement. Its success helped change the culture and bolstered the commitment to transformation. It taught stakeholders valuable lessons in how to work together. "It was a big feel good event for the team, and it is fueling new projects," observed the project's leader.

Early in 2014 the company incorporated the "digital first" approach to worldwide marketing by establishing a dedicated digital marketing team, with new objectives, metrics, staffing, and resources. For many companies, digital transformation converged digital and traditional marketing. At this company, the overwhelming power of traditional marketing, and the associated entrenched habits, perspective and culture, have resulted in digital activities being regarded as "hobbies—something you do after you finish your day job." Making digital a separate organization, with its own metrics, resources, job descriptions and other key organizational elements, is a necessary step in the transformation.

One Digital Marketing Team

What does "digital first" mean at this company? Transformation of customer experience and marketing will begin online, where practices are more malleable, experimentation rapid, data more available, and tradition less entrenched. The company designated the US digital marketing platform and practices as the model for establishing a consistent customer experience worldwide, not only because the US market is this company's largest, but also because of marketing's strong partnerships with supporting organizations such as Adobe, Google, and Facebook.

Even with the commitment, and the new digital marketing team, the journey will not be an easy one.

The immediate objectives are an increased focus on digital marketing, enriched customer knowledge, a common web platform, and data accessibility. The top challenge is changing the traditional marketing culture, skills, and practices.

Transforming Skills and Practices

Transforming entrenched culture, investments, practices, measurements, and even objectives is a common theme in our case studies. It's challenging to convince an organization to drop current habits for hazily-defined new practices. People naturally hesitate, asking, "Why change?" and, "How do we change?"

For this company, as for most organizations, the business case helps people over the hump. But in this new arena, the business case is difficult to build. There are few worldwide brands pursuing global customer experience with which to benchmark. Every new infusion of data produces new questions. At this company, the CMO's relationships with international brands like Nike, and participation in Adobe's Top 22 Companies group, has produced valuable information. Commitment to move forward has come from senior management. The CEO believes in data-driven decisions and continual improvement of all practices—and this includes marketing.

This company's marketing spend has traditionally been concentrated in television, and direct mail in partnership with dealers. Today, the digital marketing team is working with Google, Facebook, and agency partners to adjust the media mix. Using social media to help customers to make a decision requires a new set of tools, skills, practices and measurements.

In the realm of customer experience, this company works with agencies and partners to test and improve. For example, Google has helped design tests on YouTube to determine which videos perform best in order to optimize a new campaign. Content is refreshed constantly, using A/B testing of effectiveness. Digital information has proved tremendously valuable for customer segmentation. For example, a top search in Europe is "family car," and this data point can impact creative content and campaigns.

The new digital marketing activities require new skills. This team enhances its marketing skills on three fronts. The team learns rapidly-evolving best practices from Google, Facebook, and agencies as new campaigns and projects are rolled out. It has in-house training for disciplines and topics that are not changing so rapidly. Finally, new hires bring new skills and insights.

Customer Data Enrichment

Industry marketing traditions have provided marketing with customers' mailing addresses and dealer service records, but without the mobile and email information critical to transform from direct mail to digital communications. They face the immediate challenge of finding ways to cajole visitors into providing this information. Steps in this direction currently include online tools to design your own vehicle, view dealer inventory, and request quotes. Internally they've challenged themselves to design a communications plan from the customer's perspective that determines what to put in front of each customer in the next six months? This type of planning across countries, regions,

segments and devices is complex, but is also critical to the goal of moving a relationship forward.

Unified Platform and Data

The new digital marketing focus demands new skills in data analysis. "The insights set you free, not the data," the team leader observes. "People have to be sharp with storytelling: what does the data mean, and what should we do." The team constantly reviews measurements and analysis to make decisions. The partnership with Adobe has provided the needed data analytics, but the platform is still being built out.

The team's technology focus for 2014 is fixing the B2C platform, which currently varies by region. Concurrently, the team is designing the universal customer experience. The team must balance and integrate these two projects: "We can't let the engine room dominate our attention; we need to keep our focus on the customer," observes a digital marketing leader. "We have to prioritize our platform efforts to include both quick wins and longer term fixes that have been left in the 'too hard' box."

Wisdom

When the strategy demands major cultural changes, a prominent success –such as the recent global product rollout–demonstrates why the change is needed and what it will take to make the change. People who have been reluctant to move forward are more willing to attempt new practices, and more likely to believe positive results are achievable. It is a strenuous method of communicating the why-what-how, but it is extremely effective.

The big challenge in digital transformation of marketing is collecting and using customer information. There are two parts to this challenge: making customers feel comfortable providing that information, and organizing to send interesting and relevant content. This requires new tools and practices for content, but it also changes how communications are planned. The team has to consider what content each customer segment will encounter, and how, when, and where that content will be delivered.

Transformation Lessons from Leaders

Enablers for Digital Transformation				
ENABLERS	**Sears Holding**	**Suncorp Group**	**Malaysia Air**	**Global Manufacturer**
Unified Platform	X	X	X	X
Maturity-Based Roadmap	X	X		
New Skills and Practices	X	X	X	X
Optimization and Experimentation	X	X	X	X
Commitment from Top	X	X	X	X

Table B. The four leaders have employed five key enablers to achieve digital transformation.

Digital marketing organizations are still in early stages. Capabilities, where they exist, are mostly siloed by channels, technologies, touchpoints, and line of business. Ownership of results, relationships and tools is spread over the map. Personalization and optimization are big goals, but for most organizations, content, testing, social, mobile and other contributing areas are in different departments that inconsistently collaborate. So far, nobody has glued together the platforms, data and practices that span from adding a creative to predicting results to analyzing success or failure.

That said, the leaders are making great strides, and we can follow their tracks. The enablers each employed on their journey are summarized in Table B.

Unified Platforms and Data

All our leaders are turning the disconnected investments of the past into today's unified platform for marketing tools and data. They are moving from siloed capabilities to a common set of tools that address the full customer lifecycle. They are integrating customer data sources so that they can better deliver an engaging experience and better manage their marketing campaigns.

In this effort, they must balance the tension between immediate speed and longer term agility. In haste, they could seize on a tool that they think will be transformational in a narrow area. Because its focus is narrow, it is easier to deploy and make useful. But in the end, this short term gain can short circuit larger goals for integration—of data, tools,

skills, capabilities, and customer experience—fatally weakening the platform's foundation.

While the integrated platform remains a goal, teams can learn new skills and practices today using the tools at hand, even if the tools will be replaced. Learning a tool is not as hard as learning how to achieve marketing outcomes, and these skills and practices will be valid on the new platform.

Maturity-Based Roadmap

Suncorp Group and Sears Holding recognize that the organization's skills, data, and technologies must mature in support of business initiatives. A roadmap of the maturation process enables the organization to determine the right initiatives, investments, and plans. Investment in new tools will be accompanied with investment in new skills and appropriate data integration.

New Skills and Practices

Every organization we've talked to strains to find the skills they need for this transformation. Current staff lack the new skills required, and skills for hire are in short supply. In any case, hiring may not be the best solution. You need people you trust, who understand your business. This is impossible to hire. The leaders leverage the internal enthusiasm for learning to create the skills they need. They are accelerating skills development and transformation by working with partners, such as Adobe, Google, and Facebook, who develop best practices and can transfer skills to internal staff.

Leaders also work hard on changing culture and behavior. People have to let go of their habits, tasks, and expertise—not easy to do when something they are really good at, and have been rewarded for, suddenly becomes irrelevant. Engaged managers serve as the cornerstone of progress. Resistant managers can stop digital transformation in its tracks.

Optimization and Experimentation

The leaders are committed to data-driven decision making. They have invested in maturing their optimization capabilities, meaning they constantly test and improve the marketing and customer experience they deliver.

They also prize a culture of experimentation, and seek to establish it despite the difficulty of prying money, skills, and attention away from current operations. Although optimization and experimentation are in one sense diametrically opposed—one focuses on efficacy of what you do now, while the other seeks new things to do—they both share a willingness to branch out from the status quo. If your organization is willing to continually experiment on 10 percent of customer interactions, why should you not also experiment—innovate—with 10 percent of your budget?

Commitment and Leadership

The leaders all had commitment for digital marketing transformation from the top. In each case, a clear business motivation, such as saving the business or building a foundation for an agile organization, drove this commitment. Digital marketing and data-driven decision making is a priority. Vision is clearly communicated, so employees know where "forward" is.

If your organization hasn't yet committed to transformation, you can still take a few steps forward. Experiment and learn using the tools and data you already have. Create some small successes that will boost the organization's confidence and imagination. Begin communicating the value and importance of digital marketing for the future of the company. Such small steps can ultimately lead to greater organizational commitment and the resources needed to move even further ahead with transformation.

Your Next Steps

Digitally transforming your marketing is not an "if," but a "when." The sooner you start taking steps toward it or investing more in the transformation you've already started, the sooner you will reap its benefits—increased customer loyalty and revenue. The list below provides five clear areas you can focus on right now to move ahead with your transformation efforts in 2014:

1. Seek executive commitment, if you don't already have it.

2. Experiment and learn; create small successes to build confidence.

3. Leverage partners to transfer skills.

4. Draw up a roadmap for maturing your optimization capabilities.

5. Develop a strategy for integrated data and tools to support an agile customer experience.