INNOVATIONS IN DIGITAL AND MOBILE MARKETING

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The HBR Insight Center highlights emerging thinking around today's most important business ideas. In this Insight Center, we'll explore smart new ideas from companies pushing the boundaries of digital and mobile marketing.

WHAT THE MARKETING AGENCY OF THE FUTURE WILL DO DIFFERENTLY

BY MITCH JOEL

It's a murky, unclear future for the marketing agency, but one thing is for certain: things are changing at an exponential pace. An agency used to act as the executional arm of the marketing department. An outsourced idea and a creative team that could get the production done at a cost that was less than what it would cost the brand to have a permanent staff in place.

Over time, this role has changed. The digital channels have definitely amplified the need for agencies to evolve and adapt. How people connect to traditional channels such as TV, print, radio, and out of home has changed from their intended purpose of interrupting consumers with a message during content consumption. Social media pushed this even further by forcing brands to engage with consumers — one-on-one — for the public to see, in a very human voice. Mobile too is offering ways to connect with consumers who now wield tremendous power in the palm of their hands. Everyone is curious about how big data is going to play out, what's in store for wearable technology, and just what, exactly, the screen of the future will look like — and how consumers will interact with it. Still, the role of the agency remains fairly simplistic (in philosophical terms): help a brand increase its sales and loyalty. Nothing more. Nothing less. And that has not changed since agencies were first invented.

So, now what? How do agencies ensure their future by being able to help brands sell more and build stronger loyalty in such a disrupted and disintermediated world, where every individual is consuming so much media from so many different channels? How does an agency stay ahead of the curve?

For over 20 years, I have had a front-row seat for this revolution in marketing. Watching businesses such as Kodak crumble in the same month that Instagram gets acquired by Facebook for a billion dollars. Watching an unknown search engine with a cute name become one of the most powerful brands in the world. It is clear that agencies are still holding onto their sacred cows, but it is crystal clear that the dogma of the industry is being rewritten. Here are five new attributes that I think marketing agencies will need to develop in order to survive:

1. Models of leanness. Eric Ries brought the concept of the lean start-up into our zeitgeist. Marketing agencies of the future will need to focus on many of the strategies that the lean movement engenders. From how we initiate a project by establishing metrics and outcomes from the beginning to being more agile in building programs that can bend, move, and iterate as we learn from what the market is telling us (marketing optimization, anyone?). Most marketing is still driven by quarterly planning or seasonal initiatives (aka marketers know best). While it may be hard to transition to a truly real-time way of operating (aka consumers know best), starting with models of leanness will force agencies to be more nimble and more sensitive to how the brand's budget is allocated and will force a spirit of partnership with the brands they represent. That partnership was somewhat lost in the past, and agencies became more like vendors than trusted advisors. Models of leanness will bring partnership back to the table.

2. Utility over content. If the past 10 years were about developing content in the social channels (in order to provide value, humanize the brand, be present in search engines, and more), the next five years will be about the brands that can actually create a level of utility for the consumer. Too many brands are confusing a utility with more robust marketing messaging. The two are not the same. Utility is something that consumers would use on their own accord because it adds value to their daily lives (something they might even pay for). Regardless of attribution to a brand. The bonus (and benefit) come to the brand by creating something that consumers can't live without and the appreciation and attachment that come from it.

3. Content as media. Content was used as chum for brands. Brands blog, podcast, tweet, post, and more in hopes of drawing consumers over to their home base (which was — and still is — littered with marketing calls to action). As native advertising models continue to be introduced and the ability of brands to do something that will resonate with consumers gets more difficult due to the crowded social platforms, content becomes another form of media. Some agencies are helping brands create their own, authentic newsrooms within an organization, while other agencies are building their own newsrooms to help brands create more relevant and original pieces of content that don't look, smell, or act like a press release or advertorial. Content as media becomes a natural extension of an agency's ability to help tell a better and more connected brand narrative.

4. R&D. Marketing agencies sell professional services. Not products. In the past, many marketing agencies have done their best to create, market, and sell an actual product (be it digital or physical). Most have had limited success. Service-based companies selling products have not been a wildly successful endeavor for the majority of marketing agencies. Going forward, this will have to change. The ability of a marketing agency to provide a higher level of research and development in terms of product development and technological implementation will be core to success. Agencies must get much better at providing a deeper context of opportunity for brands to explore. While everyone is excited about the potential of "big data," the idea of agencies bringing more R&D to brands could best be defined as "big research." Pushing beyond the research, analytics, and insights to deliver solutions that can't just be relegated to a purchased media space. Helping brands create what they're going to be selling next.

5. Many big ideas. When people think of marketing agencies and the advertising output, they generally think about the big idea ... and how it plays out across media. As we move toward the era of personalization, agencies must become the purveyors of personalization. This does not mean the death of the big idea but rather a new dawn when agencies are bringing brands many big ideas that are either directly or loosely connected in a way that enables them to connect the brand through channels that transcend advertising (think content, wearable technology, screens that allow consumers to skip traditional messaging, and more). Pushing that further, consumers are not the same when they're watching television as they are when they're on a smartphone. They're not the same consumers when they're reading consumer reviews as they are when they are in a physical retail location. Each scenario, each consumer, each moment of engagement continues to look very different from the output of marketing messages that agencies have been responsible for to date. The brands that can create these many big ideas and be accountable for these many new forms of creative are destined for success.

Is the agency of the future just a back-to-the future moment?

Sadly, most people think of "advertising" when they think of "marketing." Marketing — as traditionally defined — is about the Four Ps (Product, Price, Place, and Promotion). Marketing agencies have spent the bulk of their time focused on just the promotion part of those Four Ps. The world — because of technology and connectedness — is forcing marketing agencies back to the entire sphere that encompasses marketing. Now more than ever, marketing agencies will be challenged to prove their results and mettle.

FEATURED COMMENT FROM HBR.ORG

"I agree with ... [this] article. I believe the agencies of the future are being created today by independent, digital-centric firms who have the agility to innovate and the accountability to respond." — John Ellett

THE RISE OF THE DIGITAL CMO

BY JAKE SOROFMAN

Fact: When it comes to marketing spending, analog still outstrips digital by a factor of three to one. How could this be? you ask. Digital marketing provides targeted reach and measurable impact. Innovative digital marketing approaches in social media, CRM, and other areas dominate the discussion. Nevertheless, analog spending still rules, as confirmed by Gartner's 2013 digital marketing spending report. Shouldn't CMOs and all marketers be shocked by this? Sure, an ample pile of dollars can be attributed to big spending on a few analog media channels, such as Super Bowl ads, for example. But I would suggest that there is something more fundamental happening behind the numbers, something lurking in the very nature of digital marketing and what it asks of leadership and what it means for accountability.

The Digital Disconnect

First, there's a digital disconnect in the executive ranks, a leadership vacuum created by a mismatch between expertise and authority. Like so many other revolutions, digital marketing has taken hold from the bottom up. Here, we find digital natives steeped in digital culture and practice — 20- and 30-somethings who came of age on the social web. Squint your eyes and you see tomorrow's CMOs. But today's CMO is different; the corporate attire may be gone, but the assimilation into the new digital culture is incomplete.

You can see a strong precedent for this in the open source software movement, which didn't go mainstream until its early adopters progressed through the ranks. Yesterday's Linux hackers are now the chief architects and CIOs of the largest enterprises. Unsurprisingly, open source has become a key part of most enterprise IT architectures. But open source crossed the chasm only once its champions came of age. Many CMOs see their digital future but struggle to make the case across the executive ranks, where resistance is born of unfamiliarity, fear, or misperceptions about what digital marketing means for the brand. "But we're a traditional company" is no longer a credible line of defense, though unbelievably, it is still a more common one than you'd think.

Perhaps digital marketing won't go native until the natives occupy the executive suite. But I'm betting it will only accelerate, because, unlike the open source movement, which was initially about cost, digital marketing is plainly driven by revenue. Digital experiences and engagement draw consumers closer to a brand and more efficiently drive conversions and transactions, both online and off.

The Consequence of Measurement

Second, digital marketing is illuminating in ways both powerful and problematic. Analog practices leave room for ambiguity. The numbers matter but can't always be counted with precision. ROI is often ambiguous and anecdotal, which can relieve the CMO of true accountability. To be fair, many CMOs do want greater visibility. They're tired of the murkiness clouding the space between investment and impact.

Others, however, long for the bygone days when the big idea was sufficient. The CMO could tap-dance through the average board meeting as long as revenue tracked up and to the right. Like Mad Men's Don Draper, the CMO became the master of the soft-shoe performance.

But with digital techniques, everything is measurable. Feedback loops tighten, segmentation becomes microtargeting, and optimizations can happen on the fly or even in real time. The relationship between investment and impact becomes correlated and causal — and the CMO becomes accountable down to the dime and moment by moment. Light dawns on the marketing spend! This transparency is powerful when quarters are turning into dollars for the business — but potentially perilous when the opposite is the case.

The Digital CMO

Now, a few CMOs may feel unfairly implicated here. Apologies! Of course, there are indeed strong examples of digital converts who have completed this assimilation successfully and built world-class digital marketing organizations that reimagine brand engagement and even reinvent business models.

What do these "digital CMOs" do differently? They experiment aggressively. They hire smart digital natives — and empower them. They partner with great agencies. They have the humility to admit what they don't know, the courage to toss out the old playbook, and the confidence to allow digital metrics to illuminate the results.

Some hire a chief technologist. Sometimes it's a peer of the CMO, perhaps a chief digital officer, which Gartner predicts will be present in 25% of enterprises by 2015. Sometimes it's a chief marketing technologist reporting to the CMO, which Gartner already finds in 70% of marketing organizations today. In both cases, this role is the designated left brain to the CMO's right.

Digital CMOs also think beyond digital marketing. They look for opportunities to create digital experiences and revenue streams enabled by the nexus of forces, which is Gartner's description of the convergence and mutual reinforcement of social, mobile, cloud, and rich information. The collision of these factors unlocks opportunities to reach and engage with consumers across the physical and virtual worlds, drawing them closer with targeted, contextually relevant experiences and offers. Further, it can allow brands to redefine how value is created and delivered — the way Apple has with music, Amazon has with IT infrastructure, and Netflix has with movies.

Last year, Gartner predicted that by 2017, the CMO's technology budget will exceed the CIO's. Why? Because more often than not, it's the CMO who is expected to drive this digital transformation, which is deeply dependent on technology. Is the average CMO ready to step up to this challenge?

Some CMOs are preparing for the digital revolution by filling the gap between expertise and authority. In other words, they have the self-awareness and the confidence to take bold action even when the context has shifted beyond their sphere of influence and scope of expertise. That is leadership. Others are afraid of the digital disruption — or exhausted by what it will take to convert digital resisters in the executive suite.

But as we've witnessed through the economic and technological upheavals of recent years and the resulting creation and destruction of business models, markets, and careers — disruptions can be swift and unrelenting, and it is much better to be a disrupter than one of those being disrupted.

FEATURED COMMENT FROM HBR.ORG

"The best CMOs thoroughly understand their markets. They know when and where to supplement traditional marketing with digital strategies. They make smart decisions about when to replace traditional investments with digital programs that may yield a higher ROI."
— Joellyn Sargent

HOW THE INTERNET OF THINGS CHANGES EVERYTHING

BY STEFAN FERBER

Currently in the business world we are witnessing something like the epic collision of two galaxies — a rapid convergence of two very unlike systems that will cause the elements of both to realign. It's all thanks to the Internet of Things.

If you are not familiar with the term, the Internet of Things refers to a dramatic development in the Internet's function: the fact that it now enables communication among physical objects even more than among people. By 2015, according to my own firm's projections, not only will 75% of the world's population have access to the Internet but so will some six billion devices. The fact that there will be a global system of interconnected computer networks, sensors, actuators, and devices all using the Internet protocol holds so much potential to change our lives that it is often referred to as the Internet's next generation.

For managers, this development creates challenges both long term and urgent. They need to envision the valuable new offerings that become possible when the physical world is merged with the virtual world and potentially every physical object can be both intelligent and networked. And, starting now, they must create the organizations and web-based business models that can turn these ideas into reality.

As consumers, we have all had a glimpse of how the relationship between buyer and seller changes when devices are connected to the Internet. Nobody these days carries a Sony Walkman and cassettes; instead we carry Apple iPods — and our major access point for music has become the online iTunes Store, also by Apple. The company sells the devices and the music, profiting handsomely from both. In the same way, industrial product buyers are seeing their relationship to equipment manufacturers changed by smart, connected things. In the field of mechanical and plant engineering, consider the advent of predictive maintenance. When a machine is fitted with sensors, it can know what condition it is in and, whenever necessary, initiate its own maintenance.

Clearly, when things are networked, that has an impact on how actual value is produced. In many cases, it is no longer the industrially manufactured product that is the focus but rather the web-based service that users access through that device. So, for example, we see the Daimler Group investing in mobility services such as car2go, myTaxi, and moovel; GE using what it prefers to call the "Industrial Internet" for mechanical and plant engineering services; LG paving the way to "smart homes" with IP-enabled televisions and home appliances and related services.

A study undertaken by researchers from the Institute of Technology Management at the University of St. Gallen in Switzerland (Service Business Development: Strategies for Value Creation in Manufacturing Firms) concludes that these services are most definitely lucrative for traditional manufacturers. Considering the example of a papermaking machine, they note that the sale of the machine itself generates a margin of around 1 to 3 percent, while selling a related service yields five to 10 times as much. The ratio is much the same for the sale of railcars versus related mobility and maintenance services.

For "Old Economy" companies, the mere prospect of remaking traditional products into smart and connected ones is daunting. (My own company, the Bosch Group, for example, produces over half a million things each day across more than 1,500 product categories.) But embedding them into a services-based business model is much more fundamentally challenging. The new models have major impacts on processes at the corporate center such as product management and production and sales planning. And given the dynamism of the net, the innovations will have to come more quickly. In short order at Bosch we have founded Bosch Software Innovations as a new software and systems unit; launched an electromobility service in Singapore; introduced cloud-based security products, including an IP-enabled Bosch security camera; and provided customers with an iPhone app for remote access to heating systems. (We also demonstrated ideas about the near future of networked living at the Consumer Electronics Show [CES] in Las Vegas.)

In many and diverse sectors of the global economy, new web-based business models being hatched for the Internet of Things are bringing together market players that previously had no business dealings with each other. Through partnerships and acquisitions, Old Economy and New Economy (software-based) companies are combining complementary strengths so they can move quickly into vast spaces of "blue ocean." In real time they are having to sort out how they will coordinate their business development efforts with customers and interfaces with other stakeholders.

What we have, then, is a competitive arena full of Old and New Economy companies, all jostling for position and attempting to shape the future. Long-standing producers in traditional industrial fields — whether they make coffee machines, cars, air-conditioners, home gym equipment, or shoes — are suddenly not only competing with companies of their own breed; they are also confronting players the likes of which they have never faced before.

Most know that their strategy going forward will have to balance two imperatives. They have to protect the turf they already own — today's product business — while pursuing growth through service offerings that leverage the fact that the product is in place to offer a richer overall value proposition to customers. (What no traditional manufacturer should conclude is that the Internet of Things is a threat that must be fought off in order to preserve the value of the manufactured product and safeguard the capital tied up in production facilities.) Given the reality of limited resources, this lands many traditional product companies at a crossroads. Every new investment they make can go either to strengthening their product-centric facilities, supply chains, human resources, and brands or to stretching them into the new territory of higher-margin services. The wisest course, most find, is to make investments in both directions, looking to achieve that magic balance that maximizes margins.

As a result, not only in the marketplace but also within firms, completely contrasting business practices, corporate structures, and cultures are crashing into each other. And indeed, for the Internet of Things to fully emerge, they must collide.

As the New Economy and Old Economy galaxies clash, people tend to anticipate that one will destroy the other — and many would observe that the greater momentum is on the New Economy side. Certainly, many differences will need to be overcome before the Old Economy and the New Economy fit together. (Controlled systems on the one hand are opposed by open communities on the other. One keeps a vigilant eye on scant resources, whereas the other in essence gives its services away for free.) But most likely, the two galaxies will morph — as the Milky Way and Andromeda are expected to do — a new system with new dynamics will be created. In the dance around new centers of gravity, new solar systems of partnership will be formed. The question for you is, in this new cyber-physical galaxy, will your company become a new sun, a planet, a minor moon — or be reduced to stardust?

THE END OF TRADITIONAL AD AGENCIES

BY JOHN WINSOR AND JERRY WIND

Much like newspapers, conventional advertising agencies are becoming irrelevant. When one person with a wireless connection can be an agency, a media company, or even a manufacturer, traditional advertising organizations have to change their culture, processes, structure, talent policies, resources, and even their business and revenue models in order to embrace the power of open systems being fueled by digital connectivity. The old agency businesses may still have time to correct their course, but they must start now.

The radical democratization of business over the last decade created by open innovation, crowdsourcing, and co-creation is transforming how advertising organizations work. Victors and Spoils (V&S), where John is CEO, for example, wanted to land the Harley-Davidson account after the motorcycle maker split from its longtime agency. But instead of going through the typical pitch process, the V&S team created a brief and posted it to its crowd of 7,200 creatives and strategists — made up of freelancers, moonlighters from other agencies, and brand and advertising enthusiasts all opting to work in a new, open model. Six hundred ideas flooded in, John tweeted Harley CMO Mark-Hans Richer about what V&S was up to, and Richer tweeted back "Go for it." V&S ultimately presented 65 of the ideas to Richer and landed the account. Whit Hiller, a Vespa dealer in Lexington, Kentucky, came up with the theme of "No Cages," and it continues to be Harley's brand anthem two years later.

As part of the crowdsourcing effort, V&S created Fan Machine, an app that turns a brand's social media platform into a virtual creative department, making fans central to the advertising process. Harley helped V&S launch Fan Machine by enlisting its fans to develop a new campaign. The app is one part ideation engine, one part social media platform, and one part ad agency. Harley used Fan Machine to communicate the idea-submission process to fans, describe awards and deadlines, and push a brief live. Then, fans got busy submitting ideas, voting them up or down, and sharing their own entries with their friends. Meanwhile, V&S tracked the brief, moderated the entries, collected fan data, and reported it back to Harley. Two-hundred-twenty-two ideas and 8,193 votes later, a concept from Harold Chase, a Harley fan from Tukwila, Washington, rose to the top. Harley fans loved it, the client loved it, and V&S crafted and produced it. The resulting "Stereotypical Harley" campaign was conceived by and for Harley fans and launched via Twitter.

In another crowdsourcing venture, V&S helped Smartwool create fan-based advertising through a social media app that invites the firm's fans to upload images of themselves "stripping to their Smartwool" to Facebook. The brand makes these fans into stars by using their images in Smartwool's advertising. Taking the campaign further, V&S has turned Smartwool's fans into field testers who not only star in the advertising but also help the brand in its product innovation process. Typically, outdoor companies use professional athletes as field testers to help them not only test their products but also help innovate. Using real customers and fans makes more sense, as they're actually buying and using the products.

While open innovation platforms in advertising lend themselves to creative work, they're also being tapped in the production phase of the business. MoFilm, Poptent, and Tongal, for example, focus on video production for television and web films. In every part of the industry, the open innovation model is changing the economics of advertising by switching significant fixed costs to variable costs and sourcing creative from more relevant and, many times, lower-cost sources.

Each open innovation agency (and there are many) has its own revenue model, but common to all of them is the basic proposition of expanding the agency's capabilities by tapping the wisdom of a global self-selected crowd of creatives, strategists, and fans. In his research on InnoCentive, the first global Internet-based platform designed to match problems with creative problem solvers, Harvard Business School professor Karim Lakhani observed that the further a problem was from the solvers' field of expertise, the more likely they were to solve it. Since few companies have the resources to hire the diverse disciplinary expertise found in open innovation networks, agencies will have to tap these networks if they hope to compete on creative output.

They'll also need these networks in order to compete on cost. The open innovation model can shave time and expense off the old ad development cycle. V&S begins a client engagement by inviting its crowd to help define the brand's problem — sometimes using the brand's own community of fans. This "defining" is the same thing that traditional agencies do, but the process is virtual, larger-scale, and often both faster and more likely to produce relevant insights. During the creative development process fans can provide feedback early in the process, during preproduction, saving a lot of time and money compared to the old cycle of campaign, test, refine, and so on. When one of 10 ideas catches fire, then the V&S core group of professionals, who are also from the open innovation pool, work with the new input and insights to deliver the final product.

For ad agencies to survive the shift to open systems they must not think of it as an innovation but as a transformation. As we're still in the experimentation phase, we need fearless clients, managers, and organizations. Agencies must rethink their business models and go from being place-based organizations that sell employees' time to creating a new operating system that harnesses the creativity that's all around them.

FEATURED COMMENT FROM HBR.ORG

"This is a fantastic read and a point of view that I subscribe to. ... Brands need to focus on consistent commitment to be successful in the social economy. "
— marcusosborne

WELCOME TO THE ONE-SCREEN WORLD

BY MITCH JOEL

As screens get increasingly cheaper and more ubiquitous, are we going to keep counting them?

Not too long ago, I was asked to give a presentation on the state of digital media and how well brands are intersecting the worlds of marketing and technology. Prior to my closing keynote, there was a panel discussion about the state of media. One senior media executive was discussing the power of "a four-screen world." I thought that he had made a mistake. I was familiar with the concept of three screens (television, computer, and mobile), but four screens was something new. Eventually, he unveiled that the fourth screen was the tablet.

It's still somewhat shocking to think that the iPad was first introduced on April 3, 2010, and we now live in a world where Apple is selling more iPads than any PC manufacturer is selling of their entire PC line. This has been a steadily growing trend since 2012. And yet this is the fourth screen?

The basic dilemma for marketers is this: there are now too many screens to count. Set aside PCs, tablets, smartphones, and TVs (connected or otherwise) for a moment. Your car, your thermostat, your washer and dryer, your refrigerator are all on their way to being "smart" as well — connected to the Internet and to each other, featuring screens that offer up all sorts of information, from usage data to content, like a fridge that suggests recipes based on the food stored inside.

This means the future is not about three screens or four screens or 14 screens. It's about one screen: whichever screen is in front of me. In a world where screens are connected and everywhere, the notion of even counting them seems arbitrary, at best. If you don't believe me, speak to somebody currently sporting Google Glass.

At the same time that screens are proliferating, they're also integrating.

My niece is 19 years old. When she was 16, she would come home from school, take out her laptop, plop down on the couch, lift the computer lid, turn on the TV, plug in her iPod earbuds, and set her BlackBerry down next to her. From afar, it looked like she was running NORAD. But fast-forward a mere three years, and now she comes home from school, takes out her iPad ... and that's it.

All of that core content is now readily available on one screen. From content (in text, images, audio, and video) to communications (chatting with friends on Skype or via Google Hangouts), it's all there on this one device that rules them all.

This convergence is happening because no matter how many screens you buy, you have only one pair of eyes. Yes, we are seeing a massive uptick in consumers who are using companion devices (meaning, they are watching TV but have their smartphones nearby), and while the industry does refer to it as a companion device, the truth is that you're not watching the television with one eyeball and tweeting on your iPhone with the other. You're seeing one screen at a time.

Welcome to the one-screen world.

Here we are today, with over a billion smartphones in the world. They outnumber the PCs. Fifteen percent of online retail sales will take place this year via mobile devices, according to eMarketer, and that's a 56% increase from 2012. Within the next decade, virtually all mobile phones will be smartphones, meaning six billion people will be constantly connected. We already live in a world where more individuals have a mobile subscription than have access to safe drinking water.

And yet, according to a recent survey by Adobe, 45% of marketers say their firms still don't have a mobile presence. Businesses are still splitting hairs on what is the web, what is the smartphone, what is the tablet, and what is TV. Instead of hunkering down and figuring out what the customers' new expectations are when everything from their washer and dryer to their television and smartphone are hyperconnected to one another, most marketers are just worrying about how they're going to advertise on a mobile screen. Advertising? That's not the revolution here. Now brands don't just advertise on someone else's mobile site; they can build their own apps, tools, and programs of engagement that make mobile a different kind of media. They can create value through offering a mobile service or an app that is truly useful. They can touch their consumers in ways that are both contextual and location-aware. This is the proverbial "last mile" that all marketers were hoping for: contextual, personal, and by location.

If ever there were a time to embrace the notion of the one-screen world, this would be it. Increasingly, consumers are rolling these screens up into one. They're streaming video from their tablets and laptops to their TVs. They're watching TV shows on their phones. They simply want the content they like on the device they prefer, when they want it.

The rise of mobile gives marketers a tremendous opportunity to rethink what their jobs really are. Don't send me a coupon or bombard me with ads for the latest washing machine; don't blast me with a text message while I'm in a department store's appliance center. Create an app that lets me control my washing machine so I can start my wash on my way home from the office so it's not sitting wet all day in the washer.

Remember, at the end of the day, your customers have only one pair of eyes, and they're looking at only one screen: the one that interests them.

THE RISE OF VIRTUAL BRICKS AND MORTAR

BY JEFFREY F. RAYPORT

Ever since Amazon's Price App appeared on the retail scene some 18 months ago, pundits have prophesized the demise of big-box retailers. There's no question that Amazon's innovation went right for the jugular of any volume- and price-focused retailer selling commodity goods such as consumer electronics and household wares. Indeed, retailers from Best Buy and Target to Bed Bath & Beyond, PetSmart, and Toys "R" Us are in danger of becoming mere showrooms for Amazon and its ilk. But innovative retailers are responding to this threat by turning "showrooming" to their own advantage.

One obvious strategic response has been to fight back with in-store experiences and proprietary merchandise that Amazon cannot match. The quintessential example is the quirky local bookstore, which sells antiques and unusual knickknacks, offers free Wi-Fi, and hosts a café — an eclectic mix of experiences enriched by products, services, and community that trump online retailing. But this approach has many limitations; chief among them is that it's hard to scale.

A less obvious response that's accelerating in the global marketplace is to accept that stores are showrooms — and design them accordingly. Samsung showcased an array of the company's products from around the world that consumers could examine, play with, and admire. They just couldn't buy them. Its retail clerks pointed consumers to nearby locations where Samsung products were for sale. It was an actual showroom. Having helped establish Samsung as a consumer electronics megabrand, the showroom served its purpose and has recently closed. By contrast, Miele, which makes and markets everything from kitchen equipment to household wares, runs 10 "Centers" in the United States. They host cooking presentations, master classes, and wine tastings, but, other than obvious accessories, they don't sell the company's products. They just showcase them. As Samsung demonstrated, sometimes a showroom is just a showroom.

By contrast, the U.K.-based retailer Tesco has launched an array of "virtual" stores designed to sell products with no merchandise. The world's first virtual store was a Tesco Homeplus opened in the Seoul Subway in August 2011. This wasn't really a store; it was a wall that displayed over 500 of the chain's most popular products, each with an associated bar code that users could scan to populate a shopping basket that Homeplus would deliver to their homes the same day. Since launch, the Homeplus smartphone app has become the number one shopping app in Korea, with over a million downloads to date. Homeplus has extended this concept to bus stops. The goal? Says one Homeplus executive, "Make the shopping experience easier and more convenient for our customers." Homeplus is now the market share leader in South Korea.

U.K.-based Ocado, a pure-play online grocery retailer, has taken the Tesco innovation one step further. It's opened physical stores — actual "high street" locations — where consumers can roam a branded space, browse products, scan bar codes, and complete their shopping task by ordering online from a physical location. One major draw: you don't have to carry those heavy groceries home. Ocado's first actual store, in a London mall, was a hit. (As with Homeplus, in order to access the service, consumers have to download a proprietary shopping app called Ocado "On the Go.")

The strategy is a striking success. Nearly one in four orders at Ocado is now placed using mobile devices. According to shop2mobi, a Dutch Internet start-up that works with retailers to launch QR-code based virtual stores, over 300 virtual brick-and-mortar stores were "published" worldwide in 2012. The firm claims that 2,000 are already planned to open in 2013.

All of which brings us back to the dilemma facing traditional retailers. Many big-box retailers are fighting back by accepting that their stores are showrooms as well as points of sale. They are using the techniques of virtual stores in their physical locations to make it easy to shop online while in the store. These include Walmart, Best Buy, and even Tesco itself. Offering a combination of shopping apps and QR codes, these retailers are replicating the convenience Amazon promises (many with a price-match guarantee) by enabling shoppers to use the stores to showroom their own goods — and then buy directly from them. The message is clear: in-store experience matters. The more compelling and unique — think REI with its climbing walls — the better. But the overlay of attributes associated with online shopping is also essential to survival. Otherwise, the big boxes that dot our retail landscape will indeed become an artifact of the past. (Circuit City, anyone?)

The lesson for marketers is fundamental. Don't count on bringing customers to your brand. Bring your brand to your customers. Place your offerings squarely in the context of your customers' lives. Otherwise, they'll likely take the path of least resistance — and that could mean they don't buy from you.

WHAT GOOGLE GLASS REVEALS ABOUT PRIVACY FEARS

BY LARRY DOWNES

Marketing professionals have learned the hard way that no matter what they do or do not plan to do with consumer information, privacy matters. In part, that's because marketing has always been something of a black art. When an ad appears to speak to a consumer directly, of course, it's likely to be most effective. But that's also the moment when the creepy response kicks in. How did they know what I wanted, perhaps even before I did?

Couple the lack of transparency of marketing generally with the shock of new technology, and you get anxiety over information use that increasingly translates into calls for legislation or regulatory intervention.

New laws aimed at specific technologies, however, are the worst possible outcome. Legal solutions are by their nature blunt instruments for managing uncertainty. At best, they add significant enforcement costs without solving the problem. Spam emails were made illegal by a 2003 federal law, but all that law has done is to provide lifetime employment for lawyers at the Federal Trade Commission.

At worst, special laws simply ban the new thing before its developers have the chance to test it in the market and make adjustments. In the United States, for example, advocacy groups initially demanded that Congress outlaw Google's Gmail when they learned the service would be paid for with contextual advertising that "reads" the content of user messages.

FCC commissioner Ajit Pai recently referred to such efforts as "Red Flag Laws," an allusion to legislation passed in response to the initial panic over an earlier disruptive technology: the automobile. He writes:

The temptation to overregulate new technologies is strong. It's also misguided. Today, everyone would agree that it would be absurd for the government to require an automobile to be preceded by a person carrying a red flag to warn people that a car was coming. Or worse, imagine if regulators required motorists to stop, disassemble their vehicle, and conceal the parts in bushes if the car frightened a passing horse. The first actually happened at the dawn of the automobile age — they were called Red Flag Laws — and the second nearly happened, passing the Pennsylvania state legislature unanimously, only to be stopped by the Governor's veto.

In retrospect, of course, Red Flag Laws always look ridiculous. But in the heat generated by torch-wielding mobs, the absurdity of calls to do something — anything — to stop the march of progress aren't always so easy to counter. Consider what Techdirt's Mike Masnick has called a "moral panic" over the release in a year or so of Google Glass, a head-mounted computing device that projects information onto a tiny display positioned in front of one eye.

Glass will also be voice-activated, capable of performing many basic computing functions (sending messages, looking up information) and of recording and sharing audio and video. The product is about to enter a controlled beta release to some 8,000 early users, or what the company is calling "explorers."

In a literal sense, Google Glass is nothing new. Head-mounted displays have been around for decades, initially designed for military and advanced simulation applications but now cost-effective for consumers. At this year's Consumer Electronics Show, I saw perhaps a dozen companies offering such devices, pitched for the convenience of hands-free computing, as aids to those with disabilities, or for high-end immersive gaming.

Nor are any of the functions performed by Glass especially novel. The device will simply mimic some of what billions of us can already do with a smartphone. Except that you wear it on your head rather than holding it in your hands. As many of us also already do with Bluetooth headsets.

There is, I suppose, one difference that's worth mentioning. The product will be made and sold by Google. On the one hand, that seriously ups its coolness factor, making Glass a "must have" for the technorati. On the other hand, it also increases the anxiety level of those already uncomfortable with the company and with smartphones and other mobile devices that can record audio and video more or less without notice.

The red flags are flying high. A White House petition asks the Obama administration to "ban Google Glass from use in the USA until clear limitations are placed to prevent indecent public surveillance." (So far, 38 of 100,000 required signatures have been collected.) One site, Stop the Cyborgs, already offers downloadable signs businesses are encouraged to display announcing that "Google Glass Is Banned On These Premises." They also sell T-shirts, though one customer complained that the material used was so thin as to be transparent, an unfortunate irony.

Lawmakers are eager to get in on the fun. A West Virginia legislator, after reading a short article about the product, immediately introduced a bill that would prohibit driving while "using a wearable computer with head-mounted display." And last week, eight members of a bipartisan congressional "Privacy Caucus" wrote Google CEO Larry Page to say they were "curious whether this new technology could infringe on the privacy of the average American." The questions that followed made the point clearer; we don't know what this product will be, but we don't like it.

I shouldn't be flippant. It's certainly true that ever-smaller and ever-more-powerful mobile devices raise important questions about the costs and benefits of persistent surveillance and of the line between personal autonomy and acceptable social behavior.

These, however, are more philosophical issues than legal problems, or at least they should be. We already have privacy laws on the books, and there's very little about Google Glass that suggests a need to start over. (Driving while using head-mounted displays is already either legal or illegal, depending on each state or country's law regarding distracted driving.)

What's more interesting has been Google's response to the uproar over a product that doesn't even have a launch date. By and large, the company has said nothing, other than to actively promote Glass's future release and highlight its great potential.

For years, I have advised companies of the importance of getting ahead of privacy concerns on new applications, especially those that might trigger the creepy response. That's because the real privacy constraint on companies has always been consumer outrage. Thanks to social media, that's become an ever-more potent force — arguably more compelling than anything lawmakers might do.

Once the moral panics start, it's impossible to predict where they will lead. So the wisest course is to head them off. The important takeaway for product makers isn't so much about what they do with personalized data but how they design and test a new offering, launch it, explain it to consumers, and provide tools for information management.

Public education and transparency can do a great deal to defuse angry mobs before they've had a chance to storm your castle. The difference between personalization that everyone loves from the beginning (Amazon and iTunes recommendations, TiVo suggestions) and personalization that stimulates a fatal rejection (Facebook Beacon, Google Buzz, LinkedIn personal ads) has little to do with the nature of the data being used. It's all in how you explain it. And you don't get a second chance.

But Google seems to be taking a different tack — at least so far — by largely ignoring the rising tide of negative commentary. The company has refused numerous requests for comment. At a developers' conference last week, Glass product director Steve Lee said only that "Privacy was top of mind when we designed the product."

It's hard to know whether this is actually Google's strategy or whether they're waiting for a more appropriate moment to leap directly into the fire. But maybe the company has evolved to the next stage of privacy management. Perhaps they've decided that saying anything in response to prelaunch fears of product misuse only adds fuel to a generalized moral panic that is now more or less persistent.

Given the high level of irrationality around privacy these days, Google might be onto something. Perhaps arguing logically with those who are reacting emotionally just makes things worse. One way or the other, marketing executives should keep a close eye on how the Google Glass story plays out. It may prove the best case study yet in how to — or not to — manage privacy fears.

A FUTURIST LOOKS AT THE FUTURE OF MARKETING

BY DANA ROUSMANIERE

Digital marketing is evolving as fast as any other medium on our tablets, smartphones, Google Glass, and beyond. To learn about what the future may bring to this marketing genre, we reached out to Gerd Leonhard, an author, strategic advisor, CEO of The Futures Agency, and someone whom The Wall Street Journal calls "one of the leading media-futurists in the world."

Here are some of Leonhard's predictions for what's coming. Add yours in the comments section below.

1. By 2020, most interruptive marketing will be gone. Instead, marketing will be personalized, customized, and adapted to what I have expressed as my wishes or opt-ins — which essentially means that advertising becomes content. Data will be essential, and as users, we'll be paying with our data — bartering a bit of our personal information in return for the use of platforms and services. Customers will be forming relationships with brands that are built on trust, and if a company breaks that trust, it will be very quickly viral and very quickly over. By 2020, unauthorized targeting of consumers will essentially be useless. I, as a consumer, am going to choose whom I want to hear from. I'm going to like things, or I won't like them, and you will have to earn that from me.

2. The idea of having a separate marketing department is going to vanish. In the future, the "reason to buy" will be socially motivated. If a product is great and everybody loves it, it will sell. And you're going to stop buying things from companies that don't fit your values, just because you can't see giving them the money.

3. Location-based services will be immensely valuable and useful, but not until we have some kind of a privacy bank — some authorized authority or entity that will keep the public safe and that has a neutral objective. Because clearly, I'm not going to offer up my location if I don't feel safe.

4. Companies are going to try to predict how people feel about their brand and then adjust in real time by changing features and starting new conversations with customers in real time. All the companies of the future will have one big job: to make sure that the customer feels cherished and safeguarded. As Amazon calls it, "customer delight" will be the number one mission. If you screw that up, everyone will leave.

5. Companies can collect all the data they want, but data alone will never be enough. You still need to reach consumers on an emotional level. The bottom line for marketers will be that if a product or service isn't humanized, it won't sell — because buying something isn't an intellectual process of saying "this could be useful"; it's saying "I really want this."

THE RISE OF THE MOBILE-ONLY USER

BY KAREN MCGRANE

"They can just use their desktop computer to do that."

One of the most persistent misconceptions about mobile devices is that it's okay if they offer only a paltry subset of the content available on the desktop. Decision makers argue that users need only quick, task-focused tools on their mobile devices because the desktop will always be the preferred choice for more in-depth, information-seeking research.

But what about people who don't have a desktop computer? What about people who have access to a PC but prefer using their mobile device? Those users want and need access to the same information, just presented in a different form factor. The mobile-only user is your customer too.

Reaching the mobile-only user

The rise of smartphones means that more and more people are going online from a mobile device. According to Pew Internet, 55% of Americans said they'd used a mobile device to access the Internet in 2012. A surprisingly large number — 31% — of these mobile Internet users say that's the primary way they access the web. This is a large and growing audience whose needs aren't being met by traditional desktop experiences.

Some of these users may have access to a traditional PC and a broadband connection at home, work, or school, but these may be shared devices or simply not private. For their personal, always-on connected device, these people choose to rely on their mobile.

If you're trying to reach specific audiences, you can't afford to ignore mobile-only users. As Pew Internet reports:

- **Young adults**: Fifty percent of teen smartphone owners aged 12 to 17 say they use the Internet mostly on their cell phone, according to a 2013 Pew Internet report on Teens and Technology. Similarly, 45% of young adults aged 18 to 29 reported in 2012 that they mostly go online with a mobile device.
- **Black and Hispanic adults:** Fifty-one percent of black Americans and 42% of Hispanic Americans who use a mobile device to access the Internet say that's the primary way they go online — about double the 24% of white Americans who say they rely on their mobile devices for access.
- **Low-income adults:** People whose household income is less than $30,000 per year and people with less than a college education are also more likely to rely on their mobile devices for access — about 40% of people in these groups say they primarily use their cell phone to go online. Health care, nonprofit, and government institutions that need to reach these populations should be aware that their audience is mobile-only.

But mobile-only usage isn't limited to these demographics. Amazon, Wikipedia, and Facebook all see about 20% of their traffic from mobile-only users, according to comScore. A whopping 46% of shoppers reported they exclusively use their mobile device to conduct prepurchase research for local products and services. Internal data from some finance, health care, and travel providers show similar mobile-only usage. If you're trying to reach customers who shop, bank, and socialize only on their mobile devices, you're missing out.

These numbers are already large enough to require attention — and they're not going down. With sales of PCs at an all-time low, more and more people will rely on their smartphones and tablets to go online. For this growing population, if your content doesn't exist on the mobile screen, it doesn't exist at all. Now's the time to figure out how to meet their needs.

Same experience, different device

Mobile-only users aren't some strange new breed of customer, signaling their desire for different messages, content, and services through their choice of screen size and form factor. They're just your customers. You can and should speak to them in the same way you address all your other customers. They just want to engage with you on the device that's most useful and convenient for them.

Meeting the needs of the mobile-only user doesn't mean agonizing about "the mobile use case," trying to determine which subset of content would be most useful to users "on the go." Google reports that 77% of searches from mobile devices take place at home or work, only 17% on the move. Mobile users should get the same content. It's frustrating and confusing for them if you give them only a little bit of what you offer on your "real" website. If you try to guess which subset of your content the mobile user needs, you're going to guess wrong. Deliver the same content as your desktop user sees. (If you think some of your content doesn't deserve to be on mobile, guess what — it doesn't deserve to be on the desktop either. Get rid of it.)

Meeting the needs of the mobile-only user also doesn't mean sending them to the desktop website on their smartphone. Asking mobile-only users to pinch and zoom their way through a website designed for a monitor five times larger is an ergonomic nightmare — and a cop-out. We can do better for these users than tiny fonts, untappable links, and broken hover states.

You don't get to decide which device your customers use to access the Internet. They get to choose. It's your responsibility to deliver essentially the same experience to them — deliver a good experience to them — whatever device they choose to use.

FEATURED COMMENT FROM HBR.ORG

"I could not agree more. There is no distinctly separate mobile web … and people are going to visit it on the device of their choosing. … The presentation needs to adapt, but the same functionality needs to be there. If [visitors] can do something on one device, they are going to expect to be able to do it on the other."
— Justin Megahan

WIN THE ATTENTION OF YOUR DISTRACTED CONSUMER

BY JAKE SOROFMAN

A guy walks into a store. No, it's not the opening salvo for a bad joke. It's a critical moment of truth for the in-store and brand marketer that today is complicated — even compromised — by the hyperconnected consumer. You know this person. He's standing in the aisle striking the familiar pose: feet planted, arms extended to form the smartphone hunch. He's lost in a parallel world. What's he doing? Searching, browsing reviews, comparing prices, cultivating social input. Is he gaining conviction or changing his mind?

That's the question on the minds of retailers today. Gartner estimates that two-thirds of U.S. smartphone users reach for their devices to check prices, read reviews, and compare product information — both inside and outside the store. This hyperconnected consumer is a game changer for marketers. Why? Because the path to purchase, which was once relatively easy to model and influence, has become a muddled and meandering maze — more of a walkabout than a path that follows any deliberate course. Think of it as the flight of the bumblebee — not the seasonal migration of songbirds.

Brands need to tap into this new dynamic by ensuring that as the path winds and wends, they're part of the experience. It's easier said than done. But here are some examples of how brands are meeting the challenge.

Develop customer intimacy. Every strategy begins with an understanding of your target customer. We already know that. But it's worth restating because here it implies something vaguely different. It's not only about like-kind segmentation based on customer needs and wants; it's also about developing a deep understanding of customers' connected behaviors, preferences, and usage patterns. Brands measure these patterns and increasingly look to advanced ethnographic techniques to observe what isn't often reliably reported by customers.

Think mobile first. Ninety percent of consumers use multiple screens in sequence over the course of a day. And within that sequence, Google suggests that 65% of purchases begin on a smartphone, from which 61% advance to a PC or laptop and 4% terminate on a tablet. This points to the primacy of mobile. Many brands adopt a mobile-first strategy to direct multichannel experience design. By pegging your efforts to mobile you ensure that experiences are optimized to what is fast becoming the primary use case — and you ensure that the physical constraints of the mobile medium get the first-order attention they require.

Integrate experiences across channels. Today's multichannel realities can easily create fragmented brand experiences. And the presence of a mobile device can easily distract consumers from the buying journey. That's why it's so important to design experiences that make mobile an asset, not a liability — a magnet, not a wedge. Case in point: beauty supply retailer Sephora integrates mobile across the in-store shopping experience, including the use of mobile payments, the ability to scan items to create shopping lists and access reviews in the store, and innovative tactics such as "endless aisle," which allows consumers to scan promoted QR codes for on-demand shipping of highly giftable items. One scan and Aunt Sally's present is off your mental checklist.

Deliver targeted experiences. Big data means that we know more about consumers than they care to contemplate. Creepiness aside, it also means we can deliver offers and experiences that are both relevant and welcomed. With mobile, targeting data encompasses elements of location and proximity. Of course, you can easily see how this story could end badly — after all, proximity doesn't always mean permission. But particularly for the most loyal customers, mobile can be a powerful way to engage with and influence consumers in close company to potential purchase moments.

Don't forget the basics. It's easy to get starry-eyed contemplating the universe of mobile possibilities, but sometimes the best tactics are close to the ground. For example, Gartner believes that mobile search yields higher conversion rates than traditional search. Why? Because mobile search is inherently local and exhibits high commercial intent. You search on your smartphone not to chase shiny objects or to kill time but to fulfill a near and present need. The upshot? Sometimes the mobile magic is the simple combination of a mobile search strategy tied to a mobile-optimized website. Or it's social reviews integrated into your mobile commerce site. It may not impress peers at the next industry cocktail party, but the ROI on the proven basics is bound to impress your boss.

So next time you see the hyperconnected consumer standing aisleside and astride performing the smartphone hunch, ask yourself, is that the pose of a customer at risk — or is it a customer engaged? Smart mobile marketing is about finding ways to turn the former into the latter.

DON'T LET MOBILE APPS GET PUSHY

BY RICHARD TING

Americans are addicted to their smartphones. A recent report by Flurry Analytics revealed that Americans spend about two hours and 38 minutes a day glued to their mobile devices, with 80% of that time spent in/on mobile apps. With over 700,000 apps available for download in both Google Play and the Apple App Store, it is safe to say that apps have reached critical mass.

With this intense competition, brands and mobile app developers are forced to reevaluate tactics for growing user retention and engagement rates, which is increasingly difficult. Some brands — such as ESPN and Yahoo — are embracing the philosophy of "less is more" by consolidating their overall portfolios of mobile apps and redesigning their "everyday" apps to appeal to overloaded users. But many others are embracing push notifications, which are proven to quadruple mobile engagement rates and double retention rates compared to apps without them.

The New York Times and *The Wall Street Journal* leverage push notifications as tools to break important news. Retailers such as Sephora and Gilt use them to support time-sensitive flash deals. Airlines such as United use them to keep travelers up to date with flight statuses.

While push notifications can be incredibly useful, many mobile app developers and brands have resorted to using them as a cheat to achieve coveted retention and engagement. In some cases, it's starting to backfire. We're beginning to see a tidal wave of push notifications from mobile apps that alert users to every mundane activity, irrelevant sales promotion, or social network update. Essentially, these push notifications just add more digital noise and drive users to tune out or even delete certain mobile apps from their devices. Just yesterday, I received a last-minute Ticketmaster alert to purchase concert tickets for a band that I don't like for a concert in a city that I don't live in. On other days, the activity in my Facebook life causes my phone to constantly buzz. But then again, Facebook's aggressive use of push notifications is well documented.

Evaluating the value of push notifications against the noise that they create is a slippery slope. Given the proven success of these alerts and with strong retention and engagement rates viewed as the Holy Grail, we need to find a palatable solution for future app development.

Here are some guidelines that brands and mobile app developers need to consider:

1. First **decide whether the mobile app is brand appropriate.** Does your brand have a proper mobile channel strategy in place that fits into your brand's overall business objectives? How does this mobile app fit into that strategy?

2. Does the mobile app legitimately create value for your consumers? **If not, then don't build it.**

3. **Focus your mobile app** — don't water it down. What are the one or two features that will help drive mobile app engagement and retention?

4. **Create social engagement layers** for your mobile app that encourage users to come back. Why would they care, and what would move them to share your mobile app?

5. **Use push notifications only when necessary,** and make sure the content in your push notification is relevant and personalized. Create a push strategy the same way you would create an email strategy. Push notifications should not equal SPAM.

6. **Deliver the notification at the right time to the right audience in the right context.** Segment. Push content to specific groups based on their individual profiles and behaviors. Push notifications should be geo-targeted, audience targeted, and time-sensitive.

7. **Use analytics and social listening to continuously improve** your app by tracking what consumers care about. Your app is a work in progress. Analytic services such as Parse are helping brands and agencies best determine whether push notifications are working.

Average users have 41 apps on their mobile devices — and that number continues to rise. Utilize push notifications appropriately to help bring attention of your mobile app. Don't let your mobile app's greatest asset for driving retention and engagement become its greatest nuisance as well.

FEATURED COMMENT FROM HBR.ORG

"In summary, it's important to approach mobile messaging with a customer-centric mentality and use all available channels to serve the right content at the right time."
— appboy

MAKE THESE CHANGES TO HELP DIGITAL MARKETING FULFILL ITS POTENTIAL

BY EDDIE YOON AND JIM ECKELS

The promise of digital marketing continues to grow as big data gets bigger and is turbocharged with mobile and social. In theory, digital marketing should be more precise and better than traditional analog marketing.

So why is digital marketing still so ineffective?

Data from the 2012 Direct Marketing Association benchmarks say that direct mail — yes, junk mail via snail mail — still reigns supreme, offering response rates of 1.1 to 1.4% versus 0.03% for email, 0.04% for Internet display ads, and 0.22% for paid search.

Digital's ROI is better than the ROI on analog marketing for one reason: because it is cheaper. Cheaper equals more emails, which in turn equals more noise. Nearly 145 billion emails are sent daily and, of that, 94 billion are spam. Banner ads, pop-ups, and other forms of intrusion marketing are growing and becoming more invasive. This is only going to get worse.

There are two opportunities to improve this. First, by focusing on the "return" portion of the ROI equation, not just the investment, we can use the power of digital to be more effective, not just cheaper. Second, we need to fundamentally rethink digital marketing. Digital can shrink the path to purchase — and in some cases it can eliminate or even reverse it.

First, focusing on the effectiveness versus the efficiency of digital marketing is a huge opportunity. Let's start with email, which still has the highest ROI. Think of how many marketing emails you receive each day. We estimate the average consumer receives 20 to 30. After a while, many consumers get fed up. This leads to the dreaded unsubscribe button. When a target unsubscribes, often they're not just saying "I don't want to be on your list" — they're frequently so fed up that they mean "I don't want to be in a relationship with your brand."

The way out of this big data black hole is integrating digital with economics and emotion, via your Super Consumers — the top 10% that drive 50% of a category's profit.

Take the most comprehensive CRM/transaction data you have, and rank order the consumers from highest spending to lowest. Take the top 10% and filter for those who truly love the category (they are the who), and start an ongoing dialogue to figure out the why, when, where, and what to offer to make your current digital marketing efforts much more effective. Since Super Consumers are at the "tip of the spear" for your category, the efforts you undertake to win with them will carry over to the majority of your customers and prospects as well.

Use social to find out why Super Consumers care and spend a lot on the category. Twitter is the world's largest poetry slam. Poetry is passion — good and bad. So when a consumer talks about a category or a brand on social, there is something to learn. If you don't believe us, search for the following on Twitter and ponder why @ meghanrosette believes heaven should have Trader Joe's and @ ochocinco believes Keurig and low-fat ice cream are the best cure for a broken heart.

Use Super Consumers to find key decision points and chokeholds in the path to purchase. By understanding the path to purchase, you can figure out when in the path to intervene and how to best allocate your digital marketing spend and website/mobile real estate. The digital path to purchase also tells you where you should be delivering your offer. Is it at home? Is it in the store? This is where mobile can be very powerful.

The what is the last, yet very important, piece when it comes to Super Consumers. Most digital marketing messages have an offer or deal, of which most are tailored toward light users or even non-users. (Think Groupon.) But Super Consumers care about benefits and innovation. By understanding who your Super Consumers are and what their demands are, you can market new solutions to them without aggressive offers for products or services they will purchase anyway. Save the deals for the light and new users you are trying to grow into Super Consumers.

The second opportunity for digital marketing is likely even bigger.

The core problem isn't digital as a medium but rather the marketer's mind-set. At their core, email, search, and display ads are the same as direct mail, classifieds, and mass media, respectively. We're taking the new wonders of digital and applying it to old ways of marketing. Digital provides much more than just precision but also speed and amplification. We need to start with a clean sheet of paper.

Speed and amplification enable digital to disrupt the path to purchase. Typically an advertisement sparks a trip to the store, where the product is purchased and fulfilled. Digital can dramatically shorten the path to purchase and even reverse the flow.

The quickest path to purchase is no path to purchase, such as auto-subscription models. Other innovations such as "one click ordering" and "mobile scan and buy" apps are also speed-related game changers.

Amplification is another way that digital marketing can disrupt the path to purchase. This is when consumers who already are buyers help market your category/brand to other consumers. (This is often called peer-to-peer marketing, earned media, or word of mouth.) Digital has the wonderful ability to create communities at lower levels of scale that build on one another and amplify the category (or a brand's benefits). These communities are Super Consumer-driven, as Super Consumers love to connect with each other. There are numerous profit and business models to monetize this. Marketers should monitor and, as appropriate, engage with these communities.

We all have to do something to improve digital marketing, because the big data black hole will continue to get bigger. If you hate spam email, wait until you start being besieged with spam texts. Then social spam. And so on. If every company followed this blueprint to improve digital marketing, we'd each receive one-tenth as many marketing messages as we get today, but they would be 20 times more powerful and relevant. This might fit @meghanrosette's view of heaven (right next to the Trader Joe's).

FEATURED COMMENT FROM HBR.ORG

"Instead of email marketing, try some more engaging tools like #hashtags on Twitter or Google Plus and turn your campaign into an interactive game instead of a simple sales pipeline." — Aurimas P. Girčys

BRICKS AND MORTAR (STILL) CAN'T BEAT THE WEB ON PRICE

BY RAFI MOHAMMED

Change is an arduous process. Whenever I have to make a big change in my life, I tend to go through three phases. First, I simply wish ("Somehow it will happen"). When that doesn't work, I'll look for a quick Hail Mary fix. (Sadly, those specially formulated seaweed pills didn't help me lose one to two pounds a day). Finally, still stuck in the same situation, I realize that I have to confront the challenge and strategize to make things happen.

Brick-and-mortar stores have been muddling through similar stages in dealing with the emergence of low-priced web retailers. The facts are incontrovertible: due to lower costs, web retailers can profitably sell products more cheaply than their physical store — and with a few clicks, it's often more convenient for customers to buy online.

When first challenged, brick-and-mortar stores responded with a nebulous rebuttal of "We'll offer better service" as a counterweight to their price premiums. That hasn't worked very well. Next, some retailers have tried a Hail Mary tactic: "We'll match the best price you can find on the Internet." The logic here is that without the price-match guarantee, the retailer was going to lose the sale, so sales gained by this policy are incremental revenue (which results in gross profit as long as the price at least covers merchandise cost). The downside is customers become trained to play the game of checking prices on the Internet first, which has negative long-term effects — you can't make money when more and more of your customers start paying incremental prices.

The allure of cheap web prices has recently blossomed due to mobile phone apps that direct users to a lower price on the same product, generally at an Internet retailer. Many of these online retailers offer free shipping and, for the moment at least, many don't charge sales tax (which at 9.25% in Chicago, for instance, adds up). These apps encourage "showrooming," the practice of customers checking out merchandise in physical stores and then purchasing at a discount on the web.

Brick-and-mortar retailers need to realize that selling the same products as established web retailers do, even with price-match policies in place, is not a viable long-term growth strategy. To prosper, physical stores have to change their merchandise selection. The following four categories of merchandise create reasons — hence, value — for customers to visit stores.

Well-branded, highly differentiated, and exclusive: This was a centerpiece of Ron Johnson's plan for J.C. Penney — a strategy that I argued was brilliant but ultimately derailed due to other factors.

Nonexclusive with a twist of differentiation: Adding some type of uniqueness — even to common products — creates value and minimizes price comparisons. Target tried this last year, but no reports have since surfaced regarding its success.

Nonexclusive and non-differentiated but at a discount: With showrooming, manufacturers benefit from consumers being able to see and touch their products in physical stores. I've argued that stores should demand a physical store equalizer discount from manufacturers so at the very least they can profitably compete on price against web retailers.

Nonexclusive, non-differentiated, no discount, but advantageous to buy at a store: Some products are easier to purchase in stores. Fashionable clothes, for instance, benefit from being tried on prior to purchase. The lower the product price, the less likely the web versus store price differential will result in showrooming. "It's only a 10% difference" is more manageable on a $100 product than, say, a $1,000 one.

The optimal merchandise assortment is a mix of the above products as well as generic items that are also available at Internet retailers. And counterintuitively, these generic products can be priced higher than what web rivals are charging. How is this possible? First, a large segment of customers simply prefer to shop in stores. As gas stations do, retailers can charge more for "full serve." Just as important, even discount-minded customers drawn to stores for unique products may out of convenience pick up a few premium-priced generic products. After all, how many times have you visited a grocery store to purchase loss leaders but ended up loading your cart with products that aren't deals?

The brick and mortar versus web battle has long been portrayed as one based on price. Viewed through this lens, physical stores simply can't win — it's time to forget about competing on price. Instead, the mantra for brick-and-mortar success should be "creating and capitalizing on value." Stores should offer products that provide reasons for customers to visit stores, leverage this differentiation to sell additional generic products, and focus on customers who prefer shopping in stores.

MEASUREMENT IN A CONSTANTLY CONNECTED WORLD

BY PAUL MURET

Smartphones and tablets are the first things many of us check in the morning and the last things we read at night. We use smartphones on the sidewalk, at work, at lunchtime, in line at the grocery store. In the evenings, we're on our tablets while we watch TV.

Being constantly connected has changed our behavior: we simply expect the right information to be at our fingertips. And the more we come to expect that information will be there whenever we seek it out, the more we search and browse, research, share with friends and family, and (most important for businesses) buy things.

According to Google research, 88% of consumers research products and services before making a purchase, and the average customer consults 10.4 sources before making a choice. Today, these purchase decisions are a product of our activity across screens.

This is creating tremendous opportunities for business teams to engage customers throughout their new and more complex buying journeys. But before you can take advantage, you have to understand that journey by measuring and analyzing the data in new ways that value these moments appropriately. The payoff is better alignment between marketing messages and consumers' intent during their paths to purchase — and ultimately, better business results.

To adapt to this new constantly connected customer, businesses should do three things.

Practice Holistic Measurement. Let's say you're planning a family summer vacation. You search for "family-friendly vacations" on your desktop computer and find a travel site promoting a "kids stay free" offer at your favorite beach. It sounds great, but you decide to do some more research before settling on that particular trip. That evening, while catching up on last week's TV shows on your tablet, you remember the kids-stay-free offer, so you return to the online travel site.

This is the key moment: if the site remembered your earlier interest in family-friendly vacations from your desktop, it would show you that same tailored promotion. And chances are you'd be excited by this seamless experience.

But consider what happens if the site instead shows you an offer tailored to business travelers. Would that make you more or less likely to buy a family trip? The answer is pretty clear: a complimentary continental breakfast and proximity to a convention center isn't quite as much fun as snorkeling and building sand castles.

Constantly connected consumers come in contact with your brand in a variety of ways, over many days or weeks, across different devices and channels. They engage with you as they search for information, browse their favorite websites, or watch videos online. A Google research study found that 90% of multi-device owners switched between screens to complete a task. Understanding how customers connect with your brand across these multiple touchpoints is the first step toward effective measurement.

Attribute the Right Value to Your Marketing Channels. Our research shows that while only 14% of marketers consider last-click analysis to be "very effective," over 50% still use last-click measurement as the biggest influencer for a purchase decision. It remains the industry standard in many places. But consumers now come in contact with your brand in a variety of ways, in multiple contexts, across different channels and screens before that last click. Consumer behavior has evolved, and brands need to as well.

Marketers today need a better understanding of how to attribute value to each one of their channels; when you know which ones drive action for different groups, you can value each appropriately and invest in the right points of their customer journey. Tools such as Google's Multi-Channel Funnels and Attribution Modeling help businesses grasp each marketing interaction and how they influence each other along the customer journey.

Let's go back to our travel example. Before the multiscreen era, that travel site you visited might have looked only for the "last click" — the one that brought you to their website right before you bought the vacation package. That click is still hugely important, of course, but now businesses can understand the path leading up to it as well. Were you particularly moved by a search or display ad? Did you receive an email newsletter? Did your friend share an online promotion with you?

Developing a strategy based on this richer picture is a crucial part of connecting with on-demand consumers, and it starts by asking the right questions and using the right models for analysis. Are you reaching the right audience at the right scale? Are you doing it profitably? How are your activities interacting with each other to increase the likelihood that you'll achieve your goals?

Understanding how different channels work together enables your company to improve these models over time. This will help your organization learn new ways to provide consistent messaging and customer experiences — and help you invest in the right parts of your business as well.

Act, Measure, Repeat. More searches, posts, views, and connections are producing waves of new data to measure — and some entirely new buying signals. As a result, marketers need to experiment relentlessly with their campaigns. Try developing different creative for consumers in different geographies. Test various graphics, messaging, and timing. If the audience you'd like to reach is shopping for family vacations, perform A/B tests with slightly different creative and copy, and carefully measure which ones perform best.

Using our travel example, let's say the online travel agency decides to experiment with a number of different creatives for their online display ads. After a period of time, they see that customers who see the promotional kids-stay-free offer on both desktop and tablet buy 17% more vacation packages. That information should now be linked directly to their ad system, to both optimize creative messaging and adjust investments to boost overall sales. More broadly, savvy businesses should be integrating their internal data platforms, such as CRM and in-store systems, with their digital marketing as well.

Of course, none of this means less work. But it does mean more opportunity — if marketers spend more time planning, testing, and optimizing their digital efforts. When 60% of online purchases happen after multiple brand interactions, it's critical to stay agile and act on the insights of your customers and their journeys.

FEATURED COMMENT FROM HBR.ORG

"You [also] can't see the complete path to purchase without looking at how consumers are interacting with your competition. You need to use analytics tools beyond your local analytics." — Carro Halpin

CMOS: BUILD DIGITAL RELATIONSHIPS, OR DIE

BY JAMES L. MCQUIVEY

The term "digital disruption" sounds painful. The word disruption implies that things are going to get broken up. But for companies that take advantage of what digital can do, disruption will have the opposite effect. Even if business models, traditional processes, and long-standing industry practices are about to be broken up — and they are — when the dust settles, one part of your business can and should be stronger than ever: the relationship you have with your customer.

Unfortunately, most organizations don't know what it means to have a relationship with a customer, even though they have a customer list, an email database, or even a loyalty program. Sometimes these trappings of a customer relationship often mislead companies into thinking that they have the relationship thing down and that they don't have to digitally disrupt their customer relationship.

But they do. If they fail to digitally rethink their customer relationship, it will be bad, possibly irreparably bad, for the business, and it will be the CMO's fault. And it's really a shame, because the CMO holds the keys to the customer relationship and should know better.

But instead of thinking about reinventing the customer relationship, the CMO has been busy trying to make CMO a credible and necessary role in the C-suite. Many CMOs have worked hard to establish themselves as serious contributors to the business. They control costs, they oversee the social media team, they've built a fiefdom of IT systems to build the customer relationship, and, most of all, they obsess about the brand.

Marketers constantly tell me that they're the stewards of the brand, and while that sounds good at marketing conferences, it won't matter at all in a world where customers can have a real relationship with a company through the expanded experience of using its actual products and services. Customers have learned in a very short period of time that thanks to digital tools and platforms they can get more from companies than they used to, easily. And if they don't, they can guiltlessly switch to whatever company is willing to deliver enhanced digital benefits rather than sticking with companies that rely on their brand equity to vaguely promise that benefits will someday arrive.

This is how a no-name company such as Rovio was able to enter the mobile gaming business with Angry Birds and swiftly become the dominant player, building a base of millions of users around the globe who download game updates as soon as they are offered. All while Disney and Nickelodeon struggled to earn a paltry tens of thousands of downloads with their games built on their awesome brands such as Cars and SpongeBob.

This is also how Sony fell, as it stuck to its engineering-based brand and watched as LG and Samsung created products that delivered clear benefits to digital customers in the smartphone business, eventually expanding to take over rising digital categories such as tablets and smart TVs. Today, LG and Samsung are using the digital customer relationship they have through those smart TVs to provide targeted advertising based on actual knowledge of their customers, creating better experiences while generating new revenue streams.

If brand isn't enough, what's a CMO to do? Simple: insist on building a direct relationship with customers. It's not enough to have a name and an email in the database. Thanks to digital tools that your customers have invested in, you have 24/7 access to those customers. But only if you can make it worth their while to engage with you digitally. An auto insurer, for example, that touches customers only at renewal time or in the event of an accident has a terrible relationship with customers because it's never positive. But what if that insurer offered a mobile app that rides along with you as you drive, noticing that you are making complete stops and accelerating responsibly? Thanks to such an app, the insurer could offer points or partner promotions to reward drivers. This would create a positive, near-continuous relationship with the customer while potentially reducing accidents, which would make everybody happier in the long run. Sure, only the best drivers would be willing to use the app, but aren't those precisely the customers that the insurer wants to build a digital bridge to connect with?

The cost to build this kind of digital bridge or relationship with customers is at an all-time low and will only keep falling. It is exactly this bridge that smart CMOs will use to capture more data about the customer while simultaneously pushing the company to deliver enhanced experiences. It will require thinking beyond the marketing box, of course, because the people responsible for product innovation and IT operations will have to add their expertise or the digital bridge will crumble under the weight of the customers' increasing expectations. But it's the CMO who should have the vision of what the customer relationship could mean for all involved.

The CMO who ignores disruption's opportunity will watch it turn into a threat. Spending more time thinking about branding or even social media — itself only a proxy for a customer relationship — rather than focusing on building a digital relationship with the customer will make the negative aspect of digital disruption a self-fulfilling prophecy. But the CMO that turns his or her energy and budget toward the customer will find that digital disruption creates more than it destroys, for the customer, for the company, and for them personally.

BEING DIGITAL DEMANDS YOU BE MORE HUMAN

BY JOHN WINSOR

The halls of every marketing organization are filled with rumors about the new crop of hires — computer scientists, math majors, and big data experts. For them, consumers are a mass of 0s and 1s that represent online behavior that can be collected, analyzed, and targeted.

But the one thing companies seem to keep forgetting is that customers are actually human beings.

The chocolatier Ferrero Rocher learned that lesson recently from Sara Rosso, a big fan of its Nutella brand. Such a big fan, in fact, that she started an annual World Nutella Day in 2007. The event, conceived by Rosso to celebrate the hazelnut spread, was held in mid-February this year; more than 40,000 fans like the event's page on Facebook. But Ferrero hardly had a positive reaction to the publicity blitz — the company had its lawyers send Ms. Rosso a cease-and-desist letter.

Of course, Ms. Rosso blogged about the letter and drew a great deal of media coverage. An outcry spread through social media as Nutella fans wondered why Ferrero would want to stop the celebration. Ms. Rosso reported on her blog, "They were very gracious and supportive, and we were able to have a productive discussion about World Nutella Day living on for the fans, which is the whole point."

I was on the other side of the same kind of interaction a couple of years ago. My son Harry, then eight, sent an airplane drawing to Boeing to see whether they'd build his design. We got a very similar letter to the one Ms. Rosso received from Boeing asking Harry to stop using the Boeing trademark in his drawings.

I gave my take on the situation in a 2010 blog post titled "Is Your Customer Service Ready for the New World of Openness?" The dilemma for me was whether to tell Harry about the letter and the cold, hard truth about corporate communications — or lie to him and tell him we didn't receive the letter with the hope of continuing to inspire his childhood creativity for as long as possible.

As you can imagine, the media world blew the story up with articles on thousands of blogs, in hundreds of magazines, and even on ABC. While Boeing wanted the story to go away, Todd Belcher, the company's director of communications, reached out to Harry personally. After a few chats, Boeing invited the whole family to Seattle to watch planes being built. It was the trip of the lifetime for Harry, and it has continued to inspire his creativity.

But Todd's actions weren't beneficial to only my son. By realizing that Harry was just a child with a passion for planes, Todd turned a potentially bad situation into a positive one, and Boeing changed the way it responds to the public's ideas.

Nutella and Boeing aren't unique in trying to figure out how to balance their need to control their intellectual property with their desire to connect with fans that demand — and have — more access than ever to corporations and a passion for broadcasting their love of a brand in the age of democratized communications driven by digital technology.

In 2000, Metallica sued 30,000 fans for illegally downloading their music on Napster. Likewise, Mattel has battled fans over making their own versions of Barbies. FedEx even used the DCMA (Digital Millennium Copyright Act) to force Jose Avila to take down a website that displayed furniture that he'd made out of FedEx boxes.

Like it or not, every brand that has a following will have to deal with this unique digital-age problem.

As companies become more digital and equipped with advanced marketing analytic tools that allow them to know and predict consumers' behavior even better than consumers themselves, they need to be more human as well. It's time to shift the paradigm. Brands need to not only connect directly with their fans but also rethink the concept of brand ownership. Brands can be owned by both the company and the community of customers, fans, and followers that rallies around them.

As new digital marketing tools and systems are implemented, they must be balanced by even more analog systems than before. The ability to reach out in a human way to a Sara or a Harry can quickly create either positive or negative momentum for your brand. That makes human interaction more important than ever.

FEATURED COMMENT FROM HBR.ORG

"Beautifully considered and written. You've got me thinking: could the wilds of the digital world serve to make us more civil after all?" — Dr. Rosemary T

WHEN DIGITAL MARKETING GETS TOO CREEPY

BY MICHAEL SCHRAGE

The digital marketer who effectively runs Qantas Airlines' highly regarded — and very successful — loyalty program has an unusual iPad problem. Flight attendants on Australia's flagship carrier can now get up-to-the-minute data on the airline's most elite and valued frequent flyers displayed on their onboard tablets. The information is useful and helpful, and the app was a digital innovation actually sought by Qantas staff.

The unhappy catch? Too many flight attendants sounded like they were reading from a script when using this information with these valued customers. They couldn't smoothly incorporate the customized data to authentically connect with their frequent flyers. Instead of making their best customers feel special, the data-driven app too often creeped them out.

"We learned that staff needs training to take full advantage of the data we can provide them," said Rob Colwell, Qantas Loyalty's chief commercial officer, at a recent analytics workshop hosted by Ernst & Young in Sydney. Colwell observed that the rate of analytics innovation consistently outpaces interpersonal skills. Creating better customer experiences from hard data required a softer touch.

I've personally and professionally experienced similar pathologies experiencing "customer support" from credit card companies, financial services firms, airlines, and telecoms operators. One can practically hear their all-too-human staff struggle to utilize the bespoke information they're (presumably) reading off their screens to mollify me, humor me, and/or resolve my issues in ways reflecting how much they "know" what a great customer I am. The variances in customer experience quality are enormous. Like those Qantas frequent flyers, I occasionally feel more creepy than comfortable with these "interactions." Not good for those net promoter scores.

So should technology-empowered "customer touch" personnel attend improvisational acting workshops? Or teleprompter training? After all, as the joke goes, the key to success in acting is "sincerity," because if you can fake sincerity, you've got it made.

The better question, however, doesn't revolve around performance art skills; it asks whether organizations really want to build data-based relationships around their people. After all, Amazon doesn't have these problems. Neither does Google nor Twitter. (Intriguingly, Apple — even with its high-touch Genius Bars — appears to know, and care, far more about their machine[s] than their owners.) For many if not most organizations, an increasingly digitized self-service/DIY sensibility seems to make the most economic, organizational, and cultural sense.

But if you're a Qantas or a Singapore Air — or a luxury brand like a Zegna or a Lord & Taylor — technology forces you to revisit and rewrite the relationships narratives you want your customers to experience. Should ever more data and individualized insight be an essential ingredient or simply an alluring spice in keeping the relationship going? Should ever-greater service intimacy become an integral expectation of top-tier customers and clients? Does your organization have serious situational awareness about when useful knowledge acquires the stench of "creepiness"?

Sitting on that Sydney panel with Qantas' Colwell made it crystal clear that even the most sophisticated and successful data-driven customer-care organizations have only begun grappling with these kinds of questions. (The Qantas executive recited, with nary a hint of schadenfreude, British Airways' failed "creep factor" effort to use facial recognition software to help identify elite flyers waiting in airport queues.)

Before the decade's end, even minimum wage customer service personnel will have real-time access to remarkable amounts of personal data of customers walking into Starbucks, McDonalds, Walmart, and/or Walgreens. Should customer experience be better defined by employees who enjoy greater familiarity or a studied distance? Who owns the answer to that vital human capital and customer care concern?

The more customer data an enterprise has, the more that kind of accountability matters.

FEATURED COMMENT FROM HBR.ORG

"Great questions ... Attention should first be paid to recruiting and training for the desired customer experience, then to incorporating personalized data into that experience — the right people with the right experience equipped with the right data can be a very powerful combination!" — deniseleeyohn

QUALITY VS. FREQUENCY: WHAT'S YOUR MOBILE STRATEGY?

BY JOSH BERNOFF AND MELISSA PARRISH

Your customers are in the midst of a mind shift. First they get a smartphone. Then they learn that they can ask for any information and get an instant result. What's the weather forecast? Is this dishwasher highly rated, and is it available more cheaply elsewhere? What's the song playing on the radio in the deli? Mobile answers all these requests and reinforces, in a Pavlovian way, the concept that we call the mobile mind shift: the expectation that any desired information or service is available on any appropriate device in context at a person's moment of need.

Based on an analysis of data from over 4,000 online American consumers, we estimate that 22% of consumers have made this shift already. They are among your best customers: typically younger and more affluent than other Americans. And they are demanding mobile utility. Your job is to reduce the distance between what they want and what they get. Meet their demands, and they'll be loyal to you. Fail, and they'll switch to a competitor or a digital disrupter such as Uber or Mint or Google News.

When attempting to deliver on mobile, we've recognized that company strategies vary based on where they fall on two dimensions: quality of experiences and frequency of experiences.

The vertical axis reflects the quality of experiences, as measured by tools such as Net Promoter or the Customer Experience Index. The horizontal axis reflects the frequency of experiences — companies whose customers interact with them weekly or more frequently are on the right, those with less frequent interactions on the left. What strategy should you use for mobile? That depends on what quadrant you fall into.

Companies in the upper right deliver frequent, high-quality experiences. Their customers will expect those frequent experiences to include mobile elements. A good example: Tesco stores in Korea. They put graphics up on the walls of subway tunnels that look similar to store displays. Customers can use their smartphones to photograph the items they want and have them delivered as soon as their subway gets them home. Result — demanding customers get what they want and remain loyal to Tesco.

Companies in the upper left deliver great experiences, but infrequently — they need to use mobile to increase the frequency. Think of brands such as Nike, with which a customer might interact only two or three times a year, when they buy running shoes. Nike realized that on mobile, people were interacting with mobile brands more often, so they created a whole line of free mobile apps, such as the Nike Plus Running app that runners interact with every day. Now the Nike customer thinks of Nike in a favorable light far more often.

Those in the lower right deliver frequent experiences but often disappoint customers. Most telecom operators and banks fall in this quadrant. Fixing customer experience problems is slow and expensive. In the meantime, companies in this quadrant can add good mobile experiences to help counteract the poor ones. Take Verizon, whose tablet app delivers access to 75 channels of TV when viewers are connected to their home networks. This gives customers reasons to think favorably of Verizon many times a day. This app was popular enough to get a three-and-a-half star rating.

If you're in the lower left, mobile probably won't solve your customer problems. But you can use mobile utility to remind customers that you're on their side, perhaps by partnering with a digital disrupter in your space. Many health insurers are in this spot, because they typically rate at the bottom of scores such as the Forrester Customer Experience Index. One of those insurers, Cigna, helped its subscribers by providing free access to an app that helps with meditation, an app that would otherwise cost subscribers money.

As more and more customers make the mobile mind shift, companies need to make mobile strategy decisions that match their customers' experience. Failing to deliver mobile utility could drive these customers away. But choosing the wrong strategy could be costly. Choose based on the quadrant your company lands in, and you're more likely to create mobile experiences that match your customers' expectations.

THE MOBILE SHOPPING LIFE CYCLE

BY CHUCK MARTIN

Mobile is turning "path to purchase" on its head. One of the most time-honored marketing concepts, that notion that a customer takes a predictable journey toward a sales transaction (in its earliest definition, starting with *attention* to a product, then moving to *interest* in it, then *desire* for it, and finally, *action*), has long provided the framework for marketers to strategize how to communicate with customers and exert influence. While the steps have been debated and refined over time and the path is often now depicted as a "sales funnel" (with a large initial audience having *awareness*, funneling down to successively smaller groups having *familiarity, consideration, purchase,* and *loyalty*), the basic idea has remained that a customer's commitment to a purchase intensifies at each step, and so should the marketer's investment in bringing the transaction to a successful close.

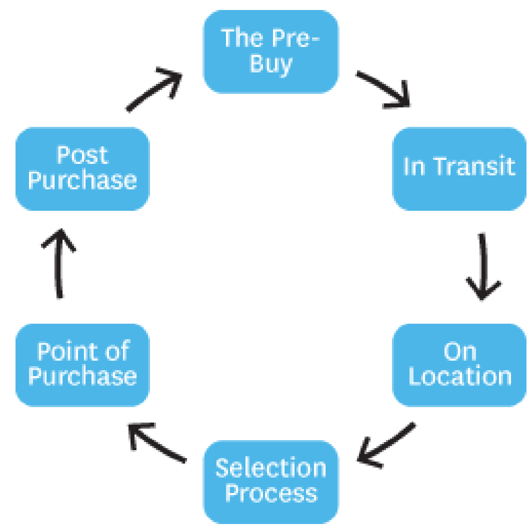
Now, because of smartphones and tablets, marketers need to fundamentally rethink things. Shopping is becoming an iterative rather than a serial process. Consumers no longer go shopping, they always *are* shopping.

To adapt to this transformation, marketers must begin by recognizing that, in this new world of mobile commerce, the traditional sales funnel is dead. It's being replaced by something more like a shopping life cycle, in which marketers have the opportunity to influence mobile consumer behavior and purchase decisions at various key moments.

Marketing efforts guided by the traditional sales funnel don't work in a selling environment populated by mobile devices because for the always-on, mobile shopper, the entire shopping and buying process is both continuous and intermittent. In the old sales funnel, the shopper moved one step at a time toward a purchase, and marketers targeted them as they moved closer to making the buy. With mobile, the process is not in such an organized sequence. The steps of the mobile buying process are all happening *all the time.* And most important, mobile shoppers (m-shoppers) can be influenced when they are using their mobile devices on the go.

I like to think of the mobile shopping life cycle in terms of six key states in which customers exist relative to purchases, each of which offers moments when they can be reached and influenced because they are using various aspects of mobile. (See the exhibit at right.)

The Mobile Shopping Life Cycle:



At each of these six distinct moments of the mobile shopping life cycle, marketers have the potential to steer the mobile consumer toward their product and influence shopping behaviors.

1. The Setup: The Pre-Buy. This is the mobile research phase, as consumers use smartphones and tablets before they even consider going to the store. Mobile is a pull rather than a push medium. Marketers should position information and messages about their products to be pulled by the consumer according to that person's time frame, mind-set, and location.

2. The Move: In Transit. This phase occurs when the consumer is on the way to a store or running an errand. With new location-based capabilities, marketers can leverage information, such as smartphone location and speed, to send highly targeted and relevant messages to consumers who have opted in to receive valuable offers. Marketers will have to create value for consumers, to provide an incentive for them to leave their location "turned on" in any given app.

3. The Push: On Location. This occurs at a brick-and-mortar store. In the early days of the Internet, bricks and mortar were a detriment to business, since online-only retailers could sell directly to consumers with fewer associated costs. With mobile, bricks and mortar become an asset. But while some retailers are leveraging the ability to interact, most are still missing the opportunity to identify and interact with mobile shoppers while they are in the store.

4. The Play: Selection Process. This is when customers are near the actual product they may be considering buying. With what is known as proximity marketing, marketers can use various technologies to interact in real time with customers, with the potential even to move to real-time pricing. For example, a number of customers walking by a particular product might receive a real-time offer such as a discount on it. Based on real-time awareness of inventory, the offer could be changed or discontinued before the next group walks by. Consumers already can scan bar codes on products and receive on-the-spot price comparisons with easy-to-use but sophisticated technologies.

5. The Wrap: Point of Purchase. Here is yet another chance to sway the buyer. As businesses adopt more mobile self-checkout options and mobile capabilities are embedded into point-of-sale systems, offers and counteroffers can be presented to consumers during the buying and checkout process.

6. The Takeaway: Post-Purchase. This occurs after the purchase, as consumers exchange photos, videos, and information of their recent purchase and share them via their mobile device with friends and colleagues, soliciting and receiving feedback. The challenge for marketers is to become part of the conversation at this stage.

Mobile activity in each of these six phases will continue to expand as smartphone and tablet penetration increases and more consumers join the ranks of mobile shoppers. By recognizing the mobile shopping life cycle as it emerges, brands and marketers will be in position to adapt along with its evolution and to master the new art of mobile influence.

HOW ADVERTISERS CAN MAXIMIZE MOBILE CONVERSIONS

BY MAHI DE SILVA

In the beginning, mobile advertising was all about conversions. Remember QR codes? Vouchers? What got people excited about mobile were the opportunities that didn't exist at all on desktop — to use location and behavioral cues to speak to the consumer on the path to purchase and become part of the in-store experience. It was about converting a potential customer into a buyer, right then and there.

Then rich media arrived on the scene, and over the past couple of years has evolved so quickly that Gartner has even predicted mobile display ad spending will grow and take over from mobile search by 2016. We think it will be much sooner than that, perhaps as early as 2014.

Smartphone adoption aside, a big reason rich media display ads have become so popular with advertisers is that they produce click-through and engagement rates that are significantly higher than PCs. Premium brand advertisers such as Samsung, Nordstrom, Coca-Cola, MasterCard, Kia, and Home Depot all have had great success with highly creative and interactive mobile campaigns.

Campaigns such as Samsung's use click-through rate and engagement with an ad as their primary metrics. Samsung Mobile launched its new flagship device last year, and to allow users to explore its key features, the company built an interactive ad experience. Users were invited to swipe up to reveal the ad and uncover the story of the new hybrid phone/tablet. The viewing speed — and the direction of the story itself — were controlled entirely by the user, who could pause, jump ahead, or scroll back through the ad's content with a swipe. At the end, the ad displayed an interactive 360-degree view of the device, with detailed specifications and links to Samsung Mobile's social channels. Samsung is trying to build brand awareness and interest, increase customer satisfaction, and deepen loyalty and retention.

But for certain kinds of advertisers, those objectives don't matter at all, or matter far less than conversions. They include:

- Financial services (i.e., credit cards)
- Insurance (home, life, auto)
- Education (online education)
- Automotive (car quotes, loans)
- Home services (security systems, maintenance)
- Telecommunications (phone, Internet, cable TV)
- Restaurants and hospitality (hotels, restaurants, nightlife)

These companies don't benefit if a user merely clicks on and interacts with an ad. They do benefit if that user fills out a form, calls to request an appointment, or gets directions. Qualified leads, not impressions, drive the business.

Fortunately for them, as consumers grow accustomed to using their phones for transactions that previously occurred on their desktops, they are more open to intelligent, value-driven offers and opportunities that come to them on their mobile devices.

The stage is set. Here's how performance advertisers in these verticals can maximize their mobile conversions.

Forget about search

While the old-world (read: desktop Internet) model was to generate leads from SEO sites and paid search ads, in a post-PC world, mobile users are not using web browser-based search (mostly via Google) as their primary way to find what they need. Apps are dominating: according to app analytics firm Flurry, mobile users spend only 20% of their time in a browser and the remaining 80% in an app. The crisp and tailored user experience of mobile applications has become the primary channel for content. They're discovering advertising and offers in different ways, and display ads within apps and on mobile websites are the most efficient way to reach them.

Keep your forms short

Mobile is inherently an on-the-go medium, and users do not have the time or patience to fill in multiple fields on a form. The drop-off rate on a long form would be so low that you'd need to dedicate a large spend just to generate enough volume to know where you're actually converting. So keep your forms short and sweet. Need more information about a consumer before you can welcome him or her into your sales funnel? Many mobile marketing services offer to qualify the lead for you, using a call center service to follow up with the customer using the number they provided on the (very short) form.

Use the magical call feature

Surprise ... people still use their phones to make actual phone calls. The click-to-call button is still one of the most powerful tools of mobile advertising, as it eliminates all that mucking about with forms and text messages. And since mobile campaigns are so agile, you can have your campaigns timed to match your call center or sales agent resources. Phones not ringing enough? Increase the volume of your campaign. Overwhelmed with too many calls? Tone it down to avoid frustrating potential customers with long wait times.

Increase relevance through targeting

The beauty of mobile is that it opens up a whole new world of targeting that doesn't exist on desktop. With online advertising, you can hone in on a single publisher, such as *The Wall Street Journal*, and know exactly who their users are. Location is the obvious differentiator with mobile, layered with publisher-specific data, including registration and account profiles. You can also use third-party data providers to target by behavior, intent, and a slew of other criteria. You can do that in mobile now too. And in mobile, you can also glean insights on the user based on simple information such as what carrier they use and what type of device handset (and OS version) they have. Compare a user on a low-cost Android device from Boost Mobile to an iPhone user on Verizon; they are very different demographics. For advertisers pursuing a specific demographic for something like an auto loan or an online degree, this makes a big difference in performance.

Use mobile as your first platform in a cross-platform strategy One of the hottest topics right now is a cross-platform strategy that utilizes the "companion" tablet or smartphone to complement the broadcast experience. But there are many ways in which mobile is a great first platform for lead generation, setting up an advertiser for higher conversion rates on the platforms that follow. For instance, one large company in the financial services space targeted young consumers by simply starting with mobile first. They ran a performance campaign to find customers and capture their mailing address and then followed up with a direct mailer. As both highly targeted and permission-based, the campaign had far better results and therefore was a solid investment on the part of the company.

Mobile has become an important advertising medium for big brand companies seeking to broaden brand awareness and deepen engagement, especially among the ever-popular demographic of "young, tech savvy" consumers. But it would be a mistake to limit mobile to brand-only goals and to ignore its potential as a lead generation tool. Businesses that depend on performance advertising for growth should explore opportunities in mobile.

WHEN PERSONALIZED ADS REALLY WORK

BY ANJA LAMBRECHT AND CATHERINE TUCKER

Imagine that you've just looked at a really nice hotel on your favorite online travel site, but you haven't yet booked your trip. Next, you're off browsing other websites, and an ad for your favorite travel site pops up. Would you be more likely to go back to them and book your vacation if the travel ad had a picture of the specific hotel that you just browsed? Or would you be more likely to go back if the travel ad is a general ad for their brand? This is the kind of question online retailers are asking themselves every day, and, in fact, many choose to show the ad with the picture of the hotel. After all, Marketing 101 teaches us to get personal and specific with our marketing communications. That's called "dynamic retargeting," where the seller dynamically adjusts the content of the ad to the product(s) the consumer viewed earlier on their website. But is dynamic retargeting really more effective than showing the generic ad?

We decided to look empirically at this question using data from an online travel site. However, understanding the effectiveness of marketing interventions is notoriously difficult. For this research, the site ran a randomized controlled trial, also called a "field experiment" or an "A/B test," where they randomly showed consumers either a generic retargeted ad or a dynamic retargeted ad. This approach allowed us to compare which of the two types of ads was more effective.

Surprisingly, we found that on average, dynamic retargeting (ads showing the specific hotel people looked at) is less effective than showing a generic ad for the company (in this case, the travel site). This means that when firms aim to sell to customers who have been on their site before, they are, on average, better off advertising just their brand rather than a specific product or service.

Given industry excitement about dynamic retargeting, this was a surprising result, so we then asked ourselves why this was the case and whether there were instances when a specific ad might be just as effective, or even more effective.

We started off with the insight that data on users' browsing habits can reveal a lot of information about consumers. In this instance, the travel site recorded all advertising exposures across the web, whether consumers were retargeted or not. Since the site was a heavy advertiser across the web, they had a fairly good idea which sites their potential customers visited and when. Importantly, we were able to identify when customers visited a travel review site, such as TripAdvisor or HotelMe. So we checked the effectiveness of different types of retargeting before and after consumers visited a travel review site. This analysis revealed important insights. Before customers visited a travel review site, generic ads were much more effective than advertising the specific product in a dynamic ad. However, after having visited a review site, customers responded positively to both ads.

We think this happens because the way people approach their purchase evolves over time. When they have only a broad idea of what they want — for example, a relaxing vacation — advertising the brand to them is a better strategy than showing them specific hotels. The rationale is that if a consumer has not yet decided whether to make a trip to Greece or to Florida, there is no point showing them a specific hotel in Greece. But once they start thinking about the specific product details and the trade-offs between attributes, then they are more open to ads that communicate such products. We then go one step further by showing that product-specific retargeting can beat generic brand advertising if it is shown not only after potential customers visited a review site but also on days on which they are actually browsing travel-related sites. Basically, the further and more active someone gets in their purchase cycle, the more effective dynamically retargeted ads get.

This research has three main takeaways for marketers:

1. Marketers should be cautious in their approach to very personalized advertising. It may appear to be effective only because firms tend to show personalized ads to only their very best customers, possibly because of a lack of data on other potential customers.

2. Optimal advertising content varies over time and should be honed to reflect the stage the customer has reached in the purchasing process.

3. Our findings illustrate the importance of implementing randomized controlled trials, also called A/B tests or field experiments. Specifically, in online advertising, many moving parts determine a consumer's decision. Only an experiment that randomly gives a marketing intervention (e.g., shows an ad) to a subset of consumers but not to a control group allows researchers — or managers — to accurately isolate and measure the effect of such marketing activities.

So the next time you think about running an online ad, be sure to do your homework first and select the right ad for the right moment to maximize your ad's effectiveness.

IF YOUR MOBILE STRATEGY CAN WIN HERE, IT CAN WIN ANYWHERE

BY MORRA AARONS-MELE

As a marketer, I work to engage women online with brands and causes. Ultimately, however, we hope for more than merely sales or action; we want to build a relationship with our audience. Ideally, a brand and a woman of influence interact directly, one to one. But there's something that's increasingly coloring our relationship. It's her phone. The phone is more than our hardware. It's our lifeline.

A stunning 64.7% of emails to my all-female marketing database are opened on iPhones, likely because many on my mailing list are busy moms who often aren't in front of a computer. Whitney Broadwell of Women for Women International notices the same trend. "This time last year, 12% of our email opens were through mobile; now it's 33% and climbing every month."

If you're marketing to women through social media, imagine your conversations mediated by a smartphone screen. According to a 2013 survey by Nielsen, "Nearly 60% of women use Facebook/access Facebook multiple times a day on their device/computer, compared to approximately 45% of men." Women, already social media power users, are increasingly exercising that influence via their phones.

In some countries, women's access to mobile media is quite literally a lifeline, because mobile health services fill a revolutionary gap by providing crucial medical and financial information.

But possibly because phones have such great potential for improving welfare, the developing world far outpaces the United States in creating a system where mobile phones — marketed specifically to women — are truly essential tools. So I asked several leaders in the mobile health space what they've learned from developing world direct-to-consumer mobile programs that could inform American mobile marketing programs.

Utility, customization, and segmentation are key to the success of mobile marketing to women in the developing world. Choice, too, is crucial: all mobile programs are opt in and easy to opt out of.

Kirsten Gagnaire is the global director of the Mobile Alliance for Maternal Action (MAMA), launched in May 2011 by former Secretary of State Hillary Clinton. A mom of a 10- and a 14-year-old, she contrasts American moms' access to online health information to the services provided, often by single-feature phones, in the developing world.

The information we take for granted — think of a quick search on Babycenter.com or watching a video on a hospital website — is not accessible to women in poverty in the developing world. There, women may rely on others in the community to provide information that may turn out to be inaccurate or even harmful. Mobile phones can help fill that information vacuum.

Gagnaire notes, "The way they get vital health information is through their mobile phones. Our program addresses local myths, stresses the foods they should eat, and helps provide vital health information. For example, in Ghana one of the major causes of infant death was the infection of the umbilical cord. There is a myth you shouldn't take the baby outside for six weeks after birth because of evil eye. Now we can send moms a message on the signs of infections and when to take the baby to the clinic."

She continues, "Mobiles are prolific ... even if she doesn't have a phone, someone does. She'd be able to access a handset capable of making calls and basic SMS. So we've developed a suite of messages based on the BabyCenter model that are sent two or three times a week, covering pregnancy and up to baby's first year of life."

MAMA's text messages, which meet WHO and UNICEF standards, are timed to a woman's stage of pregnancy and her baby's age. And these messages use strong market segmentation. For example, Gagnaire notes, "How are we going to deliver the messages? How do women in that market get information? In Bangladesh it's SMS and voice, but most of the mothers using our messages are illiterate, so we use voice messages. In South Africa, women are more literate but SMS is expensive, so we use the mobile web. Our messages are accessible through askmama.mobi."

More curious to me, however, was this question: a big part of successful marketing to women is relationship building. A big part of relationship building, in established markets, relies on visual cues. So how do we build a relationship when all you have is a nonvisual basic phone?

mHealth (mobile health) providers have learned that it's all in the messenger. Some programs use simple game characters to put a face to the advice provided via phone — after all, pregnancy through the first year of a baby's life is a long time for mothers to text or call a stranger. Gagnaire notes, "How do we build a relationship? In Bangladesh, we've created Dr. Apa, a character who delivers jingles, vignettes, and skits. Women begin to recognize Dr. Apa and recognize her voice and trust what she says.

“We take user testing and rapid iteration very seriously. We [go] where women are under a tree, in their homes, and at clinics and listen to what they want. We play messages and ask what voices they like, what they don’t. We find the accents that work, the music they like, and the terms they understand. Putting our work into their context is so important to building relations and trust.”

Cathryn Stickel, operations manager of FrontlineSMS, notes that while in the United States 97% of mobile subscribers will read an SMS within 15 minutes of receiving it, in the developing world text messages have become like email — a deluge to be managed when you have time. It’s a cautionary tale as marketers in the West rush to cash in on the mobile gold rush.

“I was just in Mumbai, where Internet penetration is low, mobile penetration is high. Spam SMS is a fact of life there. In the rest of the world people are more dubious of mobile marketing. But in the United States we think our SMS is so important we have it sent to the front of our phone and user experience! Ninety-seven percent of mobile subscribers will read an SMS within 15 minutes of getting it.

“I wouldn’t want to see us go to where I have seen the situation in India go, where people don’t trust their SMS. It’s a delicate push.”

This impacts FrontlineSMS’s work. In India, organizations have to communicate with the government and get an exception before working with local groups to create programs that use their open source technology to solve problems ranging from providing services to pregnant women or rape or sexual violence survivors. In Haiti, FrontlineSMS powers KOFAVIV, which connects women who’ve been raped to medical and legal services via SMS.

I asked Cathryn how she builds depth without a relationship or visuals. She answers, “SMS is not step one. You’re going to have a hard time engaging with someone with SMS alone. The relationship needs to be personally established and then reinforced using SMS.”

Still, while emerging markets are the frontier of mobile marketing, there are some barriers that marketers in established economies don’t have to worry about. As Stickel points out, in many emerging market countries, female phone ownership is an emotionally charged issue. Due to cultural barriers, women are less likely to have a mobile at all. In some villages, FrontlineSMS learned, a woman with a phone may even be perceived as promiscuous.

“A lot of big organizations will say we need to get every woman a phone. But it’s not that simple. It gets under my skin a bit to say ‘We need to get all women a phone’ and women need to use that phone to cast off their oppression. Women can get in trouble for having a phone — what we’re trying to do at FrontlineSMS is to make phones such useful tools that it becomes a financial liability for the family to not let the woman have a phone.” Options go beyond maternal and child health and allow the phone software system to help in paying for school costs, in analyzing the right fees to charge for agriculture at market.

Despite challenges like this, mobile marketing in the developing world empowers those with extremely limited resources and offers powerful lessons for U.S. marketers learning to build customer relationships through a phone. Let’s learn from this and make sure the next “killer app” in the U.S. mobile market helps us lead better lives, not just pass the time while waiting for the bus.

DON'T LET PAPER PARADIGMS DRIVE YOUR DIGITAL STRATEGY

BY KAREN MCGRANE

The web isn't print.

The way we publish on the web — our process and workflow — is mostly derived from what we know about putting ink on paper. Which makes sense, because for most of human history, print was all we had. In a world of connected devices, we need to publish digital content onto all kinds of different devices, screen sizes, and form factors. Right now, our challenge is dealing with PCs, smartphones, and tablets. Tomorrow, who knows where our content will need to go? As we adapt to a world of connected devices, the way we think about our content publishing process and workflow must adapt too.

Watches and glasses and fridges, oh my

A majority of Americans now own a smartphone. While mobile phones are currently the most common new device type — and the most limiting form factor — it doesn't take a futurist (or a fortuneteller) to know that smartphones are just the start of our problems. Tablets are poised to overtake PCs in sales. Handheld devices span a range of screen sizes and resolutions, forcing us to figure out how to take web pages and adapt them for different form factors.

Beyond smartphones and tablets, we know we'll continue to invent new devices. Smart TVs may be the next major wave of new devices in the home (and you can't talk about the future without mentioning the long-rumored yet never-quite-prime-time Internet refrigerator). Wearable devices, such as Internet watches or Google Glass, offer wildly different interfaces for interacting with digital content. At some point, speech-based interfaces such as Siri or in-car audio systems will offer up content without a visual presentation layer. Who knows? The next innovation in web content might be something we haven't even dreamed up yet.

Whether you think any one of these new devices is the future, a fad, or a flop doesn't get around the reality of the challenge we face in publishing content to these new form factors. We don't even need to predict which one of these new technologies will capture the public's imagination. Some will fail, but certainly some will succeed. Whichever new devices become mainstream, we will need to get our content onto them.

Publishing content to a variety of devices and platforms is fundamentally different from print. This wave of new connected devices means it's time we accept that the web isn't just a glorified print document. The way we think about content needs to change.

The page is dead, long live the chunk

"The page" as a container is so fundamental to how we think about reading, it's hard to break away from thinking about our content that way. On the web, we've repurposed that model, treating all of our content (text, but also graphics, videos, and other interactive elements) as though it "lives" on a particular page. Our editorial processes and content management tools encourage us to treat web pages just like the familiar model of a print document.

You don't have to spend too much time thinking about all these new form factors and device types to realize that the very notion of a page doesn't hold up. Content will live on many different screens and presentations. The amount and type of content that's appropriate for a PC screen isn't the same as what would work best on a smartphone or a smart TV. The way content gets laid out, styled, and presented must be different for different platforms.

The future of connected devices is content in "chunks," not pages. Smaller, discrete content objects can be dynamically targeted to specific platforms and assembled into new containers on the fly. Which content and how much content appears on a given screen or interface will be defined by a set of rules, informed by metadata. Content will break free of the page and live in lots of different places.

Separating content from presentation

When all we had was a print document (or a web page) it was easy to get away with mixing presentation and styling with content. Problem is, decisions made for one platform about what something should look like don't necessarily translate when the content needs to live on multiple platforms. Anyone who's managed a print-to-web workflow knows that styling decisions made for print need to be stripped out and then reapplied to be appropriate for the web. We might have gotten away with that when it was just print and web, but that just won't work in the future.

A world of connected devices means we must start enforcing better separation of content from form. Our content can't have embedded presentation markup that was intended for only one platform. Instead, we need to ensure that styling decisions are made with platform-agnostic semantic metadata.

It's a people problem

We need to change the way we think about our process and workflow. Specific development approaches — whether it's responsive design or another technique — are useful technical solutions, but they don't solve the underlying problem.

As with all major technology innovations, the heart of this challenge is the people side of the problem. People who create and publish content need new tools and new approaches to help them understand how digital publishing is different from print. Our content management technology and workflow need to adapt and evolve too so that users can envision how their content will be consumed on different devices. We need new ways of thinking about content publishing that make it clear to content creators what it means that the web isn't print.

MOBILE SHOPPING'S DATA GOLD MINE

BY MARGARITA CONSTANTINIDES, BRIAN GREGG, AND BRIAN SALSBERG

Mobile shopping is here to stay whether retailers like it or not. Some 44% of shoppers use their smartphones while they're shopping; more than a third of them are comparing prices. The impact of mobile research can be profound, affecting the buying behavior of nearly 90% of mobile shoppers, according to our research.

But retailers shouldn't despair when shoppers whip out their smartphones among the product displays. Smartphones could be a retailer's best friend not just because they can open up new buying opportunities. We believe that the smartphones' greatest benefit for retailers is that they provide a treasure trove of insights into customers' in-store behavior.

Stores need to create incentives for shoppers to go mobile — by offering value, convenience, or, ideally, both while protecting privacy — so that shoppers will share their info.

Despite the well-publicized fears of companies abusing personal information, we've found that some 35% of online buyers are willing to share personal information in return for targeted offers, such as promotional coupons. And these people tend to be from the wealthiest group online.

We see three areas where mobile shopping can provide the richest insights for brick-and-mortar retailers.

Optimizing in-store shopping

We know that 36% of shoppers who go online in stores are actually visiting the retailer's own app or mobile site (it's the single most common in-store use of smartphones). But what do shoppers do when they're in your store? Qualitative primary research has helped answer those questions, but smartphones can provide another level of insight, through in-store data. Smartphone Wi-Fi signals can be tracked to determine how long and where in the store customers shop. Walmart, for example, has an app that senses when customers enter a store and suggests switching their phone to "store mode." In this mode, shoppers can interact with special QR signage located throughout stores to access useful product information. Walmart in turn is able to track their in-store behavior. If sales of a certain item are slow, tracking can show whether customers are skipping the aisle entirely or looking at the product but not buying it, so that store owners can make product placement or other adjustments.

The effort is clearly paying off. On average, customers who use the Walmart app make two additional visits to the store each month and spend 40% more than their app-free counterparts.

Using coupons to link Internet behavior with in-store shopping lets retailers figure out which ad slogans or online product promotions work best, how long someone waits between searching and shopping, and even what offers a shopper will respond to or ignore. Mobile couponing, in fact, is a fairly simple way to get into mobile analytics.

Powering frontline sales

Enter almost any store and you immediately notice an imbalance of power: customers are outfitted with the latest mobile devices, while sales staff have no electronic equipment beyond the register. But the most innovative retailers are increasingly putting the power of mobile technology in the hands of sales associates. With smartphones and tablets, they can demonstrate how products work or immerse customers in interactive mobile environments.

The approach can be as simple as training staff to guide customers through existing tools. The Furnish app, for example, allows users to see how furniture would look in their homes. Salespeople can help users order products that are out of stock, which also helps educate customers on how to use the store's mobile site. Some 20% of Burberry's total sales are on iPads, and half of these are from staff iPads in the store. By engaging in activities such as these, salespeople shift into the role of helping customers rather than simply selling to them.

This digital empowerment shouldn't stop at the sale. Salespeople can also use these devices to fill in short surveys about customers, such as what their interests are, recommendations for products, and new ideas to improve the retail experience. One hotel chain with a reputation for great customer service has staff fill in a brief survey after interactions with guests.

Lifeline for future sales

Smartphones have created an important lifeline that tethers the shopper to the store even after he or she has left. Retailers need to use this lifeline to pull shoppers back into the store. Walgreens has an app, for example, that provides reminders to shoppers to take their medications as well as options to refill their prescriptions by scanning the bar code with their phones. Retailers need to go further, however, to integrate mobile behavior into customer life cycle management programs. Segment analysis of shoppers who return because of a reminder or a coupon will reveal which customers are loyal and spend the most versus those who are opportunistic or who don't spend much. Next-product-to-buy analysis is also critical for getting "local" right. A random blast of coupons at someone walking by a store won't be effective. But tailored offerings based on predictions of most likely next purchases will provide a much higher win rate. A recent development called "geo-conquesting" means that retailers can provide this kind of triggered service near competitors' stores as well. Early pilots indicate an increase in foot traffic to the conquestors' stores.

In return for a useful service that adds value, shoppers are willing to share their mobile information with a brand they trust. That should be music to retailers' ears.

PRODUCTS-AS-PLATFORMS IS NOT A MARKETING GIMMICK

BY DOC SEARLS

My favorite mobile device isn't my phone, my iPad, or my car. It's my Canon digital SLR camera. What makes that camera different from all the others Canon makes is not its serial number but a QR code such as the one on the left, called a TalkTag. Canon didn't put the code there. I did. For both of us.

Think of the TalkTag as a cloth on the table I've set between Canon and myself — a table across which we can both share whatever we like. (What matters is not the QR code but the table itself. There are many other possible tablecloths, all of which can also be TalkTags. (More about the QR code choice below.) For example, I can share links to all the photos I've shot with the camera or notes to service people saying, "Be sure to fix the fracture in the eyepiece lens." Canon can share and update the owner's manual and service records, provide links to firmware updates, make lens recommendations, or share whatever makes sense for both of us.

In addition to Canon, other parties sitting at the camera's table might include the retailer, the repair center, and anybody else I welcome — such as the person who finds the camera if I lose it. If that person scans the QR code on my camera today, he or she will see a public-facing message saying it's my camera, with instructions for reaching me. (In fact, this has already happened once.) Messages back and forth are also private and can take many forms, including texts, instant messages, email, phone calls, or whatever.

The camera's table sits in a virtual cloud, running on an operating system called CloudOS, which is programmed with KRL, or Kinetic Rule Language. The OS and the language are open source and the brainchildren of Phil Windley and his team at Kynetx, a start-up in Utah. Phil is the former CIO of Utah and a veteran entrepreneur with a PhD in computer science. His ambition with CloudOS is not modest. "I want the products I buy to be under my control and connected to the companies that made and sold them so we can keep each other informed, work together, and learn from each other."

As Phil sees it, this does not require that every product have built-in smarts but that they have their own clouds in virtual space — clouds accessible through TalkTags. These clouds can be as smart or as dumb as we need them to be. If manufacturers are also smart, they'll put a TalkTag QR code next to the serial number. That way they set the table for a two-way relationship with the customer — a table the customer will buy along with the product.

The manufacturer, in fact, can make that table an integral part of the experience of owning the product — especially if the company actually listens to the customer and engages in respectful dialogue with the customer.

Now, about QR codes. Most of us are familiar with them as marketing gimmicks: "robot barf" in the corners of ads. But those gimmicks are early experiments, like much of what we saw with domain names and URLs in 1995. In fact, there is no limit to what QR codes can do. Denso Wave, which owns the patents on QR codes, chooses not to exercise them, and they are already an ISO standard. As a result, QR codes are free to generate boundless uses, such as the ones I describe here.

What actually matters here is that products become platforms for relationships rather than just SKUs deposited at the end of a distribution chain.

My camera's cloud is just one among many others in my personal cloud. Think of my personal cloud as "The Internet of Me and My Things," containing the clouds of everything I own. TalkTags on my things give me a table to talk across with the companies that made or sold me those things.

This makes the personal cloud a platform for VRM (vendor relationship management). VRM lets customers scale many relationships with many companies, the same way a company can scale many relationships with many customers through its CRM (customer relationship management) systems. When the two connect, CRM for the first time becomes a way for a company to truly relate directly with customers. That is, talk to them, two-way, as equals. This will prove far more useful than today's CRM techniques, which are conversational only in the scripted and controlling manner of call centers.

Once products themselves become platforms for relationships, companies will get much better market intelligence, in addition to genuine loyalty. And once personal clouds (and components such as TalkTags) become widespread and standardized, all CRM systems will have one simple way to relate to customers rather than as many different ways as there are companies in the world. (Which today is another severe inconvenience for customers and companies alike.)

This will cause a profound shift in the marketplace, one in which relationships between demand and supply become both personal and real — also live and mobile.

Cloudstore, Kynetx, Personal, Respect Network, and other personal cloud developers are committed to making these clouds as open and interoperable as possible, so the network effects will be as vast and uncontained as what we got from the PC, the Internet, and the smartphone when each of those grew from niche to mass adoption.

And just as the PC, the Internet, and the smartphone led to more personal empowerment and freedom and opened vast new marketplaces, The Internet of Me and My Things will do the same. The difference this time is that every product can become a platform — for real relationships rather than relationships in name only.

FEATURED COMMENT FROM HBR.ORG

"Great, thoughtful article ... Really useful insights and vision for a true Relationship Economy. It's just a matter of time and thinking for it to flourish." — Michaeldraznin

MOBILE PAYMENTS AND THE "WOW" FACTOR: Q&A WITH SQUARE CFO SARAH FRIAR

BY MAUREEN HOCH

While marketers strategize heavily around how to help consumers decide what to buy, how much time do they spend thinking about how they will pay? This area of innovation is where mobile payment companies want to play, especially in markets where such technology is less than ubiquitous.

San Francisco-based Square, led by Twitter cofounder Jack Dorsey, is among the companies looking to lead this genre. For the uninitiated, Square offers two technologies — a card reader for merchants to use, which is called Register, and the other a mobile interface for customers to pay, which is called Wallet. With over 3 million users, Square processes more than $15 billion in transactions annually. We asked Square's CFO and operations lead, Sarah Friar, for perspectives on this technology, what it means for marketers, and how to manage in the world of mobile innovation. Below is an edited version of our conversation.

Help us understand the two sides of Square. There is the part for businesses and then the part for consumers. Is one of them more important?

We absolutely think both sides are incredibly important if you want to build a very powerful network. We definitely started on the merchant side of the counter, so for our sellers, we wanted to create that dramatic moment where they went from not being able to accept things like credit cards to being able to come online and accept credit cards like any other kind of grown-up business would do. I think we have created a "wow" moment for them.

The other side of the counter, as you mentioned, is the consumer side. That's where Square Wallet comes into play, and I think we came to it more secondarily because we had to begin to build a network of merchants to make Wallets have value. That's a huge part of the symbiotic effect between the two.

So this changes the way marketers can communicate with their customers. Are there any specific ways that you've seen marketers use this technology effectively?

What we see very much with our merchants is as they come on to Square Wallet, we see them utilize just basic specials, like 10% off your first purchase. Or using punch cards. So those are some ways to drive a meaningful sense of loyalty, but I think we are only scratching the surface of that.

I think most bigger merchants certainly don't want to be in the price-discounting market. That doesn't ultimately drive loyalty, it just ends up hurting your top line. The thing that drives loyalty is understanding a particular pain point. I think the airlines have done this well with allowing me to just skip through security lines in first class or allowing me to board the plane first. These are effectively free giveaways, but they inspire so much loyalty.

That comes back to knowing your customer, and that's where I get really excited. With Wallet, you start to really understand your customer, so it isn't just about giving away freebies. It is much more about giving me things that are important to me.

Square has taken its own approach to marketing, which some could say is less traditional.

I think ultimately we believe that the product has to sell itself … those moments where people go "Wow, I need this for my business."

Before I joined Square, I don't think I had that same kind of sensibility for how important design is and that design is a technical competency. When you have great design, it creates that sense of people loving a product, and it spreads. Why we don't spend huge amounts of money on marketing and definitely not on sales is actually purposeful. I think it would make us lazy on the product, because then you are effectively subsidizing poor product with people who are persuading and manipulating a customer.

I want us to stay in this viral mode. The more we can make the product just sell itself and act and be used beautifully with no issues — that just keeps the pressure on the product organization to build the best they can.

There is a push and pull around having a human touch versus being technology-driven. There are a lot of tools right now for personalization, but how do you really make that valuable?

A lot of technology fixates on the point of sale, and, I always say, by the time I get to the point of sale, I hope that I'm 99% through the experience. If not, it means you just put me in a line that lasted forever. So instead, use technology to actually greet me at the door, or maybe it is before the door.

If you shop places like Nordstrom, one of the things I love most is that I order online, I order multiple sizes, they get delivered home, my kids try them on, we decide which one doesn't fit, and then I usually enter the store with something to give back before I begin a shopping experience. The more that you can make that easy and quick because of technology, then it becomes really valuable, rather than just tapping my phone at the point of sale.

Square just expanded into Japan. It feels like the United States has been a bit slower to adopt mobile payment technology.

On the mobile side, definitely when you move to a market like Japan, you become incredibly empathetic to the differences that culture makes to everything. Since commerce is such a basic human function, you become a total research analyst on how the cultures work. What drives a culture like Japan to be so tech-forward? They love design. In fact, when we did our launch, Jack [Dorsey] showed the book Wabi-Sabi and said every Square reads this when they enter Square. It's a wonderful concept of design and organic and the outside world coming together.

Secondarily, it's definitely a market that loves trends. The trend itself moves very quickly, but their ability to adopt it is so fast that things go by in the blink of an eye. I think that is something we need to be careful of — we don't want to be faddish, we want to be an underpinning of a shift. One of our big drivers into Japan was clearly the fact that you have tremendous smartphone adoption. Once you're in a country like Japan, if you can be successful, there is a lot of staying power. There is a deep loyalty in the culture.

Are there any trends that you find most exciting in the mobile space right now, things that people should really be watching?

Big data. I think we are only scratching the surface of what we can do with data in the right way.

I realize there are two sides to this; there are all the concerns and fears of privacy and keeping things confidential, but weigh that against just how much better my general life experience is when people know me better and can react ahead of me to things they know that I will want. I think the more that big data can be used to create these wonderful experiences that people have opted in to, that is incredibly exciting.

Do you have words of advice for people who are trying to manage the world of mobile innovation?

One of our values is break the rules. As a CFO, that kind of terminology can sometimes scare the wits out of me, but it's break the rules, don't break the law, but break the rules and do not be held back by what has gone before. If you want to be innovative, you need to not say this is how it has always been and I am just going to increment my way there.

The other value I always think of when giving people advice is, give it soul. Don't forget your customer. At the end of the day, I think people get really caught up in technology for technology's sake, but spend time with your customer and go out and feel their pain. We can get way ahead of them with all gee-whizzy-bang amazing stuff, and then you have a coffee shop that is counting cappuccino cups, trying to figure out how many cappuccinos they have sold. Go live in your customer's shoes for long periods of time, and never forget your customer as you innovate.

That is the great yin and yang — do transformational things, but always bring it back to solving a real problem, not a problem you've made up in your head.

WEBINAR SUMMARY | JUNE 11, 2013

HOW MOBILE DEVICES ARE CHANGING MARKETING,

FEATURING CHUCK MARTIN

Contributors
Chuck Martin, CEO, Mobile Future Institute, and Author, Mobile Influence: The New Power of the Consumer

Julia Kirby (Moderator), Editor at Large, *Harvard Business Review*

Overview

With billions of smartphones in use, shopping is becoming a continuous, cyclical experience for many consumers, who now control the process. At each point in this cycle, from pre-buy to post-purchase, sellers enjoy opportunities to add value and influence the purchase decision. However, at this time investments by marketers in these prospects fall far short of what is needed to test, analyze, understand, and ultimately profit from the new mobile commerce dynamics.

Context

Chuck Martin, an expert in mobile commerce, shared insights from recent research about technology-enhanced shopping trends and implications.

Key Learnings

Because of the widespread adoption of technology, the world is becoming more consumer-centric, mobile, and able to access the Internet.

Over the past three decades, information, entertainment, advertising, and commerce have all rapidly moved in a consumer-centric direction. Television, for example, has shifted from broadcast to narrowcast to on demand as technologies such as VCRs and TiVos have provided consumers with increasing degrees of control. Google search tools have given consumers ubiquitous access to information.

Cell phones, in particular, are taking this trend to its logical next step, as they "untether" the consumer from a particular location. These five billion "third screens" already far outnumber the planet's two billion TVs and one billion PCs. Currently, 96% of the world's population now has access to a cell phone, representing 7.5 billion subscriptions. In 105 countries, the number of cell phones in use exceeds 100% of the population. In Hong Kong, for example, there are more than twice as many cell phones as people. Even in the United States, the cell phone count is 104% of the population size, and 36% of U.S. households have abandoned their landlines.

This phenomenon extends to every part of the world, with the fastest growth of mobile phones in Asia-Pacific, Africa, and Latin America. This technological penetration is providing access to entirely new services. In Latin America, for example, many consumers who have never seen a physical bank will be banking via mobile phones.

Today, smartphones (i.e., those with Internet connectivity) account for more than half the phones in use in six countries, including South Korea, the United States, and Australia. In three years, mobile web-connected devices will outnumber the world's population.

Mobile commerce replaces the traditional purchase process with an iterative and circular one.

The conventional, serial AIDA (awareness-interest-desire-action) "sales funnel" is obsolete. The new path to purchase is iterative and cyclical; consumers no longer "go shopping," because shopping takes place everywhere and never ends.

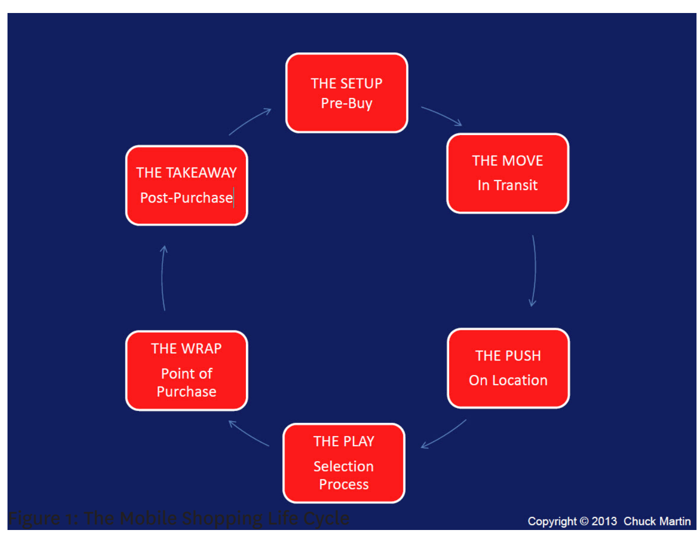


Figure 1: The Mobile Shopping Life Cycle

“Mobile-empowered consumers want things on their time frame, not the company’s time frame.”
—Chuck Martin

Already, 78% of smartphone owners use their devices as part of this new shopping process. Each step in the cycle offers opportunities for marketers to intervene and influence consumer purchase decisions:

1. The Setup: Pre-Buy. Before ever visiting a store, 42% of mobile consumers at home will check for sales, and 41% will go to Amazon.com for comparative pricing. If consumers intend to buy locally, 28% will confirm inventory availability. If a store is out of stock—or worse, doesn’t provide inventory data at all—the consumer will go elsewhere. A “flash sale” site such as Rue La La attempts to “hijack” the customer before she even leaves her home or office with a daily deal at 11 a.m. Short videos viewable on phones or tablets are also an important part of the pre-buy step.

2. The Move: In Transit. A “seeker” has concluded his research and might announce his planned purchase on Facebook or Twitter. Merchants with access to this information can then attempt to divert the buyer, for example, from Macy’s to Target, with an electronic coupon. A “cruiser,” on the other hand, is still searching for information and is more flexible and open to suggestions. Smartphone apps such as GasBuddy and Campus Special present the best current deals based on the user’s location. Related to this are apps that give consumers “remote control” while on the go to program their DirecTV, for example, or to reserve a nearby Redbox video. NFC (near-field communications) functionality enables a growing number of users to obtain product information by tapping on a physical icon as they stroll by a bus stop or theater.

3. The Push: On Location. Location-based marketing depends on the merchant’s having situational awareness of how the consumer is shopping and then presenting a relevant offer in a text message. For example, 1-800-Flowers might suggest a local florist to someone shopping for a jewelry gift. (Sellers, however, must tread a careful line between “cool” and “creepy.” This line will move over time as consumers grow more comfortable with these sorts of messages.) Location-based services, on the other hand, are largely consumer-to-consumer conversations enabled by apps such as Foursquare. Walmart Labs has learned that shoppers would rather obtain product information from their phones than approach a sales associate, which raises a host of training issues.

4. The Play: Selection Process. “NearBuy Marketing” uses mobile technology trigger points such as QR codes on packaging to provide additional decision-support information. An app such as ShopSavvy goes one step further: after scanning a product bar code, the consumer can actually purchase the item from a different store.

5. The Wrap: Point of Purchase. At checkout, Starbucks customers frequently pay with their smartphones and earn reward points in the process. In many cases, the phone displays bar codes that replace a wallet full of retailer-specific loyalty cards. Major chains, including Macy’s, Walmart, and Target, all support the Shopkick app, which presents offers based on what the consumer has scanned while roaming the aisles. In general, mobile payments via apps such as Square, LevelUp, Google Wallet, and Payfirma are quickly gaining ground on credit cards. Vendors such as PayPal and Square are also furnishing small retailers with a “solution in a box” that replaces the cash register entirely.

6. The Takeaway: Post-Purchase. With mobile-enabled purchases, after-the-fact couponing becomes possible. When someone buys a particular brand of coffee, for example, the Endorse app offers a coupon—as much as 100% of the purchase price—if the buyer recommends the product on Facebook. The consumer accumulates credits that can later be paid to his or her PayPal account. Group-chat apps such as GroupMe also enable family and friends to learn about purchases and suggest new items to buy, which continues the end-to-end cycle.

Marketers are not yet investing adequately in mobile.

Although almost all consumers now employ mobile tools at one or more points in the course of shopping, the Mobile Marketing Association estimates that companies are typically devoting only 1% of their marketing budgets to mobile initiatives and research. This disconnect means that companies are ignoring numerous opportunities to influence purchase decisions.

Most important, major brands need to learn how to add value to their consumer relationships without overstepping into intrusiveness or privacy violations.

“Whatever you think you’re spending on mobile, it is not even half as much as it should be. I guarantee you, it is not enough.”
—Chuck Martin

To exert greater mobile influence, brand marketers must:

- Test, measure, and analyze mobile interactions with their customers
- Work with apps and video, both in-house and third-party
- Develop successful approaches to geolocation and proximity marketing
- Participate in the future of NFC and mobile payments
- Understand generational, technical, and other segmentation tiers within the mobile customer base
- Fund mobile initiatives in proportion to their importance

Other Important Points

- TXTs r Us. From 1.8 trillion SMS messages sent worldwide in 2007 to 9 trillion projected in 2016, texting is more popular than ever. The average U.S. teen sends 3,300 texts a month.
- More contact. Email the speaker at chuck@MobileFutureInstitute.com. Follow him on Twitter @ChuckMartin.

“Based on my research, the mobile marketplace is 10% developed now, but we’re going quickly to 80% or 90%.” —Chuck Martin

Biographies

Chuck Martin, CEO, Mobile Future Institute and Author

Chuck Martin is a *New York Times* business best-selling author, CEO of Mobile Future Institute, and the editor of the *MediaPost mCommerce Daily*, where he writes the daily MobileShopTalk column. Martin has been a leading pioneer in the digital interactive marketplace for more than a decade.

The Mobile Future Institute is a U.S.-based think tank that focuses on business strategies and marketing tactics for a world gone mobile delving into how, when, and where marketers should best interact with mobile customers. The institute and Martin are on the forefront of mobile research exploring how mobile consumers are on the move and on location and how marketers can most effectively reach them in this new digital landscape. His new book, *Mobile Influence: The New Power of The Consumer,* illustrates the impact mobile is going to have and the future of the market.

As the former director of the Center of Media Research at MediaPost Communications, Martin conducted and marketed original research for media, marketing, and advertising professionals. Martin is also a former vice president of IBM, where he ran a division responsible for business strategy solutions in the media industry, including publishers and advertising agencies.

Other books authored by Martin include *The Third Screen (Marketing to Your Customers in a World Gone Mobile), The Smartphone Handbook, The Digital Estate, Net Future,* and *Max-e-Marketing in the Net Future* (coauthor). He has appeared on CNN, CNBC, Fox, and ABCTV’s News Now. He was the founding publisher of *Interactive Age,* the first publication to launch in print and on the web simultaneously, and the associate publisher at *Information Week*, a magazine targeted to CIOs and information technology professionals.

Julia Kirby (Moderator), Editor at Large, *Harvard Business Review*

Julia Kirby is editor at large at *Harvard Business Review*. She produces articles for HBR’s flagship magazine, edits books for Harvard Business Review Press, and contributes to the blog network. Across a decade with HBR, she has helped hundreds of expert authors present their ideas clearly and compellingly on topics ranging from crisis leadership to organizational culture to social media strategy. She is also coauthor of *Standing on the Sun: How the Explosion of Capitalism Abroad Will Change Business Everywhere.*

Before joining the *Review* in 2000, Julia worked in the management consulting industry, most recently at Accenture’s Institute for Strategic Change. Earlier, at the Ernst & Young Center for Business Innovation, a management think tank, she directed all efforts to disseminate research, including launching a new journal of thought leadership, several major conferences, and one of the earliest management-focused websites.

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