



T E C H N O L O G Y S P O T L I G H T

Next-Generation Omni-Channel Marketing Meets the Challenges of Digital Transformation

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Billions of consumers globally are changing their behaviors faster and more profoundly than retailers can adapt their marketing business models, processes, and technologies. This digital transformation has changed every facet of commerce. Retailers must engage savvy consumers across proliferating channels or risk lost sales. Mobile devices have obliterated the lingering separation of channels while new channels have emerged. Traditional channels have been digitally transformed. Consumers define the new nexus of value creation and monetization as their expectations rise to the threshold of their best experiences.

The paradox of "intimacy at scale" implies new requirements for retail marketing and enabling technologies. The analytics of segmentation are giving way to the analytics of individualization to deliver relevance and reciprocity in relationships with "give-to-get" consumers who define their own terms of engagement. Proliferating channels, devices, and digital identities raise data management challenges that legacy marketing systems cannot handle. Machine learning-based advanced analytics and intuitive process management are required to create one-to-one "next best action" marketing. These systems require the flexibility, scalability, and security of cloud deployment. This Technology Spotlight examines next-generation marketing clouds and looks at the role of Emarsys in this strategically important market.

Introduction

Digital transformation is changing all dimensions of life —personal, organizational, and value chain—across all vertical markets. The retail market is no exception. Today's disruption will outstrip the impact of earlier transformations involving department stores, ecommerce, and even omni-channel retail. New business practices and consumer behaviors are emerging. More importantly, digital transformation will prove to be an accelerator of omni-channel transformation that enables more consumer empowerment and retailer agility.

Unfortunately, for retailers, that duality is not balanced. Billions of consumers globally will quickly and unpredictably change individual behaviors as the majority of retailers struggle with transforming their legacy business models, internal and ecosystem processes, and operational technologies. IDC Retail Insights' perspective on the direction of omni-channel retail marketing is informed by our assessment of several global drivers that have specific implications for retail. These include:

- **Accelerating Business Disruption from Digital Transformation.** Digital transformation becomes a competitive requirement and the source of a massive wave of new investments in digitalizing business services. In retail, digital transformation plays out in orchestrated systems of customer engagement, agile trading partner ecosystems, and having astute, revenue-driving store associates on board.

- **An Interactive, Intelligent, and Cognitive Ecosystem.** Cognitive advances combined with robotics, the Internet of Things (IoT), and massive "data lakes" increase the ability of systems to mimic and surpass human intelligence while also creating social platforms that reinforce human-machine relationships. Truly personalized, context-aware concierge services are being prototyped in retail, hospitality, and banking. Paths to purchase can be transformed into highways for self-realization by connecting aspiration, motivation, and life outcomes to how customers evaluate, select, and enjoy products.
- **Cloud Life: The Merging of Real Life with Digital Identity.** In all aspects of life, personal data becomes available in the cloud. This can include financial, work, health, location, and family data. Increasing numbers of people routinely rely on their data clouds as part of everyday life. Retailers, other B2C enterprises, and social networks use their knowledge of an individual's personal habits and preferences to customize experiences and replace competitors as trusted advisors.
- **Slow Sales Growth, Overstored Categories, and Convenience as Affordable Luxury.** Persistent global and national economic "headwinds" continue to buffer consumer confidence and stifle discretionary spending. Misalignment of store formats and locations to customers' omni-channel habits add strain to the already tight economics of brick-and-mortar channels. Time-stressed shoppers turn to the luxury of leisure and personalized convenience, with willingness to pay for it sometimes but not always.
- **Ubiquitous Omni-Channel Expectation, But Limited Data and Process Integration.** Tensions continue to increase between shoppers' expectations for "have it my way" service and the limited capabilities of legacy platforms. Even some 10-year-old retailers stand at a disadvantage to "born digital" retailers, especially those with omni-channel operations in place.
- **Expanding Consumer Privacy and Data Security Concerns.** Headline-grabbing security breaches continue with mounting operational risks. Addressing these risks also continues in terms of board-level concerns and projects. The "give to get" consumer persona grows wiser and tighter with its digital capital and demands that retailers "learn to earn" the right to know them intimately.
- **Confidence in Cloud Crosses the Chasm.** Public, private, and hybrid deployment; utility pricing; and SaaS, PaaS, and IaaS capabilities become commonplace. Cloud-native applications have become unsurpassed in functionality. Incorporation of these options into enterprise IT sourcing and provisioning strategies becomes normative if not the default.

Retail Marketing Trends and Developments

Omni-Channel Mobility and Channel Proliferation

Mobility obliterates any lingering separation of retail channels. Today, retail is "always on" across all channels. Channels won't go away; in fact, they will increase in number and diversity. Stores, mobile apps, websites, email, SMS push, and even catalogs have rapidly evolving complementary roles that serve both customers and retailers. The effects of digitally transformed channels impact a wide variety of areas including:

- Social media commerce
- Mobile commerce
- Print-to-Web shopping
- Pop-up stores

- Virtual reality stores
- Stock-less stores

All of these are aided by mobility. New engagement models and behaviors further impact omni-channel retail with capabilities such as:

- Appointment shopping
- Click-to-chat
- Remote-agent in-store customer service
- Same day order and delivery
- Customer service via Twitter.

Mobility plays an essential role in unifying customer experience across all channels by creating new and consistent omni-channel experiences. Mobility is front-and-center in exploding the number of customer touchpoints, creating the paradox of "intimacy at scale," not as a "nice to have" differentiator but as table stakes for survival.

The New Consumer: Best Experience is the Minimum Expectation

Marketers are faced with the challenge of heightened customer expectations best described by the phrase: "My best experience *anywhere* is my minimum expectation *everywhere*." Consumers have at-hand access to alternatives just a few taps away when expectations aren't met. Alternatives can be followed with relatively little effort, expense, and time. All this can lead to customer disaffection and many easily lost customers are not easily won back.

Implications for Future-Proof Marketing Technology

The New Mandate: Customer Intimacy at Scale

IDC predicts that customer intimacy at scale becomes normative not only for retail, but also for other B2C and many B2B segments. In just a few short years, retailers could see up to a 1,000-fold increase in the number of touchpoints by which they can reach customers. Many touchpoints will be subtle. All-enduring ones will be helpful, and many will run in the background unnoticed by consumers.

The explosion in the number and varieties of customer touchpoints will affect many parts of the retail enterprise, creating the need for marketing to ensure that these new dimensions support the brand message and cohere into a consistent customer experience. Marketing will play a data and insights coordination role to ensure that the enterprise learns from new flows of data and creates value with this new knowledge.

Individualization Supersedes Segmentation

The customer insight needed to succeed in an intimacy at scale model is impeded by the very speed and scale of omni-channel commerce that makes it a sorely needed necessity. Today, marketing strategies and tactics confront the matrix of consumers, products, channels, devices, and customer identities.

Individualization supersedes segmentation as the foundation for the insight required to support a one-to-one relationship characterized by relevance and reciprocity. Some customers will *give* personal

information to *get* more perceived value in return. Give-to-get consumers enforce their own terms of engagement when trading privacy for value as they define it.

Retailers have to “learn to earn” these relationships. Individualization demands inductive knowledge about the customer using first-person data. This replaces deductive knowledge i.e. third-party data ascribed to the individual as a member of a group identified as similar. Segmentation has its place if based on advanced clustering techniques such as K-means, using probabilistic behavioral models. However, segmentation should only supplement, not replace, inductive reasoning about the customer.

The Data and Analytics Challenge

Individualization depends on data, and the more comprehensive and unified it is, the better. Comprehensive data needs to be complete, correct, current, consistent, and complementary but most often this is not the case at today's scale. Unfortunately, the explosion in data volumes, formats, sources, and value has brought about just the opposite. Moreover, consumers carry more digital identities across channels and devices.

Individualization also depends on advanced analytics available at scale such that they can inform and guide marketing tactics and strategies. Development and deployment of advanced analytics are taking advantage of key information technology trends. These include:

- Computational scale (scale out, not up) on commodity and open source infrastructure
- SaaS/PaaS/IaaS cloud deployment options
- Enterprise and ecosystem data lakes
- Advanced algorithmic libraries and services via APIs

Examples include: machine learning, NLP, NLG, speech-to-text, entity extraction, and other underlying “cognitive services”.

Requirements for Omni-Channel Marketing

The foregoing conditions conspire to create a much more complex and dynamic omni-channel marketing ecosystem. Marketing must satisfy the requirements of scale, speed, and intimacy. This requires mastering complexity across processes, campaigns, and devices. Data and analytics need to ensure that the next best available action is always taken.

Omni-channel customer intimacy at scale requires one-to-one, next best action marketing. Over the next few years, omni-channel marketing will rapidly evolve driven by market needs and supported by advances in:

- Analytics
- Digital asset management
- Persistent context-awareness across devices
- In-stream decision making

This type of marketing goes well beyond even the best segment-by-segment, one-way marketing powered by advanced A/B testing. Going forward, effective marketing must consist of thousands of concurrent responsive, two-way dialogues. Each of these need to be executed with brand fidelity, linguistic subtlety, content in context, and goal-seeking intent.

Speaking broadly, marketing process management divides into off-line design and real-time execution. Omni-channel practitioners need intuitive process management systems that simplify designing and executing analytics to effect next-best-action customer engagement.

Additional requirements include:

- Cloud and mobile-first capability for on-demand scalability and omni-channel persistence across all devices
- Savvy, digital universe data lifecycle management from ingestion to disposition
- Predictive and prescriptive analytics at scale, based on deep machine learning with advanced linguistic understanding and expression capabilities
- Real-time capabilities without latencies impeding context-aware decision making, robust process integrity, analytical acumen, and omni-channel customer experience

Considering the Emarsys B2C Marketing Cloud

Emarsys is a leading global provider of cloud marketing software for B2C companies and an early mover having released its B2C Marketing Cloud in 2015. The company provides actionable intelligence to enterprises targeting their customers, combining machine learning and data science, with personalization and multichannel delivery. These capabilities are designed to reach customers effectively by maximizing engagement and results.

The company has more than 500 employees in 16 global office locations, and serves 1,500 clients in 140 countries. Every month, Emarsys sends over seven billion messages designed to help customers increase revenues and ROI. Its current customer base includes eBay, Toys “R” Us, Yahoo 7, Sky, Volvo, AS. Watson Group, and World Shop Lufthansa.

To optimize customer engagement, the B2C Marketing Cloud integrates customer intelligence, and uses integrated BI, personalization, predictive analytics, marketing automation, and highly scalable messaging capabilities in real-time as shown in Figure 1. The B2C Cloud helps retailers build unified profiles for their customers which accounts for all interactions and activities across channels and devices. This customer intelligence data fuels machine learning that helps retailers predict a consumer’s next step and what will motivate them to complete an order.

Figure 1

Emarsys Process Workflow



Source: Emarsys 2016

The B2C Marketing Cloud is designed to have optimal reach. Cross-device identification means that it can address the various devices that customers utilize on an average purchasing journey. It is designed to provide sophisticated data collection and enable retailers to collect more relevant data from multiple customer touchpoints to develop a unified profile. The intent is to constantly collect accurate and fresh location information, making it available for personalized communication across all devices.

A number of engagement features are available. The product is designed to be sensitive to the nuances of online/offline experiences. The intent is to enhance the customer experience regardless of how they might be interacting with the brand.

The goal of omni-channel orchestration is to enable smart decisions about the most appropriate and rewarding channels including Web, email, SMS, push, in-store, social, and ads. Automation and decision features are designed to ensure that timely and relevant retail communication is sent and received.

Finally, the product includes retention features such as segmentation which helps retailers utilize Big Data to create actionable insights. Measurement and reporting consolidates information collected from multiple retail touchpoints. In addition, lifetime value extrapolation develops and maximizes relevant value communication to optimize margins and reduce customer message bombardment.

Challenges

Any concerns that retailers might have concerning data quality and governance should be addressed early in the process. Management needs to view cloud deployment as the norm in terms of security, service levels, and scalability. Additionally, marketing executives must be comfortable with running their business in a configurable environment running on common code.

Emarsys has made an aggressive commitment to advanced analytics. This should draw an ample amount of its new capital. While science is not wholly new territory for it, initiatives such as machine learning and big data management are technically complex and require no small measure of sophisticated data science skills. Emarsys needs to focus on recruiting and retaining highly sought-after people, building teams, and managing programs with agile development and design thinking methodologies.

Conclusion

Change is inevitable; extinction, survival, and success are all options. Digital transformation compels retailer's intent on achieving success to renew core business strategies and tactics. Success requires future-proof processes, analytics, data management, and technologies. Even today's successful retailers cannot escape this call-to-action. Those that heed it will put increasing pressure on all to follow suit. Adoption rates will accelerate, increasing opportunities enjoyed by leaders and the threats that are burdening slow followers.

More often than not, the path to successful digital renewal may require evaluation, selection, and adoption of third-party technologies, and not development from within. Perhaps equally as much, market-leading innovation will come from emerging vendors. The best of these must be given a thorough review. In retail marketing, Emarsys has applications and technology designed to address many of these needs. To the extent that the company can address the challenges described in this paper, IDC believes Emarsys is well-positioned for success.

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