The coming era of
'on-demand'
marketing

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Emerging technologies are poised to personalize the consumer experience radically—in real time and almost everywhere. It's not too early to prepare.

The problem

The accelerating pace of digital technologies will force companies to meet new and exacting consumer demands for marketing that's always relevant. Executives must prepare now.

Why it matters

In an on-demand world, consumers will judge brands by their ability to deliver heighted experiences—interactions, literally anywhere, that offer high levels of value and are radically customized and easy to access—along the consumer decision journey.

What to do about it

Companies must excel on three levels:

- engaging customers in manifold new ways by designing interactions that are grounded in use cases

- assembling data offering new lenses on the behavior of consumers by pulling together and evaluating all their touch points with a brand

- developing new processes and skills across all functions (not just marketing) to transform the delivery of brand experiences

Digital marketing is about to enter more challenging territory. Building on the vast increase in consumer power brought on by the digital age, marketing is headed toward being on demand— not just always "on," but also always relevant, responsive to the consumer's desire for marketing that cuts through the noise with pinpoint delivery.

What's fueling on-demand marketing is the continued, symbiotic evolution of technology and consumer expectations. Already, search technologies have made product information ubiquitous; social media encourages consumers to share, compare, and rate experiences; and mobile devices add a "wherever" dimension to the digital environment. Executives encounter this empowerment daily when, for example, cable customers push for video programming on any device at any time or travelers expect a few taps on a smartphone app to deliver a full complement of airline services.

Remarkably, all this is starting to seem common and routine. Most leading marketers know how to think through customer-search needs, and optimizing search positioning has become one of the biggest media outlays. Companies have ramped up their publishing and monitoring activities on social channels, hoping to create positive media experiences customers will share. They are even "engineering" advocacy by creating easy, automatic ways for consumers to post favorable reviews or to describe their engagement with brands.

But we're just getting started. The developments pushing marketing experiences even further include the growth of mobile connectivity, better-designed online spaces created with the powerful new HTML5 Web language, the activation of the Internet of Things in many devices through inexpensive communications tags and microtransmitters,[1] and advances in handling "big data." Consumers may soon be able to search by image, voice, and gesture; automatically participate with others by taking pictures or making transactions; and discover new opportunities with devices that augment reality in their field of vision (think Google glasses).

As these digital capabilities multiply, consumer demands will rise in four areas:

1. Now: Consumers will want to interact anywhere at any time.

2. Can I: They will want to do truly new things as disparate kinds of information (from financial accounts to data on physical activity) are deployed more effectively in ways that create value for them.

3. For me: They will expect all data stored about them to be targeted precisely to their needs or used to personalize what they experience.

4. Simply: They will expect all interactions to be easy.

This article seeks to paint a picture of this new world and its implications for leaders across the enterprise. One thing is clear: the consumer's experiences with brands and categories are set to become even more intense and defining. That matters

[1] For more, see Michael Chui, Markus Löffler, and Roger Roberts, "The Internet of Things," mckinsey.com, March 2010.

profoundly because such experiences drive two-thirds of the decisions customers make, according to research by our colleagues; prices often drive the rest.[2]

It's also apparent that each company as a whole must mobilize to deliver high-quality experiences across sales, service, product use, and marketing. Few companies can execute at this level today.[3] As interactions multiply, companies will want to use techniques such as design thinking to shape consumer experiences. They also will need to be familiar with emerging tools for gathering the right data across the consumer decision journey. Finally, the marketing organization's structure will need to be rethought as collaboration across functions and businesses becomes ever more essential.

What to expect in 2020

Over the next several years, we're likely to see the consumer experience radically integrated across the physical and virtual environment. Most of the technologies needed to make this scenario happen are available now. One that's gaining particular traction is near-field communication (NFC): embedded chips in phones exchange data on contact with objects that have NFC tags. The price of such tags is already as low as 15 cents, and new research could make them even cheaper, so more companies could build them into almost any device, generating a massive expansion of new interactive experiences. To understand that near future, please turn the page and follow a hypothetical, tech-enabled consumer, Diane, who purchases an audio headset.

Meet tomorrow's consumer: Diane. ▶ ▶

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[2] See David Court, Dave Elzinga, Susan Mulder, and Ole Jørgen Vetvik, "The consumer decision journey," mckinsey.com, June 2009. The research identified the ways individuals interact with a brand as they embark on consumer decision journeys across multiple touch points: considering, evaluating, purchasing, experiencing, sharing, and, ultimately, bonding with products after buying them. It also quantified the impact of those touch points on consumer decisions.

[3] See Tom French, Laura LaBerge, and Paul Magill, "We're all marketers now," mckinsey.com, July 2011.

Scenes from the future of on-demand marketing

Diane's rising expectations will require companies to direct a variety of "scenes" in which technologies, messages, and choices engage her with products, services, and trusted communities.

Scene 1

Curious about her friend's headset, Diane taps it with her phone. Both have near-field-communication (NFC) capabilities.

Scene 2

Diane's phone prompts her to photograph her face and then displays how the headset would look on her in various colors.

Scene 3

She's then invited to send the photo to Facebook friends, who are asked to vote among a choice of colors that best suit Diane.

Scene 4

Meanwhile, she receives a text alert from Spotify offering a free month's subscription to its premium music service if she buys the headset (the manufacturer's data show she isn't a subscriber).

Scene 5

Friends like the headset in fuchsia, and Diane completes the purchase.

Scene 6

When the headset is delivered the next day, a message asks if she would like to post a "wow" picture on Facebook of her wearing it, with a link for others to buy it as well.

Scene 7

When she meets those friends in person, her cell phone reminds her of the NFC chip in the headset and offers her an additional free month of Spotify's service for each friend who taps and buys a headset.
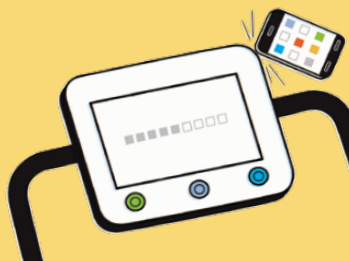
Scene 8

Every week, she gets a "club gig of the week" message offering discount access to a venue if she wears the headset when she walks in the door. A club video board welcomes her by name.

Scene 9

While Diane listens to songs, Spotify reminds her that the headset manufacturer has brought her this listening experience.

Scene 10

At a gym a few weeks later, Diane gets an opportunity to buy and download an exercise program the gym offers. She can access the program by tapping her phone on a nearby display.

Taken together, the scenes from Diane's consumer journey illustrate the four emerging areas of consumer demands we touched on above.

Now

Marketers have gotten a foretaste of the consumer's desire for more urgency and ubiquity. Bank balances running low? Send the consumer an alert on her cell phone. A question about fees shows up on the bank's Twitter handle? Post an immediate response. An executive of one major bank believes that the immediacy of smartphone apps has already made brick-and-mortar contact unnecessary for many young consumers, who use a range of mobile services to manage their accounts and rarely interact with the brand physically. Yet having an entire bank in your phone may be only a baseline for the experiences on the horizon. Consider one European beverage company's beta test of beer coasters embedded with NFC technology. A club patron contemplating a new brew can tap a coaster with a cell phone and get a history of the beer, bars where it is served, upcoming promotions, and a list of friends who have given it a thumbs-up.

In this environment, a marketer's "publishing" extends to virtualized media such as the coaster or Diane's headphones, which become touch points for considering and evaluating products and services. Digital information technologies, operating behind the scenes to integrate data on all interactions a consumer has across the decision journey, will provide insights into the best influence pathways for companies, while also triggering new personalized experiences for consumers.

Can I

Most first-wave digital capabilities helped people access things they already did—shopping, banking, finding information. Consumers must often settle for compromises in their digital experiences. Yet robust programming, data-access, and interface possibilities now available could make every digital interaction an opportunity to deliver something exceptional.

Consider Commonwealth Bank of Australia's new smartphone app, which changes the house-hunting experience. A prospective home buyer begins by taking a picture of a house he or she likes.

Using image-recognition software and location-based technologies, the app identifies the house and provides the list price, taxes, and other information. It then connects with the buyer's personal financial data and (with further links to lender databases) determines whether the buyer can be preapproved for a mortgage (and, if so, in what amount). This nearly instantaneous series of interactions cuts through the hassle of searching real-estate agents' sites for houses and then connecting with the agents or with mortgage brokers for financing, which might take a week.

The mortgage app shows how the digital environment is now integrating disparate sources of information, at low cost and at scale, for many new domains. The challenge for companies is to look beyond today's interfaces and interactions and to see that moving past compromises will require a rethinking of aspects of packaging, pricing, delivery, and products.

For me

Some online marketers already use features in devices such as cameras and touch screens to help consumers see what apparel and accessories may actually look like when worn. Web retailer Warby Parker, for example, offers hundreds of customized views of eyeglasses overlaid on a Webcam picture of the consumer.

In the future, demands for more personalized experiences will intensify. A phone tap, a click, or a stylus jot will instantly personalize offers, using information captured on "likes," recent travel, income, what friends are doing or like, and much more. With each interaction, the consumer will be creating new data footprints and streams that complement existing digital portraits, sharpening their potential impact. Facebook will eventually be able to mine the world's largest database of photographs, linking individual people to their activities. Smartphones have rich data on every place where you have traveled with one in your pocket. This is just a start, and the privacy, security, and general trust implications are staggering. Yet consumers consistently show a desire to provide more data when companies use captured information to provide truly helpful feedback (you're over budget or you are doing well in your exercise program) or to offer recommendations, services, and customization tools rather than just push what might appear to be intrusive (and creepy) messaging.

Simply

The quest for simplicity led Amazon to create a subscriber model for delivering bulky repeat-buy items (such as diapers) and Starbucks to adopt a tap-and-go approach to mobile payments. Yet many interactions remain complex and fragmented: to name just a few, finding, organizing, and redeeming online coupons; turning weekly meal plans into online delivery orders; tracking your monthly cash flow; and staying on top of your health-insurance bills and reimbursements.

Evolving technologies and consumer behavior should make it easier to redesign many complex experiences. For example, companies offering inherently complicated products or services could overlay a game interface on certain Web pages, to let consumers play at trading off different options and prices. Visual-recognition technology could allow you to scan health-care bills, receipts, statements, and appointments into one integrated calendar and cash-management system. Already, start-ups in travel, expense, and sales-force management are experimenting with approaches that streamline processes and make interactions more inviting—using touch and swipe to make changes, gestures to activate large displays, and data in phones to recognize consumers and automatically customize interfaces.

Setting strategies and building capabilities

Consumers will soon make these demands of every interaction they have with companies. Although the marketing function may often be the best conduit to get customer input and to drive decisions about how to distinguish brands, coordinated efforts across the enterprise will be needed on three levels.

Designing interactions across the consumer decision journey

Today, many companies have successfully defined and addressed customer interactions across a few channels. What they need to be designing, however, is the entire story of how individuals encounter a brand and the steps they take to evaluate, purchase, and relate to it across the decision journey. Marketing or customer research can't do this alone. At one apparel retailer, managers from multiple

functions go together into the field to do deep ethnographic research—watching how customers shop, going into their homes, and uncovering the triggers and motivations that drive behavior. These managers look for the compromises that people face as they try to get things done, probing for their higher aspirations. And the managers watch how customers react as they interact with brands.

Among the findings, the managers identified seven key "use cases"—customer situations that lead to satisfaction along different decision journeys. They found a wide range of trigger points for choosing an "outfit solution" for a social occasion, learning that shoppers became frustrated, especially online, when they couldn't see how items would look together. Customers wanted to drag and drop items on an on-screen model or to see great combinations in advance. But that required different merchants to work collectively and the stores to bring items together on sales floors.

Cross-functional teams also came together in workshops. With third parties such as fashion bloggers and thought leaders from online-media companies, they mapped out new ways to influence the decision journeys of customers with different attitudes toward the retailer's brand or different kinds of spending behavior. One of the most valuable outcomes was clarity on how the store's brand positioning could guide the design of new experiences. The teams knew that their story would always be "better value than the shopper expected, delivered in a friendly way." That meant warm visuals and messaging on the company's Web site and across various media to reinforce the story of value to the customer. And the teams explored new ways social media could help customers show off the value they received.

Out of the work came not only a shared, company-wide sense of the decision journeys of consumers but also immediate buy-in to a wide range of initiatives that could boost market share. These initiatives are on track to provide an 8 percent sales lift above what the existing plan envisioned and were implemented more quickly because of the management team's shared sense of engagement.

Making data and discovery a nonstop cycle

To win over on-demand customers, you must know them, what they expect, and what works with them, and then have the ability to reach them with the right kind of interaction. Data lie at the heart of

efforts to build that understanding—data to define and contextualize trends, data to measure the effectiveness of activities and investments at key points in the consumer decision journey, and data to understand how and why individuals move along those journeys. To realize that potential, companies need three distinct data lenses.

Telescope. A clear view of the broad trends in your market, category, and brand is essential. Digital sources that track what people are looking for (search), what people are saying (social monitoring), and what people are doing (tracking online, mobile, and in-store activities) represent rivers of input providing constant warning signs of trouble or signals of latent opportunity. Many companies are drowning in reports from vendors providing these types of information tools, yet few have much clarity on which things they need to look for and who needs to know what.

One packaged-goods company got a jump on competitors when it saw a spike in online conversations about the lack of natural ingredients in shampoos and then recognized a corresponding rise in search inquiries on the subject. A new line of natural hair-care products, launched at record-breaking speed, has become a successful early mover in a growing segment. A telecommunications company has become similarly plugged in: it now has a war room to track every online comment anywhere. Besides being better able to address—in an open, friendly, and fast way—problems that could escalate, it now has a great frontline source of line-outage signals that trigger repair crews and increases in call-center capacity.

Binoculars. Against this backdrop of market activity, few companies have a complete, integrated picture of where they spend their money, which interactions actually happen, and what their outcomes are. Most direct-sales companies (retailers, banks, travel services) measure the performance of their spending through isolated last-attribution analyses that look narrowly at what consumers do after confronting a search link, an e-mail, or an advertisement. Branded-goods companies try to throw all of their media spending together into an econometric model assessing the effects of their media mix. In the world of on-demand marketing, where multiple interactions take place along multiple journeys, last-action attribution explains only part of the impact of media spending, and media-mix models fail to account for touches

and costs outside of paid channels.

What's next? Deploying tools that rapidly assemble databases of every customer contact with a brand, companies will need to push every customer-facing function to work together and form an integrated view of consumer decision journeys. With longitudinal pictures of customers' touches and their outcomes, companies can model total costs per action, find the most effective decision-journey patterns, and spot points of leakage. As more contacts become digitized—and they will—the data will gradually get easier to create. Getting a head start can help companies build ongoing test labs where they tune the ability to create and analyze the right data and immediately learn where to add investments. One bank has already realized millions of dollars in added value from the knowledge that weak points in the customer on-boarding process were undermining major marketing programs. Only when branches, call centers, and marketing worked together could the bank find the right fixes, improve customer satisfaction, and raise marketing's return on investment.

Microscope. Trust is essential, and personalization can show customers they matter. They expect a brand to be a good steward and user of data about them and, increasingly, have high expectations for what a brand should know. In the example described earlier, data about Diane powers the brand's ability to make it easy for her to share photographs, to buy a headset, to set up and manage a free Spotify subscription, to receive information about a local event, to be recognized at it, and to get additional special offers. Information about Diane is the thread that keeps all of her brand interactions immediate (*now*), valuable (*can I*), relevant (*for me*), and easy (*simply*).

Yet given the laser focus on getting programs into the market to improve performance, few marketers (or even line executives) have stepped back and pulled their teams together to work through the scenarios and customer-data models they will now need to build. Even fewer have a strong sense of what the current plans of the company's IT department will deliver in which time frame. One company that addressed these issues has identified over 20 types of consumer decision journeys as archetypes of experiences it must support over the next three years. From those decision journeys,

it has derived a core set of information capabilities it will need to build and is well down a tight road map of development that has already enabled it to launch products in breakthrough ways.

Delivering with new skills and processes

To deliver these new experiences, executive teams must rethink the role and structure of the marketing organization and how it engages with other functions. The changes are likely to cut deeply, transforming the way companies manage campaigns and communities, measure performance, provide customer support, and interact with outside agencies. It's still early days, but consider the breadth of recent efforts.

Raising a consumer-packaged-goods company's digital game. A European CPG company started by creating a digital-analytics group with worldwide operations. Rather than sprinkle digital experts across the globe, the company developed a unified structure with common standards for roles, common training, and digital career tracks to build an arsenal of future talent. The analytics team is part of a broader digital center of excellence that provides service support to the business units and drives major upgrades in IT capabilities. Defined commitments from managers in finance, legal, and HR help the center deal with challenges that arise as it seeks to offer customers a richer digital experience.

The company also reviewed all of its e-commerce trade accounts and decided that it needed a much more granular approach to serving customers. Says one executive, "It is not just an issue of managing our relationship with pure-play e-commerce sellers versus our traditional channels; it also is an issue of managing the online versus brick-and-mortar sides of the same traditional partner." A new e-commerce trade team with added digital-analytic support is helping both to enhance the online-merchandising mix and to improve the placement of the company's products in the search engines of e-commerce providers.

Finally, marketing leaders established a novel customer-relationship-management (CRM) team because they realized that the growth of the company's mobile services, coupon programs, sampling, and social communities was finally enabling it to gather huge amounts of direct data about how people interacted with its brands. (That infor-

mation had previously been available only to retailers.) These structural and talent changes led the company to realize that it needed to reshuffle its agency relationships, replacing a single brand-and-ad agency with two agencies—one for brand programs, the other for digital and CRM direct marketing. The company also brought more media and digital analytics in-house.

Reorienting a bank. At one institution, a new understanding of emerging brand challenges led to a radical change in the status of the CMO. Marketing had earlier ranked low in this sales-driven organization, where the function's leaders focused mostly on corporate communications and brand campaigns. Now, a new CMO, much closer to her peers on the executive board, has been charged with directing the full consumer experience.

Each month, the bank's business-unit leaders gather to talk about their progress in improving different consumer decision journeys. As new products and campaigns are launched, these executives place a laminated card of such a journey at the center of a conference-room table. They discuss assumptions across the whole flow of the journey for different consumer segments and how various groups across functions should contribute to the campaign. Where should customer data be captured and reused later? How will the campaign flow from mass media to social media and to the bank's Web site? What is the follow-up experience once a customer sets up an account?

The bank has created a corporate center of excellence for digital marketing to give the strategy a forward tilt and to plan for needed capabilities. It has also appointed a new team of full-time executives who focus on mobile and social technologies—executives who have become evangelists, helping business units to raise their digital game along a range of consumer interactions. The first wave of fixes and new programs has already generated tens of millions of dollars in the first six months, and the bank expects these efforts to add more than $100 million to its annual margins.

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The forces enabling consumers to expect fulfillment on demand are unstoppable. Across the entire consumer decision journey, every touch is a brand experience, and those touches just keep multiplying

in number. To mobilize for the on-demand challenges ahead, companies must:

- bring managers together from across the business to understand consumers' decision journeys, to speculate about where they may lead, and to design experiences that will meet the consumer's demands (*Now*, *Can I*, *For me*, and *Simply*)

- align the executive team around an explicit end-to-end data strategy across trends, performance, and people

- challenge the delivery processes behind every touch point—are the processes making the best use of your data and interaction opportunities and are they appropriately tailored to the speed required and to expectations about your brand?

Executive recruiters tell us that corporate boards are looking for more people who can challenge and improve a company's approach to social media, big data, and the customer experience. Staying ahead of the design, data, and delivery requirements of on-demand customers is much more than a marketing issue—it will be a crucial basis for future competitive advantage. ○

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