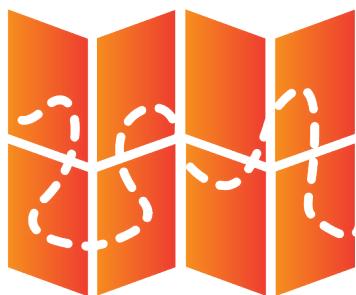




SHOPPER MARKETING:



THE NEW RULES OF ENGAGEMENT

REPORT | OCTOBER 2016

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INTRODUCTION

There is a new set of rules for customer engagement, defined by customers themselves. The first rule is simple: Customers are in control of their own journey and intend to stay in control specific to just how much data they share with their favorite brands. This isn't to say that customers don't want to share. It's more accurate to say that customers have established a clear exchange rate for their customer data: value and relevance. Yes, customers are willing to share...they are even telling marketers where they believe they are leaving the best insights. From identifying channels and experiences that drive to purchase to highlighting those that just add to the noise, customers aren't just crafting their own journeys...they are sharing which delivered the biggest bang and why.

While marketers have made strides in meeting the expectations of customers, there is still opportunity to reach deeper to create that competitive difference that cuts through the clutter and leverage channels that truly make an impact. In order to capitalize on the new rules of engagement, marketers will need to break through barriers—some built by other functions across the organization, some built by marketers themselves—to reach the insights and intelligence needed to make smarter decisions on where and how to engage.

These are the big revelations of this latest research from the CMO Council, conducted in partnership with Bazaarvoice. The findings that follow are based on two online surveys, one including insights from 166 senior marketers and the second including insights from 2,100 North America-based consumers. What emerges from the findings is a sense that on the surface, customers are making their preferences known to brands—and brands are listening and responding in kind. But if you dig just a bit deeper, you'll see that what customers really desire is to be known and understood...to receive real value in channels they use with ease. But marketers are struggling to connect data with action, still facing silos and disconnections that derail even the best intentions.

KEY FINDINGS

Building Walls Leaves Customers Stuck in Gardens

With the dawn of the digital marketing age, a term was quickly co-opted from IT and used to describe controlled closed platforms as pundits identified the “walled garden” approach to controlling and containing data in channel silos. While often used to described the tightly controlled data ecosystems of platforms like Facebook or Google, the walled garden has grown to encompass a fortified wall now forming around the customer, aiming to limit the view of the customer to a controlled environment tended to and gardened by marketing resources. Unfortunately, this makes the fatal assumption that the customer only engages with a brand through marketing-controlled channels...in other words, it assumes that the new rules of engagement don't exist.

According to 84 percent of marketers, customer data has helped marketers understand what customers are browsing on company-controlled websites while 53 percent say data has helped track purchases from the brand. But as our research revealed, marketers are struggling to see beyond their own walls as few are currently able to leverage data that informs them of actions and behaviors across other partner or retailer websites. Even fewer can access competitive intelligence to understand how customers are browsing other products outside of their own brand's portfolio.

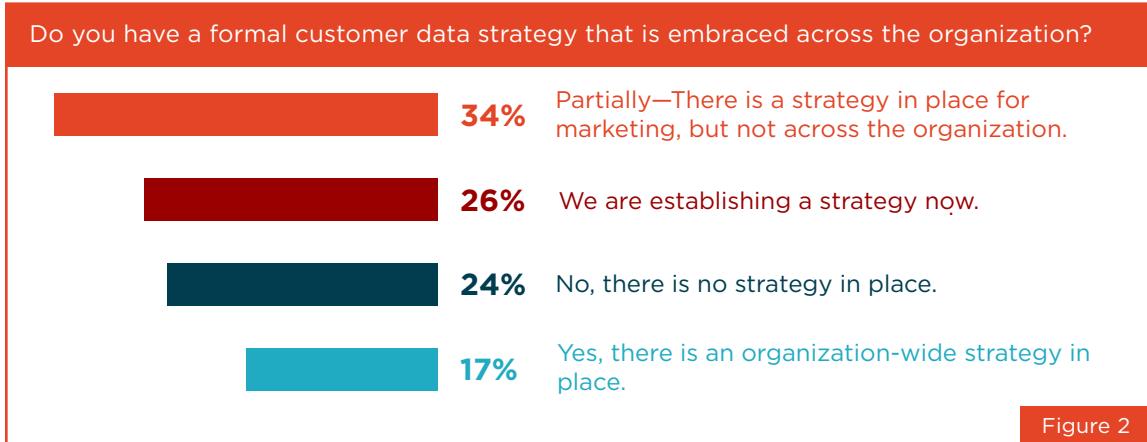
But are these insights moving marketers closer to delivering the experiences their customers expect? According to nearly half of consumers surveyed (47 percent), what they are really looking for from brands are offers that align with their personal buying and browsing behaviors—something marketers simply can't deliver if they don't have visibility across the customer's entire journey, especially beyond their own properties.



Figure 1

This limited view could be contributing to the lack of overall confidence that marketers have in the strength of their customer profiles: 41 percent say they are not very confident in the current state of their data because profiles are missing pieces, and only 14 percent are highly confident in their customer profiles, feeling they have insights into customer behavior, action, sentiment and intent.

To deliver the relevance their customers desire, marketers must expand their data horizons, looking well beyond marketing-controlled data resources and into those from across the organization and throughout the partner ecosystem. This will require establishing a widely embraced and acknowledged data strategy. But right now, this strategy is ad-hoc, at best.



For many marketers, a data strategy is more of a goal than a reality. Some 34 percent of respondents admit that this critical strategy is only partially in place, established in marketing but yet to be embraced across the organization. While 26 percent are setting up a strategy now, 24 percent admit that no data strategy exists.

Even more disheartening are the reasons why this strategy has not been fully adopted. The good news is that friction between IT (13 percent), a lack of data (8 percent), or conversely, too much data (16 percent) do not sit at the top of the list of issues. Unfortunately, an issue that is far more difficult to resolve does: the reality that the organization as a whole has yet to fully embrace the criticality of data. While many are plagued with a lack of technology to actually power intelligence programs (42 percent), 37 percent of respondents face cultural issues that make it far too difficult to get the entire organization to agree on a single strategy.

The data wish list starts with predictions and continues from there. First and foremost, marketers are looking for predictive intelligence based on customer intent and behaviors (54 percent). And while many also crave insights into customer lifetime value beyond an individual transaction (45 percent) and indicators on which marketing action will lead to a profitable customer reaction (45 percent), few are seeking out more retailer (11 percent) or in-store behavioral insights (6 percent).

In reality, what marketers are truly seeking is access to data that should already exist across the organization, but it is proving too difficult to access across seemingly impenetrable silo walls. In the end, this does not leave much room to hope to gain access to hard-to-reach data that comes from retailers or at the point of sale. The priority, clearly, is to get a more precise picture of the customer's next step, but far too many marketers are still looking to gather the customer's current journey.

Let's take, for example, marketers' ability to access real-time customer intelligence. Nearly half of marketers surveyed say access is critical to the successful execution of data-driven, personalized experiences. In fact, only 2 percent believe real-time intelligence is simply not important. Yet we already know that marketers are struggling

to gain insights into actions and behaviors outside of their own websites, and customer satisfaction and feedback forms (which may be rich sources of insight but are hardly real-time indicators of future intent) are top resources.

There are marketers who are taking steps to seize the opportunity, leveraging real-time sources of insight ranging from social commentary and customer-generated content to behaviors. But with this step, an even bigger issue emerges. While nearly half of respondents are turning to customer-generated content as a source of customer intelligence and insights, only 9 percent of marketers can actually connect the dots between this content and customer shopping behaviors.

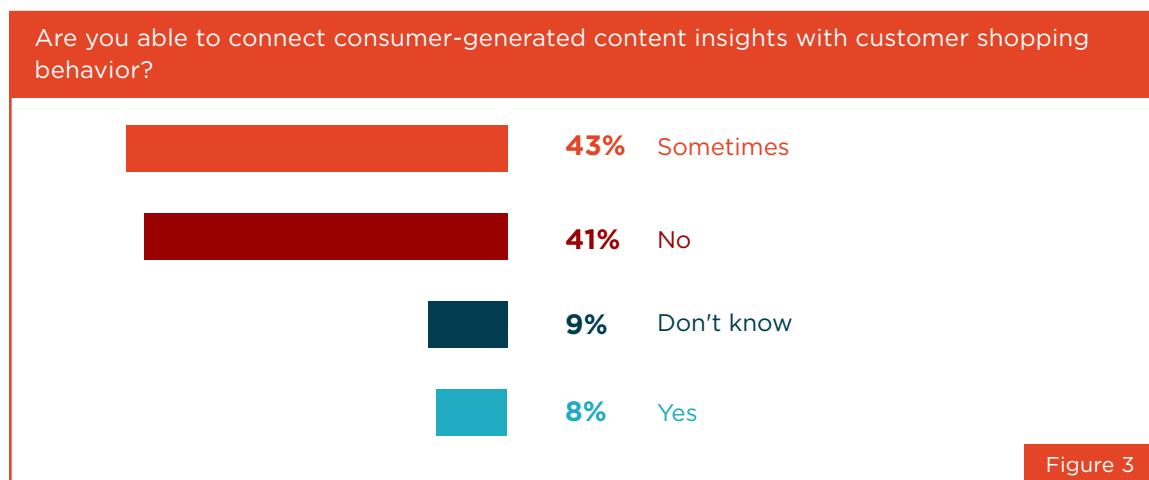


Figure 3

The vast majority (82 percent) of respondents are either not able to make these connections or are only making them sometimes. This disconnect more often than not translates into a lag between a customer's real-time needs in the search and discovery journey, leaving marketers to play catch-up as customers have raced forward in their journeys while marketers are only meeting them in the transaction portion of the funnel.

Marketers have insights to impact purchase, but fewer to actually bring customers to the table. Despite marketers spending significant budget to create content, experiences and advertising to drive customer acquisition and shape the early part of the buying journey, this is exactly where marketers feel least confident in delivering insights. Marketers feel their data is delivering insights on the research (56 percent), purchase (56 percent), and to a slightly lesser degree, the post-purchase (46 percent) and ongoing engagement (47 percent) stages of the customer funnel and journey. But only 39 percent of marketers feel their data is revealing insights into the discovery stage of the funnel, which is likely where marketers need more insights, especially around outlining customer desires, expectations and inclinations.

This could be a result of the resources marketers are turning to in order to gather customer intelligence and how this intelligence is, in turn, shaping marketing decisions.

How Well Do Marketers Really Know Their Customers?

Without question, the findings of this study show an extraordinarily positive view into the intentions of marketers to lean forward with data and drive experiences that exceed customer expectations by delivering both value and relevance. Unfortunately, bigger questions emerge in how marketers can get to this more predictive state when they are struggling to see real-time intent and to see beyond the confines of their own digital properties.

The first step may be to take a hard look at the very underpinning of the new rules of engagement that customers themselves have articulated. Customers want relevance—experiences based on their past transactions and behaviors, likes and dislikes, and their thoughts as contributed in their own user-generated content. Customers also want value. The question is where customers believe marketers can turn to deliver both in the construct of the new rules of engagement.

Not surprisingly, nearly half (47 percent) of our panel of 2,100 consumers are looking for savings and rewards, but not just any savings. Customers want savings that are based on past purchases and are relevant to their wallets, even more than being recognized as being a loyal customer (**see Figure 4**). And they are willing to exchange their customer data for this value.



It is worth noting that just as 8 percent of customers would like to exchange their customer data for totally personalized experiences with brands while an equal amount say they never want to hear from brands. Interestingly, men are twice as likely as women to prefer that brands not use their data at all.

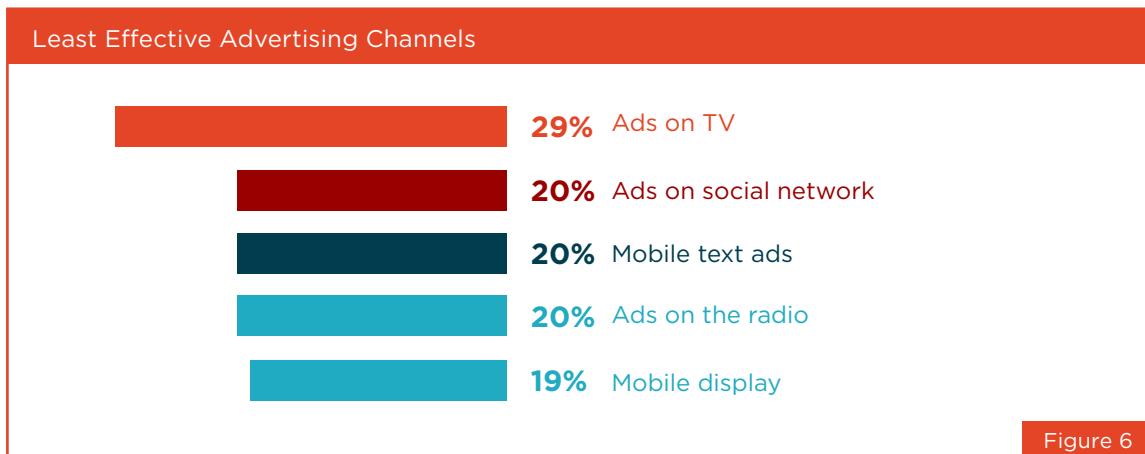
Want to reach consumers? Think about their wallets. Not surprisingly, when asked what advertising or promotional channels most impacted a consumer's intention to buy, coupons and discounts—regardless of delivery channel—topped the list, according to 71 percent of consumers.



But consumers are also being moved to purchase by the advice of family and friends, as well as by ads from brands. In keeping with the earlier sentiment that value is found in savings based on previous purchases, consumers also feel that re-targeting based on browsing or from abandoned cart insights (32 percent) and a brand's recommendations for similar or complementary products based on past purchases (22 percent) have driven them to buy.

Surprisingly, only 34 percent of marketers believe that consumers want to receive recommendations based on their past purchases or those of related peers. This spotlights a missed opportunity for brand marketers to impact the buying journey by delivering relevance and value to the customer. Because of the lack of full visibility into the totality of the buyer journey—including purchases and browsing behaviors across the partner ecosystem—marketers simply don't have a full picture to capitalize on this open invitation to deliver these relevant and valued offers.

Not all advertising channels are created equal. Despite the willingness to receive coupons and savings, this should not be mistaken for a willingness to be bombarded with advertising. In fact, consumers admit that while brand advertising has impacted purchase decisions, television advertising can be the most ineffective and even the most bothersome.



When looking at the advertising channels that consumers deemed least effective, most were highly intrusive, often causing moments of interruption, whereas the bottom of the list included channels like product placements in TV shows or movies (13 percent) and email (10 percent), which are often delivered as part of a content experience rather than a break in one.

Email tops list as communication channel of choice, not mobile apps. Not only do consumers see emails as being among the more effective advertising channels, but email is also the overwhelming channel of choice. When asked how consumers would prefer to hear from brands, the overwhelming majority (86 percent) pointed to email. Surprisingly, only 12 percent selected mobile app messages as their communication channel of choice, suggesting that the recent hype surrounding in-app advertising may be just that. Interestingly, some 33 percent of consumers indicated they would prefer to hear from brands by text message, yet in earlier findings, consumers also admitted that text messages were among the least effective ways of impacting the purchase decision.

While consumers prefer email, they don't want unlimited and endless streams of communication. When asked how often they would like to hear from brands they like, 34 percent said they only want to hear from brands when there is something relevant or important to them. An additional 33 percent are open to hearing from valued brands any time there is something interesting.

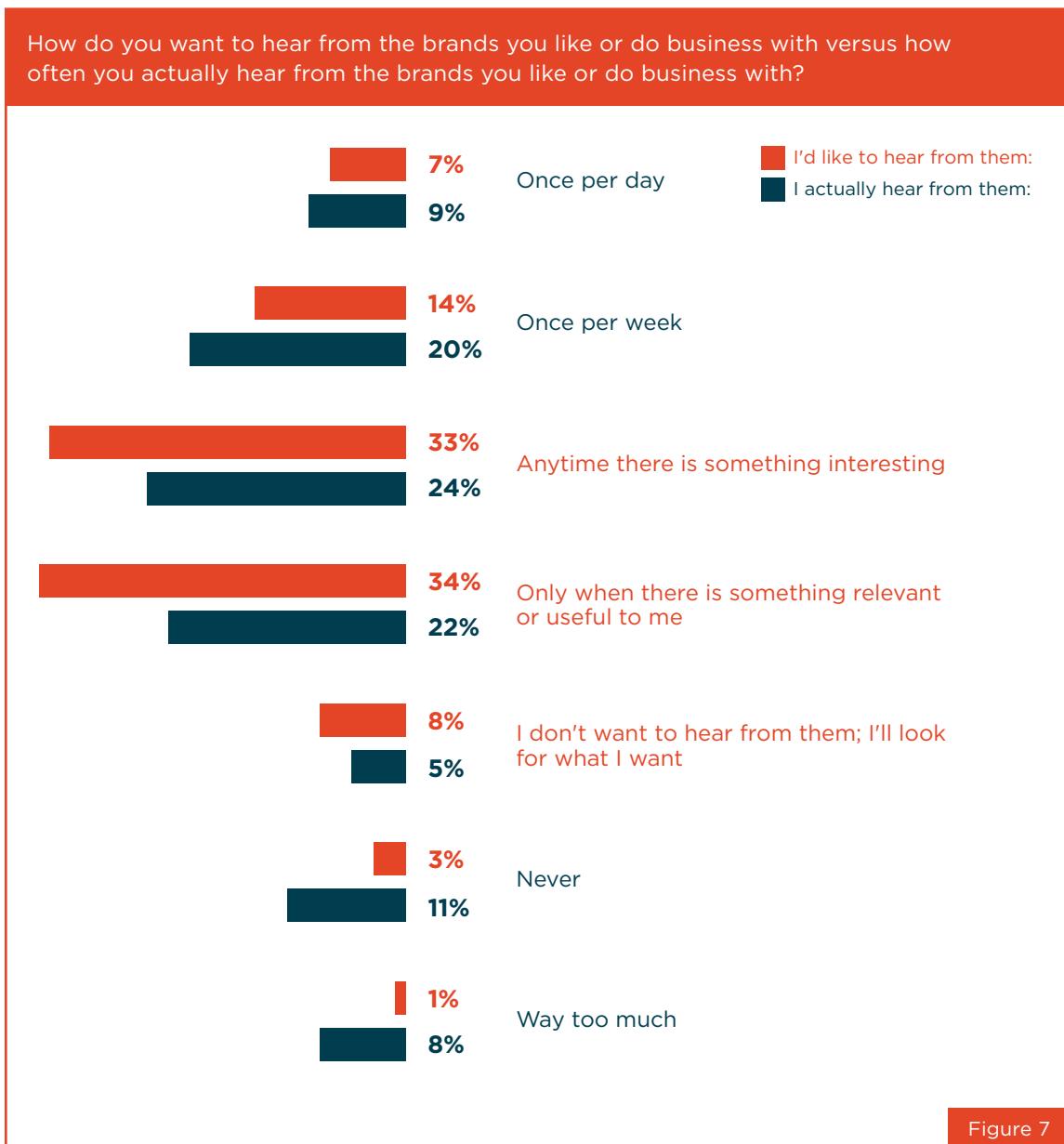


Figure 7

For the most part, consumers feel that brands are respecting their boundaries, although more (24 percent) admit they do tend to hear from brands any time there is something interesting while only 22 percent admit they only hear from brands when there is something relevant to that customer.

Look where we left you messages...but pay attention to what we do, too. Customers admit that when they reach out to brands, it is usually to air a complaint or to seek support for an issue. In fact, men are nearly twice as likely as women to reach out to brands with service or support questions while women are most likely to reach out for savings, coupons or unique experiences. Interestingly, millennials are the most likely of any age group to reach out to a brand to be part of a discussion or to connect with specific brand personalities.

But when customers do communicate, most are letting brands know exactly where to look to learn more about them. According to customers, brands should look in the places they have spent time to talk about their experiences. The top spot are those customer satisfaction surveys (27 percent) that customers took the time to complete. Some 17 percent say that brands should look at the reviews they are leaving to learn more about experiences and feedback. But consumers also want brands to look into past experiences and transactions (20 percent) to understand what they have purchased in the past to learn about their expectations. Interestingly, millennials are the most likely of any age group to point to social media as the best place for marketers to learn about them, indicating that real-time communication channels could become increasingly important over time.

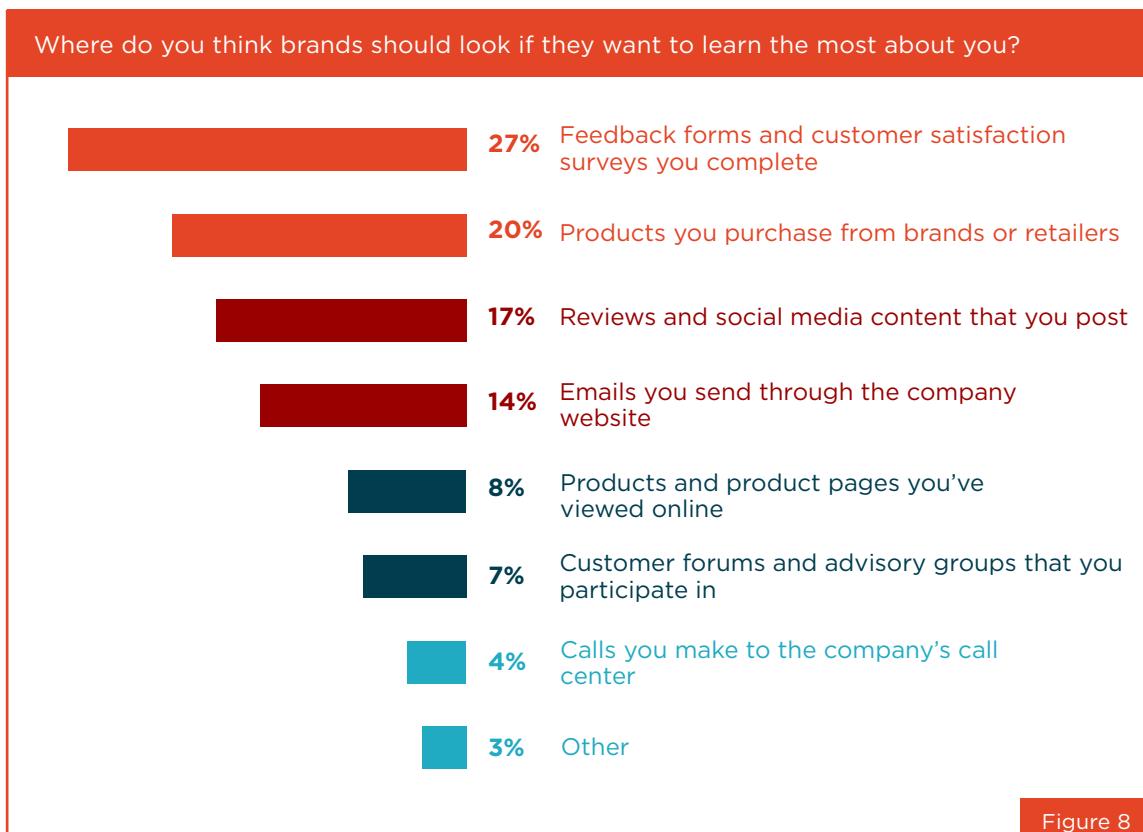


Figure 8

Breaking Down the Walled Gardens

In summary, the customer has been quite clear in their needs. Customers need value... and value, by their own definition, is delivered by the creation of content, savings and experiences that are not just exciting and enticing, but also deeply rooted in their own past behaviors, transactions and voice. Having access to real-time intelligence about customer voice must be the first step, and this step must take into account that customer voice is not just being submitted through forms, emails and commentary left on company-controlled properties. The customer isn't just on your website, so why is your intelligence so limited?

The second opportunity that marketers must seize is the opportunity to empower the entire organization—not just marketing—to meet this customer call for relevance and intelligence. While being armed with the right tools and technologies will be important, it will be even more important to ensure that the entire organization is not only rallied around the customer, but also aligned and committed to customer data. This critical data strategy should be seen as a critical customer strategy, transcending the needs of marketing and IT and informing business decisions to shift the dialogue from catching up with the customer to one where we are progressing through the journey side by side.

Today's intelligence landscape does have the ability to confound and overwhelm. There are seemingly endless points of learning and endless resources that promise to reveal the true sentiment and intent of our customers. But in this age of infinite resources, the savvy marketer will understand the new rules of customer engagement and begin to integrate sources of customer voice and real-time intelligence that define the journey, establish where the customer is along that path, and can predict what points of engagement and intersection brands can create in order to make a profitable impact on what route the customer chooses next.

EXPERT PERSPECTIVE

Rethinking the Rules of Play

by **Sara Spivey**, Chief Marketing Officer, Bazaarvoice



As much as marketers may try to dictate the rules of engagement with consumers, consumers are in the driver's seat. They can opt out, block and change interest, making it imperative for brands and retailers to have a constant understanding of the needs and desires of their customers to keep their interest and maintain a positive relationship.

Today, there are more options than ever before for brands and retailers to communicate with current and prospective customers, often making it difficult to decide what platform to use, when and for which audience. However, with consumers writing the rules and ultimately making the decisions through their purchases, marketers cannot risk getting it wrong. What can you do to ensure you're getting it right with your customers?

Break Down the Data Walls

Ask yourself if you're looking beyond your own data walls. Eighty-three percent of marketers admit that they are unable to see beyond their own brand properties. If you are one of the 83 percent, why? As marketers, we're missing a huge opportunity to gain a 360-degree view of our customers when we limit ourselves to just collecting customer data from one location. To start, brands should collect data from their retail partners and from similar or relevant purchases so they have a deeper, more comprehensive understanding of the consumer and their shopping behavior.

Move From Browsing to Buying Patterns

Recognize that relevance is the modern expectation of consumers. Savings may drive sales, but relevance is priceless. By paying attention to the insights close to your customers' wallets, you can gain a complete understanding of the entire customer lifecycle. Gone are the days when reviewing browsing history alone is enough. To be relevant to the modern consumer, marketers need to understand their customers' buying habits in addition to their browsing habits. While coupons and discounts drive a majority of consumers to purchase, 47 percent of consumers now prefer for brand offers to align with their browsing and buying behaviors. Using consumer-generated content to drive relevance with "people like me," your target audience, helps offer the desired authentic voice from the brand or retailer that customers want.

Know Your Audience and Be Polite

Know that disruption occurs on every channel, so it's all about your delivery and familiarity with your audience. Be conscious of when you reach out to your customers and the frequency. If disruption is bound to happen, then make sure that you vary the frequency of your communication by channel and that it's interesting to your customers. Millennials may want to be part of a brand's discussion or to interact with brand personalities on social channels, but email is where conversions take place, so tailor your communications appropriately.

The key to a marketer's success is to deliver highly targeted messaging to in-market shoppers in order to enable the conversation between marketers and today's socially literate consumer. Marketers need to play by consumers' rules, but that doesn't mean they can't anticipate what rules consumers will write next.



ABOUT THE CMO COUNCIL

The Chief Marketing Officer (CMO) Council is the only global network of executives specifically dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide range of global industries. The CMO Council's 10,500-plus members control more than \$500 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include more than 35,000 global executives in more than 110 countries covering multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia-Pacific, Middle East, India and Africa. The council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Mobile Relationship Marketing (MRM) Strategies, LoyaltyLeaders.org, CMOCIOAlign.org, Marketing Supply Chain Institute, Customer Experience Board, Digital Marketing Performance Institute, GeoBranding Center and the Forum to Advance the Mobile Experience (FAME). For more information, visit the CMO Council at www.cmocouncil.org.



ABOUT BAZAARVOICE

Bazaarvoice is a network that connects brands and retailers to the authentic voices of people where they shop. Each month, more than 700 million shopper devices view and share authentic opinions, questions and experiences about tens of millions of products in the Bazaarvoice network. Our technology platform amplifies these voices into the places that influence purchase decisions. Network analytics help marketers and advertisers provide more engaging experiences that drive brand awareness, consideration, sales and loyalty.

Headquartered in Austin, Texas, Bazaarvoice has offices in Chicago, London, Munich, New York, Paris, San Francisco, Singapore and Sydney.

PARTNERS AND AFFILIATES



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