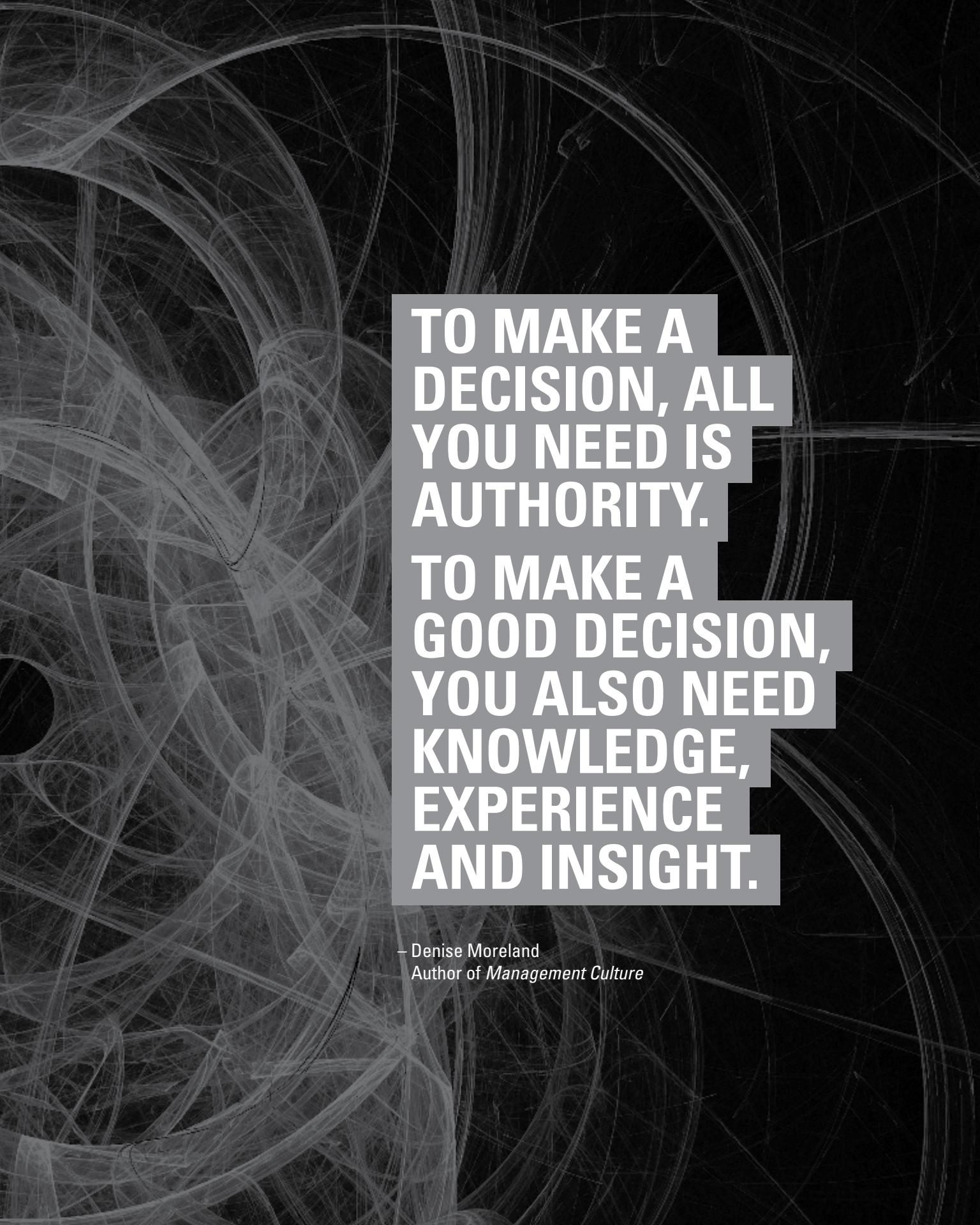


# INSIGHTS 2014

Connecting Technology  
and Story in an  
Always-On World

SapientNitro<sup>SM</sup>



**TO MAKE A  
DECISION, ALL  
YOU NEED IS  
AUTHORITY.  
TO MAKE A  
GOOD DECISION,  
YOU ALSO NEED  
KNOWLEDGE,  
EXPERIENCE  
AND INSIGHT.**

– Denise Moreland  
Author of *Management Culture*

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Lauren Nguyen Cohen  
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\*represents proprietary research conducted by SapientNitro

# WELCOME TO INSIGHTS 2014

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WRITTEN BY ALAN HERRICK, PRESIDENT AND CEO, SAPIENT CORPORATION

**For 23 years, we have oriented ourselves around the impact we can make with our clients, which has required us to take the long view on the dynamics shaping our clients' environments. We believe that today's marketing environment sits at the crosshairs of not just a massive technology shift but also a unique societal shift that has changed the role technology plays in people's lives.**

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The days of viewing technology as a solely utilitarian product are long gone. Particularly for Generation Z and Millennials, technology is embedded into notions of self-image and fashion. Meantime, the stark economic environment and general state of the world have created a shift in values for Gen Z and Millennials. They express an increased desire for transparency and authenticity in all aspects of their lives, including their relationship with brands. They also thirst to make the world a better place.

Those values and the role of technology to empower always-on lifestyles have resulted in a profound change in the relationship between customers and brands. Consumers expect you to meet them wherever they are and to help them do what they expect you to do – to immerse them, delight them and stand for something. For brands, those expectations beg new ways of thinking about brand storytelling – from something told to a person to an experience lived by that person – in a way that changes everything, much the way it did when Alice went down a rabbit hole to experience Wonderland.

What's particularly exciting is that the ways in which our clients' brands choose to "step into Wonderland" can take an infinite number of forms. We're inspired when once seemingly impossible experiences are brought to life every day, changing the way we live our lives. For example, a banking app connects you with cash at an ATM even if you don't have your bank card. An eyewear company changes the way people quite literally see themselves. A virtual concierge assists you in the retail

fitting room. Having meaningful impact is no longer just about building ads for a moment but rather about building worlds at the intersection of story and technology; form and function; and fantasy and utility. Creating meaningful impact is about developing story systems that attract, engage and bring about a transaction.

In this issue of *Insights*, we welcome you to explore what we're learning about the behavioral shifts that affect marketers at breakneck speed. In *Insights*, you will discover how consumers' 21st century mobile lifestyles have changed expectations of how your favorite brands should behave. I invite you also to delve into some original research that looks at new and powerful ways to think about the retail store. You may choose to study the business lessons of Madonna, Arianna Huffington and Martha Stewart, who were among the first to pave the way to omnichannel branding. By reading *Insights*, you may also discover what it could mean when businesses finally have the tools to measure return on the consumer experience. *Insights* also examines some thinking on the implications of changing consumer behavior for organizations and their leadership.

We thank you for your interest in SapientNitro and in this exchange of ideas that offers us all a little more wisdom in the walk. We celebrate what lies ahead and look forward to what is possible.





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WRITTEN BY GASTON LEGORBURU & DARREN "DAZ" MCCOLL

# CONNECTING BRANDS AND CONSUMERS AT THE INTERSECTION OF TECHNOLOGY AND STORY: STORYSCAPING<sup>SM</sup>

*Twenty-eight thousand tweets per minute – Super Bowl stat.<sup>1</sup> Estimated 597 million people active on social media in China – market stat.<sup>2</sup> More than 80 percent of Internet respondents in 56 countries reported watching video content at home on a computer (84%) or on TV (83%) at least once a month – behavior stat.<sup>3</sup>*

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Consumers have technology at their fingertips, digital resources in tow, and necks in constant crook – checking the ever-flowing fountain of engaging digital bytes. It's very obvious that technology plays a pivotal role in how we live, and why we live the way we do.

This is not just because of the growing ubiquity of devices. This is about lifestyle; the consumer's expectations of being always connected – wherever they are and whenever they want. Thinking about mobility is different than thinking about mobile.<sup>4</sup> The application of mobility influences the consumer's ability to participate in brand stories and our ability to connect and engage them.

<sup>1</sup> Twitter.com

<sup>2</sup> <http://www.techinasia.com/2013-china-top-10-social-sites-infographic/>

<sup>3</sup> <http://www.nielsen.com/us/en/newswire/2012/global-report-multi-screen-media-usage.html>

<sup>4</sup> The industry's use of "mobile" typically focuses narrowly on a device or app; we consider the larger concept of "mobility" to widen perspective. Mobility refers to the continuity and confidence of being connected to people, places, objects, environments and ideas.

Photo Credit: Reprinted from "Storyscaping: Stop Creating Ads, Start Creating Worlds," by Gaston Legorburu and Darren McColl, 2014. Copyright 2014 by John Wiley & Sons, Inc., Hoboken, NJ, USA.

**STORY IS AS RELEVANT AND POWERFUL AS EVER. STORIES ARE HOW WE ALL MAKE SENSE OF THE WORLD ... WE MUST EXPLORE AND REDEFINE THE WAY WE TELL STORIES IN THIS ALWAYS-ON TECH-ENABLED WORLD. WE MUST MOVE BEYOND JUST TELLING STORIES AND START CREATING WORLDS...**

### **Changing Behavior**

Even though human psychology has changed little in the last century, we have all felt the profound impact made by social media as a force of influence in our society. It's not just quantity and the fact that most people now use social media; perhaps even more significant is the influence that these interactions are having on consumer decision-making.

At the place where decisions were once linear – retail environments – we see the barriers between the virtual and physical worlds breaking down and experiences becoming multidimensional. The use and role of technology is transforming the in-store shopping experience, changing consumer expectations and even the role of the store. Like social interaction, the future of retail and the way commerce is conducted in all businesses is being affected.

These changes are paralleled by changes in what content we now expect and how we use and enjoy it. Online video consumption on both home and mobile devices is exploding. Brands like Netflix are challenging the traditional distribution model for entertainment programming. Like no other media, film has a powerful capacity to engage consumers. Though this has long been understood, in the face of media diversity the power of using film to tell and inspire stories is continuing to evolve.

The role technology plays in all of our lives is having a profound impact on societal values. In some ways it connects; in others it isolates. Sometimes it's a utility; other times it's an indulgence. No matter how you dice it, for us it becomes a plate full of opportunity because technology constantly creates new possibilities and has changed the marketing, economic and most of all, the consumer landscape.

Story is as relevant and powerful as ever. Stories are how we all make sense of the world and understand our roles within it. It's not likely this will ever change. So we must explore and redefine the way we tell stories in this always-on, tech-enabled world. We must move beyond just telling stories and start creating worlds that inspire consumer participation through shared values and shared experiences.

## The Storyscaping Approach

To do just that, we at SapientNitro apply a unique and well-defined approach called "Storyscaping." We bring together the application of Organizing Ideas with Systems Thinking to build more effective emotional connections and experiences between brands and consumers. As a result, we help brands create a world of multidimensional experiences, not just ads or websites. We do this by inspiring and enabling consumer participation in the brand story, which leads to greater brand value, consumer engagement and connected transactions. But gaining the attention and involvement of today's consumer is a consistent challenge. They are no longer satisfied by just being told a story; they now expect to be part of the story. It's a reality that requires us to look at, explore and solve for both dimensions – story and technology, together.

This approach is an evolution from creating ads to creating multidimensional worlds where consumers interact with brands through immersive experiences (and they still often include ads). Within these worlds, each connection inspires engagement with another, and each experience reinforces the brand's story. Connections that end with a comma, rather than a period.

Beyond story and immersive experiences there are foundational elements that cement the structure of the Storyscaping approach. Sitting at the core of every Storyscape is an Organizing Idea. It serves as a central touchstone that guides the ways brands connect with people and the ways to inspire behavior and build emotional resonance. The Organizing Idea is in essence the creative expression of the Brand Purpose, and it's built from the deep knowledge and insight we gather about the brand and its preferred consumer. This Organizing Idea then guides the development of all the experiences that are created for the Storyscape.

These experiences and connection points are strategically positioned through and across the Experience Space, per the direction of a Story System. It plots out the potential opportunities for engaging consumers in the brand story over time and across connection points. Some of the connection points may be designed to source content from participants and give those participants a role in evolving the story. They may also allow for non-linear narratives where the story can guide a unique direction for different participants, each designed to be fun and engaging.

A final and very important aspect of a successful Storyscape is to build an effective team. The Storyscape approach requires cross-pollination of skills and demands collaboration. Teams of technologists, writers, strategists, and designers all work together (what we call connected thinking), and in doing so create efficiencies of effort and focus attention on areas that require further development.

In short, this is our proven approach and method that encourages consumers to become part of a brand story that is ongoing. As a result, brands end up cultivating something even more important than customers; they produce believers who carry the brand into their own story and share it.

The balance of "Insights 2014" is focused on the opportunity to reimagine storytelling for an always-on world by combining the Power of Technology with the Power of Story. In this issue, we address the changing consumer landscape, new storytelling tools, connecting the virtual and physical worlds, experiences created by technology and data and the expanding role of marketing leadership. As always, we are interested in your feedback on the ideas presented here, and we look forward to working with you to capitalize on these opportunities.

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*For more information about the Storyscaping approach, read our new book, *Storyscaping: Stop Creating Ads, Start Creating Worlds*, published by Wiley in April 2014 and available at [storyscaping.com](http://storyscaping.com).*

# FIVE TRENDS SHAPING THE MARKETING LANDSCAPE



## **Marketers are waking up to a new reality: The always-on consumer is always-on everywhere.**

Not only is she interacting with your brand on your website or on Facebook, she's also comfortably using her smartphone to size you up against your competitors while she roams the aisles of a brick-and-mortar store. The always-on consumer shares and consumes content across a mosaic of connected devices, locations, and web properties – and she does so increasingly across multiple countries. We call her the connected consumer. She is changing the way brands are built around the world. And she is driving five major marketing trends that form the foundation of *Insights 2014*.

While these forces are not new, we have called them out as the five key trends for 2014 because they have now converged to make this the year that dealing with all of these elements, both individually and taken together, can no longer be deferred.

As SapientNitro and our clients innovate at the intersection of technology and story, we believe these trends highlight both the breadth and the scale of change facing marketing leadership. New, informed marketing leaders – intimidated and excited – are working their way through it all, as best they can. In this overview, we invite you to explore and challenge our thinking, as we look for a path through this time of tremendous change.

## ►TREND 1:

### **Always-On: Changing Global Consumer Behavior**

The first trend covered in this report is the always-on global customer. Of course, we've been talking about the connected customer for years – but what's key for the next year is that shoppers are embracing shopping-in-increments behavior at scale, and they are doing so globally. This has massive ramifications for how companies build marketing solutions. For example, our research on retailers found just 12 of 72 retailers connect an essential aspect of the shopping experience – shopping lists – between mobile and web channels, and just one completes the loop by offering access in-store.<sup>1</sup> These types of connected experiences are essential to reach the shopping-in-increments customer.

In this section, our first article provides our perspective on this customer who shops in increments, expects their marketing to be conducted in real time, and who lives in developing and emerging countries – but behaves much like consumers in more established nations.

Later in this section, "Mobile Velocity: A Model For Selecting Global Markets," notes the importance of mobile tools in developing and emerging markets and their role in evaluating market attractiveness.

In "The Future of B2B," we explore how smart, fast-moving B2B firms are finally embracing the always-on world, for their employees, business partners and end customers.

Finally, in "Gen Z: Rules to Reach The Multinational Consumer," we explore the upcoming generation and note that they are incredibly tech savvy and mix-and-match tools and attitudes from the global culture in which they were raised.

## ►TREND 2:

### **New Storytelling Tools**

The second major trend we cover in the report is the rise of new storytelling tools. As consumers shift, skip and block ads; unplug from television; and fragment their attention across multiple devices, channels and times; brands are developing groundbreaking communication methods to respond.

Core to these new communication methods is the idea of a Storyscaping approach. This approach is an evolution from creating ads to creating multi-dimensional worlds where consumers interact with brands through immersive experiences (and they still often include ads). Within these worlds, each connection inspires engagement with another, and each experience reinforces the brand's story. These connections end with a comma, rather than a period.

To explore the ramifications, we've selected several articles in this section. The first, "Brand Messaging in Real Time," highlights the changing nature of brand messaging, and how leading companies are using real-time storytelling to deliver persistent, compelling and contagious brand-linked experiences.

We also realize that we're not the first agency or brand to struggle with creating new storytelling methods. To understand today's leading, experience-led brands, "Evaluating Real-World Experience" presents proprietary research on leading companies and highlights the good and the bad associated with the customer experience, and introduces the idea of co-creation.<sup>2</sup>

Many of these storytelling tools place a high value on the power of the experience. The article "The Bottom Line On Experience" explores what can be learned when you actually measure experience and understand its potential financial and non-financial rewards.

Finally, "Building Social Businesses and Brands" notes how systematic application of social tools at every level of the enterprise has evolved and grown to be an essential element of businesses in a two-way, co-created environment.

<sup>1</sup> See "2nd Annual In-Store Digital Retail Study," located in Trend 3 in this book.  
We also found that leading retailers provided in-store wayfinding tools based on consumer's shopping list

<sup>2</sup> Co-creation is the idea that customers today want to be an equal partner with a brand; often, they want to actively participate and engage with the brand in a way quite different from the traditional broadcast model. See "Evaluating Real-World Experience: A Study of Leading Brands" for more details.

## ► TREND 3:

### **Connecting the Physical and Digital Worlds**

The third major trend is the growth of connections between the digital and physical environments. We're seeing a tremendous rise of connected technology in the physical world around us. From wearable computing, gesture and voice technology, the Internet of Things, the rise of NFC scanners, and self-driving cars, we're still on an upward trajectory of connectivity.

Given our focus at the intersection of brand storytelling and technology, we've selected four articles which highlight the application of connectivity.

The first article "In-store Digital Retail Study: Exploring the Reality of the Digitally-Enabled Store," is proprietary research to understand to what extent are retailers connecting their physical environments. We audited 72 stores across North America and Canada, surveyed 1,500 consumers, and collected over 500 points of data.

The second piece, "The Future of the Store," contains some of the most far-reaching reflections in the entire report. We explore how the rise of wearable and connected devices will change the way we interact in the physical world. We delve into the ways in which prolific content and media – that are often taken for granted when we are online – will be combined with the physical world of shelves, walls and space.

Thirdly, "Retailers as Media Platforms" examines opportunities created by in-store digital screens – specifically advertising networks. In-store digital marketing for retailers, in particular, is a significant opportunity.

The final article, "Second Story," is a Q&A with the leaders of SapientNitro's innovation lab that specializes in emerging technology in physical environments, from museums to retail. The authors share their approach, and highlight its newest experiences including walls which become "information radiators,<sup>3</sup>" and motion-sensitive interactive placements. They reflect on how architects have been leading technologists in creating innovative, real-world experiences with technology.

## ► TREND 4:

### **Enabling Experience through Technology and Data**

Technological prowess is changing the type of stories that can be told by brands and how we can actually tell them in meaningful ways. With tablets outpacing PC shipments for the first time in Q4 2013<sup>4</sup> brands are embracing new technology to tell their stories in new ways. This section explores how to maximize the value of technology and data.

Our first article, "Enabling Connected, Always-On Environments," identifies five technologies enabling the creation of entirely new experiences for brands. It explores the underlying technologies that leading brands use to deliver great experiences – from mobility to HTML5/CSS3. It also reveals how leading brands are working with big data and analytics to make sense of the digital exhaust of modern life. Finally, it reveals a perspective on how new sensors (e.g. RFID, digital video) in the physical store are enabling connected environments.

In "Delivering Big Data's Potential: A Marketer's Primer," the author explores the promise of big data – and also attempts to address one of the key failings of the modern big data team: communication and lack of a common language between the marketer and analytics team.

Finally, great experiences are not valuable if none of your customers can find them. "Placing Experiences Within Reach: QRC, NFC and the Future of Contextual Activation" explores some of the latest technologies available to trigger digital experiences in the physical environment. We believe marketers must make use of the latest technologies to deliver instantaneous and engaging digital experiences.

<sup>3</sup> "Information radiators" are digital displays which continuously stream information. See the article "Second Story: A Q&A on Innovation and Ideas for the Future" for more details.

<sup>4</sup> IDC 2013.

## ► TREND 5:

### An Expanding Role of Marketing Leadership

Even though the average lifespan of an S&P 500 company has dropped from 60 to 15 years,<sup>5</sup> many marketing executives struggle to adapt and make the case for change to help their companies survive and thrive.

Many businesses – perhaps most – will need to be reinvented to operate in the always-on, real-time world. We're seeing traditional functional silos – the brand team, the e-commerce team, the store team, the merchandiser, the IT team, the marketers – tend to hold progress hostage and fog the way forward for most senior marketers.

In this report, we developed several articles to help guide marketers along a narrow path. In "Disruptor or Disrupted," we emphasize the power of narrative in helping companies power innovation and permanent disruption. In "Organizational Transformation," we compare the difference between Pirates and Gardeners – and the need for both. And "The Innovative CMO" talks about a portfolio approach to marketing investment, which hedges risk by investing across multiple areas.

And finally, in "Leadership Lessons from Omnichannel Pioneers," we highlight some management lessons learned by successful omnichannel pop culture icons over the last decade.

## Summary

We believe leading marketers are operating at the intersection of technology and story.

At that spot, the collective impact of these five trends can seem overwhelming, but we believe it also unlocks new opportunities if managed in the right way.

In the articles which follow, we hope to offer a compass for progress, success and, ultimately, some small degree of insight.

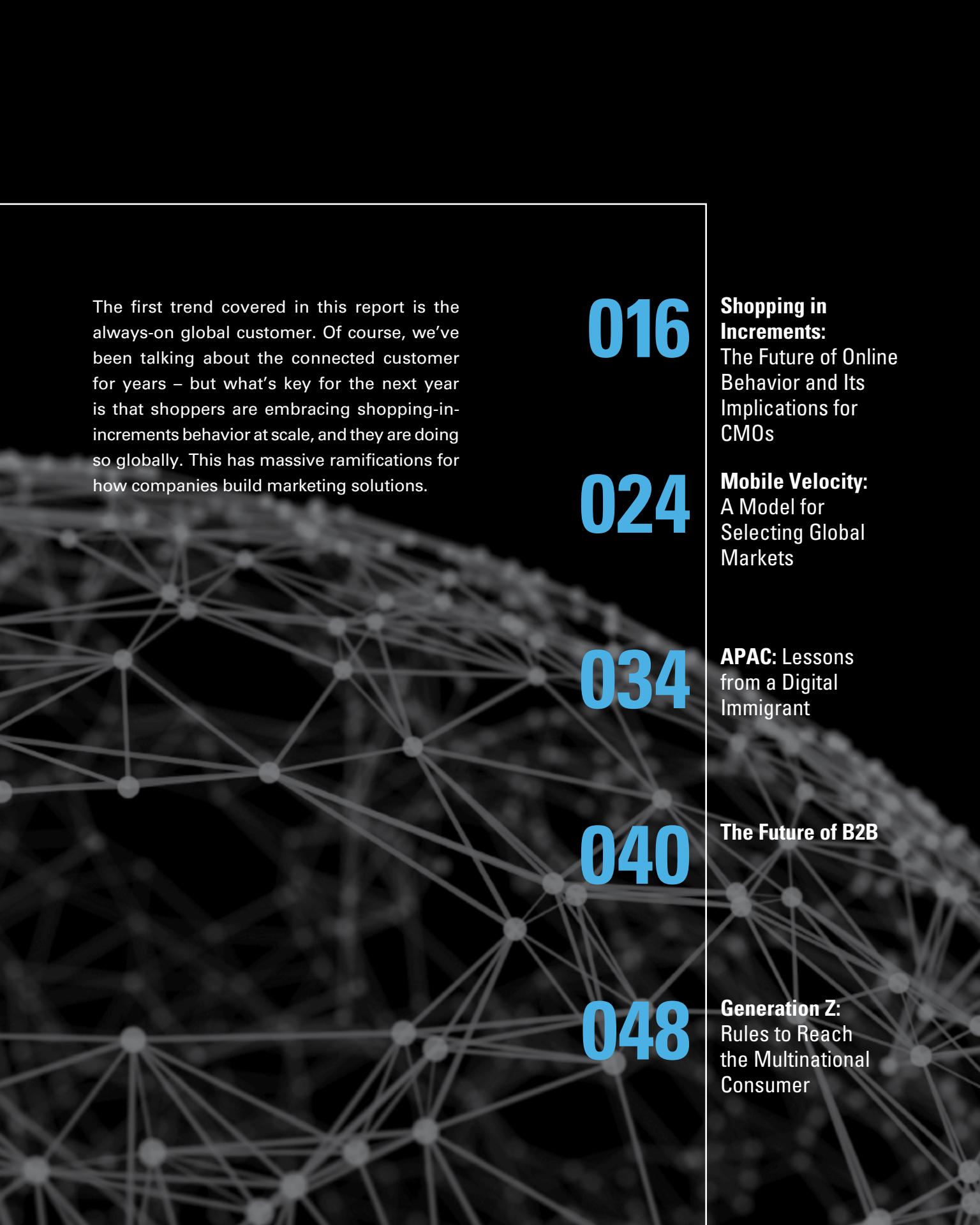
<sup>5</sup> Innosight study conducted by Yale Professor Richard N. Foster, 2011. Based on 7-year rolling average.

TREND

1

# ALWAYS-ON: CHANGING GLOBAL CONSUMER BEHAVIOR





The first trend covered in this report is the always-on global customer. Of course, we've been talking about the connected customer for years – but what's key for the next year is that shoppers are embracing shopping-in-increments behavior at scale, and they are doing so globally. This has massive ramifications for how companies build marketing solutions.

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**Shopping in  
Increments:**  
The Future of Online  
Behavior and Its  
Implications for  
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**024**

**Mobile Velocity:**  
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**Generation Z:**  
Rules to Reach  
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# SHOPPING IN INCREMENTS: THE FUTURE OF ONLINE BEHAVIOR AND ITS IMPLICATIONS FOR CMOS

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► **Neil Dawson**

VP, Chief Strategy Officer,  
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*Neil leads the SapientNitro  
“Future of Retail” Group.*

Thanks to

**Victoria O’Callaghan**

Associate Marketing  
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**Phillip Bott**

Associate Marketing  
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## Welcome to a new model of consumer behavior: “snackable consumption,”

a world in which people use smart devices to “shop in increments,” moving comfortably from one digital destination to the next, grabbing bite-sized information such as prices about brands’ products and services, often doing their research while multitasking. Snacking behavior – often discussed in the context of content consumption – now extends far beyond content. Increasingly, we’re seeing this behavior extend into three new areas: how people engage in social interaction, how they buy both online and offline.

## Changing Behavior

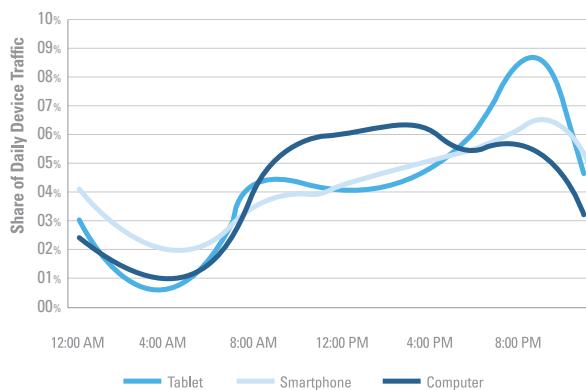
We see many signs that snackable consumption is the norm: Smartphone users interact with their phones 150 times per day – that’s every six minutes. Seventy-nine percent of 18-44 year olds have their smartphones with them 22 hours per day, with the vast majority checking their phone within 15 minutes of waking up (or indeed when their phone wakes them up).

Furthermore, on social networks, small and frequent online interactions are the rule. Smartphone users are checking in to Facebook 14 times per day.

They’re engaging with brands through traditional channels, but now, the majority of people are also multiscreening: 60 percent of smartphone owners report they’re likely to be using another device when watching TV<sup>1</sup> (and even more for tablet owners). The tools for this new behavior is clearly established globally. We’re now seeing studies reporting up to 73 percent global smartphone penetration – at least among those who already are online – in emerging markets.<sup>2</sup>

Fig. 1

### U.S. Page Traffic By Hour and Device



Source: comScore, January 2013

*Consumers are moving comfortably between devices throughout the day. In this environment, brands must create whole experiences (content, e-commerce and brand engagement) that can be consumed in “bite-sized” chunks anytime, anywhere, through – and across – any device combination.*

<sup>1</sup> Always Connected: How Smartphones and Social Keep Us Engaged. IDC, 2013.

<sup>2</sup> For the study, Wave 7, the IPG Mediabrands agency surveyed people in 65 countries, including the UK, the US, India and China. It found that 73.4 percent own a smartphone, up from 44.8 per cent just a year earlier. This is at the high end of SapientNitro's estimates.

And when consumers shop online, the average time between adding a product to their cart and checking out has grown 38 percent over the last five years, from 2 hours to 2.6 hours.

In this new consumer reality, many day-to-day activities no longer need to be carefully planned. It is more natural for people to find ways to fit things into gaps, delaying activities until they have a moment and do several things at once (watching TV and shopping, for instance). This change in behavior challenges brands and marketers to rebuild how and where their brands engage consumers, and the systems and processes required to support engagement. Not only do we now need to create content which consumers can snack on, we need to create whole experiences (content, e-commerce and brand engagement) that can be consumed in “bite-sized” chunks and can be accessed at any time, in any location, on different devices and in multiple need states. We need these experiences to work in the way people do – adapting to context and need, consistently across devices and presenting choices in the way with which the distracted mind can deal.

When done well, overall engagement with a brand can actually increase. For example, Nike’s use of sensors and the Nike+ platforms<sup>3</sup> means that although you might only engage with Nike consciously once every other day during a run – and perhaps only ephemerally at that time – the brand remains with you and your daily life for a period of years. When you’re ready to study and evaluate your sport, Nike is the brand to which you turn.

Location and context emerges as particularly important. An urban woman’s mindset around new shoes when she sees an ad in a magazine in the office is very different to when she thinks about new shoes when chatting with friends, on a fashion blog or in the supermarket.

Brands need to relate the moments when they focus on products to their varying need states in different places at different times.

## Impacts Across Your Customer’s Journey

Snackable consumption patterns tend to break down classical definitions of the customer journey. In many respects, the path from awareness, consideration through purchase and support has been compressed, as people buy quickly on the go. Yet in other ways, the buying process is actually much longer and complex, with significant new influences on the ultimate decision, as customers seek advice from their social networks (e.g. Pinterest), third-party information providers (e.g. Trip Advisor) and on-site customer reviews.

Ultimately, the actual journey will vary by industry, product and person, but it is likely significantly more complex than in the past. In the retail environment, we explore four specific need states along this new, convoluted path to purchase.

### **Inspiration:**

The ability to browse certain subjects and then purchase based on what inspires the user.

### **Information:**

Anything aimed at helping shoppers find and purchase the right item for them, such as product reviews, ratings and location.

### **Comparison:**

Price comparison utilities that help shoppers to be sure that they are getting the best deal.

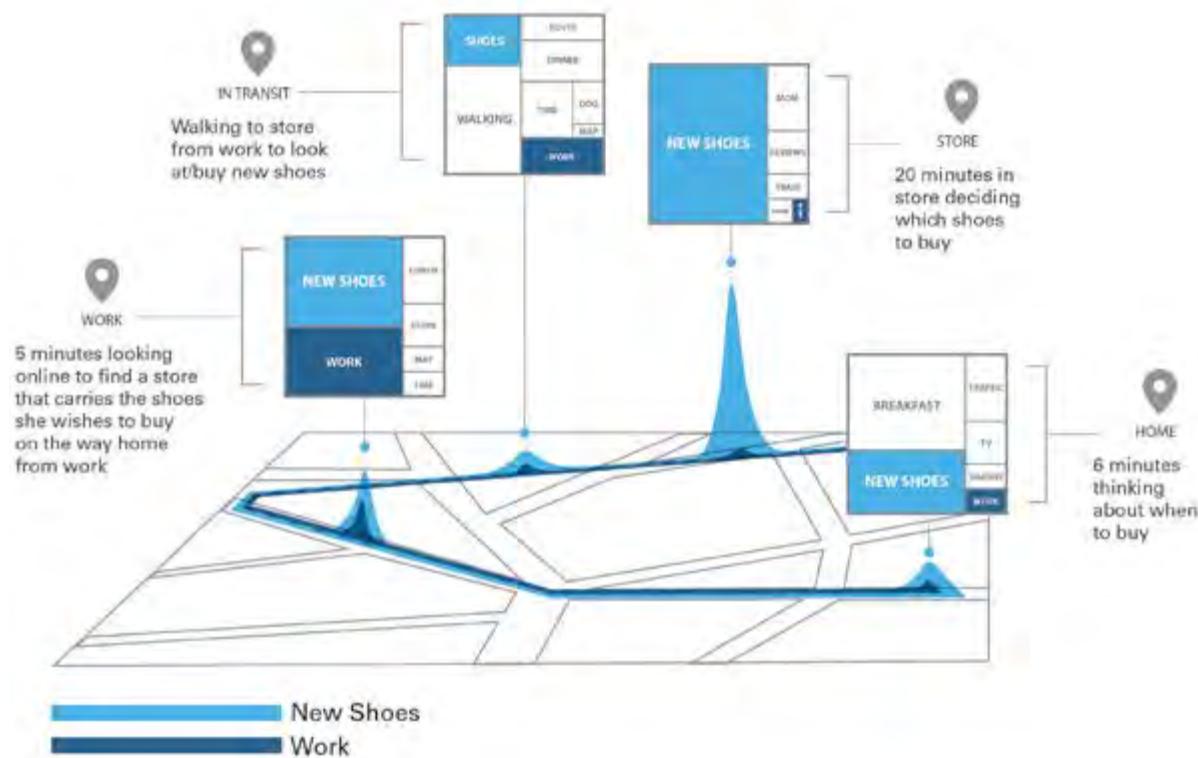
### **Maximisation:**

Coupons and reward schemes. Money is tighter for many consumers, but we still expect the same level of service we had before the recent recession.

<sup>3</sup>For more information on the Nike+ Digital Platform, see “Evaluating Real-World Experience: A Study of Leading Brands” in this report.

Fig. 2

**Consumers are shopping in increments – connecting to brands throughout their life and locations in short bite-sized chunks.**



*As brands struggle with this new behavior, they are growing to recognize that they need a more intimate understanding of people in different contexts along the shopper journey. Increasingly, marketers are using sensors, mobile phone studies and shopping data to understand their customers' journey from awareness through to purchase. Brands are then designing experiences – anticipating short, non-linear interactions – for each of these contexts.*

*In this example, a woman is shopping throughout her day. Her trip starts at her house, and touches on her commute into work (thinking about new shoes and her plan for the day). She then spends 5 minutes at work to see if the nearest store has the shoes in stock, walks to the store, shops for 20 minutes in the store, and then heads back to work.*

## Inspiration

### Fresh Content from Great Sources

Snacking during the inspiration phase has increasingly involved mobile services. For retail shoppers, bloggers and mobile street-style discovery tools very much lead the way – fitting in very well to busy young female professionals' commuting lives and snap purchase judgments.

For example, young fashionistas can get inspiration from world-wide streetstyle photographs while on the move in the Pose app. They can also use Pose to create collections and gather feedback from the community of fashion-savvy friends on outfits they're not sure about, and they can use a tagging function to find retailers with similar products.

Snackable inspiration leverages these social interactions and the community to provide reassurance to shoppers. This is massively important in segments where it is difficult to experience a product prior to purchase, such as personal care and beauty items, or even travel and hospitality.

Offering snackable inspiration for consumers is a great way for a brand to more deeply engage a wider audience, building an emotional connection that can naturally lead to or actively nudge a purchase at the relevant time.



*Pose inspires female shoppers by collecting crowdsourced photos and grouping those photos by events, outfits and location. The platform enables rapid feedback on your own looks and encourages you to provide feedback on others.*

## Information

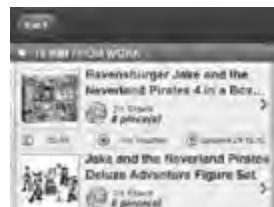
### Local Discovery

Small bits of content – when available at key steps in the journey (e.g., the Information phase) – can help shoppers move forward with a purchase. Shoppers often need specific information: for example, where they can buy it, its provenance, product reviews or rating. When this information is unavailable at key moments, the journey can be stalled.

For example, a shopper can search for items across their local high street using Udozi, so they can find out which local retailer has it in stock, allowing them to purchase, collect, and enjoy it immediately. Or indeed, if they need something specific but don't know where to look, ShopStyle by PopSugar comes into its own. They type a description and the app shows which stores stock it. The purchase can then also be completed instantly through the app. And because purchase decisions don't always hinge on the best value for money, Good Guide helps shoppers to identify products and companies that are safe, healthy and sustainable. After supplying information, it also provides a list of alternatives.



*ShopStyle allows customers to browse multiple brands through one site, which is mobile, tablet and web optimized. Products are shown by the latest trends, hottest sales, or grouped by occasion.*



*Local inventory information is essential during the information phase of shopping. Udozi attempts to deliver this information in a timely manner to high street shoppers.*

## Comparison

### Compressing the Sales Funnel

In addition to social tools, community and brand engagement, consumers' online and offline shopping patterns are changing. To satisfy this new behavior, retailers and third parties are developing tools to surface content and drive conversion – ultimately shortening the sales funnel.

For example, at the point of purchase many savvy shoppers get that niggling feeling that they could get a better deal, and, in that moment, balance convenience and instant gratification with getting the best price or deal. A purchase in progress can easily be abandoned in the confusion, and that's where price comparison utilities help shoppers, either by completing the transaction in that moment, or going elsewhere.



*With over 20 million downloads through 2012, ShopSavvy scans product bar codes and finds online and local-stores with inventory. This simplifies price comparison, and ultimately makes buyers more confident.*



*Amazon's latest app's barcode scanner lets you quickly compare prices, add items to your wishlist or buy using the Amazon Prime two-day delivery service and one-click checkout.*

## Maximisation

### Driving Repeat Sales with Analytics and Loyalty Programs

The final step, maximisation, occurs as people seek to get the best deal. Maximisation means that people are ever more game to take part in coupons and reward schemes – particularly those that are fun and fit around how they shop.

Where maximisation really comes into its own is when big data is used to understand shopping behaviour and identify unmet needs. The Tesco Clubcard applies multiple segmentations to generate the 10 million mailings the brand sends to households in the United Kingdom. Each is unique, tailored to needs, lifestyle and household shape – effectively a segment size of one!

Offline retailers can use these techniques also to great effect. For example, Guatemalan sneaker retailer Meat Pack created a mobile app called Hijack, which activates when customers walk into a competitor's store. It offers a discount that starts at 99 percent and counts down by 1 percent every second while the customer races to the Meat Pack store. Meat Pack has "hijacked" 600 customers in a week!

Understanding people's needs for maximisation and their specific shopping needs presents a range of opportunities to apply insightful promotional campaigns and tactics that will nudge consumer behaviour at different points in the buying cycle.



*One of the more creative examples of Maximisation, Meat Pack takes price checking one step further and gives the customers a limited amount of time (100 seconds) to get from a competitor's store to their own. The percentage discount declines 1 percent every second.*

## What's Next

To respond to the snackable challenge, CMOs should focus on five areas:

**1. Insight:** CMOs need to understand consumer behavior much more intimately than they do today. New data is available to us in the form of the “digital exhaust” of our mobile phones and the use of modern sensor technology to wire people, products and environments. By analysing this data in real time, we can develop patterns and see dependencies that allow us to change the future, not just look at the past.

*For example, SapientNitro is currently running a programme to develop a deep, intimate understanding of how people buy today. Our initial study of 200 people uses desktop and mobile technology to understand what people are focused on in different contexts and measures the emotional state and behaviour at different stages of the shopper journey to gain insights not only around the retail moment but also to fully understand the process which led to it.*

**2. Storyscapes:** A CMO needs to build a Storyscape<sup>4</sup> of communications and experiences around a central organising idea. The Storyscape delivers bite-sized interactions and responds in real time to the snacking consumer. It needs to work as a constant to and fro, consistent across all channels, responding to individual needs and mindsets, never reaching a dead end. Cognitive science will help us frame experiences and decisions in the right way for a snacking consumer.

*For example, our work with a major travel and hospitality company invited today's explorers to share their own treasured memories. A compelling organising idea inspired stories about families and their vacations. Then, to inspire other families to book, a system for sharing vacation stories and building customised itineraries was created.*

*Each story was the sum of numerous smaller interactions: from tales of exhausted kids and jubilant parents, to a gamified 360-degree view vacation maker, to a web-mapped customized itinerary with ready-to-*

*book partner deals. Each interaction added to the overall story and itinerary for each family, and each story added to the overall story.*

**3. Digitising the Shopping Environment:** We can no longer distinguish between online and offline behavior. People are comparing prices, checking reviews and even ordering while in-store. They are just as likely to do research, try demos and ask friends for advice at home as they are to go to the store.

*For example, our work with a major shoe manufacturer has delivered breakthrough product-centric experiences in-store. We developed interactive display maps, inspirational video and product information onto a digital representation of the person standing in front of it. The experience is cut up into smaller chunks to cater to the modern, distracted shopper with distinct content designed to amplify, engage, attract, and ultimately convert the shopper. Ultimately, we allow people to participate in immersive brand experiences at the point where the product and purchase is highest in people's minds.*

**4. Technology:** You need the right technology platform that can deliver the right bite-sized content and experiences at the right time, in the right format. It needs to be easy to use, manage and maintain so that it enables rapid, fluid marketing at scale.

*Each platform should be customised to very specific brand and consumer needs. For example, our platform at Chrysler, which operates as multiple brands across different regions, is very different than a platform such as one to support Ladbrokes, which is a single brand in a single geography.*

**5. People:** A different approach to marketing requires new skill sets – publishing, technology, curation, social, data, experimentation, and invention. A new generation of marketers needs to be empowered to take brands forward, to break old marketing models and create the

<sup>4</sup>For more information on our Storyscaping approach, see “Connecting Brands and Consumers at the Intersection of Technology and Story: Storyscaping” at the beginning of this book.

sustainable brands of the future. Leading companies are rethinking marketing global structures and skill sets to allow them to succeed in this changing world. From organisational design and digital maturity audits to learning tools and content development, we are helping them redefine the purpose and value of marketing and delivering clear competitive advantage.

*For example, for one major financial services company, we helped re-imagine the organization by creating a job called the "customer journey manager," aligned to a specific financial products (e.g. buy a new home, finance a car, open a bank account). This realignment broke the traditional silos of the organization to create a better experience for customers and align responsibilities of this role with that experience. Several years in, the results have been quite positive.*

## Conclusion

We're seeing a new type of consumer behavior, which we've called Shopping in Increments. The penetration of smartphones and the availability of mobile Internet has created an environment which demands companies innovate, and create shopping experiences which are instinctive, bite-sized and adapt to context. Fulfilling people's "snacking" shopping desires requires a brand reconsider most areas of their marketing mix.

In response, senior marketers are rethinking consumer insights, digital storytelling, digitization of physical environments and the role of technology and people.

Together, this shift in consumer behaviour, and the creation of new platforms by marketers, is reshaping the relationship between brands and customers. From brand engagement, to social interactions with our peers, to purchasing behavior, the connection between brands and their current and potential customers will never be the same.



**THE DIGITAL EXHAUST  
OF OUR DEVICES (IN  
THE FORM OF DATA) IS  
ENABLING CMOS TO  
ANTICIPATE FUTURE  
SHOPPING PATTERNS,  
NOT JUST LOOK AT  
THE PAST.**

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# MOBILE VELOCITY: A MODEL FOR SELECTING GLOBAL MARKETS



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*Razal has over a decade of experience in delivering technology projects and continues to lead large scale e-commerce and m-commerce engagements.*

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Director of Integrated Brand Strategy,  
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*Joshua builds brands to live at the intersection of marketing and technology for the always-on consumer.*

## Mobile has become an integral part of daily life all around the world, whether you're talking about a business customer in the United Kingdom or a consumer in Kenya.

Communications, shopping, entertainment, and everything in between can be done through a mobile device. As companies prioritize in which countries to invest, the sophistication of mobile infrastructure – what we call Mobile Velocity – has an important role to play.

Mobile exists on a massive scale, particularly in emerging markets. Globally, more mobile phone subscriptions exist (6.8 billion) than there are people with running water within 1 kilometer of their homes (3.3 billion). In 2012, 13 percent of all global Internet traffic came from a mobile device, of which 92 percent originated from smartphones like iPhones and Androids. By 2017, there will be more people connected to the Internet through a mobile device (10 billion) than people living on the earth (7.2 billion). This rapid proliferation is reshaping how B2B and B2C firms conduct business today and in the future.

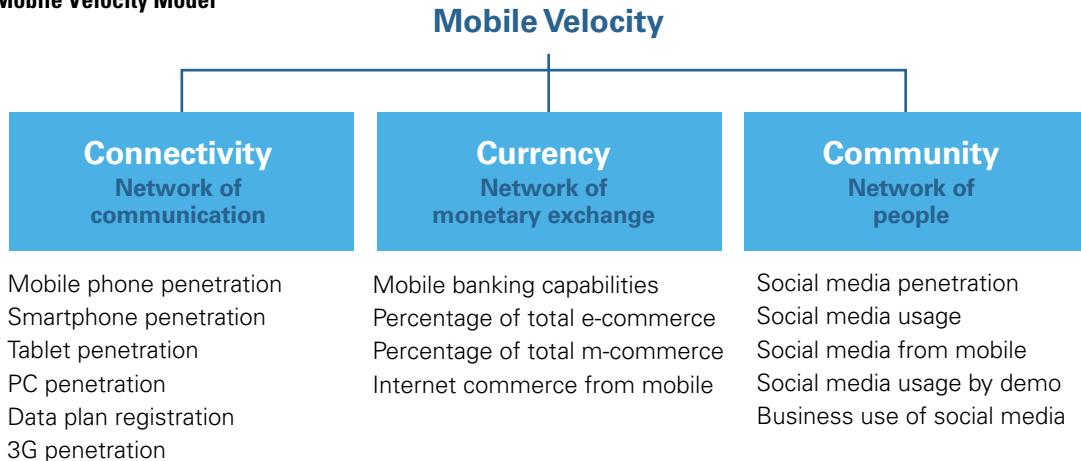
Brands that wish to expand globally typically evaluate country markets by taking into account GDP, population and other core economic and consumer data. Yet most market attractiveness models track only the highest-level mobile-related characteristics such as percent of the population owning smartphones and

total mobile penetration. Such analysis tends to ignore mobile commerce on feature phones and several other important aspects of emerging markets, mobile devices and consumer behavior.

Because many Western firms have made a substantial investment in sophisticated digital tools, emerging markets with extensive mobile activity – even if on feature phones – may represent an opportunity over those with less mobile activity.

To aid our clients, we have developed a measure of market attractiveness, which we call "Mobile Velocity." Mobile Velocity measures the extent to which sophisticated multinationals can reach the millions of customers who are now unlocked and available – many for the first time. The Mobile Velocity framework is made up of three components: Connectivity, Currency and Community.

Fig. 1  
**The Mobile Velocity Model**



*The Mobile Velocity framework helps brands evaluate the sophistication of mobile infrastructure in a country. It is meant as an aid to companies as they prioritize country investments.*

*NOTE: Categories variables are examples only and are not comprehensive.*

## About Mobile Velocity

Collectively, we believe the “3 Cs” (Connectivity, Currency and Community) of Mobile Velocity round out an important element of marketing strategy for emerging and developed markets.

If mobility is the lifeblood of business, then *connectivity* represents the arteries to carry it. But looking at only one variable such as the number of smartphones per capita is insufficient. Other factors such as speed of access (usually noted by generation – e.g., 3G), the number of tablets in circulation, and the percentage of people accessing the Internet through mobile devices become critical in providing a more robust picture of the value of an international market.

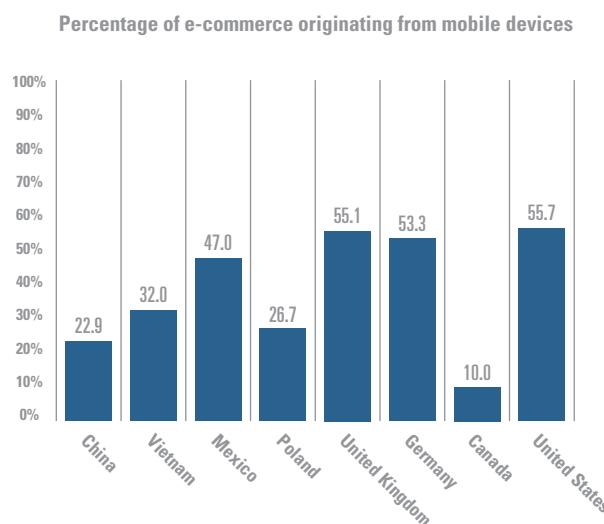
The second pillar, *currency*, evaluates a country’s e-commerce and m-commerce infrastructure. Conducting commerce used to be as simple as paying

with cash or credit, but mobility is forcing businesses to redefine how they transact. For instance, what happens when you have low credit card penetration but a fast transition from PC to tablet as in Poland or Vietnam? Will the rise of P2P mobile payments and transfers, as we’ve seen with M-Pesa in Kenya<sup>1</sup> and Bangladesh, provide the needed liquidity? Or how does a brand account for high smartphone penetration but few mobile commerce transactions, as in Canada?

The third pillar, *community*, is an accelerant for Mobile Velocity. In the Western mindset, social networks are personal tools, and a potential channel for media buys. In other countries, such as China, social networks represent a core business platform for connecting with clients and prospects. In other words, business is the social network.

Fig. 2

### Developing Countries Score Surprisingly High in Mobile Commerce

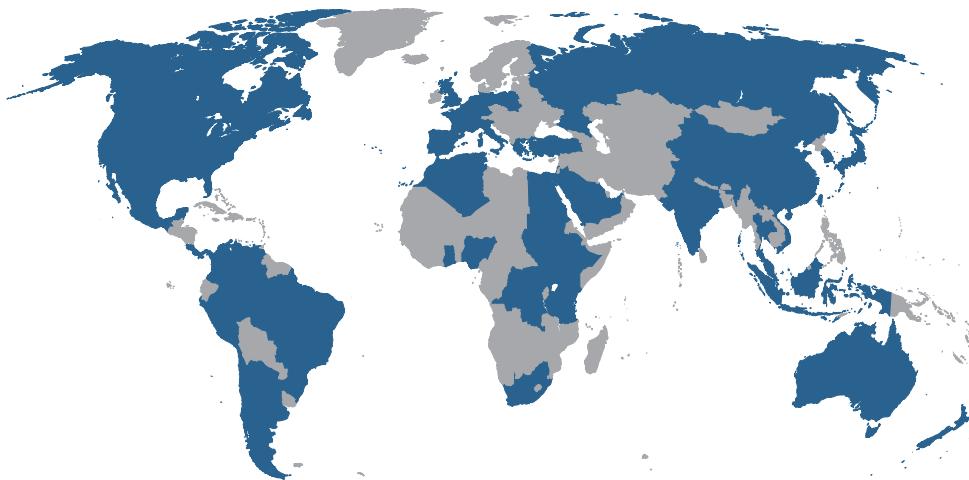


*Countries with poor telecom Infrastructure and low PC penetration, such as Vietnam and Poland, embrace mobile commerce since mobile devices can offer fast and reliable connections to the Internet.*

*In the chart to the left, Canadians emerged at a lower mobile commerce rate as a percent of total e-commerce, perhaps, we hypothesize, due to geographic and cultural traits. For companies exploring new markets with sophisticated mobile commerce apps, Canada may provide less of an opportunity than, say, UK, Mexico or even Vietnam. This data would be confirmed with other data in the Mobile Velocity 3Cs’ framework.*

<sup>1</sup>Ninety-five percent of the population in Kenya is unbanked.

Fig. 3

**Fifty-Two Countries Were Examined to Build the Mobile Velocity Model**

The next generation of the model, which will be released in the first quarter of 2014, is being refined using multivariate testing to discover links between 24 categories of data, across 54 countries.

|                   |                       |
|-------------------|-----------------------|
| Algeria           | Netherlands (Holland) |
| Argentina         | New Zealand           |
| Australia         | Nigeria               |
| Belgium           | Panama                |
| Brazil            | Peru                  |
| Canada            | Poland                |
| Chile             | Portugal              |
| China             | Russia                |
| Columbia          | Saudi Arabia          |
| Congo, Democratic | South Africa          |
| Costa Rica        | South Korea           |
| Egypt             | Spain                 |
| Ethiopia          | Sudan                 |
| France            | Switzerland           |
| Germany           | Taiwan                |
| Ghana             | Tanzania              |
| Greece            | Thailand              |
| India             | Tunisia               |
| Indonesia         | Turkey                |
| Israel            | Uganda                |
| Italy             | United Arab Emirates  |
| Japan             | United Kingdom        |
| Jordan            | United States         |
| Kenya             | Venezuela             |
| Malaysia          | Vietnam               |
| Mexico            |                       |
| Morocco           |                       |

## Mobile Velocity Is Closely Linked to Business Strategy

We have used Mobile Velocity to create a roadmap for companies that identifies:

- *Which countries to target and prioritize*
- *What platforms to use*
- *What mobile digital engagements to create*

We use Mobile Velocity as a proxy for mobile devices to serve as distribution networks. In other words, your company's future distribution infrastructure in many markets IS the Mobile Velocity ecosystem. Implementing a global business strategy now means – more often than not – implementing a mobile business strategy first.

For example, Mobile Velocity shows that actually Vietnam in the Asia Pacific region and Poland in Europe are both leapfrogging developed countries when it comes to some types of network infrastructure and usage of mobile devices. A combination of mobile device, Internet commerce, and social networks are creating opportunities that should be factored in to the attractiveness calculation for businesses considering entering these countries.

## Summary

International business expansion needs to increasingly prioritize mobile strategy over other traditional metrics. There are currently almost as many mobile devices as there are humans on the planet, yet how we use mobile devices is culturally and fundamentally very different. There are many factors informing the development of an international mobile expansion strategy, including the size of the mobile-enabled population. But because of contextual discrepancies – variations in connectivity networks, ability to exchange currencies, and how communities use social networks – some countries are more “valuable” than others due to their Mobile Velocity.

We hope our database of countries plotted against the numerous variables of “3 Cs,” will provide our clients with the ability not only to prioritize where to invest next for maximum ROI, but also how to invest. There is no one-size-fits-all due to the multitude of devices, platforms and other variations.

## ► APPLYING MOBILE VELOCITY: THE VIETNAM CASE STUDY

We applied the Mobile Velocity model during an evaluation of eight countries for a major Fortune 50 client. Vietnam, one of the eight, provides an interesting example of how the framework led us to reconsider the relative attractiveness of these markets.



*Virtually all Vietnamese youths have access to the Internet.*

*Tech in Asia, 2012.*

### **Disproving the smartphone requirement for mobile commerce**

Over the past 20 years, Vietnam has made the transition, according to the World Bank, "from a centrally planned economy to a market economy and from an extremely poor country to a lower-middle-income country."

But when you consider mobile trends in the country, a more nuanced picture emerges: one of significant mobile commerce, while simultaneously a relative paucity of smartphones.

Vietnam appears to be a classic case where mobile infrastructure has enabled it to transform from a traditional centrally planned poor country, to a wireless, mobile – tool-equipped connected country. This hypothesis is supported in our assessment of mobile velocity across the 3 Cs.

### **Connectivity: Vietnam has one of the highest mobile penetration rates in the world**

Mobile phones are very much a part of life in Vietnam, with over 127 million mobile phones circulating in the country which has a population of just 91 million. Many people have two devices so they can swap between them for the lowest cost at the time of the interaction. Yet just 12 percent of mobile phones are smartphones.

In addition, tablet sales are exploding and may serve as the first connected tool and a price-sensitive option to the laptop.

And a huge percentage (95 percent) of young consumers are on the Internet.

**Conclusion:** Vietnam performs strongly on the connectivity aspect of Mobile Velocity with a combination of feature phones and tablets driving mobile commerce and mobile web traffic.

### **Currency: Vietnam has one of the highest mobile commerce percentages in the world**

Out of 19 million e-commerce users, 6.1 million (32 percent) used mobile commerce.

**Mobile banking:** Despite the banking population rising since 2008, in 2012 it was estimated that only 20 percent of the population were using bank services, leaving about 80 percent unbanked.<sup>2</sup>

But mobile technology, the rise of COD, vouchers via money transfer or cash on delivery has enabled B2C commerce to continue to grow among the unbanked. Peer-to-peer transactions, as well, are being enabled, reducing graft and corruption often present in money services.

<sup>2</sup>EuroMonitor 2013.

**Conclusion:** The commerce category suggested a mixed picture; lagging in electronic payment technology, Vietnam nevertheless has significant activity in mobile commerce.

**Community:** Vietnam's community is one of contradictions

On the one hand, in some parts of Vietnamese society, the daily news is still disseminated by someone going to the middle of a city square to broadcast the news via a megaphone. On the other hand, 55 percent access social media via a mobile device.

Even though Facebook is unofficially banned (on desktops), it is the number one social network. Recent news points to its continued importance: the recent death of General Vo Nguyen Giap – the commander of Vietcong Forces during the Vietnam War – was reported extensively over social networks such as Facebook, even as the official news media was forced to wait for an official news release.<sup>3</sup>

**Conclusion:** Vietnam is very much connected to social networks for both personal usage and business.

**Summary**

The application of the Mobile Velocity model to Vietnam led to several significant findings for client. First, it led to a realization that mobile connectivity was significant in the market, even though smartphone penetration lags. Second, it focused the client's attention on the lack of a well-developed banking system for e-commerce and m-commerce. This led the company to create processes to support cash and peer-to-peer transactions in their business. Third, the community assessment led to an appreciation of social networks as a marketing tool.

In the end, the Mobile Velocity framework identified Vietnam as having much more opportunity than would have been the case in a simpler analysis focused solely on smartphones.

**Online Payment Methods Used by Online Buyers in Urban Vietnam, March 2012**

*% of respondents*

|                      |     |
|----------------------|-----|
| Cash upon delivery   | 85% |
| Bank transfer        | 38% |
| Credit/debit cards   | 29% |
| Directly at the bank | 14% |
| PayPal               | 07% |
| With membership card | 06% |
| With phone account   | 06% |

*Despite 80 percent of the population being unbanked, Vietnam has made mobile commerce work through payment alternatives, primarily COD (cash on delivery).*

*Note: in the past 6 months*

*Source: Epinion, "e-Shopping Behaviour," April 1, 2013*

**Social Network User Penetration in Urban\* Vietnam, by Demographic, June 2012**

*% of respondents*

**Female**

|            |     |
|------------|-----|
| Ages 16-24 | 84% |
| Ages 25-44 | 62% |

**Male**

|            |     |
|------------|-----|
| Ages 16-24 | 79% |
| Ages 25-44 | 68% |

**Total\*\***

|            |     |
|------------|-----|
| Ages 15-45 | 72% |
|------------|-----|

*Despite being officially banned, social networking usage among youth is extremely popular.*

*Note: n=1,790; Can Tho, Da Nang, Haiphong, Hanoi, Ho Chi Minh City and Nha Trang; \*\*males and females ages 15-45*

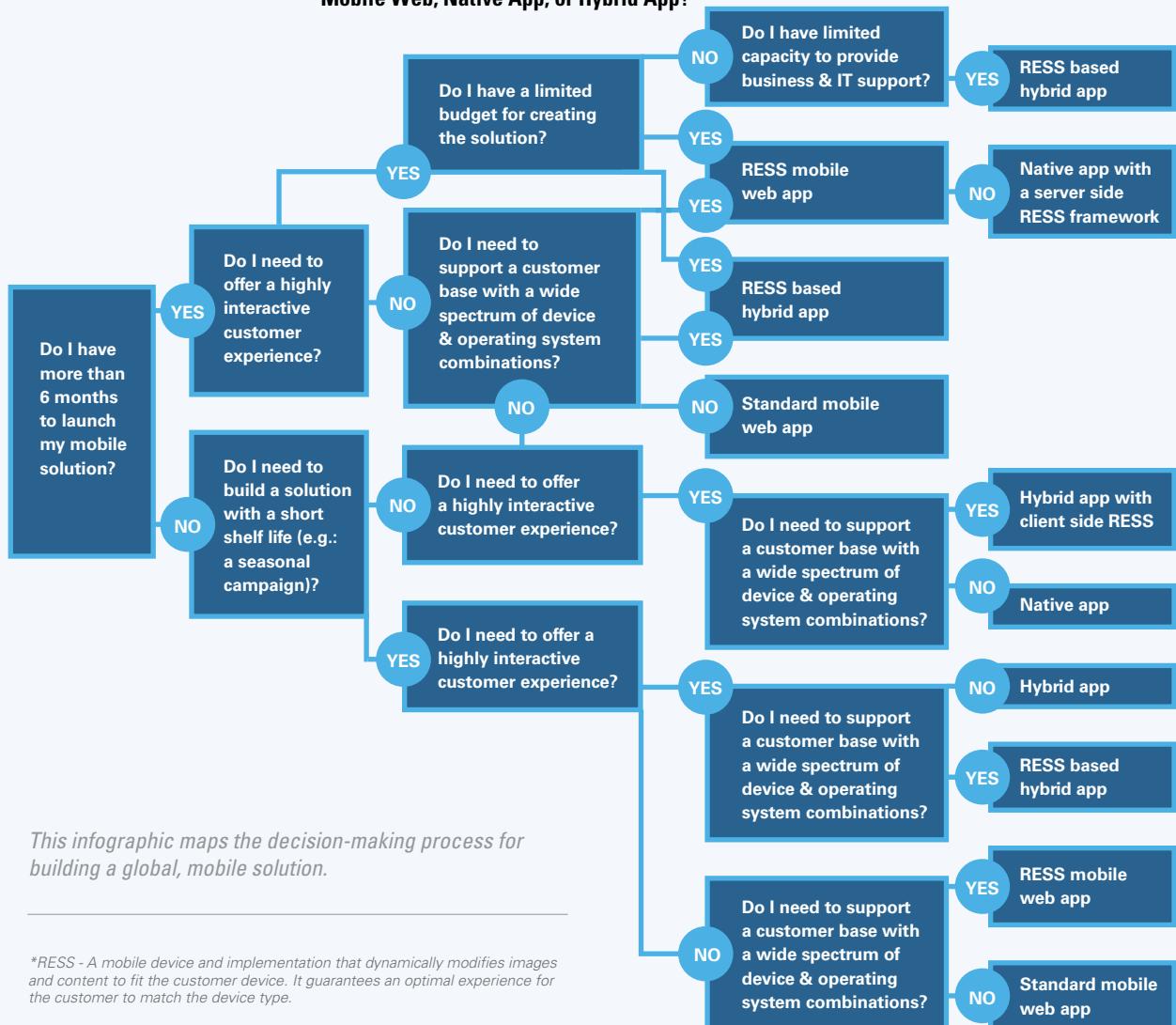
*Source: Mindshare, "3D" as cited in "Digital 2013," Nov 29, 2012*

<sup>3</sup> <http://www.news24.com/Technology/News/Facebook-trumps-state-media-in-Vietnam-20131006>

## ► CHOOSING THE RIGHT MOBILE APPROACH

Investing in mobile – particularly on a global basis – is not as straightforward as building a mobile app and releasing it into an app store. The solution must be tailored for each company, each country, and within each business context to determine the appropriate mobile technology solution. We use multiple criteria to evaluate a customer's needs and construct the right solution for them. Figure 4, below, represents one process for selecting a global, mobile solution in a large organization.

Fig. 4

**Mobile Web, Native App, or Hybrid App?**

## 1. Choose a Technical Approach: Mobile Web, App or Hybrid

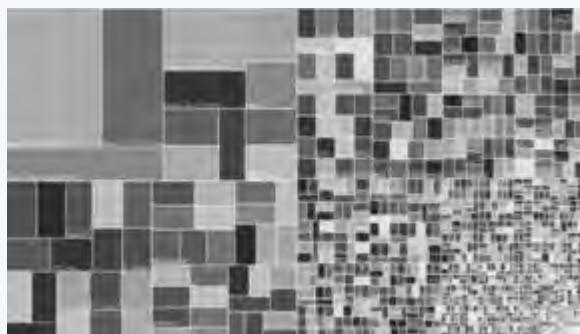
It's tempting for a business to associate mobile marketing with launching an application for a smartphone. But an app may not be the right choice for you. Depending on factors such as your budget and the interactivity of the customer experience needed, you might prefer a mobile website or a hybrid app. The decision-making criteria used for selecting a mobile solution has been distilled in Figure 4 (which assumes you already understand your audience). Other key factors (beyond budget and interactivity) include the diversity of customer devices, and the staff capacity to support the solution. Each business has its own DNA and differentiators, and the mobile technology determination process must be adjusted accordingly to reflect the nuances of each organization.

## 2. Select Your Platforms

The second step in evaluating mobile is to select the preferred platforms (iOS, Android or others) by country. We have found that customer device fragmentation and device capabilities are critical inputs into the process, yet fluctuate significantly from one country to the next. A Device Distribution Heat Map (as shown in Figure 5) is an effective tool for visualizing changes in device composition, particularly when done by country.

Fig. 5

**OpenSignal Android Fragmentation July 2013**



*A Device Distribution Heat Map. As you evaluate your mobile strategy, device fragmentation in the relevant markets grows important. This can be visualized in various ways.*

## 3. Evaluate Integration Options

Step three consists of evaluating the options for integrating your mobile solution with your in-house technology. Obviously, planning for the long-term, cost-effectiveness, and scalability is essential. The enterprise impact of a good mobile solution is substantial. In fact, an investment into a mobile channel can allow companies to repurpose their core e-commerce platform.

For example, one large North American retailer upgraded its e-commerce platform for mobile capabilities, enabling it later to add in-store and tablet offerings and boost customer traffic, all without having to modify the core commerce platform, and at minimal cost.

One part of an integration option is ensuring you're building channel elasticity. We define channel elasticity as the capability to increase transactional volume by channel (whether permanent or seasonal) without requiring large investments.

Beyond elasticity, technologists must look at specific applications in the context of what will be needed to create the desired, unified customer experience.

For example, the selected product merchandising solution must be able to add product information specific to each channel, given the major differences between mobile and tablets (the smaller real estate available on mobile requires shorter product names and descriptions).

Shared tools such as the catalog's navigation and product offering should usually be the same for all channels, as it saves double (or even triple) merchandising and provides a consistent navigation path for customers. The search experience should be consistent across channels, which necessitates integrating a single search product across all channels where possible.

Finally, the pricing and inventory solutions should be the same. The most effective organizations keep a separate pricing engine that allows all the channels to discover the accurate price during checkout in real time.

#### **4. Staff Properly – IT Operations, Merchandisers, Creatives**

The fourth step is balancing the selected technology approach with the operational capabilities and staffing model. The mobile solutions delivery team should be “right sized” to the chosen number of devices, platforms and channels, and a cross-disciplinary group should be assembled.

There are two main phases over the lifespan of a mobile solution development and delivery process, each with potential challenges: strategy & development and optimization.

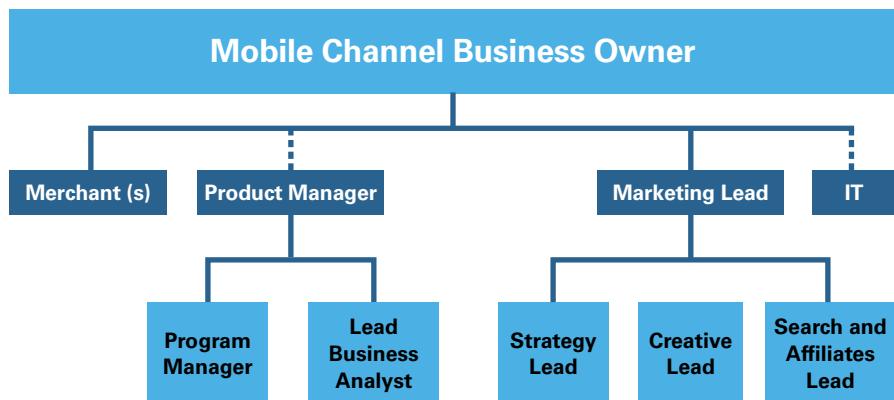
##### **Strategy & Development Phase**

During the strategy phase, representation from the product manager, marketing strategist and, merchandiser is essential. IT should be consulted as well.

One of the most common mistakes is to fail to involve the merchandisers in the strategy phase. For example, at one major U.S. retailer, a mobile strategy was initially selected to enable optimized, but entirely separate mobile, tablet and web channels, with no re-use between the product data and content. Not until the platform was built did it become clear that the merchandising team lacked the bandwidth to properly support that type of divided site.

Fig. 6

##### **Planning For Ongoing Operations: A Channel Staffing Model**



*Building global mobile businesses staffing requires a diverse team, with ample business, marketing, strategy, and creative participation. The full team – including product managers, merchandisers and marketers – must look at and optimize analytics and vital statistics regularly.*

### Optimization Phase

Once the mobile approach is selected and development is complete, the challenge shifts to making sure the team is staffed properly to not just make it work, but also to optimize.

In this phase, the product manager's role is largely complete, and the merchandisers are working closely with the marketing, and search and affiliate teams to baseline and optimize product results.

Common mistakes at this point include teams underestimating the role of merchandisers and creative. From a creative perspective, supporting each channel requires photographic assets, as well as creative design and editing teams to optimize the experience for that channel. Merchandisers have to support the seasonal and promotional changes for the business while working with the IT department to ensure consistent and successful updates to the mobile platform.

Nor should the role of IT be underestimated. IT is the first responder to technical issues: customer phones must be answered, any site or app issues must be addressed, and availability of new features and the impact of known issues must be communicated to the business teams.

In the end, the final set of skills and personnel who are involved at each phase of the mobile solution will vary significantly by company, just as each organization varies in their structure internally. But watching out for operational and scale issues, and making sure the key groups are involved early will go a long way to making your mobile solution more successful.

### Conclusion

Building a robust, scalable mobile solution is difficult in its own right. Doing so across individual markets makes the challenge even greater. We believe a thoughtful evaluation of several steps for getting started with mobile, along with our Mobile Velocity approach, is essential for businesses to be more successful as they explore a long-term, global mobile strategy and platform.

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# APAC: LESSONS FROM A DIGITAL IMMIGRANT

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► **Jeff Blais**

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*Jeff is a thought leader for emerging experiences and markets such as connected retail, interactive environments, and next generation connected ecosystems.*

► **Christian Oversohl**

Senior Vice President,  
Managing Director  
Asia Pacific

*Christian is a thought leader who helps clients navigate their brands through the opportunities and challenges caused by the digital disruption of their market environment.*

## **Historically, Asia Pacific has been viewed by outsiders as a single region, much as North America or Europe.**

However, the reality is that APAC is a fusion of culturally dynamic countries composed of strongly embraced religions, personalities, different market maturities and countless languages and dialects – all with deep-rooted ways of conducting business.

Australia is as different from China as Japan is from India. In addition, micro-market complexities in Indonesia, Malaysia, Thailand, and Vietnam, among other countries, further challenge any overbroad generalizations.

That being said, we're often asked about the overarching lessons we've learned – too often the hard way – during our time operating in the region. Knowing these might be the start, but definitely not the end, of wisdom.

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## **Here Are Five Firsthand Lessons from a Western Immigrant**

### **Consider Each Market Separately**

When planning revenues and setting targets for the Asian market, doing bottom-up analysis in each country and then consolidating into an overall APAC target number is better than creating a top-down target for the region. What looks logical from far away becomes less obvious on the ground.

For example, Japan is the second-biggest market in Asia and has the highest per capita spending. But those numbers do not translate into the biggest revenue potential for a brand doing business in Japan. Adjusting strategy and products/services to the complex Japan market is difficult and time-consuming; more rapid, initial growth may come from markets like Hong Kong or Singapore.

The cost of managing Asia's diversity is high. Diversity requires a focus on country-level operations and strategies; these tend to have low economies of scale, and moving staff within APAC is hard and costly.

Asia often has low prices for products, high costs of running a business, and the fastest growth is often for good-enough products and solutions. For Western consultants looking to build groundbreaking, but expensive solutions, this environment can be difficult.

Selling value propositions are tough, and salaries and rents are similar to the West and rising. All those factors need to be taken into account when planning your expansion and setting expectations for growth and profitability.

### The “Extreme” Importance of Relationships

Immerse yourself in each market (e.g. country or micro-market) in which you plan to operate, and gain a local point of view. Cultural differences in communication and leadership between Asians and their Western peers are significant. For example, to generalize, Asian culture stresses respect toward elders, age-based hierarchy and the importance of consensus, traits rarely seen in Western management styles.

Establishing deep personal relationships with your clients is paramount to be successful in Asia – much more than is typical for Western companies. For instance, Chinese business people prefer to conduct business in informal settings like over dinners or lounges -- so you should have a good liver and a concrete stomach. Australian and New Zealanders prefer the negotiation table similar to how business is conducted in North America. In Japan, the most important concept to grasp is that of the overwhelming importance of personal relationships within the business cycle. Of all the business cultures of the world, Japan is one of those most strongly rooted in the concept that relationships should come before business, rather than business being more important than personal considerations.

Trustbuilding is key to being successful in APAC – business is built on trust and not legal contracts as is typical in the West. It takes time to build relationships, build trust and gain honor; however only days to lose it.

**IT TAKES TIME TO  
BUILD RELATIONSHIPS,  
BUILD TRUST AND  
GAIN HONOR;  
HOWEVER,  
ONLY DAYS  
TO LOSE IT.**

### Expect to Negotiate

Negotiating contracts and terms in Asia is usually a very different experience than in the West – with the exception of Australia (whose business culture, unsurprisingly, most closely resembles the United Kingdom).

In general, the concept of “saving face” is important in all Asian markets and determines the way you communicate – less direct and outspoken than you are probably used to. China (including Hong Kong) and Japan are probably the toughest markets in which to negotiate. Although culturally different, they share many similar negotiation techniques. Business partners often push for further concessions after agreements are made. Also, China and Japan are relationship-oriented rather than contract-oriented – meaning that you have to live up to the relationship and high expectations of quality and service level regardless of what the contract says. While this characteristic can have adverse effects on your margins initially, it also allows for compromises that serve both parties without sticking to the contract details and getting the lawyers involved.

Negotiating teams in Asia are often bigger than in the West, and you will have to figure out quickly who plays what role and who the decision makers really are.

In China in particular, products are valued above services, and it is often hard to negotiate a good price for non-tangible assets you offer (e.g., consulting, innovation) as the market is not used to paying for that (yet). It helps to package your offer to look and feel like a product with clear costs and a measurable value proposition.

## ► STORIES FROM THE FIELD

### Brand Messaging: Selling the FIAT Lifestyle in Japan

FIAT Chrysler Japan had recently launched the FIAT 500, and it wasn't going well. The traditional elements of the FIAT brand – a long heritage that emphasizes personal lifestyle, high design, self-expression and a statement of who you are – didn't seem to be resonating with people visiting the showroom.

*"FIAT is all about the design, the line, the look, the lifestyle, and the brand."*

The FIAT salesperson in Japan had traditionally been focused on the functional needs of the consumer – performance, color options, seats, etc. The typical sales process in Japan starts with customer research, then an initial dealer visit – typically with minimum dealer interaction (looking at the car), followed by more research to build knowledge and confidence. Finally, a second and final dealer visit is done to test drive/buy.

Yet FIAT's positioning drives an emotional need and desire among the target demographic (middle-aged females). Most of these women weren't interested in performance aspects, but rather their association with the brand image and the quintessential Italian lifestyle – style, design, fashion, café culture, and love of life. It wasn't about comparing specs between different models but confirming this car would say the right thing about them.

*"In order to sell FIAT within APAC markets, dealers needed support with telling a consistent FIAT brand story of self expression, freedom, design, beauty, and craftsmanship."*

### The Solution

Based on the research findings, an interactive sales-assisted tablet was created to help a salesperson tell a consistent brand story and capture user interests and lifestyle type. The tool helped customers and salespeople understand how FIAT fit within their lifestyle.

*"Fighting on the empathy of the brand – foreign cars are very hard to sell in APAC markets, especially Italian ones where German cars are known for quality and unfortunately not Italian. We needed support tools to help with brand awareness, quality, design, and the lifestyle that FIAT embraces."*



### **Plan to Adopt before You Adapt**

As large companies continue to invest in digital marketing platforms (DMPs) to scale brands, the reliance on them for growth into APAC and specifically China is growing exponentially. What marketers need to remember is that technology isn't the only adjustment needed to expand into the region. A combination of providing an education on what technology can offer – for both the brand and consumer – and discussing what it takes to implement, as well as building relationships and face-to-face time are all critical criteria to the successful adaptation of your DMP.

There are major differences in user behaviors, code base, governmental policies and regulations compared to North America, and in most cases European Union. The differences amount to much more than the translation of content and assets. Working with established partners with customer platforms that locally integrate with social, commerce, payment gateways and analytics is a much more efficient way to leverage efficiency, especially in China. In China, all social platforms are under constant development; working with local partners who have relationships, established development processes, and at times proprietary access to information is a must.

Given how important time-to-market is in Asia, working with local social players accustomed to the small differences in each market, as well as being able to scale to support user adoption, is a much quicker approach than building from scratch.

### **Plan for the Long Term**

It is easy to set expectations too high when entering a new, large market like China.

Companies which have operated in the region for years are still relatively new arrivals by Asian standards. Business in Asia Pacific is a marathon, not a sprint. You need to commit to the long term, make mistakes and learn from them, be prepared for surprises and unexpected turns of events every step of the way and stick it out – otherwise you had better stay home and invest elsewhere.

While it will probably take longer for your company to grow a sustainable and profitable business in APAC than in North America or Europe, it is worth the time. Recognize that there is an obligation to see things through and be committed for the long haul. This includes senior management who should be committed for at least three to five years on the ground to have an impact. Asian business partners are turned off quickly if their counterpart is on a one-year expat contract to "learn about Asia." Consequently, Asian business partners will not be motivated to invest into building a relationship.

## In Closing

Companies expanding in the APAC region need to focus on addressing the complexities and differences within APAC supported by immersion, appreciation, acceptance and respect of each culture. One last point: Find a local partner within each market who understands how to navigate and articulate the cultural nuances.

APAC is a lovely place to expand, and it's ready with open arms for expansion. However, you need to work with the markets as partners and work within their ways with your guidance and experience and, most importantly, with respect to their cultures.



IF I'M  
CONVERSING  
WITH YOU, I'LL  
SPEAK YOUR  
LANGUAGE. IF  
I'M BUYING  
FROM YOU,  
YOU SPEAK MY  
LANGUAGE.

– Carolyn Sostrom<sup>2</sup>

<sup>2</sup> Carolyn Sostrom, "First Impressions Speak Volumes," *Japan Inc.* 2001.  
Photo credit: PKOM / Shutterstock.com

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# THE FUTURE OF B2B

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*Zachary leads  
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Healthcare, SAP, Bayer and  
Swiss Post Solutions.*

**Business-to-Business (B2B) relationships represent 69 percent of all U.S. e-commerce transactions – nearly twice the size of first-time usage business-to-commerce (B2C) e-commerce.<sup>1</sup> Yet the radical changes driven by connected technology that have swept through B2C firms have only started to transform the B2B world.**

The next decade represents an enormous opportunity for large B2B firms, but it will also introduce an entirely new set of challenges across the mobile, social and real-time landscape. As the means of engagement and collaboration in B2C bleed in to the B2B space, businesses will be forced to change. Those changes directly relate to seven macro trends in people's behavior and suggest seven truths for senior B2B marketers to operate successfully in this new environment.

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## Why Change?

B2B firms are operating in a larger context that has dramatically changed. Many of the tools used for daily operations and transactions between business partners have not been updated for this context. B2B employees and partners embrace connected technology and social media in their personal lives. Most possess smartphones and tablets in their personal lives yet are still using paper catalogs in their work to look up part numbers.

## Seven Trends Defining the New B2B Context

Regardless of specific trends, the future of B2B is, when you think about, the future of people. How people operate and collaborate in their lives will define how we work in the future. For all the talk of digital tools, platforms, and gadgets, the future of digital for B2B is about better connecting clients and customers – salespeople, employees, customers, and partners. (And increasingly, all of these people are digital natives.) Consequently, marketers must study your own employees and business partners to determine how they want to engage with your brand.

<sup>1</sup> Forrester, 2012. Projection is for customer-facing front-end B2B e-commerce, excluding EDI-based commerce, at the end of 2013.

## 1. More Mobile

Humans are a fundamentally mobile species. So it is natural that we would adopt technology that enables mobility. Of all potential technologies in B2B marketing, mobile devices hold the most extraordinary significance. Smartphones – really not “phones” at all but more personal computers (mPC) – have shifted from scarcity to ubiquity. Yet, this ever-present technology is quite new. Smartphones accounted for 50 percent of all mobile devices in the United States only as recently as 2012.

Mobility should be an operational and cultural norm for B2B firms. We’re starting to see this change. In 2013, SAP, the largely B2B German multinational software corporation, experienced a stunning growth rate of 273 percent in mobile visits to sap.com. Smartphone and tablet-based solutions are being used to enable the B2B workforce. B2B brands can deliver tremendous value by replacing catalogs and empowering mobile device-equipped employees outside their offices with all of the content and functionality of the organization.

**Implications:** Enabling greater mobility is a must for enabling B2B organizations to engage their customers and partners, any time and place.



*Photo: U.S. Army*

*Leading organizations such as the U.S. Army are using mobile tools in the field to help partners and employees surface product specifications.*



*SalesForce Chatter allows B2B employees to share ideas and documents in a protected professional social network. It had over 210,000 active networks worldwide in 2013 and supports all major mobile and desktop platforms.*

## 2. More Social

People are social beings. And people are also becoming more social, or more specifically, they have rapidly adopted platforms that enable virtual social interactions at scale. And B2B firms are beginning to respond. Platforms like owned websites and LinkedIn or Facebook not only enable but also require deeper interaction at scale. Social is forcing an evolution to social business.

For many businesses with significant B2B and B2BC components, an increase in social behaviors is translating into more collaboration internally and externally through a variety of new tools like Salesforce Chatter and Groups. These platforms allow companies to quickly experiment with internal social networks and also ones that include multiple business partners.

**Implications:** B2B marketers must engage earlier and get ahead of the social platforms. Experimenting with these platforms offers opportunities to enhance and deepen the interaction between your employees, sales reps and business partners.

### 3. More Informed

People want to be informed about what they buy and with whom they partner – and now consumers are armed with better digital tools (e.g., customer review sites) to make informed evaluations. The rise of the informed and empowered consumer is causing a major shift in the relationship – and at times shifting the balance of power – among business partners, suppliers, and sales teams. All the players have become significantly more informed and informative. This information has become, in just a short period of time, a critical aspect of the B2B experience.

A current survey by the CEB Marketing Leadership Council®<sup>1</sup> showed that, on average, B2B customers had completed more than 50 percent of the purchase decision-making process before they had any direct contact with a supplier's sales representative. B2B customers feel liberated and competent enough to self-diagnose their individual business problems and to form their own opinion on potential solutions.

Leading firms are using technology to make the connection between the sales representative and the customer more valuable: from simple solutions such as CDW's Chat with Site Support, or its Quick Order Status field, to American Express's OPEN Forum, which shifts product questions from sales channels to peer-to-peer platforms. B2B brands are rethinking how to provide content and decision support to prospects and customers, keeping their sales groups focused on the most productive conversations.

**Implications:** Brands must learn to engage customers much earlier, when they are defining needs and doing online research to narrow consideration sets.



American Express's OPEN Forum is a platform to connect small business owners to each other, shifting product questions from the sales channel to a peer-to-peer platform. It also reinforces American Express's marketplace position with a group that was not always particularly supportive of the brand.

**"OUR CUSTOMERS ARE COMING TO THE TABLE ARMED TO THE TEETH WITH A DEEP UNDERSTANDING OF THEIR PROBLEM AND A WELL-SCOPED RFP FOR A SOLUTION. IT'S TURNING MANY OF OUR SALES CONVERSATIONS INTO FULFILLMENT CONVERSATIONS."**

– CSO at a high-tech organization (HBR 2012)

<sup>1</sup> CEB Marketing Leadership Council®; *The Digital Evolution in B2B*; 2012.



*Leading B2B brands are experimenting with product sourcing and product research on videos via augmented reality (Google Glass-like) interfaces. In this case, a jet engine – its operating history, part reference numbers, and specifications – can be explored in an interactive manner.*

#### 4. More Experiential

The range of our experiences with brands for most of the last couple of decades meant watching a video, entering a showroom, calling a sales rep, or using a mouse and keyboard to buy products. In just a few years, we now find ourselves at the beginning of a far more experiential world. The pictured example (above) is a concept for a jet engine manufacturer to enable sourcing and research on videos via augmented (Google Glass-like) interfaces.

Let's consider five key recent product launches in the past six years:

- iPhone 2007
- Kinect 2010
- iPad 2010
- Siri 2011
- Glass 2013



Touch, gesture and voice: three fundamentally more experiential means of interaction have all exploded in to our lives. In just six short years, it's already become virtually impossible to remember life before them.

**Implications:** This explosion of new, more experiential, modes of interaction has just begun. We can expect to see new modes introduced. It is critical for B2B firms to evaluate how these could be leveraged in their businesses. For example, Glass-like augmented experiences might work more for employees than for customers.

#### 5. More Real Time

The Internet has enabled us to make data move in near real time, but physical objects have been limited to the movement of trains, planes, ships, and automobiles. But this limitation will change because 3D printing is making it possible to transform real-time data into real-time physical products.

To put 3D printing innovation in perspective, let's compare it to the laser printers we all know and use. In 1984, the "new" HP LaserJet sold for \$3,500. It had trouble with even small, low resolution graphics, and weighed 32 kg (71 lb). As of 2008, far more advanced laser printers often sold for less than \$75. It took about two decades to drop that far.<sup>2</sup>

In 2013, Amazon launched a section of its site exclusively for 3D printers. When Amazon introduces something, the opportunity for scale is natural. With so many companies working on developing faster, higher resolution next generation products, we can expect 3D printing to advance more rapidly than laser printers did before them.

**Implications:** It's pretty clear that both for prototyping and for some limited run products, 3D printing will play an important role. The B2B firms that lead with these types of platforms are going to have a distinct advantage. This is especially true in categories that deal in highly customized products or where a need of speed will overrule the efficiency of mass production.



*Amazon recently launched a 3D printing and supply section of their site, a positive sign for the continued development of this technology, which has significant implications for B2B sourcing and fulfillment.*

<sup>2</sup> [https://en.wikipedia.org/wiki/Laser\\_printing](https://en.wikipedia.org/wiki/Laser_printing)



*More Multichannel:*  
John Deere's current generation of tractors and construction equipment are networked and include GPS and autopilot features. Dealers and partners can access maintenance information on mobile, tablet and touch-based interfaces.

## 6. More Global

The Internet and an increasingly jet-setting population have made us not only more mobile, but more global: our footprint exists beyond where we are based. A related three-decade rise of global business, and search for new opportunities, means digital tools are becoming a necessary (if not primary) method to share product information, inventory and lead-times, and fulfilling transactions – in significant volumes. Furthermore, the customer makeup of many global markets typically means that often there are many more and smaller suppliers and buyers, driving up cost-to-serve and forcing more self-service. People are using digital platforms to facilitate timely interaction, translation and communication across multiple languages and cultures.

**Implications:** More global business means defining the right global and local digital strategies to enable the highest global efficiency and local effectiveness.

## 7. More Multichannel

Obviously we live in a world with many channels, but we all need to think differently about what "multichannel"<sup>3</sup> means. Previously, people talked that the goal of integrating multiple channels was one of coordination, in helping customers move from the web to store and vice versa. Buy online and pick-up in store was a "holy grail" of sorts. This is a good goal and not to be ignored. That said, it is not necessarily the richest territory for what we can do with multichannel moving forward.

What's really interesting is how these channels can come together simultaneously, overlaying each other in real time and space, creating new experiences never before seen. We call this "blended multichannel."

Sales force enablement is a critical starting point for B2B firms. Designing digital "catalogs" and platforms to accommodate smartphones – providing in context access to real-time inventory and product specifications, for example – is increasingly essential. Older executive decision-makers are rapidly adopting tablets for use in day-to-day business and to make critical strategic business decisions.

Longer term, the core idea for businesses is that all platforms – from the sample orders site to sales rep collaboration to product research and thought leadership – must function and be optimized for portability across many devices and many contexts. Hands-free wearable technology presents one obvious opportunity to bring in the right content at the right time for workers in the field, or in the garage.

For B2B, that development means connecting sales, trade shows, online tools, wholesalers, distributors, and direct shipping options with the next wave of wearable, tablet and smartphone technology.

**Implications:** In the B2B environment, we can imagine a range of blended multichannel experiences to enable interactions in the field, on the trade show floor, and in the lab or garage. Prioritize which environments you see could have the most benefit to introduce these experiences.

<sup>3</sup>"Multichannel" in some circles, including Forrester, has given way to "Omnichannel," among other terms.  
Photo credit: Taina Sohlman / Shutterstock.com

## Seven Truths for Senior B2B Marketers

We've outlined how the B2B landscape is under tremendous pressure and also identified key trends in people driving the next generation of B2B experiences. In fact, these trends are establishing new norms as people are increasingly digitally native, device powered, always-on, and socially connected. But what does this really mean for marketers? How can B2B marketers not just survive, but thrive?

**1. People – customers, partners and employees – have new expectations for how they research, purchase, and engage in service.**

These expectations cannot be ignored. You need to rethink the journey, from consideration to service and support to exceed expectations.

**2. "Sales" is no longer a captive relationship.**

Transparency is the rule. So bring the outside in by design. Plan and embrace the volume of information available about your own and other companies' products, services, employees, and partners.

**3. To operate in an always-on world will require new tools – mobile, social, connectivity tools – for partners, customers and the sales force alike.**

Be thoughtful about investment. You can't easily invest in all channels instantly. Rather, build a long-term roadmap and portfolio developing core platforms while piloting emerging technologies.

**4. The rise of big data, sensors, and new, looser privacy expectations has created opportunity spaces.**

Explore the opportunities in leading-edge technology. You can help connect your partners by making small investments in, for example, a mobile app that enables engineers to scan a proprietary bar code to pull up product specifications.

**5. Digital and physical channels are blurring. You need to help customers connect the dots (or someone else will).**

Invest in connecting your physical assets – catalogs, offices, trade shows, mobile teams – with digital extensions. This is true both within your owned properties and the larger ecosystem.

**6. Assume an increase in more channels and new modes of interaction.**

Given the likely increase in new touchpoints and modes of experience, we need to build our technology as platforms not monoliths. In so doing, we must leverage services and interfaces to make working with new technologies and partners as easy as possible.

**7. The winners in this space move fast, with the right technology to create more value (and likely more lock-in) for customers.**

You can't wait. Fifteen years ago, Blockbuster and Kodak were both running multibillion dollar businesses. You need to manage creative destruction rather than have it managing you.

B2B firms are facing a new world of connectivity and competition. But the opportunities to drive efficiency, engage more deeply with partners, and build relationships are enormous. The future of B2B firms is being created now. You can lead the revolution, or be overwhelmed by it.

**THE FUTURE IS  
ALREADY HERE.  
IT'S JUST  
NOT EVENLY  
DISTRIBUTED.**

— William Gibson



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# GENERATION Z: RULES TO REACH THE MULTINATIONAL CONSUMER

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*Sonica is a usability and interface design specialist, who has worked with clients such as Unilever, Royal Bank of Scotland, Nike, Microsoft and Coca-Cola. She focuses on user behavior in new media and marketing.*

## **Selling to Generation Z – history's most technology proficient – is more than tweaking the messaging and putting it on Facebook. Connecting with Generation Z should fundamentally affect all aspects of marketing.**

Recently, while attending a birthday party of small children, one noticed that there were few takers for the party games, typically a craze with children. The reason: Most of the children were engaged in playing with the mobile phones and iPads, including three-year-old twins playing Angry Birds on an iPad. On being reprimanded for not being social with other kids, they very reluctantly stopped playing the game, only to show off their photo gallery to others.

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The scene played out at the birthday party is common. Many kids today are more comfortable with gadgets than they are with other kids. The vocabulary of these kids is packed with words such as download, upload, delete, levels, and Google play. High scores in Temple Run or Angry Birds is their new status symbol.

These are the Generation Z kids, the first generation to be born into the digital world. For these digital natives, the world has always been connected. Information has always been available when they need it. And "Like" is more of a noun than a verb.

Consumer brands are waking up to the emergence of Generation Z. Brands realize that this generation is fundamentally different in many ways and hence needs somewhat differentiated marketing. But the differentiation, so far, has been largely restricted to specialized messaging and a greater use of digital media.

As discussed in this article, Gen Z is fundamentally different from earlier generations when it comes to its consumption of information and communication, its attitude/comfort level with technology and its attitude toward what is considered social. Those changing attributes potentially affect all the Ps of marketing: product, pricing, promotions, and place.

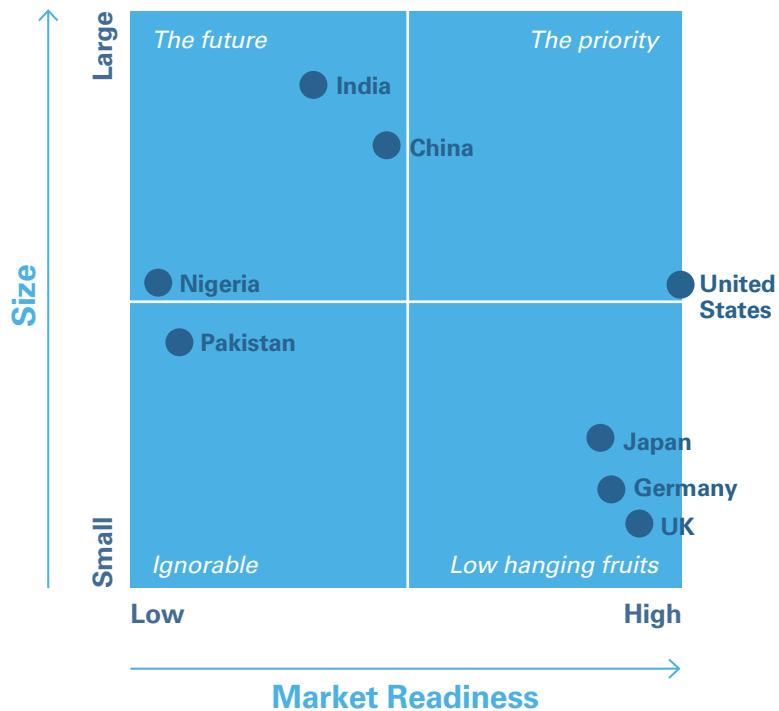
## The Dimensions

There is no agreement on the exact definition of Generation Z. Many classify Gen Z as those born between the mid-1990s to the end of the first decade of the millennium, though others extend the Gen Z universe to count even those being born past 2011. For the purpose of analysis, this article refers to as Generation Z, all those who were born between 1995 and 2010 – that is, those who are presently between 3 to 18 years of age.

The current (2013) population of Gen Z is estimated to be a little more than 1.9 billion, or 27 percent of the global population. Most of the Gen Z population lives in developing and under-developed countries, while in many mature markets, the population is older. For example, in 2010, Nigeria had as much as 43 percent of its population who are classified as Gen Z, while in Germany, this demographic group accounted for only 13.5 percent of the total populace. The penetration of new media is far lower in emerging markets. Consequently, brands seeking to court the global Generation Z population need to have flexible strategies for penetrating both developed and emerging markets.

Beyond this global number, for all demographic information, the article uses 2010 numbers. That is because more current regional and country-specific information is not readily available.

Fig. 1  
**Size of Generation Z Population**



*The largest Gen Z populations are in some of the largest, youngest and most dynamic countries: namely India and China, but also Nigeria and Pakistan. Nigeria, for example, has 43 percent of its population in this generation, versus 13.5 percent in Germany.*

*Market Readiness is defined as maturity of the overall consumer market. It is derived using the business sophistication & the market size ranks of the countries in the "WEF Global Competitiveness Report 2013."*

## What's So Different?

Generation Z is not like the rest of us. Generation Z is more device dependent and more trusting of digital content, among other attributes. SapientNitro observes seven characteristics of Generation Z, spanning psychological/behavioral, sociological and demographic categories.

### **1. Device Dependence**

One of the factors that marketers are trying to leverage – especially in mature markets – is that the Gen Z populace is quite dependent on their devices, ranging from mobile phones to game consoles. Devices play important roles in their everyday life, ranging from entertainment to providing information. Interacting with the devices, or with people through a digital device, takes a significant amount of their time. A University of Maryland study in 2010 found that 79 percent of young people displayed symptoms of emotional distress when kept away from their personal electronic devices.

### **2. Expectation of Information on Demand**

While Google-dependence is not just limited to Gen Z – as most of us today rely on Internet search to find out information instantly – this generation knows no other way. For most information – be it studies, hobbies, products, and careers – the starting and ending points for most Gen Z kids is the Internet. This reality is being leveraged by marketers in a limited manner to directly promote their products, but marketers can capitalize on Gen Z's digital behavior to influence lifestyle and habits.

### **3. An Emotional Connection with the Digital World**

Beyond the actual utility of digital, most Gen Z kids have an emotional dependence on their digital connections, which is hardly seen in other demographic groups. Many older generations also use digital devices significantly but mostly as a utility tool. The Gen Z population, in contrast, finds digital playing an important role in their life, probably because they have not known any other means and have used digital in their formative years. A study by JWT in April 2012 confirms this assertion. Gen Z: Digital in Their DNA, based on a research study of 800 respondents in the United States and United Kingdom, reported that most of the Gen Z youth attached more importance to digital connections than to money, music and movies.<sup>1</sup>

### **4. More Trust in Digital Sources of Information**

Although many adults today use digital medium for seeking information, adults are more trusting of print, followed by semi-regulated media such as television and radio. The free-for-all digital medium often is the least trusted as an information medium. Such is not the case with Gen Z. A November 2011 report by Grail Research, Gen Z: Consumers of Tomorrow, suggested that technology has also affected the way Gen Z learns. Kids prefer the digital approach and find it easiest to learn from the Internet.

**79 PERCENT  
OF YOUNG  
PEOPLE  
DISPLAYED  
SYMPTOMS  
OF  
EMOTIONAL  
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WHEN  
KEPT AWAY  
FROM THEIR  
PERSONAL  
ELECTRONIC  
DEVICES.**

<sup>1</sup> Ninety percent of Global Gen Z youth reported they would be upset if they had to give up their digital connection, versus just 65 percent for money, 56 percent for music, and 56 percent for video games.

Gen Z has grown up with email, mobile and social media. They do not know the “good old media” so much. They are much more likely to trust marketing communications through digital channels than other generations. As per a report by Forrester Research, Gen Z consumers are 48 percent more likely than other generations to trust somewhat or completely the content on mobile apps from brands, as well as text messages from brands.

### **5. Reduced Impact of Physical Environment**

Gen Zs are emotionally attached to their digital habits, which keep them online even longer. Because of the time spent digitally, this generation's interaction with their physical environment has reduced significantly. Many are alien in the neighborhoods that they live in, except for those with whom they are digitally connected. In some schools, there are sub-groups who while they are connected digitally, interact far less with each other in the physical environment.

### **6. Social Circles Not Restricted by Geography**

While digital is alienating Generation Z from the immediate physical environment, it is also eliminating physical boundaries of location. Distance has less meaning for them. They continuously interact with peers from different geographies and different cultures if they are united over, say a game or some music. A Millward Brown Survey conducted in Europe, Asia and the United States found that 25 percent of Gen Z interact daily with peers in other countries. This constant borderless communication is affecting the way their psyche and lifestyle evolves.

Taken together, the above two points is building a more globalized, borderless world, where a 15-year-old in Mumbai is far more aware of a local issue in San Antonio than he is of something in Pune.

### **7. Many Generation Z Consumers in Developing Countries**

As of 2010, the population of Gen Z globally was 1.86 billion. Top ten countries accounted for 57 percent of the populace (*see Figures 1-3*). With the exception of the United States, all these countries are either developing or under-developed countries. That observation itself may not be a surprising fact, considering that most European countries have small populations.

Fig. 2

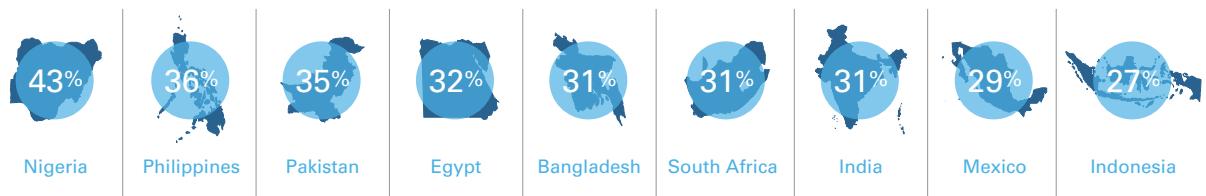
**Large Countries with Highest Percentage of Gen Z**

Fig. 3

**Countries with Maximum Gen Z Population**

| Country       | Total (Mil) | % of Global Gen Z Population |
|---------------|-------------|------------------------------|
| India         | 373.5       | 20.1                         |
| China         | 260.2       | 14                           |
| Nigeria       | 68          | 3.7                          |
| Indonesia     | 64.8        | 3.5                          |
| United States | 62.4        | 3.4                          |
| Pakistan      | 61.3        | 3.3                          |
| Brazil        | 49.7        | 2.7                          |
| Bangladesh    | 46.4        | 2.5                          |
| Philippines   | 33.1        | 1.8                          |
| Mexico        | 33          | 1.8                          |
| World         | 1855        |                              |

<http://populationpyramid.net/>

The population pyramids of countries give a better picture. While countries such as Nigeria, Philippines, Pakistan, Bangladesh, Egypt, South Africa, and India had in excess of 30 percent of their population in the Gen Z age group, almost all the developed countries (G8) had 20 percent or less of their population belonging to this age group (the United States being the sole exception with 20.1 percent of its population in Gen Z group).

Interestingly, mobile is becoming a great leveler. Many of those markets such as China, India, Egypt

Fig. 4

**Gen Z Population Percentage in G8 Countries**

| Country        | % of Gen Z in Total Population |
|----------------|--------------------------------|
| Japan          | 13.2                           |
| Germany        | 13.5                           |
| Italy          | 14.1                           |
| Russia         | 15.1                           |
| Canada         | 16.4                           |
| United Kingdom | 16.3                           |
| Singapore      | 17.4                           |
| France         | 18.3                           |
| Australia      | 19                             |
| United States  | 20.1                           |
| World          | 27                             |

and other African countries are taking to mobiles in a significant manner. A recent study by Indian market research firm Juxt, India Mobile Landscape, shows that mobile is finally becoming an exclusive way of accessing Internet in India. Some 10 million users access the Internet in India exclusively through their mobile. Some 77 percent of them live in rural areas, suggesting that mobile is finally helping in increasing Internet penetration. If that trend continues, digital penetration could go up significantly in these countries.

## Changing Attributes and the Impact on Marketing

It follows very clearly that the changing attributes of this generation has a direct impact on all aspects of marketing. While these seven behaviors have a broad impact, we want to focus specifically on the impact of Gen Z difference across the bottom half of the marketing mix.

### Product

The design of the product is affected by the fact that this generation prefers media that is simple to use and interactive. For example, notebook and touchscreen devices, such as the iPad, appeal to children due to their size and simplicity. Interactive, stimulating activities are favored in contrast to passive TV. Also since Gen Zs are avid multitaskers, marketers need to think of products that allow Gen Z to do multiple things with one device.



*AT&T recently launched a Facebook campaign that helped kids build a case for why they should get a 4G smartphone.*

*(Bottom) Unilever's Lifebuoy Pledge campaign reached a global Gen Z audience, promoting their Global Handwashing Day since 2008. The recent campaign included YouTube, Facebook and other social tools to deliver their messages, focused on the Middle East, African and Asian markets.*

### Place

The fact that physical environment has a reduced impact on the psyche of Gen Z, and that their social circle is not restricted by geography, has a direct bearing on what marketers traditionally call place.

Savvy marketers like AT&T and Air Asia understand that social media have redefined the notion of "place" for Gen Z. AT&T launched a Facebook campaign that helped kids build a case for why they should get a 4G smartphone. The campaign generated 12 million earned impressions, which is worth \$1.5 million. Also, 56 percent of participants were between 13 and 25 years old. Another campaign, by Air Asia, reached 2.3M people on Facebook and generated PR value of \$1.6M. The Air Asia Facebook fan base grew by 30 percent.

### Promotion

Promotion is the most familiar area for marketers when it comes to trying newer approaches. Gen Z's greater reliance on digital information sources, as well as emotional connection with digital, means that marketers have to use the new medium far more effectively than today – spending on buying Likes on Facebook and running hashtag campaigns on Twitter.

Since Gen Z trusts social media and peer group endorsement more than the traditional endorsements, marketers are creating activism/campaign type promotions specifically aligning with health/social/environmental

causes. For example Unilever ran a highly successful global handwashing day, and UNICEF is also conducting social media campaigns in many Asian countries sensitizing the urban youth on issues like open defecation, even though open defecation by and large is a rural phenomenon. In both of these, the central idea is to use youth as ambassadors.

### Price

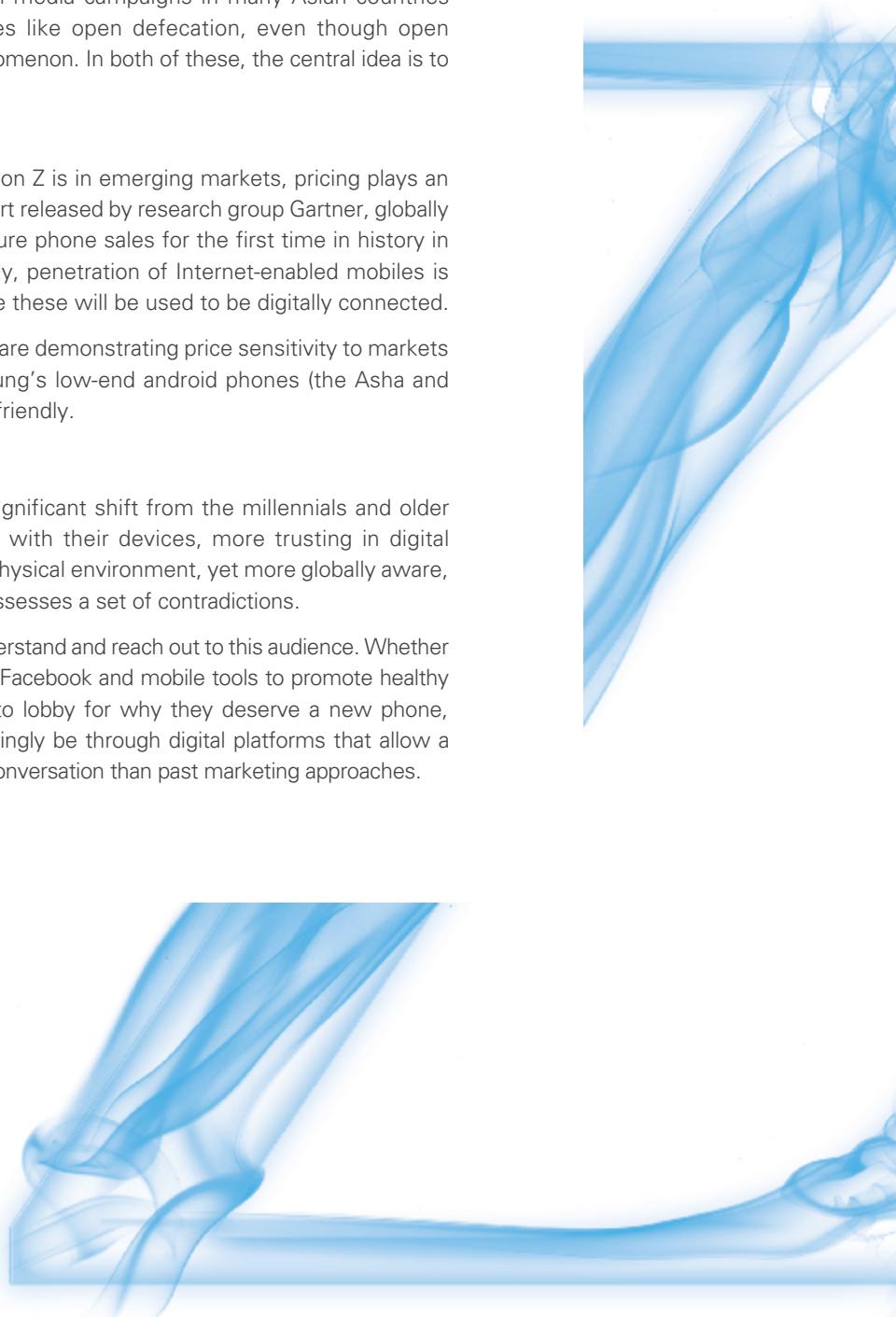
Since a significant percent of Generation Z is in emerging markets, pricing plays an extremely important role. As per a report released by research group Gartner, globally smartphone sales have outpaced feature phone sales for the first time in history in the first quarter of 2013. Consequently, penetration of Internet-enabled mobiles is increasing. It is a matter of time before these will be used to be digitally connected.

Global brands like Nokia and Samsung are demonstrating price sensitivity to markets where Gen Z live. Nokia's and Samsung's low-end android phones (the Asha and Guru Series) in India are quite budget friendly.

### Conclusion

Generation Z behavior represents a significant shift from the millennials and older generations. Even more comfortable with their devices, more trusting in digital information, more isolated from their physical environment, yet more globally aware, this generation, like many before it, possesses a set of contradictions.

Leading brands have only started to understand and reach out to this audience. Whether it is Unilever working with local teams, Facebook and mobile tools to promote healthy handwashing, or AT&T enabling kids to lobby for why they deserve a new phone, marketing to this audience will increasingly be through digital platforms that allow a more connected, engaging and global conversation than past marketing approaches.



TREND

2

# NEW STORYTELLING TOOLS



The second major trend we cover in the report is the rise of new storytelling tools. As consumers shift, skip and block ads; unplug from television; and fragment their attention across multiple devices, channels and times; brands are developing groundbreaking communication methods to respond.

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# BRAND MESSAGING IN REAL TIME: REACHING THE ALWAYS-ON CUSTOMER

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leader in the development of  
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emerging ad formats and  
content marketing.*



## **Many marketers are realizing that if their consumer is always-on, their brands too must also be always-on – or risk becoming culturally irrelevant.**

This is a chaotic time for marketers. Balancing their traditional mass reach campaign messages with more niche oriented digital channels and audiences is no easy feat even for the most algorithmically enlightened of programmatic media buyers. More savvy marketers have realized that “pushing” the old message campaign down the tube at an effective frequency rate to assure them some measure of seasonal brand health and purchase intent is no longer sustaining business results like it did in the past. In the era of an always-on consumer, that means brand marketing teams must evolve from being solely “campaign” centric to becoming real-time content creators, curators and distributors – all in the interest of delivering more persistent, compelling and contagious brand-linked experiences to maintain both share of voice and cultural relevance.

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### **Transforming the Marketing Organization**

Many CMOs have indicated that their marketing organization has to take on new shapes and competencies in order for their brands to become always on. At the same time, performance measures need to shift from what have been largely media spend-based metrics to broader measures around brand, content, cultural currency, and overall customer experience.

Additionally, the role of a marketer’s agency partners too must be reevaluated. Do they add tangible value in the real-time world of “brand as channel/publisher” – or are they primarily just partners in media campaign-based initiatives?

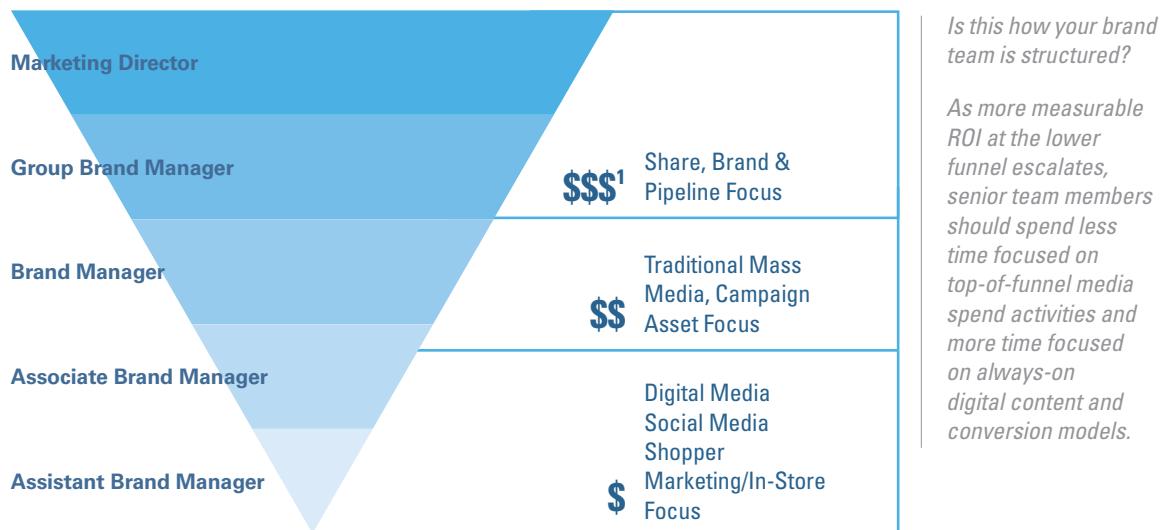
Today, most brand marketers remain organized around classic brand management models and campaign-based executional roles. The majority of the brand marketing seniority, strategy and spend moves from the top of the brand group to the bottom. It’s almost as if the structure mirrors the purchase funnel from awareness to purchase, where we often discover the most junior-level assistant and associate brand managers being accountable for some of the most important and innovative areas of marketing – digital,

social, mobile, and shopper marketing. The irony of this dynamic is that this is exactly where the true ROI occurs – rather than at the top of the funnel where senior brand group executives become overly focused on TV campaign-based creative and media allocation.

These critical lower funnel activities (mobile, social, content marketing, and smart-advertising sciences) drive more measurable ROI beyond brand health measures and purchase intent. This outcome is due, in part, to KPIs around brand activation and promotional messaging being far more measurable and data driven than the “soft” measures provided by the standard Nielsen Television sample audience. As a result, an inverse relationship exists between numerous digital spend performance measures that brand managers receive to traditional spend impression measures delivered by traditional media.

When you flip the brand team’s organizational structure from the traditional sales funnel/campaign-based model to a more real-time content/distribution and measurement model, suddenly you’re running in parallel with consumers (not chasing behind them) in the always-on world.

### Traditional Brand Marketing Team Organizational Structure



### Establishing New Roles: Chief Content Officers and Chief Marketing Technology Officers

To move beyond a traditional model, it is likely you will need to identify where brand content, curation and distribution competency/stewardship resides on your brand team. Some marketers have made the move to adding chief content officers – guiding the creation, curation and distribution of content brand by brand in order to meet the demand for always-on content. Other brand teams have partnered with agency and content marketing companies to establish an editorial calendar where brand purpose and promise meets new content distribution and syndication models based on their “share-ability.”

Operationalizing this mindset requires seamless collaboration between marketing and IT around smart global content management systems (CMS) and e-commerce infrastructure to measure both “Return on Conversation” and sales conversion.

The merging of these KPIs and the analytics surrounding them, in part, is one of the factors that has led the drive toward CMTOs (Chief Marketing Technology Officer) in order to create, curate, distribute, and measure omnichannel content.

<sup>1</sup> \$ = Media Spend.

## What Does “Good” Look Like?

Consider how one marketer is putting persistent content at the center of its marketing efforts:

Red Bull describes brand marketing as content marketing – the “creation of a variety of storytelling material that attracts readers, viewers and listeners to their brand.” Content marketing for Red Bull is organized around providing and rewarding the consumer with some content of value aligned with its brand promise (Red Bull Gives You Wings) in order to receive in return a measure of cultural currency<sup>2</sup> that keeps its brand relevant 24/7/365. The KPIs here are less about traditional campaign-based brand health measures and purchase intent than newer analytic measures of cultural relevance and share of conversation that ultimately drives sales.

It resembles no form of traditional push media messaging surrounding content like TV, print or outdoor. Nor is it one-off “branded content” integrations resembling truncated episodic series on the web or in the commercial breaks of a prime time show. It also isn’t a 5-to-15-second pre-roll you’re waiting to skip prior to the start of the next YouTube video.

Other brands who have embraced the always-on model of persistent content built around simple but expansive brand organizing ideas include:

### Brand Organizing Ideas that Drive Always-On Publishing Models



Open Happiness



Gives You Wings



Activate Awesome



Imagination at Work



*Leading brands use Organizing Ideas to structure consumer messaging and decision-making as they shape the full experience. Not all Organizing Ideas are customer-facing (e.g. X-Games ‘Activate Awesome’ was only used internally).*

## Moving from Social Media Monitoring to Real-Time Social Content Creation

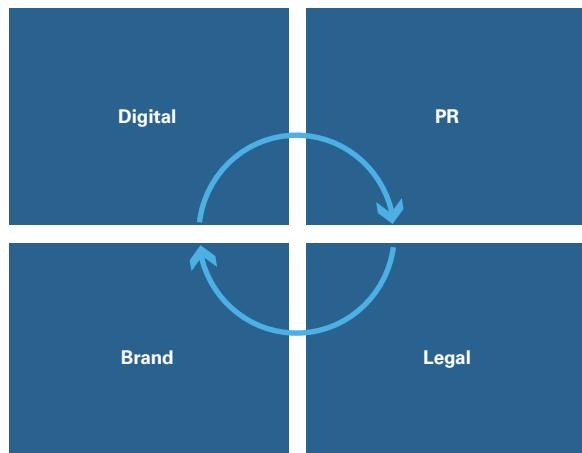
Many of the most successful brands, such as Nike, understand the impact of cultural relevance on sales. Which is why, like many marketers, they take social conversation and behavior very seriously. Yet, as much as social media channels and platforms have become both more powerful and critical in the marketing mix, most marketers are primarily focused on social monitoring and listening – counting “likes” and responses and treating social as a free earned media channel rather than actually organizing for real-time social content creation.

<sup>2</sup> Cultural Currency, © 2013, Television Bureau of Advertising, TVB.



Oreo's Daily Twist Campaign created 100 days of real-time snackable messaging from June 2012 through October 2012.

### The Yum! Brands Innovative Newsroom Model



Many marketers have built elaborate monitoring dashboards and physical installations to monitor real-time brand mentions and conversations and even to respond to negative sentiment. A few, such as Oreo and Taco Bell, have used those platforms to begin linking the cultural context of current events to their brand promise.

Oreo's recent "Daily Twist" initiative<sup>3</sup> created 100 days of real-time snackable messaging before bringing its "campaign" to a close in October 2012, while Taco Bell is both poised and organized to link its brand promise to current events as they occur in a more evergreen manner over time.<sup>4</sup>

Progressive brands have transformed their internal organizational model around real-time social content creation provide key insights into the evolution of social media marketing in 2014 and beyond. Consider an innovative "newsroom" model being executed by the Yum! Brands Taco Bell marketing organization.

The "newsroom-style" model leverages the core equity attributes, voice and tone of the brand. Digital copywriters and community managers apply the brand attributes as a guide to create content inspired by the real-time context of current events and conversations. PR staff then guide the social channel distribution strategy. The legal team has a voice in the newsroom as well. Applying a newsroom model, the marketer has a clear and repeatable way to create content in real-time to support the brand.

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*The "newsroom" style model starts by leveraging the core equity attributes, voice and tone of the brand. Digital copywriters and community managers then use this as a guide to messaging, drafting off the real-time context of current events and conversations.*

*Next, this approach leverages PR staff to guide the social channel distribution strategy.*

*Finally, with legal representation in tow as a part of the team model, the marketer is clear to message in real time to align brand attributes/promise with conversations and current events.*

<sup>3</sup> Ad Age, "Oreo's 100-Day 'Daily Twist' Campaign Puts Cookie in Conversation," September 2012.

<sup>4</sup> Ad Age, "Why Taco Bell Made 65 Ads to Market Its Latest Doritos 'Loco Taco,'" August 2013.

## Orchestrating 24/7/365 Content, Not Just 360 Campaigns

Even as we've seen marketers continue to struggle while integrating multiple agency partners to conceive and execute 360-degree integrated campaigns, the real-time 24/7/365 world has shifted.

The task has now moved from a focus on orchestrating external agency partners around campaigns to smartly tapping agency, media and internal communications partners for content creation, curation and distribution. Few, if any, marketing departments are staffed with both the strategic and creative resources necessary to develop, produce and distribute as much content as a publisher's editorial calendar demand. But in the age of always-on, real-time marketing, that's precisely the challenge.

Marketers like Intel have shown us one approach through thought leadership-oriented, content centric destinations like [iq.intel.com](http://iq.intel.com). Here, multiple content sources are curated and aggregated around a central brand mission that links back to the Intel brand promise.<sup>5</sup>



*Intel iQ is a new social-publishing platform and the latest content-marketing experiment from the technology giant.*

## Conclusion: Moving from Campaign to Content Excellence

Successful always-on content marketing starts with organizing for success. We see more marketers moving to augment their brand organizations with chief content officers. In addition, we see a movement toward expanding from traditional brand-health and campaign-based ROI measures to return on experience measures. Those measures, fed by big data, will be built around more complete brand experiences and cultural conversations – not just funnel-driven KPIs.

In the always-on world of brand messaging, great content will come before optimizing spend around media channels – which is why the evolution from campaign to content excellence will become such an important marketing imperative in 2014 and beyond.

<sup>5</sup> Ad Age, "Intel Launches Employee-Curated Digital Magazine," May 2012.

# EVALUATING REAL-WORLD EXPERIENCE: A STUDY OF LEADING BRANDS

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PROPRIETARY RESEARCH

## **Story has long been a key tenet of brand marketing. But savvy brands have discovered that consumers no longer just want to be told a story; they want to participate in it.**

Consequently, story must evolve into an immersive experience shared between consumer and brand. Fortunately, today's technology provides myriad ways for brands to invite consumers into a shared story and to create a shared experience. But there is often a gap in how companies and their consumers assess the customer experience.

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One recent study from Bain & Co. examined the gap between how companies and their customers assess experience. They found that while 80 percent of firms say they deliver a "superior experience" for their customers, just 8 percent of customers agreed they deliver a "superior experience."<sup>1</sup>

To identify what makes great customer experiences great, we assessed 27 companies that are recognized as customer experience leaders.<sup>2</sup> We used as our barometer five dimensions of experience: Sense, Control, Continuity, Fit, and Access (read on for more

detail about those dimensions). We discovered that the quality of the experience varies significantly between leaders and followers. And, we also discovered two of the dimensions – Sense and Access – are the key differentiators between high-performing experience brands and the also-rans.

Marketers who want to optimize great experiences should develop stories that create deep emotional resonance for the consumer – and build a wide set of tools that allow customers to bring the brand into their lives.

<sup>1</sup> "Closing the Delivery Gap," study of 362 firms by Bain & Co.

<sup>2</sup> See 'About the Study' for more detail. The list was sourced from Forrester Research and Fast Co. Photo credit (facing page) Luciano Mortula / Shutterstock.com

## Our research suggests six key imperatives for marketers:

### 1. The Consumer Is Never Entirely Passive

Brands can no longer rely upon consumers to just sit back and absorb their messages. Today, brands must engage consumers by building worlds in which immersive experiences enable them to explore and interact with the brand. Doing so creates a wildly different outcome as compared to focusing on passive ads, which consumers tend to skip.

### 2. Let the Players Tell the Story

The brand is the tool and world builder. But the players have significant power in determining how the story unfolds and often co-create with the brand.

### 3. Redefine What It Means to Be the Author

Authorship is no longer about a one-way telling of story; rather, the brand's role is evolving to provide the components for a story that is authored by customers. Components can be mobile apps, digital platforms, sensors that collect consumer data, social media, and so on.



*NASCAR has created separate experiences for two discrete audiences – one focused on the at-the-track experience and a second one for the at-home viewer.*

*NASCAR combines multiple devices to create the complete experience. The at-home experience, for example, includes mobile video streaming, personalized driver alerts, a tablet app, and the traditional TV broadcast.*

### 4. Provide Immersive Experiences for All Skill Levels

The design of the experience provided by the brand should be easy enough for a beginner but also challenging enough for an expert. This balance can be achieved by building a flexible “on-ramp” to the experience, whether it is a personal financial management platform (e.g., USAA) or a digitally enhanced family vacation (e.g., Disney Resorts).

### 5. Plan for a Lifetime

Expect a multiyear investment. These are long-living customer platforms, delivering long-term value. They're not campaigns.

### 6. To Build Powerful Experiences, Shape Stories around an Organizing Idea

Our research found that experience-led brands use themes to design, develop and maintain their experience space. Unifying and resonant themes make experiences much stronger.

## ► INSTRUMENTING EXPERIENCE: ABOUT THE STUDY

In this study, we had three major research goals.

1. Identify leading examples of great storytelling in the digital age.
2. Research the constituent elements of those experiences: What are the essential elements, what work do they do for customers?
3. Research the “back story”: What are the organizational, leadership, technology, and business components which make the experience possible?

To identify the 27 brands we studied, we started with the list of companies featured in Forrester Research's Customer Experience Online Survey (from the fourth quarter of 2012). From that list, we selected only those brands that received the top customer experience score in their industry. We then added 10 fast-growing startups from Fast Company's 2013 Most Innovative Companies. Finally, we conducted more than 15 expert reviews to determine which companies to evaluate and explore their back story.

We then conducted visits across various digital and many physical touchpoints for the brands assessed, including Red Bull Arena, Walt Disney World, NASCAR's Richmond International Raceway, and Marshalls' Chicago store. We audited their various online, tablet, mobile, and physical properties and scored them in each of five experience dimensions. The five dimensions assess how well a particular campaign, design, interaction, or environment performs in terms of experience. Each brand received a score from zero to four in each dimension. We identified these dimensions to more effectively address a wider aperture of experience, and they build on insightful academic thinking about designing for a more complete experience.

The five experience dimensions are:

- 1. Sense:** The extent to which a person discerns a meaningful, emotionally relevant story. How much does the experience leave an impression or expression? How well does the brand connect to the target customers' purpose, core, belief, lifestyle?
- 2. Control:** The extent to which a person is empowered to accomplish the things they want or need to do. How well does the story support user goals or tasks? How much rational or functional value does the experience provide?
- 3. Continuity:** The extent to which one interaction or experience builds upon the next. Is it pervasive; does it exist in the right channels? Can an experience in one channel be connected to another channel? Are they linked?
- 4. Fit<sup>3</sup>:** The extent to which a person receives the right content and functionality at the right time.
- 5. Access:** How easily can the experience be connected to or shared with others? How easily can the consumer become part of, or affect the story?

### Applying the Experience Dimensions

While intended as a diagnostic, we recognize that some brands – for example a B2B manufacturer – are not going to have the same target for Sense (emotional relevance) as would consumer brands like Nike or Disney. Applying these dimensions should be done relative to a baseline target for a brand's industry, category and competition. For this study, we ranked them collectively as a group simply to make the point that there exists a range of options for businesses in delivering a powerful experience. Not everyone can be Nike, USAA or Disney and sports gear is vastly different than insurance. The diagnostic benefits are used to quantify experience and help brands optimize that experience.

<sup>3</sup>In our evaluation, this category includes Brand Consistency: Does the story demonstrate visual & brand consistency? Can the experience be joined at any point and still convey the brand message clearly? This broadens the traditional sense of “fit” typically discussed among experience professionals.

## ► LEADING EXPERIENCE BRANDS

| RANK | RETAILER               | CATEGORY               | OVERALL<br>(OUT OF 4.0) | DESCRIPTIONS  |
|------|------------------------|------------------------|-------------------------|---|
| 1    | Nike                   | CPG                    | 3.90                    | The defining experience, particularly in the Access category. Recommending changes to my life based on my personal analytics.   |
| 2    | USAA                   | Financial Services     | 3.50                    | Strong emotional connection, and their recent investment into brick and mortar Financial Centers packed with digital technology is impressive.  |
| 3    | Disney (Orlando Parks) | Travel and Hospitality | 3.40                    | Great brand and storytelling, but planning and execution gaps in the experience. The introduction of myDisney and mobile apps are a step in the right direction.                        |
| 4    | Square                 | Financial Services     | 3.30                    | A simple multichannel experience for small business owners, well executed. Future upside in analytics and loyalty programs.   |
| 4    | Pinterest              | Social Network         | 3.30                    | Social property involves users, although sensory engagement is limited to pictures.   |
| 6    | Harley-Davidson        | Automotive             | 3.20                    | Strong brand, and solid experience fundamentals. Opportunities exist to further connect web and mobile experiences across their digital footprint. Good access score – and more upside. |
| 7    | NASCAR                 | Entertainment          | 3.10                    | Strong second-screen tools, but racetrack infrastructure make it difficult to truly connect the digital and physical experiences.   |
| 7    | Amazon                 | Retail                 | 3.10                    | Extremely pervasive. Best-in-class ordering, personalization. New locker experience. Brand doesn't connect on emotion to the same degree as our leaders.                                |
| 7    | Fab                    | Retail                 | 3.10                    | Fab knows its audience, but still feels like every other e-commerce experiences beyond its core messaging and offering, with the exception of social integration.                       |
| 7    | Target                 | Retail                 | 3.10                    | Consistent visuals and cutting-edge cross-channel tools, but site & stores score lower on Sense; strong wayfinding, mobile tools and very pervasive.                                    |
| 11   | Red Bull               | CPG                    | 2.90                    | A rare example with low control values, but great social integration, gamification and Access elements.   |
| 11   | Vanguard               | Financial Services     | 2.90                    | Effective and consistent message, but very utilitarian.   |
| 13   | US Cellular            | Telecom                | 2.80                    | In-store experience disappoints, but on a rational level they're providing solid value. Baseline.   |

The Overall Score is the sum of the five equally weighted category dimensions: Sense, Control, Continuity, Fit, Access. See 'Instrumenting Experience' section in this article for more details on methodology.

| RANK | RETAILER                                    | CATEGORY                           | OVERALL<br>(OUT OF 4.0) | DESCRIPTIONS   |
|------|---|------------------------------------|-------------------------|--|
| 13   | American Express                            | Financial Services                 | 2.80                    | Solid customer experience, small business platform tools, but doesn't invite customers to bring American Express into their lives to the same degree as the leaders; results in a lower Access score.    |
| 15   | Coca-Cola - History of Innovation (Atlanta) | CPG                                | 2.70                    | Highly immersive on-site experience which doesn't extend beyond a single visit.  |
| 15   | Library of Congress                         | Non-Profit                         | 2.70                    | Groundbreaking "passport" kiosks connect visitors once they get home, but the website design has not aged gracefully. An early Second Story project.   |
| 15   | Patagonia                                   | Retail                             | 2.70                    | Worn Wear blog actively collects user stories, but overall web/mobile experience is just above baseline.   |
| 18   | Nintendo (Wii, DS)                          | Consumer Electronics Manufacturers | 2.60                    | Brand is relying on fans to create their own experience platform, and not providing enough support outside the console. Connected channels non-existent.   |
| 18   | Uber  | Travel and Hospitality             | 2.60                    | Elegant, on-demand experience, but just baseline in sharing, consistent with user needs. Fills a gap in the urban market, and helps the urban lifestyle.   |
| 18   | Southwest Airlines                          | Airlines                           | 2.60                    | The emotional connection (Sense), and mobile look and feel lags.   |
| 21   | GoPro                                       | Consumer Electronics Manufacturers | 2.50                    | The product is about building personal stories. Strong sensory/visual site, but lack of mobile site/app hampers a strong, social brand. Simply not the same sophistication as some of the other efforts. |
| 22   | IBM   | B2B/Technology Services            | 2.40                    | Effectively connects business areas to smarter planet. Due to scale, they struggle to create and sustain a consistent experience. Better than GE, but...   |
| 22   | UPS   | Shipping Provider                  | 2.40                    | A fundamentally transaction-oriented story which misses opportunities for emotional depth (Sense), personalization despite its storied history.  |
| 24   | Marshalls                                   | Retail                             | 2.30                    | Low-cost business model unfortunately shapes the depth and intensity of the experience.  |
| 24   | Courtyard by Marriott                       | Travel and Hospitality             | 2.30                    | As part of the Marriott family, Courtyard's brand doesn't strongly connect on its own, nor does it offer significant participatory options. Functional. But not a connected experience.                  |
| 26   | GE  | B2B/Technology Services            | 2.10                    | Initially pleasing, site is disjointed on the lower pages of funnel. Fragmented info. Good reviews.  |
| 27   | Hertz                                       | Rental Car Providers               | 1.70                    | Transactional site that fails to connect on emotional (Sense) level due to inconsistency of branding and significant usability issues.   |



Nike's platform connects with customers on three levels:

#### 1. Co-creation:

Offers a platform to track data, preferred routes, competitors and supporters.

#### 2. Making Sense of Data:

Places the information collected in context, including personal goals and times.

#### 3. Motivation:

Helps drive additional results. Facebook taunts, local running forecasts, Nike+ missions.

## Top Three Experience Brands: Case Studies

### 1. Nike: Everyone's an Athlete

Through eight years of development, the Nike+ Runner platform has earned its number one spot by providing best-in-class Sense – building on Nike's deep emotional connection with runners – combined with a top score in Access (one of only two brands to receive the top score) based on its sensors, digital platform, social integration and mobile apps.

These scores reflect the strength of analytics and route tracking in the platform, enabling a runner to benchmark themselves – not just against themselves, but also against others of similar age, gender and location. Extensive analytics track a runner's route relative to his or her history and suggest new ones of similar length near their location. On the Nike site, color-coded heat maps show how the runner's pace varies across the run. The combination of tracking and personalization is core to Nike's platform and creates a virtuous circle, reinforcing engagement with it.

On its website, Nike+ Missions encourages runners to challenge themselves and their fitness level, with motivating messages like "30 minutes to earn 200 NikeFuel points and overcome the harsh winds" while promoting the "Nike Pro Hyperwarm Dri-Fit Max Mock."

Social integration is very strong. The Nike+ Runner pulls in the "hero" runners, their competitors and their supporters. Through Facebook, competitors can taunt runners, while supporters reach out to encourage. In addition, email and messaging language is personalized to each runner's location with weather forecasts ("This week's forecast calls for a run").

The results are significant: Eleven million active Nike+ members and over 100 million social mentions in 2013. While comparisons are imperfect, Nike reaches close to as many viewers as a Super Bowl ad – every month. Among its core community, Nike does so with much greater frequency; these runners are engaging with Nike around their passion points, sharing personal performance data and their goals. Nike provides an immersive experience that is fueled by shared values between Nike and its consumers.

We did not test all elements of the Nike+ experience. But it is also worth noting that Nike is one of the first brands to adapt its story system for multiple discrete customer segments. The Nike Golf 360° and Nike Hyperdunk+ Basketball Shoe and App deliver quantified, engaging platforms relevant to golfers and basketball players, respectively.

In all, the Nike+ world, mobile app, sensors, social integration, and online tools create a robust experience for current and aspiring athletes. The set of tools allows consumers to co-create with the brand in multiple areas: music, running route, social support, and performance measurement. It's easy to see why Nike knows "Everyone's an Athlete."

## 2. USAA

USAA offers an industry-defining mobile, Web and branch experience. It excels in Control, Continuity and Fit – receiving perfect scores (4.0) in all three categories based on the strength and integration of its mobile, tablet and Web platforms in this conservative industry.

Unlike Nike, USAA received only a 2.0 in Access, a reflection of the reality of the financial services marketplace. Financial Services companies are considered a risk-adverse type of business and one that is fundamentally less “social.” Product reviews and an active Facebook account are highlights for USAA in this area. Here are other ways USAA excels:

1. Near-perfect consistency of the emotional and rational across all its platforms. USAA’s “We know what it means to serve” brand statement is powerfully coupled with American patriotic symbols.
2. Newly launched financial centers offer face-to-face service, video conferencing, check scanning, 24-hour ATM access, and a branded experience.
3. Class-leading mobile application includes check scanner, insurance claim filing, document access, and quick-login.
4. Budgeting tools can be used by multiple family members and allow labeling of individual transactions and the setting of monthly budget targets. Visual tools motivate customers to hit their personal goals.

USAA has taken other steps to improve the experience for its customers and encourage co-creation. As previously noted, USAA allows customers to post product reviews for credit card, checking and insurance products.

USAA is a bank that delivers on all five experience dimensions used in this assessment, making it one of the leaders in customer service and expanding the definition of what it means to serve.

## 3. Disney Resorts

The Walt Disney World Resort in Orlando, Fla., garnered a near-perfect (3.5) score in Sense, Control and Continuity and received a perfect score (4.0) in Fit. The final category – Access – held it back. Overall, the experience was particularly strong in both depth and number of characters, and the combination of sight, smell and sound that is Disney World. It was weakest in its integration of digital into the experience and lack of flexibility (particularly within individual attractions) offered to visitors.<sup>4</sup>

Three aspects of the Disney experience were particularly notable: Sorcerers of the Magic Kingdom, family booking and journey planning tools.



*USAA offered class-leading mobile applications, which contributed to their top score in Control, Continuity and Fit.*

<sup>4</sup>Since our visit, Disney has released RFID-based “Magicbands” ticketing, and an upgraded “MyDisneyExperience,” which may address some of the weaknesses noted.



*Sorcerers in-park interactive game features 18 portals throughout the park, with 70 distinct 'spell' cards. Sorcerers is location-based storytelling, but Disney's tight control of the story cost it points in our study.*

**Sorcerers of the Magic Kingdom:** One of a handful of interactive exhibits, Sorcerers of the Magic Kingdom was a high-profile addition in 2012. Sorcerers is an interactive game that allows players to collect their own spell cards, trade those cards with other visitors, and learn to "cast" spells at 18 interactive video kiosks throughout the park.

While entertaining, it lacks the co-creation and personal touch of Nike and USAA. For example, your path through the game is tightly controlled and scripted – after defeating a villain at a specific kiosk, the game tells players exactly which kiosk to visit next. Your personal choice is limited to which spells to cast and to trading these spell cards with other visitors on-site. There was no acknowledgement or integration with other digital platforms – either social networks or Disney's own tools.

**Family Booking and Journey Planning Tools:** Disney's family booking tools were strong, allowing friends and families to see and book activities through the website and mobile apps.

The Disney narrative extends to the arrival and departure phases of the journey to the park. Disney's Magical Express bus service shuttles passengers to and from the Orlando airport and Disney hotel properties. Baggage



*Disney has a strong friends and family booking tool, which allows collaborative planning and booking of activities. Pictured above is the tablet-based scheduling tool.*

is sent directly to the hotel, and departure includes pre-printed boarding passes and baggage pickup from the hotel room. The room key was linked to all your personal information, but at the time wasn't linked to a digital bracelet or RFID. The "MyDisneyExperience" account synced pre-booked information – including dining reservations and special needs – across tablet and mobile apps.

**In-Park Tools:** In-park tools received mixed reviews. Most of the park appears to be developed with no provision for sharing your experience digitally – which is increasingly critical for a generation raised with connectivity. Misses include a lack of digital tools for wayfinding, no alerts for upcoming dining reservations, transportation tools (wait times were included, but not transit times), and maps which didn't supply the information needed. Reservation syncing across family and friends did not work as expected. There was no way to review rides. There was little real-time functionality on the mobile app.

Overall, Disney is a world leader in brand and storytelling, but digital enhancements with more interactivity, co-creation and control need to be added to stay relevant to the next generation of digital natives.

## Summary

This research studied how 27 leading brands have built – or have failed to build – great experiences and the degree to which they are successful at making those experiences powerful across the five dimensions of experience.

In our assessment, Sense and Access emerged as the two key criteria that differentiated the leaders from the followers. Consequently, marketers trying to optimize experience should develop stories that create deep emotional resonance for the consumer. Marketers should also build a wide set of tools that allow customers to bring the brand into their lives.

We believe these two takeaways reaffirm much of the investment already seen in the marketplace, the extensive discussions of “storytelling” in marketing circles and the evolving idea of experience.

Striving to be part of the 8 percent of companies that deliver a “superior experience,” as we noted in the introduction, is a laudable goal. We hope these experience dimensions can be a useful diagnostic tool to help you understand if you are a leader or a follower, and to provide guidance on where and how to improve.



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# THE BOTTOM LINE ON EXPERIENCE: MEASURING RETURN IN THE AGE OF STOR YTELLING

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*John co-founded Iota Partners, an instrumentation-driven consumer research consultancy, before it became part of the SapientNitro family.*

► **Todd Cherkasky**

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*Rick co-founded Iota Partners, an instrumentation-driven consumer research consultancy, before it became part of the SapientNitro family.*

## **Sixty years ago, the world experienced a shift as important as the industrial or the agricultural revolutions.**

Shortly after the Second World War, the digital revolution ushered in the information age, and with it a huge number of changes in the way we – just plain folk – experience everyday life. The digital revolution also forced a move from a “push-driven” traditional brand-centric view of the world to an economy of connected experiences that are co-owned by company and customer. This symmetric, multiexperience world is triggering new questions and informing new perspectives on marketing investments. For instance:

- *In this changed environment, how do we begin to measure effectiveness?*
- *Where, when and how should companies invest in order to most effectively connect their brands with customers?*
- *Do we need to measure value and the return on “experience-led” investments differently than we have evaluated more traditional metrics?*

Marketers need a measurement approach that blends art and science, story and technology, and that looks more deeply at experience. We need a new model: “Return on Experience” (RoX).

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## **Toward a New Understanding of People: A Shift of Copernican Proportions**

To adjust to the shift toward an economy of connected experiences, we need to re-think a long-held assumption that consumers are passive recipients of information. In the push-driven marketing model, consumers (a label that is problematic and narrow) are assumed to be mere recipients of a product or brand story. They are typically characterized as “eyeballs” and “targets” whose penetration is then measured by recall, impressions and mindshare.

Companies need to develop a far different and more dynamic understanding of their audiences. People are never simple, passive recipients of “messages” and never have been. When they choose to engage, “They are willing participants in a dialogue with your brand,

products and services. People are using the things companies make and sell to tell stories to one another about who they are. And in that telling, people get other ideas, they discover new things to be, new ways to be who they are – they are always looking for ways to make those stories new, better, more compelling. This is why we need to understand them, their frames of reference, their language.”<sup>1</sup> In short, we must view people on their own terms.

Static models of consumer merely surrounded by new media and channels can no longer guide a business focused on the needs of the always-on, connected consumer. Putting the consumer at the center of the experience changes everything.

<sup>1</sup> Rick Robinson, “Uncertain Answers: Research, Risk, and Brands” Retail Marketing Institute Annual Conference, August 2002.



### Innovation changes.

Business value creation now begins with the person and radiates to other parts of the organization as a reference. For example, Stefan Olander, VP of Digital Sport at Nike, explains: "We don't start with technology or the potential profit; we always start with the athlete. I think that's an important distinction because when you do that the other things follow."

### Brands and products change.

They are now tools that enable people to live their stories. A person's story is larger than the brand itself. The new goal for marketing? How to get customers to incorporate company products/services/brands into their stories – to develop the brand story inside the consumer story.

### Measurement systems and intelligence platforms change.

A different view of product and brand requires a new system to measure and understand what's meaningful in everyday experience. We need an approach that blends art and science, story and technology, and that looks more deeply at experience. Such an approach should be sourced by multiple data types and should value the role of human intelligence and interpretive skills. The desired outcome: actionable models that affect business metrics and initiatives.

Fig. 1

### New Communication Methods: Beyond Push and Pull



Symmetrical  
Owned by Company AND Customer

#### Goal

Connect with consumers  
Be relevant and meaningful

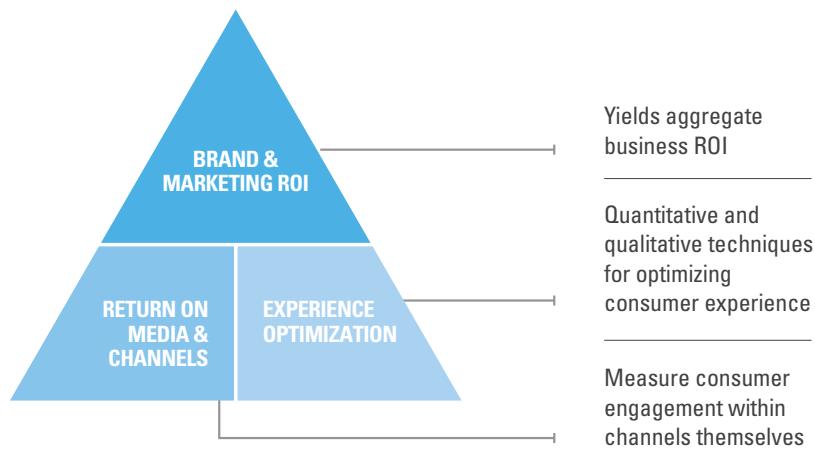
#### How

Engagement platforms + an Organizing Idea  
Company as story enabler, extender  
Company creates the conditions for experience  
Persistently viral, always-on

#### Evaluate and Measure

The experiences of people, places and things  
Interactions AND perceptions

Fig. 2

**Measuring Return in the New Era**

Yields aggregate business ROI

Quantitative and qualitative techniques for optimizing consumer experience

Measure consumer engagement within channels themselves

*We must measure marketing effect outside of traditional advertising and sales channels and take on a broader and more inclusive definition of marketing itself.*

*And revenue.*

*This type of execution, which is co-created, data-rich and deeply motivational, requires new kinds of descriptive and prescriptive tools.*

## Toward a Wide-Angle Measurement System

SapientNitro has introduced a measurement model that recognizes the new reality of commerce and marketing. We call our model “Return on Experience” (RoX). By building on old approaches and adding a new way to think about, optimize and measure what’s meaningful in experiences, RoX attempts to model the overall return of an investment in building an “experience-led” brand. RoX prescribes connected experiences that enjoin company and customer.

Our model brings together multiple perspectives in order to measure a return on experience-led initiatives. Each element seeks a different set of metrics and techniques for measurement. The newest element in this mix is “experience” and new kinds of descriptive and prescriptive tools.

The Return on Experience model is composed of three parts:

1. **Brand & Marketing ROI:** Aggregate measures to assess the return on storytelling and experience initiatives.
2. **Return on Media & Channels:** Next-generation marketing mix and cross-media analytics provide a more detailed and accurate picture of channel impact and effect.
3. **Experience Optimization:** A measurement framework to more precisely assess experience with a new frame of reference and new measurement tools, like sensor technology, which produce new forms of consumer-behavior data at a level that can be mined for insights.

RoX shows how businesses create value across connected experiences and how that value can be followed and measured down into individual moments themselves.

Fig. 3  
**Return on Marketing Investment Formula**

$$\frac{\text{Incremental Revenue Attributable to Marketing}}{\text{Contribution Margin}} - \frac{\text{Marketing Spending}}{\text{Marketing Spending}} = \text{ROMI}$$

*Return on marketing investment – originally coined by Gary Lilien and Philip Kotler in their 1992 book “Marketing Models” – is based on the formula shown previously.*

### Brand and Marketing ROI

The first element of the model focuses on ROI of brand and marketing itself. The model uses a variety of business analytics to evaluate return and efficiencies at the aggregate, corporate level. Some examples include ROI analyses, marketshare, cost/benefit, or the balanced scorecard.

### Return on Media and Channels

The second element of our model addresses return on media and channels. Recent developments in the field of media mix modeling use sophisticated next-generation algorithms (mathematical models) to quantify cross-media effects of marketing.

Traditionally, media mix modeling measures a given channel's direct effect on sales. Yet today, during an “average day” for many, people experience several hundreds of touchpoints across a huge variety of media and channels.

Brands often tell their stories in blended media, and new analytics tools help attribute the return on media and channels more precisely. The major advancement is in predictive forecasting models, which now can reveal cross-channel impacts, or “assist rates,” taking into account the interplay between traditional media (radio, print and TV) and digital (search, display, social, and mobile) at a brand and category level.

This approach enables marketers to continuously measure and calibrate marketing investments and generate incremental ROI.

## ► NIKE MOVES PAST TRADITIONAL ROI AND EMBRACES EXPERIENCE METRICS

Nike tells a compelling story about how the shift to experience bolsters its aggregate gains. Nike wasn't getting enough return out of its media spend; so the company shifted to a bigger spend on experience-based marketing such as the Nike+ product platform. This change improved Nike's return on media and channels, making it more efficient – in other words, Nike has improved its Return on Experience. Raising Nike's RoX gave that spend more leg, resulting in a maximized topline ROI.

Over the past three years, Nike's print and ad spend has decreased 40 percent. All the while, its overall annual marketing budget has increased to \$2.4 billion. (CNN Money, February 12, 2012) Where is the money going? Into building ecosystems for customers to experience: products, digital environments, apps, and websites.

Stefan Olander at Nike explains this shift in spending: "When you have millions of people that come back and reconnect with your brand multiple times a week, you realize that the connection is more valuable and powerful than any traditionally pushed marketing message."

He's talking about the value of the Nike experience. If you can get a customer to come back to engage with your brand multiple times a week, that is far more effective than any single marketing campaign.

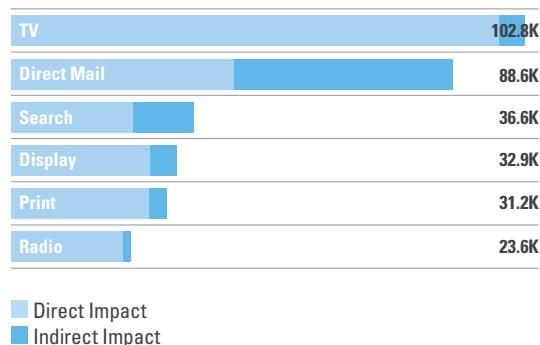
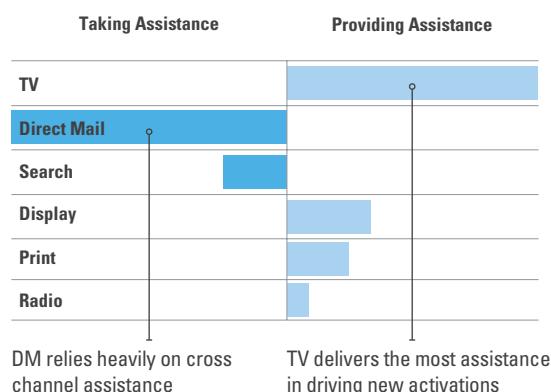
Olander also says, "The biggest audience Nike had on any given day was when 200 million tuned in to the Super Bowl. Now, across all its sites and social media communities, it can hit that figure any given day."



Fig. 4

**Measuring Return on Media and Channels**

Percent of New Activations Influenced by Cross Channel Interaction

**Cross Channel Interaction Impact on New Activation**

*The latest media mix models track not just the direct impacts, but also indirect impacts, to optimize media buys. For example, while TV delivers the most direct assistance, it is very expensive, making it just part of the optimal portfolio.*

**Experience Optimization and Experience Assessment**

The techniques that marketers use to assess experience don't do justice to the nuance and range of how people act, connect with others or sense (and make sense of) their world. But three major advances: sensor technology, information processing and experience dimensions – are changing the way organizations instrument and optimize experience.

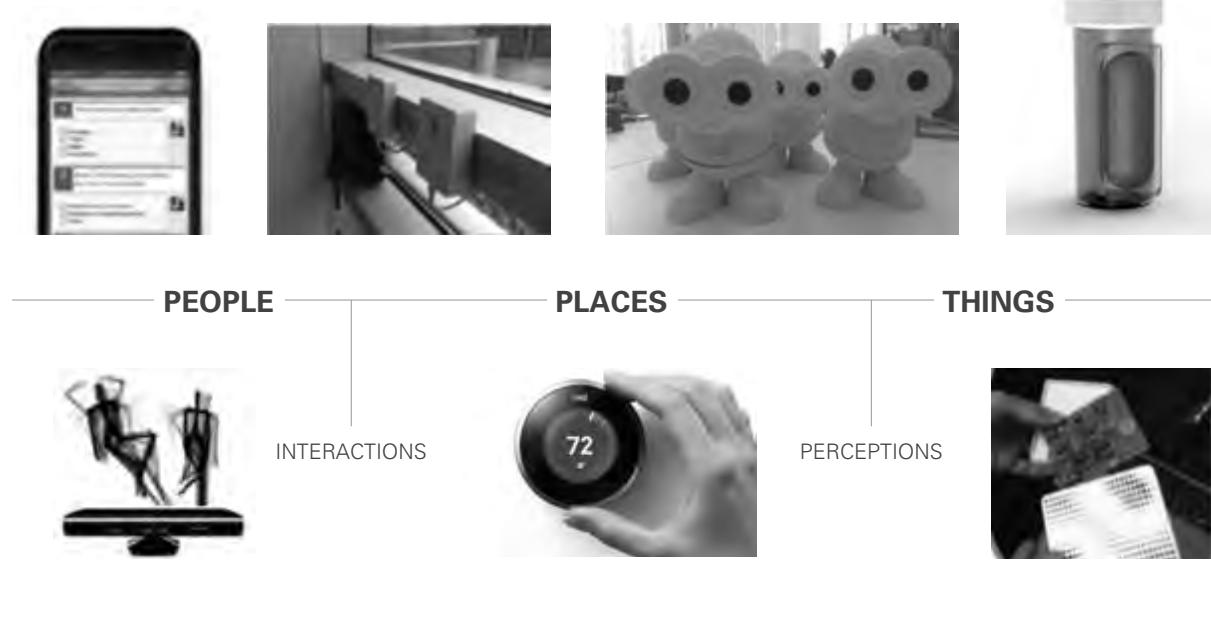
To begin with, we need better sources of data and ways to harvest it.

**Sensor Technology:** For the first time, sensor technology has "things" talking. Everyday consumer products – homes, offices, and retail spaces; civil infrastructure; and even the natural environment – all have the capacity to communicate and to deliver huge volumes of real-time data at a level of detail never before possible. Such data can be used alone, or correlated with other quantitative or qualitative sources, to deliver a powerful new kind of business intelligence.

**Information Processing:** That information, combined with advanced consumer intelligence processes and platforms, turns information pathways into real business value. Marketers benefit from a richer, dynamic and more efficient consumer understanding – with greater depth and detail that changes as the world and people change.

Fig. 5

**Four Types of Sensor Technology Used to Assess and Optimize Experience**

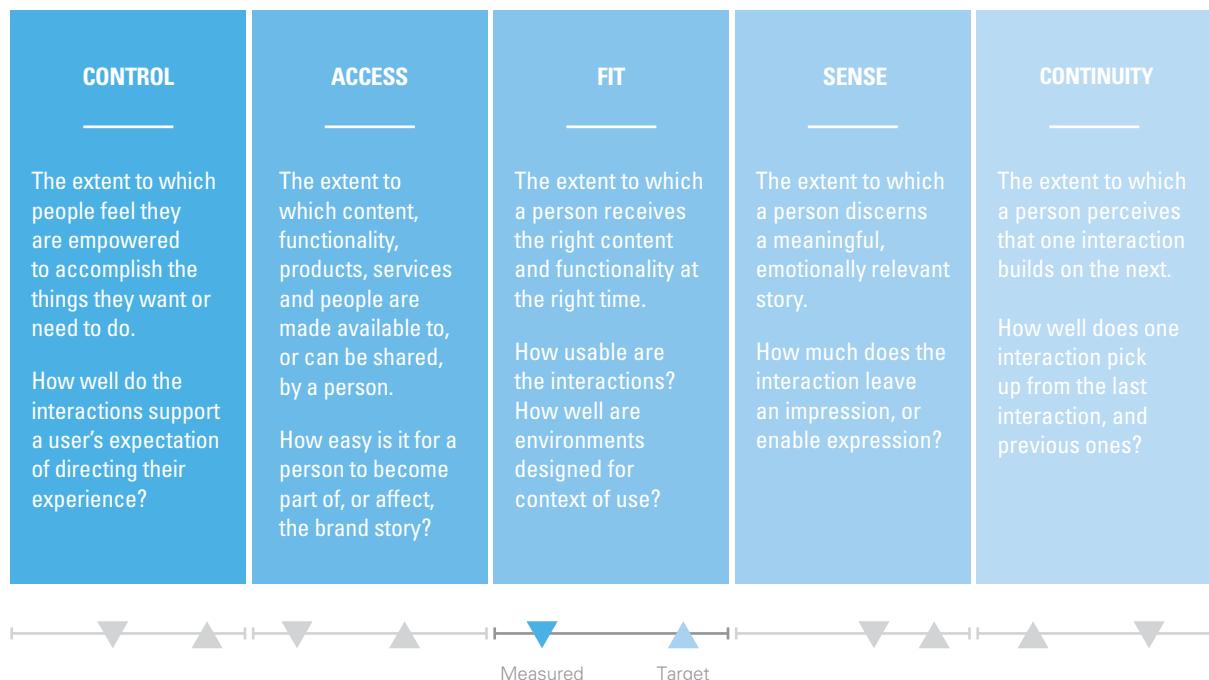


*Experience professionals are applying technologies, methods and techniques of market and consumer research to build a richer, always-on instrumentation of the key aspects of experience – contexts, social structures, the material world, etc.*

*We can now – for the first time – use sensors to directly measure everyday consumer products, homes, offices, retail spaces, and even natural environments. These data, combined with processes and platforms, enable a new, much richer view into the wants and needs of consumers, and how the experience is delivering – or not – for major firms.*

*Clockwise from top left: Opt-in retail mobile app with location and activity tracking, ultrasonic sensors in retail environment, hidden motion-activated video camera, networked prescription pill bottle, circuit board of a motion-activated sensor, digitally connected thermostat, analysis output of multiple weeks of person-tracking video.*

Fig. 6

**SapientNitro's Five Experience Dimensions**

*To more precisely characterize customer ecosystems and describe customers' experiences, SapientNitro has developed a new, proprietary model of experience originally developed for urban planning by Kevin Lynch in "Good City Form," and modified by our teams for use within brand strategy and experience design.<sup>2</sup>*

**But what are the dimensions of the scales themselves?**

Experience Dimensions: The third part of experience optimization is developing a new, proprietary model of experience. We've identified five experience dimensions that are used to assess how well a particular campaign; design, interaction or environment performs in terms of experience. Those dimensions are Control, Access, Fit, Sense and Continuity.

These experience dimensions are used in our approach to experience design and strategy. For example, we conducted primary research over the course of three months analyzing 28 different leaders in delivering superior experiences.<sup>3</sup>

<sup>2</sup> Originally developed for urban planning by Kevin Lynch in "Good City Form," and modified by our teams for use within brand strategy and experience design.

<sup>3</sup> This research is featured in Insights 2014 as the article "Evaluating Real-World Experience: A Study of Leading Brands."

## Return on Experience in the New Era of Marketing

We've entered a new era of marketing based on dialogue, not monologue. This new era requires new methods and techniques for marketing to connect more effectively. To achieve the optimal return from your marketing investments, you need to marshal your resources with the knowledge that it's not (only) about you.

To ensure you are really creating an adequate model of experience in the era of dialogue, you need a measurement system that blends art and science and story and technology – one that looks more deeply at experience and includes intelligence platforms sourced by multiple data types. And don't forget the role of human intelligence and interpretive skills to create actionable models that affect real business metrics and initiatives.

Our model of Return on Experience represents the requisite set of measures useful for guiding business today: corporate investments, media and channels, and experience optimization/assessment.

**Go, gather -> model -> understand -> act -> measure -> go again**

**Fearlessly.**

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# BUILDING SOCIAL BUSINESS AND BRANDS: AN EVOLVING APPROACH

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## **Early in *Mad Men*'s second season, Harry Crane, a junior employee at the agency, has just been tapped to build a television department from the ground up.**

Nobody's an expert in the space – least of all Crane, who continually crosses clients and coworkers as he goes. He lands an ill-timed product placement for Maytag that triggers a frenzied spate of Cold War-era crisis management. Eventually Harry realizes that growing a department in the space of emerging media can sometimes mean doing the job of multiple people – including the heavy lifting, client interfacing and budget management.

Harry Crane's fictional story from the 1960s resonates with present-day social media professionals. Social media is too often characterized by poor campaign planning, lack of staff support, and needless exercises in crisis management (can we all just agree that brands should never post anything related to national tragedies?). Growing a strong social brand is not for the weak of heart. Or mind. But making your brand a social one can make your organization into a more nimble and customer-centric one – if you can overcome six key challenges facing social today.

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### **Challenge 1: An Emerging Professional Skill Set**

In the first decade of social, platforms mesmerized brands. Most platforms were small, nimble and fun. You could get in with a low budget, and the potential opportunities were massive. The barrier of entry was so low that brands jumped right in.

Facebook pages were created and abandoned weeks or months later by people lacking much experience. One CPG firm knew that it wanted to use social media to highlight the breadth of their product offering. Its solution was to create a unique Facebook page for each product, multiplied across different markets. This multipage, multiproduct and multimarket approach made it almost impossible for the firm to coordinate and sustain a cohesive global campaign around a single product, much less the brand itself.

It's no surprise then, that some of the campaigns, agencies, companies, and individuals failed – some spectacularly. Many clients got burned with unmet promises, unrealistic budgets and schedules, and overall lack of expertise. Some are still haunted today.

**What we know today:** Thankfully, we now have a deeper base of experience. We also tend to interface more closely with senior leaders throughout the organization – and they are increasingly sophisticated in their understanding of the space, including investment and return on social engagement. Still, it's a young domain, and brands continue to hire junior talent to drive their social strategies. According to a 2013 study<sup>1</sup> of social media professionals, 47 percent of respondents said that their preferred level of experience for social practitioners is between one and three years – and 25 percent use interns.

## Challenge 2: Lack of Internal Governance and Collaboration

Organizational governance is a significant obstacle for social brands. In some instances, social media is owned and executed by multiple departments, from Marketing and PR to HR or new product development. According to a 2013 study, only 27 percent<sup>1</sup> of businesses have a dedicated social media team in place. Shared ownership, while often unavoidable, can result in diffusion of responsibility in times of crisis, and complicates investment planning. If no one really owns social, then social initiatives don't tend to succeed or evolve.

In other cases, social lives in a single department, in or outside of the marketing discipline. The discipline owner tends to amplify the power of social for that discipline, forsaking the rest. For example, a financial services firm's social media strategy might be governed entirely by the IT team, rather than the marketing or branding team. In other cases, a marketing team might own social, but other departments like customer service and legal haven't been engaged or educated in how social can drive the unique business objectives they care about.

**What we know today:** Creating a social leadership committee can be immensely helpful in fostering organizational alignment. By identifying a key stakeholder from each major domain within an organization and meeting frequently to discuss their contribution to the social customer experience, our clients have successfully mitigated the disjoined approach and investment in social media that is sometimes present in highly fragmented organizations.<sup>2</sup>

## Challenge 3: A Focus on Channels and Not Experiences

At its best, social media is a behavior or cultural value activated through a set of channels or tactics. It's more than the sum of Facebook, Twitter and Instagram, but rather the great customer experiences that can come from those platforms working together cohesively and creatively.

One of the most exciting aspects about working in social media is the constant influx of new platforms and tools. It's essential to evaluate the role and objective of a new platform – and how it will work cohesively within your social platform mix – before jumping in.

Brands should not be afraid to experiment, though. In 2013, Taco Bell added SnapChat into its social mix, using the platform to shape a narrative around a trip to Taco Bell through a series of photos and videos. Though SnapChat has a reputation for risqué content, it also boasts 350 million photos shared per day and is hugely popular with the 13 to 23 age group. For Taco Bell, the potential risks associated with SnapChat were far outweighed by the opportunity to connect with a key target demographic whose attention is notoriously difficult to hold. Moreover, Taco Bell has

<sup>1</sup> "Structuring a Social Media Team," Ragan.com and NASDAW OMX Corporate Solutions. 2013.

<sup>2</sup> See Alan Schulman's article on "Brand Messaging in Real Time: Reaching the Always-on Customer" for an alternative approach to staffing multidisciplinary social media teams.



Taco Bell added SnapChat to its social mix in 2013. SnapChat boasts 350M photos shared per day and is hugely popular with the 13 to 23 age group. One of the great challenges of social media management is the rapid change in platforms and tools.

infused its brand identity with risk and excitement, as well as friendship and shared experience. These attributes are perfectly in line with the functionality of SnapChat.

**What we know today:** It's easy to get excited about a new channel and all of the potential it holds for our business. But when considering expanding a brand social presence onto a new channel, it's essential to understand how the channel in question will add value to the existing or desired social customer experience. Focus on the underlying behaviors that a channel can help drive; the way channels connect to a broader ecosystem that supports the customer journey; and how they fit together to drive sales from an attribution standpoint.

As for defining what that social experience might look like, we often find that a discussion of brand values or attributes can be a great jumping-off point for developing guardrails around social content, voice and messaging for a brand.

## Challenge 4: Untested Crisis Management Plans

Many of our clients today are investing in robust crisis management programs for social media. In recent years, we've seen brand equity and perception seriously damaged by a story spread through social channels. In the mid-2000s, it was often an organization's employees that were the root of the story – perhaps because younger employees were more likely to be using (and misbehaving in) social. In 2009, two Domino's Pizza employees at the company's Conover, N.C., franchise independently posted a video of themselves doing certain unseemly things to a pie before it went out for delivery. The video went viral, and Domino's found itself embroiled in a social crisis. Even worse, Domino's didn't even have a brand presence in social media at the time, so creating a communications strategy for the space was even more of a challenge. Luckily, Domino's was able to react quickly, leveraging its loyal fanbase to advocate on behalf of the brand and releasing an official response via YouTube. By



*The now-classic social media case study, the *Dirty Dirty Domino's Pizza* video – created by two employees who single-handedly caused a massive social crisis – was watched by millions of viewers and resulted in significant damage to the brand and felony charges for the employees.*

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addressing the issue head-on in the very medium from which the issue arose (YouTube), Domino's was able to salvage its reputation and quickly launched a very successful social media strategy.

**What we know today:** These early examples of social missteps during the first decade of 2000 brought the potential risks of social media to the forefront of our industry's conversation about the emerging medium of social. Just as Harry Crane's Maytag sponsorship resulted in a doubling of his workload to rule out any future accidents, community managers and social managers began to develop more robust processes for social.

It's interesting to note that the Domino's experience with social media crisis prompted the brand to get more involved in the space, rather than shy away from social as a result. The brand recognized that it was subject to the tides of social conversation and crisis whether or not it was active in the space – but that managing a social crisis was made much easier with the aid of an active presence and passionate community base. Once Domino's had invested in developing a process around crisis management after the incident, it was able to draw upon that resource over and over again to resolve future social issues – including a well-publicized 2013 community management gaffe that the brand handled with wit and panache.

## **Challenge 5: Disconnect between Social and Core Business Operations**

Social media can also be an invaluable tool for identifying and solving problems in times of crisis.

In the weeks after Hurricane Ike created \$25 billion in storm damage across the United States in 2008, one large insurance company was struggling to work through a common post-storm challenge: making contact with customers in affected areas to insure their safety and provide them with an opportunity to get information and help. The widespread impact of the storm also made it difficult to prioritize those efforts.

The insurance company had invested recently in a holistic social media monitoring program, (at the time, Twitter had 4M users, Blogger was the #1 social media site, followed by Facebook (200M worldwide users) and MySpace) receiving weekly and monthly reports on social brand health, conversation volume and themes, sentiment and key influencers. Upon receiving its first post-storm social monitoring report, the organization discovered that hundreds of affected customers were tweeting, blogging and posting about the ways the storm had affected their lives, their families, and their property. Social became an avenue for communicating with impacted customers who couldn't otherwise make contact with their insurance agent.

**What we know now:** Social media monitoring in 2014 doesn't stop at measuring campaign performance. It's also a key source of data for proactively understanding and communicating with customers. The wealth of social data around consumer preference, perception, behavior, and experience holds a vast opportunity for businesses to derive value from social.

## **Challenge 6: Short-Sighted Social Strategy**

In the early years, few brands planned for infrastructure, people, budgets and long-term strategic roadmaps. Let us return to the example of Harry Crane and Roger Sterling, particularly their motivations for creating the new Sterling-Cooper television department. As Harry says, the agency needs a TV department because "all the other agencies have one." This catch-up mentality was also the driver of many an early social media presence, which influenced some C-level executives to impulsively ask their inexperienced teenage children or junior employees to open a social media presence.

It's easy to build a presence in social – inexpensive, quick, dirty, and so different from traditional media. But social is permanent. It's a dialogue, not a message. It's dynamic, not static. It deserves planning and thought. Social business professionals need to make the social brand sustainable for years after the initial engagement or campaign.

**What we know today:** As our collective social sophistication increases, and as brands expand their presence in the ecosystem, business objectives become the crux of the conversation around investment.

Social is the new way that businesses operate. Social affects the way businesses identify and respond to customer issues. Social affects the way customers find and share information about a brand's product, content or experience. It affects the way companies recruit new employees and retain and communicate with current ones. It allows brands to share thought leadership with a broad industry peer set and conduct research and development for new or existing products. We must broaden our thinking around defining and driving toward key business objectives to acknowledge the role of social as it enacts subtle changes in every aspect of our lives today.

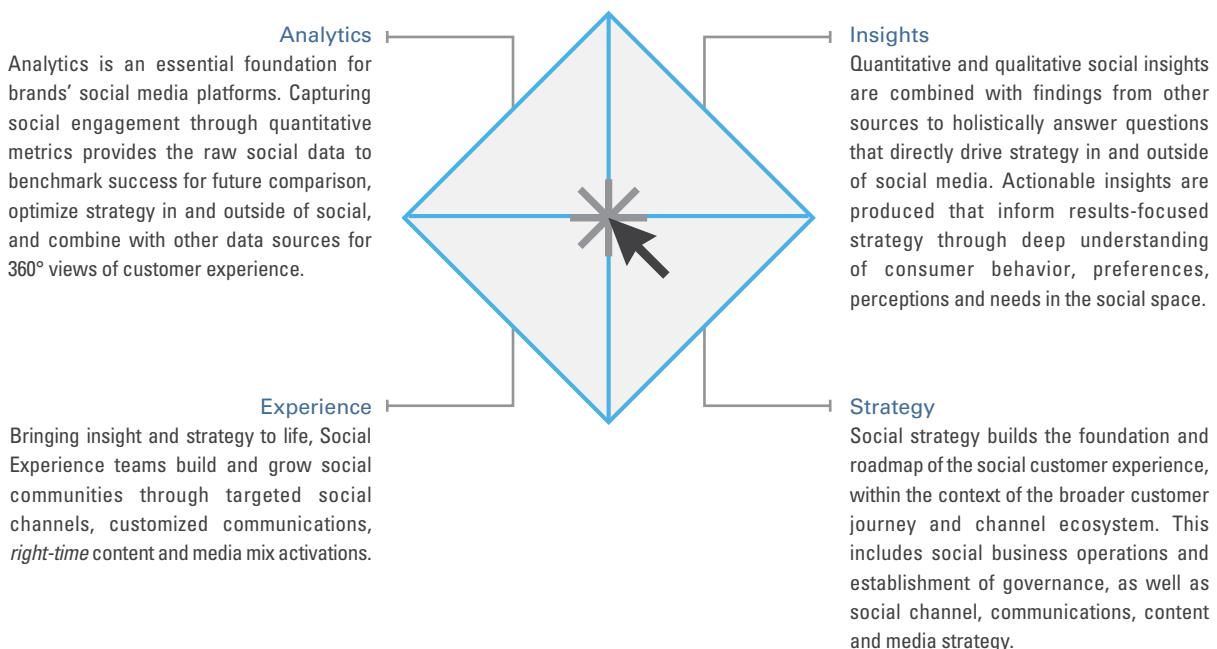
## Where Do We Go from Here?

Business objectives should be at the heart of social business. A strong social brand can positively affect every phase of the customer journey, in both the long and short term. By aligning to a set of defined social business objectives, and measuring performance by key performance indicators, brands can understand their return on investment. We've learned that social media is increasingly a key factor in driving consumer loyalty in an age when brand loyalty is almost mythological. We've also implemented a holistic approach to developing, executing and measuring social strategy for our clients that extends beyond domain or business function:

Social media is a philosophy, a mentality, and a behavior that can be applied to most aspects of a social business. Social demands brands be adaptive, flexible, imaginative, and future-focused. If we can retain those qualities in the coming decades – even as new forms of media emerge and our industry changes and grows – we shouldn't ever have to worry about irrelevancy.

Fig. 1

### Four Foundational Elements of Long-Term Social Media Management

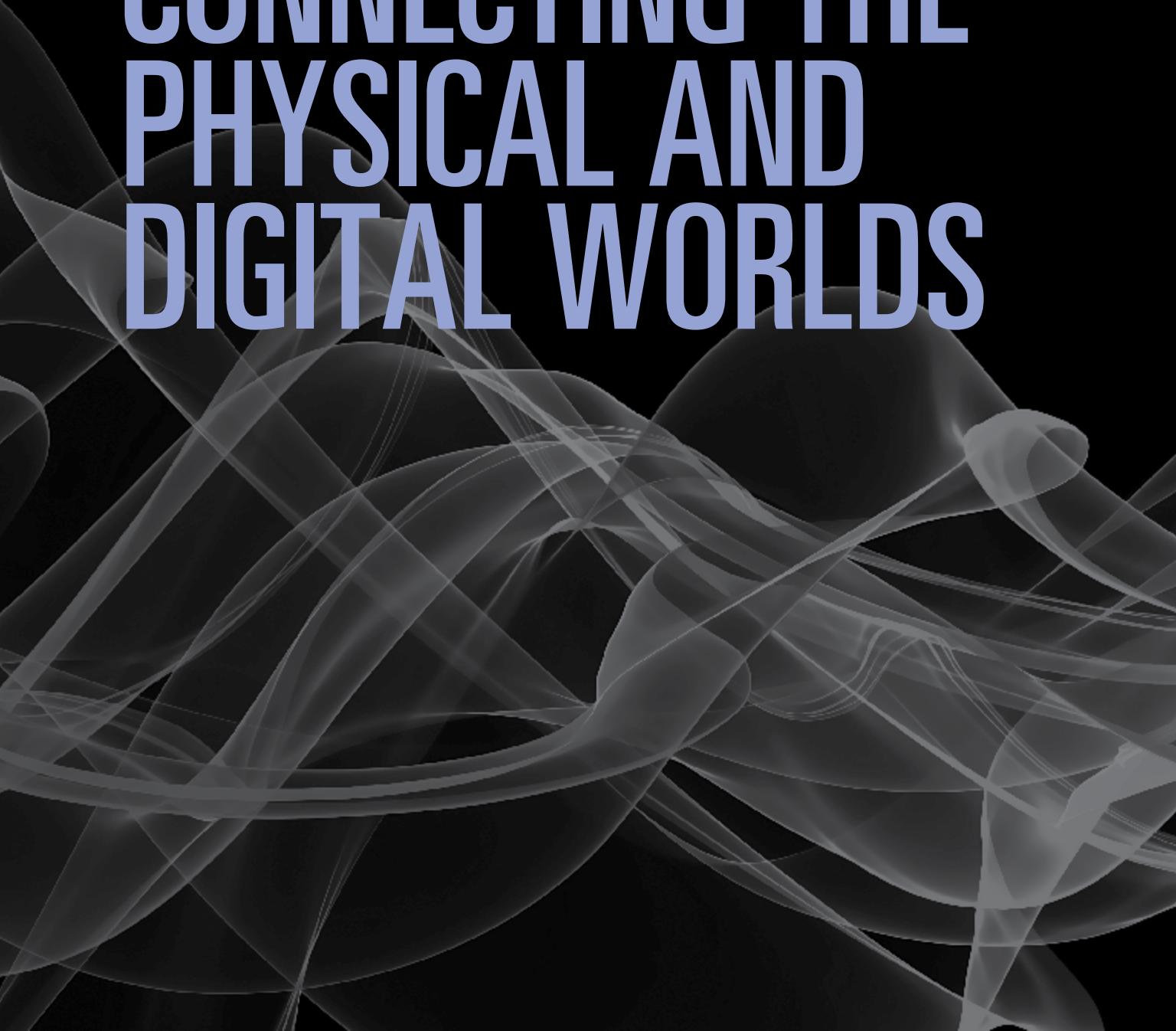


*Social media teams at SapientNitro focus on addressing and delivering value in the four major areas shown above. The Experience and Strategy categories are the most far-reaching as brands look to respond to changing consumer behavior and the rise of new communication methods.*

TREND

3

# CONNECTING THE PHYSICAL AND DIGITAL WORLDS





The third major trend is the growth of connections between the digital and physical environments. We're seeing a tremendous rise of connected technology in the physical world around us. From wearable computing, gesture and voice technology, the internet of things, the rise of NFC scanners, and self-driving cars, we're still on an upward trajectory of connectivity.

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# 2ND ANNUAL IN-STORE DIGITAL RETAIL STUDY: EXPLORING THE REALITY OF THE DIGITALLY ENABLED STORE

PROPRIETARY RESEARCH

## ► Hilding Anderson

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## **RETAILING USED TO BE SIMPLER.**

**The role of the store was to put product in the hand of the customer.  
Stock the shelves. Accept payment.**

But that world is long gone. Today the linear journey of customers has exploded across touchpoints. These touchpoints are powered by technology that makes it possible for purchases to happen anywhere.

---

Retailers have responded. We are seeing significant new innovation and changing business models in pilots, test markets, and in a few select retailers. Yet, it isn't clear to what extent these innovations are trickling into real-world retail experiences. So we conducted a study to find out the answer.

For the second year, SapientNitro conducted a study of the physical retail environment to determine which brands are responding to the challenge of the new, connected consumer and changing digital environment, and which are not.

To measure the degree to which retailers are successfully enhancing their store properties with digital tools, we conducted an independent, three-month audit of retailers. We evaluated the physical locations of 72 U.S. and Canadian retailers across seven key criteria, gathering more than 500 points of data. We augmented our fieldwork with a customer survey, sent to 1,500 consumers in partnership with the global market research firm Ipsos (See Methodology & Approach).

For the first time, we crowned three brands – two of them new to our list this year – as “excellent,” on the strength of their in-store digital tools. Sephora emerged as the leader again this year, with a significant update to its set of interactive and mobile tools. The two “excellent” newcomers are SportChek, highlighting the growing sophistication of the Canadian retail landscape, and Walgreens, which highlights the power of a smaller digitally enhanced footprint store with an intense digital experience in liquor, cosmetics, food, and pharmacy.

Two of last year's leaders – Bloomingdale's (#2 last year) and Macy's (#3 last year) – redesigned sections of their stores to be much more digitally centric, earning both “Good” rankings this year; but ultimately, they were outpaced by the new players. This year they ranked 4th and 6th respectively, despite a double-digit bump in their scores.



Fig. 1

**Challenges to Creating Innovative In-Store Digital Experiences****56\***<sup>%</sup>have no formal process  
for innovating the in-store  
experience**68\***<sup>%</sup>have no single owner  
of customer experience  
across channels and  
functions<sup>\*</sup>2012 Kurt Salmon

*There are tremendous challenges to implementing the store of the future, but some of the biggest, the data shows, are internal process and ownership.*

Overall, just 18 (of 72) retailers emerged with scores higher than 45 (out of 75 total points). A third of the retailers we studied had no visible in-store displays whatsoever. Clearly more work needs to be done.<sup>1</sup>

Our study suggests five realities about the state of retail:

- 1. Retailers have significantly improved the integration of digital displays into store design**
- 2. Interactive tools distinguish the “excellent” retailers from the also-rans**
- 3. Interactive tools tended to be point solutions, not immersive experiences**
- 4. Mobile tools are the area of greatest change since 2012<sup>2</sup>**
- 5. Cross-channel shopping technology has essentially become table stakes, at least for the leaders**

As the following findings from our study show, retailers are striving – with varying degrees of success – to improve the in-store experience by applying tools ranging from mobile to personalized technologies.

*While Burberry’s halo store in London captures the most attention, Burberry has also been working with major retailers to bring more digital screens – including this 20-foot-high version – to department stores.*

<sup>1</sup> In terms of specific areas revealed in the research, we saw the greatest change in “Visibility” of digital displays in-store with 13 new brands achieving the top score, up from one last year, and in the sophistication of “Content” on digital displays, which saw 7 new brands with a top score, up from zero last year. “Function,” which evaluated interactive tools, saw just a slight increase, with just 6 brands achieving either a 4 or 5 in this category.

<sup>2</sup> In our survey, a majority of American and Canadian consumers (81 percent) say they have used their phones while in a physical retail store in the past three months.

## KEY THEMES

### 1: Mobile Tools Improve: Location, Wayfinding and Scanners

We know from our work with our own clients that mobile represents an area of major investment, which is reinforced by our research. This year's study showed a significant improvement in the application of mobile to the in-store experience.

#### What Worked

Macy's, Target and Walgreens all provide updated mobile apps that feature both new content and functions such as wayfinding (the ability to see your precise location on the store map within the brand's app); barcode scanning; QR (Quick Response) code scanners; and some experimentation in AR (Augmented Reality).

For example, Macy's flagship store reveals your exact position on its floorplan. Chicago's CityTarget finds the precise location in the store of items on your wishlist.

In-store barcode and QR scanners have also improved. For example, Gap offered a barcode scanner, which worked a majority of the time, allowing you to compare prices and read reviews from anywhere in the store.

#### What Didn't

Augmented Reality applications struggled this year. In particular, UNIQLO and L'Occitane both have working AR scanners, which recognize the physical shape of the product, but don't return useful content. UNIQLO returns a paragraph of marketing text, and L'Occitane revealed a photo of the product – but no additional product reviews.

In fact, just one retailer, American Apparel, offered customer reviews through Augmented Reality, and none offered personalization or recommendations of products offered through AR. In the end, no AR app (perhaps with the exception of American Apparel) delivers a must-have experience.

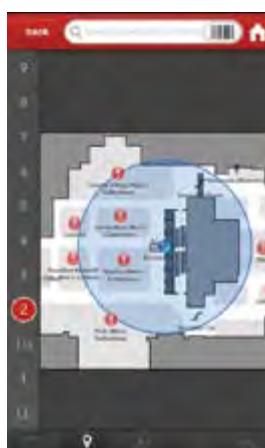
A second common fault is that retailers rarely mention digital tools in the physical space. While placing signage in the physical store may sound basic, it is particularly important for AR, when any shape – a bar code, shape on the floor, or picture – can serve as a trigger to launch a digital experience.

#### What Consumers Want

In our survey, mobile emerged as an essential digital technology for consumers while they are in the store, although not in the way you may think. Eighty-one percent of customers are already using their phone in-store, and showrooming emerged as less of a concern than expected. Just 31 percent of consumers say they compared prices online while in the physical store. Mobile gaming is a popular in-store activity, suggests other, unreleased SapientNitro research, as parents use the device to entertain kids while shopping.



*The Victoria's Secret NYC flagship store was recently redesigned and features extensive use of digital displays on multiple dimensions, including the walls and ceiling of the escalator spaces.*



*Macy's mobile app displays a shopper's location and movement in the flagship, Herald Square location (the only location evaluated).*



*Target's app shows shoppers the section and aisle location of items on a mobile shopping list, with a dot indicating the precise location of an item in the aisle.*

## ► 2013 CONSUMER RETAIL PREFERENCES STUDY REVEALS SMARTPHONE USE – BUT NOT SHOWROOMING – IS UBIQUITOUS IN-STORE, AND OTHER DIGITAL BEHAVIORS

81% of shoppers interact with their phone in-store, but just 31% compare prices.

To evaluate retail customers' interest in digital technology, and the current state of the omnichannel shopper, we conducted an online survey of 1,500 U.S. and Canadian consumers from August to September 2013 in partnership with Ipsos.

There were five key findings in our consumer study.

First, we established that consumers still prefer to shop in-store, but they want shipping and fulfillment flexibility. (Figure 1)

Second, we established that most consumers walk into stores not knowing exactly what they want. There remains a large set of shoppers who will be influenced by the in-store shopping experience. (Figure 4)

Third, we determined that digital tools in-store are used and remembered today.

Fourth, we found that consumers want access to the type of data (e.g. product specifications, customer reviews) that typically comes from the digital realm – while they're in the store.

Finally, we established that phone use – but not showrooming – was extensive in-store.

Fig. 1

**Q:** Which statement most closely describes how you prefer to shop?  
I prefer to buy products...

|   |     |
|---|-----|
| In a Physical Retail Store <sup>1</sup> | 53% |
| Online                                  | 24% |
| No preference                           | 22% |

*Physical stores remain shoppers' first choice.*

Fig. 3

**Q:** Which of the following would be somewhat or very helpful?

|   |     |
|---|-----|
| Order from another store and ship to home   | 85% |
| Order in-store and pick-up at another store | 82% |
| Order in-store and ship home                | 81% |
| Reserve online and pick-up in-store         | 79% |

*Respondents want shipping and fulfillment flexibility.*

Fig. 2

% somewhat or strongly agreeing

|  |     |
|--|-----|
| I want to use any of my devices to help me shop<br>(e.g. mobile, tablet) | 61% |
|--|-----|

*Customers want to be able to use tablets, desktops, laptops, and smartphones to shop.*

Fig. 4

**Q:** Which statement most closely describes you?  
When I enter a store, generally I...

|  |     |
|--|-----|
| Don't know exactly what I'm going to purchase <sup>2</sup> | 57% |
| Know exactly what I'm going to purchase                    | 43% |

*Opportunity to influence in-store behavior is significant.  
57 percent of shoppers who enter stores have some uncertainty about what to buy.*

<sup>1</sup> Drops to 46 percent among U.S. respondents

<sup>2</sup> (Know the category, but not the brand) OR (know what brand but not the precise item) OR (just exploring and have little idea what I'm going to purchase)

Fig. 5

**Q:** Which of the following digital technologies have you seen in-store in the past month?



*Digital tools are not always noticed or used today. In the past month, just 33 percent remember seeing video screens or walls. But of those who recalled seeing these displays, 54 percent interacted with the devices. 30 percent recalled them influencing their purchase. More work needs to be done to make digital tools and displays more effective.*



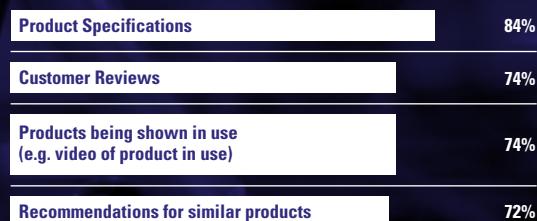
*American Apparel made it easy and intuitive to explore product features through their mobile app. This is the screenshot of the content triggered by an augmented reality token.*



*Macy's Michael Kors cosmetics area featured digital displays in multiple dimensions.*

Fig. 6

**Q:** When shopping in a physical retail store, how helpful would access to the following information be for you?

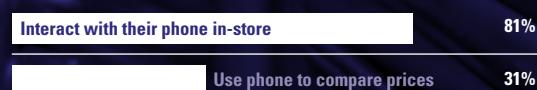


*Consumers want access to digital and multichannel content in-store. Specifications, customer reviews, and products in use were most sought after.*



*Foot Locker's associates helped customers build personalized shoes with their touchscreen kiosk, customizing the materials and colors of the New Balance 574.*

Fig. 7



*Phone use – but not showrooming – is ubiquitous in-store.*



*Nine West's digital hub has multiple interactive displays but was hamstrung by the lack of interactive content.*



*Target's touch-based in-store screens enable you to pull up your shopping lists in-store.*

## 2: A New In-Store Formula: Video, Screens and Store Design

Retailers are rethinking store design and layout. This year, we found an increased role for digital technologies: improved and novel screen placement, high-quality storytelling, and improved integration of displays into the store architecture.

### What Worked

Among our leaders, video and displays were much more integrated into the store design this year. We noted three innovations in how screens are used:

#### A. The Lighthouse Effect

Retailers are methodically using in-store displays to capture attention, often by placing a large screen adjacent to an endcap or important product area to draw attention. These displays serve as beacons to attract customers.

#### B. Screens to Highlight Product Quality and Innovation

Nautica, for example, has video that zooms in specifically on buttons, stitching and sleeves to emphasize quality. Louis Vuitton uses video to highlight the craftsmanship of its leather products. Nike uses video to demonstrate fit associated with three different styles of women's exercise pants – regular, slim, and tight.

#### C. Exploring Multiple Dimensions

Macy's and Victoria's Secret both have environments that use digital displays on the ceiling to enhance the intensity of the experience. SportChek includes motion-sensitive video of a woman running next to you on the escalator.

### What Didn't

Walgreens' Dr. Scholl's experience, JCPenney's and Macy's price checkers, and some of Canadian Tire's digital catalog kiosks featured outdated and poorly installed hardware, and seemed to be designed with limited regard to floorplan or physical aesthetics.

Too often, these digital displays do not support a networked shopping pattern preferred by shoppers today; instead, trailing retailers focus on installing a set of "point solutions" focused on one task, offering limited flexibility to shoppers.

### What Consumers Want

Consumers realize the value of the in-store displays; 74 percent of consumers thought seeing the product in use (e.g., video) would be either somewhat or very helpful. And while one in three recall seeing video screens in-store in the past month, most (less than 30 percent) felt it didn't impact their ultimate purchase.

### 3: Interactive and Personalized Tools Disappoint

Much work remains until the digital retail experience is interactive and personalized with digital tools.

Based on our study, well-executed interactive tools are aspirational for most retailers. Nearly three-quarters (71 percent) of retailers in our study lack a “basic degree of interactivity.” Interactive tools separate top retailers from the also-rans.

#### What Worked

Leading examples include Sephora+Pantone Color IQ, Skincare iQ, and Fragrance Finder; SportChek’s customized hockey jersey tool and interactive local community leagues; Walgreens’ Find Your Look virtual mirror, party-planning tool and digital “mixologist”; Foot Locker’s New Balance shoe builder; and Bloomingdale’s Me-Ality body measurement tool. (See the case studies for details).

As we reflected on these tools, we found four common solution types:

- 1. Automated Pickup** (fully automated kiosks to make and manage a purchase): one example is Home Depot’s kiosk-based propane pickup tool outside the store.
- 2. Product Selector** (ability to filter the full list of products based on some criteria, often product specifications, but could be reviews, ratings or price): examples include Sephora’s Fragrance Finder and Walgreens’ party planning kiosk.
- 3. Personal Mobile Shopping** (ability to use your own mobile tool to scan, browse and receive personal product recommendations): one example is Macy’s mobile app.
- 4. Custom Product Design Center** (ability to create bespoke products or personalize existing products): examples included Foot Locker’s New Balance shoe builder, and SportChek’s design-your-own Toronto Maple Leafs hockey jersey.



*Bloomingdale's Me-Ality body scanner reliably measured fit and recommended jeans in-store, but the online follow-up disappointed.*

---

Yet no retailer in the study connected the dots across these specific point solutions, or created an entirely new, uniquely digital in-store experience.

#### What Didn't

Some companies have stagnated. Macy’s and JCPenney seemed to realize that their first-generation kiosks weren’t working, a step in the right direction. However, they have not been replaced with new, more helpful tools – at least at the time of our study. Others simply have poor execution. For example, Nine West’s “digital hub” (opposite) is a striking vertical column in the middle of a compact store. It has many display screens, including several touchscreens, but a dearth of interactive content.

Overall, we were disappointed by the lack of interactive tools present in the current generation of stores.

#### What Consumers Want

The survey confirmed continued interest in interactive tools. Fifty percent of respondents say that interactive tools (to learn more about products) are an important part of the in-store shopping experience.<sup>3</sup>

<sup>3</sup>When asked to rate the importance of “the presence of interactive tools to learn more about products,” 50 percent scored it as a 6 or higher on a scale from 1 to 10. Furthermore, more than half (54 percent) of consumers who recall seeing these type of interactive tools engaged with them.

## 4. Supporting the Connected Shopping Path: Early Steps in Cross-Channel Storytelling

Cross-channel storytelling is one of the biggest areas of opportunity for retailers. Retailers are connecting customers who are shopping in increments: shopping from home, while in transit, and at work.

But even the leaders in our study are too often presenting customers with a collection of discrete experiences and not a continuum of digitally-enhanced, interactive and personalized shopping.

*"All too often, digital technology is deployed as a point solution serving only one use case. [Point solutions] satisfy a single need and in many cases do a good job, but they can be expensive and inflexible. eBusiness executives must think more strategically..."*

– Forrester 2013<sup>4</sup>

Digital must aid multiple steps of the journey: from discovery, consideration/exploration, sales and post-sales. Consider, for example, the latest store from Verizon, which allows customers to try products in-store, and allows shoppers to save their Verizon.com online shopping carts to continue shopping once they visit a physical store. The store itself is based around lifestyle zones, such as the "GetFit" zone that allows hands-on experience with FitBitZip, the latest fitness tracker, while the customer is on an actual treadmill. Other zones include "Anywhere



*The Build-A-Bear tool generated a 20 percent to 30 percent increase in 2013 same-store sales relative to a typical store without their interactive tools.*

Business" for mobile business, "Amplify It" for mobile listening, "Have Fun" for gamers, "Customize It" for smartphones, and "Home and On The Go" for home monitoring and security.

Another leading example were the Audi City showrooms, which redefined the exploration phase of the car buying journey in a handful of small-footprint city stores. Seventy percent of the cars sold through the showroom were done so with no test drive, and nine out of 10 purchases were with customers new to the Audi brand.

### What Worked

Highlights include Target and Home Depot, which both permit adding an item to a shopping list, and then syncing it to multiple devices. Target also closed the loop, letting visitors pull up a shopping list with in-store digital kiosks. We already mentioned Target's wayfinding-enabled mobile tool, mobile tool, which showed the in-store product locations of items on a wish list. Sephora's Beauty Insider list also worked as a shopping list.

### What Didn't

Our research found that while most retailers had a wishlist on the Web, just 12 retailers offer a shopping list option that syncs across both Web and mobile tools. And just one – Target – provided a tool to print out these lists while in-store. Other steps in this cross-channel storytelling – such as location-based push notifications, radio-frequency identification (RFID) changing room screens, and product-as-an-interface experiences – were entirely missing.



*Nike's New York City location featured screens displaying video of models wearing the three fit types for pants: regular, slim and tight.*

<sup>4</sup> Powering The Agile Store, Martin Gill, Forrester Research 2013.

## What Consumers Want

Our survey supported the continued interest in cross-channel shopping: 61 percent “want to be able to use any of my devices to help me shop.”

## Internal Challenges: Maintenance and ROI

### Support Remains a Concern

For the second year in a row, we saw too many disabled or broken experiences. Unfortunately, our key finding from our first study rings true this time around: Poorly planned digital is worse than no digital at all.

For example, Guess’s digital screens provide the following instructions: “Denim Guide: Touch Screen to Begin.” However, after touching the screen several times, we deemed the tool broken because no information appeared.

A Levi’s tablet at a JCPenney denim bar was not only missing one of its two iPads, but one of the two content sections, “Find Your Fit,” did not work.

Even the basic price checker remains disabled in the major stores. We found one store with three of six price checkers disabled on a floor.

### Digital Engagement Creates Measurable Value

Last year, we noted that digital tools generate significant ROI for companies that execute the right in-store digital platforms. This year, we can confirm those results. The cost of installing and supporting these tools is significant, and an ROI calculation has many factors. But the direction and rough magnitude of revenue benefits is now better known.

Based on SapientNitro’s work in the space, we have found a significant increase – on the order of 10 percent to 40 percent in additional in-store sales – relative to other stores. These benefits are primarily due to decreasing lost sales, ability to ship-to-home, improved in-store shopping by enabling co-browsing with sales associates, and brand contribution (improvements to brand value).

### Four examples that we can cite:

1. [Home Depot](#) saw a significant lift in appliance sales following installation of interactive digital tools in 2013.
2. [Build-A-Bear](#) reported a 20 to 30 percent increase in 2013 same-store sales with its interactive touchscreen stations placed in its “Store Of the Future,” relative to a typical store.<sup>5</sup>
3. [JCPenney](#) reported (in its 2012 second-quarter results) that its Levi’s Shop saw a 25 percent increase in store revenue using the new experience.
4. [Dunkin’ Donuts’s digital menu boards](#) have resulted in a 4 to 6 percent lift in promoted products when using video over a baseline from 2012 to 2013.

## Canadian Perspectives

This year, we added 12 Canadian retailers to the scope of the study to capture a more holistic view of the North American market. What we observed, and found in the survey, was that there are a set of leading brands in Canada that offer significant digital experiences.

In particular, SportChek had the best locally relevant community tools of any brand we studied. The company offers interactive digital community boards with photos, messages and the latest scores from its local sports leagues.

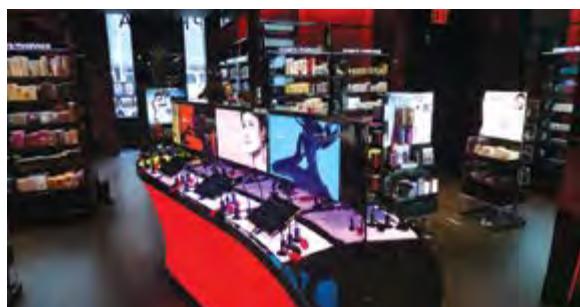
Elsewhere, digital directories, digital menu boards, maps and wayfinding were more pervasive than we saw in our U.S. evaluation, at least in the locations we visited.

Chapters book store featured kiosks throughout the store, and Canadian Tire had extensive digital interactive tools as well. Mark’s Work Wearhouse had digital screens, models and animation but relied as much on physical demonstrations as digital. For example, it sported a walk-in freezer in the middle of the store for evaluating cold-weather clothing.

<sup>5</sup> Retail Touchpoints. “Leading Retailers Use Interactive Technology To Improve Brand Experiences.” Accessed December 2013.



*Sephora's Perfume Finder in Times Square lets visitors sample individual fragrances with their sense of smell. It was an impressive interactive experience.*



*Sephora's Perfume Finder (see detailed image above) is mounted on a large console with backlit posters above each interactive tablet.*



*Sephora's Fragrance Finder matches the shopper's tastes, and offers a lifestyle-based method of searching and browsing different scents.*

## Case Studies

### Sephora (108 N. State St., Chicago)

Sephora has continued to improve its in-store experience with a broad set of interactive tools, digital displays and their mobile app.

The most significant tool is the Sephora + Pantone Color IQ. Aided by an associate, shoppers can discover the products that match their true skin color, and then explore product descriptions and reviews, save a digital shopping list, and share it through email or print. If a product is unavailable in store, the associate can order it directly from the tablet for home delivery.

A second notable experience is Sephora's Skincare IQ. A tablet-based quiz helps shoppers identify their skin types and matching products, and has similar output options as the Color IQ. The tablet is next to shelves of many relevant skin products. Unlike Color IQ, the quiz is completely self-guided and independent of associate help. It also isn't perfect. For example, it doesn't help customers find the location of the physical product in-store.

The third custom experience is an update to the Scentsa Fragrance Finder touchscreen kiosk. Increased interactivity includes quizzes that reveal scents that match the shopper's tastes and also show different ways of searching and browsing different scents. It shows what is available in store and provides product information that is new and improved with more brand videos, reviews, and options to email or save to a digital shopping list.

Sephora's mobile app offers shoppers a scan feature, providing easy access to additional product information and reviews, which can help with purchase decisions.

And inventory is visible across multiple devices, including Web and mobile.

In the end, it is this combination of rich, interactive tools with a full-featured mobile app that puts Sephora in a leadership position for the second year in a row.

### SportChek (2529 Yonge St., Toronto)

SportChek – a prominent Canadian retailer – was ranked Number 2 overall in our study, based on the strength of its digital displays and interactive tools across two floors. At SportChek, we also found the first example (in our two years of research) of motion sensors in a standard retail environment. In terms of content, SportChek's digital installations provide entertainment, information and assistance relevant to the products sold.

The highlight of SportChek's digital installations is clearly the escalator jogging experience: A video screen shows a woman jogging in place. As the customer approaches and triggers the motion sensor, the woman in the video begins stretching. As the customer travels up the escalator, the woman in the video "runs" up as well, through the woods and onto a beach where the customer steps off the escalator. Though it is not a (traditionally) interactive or assistive tool, it certainly

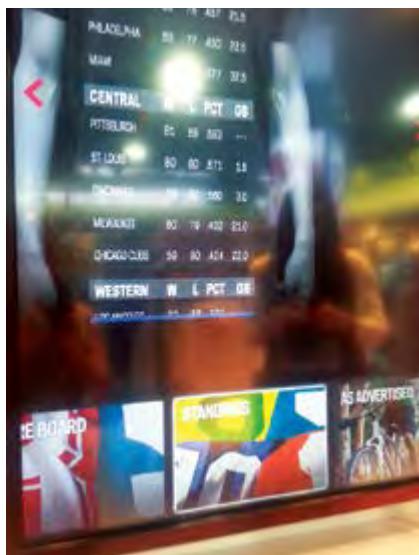
enhances the ambience of the store, fits with the brand, and delights customers.

Telling the story about community involvement appears to be a key goal at SportChek. Notable interactive tools include an interactive community board with sports scores for SportChek-organized leagues, including digital photos and messages. There is a shoe customization tool by Reebok, and a design-your-own Toronto Maple Leafs hockey jersey as well. A second community board is available upstairs.

SportChek performed well in the "Visibility" category with two large Nike screens on both sides of the entrance; small screens across the wall of sneakers; video screens behind the cash-wrap; and apparel and golf club demonstration videos.



*Customers can design their own shoes at SportChek's Reebok kiosk and have the shoes delivered directly to their homes.*



*The interactive community boards with photos, messages and the latest scores shows SportChek's strong emphasis on community involvement.*



*SportChek offers limited customization of hockey jerseys; shoppers can enter their name and jersey number.*



*The Walgreens' "Find Your Look" virtual makeover kiosk allows visitors to digitally preview makeup on a personal photo in-store. Shoppers can scan makeup products from nearby store shelves to explore different looks.*



*The Walgreens' Party Planning kiosk lets shoppers explore drink recipes and access party planning information.*

### **Walgreens (151 N. State St., Chicago)**

The two-story, modern Walgreens in Chicago is one of the leading drugstore/pharmacy in-store digital retail experiences in our study, utilizing both static digital media, as well as interactive tools, to help shoppers with their in-store goals.

Digital tools are located throughout the store. Highlights include a beer and wine section with two interactive kiosks. One enables adventurous shoppers to explore new cocktail recipes, and the second assists entertainers in their party planning.

The brand's mobile tool includes wayfinding, although its performance was inconsistent in our testing.

Upstairs, shoppers are greeted with more digital displays in the aisles, including vitamin ads and smoking cessation tips. A Dr. Scholl's interactive foot scanner provides shoppers with a foot pressure scan, and then recommends insoles based on the biometric results.

One of the best experiences at the store is the "Find Your Look" virtual makeover kiosk. After taking a photo of yourself, you then take any brand's makeup products from the surrounding shelves, scan the barcode, and virtually try it on. The kiosk is fun to use, and results look surprisingly realistic for such an application. The customer can email or share with Facebook her "before" and "after" photos and a list of the applied products.

In combination, the large number of interactive digital tools throughout the store earn Walgreens a class-leading score.

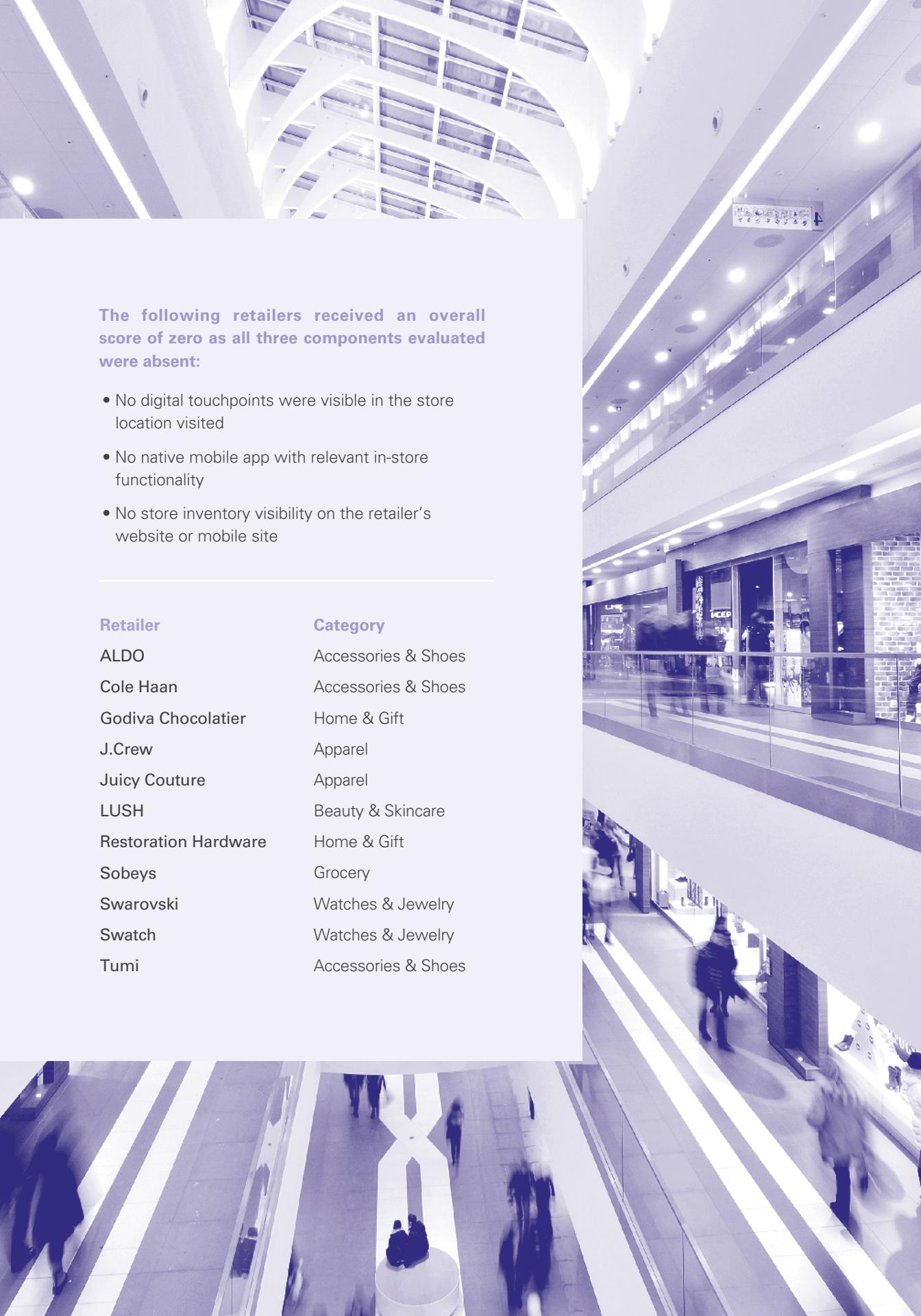
## ► OMNICHANNEL SCORECARD

| 75-65<br>Excellent | 64-55<br>Good | 54-45<br>Average | 44-35<br>Fair | 34 and below<br>Weak |
|--------------------|---------------|------------------|---------------|----------------------|
|--------------------|---------------|------------------|---------------|----------------------|

| RANK | RETAILER                       | CATEGORY          | OMNICHANNEL SCORE (OUT OF 75) | 2012 SCORE | CLASS     | DESCRIPTIONS  |
|------|--------------------------------|-------------------|-------------------------------|------------|-----------|---|
| 1    | Sephora                        | Beauty & Skincare | 71.25                         | 59.0       | Excellent | Last year's champ, Sephora, continues to add helpful, fun and interactive digital tools to its store environment, like Sephora + Pantone Color IQ.  |
| 2    | SportChek                      | Sporting Goods    | 69.0                          |            | Excellent | Delivers ambience across a mix of entertaining, personalized and interactive digital installations.   |
| 3    | Walgreens                      | Pharmacy          | 66.8                          |            | Excellent | City store concept provides a range of range of interactive tools in liquor, cosmetics, food, and pharmacy sections.  |
| 4    | Bloomingdale's                 | Department Store  | 64.5                          | 52.0       | Good      | Me-Ality body scanner, as well as exemplary cross-channel inventory and mobile tools, elevates Bloomingdale's score.  |
| 5    | Foot Locker                    | Sporting Goods    | 62.3                          |            | Good      | New Balance sneaker customization kiosk, with guidance from knowledgeable, helpful employees, propels Foot Locker into the top five.  |
| 6    | Macy's                         | Department Store  | 60.0                          | 46.0       | Good      | The redesigned first and second floors of this flagship location are a digital playground. Best-in-class mobile wayfinding.   |
| 7    | Target                         | Mass Merchants    | 58.5                          |            | Good      | CityTarget's digital installations are helpful without being intrusive, and the mobile app's detailed in-store item location and wayfinding is top notch.                                   |
| 8    | Canadian Tire                  | Mass Merchants    | 54.0                          |            | Average   | Touchscreen kiosks with scanners deliver anything a shopper could want in the aisle: product specs, prices, FAQs, reviews, recipes, and interactive videos, to name a few.                  |
| 9    | Crate & Barrel                 | Home & Gift       | 52.5                          | 44.0       | Average   | Solid in-store kiosks are unchanged from last year—interactive and searchable inventory, but has clunky interface with some errors and lag time.  |
| 10   | Nordstrom                      | Apparel           | 51.8                          | 40.0       | Average   | Numerous digital displays throughout, massive display in their youth "BP" section posts shoppers' Twitter photos in real-time using the #nordstrombp hashtag.                               |
| 11   | ZARA                           | Apparel           | 48.0                          | 32.0       | Average   | Same in-store digital displays as last year, but the mobile app is much improved and now includes in-store availability.  |
| 12   | Nike                           | Sporting Goods    | 47.3                          |            | Average   | The destination store is layered in digital, from entertaining screens to interactive displays. But the engaging, MC'ed Hyperdunk+ basketball skills competition from last year was missed. |
| 12   | Mark's (Mark's Work Wearhouse) | Apparel           | 47.3                          |            | Average   | Kiosks have videos and additional uniform size and color inventory. Store experience emphasizes physical product demonstration over digital.  |
| 14   | Chapters                       | Mass Merchants    | 45.8                          |            | Average   | Computer stations help customers find books in the store or online, and provides credit card reader for Web purchases, but the experience feels slightly dated.                             |
| 14   | American Eagle Outfitters      | Apparel           | 45.8                          | 43.0       | Average   | Digital displays at the revamped store in Times Square show branded videos and jeans information, but lack interactivity.   |
| 14   | Gap                            | Apparel           | 45.8                          | 3.0        | Average   | Major store update. Fun branding photos and animation behind cashwrap; cross-channel inventory and in-store reservation on mobile and dotcom.   |
| 14   | Shoppers Drug Mart             | Pharmacy          | 45.8                          |            | Average   | Eaton Centre location feels upscale with well-integrated screens throughout the space.  |
| 18   | Telus                          | Telecommunication | 45.0                          |            | Average   | Feels high tech with numerous screens, but interactive screens did not work properly.   |
| 19   | Guess                          | Apparel           | 43.5                          | 31.0       | Fair      | Guess's saving grace is its cross-channel inventory visibility and in-store pick up option; the "Denim Guide" touchscreen tool was broken.  |

| Retailer Digital Experience Report Q3 2018 |                   |                     |                               |            |       |   |
|--|-------------------|---------------------|-------------------------------|------------|-------|---|
| Rank                                       | Retailer          | Category            | OmniChannel Score (Out of 75) |            | Class | Descriptions  |
|  |                   |                     | 2012 Score                    | 2018 Score |       |   |
| 20   | UNIQLO            | Apparel             | 42.8                          | 36.0       | Fair  | A leader in "Visibility" and "Branding," but still lacks interactivity. Mobile AR experience doesn't deliver much value.  |
| 20   | Victoria's Secret | Apparel             | 42.75                         | 3.0        | Fair  | Major store update. Notable for its extensive pink digital animations and runway footage on nearly every surface.   |
| 22   | Saks Fifth Avenue | Department Stores   | 41.3                          | 40.0       | Fair  | Significant digital displays throughout cosmetics and accessories section. Christian Louboutin in 10022-Shoe department shows promise for in-store video, but digital elsewhere in the store is sparse.               |
| 23   | Coach             | Accessories & Shoes | 39.8                          | 8.0        | Fair  | Lovely black and white New York photography on high-res screens enhance store ambience, but do little to help shoppers with in-store tasks.   |
| 23   | Urban Outfitters  | Apparel             | 39.8                          | 5.0        | Fair  | Digital photobooth is fun, but doesn't connect to social networks and does little beyond entertain shoppers and distract them from shopping.  |
| 25   | Holt Renfrew      | Department Stores   | 39.0                          |            | Fair  | Brand screens in beauty and fragrance departments, but provides limited interactive experiences.  |
| 25   | Walmart           | Mass Merchants      | 39.0                          |            | Fair  | A desktop computer is set up for accessing Walmart.com, but it is not integrated into the store shopping experience, and is difficult to use.   |
| 27   | JCPenney          | Department Stores   | 38.3                          | 29.0       | Fair  | Removal of last year's kiosks reduces disappointments; half-working Levi's iPad leaves much to be desired, but functioning price checks keep JCPenney afloat.   |
| 27   | Neiman Marcus     | Apparel             | 38.3                          | 20.0       | Fair  | Scarce digitization – Chanel runway footage remains, and La Mer iPad skin type quiz are the only two digital components in the store.   |
| 29   | Nine West         | Apparel             | 35.3                          | 0          | Fair  | Major store update. High expectations for "digital hub" turned to disappointment upon finding minimally interactive digital "magazines" on touchscreens.  |
| 30   | Lacoste           | Apparel             | 33.0                          | 29.0       | Weak  | Displays are slick, but provide little functionality.   |
| 30   | Steve Madden      | Accessories & Shoes | 33.0                          | 29.0       | Weak  | Large-format screen with branded video is simple, but works with the space.   |
| 30   | Tourneau          | Watches & Jewelry   | 33.0                          | 27.0       | Weak  | Numerous screens throughout the store, but each watch brand's hardware and content decisions contribute to a disjointed feel that lacks consistency and forethought.  |
| 33   | Aeropostale       | Apparel             | 32.3                          | 25.0       | Weak  | Last year's digital photo booth in kids' PS store is a fun diversion, but is limited in functionality and offers no sharing capability. Add to that a nonfunctional mobile scanner, and Aero's score is brought down. |
| 34   | The Bay           | Department Stores   | 31.5                          |            | Weak  | Has a number of digital screens throughout the store, but most feel a bit dated in both content and hardware.   |
| 35   | Lord & Taylor     | Apparel             | 30.8                          |            | Weak  | Cosmetics and fragrances have the most well-integrated video screens, but the rest of the store has random bolted-on TV screens that feel dated.  |
| 36   | Williams-Sonoma   | Home Improvement    | 29.3                          | 26.0       | Weak  | Provides computer for registry directory with printer, but limited in scope.  |
| 37   | Lindt             | Home & Gift         | 28.5                          | 20.0       | Weak  | Four-screen composite display has well-branded content and is an aesthetic fit, but does little more than show images.  |
| 37   | Stuart Weitzman   | Accessories & Shoes | 28.5                          | 20.0       | Weak  | Small, sidewalk-facing screen with photo shoot footage is easy to miss and seems like an afterthought.  |
| 37   | Diesel            | Apparel             | 28.5                          | 27.0       | Weak  | A couple of digital video screens are present: some enhance the space, others are jarring and feel out of place.  |
| 37   | Loblaws           | Grocery             | 28.5                          |            | Weak  | Digital menus are static, but would permit frequent content change.   |

| Retailer Digital Index 2013 |                        |                   |                               |            |       |  |
|-----------------------------|------------------------|-------------------|-------------------------------|------------|-------|--|
| Rank                        | Retailer               | Category          | OmniChannel Score (Out of 75) |            | Class | Descriptions   |
|                             |                        |                   | 2012 Score                    | 2013 Score |       |  |
| 41                          | Barney's New York      | Apparel           | 26.3                          | 27.0       | Weak  | No visible digital investment since last year; iPads in store remain a nice touch, but still lack tablet-optimized content.  |
| 41                          | Bath & Body Works      | Beauty & Skincare | 26.3                          | 25.0       | Weak  | Digital screen behind cashwrap is still there, but low score mostly due to nonfunctioning barcode scanner in the mobile app.   |
| 43                          | Ethan Allen            | Apparel           | 25.5                          | 32.0       | Weak  | Style-matching touchscreen kiosk is nonfunctioning this year and the digital screens with crossfading photos aren't enough to lift Ethan Allen's score.                      |
| 44                          | Ralph Lauren           | Apparel           | 24.0                          | 25.0       | Weak  | Multilevel mansion has limited digital tools, save for one screen in the children's section and a video in the window display. Several TV screens occupy the men's location. |
| 45                          | BCBG                   | Apparel           | 21.0                          | 23.0       | Weak  | A couple of video screens, but the footage of behind-the-runway interviews lacked sound, stripping them of value.  |
| 46                          | Brooks Brothers        | Apparel           | 19.5                          | 20.0       | Weak  | Unchanged from last year, it offers a customer-measurement tool, simulated golf booth and several TV screens.  |
| 47                          | Home Depot             | Home Improvement  | 17.3                          |            | Weak  | Lacks in-store digitization, but mobile app and cross-channel inventory and reservation were pleasant surprises.   |
| 48                          | Banana Republic        | Apparel           | 15.8                          | 5.0        | Weak  | No in-store digital, and app scanner had some issues, but excellent cross-channel inventory and item reservation keeps Banana Republic digitally relevant.                   |
| 49                          | bebe                   | Apparel           | 15.0                          | 9.0        | Weak  | Entirely lacking in-store digitization, but mobile scanner and inventory visibility via dotcom and mobile app bolster bebe's score.  |
| 50                          | Gymboree               | Apparel           | 13.5                          | 14.0       | Weak  | TV with children's programming in the back of the store keeps Gymboree from a "0."   |
| 51                          | Talbot's               | Apparel           | 11.3                          | 6.0        | Weak  | No in-store digital displays or interactive tools, but earns points for cross-channel inventory visibility and reservations.   |
| 52                          | A X Armani Exchange    | Apparel           | 9.0                           | 5.0        | Weak  | Cross-channel inventory visibility saves Armani from a rock-bottom score.  |
| 52                          | Abercrombie & Fitch    | Apparel           | 9.0                           | 0          | Weak  | Abercrombie stays above water with their cross-channel inventory visibility.   |
| 54                          | Ann Taylor             | Apparel           | 6.8                           | 23.0       | Weak  | Loss of in-store tool costs them 17 points from last year.   |
| 54                          | Anthropologie          | Apparel           | 6.8                           | 0          | Weak  | Cross-channel inventory visibility on dotcom site saves it from the bottom.  |
| 54                          | Tiffany & Co.          | Watches & Jewelry | 6.8                           | 0          | Weak  | Lacking on all digital fronts other than cross-channel inventory visibility, Tiffany & Co. just slides by.   |
| 57                          | American Apparel       | Apparel           | 6.0                           | 5.0        | Weak  | With no in-store digital, American Apparel at least shows promise in its experimentation with augmented reality image scanning via the mobile app.                           |
| 57                          | L'Occitane en Provence | Beauty & Skincare | 6.0                           | 0          | Weak  | Another retailer where the mobile app that touches on augmented reality image scanning is the only thing that keeps it a part of our digital conversation.                   |
| 59                          | CVS                    | Pharmacy          | 4.5                           |            | Weak  | Rx reordering scanner in the app saves it from the bottom. App lacked in-store locator map and scanner.  |
| 60                          | Express                | Apparel           | 3.0                           | 5.0        | Weak  | Low marks for mobile app (broken scanner) drops them a bit from last year, but at least saves them from a "0."   |
| 60                          | H&M                    | Apparel           | 3.0                           | 23.0       | Weak  | Loss of in-store projector from last year drops their score.   |



**The following retailers received an overall score of zero as all three components evaluated were absent:**

- No digital touchpoints were visible in the store location visited
- No native mobile app with relevant in-store functionality
- No store inventory visibility on the retailer's website or mobile site

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| Retailer             | Category            |
|----------------------|---------------------|
| ALDO                 | Accessories & Shoes |
| Cole Haan            | Accessories & Shoes |
| Godiva Chocolatier   | Home & Gift         |
| J.Crew               | Apparel             |
| Juicy Couture        | Apparel             |
| LUSH                 | Beauty & Skincare   |
| Restoration Hardware | Home & Gift         |
| Sobeys               | Grocery             |
| Swarovski            | Watches & Jewelry   |
| Swatch               | Watches & Jewelry   |
| Tumi                 | Accessories & Shoes |

## ► METHODOLOGY AND APPROACH

|                     |           |
|---------------------|-----------|
| <b>65-75</b>        | Excellent |
| <b>55-64</b>        | Good      |
| <b>45-54</b>        | Average   |
| <b>35-44</b>        | Fair      |
| <b>34 and below</b> | Weak      |

### METHODOLOGY

Store Experience 70%

Visibility 15%  
Content 20%  
Functionality 20%  
Brand Translation 15%

Social Sharing 05%  
Integration

Mobile Experience  
In-Store 10%

Cross-Channel  
Inventory and Fulfillment 15%

Each retailer was scored in each category from 0 (not present) to 5 (best). The scores were weighted to create a composite index, and then multiplied by 15 to achieve an easy-to-read overall score from 0 to 75. See the Omnichannel Scorecard for the results.

To measure the degree to which retailers are successfully building links between their digital and physical stores, SapientNitro independently conducted a three-month audit of retailers from August to October 2013.

There are three components to this year's study: an in-field assessment of 72 retailers in Chicago, New York and Toronto; a consumer survey of 1,500 respondents; and interviews with retail and digital technology experts. Researchers assessed each store's digital offering(s) while equipped with iOS smartphones.

We evaluated retailers' integration of consumer-facing technology in physical stores, the helpfulness of mobile apps in terms of in-store goals, and the degree of customer-facing omnichannel inventory visibility and fulfillment. We believe this approach provides a robust view of how retailers are using digital technology.

## Visibility

To what degree are digital elements clearly visible in the store? Is digital integrated throughout the shopper's path?

**Top scorer highlights:** Victoria's Secret earns a top score 5 in this category for digital screens on nearly every surface: Massive video screens play runway footage, and screens are installed behind the cashwrap and on the slanted ceilings above the escalators.

## Content

Is the content relevant to customers' in-store goals? How well is the content tailored to the in-store experience?

**Top scorer highlights:** Nike's flagship store in NYC is a standout, with screens showing different fit types for pants, videos about product development and design, interactive touchscreens, and digital displays with NFL players.

## Functionality

Are digital tools interactive? To what degree are the functions relevant to shoppers' goals and the in-store experience?

**Top scorer highlights:** Walgreens, a new addition to our list this year, provides tools that cover a great breadth and depth of functions: pharmacy kiosks for ordering and refilling prescriptions, two kiosks in the liquor section that provide cocktail recipes for adventurous shoppers, and a digital makeover station.

## Brand Translation

Is digital well-integrated into the physical space? Do digital touchpoints enhance the brand image and store experience?

**Top scorer highlights:** Like last year, UNIQLO's digital displays contribute to the high-tech environment, and use of digital content was on brand: images of models on white backgrounds with bold blocks of color that flash quickly through a loop are unmistakably "UNIQLO."

## Social Sharing Integration

How well is cross-channel or social sharing (e.g. email, Facebook, Twitter) enabled?

**Top scorer highlights:** Only one retailer scored a 5 in this category: Sephora. The brand allows sharing across multiple channels, including social, email and printing, as well as syncing with one's personal "Beauty Insider" account across its multiple digital tools.

## Mobile Experience In-Store

Does the retailer have a native mobile app with functionality and content relevant to the in-store experience (e.g., store locators, scanners, dynamic maps and wayfinding, shopping lists)?

**Top scorer highlights:** Macy's was the only app that scored a 5 for its in-store app this year. Macy's flagship Herald Square location has a best-in-class store map with GPS location beacon/dot, floor-by-floor layouts, directions to specific locations via "take me here," and a product scanner.

## Cross-Channel Inventory and Fulfillment

Does the retailer provide store inventory visibility in other channels? How well does the retailer support cross-channel shopping and fulfillment?

**Top scorer highlights:** Coach and Foot Locker both earned a 5, providing product availability information – with a finite pickup period – on both the dot-com and mdot sites, and allowing reservation for store pick up.

## Conclusion

Retail is in the midst of a dramatic, and remarkable, period of innovation.

In this, our second-annual study, the surprising take-away was how little digital technology has truly reshaped a typical shopping experience in the United States and Canada.

The highlights this year include much more robust mobile tools, particularly wayfinding tools at Macy's, Target and Home Depot.

The increased use of digital displays and content – particularly the “lighthouse effect,” the increased creativity in mounting options (use of custom layouts and ceilings), and the quality of the content – were all impressive.

Interactivity remained lacking except among a handful of leaders. The typical store in our study had little: 70 percent of retailers had less than “basic interactivity” in their store. And, unfortunately, the majority of these were one-off point solutions (e.g. New Balance shoe customization, or Sephora’s Fragrance Finder), rather than a holistic digital integration (such as Verizon).

In the future, narrow solutions will need to give way to sophisticated cross-channel solutions to help in all phases of the customer journey. New store designs and footprints will allow customers, sales associates and brands to work together more closely.

While we awarded “excellent” ratings for the first time (Sephora, SportChek and Walgreens), the overall pool of competitors scored much lower, with an average score of just 28 on our 75-point scale.

The store – which represents 90 percent of most retailers’ revenues – isn’t going away. But the process of reinventing – which is badly needed – takes time.

Unfortunately, with the next wave of innovation coming soon, time is short.

# THE FUTURE OF THE STORE: PREDICTIONS AND SIGNIFICANT TECHNOLOGIES

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**Consumers and marketers share a world in which physical and virtual realities are becoming indistinguishable from one another. Consumer experiences are evolving beyond three dimensions of physicality, extending into a new, digital dimension.**

We call this blending of the physical and digital worlds X-Reality (Cross-Reality). Technologies such as wearable computing and Augmented Reality are making the X-Reality your reality sooner than you think.

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## Envisioning the Future of X-Reality

Walking into her favorite store, Jane engages her X-Glasses, a state-of-the-art blend of fashion and technology, transforming the flat physical space into an enriched, personalized experience.

A friendly voice whispers in her ear, "Welcome back, Jane" – as a virtual shopping list appears in her field of vision to remind her of what to purchase. The list dissolves gradually. Jane follows the virtual path lit up along the floor.

As Jane approaches the footwear section, a soft glow highlights the new shoes available in her size. A location-message left by her friend Sue whispers: "Try the red patent pumps to match your new dress!" Jane smiles, and after she issues a simple voice command, a pair is added to her virtual cart.

At each aisle, the soft glow reappears, highlighting new products added in the store since her last visit. Her X-Glasses notify her of a personalized discount on her favorite wine, recommending she stock up by getting a deal on a case. Jane is delighted – wine is the perfect end to her week.

A catchy tune plays in her ears, and she joins the crowd enjoying a live-projection simulcast for the release of the store-exclusive album of her favorite artist. With a command, the album and other items on her list are set for auto-pay-and-pack. On her way out, Jane picks up the auto paid-and-packed items and the updated virtual receipt. After she disengages her X-Glasses, the world is flat again.

## Prediction 1: Physical, Three-Dimensional Experiences Will Fall Flat without Digital Augmentation

We are at the cusp of a fundamental shift in our interactions in the physical space. The new digital dimension will virtually augment the physical space, changing our perception of the world and common interaction paradigms. The way we engage with physical spaces and artifacts will evolve into deeper, immersive and more dynamic interactions.

Our experiences in spaces such as our homes, schools, offices, and museums are all limited by the parameters of the physical space. For example, brick-and-mortar spaces have dictated business models that were constrained by their very physical nature. Constraints of walls, square footage, shelves, and limited availability of inventory, for example, have shaped the parameters of physical retail experiences. Experiences continue to remain limited as the introduction of digital signage and kiosks have had minimal impact. Hence the traditional three-dimensional space has fallen flat.

We believe that experiences in physical spaces are ripe for disruption. Retail blueprints will be reinvented to support the fluidity of virtual engagement. Physical shelves will be augmented by endless aisles. Stores will become immersive, allowing consumers to experience products more intimately beyond what traditional packaging and display options can offer.



*On opening day 2014, users of Major League Baseball's At The Ballpark app will see location-based welcome notifications, electronic ticket delivery, food and merchandise information, and a seat mapper. Turn-by-turn directions to your own seat will be presented.*

*MLB's At The Ballpark app makes use of Apple's iBeacon indoor mapping to customize the experience based on the consumer's location in the stadium.*

The rigidity of physical spaces will be overcome by the dynamic nature of this digital dimension. Spaces will come alive through activations orchestrated to meet the needs of a digitally savvy consumer. Those activations range from conversations within the consumer's own trusted network, contextual messaging from retailers, brands, teams and celebrities; auto selection of products and payment options and visual cues; and virtually and contextually placed content in each space. Each experience will be made intuitive.

Similarly, experiences in other venues such as stadiums and theaters will no longer be rigid. Finding the right seats in a dark Broadway theater will become an easy task with virtual way finding systems and virtual seat-assistants. A New York Yankees fan, for example, will have a very different in-stadium experience than a New York Mets fan. Major League Baseball already has an early stage app that, although not powered by augmented reality, starts painting the picture of what a custom, interactive experience could be like at a baseball stadium. MLB's At The Ballpark app<sup>1</sup> makes use of Apple's iBeacon indoor mapping to customize the experience based on the consumer's location within the stadium.

<sup>1</sup> MLB: At The Ballpark (<http://on.mash.to/186OWVu>)



*The future of cross-reality will require entirely new configurations of aisles, store layouts and the role of displays in the environment – even if they're brought in by the user. In this example, an entire store layout is reconsidered to maximize the usefulness and impact of digital tools.*

We are at the brink of a revolution, where the dialog between physical and virtual creates a co-dependent dynamic. There will not be a meaningful virtual experience without a physical background, or a truly dynamic physical experience without digital augmentation. Digital augmentations will be expected, whether for baseball games, shopping your favorite store, or even for coffee shops. A recent PR stunt<sup>2</sup> for the remake of the movie *Carrie* orchestrated an entire coffee shop to provide customers with an incredibly theatrical experience. These examples, though not reflective of the same technology, illustrate a clear direction for consumers' expectations. Digital augmentation has the potential to make these types of experiences scalable and consumable all over the world.

This powerful, digitally enabled canvas against the backdrop of the physical space offers businesses a new medium to elevate their dialog with customers. We believe that through this new digital dimension, marketers will be able to engage customers with a broad spectrum of experiences ranging from entertainment and exploratory to functional and task oriented.

### **Entertainment Experiences**

Valuable consumer experiences will surface exclusive entertainment content such as games, green screen video, audio, and interactive features that are set in the context of the physical space. Consumers will co-craft their own experiences; they will have the option to shop along with their favorite celebrity, or to turn the store into a themed, immersive game, discovering new products and activating new content that wouldn't otherwise exist.

### **Functional Experiences**

Functional value will be surfaced by highly personalized offers, discovery tools, way-finding paradigms, and dynamic learning opportunities against the backdrop of the physical space. Stores will continue to foster discovery but in a richer, more compelling manner. The appeal of assembling a new look will increase through personal advice from designers, aided by an individual's context and their closest friends. This level of highly relevant, functional experiences will make this virtual world a key aspect of decision making.

### **Prediction 2: Shared Spaces Will Be Powered by Unique, Personal Experiences**

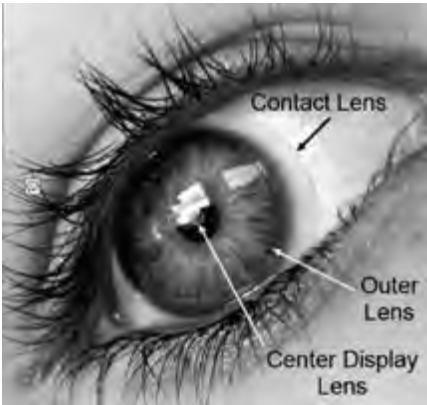
In the X-Reality world, retailers and brands must fight the battle for this medium by building experiences that are truly relevant to a user's context. Augmented experiences will be powered by extreme personalization and a new dynamic between personal experiences and shared spaces.

### **Personalized Content and Context**

X-Reality will rely on augmentation that will be personalized through content and context. The context of the individual combined with the context of the physical space will make this a unique experience, enabling consumers to engage with physical spaces that mirror their own context. The portability of one's context will allow consumers to walk into any store and instantly personalize the space, shifting the dynamic of consumer and brand engagement.

Traditional retail spaces, with blueprints reflective of product and organizational structures, forcing consumers to follow rigid paths, will give way to a dynamic, personalized space. This change will enable consumers to experience a store tailored just for them, supporting a new form of serendipitous discovery – one that's 100 percent relevant and more likely to appeal to them.

<sup>2</sup> Carrie: PR Stunt At A Coffee Shop (<http://yhoo.it/1bClv1f>)



*iOptik demonstrated a system at the 2013 CES which combined a contact lens with a low profile head mounted display to create an AR display system. The picture above shows just the contact lens portion of the system.*

Source: Innovega 2012

## THE TECHNOLOGY IS THE ENABLER BEHIND INTUITIVE INTERFACES POWERED BY HUMAN SENSES.

### Convergence of Private and Personal in Shared Spaces

A highly personalized dimension will be only experienced at an individual level, making it possible for customers to have private, personalized experiences in the public space. The private nature of virtual augmentation of physical spaces is precisely what enables multiple personalized experiences to occur simultaneously. Consumers will engage with highly detailed and personalized environments, sharing them only with those whom they choose to invite. This development will be a breakthrough for personalization, enabling it to rise to its full potential, shedding the typical privacy and security concerns.

The commonly discussed “creepy factor” is diminished when private data creates experiences which generate higher customer satisfaction, and consumers are reassured of the privacy of their data. For example, the same physical space will manifest itself differently for every individual: Thousands of consumers will walk into the same store and they will each have a completely different experience, personalized through virtual augmentation. Each of those experiences will be fundamentally private, experienced only by the individual viewer and shared only by invitation.

The very premise that enables personal experiences to exist is what provides the certainty that one’s augmented world can only be triggered and experienced by the individuals themselves. The convergence of private and personal in shared spaces represents a drastic shift in the way consumers and companies perceive private and public content.

### Prediction 3: Technology Will Dissolve into Human Interfaces

X-Reality experiences will exist without clunky interfaces, hand-held devices and screens. Human senses will be the center of context-driven experiences and will act as the trigger for augmentations on the physical backdrop. Camera vision will become an extension of the human eye; always available and yet never the object of attention.

Interconnected wearable devices are already available and will be the key for a screen-free, hands-free experience, making mobility one of the pillars of X-Reality. Google Glass and similar products are already in various stages of commercial trials. Prototypes of smart contact lenses in research labs are testing technology that begins to meld with the human senses. Advances in gesture sensing are replacing the artificial point and click interfaces. Siri™, while not perfect and often irritating, has gotten us to speak to our devices. Researchers are exploring the use of ultrasonic vibrations and vortex of air rings to deliver tactile sensations to users. All those independent efforts are rapidly converging computing with human interfaces.

Still, what really matters to consumers, is the experience and the inherent value in it. The technology is the enabler behind intuitive interfaces powered by human senses. Without the friction of current devices, well designed, unobtrusive wearable technology makes the sci-fi vision of *Rainbows End*<sup>3</sup> a reality. In this novel, characters live with layers of augmented reality, gesture-based communication tools, and haptic feedback devices. This X-Reality blends the best of both worlds, requiring that not only the lines of physical and digital be blurred, but that one will not meaningfully exist without the other.

<sup>3</sup> Rainbows End, by Vernor Vinge.

## Technology Is Maturing Rapidly. It Is Time to Create Magical Experiences.

Retailers are envisioning and testing fundamentally disruptive models. New alliances are emerging between unexpected partners as businesses deconstruct elements of sci-fi fantasies and apply them to practical experiences. Emerging technology is driving the vision for X-Reality consumerism along with companies that are hungry to become thought leaders. In this context, we believe that the following technologies are critical enablers for X-Reality:

### Indoor and Micro-location Tracking

Global positioning system (GPS) based outdoor location tracking and navigation are table stakes in the world of X-Reality. Indoor, micro-location tracking is the next big opportunity. The precise location of a customer within a venue such as a retail store is a key ingredient of personal context at a specific point in time. Companies are experimenting with technologies ranging from WiFi-triangulation to micro-location tracking that uses subtle variations in the Earth's magnetic field to perfect the art of indoor and micro-location tracking.

### Wearable Computing

Rapid advances have been made on wearable devices such as glasses, contact lenses, watches, wrist bands, body-patches, and fabric. Armed with an array of sensors for biometry, computer vision, audio recognition, and motion/depth perception, these devices are melding technology with human senses so unobtrusively that our bodies themselves become enablers for X-Reality experiences.

### Data Science and Hyper-Personalization

The proliferation of data will be the basis for personal context, which will drive unique personalized experiences. Consumers are aware that digital fingerprints are the currency that businesses increasingly seek, and they are arguably becoming more comfortable with exchanging it for more meaningful experiences. Big data is getting a lot of traction, but it comes with the challenge of extracting value from this sea of data. We are witnessing a variety of efforts in

this area, including predictive models based on social media signals, purchase or intent propensity based on behavioral pattern and individualized offers.

### Augmented Reality

Augmented Reality (AR) will be the virtual overlay in the X-Reality world. AR is often misunderstood as visual augmentation, but the more accurate definition is augmentation of immersive experiences including sensory (audio, visual and tactile experiences); informational (surfacing of content that wouldn't otherwise exist); and communicative/collaborative (new real-time and offline communication and collaboration channels, fostering dialog between consumers, community and brands). Today, some of the best AR experiences have fairly immersive audio/video components but are limited by network bandwidth, processing power on devices and lack of personalization.

### Conclusion

While these technologies have advanced individually, it's their combination that will accelerate the vision of X-Reality. While a seamless, holistic packaging of these technologies has yet to occur, it is inevitable. The accelerated pace of the industry indicates that the stacking of these technologies is upon us. Scaling and adoption will continue to be key benchmarks of maturity. We predict a significant acceleration of X-Reality experiences.

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# RETAILERS AS MEDIA PLATFORMS: SEIZING THE OPPORTUNITY OF IN-STORE DIGITAL MARKETING

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## NEW CONSUMER BEHAVIORS AND PATTERNS MEAN NEW OPPORTUNITIES IN-STORE

**The shopping mall has been putting up a fight lately, and it's gaining ground against the pure-play online retailers that have been using technology to steal share for the past decade.**

The resurgence of the brick-and-mortar store is great news for omnichannel retailers, but it's critical to understand how to make your offline presence an asset that you leverage effectively.

Emerging digital in-store technologies are enabling smart retailers to enhance their long-term relationships with their customers, influence transactional decisions at point of purchase, and even create new, scalable revenue streams to bolster their bottom lines. Let's not forget that more than 90 percent of retail dollars still go through physical stores.

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With increasing channel complexity comes the now well-recognized "empowered consumer" challenge. We won't beat that dead horse. Yes, your consumer is increasingly empowered by the depth and breadth of information available across mobile devices, via social channels, and so on.

But there is another interesting dynamic that's been created by all that empowerment. Consumers are increasingly suffering from "analysis paralysis," which has created space at point-of-purchase for marketers to influence the final buying decision, particularly given the fact that 57 percent of U.S and Canadian in-store shoppers have not decided what they are going to buy when they arrive in the store.<sup>1</sup>

This increase in customer ambivalence has increased the potential ROI for advertising and marketing efforts at the point of purchase for the marketer and extended the fight for awareness and mindshare into the store aisle. Advertising strategists, media planners and buyers have historically faced a brick wall once the customer walks into a physical retail store. At that point, we have mostly relied on mobile targeting to deliver push-based

messaging (not great), or re-messaging in other digital channels with the hope that a purchase wasn't made and we can pick up the "dialogue" once the customer has left the store. It's a compelling proposition that advertisers can buy our way in front of a customer at the point of purchase to influence decision making via sophisticated digital advertising tactics (previously only done via merchandising, packaging and event-based marketing tactics).

These solutions are already in-market and generating revenue. U.S. convenience store leader Wawa has been busy incorporating digital signage across its 600-store network across the United States. Following a successful 25-store pilot, Wawa selected a partner to power its digital marketing network as part of a completely redesigned foodservice area, which features a fresh and appetizing new look.

"Our new digital signage showcases our offer in a much more upscale, appealing way and moves us closer to our vision of fast casual to go," said Howard Stoeckel, CEO of Wawa.

<sup>1</sup> Ipsos/SapientNitro 2013 survey found that 57 percent of in-store shoppers know the brand but not that precise item they will purchase, have little idea what they are going to purchase, OR know the category but not the brand of the item they are going to purchase.

Wawa is using the digital signage displays to drive awareness for new fresh food products and to communicate relevant food and beverage options based on the time of day. Messaging is displayed on large-format screens mounted in the foodservice and coffee areas.

Smart retailers have recognized the advantage they have and fast-movers are entering the digital advertising market as sellers. Why would the neighborhood grocery chain or a department store want to compete with the likes of Google and Yahoo for advertising dollars? Because the opportunity is significant. Cost and revenue benefits to large retailers (top 250 in North America) have been estimated in excess of \$100 million a year.

## **So, how does a retailer deploy digital technology?**

### **1. Recognize That Clever Infrastructure and Technology Alone Will Not Be Enough**

These changes must be part of other investments to make the store more entertaining. For example, over-deploying on customer service, increasing the experiential aspect of the store (e.g., live training, taste booths and how-tos). The challenges for in-store retailing are not restricted to finding the right technology to combat digital-only threats. For example, the notion of "showrooming" is now well known. Yes, unwanted content can be blocked in a store, but that brings potential brand damage and social media vilification. Differentiation would be a better tactic to combat showrooming, such as agreeing with suppliers to make valuable edits to inventory so that it is only available in your store. Perhaps add a ring burner to the side of an outdoor grill, giving the product a new unique SKU.

Marketers should consider the widest capabilities they have in their arsenal, such as over-deploying on customer service, increasing the experience with live training or taste booths, offering spot prizes, and hosting celebrity appearances.

**Leverage the ability to deliver multidimensional experiences:** The in-store experience should not only be seen in terms of a transactional marketing opportunity. Naturally, there is the opportunity to drive increased basket size, but the in-store marketing opportunity is also a chance to create an experience, build a dream, enhance a brand, and create a desire for the future, prospective repeat visits and engaged loyalty. Similarly, the in-store experience is more than money-off coupons or price reductions, especially in categories where margins are already thin. The need for clarity of intent in the marketing strategy will never have been stronger, and the need to judge, gauge and assess ROI is as strong as ever.

Stores with a physical presence have a unique opportunity to interact on multiple dimensions, such as smell, touch, feel, sound, and taste. Physical retailers need to play to these strengths and integrate their brand experiences across all of their channels.

### **2. In-Store Marketers Need a Deeper Understanding of the Buyer**

Marketing in-store can be so much more than "buy one now and get one free," with new technology offering the opportunity to modify messages that can recognize the characteristics of the audience, their frame of mind, and even their immediate intent. Here are three ways retailers can get a deeper understanding of their customer:

**Targeting consumers based on shopping intent:** There will be differences in experiences and customer journeys for all types of retailers, and naturally differences in in-store purchase patterns. At the core is a need to understand the consumer, the purpose of a journey and how, from a marketing perspective, to assess the value of a specific journey.

**Bringing together diverse sets of data sources:** In order to get that deeper understanding of the buyer, retailers will need to harness and integrate data from a wide set of sources, such as their own traditional in-store records, complex and diverse external mines such as mobile network operators or third-party loyalty programs.



*Digital tools in-store offer another piece of data to enable CPG firms and retailers to understand – and influence – the customers' decisions across their journey. These tools can provide additional detail to answer the crucial question as to why they bought what they bought.*

**Monitor and influence in-store activity:** The store visit is a snapshot of a wider journey. The packaged goods advertisers will want to drive messages across multiple stores and venues, while the retailers will want to generate differentiated propositions to make their environments more compelling than others. Data analysis and insights will be much richer by looking at the end-to-end cycle of the shopping process.

### **3. Create and Support a New Media Model Relevant to Your Store Environment; Support It with the Right Operational Infrastructure, Sales Infrastructure and People**

Retailers need to adopt a new business model that looks across more than just technology and infrastructure, but also goes deep into the operations, sales, people and culture mechanics needed to enable success. Traditional media marketing management skills may be about to become more relevant than ever. Traditional TV audience growth and rates may be flat, but they are still present. Moreover, it is still the same audience that is also walking into a store. The shift will be in understanding how to be relevant to that audience at the right moment, and thereby promotes the need for an integrated marketing strategy across new channels. A Friday from 5:00 p.m. to 7:00 p.m. in a grocery store, when customers shop for their weekends, might be a much better time to drive transactional messages on a digital screen, and thereby drive a higher media rate, for an impulse purchase packaged good (such as potato chips). The same screen in the same store, opposite the coffee shop, may run brand experience messages from 10:00 a.m. to 11:00 a.m. for those relaxing before their more leisurely daytime shop midweek. Marketers will need to understand their audience and adapt their

pricing to enable access more than ever. In time, it may well be that pricing needs to be applied and customized at a store level across thousands of outlets.

One example of a brick-and-mortar retailer that is using in-store media effectively is Thrifty White Drug. With 90 locations in the United States, the brand continually looks for ways to improve upon patient communication and education. Thrifty White Drug recently realized that digital signage would provide a visually appealing way to communicate initiatives such as flu shots, immunizations, patient education, automated prescription refill services, and many other programs and services that the company offers. Additionally, static advertisements with and without audio, as well as full audio and video commercials, are used to deliver relevant product brand messages and promotions to an engaged audience in the store. After a very successful pilot, Tim Erdle, executive vice president of store operations, commented that Thrifty White had installed the solution in an additional 66 locations in the spring of 2013.

### **Conclusion**

In-store digital media needs to be addressed and managed proactively, and in many ways marketers need to catch up with the capabilities that the technologists have enabled. Traditional marketing competences of understanding an audience and anticipating and satisfying their needs and wants is more important and relevant than ever. Moreover, marketers need to embrace the potential of digital technologies to be highly relevant to the prospective needs of audiences, understanding the value of time, speed, mood, smell, touch, and sound that in-store experiences can deliver.

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# SECOND STORY: A Q&A ON INNOVATION AND IDEAS FOR THE FUTURE

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► **Scott Wickstrom**

Managing Director,  
Second Story, Portland

*Scott sets the vision for Second Story's future and leads the development of its constantly evolving focus on innovative storytelling.*

► **Daniel Meyers, AIA**

Creative Director,  
Second Story, Portland

*Daniel is a registered architect, creative director at Second Story and leader of the studio's responsive environments practice.*

## QUESTION AND ANSWER WITH SAPIENTNITRO'S SECOND STORY™

**The boundaries between physical and digital worlds are becoming increasingly blurred, as consumers bring digital attitudes and tools into retail spaces, museums, stadiums and more.**

For the past two decades, Second Story has explored using emerging technology and hands-on experimentation to develop the connections between the physical and digital worlds. An innovation lab with extensive experience working with cultural institutions such as the Museum of Modern Art, Second Story brings its expertise in creating blended environments to the commercial retail space.

We sat down with Scott Wickstrom and Daniel Meyers to talk about Second Story, the studio's process and what the team sees coming in the evolution of digital and physical worlds.

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### **Q: Who is Second Story? How does it relate to SapientNitro?**

**A:** At its core, Second Story is a team within SapientNitro that designs and builds amazing experiences in the real world. We work with our clients to explore the very latest technology capabilities in a lab-based setting to create totally new experiences, which are then deployed in physical spaces.

Second Story is one of many experience innovation capabilities within SapientNitro.

### **Q: Who is it for? When should a client come to you with a challenge or problem?**

**A:** Many of our projects begin with an open-ended or undefined request. For a retail environment project such as a car showroom, special event, retail space or museum, we often design and create a set of physical fixtures (working with architects and fabricators), design the digital experience as part of the overall experience and develop the content to support that digital experience.

Our most successful engagements – whether with a global brand or an art museum – involve true collaboration with the client. Together with clients in

our lab, we have regular, in-depth sessions to ensure clarity and to explore the art of the possible using the raw technology.

Second Story is about exploratory learning: working directly with the materials at hand and playing around. Many of the best opportunities to solve problems arise out of play rather than a deep or formal analysis.

### **Q: How do you work?**

**A:** We believe that to create a great experience, you have to facilitate a dialogue between design and technology. Our lab provides the setting for that conversation, which always involves a truly interdisciplinary team.

The best way to learn about technology's potential is to actually use it, and we're lucky to have a physical space in our studio built especially for exploration, experimentation, prototyping and testing. You can literally get your hands dirty in the lab; it's a true working environment.

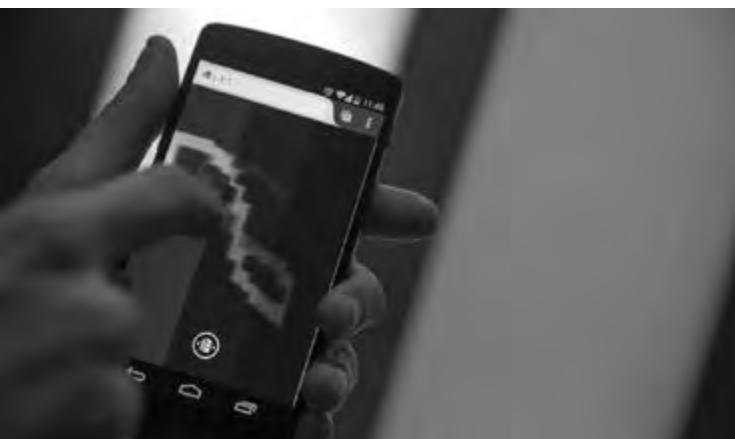
Just as architects use models to explore how to modulate light and explore space, we use prototypes, learning from experience what the technology can and can't do. Prototyping also helps in terms of client communication: we can show them what we have in mind rather than just telling clients.



*The ASICS/NYC Marathon Interactive Wall detects motion with sensors and invites passersby to interact with inspiring brand content in several visual layers.*



*Second Story explores with projected light and shadow during the design process for the University of Oregon Interactive Alumni Table.*



*For Maker Faire, Second Story worked with Intel Lab's hardware to create Lyt, an interactive, collaborative lighting fixture that you can control from your mobile device.*

### **Can you give us some examples?**

We did a project with the National Baseball Hall of Fame and Museum where they wanted to represent baseball statistics and their significance to the game but were having trouble bringing the numbers to life for non-statisticians in a compelling, engaging way.

We mocked-up graphic solutions, built out of foam core in the lab, of what a physical interface might look like for them. We then projected these graphic solutions on a wall and filmed people coming in and reacting to what's on the wall. We sent the results of the experiment to our client and immediately they were able to see how the project approach could be enhanced and improved.

More recently, Intel Labs asked us what we could make to help show the capabilities of its new Galileo development board; Intel would demo the final product we came up with at Maker Faire Rome. Over the course of just a few weeks, we conceptualized, designed, prototyped and created something exciting for us and for our client: Lyt, an interactive, collaborative lighting fixture that you can control with your mobile device. Our ability to quickly iterate in our lab, to test and hone ideas as much as we needed to, was essential to Lyt's success.

**Q: What is your perspective on how things are evolving? Do you have any projections of the future?**

**A:** We see a few interesting trends coming in the next several years.

**1. Environmental Impacts**

We're at a point now where smart brands are realizing what architects have known for centuries: your attitude is influenced by your physical environment. Brand affinity and propensity to buy are affected by the environment just as much as by traditional and omnichannel marketing campaigns.

**2. Delivering an Architectural Experience**

The terminology around "digital plus physical" limits us today; digital and physical is really about content plus architecture instead. It's about creating an experience using physical design, static and dynamic content, product and human brand representatives as ingredients in a holistic composition.

**3. Internet of Things**

One of the most interesting conversations right now is around the Internet of Things. That concept relates to our homes, businesses and civic spaces just as much as small devices and wearables. The proliferation of technology is happening, often without a lot of thought toward consequences. Smart brands will have a clearly expressed institutional attitude regarding place, space, technology and the consumer.

**Q. When we talk about "innovation," how do you predict the future? How do you plan for the next 10-15 years of "innovation"?**

**A:** One of the most important aspects of innovation and future-thinking is that of context: historical, cultural, environmental, etc. There's a tendency in our industry to become totally intoxicated with radical futurism. When we look at the real meaningful shifts that have been made, we don't see radical breaks with past thinking. We see people who are able to synthesize the past and the future. Take the iPad, for example. The iPad was totally revolutionary in terms of impact and is changing how we interact with one another. But Steve Jobs wasn't the first person with the idea. Buckminster Fuller was sketching out the social possibilities of mobile devices in the 1930s. And Stanley Kubrick designed a visual prototype in 2001: A Space Odyssey.

Technology evolved to make possible the ideas of visionaries such as Fuller and Kubrick, and then a savvy, well-read, and culturally immersed organization fused technology, precedent, and context into a product that we think is revolutionary, when it's really evolutionary. You plan for innovation by practicing listening and looking to the past as often as you look to the future.

We're starting to see more mature thinking around the proliferation of technology. We're remembering how to design things in a way that demonstrates awareness of the human and technological contexts. Second Story, as a part of SapientNitro, is, in a lot of ways, approaching innovation in the same way. We're focused on designing solutions in an environment that is as context-aware as possible.

TREND

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# ENABLING EXPERIENCE THROUGH TECHNOLOGY AND DATA

Technological prowess is changing the type of stories that can be told by brands and how we can actually tell them in meaningful ways. With tablets outpacing PC shipments for the first time in Q4 2013, brands are embracing new technology to tell their story in new ways. They're working with big data and analytics to make sense of the digital exhaust produced by our mosaic of devices. And they're doing so efficiently, with the latest set of cloud capabilities speeding time-to-market, but also not always delivering the cost benefits promised. This section explores how to maximize the value of technology and data.

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# FIVE TECHNOLOGIES ENABLING CONNECTED, ALWAYS-ON ENVIRONMENTS

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► **Sheldon Monteiro**

Chief Technology Officer,  
SapientNitro Chicago

*Sheldon is a senior technology leader with experience in solutions conception, enterprise architecture, product development and global implementation.*



## **Only a decade ago, brand and e-commerce websites were collections of flat, barely personalized pages, YouTube did not exist and a BlackBerry was the business smartphone of choice.**

Today, deeply immersive, hyper-personalized websites are the norm; video makes up the majority of peak time Internet traffic; and the battle for mobile dominance is not about smartphones or tablets, but rather, the future of personal computing itself. Consumer technology has made giant strides, transforming the ways we live, work and connect with each other and the brands we love.

It's no wonder that in 2016, the CMO is predicted to be spending more money on technology than the CIO.<sup>1</sup> Why? Networked consumers expect brands to be present and available 24 hours a day, seven days a week. Technology enables the infrastructures and platforms that make great experiences possible within always-on, connected environments. In coming months, five technologies will yield increasing value for brands and marketers: mobility, big data and analytics, social media, HTML5/CSS3, and sensors.

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### **1. Mobility**

Just as the industry was beginning to figure out smartphones, we have now experienced another major platform shift – the tablet. Overall tablet shipments (up 57.7 percent) are expected to outpace PC shipments for the first time in the fourth quarter of 2013, according to IDC.<sup>2</sup>

In addition, high-speed connectivity is becoming ubiquitous, as 4G network deployment accelerates globally. With bigger data pipes, consumers will demand increasingly sophisticated experiences on their mobile devices. Information-rich interactions – complete with video, chat and rich media product content – will need to be available everywhere.

In-venue, location-based services also hold promise. This is a classic example of a set of technologies that have been around for a while, but haven't seen widespread adoption. In June 2013, Apple announced iBeacon, a technology that promises to make location-based targeting ubiquitous, even in indoor spaces. With

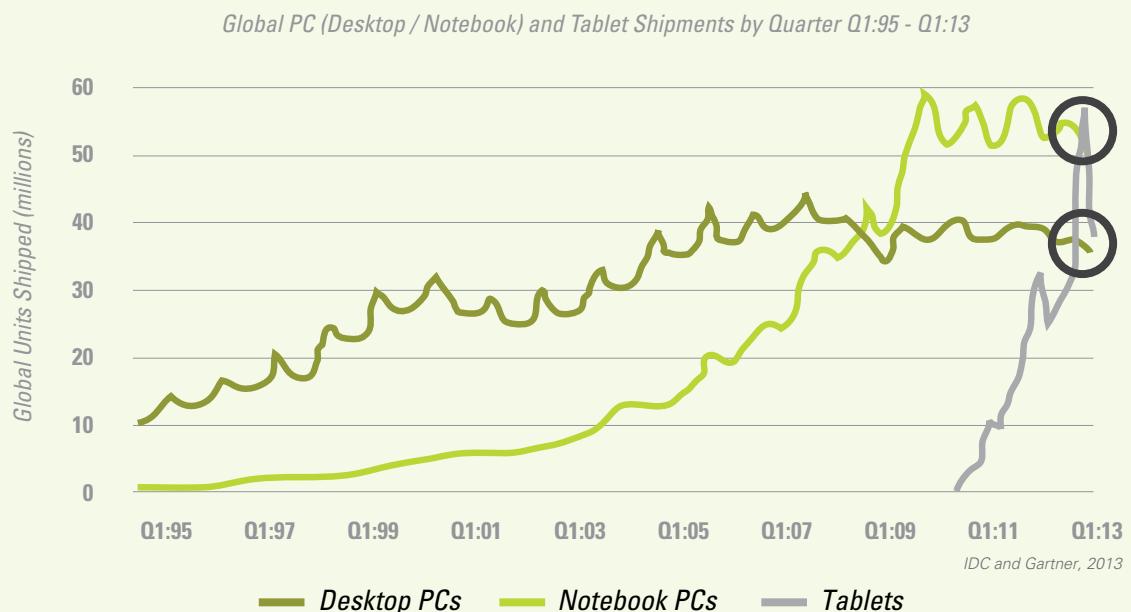
this technology, mobile apps can recognize when the consumer is near a small, affordable wireless sensor called a beacon. The beacon can transmit and receive data from an iPhone or iPad using a power-efficient technology, which overcomes a key adoption barrier to prior location sensing approaches – rapid battery drain. Beacons can be deployed by brands to create arbitrary regions so that an app on the consumer's device can be alerted when it enters the region. The app possibilities are endless – serendipitous discovery of experts, personalized directions overlaid on indoor maps, in context offers and seamless "check-in" to retail locations with loyalty program integration.

With smartphone and tablet device formats increasing, marketers understand more clearly that the experience must fit the environment. Responsive design, a hot trend in 2012-13, has evolved to adaptive design (the right experience, features and functions) for the device, physical context and moment.

<sup>1</sup> Gartner, 2012.

<sup>2</sup> <http://news.investors.com/technology/082913-669201-apple-tablet-sales-slower-than-expected.htm>

Fig. 1

**Tablet Shipments Lead Desktop and Laptop Sales in 2013****2. Big Data**

The momentum in using information and data to fuel sales and marketing advantage will continue unabated, and many brands are making significant progress.

Yet, a lot of data-driven targeting is ineffective. As one recent senior executive lamented, “I don’t ever feel like I’m being CRM’d.” The reason: Much targeting is based on stale data that has low relevance. We need to get better at understanding the half-life of data.

Velocity of big data is one of the less understood aspects of big data. Yet, it is an essential idea for targeting. Research from bit.ly shows that half of the clicks on a Twitter or Facebook link come in the first three hours. In other words, this is the period of maximum engagement with that content. How many brands can systematically act on social content with predictive targeting in the first three hours?

Timely action on data signals can unlock new experiences. For example, Walmart considers items that other consumers have searched for and clicked on, and items generating buzz on localized social media, to

determine the order in which it will display items in its dot-com search results. As a result, the number of pages per visit has dropped, while the time spent on the site has increased, which strongly correlates with conversion.

Marketers can maximize the value of big data by starting small – by conducting experiments to understand how they can use data to improve the customer experience.

For example, Australian bank Westpac identified people who regularly withdrew money from ATMs that were not owned by Westpac, then sent that segment of users messaging showing the location of the nearest bank-owned ATM – where they wouldn’t have to pay fees. The bank went out of its way to save the customer money, creating value for the bank and the customer with a simple data query. Ultimately, this effort was part of a larger “Know Me” program that grew targeted offers from 1 percent to 25 percent of the bank’s customer base. Predictive analytics does not need to start with sophisticated machine learning – value can be realized with even basic techniques.



*Whole businesses are being created around predictive modeling. Stitch Fix sells premium fashion apparel. But customers don't choose. Stitch Fix predicts assortments customers will want and pays shipping both ways to customers. By leveraging over 50 attributes about each garment and deep customer profiles including style preferences, occupation, lifestyle, and even propensity for risk, Stitch Fix confidently predicts what their customer will love. They are betting their business model on predictive analytics.*

Marketers also need to address product data quality (an issue that retailers, manufacturers and CPG companies struggle with). Descriptive, accurate and ultimately trustworthy product data – across the supply chain and channels – is essential for consistent customer experience. The complexity of supply chains and the proliferation of experience channels have resulted in fragmented management of core product data, resulting in needless expense; duplicate content entry and management; and avoidable errors. We expect accelerated interest in Product Information Management (PIM) solutions, which address the problem by providing a flexible, centralized and easy-to-manage source for product data across the enterprise.

### 3. Social Media

Social is a huge opportunity; in fact, the Internet has been deeply social since its earliest days. Yet, new opportunities abound. Our experience has shown that consumers love to share interesting experiences on their social networks, such as passing along a smile from Unilever's smile-activated ice cream vending machine, sharing Disney vacation photos from Disney's

RFID-enabled "Memory Maker" experience, or sending photos and videos of apparel and fashion trials to seek social opinion.

Listening is an essential capability to enable value from social media, if only one element. To deliver sustained value, listening must take the signals from social media and convert them into action – systematically and reliably – at scale. As discussed in the previous section about big data, Walmart calculates product and category popularity scores from social media feeds. The company's search engine "Polaris" takes these scores as a factor to consider in search rankings on its website, resulting in a 10 to 15 percent increase in online shoppers completing a purchase. Stovepipe social media listening teams will evolve into fully integrated systems that leverage social listening to adapt experiences in real time.

Quantifying the influence of social media starts with understanding the role of influence in conversations, but ultimately, a direct marketer wants to understand the impact on purchase decisions. But the linkage between social conversations and conversion has been indirect, usually approximated through correlation. What if a marketer could close the data loop, understanding the direct linkage between conversations and commerce?

Through an American Express partnership with the likes of McDonald's, Whole Foods and Best Buy, American Express cardholders can link their card to their Twitter accounts, and then tweet specific hashtags to load deals onto their cards. With the hashtag #AmexWholeFoods, for example, a cardholder receives a \$20 statement credit when he or she purchases \$75 or more at Whole Foods using his or her synced card. American Express has closed the purchase loop down to the individual, linking the cardholder with response data, and his or her Twitter handle, allowing the company to learn from every tweet, combined with spending patterns from card transactions. The discount is a minuscule price to pay, underwritten by the partner merchants, for an authoritative data stream to better target individual customers.



*Project Rushmore leveraged HTML5/CSS for Harley-Davidson to enable long, uncut video showing a set of eight bikes, and over 20 new features. As a key part of an integrated marketing launch, the immersive experience helped contributed to Q3 sales growth of 20.1 percent in the United States.*

#### 4. HTML5/CSS3

Modern browser technology with HTML5, CSS3 and JavaScript enables seamless integration of video and audio; fantastic 2D and 3D animations and transitions; geo-location; and drag-and-drop capabilities. At the same time, mobile devices are increasingly more powerful, with better screens and faster processing ability. As a result, brands can create immersive experiences blending media with commerce, using these newer techniques and hardware. Essentially, these technologies enable brands to tell their stories on a new canvas. For example, using full-screen, ultra high-resolution video at very high frame rates, Harley-Davidson launched its eight latest touring bikes on its Project Rushmore microsite to allow customers to explore the bike features in context, while experiencing the emotion of the bikes being ridden through rugged mountain terrain. Using HTML5 overlay, H-D pushes the boundaries of consumer interaction with video. The latest generation of browsers now supports browser-based, real-time video collaboration, which is being standardized by the W3C standards body. WebRTC – a Google open sourced project – is supported by newer Chrome, Firefox and Opera browsers, and allows for video chats within the browser, by accessing the camera and microphone directly. To date, the lack of this ability in browsers meant a user needed to download a plug-in, or go to another program, like Skype or FaceTime, to have a video chat. For brands, this convergence of video collaboration and browser technology represents an opportunity to increase touch and trust. Seamless face-to-face communications between brands' customer service and the consumer is now possible with WebRTC. The role of call center service associates as front-line sales and brand ambassadors could leap forward and become a source of differentiation.

## 5. Sensors

Looking farther into the future, we expect brands to begin investing at scale in sensors and devices, to make customer experiences work more effectively.

One common sensor type is the simple video camera, which is often overlooked as a source of advantage. What's changed in the recent past is the collapse of costs to analyze and find meaning in video images. Imagine video analytics recognizing quick-serve restaurant drive-through car license plates, and updating order information and recommendations based on the prior orders from that same vehicle, or detecting gender or number of individuals in the vehicle.

Increasingly, brands are deploying sensors on their own physical properties to make environment-based experiences come alive. Example: Disney Resorts has deployed RFID tags in their "MagicBands" bracelet; these serve as tickets and also allow photographers throughout the park to capture photographs of their guests interacting with various characters. These vacation memories can be accessed by guests online and on their mobile devices, allowing them to relive their vacations. Integrated social-sharing features enable guests to tell their own stories about their vacations, further strengthening the brand-consumer connection.

Nike is taking a similar path. FuelBand is not just a useful product – it's a sensor-based platform and infrastructure around which Nike may build its own ecosystem, with Nike and its partners leveraging data to fuel personalized experiences and inform overall product assortment.

## Conclusion

As brand experiences continue to evolve, the enabling technology infrastructure will be forced to keep pace. In past months, we've seen major new innovations in mobile technology, a focus on big data and analytics, and increased consideration of the cloud as both an infrastructure and a service. The five technology categories discussed here are infrastructure components with significant potential for brands to unlock value. Marketers who apply these technologies effectively will not only provide better experiences, but also enjoy a stronger competitive advantage.

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# DELIVERING BIG DATA'S POTENTIAL: A MARKETER'S PRIMER

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► **Bryan Smith, PhD**

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*Bryan is a computational research scientist with 15+ years of experience uncovering insights buried in massive data.*

**You've heard it at conferences, read about it the trade rags, and followed the debate on your favorite blogs – Big Data is here to intuit your customer's most intimate thoughts, predict his/her behavior, and solve all your marketing problems.**

Odds are, your organization has spent significant time, money and effort debating Big Data opportunities, conducting workshops, developing proof of concepts, selecting vendors, and hiring (or at least attempting to hire) a team of data scientists and engineers.

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With a bit of luck, these efforts have built your capability to tackle the first three Vs of Big Data: Volume (using larger data sets), Velocity (acting on signals more quickly), and Variety (leveraging diverse data sources).

But, what about the all-important fourth V... where is the Value the Big Data hype promises to deliver? According to recent research<sup>1,2</sup> the average return per dollar invested in Big Data to date is just 55 cents, yet investments in data-driven decision making are projected to provide larger ROI than many other marketing investments. So what's going wrong? What actions can you take to deliver on Big Data's potential?

The ROI deficit is partially explained by obvious factors identified by Gartner and Wikibon: immature technology, lack of skilled data science resources, and poorly defined business use cases.

However, in our work with clients, we've observed some more basic pitfalls – poor communication between marketing and data science teams, a dearth of understanding of one another's perspectives, and hit-or-miss methods for commissioning and managing data science work. This article hopes to address these issues by unpacking basic concepts for marketers to communicate with data science professionals and practical advice on managing data science efforts to yield maximal returns.

<sup>1</sup> Enterprises Struggling to Derive Maximum Value from Big Data: [http://wikibon.org/wiki/v/Enterprises\\_Struggling\\_to\\_Derive\\_Maximum\\_Value\\_from\\_Big\\_Data](http://wikibon.org/wiki/v/Enterprises_Struggling_to_Derive_Maximum_Value_from_Big_Data)

<sup>2</sup> Gartner Survey Reveals That 64 Percent of Organizations Have Invested or Plan to Invest in Big Data in 2013: <http://www.gartner.com/newsroom/id/2593815>

## Learning to Communicate: A Data Scientist's Glossary

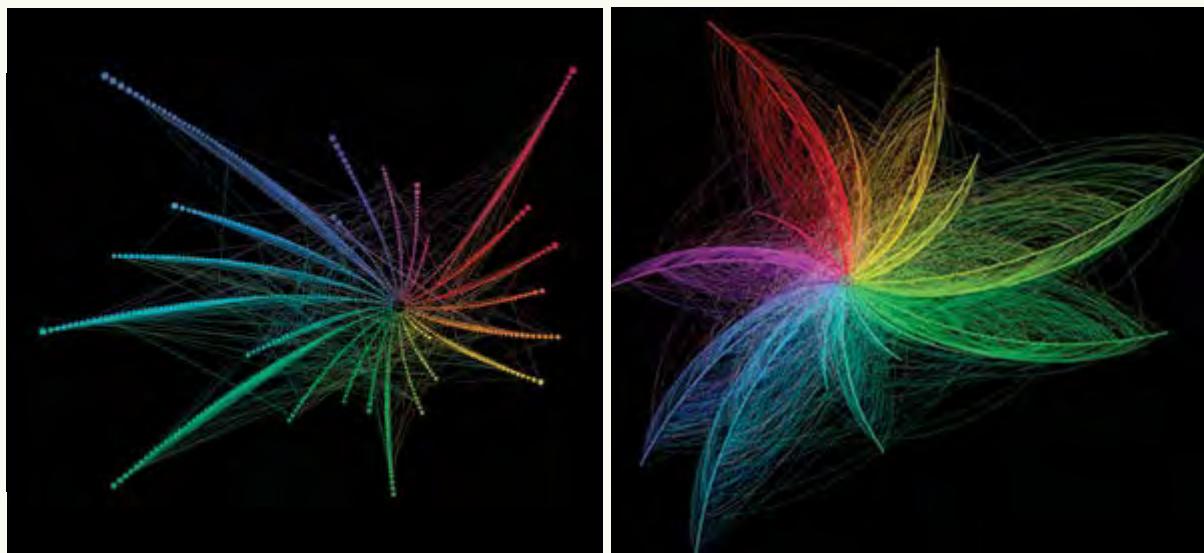
We've developed the following functional glossary to help demystify some of the common terms used in data science practice, connecting them to some practical ways we use them in our work.

Big Data comprises both a technology stack component and the machine-learning algorithms running on top. Given that Big Data core technology stacks are being increasingly commoditized (e.g. Cloudera, MapR, HortonWorks, etc.,) our focus here is on the machine learning aspects of the broader Big Data domain.

### Machine Learning

*Machine learning is the process of training computers how to “learn” interesting patterns in data and how to adapt automatically when data change over time.* We feed the machine-learning algorithms data at training time to build models, and those models are then used to inform marketing and operations decisions, ideally in an adaptive manner. It comes in two different flavors: *supervised learning* and *unsupervised learning*. These two methods differ in the data required to make them work and the insights that they yield.

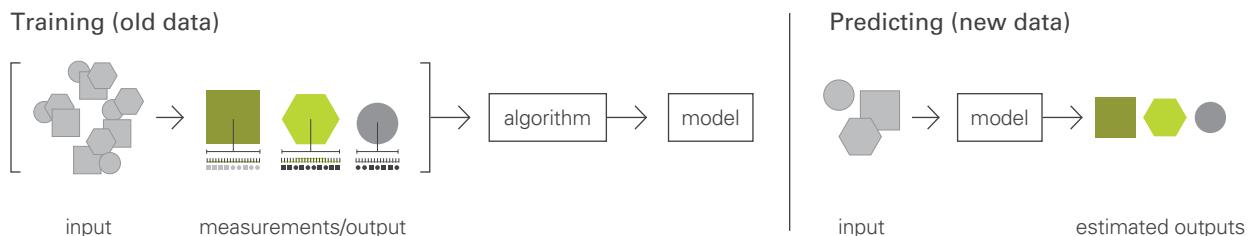
## Applying Big Data in Retail: Visualizing Cross-Category Sales Activity



The images show a comparison to two cross-channel sales scenarios derived from clickstream data. The image on the left represents relatively low cross-channel sales, while the image on the right represents relatively higher cross-channel sales, for example, after optimizations were made to the site.

This interactive tool – based on terabytes of data – can identify categories which retailers might want to cross-promote which are not intuitive. For example, using this method, we could discover correlations between buyers who purchased tent hardware, and, who also purchased batteries. A secondary benefit is that these data unlock opportunities for brands to offer additional advertising slots to buyers.

Fig. 1

**Supervised Learning****Supervised Learning**

Supervised learning algorithms require both *input* (e.g., user clickstream) and *output* (e.g., user purchases) data, commonly referred to in statistics as the independent and dependent variables, respectively. The general purpose is to create a *model* for how the output relates to the input. Once we have a “good” model based on past clickstreams and purchases, we can employ that model to estimate purchase propensity using input data from *new users*.

**Supervised Learning Use Cases**

Applying Supervised Learning algorithms to marketing problems can generate powerful predictive models, which can be used and refined over time. These models can generate deep insights and guide marketing strategy, and also allow you to test ‘what-if’ scenarios.

1. **Conversion probability:** How likely is a specific shopper to purchase based on user data (demographic, geographic, social media profile) and purchase history?
2. **Click-through rate prediction:** What are the estimated click-through rates on new content, based on user profile data, time of day, product category, content publisher identity, and historical click-through data?
3. **Churn probability:** What are the online behaviors which best predict the loss of a customer? Or, conversely, what are the characteristics of customers most likely to stay with your business?
4. **High-value user acquisition:** Who are the most valuable customers over the long-term to your business? Marketers can then apply these characteristics to shape marketing strategy as part of a new user acquisition campaign.

**Technical Deep-Dive: Two Explanatory Models****Algorithm #1 “Classifier”**

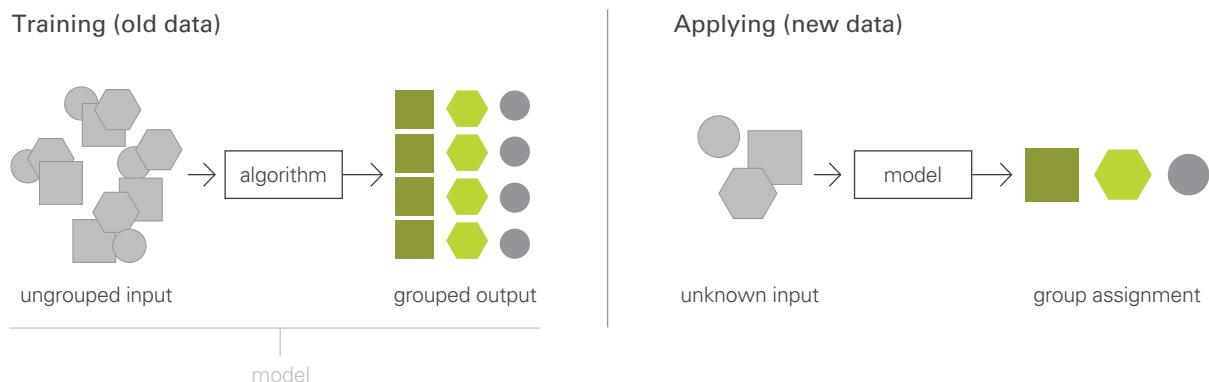
A classifier is a supervised-learning algorithm concerned with assigning data to one or more pre-defined categories. It is particularly useful for interpreting data with discrete categories – such as purchased or not purchased, or click or not clicked.

In the example above, we defined two specific categories, “purchase” or “no purchase,” which may be encoded as numeric values of 1 and 0, respectively. We would use a classifier to understand how the data we’ve collected relate to these two distinct “classes.” If certain combinations of user demographic data, marketing channel identity, and content relevance are correlated with conversion probability, we may be able to discover those relationships using this type of model.

**Algorithm #2 “Regression”**

Regression models are used when we want to understand “continuous” outputs, such as the actual amount of money a customer is likely to spend over their lifetime. So, rather than the discrete “purchase” and “no purchase” categories described in a classifier, a regression model can be used to estimate how combinations of data may be predictive of actual dollar amounts spent by your users. Regression models are also supervised, meaning we need to train them using historical examples of both the input data as well as the actual purchase data for the same set of users.

Fig. 2  
**Unsupervised Learning**



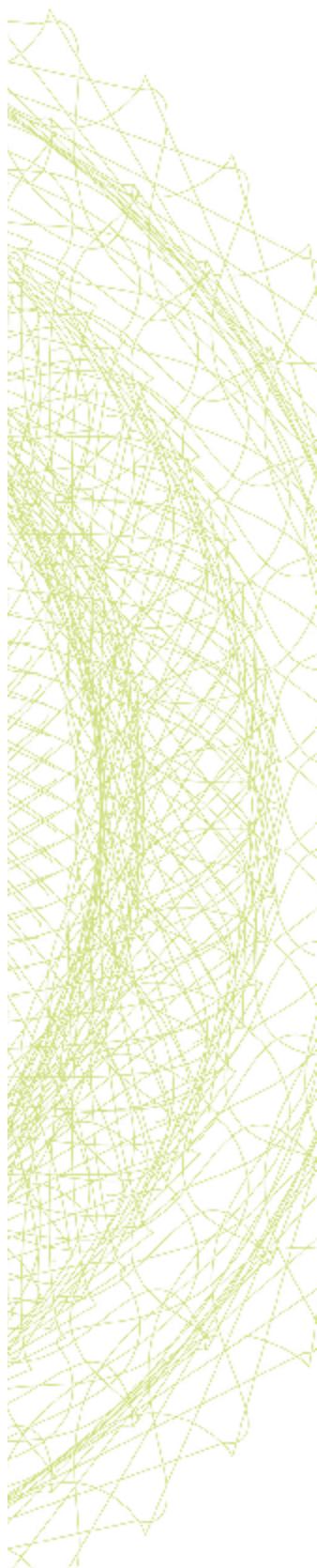
### **Unsupervised Learning**

Unsupervised learning, often called data mining, occurs when we are concerned with understanding patterns and relationships within the input data itself, regardless of any particular output. Given that we do not need to use any particular output data to train these kinds of models, unsupervised learning may seem like the path to magical customer insight. In practice, successful application of these methods requires clearly defined questions and hypotheses in order to generate value.

#### *Unsupervised Learning Use Cases*

Applying unsupervised learning models to marketing problems generate different types of insights – namely, they don't try to determine causality, but rather they only generate characteristics of the segments.

1. **Bottom-up segmentation:** Identify naturally occurring “clusters” of users within the data; key inputs are data about users and their behavior. This information can be used in targeting campaign efficacy assessment, etc.
2. **Product recommendations:** Suggest products that are likely to be enjoyed by a user by using collaborative filtering (a variant of pattern mining) combined with user preference or ranking data.
3. **Experience personalization:** Establish user personas using clustering algorithms applied to user data, to be employed in personalization strategies.
4. **Dynamic site optimization:** Dynamically optimize a site experience by using frequent pattern mining combined with clustering algorithms, taking into account both the user's current clickstream behavior as well as a persona grouping to which that individual belongs.
5. **Cross-Category promotions:** Using basket analysis (frequent items mining), identify items or item categories that often occur together in transaction data. Use the resulting information for promotions, sales and inventory management optimizations.



### *Technical Deep-Dive: Two Explanatory Models*

#### **Algorithm #1 “Cluster Analysis”**

Clustering algorithms are used to group objects, such as users or products, into clusters (or segments) based on some notion of similarity. Whereas top-down segmentation as executed by a marketing expert enables precise targeting, there is also significant value in understanding the naturally occurring groupings (personas, user archetypes, etc.) in a user database. For this type of exploration, we rely on cluster analysis.

#### **Algorithm #2 “Frequent Pattern Mining”**

Market basket analysis, likely a concept many readers have exposure to, is a type of frequent pattern mining. The famous (though likely apocryphal) association between beer and diapers in retail consumer's carts is an illustrative example of using market basket analysis to identify product associations that are not necessarily intuitive. Collaborative filtering algorithms, used by Netflix recommendations and Amazon's "users who bought X also bought Y" are other examples. It is worth noting that many of the algorithms in a data scientist's toolbox may be described in terms of "frequent pattern mining," but the above examples define a general distinction.

## **Putting the Models to Work: The Intersection of Business and the Data Scientist**

Now that you are armed with a knowledge of some commonly used vocabulary of the data scientist, you should understand some differences in perspectives between typical marketing resources and the data scientist.

Marketers are familiar with the world of creatives and creativity. The cadence of data science work does have some elements in common with creative work. Data science is more ambiguous in nature and quality results may take longer to develop than initially anticipated. In fact, in the same way that a creative team needs a clear brief, data science teams need concrete questions provided by the marketer to direct their efforts. Left without direction, or with a vague mandate to go produce some insights, we've seen data science teams work feverishly for months, only to produce insights with limited practical utility.

Unlike creative however, data science also has elements of scientific research, which makes progress through experimentation. Carefully designed experiments typically prove or disprove hypotheses, but can also sometimes be inconclusive. A series of false hypotheses or failed experiments can lead to dead ends and the need to backtrack. It may seem from the perspective of the marketer that the data science team is flailing, not making progress at all, when in reality this iterative process may be a normal progression as these methods are initially adopted. While a deadline on a creative team may work to fuel the creative process, a deadline on a data science team will only limit the time taken on a set of experiments, which may not guarantee better insight or deliver a business result more quickly.

## Essential Marketing Questions to Ask Your Data Team

1. What attributes define my most valuable customers?

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2. What customer segments am I most likely to lose over the next 3 months?

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3. What features of my product resonate with various segments of my user base?

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4. How are my marketing campaigns being received in social media?

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5. Are there identifiable differences among various groups who like or dislike my products?

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6. Why was the click-through rate of my most recent campaign so high/low?

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7. Can I move stale inventory by identifying cross-promotion opportunities from existing user behaviors?

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8. Are there any readily-identifiable common attributes of my most successful salespeople?

## Best Practices in Managing the Data Science Team

How do you work with data professionals in your organization? To answer the question, let's take the hypothetical example of a brand that needs a data-driven cross-category sales and promotions retail strategy. Here are some best practices:

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**1. Ask specific questions:** Being clear about the expected outcomes of your data science efforts may seem obvious, yet too often we see insufficient time devoted to identifying and prioritizing the questions for the data science team.

Leveraging data to optimize cross-selling activities requires a careful consideration of factors ranging from your marketing mix to your supply chain. All of these complex systems and more may come into play. Left undirected, a data science team may decide to tackle any or all of these systems that may not align with your marketing objectives. Questions that seem related to the general problem may in fact require distinct approaches to research and answer.

In the context of our example (a retail brand driving cross-category sales and promotions), you may want to specify questions including:

- *What categories occur most often together in user's carts?*
- *Is there any geographic variability with category associations?*
- *How can we measure cross-category promotions activity across geographies?*
- *Are there any additional specific sources of data we can integrate to better inform our models?*
- *What categories of items show up consistently together organically (in the absence of any known cross promotions)?*

**2. Create a sense of urgency:** Our earlier comments about data science being like research are not meant to imply that an approach to Big Data should come with no deadlines and open wallets.

We've found an effective technique for creating a sense of urgency to meet deadlines is to create a backlog of well defined and time boxed "experiments," in which the expected results are well understood by both the marketing and the data science team. Setting specific objectives and timelines around data source identification, data access processes, and information security issues should be included.

For our hypothetical situation, we will need to know how to access historical sales data, promotion activities, and product catalogue data. With data in hand, we need a simple analysis of item and category co-occurrence. Given our understanding of this initial model, we need to make decisions about what specific questions to approach next.

The ideal length of time per experiment is four to six weeks, seldom exceeding eight weeks.

Be prepared for failure. Expect it. The goal is to learn, acknowledge failures, and reprioritize the backlog. This approach borrows in many ways from Agile software development.

**3. Define the owners:** For the questions your teams will be answering, both within your team and the data science team.

- *Who is the ultimate owner?*
- *Who owns data provisioning and access?*
- *Who will use the results of the cross-category analysis?*
- *Is this effort intended for the marketing team, promotions, purchasing, or someone else?*
- *Are there multiple consumers of the insights? If so, does the output need to be specifically crafted for these various users?*

This is a critical stage of the process to actively manage and assess, with the risk being the possibility that brilliant insights are being delivered into a void of inaction.

**4. Create an integrated view of your data science efforts, and keep control of your information:**

Maintaining access to your information and your semi-processed data is not just a matter of IT security. Rather, it's about ensuring efficient access to the types of data that will be required to generate insights you seek.

Due to hype, available options and vendor proliferation, organizations are outsourcing not only the collection and storage of their data, but are giving up access to raw data streams.

The perceived convenience and initial cost savings of leaving your data collection and management processes to third-party vendors could end up proving costly in the long run, as demands for those data evolve over the lifetime of an organization. Simply, these pitfalls can be avoided, and outsourcing benefits fully realized, by involving data science and governance in any decisions where data will be housed outside the enterprise.

The bond between marketing and data science has deep roots. Direct marketers have leveraged data science for decades.

But digital media has changed the dynamics of this partnership – offering massive data streams that promise to provide insight into not only what customers are saying and doing, but potentially also what they are thinking.

As George Dyson asked and answered, "But, how can the machine know what I think?" The machine does not need to know what you think – no more than one person ever really knows what another person thinks.

A reasonable guess at what you are thinking is good enough. That's the promise of data science for marketers. Let's work on that ROI.

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# PLACING EXPERIENCE WITHIN REACH: QRC, NFC AND THE FUTURE OF CONTEXTUAL ACTIVATION

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► **Charles Sayers**

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*Charlie is the author of SapientNitro's retail innovation platform, "Connected Retail: The Future of the In-Store Experience."*



**When asked to describe an innovative or engaging marketing experience, most of us talk about the experience itself: the interaction of a customer with a website, with a mobile device, with a kiosk, interactive display or a rich, omnichannel journey that spans multiple devices, touchpoints and interactions.**

But that is a view of an experience from the inside. But how will a customer connect to that experience? What is the trigger that launches that experience? We call this customer experience “contextual connectivity.”

The demand for contextual connectivity is growing. Just two years ago, more than 13 million barcode apps, QR scanners and pricing apps were downloaded by the first wave of smartphone enabled consumers. Today, merchants are racing to meet the demand. According to Multichannel Merchant Outlook 2012-2013, the number of merchants using QR codes as part of their marketing strategy has more than quadrupled to nearly half (47 percent). In 2012, just 8 percent of sellers reported employing them.

As digital experiences extend from virtual to physical (and back again), it’s essential that tools are available to bridge the experiential divide. Contextual activation – which can incorporate everything from QR codes, NFC tags, Bluetooth Low Energy, and sensory and gestural recognition – is a practical bridge between a customer and an experience.

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## **The Best Contextual Enablers Are Instantaneous and Transparent**

Contextual enablers stimulate experience connectivity – presenting a virtual on-switch to engagement. But, like switches, enablers constitute a means to an experiential beginning. Their purpose is to transition focus from point-physical to point-virtual (and vice versa) without slowing the speed of the experience. At their best, they must be effortless and instantaneous.

SapientNitro spent several months evaluating the tools and technologies for a major CPG firm. To evaluate contextual enablers, we looked beyond the appeal and design of its technology. We also considered how that technology fits into relevant lifestyles, the sophistication and scalability of its supporting infrastructure, and the general market awareness of how it works and how deeply it is being adopted. These are our predictions.

**BEFORE WE CAN ENGAGE A DIGITAL EXPERIENCE, WE HAVE TO GET TO IT...AND WE EXPECT THAT CONNECTION TO BE INSTANTANEOUS.**

## Prediction 1: Within the Next 12 to 18 Months, QRC Will Become More Widely Used to Connect Virtual and Physical Experiences at the Point of Sale

QR (Quick Response) code technology was invented in 1994 by Toyota to help track vehicle parts during the manufacturing process. Today, these two-dimensional “barcodes” can be read by dedicated QR code readers and software-enabled camera phones. The technology has slowly made its way into the marketing mainstream thanks in part to their use in print and mobile couponing.

As a contextual enabler, QRC has the advantage of being both a connector and data store. A single QR code can store up to 7,089 numeric characters, 4,296 alphanumeric characters, 2,953 binary units, or 1,817 Kanji/Kana. These codes can also be generated and distributed quickly and inexpensively, so they can be incorporated easily into existing packaging, collateral, signage, digital and online display.

But QRC is not without long-term disadvantages. Barcode scanning software is not universally supported across every mobile platform (such as Apple’s iPhone), which requires users to download one of many apps to engage the device’s camera to scan and load URLs and other transferable experiences. And while both Android and Blackberry provide native QR support on some models, the lack of standardization makes choices and enabling experiences different from device to device.

More troubling, consumer adoption of QR codes has remained stubbornly slow. eMarketer recently reported that just 11 percent of consumers have a QR reader on their phone, and of those, just 3 percent have used them.

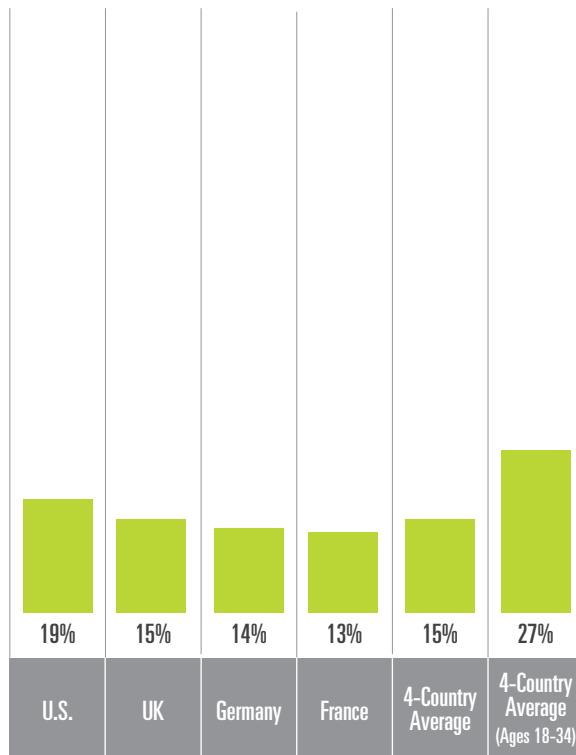
Plus, the image of the code must be readable for the scanner to understand and connect the user to the targeted experience. Printing is rarely durable – especially on packaging and print material – so codes risk degrading and becoming obsolete quickly.

**Bottom-line:** In terms of near-term convenience and ease of access, QRC is the contextual enabler of choice. However, it is an interim solution at best.

Fig. 1

### Global QR Usage Remains Limited

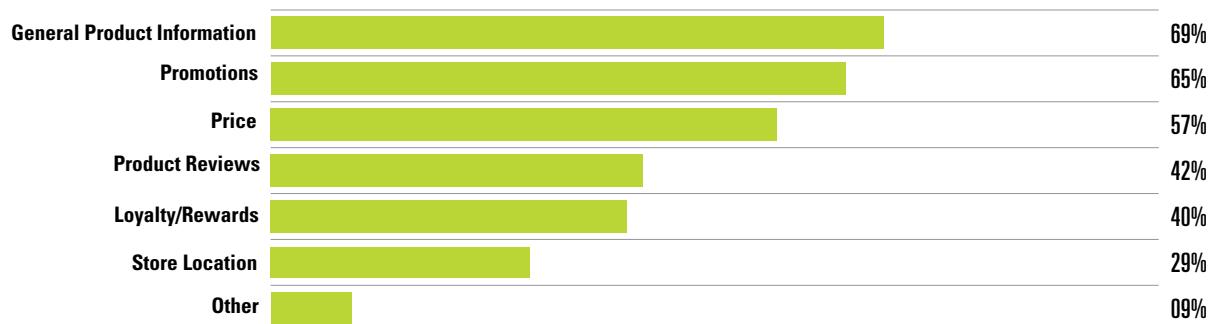
QR Code Usage, by Country January 2013



*Fewer than 1 in 5 Americans have ever scanned a QR Code. And this is above the global average. Even among 18- to 34-year-olds, just slightly more than 1 in 4 have used the technology.*

Fig. 2  
**Scanners Are Looking For...**

QR Code Uses Among Smartphone Shoppers (% of smartphone shoppers who have used QR codes, indicating for which types of information they used a code.) January 2013

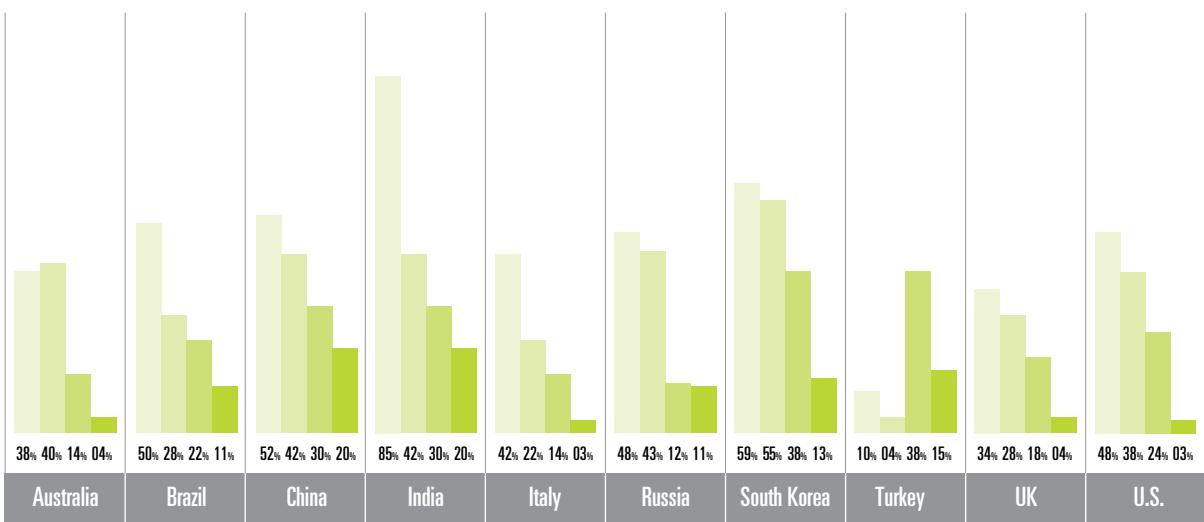


Among smartphone shoppers who have used QR codes, general product information, promotions and prices lead in terms of what people are looking for when they scan.

Fig. 3

**Barcode, QRC and NFC usage in the United States lag Turkey, India and China**  
Selected activities performed among smartphone users within the past 30 days, February 2013

- Location-based services/GPS
- Mobile banking
- Barcode or QR scanning
- NFC/Mobile wallet



NFC is most popular in Southeast Asia, but throughout the world QR codes have the most widespread use.



*Home Depot has rolled out a nationwide mobile tag program to solidify purchase intent in its store by delivering additional product information directly to a customer's smartphone. The effort incorporates QR codes on to product tags, which give customers immediate access to relevant information such as ratings, reviews, how-to guides, and videos on specific products. Additional codes will be placed on direct mail pieces and on store shelves.*



*Strappy allows train passengers in Japan to access advertisements and other information via a Near Field Communication (NFC) equipped strap cover. Passengers simply touch their compatible phone to the strap cover and get immediate access to the content being delivered to that NFC point.*

## Prediction 2: Within the Next One to Three Years, NFC Will Become the Most Commonly Used Contextual Enabler Connecting Physical and Virtual Experiences at the Point of Product

Like QRC, NFC technology has been around awhile – about 15 years. During that time, many companies (ranging from AT&T to Google) have invested in its use.

According to a recent report from Juniper Research, an estimated one in five smartphones will have NFC functionality by 2014. That's nearly 300 million handsets. According to Forrester Research, more than 100 million NFC-enabled devices will be shipped by the end of 2013 and, according to ABI Research, the number of NFC-enabled devices on the market will grow to more than 800 million by 2016. Those devices extend beyond smartphones and include consumer electronics such as TVs, game consoles and tablets.

Consumer use of NFC, as well, has been limited. eMarketer reports 84.6 percent of consumers have heard of it or used it, while just 20.8 percent report using it 'regularly.'<sup>1</sup> The NFC infrastructure across retailers, quick-serve restaurants and transportation sites continues to develop. In the United States, Gartner expects mobile NFC transactions to account for 5 percent of all mobile payments by 2017.

The final challenge with NFC is a simple one: cost. NFC costs \$0.20 to \$0.10 per unit even at scale – prohibitive for most CPG firms shipping billions of units. The cost of NFC technology remains at \$2 to \$3 per unit for retail packages – prohibitive for most CPG firms.<sup>2</sup>

<sup>1</sup> eMarketer cited NetBiscuits 2013 People's Web Report.

<sup>2</sup> Scandit.com, 2013.

## ► NFC: ENABLING CONTEXTUAL ACTIVATION BEYOND MOBILE COUPONS

### Smart Jewelry

In the United Kingdom, British designer John McLear has developed an NFC-enabled, smart ring that never requires charging and enables actions such as unlocking NFC-friendly doors or social sharing to smartphones and tablets.

### Smart Labeling

Helping to improve the quality of life for the visually impaired, TapVision incorporates NFC into product labeling so that contents can be heard (vs. read). It also enables a social link to share product information through social media.

### Smart Golf

The Birdie NFC Golf Ball Marker acts as both enabler and data repository. These NFC markers can be preloaded with promotional offers, prepaid concession items, as well as enable the ignition system on the duffer's golf cart.

### Smart Paper

Researchers from Intel, the University of Massachusetts and the University of Washington have teamed up to build an e-paper display that can be powered by the Near Field Communication (NFC) signal from a smartphone. The smartphone not only enables the e-papers activation, it transfers the required energy to it to enable the content display.

### Smart Toys

In Japan, Nintendo is introducing NFC capabilities in its Nintendo Wii U by offering a collection of NFC-enabled characters (including main character Pikachu), which enables a symbiotic experience exchange between virtual and physical characters.

A close-up photograph showing a person's fingers interacting with a small, transparent rectangular device. The device appears to be a NFC-enabled product like a golf ball marker or a smart label. The background is blurred, suggesting an indoor environment.

THE BEST  
TRIGGERS MUST  
(AND WILL BE)  
INVISIBLE.

As a long-term option to contextual enabling, NFC offers significant advantages over QRC. It can work with or without an Internet connection and seamlessly connect to a wide range of experiences with or without an intermediary mobile app. Unlike QRC, NFC performs consistently well in all physical conditions and environments and employs a single, global standard to ensure experiential consistency and greater awareness and understanding of its use.

## Sensory and Image-Based Enablers Are Novel but Inconsistent

With the rise of wearable computers like Google Glass and Samsung's Galaxy Gear SmartWatch, it is easy to imagine a world populated by everyday objects that can connect to virtual commentary and ancillary product information anywhere and everywhere. These types of enablers typically lead to augmented reality experiences that add a level of virtual information, superimposed upon a physical context.

Acrossair, for example, is enabled by a map location. Aurasma can open viewable videos, animations and effects enabled by everyday objects. And SnapShop allows visualization of virtual furniture in your living room.

But the challenge with image-based enabling lies in the endless variations of physical objects. Angles, lighting and visual noise all influence the amount of twisting and adjusting needed to activate the experience. Frustration can rapidly mount as individuals try to aim their device at exactly the right position.

So, for now, image recognition as an enabler does not satisfy the invisible and instantaneous expectation of a demanding, always-on customer.



*Peapod.com is putting virtual stores featuring billboards of larger-than-life grocery aisles on train platforms where customers can shop using Peapod's mobile app.*

*Commuters can use the app and then shop by scanning barcodes of products displayed on the billboards. The purchases are then scheduled for delivery at a time of the buyer's choosing.*

### Prediction 3: Within the Next One to Three Years, BLE and NFC Will Work Together to Enable Experiential Connections between People, Products, Objects and Environments

When Apple announced that BLE (Bluetooth Low Energy) would be included as a standard feature in all future generations of iPhones, the company unleashed a flood of predictions heralding the death of NFC.



*ShopSavvy, GroceryIQ, ShoppingList, recipe.com and Remember The Milk can recognize product photos, locate discounts and coupons, or create a shopping list.*

NFC is limited to a distance of approximately four centimeters while Bluetooth can reach more than more than 914 centimeters. Especially given BLE's lower energy need, many considered NFC's days to be numbered.

In the wireless world of in-store activation, claiming that one's options are either BLE, NFC or nothing is like saying oranges should make all other fruits obsolete. While it may seem that BLE wields several advantages over NFC, NFC has a few advantages of its own – such as lower cost, better security and better transmission effectiveness in environments that are often immersed in potentially disrupting electronic noise.

In our mashed-up, omniexperiential world, one option doesn't have to necessarily kill the other. Together, they can offer not only a better enabling experience to consumers, but, with its extended transmission distance, BLE can offer an enhanced experience within physical locations.

Alone, NFC maintains an experiential edge. Together, BLE and NFC offer an experiential advantage.

A comparison of the characteristics people value most in a seamless, unobtrusive contextual enabler (accessibility, ease-of-use, performance, responsiveness, consistency, security, and investment) shows why NFC paired with BLE offers the greatest potential for long-term use and adoption.

While QRC scores high marks for accessibility and requires the lowest investment, its weaknesses in performance, responsiveness, consistency, and security could not only lead to lower use, but QRC could actually degrade the quality of experience.

## NFC Maintains an Experiential Edge

|   | ACCESSIBILITY   | EASE OF USE   | PERFORMANCE   | RESPONSIVENESS              | CONSISTENCY  | SECURITY   | INVESTMENT   |
|---|---|---|---|-----------------------------|--|--|--|
|  QR CODE / BAR CODE | HIGH<br>Many code scanning apps available                         | MODERATE<br>Requires an internet connection         | LOW<br>Lighting. App performance                                      | LOW<br>Slow                 | LOW<br>Multiple tech variations                              | LOW<br>Code response can be altered by 3rd party                               | LOW<br>Technology currently exists. Simply create and scan                       |
|  NFC                | MODERATE<br>But growing in variety of new tech releases           | HIGH<br>Native device functionality                 | HIGH<br>No lighting issues or aesthetic requirement                   | HIGH<br>Rapid date exchange | HIGH<br>Single global standard                               | HIGH<br>Built into device  | HIGH<br>Need to embed NFC tiles/signals into packaging and displays              |
|  BLE                | HIGH<br>Available in newer generations of smartphones and tablets | MODERATE<br>Requires opt-in pairing at point of use | LOW<br>Electronic noise can interfere with transmission and reception | HIGH<br>Rapid date exchange | MODERATE<br>New global standard is not backward compatible   | MODERATE<br>Greater transmission distance risks delivery of authorized content | HIGH<br>Pairing logistics and cost of BLE transmitters currently higher than NFC |
|  AR               | LOW<br>Limited app options  | MODERATE<br>Incorporates app and camera integration | LOW<br>Lighting. Visual noise. Distinctive focal point                | LOW<br>Slow                 | HIGH<br>Based on distinctive characteristics of target image | HIGH<br>Response tied directly to proprietary brand design                     | MODERATE<br>Requires connection to proprietary packaging or brand imagery        |

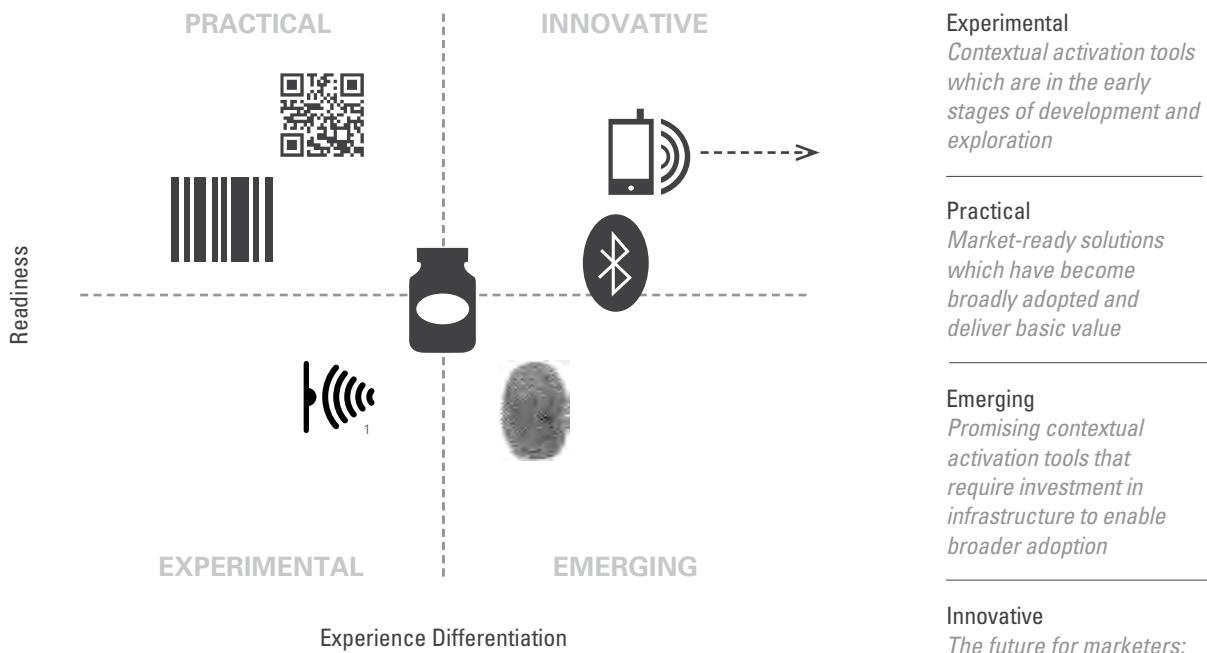
QR Codes deliver accessibility, but low performance and responsiveness limit its value. NFC offers the highest quality experience, but is expensive, and has limited accessibility. Bluetooth Low Energy remains an option perhaps best combined with NFC. And augmented reality remains a higher-risk, longer-term play.

BLE offers lower cost to both consumer and merchant along with a greater transmission range, but the custom pairing required across a variety of footprints can be cumbersome. Passive enablement of an experience can also be problematic if consumers consider the delivery of unsolicited messaging and content to their device based on location as intrusive.

NFC, on the other hand, ranks 'high' across all experience levels but, until it is more widely incorporated as a standard feature in a variety of electronics and mobile devices, it is not as easily accessible; it also currently requires a higher level of investment.

From an innovation perspective, NFC is also trending towards a higher place in the 'Innovative' category, scoring high marks across both readiness (the infrastructure required to support the technology), and 'Experience Differentiation'.

### Plotting the Future of Contextual Activation



NFC is the most strategic investment, closely followed by BLE, although the payoff for both will require more time to establish the necessary infrastructure to enable broader adoption. QR Codes – despite much skepticism in the market – are still the most inexpensive starting point marketers can use today to get their processes in place.

### The Enabled Conclusion

Regardless of the sophistication and enhancement of any digitally-charged experience in the future, the need to activate it will remain. Today, NFC appears to offer the greatest potential to achieve that connectivity seamlessly, consistently and quickly. Working together, BLE and NFC combined to offer a great value combination that serves the connecting needs of the consumer and the market intelligence needs of retailers. Until companies are willing to step up their investment to either of these new technologies, expect to continue to see QRC as an adequate, low-cost alternative.

**Experimental**  
*Contextual activation tools which are in the early stages of development and exploration*

**Practical**  
*Market-ready solutions which have become broadly adopted and deliver basic value*

**Emerging**  
*Promising contextual activation tools that require investment in infrastructure to enable broader adoption*

**Innovative**  
*The future for marketers; the greatest opportunity for adoption and support in both the long and short term*

<sup>1</sup> Sensor Technology: an experimental technology which uses sensors (e.g. video technology which detects gender or age) to trigger or customize an experience.

TREND

5

# AN EXPANDING ROLE OF MARKETING LEADERSHIP

Even though the average lifespan of an S&P 500 company has dropped from 60 to 15 years, many marketing executives struggle to adapt and make the case for change to help their companies survive and thrive. Many businesses – perhaps most – will need to be reinvented to operate in the always-on, real-time world. We're seeing that traditional silos of function – the brand team, the e-commerce team, the store team, the merchandiser, the IT team, the marketers – tend to hold progress hostage and fog the way forward for most senior marketers.

In this section, we've selected a small set of articles to help marketers walk the narrow path forward.

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# DISRUPTOR OR DISRUPTED? HOW TO STAY ON TOP IN AN ERA OF TIERED TRANSFORMATION

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► **Nigel Vaz**

Senior Vice President  
and Managing Director,  
SapientNitro Europe

*Nigel is responsible for driving SapientNitro's vision of delivering excellent customer experiences by working closely with SapientNitro's clients and global teams.*

## **At points along the timeline of the business that was once Blockbuster, it must have felt unbeatable.**

One was when Blockbuster founder David Cook first recognized the inefficiencies of local video stores and launched his business in 1985 based on computer inventory tracking that provided insights and the ability to optimize stock both for customers and profit (a practice that was the first for Blockbuster's industry). Then there were the golden years of 1987 to 1994, when new owner Wayne Huizenga grew the business from 19 stores to a dominant retail chain of 3,000 outlets. But Blockbuster failed to embrace constant change – a necessity for businesses that want to avoid being disrupted.

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### **Netflix Disrupts Blockbuster**

Few companies are ever blindsided. They're never killed by something they didn't see coming; and so it was with Blockbuster. When Huizenga eventually sold to Viacom in 1994 for \$8.4 billion, he recognized that developing technology would be a material threat to his bricks-and-mortar business, which lacked the expertise to tackle that challenge head on.

Four years later, Netflix launched. According to legend, Netflix founder Reed Hastings seized upon the idea of rental-by-mail after being hit by a \$40 video store fine for returning *Apollo 13* late.

It would be easy to say that the rest is history, but it isn't. History isn't an excuse; it's a process. Blockbuster's fate wasn't written on that April day in Los Angeles when Netflix opened for business with just 30 staff and a radically different business model. What killed Blockbuster was its failure to recognize the constancy of change, an inability to see that disruptive businesses can and will be disrupted, and an addiction to its own business model.

The Blockbuster-Netflix struggle is not an isolated one. The power shift from Kodak to Instagram, Sears to Target and Research in Motion to Apple's iPhone are all equally telling incidents of once-disruptive brands that have been toppled by newer, more nimble disruptors. History tends to recount these industry regicides as sudden and heroic upheavals, but the reality is that the new leaders possess the cultural and commercial traits that are more suited to, and sometimes indistinguishable from, the new paradigms of their respective markets.

### **Embrace Constant Reinvention**

One of the catalysts for organizations today to embrace constant reinvention is that the business you are in is changing constantly. Change is not a new phenomenon; it has no starting point or end date. It may feel as though we are experiencing rapid and dramatic change brought about by disruptive technologies. But what we have experienced before is no barometer of the scale and pace of change in future.

Brands only stay on top when they're smart and brave enough to recognize that success today does not guarantee success tomorrow; that they only represent the future for as long as they are future-thinking. Transformation is happening, every day. Organizations can stand still and let that transformation happen to them, or they can move forward with it and transform themselves.

Change happens in incremental, "tiered" fashion. What went before doesn't disappear; it just gets built upon. Blockbuster failed to transform, while Netflix constructed its business on the best aspects of the model that Blockbuster had previously laid down. Tellingly, Netflix has a transformational culture; it moved seamlessly from rental-by-mail to streaming, and through investment in original content such as *House of Cards* (which is the first web-only series to win at the Emmys) is also challenging the broadcasting paradigm. For as long as Netflix can maintain that culture of change, the company can keep other disruptors at bay.



### Disruptor or Disrupted?

How can other brands mirror this success? How do we become, and remain, the disruptors rather than fall into the role of the disrupted? When the scale and pace of change is dramatic and disorienting, asking some existential questions can mean the difference between being the top layer or bottom layer of tiered transformation. Those questions include fundamental ones, such as:

- *Why am I here?*
- *What is my purpose?*
- *What is the nature of my relationship with people?*

Questions such as those can help organizations to regroup, focus and disrupt. By comparison, organizations set themselves up to be disrupted when they ask, simply, how do I sell more of my products?

An existential understanding of purpose helps us to make sense of a disorienting world, in which the spaces where brands meet consumers are being rapidly redefined and converged by digital – which is the power behind connected, always-on consumers. When we know our purpose, we begin to have a sense of our brand narrative – the story that allows us and others to define what our brands represent and why they are relevant.

### The Power of the Narrative

The best narratives come from a place of belief and sincerity, of knowing what we stand for and having a clear vision of what we are trying to convey. A narrative based on purpose allows us to imagine different futures for our organizations and markets; it is not fixed in time or place, but instead is the means by which we survive and prosper as tiered transformation continues apace. A strong, purposeful narrative fuels the disruptor and fells the disrupted.

The practical application of a brand's narrative can power permanent disruption – the effective marketer's response to tiered transformation. It's what allows Netflix to unseat Blockbuster, Apple to revolutionize the music and mobile phone markets, Google to pursue "moon shots" such as Google Glass and driverless cars, and Nike seamlessly to enter the realm of wearable technology.

*RBS enabled customers to get cash from an ATM without their card. The "Get Cash" mobile app won a Gold Mobile Lion at Cannes in 2013.*

A strong brand narrative allows an organization to make sense of the converged spaces where we find today's connected consumers – where attraction and transaction happen all at once.

In the brand and marketing space, "time" used to be under the control of the advertiser – the storyteller (or more appositely, the story-yeller). Advertisers traditionally told the consumer when to do what and how to engage in a story. Today, consumers make those decisions. They determine when, how and where they want to engage with a brand. Time, in the broadcast media sense, has been disrupted. Recent research from the Internet Advertising Bureau found that the British check their smartphones or tablets up to 34 times a day. Sixty-two percent of people aged 18 to 30 use downtime to check their devices. When these cumulative eyeball-hours add up to more viewer hours than the Super Bowl, boredom is the new prime time. Disruptors see this aspect of the new media paradigm as an opportunity. The disrupted see a threat.

Experience is another space that has been transformed, as connected consumers' expectations of what a product should be and do have shifted irrevocably. Across industry sectors, there is opportunity to add relevance and value by redefining "product" entirely. Royal Bank of Scotland (RBS) says that its business is "Here For You" – a brand promise that has evolved beyond enhanced current accounts and more user-friendly High Street banks. "Here For You" is exemplified and experienced in "Get Cash," a mobile app that allows customers to withdraw funds from an ATM in moments of need when they find themselves without their bank cards. In automotive, Audi is witnessing a drift away from product attributes that used to determine car choice, such as performance and reliability, and toward telematics. Consumers want a driving experience that connects with their digital lives. That shift in expectations is reflected in the Audi

Configurator, which allows customers to design and equip their car, save the configuration and link directly online to the Audi Carstore.

The commerce space has been redefined by experience and transaction becoming blurred in the hands of connected consumers wielding connected devices that can be used concurrently to communicate, research and purchase. For consumers, there is no divide, in time or space, between attraction and transaction. The blurring of lines raises fundamental questions about the role and purpose of the 30-second ad and of last-click attribution. A brand with the desire to address this disruption will meet people with an interactive, non-linear experience that is relevant to their chosen time, place, channel and need-state. Such a brand will spend its marketing dollars to blur, not reinforce, the lines between the “beginning” of a brand’s story, a reprise of that theme and an “end” where the consumer makes their purchase.

### **The Importance of a Storyscaping Approach**

Brand and marketing, experience, commerce – all are disrupted, all converged and all, more than ever, dependent on clarity of purpose and a strong narrative. The Storyscaping methodology (a way of thinking explored more fully elsewhere in this book) is about threading a narrative through every single or linked interaction that we have with a customer. A Storyscape – a ubiquitous, evolving brand narrative – is the territory of the disruptor who encourages the consumer to roam free across its spaces. But the Storyscaping process is a hostile land to the disrupted, whose walled-garden mentality will eventually, invariably be torn down.

### **Conclusion**

As innovation cycles become faster and smaller, the risks to more sedentary businesses become ever greater. And the greatest innovator is as susceptible to risk as anyone else. Change is constant. So the need to stay ahead of that change is constant, too. Whether you become a Netflix or a Blockbuster depends on your ability to recognize the sometimes uncomfortable reality of needing to constantly stay ahead of change. Being a successful disruptor means being humble and courageous, self-aware and visionary.

## **CHARACTERISTICS THAT DISTINGUISH DISRUPTORS AND THE DISRUPTED**

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Disruptors are paranoid. They constantly question their validity and relevance to their customers. They ask not whether to transform their businesses, but when and how.

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The disrupted pour scorn on the garage start-up. The disrupted doubt consumers will ever embrace “that new technology.” They’re always skeptical, and they get found out.

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Disruptors understand that the purpose and definition of their brand is how it fits into and enhances the consumer’s life. Disruptors understand that branding is about how the brand is used, how it helps and what it can be.

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The disrupted know what they make and make what they know. They’re blinkered by their product, what it does and how to get it into people’s lives.

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Disruptors think about seamless brand stories that encompass the entire gamut of the consumer’s experience. It’s an honest and connected approach where what they are, do and say is in sync.

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The disrupted still think in terms of distinct media channels and fail to acknowledge that the 30-second spot has fragmented, leaving broader emotional needs.

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# ORGANIZATIONAL TRANSFORMATION: HOW TO CHANGE THE TYRES WHILST DRIVING

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► **Phil Phelan**

Director Marketing Strategy  
& Analysis, SapientNitro  
APAC

*Phil is a 15-year leader  
across management, media,  
advertising and consulting.*

## **Successfully executing “concurrent transformation” is perhaps the most complex and pressing challenge for our clients, and the playbook is being written on the field.**

Further complicating the problem is the “speed of consumer” is moving faster than the “speed of business”; technology and culture are also moving at different speeds.

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*Maintaining the business as a going concern, while still embracing game-changing or groundbreaking innovation, is more important than ever. In the United States, the average lifespan of an S&P 500 company has dropped from 60 years to 15 years since 1950.<sup>1</sup>*

For every business that wants to survive and prosper, learning to “change the tyres while driving” is imperative to maintaining business-as-usual while undertaking evolutionary large-scale transformation.

Fortunately, brands needing to master concurrent transformation have a blueprint in the form of early project management and Skunk Works operations that subsequently found their way into software development. A more contemporary inspiration can be found in Apple, which inherited the Lockheed gene. These two companies represent strategic decisions about how to assemble and structure teams, and design their workflows.

These ideas for transformation – lean, agile, iterative, MVP (minimum viable product), prototyping, incubating, call it what you will – are ready to make an impact on wider business practices, as long as they are aligned with complementary structure and staffing practices. And it’s possible to create the conditions for the two types of mindsets needed to perform concurrent change, which we describe as pirates and gardeners (more on that later).

These emerging rules for concurrent transformation are especially relevant to how brands redefine the way they create and fulfill their stories with a changing consumer.

<sup>1</sup> Based on a seven-year rolling average.  
Research conducted by Professor Richard Foster from Yale University.

## Skunk Works

Not all technology stories start in a garage.

In the 1940s during World War II, aerospace company Lockheed set up an incubator in a circus tent next to a plastics factory. The initiative was called the Lockheed Advanced Development Projects Division, alias Skunk Works. Inside the tent, a select team of designers, engineers and others were fast-tracking the development of the P-80 Shooting Star fighter jet – in secrecy.

The foul smells from the factory helped give the workers the name “skunk works” – a name still owned by Lockheed today and representing a bigger idea – the P-80 was designed, built and delivered in just 143 days.

Today, the bigger idea of creating “breakthrough technologies” that is implied in Skunk Works can be applied to high-priority R&D or innovation at large organisations, featuring small teams taken out of their normal working environment and given exceptional freedom from the organisation’s standard management constraints.

At its heart, the Skunk Works concept is a strategic idea about the importance of creating the right environment and conditions to achieve innovation at speed.

Skunk Works has been a very influential idea across many fields of business but especially in technology and software.

Half a century on, the Skunk Works spawned numerous successors. It influenced IBM, which adopted them to help it break from mainframe into personal computing. Steve Jobs used the philosophy to “hothouse” the development of the Macintosh computer behind the now-demolished Good Earth Restaurant in Cupertino. And of course, today Google has its X Lab.

The ideas have a natural home where technology transforms business. They may go on to mutate and multiply inside the world of software development and technology consulting.



*Burbank led to the development of the P-80 Shooting Star fighter jet in secrecy – and in just 143 days.*

Thus we refer to Lean, Agile, Iterative, MVP, prototyping, and many other related innovation models that are all inheritors of the Skunk Works gene.

Indeed, the applications of these models and the concept of the company “lab” has spread far beyond the world of software and into a much wider business and branding practice.

## ► MECHANISTIC VS HUMANISTIC TRANSFORMATION:

### Or, what we can learn from the birth of quantum physics

Every few years since 1911, the world's leading scientific thinkers have gathered at the Hotel Metropole in Brussels to solve the pre-eminent open problems in both physics and chemistry (from 1922).

Perhaps the most significant of these meetings, known as the Solvay Conferences, was in 1927 from which quantum physics emerged, with key players Albert Einstein and Niels Bohr debating the philosophy and the mechanics of this new field of physics.

The ideas spawned by this conference were of a vastly unknowable, uncertain but interconnected world where everything was related. The abstract and potentially limitless impact of this new system of information flowed through the next century of science, of computing, of philosophy and eventually, of management and organisations.

The old engineered world of the industrial revolution and its command and control and cause and effect had taken many decades to create the ideas of scientific management. These still remain as legacy ideas in businesses such as Porter's generic strategies for business advantage.

The new humanistic world proposed a world of networks, of connections, of systems and human potential moved far more rapidly into use. In politics, it created a shift from parties to movements; in spiritual life, from churches to new-age consciousness and environmentalism; in philosophy post-modernism.

In the corporate world, once radical ideas about the importance of people, culture and motivation are now widely accepted. As modern organisations have grown larger, more complex and dense, we are learning to use these ideas to engage collective intelligence, to share responsibility, and to work from the ground up to promote collaborative innovation.



*1927, Hotel Metropole, Brussels, The Solvay Conference resulted in the birth of quantum physics and built on a series of societal changes which influenced scientific and management thinking, some of which still reverberate today.*

## Do You Need Pirates or Gardeners? The Golden Choice of Managing Concurrent Transformation

Ultimately both of these little histories – Skunk Works and the Solvay Conference of 1927 – are stories of transformation, and they inform how leaders today should structure the choices they make when pursuing transformation.

The choice between pirates and gardeners lies in knowing the type of innovative transformation to pursue.

### Gardeners

When your focus is on incremental innovation, constant small improvements, and new ideas that protect current customers and market share, you need gardeners.

For most organizations, having gardeners is and should be their biggest effort.

Gardeners foster incremental innovation and improvement in the steady state. They enhance core business by working through people and, most critically, through seeing and nurturing the whole system.

Bringing about incremental change means nailing process, involving the whole organization, knowing what are the important business challenges to solve, having an outlet for ideas and a transparent mode of decision making, ensuring that ideas are prototyped leanly and rapidly, simplifying and sticking to a few key themes.

### Creating the Environment for Gardeners

- *Have a strategy and provide a sense of direction around which to improvise.* A gardener lets a garden evolve naturally but within an overall plan or framework. Define your objectives and boundaries. At least start with a concept of what “beautiful” looks like, even if this concept evolves.
- *Define your rules.* One person’s weed is another person’s plant. Set up rules for what can be laid down and be prepared to adjust this as time goes on. Sometimes things need to be removed altogether, sometimes merely pruned.



*One important personality type within organizations, gardeners focus on incremental innovation, constant improvement, and new ideas which protect current customers and market share.*

- *Prepare the space and plant the seeds.* Gardens don’t grow on their own, and neither do ideas or conversations. A place must be set aside for ideas and conversation and seeded with thought-provoking questions.
- *Tend and water.* Particularly as the seeds of ideas and conversations take root they require constant nurturing and protection. Only once the roots are established can the gardener let nature take over. The best plans in the world don’t amount to anything if nothing is allowed to take hold and grow.
- *Gardens are communal.* People may bring things to the garden that the initial design never intended. Be open to new ideas and be prepared to experiment in small side-plots. Let nature take hold but continue to guide it. Continuously step back and take it all in, and let definitions of what’s beautiful and desirable versus what needs adjustment to evolve.



A pirates mentality can drive breakthrough innovation by overcoming obstacles and breaking rules. The results can be spectacular.

### Pirates

Transformation driven through breakthrough innovation requires pirates. Breakthrough innovation creates new businesses and often upends hierarchy inside and outside a business. Working outside the system is necessary for breakthrough innovation to achieve results, which is where pirates come into play.

Breakthrough innovations can change an entire industry sector and therefore breakthrough transformation pushes organizations into the unfamiliar. Often the best place to start is by bringing together unfamiliar teams. These special and unfamiliar teams need stretch goals and intelligent constraints and then the freedom to secede from the main operation and set to work.

### How Pirates Work Best

- *Let the captain run the ship.* Give the Skunk Works manager autonomy from the normal company running.
- *Select your crew carefully.* Select people with passion who can work fast and intensely and do the work of many people.
- *Get a governor's sympathy and pardon.* Get appointment and authority from board level at minimum.
- *Choose a nimble and fast ship.* Or circus tent. Or restaurant back-room. Get a small office of your own away from the main organization.

- *Run a tight crew.* Keep your pirate team small and secretive. Choose projects that require high innovation, new ways of thinking and rapid development.
- *Empower employees and get them into a creative mindset.*
- *Embrace the rogue mindset.*
- *Promote the concept of "positive disruption"* and encourage small rules to be broken – rules that no longer fit with the intent of why those rules were created, or that have become redundant through a changing landscape.
- *Put the emphasis on rewarding positive attitudes and big thinking.* Move beyond obedience and work effort, and focus on quality over quantity.

Skunk Works projects suit certain personality types better than others. Some people will thrive on the freedom whilst others will not like the perception of a lack of safe boundaries. People with strong expertise in a certain area are ideal. People who are used to strong hierarchical systems and have learnt to thrive in them might hate a Skunk Works project.

### Conclusion

How are you planning to change the tyres while driving? Are you up for the challenge of concurrent transformation? Can you do it alone?

Do you need a circus tent, a pirate ship, or some gardeners in your plans?

Successfully executing “concurrent transformation” is perhaps the most complex and pressing challenge for our clients.

Knowing what type of innovative transformation is being pursued and making the right decisions about how to approach and manage these choices is the key.

At their heart, the very human, very modern, very esoteric ideas about how to best manage this process have their roots in a deeply technical, scientific, and well established body of knowledge that has already fuelled the first wave of the technology revolution and is set to shape the second.

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# THE INNOVATIVE CMO: A PORTFOLIO APPROACH TOWARD MARKETING INVESTMENTS

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► **Simon James**

Global Lead – Marketing  
Performance Analytics,  
SapientNitro London

*Simon is a data scientist  
and global leader of  
SapientNitro's Performance  
Analytics practice.*

## **One hundred and thirty years ago, prominent Philadelphian department store owner John Wanamaker gave us the immortal “Fifty percent of my advertising doesn’t work” quote.**

It's now 2014. The world is a different place. And it's still true.

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Thirty years ago, there were 4.2 billion people in the world and zero cellular phones. Now there are seven billion people and six billion cellular phone contracts. Seventy percent of smartphone users regularly use their phone on the toilet. It takes no more than a single trip on public transportation to know where eyeballs are looking. No wonder printed media sales are falling!

Three years ago, Pinterest launched as just another social photo bookmarking site. In January 2013, Pinterest witnessed 150,000 pins, shares and comments for Swedish fashion retailer H&M – the majority of which resulted in dead links and missed e-commerce opportunities. Not only did H&M miss an opportunity; H&M never knew the opportunity existed.

The days of producing a television advertising campaign and measuring market share three months later are over. Today's CMO is still expected to provide an ROI on advertising. And be a mobile expert. And a social media expert. And a technology expert.

Being a CMO has never been more challenging. The job is not just about making decisions, but being aware of the new options that have been created by the disruptive influence of technology on human behaviour. How can you possibly keep up when Facebook or Twitter could be tomorrow's CompuServe?

The term ROI is often misused by marketers. Marketing is rarely seen as an investment. We need to see marketing opportunities as investment opportunities, the way an investor would. We need to understand that the future is not certain; that some opportunities have no historic data. We need a balanced portfolio approach to the marketing mix, to find the ideal trade-off between risk and reward that satisfies the needs of each brand.



*Something our ancient ancestors probably used. This is the landing page for CompuServe, the first major online community. It was launched in 1979 with a second online community called The Source. It was supplanted by AOL – and its direct-mail CD campaign – in the 1990s.*

## The New Economics of Marketing

When marketing was synonymous with communications, the world was a far simpler place. After spending money on producing advertising, marketers devoted the bulk of cost on buying media. This transaction guarantees reach and frequency. The top end of the funnel is certain. If your advertising is informative or persuasive, and moves people emotionally, there is a good chance sales will be driven as a consequence. If you can afford econometrics, you can even prove the causal relationship between spend and sales, and optimise accordingly.

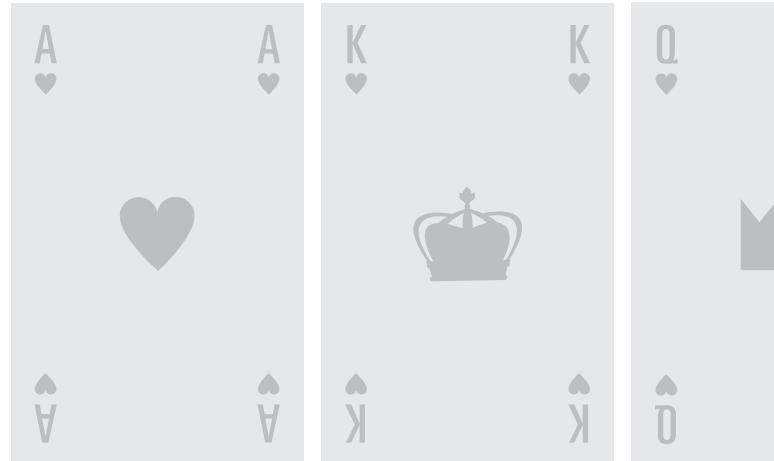
**But what if your best opportunities for investment cannot be modelled?**

Any form of regression relies on the past being predictive of the future. But isn't the future changing rapidly? Yes, it is. How do we forecast the likely ROI of something a brand has never attempted before? How much should you spend on your mobile strategy? How much should you spend on your Pinterest strategy?

What is the point of optimising your bought media spend if you don't know how to optimise your spend across bought, owned and earned media activities?

Should I buy another 100 million impressions to drive more traffic, or should I improve my user experience to convert more of the traffic I already have? If I move money from above-the-line advertising into building social communities, how do I know sales will not fall? What if we successfully drive more traffic to a touchpoint that is unsuccessful converting?

You cannot model these questions using regressive techniques. But, they are not a total leap of faith either. New opportunities and innovation come with an inherent risk attached. But in order to capture the value of those opportunities, you need to embrace an element of risk.



*Professional poker players target a showdown win-ratio of 70 percent. They should win 70 percent of their showdowns – any more, and they're not taking enough risk, any less, they're holding on to too many hands and are chasing too many opportunities.*

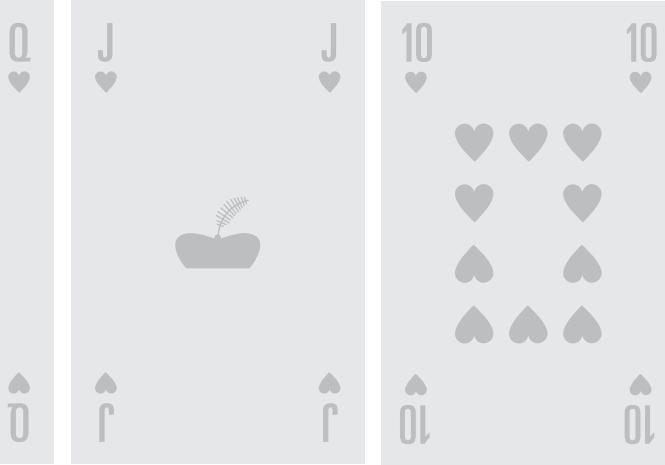
## The Future Is Uncertain

If you are certain of the future ROI of your marketing plan, it probably means you are missing a number of opportunities that are currently deemed too risky.

Professional gamblers are among the most accurate forecasters of the future because they are financially invested in the predictions that they make. For a professional poker player, the golden number is 70 percent.

Poker players should win 70 percent of their showdowns (the act of revealing your cards at the end of a hand) to maximise their earnings. If you win more than 70 percent of showdowns, you are playing too conservatively and you are foregoing opportunities to make money. If you win less than 70 percent of showdowns, you are holding on to too many hands and are chasing too many opportunities.

If a marketing plan had a planned failure rate of 30 percent, would the board approve it? Thirty percent is



an improvement on Wanamaker's 50 percent! But if marketing doesn't have some element of risk, you are probably foregoing opportunities to generate growth.

Marketers generally believe in certainty. The ROI we received yesterday will be the same tomorrow. But is ROI always the goal? As a single metric in isolation, ROI is merely a measure of efficiency, the return (almost always measured in the short term) on a scarce resource. If you blindly follow the sermon of ROI, you will optimise yourself into a corner, foregoing larger lower ROI projects for small/high ROI ones. What if the scarcest resource in marketing is not budget, but the bandwidth of the marketing department to deliver marketing activity? ROI is a good metric, but it should never be quoted in isolation of context. Like all single metric measurement systems, blind adherence can lead to poor decision making.

Given the dramatic changes in human behaviour driven by technology, it's a smart move to plan for some uncertainty in the future – because the future will be fundamentally different from the past. Forecasting of ROI only works when there is sufficient history. To evaluate possible future investment opportunities for the marketing budget, we need to embrace risk and stop looking in the rearview mirror.

## Risk versus Uncertainty

The key to embracing risk is to first understand it, and then use that understanding to your advantage, going where competitors do not understand or fear to tread.

In order to embrace risk, we need to differentiate risk from uncertainty. With risk, the future is unknown, but the distribution of possible outcomes is known. With uncertainty, the future is unknown and we don't have a clue how it's going to pan out. Risk can be measured, accounted for and mitigated against. Uncertainty is unquantified risk.

## A New Approach

A way to mitigate risk is to place a series of bets or experiments at varying levels of risk to create a balanced portfolio. This portfolio will include low-risk items with a proven track record (e.g., TV advertising or PPC where the cost can be managed); medium-risk items such as changes in creative execution or website redesigns; and high-risk items like a mobile or a social-first strategy. By varying the proportion of the market budget spent on any one activity, you can control the overall risk.

Managing risk is a similar concept to Eric Schmidt's 70/20/10 for managing innovation at Google, where 70 percent of time is spent on core business, 20 percent on adjacent sectors and 10 percent on the truly new. We are proposing a balanced portfolio that manages and mitigates risk.

If your growth targets are extremely aggressive, then that growth is only going to occur by embracing higher risk. If growth targets are relatively modest, then a more conservative approach based on optimising the current plan should be favored, although this is a recipe for inviting creative destruction down on your doorstep. Investing for marketing is starting to imitate a futures market.



Futures markets are bets on the future value of a commodity. In 18th century Japan, the Dojima Rice Exchange of Osaka merchants would make bets on the future value of rice based on their observations on the weather and its impact on the quality of the harvest. We have known for a long time that mobile and social are going to shape the media landscape for a number of years. Therefore it makes sense to take out options on markets we know are going to grow more important in the future, now. This approach is the very definition of investment in marketing – making bets today that are going to pay off in the future. You choose your acceptable level of risk by your choice of which projects to back.

Learnings from these bets or experiments are then used to accelerate understanding, funding projects that show signs of growth to maximise your chances of success rather than minimise the risk of failure. If the fear of failure is holding back innovation, you will never achieve your maximum potential.

You need a method to minimise the cost of failure to remove the fear factor.

### Reducing the Cost of Failure

The cost of failure for the Wright brothers at the turn of the 20th Century was 12 months of effort. Every year they would build a plane and throw it off a cliff at Kitty Hawk, North Carolina. If the plane crashed, it would take another year to build the next version.

However, in late 1901, the Wright brothers built a wind tunnel in their cycling shop in Dayton, Ohio. The wind tunnel allowed them to test 200 different wing prototypes before they threw another plane off a cliff. The cost of failure reduced from catastrophic to practically zero, and within two years they became the first people to achieve manned flight.

Netflix is a brand that has embraced the wind tunnel mentality (see sidebar on “Building Your Own Wind Tunnel”) from the outset. Its recent innovative push into original content with House of Cards, a \$100 million bet, was based on Netflix’s mastery of data. With analytics, Netflix determined that the combination of Kevin Spacey (actor), David Fincher (director) and BBC Dramas (content) had a very high likelihood of success. What looked like a risky \$100 million gamble on aggressive growth into a new adjacent sector was nothing of the sort. It had already been tested in their wind tunnel.

## We All Need a Wind Tunnel

We all need a wind tunnel – somewhere to test ideas without gambling with our resources. Somewhere we can incubate high-risk projects that just might change the market.

Only by taking a holistic approach to measuring marketing effectiveness can you begin to test new and innovative initiatives in your own wind tunnel. Marketing is shifting from campaigns and communications to episodic content within persistent worlds. To understand our world, we first need to map it. Once we have our map, understanding how all the individual parts interrelate, we can rapidly accelerate the process of testing innovation in that wind tunnel. We are not looking to minimise risk – we are seeking to maximise success through a balanced portfolio of riskier and safer bets.

A zero-tolerance attitude to risk is a risky proposition. We must embrace risk as part of a balanced portfolio to generate growth in a marketing industry where disruption is the new norm.

If 50 percent of your advertising is not working, reduce your investment, seek alternative opportunities and identify emerging media and technology. And before you commit, test it in your wind tunnel.



*The Wright brothers: magnificent men and their barely flying machine.*

## BUILDING YOUR OWN WIND TUNNEL

Reducing the cost of failure requires that you embrace data analytics as a core competence. It is the mastery of analytics that provides the basis for a competitive advantage in understanding the future success of initiatives you develop in your wind tunnel. However, analytics alone is not enough.

Firstly, you need a culture that embraces and celebrates the inner geek. Tesco became an analytics powerhouse based on the leadership of former CEO Sir Terry Leahy. Without his patronage, the retailer would have continued to rely on pure instinct, category norms and copying competitors. Leadership sets the tone.

Secondly, you require the wind tunnel itself. A place to iterate. A place to fail without consequence. A place where every near miss results in a subsequent success. Digital is data. There is no excuse for any digitally enabled business not to be testing. It is this philosophy of testing that will prevail when individual experiments fail. You only need to look at eBay, Google or Amazon to witness companies that are in a constant state of renewal. Their experiments too numerous to count. Their failures mere checkpoints on a path to (hopefully) ever-rising revenue.

Finally, you need the *cojones* to act when the numbers add up. All the evidence in the world is academic unless it compels action. Innovation, particular sector-redefining creative destruction, comes from those with the most to gain – never from those with the most to lose. Blockbuster's obsolescence at the hands of Netflix was caused by its historical success, which blinded it to the inevitability of disruption in its category. Faint heart never won fair lady.

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# LEADERSHIP LESSONS FROM OMNICHANNEL PIONEERS: MADONNA, ARIANNA AND MARTHA

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*Anne has 18 years of experience designing and structuring digital content and processes to function effectively for businesses and consumers.*

## **Martha has recipes. Madonna has music. (Not to mention a wardrobe.) And Arianna has manuscripts and curated content.**

For more than 30 years, these three very public and powerful women have experienced successes and failures at inventing and reinventing complex, thoughtful content. Each started from nothing and amassed fortunes.

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All three women recognize that content is nothing without the story that it tells, and that in an era dominated by media for the past 30 years, a successful and future-proofed brand story cannot be limited by a single channel or story. In unique ways, these women

have created their brand identities, harnessing the technologies and channels before them. In doing so, Martha Stewart, Madonna and Arianna Huffington have written the rulebook for effective storytelling in multi and omnichannel experiences.



*MarthaStewart.com is one part of the Martha Stewart empire which includes web, TV, mobile apps, and magazine platforms. The website alone reaches 3.5M unique visitors each month.*



*Ever one for pushing boundaries and redefining herself, Madonna has remained relevant over three decades. Her digital properties are extensive, and she remains popular, with 14.3M likes on Facebook by late 2013.*



*Arianna Huffington's masterpiece, the Huffington Post was a new model for journalism when it was launched in 2005. It was acquired for \$315M in 2011. It receives a staggering 45M unique visitors – per month.*

## Martha Stewart: Mother of Omnichannel

Martha's company is called Omnimedia for a reason. And she created the name well before omnichannel was ever a concept. From the beginning, Martha understood that a good story starts with passion, tells a story that resonates because it means something and uses every technological mechanism available to connect with the customer. Martha perfected cross-referential marketing, so well that probably the only other person who could hold a candle to her is Oprah Winfrey.

Martha started with a catering business. Then she wrote a cookbook that referenced her catering, launched a TV show that referenced the former two, and also created a magazine. Later, she started developing lifestyle content around life events. All channels were modeled after a customer experience – taking into account where and when a customer would consume each channel (viewing a TV show about chickens laying eggs would then lead to purchasing a cookbook, which would direct audiences to Martha's website). Lifestyle and how-to content set the standard for experience interaction: For weddings, a bride-to-be could easily create a site with Martha Stewart's template to announce her wedding, leverage mobile for social sharing of photos of wedding dresses, and use emails for updates. In all cases of multichannel proliferation, Martha leveraged exclusive content for each channel.

In her book, *The Martha Rules: 10 Essentials for Achieving Success as You Start, Build, or Manage a Business*, Martha Stewart advises new entrepreneurs how to start a business. After being incarcerated for insider trading, she wrote this work to help women she had met while in prison. She used her setback to not only acknowledge her experience there but to acknowledge that many women she met in prison could create businesses of their own, based on what she learned about them. In her work, she stated that all business ideas start with passion and a "big idea." She then articulated the imperative of envisioning an idea at a macro level (but looking at how to execute it on a micro level) and offered the advice that if "pie isn't the right size, cut it into wedges."<sup>1</sup> This formula is key to any storytelling venture in the context of omnichannel. And obviously, it mimics Martha's omnichannel approach.



Source: nrkbeta

### Martha's recipe for success:

- 1. Be passionate around the story you want to tell and make sure your leaders aren't afraid to tell it.** Martha has a cornerstone to her story: Traditions of homemaking, cooking, crafts, and interior design are artisanal in nature and worthy of respect.
- 2. Get your hands dirty.** Martha is not confined solely to a corner office; she goes on TV and strips paint off a house, shells oysters in a New England bay and cooks pierogies with her mother. A company's leader(s) should demonstrate their passion, creativity and connection to the product and service that is offered. If you don't demonstrate passion as a brand leader, you can't expect your customers to connect passionately with your brand.
- 3. Challenge everyone in your company to be an ambassador of your brand, and encourage them to produce content around it.**
- 4. Consider customer experience within each type of media; create synergized but unique content experiences within each that tell the story as a whole.** Engage in exercises to encourage this creativity.
- 5. Create a narrative that naturally guides the customer to move from one channel to the next.** Leverage social media and discussion throughout the experience. The more portable and shareable you make your media, the more control you provide the user over the content they consume and the more impact you have across channels.

<sup>1</sup>Stewart, Martha. *The Martha Rules: 10 Essentials for Achieving Success as You Start, Build, Or Manage a Business*. (2005, Rodale).



Source: Ed Van-West @ Roy Thompson Hall

## Madonna: Queen of Reinvention in Storytelling

In 1985, *Time* labeled Madonna “McDonna” and predicted that she would have a short-lived shelf life.<sup>2</sup> But for the past 30 years, Madonna has remained very relevant in pop music and culture: she had the highest selling concert in 2012,<sup>3</sup> most watched TV program in the history of TV (her 2012 Super Bowl performance),<sup>4</sup> and was recently recognized as the highest-paid entertainer in 2013.<sup>5</sup> Not to mention she’s the best-selling female recording artist of all time. Yet year after year, there are those that try to suggest she is no longer relevant.

In the early 1990s, she wrote a book called *Sex*, and many predicted she had gone too far. Her album sales plummeted, but this setback did not deter her from evolving her brand and redefining the story about herself, all while being unapologetic about her past. She went on to star in the film *Evita* and then wrote one of the most successful albums of the ‘90s, *Ray of Light*. She still factored sexuality into all of her work and emerged victoriously.

Evolution is critical for Madonna. She invents something entirely new or reimagines her previous work. She even changes narratives that have been wildly successful every few years, such as refactoring songs in her catalogue for her tours. A performance of a 1985 song, “Open Your Heart,” reinvented with a Basque theme for her 2012 MDNA tour, demonstrates this point. And sometimes she does something entirely unimaginable, such as writing and producing a line of best-selling children’s books.

### Madonna’s recipe for success:

- 1. Believe in your vision and story and stand by them.**  
Take risks and be uncompromising. See it through. With very few exceptions, Madonna refuses to compromise on how she positions herself vis-à-vis how others will perceive or respond to her efforts. (She pulled her original “American Life” video during the Iraq War, which she later re-released.) She often uses a negative response to her advantage.
- 2. Create a story and juxtapose it to other narratives.**  
Madonna starts with a concept such as art and its response to religion (“Like A Prayer” era) or country-folk meets hard-edged electronic (“Music” album).
- 3. Look at the periphery for inspiration.** Madonna examines what is on the edge of culture – fashion, music, art, and film – and adopts those aspects into her story idea. “Voguing” was an underground New York movement that she famously appropriated. Simultaneously, she references other eras, such as paying homage to the “Metropolis” film in her “Express Yourself” video.
- 4. Use traditional and proven formula to storytelling.**  
The approach to Madonna’s storytelling is:
  - a)** An artistic idea representing the vision of what she wants to say
  - b)** A challenge to societal norms
  - c)** Referencing genius from other artists and paying homage to it
  - d)** Incorporating esoteric or unknown artists of her time
  - e)** Continually evolving and being reinvented
- 5. Leverage technology only as a means to an end.**  
Madonna unifies her story through video, art, music, and performance, using each of these media to enhance the narrative. The music conveys a theme, videos tell a story, and her performances weave it all together, sometimes while borrowing from other cultural phenomenon, such as *Cirque du Soleil*.

<sup>2</sup> Chait, Jonathan. How Time and I Misunderestimated Madonna. (16 December 2009, *New Republic*). As appeared on *Newrepublic.com*: <http://www.newrepublic.com/blog/the-plank/how-time-and-i-misunderestimated-madonna> (accessed August 20, 2013).

<sup>3</sup> Madonna’s Controversial MDNA Tour Most Successful of 2012. (04 September 2013, *Telegraph*). As appeared on *The Telegraph.com*: <http://www.telegraph.co.uk/culture/music/music-news/9752374/Madonnas-controversial-MDNA-tour-most-successful-of-2012.html> (accessed August 27, 2013).

<sup>4</sup> List of Super Bowl Halftime Shows (Wikipedia, 28 August 2013). [http://en.wikipedia.org/wiki/List\\_of\\_Super\\_Bowl\\_halftime\\_shows](http://en.wikipedia.org/wiki/List_of_Super_Bowl_halftime_shows) (Last accessed August 28, 2013).

<sup>5</sup> Pomerantz, Dorothy. Madonna Tops Forbes 2013 List Of The Top-Earning Celebrities. 26 August 2013). As appeared on *Forbes.com*: <http://www.forbes.com/sites/dorothypomerantz/2013/08/26/madonna-tops-2013-list-of-top-earning-celebrities/> (accessed August 29, 2013).

## Arianna Huffington: President and Editor-in-Chief of Content Curation

@ariannahuff: author, speaker, columnist, blogger, radio personality and renowned content curator quietly gives nod to the balancing act involved in being a publishing power house (and in simply living a very public life in general) in her twitter bio:

"president and editor-in-chief of the huffington post media group. Mother. Sister. flat shoe advocate. sleep evangelist."

Like Martha and Madonna, multiple and varied passions inspire the stories Arianna tells: Her penchant for the written word has resulted in biographies, nonfiction political titles and countless columns on various topics online and in print from Greek gods to Picasso to political corruption to spiritual well being. Her political views have naturally influenced her commentary choices over the years, swinging from publishing an anti-women's liberation book called *The Female Woman* in the early '70s to being the liberal panelist on the radio show *Both Sides Now*. She ran for governor in the 2003 California recall election against the *Terminator*, she's dabbled in acting and in 2005 she launched arguably one of the most prolific online media experiences in history, *The Huffington Post*.

Although Arianna Huffington is no stranger to creating cross-channel content for the public, the Pulitzer-winning *Huffington Post*<sup>6</sup> falls into sort of a channel of its own. It's a newspaper, with visual columns and newspaper-y topic categories like "business" and "entertainment." But "weird news" and "gps for the soul" are also blog topics you can dig in to. There are many, many contributors to this aggregated site. Arianna created a space for her own blog posts and a way to get her message out, but she made room for others to come in to that space and contribute as well. She figured out what content the public wanted, sourced it (bloggers), curated volumes of it, organized it smartly and created a website (and apps of course) to aggregate all of it. And then Arianna put on her business hat and sold it to AOL while maintaining her post as president and editor-in-chief.<sup>7</sup>

### Arianna's recipe for success:

1. If you have something important to say, figure out the right audience and channel for your message, and then serve it up.
2. It's OK to change your mind – as long you're passionate about and believe in what you're doing.
3. Balance is key in life and content curation.
4. User-generated content is only as good as the content it contains. Arianna uses known sources and authenticated writers to contribute to her site.
5. Curation is not a silver bullet for free content. Although Arianna curates content to complete a holistic site experience, she employs an entire staff to make it happen; it takes lots of moderation and creative direction.
6. Quality content rules. Arianna goes to great lengths to ensure that her content is authentic and original.



Source: World Economic Forum  
Photo by Michael Wuertenberg

<sup>6</sup> Bercovici, Jeff. *The Huffington Post Wins Its First Pulitzer Prize*. 16 April 2012. As appeared on Forbes.com: <http://www.forbes.com/sites/jeffbercovici/2012/04/16/the-huffington-post-wins-its-first-pulitzer-prize/> (accessed September 22, 2013).

<sup>7</sup> Peters, Jeremy W. *Betting on News, AOL is Buying the Huffington Post*. 11 February 2011. As appeared on nytimes.com: <http://www.nytimes.com/2011/02/07/business/media/07aol.html> (accessed September 22, 2013).

## Conclusion

All three of these women had a dream and vision to create messages. They continue to weave their dreams and visions into own personal brands. They deliver "their stories" in timely, even serendipitous ways. Madonna's dream and vision was (mostly) rooted in music. Martha delivered the perfect idea for decorating your holiday table with perfectly cooked turkey, likely accompanied by a recommendation for a great roasting pan. Arianna's story started with a political ideology. All three women not only built their empires on content, but a solid strategy to deliver their empires through the many channels to communicate their stories and visions.

They are content moguls who have not only set a standard for storytelling in an omnichannel experience, but continue to evolve and future-proof their brands through original and authentic voices. These voices will be heard with any emerging technologies through good content, passion, compelling stories and a respect, not fear, of technology.



# LETTER FROM THE EDITORS

Thank you for taking the time to review and reflect with us about the emerging landscape.

Another year, and we have received another set of strong contributions from authors and thinkers across our organization. We are once again deeply thankful and appreciative of all their hard work, which made this book possible.

We've chosen to focus this year on the connection between technology and story in our always-on world because we feel this theme represents the heart of where we feel the opportunities lie on the horizon for our clients and brands.

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We're particularly excited this year about several aspects of the book:

First, for more on the connection between Technology and Story, be sure to read *Connecting Brands and Consumers at the Intersection of Technology and Story: Storyscaping*, an introduction which discusses SapientNitro's proprietary approach.

Second, we recommend you start with *Five Trends Shaping The Marketing Landscape*, which attempts to connect the core themes that will affect the landscape over the next several years.

*In-Store Digital Retail Study*, located this year in Trend 3, is our major annual study of retail environments. Each year, we study how digital has 'invaded' the real-world retail environment. This year, we updated the retailers, added a consumer survey to 1,500 respondents, and included Canadian retailers in the mix.

*Shopping in Increments: The Future of Online Behavior and Its Implications for CMOs* shares a new type of shopping behavior: shoppers are jumping across devices, adding items to wishlists, and checking

out in a much more complex and non-linear path than in the past. This has major ramifications for e-commerce, m-commerce, and for how marketers do their jobs.

*Brand Messaging In Real Time: Reaching the Always-On Customer*: provides a set of tools and examples for brands that are striving to tell stories in the real-time, always-on world.

*The Future of the Store: Predictions and Significant Technologies* highlights our perspectives on wearables, and how we anticipate consumers and brands will leverage new technologies to make the store more powerful.

In sum, we feel that integration of technology and story in the always-on world will be essential for brands to respond to the changing global consumer.

We hope you will spend some time with this year's *Insights* and always appreciate your thoughts or feedback on the content.

Your editors,  
Hilding and Lauren

## **About SapientNitro**

SapientNitro<sup>SM</sup>, part of Sapient<sup>®</sup> (NASDAQ: SAPE), is a new breed of agency redefining storytelling for an always-on world. We're changing the way our clients engage today's connected consumers by uniquely creating integrated, immersive stories across brand communications, digital engagement, and omnichannel commerce. We call it our Storyscaping approach, where art and imagination meet the power and scale of systems thinking. SapientNitro's unique combination of creative, brand and technology expertise results in one global team collaborating across disciplines, perspectives and continents to create game-changing success for our Global 1000 clients, such as Chrysler, Citi, The Coca-Cola Company, Lufthansa, Target, and Vodafone, in 31 cities across The Americas, Europe and Asia-Pacific. For more information, visit [www.sapientnitro.com](http://www.sapientnitro.com).

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# INSIGHTS