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1+1=3: CMO & CIO Collaboration Best Practices That Drive Growth

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Forward

This report looks at how Chief Marketing Officers (CMOs) and Chief Information Officers (CIOs) collaborate to drive growth.

Customers increasingly interact with organizations through digital means. In so doing, they generate more data than ever before. Organizations that want to engage with their customers across digital channels need to adopt technology as fast as their customers do. This report considers how these new realities are changing the traditional roles of marketing and information technology and how organizations are aligning their efforts to be poised to interact digitally with their customers. The report details how this important relationship is taking shape through seven case studies of Canadian organizations.

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Chapter 1: Introduction

We now create as much information every two days as we did from the dawn of civilization to 2003".[1] This quote from Eric Schmidt, the former Google Inc. Chief Executive Officer (CEO), summarizes the new world facing Canadian organizations. Why "to 2003"? Because in the last decade there has been an explosion in user-generated content with the emergence of Facebook (2004), Flickr (2004), YouTube (2005), Twitter (2006) and Tumblr (2007). Individuals create over 75 per cent of all data. These and other applications are the platforms for more user-created media and engagement.

The wired consumer directly challenges the traditional roles of Chief Marketing Officers (CMOs) and Chief Information Officers (CIOs). In the past, CMOs and CIO had little reason to collaborate. Many CIOs focused on office computer systems like desktops, data storage, networks and the like. In this role, the technology function is a standard setter and operator. Technology is judged by whether it is online (i.e. limited downtime), secure and cost effective. In fulfilling these mandates, the technology function has had little need to engage with marketers.

For their part, marketers have, inpart, been focused on market position and brand. The understanding of market segments has been based on data, albeit in a simple form. Marketers have traditionally been light on both technology and data-driven analysis. There was little reason for them to call on information technologists.

Why Collaborate Now?

Today, marketing and information technology departments have good reasons to collaborate. First, customers directly generate a huge amount of data that can be used to better understand what customers want and even to predict their buying behaviours. Every time a potential customer tweets, buys online or searches, they leave a digital footprint. Today's marketers are like digital anthropologists that interpret these footprints. Second, customers expect engagement through the same tools and mechanisms that they use in their everyday life. Social media users expect companies and charities to communicate through Twitter and Facebook. As they share personal information and establish a digital footprint, they expect marketers will use this information to provide better offers in return for data. Finally, technology helps organizations reach new markets that did not exist before, like a Canadian training company selling online learning to Australians.

Analysts predict that there will be a convergence and mutual reinforcement of social, mobility, cloud and information patterns that will drive new business scenarios. Although these forces are innovative and disruptive on their own, together they will change the way we do business, disrupting old business models and creating new leaders. This will directly impact the relevance of the CMO/CIO relationship.

Helen Polatajko, Former Chief Information Officer, CIBC Mellon, Task Force Member

Technological progress and tumbling prices have resulted in more connectivity, device ownership and application use. Globally, there are now almost 7 billion cellphone subscriptions and over 1 billion mobile broadband subscriptions.[2] Mobile broadband access is growing by 28 per cent per year. Worldwide, tablet shipments are set to grow by over 35 per cent between 2012-16.[3] Facebook now has more than 1.1 billion active users and its average user posts 90 pieces of content a month. Twitter's users send about 140 million tweets a day. Meanwhile, YouTube's

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[1] Siegler, Eric Schmidt.
[2] Statistics from: International Telecommunication Union, *ICT Facts and Figures 2013*.
[3] Mobithinking, *Global Mobile Statistics*.

490 million users upload more video content in a 60-day period than the three major U.S. television networks created in 60 years." [4]

Table 1
Mobile Device Uses, 2011
(percentage of respondents)

	Canada	United States
Send text messages	69.2	74.3
Photos	55.1	60.3
E-mail	35.9	40.8
Access social network	31.2	35.3
Access weather	29.8	35.2
Games	30.8	31.4
Search	25.6	29.5
Maps	21.6	26.5
News	20.1	25.5
Sports	16.0	21.8
Finance	11.4	15.1
Online retail	6.1	12.2

Source: comScore.

This online activity generates a massive amount of data, spawning a new lexicon for data volume.[5] In 2011, the world created 1.8 zettabytes (that is 1.8 trillion gigabytes) of digital information. Walmart harvests over 2.5 petabytes of data every hour from customer transactions.[6] The typical Canadian may not know what a zettabyte or petabyte is, but it is big. The number of transmitted files is growing by 75 times every decade.

Canadians are keeping up with these global trends. There are over 9 million smartphones in Canada, which account for 45 per cent of all cellphones, a higher rate than in the United States.[7] Connected devices address a wide variety of information needs and Canadians text, use social media and search at roughly the same level as Americans (Table 1). Facebook has 15 million registered users in Canada, 9 million that are active every day.[8]

Canadians perform over 4 billion Google searches every month. The Canadian ecommerce market is growing by 10 per cent per year and now stands at over $22 billion per annum. The Montreal-based online men's clothing store, Frank & Oak, realizes 15 per cent of its sales through a mobile application. In our initial survey of 21 Canadian organizations, respondents ranked the importance of digital marketing solutions 4.4 out of 5, with particular emphasis on the website and evaluation solutions (Chart 1).

For the first time, the entire relationship between a customer and an organization is likely to be intermediated through technology. This goes from initial awareness of a company's product to the purchase and post-sales service. These interfaces need to be digitally optimized. Before, companies hired sales people to manage customer relationships. Therefore, there was a critical relationship between marketing and sales. Now as the relationship is digital (and for

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[4] IBM, *From Stretched to Strengthened.* 12
[5] Gantz and Reinsel, *Extracting Value from Chaos.*
[6] SAS, *Big Data's Biggest Role*,4.
[7] Comscore, 2012 Mobile,7.
[8] 6s Marketing, *Mind Blowing Canadian Facebook Usage.*

some companies *only digital*) the relationship between marketing and information technology is becoming more crucial. This is a big change.

The table is set, but will anyone turn up? Given their historic relationship and competencies, collaboration between marketing and technology does not come easy. Collaboration is not merely a matter of the CIO and CMO liking one another. Their organization defines where they work, what they work on, how they work and, most importantly, how they are judged. Genuine collaboration involves a complex series of organizational factors including governance, structure, business processing, resourcing and talent management.

> *Collaboration between CMOs and CIOs is at the heart of true enterprise value creation in a world dominated by digital savvy consumers.*
>
> Mathieu Péloquin, Vice-President, Marketing and Digital Marketing Solutions, TC Media, Task Force Member

The digital marketing campaigns that we see today are the outcome of complex changes in the way organizations function. For that reason, our report is primarily interested in organizational dynamics behind effective digital marketing projects. To be sure, we will highlight the projects themselves, but we will always link the projects to the organizational changes that make the projects possible.

Many organizations embrace this new world of marketing. A recent study from Gartner revealed that investment into digital channels is surely on the rise, with enterprises with revenue in excess of $500 million earmarking some 12.5 per cent of their marketing budgets to digital marketing. Some are even tripling that spend percentage as Adobe made headlines when it announced that its digital marketing allocation reaches an astounding 74 per cent of total marketing investment.[9] As we discuss in this report, our research corroborates these trends. However, these spending plans are not created in a void. They simply reflect a strategic commitment to digital marketing. The ultimate effectiveness of this spending depends on high level of collaboration between marketing and information technology.

About this Report

There has been considerable research on digital marketing and its implication for collaborations between marketing and technology. The lion's share of this work focuses on US-based companies. Our report reflects on the existing literature while drawing out the implications for Canadian organizations.

The Canadian Marketing Association convened a CMO-CIO Task Force to help us identify digital marketing leaders. In its deliberations, the Task Force was mindful to draw organizations from a diversity of sectors, size, regions and business orientations (e.g. business-to-business and business-to-consumer). We feature insights from task force members throughout this report.

The Task Force initially identified 45 organizations for consideration. The Conference Board of Canada filtered this list through specific selection criteria, like sales growth and third party recognition (e.g. awards), again ensuring that we maintained the diversity of the original sample. After applying these criteria, we focused on 20 Canadian organizations. These organizations completed a telephone interview on their marketing priorities and practices. They told us about their marketing priorities and current level of marketing/technology collaboration. We assured the interviewees' confidentiality. Although we use the data from these interviews in this report, we do not specifically identify individual respondents or their organizations.

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[9] SAS, *Big Data's Biggest Role*, 4.

We selected 7 case studies candidates drawn from those Canadian organizations that are especially enthusiastic about digital marketing and that could point to effective collaborations between marketing and technology. We detail these case studies in Chapter 4. Other chapters in this report reflect on the existing literature and secondary source data on the issue. Chapter 2 looks at the strategic rationale for collaboration. Chapter 3 considers the opportunities and challenges that face companies that wish to embrace collaboration. We conclude the report with key takeaways for Canadian organizations.

Chapter 2: Collaboration: The Competitive Imperative

Canadian consumers engage with the digital economy. However, are Canadian organizations? A recent survey by the Conference Board of Canada for the World Economic Forum found Canada slipped from 15th place to 21st place in terms of innovation and business sophistication.[10] Canada ranks 14th in marketing sophistication and 23rd in process sophistication. It would seem that Canadian organizations lag Canadians in their embrace of leading technologies and practices.

Canadian organizations that want to grow need to adjust their business models to this new world. According to the Conference Board of Canada, household expenditures (including inflation) have grown by just over 4 per cent per year since 2003.[11] Canada is a mature economy with an aging population. Yet Canada is an open economy. Canadian consumers are happy to buy goods and services from foreign- headquartered companies and the digital economy makes these goods more accessible. Canadian companies that decide to do things the same old way will simply not grow in this environment. They will either grow slowly, like the Canadian economy, or even contract if foreign rivals challenge their Canadian turf.

Chart 1
How Important Are These Digital Marketing Solutions to Your Organization?
(average score out of 5; n = 20)

Source: The Conference Board of Canada.

Canadian companies that master the digital economy can avoid the fate of slow growth or decline. Digitization allows organizations to reach more customers, understand their needs and preferences better and more effectively engage them from the moment they become aware of the company to the time they actually transact and everything in between.

It is no surprise that some of Canada's fastest growing companies are steeped in the digital economy. In 2012, Profitguide.com compiled a list of the top 200 fastest growing Canadian companies (Table 2). Information technology and software development companies accounted for over a quarter of the list. Further, it is interesting to note the prominence of marketing, both as a class of business services (22 companies) and as software (5 companies). This not only shows that marketing is among the fastest growing areas of the economy, but that digitization creates demand for marketing services both within and outside of organizations. Hence, vendors are realizing growth and now it is time for Canadian organizations to bring that growth in-house.

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[10] The Conference Board of Canada, *Poor Innovation Ranking Dims the Lights*.
[11] The Conference Board of Canada, *eData*.

What it means for Marketing

Information is power. Digital technologies allow the customer to access much more information, to weigh options and to buy. In many ways, it is harder to get and retain customers than ever before because the customer's search and switching costs are lower than ever. Customer expectations around value, price, quality and ease of doing business are higher than ever. In addition, more customers are likely to research and care about an organization's social and environmental reputation in addition to its products and services. Organizations need to have a relationship with the customer beyond the point of sale.

Table 2
Top 200 Canadian Growth Companies, 2012

	Number	Average 5-year sales growth (per cent)
Business services	79	1,070
• Information technology	22	542
• Marketing	22	1,437
• Human resources	9	1,242
• Communications	6	407
• Other	20	n.a.
Software development	30	1,299
• Business management	8	2,291
• Marketing	5	930
• Other	147	n.a
Manufacturing	23	990
Wholesale or distribution	15	1,226
Financial services	14	751
Construction	12	958
Consumer services	12	1,115
Natural resource services	6	347
Retail	5	741
Food	3	920
Media	1	304

n.a. = not applicable
Source: Profitguide.com.

The very same technologies that allow for more consumer choice also provide a massive amount of data, so-called Big Data. Big Data has three characteristics: volume (there is lots of it), variety (it comes from many sources) and velocity (it is produced very quickly).The challenge is not so much the amount of data, but what to make of it all. It is about the *interpretation* of data and its relationship to organizations' value proposition, its share of customer wallet and retention rates. Competitive advantage is about doing different things than your rivals.

CMOs are feeling the heat. IBM published a survey of US-based CMOs in 2011. It found the four most prominent challenges facing CMOs to be:
1. Data explosion
2. Social media
3. Growth of channel and device choices
4. Shifting consumer demographics.[12]

Three of the four of these challenges are directly related to the digital revolution. Not only are marketers expected to make sense of the flood of data, but the same technologies and methods that are used to understand customers are

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[12] IBM, *From Stretched to Strengthened.*15.

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CMA

also being used to evaluate marketing. Marketers are increasingly being asked to justify the marketing spend based on hard analytics like return on investment (ROI).[13]

Exhibit 1
Data-Driven Marketing

Strategic engagement

Management by fact

Insights · Action

Analysis · Data

Analytic tools and models

Data management

Source: Modified from NewVantage Partners, *Big Data Executive Survey 2013.*
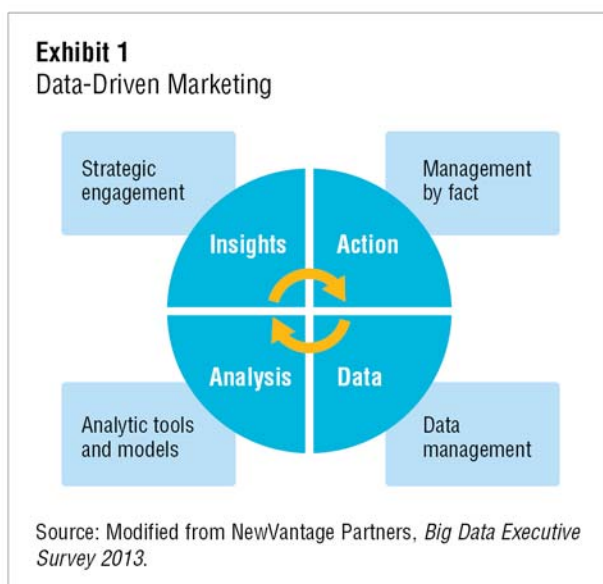
A Collaboration Agenda

The essence of today's marketing challenge is how to interact effectively across the customer's chosen digital channels. It is about the most efficient and effective way to gather customer data, interpret it and engage with customers through digital channels. Information technologists are natural allies to today's marketers. But the relationship depends on changing their traditional roles.

It certainly helps that CMOs and CIOs share a common view of the strategic challenge. For instance, over 90 per cent of CMOs and CIOs who responded to one survey agreed that technology is "totally critical" for the future success of the organization".[14]

Strategic alignment coupled with tactical alignment is key to drive successful execution. This can be achieved through annual common objectives and goals for CIOs and CMOs.

Upinder Saini, Vice-President New Product Development, Rogers Communications, Task Force Member

CIOs and CMOs are asked to contribute to the so-called customer-centric organization. In the CMO Council survey, they agreed on a number of ways that information technology can help to achieve this goal (Table 3). It is essentially about providing robust platforms for gathering and analyzing customer data. In the same survey, 85 per cent of CMOs and CIOs agreed that the relationship between the marketing department and information technology is critical. Therefore, there is broad agreement on the nature of the challenge.

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[13] Hartman, "The CIO and CMO: An Integrated Approach."
[14] IBM Institute for Business Value, *CMOs and CIOs Acquaintances or Allies?* 4.

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Table 3
Information Technology: Role in the Customer-Centric Organization
(percentage of respondents)

	CMOs	CIOs
Platforms to aid in marketing measurement and campaign optimization	65	55
Integrity and availability of back-end infrastructures and interfaces	56	50
Timely and relevant transactional, behavioral, and customer profile data	52	51
Use and value of CRM systems by marketing and sales	50	54

Source: SAS, *Big Data's Biggest Role.*

CMOs and CIOs surveys point to some obvious obstacles to collaboration. Among the areas of agreement is that Big Data is a greatly underdeveloped opportunity. Those that saw Big Data as an organizational obstacle pointed to strained data storage capacity and data management. These organizations were unable to harness data to make effective decisions. However, those CMOs and CIOs that shared that view were in the minority. The most common answer was that most organizations had yet to figure out how to get the most out of Big Data, even though they clearly recognize it as an opportunity.[15] Relatively few CMOs exploit the full power of digital. Although nearly three-quarters use customer analytics to mine data, only 26 per cent track blogs, only 42 per cent track third-party reviews and only 48 per cent are tracking consumer reviews. This is largely because the tools, processes and metrics they use are not designed to capture and evaluate the unstructured data produced by social platforms." [16]

Chart 2
Is Big Data an Obstacle or Opportunity?
(percentage of respondents)
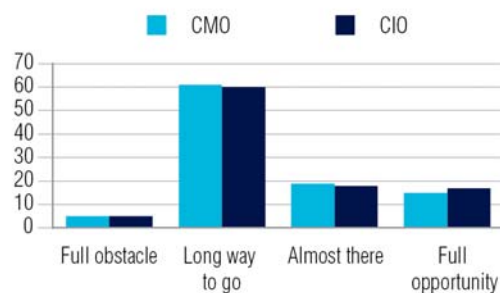
Source: SAS, *Big Data's Biggest Role.*

An IBM survey concurred with this assessment. In this survey, a plurality of CMOs surveyed indicated that they were most likely to turn to the CIO for help with "data explosion" social media and the growth in channels and devices.[17] A different IBM Survey found that CMOs and CIOs are tightly aligned in their individual assessments of the degree to which complexity will increase over the next five years and how prepared they feel to manage it. The vast majority

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[15] SapientNitro, *Global Marketing Series, CMOs Reveal Obstacle to Successful Global Marketing.*
[16] IBM, *From Stretched to Strengthened.* 24
[17] IBM, *From Stretched to Strengthened.* 10.

believe they will experience unprecedented levels of change and complexity in the near term, and only about half are confident they can successfully confront the accompanying challenges."[18] Another survey of advertisers and agencies by the market mapping company 33Across found a variety of concerns of big data ranging from how it could be used to drive marketing return on investment (ROI) to the integration of channels to interpretation (Table 4).

Table 4
Concerns About Big Data
(percentage of respondents)

	Driving ROI	Integrating cross-channel	Making sense of data
Concerned	91	73	70
Neutral	6	15	18
Not concerned	3	12	12

Source: 33Across.

As the IT Organization, we are working to cross the chasm... to move from an "enabler" focused organisation in keeping the systems running effectively and the cost of IT down, to a "driver" focused orientation -- in helping the business transform. Working closely with Marketing and with our Digital team is part of our "cross the chasm" strategy. Marketers value innovation, they value data and they understand the power of math and analytics, and these are three important areas where we, in IT, can help and support.

Andre Turgeon, Chief Information Officer, Canada Post Corporation, Task Force Member

From Knowing to Doing

CMOs and CIOs are broadly aware of the changes wrought by digitization in terms of data and channel management and customer engagement. They are at the pointy end of these changes. The CMOs see a customer absorbed by digital technologies. The CIO sees vast mountains of customer data stored on the company's servers.

Both CIOs and CMOs understand that this new world has strategic implications for their organization. There is a high degree of agreement around the diagnostics.

Yet it is moving from the knowing to the doing that is the challenge. The digital economy has emerged in less than a decade, whereas information management systems have been around for 30 to 40 years. To be sure, part of the doing involves a better and strategic working relationship between CIOs and CMOs. However, that working relationship exists in an organizational context.

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[18] IBM Institute for Business Value, *CMOs and CIOs Acquaintances or Allies?* 3

Chapter 3: Pathways to Collaboration

Survey data on CMO-CIO collaboration is helpful in terms of understanding the broad issue. But survey results are a bit like a thermometer—it tells the temperature, but not why it is raining. And like the weather, it is easier to talk about collaboration than do something about it.

The nature of the CMO-CIO collaboration challenge depends on an organization's starting point. The starting point is defined by the organization's size, age, competitive environment, orientation (B2C, B2B or both) and sector. The organization's age determines whether it is likely to be up-to-date with digital technologies. Young organizations have few concerns with legacy systems. Organization size is directly proportionate to complexity. As organizations grow, they organize themselves into functions and divisions. That results in marketers and information technologists being separated, which is a barrier to CMO-CIO collaboration.

Business orientation and sector, to a large extent, determine the nature of the customer and their use of digital technologies. They also determine acceptable marketing practice—digital technologies are not used the same way to market to Chief Executive Officers (CEOs) as they are to adolescents.

We see this in our initial survey results. We asked our initial 20 respondents to tell us how important various digital marketing techniques were to their overall marketing effort. B2B organizations were significantly less likely to rate email campaigns, social media and digital sales channels as high as B2C organizations. We know from other Conference Board of Canada research for the CMA that B2C accounts for about 75 per cent of total advertising spending.[19]

Some organizations are simply more likely to go digital. The online retailer Shop.ca, which we feature in the case studies (Chapter 4), is a good example. Digital marketing is part of its DNA. The company is less than a year old. Its business model depends on digital and it uses digital metrics to drive its business on a day-to-day basis. As a B2C company, it lives in a world of thousands of daily transactions with its customers, all of which are documented in a backend database. When your business is digital, it is easy to be digital.

That is not the same for traditional businesses. The Canadian law firm Torys has been in practice in Canada since the early 1940's. Although it has both consumers and businesses as clients, its practice depends on a high level client confidentiality and trust. The actual delivery of legal services is personalized. To be sure, Torys has great scope to use digital marketing to reach clients (as we explore in Chapter 4). But the age and nature of the business suggest that it has to take a different approach to digital marketing techniques.

A Framework for Understanding Collaboration

We have argued that the collaborative relationship between the CMO and CIO depend on their roles in the organization. These roles are determined by an organization's history, culture and business model. For instance, in SAS's study of CMO-CIO collaborations for the CMO Council, 76 per cent of respondents indicated the corporate culture was the main factor that determined customer-centricity.[20] The same survey found that culture was a key barrier to becoming more customer-centric. If the customer is not at the centre of everything the organization does, it is much more difficult to propose digital marketing projects designed to understand or engage the customer. Organizational culture is defined by acceptable organizational modes of behaviour.[21] Every organization has a system that encourages behaviour, buttressed by rewards and recognition.

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[19] Audet and others, *Marketing's Influence*, 70.
[20] SAS, *Big Data's Biggest Role*, 13.
[21] Grant and Shamonda, The Secret Sauce.

Collaborations happen because people in the organization make them happen, either consciously or through happenstance. Although the survey-based research tends to focus on issues like resources for digital projects and cross-functional barriers, these are merely symptoms of wider organizational issues. To truly understand the reasons for a lack of collaboration, we have to situate collaboration within the broader organizational context. We organize our discussion around a simple framework (Exhibit 2).

Exhibit 2
A Framework

Strategic Intent
- Vision and mission
- Strategy

Organizational Design
- Governance
- Structure
- Incentives

Processes
- Capital allocation
- People
- Data

Source: The Conference Board of Canada.

Strategic Intent

An organization vision statement and/or a mission statement speak volumes of its inclination to collaborate. A vision statement is an aspirational statement of how the organization wants to be seen and the values to which it ascribes. The mission statement is more concrete and specifies how the organization defines its success. The mission statement is a way to galvanize organizational effort through a clear statement of purpose. A customer-centric vision and mission statement is a good indication of whether an organization is likely to need and want CMO-CIO collaboration. For instance, SHOP.CA's vision statement is:
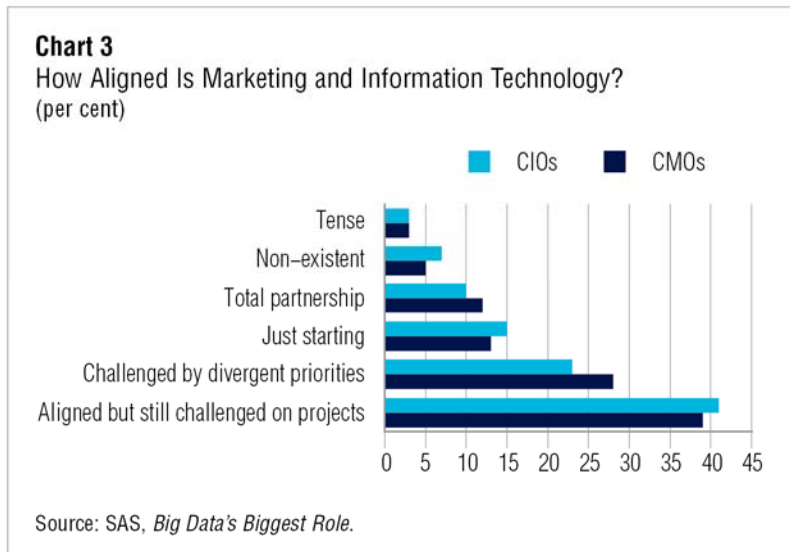
To make online shopping in Canada the envy of shoppers everywhere by providing a world-class destination through innovation and a relentless focus on the customer experience – Every time!

The organization's mission and vision is reflected in its strategy. The strategy is the way the organization seeks to distinguish itself from the competition. It drives organizational design and workplace processes. If the strategy does not focus on knowing and engaging with the customer, then the organization is less likely to fund projects with those purposes.

The strategy determines how organizational effort is organized and resourced. The strategy defines the roles for the business units and functions of the organization. In well-managed organizations, the strategy will have specific goals and metrics attached to it. These will often be captured in a balanced scorecard which, in turn, drives rewards and recognition.

The CMO and CIO define the sub-strategies for their areas that contribute to organizational strategic goals. When the strategic goals are clearly defined by customer knowledge and engagement, then there is greater probability that marketing and information technology sub-strategies are aligned. The collaboration makes perfect sense because

there is a clear win-win when marketing and information technology collaborate. They will find a way to make it happen because they can both point to a contribution to strategic goals and they will often be rewarded for this contribution.

Chart 3
How Aligned Is Marketing and Information Technology?
(per cent)

Source: SAS, *Big Data's Biggest Role.*

The Strategic Context

A customer-centric vision and mission statement is a good indication that the organization is likely to need and want CMO-CIO collaboration. For instance, SHOP.CA's vision statement is:

To make online shopping in Canada the envy of shoppers everywhere by providing a world-class destination through innovation and a relentless focus on the customer experience – Every time!

An organization's mission and vision is reflected in its strategy. The organization's strategy is the way it seeks to distinguish itself from the competition. It drives organizational design, workplace processes and compensation. If the strategy does not focus on knowing and engaging the customer, then the organization is less likely to fund projects with those purposes.

The strategy determines how an organization's efforts are organized and resourced. The strategy defines the roles for the business units and functions of the organization. In well-managed organizations, strategy will have specific goals and metrics attached to it. These will often be captured in a dashboard which, in turn, drives rewards and recognition.

Marketing and IT leaders define the sub-strategies for their functions that contribute to organizational strategic goals. When the strategic goals are clearly defined by customer knowledge and engagement, then there is greater probability that marketing and information technology sub-strategies are aligned. In this case, collaboration makes perfect sense because there is a clear win-win when marketing and information technology collaborate. They will find a way to make it happen because they can both point to a contribution to strategic goals and they will likely be rewarded for this contribution.

Our case studies feature organizations that have separate marketing strategies, IT strategies, digital strategies and analytic strategies. All these are aligned to the organization's overall strategy and all play a key role in the digital

interface with customers. These strategies need to be aligned regardless of where they sit in the organization's structure.

> *At the end of the day, every transaction passes through the CIO's organization, so more so than any other C-suite role, the CIO is in the ideal position to add value through partnership with the CMO and other C-suite colleagues to drive competitive advantages for the enterprise.*
>
> **Dave Burns, Senior Vice-President and Chief Operating Officer, LoyaltyOne, Task Force Member**

Organizational Design

In SAS's work for the CMO Council, it is clear that theoretical strategic alignment is not enough. Around 40 per cent of the surveyed CIOs and CMOs claimed that they were aligned but still had problems with project execution. You need to peel back the layers of the organization to get at these execution issues.

Governance is important because it determines how decisions are made. Larger organizations have competing interests for corporate resources, which are prioritized at the Board level and in C-suite. Although our study focuses on CMO-CIO collaboration, the reality is marketing and information technology are often not well represented at these levels.[22] The Board is often comprised of industry experts (operations people) and others with general Board expertise. They often lack representation from people with functional expertise like marketing and information technology. Marketing and information technology are underrepresented on the executive committee and may not report directly to the CEO. This means that they are on the outside looking in when it comes to strategic discussions. In one survey, about half of IT professionals thought that the Board did not spend enough time on IT issues (Chart 4).

> *Deeply integrated plans and a mutually aligned vision between the CMO and CIO will be a fundamental determinant of an organization's success and their ability to stand the 'test of time.' Forward thinking organizations will leverage this shared agenda to prevent disintermediation, capitalize on growth opportunities and deliver new forms of consumer value in an ever converging and accelerating environment.*
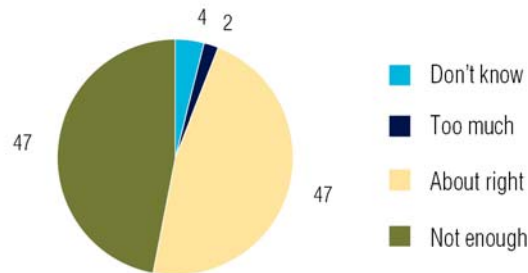>
> **Brett Mooney, Vice-President, Consumer Acquisition and Management, American Express,**
> **Task Force Member**

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[22] Petersen, The CMO/CIO Organization Alignment Mandate.

Chart 4

How Would You Characterize the Board's Attention to IT Topics?
(percentage of respondents; n = 1,153)

- Don't know
- Too much
- About right
- Not enough

4 2
47
47

Source: Bloch, Brown, Sikes, *Elevating Technology on the Boardroom Agenda.*

Consequently, marketing and information technology may be accorded secondary roles in the execution of corporate strategy. They are often organized as shared service cost centres. This creates a further problem because this organization sets them up to be viewed as "overhead". Profit/loss units may see themselves as the drivers of organizational success and speak out in favour of limiting overhead costs. In general, with an organizational emphasis on near-term results, the CMO and CIO may not be viewed as the go to people to make it happen.[23]

This forces marketing and information technology increasingly to justify their existence. In the case of marketing, it means more pressure to demonstrate ROI. In an IBM study, 63 per cent of CMOs interviewed report marketing ROI as the primary way they were to be measured over the next five years, and only 44 per cent felt prepared to manage it. This is due primarily to the lack of tools and methods CMOs have for measuring the effectiveness of digital media's impact on the bottom line.[24] Meanwhile, IT tends to define its contribution by lowering the total cost of information technology ownership.

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[23] Petersen, *The CMO/CIO Organization Alignment Mandate.*
[24] IBM Institute for Business Value, *CMOs and CIOs Acquaintances or Allies?* 13

Table 5
Organizational Models for Digital Organization

Model	Description	Advantages	Drawbacks
Organic/Dispersed	Social efforts bubble up from the edges of the company, e.g. Sun Micrososystems encourages a blogging culture for all employees.	Looks authentic and is therefore trusted. Multiple conversations appear closer to products and customers.	Inconsistent customer experience; one side of the company has no idea what the other side is doing; multiple enterprise software deployments. Later, a nightmare for IT data management and marketing.
Centralized/Digital COE	One department (usually corporate communications) controls all social efforts.	Great for consistent customer experience, coordinated resources, and rapid response.	May appear inauthentic as press releases are rehashed on blog posts or videos by rigid executives.
Coordinated/Hub and Spoke	A cross-functional team sits in centralized position and helps various nodes such as business units, product teams, or geographies be successful through training, education, support. Example: Red Cross keeps various chapters organized, especially during life-threatening crises.	The central group is aware of what each node is doing and provides a holistic experience to customers with centralized resources.	Costly. Executive support required; program management; and cross-departmental buy-in.
Multiple Hub and Spoke "Dandelion"	Often seen in large multinational companies where companies within companies "act nearly autonomously from each other under a common brand. Companies with multiple products, such as HP and IBM, may naturally gravitate this direction.	Business units are given individual freedom to deploy as they see fit, yet a common experience is shared among all units.	Requires constant communication, which can result in excessive internal noise. Requires considerable cultural and executive buy-in, as well as dedicated staff.
Holistic "Honeycomb"	Everyone is in customer service and support and any employee who wants to be social is enabled. Dell and Zappos are good examples.	Taps into the entire workforce (Best Buy's "Twelpforce" is an example) to support and help customers.	Requires executives that are ready to let go to gain more; a mature cultural etho; and executives that "walk the talk."

Source: SapientNitro.

In the above at multiple hub and spoke there is a partial " at the word "act – last sentence he should read "such as HP and IBM may naturally gravitate in this direction"

In some cases, collaboration has been achieved through organizational innovations. Starbucks created a Digital Ventures business unit led by and Executive Vice President, Stephan Gillett who also had the title of CIO. He said "If I take the digital capability and put it under engineering or IT, even with the best of intentions, it becomes heavily influenced by the technology initiatives. And if I take the same function and put it under a marketing function, it will inherently be dictated by the cadence of a marketing campaign. We needed it to have the autonomy of its own destiny, of its own vision."

Organizational theorists are experimenting with new organizational structures to facilitate a digital approach to business. For instance, the consulting company SapientNitro argues that there are five organizational forms for digital: organic, centralized, coordinated, hub and spoke and honeycomb (Table 5). Each form has advantages and drawbacks. They differ primarily in terms of how much discretion is given to individual employees to take initiative versus how much central control.

Hence, marketing may want to undertake investment projects to increase ROI (and therefore to put them on the same footing as P/L units) while IT may prefer projects that lower computing costs. IT often sees itself as the standard setter while marketing is sees itself as market responsive. So they end up pulling in different directions.

Project Identification and Execution is Key

In SAS's work for the CMO Council, it is clear that theoretical strategic alignment is not enough. Around 40 per cent of the surveyed CIOs and CMOs claimed that they were aligned but still had project execution challenges. One needs to peel back the layers of the organization to get at these execution issues.

It starts at the board level. Boards are often comprised of industry experts (operations people) and others with general board expertise. They often lack representation from people with functional expertise like marketing and information technology. Marketing and information technology are sometimes underrepresented on the executive committee and may not report directly to the CEO. This means that they might be on the outside looking in when it comes to strategic discussions. In one survey, about half of IT professionals thought that the Board did not spend enough time on IT issues.

In some instances, marketing and information technology may be accorded secondary roles in the execution of corporate strategy, which results in fewer digital marketing projects. Marketing and IT are often organized as shared services and/or cost centres. This creates a further challenge because they are viewed as "overhead". Profit/loss units may see themselves as the drivers of organizational success and speak out in favour of limiting overhead costs. If an organization's emphasis is on near term results, the CMO and CIO may not be viewed as the go-to people to make it happen.[25]

Many CIOs and CMOs are stuck in old ways of doing things and this creates a barrier to working effectively on marketing projects. Kirstin Hambelton, the Vice President of Marketing for Neolane (a marketing technology provider) put it this way: "ten years ago, marketing was always at the bottom of IT's to-do list. IT usually has five or 10 projects going at any one time, and marketing was always at the bottom of the list. As a result, marketing pros got tired of waiting and sidestepped IT." [26]

That approach may be behind some CIOs attitudes towards marketing. For example, in the CMO Council survey, over 60 per cent of CIOs indicated that they wanted CMOs to involve them earlier in the project process and almost half indicated that there was a need to develop a common strategy with marketing, which apparently is absent at the present time.[27] Poor project execution also hurts collaboration. People naturally want to work on successful projects. Yet one study estimated that 55 per cent of Big Data projects do not get completed and others do not meet their objectives. [28] In the majority of the cases the reason is because they are not scoped out properly. One of our case study interviewees, David Klein, Vice President Marketing, Aeroplan, said that, "in the past, marketing would say that IT was not aligned with what marketing wanted and that it took too long for them to deliver product. IT, in turn, would say that they did not know what marketing wanted or where they were going."

Capabilities

People are shaped by their work —"learning by doing." As digital marketing is a relatively new field, it can be exceedingly difficult to find the people to change existing processes. Edjlaji found that analytic capabilities and skills to be one of the top two (the other being infrastructure) constraints on organizations using Big Data.[29] Another study reported that data scientists were difficult to find (60 per cent of the respondents indicated this). Over 80 per cent of businesses reported not being able to source executives who know how to use Big Data to leverage opportunities.[30]

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[25] Petersen, *The CMO/CIO Organization Alignment Mandate.*
[26] Gerneglia, *Big Data Transforms CMO and CIO Relationship*
[27] CMO Council, *Driving Revenue Through Customer Relevance*
[28] CMO Council, *Driving Revenue Through Customer Relevance.* 28
[29] Edjlali, *Getting Value From Big Data.*
[30] NewVantage Partners, *Big Data Executive Survey 2013.*

Companies are turning away from traditional fields to staff these positions. One of our case studies, Clearly Contacts, has hired a quantitative economist to run their predictive analytics team.
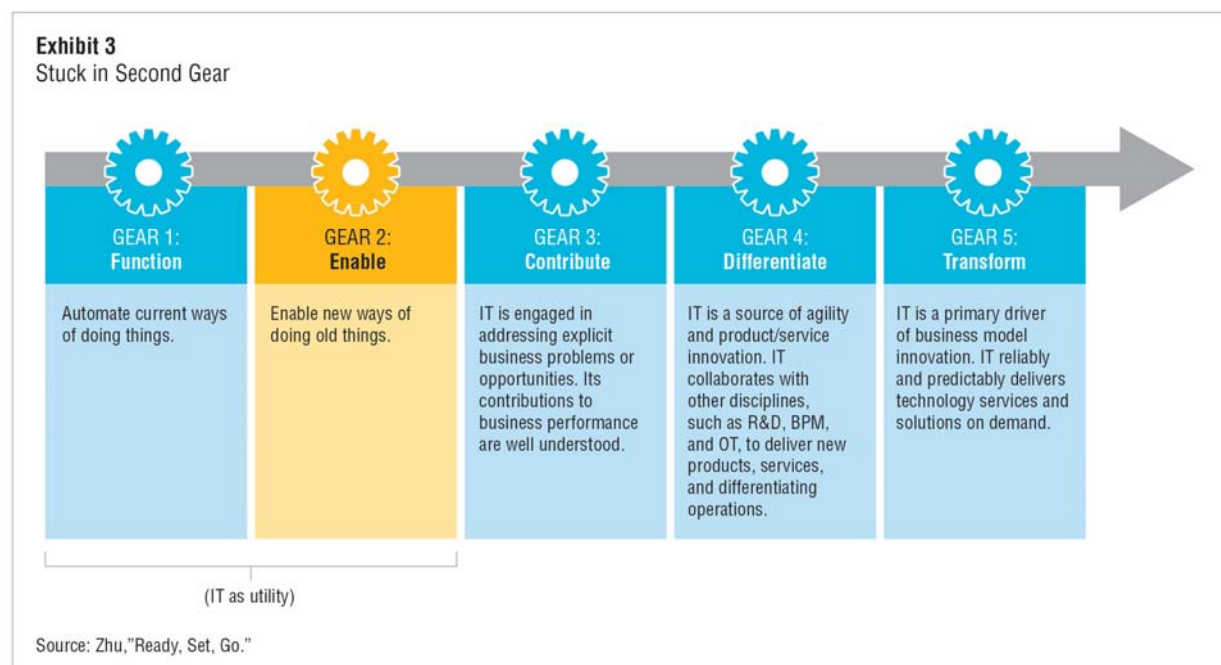
So even in situations where there is good strategic alignment, there may be a capability gap that prevents effective collaboration at the project level. Marketers simply are cut from a different cloth than technologists, in terms of their core skills, attitudes and behaviours. Marketers favour simple analytical tools, like spreadsheets, compared to elaborate database and specialized analytical software. Meanwhile, information technologists prefer large robust enterprise systems (like those offered by IBM) to niche marketing applications like Neolane.

Although marketing has always been part art and part science, the emphasis is clearly shifting to the science of the profession. This is opening up exciting and rewarding opportunities for those with an inclination towards analytics.

Perry Eisenschmid, Vice-President Marketing, The Conference Board of Canada, Task Force Member

Stuck in Second Gear

Both marketing and IT may have challenges in establishing strategic relevance (Exhibit 3). At first, information technology helped organizations to automate existing work (function). Then it helped define new ways of doing work (enable). In these utility-type functions, IT is judged by information system uptime. To improve its relevance, IT has to show its contribution to business performance metrics (contribute). Even better is when IT is used to differentiate the organization from rivals as a key source of competitive advantage (differentiate). Finally, IT can be used a way to transform fundamental business models.

Exhibit 3
Stuck in Second Gear

GEAR 1: Function	GEAR 2: Enable	GEAR 3: Contribute	GEAR 4: Differentiate	GEAR 5: Transform
Automate current ways of doing things.	Enable new ways of doing old things.	IT is engaged in addressing explicit business problems or opportunities. Its contributions to business performance are well understood.	IT is a source of agility and product/service innovation. IT collaborates with other disciplines, such as R&D, BPM, and OT, to deliver new products, services, and differentiating operations.	IT is a primary driver of business model innovation. IT reliably and predictably delivers technology services and solutions on demand.

(IT as utility)

Source: Zhu,"Ready, Set, Go."

Retail banking is probably the best example of where IT has made it into fifth gear. ING Canada (which was recently acquired by Scotiabank), built its entire business model around its information technology platform. All retail banks now migrate customers to online platforms from brick and mortar. They fundamentally changed the business model

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CMA

of banking in the process. Customers expect that banks will create and manage the digital interface. A case study like Home Trust clearly shows the impact on financial institutions.

For some, IT is stuck in second gear. In many organizations, it is an enabler but has yet to contribute, differentiate or transform. That explains why it is not directly represented in the C-suite in many organizations. Marketers, too, are trying to move up the strategic value curve. They may be closer to showing relevance inasmuch as they can tie marketing campaigns to metrics like sales and customer retention. But a more effective partnership with IT would help them make contributions to differentiation and transformation. But that will only occur if they leverage IT's sophisticated technical capabilities that will enable them to better understand and engage customers.

We now turn to our case study examples of Canadian organizations' approach to collaboration.

Chapter 4: Studies in Collaboration

This chapter reviews case studies of seven Canadian organizations that recognize the strategic imperative of the digital economy and are doing something about it. In selecting these cases, we were mindful to include a variety of sectors, orientations (B2C, B2B), sizes and regions. The case studies provide concrete and practical approaches to collaboration.

In spring 2013, we interviewed over 20 senior executives in the case study organizations. We were interested in the perspectives of the leadership (usually the CEO) marketing (the CMO or equivalent) and information technology (generally the CIO or equivalent). This tripartite approach to interview allowed us to explore different points of views of the challenges and the approaches to collaboration.

CASE 1: The Store That Never Closes: SHOP.CA

The Opportunity

Canadian consumers are turning to online shopping because they have less time, are more comfortable with online technologies and there are more products available online that address their needs. In Canada, e-commerce is expected to grow to $35 billion by 2016. In 2012, e-commerce in Canada grew by 13 per cent, whereas overall retail sales were flat.

About SHOP.CA

Headquarters	Toronto, Ontario
Size	Small (35 employees)
Business	Online retail
Orientation	B2C
Opportunity	Take market share off US –based online retailers
Marketing objectives	Drive traffic to site; convert sales; retain customers
Digital spend (as share of total marketing)	75

SHOP.CA estimates that 50 per cent of Canadians' online spend has gone to US online retailers in the last decade given the lack of options to shop at home, according to various reports. In 2011, SHOP.CA saw an opportunity to challenge this established consumer behaviour and keep money in Canada. Their marketing analysis suggested that

Canadian online consumers were frustrated with online cross-border shopping due to border restrictions that resulted in slow delivery, duty, brokerage fees, voided warranties and unreasonable delivery costs.

SHOP.CA is a Canadian start-up that was founded in July 2011 and launched in July 2012 as the largest e-commerce site in Canadian history. In the 10 months since launch, over 6 million Canadians have gone to SHOP.CA with 600 thousand of these visitors joining the SHOP.CA loyalty program.

Why Collaborate?

There was little reason to think about collaboration between the CMO and the CIO because digital is the lifeblood of the company. SHOP.CA is a young (less than two years old) and small (35 employees) company. Digital marketing is core to its business model.

Overall Approach

The collaboration approach starts with SHOP.CA's vision and mission, both of which put the customer's online shopping experience front and centre. In our interviews, both the CEO and the CMO agreed that the customer is the number one driving force in the company. Of 10 guiding corporate values, the top two are directly related to the customer.

This customer focus means that no one executive owns the customer exclusively. Instead, the CMO pointed out that four or five of the top management own parts of the customer experience from marketing through to invoicing. When pressed, the CMO suggested that the CEO and President both own the customer strategy and the CMO and CIO own the implementation of the customer experience.

According to the CMO, "we live with data; data drives everything we do". Every day, the company leverages its data capabilities to produce a 30-page customer scorecard. The scorecard covers:

- Where the customers come from
- Why they left
- What they bought
- Their cohort behaviours
- Their searching behaviour
- Their buying behaviour
- The rate at which they abandon their shopping cart.

Scorecards are released every morning at 7:30. At 8:37 senior management report on their scorecards from the previous day at a "stand-up" management meeting. An hour later, senior managers meet with their teams to share their divisional scorecards. The data is captured centrally and is accessible to anyone in the company. This creates a culture of data ownership and accountability in the company.

"It is a very fast paced environment, but we work to make sure everyone feels part of the dream," said the CEO. All employees own shares in the company and the CEO considers them all partners in the enterprise.

Approach to Marketing and Technology

As with a brick and mortar store, updating the store is critical to customer attraction. However, given the store's online nature, it is much more practical to refresh it in short-time cycles. SHOP.CA rolls out site features and functions every 2 weeks. They also launch a new merchant partner each day on average since launch. The CMO's

goal is "to democratize the buying space in Canada". "We are not curators of products; we will sell anything Canadians want as long as it is family friendly."

SHOP.CA spends a lot on marketing, both digital and traditional. At this time, 75 per cent is spent on digital but they also need to drive traffic to their website. They do this through TV, radio and newsprint. A few month ago their CEO was interviewed on TV and immediately they saw (and could track) that the traffic to their website spiked for 45 minutes. This spike was repeated as the interview was re-broadcast in various time zones across the country.

SHOP.CA subscribes to Facebook's motto about technology "done is better than perfect." The CIO says they "ship, test, and learn rather than take 6 months to get it right". He thinks this is hard for typical IT departments to embrace. According to the CMO, "digital marketing has the potential to be cheaper but in the beginning there is heavy lifting in order to build trust". The CIO oversees 1 million emails per day to customers. He uses a third party vendor to manage this process.

SHOP.CA does not tend to track at the individual level. They are currently beginning to target segments. They do have the data capability to target individual data, but do not feel they can act on it yet. According to the CMO, "we have the opportunity to be relevant to the individual customer". They partner with a company called Rich Relevance, which was created by former Amazon employees, that creates automatic recommendations such as 'people that like what you just bought also boughtthis.'

Within 24 hours of a customer abandoning a shopping cart item, SHOP.CA sends the customer a friendly email asking them why. The CEO personally emails 5-10 first time customers per week to welcome them, thank them and ask them if he can be of assistance. SHOP.CA uses Pluck (a customer engagement technology) to make online buying experience more sociable. They also use Context, an application that allows people to see how clothing looks on them on their desktop or tablet computer. They benchmark their practices with other leading online retailers. Amazon is seen as the gold standard because of their very high conversion rates (over 10 per cent).

The CMO-CIO Working Relationship

The CIO said that he works the most closely with the CMO. There is constant communication between the two. The CMO and CIO do not implement any plans without consulting each other. Even when the CMO is producing new ad copy, he runs it by the CIO. The CIO is steeped in customer data, so is very knowledgeable about the customers. Physically, the CIO and CMO work in adjacent workspaces, "so if I want to talk to him about something I just knock on the wall", was the way the CMO put it.

They feel that the working relationship between the CIO and CMO starts at the senior executive level and works its way down to people in both functions who take their cue from the senior executives. The data systems of the organization support a focus on the customer and that helps foster collaboration. The CMO and CIO agree on the type of people they need in the business. To be sure, they both look for specific technical skills, but they are also interested in attitudes like "street smarts". They are looking for passion and buy-in to the business. The CMO seeks people that are "not afraid of numbers and like analytics". Recruitment helps keep the technology and marketing departments culturally aligned.

Measuring the Impact

The company uses its data systems to target five key metrics:

1. Conversion rate
2. Bounce rate
3. Abandon cart rate

4. Average order value (AOV)
5. Sales performance versus forecast

There are sub-metrics that are used for the sales team (e.g. product pipeline) and the marketplace operations team (e.g. new products loaded onto the website). The technology team is judged by the length of time people spend on the site and the conversion of the visits marketing generates. Performance on these metrics are shared with the management team every morning and rolled out to their respective team, which then decide on courses of action.

Finally, we asked the CMO to tell us the three most important projects or practices that resulted from collaboration with the CIO and that grew sales. They are:
1. Increased efficiency of email deployment through a planned customer lifecycle approach.
2. Improved landing pages to improve Search Engine Marketing (SEM) for both membership and transactions.
3. Retargeting visitors once they have left the site with a relevant message.
   a. "There is not a day a week where the CIO is not building a pixel or SEM-friendly URL infrastructure to help marketing improve its re-targeting efforts or to reduce bounce rates; we're continually re-modifying so we can be excellent."

Case 2: Digital Vision: Clearly Contacts

Clearly Contacts is a contact lens and eyewear company based in Vancouver. Roger Hardy and his sister, Michaela Tokarski, founded the company in 2000. Originally called ClearlyContacts.ca (which is now one of its brands), the company has grown from a basement start-up to one of North America's largest contact lens and eyeglass retailers. Today, they have over 650 employees and maintain offices in Canada, the United States, Australia and Sweden. They are listed on the TSX, NASDAQ and Sweden's OMX exchange.

Clearly Contacts has developed from a retail vendor into a producer/vendor of its own contact lens and glasses. It continues to sell other major brands in addition to its own. Currently 90 per cent of its contact lens sales are other brands as well as 30 per cent of its glasses sales. Clearly Contacts currently has the ability to manufacture 14 thousand glasses per day. They have an in-house eyewear design department and have brought in young designers to help them stay current with eyewear fashion.

About Clearly Contacts

Headquarters	Vancouver, British Columbia
Size	Large (750 employees)
Business	Manufacturer and online retailer
Orientation	B2C
Opportunity	Improve affordability of eyewear
Marketing objectives	Product awareness; online buying awareness and differentiation; dominate in social media
Digital spend (as share of total marketing)	90

The Opportunity

Clearly Contacts initial value proposition was targeted at the contact lens market. At the time, contact lenses took a long time to deliver. Clearly Contacts decided to focus on rapid delivery through advanced supply chain logistics and other service offerings. These service efforts have paid off. In October 2012, the company was awarded the Stella Service Elite Award for customer service.

In order to reduce the time from time of order to receipt, Clearly Contacts implemented a predictive ordering process driven off customer data. If a customer orders a 3 month supply of a particular contact lens, Clearly Contacts' system anticipates the need for a re-order in 3 months'. Customers also want to be able to return product. Clearly Contacts

implemented a no-questions-asked 366 day return policy. Innovations such as these have led to a higher service level and helped to build customer loyalty.

In the last four years, Clearly Contacts has expanded its offering to eyewear. Here, the value proposition is focused more on price. VP Marketing Aaron Magness said "the inflated cost of glasses equaled an opportunity for Clearly Contacts. …we are saving customers from an overpriced cartel". Across the two product categories, the value proposition is based on reasonable price and a high level of service. According to the CEO Roger Hardy, "we hyper-invest in our customer, which is the reason for our success". Their vision is "the better way to buy eyewear". Clearly Contacts' latest marketing thrust is geared to persuade customers to see "glasses as fashion". This encourages people to buy glasses as wardrobe accessories.They have discounted to spurn wardrobe purchases. They now have many customers who own multiple pairs of glasses. They have recruited Vancouver hockey legend Trevor Linden as their local pitchman. Singer-songwriter Alicia Keys and the rapper Flo Rida wore Clearly Contacts glasses in recent videos.

Marketing Priorities

Clearly Contacts top three marketing priorities are:

1. Product awareness. Clearly Contacts has good brand awareness for its contact lenses but now wants to extend that same awareness to glasses.
2. Online shopping awareness. Currently, only 2 per cent of glasses are sold online. So the company wants to increase awareness of online retail to glasses wearers.
3. Differentiate. Brick and mortar vendors still dominate the glasses market. Clearly Contacts wants to differentiate their product and service from brick and mortar experience, especially in terms of product choice, price and post-sales service.

Clearly Contacts sees digital marketing solutions as key to these marketing objectives. Ninety per cent of their total marketing spend is on digital solutions, an extremely high commitment to this form of marketing. They think that digital, when used properly, will help them better understand the customer and engage with them, especially through social media channels.

Culture, Organization, Collaboration

Clearly Contacts' organization starts with its ownership structure. Eighty per cent of employees are owners of the company. According to Mr. Rogers "the competitive advantage for us is culture". "Our values are captured in catchphrases like 'do more with less', 'do some good' and 'agents of change'". Employee ownership cements this mindset. And Clearly Contacts hires like-minded people that buy into their culture.

CEO Rogers has structured the company so that there is a senior executive in charge of all aspects of the customer-facing processes—from advertising to marketing to the web interface through to transaction. The Marketing group has a staff of 30. Marketing's role is to ensure that the entire company understands the customer and their interests. Marketing understand customer demographics. They try to speak to the customer in tone and substance in a way that appeals to them. With the help of the analytics team, marketing models customer personalities and needs. All Clearly Contacts managers listen in on calls to find out what the customers want.

Clearly Contacts Organizational Structure
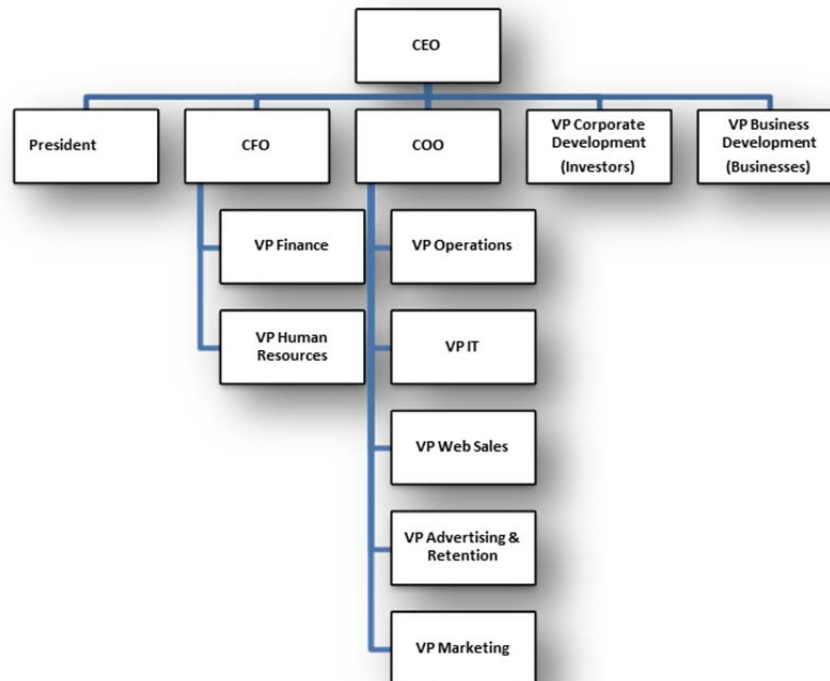
Clearly Contacts is a customer-centric company. They have a senior management meeting every week to talk about everything that touches the customer, including marketing, order processing, and invoicing. At this meeting, they share and discuss the key organizational metric, the Net Promoter Score, a measure of customer loyalty. The CEO ensures that everyone is focused on the customer. Each year the senior management team develops linked objectives which cascade up to the CEO's objectives.

On a daily basis, the executive team holds a 10 minute stand-up meeting to discuss their dashboards. Ten minute meetings cascade through the divisions and units of the organization. Every quarter executives decide on a theme for the next quarter – something colorful that brings to life the objectives for the quarter. Each theme has 5 priorities/objectives for the quarter, which they spend a day discussing. They then have weekly meetings to report on how they are doing against objectives.

Every 2 weeks, the head of IT meets with the leaders of the various business units for 30 to 60 minutes to set the IT priorities for the coming fortnight. Each business leader comes to the meeting having put all their requests for IT service for the coming 2 weeks into a project planning software called JIRA. All the projects are prioritized across units at this meeting and the VP IT then has a prioritized list. He then takes it back to the respective groups within his team who then calculate what it would take in terms of time to complete each project. They then saw off the list at what they can accomplish and this is now locked down. The work then begins. The following week the senior management again meets to check the progress on each of the projects. Ninety per cent of the time everything on the locked down sheet gets executed.

IT focuses on responsiveness to internal customer needs. They have implemented parts of the Agile Methodology, such as the Scrum and Extreme Programming. The Agile Methodology promotes adaptive planning, evolutionary

development and delivery, and encourages rapid and flexible response to change. They use a sprint iteration length of 2 weeks to develop applications and to change the website. They strive for balance between agility and order.

Each project team (each Group can have more than 1 project, on average 10) has a Scrum Master from the IT team who is responsible for ensuring that everyone knows what they are working on and has all the resources at hand to deliver the agreed upon projects within the 2 week time frame. Every marketing project has a marketing lead. This lead is usually the project originator and they sign off on the project at the end of 2 weeks.

Approach to Digital

Braden Hoeppner, Vice-President Web Sales, notes that his team of 12 people manages the customer digital interface experience. Reporting directly to the COO, he provides the creative content for the website while IT provides the technology. He views the website as the hub with numerous access points (or spokes) including web browser, mobile, and in-store machines. Today mobile devices are powerful computers and customers wants to transact on them anywhere, anytime. "It is a completely different ball game. Thirty per cent of people are now browsing the web on their mobile", says Hoeppner.

Hoeppner's objective is to understand how to optimize the customer experience on every device and then create it in collaboration with IT. Customers were initially skeptical that an online store would get the fit right for eyewear. They addressed this skepticism by developing a process where the customer enters their glasses sizing measurements online to ensure correct fit. For some customers this was not sufficient to allay skepticism, so Hoeppner and his team had to dig deeper in the data for the root cause. They found that, although fit was an issue, the real issue was look, which again the customer felt was better determined in-person. So Hoeppner's team came up with a virtual mirror. This allows a customer to upload a picture of their face and try on various glasses on the image.

Ninety-nine percent of Clearly Contacts' customers interact with the company online. A key goal is to make that online experience engaging. Clearly Contacts is seen as a leader in all social media. They are the third ranked retail outlet on the internet for social media according to Internet Retailer's Social Media 300 list. They have 2 million Facebook fans. They use any number of online media to interact with their customers and use as many channels as possible to get customers to engage with them. Although they have a storefront on Robson Street in Vancouver, the purpose is not to sell as much as to educate people how to buy contacts and glasses online.

According to Hoeppner, "we want to be device agnostic as to how people can interact with us" and so the experience has to be optimized for multiple devices. Although many companies have optimized their website for mobile use, according to Hoeppner, this is insufficient. He thinks they need to optimize the experience for any and all devices. Some companies believe that people only browse on mobile devices and do not buy. But Clearly Contacts enhanced the mobile experience by allowing customers to scan the barcode on their glasses with their mobile device and in so doing automatically order a new pair of glasses. So now buying is as easy on a mobile device as it is on a desktop browser.

Almost every set of glasses has a string of numbers inside the frame that facilitates online ordering. Once the number is entered on their website, only those eye glasses that are applicable pop up and so the large number of available models gets reduced. This eases the glasses selection process.

Clearly Contacts proactively listens to their customers. They work with customers on how they use the website. They use web tools that allow them to follow the click routines/process of their website. They use software called Foresee to capture feedback from customers that come onto their site but do not buy. They ask on social media what people think of their website. Clearly Contacts surveys customers to see if they "shared" in social media their experience with Clearly Contacts and if so, with how many friends.. This will allow Clearly Contacts to know which of their customers may be influencers. They track what people are saying on Alicia Keys' and Flo Rida's websites to see

what people are saying about their and other glass designers that these stars wear. Clearly Contacts benchmarks its digital practices to leaders like Zappos and Net-a-porter.

The analytics department (discussed below) provides segmented customer data. Hoeppner's group use tools such as Myers-Briggs to decide what they need to do to appeal to various groups within each segment. They use a lab facility where they set-up people to use their website for the first time and then watch how they navigate it. They go to the Analytics group to validate the user study data. They are determined to measure the effect of everything they do. For example, with the help of the Analytics Department they measure the likelihood that people who try the virtual mirror are more likely to buy than those that do not. When they launch a new website they track whether people on the new site are more likely to click deeper and more likely to purchase.

Building Capability

Multiple digital interfaces requires Clearly Contacts to have different skills and in some cases non-traditional skills. For example the marketing department has technologically capable people on staff, which makes it easier to do work. Hoeppner has a "new hybrid type of person" in his shop. They have "design skills and technological capability. They are leading edge". In order to build management capacity the CEO has brought in people with the experience of growing a business. It is easier to succeed with people who have done it before. As such, they have brought in a couple of senior people from Zappos.

The IT department looks for people with years of experience. We want them to have a sense of ownership in the company and ability to demonstrate that in their previous role they were engaged. Their priorities are fluid and so they need adaptable people. According to Magness "the most important thing is that the IT people need to be comfortable in an environment where processes are not locked down. They need to see that as interesting; not only tolerable. Things move fast in our company and so IT needs people that can adapt to a more flexible mode of delivery."

A good example of new capabilities is Alex Soria, an economist who is the Director of Statistical Analysis. Mr. Soria has been at Clearly Contacts for less than a year. Because the emphasis at Clearly Contacts is on understanding and predicting customer behaviours, Soria reports to the VP of Advertising rather than to the finance department. He and his department of three analysts look at the funnel process from the time customers first become aware of Clearly Contacts through to the time they buy and everything in between.

Their first step was to build a data warehouse. Their emphasis in the early stages had been on building a robust data warehouse capable of incorporating data from the call centre, from marketing, from ops, finance and the like. They initially used an outside consulting group to help them build their warehouse which took a year from start to the point where it was ready to accept data. However, building a warehouse is an ongoing process of adding and subtracting data and so even after that first year they still work internally to refine the data in the warehouse. All the data in their warehouse is digitally generated. "We do not want any data entry to be driven by people; it all needs to be automated" according to Mr. Soria.

The second step was to mine data to understand customers. Who are the loyalists and who are not? Loyalists have a higher dollar value to the company because they want brand name glasses and then private label. They dug deeper and analyzed what customer behaviours predict; whether first time buyers will become a loyalist such as types of products they buy, whether they buy across channels, multiple members of family buying and so on.

The behaviours that predict whether someone becomes a loyalist are very different from country-to-country, according to Soria. For example, in the US, customers are focused on discounts and are willing to pay less for glasses than in Canada. The Japanese tend to score in the middle on value consciousness, whereas the US and Canada are at either ends of the continuum. At this stage, they then segment customers into 5 groups from "one-and-done" to "loyalist". From this analysis they have been able to build a predictive model of repeat buying behaviour.

To help shape marketing campaigns, they have conducted an analysis of the types of marketing campaigns that attract loyalists.

For much of their predictive modeling work they use SPSS. Because of the capability of their data warehouse, they can go to one location to create a dashboard on any aspect of the business real-time. They currently use SAS to collect and organize unstructured social media data. To date, this data is not part of their data warehouse as even after being organized it is not in a format that can be used with other warehouse data. They are looking onto Apache Hadoop, an open-source software with the potential to transform massive amounts of social data into a format that can be put in a data warehouse. Netflix has started using this and they are considered leaders in the use of unstructured data. Another issue with social media is that it is not possible to track social media names to real people and so it is difficult to accurately target specific individuals. Finally, according to Mr. Soria, "social media is in vogue but so far we do not have any way of measuring the ROI for efforts in this area outside of paid marketing, although many are attempting."

Results

Over the last decade, Clearly Contacts' sales have grown by 26 per cent per annum. Its growth is related to reaching more customers through the web.

One of the key drivers at Clearly Contacts is the Net Promoter Score (NPS). They started measuring this metric a couple of years back. NPS is the number of promoter (people that give you 9 or 10 when asked if you would recommend the company to a friend) minus the number of detractor (those that give you a 0-6). Their NPS score is in the 80's. They have a team that works on NPS and it sets a goal each quarter. Such as "reduce detractors by 25 per cent".

All customers that buy from Clearly Contacts are sent a survey within 14 days of purchase. They contact the detractor (score 0-6) within 24 hours of receiving the score to find out what they did not like and how they could do a better job. Then 1 week later after this call they contact them again and have found that the low score has gone up. They are now elevating customer experience metrics in the company.

CASE 3: Prairie Fibre: SaskTel

SaskTel is a Regina-based provincial crown corporation. It is Saskatchewan's market leader in telecommunication services. The company is over 100 years old and has seen many changes in that time. It is at the leading edge of the digital economy and forms a critical part of the network that digitally connects Saskatchewanians to each other and the world. However, for SaskTel it is not just about technology—the company has been recognized for the last two years by JD Power for "Highest in Customer Satisfaction with Full-Service Wireless Carriers."

Competitive Challenge

According to CEO Ron Styles, today's customers want two things. First, they want multiple-channel access to SaskTel through chat, mobile applications, telephone, email, the website and retail outlets. It is a constant challenge to scale channel capacity to customer needs as customers interact through multiple channels. Second, customers expect flexibility. Customers want a variety of solutions and want these adapted to their particular circumstances—this is the segment of one market concept.

About SaskTel

Headquarters	Regina, Saskatchewan
Size	Large (3,800 full and 1,000 part time employees)
Business	Telecommunications
Orientation	B2C/B2B
Opportunity	Leverage full range of telecommunication technologies to address customer needs
Marketing objectives	Optimize current product mix; Improve customer experience to compete with new entrants; Transform offering to latest technology.
Digital spend (as share of total marketing)	30 per cent growing to 60 per cent by 2016

These customer demands are playing out in an environment of rapid technological change. 4G networks were only launched in 2009 and 2010 and are already mature. Customers are demanding LTE connectivity, which is five times as fast as 4G. These changes take time to implement, yet customers' expectations change as fast as the technology. Telcos struggle to keep up. In addition, SaskTel's legacy telephone business requires ongoing maintenance. They maintain legacy copper wire-based systems that address the needs of certain of older customers. Meanwhile, in

mobile, SaskTel is building their third network in 5 years. According to Mr. Styles "it is difficult to quickly transition from one technology to another and to save costs as you go".

"We are moving from copper to fibre and we need to make sure that the people we have in leadership positions can keep up with and are comfortable with the new technology. It has been rough for some of our sales staff to make the transition from old to new technology" according to Mr. Styles. Sometimes we make a specific decision to keep people on old technology that are not able or willing to make the change. "We are undergoing a gradual transition which enables us to keep people on the copper side".

Telecommunications is a highly regulated sector, which presents a further challenge. For example, a recent Canadian Radio and Telecommunication Commission (CRTC) ruling included a stipulation requiring cell phone providers to cap data plans at $50 per month in Canada and $100 per month out of country. Once that level has been reached, the provider must give the customer notification that they have reached the limit. The customer must then opt-in for the service. This will inevitably result in some customers being disconnected who otherwise would like to continue to be served. Mr. Styles said "customers expect instantaneous change and they expect that change to be seamless".

According to Gail Lefebvre, Senior Director, Service Development "customers want more of an online relationship with us". They are living in a fast- paced world and can get other services online and so want their telephone service online. "The bar is being set in other industries and by competitors in the wireless space and so we need to be there as well," says Ms. Lefebvre. She goes on to say, "we need to make it easy for customers to do business with us online."

Engineering a Response

In addressing these challenges, CEO Styles has focused on two thrusts. First, the company has a clearly articulated vision of the future of which all employees feel a part. Mr. Styles said, "the vision must belong to all the people in the company. Everyone must be able to explain it to the customers."

SaskTel's vision is "to become the most connected province in the world". SaskTel delivers to this vision. It is the first company in Canada to move to LTE roaming across Canada. It is also the first Canadian company to use a converged core to merge the 4G and LTE services into one network. "We are pushing fibre and our core network as fast as we can", says Mr. Styles.

The second priority is an engaged workforce. Mr. Styles notes that this is accomplished through both formal and informal means. For instance, he travels extensively throughout the province to meet staff and rather than making speeches, he asks for their ideas for improving customer service. He discusses new technology and emphasizes staff engagement and expertise in technology. For example, at a recent Board meeting, he invited three front-line staff members to demonstrate fibre optic technology to the Board members.

SaskTel uses technology to mediate a discussion between them and their customers, who are also, effectively, their shareholders. They run online customer panels. This consists of a volunteer group of one hundred consumers testing ideas for new products and services. They have a panel for B2B customers (small to large business and rural to urban) and another for B2C. Once a month, SaskTel sends them 2 to 3 online questions. This online engagement is complemented through a monthly survey of customers (both online and via telephone).

Increasingly, SaskTel uses social media for customer engagement. They have set up chat lines for dealing with customer problems. Marketing uses Facebook and Twitter to interact with customers. SaskTel has hired a group of young people called "street team" that go out to schools, major festivals and the like to talk to young people about their needs. They have booths at fairs where they demonstrate products and services to the youth market.

Marketing Priorities

SaskTel's marketing priorities are split between a need to maintain existing customers, many of whom use legacy systems, while moving customers toward the next generation technologies. On the one hand, SaskTel has to satisfy customers who use traditional telephone technologies while concurrently appealing to new customers with updated technologies. New competitors tend to focus on the updated technologies and so SaskTel has to keep up-to-date in order to maintain its customer base.

SaskTel has established a goal that a certain percentage of their revenue will come from new technology products and services. In the process, SaskTel will move toward more flexible products and services. This flexibility is facilitated through the convergence of audio-visual and telephone networks with computer networks through a single cabling system. This allows SaskTel to save costs because it will eliminate the need to operate multiple networks.

SaskTel knows that the customer experience with and connection to SaskTel is facilitated through digital information and communication technologies. Digital marketing solutions are already a 4 out of 5 in importance and are rapidly moving to 5 out of 5. Senior Service Director, Ms. Gail Lefevbre said, "our province has been typically a slow technology adopter. This is changing now. We have more people coming into the province and there is economic growth. We need to be on the cusp in terms of marketing". Currently about 30 per cent of the marketing budget is spent on digital marketing solutions. There has been a 40 per cent increase year-over-year for the last several years. Digital marketing will probably peak at about 60 per cent by 2016.

Marketing currently employs around 160 people. The Digital Marketing group is led by a Director of Marketing and employs 12 people. This group is responsible for social media, social advertising and data analytics. They are tasked with monetizing social media opportunities.

An outside agency has been contracted to help formulate a B2C digital strategy. The agency is looking at SaskTel's overall digital presence, the internal structure to support a digital strategy and digital analytical capacity. They are helping create a comprehensive digital strategy. The Consumer Marketing group is taking the lead on this project. Although this project is being led by Marketing, IT is a key part of the team. This is a key initiative of the marketing plan, which is in turn is a response to the overall corporate plan. A key strategic objective in the 5-year plan is to monetize customer analytics. In 2014, this will be one of the top company priorities.

IT's Response

According to Mr. Hill, IT has come a long way in aligning to key marketing initiatives. The IT department consisting of 485 employees has traditionally been highly technology-focused and structured around internal technology. Mr. Hill has worked on improving the business orientation of IT. He has converted IT into a service team. He has a business architect person in IT that is responsible for relationship management with marketing. This person is dedicated to liaising between Marketing and IT and to facilitate discussions between the two.

The CIO has the responsibility for corporate project development of which only about 25 per cent are IT projects. The CIO chairs a Corporate Directors Council that rates and prioritizes project portfolios across the company. Members on the council are other VPs from each of the other corporate areas. Mr. Hill represents the Executive Committee on that committee. The marketing department (CMO and senior leadership from marketing team) develop their list of priorities that go to this group. If there are differences of opinion on priorities, the CIO and CMO discuss and reach agreement.

They run about 25 priority projects and rank their importance by answering three questions:

1. Are they strategically aligned to the overall business plan?
2. Are there any resource bottlenecks to address this at this time?
3. Does it have to happen now?

Once they are prioritized, the top six are then brokered by the CIO to the Executive Committee.

Approach to Collaboration

"Our current president is very collaborative. He fosters inclusiveness and working toward a common goal. The culture here is small community-based…we work together" says Ms. Lefevbre. This approach influences the relationship between Marketing and IT. According to Mr. Hill, collaboration between IT and Marketing is critical. "We have to be joined at the hip to be successful."

Collaboration is fostered, in part, through an active Executive Committee. Most of the major decisions are made by the Executive Committee. An example is the adoption of new technology (fixed wireless). A cross-functional team makes a recommendation and then the entire Executive Committee makes a decision. So collaboration is part of the decision making process.

The CIO and CMO sit together at the executive table. They review issues that need support from each other ahead of the executive meetings. Three division leaders (CMO, CIO and CTO) are deeply involved in corporate strategy. The marketing plan is a significant input into the corporate plan and corporate buy-in is key to its implementation.

The CIO and CMO have five or six large company wide projects that they jointly manage. The CIO spends about 60 per cent of his time on projects for Marketing. Informally, the CMO and CIO sit down weekly to confer. The CIO has a large number of connections across the company and so is usually knowledgeable about things going on. The CIO is an advocate for the CMO's ideas and tries to ensure that others in the company understand the issues. The CIO and CMO act as a sounding board for one other. At times, they act as brokers for each other's ideas. Once a quarter, the CMO and CIO have a meeting to review the working relationship and to address any issues.

Marketing has a young work force that brings in new skills such as digitally savvy people; it is a way of life for these people to pay attention to social media. That has helped the company move toward digital.

The CIO is now recruiting for skills beyond technical skill. The hiring criteria are business savvy, aptitude (need and willingness to learn), attitude (fresh views, not a pessimist, positive, high energy, sociable), and technical. The department used to hire purely based on technical skill and then try to train the rest but discovered that the business savvy and aptitude skills were not easily taught. His director level team consists of 40 per cent finance and business majors and the rest are IT professionals and engineers.

CASE 4: Tech Moves from the Back Office to the Client: Torys LLP

The Opportunity

Torys LLP is one of Canada's most prestigious law firms. One of the country's "seven sisters" law practices, Torys maintains offices in Toronto, Calgary, Montréal and New York (which runs its US practice). Torys' strategy is to have a presence wherever their clients need them.

Law is a "high-touch" industry in which client loyalty and trust is built over years and client confidentiality is paramount. Torys' clients are highly engaged in digital platforms, and the firm has responded to that engagement by growing digital client interaction while maintaining the trust and client confidentiality central to its value proposition.

About Torys LLP

Headquarters	Toronto, Ontario
Size	Large (700 employees)
Business	Legal
Orientation	B2C/B2B
Opportunity	Use digital to enhance marketing mix
Marketing objective	Client retention, reputation management, Big Data analytics
Digital spend (as share of total marketing)	5

The Change Imperative

Torys' client relationships have evolved in sophistication and diversity alongside their clients' businesses. Complex businesses have complex legal needs, and Torys has reacted to changes in business by transitioning its role to clients from legal problem solver to strategic partner. "We now are trying to help clients anticipate what may happen and help them respond" according to Les Viner, Torys' Managing Partner.

Competition is an important part of the side-by-side growth of law firms and their business clients. Increasing competitive pressure on businesses inevitably affects their legal providers. Today, clients are likely to assemble a variety of legal service options, including in-house counsel and boutique practices. Large businesses may even create RFPs for fixed-priced legal services. An international pharmaceutical company, for example, issued an RFP for an annual flat-rate fee to be their legal partner—a bid Torys won in Canada.

Top-tier firms like Torys seek to determine how to set themselves apart—and understanding client needs is central to meeting that challenge. Torys' market research reveals that clients want their lawyers to understand their businesses

and to work closely with them to solve problems or create business opportunities. Successfully delivering on those priorities requires firms to encourage open and meaningful dialogue. "It is easier for clients to switch, so we now need to engage them in a business conversation and earn their loyalty," said Director of Marketing and Business Development Graham Ross.

More than ever before, clients push firms to expand accessibility. According to Torys' Director of Information Technology, Patrick Laflamme, clients want immediate responses from their legal teams and want to communicate and transfer documents easily on all device platforms. In terms of responsive communication, Mr. Viner says "the magic is in going back to first principles: it is all about quality and service. It is a personal business; we need to overcome the lack of face time". Leveraging communication technologies that allow for a continuous flow of correspondence and document exchange keeps lawyers optimally engaged with their clients.

Fast service responses delivered to multiple platforms are essential to excellent client service. Torys' IT group created a mobile application that has been dubbed the "call us platform". Clients download the app and find a Torys lawyer to respond. Ongoing analysis of traffic is among the continuous improvements the firm's IT team executes to ensure the app's ease of access and responsiveness.

Responding to the Challenge

Torys' three primary marketing priorities are:
1. Client retention/acquisition
2. Reputation management
3. Mining market data

Information technology is critical to all three priorities. Client retention and acquisition depends on digital solutions that develop a deep understanding of clients. Torys is developing a client relationship management program to help manage the client interface. The client program, including a CRM solution, is meant to identify the clients and potential clients whose relationships are important to the firm to deliver excellent service and manage resources effectively.

According to the Managing Partner, "the essence of our strategy is to be collaborative and to form deep, helpful and enduring relationships with clients. We try to understand their organization in its totality". Torys needs to proactively seek knowledge about their clients' organizations—including information that transcends individual business units.

"Everything moves so quickly; time gets crunched. We need to have increasing specialization; there is no time to ramp up. We are in the wisdom business," said Viner. "Wisdom is not getting information— it is about getting the right information". Torys use the New Brunswick-based client intelligence company, ShiftCentral, to monitor and organize digital intelligence for specific clients. This searchable client intelligence database, delivered to teams on a weekly basis, provides actionable intelligence that helps deepen and enhance understanding of clients' businesses.

Knowing the client is the first step toward engineering big-picture solutions to clients. Synthesizing that knowledge in a large firm with multiple offices is the next step. Lawyers are organized according to expertise in specific practice areas, but complex business problems require lawyers from areas across the firm to collaborate. Information technology has facilitated intelligent teamwork by connecting lawyers, their knowledge, and their workspaces. Torys is looking at piloting an enterprise social collaboration tool to allow for greater collaboration between lawyers.

Reputation management has been facilitated in large part through Torys' website. Because traditional advertising is not a primary tool for top-tier firms like Torys, a strong online presence is critical to broadcasting capabilities and staying top of mind in a competitive market. The firm's numerous enhancements to their website include smart presentation of the firm's capabilities and reputation (such as Chambers rankings). To keep the enhancements

coming, third-party technology vendors specialized in online development in the legal industry are supplemented with vendors outside the industry for fresh perspectives.

Approach to Collaboration

Historically, Torys' IT has focused on the organization and storage and retrieval of financial data. That focus made collaboration with accounting and practice areas the norm. Today, back-office functions are digital—from electronic billing to online libraries and client documentation. Mr. Laflamme says the budget to digitally attract, retain and track clients has grown and will continue to grow in the next five years. About 4-6 per cent of revenue is spent on IT, and forward-looking analysis in part means a re-allocation of budget to represent an increased emphasis on client engagement over internal administration. From a virtualized infrastructure to cloud computing, Mr. Laflamme's IT team selects those technologies that will make the firm more nimble and which will require as little maintenance as possible.

IT is also increasingly focused on how it can help the firm better understand and engage the client; this in turn has fostered close collaboration with Marketing, including on a major client relationship management project. The firm has also hired a third-party organization to enhance their lawyers' client relationship skills. To date, 80 partners have attended a client engagement training course and the coming months will see every associate of the firm attend as well.

Mr. Ross is building up his team with digital realities of the industry in mind. "We require digitally savvy people who understand our business". For his part, Mr. Laflamme is eager to cross-train his staff to be more effective in joint projects with Marketing. A strong relationship between IT and Marketing at Torys is critical. Marketing and IT priorities are often heavily integrated and the teams keep each other fully informed of major projects with the notion that better integration of the departments will yield better results faster.

Mr. Ross remarks that lawyers own their client relationships—and marketing serves as a connector to link data to decisions that inform those relationships. Part of Mr. Ross's role is to help lawyers to build client relationships and ensure customer value is always at the heart of the client experience. Torys' Managing Partner, COO, and IT and marketing directors consistently apply these values across the firm. They do so through monthly meetings and collective project schedules and budgets to keep everyone focused.

Torys is looking ahead to the future landscape of the legal industry both in its existing practices and in ongoing thought leadership. They are developing internal tools to foster creative discussion about how today's business and technology trends will shape Torys and the rest of the industry going forward.

CASE 5: Creating Loyalty: Aimia

Setting the Stage

Aimia is a global loyalty management company. Based in Montréal, Aimia has over 30 offices in 20 countries around the world. It is listed on the TSX (TSX: AIM). Aimia has three core lines of business: proprietary loyalty strategies, loyalty program management and loyalty analytics. They provide these services for leading consumer and business brands in retail, financial services, travel, automotive and consumer packaged goods (CPG) verticals. They also own, operate and manage their own multi-partner coalition loyalty programs (for instance Aeroplan is an Aimia property). Finally, they provide advanced customer insights and analytics to select grocery, drugstore and CPG brands through their customer insights business.

About Aimia

Headquarters	Montréal, Québec
Size	Large (4,000 employees globally)
Business	Loyalty
Orientation	B2C/B2B
Opportunity	Be the global leader in loyalty management
Marketing objective	Leverage digital technologies to improve client engagement and satisfaction
Digital spend (as share of total marketing)	Globally (25 per cent), Canada (22 per cent growing to 35 per cent)

According to Michael O'Sullivan, President, Proprietary Loyalty, Canada, Aimia's vision is to "support its clients by driving engagement within their customer base across all channels of interaction at any point in time and anywhere". There are two elements driving Aimia's business and marketing focus — a B2C component designed to encourage consumers to enroll in loyalty programs (theirs or their clients). Moreover, a B2B component that frames how they create customer and loyalty solutions for a wide variety of clients. Their B2B customers want to develop a customer strategy and loyalty program to better understand existing and potential customers and deepen relationships with core customers. Aimia specializes in data driven insights that clients use to take actions to improve customer satisfaction.

O'Sullivan notes that Aimia invests in digital solutions to achieve its strategic goal to be the global leader in loyalty management. Given the nature of Aimia's end customers (both B2B and B2C), Marketing and IT need to work together to meet this goal. Aimia's business clients are especially interested in data analytics that accompany a well-designed loyalty program. This means that Aimia has to deliver "smart" data solutions for their clients within an

environment of exponential growth in data variety, volume and velocity. This contrasts with the B2C challenge where the focus is on customer access to points on various channels. Consumers are now looking for more than an efficient transaction. They are also looking for fun and engagement from the digital loyalty programs in which they participate.

Creating the Opportunity for IT and Marketing Collaboration

Aimia is organized in a combination of regional business units (e.g. USA, Canada, EMEA, etc.) and global centres of excellence, such as human resources, strategy and IT. The regional business units have P&L responsibility and contain distinct lines of business that deliver upon their suite of marketing products and services. The nature of Marketing/IT collaboration is slightly different at Aimia, as a formal CMO role does not exist at either the global or regional level. Rather, the organization has a number of strong independent regional business units with leaders that have marketing expertise and experience. Hence, it is critical that the CIO collaborate with the leaders of these regional business units as opposed to a single marketing leader. The diverse nature of the lines of business and the geographies has necessitated this intricate matrix structure. Like all matrix organizations, it is more about how the various groups work together than reporting relationships.

With the complexity accompanying matrix relationships, Aimia has adopted a town hall model for both its regional business units and its global centres of excellence. These forums allow the leadership teams to speak with all of their direct and indirect reports openly and share Aimia's business results. Individuals in global roles, such as IT, also attend regional town halls because their accountabilities are embedded within the region and they need to understand the business drivers important to their regional stakeholders.

To this end, both IT and Digital work very closely with each of the business units. According to O'Sullivan, "we have gone from a symbiotic relationship to a Siamese twin relationship". For example, when vertical VPs meet internally to create client strategy and products they have the VP's of IT and Digital in the room. When the vertical VPs meet with their clients, again, they have the Digital and IT VP's in the meeting since they know that eventually the conversation will come around to these key areas.

Developing a Digital Strategy

Two years ago, Susan Doniz, the global Chief Information Officer (CIO) for Aimia, led the development of Aimia's global digital strategy. This strategy provided the executive team with an assessment of Aimia's initial digital approach, overall trends and best practices in digital, Aimia's current lines of business, the digital approaches of its competitors, the capabilities Aimia needed to develop, and how Aimia stacked up relative to others. From this work, Aimia made decisions about in which areas they would lead, follow or not play. For each area where they decided to have a presence, the company determined an action plan for achieving specific outcomes.

A new digital structure was created to support this strategy. "We wanted to disrupt our business before someone else did and so we needed to highlight digital across the whole organization rather than letting it bubble up," says Doniz. As a result, each business unit now has a Digital department embedded within it.

Recognizing the importance of digital's role in their business, Aimia has developed a company-wide Digital Steering Committee chaired by the VP Digital who reports to the CIO. Importantly, there is representation from each regional business unit on this Committee. The Committee meets every 2 months to set/refine strategy and track implementation. This Steering Committee also creates hubs (or project teams) that execute projects on short timelines to support Aimia's growth and product strategies.

Furthermore, given the importance of data collection, management and analytics to their customers, Aimia has created an analytics function within each regional business unit. As in other case studies, Aimia uses an agile methodology.

As an example, within the Canadian Proprietary Loyalty business there are 30 employees in its Digital department. Their IT department employs 70 people, which now report to the CIO. They also have a strong Analytics department to help them make sense of the customer data for their clients and to help them know what marketing and business actions they should take to create more meaningful and profitable relationships. Each of these three departments partner with the business leads in the region to deliver high value to their clients.

IT Structure

Given the importance of technology as a driver of Aimia's business, the CIO centrally leads all IT strategy and delivery. As part of Aimia's operational structure, the IT staff in regional business units around the world now report directly into the CIO. However, the matrix structure of the organization ensures close linkage to and dialogue with the business units.

Aimia reinforces the importance that it places on technology by appropriately resourcing this specific centre of excellence. There are 500 people within the IT organization, which is about 12 per cent of the total employee base. Doniz points out that she does not see herself and her department as simply a service provider to the businesses. Rather, she sees herself, and her team, as true strategic partners to the business units; one element of which is having accountability for leading the company's digital interface with its customers.

Aimia's Business Unit Structure: Proprietary Loyalty Example

| **President Proprietary Services** | | | |
| **Sectors** | | | |
Product/Service (Headed by VP)	Financial Services	Retail/Consumer Packaged Goods	Emerging Markets	Québec
Strategy				
Digital				
Analytics				
Loyalty				
Rewards				
Contact Centre				
Information Technology				

Source: Aimia

Although this seems simple on the surface, it is important to note that each regional business unit has 2-3 lines of business that have been brought together through acquisition and may not serve clients in a similar fashion. For example, in Canada, Proprietary Loyalty provides loyalty services to other businesses in specific industry sectors like financial services, retail/consumer packaged goods and the like. Also operating in Canada is the Aeroplan rewards program. Doniz's team enables each of these Industry Sector units to deliver to their mandate through a partnership approach that is consistent with how the Industry Sector unit serves their end clients.

In Canada, each Industry Sector for the Proprietary Loyalty team has a value proposition for each of its services. Given the equal importance of Industry Sector expertise and Product/Service expertise, the company has made a choice to have the most senior person in both the Product/Service and Industry Sector areas at the same level.

This novel structure binds their leaders, some with different reporting lines, to being equal strategic business partners. It also creates an expectation that they will collaboratively transfer their respective knowledge and learning from one customer engagement to another.

Example of a Partnership to Improve Marketing: Aeroplan

Aimia's coalition rewards program, Aeroplan, uses social and digital media to engage its members. "We cannot just send out promotions; we need to engage people" says David Klein, Vice-President Marketing and Innovation, Aeroplan. Aeroplan aims for their customers to say "not only did I get miles; I enjoyed the experience of getting them." According to Klein, "what will increasingly differentiate loyalty programs is *how* well the programs engage people". The model is evolving to self-serve efficiency and effectiveness through the website channel and its success depends on a collaborative relationship between IT, the business, Digital and Analytics.

Klein says that, in the past, the marketing team may have claimed that IT was not aligned with Marketing's objectives and was consequently not able to deliver on Marketing's requirements in a timely manner. However, he also admits that IT, in turn, was equally justified in complaining that they did not know what Marketing wanted or even their tactical and strategic direction.

This has clearly changed within the Aeroplan business unit, under Aimia's matrix structure. As an example, their annual business planning process now provides structured opportunities for Marketing to talk with the IT team about their needs. As a result, Marketing now has a 3-year IT–supported plan. Klein counts on the IT department to deliver upon his IT needs, citing that 80 per cent of the time his technology solutions are provided by internal IT resources while only 20 per cent of the cases involve IT selecting outside vendors. This trusted relationship balances Marketing's need to be innovative and responsive to the membership with IT's need for infrastructure and delivery that accounts for legacy architecture or that is scalable.

This partnership helped support improvements in marketing effectiveness at Aeroplan through the following changes:

1. *Restructuring of the marketing department* – Aeroplan recognized the need to have digital embedded into all of its functions, both operationally and strategically. To allow for greater collaboration and alignment between the Marketing and IT teams, Aeroplan took their previously stand-alone digital team and "assimilated" them across the Marketing division. Just as technology's role as an enabler of marketing evolved, so did digital's role, specifically, becoming central to Aeroplan's marketing mix. The elimination of silos and spreading knowledge across a broader spectrum of employees was essential to preparing Aeroplan's marketing department for the future.
2. *Improve consistency across channels*: Aeroplan had been working with various agencies to deliver within different channels, yet all channels, traditional and digital, essentially interface with the same customers. This made it difficult to get consistency of message across all of their channels. Aeroplan has since formed a partnership with one agency, eliminating the siloed approach to communications and improving efficiency and effectiveness.
3. *Insourcing*: Aeroplan leverages a suite of marketing automation software that is managed entirely in house. This technology enables Aeroplan to deploy a large volume of highly targeted communications to its members, activities that simply could not be accomplished without the support of IT working closely with Marketing. Aeroplan's marketing now "runs on the rails" of IT.

CASE 6: From 'Spray and Pray' to Strategic Partner: Home Trust Company

Home Trust Company is a Toronto-headquartered financial services company. It offers a wide variety of savings and credit products. Like other financial services companies, Home Trust's customers were increasingly demanding that it improve the convenience and transparency of its product offering. Digital marketing solutions provided an opportunity for Home Trust to keep up with its big bank competitors.

Competitive Imperative

"Increasingly, our customers want more flexibility in terms of our product offering" explains Martin Reid, President. For example, in addition to competitive mortgage or guaranteed investment certificates (GICs) rates customers want flexible terms to suit their specific need (such as 19 months versus the standard 24 months that Home Trust normally offers on GICs). Customers also want transparency. The internet allows customers to have transparency, with or without a company's help. So Home Trust "needs to be up front and clear about what we are offering" Mr. Reid says. Customers also want to access Home Trust's offers online and transact in real-time. Traditionally the customer relationship has been mediated through a brokerage and advisory network. Mr. Reid thinks that needs to expand with Home Trust developing the means to also connect directly with their customers.

About Home Trust Company

Headquarters	Toronto, Ontario
Size	Large (645 employees)
Business	Financial services
Orientation	B2C/B2B
Opportunity	Introduce direct-to-consumer marketing
Marketing objective	Improve service levels and transparency through digital solutions
Digital spend (as share of total marketing)	25 per cent growing to 50 per cent in two years

Engineering a Response

According to Mr. Reid, "our goal is to out-service the big banks". To do this, Home Trust wants to leverage technology while still providing a human touch to customers. Home Trust's senior executives recently completed a reorganization of the company. Functions like IT and Marketing, which used to be in business units, now report directly to the President. Mr. Reid said they are building expertise in these functions and want to leverage this expertise across all business units.

Mr. Reid makes sure that business units involve IT and Marketing early in planning. He has a weekly meeting of the senior business unit leaders and corporate service groups to ensure that everyone is aligned. They have an Executive Change Advisory Board, chaired by CIO Sanjiv Purba, which sets IT priorities in the company. They also have a standing committee on marketing which includes all the business units, legal and operations.

Redefining Marketing's Role

Over the past couple of years, marketing has grown from being merely a sales support function to leading customer engagement strategies. "Marketing was seen as support for sales (i.e. get me a brochure, get me a trinket). It is now evolving to where we have a strategic role. We are trying to get the company, as a whole, to move from seeing marketing as an order taker to inviting us to sit at the table from the outset of a plan" says Director of Marketing, Louise Taylor. During this transitional phase, the marketing function has grown from 4 to 7 people.

Ms. Taylor, who has been with Home Trust for two years, has three main marketing objectives:
1. Launch a new direct-to-consumer brand.
2. Develop digital and social capabilities, e.g. more push content than engagement.
3. Strengthen our marketing analytics and improve the automation of marketing processes.

The biggest change in the organization in the last 2 years in terms of marketing has been the focus on data-driven decisions. According to Ms. Taylor "Marketing has gained recognition as a business partner over the last 2 years as it has moved from operating with a "spray and pray" philosophy to focusing on and being able to measure the impact they can have on the business results. The business has come to recognize and value the impact that Marketing can have on their P&L."

When Ms. Taylor first joined Home Trust they had a loyalty program that gave credits to incent brokers to sell more of their products. After analyzing the program, she was able to demonstrate that proposed changes to the program would not actually meet the program's objectives in and so they stopped the program and implemented a new one that provides a broker incentive program that is better aligned with Home Trust's strategic focus. This is a good example of how data analytics is being used to drive marketing decisions.

IT Improves Relevance to Business

In the meantime, IT is also attempting to demonstrate their relevance to business. The CIO's key performance indicators (KPIs) are system availability, compliance, security, time to deliver projects and internal customer satisfaction. IT's priority for the next 3 years is to drive business value from IT through such projects as:

- Grow SAP – put more lines of business such as Sales and Marketing on SAP
- Explore cloud technologies
- Enhance analytic tools such as business intelligence, big data and in-memory computing
- Enhance internet capabilities in parallel with the expansion of the B2C marketing strategy
- Use social networking tools within Home Trust so communities can share information more readily.

Home Trust uses IBM Connection to facilitate discussion, with various levels of permissions.

Mr. Purba pushes his team of 78 IT staff to be business and customer-focused. To do this, he has changed the emphasis of his staff training away from purely technical competencies. Today, 25 per cent of the training offered to IT staff is focused on understanding businesses needs and 25 per cent of it is on soft skills, such as leadership training. He holds regular town halls with his staff at which he presents and discusses overall business results. Mr.

Purba is moving IT to be more in line with business. According to him "we are not looking for people to develop an application; we are looking for people to solve business issues."

Collaboration Drives Growth

Marketing's objectives clearly involve leveraging technology. That entails a new relationship with IT. One thing that has helped the situation is that the CIO and CMO bonuses are tied to the overall profitability of the company. So they are both incented to focus on performance.

According to Mr. Purba, as little as three years ago, Marketing requests for IT services amounted to only around 1 per cent of total requests. Today, this has grown to 10 per cent of requests. As marketing becomes more strategic, he anticipates that Marketing's technological demands will continue to grow. The CIO forecasts that Marketing requests will double or even triple in the next few years. Ms. Taylor concurs. She estimates that 20-30 per cent of today's marketing budget is spent on digital solutions. She anticipates that this will grow to 50 per cent in the next 2 years.

The CMO and the CIO meet weekly to discuss priorities and to define how to get work done. In terms of budgeting for Marketing and IT projects, idea generation resides within the marketing department. The project launch is co-funded by marketing and IT and then once the launch is complete the operations budget is within IT. They have jointly implemented an SAP Customer Relationship Management (CRM) system. They have just launched Salesforce.com to achieve marketing functionality.

Home Trust is in the early stages of leveraging digital technologies. Given their 'high trust' business they are "hesitant to put something out there for use by customers unless they are 100 per cent certain that they can deliver. "It is important that we maintain our high level of customer service and so do not want to open the floodgates and find out we cannot consistently deliver", said Mr. Reid.

According to Ms. Taylor the most important things she and Mr. Purba have done to grow their revenue by improving the digital interface with their customers are:

1. *Strategic collaboration on marketing projects*. For example, Marketing was working toward bringing in a vendor for Home Trust's website content management layer. Marketing worked very closely with Mr. Purba to find out what was needed from a technical perspective. There were criteria for both content and technology. IT and Marketing jointly selected the vendor. The vendor needed to meet both parties' requirements.

2. *People*: IT hired a technical person to re-develop their website and Marketing was engaged in the selection of that person.

3. *Regular communication*. Ms. Taylor is respectful of IT's needs. She and Mr. Purba attend conferences together and constantly communicate on solutions. They jointly decide where digital projects should reside.

Home Trust's business has grown 20 per cent per annum for several years but "that growth will get harder and harder as we get larger. As a result, Mr Reid thinks "we need to do more on the marketing side to go directly to customers rather than strictly through third parties (the brokerage and advisory network)". Digital marketing allows Home Trust to make this direct marketing connection.

CASE 7: Digital Fundraising: SickKids Foundation

The Opportunity

SickKids Foundation is a leading pediatric care fund raising organization in Ontario. The organization raises roughly $100 million per annum in support of pediatric care, education and research, primarily through SickKids Hospital. It raises funds from some 200 thousand individual donors and 5 thousand businesses. As its donor base has become more digitally engaged, the Foundation has had to change the way it reaches out to them. The Change Imperative

According to SickKids Foundation Chief Executive Officer, Ted Garrard, the donor community has a higher expectation of charities than ever before. Gone are the days of pure philanthropy, where people would simply write cheques for good causes. Today, donors are pushing charities on three fronts:

1. *Engagement*: donors want to be engaged directly in campaigns and any initiatives that emerge from campaigns that they fund.

2. *Accountability*: there is more pressure for donors to see how their donations are making a difference. They want real time information about initiatives and associated impacts.

3. *Communication*: donors want to feel part of the Foundation. They want to be kept abreast of developments even on campaigns that they don't directly fund.

Digital technologies are essential to donor relations.

About SickKids Foundation

Headquarters	Toronto, Ontario
Size	Medium (150 employees)
Business	Not-for-profit
Orientation	B2C/B2B
Opportunity	Engage fundraising base through digital
Marketing objective	Fundraising campaigns to support services and research for pediatric care
Digital spend (as share of total marketing)	n.a.

Approach

SickKids approach to digital marketing starts at the top. SickKids Foundation mission statement speaks directly to their donors and reads "We inspire out communities to invest in health and scientific advances to improve the lives of children and their families in Canada and around the world." According to CEO Garrard "we strive to give the best-in-class donor experience. People buy into the mission and do not expect a tangible return. Instead, they get satisfaction supporting a great cause; their family may need the hospital down the road; and knowing it is good for the community. Some donors want to link their gift to a better medical outcome and increasingly donors are expecting to see this link. They want to see the return on their investment." SickKids Foundation uses technology to deliver on those expectations.

The mission is reflected in the structure of the organization and its work processes. The Foundation has a customer-centric organizational structure. They have 3 business units focused on 3 different types of donors: corporations, high net worth individuals and the general public. Each of these 3 business units focuses on the identification and satisfaction of their donors by developing engagement, accountability and communication strategies tailored to each. In support of these, they also have a central event management department and a Communication and Marketing department that supports all business units.

In the past, each of the 3 business units developed their own channel strategies. However Mr. Garrard's goal is to get all the business units to work across the continuum of donors. According to Mr. Garrard "we now have a stewardship/impact team (that just happens to report to the VP Major Donations) to ensure that we are speaking with one voice across all donors; common content and messaging. We want to have a center of excellence that is creating a donor experience that is best-in-class across the organization. The organization is making the shift to becoming donor-centric vs. organization centric".

The IT department reports directly to the Chief Operating Officer (COO) and they have a Digital department that reports to the Vice President (VP) of Marketing and Communications. The IT department focuses on infrastructure, business systems, application development and gift administration. They provide some of the technology platforms on which the digital department can build their strategies. At the start of each year, the Director of Information Technology (David Fisher) and the Director of Digital (Mark Jordan) meet with each of the business unit directors to map out goals. David Fisher has a Prioritization Council that is made up of the directors from across to the organization to help with this process.

SickKids Foundation has moved to this central Digital group in order to systematically coordinate digital efforts across the organization through a common platform. Mr. Garrard created a new position/department to lead the development of their digital strategy. He believes that there was so much going on in the digital space that they needed a digital stand-alone department.

SickKids Foundation did not want their digital strategy to focus on technology per se but rather on strategic outcomes. Marketing is the starting focus for their digital efforts. This strategic decision favoured placing the digital unit within the Marketing and Communications department. The digital strategy will eventually touch all parts of the business, but for now their focus is on donor marketing and communication.

Mr. Fisher is developing the capabilities of his IT staff, "we need people in IT department that speak business". They employ the agile methodology in their organization. IT people sit shoulder-to-shoulder with business people to develop new products and services.

Developing the Channels

In 2012, under the guidance of Mark Jordan, Director of Digital, 4 strategies were developed to help them grow digital:

1.   *Redevelop current channels* to improve the donor experience. They developed a cross organization committee of 12 people to redesign the website from beginning to end.

2.   *Improve digital metrics* to demonstrate effectiveness. They want to gauge effectiveness on organization-wide performance metrics as well as track individual campaigns. They track 5 channels including their website, Facebook, YouTube, Twitter and blogs. Their goal is to get very good at these before they start on others. "We need to be rock solid on these before we add in other channels such as Pinterest" says Mr. Jordan. For every one of their digital channels they have 2-3 specific key performance indicators (KPI's) that they track. For example with Facebook they track growth of "likes" and engagement (Facebook post virality and 'People Talking about This' as a percentage of fans).

3.   *Support the existing fundraising pillars* – Although SickKids Foundation is working on a number of new strategies that will build new digital capability, they also need to provide digital support to the existing campaigns and initiatives.

4.   *Test and learn* – this strategy is about how to develop new digital techniques. Rather than waiting until a specific new tool or process is perfect, the idea is to get it up and running and then to test it in a specific area, tweak it and then implement.

Application of Digital Techniques

Donor engagement is a core principle of SickKids Foundation, which reflects itself in all its fund raising campaigns. As an example, SickKids Foundation has a campaign called *Healthy and Happy* to bring attention to children's mental health. The website for this campaign has multiple opportunities for donor engagement. A website-based interactive game poses several questions about children's mental health. People are encouraged to take this online quiz and then the site directs them to ways to get more information (tip sheets). The effectiveness of the digital campaign is gauged through digital tracking of: the number of people that played the quiz game, number of people that then read one or more of the tip sheets, and number of people that left their name. They even encourage people to complete the quiz by awardingAIR MILES loyalty points. This sort of web-based interaction has proved effective in sustaining potential donor attention and building affinities with SickKids Foundation.

To improve accountability, the SickKids Foundation uses database technologies to track the impact of donor-funded programs. The reports are available on-demand at donor request. For instance, the telecommunications company Bell gave SickKids Foundation $10 million dollars to help renovate the emergency room at SickKids Hospital. Bell was clear that they expected their donation would be used to reduce wait times. This was easy to quantify and demonstrate because the project tracking database was built out to a donor interface product.

SickKids Foundation have also started predictive marketing in areas such as tribute cards/gifts. For example on Mother's Day some people make a donation to the Foundation and then the Foundation sends a card to the person's mother telling them that a donation had been made in their name by their son/daughter. The following year, in advance of Mother's Day, the Foundation sends an email to the previous year's donor asking them if they would like to once again make a donation in the name of their mother.

Continuous Improvement

Finally, SickKids use data analytics to measure the success of their digital efforts including Google Analytics, tagging and cookies. They have recently licensed Sysomos, a social listening tool that pulls everything from social media channels onto one dashboard. This gives them a complete view of the impact of their digital campaigns, in real time. According to Mr. Fisher, "The business units have always had access to some data about the donors, but now we can present it in a way that they are interested in using".

SickKids Foundation also use a number of means to "intercept in a meaningful way what people in the digital world are doing" says Jordan. They use paid search campaigns, amongst other digital advertising to accomplish. The Foundation is in the early stages of Big Data implementation. It did a major segmentation exercise in 2012 which grouped their donors into 8 segments based on donation frequency, engagement levels and value of donations. This enables the Foundation to better understand and meet the needs of the people in each segment so that they can in turn engage them more effectively. In this process, they built a data base, so now they can easily run reports on their donors every year.

Chapter 5: Shifting Gears: Key Takeaways

Going beyond "2nd Gear" will need to be much more than saying that the CMO-CIO relationship needs to be strong. To make it substantive, both of these roles will also need to overcome the mindset limitations that may reside within both of their teams plus overcome any skills limitations or organizational structure limitations. In short, they will need to redefine how they work together if they are going to jointly begin to use IT to differentiate the business and look for opportunities to transform business models.

Bob Humphreys, Demand Programs Executive, IBM Canada, Task Force Chair

Canadian consumers are engaged with the digital economy. But Canadian organizations seem to be lagging the consumer. A recent survey by the Conference Board of Canada for the World Economic Forum found Canada slipped from 15th place to 21st place in terms of innovation and business sophistication.[31] Canada ranks 14th in marketing sophistication and 23rd in process sophistication. It would seem that Canadian organizations lag Canadians in their embrace of leading technologies and practices.

Our report clearly supports Mr. Humphrey's assertion. Ideally, the redefinition of the CMO-CIO relationship needs the whole hearted support of the organization, from the top down. This starts with governance and works its way through to communication. To some extent, marketers and information technologists can raise the profile of the customer through digital projects; a bottom-up approach, but we have found that the top-down approach is far more likely to be successful.

Governance

Clearly a commitment to digital and CMO-CIO collaboration starts at the top. An organization has to make a commitment to be customer centric. This commitment is reflected in an abiding interest in understanding the customers' world and a need to engage with the customer at his or her level. Digitization is being driven by customers and a commitment to the customer is the first step is going digital. All CMOs and CIOs need to demonstrate contribution to organizational goals. When these goals are shaped by the digital customer, there is much more reason for CMOs and CIOs to collaborate.

The CEO makes all the key decisions. CEOs pick their senior executive team, decide how the team is structured and resourced. A senior executive team that is committed to knowing more about the customer is one that will support Big Data projects. These decisions set the path for the rest of the organization. Simply put, only a committed CEO will see the potential of Big Data analysis or the need to engage with the customer through digital means.
A commitment to the customer elevates the position of the marketing function, whose role is to ensure the entire organization understands the customer and their interest. This immediately raises marketing's priority to information technology.

Vision and Strategy

A sure sign that an organization is customer centric is when the customer features prominently in the organization's mission and vision statements. If the organization defines itself through a commitment to addressing customer needs, then digital is much more likely to be pursued as a strategy toward that end, for the simple reason that the customers are clearly headed in that direction. A surprising number of companies define themselves by internal needs and

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[31] The Conference Board of Canada, *Poor Innovation Ranking Dims the Lights*.

wants, which suggests they have little need to understand the customer through big data or engage with them through social media.

Organizations like Clearly Contacts have a customer digital strategy that naturally flows from their mission. Their strategy is to understand the entire relationship process—from the first time a customer visits their website, to their browsing behaviour to purchase and after-sales service. To be sure, many companies experiment with digital marketing at the tactical level, but the really successful companies are those that have a comprehensive digital strategy.

Structure

Although this report is about CMO-CIO collaboration, we discovered that some organizations are experimenting with these traditional relationships. For instance, we are seeing organizations create a separate leader for digital that has the same standing as the CMO and CIO in that he or she will report directly to the CEO. This is an effective way to elevate the role of digital because it gives it a separate voice in the C-suite.

To be sure, a C-level head of digital is relatively rare. Digital is more likely to reside one level down from the CMO or CIO, depending on the organization. Any further demotion of the digital position suggests that digital is a sideline with little or no clout in the organization. Some organizations have placed their digital efforts within the IT department, but this seems to reflect the intuitive role of digital. Managing the digital interface with the customer is about understanding the customer first and then applying digital techniques to that enterprise as opposed to digital techniques for their own sake. For that reason, it probably makes more sense for the digital effort to be run out of the marketing function, which is responsible for understanding the customer.

Regardless of how an organization chooses to structure itself, it will most assuredly need some secondary mechanisms to manage the white spaces between the IT and marketing functions. Our case studies show that this can be done either through a matrix style management structure (e.g. Aimia) or through some form of joint committees, such as in Home Trust Company. Clearly, the literature shows that organizational silos are a major barrier to collaboration, so any secondary mechanisms that break down silos are good for CMO-CIO collaboration.

Processes

Clearly organizations need to make significant investments to support the digital customer interface. These projects work best when they are jointly resourced and developed by Marketing and IT, as a matter of standard process. The better organizations have a clearly defined process for prioritizing and executing projects. It helps when there are multifunctional teams that are part of this process. Our SaskTel case study provides a good example.

The best practice organizations are the ones that leverage digital to improve transparency of operations. SHOP.CA is quite advanced in this regard, with a fully automated digital dashboard. Even a not-for-profit like SickKids Foundation is quite advanced in terms of leveraging data to improve transparency. A well-organized and easily accessed database can work wonders to informing employees and other stakeholders so that they clearly understand where the organization is headed and their current progress.

We noted that a number of organizations use the Agile Methodology to respond to customer needs. The customers are clearly demanding more and more change. The CMO and CIO can use these process techniques to quickly respond to changing customer demands. The status quo is no longer an option. The CMO and CIO need to keep looking forward to the next big thing. The Agile Methodology helps Marketing and IT to respond quickly to changing needs. Clearly Contacts, Aimia and SickKids Foundation have found this process method highly effective.

Communication

We found that communication is extremely important to the CMO-CIO collaboration. It is critical to keep both formal and informal channels open between Marketing, IT and, in some cases. Digital. We found that effective CMO-CIO relationships are built on solid communication. The CMO and CIO have to be sounding boards for one another. They have to advocate for each other's ideas.

CMOs and CIOs need to spend time together looking at what the customers want or will want in the future and then together come up with solutions that they then together sell to the rest of the organization. A good practice was daily cascading (from senior executives, to directors to managers) short stand-up meetings to share successes from the previous day and talk about the upcoming day. Well-structured and easily retrieved data help to focus these meetings on actual performance as opposed to impressions.

What about Big Data?

Many organizations are in the early stages of understanding and applying Big Data analytical techniques. Big Data is here to stay. As organizations like Clearly Contacts show, Big Data holds the potential to provide meaningful understanding of customers' needs and behaviours because they have very good data about customers shopping and buying behaviours. Digitization makes collecting this data easy. It is the analytical part that is hard.

Big Data has typically been structured, but increasingly the CMO, CIO and digital staff need to figure out how to collect, analyze and turn into action unstructured data like that collected through social media. This is a world that functions for or against the company but it will happen regardless of what the company does and so the company needs to figure out to live in this space.

Companies need to invest in Big Data capability including secure and well-organized data warehouses and advanced analytical software to extract meaning from data. This does not happen overnight but organizations have to make a commitment to this over the long-term by funding and executing Big Data projects. Many companies recognize that there is a big data challenge, but senior executives have not stepped up to make it a priority. It is up to the CMO and CIO to build the business case for why Big Data is mission-critical. They need to use the analytical capabilities of Big Data to make a solid ROI case for it.

The real power of Big Data analytics is in its ability to predict customer buying behaviours. This calls for a quantum leap in getting the right data and then modeling to determine the drivers of customer shopping and buying behaviours. It is about establishing the crucial link between these behaviours and marketing campaigns. At first blush, this analytical capability would seem to naturally reside in the finance department. But again, it clearly should be in the marketing department. Marketing needs a senior person responsible for this function and someone who excels at analytics and modeling.

Filling the Capability Gap

The digital economy is demanding new capabilities of both marketers and information technologist. We have observed a willingness by Canadian CMOs and CIOs to become more knowledgeable about each other's areas. CMO, CIO, Digital and Analytic leaders need to get and stay plugged into to what is going on in the digital space. They need to continuously benchmark other organizations in the same and different industries. Marketing needs new capabilities, including advanced technological literacy if they are to drive their organizations to manage the digital interface.

We are seeing both Marketing and IT hire new people with different competencies. The CMO is starting to hire tech savvy people. They are bringing in people with advanced analytical skills like economists. They need to know how and want to interact in a meaningful way digitally with customers. It is not enough to take sales and marketing brochures and put them online.

Meanwhile CIOs are seeking staff with somewhat broader backgrounds than in the past. They are seeking out people who have a good combination of technical skill, business savvy and interpersonal skills. They increasingly want people who can bridge the gap between the needs of marketers and the technical wherewithal to address those needs. Ultimately, these sorts of competencies will go a long way toward forging effective collaborations between Marketing andIT.

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