

DS 780

Data Science and Strategic Decision-Making

Lesson 4 Introduction
The New Marketing Normal

Digital and Data Change Everything

- How consumers interact with brands and vice versa
- The speed at which consumers expect firms to operate
- The need to personalize solutions that fit consumers
 - Digital and data issues that companies face in trying to deliver personalized solutions at scale
- Advertisers and advertising media will need to change
- Watch “The Breakup” with this in mind
 - In this parable, the advertiser doesn’t get it
 - As a result, the consumer says it’s over between them



This presentation is designed to give you sort of a quick overview of chapter 4 and also to tie together some of the things that are external to the textbook with some of the things discussed there. It starts out talking about digital and, by extension, data and how that is really changing everything. How consumers interact with brands and how brands interact with consumers are both changing because of this.

Consumers are expecting things to happen at a much faster pace than they have in the past. They expect companies to react very quickly. They also expect companies to personalize solutions for them. Sometimes this is called mass customization and all that. But it's really driven by the digital and the data issues that companies have encountered in the environment.

And it's also an issue because this personalization that the consumers are looking for is pretty hard to deliver at scale. So it's a challenge for companies right now. And then, of course, there's the advertising industry-- advertisers who buy space to advertise and the advertising media who they buy the space from in newspapers or broadcast or whatever.

That's changing and the video, The Breakup-- and I'd suggest you stop the presentation here and in watch Breakup if you haven't seen it already-- kind of pokes fun, a little bit, at this whole situation. And there's a character that represents the advertiser, there's a character that represents the consumers, and they have to have a discussion that kind of tells the whole story of what's going on. So I hope you enjoy that.

Evolution of the Four P's

- The text discusses the need to expand to five P's and then six P's.
- The authors make some good points about expanding to include Participation (conversations) and Principles (values & sustainability).
- **Here's the problem:**
 - Other authors (while trying to differentiate their textbooks) have already named a 5th P: People (a company's staff and customers).
 - Somebody else has come up with six P's by adding Process
 - Another author pushes seven P's by adding Physical Evidence

The authors also talk about the evolution of the four P's of marketing-- Product, Price, Promotion, Place, also known as the marketing mix. The text talks about the need to expand to five Ps. And then it goes on and talks about expanding to six Ps. And they make some good points about expanding it to include participation, which really means conversations, and principles, which translates to values and sustainability.

After reading it, you kind of wonder if all marketers are really stuck on the letter P. And you kind of wonder what would happen if you put a marketer on Sesame Street, and you'd kind of know which letter sponsored things that day. But, in any case, there's more serious problems with this. And that is that other authors have already done this.

The four P's originated with a fellow by the name of Jerome McCarthy back in the 1950s. He was an early leader in marketing when it was a new area of study, a new part of business. And the four P's were central to what he contributed. And ever since then, people that are trying to sell textbooks want to come up with new stuff. So we've already had authors that have added a fifth P. They call it People.

So that would include both the company's staff and customers. Somebody else came up with six Ps by adding Process as the sixth P. And then another author came up with a seventh P by adding Physical evidence. That last one is a little shaky, but the other two kind of make some sense.

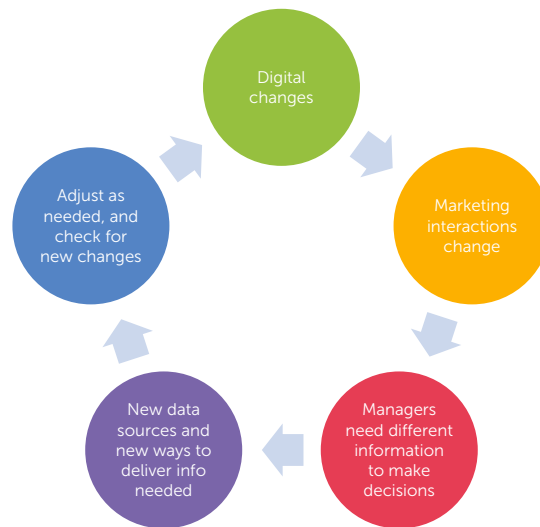
Evolution of the Four P's

- **Bottom line:** Take the content in the chapter seriously, but don't get hung up on the 5th or 6th P in the marketing mix.
- Participation could be folded into Promotion because it evolves from a one-way to a two-way communication.
- Principles may belong with both Product and Promotion.
- The world is changing thanks to digital, and models will need to be adjusted as things evolve.



The bottom line in all of this is to take the content in the chapter seriously, but don't get hung up on the fifth or the sixth P in the marketing mix. The four P's work as a very, very good model. Participation could be folded into promotion because it does evolve from a one-way communication to a two-way communication. And principals could easily be fit into either product and/or promotion. The world's changing thanks to digital and all these other great things that are happening around us, and the models are going to need to be adjusted as things evolve.

Digital Changes Decisions and Data Needed



Now, the changes in digital-- primarily social media, but there are other things going on as well-- has required some changes in data. You know, what kind of data is generated? What kind of data is needed? And all of that. So what this model does is kind of shows a circular continuous improvement or continuous adaption sort of model.

So if we start at the top with digital changes-- so something's going on. We've got something new in social media, something else new in digital. What that's going to do is it's going to drive changes in marketing interactions between companies and customers and prospects. And what that's going to, then, drive-- the fact is, managers are going to need different information to make decisions because the world has changed. So the information they need to deal with the world is also changing.

So that means we need to go find new data sources or new ways to deliver the information that managers need to make those decisions and to run these companies. And that brings us around to where we actually take some action and we adjust as needed to check for-- we adjust as needed the new data and the new information.

So all the things that we've talked about here in the orange, the red, and the purple, we fix here. But we also then go back to the start of the loop and start checking for new changes. So it's a continuous process the world's always changing when it comes to digital.

Market Segmentation

- We talked about segmentation last week, but note the changes and nuances coming into play thanks to digital.
- The authors point out examples of new ways to segment:
 - Keyword searches
 - Expanded shopping choices (e.g., mobile interactive)
 - Profile data from Facebook or Google
 - Online behavior
- Segmentation methods are expanding beyond demographics!



The rest of the chapter talks about changes and things that are happening in what they term the foundation of the new marketing normal. And they divide up into five sections, the first section being market segmentation. So we'll take each of these one by one. So with marketing segmentation, it's something we talked about last week.

But it's important to see that the changes and the nuances that you're going to see-- have seen and will see more of coming into the market thanks to digital are changing things. The authors point out some examples of new ways to segment markets, for instance. Something like keyword searches, where, in the past, we've talked about plain old demographics or maybe we get fancy and do psychographics. So we're segmenting by age or gender or geography or something of that nature.

Now there's all these new data streams that we can use as segmentation basis. So keyword searches, for instance. Who's searching for certain kinds of words? People that search for this word or these words might be one segment as opposed to those that search for something else. That's one example. We've also got expanded shopping choices. You know, originally it was which store did you go to?

And then when the internet sort of came along, well, it was which store to go to or do you shop out of a catalog? Then the internet came along and suddenly online shopping became an option. But then mobile devices came along, and now all of a sudden, we're seeing that mobile devices are where a lot of the action is. So where people choose to shop-- on their PC, on the

phone, in a store, or on their mobile phone-- that's another way that you might want to segment the market. And again, we need the data to be able to do that.

Profile data from Facebook or Google can be pulled in. So again, instead of using demographics or psychographics that we've talked about, what if you were using profile data coming out of one of these big social media databases? That's something that's happening out there right now.

And then another example-- and there's more-- these are just four examples-- might be online behavior. You know what kinds of sites do people visit? Do they buy online or do they just shop online? Any number of things about online behavior might become a way of segmenting markets. So the bottom line is times are changing, and segmentation methods have to have to change with them. And we can't just stick to demographics or psychographics anymore.

Branding

Brands are assets designed to be seen as offering benefits to consumers.

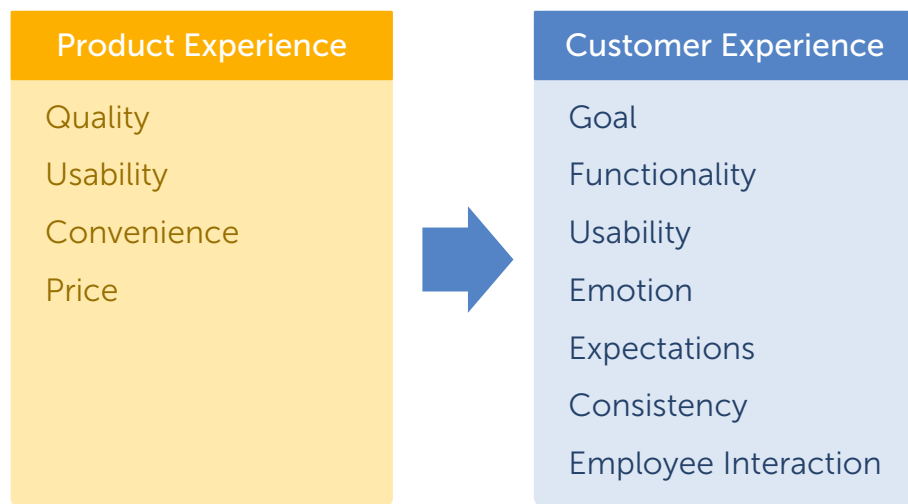


Thanks to digital, brands have become a conversation between the firm and its customers. The result is co-creation.

The second topic is branding. And again, lots of changes. In the past, brands were conceived, designed, built by marketers and advertisers and were communicated directly to consumers on a one-way basis. With digital, that two-way communication, again, especially with social media, has changed everything. So now consumers aren't necessarily willing to just accept the stuff handed down from the top of the mountain.

They want to become actively involved in the development of brands that they're going to embrace. And the term for this is co-creation. It's one of many trends out there that are the result of this metamorphosis to two-way communication, and it's really, really impacted how brands develop.

Product Features



The next section is on product features. And up until digital really started grabbing hold, we mostly looked at things like quality and usability and convenience and the price for product features that consumers would focus in on and care about and make decisions on. Now what's happened, again, with digital and social media and so forth, is that this is morphing into something called customer experience, where it's not just the features of the product that are important, it's actually what the customer is running into when they buy and use the product.

So things like the goal of the customer for purchasing a product, the functionality, the usability of the product-- you know there might be some emotions involved. People essentially fall in love with brands. I mean, that's actually one of the goals of marketers. So there's this the motion that's a little more intense now that we've got two-way communication. As odd as that may sound, but that's what's going on.

Expectations, how consistent a product is. A lot of customers-- they don't want surprises. You And that's not new, but it's something that's coming to the forefront. And that also employee interactions are something that are now a part of this whole customer experience. Now as usual, these changes lead to changes in the need for data and how the data is going to be used and how it's going to be changed into information for managers to be able to make decisions. It's a recurring theme, if you haven't noticed already.

So instead of just the product experience and collecting information on quality, usability, convenience, and price and reporting that back to managers making decisions, now we have to find ways to collect data on these new things in customer experience and put it into usable form so that it's actionable and it allows managers to actually manage the enterprise.

Product Features

- Watch the video "United Breaks Guitars"
- Note how it focuses on customer experience
- Many airline marketers have been talking about creating a "seamless travel experience" for some time now.
- United clearly failed in this case
- The second lesson is how public and long lasting a customer service failure can be thanks to social media.
- Some airlines now monitor social media and proactively reach out to people who tweet or post about a bad experience.

Continuing on with product features-- if you haven't already stopped and looked at the video, "United Breaks Guitars," now would be a good time to do so. Because that video really focuses in on customer experience. Now, a lot of airline marketers have been talking about creating "a seamless travel experience," quote unquote, for quite some time now.

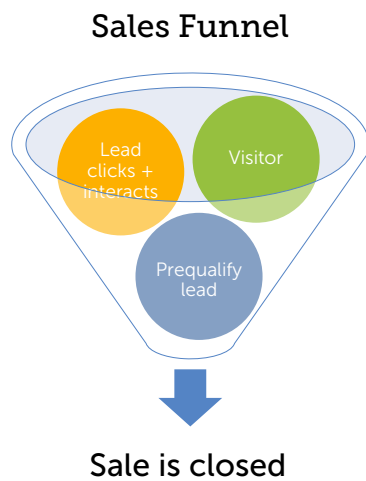
And it's sort of an industry-specific thing that goes back to this whole idea of customer experience. Now in the case of this video, it's a customer who had his guitar broken by baggage handlers while he was traveling on United. It's fairly clear that United failed in the area of customer experience. But there is a second lesson here, and that is just how public and long-lasting a customer service failure can be, and we can thank social media for that,

So as you look at the video, take a look at the number of times it's been viewed on YouTube. I think it's north of 16 million. That's a lot of impressions, very negative impressions, of United Airlines that have gone out there. It's a lesson that a lot of companies have learned about social media. Remember, it's word of mouth on steroids.

So in terms of ways of dealing with these things, a lot of airlines are now monitoring social media. And they'll actually proactively reach out to people who tweet or post about a bad experience. And the idea is that they can actually-- in public-- because they're doing it in the open, tweeting back and forth with the customer, at least initially, they're showing both the person who tweeted the complaint and everybody else who is reading it that oh, the airline actually reached out and is trying to make it all better. And that can go a long

ways to building positive word of mouth instead of just negative word of mouth. In any case, I hope you enjoy the video.

Sales Process



Digital Involvement Cycle



The fourth item covered in this part of the chapter is the sales process. And it also has been impacted greatly by digital. If you go back not all that long ago, we talked in terms of a sales funnel or a sales pipeline. And the idea is that you had lots of leads or possibilities coming into this funnel and they would pass certain tests or else people would not talk to you. So either you threw them away because they weren't going to be a big enough customer, or they didn't have the possibility to be a big enough customer.

Or they disqualified themselves by saying, I don't want to talk to you. So that's what would happen in the sales funnel. And the idea was fairly short term. The idea was to get through these leads and to get as many sales out of them as possible. And there wasn't much thought put into what happened after that sale happened. Now, with digital, it kind of pushed along something that was already happening in the non-digital world. And that was a movement towards longer-term relationships with customers.

But here's how this digital involvement cycle works, and there's a rather complex drawing in the book. What you see here is a more simplistic version. It doesn't have all the branches. But it has the important stuff. If we start up the top, it starts with awareness. The idea is that if you want to make potential customers aware that you even exist and that your product exists.

And then move them along to interest in advertising, digital communication, social media, however you do it. Bring them along, get their interest piqued a little bit. And from that point, basically, you start reeling people in, get some

involvement. So they actually have gone beyond interest in this sort of relationship with your company and your product.

At some point, there's a commitment made to buy and maybe to continue to buy, depending on what kind of product you have, how often it gets purchased. And that, if all things go well, can be turned into a loyalty where they want to come back and buy from you and be loyal to your product and to your company. Because it meets their needs and it's a lot easier to do it that way, and they simply like doing business with you.

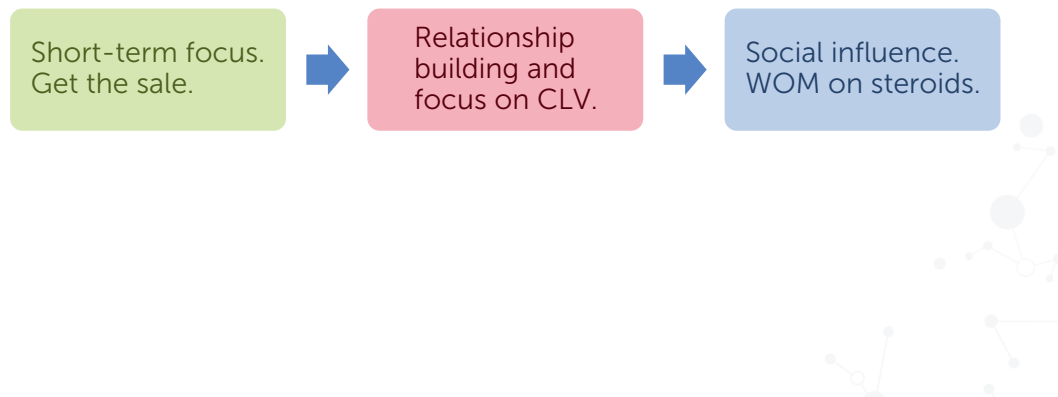
That's this whole idea of moving from commitment to loyalty. And then the next level is if you can turn your customers-- your loyal customers-- into advocates, people who will go out and actually say good things about you. And then it's a matter of degrees, but you also end up with customers becoming champions of your company, of your product.

And they start building awareness in others through their efforts. So this whole idea of digital-- particularly social media, but digital, in general, being able to take somebody from making them aware to bringing around to champions who then, in turn, bring in other people-- it's a living process is really what it comes down to. It's pretty interesting.

And, of course, the other important thing to note here is that the data that's going to be needed and how it's going to be used and turned into information and acted upon by managers and decision makers changes. When you go from the sales funnel to the digital involvement cycle, there's different places where you have to make measurements. You're going to be measuring in different ways, collecting and managing the data in different ways.

So from an IT standpoint, the IT people are seeing this as a change in needs from the user. And, of course, that's not always something that's welcomed, but it's part of this whole process of continuous changes as we kind of embrace this whole digital change.

Customer Decision Process



The fifth and last topic in the chapter is the customer decision process. And it also has been evolving. If you go back and think of the sales funnel, it has a short-term focus. And it's not just the sales funnel. But the tools like that, methods like that, in the past have always had this sort of short-term focus. It's all about getting the sale.

We want to get the sale now, we want to get it this quarter so it's on our books, and we make our goals, and all that sort of stuff. And that's fine. You do need that to some degree. What the evolution is going towards-- and it's been helped along, I think, by digital is this whole idea of relationship building and focusing on Customer Lifetime Value, or CLV.

The idea is that it's not just one sale. You're building a relationship and you're building a revenue stream. So if you're familiar with finance terms, each customer really presents you with an annuity, a stream of future payments that would be coming your way as they buy your product over time. And again, if you're so inclined, in terms of financial calculations, you can actually determine the net present value of that stream by discounting it at an appropriate discount rate.

And it's fairly straightforward calculation, and, of course, it's pretty surprising. You may think of a company as-- or a customer as somebody who spends \$1,000 a month with you. Well, it turns out that that company-- yes, they spend \$1,000 a month. But if you look back on average companies like that have stayed with you for maybe eight years before they move or get merged or go out of business or whatever.

So that's 8 years times 12 months times \$1,000. That's the future payments. You'd have to discount it, because the money in the future isn't as valuable as what you have today. But it's a lot of money. It's not just \$1,000 sale you're losing. It's this whole stream of revenue. So that has already been sort of going on.

And now it's the extra twist. It's this whole idea of social influence. And it's really just word of mouth on steroids is the way I'd look at it. But as soon as you start getting social media involved, the decision process and either the pluses and minuses of that process can go out to a very, very large numbers of people. Witness the "United Breaks Guitars" video as an example.

Customer Decision Process

- Watch the video "G-Male".
- This is a satirical video, but it illustrates potential problems of taking social influence too far.
- It focuses on combining access to too much data with using that data in inappropriate ways.
- Note how easy it is to cross a line between delighting a customer by anticipating needs and making the customer uncomfortable.

Now as a part of the section on the customer decision process, I would like to point out the "G-Male" video. And again, if you haven't seen that video yet, now would be a great time to stop the presentation and take a couple of minutes and watch the video. It's funny, it's satirical, but it illustrates this problem of taking social influence too far.

And it may seem funny that you could take a good thing too far, but of, course you can. Now, the video focuses on combining access to, really, too much data-- that's a scary phrase to use, "too much data," but with using the data in inappropriate ways. So you've got lots of data, and you use it in inappropriate ways. And, of course, it's taking aim at Google, because Google does have so much data on us as consumers.

And the question is what happens if they start using it inappropriately. What we see here is a good thing, something that consumers view as positive. The fact that they have this data on me actually helps them or helps somebody else using that data to actually give me better service. But at some point, at some point along the way, you can cross the line and become kind of creepy and make customers uncomfortable.

And that's what this video is really all about. So it's something that we have to keep in mind in the world of data and digital when we go a little too far. Just because we can do something doesn't mean that we should do something. Because after all, we're really trying to do this all to get the attention and the business of consumers. And if you make them uncomfortable, you're not going to get their business.

Well, that's about it for the chapter. I hope you spend some time going through it on the page. Because this is just an overview. But it's an interesting start to this section. Have a great day.