



Marketing to the Connected Customer

The Future Of Marketing

February 2020



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About KPMG's 'Future Of'

In circumstances of continuous industry, technology, and market disruption, KPMG believes leading organizations should counter with pre-emptive disruption of their own.

Our "Future Of" initiative distills KPMG's insight about effective responses to relentless customer-driven change.

It's another example of our commitment to helping clients achieve tangible results, bringing them focused solutions that draw on the full breath of our experience and capabilities.

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The Future of Marketing

CMOs know the disruption unleashed by the digital and customer experience revolutions is here to stay. The fact that customers have more knowledge, expectations, and power than ever before is a given.

This “Connected Customer” is everything – the reason the business exists in the first place, the disruptive change agent and, paradoxically, the source of the solution. CMOs understand their business’s future is tied to its ability to respond in environments defined by complexity, speed, and innovation.

In our conversations, they also acknowledge that operational silos are the greatest obstacle many face.

They’re looking for practical answers about how to get started — what efforts to make, and in what sequence.

This paper addresses those questions. We premise “getting started” on the first-things-first challenge of Front Office integration: leaving behind legacy assumptions, so Marketing can be in sync with Sales and Service on behalf of the customer.

As part of that agenda, we share a number of suggested operational principles and areas of recommended focus. The smartest CMOs balance a sense of opportunity with urgency.

Some ‘marketing 3.0’ transformations are focused on eliminating organization silos, upskilling employees, rethinking how they work with agencies and implementing test-and-learn models. Others take the approach of being fully open with customers about its marriage of data, technology, and AI to enhance their shopping experience.

Or you push the boundaries of marketing with new partnerships which merge ad agencies with influencers and other outside social / creative organizations to focus messaging on equality and inclusiveness – issues critical to Gen Z.

Circumstances have created a once-in-a-generation opening, in which CMOs can move boldly and future-proof their organizations. We encourage you to get started!



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Executive Summary

Executive Summary

Marketing to the Connected Customer: A New Operating Model

As we've argued before ([The Connected Customer: Future of the Front Office](#)), the future success of Marketing organizations rests upon their ability to continuously anticipate and deliver against fast-changing customer expectations. Marketing to this connected customer requires nothing less than a new operating model, which folds in new paradigms for data, analytics, automation, metrics, organizational structure, and culture design. The target state is a digitally integrated enterprise, with "benefit to the customer" as the North Star informing all strategy, execution and behavior.

For most firms, the journey will begin with efforts to build a connected Front Office – a well-orchestrated, bringing together of the historically separate functions of Marketing, Sales and Service – to form a dynamic engine for customer engagement. The case for a connected Front Office is intuitive as all three functions deal with the same customers, create customer experiences, and harvest the all-important commodity of customer data.

In this target-state Front Office scenario, CMOs will retain Marketing's distinctive creative competencies, such as concept ideation and market testing. At the same time, as silo thinking is reassessed or retired, important Marketing decisions such as budgeting, resourcing, performance measures, incentive structures, and the customer journey will be undertaken in concert with Sales and Service.

The Connected Customer

KPMG sees four developments driving a "Connected Customer"

Customer as a "Place of Business"

In an on-demand world, sellers of goods and services follow their customers wherever they happen to be. The Front Office is digitalized and virtualized. Walls between "inside" and "outside" become membranes.

Relevant, Empathetic, Real-time Interactions

Engagement will be paced by the customer, who expects personal recognition and validation, enjoyable engagements, and real-time transactions or issue-resolution.

Rich, Multi-channel, Easy Engagement

While the underlying mechanics of the digital economy are technologically complex, customers expect ease and simplicity. They want frictionless interactions through the channel of their choice and seamless movement across channels.

Solutions, not Products

Awareness of touchpoints has moved outside the enterprise walls, into target markets. Customers are increasingly buying solutions, not just products, forcing businesses to become part of a larger experience ecosystem that includes concepts such as the co-testing and co-creation of solutions.

If you are thinking these four customer expectations apply equally across Marketing, Sales and Service, we agree. That's why we believe Front Office functions must join together to transform around the customer.

Guiding Principles for A New Operating Model

There are no one-size-fits-all roadmaps to this ambitious target state. However, there are shared, underlying guiding operating principles. Identifiable, measurable, replicable – these guiding principles frame the characteristics of agile, connected Front Office processes.

1 **Transparent**

To help the Front Office understand what each function is doing, and ensure they are working in alignment with what the customer defines as important and beneficial.

2 **Permeable**

Secured by clear governance frameworks that balance control, accountability and permission – future processes allow data to flow in, through and out of functions, and counters hoarding. The goal is “a single version of the truth” based on shared customer data that is continuously enhanced as it moves through processes, across Front Office functions and within the enterprise.

3 **Engender Trust**

Front Office functions that generate a seamless, consistent, single face of the company to customers and the market create customer trust. Though customer trust is the ultimate goal, an important by-product is trust between parts of the organization, across functional boundaries.



59%

of CEOs
believe **agility**
is the new
currency of
the business.

Source: Growing Pains,
2018 CEO Global Outlook

Six Key Capabilities

As CMOs pivot into the connected Front Office, they'll be faced with the need to transform their capabilities in many areas.

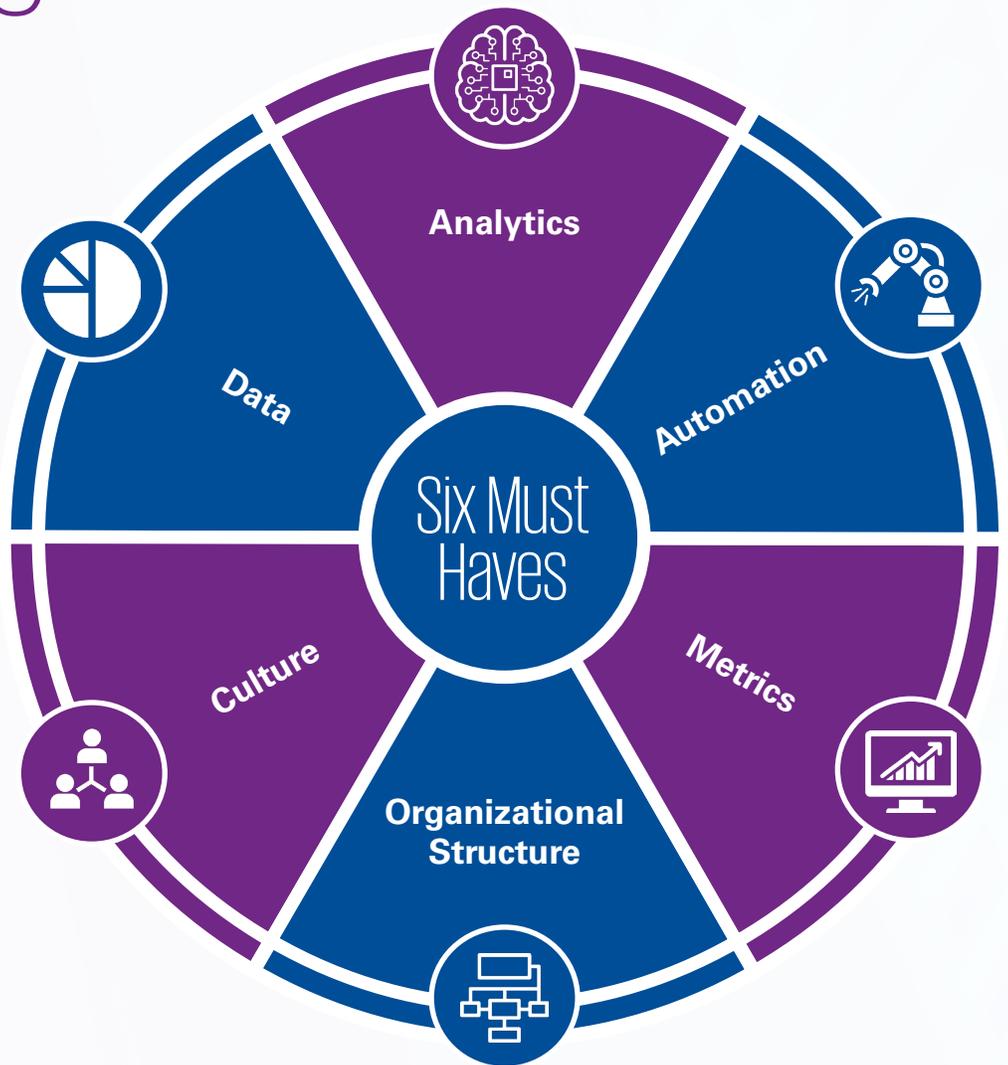
Here are the areas which will typically require the greatest changes.

A New Operating Model

Every business intending on meeting the Connected Customer on equal terms will have to find its own way to reconfigure their Marketing, Sales, and Services functions into an effective whole.

We believe six common capabilities will power every effective Front Office of the future.

All six are informed by “systems thinking,” which embraces a multi-disciplinary approach to customer-centricity and pays attention to interdependencies during periods of major change.



Data



Data is the fuel of the new marketing organization. The ability to follow the customer across channels and nimbly craft personalized experiences in real time rests on accurate, consistent, and current data.

CMOs intent on getting ahead of their customers – particularly those who think in terms of customer solutions rather than products – will think about data as a valuable corporate asset, and focus on its capture, integration, and ethical stewardship.

At the foundational level, businesses must succeed at creating a single view of the customer, aggregating and integrating not only their transactional data, but, also, multiple third-party external data streams – from social media, weather, market tracking, sensor or IoT sources, etc. The goal is context — both “what happened” and more nuanced “why it happened” insight.

Using principles of transparency, permeability, and trust, the CMO must work with counterparts in Sales and Service to charter a clear, consistent data policy – what gets captured, how it gets reported, and who can access it. The data governance framework will need to address processes and guidelines for responsibly sharing data within the marketing eco-system, with partners outside the enterprise walls, and across more channels than ever before.

As they proceed, pioneering CMOs will have to address the ethical dimensions of data ownership. Increasingly, data ownership is rapidly moving to the customer. Organizations that put a premium on customer trust will have transparent policies about the collection, maintenance, use, and responsible sharing of customer data. Public sentiment, braced by rapidly unfolding regulations, may soon produce scenarios where explicit permission is needed from the customer to utilize data. CMOs can take the lead in helping their firms incorporate ethical codes – formalized, written and signed – into their data governance agreements.



50%

By end 2020,
50% of companies
will **integrate
progressive
consent
opportunities** into
all stages of the
customer journey
to ensure GDPR
compliance.

Source: IDC Future Scape: World Wide
Customer Experience Predictions, 2019

Analytics



Advances in analytics lets marketers draw insight from customer data and determine the appropriate action in a matter of seconds.

They have already transformed traditional cycles of testing and ideation. The next frontier for the CMO is institutionalizing and formalizing the way the marketing organization harnesses and generates value from current and expected advances in artificial intelligence, machine learning, and neural networks.

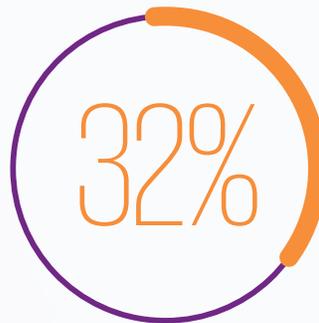
Advanced analytics, in particular AI, are powerful tools. As principles for their use are applied and model-building processes are put in place, marketers will need to establish guardrails. To ensure models are transparent, fair, consistent, and secure, clear model-development documentation and application history will be needed.

Protocols will have to be built to help marketers determine where, when, and how to deploy, test, and scale advanced analytics to ensure value is realized for all parties – both the customer and the business.

Internal review boards will be established to help provide oversight and guidance on use of advanced analytics in marketing.

To ensure their application does no harm (to either the customer or the business), marketing will need to enrich and embrace processes which support test and learn.

What percent of time do you perform experiments to understand the impact of your marketing on customer actions?



Average percent of the time marketers perform tests to understand the impact of marketing actions on customers

Source: The CMO Survey, Duke University, February 2019

Formalized knowledge management processes and tools will be required to ensure AI-driven marketing both scales successes quickly and “fails fast” – extracting insight about what works and what doesn’t, and incorporating lessons-learned into future actions.

Forward momentum in the use of analytics and data will depend upon data literacy and technical savvy skills within the marketing organization. In the near future, industry trends suggest data literacy will become an explicit driver of business value, including minimum levels of coding skills, and aptitudes in basic statistical analysis.

To support test-and-learn experiment design, marketers will need to be able to fully and clearly explain how analytic models were built.

At more advanced levels, where AI is used, marketers may need to recruit or develop additional skills in data, coding, industry, social, legal, customer, and operational expertise.

Importantly, analytic capabilities will not replace the traditional intuitive and creative skillsets of marketers, but, instead, complement them. As the analytic resources at the CMO’s disposal matures, a healthy understanding of their limitations will grow with them. Marketers will need to understand how advanced analytic models (particularly AI) can be manipulated and discern when outcomes have been gamed.

Automation



Following the customer and creating personalized experiences across channels will require a new, refined, flexible, and integrated technical infrastructure.

The internal technology stack will need to be refined, need to integrate with other tech stacks, and support data sharing both within the business and the businesses external partner ecosystem. Open-access solutions, which are easy to integrate and scale, will be the go-to option for CMOs.

The CMO application portfolio will be shaped by target-state functionality, as defined across the Front Office: MarTech solutions must support rich customer profiling, real-time customer data collection, insight generation, and A/B testing capabilities. They must be deployable across channels, bolster orchestrated cross-channel customer interaction management, and be mobile capable.

Given the pace of technology innovation, new solutions need to be easy to test, pilot, and implement. To keep pace, marketers will need to develop new methods for validating, measuring, and managing the efficacy of new MarTech tools. Strategically, CMOs will need to be receptive to the bleeding edge of new technology, without overstepping it by jumping at immature technologies which may result in false positives or create security vulnerabilities. Otherwise, massive problems can ensue, as happened for early adopters when initial-stage programmatic buying models were introduced.

Finally, smart technology (AI or machine models) will automate many marketing tasks, particularly lower-value-add activities. As they do, CMOs will gain selected opportunities to free up human resources to attend to higher-value activities – including the ideation and implementation of new ways to communicate with and serve customers. They will also wrestle with how to rightly engineer their mix of human and machine capabilities.



30%

By 2022, 30% of companies will be using **interactive conversational speech technologies** to power customer engagement across Marketing, Sales, and Service.

Source: IDC Future Scope: World Wide Customer Experience Predictions, 2019

Metrics



To align with the Front Office and enterprise at large, the CMO will need new shared performance metrics to communicate strategy, maintain co-ownership, and test alignment.

The CMO will need to calibrate the right mix of indicators that will tie short-term metrics – for sales volume or revenue – to long-term value creation, as measured in market share, share of wallet, and brand strength.

Some traditional metrics – based on purely-internal or function-specific priorities – will need to be retired. New marketing measures and measurement processes will emerge that embed customer-centric priorities such as developing and maintaining customer trust, effective partnership management, and innovation agility.

For the CMO working with counterparts in Sales and Services to build an integrated Front Office, creating new metrics is not a matter of discarding well-regarded frameworks such as Balanced Scorecard, but a matter of updating them.

Scorecards will still balance financial and non-financial indicators, include historic performance and predictive measures, and incorporate formulas that surface causal relationships between different dimensions of the framework. Metrics remain the same powerful management tool they have always been, a means of measuring behavior against a strategic hypothesis and the means of continuously testing that hypothesis.



Today, only 33%
of marketers
**pre-determine
KPIs before
they launch
campaigns.**

Source: Modern Marketer
Benchmark Survey, Chief
Marketer and Oracle, 2018

Organizational Structure



Customer-centric marketing requires CMOs to reconsider functional definitions that no longer apply or that hinder strategic growth opportunities.

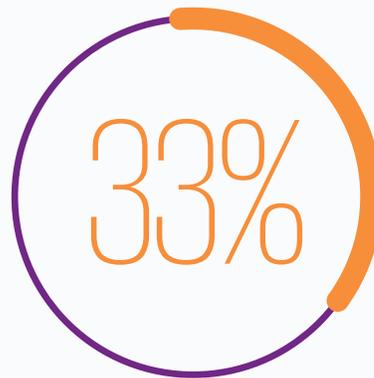
In tandem, they may also consider new creative arrangements that balance needs for overall transparency and performance accountability, with the kinds of dispersed authority and creative latitude that can produce breakthrough innovation in either content or approaches.

Some marketing organizations may move towards smaller, more empowered teams in order to deliver with agility, relevance, and in compliance with local regulations and culture norms of data use.

Teams may be combinations of internal and external resources whose formal demarcation will become blurred. These teams may be physically embedded in the business – as has already been piloted by agency personnel permanently located at client sites.

Lastly, these groups will likely have responsibility across channels to ensure consistency and relevancy of customer experience. Legacy organizational structures such as dedicated and wholly separate e-commerce teams are likely to be retired.

From a talent recruitment perspective, the CMO may have to consider the creation of entirely new roles, with titles such as chief customer data officer, customer data and analytics ethics director and director of eco-systems and marketing technology chief.



of CEOs say their most important strategy to drive growth in the next 3 years is **strategic partnerships**.

Source: Growing Pains, CEO Outlook, KPMG 2018

Additional skill development will be needed for incumbent roles, beyond data and analytics literacy. In particular, marketers will need to greatly enhance their processes and acumen in financial analysis and partner management.

Effectively restructuring in support of agility requires marketers to have strong financial management and measurement skills. Marketers will need formalized processes and best practices in marketing spend. This will include enterprise-wide standards in planning, budgeting, sourcing, auditing, management, and measurement of spend and its associated ROI.

Marketers will need to have the processes and tools in place to support trade-off decisions considering both short-term and long-term value generation, whether measured by revenue, profit, or shareholder value.

Faced with imperatives to rapidly acquire or strengthen customer-centric technology, skills, and process capabilities, few CMOs will have either the organizational resources or know-how to go at it alone. They'll need an external ecosystem of technology and creative enablers, whose management will be an important organizational asset. The best CMOs will excel as the master orchestrators on behalf of the Front Office, ensuring the internal and external parties required are in place and operating effectively. Effective orchestration requires marketing to have the processes and tools to organize and manage the ecosystem, define the strategy, and identify potential participants.

Culture



Customer centricity is ultimately about mindset. To meet the Connected Customer on equal terms, marketers will be called upon to have a less compartmentalized view of their discipline, and become capable of considering the entire enterprise.

The new circumstances are an opportunity for CMOs to become effective at systems management, striking a balance between the needs of the marketing mix, other Front Office or business functions, and even external entities. The systems view encourages all parties to design and manage arrangements that create shared benefits.

Effective partnering within the enterprise will be a critical component of the necessary mindset. Customer centric marketing leaders know they cannot move forward without the support of cross-enterprise functions such as IT, HR, and Finance.

But marketing innovation may also require bringing in non-traditional external resources, and so draw upon the active participation of less obviously relevant enterprise functions, such as Procurement groups. These intra-functional partnerships offers the CMO new thinking, different perspectives, and a better understanding how marketing decisions impact the organization.



of marketers believe marketing's future role will be **collaborating with other functions** such as IT, sales, and finance **to deliver business strategies.**

Source: The Future Marketing Organization, Marketing Week / MiQ Research, 2018 (reported in "The Future Marketing Organization: Creating a culture of Accountability", Charlotte Rogers, Marketingweek.com, November 22, 2018.)

Leading Practices

The CMO and the Connected Front Office

As they move toward a connected Front Office, CMOs will have to repeatedly benchmark their initiatives – against Sales and Service peers and customer-centric leading practices. We have found these guidelines useful as both a diagnostic starting point for change, and an ongoing reminder check:

- View processes from the customer's perspective:** Begin with an out-side-in perspective. Improving the process is about improving relationships with your customer. Successful outcomes are a “win/win,” with benefits for both the customer and the business.
- Remove unnecessary complexity:** Lean out key customer processes – standardize and simplify – so they are agile. Promulgate a shared lexicon/taxonomy so everyone involved in the process is using the same language in the same way. Leverage small, cross-functional teams which are organizationally flat and empowered to act on customer's behalf.
- Identify shared performance metrics:** Select those grounded in customer value-generation as a complement to traditional measures. “Customer loyalty” performance measures, for example, will capture dimensions of engagement with Marketing, Sales and Service, and align future initiatives.
- Prepare for technology and organization change:** Significant process change invariably brings behavioral impact along with it and often prompts technology change. Strong business cases that are clearly and consistently communicated build the case for change and help secure the buy-in of major stakeholders, without whom successful new-process and technology adoption is difficult.
- Support data literacy:** Digitally integrated, connected customer marketing requires senior practitioners who can move easily between the idioms of data science and traditional marketing creativity. Data fluency, however, cannot remain the exclusive preserve of data scientists; the entire Marketing organization needs a baseline comfort level with data analysis and “evidence- based” decisions.
- Take a systems or value-chain view:** Ensure that value created in one area/function is built on by down-stream process steps. All functional groups must approach process change in the interest of the whole, and leave behind piecemeal thinking. Consider process innovation methodologies such as design thinking, to track processes to customer use, engagement, expectations, and desired outcomes.
- Cultivate organizational champions:** Recognized and supported leaders, drawn from each functional area, help teams achieve connected processes. Celebrate successful new connected processes, but be prepared to change the process if customers and circumstances dictate. Foster the process of creating connections as an organizational competency, rather than the sum of ad-hoc accomplishments.

The Moving Target

Connected Marketing

The Moving Target

If building digitally-integrated connected operating models were easy, CMOs would have long since completed the exercise. Instead, it's a balancing act – managing risk and opportunity in a fluid environment characterized by complexity, speed, and innovation. Every CMO will face variables of sector, channel, resources, and organizational appetite for change.

The connected customer continues to evolve, and KPMG believes CMOs will need journey partners to keep up with them. That journey begins with thoughtful dialogue: about the trends driving your customers and where they are heading; where your Marketing organization stands now, in relation to peers and customer's expectations; your readiness to embrace new operational paradigms; the business case to invest in change; and the roadmap to get there.

The "Future Of" is our invitation to organizations thinking about the challenges they'll face three to five years ahead, and that are committed to meeting them. If you're one of them, KPMG is interested in partnering with you. Let's start the conversation.



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