



Confederation of Indian Industry

Digital

The new normal of marketing



January 2017

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Foreword

I am very happy to present this Report from Confederation of Indian Industry (CII) and KPMG, on Digital- The New Normal of Marketing! This Report takes a close look at current state of digitization in the country and shift of consumers from traditional to digital space. KPMG along with CII has extensively researched and consulted with several stakeholders while preparing this document.

India is blessed with rare advantages: a youth population (aged 10-25); fastest-growing trillion-dollar plus economy in the world, over 150 million people entering the nation's workforce by 2035, fueled by the technology revolution, has created a whole new set of market rules. New technologies with its capability to send information into digital devices from physical objects are literally blurring the lines between the physical & digital world and has become a boon for marketers to deliver exceptional experience and enhance the customer journey.

Undoubtedly, we are taking a few big steps and leap frogging a few stages to embrace the power of digital. It can be seen that the pace of adoption of the digital channel in India is making the right noises.

In 2017, you may see your smartphones hold a number of virtual cards for making digital payments. Thanks to the government's digital push, the new ways of marketing are being evolved. As India is moving towards digital, consumers want a quick and seamless

experience, and they want it now. They now expect every organization to deliver products and services swiftly, with a seamless user experience.

The communication game has shifted from delivering a message to delivering a consistent experience throughout the customer journey. Consumers today are less loyal to brands, more inclined towards research and recommendations and use multiple devices for a single transaction. To keep pace with this drastic shift of consumer buying patterns, the companies have to align themselves with this new generation of people where old is threatened and new is unknown. And data is the new weapon, which marketers are using to make brands distinctive. It is here that a big data and advanced analytics platform play a critical role in integrating and exploiting the multiple data sources to deliver the unparalleled customer experience.

I take this opportunity to thank CII National Committee on Marketing 2016-17 for their active participation and engagement and a special appreciation to KPMG India for their invaluable support in finalizing this document.

Thomas Varghese
Chairman

CII National Committee on Marketing



Where are we in the digital journey?

Customer experience is paramount. Organisations will have to focus on delivering a world-class experience across all channels, be it digital or physical.

Demonetisation, a bold move by the government of India, is slowly and steadily changing the transaction habits of the entire nation. The push is visible beyond major cities, and the pace of digital literacy has gathered momentum across the country. Be it a government, semi-government, or a private enterprise – everyone is making changes to embrace 'Digital India', not just in spirit but in action as well.

What's adding further momentum to this pace is the widespread roll-out and possible adoption of 4G technology. This will potentially open up new opportunities for several players and disrupt some incumbents. Devices are getting cheaper and consumers are spoilt for choice. With payment options now bundled into the overall experience, digital fulfilment of a consumer experience is becoming complete.

With these rapid changes, organisations are grappling with new challenges. Nimble organisations are able to make fast changes leading to higher adoption both within the organisation and consumer community. Large organisations, despite having deeper capabilities, are facing a challenge of how soon and how quickly they ride this wave and capture the market. With the mobile phone becoming so pivotal in people's lives, companies are now taking a re-look at their marketing strategies and adopting a mobile first approach. Marketers will now have to put a sizeable amount of their energy in creating a digital experience, which is micro-personalised, contextual and enriching.

In this point of view, we share insights and explore various aspects that are impacting digital marketers.

Creating the impact

We are living in an ever-changing digital world with endless options available at a fingertip. Be it ordering a cab, booking a dinner table, shopping, or even fixing a date. Consumers are interacting with brands across industries using various digital media. Their digital experiences are being increasingly influenced by their everyday interactions with various products and services. Disruptive experiences that are crossing industry boundaries are making it all the more interesting for the consumer – be it the deep analytics about your morning jog provided by a GPS-enabled watch, or opening your hotel room with a mobile phone.

The opportunities to create impact are available across the consumer journey map. The modern marketer is becoming the custodian of delivering the digital impact by creating experiences across several touch points.

The digital customer loves to talk, chat and discuss experiences. Customers expect brands to understand them, their needs, problems and want brands to provide a quick solution. To create an everlasting impact and maximise customer value, brands will have to move beyond mere customer satisfaction and connect with customers at an emotional level. Organisations must focus on better understanding of what motivates their customers and identify moments and events that matter to them the most.

On a lifetime value basis, emotionally connected customers are more than twice⁰¹ as valuable as highly satisfied customers.

Today's youth want to control all areas of their life, including the marketing message. They want to decide how much and when to receive the communication.

01. An Emotional Connection Matters More than Customer Satisfaction, August, 2016, <https://hbr.org/2016/08/an-emotional-connection-matters-more-than-customer-satisfaction>, accessed on January 14, 2017



Everything mobile, mobile first

Mobile will continue to deliver big gains for those who get it right

If you are still wondering whether to include mobile in your marketing strategy and media mix, it's time to take quick action and go beyond test budgets.

Mobile strategy is no more a choice but a necessity. The customer expects every brand — be it a Business-to-Business (B2B) or Business-to-Consumer (B2C) — to be mobile-friendly. The government's ultimate push on the back of demonetisation has added further momentum to mobile adoption across the hinterland of India. Organisations of different sizes

across various industries are making brilliant use of mobile technology. For example: Agri-focussed organisations in India are empowering millions of farmers with mobility-led solutions, which not only cater to the farming needs but go beyond to connect with the farmer as an individual. With digital payments becoming the norm, marketers have a unique opportunity to create platforms, which are far more inclusive and aid digital fulfilment of a sale, experience or even a simple campaign.

New-gen customers check their smart devices every 9.6⁰² minutes or 159⁰³ times a day. Almost 220 million⁰⁴ users are accessing digital services through their smartphones.

Omni-channel

An omni-channel experience has always helped deliver sales results. In the digitally charged marketplace, omni-channel experiences and touch points are essential. Connected devices and the Internet of Things (IoT) are making the omni experience more immersive by interacting with customers on a more personal level and creating a unified experience without losing the context. For creating an omni-channel experience, handling unstructured data about customers feedback, experience and overall emotion becomes essential.

Moreover, marketing organisations can use an omni-channel to collect customer data, draw insights into the behaviour, know who the customer is throughout the buying journey, what he/she is looking for, and even predict what the next best action for that customer would be.

02. What's common between the Millennials and Then-Generation?, January, 2017 <http://economicstimes.indiatimes.com/magazines/brand-equity/the-modern-generation-decides-what-how-much-and-when-to-consume-a-message-or-product/articleshow/56441676.cms>, accessed on January 14, 2017

03. What's common between the Millennials and Then-Generation?, January, 2017 <http://economicstimes.indiatimes.com/magazines/brand-equity/the-modern-generation-decides-what-how-much-and-when-to-consume-a-message-or-product/articleshow/56441676.cms>, accessed on January 25, 2017

04. Digital Classifieds in 2020: A report by KPMG and Google, September, 2016 <https://home.kpmg.com/in/en/home/insights/2016/09/digital-classifieds-india.html>, accessed on January 14, 2017



Content, even in the digital world, is king

As top publishers deploy new ad products leveraging 360-degree immersion and augmented reality, and as customers embrace these new formats, there will be an opportunity for advertisers to start exploring new ad formats to engage with customers.

Full service firms are creating an impact on the overall ecosystem. New digital avatars are being accepted into the mainstream media. Video is the new data format that is replacing most of the content that is either being created, shared or liked. Video analytics is helping marketers realise what type of content sells, which channel to use and how to increase reach. The mix of great content with machine learning is bringing in a

new age of marketing technology where marketers will have to make significant investments to understand and use the technology.

Several businesses, which are in a customer acquisition mode, will continue to use content as an efficiency lever. To increase efficiencies and reduce cost of customer acquisition, organisations will have to start investing in content, leverage content optimisation tools and use data analytics to deliver relevant, personalised communication at each stage of the marketing funnel and constantly learn and optimise efforts.

Unlike TV distribution, online video offers a more engaging format, but till today it is mainly used as an extension of a TV campaign.

Collect to analyse and not just report

Power lies in the effective use of data, and marketing organisations are burdened with infinite amount of data. The size of data is only going to increase in future with the rise in connected devices and advent of digital tools.

Mastering the art of analysis, a seamless flow of data between sales, marketing and service functions and deploying the right tools are keys to building a solid foundation for a digital organisation. While disruptive

tools and technology can unlock the potential of data, but to use data to their advantage, organisations must ensure the following:

- Hiring data analysts and scientists
- Taking data insights into consideration while planning the next campaign
- Breaking down internal organisational barriers to create data transparency.





Technology and innovation

Connected devices – Internet of Things (IoT)

As per BusinessInsider, there will be 34 billion devices connected to the Internet by 2020. That means so many more devices communicating with each other to share information on our movements, preferences and habits

This shift is impacting, and will continue to impact, every industry. Quite possibly, the marketing function will be most influenced by this change. Each connected device signifies a new channel through which data flows to help marketers generate customer data such as location, spending habits, behaviour, etc. and utilise it to create customised marketing campaign and communication.

The value of IoT lies in the ability to generate meaningful data and here lies a massive opportunity for marketing functions to embrace. In Africa, a leading pest control agency is using IoT inspired sensor technology to detect mice in industrial buildings, using wireless data connectivity to communicate with technicians as well as with the customer about an infestation.

Connected devices can generate information which marketers in the past have never witnessed or used. Healthcare, automotive, insurance and manufacturing companies are experimenting on various IoT use cases to enhance the consumer experience. Recently, retailers have also joined the mainstream IoT experiment. Marketers stand to gain tremendously when the transaction data is pooled into a platform and algorithms help bring insights.

Artificial Intelligence (AI)

Keeping the consumer in mind at every step of design, the marketing conversation has been transformed into a human-machine conversation with AI integrated bots powering apps, websites and other touch-points. Product design in itself is undergoing a transformation as communication moves away from clicks, swipes and keys to voice-based inputs as it is the most natural way to engage, interact, market and sell.

The impact of AI will not be limited to consumer touch-points as all routine, mechanical cognitive functions of marketing such as understanding the customer, figuring out the positioning, having actual conversations with other humans will be taken over by bots working in the background. The marketer's role will now shift

to interaction design and away from the mundane mechanical tasks of marketing.

Wearables

From desktops, laptops, tablets to smartphones, the means of accessing digital services is migrating to wearables such as smart watches, fitness bands, bio patches, Virtual Reality (VR)/ Augmented Reality (AR) headgears, etc. as consumers strive for more mobile and immersive solutions. India's wearables market is likely to see a hike in certain areas such as personal health monitoring systems.

From a data perspective, wearables provide a whole new dimension as most devices come with galvanic skin sensors and gyroscopes providing continuous monitoring of the customer's physiological and behavioural data. Combine this with consumer buying behaviour data from other sources and we have a new dimension that requires mapping of the consumer journey where we now know what customers do and what they are feeling when buying a certain type of a product or a service. Thus, providing the marketer new avenues to reach out to the customer at the right place with personalised content and offers to drive sales conversion.

Augmented and Virtual Reality

Virtual Reality has seen more wide spread adoption with 43 million⁰⁵ VR users worldwide in 2016

Virtual Reality (VR) and Augmented Reality (AR) are transforming the way we access content. VR and AR are often used interchangeably but their functioning and areas of impact, both for the consumer and marketer, are completely different. VR provides a completely immersive experience where users feel they are present within the environment being shown to them and at the same time interact with the environment.

AR, as the name suggests, integrates digital elements in the field of vision of the users as they view the world. For marketers the possibilities are endless, and a re-look into the experience design would be needed, as experiences would be interactive, reward-based and hyper-local in nature to catch the audience's eye.

05. Is Virtual Reality The Next Generation Of Online Video?, December, 2016 <http://www.seethat.co.uk/virtual-reality-next-gen-online-video/>, accessed on January 14, 2017

Investing in content

Personalised and relevant

The digital consumer's attention span has now come down to 8 seconds, down from 12 seconds in 2007⁰⁶

In this highly dynamic ecosystem with readily available information, opinions and recommendations, digital marketers do not have the liberty to adopt a 'one-size-fits-all' approach. Communication to the consumer continues to be highly personalised and targeted.

Brands are not just expected to be on those platforms that the consumers prefer, but also publish content in a format and language that the consumer is willing to consume. Companies are also expected to be on their toes to promptly manage and adapt to changing consumer expectations. It is critical that the content creation and distribution strategy considers the evolving behaviour of the consumer to achieve the marketing objective – be it customer retention or lead generation.

Videos and live streaming

According to Vuclip's Global Video Insights 2015, 85 per cent of smartphone users view short-form video content with a run time of less than 10 minutes .

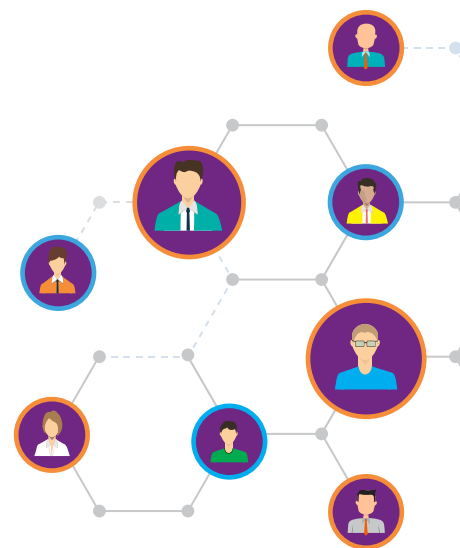
The fear of missing out and the need for instant gratification dictates the supremacy of short-form video content, especially on social media platforms. Brands have a shorter window to grab the consumer's attention. Marketers are expected to direct their content strategists to curate short videos that create a greater impact on the consumer's mind while holding attention till the end.

While video marketing is creating a niche for itself, live streaming is adding a human touch to it. Live streaming videos are not only cost-efficient but also interactive and immersive, giving consumers a front-row seat. With real-time comments, live streaming allows brands to engage with viewers, answer questions, seek feedback and form a community of users.

User-generated content

Creation and distribution are not the only important aspects of content marketing today; authenticity, relevance and value are as important in the digital world. Consumers find more value in user opinions of brands and their offerings than what is marketed by the brand itself. They trust user-generated content and give more weightage to peer recommendations and reviews than to professionally curated content.

As the need to create content incessantly increases, user-generated content presents itself as a boon to marketers. This is a cost-efficient way of filling up the pipeline with quality content and is also a more genuine and appealing endorsement with real people and non-staged scenes.



06. The 8-second attention span; or I'm fine if goldfish are more patient than millennials, May, 2016, <http://www.elearninglearning.com/attention/brain/microsoft/?open-article-id=5086160&article-title=the-8-second-attention-span-or-i-m-fine-if-goldfish-are-more-patient-than-millennials&blog-domain=ontuitive.com&blog-title=ontuitive>, accessed on January 14, 2017

Digital advertising – where is it leading to?

At a projected 15.5 per cent growth in 2016⁰⁷, India is one of the fastest growing advertising markets globally with a large consumer base and a burgeoning e-commerce industry. Although the share of digital advertising spend remains low at 12.7 per cent in 2016, it is one of the fastest growing mediums at a CAGR of 33.5 per cent (2015-2020) with expectations of crossing INR255 billion in 2020.

There is a significant increase in content consumption on social media platforms and advertisers are accepting the influential power of digital and social on the customer's mindset. Of the total digital advertisement spends, 'search and display' command the largest share even though it is a relatively maturing segment.

Combating ad blockers

Although the major share of advertisement blocking was in the case of desktop computers, the mobile ad blocking landscape has changed dramatically over the past year with pre-installed ad-blocking browsers to in-app and in-feed ad blockers that can be downloaded from app stores.

Native ads present themselves to digital advertisers as a win-win solution to the problem of ad blocking. Native ads blend in and appear as content that would normally

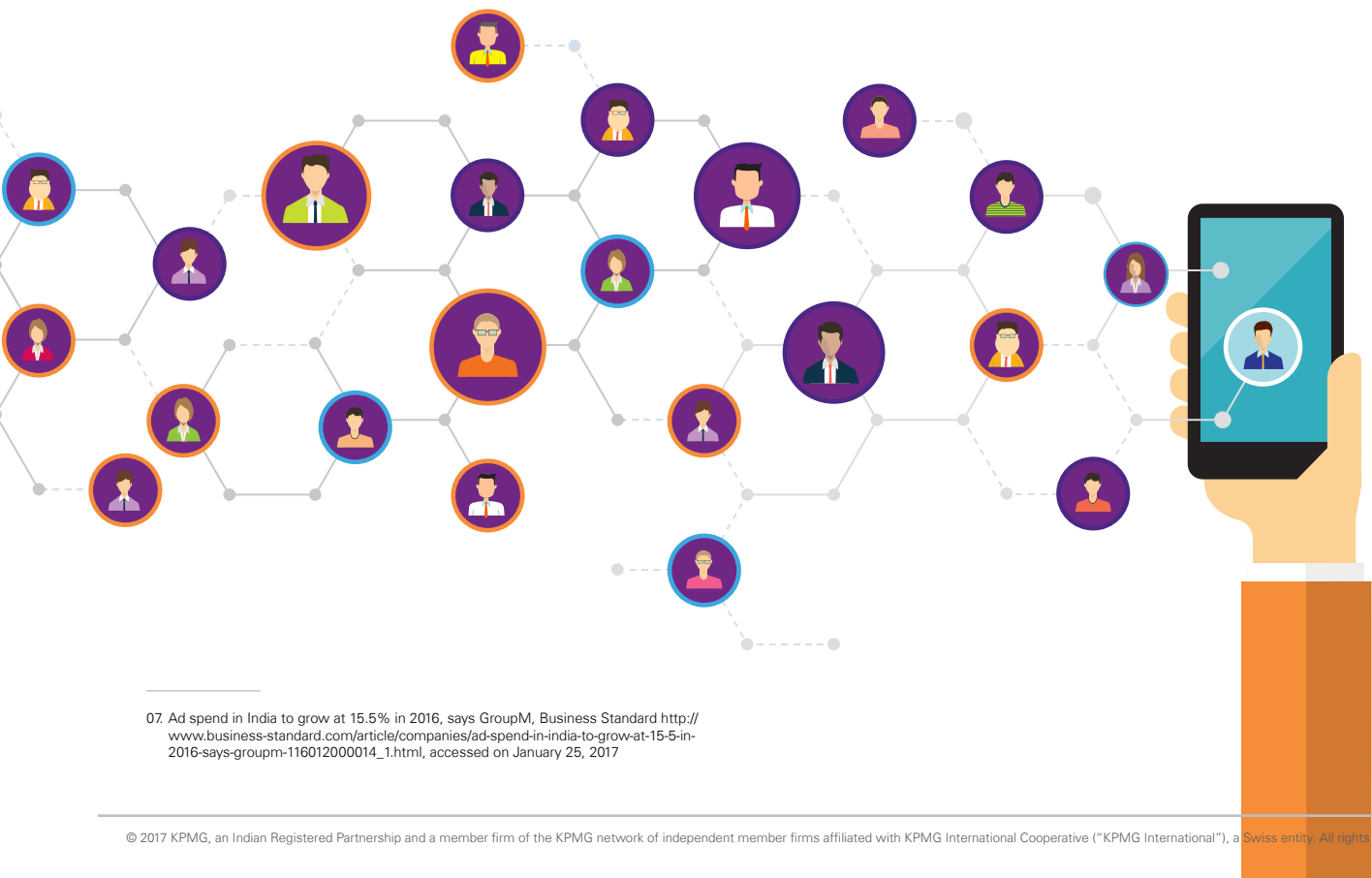
be on a publication. Instead of deceiving, native ads deliver value and relevance to the consumer and do not hinder user experience of the website even while monetising it.

With the growth of regional content, native ads need to be tailored accordingly for these platforms in regional languages and local sensitivity for better click-through rates.

The future is programmatic

Programmatic advertising is the future of digital advertising, and will soon command a big share of the pie with traditional advertisers recognising the benefits. Programmatic content will no longer just dominate digital display advertising, but will shortly see the mass adoption of programmatic TV advertising.

Programmatic advertising offers greater transparency to advertisers as compared to traditional advertising and media buying with locked-in contracts. Advertisers can track the success and effectiveness of their ads in real-time, and have the option of modifying geographies, target audience and more, in the middle of a campaign. This capability ensures that advertising dollars are not spent unnecessarily and maximum ROI is achieved.



07. Ad spend in India to grow at 15.5% in 2016, says GroupM, Business Standard http://www.business-standard.com/article/companies/ad-spend-in-india-to-grow-at-15-5-in-2016-says-groupm-11601200014_1.html, accessed on January 25, 2017

Power of data

Emotions analytics

The practice of defining a person's emotion based on the word that he/she types has been one of the core outcomes of most natural language processing systems.

Text which merely captures the words devoid of emotional nuances show very little user emotions. Vocal and visual communication carry the most emotional information and this is what analytics is tapping into to track, monitor and understand highly emotional consumers. The emergent branch of emotions analytics focusses on understanding and developing a 360 degree view of a consumer's emotions, which include mood, attitude and emotional personality. Emotions-based analytics is well placed to capture and garner insights in a world rich in qualitative data points.

The new data currency

Voice, body gesture and posture information, facial expression, typing and swiping mannerisms, etc. which are read in a language of frequency fluctuations, amplitude changes, voltage and energy variations are slowly becoming the new standard for data in analytics.

Gyroscopes built into tablets and smartphones are capturing our movements. Gestures, galvanic sensors in smart watches and fitness bands record sleep cycles and other physiological metrics. Most of human-to-machine and human-to-human communication is becoming vocal and visual with the advent of chat bots and real-time video.

As the complexity of data increases, analytics is deploying more and more sophisticated parallel processing focussed techniques to understand the data. This has led to an increasing emphasis on leveraging data visualisation techniques to understand the abstraction from the outputs of the models and communicating the same to stakeholders. The reason for this is that we are more adept at understanding graphs and figures compared to skimming through numerical tables.

Predictive marketing

The most nascent, but arguably the most powerful marketing analytics tool, is predictive modelling. Predictive modelling takes conventional data kept by marketers, compiles and crunches it to reveal patterns that confidently predict future buyer behaviour. Predictive analytics allows marketers to concretely assess what messages or content they should be creating in order to optimise their revenue potential.

With a more a holistic view and vast sums of historical and current data in place, marketers can deploy data mining, statistics, machine learning and modelling using predictive analytics to garner future insights from both macro and micro perspectives. Analytics techniques are helping marketers optimise customer personas, data segmentation, marketing spend allocation and refine personalised communications.

Data science

Data can provide insights into the customer profile – who and where they are, what they want, how often they make a purchase, when and how they prefer to be contacted, and many other important factors.

However, there is absolutely no real value in all the data collected unless actionable insights can be derived from it. Marketing analytics enables marketers to leverage their data for optimising various marketing activities such as:

- Improved accuracy and response to marketing campaigns
- Providing a consistent experience across channels
- Developing personas based on customer characteristics
- Executing individualised marketing strategies
- Prioritising customers based on predicted lifetime value
- Fostering brand loyalty
- Creating predictive models that anticipate future customer behaviour.



Marketing ROI – Measuring success

The Internet and advancements in technology have made marketing far more measurable than ever before. The beauty of digital marketing lies in the ability to collect data, measure, learn and optimise. Unlike traditional campaigns, you can start with a test budget and see for yourself which channels and strategy works for your business/brand.

We believe that by following the below-mentioned tips, you can derive maximum value out of your digital marketing efforts and ensure efficiency.

- **Define:** Before you start your digital marketing journey, it is important to define your marketing goals and objectives. It could be anything from brand awareness, lead generation to customer acquisition. Whatever your business goals are, please define them in the beginning of your campaign and stick to them.
- **Right metrics:** Outline the key campaign metrics, be it the cost of acquisition, cost per lead, conversion rate, number of clicks, brand lift, etc. Use a combination of channel-centric and content-centric approach. Don't let channel metrics solely determine and define the success of your campaign.
- **Tools:** Define the methodology and tools you will use to measure your goals and define targets, wherever possible.

So with all this, how do you win?

The country is going through some major shifts in consumer behaviour. Digital is an aspect that will have a far more significant use and impact on the consumer's lifecycle. With a plethora of payment options, fulfilment

using multiple channels is no more a distant possibility, which till some time ago was available only to a few set of customers. To sum up:

01

Marketers have a unique opportunity to create customer experience, which uses digital beyond a delivery channel

02

The use of analytics, natural language processing and advanced data science are becoming equally important for understanding behaviour

03

Being mobile doesn't mean having an app or an ad in a social media stream. Mobile experiences will have to be far richer and engaging.

Acknowledgements

This study was undertaken by KPMG in India with support from the Confederation of Indian Industry (CII).

We would like to thank Mr. Thomas Varghese – Chairman CII National Marketing Committee for his support and guidance during the development of this report.

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About Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 8000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 200,000 enterprises from around 240 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for

industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

With 66 offices, including 9 Centres of Excellence, in India, and 9 overseas offices in Australia, Bahrain, China, Egypt, France, Germany, Singapore, UK, and USA, as well as institutional partnerships with 320 counterpart organizations in 106 countries, CII serves as a reference point for Indian industry and the international business community.

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