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BOOK OF THE MONTH SUMMARY

FOR MEMBERS

OVERVIEW

Data Driven

Harnessing Data and AI to Reinvent Customer Engagement

by Tom Chavez, Chris O'Hara and Vivek Vaidya

Recommendation

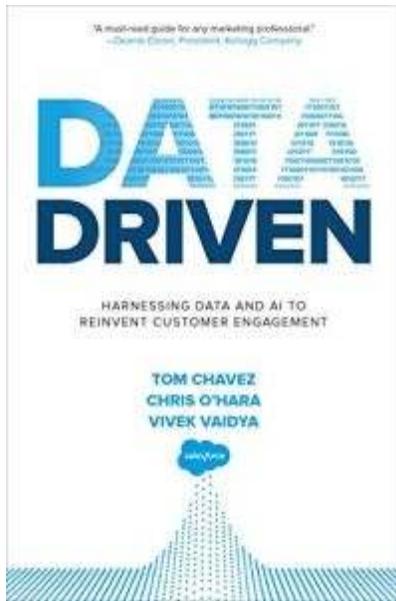
Co-authors Tom Chavez, Chris O'Hara and Vivek Vaidya bring extensive, hands-on knowledge to their comprehensive treatise on how technology can support customer engagement in the digital era. The authors share decades of experience working to create and integrate the technologies and processes they describe. Their easy, entertaining read serves as a blueprint for how companies can move from the world of slow legacy systems to the flexible integration of high-speed data. This guidance will help senior marketing, technology, customer service and corporate strategy executives understand how to market to and serve customers “in the moment.”

About the Authors

Tom Chavez recently started a venture studio for creating new technology companies. He and Vivek Vaidya co-founded Krux, a company later acquired by Salesforce, where Vaidya is now CTO of Salesforce Marketing Cloud. Chris O'Hara heads global product marketing for the Salesforce data management platform.

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Data Driven

Harnessing Data and AI to Reinvent Customer Engagement

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McGraw-Hill, 2018

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Take-Aways

- Demographic segmentation is fluid and flexible in the digital age.
- The data you collect might seem extensive, but there is “no end point.”
- Almost 50% of the Fortune 500 use “data management platforms” (DMPs) while the other half intend to implement one.
- DMPs are only as good as their supporting infrastructure.

- Effective implementation of “data-driven marketing” demands having a “data center of excellence” (DCOE).
- DCOEs require the involvement of all stakeholders, whether inside or outside the company.
- People, processes and technologies are foundational elements of a DCOE.
- Continual process improvement is crucial to successful DCOE implementation.
- You can measure the maturity of an organization’s data-driven marketing effort on a continuum.
- Before creating a DCOE, your company should clearly define its goals and obtain executive support.

Summary

The Digital Environment

In the digital age, people – especially millennials – eschew traditional channels of mass media. Yesterday’s methods for defining consumers no longer function profitably. The new digital environment calls for new ways to reach buyers and to gather and analyze data about them.

“Three Core Principles for Building a Winning Data Strategy”

Three guiding ideas mark the future of “data-driven marketing”:

1. **“Embrace the human becoming”** – Traditional marketing mainstays like demographic segmentation of customers and the creation of personas were more valuable in the predigital age. With the influx of multiple devices and the data they generate, companies shouldn’t attempt to define customers by a linear method. Marketers need to recognize that today’s consumers don’t move in a straight line from awareness to craving to taking action. They exist – knowingly or not – in a continual state of change and uncertainty. A customer is no longer a human being – but more a “human becoming.”
2. **You have both more and less data than you think you have** – In 2016, 34% of Kellogg’s net sales came from its top five wholesale customers, such as Walmart, so Kellogg’s didn’t have a direct relationship with individual customers. Yet it had collected millions of consumer email addresses through its Family Rewards program – emails that represented a direct contact with consumers that was unusual for Kellogg’s. The company also spent outsized sums on digital advertising. Using cookie and ad delivery data, Kellogg’s was able to answer multiple questions regarding the number and location of ads seen by customers. The number of email addresses was significantly smaller than the amount of data collected from the cookies and ads, but the addresses did provide a route for a one-to-one connection to users when they accessed their devices and computers. This allowed Kellogg’s to customize consumer communication. The company jumped on the data bandwagon early and was able to navigate new channels and the shifting desires of its consumers while utilizing its marketing funds more effectively.
3. **“There is no truth,” only theories with varying utility** – Decisiveness is a principal trait in business leadership. However, relying today on a “multiyear marketing playbook” with concrete plans is akin to a meteorologist who ignores his or her own predictions for heavy rainstorms and builds a home in an area known for mudslides. Having data

demands fluid thinking and action. A company's data has "no end point" and needs to be continually cultivated, collected, and analyzed to provide greater and more in-depth commercial insight into potential customers. Often companies mistakenly believe that their data sets are sufficiently large. But in today's data collection environment, data sets can and will grow exponentially as new technologies come online.

"Data Management Platforms"

Relatively straightforward previous efforts to get products in stores and in the minds of consumers through mass marketing channels is no longer so simple or direct. Top companies now use data management platforms (DMPs) to manage the influx of data from numerous sources, tie it to a single ID for each consumer and personalize the marketing message. Your DMP must be able to integrate these inputs and seamlessly send out messages to multiple new channels to reach consumers.

"The Five Sources of Data-Driven Power"

Almost 50% of Fortune 500 companies use a DMP. The other half plan to implement one.

After years of just talk, marketers are charting data-driven strategies for delivering the right experience to the right person at the right time and the right place.

DMP-based systems can deliver significant, repeatable returns by approaching the data via five "general use patterns that generate the highest returns and reliably recur across sectors and verticals":

1. **"Segmentation (right person)"** – A stream of precise customer data allows marketers to target individuals more strategically and with greater accuracy while repeatedly redefining them as per new data.
2. **"Activation (right place)"** – The plethora of channels and platforms with which customers interact means you can "intentionally" reach them – and measure their response – using a DMP.
3. **"Personalization (right message)"** – Building on the first two elements, personalization allows companies to give a specific user exactly what he or she needs.
4. **"Optimization (right time)"** – To ensure that every marketing dollar gets spent as effectively as possible, marketers can define the number and timing of messages sent to consumers. For example, you don't want to send an advertising message to a consumer for a product you know he or she recently purchased.
5. **"Insights (right idea)"** – Using data and analysis gained from the first four elements will result in greater precision, effectiveness, and efficiency in future marketing efforts.

Implementing "Data-Driven Marketing"

If you have a DMP but don't have the infrastructure to support it, you may feel as though you have a "Ferrari in the garage" that you repeatedly wreck because you don't know how to drive it. To implement an effective data-driven marketing effort, you need knowledge – and the correct people, processes, and technologies in place. Without one of this crucial support trio, your efforts will fail.

We're increasingly surrounded by a dizzying array of gizmos connected to the Internet...the number of touchpoints that a company can use to engage with us is exploding.

Two main elements necessary for success are building a “data center of excellence” (DCOE) and correctly defining your company on the “continuum of data-driven capability.”

An effective center of excellence includes all your stakeholders so it can help you determine strategy “holistically.” It clearly delineates the individuals responsible for each area. In addition to the corporate media team, stakeholders will include data analysts and the IT department. The DCOE, however, also needs to include external stakeholders who are integral to the marketing efforts. These may be agencies, IT vendors, consultants, partners, and others.

“Capability Maturity Model”

People, processes, and technologies are the foundation of a DCOE, but even the most advanced center must operate on a path of continual process improvement. To this end, a capability maturity model helps you measure your defined strategies in five crucial areas: “goals, people, process, data and tools.”

Leveraging technology for digital transformation without clear goals is akin to buying a truckload of lumber...and hiring 20 carpenters without an architectural plan.

Clearly define your business goals, and make sure they are measurable. Stakeholders in the DCOE should have a unified approach and work effectively together with executive support. Companies need to develop well-defined and measurable key performance indicators (KPIs) at every stage of the transition. Make your decisions and take action based only on relevant data. Whatever system you have in place should allow people to concentrate on “analysis and insights” versus system operation.

“Three Stages of Maturity”

Use the three main stages of maturity modeling to measure your progress in using data fully:

1. **“Informal”** – **“Stage 1”** companies may have unclear goals, limited qualified staff and insufficient data to support data-driven decisions. Only a few stakeholders are involved at this stage. Yet Stage 1 companies have created processes and a stable infrastructure – for example, a DMP for data collection. These companies likely have incoming data from relatively accessible sources, including web analytics tools and digital advertising pixels, but they also have inaccessible offline data. They are prepared to establish a DCOE, to flow data throughout the company and to take actions based on ROI goals.
2. **“Organized”** – **“Stage 2”** companies leverage data for certain purposes only. They aren’t yet prepared to make full use of all possible data-driven options. They have developed and defined their specific goals – such as to reduce wasteful ad spend by 15% – but they suffer from having more general goals that lack measurable elements. They have assigned important roles and responsibilities to a “media or analytics lead” but haven’t completely implemented a DCOE for data-sharing or made it accessible across silos. At this stage of development, the company is starting to share information companywide, has centralized the majority of data and is expanding into accessing new data sources.

3. **“Optimized”** – “Stage 3” companies are relatively rare. Only a few companies have successfully embraced “data transformation.” These include Meredith, Adidas, L’Oréal USA, Turner, Pandora, and ABI. By making the considerable effort required to become early adopters with sufficient funding and executive buy-in, they can utilize data flexibly to alter how they connect to, communicate with, listen to and sell to customers. Each of these companies followed a process grounded in what the data revealed, even if at times that data contradicted the cherished status quo.

Avoid Common Pitfalls

Lessons from companies that succeed are inspirational. Sadly, lessons learned from those that fail can be even more useful. Both kinds of experience went into compiling these insights on how to avoid five common problems:

1. Don’t rush to leap aboard the “technology bandwagon” without establishing clearly defined goals.
2. Make sure there is one single, accountable, and executive-supported individual with clearly defined and acknowledged responsibilities who is in charge of the in-house adoption of the effort.
3. Especially in large companies, take care never to isolate the group charged with developing a data-driven organization – which would be the antithesis of what it means to have such an initiative. This group’s efforts will, in time, enable data flow throughout the organization. Any initial isolation would only slow that process and would have to be overcome later, thus generating inefficiencies.
4. Don’t set or even express wildly optimistic expectations or goals unless you know you possess the in-house expertise to back up your claims. While the technology exists to get to know your customers in granular detail, your organization needs to have the right people and processes in place before it can happen. Give your people time to learn how to use the new technologies.
5. Any companywide transformation carries multiple risks and moving to “data-driven” marketing is no exception. Take the time to manage the risk and to gain understanding of how to integrate data, systems, personnel, and processes.

“The Three-Layer Model”

To compete in data-driven marketing, apply this three-layer model. From the bottom up, the layers offer a variety of ways to engage consumers using the combined forces of data management, artificial intelligence, and analytics:

1. **“Know (identify)”** – This foundational element of data management “unifies and synchronizes” information from multiple sources and enables you to reach consumers where and when you need to communicate with them with greater specificity.
2. **“Personalize (intelligence)”** – This AI layer shows “what” the company should do next for specific customers.
3. **“Engage (orchestration)”** – This element targets consumers “when” and “where” that outreach is most advantageous to your goals.

The Future

The future that data-driven marketing can achieve in the years to come is, of course, unknown. Its current trajectory suggests a likely increase in applicable AI technology that will free more staff time and concentration. Regardless of how the technology evolves, the ability to collect data will always be paramount. Your options for different ways to discover and gather information on your consumers will expand exponentially.

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