Time for Consumer Goods Companies to Rethink Digital Marketing

Consumer goods companies must reinvent their digital marketing capabilities to actively engage consumers and move them along the path to purchase by consistently delivering highly personalized, authentic and valuable brand experiences across marketing channels.
Executive Summary

Social media tools and other digital techniques are transforming approaches to marketing across industries. Nowhere is this phenomenon more pronounced than in consumer goods (CG), where digital marketing is reinventing brand relationships by enabling a rich dialog between manufacturers and consumers. By inserting themselves into the digital conversation, CG marketers can engage consumers along the entire path to purchase with economical and personalized campaigns derived from vast amounts of customer behavior data collected across numerous touchpoints. However, this approach requires marketers to acquire new capabilities.

Many leading companies are embracing a new, enterprise-level marketing capability model. This model allows them to craft a holistic and adaptive digital marketing strategy to deal with ever-shifting consumer behavior, influenced by traditional online and fast-growing mobile technologies. It aims to rewire conventional marketing structures to create a digital marketing factory built for speed, scale and efficiency in place of today’s fragmented agency-centric approach. The approach also integrates disparate sets of customer data as the foundation for new consumer behavior insights. The model relies on an integrated digital asset management foundation that provides marketers with tools to effectively manage marketing collateral and create a unified consumer experience, regardless of channel or device.

Critical to this model’s success is the deployment of talent well-versed in digital marketing tools such as predictive analytics. Also important is a cross-functional team within the organization to deliver a consistent yet differentiated and valuable consumer experience across channels. A common characteristic among companies with advanced enterprise-level digital/social capabilities is a high degree of collaboration between the CMO and CIO.

Marketers of consumer-facing companies should begin investing in understanding and mastering the new enterprise-level digital marketing capabilities to enable the next level of relevant and authentic interactions with consumers, anytime and anywhere. To do this, CG marketers must tap into the potential of social media, mobile, analytics and cloud technologies (the SMAC Stack™) to shape consumer perception of their brands and improve their market reach and reputation. Marketers who accurately anticipate and quickly serve consumer needs will improve their chances of elevating their brands in the increasingly connected and cluttered digital world, building lasting customer engagements that influence shopping and retail buying behavior.

Success will be defined by how well companies manage and deliver relevant and engaging consumer experiences. CG companies, therefore, need effective digital/social strategies that clearly differentiate them from their competitors. As consumers become increasingly digital, CG companies have only two choices: adapt or become irrelevant.

U.S. Media Subscriber Base

Social media and smartphones outgrow TV and newspapers.

![Graph showing the growth of social media, smartphones, TV, and newspapers subscribers over years.]

* Estimates
Source: eMarketer, Nielsen, Newspaper Association of America, Digital TV Research, Audit Bureau of Circulations and Media-CMI
Figure 1
Consumers Reinvent Marketing

Digital is the single most disruptive force in consumer marketing since the launch of television over 50 years ago. It has redefined how consumers learn, shop, buy, collect and share their experiences. And the journey has only just begun. By 2016, users of social media and smartphones are projected to outnumber TV and newspaper subscribers (see Figure 1, previous page). Marketers are rushing to be where their customers are by increasing spending on digital media and mobile marketing (see Figure 2).

**Embracing a “Digital Life”**

Today, there are more active wireless devices than American citizens.1 Research from Pew Internet reveals that roughly 56% of U.S. cell phone owners use their devices to access the Internet.2 More than 60% of individual consumers with an Internet connection in the U.S. visit social media...

---

**Consumers Moving Toward a Digital Life**

- 75.6% of the U.S. population is online.
- Two-thirds of Web users will use social networks.
- 70.8% of Web users will watch online videos.
- 88.1% of Web users over age 14 will browse or research products online.
- 83.9% of these researchers will make at least one purchase.

---

**Average time spent per day with major media by U.S. adults (in minutes)**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>267</td>
<td>264</td>
<td>274</td>
<td>278</td>
</tr>
<tr>
<td>Online</td>
<td>146</td>
<td>155</td>
<td>167</td>
<td>173</td>
</tr>
<tr>
<td>Radio</td>
<td>98</td>
<td>96</td>
<td>94</td>
<td>92</td>
</tr>
<tr>
<td>Mobile (nonvoice)</td>
<td>22</td>
<td>34</td>
<td>54</td>
<td>82</td>
</tr>
<tr>
<td>Print*</td>
<td>55</td>
<td>50</td>
<td>44</td>
<td>38</td>
</tr>
<tr>
<td>• Newspapers</td>
<td>33</td>
<td>30</td>
<td>26</td>
<td>22</td>
</tr>
<tr>
<td>• Magazines</td>
<td>22</td>
<td>20</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>44</td>
<td>47</td>
<td>45</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>632</td>
<td>646</td>
<td>678</td>
<td>699</td>
</tr>
</tbody>
</table>

Note: Time spent does not include multitasking; for example, 60 minutes of multitasking online and with TV counts as 60 minutes for both TV and online.

*Offline reading only

*Source: Chief Marketing Officer Council and eMarketer

---

---
platforms every day. Americans now spend an average 2.7 hours a day socializing via their mobile devices. This will only increase with the exponential growth in smartphone adoption, as additional consumers spend even more time online socializing, playing games and researching and buying products (see Figure 3, previous page).

Growing Digital Spend by Marketers
According to a 2013 Gartner report, “On average, companies spent 10.4% of their annual 2012 revenue on overall marketing activities,” and, “Digital marketing budgets total 2.5% of revenue and will increase 9% this year.” Marketers are shifting more of their spending to Internet and mobile channels, where consumers are spending more time than with print, TV and radio (see Figure 4).

This growth is occurring across all interactive channels. Interactive Advertising Bureau (IAB) reports that digital advertising revenues in the U.S., across industries, hit an historic high of $36.6 billion in 2012, with 15.4% year-over-year growth and double-digit growth for the third consecutive year (see Figure 5). With 62% of shoppers using at least one digital deal on over half of their shopping trips, it is no surprise that investments in traditional trade promotion are being redeployed to higher-value digital and shopper marketing investments (see Figure 6, next page).

Digital Reinvents Brand Relationships
Digital marketing differs from traditional mass marketing on two critical dimensions (see sidebar, next page). First, it enables a dialog between consumers and the brand. However, such a conversation will only continue if the content is relevant, timely and authentic. Marketers must provide consumers with opportunities to engage with the brand rather than perpetually “selling” the brand to them. It’s no longer about features and benefits; rather, consumers are searching for relevant experiences. Second, because marketers are able to understand the
consumer’s browsing and engagement behaviors and location/context, they can and must offer increasingly personalized, geo-location-relevant messages and promotions.

The intimacy available through digital resonates with consumers. Consider that for the CG industry, mobile media outperforms online media in its ability to drive brand favorability (up 85%) and purchase intent (up 170%), according to Insight-Express. Meanwhile, a Bain & Co. study found that consumers interacting with companies over social media spent 20% to 40% more with them compared with other customers. Social media is also invaluable as a channel to facilitate innovation (see Figure 7, next page). Combined with mobility, social media completes the consumer feedback loop, allowing consumers to provide input on their experience and decision-making process in real-time.

In a recent DataXu study, 82% of respondents said digital marketing provides superior insights on consumer behavior compared with other types of marketing. Also, more than 75% of respondents said consumer data generated by digital marketing improves their commercial success.

Digital also offers marketers the ability to engage consumers by interacting with them along the entire path to purchase. Create consumer experiences that redefine brand relevance and value. Tailor campaigns cost-effectively to target niche markets and specific audiences with relevant messages. Aggressively test promotion concepts, tactics and values to determine which combination of factors yields the best results. Leverage new technologies and advanced analytics to distill insights on consumer behavior, building a digital factory to quickly and efficiently reach consumers and new channels as they emerge (e.g., Pinterest), to reduce non working spend. Variabilize and save money on their marketing infrastructure.

Quick Take

Six Ways Marketers Can Benefit From Shifting To Digital

1. Engage consumers by interacting with them along the entire path to purchase.
2. Create consumer experiences that redefine brand relevance and value.
3. Tailor campaigns cost-effectively to target niche markets and specific audiences with relevant messages.
4. Aggressively test promotion concepts, tactics and values to determine which combination of factors yields the best results.
5. Leverage new technologies and advanced analytics to distill insights on consumer behavior, building a digital factory to quickly and efficiently reach consumers and new channels as they emerge (e.g., Pinterest), to reduce non working spend.
6. Variabilize and save money on their marketing infrastructure.
Digital Marketing’s New Requirements

Personalization has profoundly changed the digital marketing landscape. In fact, in the pre-digital era, marketers could not go beyond targeting broad customer segments, while in the digital era, they target individuals. Individuals can include specialized groups with unique interests or an entire emerging middle class (with the opening of global markets), each with unique preferences and needs. With the advent of advanced digital tools and social media, CG manufacturers can either build or reestablish brand relevance consumer-by-consumer, in ways that uniquely appeal to each individual. To fully exploit this opportunity, CG marketers must rebuild (or in many cases, build) their capabilities.

- **Social media**: CG marketers must use social media to build customer communities, feed them with relevant content and encourage users to review products and share their recommendations with friends and peers. A case in point: Maker’s Mark promised to restore the original formula for its bourbon after a weeklong social media backlash from loyal customers resisting a minor change.11

- **Mobile**: U.S. consumers increasingly use shopping apps on their smartphones.12 CG companies can learn from retailers that use mobile ads and coupons, as well as customized e-mail alerts, to influence customers’ shopping behavior by pushing relevant offers and discounts via location-aware services and apps.

- **Analytics**: Analytics plays an important role in making sense of consumer and marketing data to derive both market insights and performance metrics. CG marketers can leverage these granular consumer insights to enhance brand awareness by engaging with customers at the right place and time. Forward-looking companies use analytics to identify evolving market niches and consumer needs and serve them with customized products. CG companies should also use analytics to identify inefficiencies to improve operational performance.

Getting to these insights is not easy. There are three essential capabilities required to succeed. First, companies need to make sense of all the data sets required to support insights. This includes structured shipment and POS data; semi-structured data such as shopper card data; and unstructured data such as social media. They need to define how this data will be collected, sifted and stored.

Second, companies need to determine who will analyze the data and create new insights. While analysis is a common capability in CG companies, advanced analytics is not. A robust analytics strategy is needed to avoid disjointed silos, each with individual learning curves.

Finally, companies need to define who will activate the insights to generate value. Industries such as life sciences and financial services are adopting new approaches to analytics, where third parties do the data and analytics heavy lifting, freeing the marketing and sales teams to act on the insights.

Without robust analytical capabilities, marketers will find it difficult to effectively use the

---

### How Social Media Helps in the Entire Value Chain

<table>
<thead>
<tr>
<th>Value Chain Step</th>
<th>Case / Example</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product development</td>
<td>Procter &amp; Gamble</td>
<td>• R&amp;D costs: -6% per year</td>
</tr>
<tr>
<td>Marketing</td>
<td>Old Spice</td>
<td>• Sales: +16%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Campaign costs: -80%</td>
</tr>
<tr>
<td>Sales</td>
<td>Ricardo.ch, Sellaround.net</td>
<td>• Transactions: +18,000 per month</td>
</tr>
<tr>
<td>External communication</td>
<td>McDonald’s</td>
<td>• Stock price: +5%</td>
</tr>
<tr>
<td>Human resources</td>
<td>Allianz, Bertelsmann, Henkel, McKinsey &amp; Co.</td>
<td>• Reach: +20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost: +27%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Quality: +36%</td>
</tr>
<tr>
<td>Internal applications</td>
<td>Mountain Equipment Co-op</td>
<td>• Efficiency gains: &gt;90%</td>
</tr>
</tbody>
</table>

*Source: McKinsey*  
*Figure 7*
customer data they gather, thus losing the opportunity to monetize insights that could be derived from such data.

• **Cloud:** When combined with social media, mobility and analytics, cloud can help CG companies become more agile, increase market share, accelerate innovation and deepen customer relationships at much lower costs. Companies can quickly and inexpensively deploy IT infrastructure and computing resources for marketing, set up direct-to-consumer storefronts, and provide interfaces with retailers and suppliers to streamline demand and supply chains. As mentioned above, we see cloud-based models and analytics services providers emerging in other industries. It’s simply a matter of time before this is adopted by CG companies of all sizes.

**An Emerging Marketing Capability Model**

Leading CG companies are challenging conventional wisdom by embracing a new digi-social operating model. Core elements of this emerging marketing capability model include:

• **Reinvent digital:** Create a holistic digital marketing vision.
• **Rewire:** Craft a “digital marketing factory” built for speed, scale and efficiency, as well as integrating data.
• **Rebuild:** Establish integrated digital asset management processes for a unified consumer experience.
• **Retool the team:** Include analytics professionals and tools to derive insights.
• **Rethink the organization:** Restructure operations to deliver consumer value vs. managing brands.

**Reinvent Digital**

A holistic digital strategy is essential for CG companies to leverage the full strategic benefit of new channels for innovation, enable cross-brand promotions and merchandising, and measure corporate reputation health. CG companies, therefore, need to quickly formulate and then deploy an integrated approach for contending with continuously shifting consumer behavior and the onslaught of digital tools and channels. To succeed, companies must closely align their enterprise strategy with key business objectives.

A first step is often to assess the internal capability landscape. A beverage company found over 275 Web sites with duplicate capabilities across brands. This baseline analysis can help shape the business case for change. Needless to say, the full support of top leadership is crucial for accomplishing such a change in culture.

**Rewire the ‘Digital Marketing Factory’**

According to the CMO Council survey, only 9% of respondents had a highly evolved digital marketing model. Meanwhile, 36% of respondents reported embracing marketing point solutions that are not unified or well integrated. The availability and use of multiple marketing channels adds to the confusion. A recent survey by Aprimo suggests that more than 37% of CMOs believe that integrating and tracking multiple marketing channels is their biggest challenge; 28% find it challenging to do more with less; and 18% rank measurement and accountability as a top challenge.

With agency-driven approaches limiting a brand’s vision, companies will be better served by an integrated marketing platform that allows brand owners to see how shoppers and consumers interact with individual brands and across the portfolio.

According to a recent report by DataXu, a significant number of respondents see the lack of a single cross-channel digital marketing platform as a significant obstacle to their marketing efforts. With agency-driven approaches limiting a brand’s vision, companies will be better served by an integrated marketing platform that allows brand owners to see how shoppers and consumers interact with individual brands and across the portfolio. These insights will help marketers understand what motivates that particular consumer, setting the stage for more relevant future messages.

CG marketers also stand to benefit from an end-to-end view of consumer behavior, allowing better segmentation and personalization through greater access to consumer insight and intelligence, thus improving spend efficiency and ROI on advanced analytics initiatives. The good news is that marketers can start small with highly structured, hypothesis-based experiments yielding precise outcomes metrics. Ideas that fall short create new learning at low cost, and
promising experiments can be scaled quickly, particularly on a cloud-based enterprise digital marketing platform.

**Rebuild the Foundation with Integrated Digital Asset Management**

As CG companies and marketers deal with the continuing digitization of the consumer experience, they will benefit from robust digital asset management (DAM) (see sidebar). Without solid DAM capabilities in place, marketers will find it challenging to prevent unnecessary duplication, ensure quality of content, improve interactions with consumers and control production costs.

DAM also helps marketers manage all assets centrally, thus addressing the collateral fragmentation that is rife at many CG companies. DAM platforms have advanced to a level where it is possible to publish content on social channels directly.

One CG company we worked with leveraged a DAM solution to support “brand books” to ensure its creative, content and marketing functions all have the same look and feel across traditional and digital agencies, production companies, social media outlets and other myriad partners. Similarly, a large sales organization that we advised replaced its three-inch binders of printed sales materials with a tablet-based, DAM-enabled solution that allows marketing to tailor messages by customer and geography. The sales team appreciated having the latest content at their fingertips.

The changing digital marketing landscape has had a significant impact on agencies. A recent CMO Council survey reveals that a majority of traditional advertising agencies have failed to evolve their capabilities to service the digital marketing needs of their clients. Marketers must, therefore, rethink their approach to media buying to find partners suited for designing, building and distributing customized content.

**Retool Team Talent**

Very few companies understand how to harness the power of digital marketing, largely due to the significant shortage of talent well-versed with digital marketing (see Figure 8). Similar implications exist for analytical capabilities. DataXu reports that more than half of the respondents (300-plus) it surveyed said their companies struggle to analyze the large amounts of data generated from their digital marketing initiatives. It further identifies the lack of analytic skills and appropriate software/technology as top factors affecting respondents’ abilities to develop and act on insights informed by marketing data in real-time.

Companies that build the right talent and analytics capabilities will find it easier to pull ahead of the competition. CG companies are looking to indus-

---

**Quick Take**

**Benefits of Digital Asset Management**

- **Agility:** Helps CG companies achieve faster time-to-market schedules by sharing and using marketing material across appropriate markets.
- **Efficiency:** Enables consistency in marketing-related activities; improves the speed of execution and efficiency.
- **Measurability:** Makes it easier to track usage of assets across channels and provides data that enables marketers to understand the effectiveness of the assets.
- **Cost savings:** Marketing materials can be rapidly vetted and approved for campaigns and quickly and cost-effectively pushed into the market.

---

**The Top 10 Most Difficult Marketing Positions to Recruit**

1. Executive Creative Director
2. Partner / CEO / Managing Director
3. Chief Technology Officer
4. Strategist / Planner
5. Director of Technology
6. User Experience Designer
7. Mobile Developer
8. Creative Director
9. Account Director
10. Chief Sales / Marketing Officer

*Source: Society of Digital Agencies*

Figure 8
tries with deep analytics capabilities, recruiting from universities with strong analytics programs and, in some cases, partnering with a third party to deliver analytics and insights as a service.

Rethink the Organization
Companies must enable partnerships among cross-functional teams to ensure consistent yet differentiable and valuable digital experiences for consumers across channels. However, many companies lack the necessary talent. Companies need to build talent well-versed in digital, either through training or acquisition.

As technology becomes the key enabler of a successful marketing strategy, the case for symbiotic collaboration between marketing and IT is emerging more strongly. This collaboration starts with improved CIO/CMO collaboration. CIOs need to expand their role from a focus on IT costs or process enablement to being a thought leader on using social, mobile, analytics, cloud and big data to drive top-line sales. As a first step, CIOs could conduct an assessment of the CMO’s digital marketing landscape, identify areas for scale economies to reduce nonworking costs and improve speed to market.

The Goal: Reinvent the Consumer’s Brand Experiences
As consumers increasingly embrace a “digital life,” they will continue to seek more convenient, interactive, personalized and value-added experiences from digital channels. It is imperative, therefore, for consumer-facing companies to invest in new digital marketing capabilities, talent and tools to build nimble, fast and efficient marketing organizations to deliver such brand experiences to their customers.

The goal of digital marketing is to create consistently relevant and authentic interactions with consumers, regardless of time and place. The emerging marketing capability model is designed to provide consumers with a seamless experience across marketing channels, through retailers, in-store and online. In our experience, the first challenge is to understand current digital/social activity, investment and metrics across the business. This can be difficult because spending data is often held by third-party agencies, and detail is difficult to achieve. However, conducting this baseline will provide a fact-based view into

### Two Budgets For Marketing Technology

<table>
<thead>
<tr>
<th>Total enterprise spend</th>
<th>Marketing budgets (split between marketing and IT department)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing budget*</td>
<td>Print Direct mail, branding and advertising</td>
</tr>
<tr>
<td>IT budget*</td>
<td>Acquisition drivers Display, e-mail marketing, online ads, search, affiliation</td>
</tr>
<tr>
<td></td>
<td>Digital channels Social media, mobile marketing, Web site design</td>
</tr>
<tr>
<td></td>
<td>Digital platforms CRM, collaboration software, sales force automation</td>
</tr>
<tr>
<td></td>
<td>E-commerce</td>
</tr>
</tbody>
</table>

* Forrester estimates that IT and marketing budgets are approximately 5% of total enterprise spend.
** Forrester estimate

Source: Forrester Research
Figure 9
The biggest challenge is engaging marketers and agencies in the change. This is similar to the level of change experienced when media buying was pulled from agencies and consolidated into buying services. That move provided brand owners with reduced nonworking costs and improved flexibility. The most difficult part of the digital marketing transformation is getting started.

nonworking spend – something that will likely get the CMO’s attention.

The second challenge is to develop the right digital/social target capability architecture and strategy. A wide range of options exists, from building an on-premise platform, to engaging a third-party cloud services provider. Each approach presents pros and cons. Creating a strategy is straightforward; implementing it is not.

Footnotes


7 Shopper marketing provides actionable insights into how target consumers behave as shoppers in different formats and channels all along their path to purchase.


References


About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 162,700 employees as of March 31, 2013, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world.

Visit us online at www.cognizant.com for more information.

Credits

Author and Analyst
Aala Santhosh Reddy, Senior Research Associate, Cognizant Research Center

Subject Matter Expert
Johan Sauer, Assistant Vice-President, Cognizant Business Consulting, Consumer Goods Practice

Design
Harleen Bhatia, Design Team Lead
Suresh Sambandhan, Designer

© Copyright 2013, Cognizant. All rights reserved. No part of this document may be reproduced, stored in a retrieval system, transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the express written permission from Cognizant. The information contained herein is subject to change without notice. All other trademarks mentioned herein are the property of their respective owners.