

Digital Intelligence Briefing

Econsultancy
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Digital
Excellence™

2017 Digital Trends

in association with  **Adobe**

Digital Intelligence Briefing

2017 Digital Trends



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2017



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Foreword by Adobe

The era of experience is here. It's a reality. Every day we work with companies that are transforming themselves around the idea that their value goes way beyond their products and into the total experience their customers have with their brand. The so-called 'experience economy' that's been teased since the 90s has finally been realised and ready or not, we're all a part of it.

This digital trends report shows that this era of experience is definitely here, but it also highlights some key challenges for businesses making the change. For example, the respondents overwhelmingly claim that customer experience is their most exciting opportunity. Many of them are investing in content and design, looking to create those experiences that will feel personal, compelling and memorable.

At the same time, the report shows that investment in analytics is lagging. It seems that many businesses are so excited to get into the experience game that they overextend, neglecting to take care of the basics. But if you want to take design and deliver content-driven experiences, you need a strong foundation of data.

But getting the balance of content and data right often takes an increased focus on refining an organisation's culture to adapt to these changing needs. Adopting a collaborative, cross-team approach where everyone is focused on the same goal of delivering experiences is hard, so it's not surprising to see that many businesses are struggling.

Interestingly, however, the report shows that building this kind of culture is listed both as the hardest and the easiest thing to achieve by different companies, suggesting that it's an area that truly sets the leaders apart.

John Travis
VP EMEA Marketing
Adobe



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Executive summary

Econsultancy's 2017 Digital Trends report, published in association with Adobe, is based on a global survey of more than 14,000 digital marketing and ecommerce professionals across EMEA, North American and Asia Pacific markets.

This is the sixth year we have run this survey as part of the Digital Intelligence Briefing series and we are delighted that we have smashed the record in terms of the number of businesses taking part.

Key insights from the research include:

Customer experience is regarded as the primary way for organisations to differentiate themselves from competitors in 2017, but data capabilities aren't developing fast enough.

- The customer's experience and the content to support it continue to be top priorities for both marketers and their agencies when they think about where opportunity lies.
- Over one fifth (22%) of client-side respondents ranked 'optimising the customer experience' as the single most exciting opportunity for the year ahead, slightly ahead of other areas such as 'creating compelling content for digital experiences' (16%) and 'data-driven marketing' (12%).
- A key part of delivering differentiated customer experiences in the future will involve looking beyond mobile and focusing on the Internet of Things (IoT), augmented reality (AR) and virtual reality (VR), channels which are regarded by survey respondents as exciting prospects over the coming years.

- Despite the continued focus on customer experience, organisations are not building their data and analytics capabilities fast enough.

The vast majority (97%) of survey respondents are planning to increase or maintain the level of their investment in marketing analytics. However, this investment does not match the will, with analytics featuring further down marketers' lists of priorities for 2017. Without prioritising data, marketers will fail to bolster their understanding of customers, hindering their priority to optimise the customer experience.

Design is the not-so-secret strategic weapon and its continued importance is a key theme this year.

- Design is considered the next level on the path to digital transformation, with 86% of survey respondents agreeing that design-driven companies outperform other businesses.
- This design-centric mindset comes as no surprise when accounting for the fact that those surveyed place the highest emphasis on creating customer experiences that are as personalised, relevant and valuable as possible.
- While over four-fifths (82%) of survey respondents believe that creativity is highly valued within their organisations and around three-quarters (77%) are investing in design to differentiate their brand, just over two-fifths (44%) don't think that they have the processes and collaborative workflows to achieve a design advantage.



2017

In fact, 39% of client-side respondents rate having well-designed user journeys that facilitate clear communication and a seamless transaction as difficult to master.

Moving beyond traditional levers of business transformation to create an experience-focused company culture will result in successfully delivering differentiated customer experiences.

- Organisations that have a customer-oriented, agile and collaborative culture are better equipped to handle disruptive forces and even begin to instigate their own forms of disruption, shaking up staid and irrelevant practices to be more in tune with today's marketing realities.
- Interestingly, this year's survey findings highlight that building a culture and cross-team approach with the customer at the heart of all initiatives is ranked as most difficult to achieve by 13% of respondents but easiest to achieve by 12%.

These findings suggest there is a gulf between organisations in terms of their understanding and their ability to master this key enabler for delivering meaningful customer experiences.

Personalisation, plus channels that lend themselves to personalisation, are a driving force behind marketing success.

- The priorities that sit atop marketers' lists are content marketing (29%), social media engagement (28%) and targeting and personalisation (25%).

- Agencies see more possibility and impact from social marketing, with 10% regarding this area as the single most important opportunity for their clients in 2017.

- Marketers in Asia Pacific (APAC) are more likely to prioritise mobile app engagement, with 14% citing this area as a top priority compared with 12% of North American respondents and 9% of European respondents, an unsurprising finding given the prevalence of the mobile internet and the presence of WeChat and other advanced mobile apps in the region.

APAC marketers are also more likely to view social media engagement as a top priority (31% vs. 27% of North American respondents and 28% of European respondents).

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The hard realities of digital transformation

What defines the digitally transformed company?

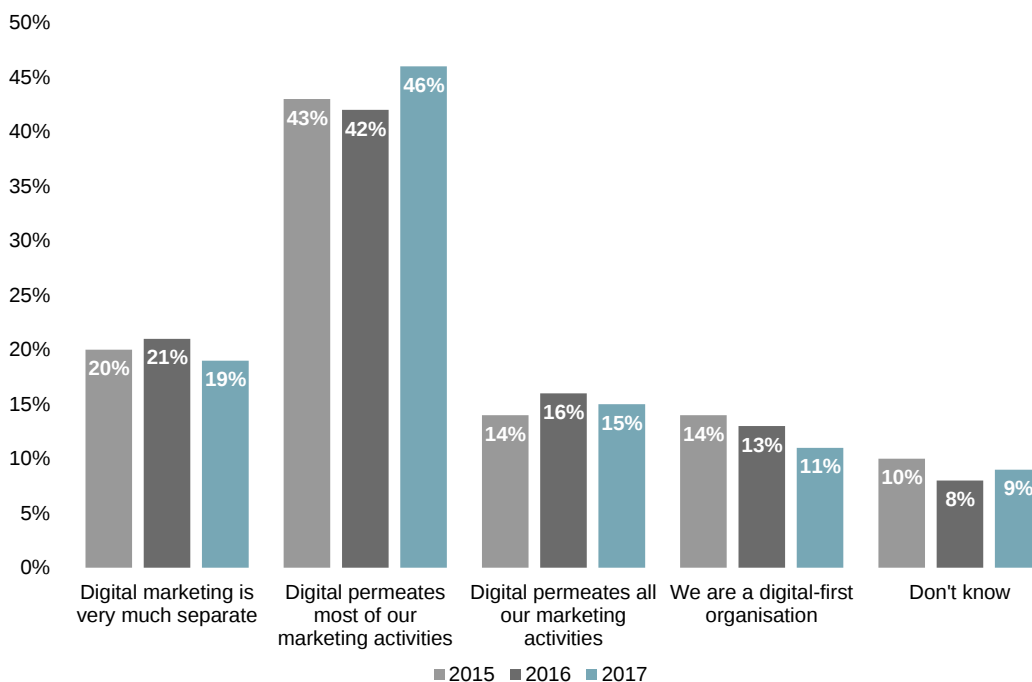
As we'll see, companies have taken a variety of approaches to furthering their digital maturity, and are at every point in the spectrum of progress. Yet, transformation is a simple idea if observed through the lens of what companies are trying to achieve; underneath every strategic plan for change management is the desire to efficiently deliver unique, valuable experiences at scale, regardless of channel.

At the start of 2016 we suggested that the integration of digital might have been at a standstill. In *Figure 1*, it is clear that between 2015 and 2016, there appeared to have been little change to the status quo. A significant minority of survey respondents, hovering just below the half-way mark, stated that digital was integrated across most of their organisations while around one fifth (21%) stated that it remained very much separate.

As we move into 2017, however, subtle but important shifts can be seen which imply that commitment to digital transformation is on the move again.

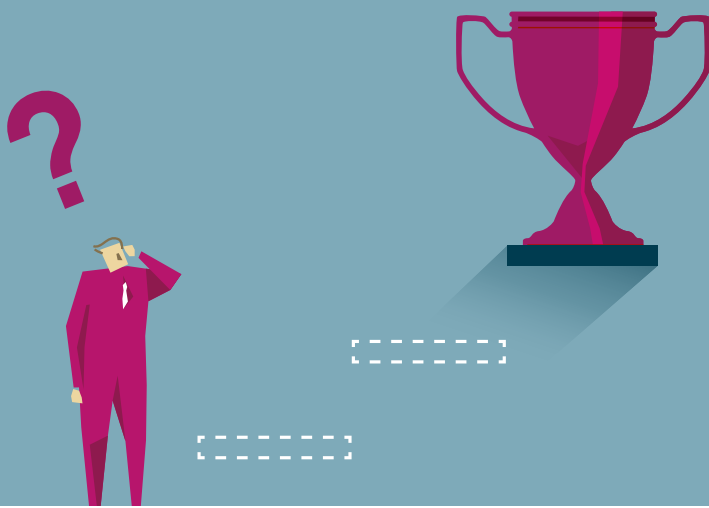
Company respondents

Figure 1: To what extent does digital permeate your own organisation's marketing activities?



Econsultancy / Adobe Digital Intelligence Briefing

Respondents 2017: 5,289
Respondents 2016: 2,638



Firstly, the decline in those stating that they are a 'digital-first' organisation is picking up speed, having dropped three percentage points, from 14% in 2015 to 11% in 2017. As last year saw more organisations delve more deeply into delivering connected and digitally integrated experiences for their customers, many have come to realise the full extent of what being 'digital first' really means.

Defining what this means internally across the organisation has led many to realise that they were further from achieving digital integration than they first thought. Interestingly, the number of organisations describing themselves as 'mobile-first' has more than doubled in the last two years (from 13% in 2014 to 27% in 2016)¹. It may be that organising around mobile is a more tangible and definable goal for some companies than a broader digital focus.

The second important trend shift is in the middle ground where under half (46%) of respondents in 2017 stated that digital permeated most of their activities. This number declined in 2016 and yet now there is an increase of four percentage points.

While agreement with the more polarised statements has dropped ('we are digital-first'; 'our digital marketing is completely separate'), the middle ground has grown. Could it be that there are more companies making an effort to integrate digital and recognising the benefits that this can deliver? Are more companies reassessing their capabilities and recognising the effort required to deliver this across all marketing activities?

The reasons behind middle ground growth are undoubtedly varied, but technological innovation certainly has a role to play in

both the above scenarios. On the one hand, companies that were previously hamstrung by legacy systems are increasingly taking advantage of cloud technologies, Software as a Service (SaaS) and managed services to catch up with more advanced, agile competitors.

On the other hand, rapid advances in technology including innovations in artificial intelligence (AI) and the Internet of Things (IoT) space are making even the most sophisticated companies realise that some digital integrations are still out of reach. This is either as a result of lack of available investment, business prioritisation or further data demands on already stretched systems.

The drivers behind that small, but significant growth in the middle ground can be explained when we look at what companies say is important for their digital marketing over the next few years (*Figure 2*). Do companies become digital-first because they are able to optimise customer journeys across all touchpoints and keep messaging consistent; or do you have to be a digital-first company to be able to optimise customer journeys across all touchpoints and keep messaging consistent?

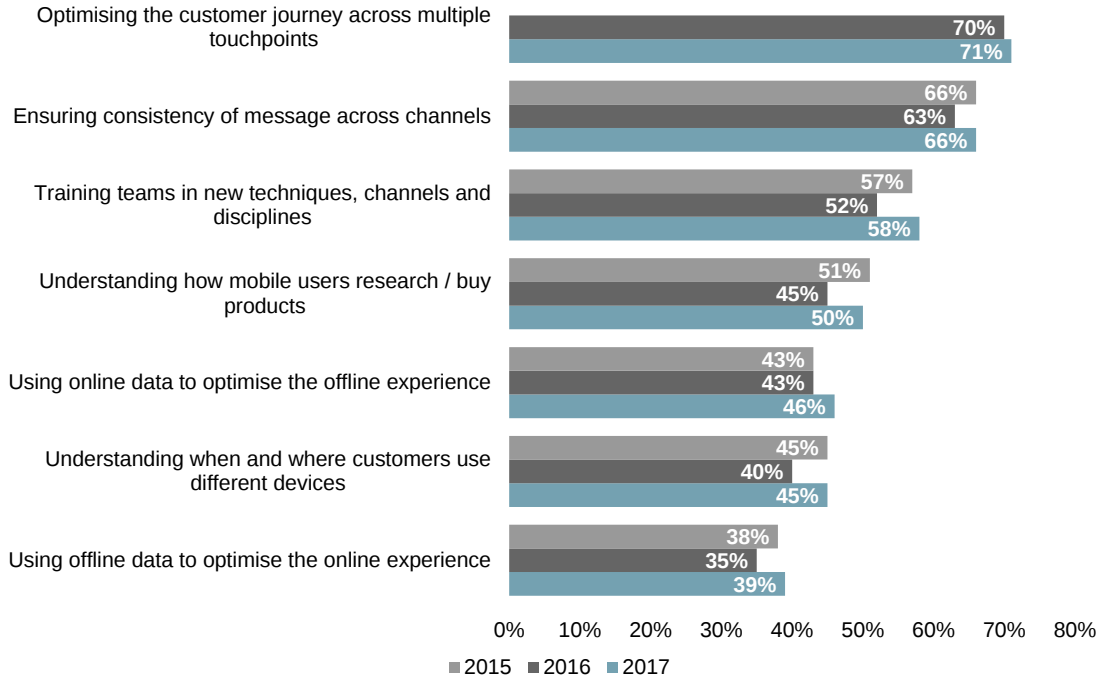
As companies prioritise their digital marketing efforts we continue to see the focus in 2017 on creating a seamless, consistent and valuable experience for their audiences and having the teams in place to help achieve this.

No one approach to digital transformation has emerged across the industry, but it's clear that with organisations focused on optimising the customer experience, finding a path forward remains at the heart of marketing and corporate strategy.

¹ <https://www.econsultancy.com/reports/digital-intelligence-briefing-taking-advantage-of-the-mobile-opportunity>

Company respondents

Figure 2: Proportion of respondents saying these will be 'very important' for their digital marketing over the next few years.



Econsultancy / Adobe Digital Intelligence Briefing

Respondents 2017: 4,054
 Respondents 2016: 2,355 | 2015: 2,192

Understanding device usage and combining online and offline data to better manage customer experiences come lower down executives' list of priorities (45%, 46% and 39% in *Figure 2*, respectively), but they're still vital contributing factors to achieving those top two goals highlighted in *Figure 2*. It's not either/or when it comes to strategy.

At a tactical level, investment decisions are being led by customers' immediate needs. Regional comparisons reveal that understanding how mobile users research and buy products gains more attention from APAC executives than in the rest of the world (56% rate it as 'very important' compared to 48% in Europe and 46% in North America).

In such a mobile-driven environment, it is unsurprising that executives in APAC are also more interested in understanding when and where customers use different devices (50% vs. 42% in North America and 42% in Europe say this is 'very important') and using online and offline data.

Survey findings reveal that the way most companies expect to differentiate themselves from the competition over the next five years is to focus on delivering that optimal customer experience. In *Figure 3* we can see that this goal (29%) is significantly ahead of the next best tactic in terms of how respondents seek to differentiate themselves from competitors, which is product innovation (17%).

Agencies are even more bullish than companies regarding the power of customer experience. Interestingly, they value tactical approaches such as product innovation, improving customer service or tweaking quality less than companies do.

As we will see in *Section 7 (Figure 11 and Figure 13)*, marketers identify strategy as the most difficult, yet also the most necessary of their goals for delivering successful customer experience. But focusing on product/service innovation (17%) or enhancing customer service (17%) is a tactical rather than strategic approach to brand differentiation.

46% of organisations state that digital permeates most of their activities



Tactical approaches are not unimportant. However, approaching customer experience tactically is what leads companies to become stuck in the 'digital is permeating most of our marketing activities' or 'digital is completely separate' categories (Figure 1). The objective of transformation is to differentiate across tactics, as they all play a role in the customer journey. Brands can no more differentiate themselves with one channel than with one message for all audiences. This is the driver of transformation, to reform the marketing organisation so that tactics operate together to provide relevance, personalisation and value.

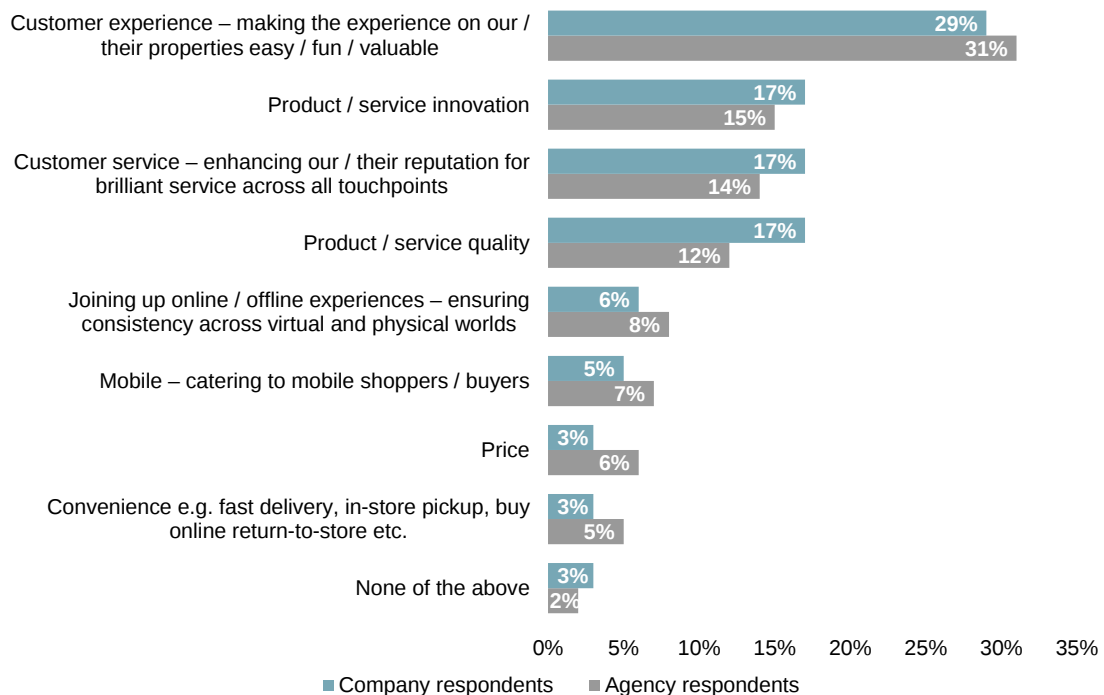
Not long ago, companies could rely on market conditions to protect their position. Dominance in product, distribution or geography kept brands on top for years.

Today, the digital marketplace has eroded those protections by empowering competitors, invigorating startups and most importantly, ceding control to the consumer.

By a large margin, companies of every type look to customer experience as the primary way in which they'll differentiate their brand and their products in the years to come. That means reimagining the organisation because the customer experience touches every department, directly or indirectly.

The goal of digital transformation isn't better social or faster analytics... it's to remake brands to be more adaptable, better at learning and above all, able to tie together the strands of product, sales marketing and service that make up the customer experience.

Figure 3: Over the next five years, what is the primary way your organisation/clients will seek to differentiate itself/themselves from competitors?



Econsultancy / Adobe Digital Intelligence Briefing

Company respondents: 4,533
Agency respondents: 2,149



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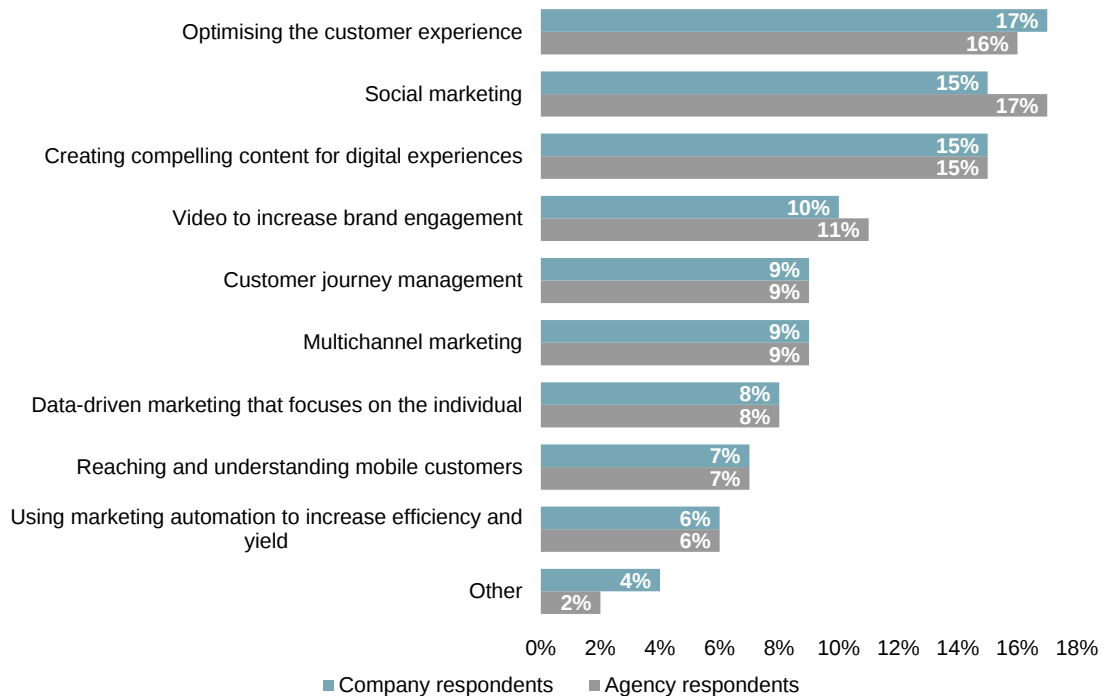
Looking back on 2016

Year on year, our trends reports have all been pointing to a growing need to optimise the customer experience as it is a fundamental pillar of any company's digital transformation. In the *2016 Digital Trends* report, optimising customer experience was identified as the top opportunity for the year ahead by 22% of company respondents. As seen in *Figure 4*, 17% of respondents found that this was indeed the case.

When asked about what they believe would be the single most exciting area of opportunity in 2016, social marketing was selected by just 6% of client-side marketers

and 7% of agency respondents in last year's report. Despite the degree of scrutiny that social marketing received in 2016 (viewability, fake news, metric inaccuracy), nearly three times as many company respondents identified it as actually having been their biggest opportunity (15%, *Figure 4*). Agencies similarly witnessed a stronger focus on social than was anticipated, with 17% of these respondents saying that social turned out to be the biggest opportunity in 2016.

Figure 4: Looking back on the past year, which of these turned out to be the biggest opportunity in 2016?



Econsultancy / Adobe Digital Intelligence Briefing

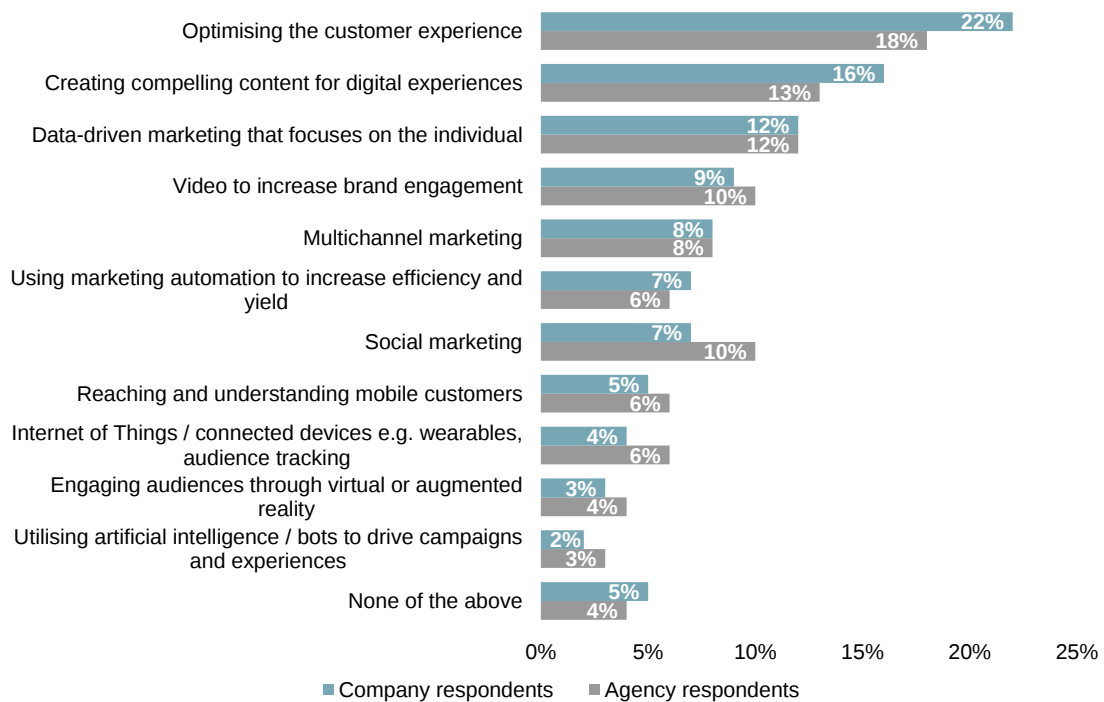
Company respondents: 4,712
Agency respondents: 2,735

Although social platforms were perhaps viewed with greater scepticism in 2016, they also began to demonstrate their customer power. User numbers and dwell times continued to grow and the range of functions customers performed on social platforms also expanded. Companies began to experiment with artificial intelligence (AI), chatbots and in-messenger payments such as WeChatPay in China.

Looking ahead at 2017, companies are shrinking back into more conservative thinking when it comes to social marketing, with 7% of client-side respondents citing it as their biggest opportunity in the coming year (Figure 5). On the other hand, 10% of agencies regard social as the most important opportunity for 2017, three percentage points more than in 2016.

Social marketing was especially important to APAC marketers in 2016, with 19% citing it as their biggest opportunity. In South-East Asia alone, around a third of ecommerce transactions are estimated to take place on social media platforms², so Facebook's reach in the region and its attempts to increase advertising on Instagram and monetise Messenger and WhatsApp only highlight the size of the opportunity. Tencent's messaging service WeChat is also rapidly catching up on China's ecommerce giant, Alibaba, in the area of mobile payments.

Figure 5: Which one area is the single most important opportunity for your organisation (or your clients) in 2017?



Econsultancy / Adobe Digital Intelligence Briefing

Company respondents: 4,974
Agency respondents: 2,880

² <http://www.bain.com/publications/articles/can-se-asia-live-up-to-its-ecommerce-potential.aspx>



As with the general research cohort, the APAC region is far more restrained about what it thinks will be the greatest opportunity in 2017 compared to what actually proved to be a success the year before. Still more enthusiastic than North American or European marketers, only 9% of APAC executives believe that social marketing will provide their biggest successes in the coming year. Again, the more general and strategic goal of optimising customer experience gets top billing for the regions.

Looking at respondents' attitudes to mobile customers, scores appear to be quite low. It may be that the importance of mobile is already taken for granted and is therefore not highlighted as an opportunity.

With the much less well-understood IoT and connected devices, these appear to be on a par, with agencies more enthusiastic albeit marginally so (*Figure 5*). In the short term these are unlikely to form a significant part of the focus for marketers.

It is understandable that few executives are willing to put their weight behind IoT and AI as these areas are still bleeding-edge concepts for the majority of marketers.

Investment in IoT is likely to outweigh initial results, certainly in the short term over 2017, and it will almost definitely require some more innovative companies with their early adopter customers to lead the way and provide proof of concept.

Not all surprises have been pleasant ones. In 2016 16% of respondents expected data-driven marketing that focuses on the individual to be the biggest opportunity yet only 8% of these respondents indicated that this turned out to be the case. If we are constantly being told that data and personalisation are the way forward, why are

we still not seeing results?

The simple answer is that organisations still struggle hugely with data. Bringing together online and offline data is still a goal, but it continues to be a challenge. With systems integration still failing and yet more data streams coming online, further complicating things, it can be hard to keep the faith.

The realisation that data-driven marketing is a bigger mountain to climb than may have previously been thought could well explain this dip in enthusiasm. The perceived opportunity for the year ahead has fallen from 16% in 2016 to 12% in 2017 (*Figure 5*).

Why is there such a gulf between the top three responses and the rest of the options in *Figure 4* and *Figure 5*? Quite simply, the results are in line with the major priorities for businesses in the throes of digital transformation.

As highlighted in *Section 7*, it is a significant step forward that at least two of those priorities – customer experience and data – are largely strategic. The elements in *Figure 4* and *Figure 5* receiving the least attention from survey respondents aren't unimportant, but they tend to be tactical and channel-focused.

What these results don't explain is why marketers are so reluctant to change course. While using marketing automation to increase efficiency and yield has leapfrogged multichannel marketing to swap places with video, the charts illustrating future opportunities in 2016 and 2017 remain largely unchanged. A lot of it comes down to the need for companies and agencies to invest in making these opportunities a reality. As we will see in *Section 5*, results around budget priorities prove revelatory.

5

Priorities and budget plans for 2017

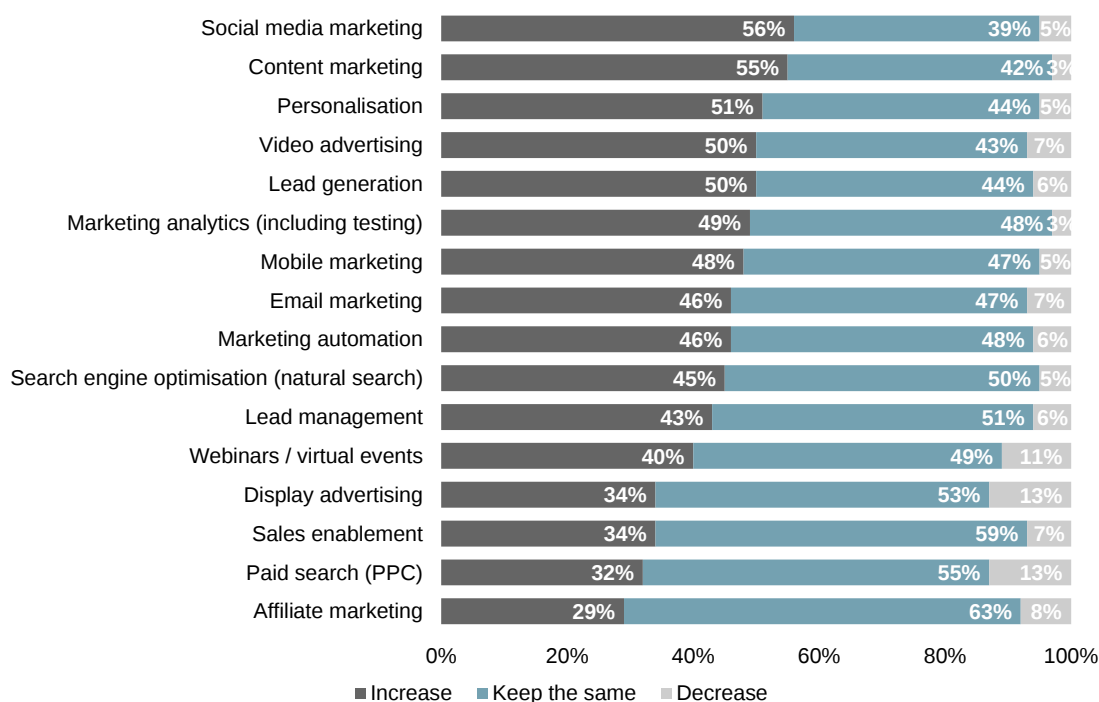
Social media is top of the investment agenda

More than half (56%) of client-side respondents indicated that they are going to increase their social media marketing investment in 2017. Only 5% of respondents say that they will decrease investment (Figure 6).

This increased investment may well be driven by emerging platforms as well as new marketing solutions offered by existing social platforms. Almost one quarter of internet users (23%) are now on Snapchat, a huge jump from 12% in 2014. Meanwhile, Instagram has also experienced a surge in popularity, with global usage jumping to 42% in late 2016, up from 24% in 2015³. Marketers can expect social media platforms to continue offering new formats for advertising in 2017.

Company respondents

Figure 6: What best describes your company's budget plans for the following digital marketing channels or disciplines in 2017?

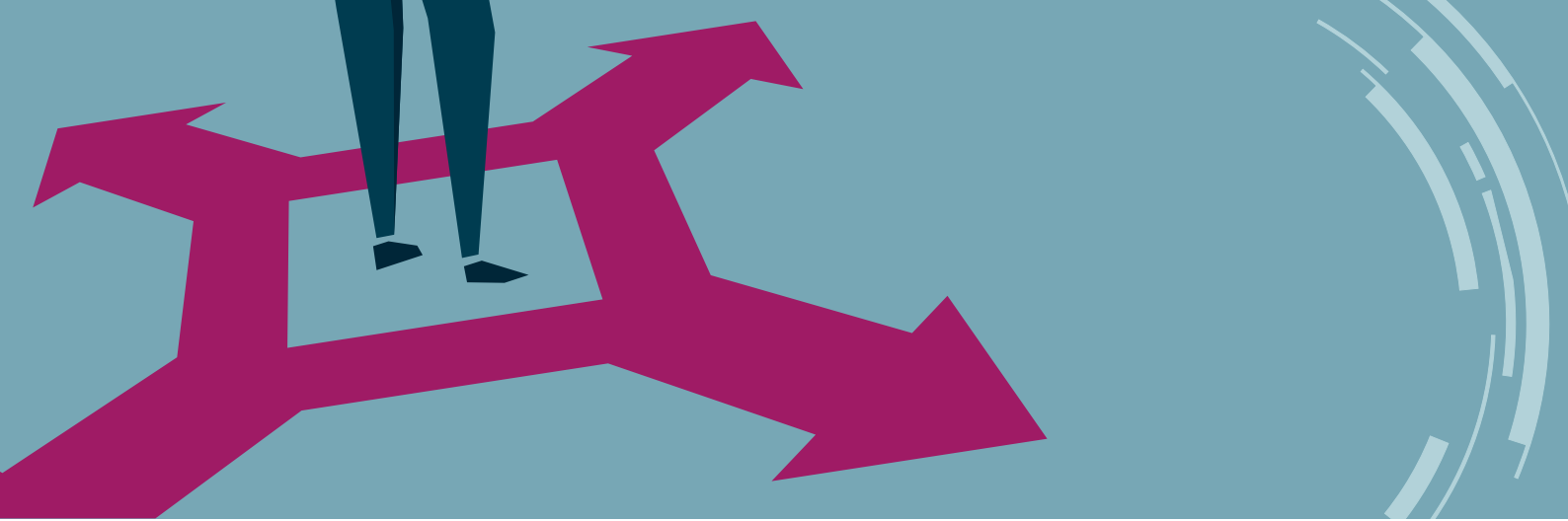


Econsultancy / Adobe Digital Intelligence Briefing

Respondents: 3,437

³ <https://www.marketingweek.com/2016/09/28/almost-half-of-british-consumers-choose-to-ignore-brands-on-social-media/>





Shifting demographics and internet usage patterns are also driving this increased focus on social media. Generation Y consumers, who are accounting for a growing share of the core market, rely more on the opinions of their peers, so are significantly more active on social media platforms than other cohorts of consumers. In the US alone, consumers aged 18-29 are more than twice as likely to use Instagram as those over 50.⁴

Personalisation: the value of putting the customer front and centre

Social media platforms as well as email marketing, programmatic ad buying and dynamic website content can provide marketers with an opportunity to deliver personalised and real-time marketing. Personalisation is also regarded as one of the top three priorities for a quarter of client-side marketers in 2017 (Figure 7).

It's encouraging to see that over half (51%) of respondents plan to increase spend on personalisation. Only 5% say that they will decrease investment in personalisation. The value of using personalisation, such as an improved ability to connect customers with the most relevant offer or content for them, which leads to increased engagement and loyalty, is widely recognised. There is also increasing evidence that the opportunity of delivering effective personalisation at scale cannot be ignored: separate Econsultancy research⁵ revealed that the vast majority (96%) of organisations rate personalisation as a 'highly' or 'quite' valuable method for improving conversion rates.

Has email remained the unsung hero?

One tactic that stays stable is email marketing. Despite receiving a lot of attention recently due to its renaissance via mobile, email is expected to see increased investment from less than half of client-side responding marketers (46%, Figure 6).

Email marketing remains firmly in the centre of the budget table despite the fact that studies reveal that it has a better capacity to deliver higher ROI than other tactics. For example, in Econsultancy's 2016 *Email Marketing Census*⁶, email surfaced as the most effective digital marketing tactic, ahead of SEO and PPC.

In practice, however, the same report identified that organisations were spending around 15% of their marketing budget on this channel, even though they could attribute 23% of total sales to it. Clearly, marketers could take more advantage of email, from driving revenue to using it as a customer experience lever to maintain lasting relationships with consumers beyond the point of sale.

⁴ <http://www.pewinternet.org/2016/11/11/social-media-update-2016/>

⁵ <https://econsultancy.com/reports/conversion-rate-optimization-report/>

⁶ <https://econsultancy.com/reports/email-census/>

Marketing analytics are vital but respondents still struggle with data

Investment in marketing analytics will be raised by nearly half (49%) of respondents and kept the same by 48% in 2017 (Figure 6). It is understandable that marketers should wish to bolster their ability to understand the customer. It does, after all, underpin every tactic and strategy they seek to use. If optimising CX is a strategic priority, then it follows that marketers will need access to marketing analytics across the entire customer journey to identify potential friction points.

And yet, when it comes to marketers' priorities, the investment doesn't appear to match the will. As seen in Figure 7, 'social media analytics' and 'joining up online and offline data' are identified as top priorities by barely one in ten respondents respectively. 'Customer scoring and predictive marketing' achieve even less attention, with 8% of client-side respondents rating it as a top priority.

This might suggest that we are witnessing some 'head in the sand' behaviour from marketers. While they aim to optimise the customer experience, they are not building their data capabilities fast enough to facilitate this. Separate research by Econsultancy⁷ indicated that marketers find manipulating and using outputs from customer data difficult. Even 59% of respondents who would consider their ability to understand the customer journey as advanced or intermediate stated that they had difficulty unifying different data sources.

If marketers are focusing on high-level priorities such as content marketing and social media engagement (Figure 7) without a corresponding emphasis on analysing data to surface valuable insights, this might suggest that marketers are more focused on acquisition than retention of customers. This defies most received marketing wisdom that it is more effective and cost-efficient to focus on retention rather than customer acquisition.

Company respondents

Figure 7: Which three digital-related areas are the top priorities for your organisation in 2017?



Econsultancy / Adobe Digital Intelligence Briefing

Respondents 2017: 5,278
Respondents 2016: 3,167

⁷ <https://econsultancy.com/reports/the-new-marketing-reality/>



Organisations aren't developing data capabilities fast enough to facilitate CX optimisation

Customer experience is in charge

Figure 8 demonstrates a significant departure from the 2016 Digital Trends report. Data-driven marketing didn't just top the priority ranking table then, it dominated it. It was the priority for 90% of marketers for 2016, with 53% indicating that it was their top strategic priority.

Fast forward to 2017 and the results couldn't be more different. Customer experience is now a top priority for 63% of respondents, with 40% ranking it as their first choice.

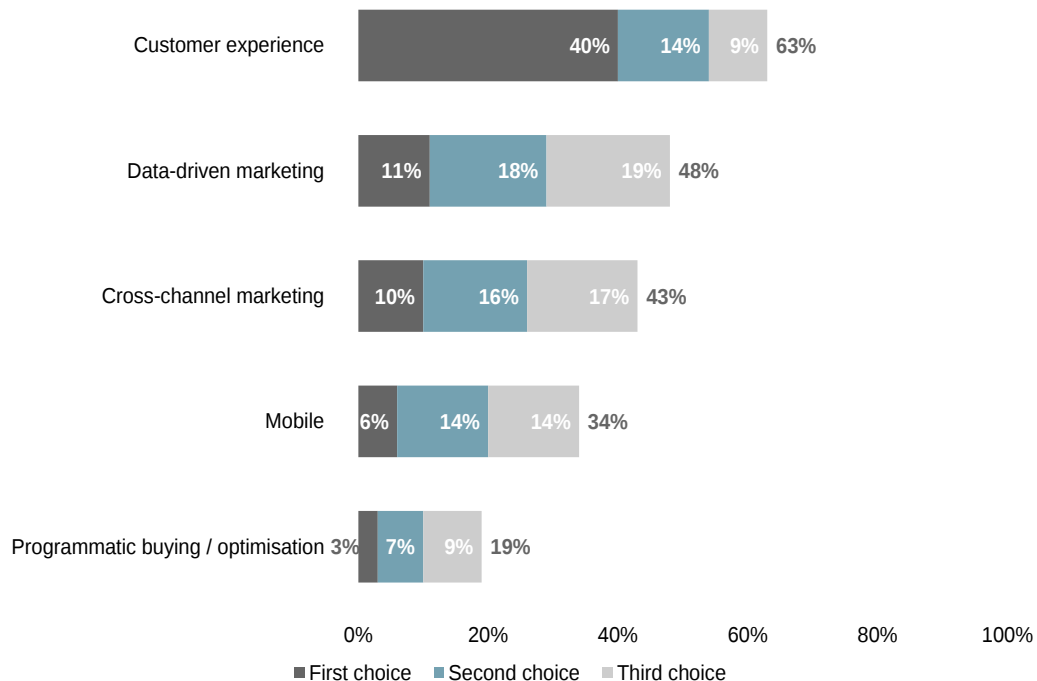
Data-driven marketing, on the other hand, has sunk significantly. Less than half (48%) of respondents are prioritising it with only 11% saying it is their top strategic priority for 2017, roughly matching cross-channel marketing (10%).

It helps perhaps to view both of these disciplines as customer experience 1.0. This year's results might suggest that some investments in data-driven marketing have already been made and, therefore, there is less focus on this area.

While Figure 3 in Section 3 showed the functional elements of creating customer experience falling mid-table in the list of priorities, 'softer' measures such as product design and creativity moved to the top. With brand building and creativity once again beginning to occupy marketers' minds, we could be beginning to see a sea-change in how customers are assessing their brand choices.

Company respondents

Figure 8: Please rank these five areas in order of priority for your organisation in 2017.



6

Keeping up with customer expectations

Many areas of emphasis should be regarded as a 'given' in 2017

It is a challenge to keep up with customer expectations, driven in many cases by industry disruptors (from Uber to AO.com) which often set new standards in terms of user experience and delivery. It could therefore be argued that factors such as value, personalisation, relevance and simplicity are increasingly regarded by consumers as hygiene factors.

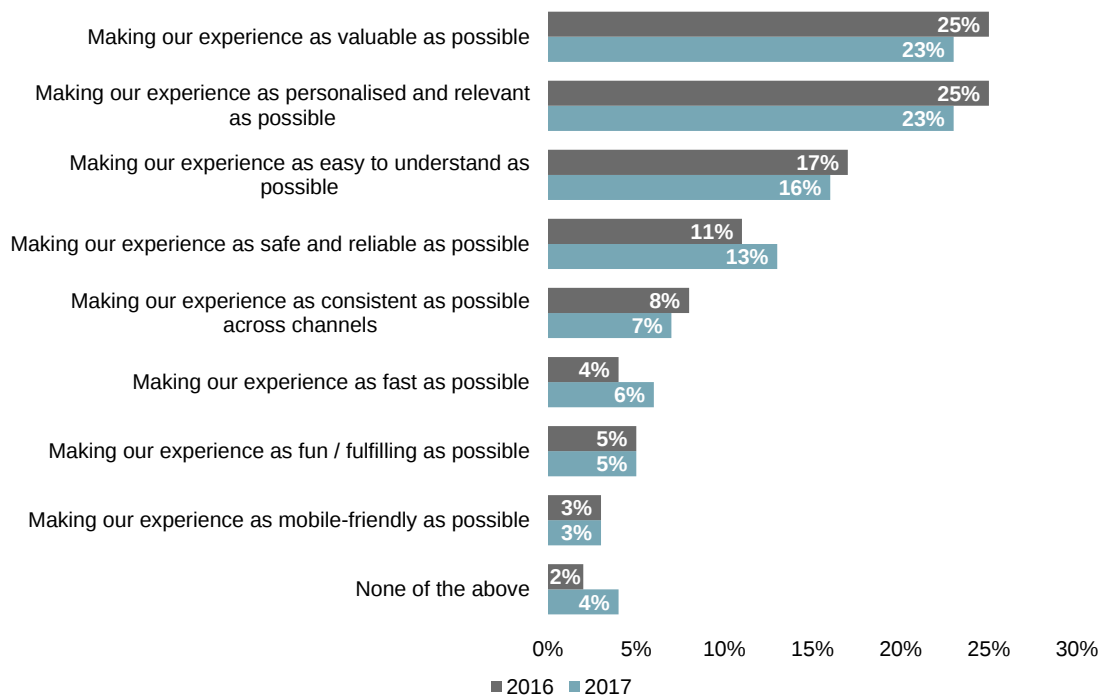
Successful firms will change mindsets and processes to deliver on customer expectations. Some struggle to think outside

of limited terms – focusing on individual elements of the journey and forgetting about the overall system for delivering value. It's therefore positive that 23% of companies agree that they are placing highest emphasis on creating 'valuable' experiences.

Other elements are in themselves linked to driving perceptions of value. Consumers want to be treated like individuals (23% of companies place emphasis on personalisation). Increasingly, this means personalisation across channels – which may explain why 7% of respondents state that they are placing emphasis purely on 'consistency across channels'.

Company respondents

Figure 9: Where does your organisation place the highest emphasis in terms of improving the customer experience?



Econsultancy / Adobe Digital Intelligence Briefing

Respondents 2017: 4,494
Respondents 2016: 2,179



Safety and reliability... not an option

According to *Figure 9*, only 13% of marketers are placing the highest emphasis on safety and reliability. While some consumers might accept the odd delayed home delivery from a retailer, they would be less forgiving on this point – which can range from ensuring effective data security measures are in place to maintaining minimum product and service quality standards.

Technology company Yahoo is a case in point, with reports of a data breach in 2016 undermining its reputation and market value. Last year several telecom companies also had to reveal to customers that their personal data was at risk. That so few marketers place safety as a priority in this survey smacks of complacency. It has so far happened ‘to other people’.

It is true that consumers want as little friction as possible when it comes to customer experiences. But focusing too tightly on this can also risk data security issues. On a more practical level, data-driven marketing strategies also rely on consumers willingly sharing their personal information, which would be the first casualty of these types of safety failures.

Importance of collaboration in growing the value of data

With companies focusing on personalisation and value (*Figure 9*), it is not surprising that most want to improve their data capabilities. *Figure 10* would support this, revealing that just 96% of executives believe that improving their data analysis capabilities is fundamental to delivering a great customer experience.

But there is more to delivering a great customer experience than data analysis. The utility of this data isn’t necessarily found in isolation. If departments are unable to collaborate, share their knowledge and insights and build customer experience strategies that traverse multiple channels, a focus on data will reach a dead end sooner rather than later.

The message that collaboration is the way forward seems to be getting through. More than half (53%) of client-side respondents consider internal collaboration between teams and creative workflows that spread content across multiple platforms to be ‘very important’ to delivering optimal customer experiences.

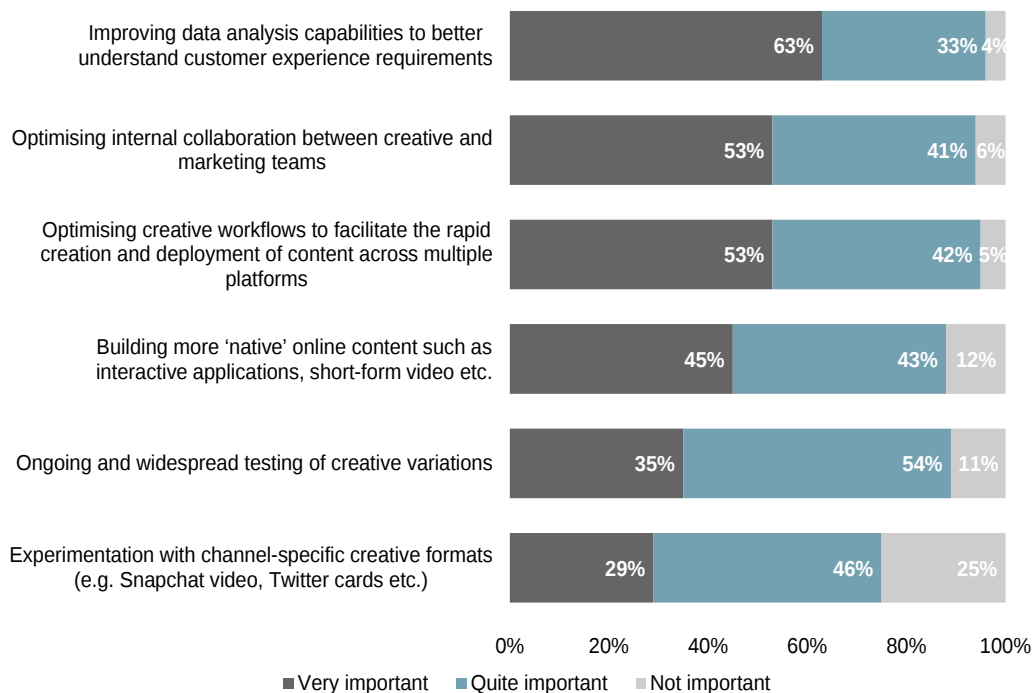


23% of companies place highest emphasis on creating 'valuable' customer experiences



Company respondents

Figure 10: How important do you think the following internal factors will be in delivering a great customer experience over the coming year?



Econsultancy / Adobe Digital Intelligence Briefing

Respondents: 3,812

According to Econsultancy's *CX Challenge* report⁸, respondents working at organisations that are advanced at customer experience are more than twice as likely to say that responsibility for CX is shared across the whole organisation, rather than the responsibility of a particular department.

For most marketers, however committed they are to organisational integration and collaboration, there is still much work to do. The same research found that only 8% of marketers view their organisations as 'very advanced' in terms of customer experience maturity, i.e. 'their strategy and technology are well aligned around CX to successful effect'.

Enthusiasm for testing and channel experimentation

Client-side respondents express less enthusiasm for testing and channel experimentation (35% and 29% cite these elements as 'very important', respectively). Companies with a strong commitment to the customer tend to have frequent optimisation programmes and still 89% of respondents in *Figure 10* state that testing is important to some degree. Equally, experimentation is important in today's fast-paced environment. Not all platforms and technologies will be relevant, but with consumers moving around so quickly, keeping a finger on the pulse is vital.

⁸ <https://econsultancy.com/reports/quarterly-digital-intelligence-briefing-the-cx-challenge/>

7

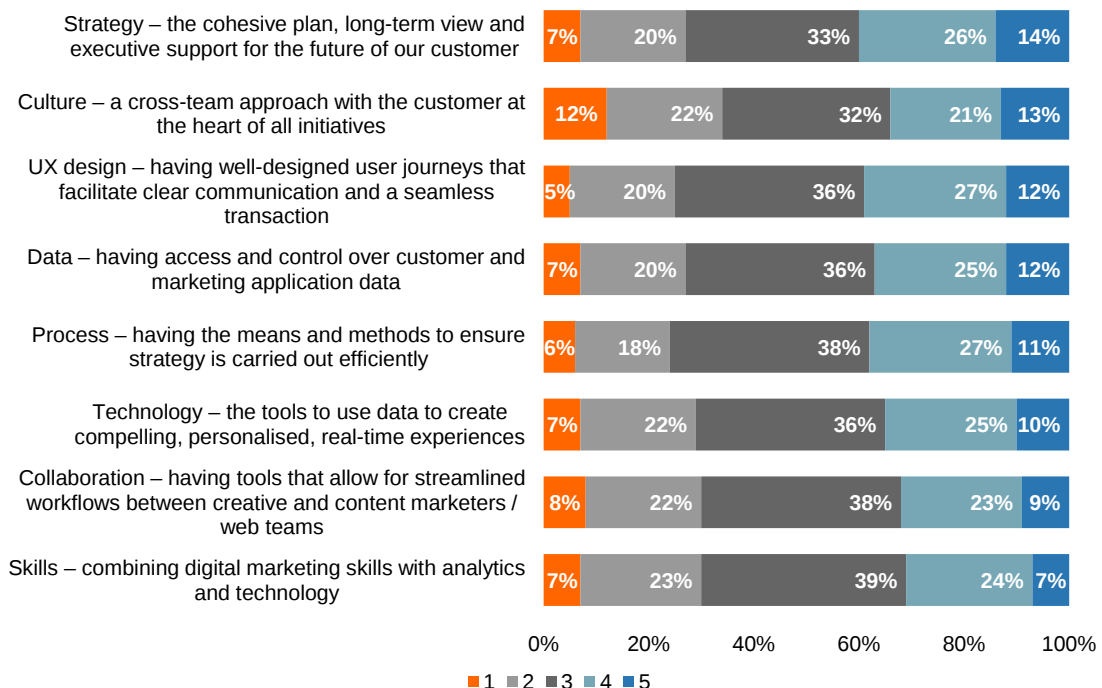
Building a digital culture

Digital transformation is not the action of a single individual or department. Many marketers are aware that they are not fully equipped to achieve the task of digital transformation alone. In *Figure 10, Section 6*, we saw that an overwhelming 94% of marketers view increasing collaboration between teams as crucial for delivering a great customer experience, second only to improving data analysis.

As a result, driving digital transformation, which is intrinsically linked to creating a great customer experience, requires the orchestration of numerous moving parts. It is rare to find an organisation that is thoroughly adept at mastering all of the necessary elements of customer experience and for most, as *Figure 11* shows, every single one is still a work in progress.

Company respondents

Figure 11: Please rank the difficulty in mastering the following elements of customer experience from 1 to 5, where 5 is the 'most difficult'.



Econsultancy / Adobe Digital Intelligence Briefing

Respondents: 2,056

Strategy

Strategy is perhaps considered the most difficult element to master because it is largely the sum of all the other parts outlined in *Figure 12* and two in five (40%) marketers recognise their difficulties in developing a cohesive plan for the future. It takes strong leadership to align all processes around a central strategy, particularly if the organisation is operating at different speeds and requires sometimes painful readjustment by some departments to catch up.

Culture

Responding to the demands of a customer-focused organisation requires cultural adaptation on many levels. *Figure 11* shows an almost exact split between those organisations who judge the process very easy (12%) and those that find it incredibly difficult (13%). This year also showed a marked improvement from last year where 3% judged the process very easy, compared to 38% who found it incredibly difficult.

Compared to 2016 there has been a significant improvement in the approach to a culture focused on customer experience. The proportion of those finding it difficult overall has dropped from 46% to 34% (*Figure 12*). The philosophical groundwork in transforming cultures has been established. For many organisations, it is now a case of execution.

UX

The reality of managing a customer journey is coming to the fore. This was underlined by the fact that 39% of companies are finding mapping and understanding the customer journey more challenging than ever (compared to 36% in 2016, *Figure 12*). Again, the data underpinning those journeys needs to be clearly tied together to allow for a consistent experience across channels.

The focus on mapping 'micro-moments' across the customer journey will increase the challenge – identifying when consumers might want to make a quick purchase versus a need to find inspiration, for example. Data flows from the likes of the Internet of Things will provide more signals to do this but will create difficulties for companies already struggling with the data 'tsunami'.

Data

Respondents report improvements in gaining access and control over data this year (a nine percentage point decline in difficulty in 2017, *Figure 12*). It does not necessarily mean that data capabilities have improved. This still remains bound up with the need for skilled personnel and capable technology, which is why companies that can make gains in these areas will also be well placed to move forward faster.

Process

So much of the process behind delivering customer experience depends on collaboration that can only be fostered in a positive, customer-focused culture. Improvements in culture and collaboration undoubtedly explain a similar, if slightly smaller, improvement in process (38% in 2017 compared to 42% in 2016, *Figure 12*).

Technology

With the potential to be a burdensome upfront cost that can delay its integration, technology is increasingly recognised as a powerful enabler in organisations. In marketing automation, for example, if marketers can overcome roadblocks presented by data, there are many efficiencies and customer experience gains to be made.

Many of the barriers to adopting technology have already been removed. Companies are able to access a range of solutions through cloud or Software as a Service, often on a 'pay for what you use' basis. This isn't just providing a cost advantage, many of these bolt-on or access-as-required services leave legacy systems intact, removing the need for costly reorganisation.

This isn't to say that the problems associated with onboarding technology have disappeared. Over one third (35%) of respondents still find it difficult to some extent. But with companies able to access technology and more consumers expecting the responsiveness it delivers, there are fewer valid reasons not to get on board.

Collaboration

Improving in line with culture, it is clear that the need to break down departmental barriers is now more widely understood. One of the biggest trends of 2016 related to the demands marketers placed on software vendors to provide collaborative technology. Dashboards have to be accessible to more than just the IT department if companies are to remain agile.

Collaboration is fundamental to having a cohesive customer experience. It is also vital in underpinning the success of UX design as understanding the impact of one channel experience on another is important in creating a seamless customer journey.

Skills

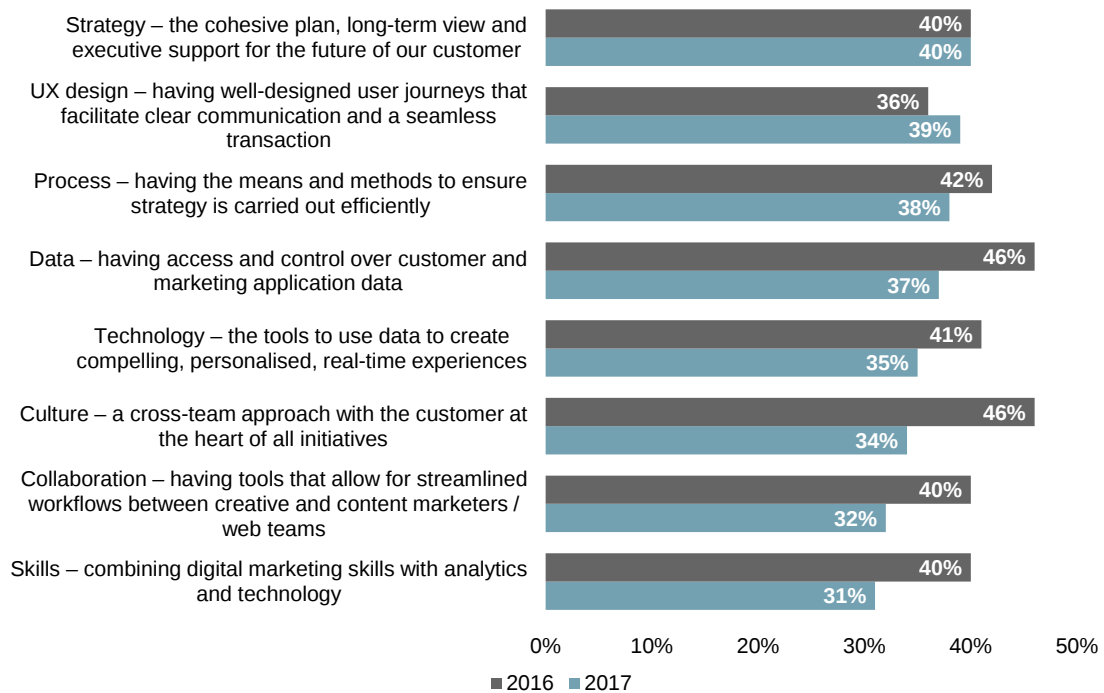
This area is seen as least difficult by client-side marketers, with less than one in ten (7%) admitting to finding the right mix of personnel 'very difficult' to master (Figure 11). Skills shortages are often identified as the single biggest reason companies fail to make the most of their data. It is more than likely, judging by the difficulty rating

decline in skills (40% in 2016 compared to 31% in 2017, Figure 12), that companies are beginning to focus more on addressing that skills gap but the sheer volume of data means that there is still a challenge in developing these capabilities fast enough in line with the pace of change.

Companies are still being challenged by changing skills requirements. While vendors are adapting systems to make them more user-friendly across organisations, the need, particularly at senior level, to have oversight of a range of very different disciplines is creating a new breed of CMO. Several companies are bringing together these new skill sets under titles such as Chief Customer Officer. Heineken led the change in 2015 as it abolished its Chief Strategy Officer role and merged the CMO and Chief Sales Officer roles under the single umbrella of Chief Commercial Officer.

Company respondents

Figure 12: Proportion of respondents rating these elements of the customer experience as difficult to master.



The understanding that a culture focused on customer experience drives strategy forward came to the fore in 2016 and it leapfrogged UX design to become the second most important driver of success below strategy itself (Figure 14).

Agency respondents feel that customer journey design should retain second place, but client-side marketers have clearly believe that they are unable to push any agenda forward successfully if the company culture is not fully behind it.

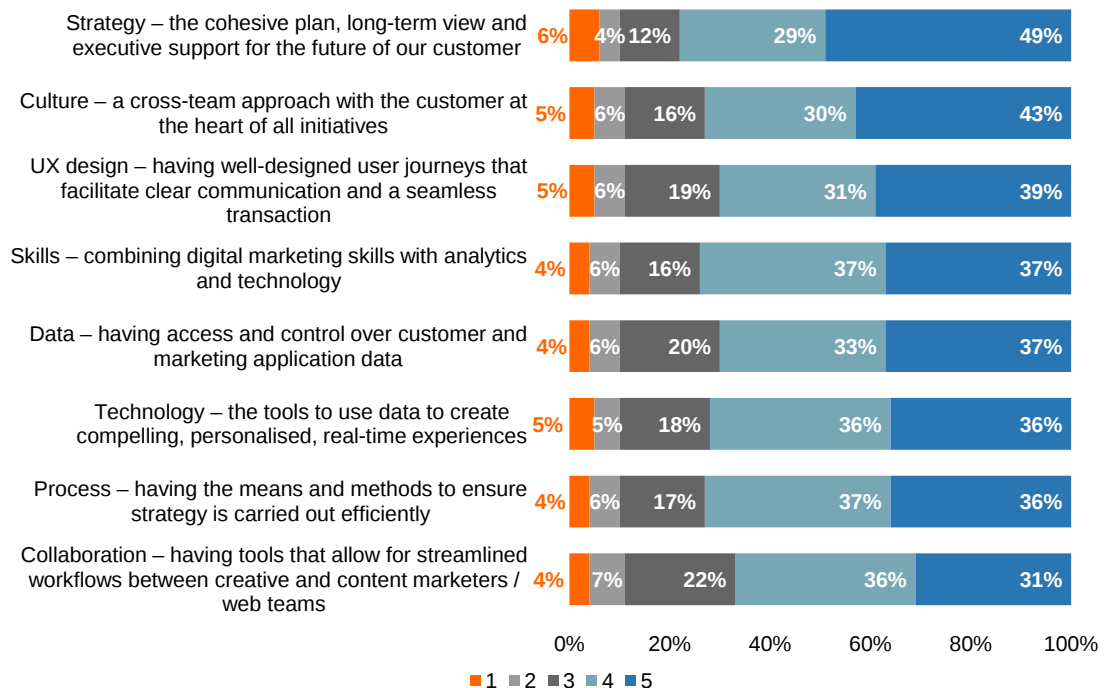
Skills are, overall, deemed more important to success than design, highlighting that companies are clearly seeing a return on their investment in those hard-to-fill data and technology roles. Certainly, much of the challenge behind accurately mapping the customer journey has been down to a lack of skills and so it would appear that companies are trying not to put the cart before the horse in this regard.

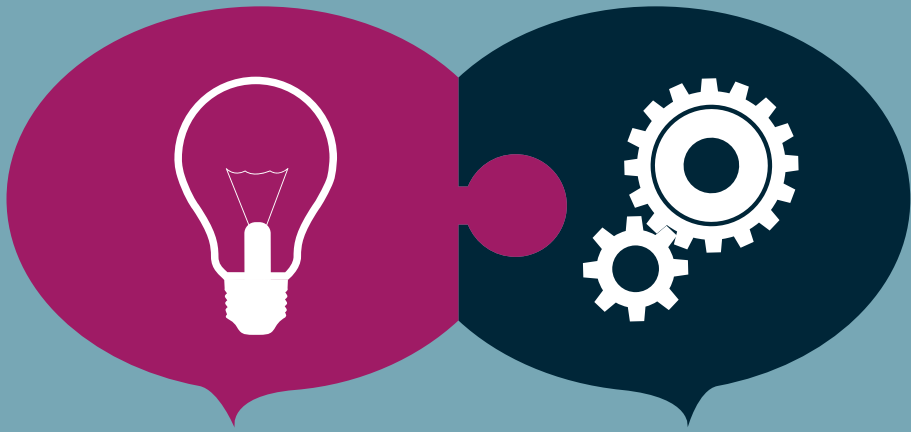
Agency respondents see a greater importance in process above data and technology, but it is perhaps their awareness of new solutions and innovations that can explain this difference with client-side marketers. Finding the right solution to fit the problem is less of a challenge to sector experts. Helping their clients to implement it, particularly in view of past skills challenges, remains a more useful goal. It should also be recognised that the successful implementation of a process also reflects positively back on the agency's input.

It would appear that, by and large, each element's contribution to customer experience success has remained the same year-on-year, suggesting that companies and agencies have hit on the right mix to deliver their current strategies.

Company respondents

Figure 13: Please rank the importance of these elements of the customer experience from 1 to 5, where 5 is 'most important to success'.



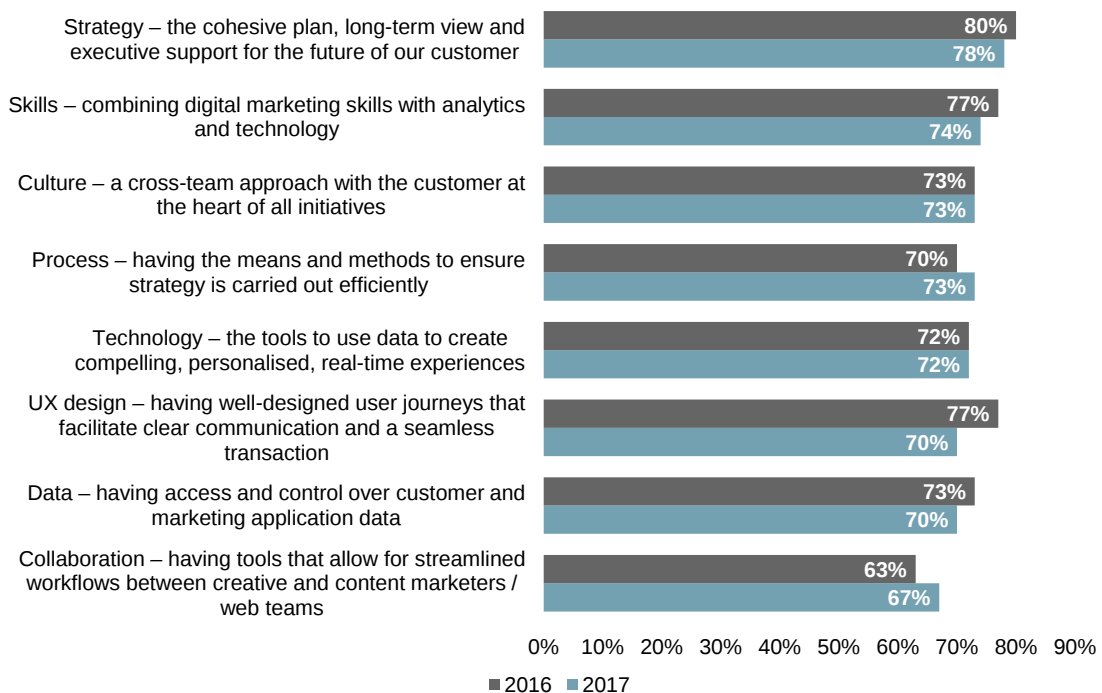


Collaboration in terms of tools that allow streamlined workflows has increased its influence slightly, from 63% in 2016 to 67% of respondents deeming it important to success in 2017 (Figure 14). This is arguably because vendors have recognised the need to provide solutions that can be used across newly integrated organisations and the results of these improved, sharable interfaces are now being felt. Process, enabled by streamlined collaboration, similarly rose.

A change can be noted in terms of UX design, where client-side marketers deemed its importance in delivering customer experience success lower in 2017 than in 2016 (70% in 2017 compared to 77% in 2016, Figure 14). This figure still represents a majority of marketers, however, and as we will explore in the next section, marketers will find themselves having to focus on unifying design around customer needs sooner rather than later.

Company respondents

Figure 14: Proportion of respondents rating these elements of the customer experience as important to success.



8

Design-driven transformation

On being a design-led organisation

One of the most well-known innovators of all time was Thomas Edison. Edison is popularly known for the invention of the light bulb. In actual fact, there were other inventors who developed various types of light bulbs at around the same time. Edison's genius, however, was that he recognised that the device itself didn't offer much value without a system of electricity around it to make it truly useful. And so to deliver electricity he was able to conceive of, and invent, an entire industry of power generation and supply.

Tim Brown, Founder of IDEO, wrote in Harvard Business Review: *"Edison's genius lay in his ability to conceive of a*

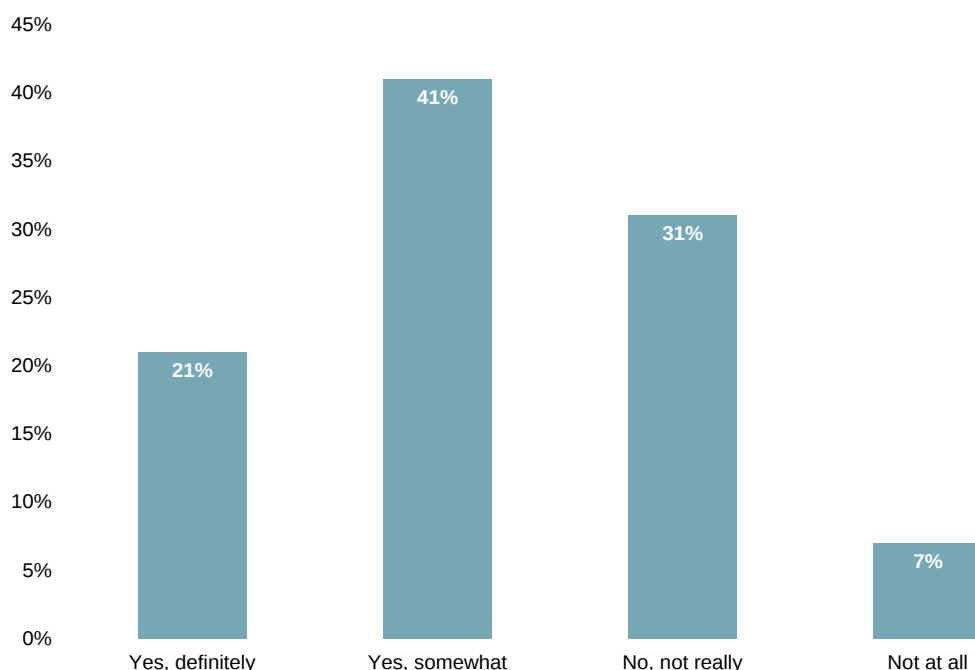
fully developed marketplace, not simply a discrete device. He was able to envision how people would want to use what he made, and he engineered toward that insight."

This method of innovation is what is now commonly referred to as 'design thinking'. Being design-led means far more than designing aesthetically pleasing products. In fact, being design-led means having an eye on the overall customer experience and ensuring it is consistently served across all touchpoints.

Design impacts every part of a customer's experience and so should also impact how companies go about delivering that experience, not just what they do to deliver it.

Company respondents

Figure 15: Would you describe your company as a design-driven organisation?



Econsultancy / Adobe Digital Intelligence Briefing

Respondents: 6,508



In that sense, it goes hand in hand with customer experience in that it focuses on understanding what customers want and designing not just products, but also the supporting experiences around those products such as how they are marketed, packaged, sold and supported.⁹

Around a third (31%) of client-side respondents are less than lukewarm towards being design-driven (*Figure 15*) and 39% say they do not have a consistent approach to design across the whole business (*Figure 16*). As focusing on customer experience and being design-led are tightly wrapped up with the process of digital transformation, this figure may imply that some companies are wrestling with other challenges.

Processes and workflows to achieve a design advantage

When respondents were asked to agree or disagree with the statement 'We have the processes and collaborative workflows we need to achieve a design advantage', we can see that 44% disagree (*Figure 16*). This might go some way to uncovering the reasons as to why some companies are not design-driven despite a clear commercial rationale.

There is a clear incentive to push strongly towards embedding design-led thinking. In fact, over four-fifths (86%) of respondents believe that design-driven companies do indeed outperform other businesses (*Figure 16*).

The value of creativity

With an emphasis on a convenient and seamless experience, design's greatest triumph may be working out how to get out of the customer's way. Being able to solve consumers' problems creatively without over-designing the process is a subtle skill and may explain why creative thinking is so valued by respondents (82%, *Figure 16*).

The growing automation of customer interfaces also creates huge creative challenges. Brands need to understand how to unify an experience that involves both human and machine-led interactions. As the number of machine-based / AI-powered touchpoints increases to serve different needs, the success in maintaining

consistency across touchpoints and also delighting customers will be down to a brand's creative ability.

Still, anything that can't be digitised or automated will become extremely valuable; namely, creativity, imagination, intuition, ethics and emotional intelligence. And so while humans may be analogue beings, companies that want to enjoy competitive advantage in the future will need to rely heavily on creativity.

As technology continues to change exponentially, we might reasonably expect to see the value of creative input increase in the future.

In the *2015 Digital Trends* report it was noted that design budgets had a tendency to remain static. However, this year, 77% of respondents state that they plan to invest in design, with 30% of them agreeing strongly that this is the case. This suggests a firm endorsement that design will be the killer app in delivering valuable and differentiated customer experiences from 2017 onwards. After all, the journey from innovation to commodity is so swift that organisations must be relentless and agile in order to continue to differentiate themselves in a meaningful way from their competitors.

Inconsistency of approaches to design across digital and physical worlds

There is still some way to go before companies can claim to be truly design-led. Support for the execution of design-based strategies appears lower than the philosophical acceptance of the need for it. Nearly a quarter (24%) of respondents 'strongly' agree that their customer experience design is consistent across digital and physical worlds (*Figure 16*).

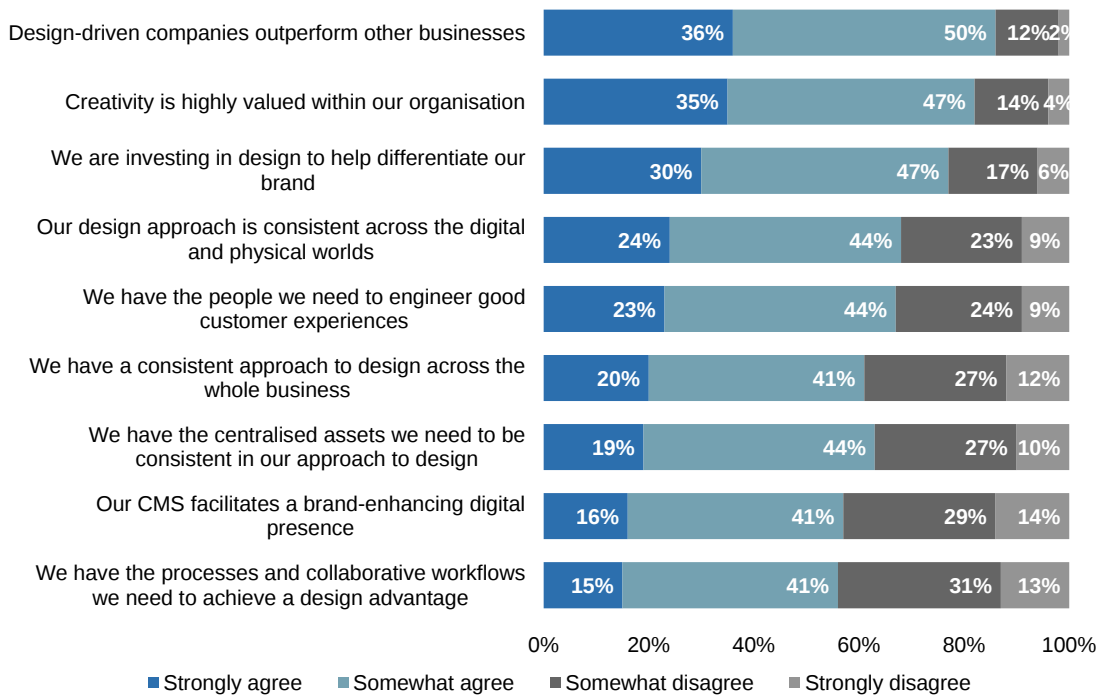
In *Section 5*, we saw that only 9% of respondents indicated that joining up online and offline data will be a strategic priority in 2017 (*Figure 7*). Marketers may wish to reconsider the low priority they assign to joining online and offline data, particularly since only 20% of respondents would 'strongly' agree that they have a consistent approach to design across all channels (*Figure 16*).

⁹ <https://hbr.org/2008/06/design-thinking>



Company respondents

Figure 16: Please indicate whether you agree or disagree with the following statements.



Econsultancy / Adobe Digital Intelligence Briefing

Respondents: 6,508

Design-led brands can triumph among stiff competition but only with a consistent approach. Disjointed experiences can disappoint customers, leaving them with a worse opinion of the brand than if it hadn't attempted to build an experience-focused proposition in the first place. In fact, a cursory analysis of customer reviews on review engines indicates that many of those customers who leave bad reviews only do so after they have received an unsatisfactory response to their issue when they approached companies directly.

Often, the reason for their poor review is in fact due to the poor customer service they received as opposed to the overall

experience. This highlights the importance of a consistent approach across all touchpoints. As the number of channels, devices and interactions continues to increase, the demands on organisations to design responses to these challenges will also continue to increase.

And so, while marketers acknowledge the importance of design in maintaining a competitive advantage and are planning to invest further in this area, the priority for organisations in 2017 should be to approach design consistently across their entire business and work to improve processes and workflows which stifle progress.



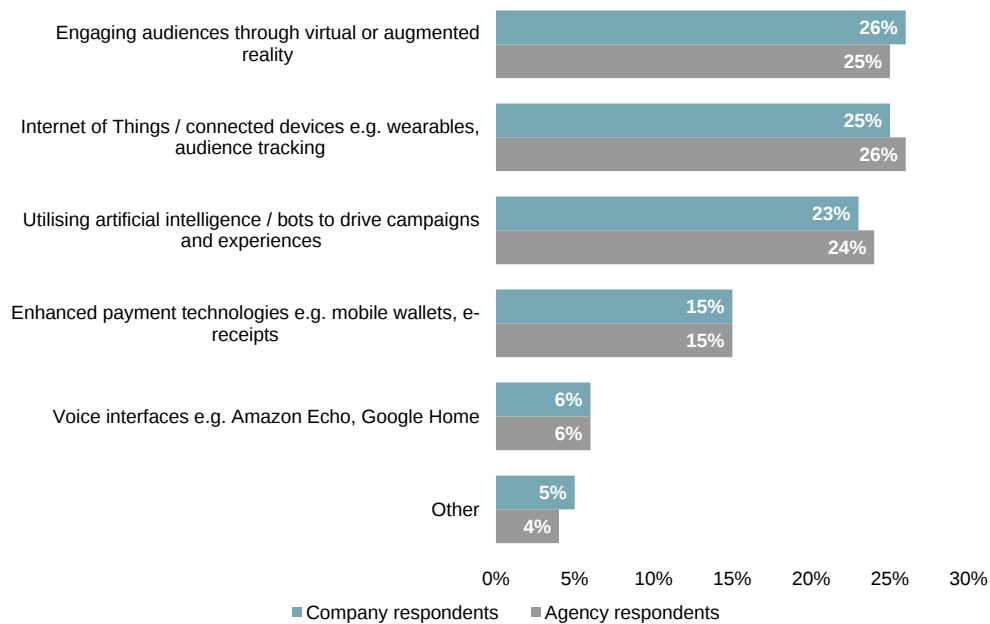
9

Looking forward to the future

In this final section we will take a look at what marketers are excited about in the medium-term future. *Figure 17* charts some of the most anticipated digital trends for marketers. While these areas are unlikely to play a significant role in a marketer's job this year, they are regarded as exciting prospects in the years ahead.

There is more or less an even split among the top three areas, with 26% of client-side marketers feeling excited about the prospect of engaging audiences through virtual or augmented reality, 25% excited about connected devices and the Internet of Things (IoT) and 23% anticipating the utilisation of artificial intelligence and bots to drive campaigns and experiences (*Figure 17*).

Figure 17: Looking ahead, which of these do you regard as the most exciting prospect for 2020?



Econsultancy / Adobe Digital Intelligence Briefing

Company respondents: 5,358
Agency respondents: 2,700

We have already seen the potential of augmented reality this year through examples such as Pokemon Go and Snapchat. While it is not mainstream now, AR has many great applications and, in the years to come, if it continues to be part of social media's visual vernacular, we could witness a boost to 'mixed reality'.



A lot of investment and hype revolves around virtual reality so it's perhaps not surprising that this area has received attention. As it stands, VR technology and apps are still fragmented, the hardware requirements are burdensome and the use cases are mostly too niche for it to take hold right now. Industries are only beginning to find out what's possible but at the same time, virtual technologies offer considerable potential for the future, creating immersive customer experiences and breaking down barriers between the physical and digital world, particularly in areas such as health, education and travel.

However, more marketers will be aiming to keep on top of how AI can improve services and it is poised to revolutionise marketing and create more meaningful customer experiences in the long term. Digital experts within the marketing function will be expected to take the lead on how AI is adopted by their businesses.

The applications of AI in marketing sit most obviously in the digital marketing disciplines: AI for content curation (e.g. smart recommendations), AI for customer service (particularly digital/social service), AI for content generation (e.g. email copy or video content), AI for sentiment analysis (e.g. social listening), AI for CRM (e.g. smarter loyalty or sales insights), AI for intelligent digital advertising optimisation, AI to power chatbots (e.g. for assistance in finding products or content).

While IoT is not regarded as a major opportunity for 2017 as we saw in *Figure 5, Section 4*, it seems that marketers are more hopeful about it over the next three years. There are some fantastic examples of IoT services, particularly in B2B. According to the survey findings, 28% of B2B marketers are excited about IoT, a higher percentage

compared with 22% of B2C respondents, 18% of retail marketers and 17% of marketers in the financial services sector, for example. As more products and things become connected, an interesting customer-product relationship marketing opportunity will emerge.

The survey results show that marketers are feeling less excited about voice interfaces, with just 6% of respondents indicating their enthusiasm. Conversational UI is an exciting area of development, perhaps even representing a 'paradigm shift', as Econsultancy's founder Ashley Friedlein suggests¹⁰:

"Conversational UIs can help remove friction in a process. Before long we will expect to say 'Find me three of the best tents that sleep up to five people for under £300', get a good answer, and then purchase, all by voice. Interfaces will have API access to marketplaces like eBay, Google Shopping, Amazon etc.

"From a brand point of view, this conversational paradigm is also compelling. Perhaps we can have conversations like we used to with businesses and recapture some of the intimacy that technology to date has caused us to lose? Can conversational interfaces re-humanise technology?"

"The big question for marketers and brands is whether you choose to play directly in this space, by creating your own chatbot, for example, or whether you figure out how best to integrate in the ecosystem of much larger players e.g. building a 'skill' for Amazon's Alexa platform."

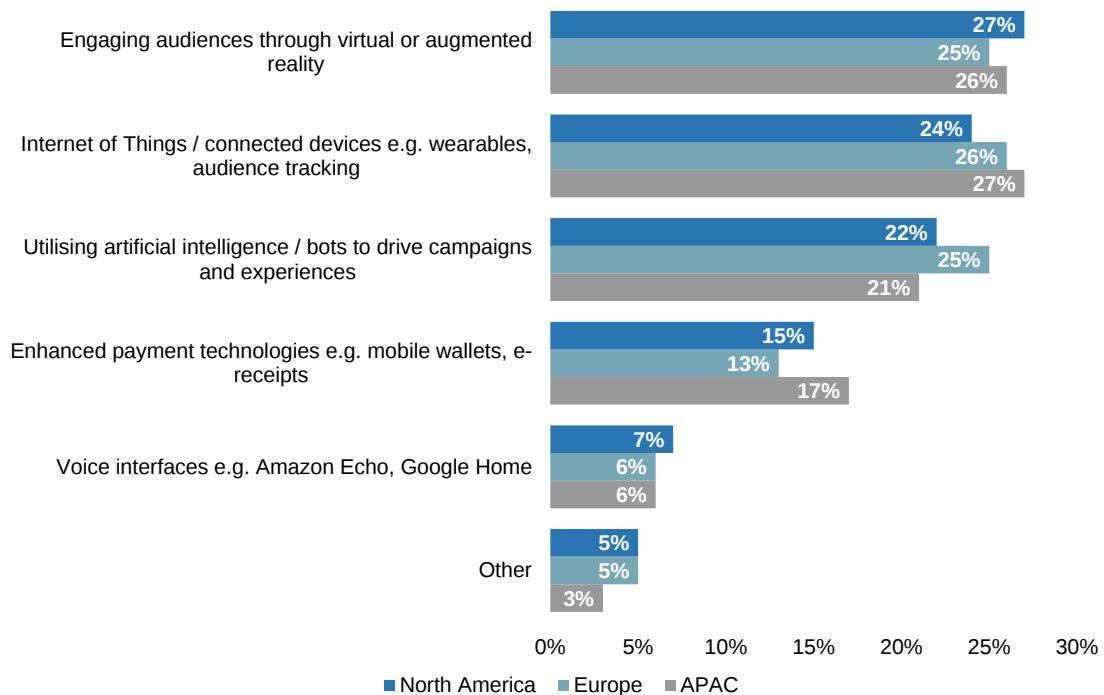
¹⁰ <https://econsultancy.com/blog/68706-ashley-friedlein-s-marketing-and-digital-trends-for-2017/>



Around a quarter of marketers regard VR / AR, IoT and AI as exciting prospects in the years ahead

Company respondents - regional comparison

Figure 18: Looking ahead, which of these do you regard as the most exciting prospect for 2020?



Econsultancy / Adobe Digital Intelligence Briefing

Respondents: 5,358

By looking at regional differences within the research findings, we can see that European marketers are slightly more excited about AI/ bots than their counterparts in Asia Pacific and North America (Figure 18). In addition, APAC marketers are slightly more excited about payment technologies, a finding not too astonishing given the growth and popularity of digital payments in the region, particularly on mobile.

Delving further into our analysis of sector comparisons, some differences are also revealed. A third of respondents working in the financial services sector are excited about using artificial intelligence over the coming years, compared with 24% of retail marketers. The potential of AI for payments, customer enquiry handling, fraud detection

and upselling means that this is an area that is high on the financial services agenda. With regard to virtual and augmented reality, retail marketers are generally feeling more excited about the potential of these technologies to transform and enhance customers' in-store and out-of-store shopping experiences, with 28% indicating their enthusiasm.

In conclusion, the more or less even split illustrated in the charts above indicate a future that is ripe with change, particularly in the marketing technology space. Organisations that learn to grasp these things to deliver differentiated experiences in the long-term future, and even sooner, will be the brands that will win and thrive among the competition.

10

Fit for the future: three key areas marketers should focus on

1. CX – content, design and data

There's no denying that content, design and data are key building blocks when it comes to providing a great customer experience. Marketers need to be not only aware of that, but they also need to put the right efforts into each of these areas, combining them in order to create the most relevant experiences for their customers. Forward-thinking organisations understand that the customer experience mandate permeates everything else and are tearing down silos between these three elements, creating a unified front.

2. Organisational culture

The importance of culture in driving this transformation should not be underestimated. In order to enable great customer journeys, organisations need to foster a culture that is uniformly concerned with the customer. This doesn't fall under the remit of the marketing and technology departments only, but should seep through the entire organisation, unifying all functions around a common vision. A sharp focus on internal change is needed to enable a great CX from an end to another.

3. Mobile personalisation, AI and VR

Personalisation is still very important. However, moving more and more personalisation towards mobile and investing in new technologies such as AI and VR will be increasingly critical moving forward. Organisations need to capitalise on the mobile opportunities that already exist and invest strategically in emerging technologies such as AI and VR to future-proof. Mobile experiences is where the present is. Intelligent, conversational and immersive experiences everywhere powered by AI and VR is where the future lies.



11

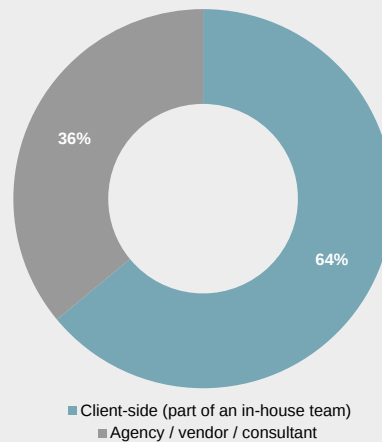
Appendix: respondent profiles

This Digital Intelligence Briefing is based on an online survey of marketing, digital and ecommerce professionals, carried out in November and December 2016.

A total of 14,163 respondents took part in the survey, including 64% *marketing professionals from the client-side* and 36% from the *supply-side* (including agency marketers, consultants and those working for technology vendors or other service providers).

The following charts provide further details on the profile of survey respondents.

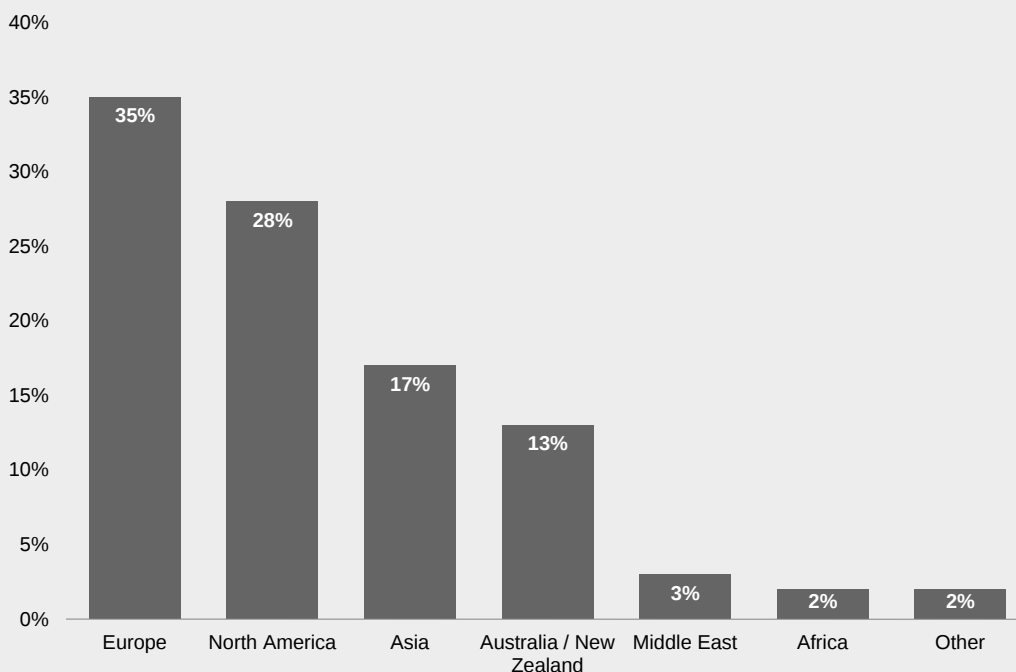
Figure 19: Which of the following best describes your company or role?



Econsultancy / Adobe
Quarterly Digital
Intelligence Briefing

Respondents: 14,163

Figure 20: In which region are you based?

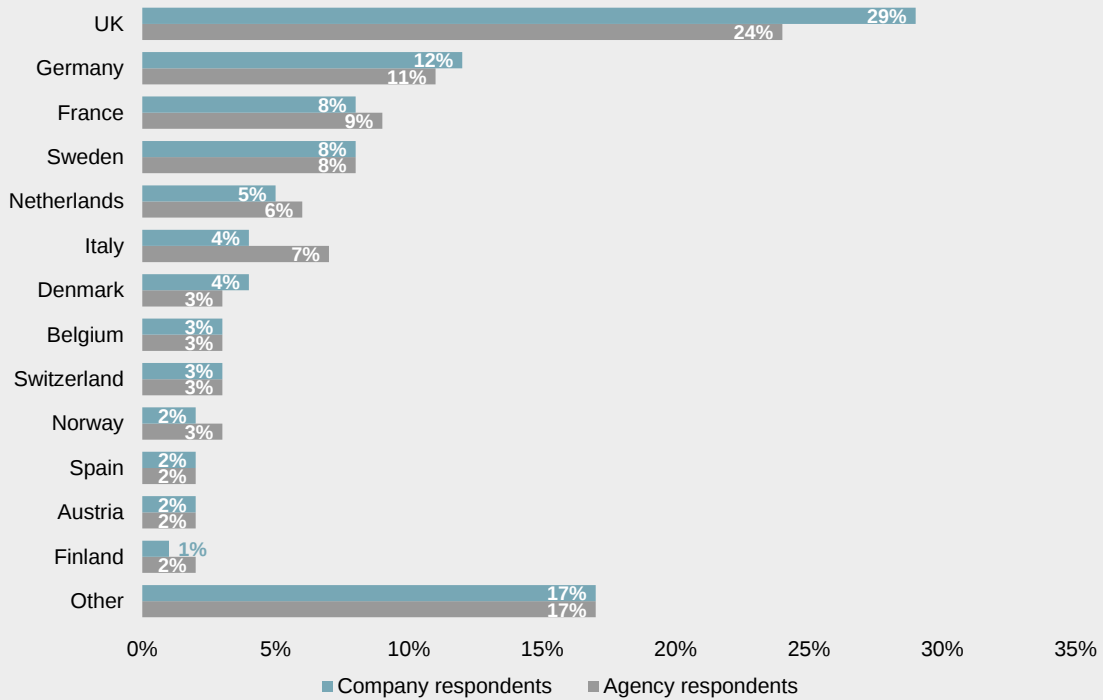


Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Respondents: 14,163

Respondents based in Europe

Figure 21: In which of the following countries are you based?

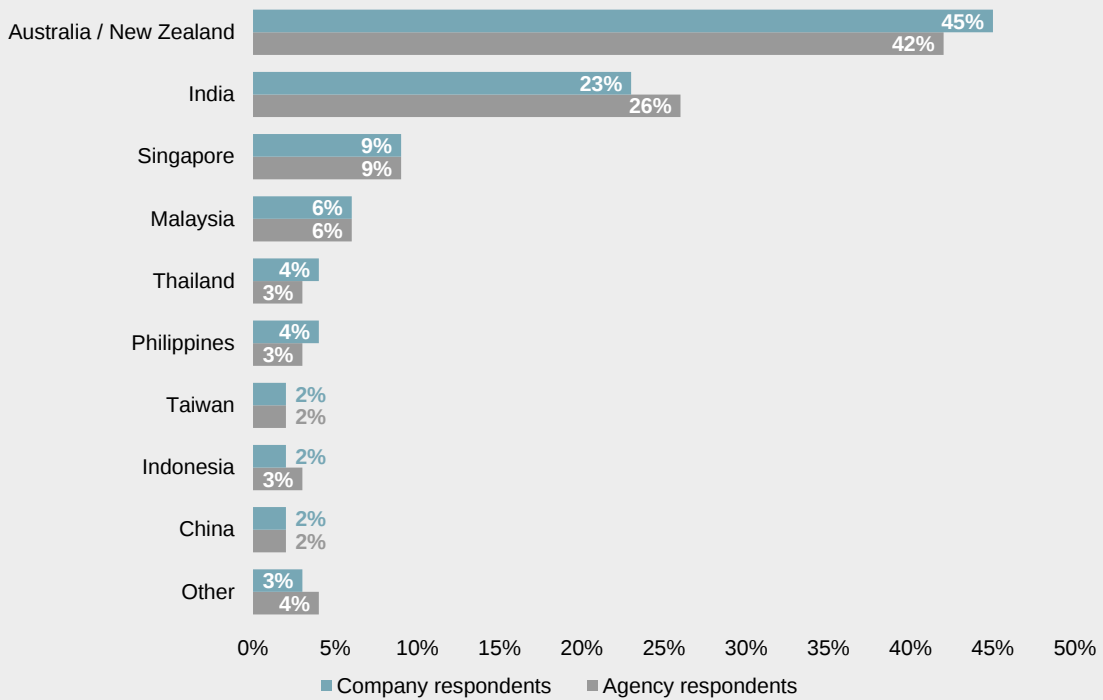


Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Company respondents: 2,543
Agency respondents: 1,982

Respondents based in Asia Pacific

Figure 22: In which of the following countries are you based?

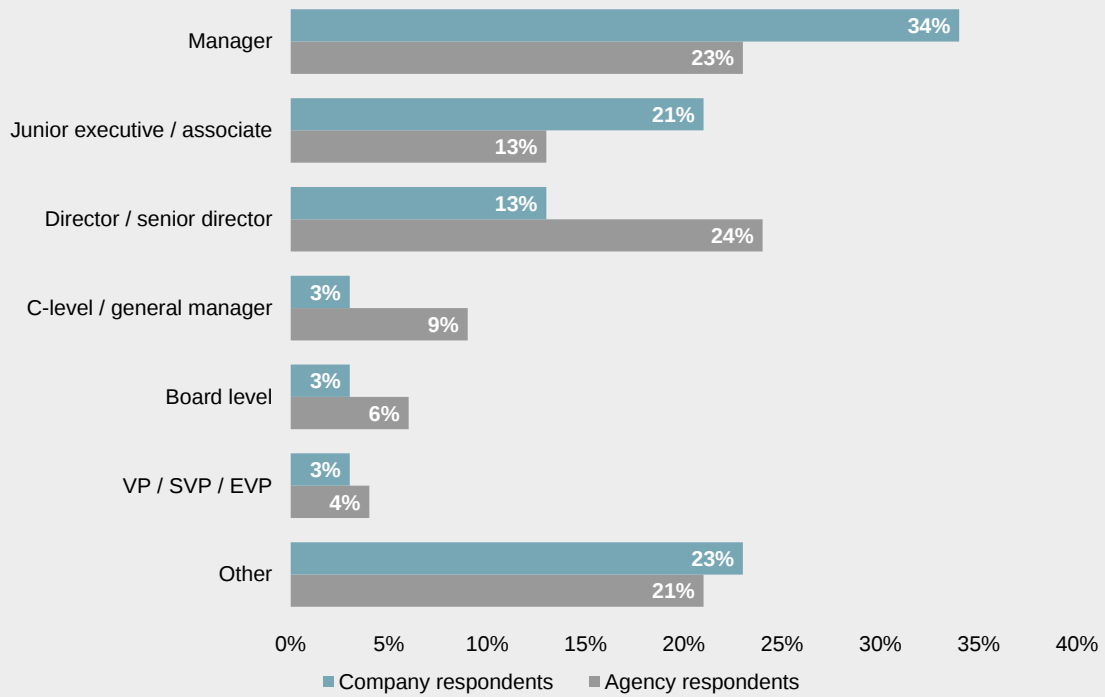


Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Company respondents: 2,506
Agency respondents: 1,601



Figure 23: What best describes your job role?

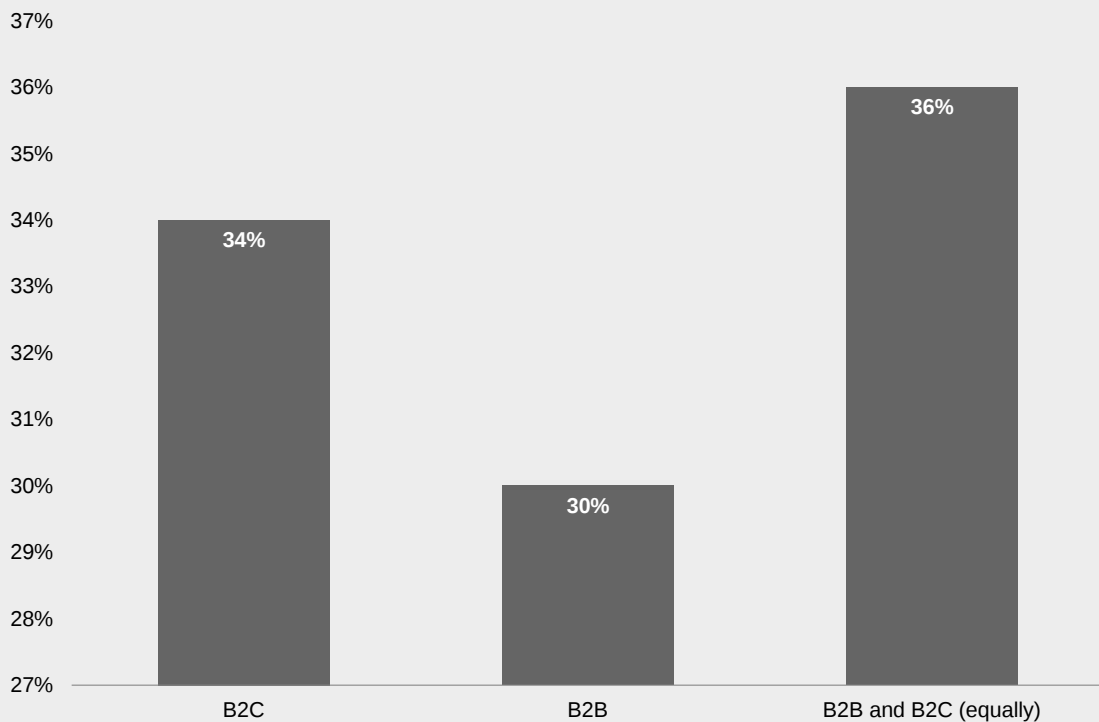


Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Company respondents: 8,225
Agency respondents: 4,876

Company respondents

Figure 24: Are you more focused on B2B or B2C marketing?

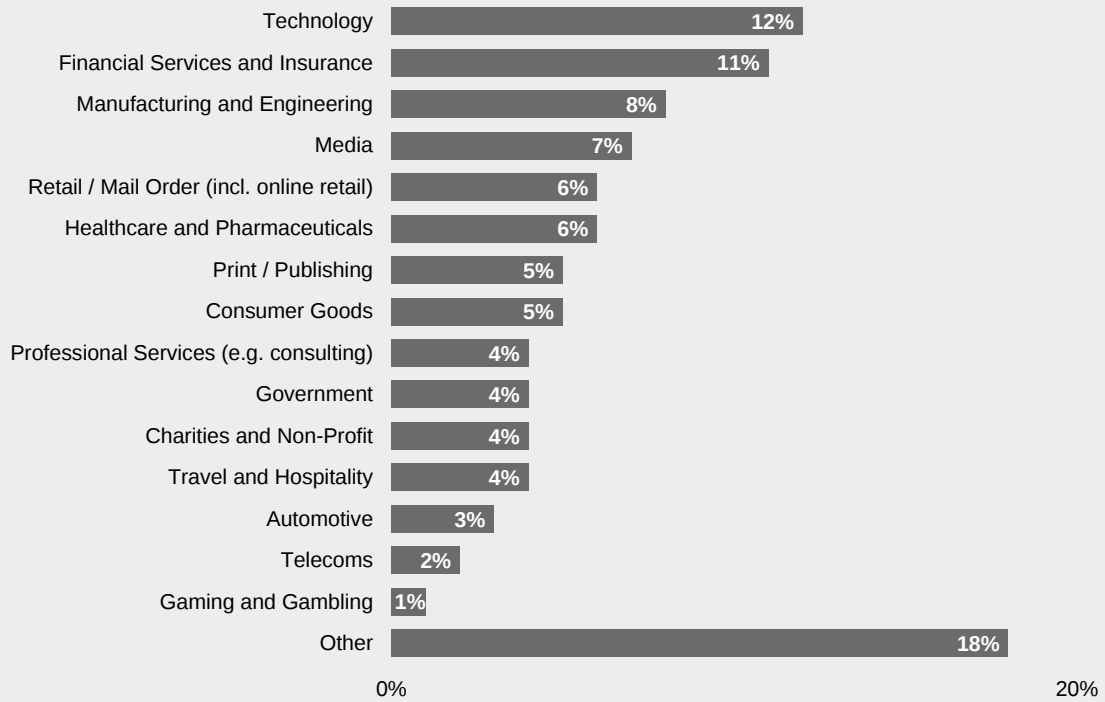


Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Respondents: 7,703

Company respondents

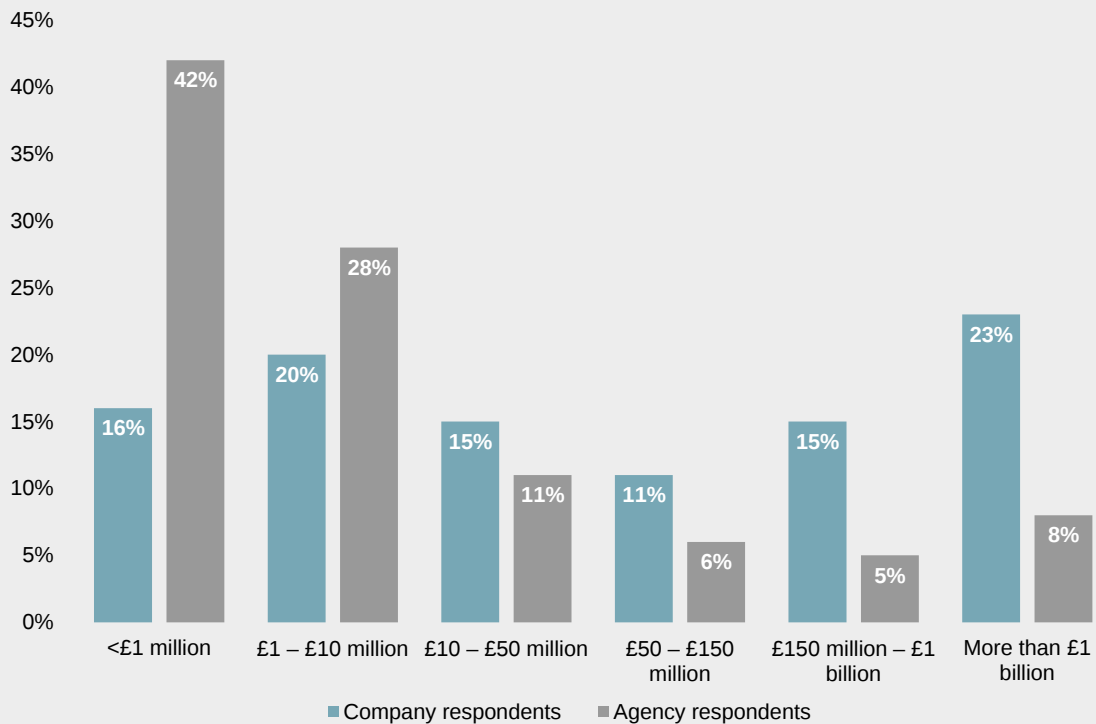
Figure 25: In which business sector is your organisation?



Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Respondents: 7,712

Figure 26: What is your annual company revenue?



Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Company respondents: 2,768
Agency respondents: 1,534



Digital Intelligence Briefing

2017 Digital Trends



in association with **Adobe**



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