

2020
MARKETING
IMPERATIVES

MERKLE

Hyper-Personalization and the
Connected Customer Experience

“As a challenger brand in the automotive market, Mitsubishi’s 2020 focus is driving business through CRM, making sure every touchpoint counts throughout the customer experience. Our goal is to be smarter, more efficient, and more targeted with every customer interaction, from introduction to win-back and every stage in between. We are excited to work with Merkle, whose expertise allows us to leverage best-in-class people-based marketing strategies to gain and sustain competitive advantage. And the 2020 Marketing Imperatives serve as an invaluable guide to achieving the next level of hyper-personalization to deliver that total customer experience.”

—Kimberley Gardiner,
CMO, Mitsubishi Motors NA



FOREWORD

Welcome to the 2020 Marketing Imperatives.

Hyper-Personalization and the Connected Customer Experience

Year after year, this resource for the customer-focused marketing leader evolves to bring you Merkle's latest thinking around our core pursuit: placing people at the heart of the business strategy. Our goal is to stimulate your thinking toward the future of marketing while providing actionable ideas that can impact your business in the short term. Each installment of the Imperatives is designed not to replace, but to build upon the previous one and, ultimately, to strengthen your ongoing approach to people-based marketing.

The 2019 imperatives that inspired integration are still very relevant, as they pertain to the alignment of the customer strategy, the implementation of the technology stack, and execution of the customer-based strategy in the market. Marketers are still on the road to delivering upon the promise of people-based marketing. But as the marketing landscape and consumer expectations continue to evolve, it has become clear that we need to do more. Today's savvy consumers have much more control than they did just a few short years ago, largely due to concerns over privacy and choice. They are exercising control over their own data, the content they want to consume, the experience platforms they

prefer to use, and the brands they wish to interact with on a daily basis. Their exposure is no longer limited to whatever happens to interrupt their TV programming or which billboards catch their eye while driving. As marketers, we have to adjust our own mentality to be “consumer first.” And that’s not just about addressability; it’s about willfully thinking about the consumer with every decision we make across the enterprise.

Every CMO’s success will hinge upon achieving that next level of hyper-personalization and playing a leading role in the direct-to-consumer revolution. You’ll achieve this by learning how to master identity, balancing the mix of in-house and outsourced skillsets, and yes, delivering a total customer experience.

I hope you find this year’s Marketing Imperatives thought-provoking, and I challenge you to become a champion of the concepts within it, across your entire organization. As your customers begin to feel like you understand them with every distinct interaction, you both will reap the benefits of your emphasis on the total customer experience.



DAVID WILLIAMS

Chairman & CEO
Merkle



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Marketing now is responsible for growth and must stretch its purview to include ownership of customer data and the overall customer experience. This can't be achieved without a clear connection to all customer-related business functions: sales, service, finance, logistics, product, channel etc.

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Brands have a common vision of right time, place, person, and message delivered in real time across the customer journey, while also providing more effective, hyper-personalized service and commerce. This vision is only as good as a company's ability to know who it is really talking to at every touchpoint.

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Enable agility through strategic sourcing

Calibrating the marketing resource mix is no longer solely about cost. It is also driven by more strategic priorities, including agility, accountability, and innovation. This is not an either/or decision between bringing everything in-house or relying exclusively on external partners. There is a continuum of possible combinations across function, source, and location.

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EXECUTIVE SUMMARY

The identity revolution

Standing at the threshold between two decades, we find ourselves at a turning point in the way we approach people-based marketing. The decade behind us was all about digital; the next one will be about identity. The equation that comes to mind as we bring those two powerful forces together is that digital transformation plus data transformation equals customer experience transformation. If you can nail your digital capabilities and maximize your data assets and analytic skills, then you can transform into a highly customer-centric organization, using technology to enable the personalized experiences that build strong bonds with customers.

But as marketers, we must wrap our heads around the fact that, in the world of customer experience transformation, marketing is really just one piece of it. The total customer experience includes every interaction the customer has with the brand, from marketing to sales to service and everything in between. Marketing has traditionally owned advertising and communications, but we need to expand the reach of our influence and our skills to inform other aspects of the customer experience. And the only way to deliver that total experience is to know the customer.

Forces like the direct-to-consumer business model are taking the need for personalization to a new level. Netflix, Uber, Dollar Shave

Club, and their ilk have materially changed customer expectations around the ways they interact and engage with brands. CMOs find themselves navigating these forces, while at the same time adjusting to increased privacy concerns, as General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA) spark further regulation. The CMO is in the driver's seat of a major pivot in the marketing approach that must be carried out across the entire organization. Hyper-personalization means targeted, relevant experiences at every encounter, encompassing the brand as a whole. Consumers consider all of these touchpoints part of the connected customer experience, and the role of the CMO is evolving to influence it.

The CMO role evolves

With the transformation of marketing comes the transformation of the skillset of the CMO. From the 1950s to the early 2000s, CMOs were all about the brand. Then, with the digital and performance-based capabilities enabled by digital, they needed to understand technology and deliver quantifiable results in their programs. Now, they're taking the leap to the next stage. Today's CMO is a business person who has accountability for revenue and costs to drive overall growth and profits for the organization. Many CMOs now have a pathway to become CEOs, which was unheard of in the past, because of the broader business skillsets required.

The 2020 Marketing Imperatives will help you attack this new reality, using data, analytics, and technology to enable hyper-personalization that will drive the total customer experience.

Deliver the Total Customer Experience

In our always-on, real-time culture, consumers expect their interactions to be frictionless and relevant. In order to be successful in that realm, you need to understand them, anticipate their needs, and use ever more engaging levels of personalization in the ways you connect with them across any customer touchpoint.



Take Ownership of Identity

The ability to deliver that experience relies upon your capacity to master identity and agility in a world where you're competing against digitally native brands that have built their business solely upon the exchange of information for the products or services they provide. Sure, for most companies, customer centricity has long been a core tenet of the marketing function. But this magnitude of transformation requires a level of hyper-personalization that surpasses anything we've seen in the past. It means that our relationship with a customer transcends marketing, and it's wholly dependent on the concept of identity as enabled by data, analytics, and technology. It is the fundamental building block to delivering those experiences that are incredibly relevant to the consumer and create incredible outcomes for brands.



Enable Agility Through Strategic Sourcing

Today's marketer who delivers the customer experience across marketing, sales, and service needs a vast array of capabilities and competencies to deliver on that customer experience. It's imperative that they determine their optimal mix or supply chain of resources to support those goals. Some will be what they hire for directly themselves, some will be what they imbed from third parties into their organizations with unique skillsets, some will be done by agency partners, some onshore, some offshore. Optimal mix of resources will take a broad supply chain across those dimensions to be successful.





IMPERATIVE ONE

**DELIVER THE TOTAL
CUSTOMER EXPERIENCE**

deliver the total customer experience

Understanding the importance of a specific experience

Managing the customer experience is one of the hardest things that a marketer needs to think about in today's complex, multi-touchpoint world. In many cases, the brand driving the experience either 1) doesn't have insight into the customer at the point of delivering the experience or 2) doesn't understand how the customer is making a decision and where the critical points of the experience exist.

We find that most marketers today are thinking of customer experience through the lens of what they send the customer or what they want the customer to do. This tends to fragment the experience across channels, touchpoints, and, in many cases, marketing goals.

Marketers need to start thinking about inbound touchpoints as much as they do outbound. This means breaking down the internal silos at an organization and prioritizing the experience of the customer across your different internal teams. It means aligning

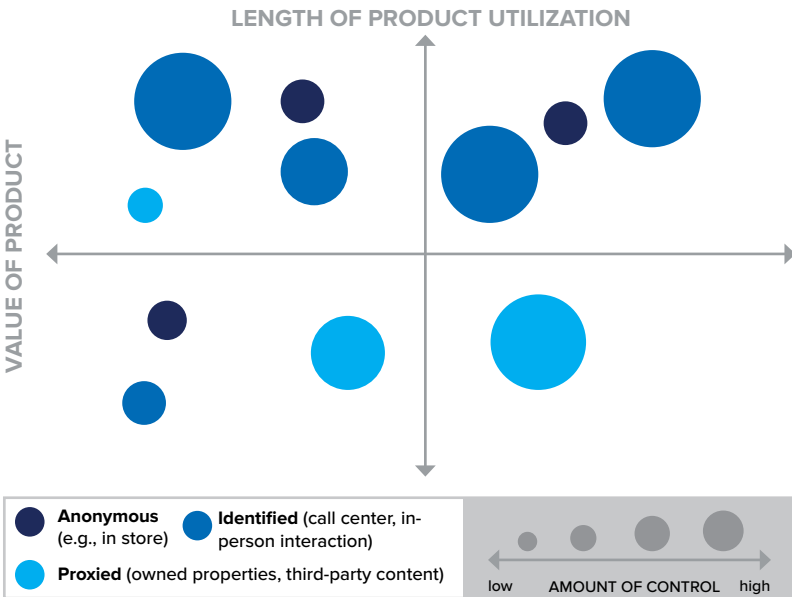
corporate goals and business objectives through a new set of key performance indicators (KPIs) that are based on building deeper customer relationships. Simply put, it means pushing your organization to think about the full customer experience, not just what you send to them. Making this shift requires focusing on the value of each interaction with the customer, ensuring differentiation in every engagement with your brand, product, or service and creating bonds that stand out among other relationships.

When we start to think in that context, it is helpful to consider the intersection of the value of a product to the customer, the cost or utility of the product, and the mindset of the customer when engaging in the experience.

As an example, think about a consumer at a retail store trying to decide on a new television purchase. Today's consumer can obtain information on the television in real time, while standing next to the display model and without needing to talk to a store associate. As a marketer, you must ensure that you're serving the need of the consumer during this critical decision-making moment and in the right place, even though you will likely not be able to track sales as a direct result of your work, as you can with online purchases. To complicate it even more, consumers in situations like this have likely either had a prior experience that is leading to their decision, or they have been influenced in their mindset by reviews, friends, or other information online. As a marketer, you need to be thinking about the needs of your potential customers while they are in the store, what types of information may be displayed in person, and what questions they may need help answering. You also have to consider the experiences that they have come to expect from other providers. Is your website conducive to product comparisons? Does the mobile site have a smooth customer experience like Amazon or Best Buy? Can the key information be found quickly and easily, while the customer is standing in front of the product? These are all things that now need to be part of a marketer's thought process, centering on the customer and not the short-sighted business goal of driving sales.

To evaluate the type of experience in this way, Figure 1.1 illustrates a framework to help you visualize how you should approach your focus areas:

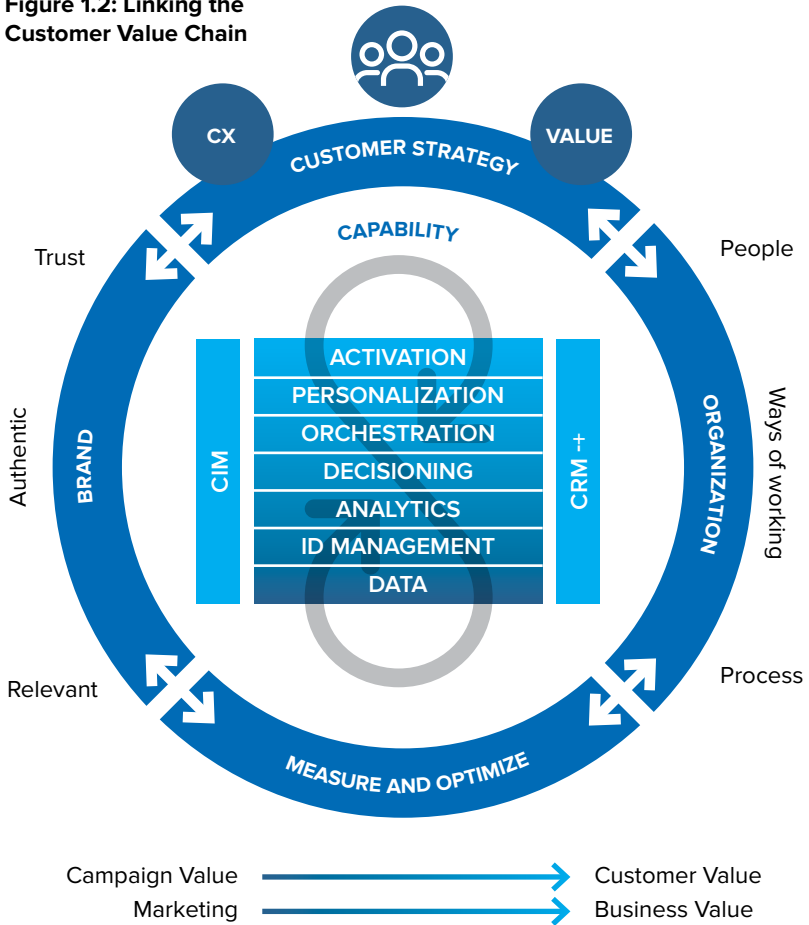
Figure 1.1: Determining the Expectation and Key Touchpoints for the Customer Experience



Behave in a customer-first manner

The tenet of “customer first,” which makes customer needs a key pillar of the business focus, is the core strategic agenda for any organization. Making this shift is not easy, and doing it at the pace required to preserve customer relevance is even harder. It often requires a change in mindset, an evolution of capabilities, and a transformation in how the business behaves, works, and is measured. This means business dimensions and KPIs must work in harmony around a clear customer strategy, with unambiguous measures to ensure that the business can deliver in an increasingly agile manner.

Figure 1.2: Linking the Customer Value Chain



Although there are many aspects of the capability spectrum that must come together, as referenced in Figure 1.2, defining the total customer experience is a core building block. The first requirement for making this happen is the ability to recognize customers across every interaction, enabled by an underlying identity platform. The next is the ability to execute more personal experiences in an agile, collaborative way.

Define the “total customer experience”

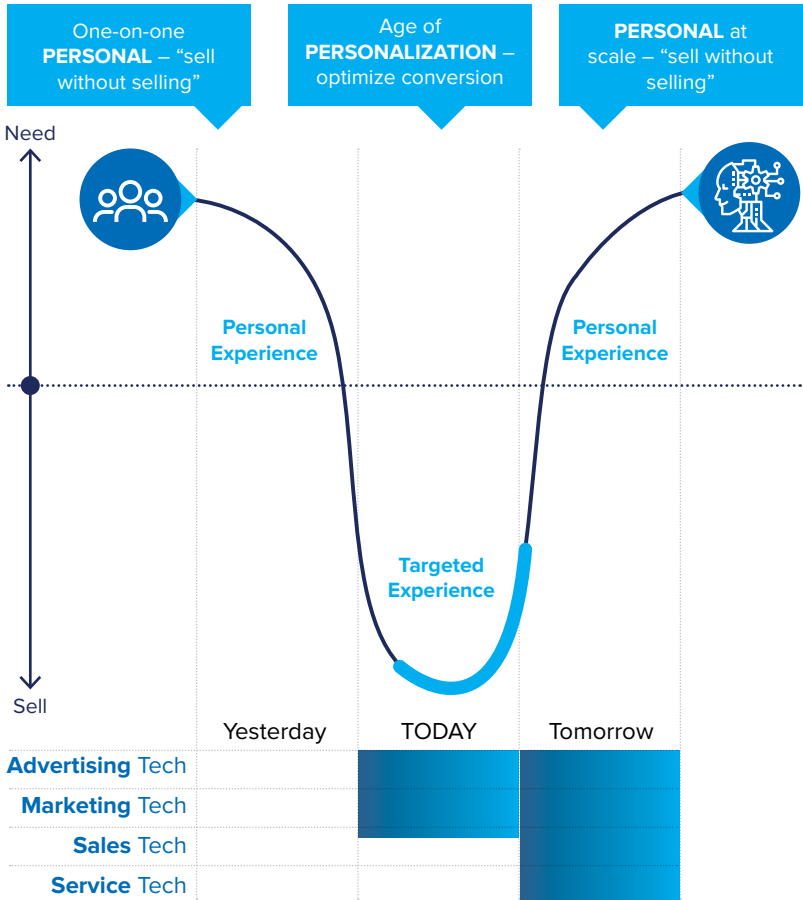
We are witnessing an evolution in customer focus that started way back with a personal, one-to-one experience where, although selling was the end objective, interactions were very personal and oriented toward meeting a customer’s need. The sale, in many ways, was a by-product of meeting this personal need.

This approach has been replaced by the current era of personalization, which is often a single-channel scenario and usually measured not by the customer’s experience, but by the funnel conversion in that channel. The primary measure of success is not customer delight, but rather a collection of interaction-led funnel metrics. In this age, the channel experience has become personalized, but the customer has become invisible – lost between device identifiers, cookies, and fragmented elements of personal customer data.

The experience pendulum is still swinging, and it’s moving from a focus on specific entities within a channel to the whole customer experience. It recognizes that the customer experience and subsequent perception of your brand is defined by the sum total of all (recent) interactions with you. Customers don’t live in adtech and marketing tech. They experience every touchpoint, and often the experiences that are the furthest from the current marketing focus have the greatest impact on a customer’s perceptions and willingness to remain committed to a brand.

Delivering a personal experience at scale requires the intelligent interpretation of many different sets of data, all describing some state of the customer journey (see Figure 1.3). Data must be available to teams outside of marketing, including sales and service, to provide the right experience across those touchpoints. Think about the previous example of the television purchase. The key drivers in that decision are product value information, reviews, and recommendations from other customers and industry review sites. Those reviews are based on not just the purchasing process, but

Figure 1.3: Evolving Experience Capability



also the customer service, sales support, and the functionality of the television to achieve the needs of consumers. Every one of those reviews influences the consumer’s perception of the brand and in some manner the likelihood to buy or not buy your product.

The marketer has the data necessary to inform better exchanges in each of those areas, but currently is not motivated to provide the relevant data to the sales, servicing, and product development efforts that will affect the customer experience in a new way. As we start to think differently about marketing and customer data, we need to be developing ways to incentivize data sharing at an individual level that can improve the overall customer experience across the entire relationship with the enterprise. With the ever-evolving regulations about how companies can use consumer data, marketers need to be asking for more from customers, using new approaches that drive value to both sides. Customers want better experiences and are willing to exchange data to get them. What they don't want is someone constantly asking for things that don't seem to matter. You as a marketer need to decide which information is critical to both of those value points.

Not all businesses are created equal with respect to data, which is a by-product of their customer model. Consumer packaged goods businesses, for example, don't have the same ability as insurance companies to track consumer sales. (This is fueling the hefty price tags paid by Edgewell and Unilever to acquire direct-to-consumer businesses like Harry's and Dollar Shave Club etc., through which they achieve this). They also don't have the same service requirement as a telco, utility, or automaker. In these cases, customers are so reliant on the product in their daily life, there is a high potential for disappointment if brand promises aren't kept, hence the difference in consumer satisfaction rankings between CPG companies and telcos.

Value is not based only on the most recent channel experience. It's composed of pillars across the buying, service, product, and brand experience. Through these, we need to find the right balance between being personalized and being personal (see Figure 1.4).

With identity at the core of every marketing touchpoint, you will start to see more patterns of behavior at an individual level that can lead to more personal experiences. You should be putting in place

Figure 1.4: Shift from Personalization to Personal



data capture procedures that allow you to develop experiences in more dynamic ways. Start by thinking of the various potential touchpoints, then focus your efforts on the data that you can capture on your own. Ask yourself some questions to guide your decision. For instance: Should you track every site interaction or just the ones that tend to lead to deeper engagements? When should you interrupt the customer-driven experience with a brand-driven experience? How does a customer behave differently before viewing a product vs. after? Once you have identified the key points of insight, you need to employ technology that can keep pace with the customer. A dynamic, artificial intelligence (AI)-driven

creative experience then becomes paramount to your success. Your execution plan should be based on known points of friction for your customers. Do they have enough information to make a decision? Do they have the information on where and how to engage with the brand? Do you reach out to them immediately after an interaction or give them time to complete other research? Each of these questions has a different answer, based on the person and his or her prior interactions with you. You can't just put a dynamic content site in play and let it run. You need the experience to be dynamic and not just deliver static creative. You need to allow interactions in one place to drive how you communicate back to the customer in all channels.

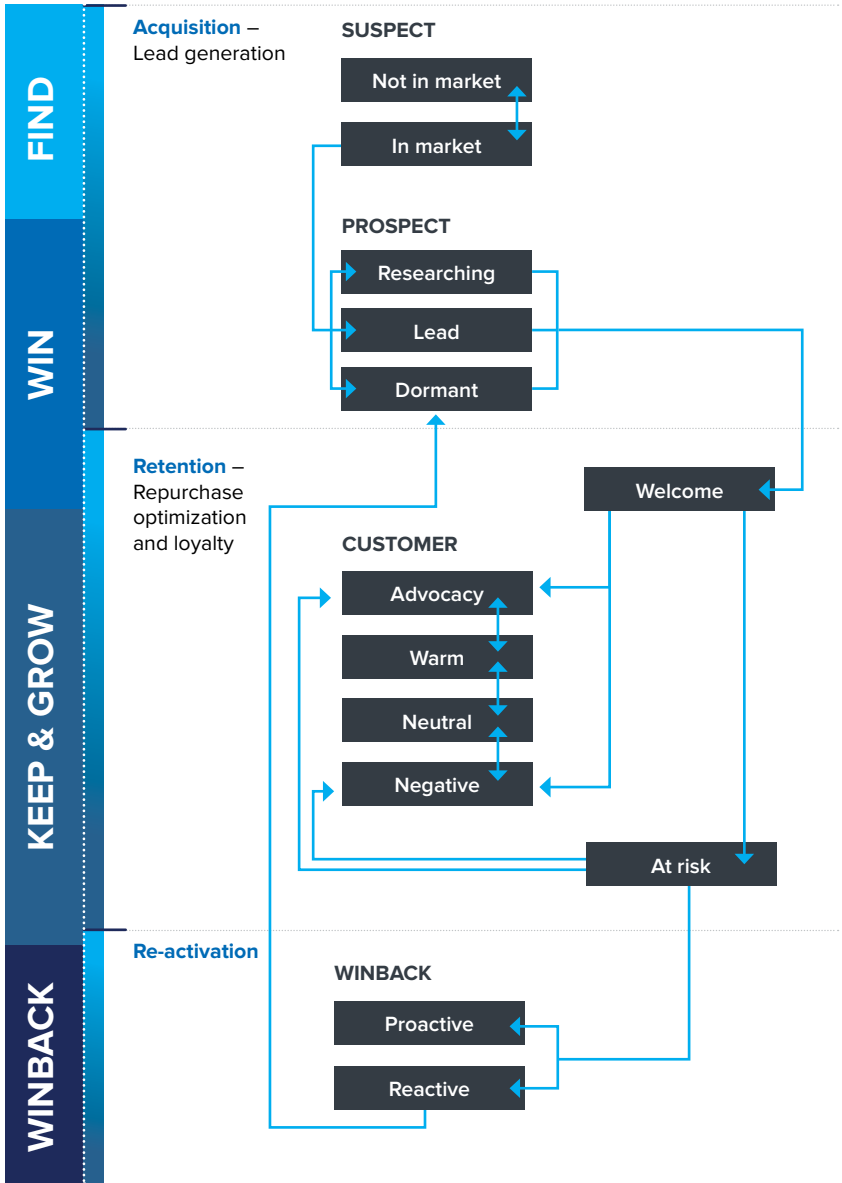
Address the total customer experience

Thinking customer first and focusing on the total customer experience requires a clear strategy, a connected set of capabilities, and often a mindset change.

Genuinely thinking customer first means recognizing that every customer is on some journey and is somewhere on a lifecycle with your business, irrespective of where in your organizational structure they might be engaging right now. So thinking from your business's perspective, customers or prospects fit into one of four stages, as illustrated in Figure 1.5.

You are either trying to win them over for the first time, keep them engaged, grow them, or re-engage them. The reality is that the majority of marketing spend is concentrated in the FIND and WIN stages, but the real customer value is generated when those customers are kept active and grow over time. Lifetime value is where the ROI from marketing spend really kicks in. And that value is far more likely to grow if you focus on meeting the connected needs of your customers at every stage of their journey and in whatever interaction they are having with you (a refund, shopping for something new, an inquiry, a change of circumstance, a complaint, etc.).

Figure 1.5: Focus on Key Stages



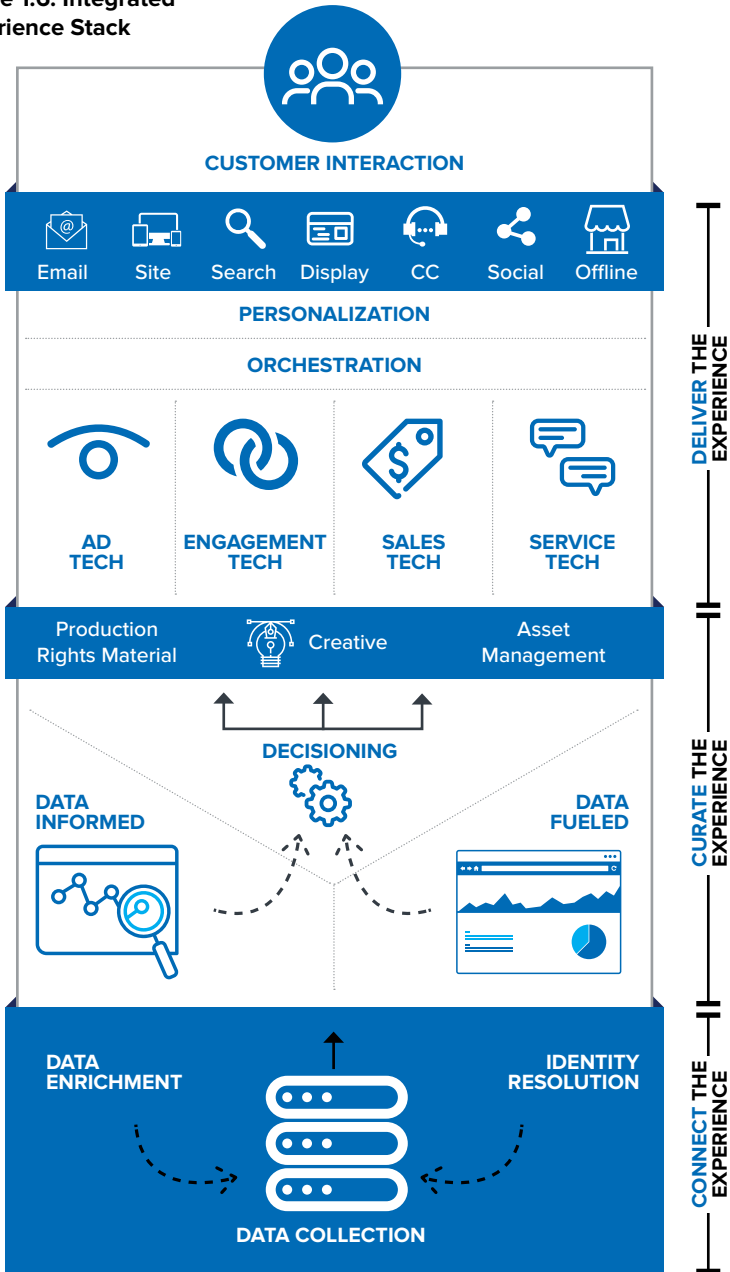


When focusing on the customer experience, you must consider each of these stages in a more holistic manner. You need to be able to recognize when a customer has already made a purchase based on prior actions, not just when you have sales data. You can do this by observing how known customers behave when they have moved between each of these stages and applying that knowledge to customers that you don't know, based on similar actions. As an example, assume that 70 percent of people who have already purchased a product go to your mobile site the day after purchase to get installation and setup instructions. You then see a group of customers who have visited the site frequently for the past three weeks but go dormant. If they later come back to the site and search for the product, you should make those instructions prominent in the experience, based on the idea that they may have made the purchase somewhere besides the website.

Delivering on this total customer experience is about a balance of all capabilities, hard and soft, and it can be achieved in an incremental and scalable way. It doesn't have to be a big, complex, cross-business plan. It requires a clear customer vision, an ability to connect customer experiences across every relevant channel, unambiguous measures of a connected customer experience, and an agile business able to think big, start small, and then operationalize ideas into action.

It requires an integrated set of capabilities, through which to build the experience landscape and connect, create, and deliver the right customer experiences (see Figure 1.6).

Figure 1.6: Integrated Experience Stack



In summary

In the past few years, the role of marketing has shifted noticeably, taking on ownership for customer engagement, satisfaction, acquisition, retention, and lifetime value. That means marketing now is responsible for growth and must stretch its purview to include ownership of customer data and the overall customer experience. This can't be achieved without a clear connection to all customer-related business functions: sales, service, finance, logistics, product, channel etc.

A number of obstacles can slow down your progress toward the creation of relevant and engaging customer experiences:

- **Focusing on channel experiences** – Neutralize your marketing bias and focus on the total customer experience, rather than fixating on brand metrics.
- **Attempting too many channels at the same time** – Omni-channel, which suggests every channel and everywhere, can be overwhelming, resulting in frustration and failure. Take a channel+1 approach, which starts out using what you have, rather than waiting for new capabilities. It is faster, easier, and more closely aligned to an agile way of working.
- **Believing that technology will solve this for you** – The tech is an important enabler, but it requires the alignment of numerous business activities to make it real.
- **Measuring brand metrics over customer experience** – Since you get what you measure, if we measure what matters to customers, we are most likely to get customers who care, which gives us a solid foundation to align the business around. If we measure conversion metrics in individual channels (i.e., metrics that the brand wants to track, rather than those customers care about), then we may get channel-based efficiencies, but disenfranchised customers.
- **Thinking that every customer interaction has to be an immersive experience** – Some experiences need to be invisible, and often, those are the most important in meeting the total customer experience objectives.

– **Perpetuating the organizational silos that stall progress** –

Functional divisions that exist within most businesses act as barriers that separate customer experiences. Only when these silos are dissolved can the experiences be truly and seamlessly connected.

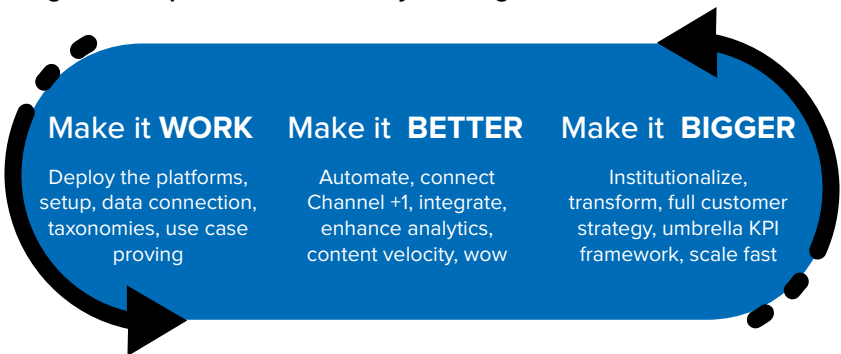
This is more than marketing. It’s about the customer, and it’s what Jeff Bezos calls an “obsession with the customer.” Amazon is excellent at facilitating a purchase, is generally flawless in its delivery, and makes it easy for a customer to give feedback on every stage of this journey. This experience is underpinned with a genuinely no quibble return policy, making it almost as easy to return a product as it was to buy it. They do all of these stages in a connected way, with the customer front and center.

Bezos once said, “Customers are always beautifully, wonderfully dissatisfied, even when they report being happy and business is great. Even when they don’t know it, customers want something better, and your desire to delight customers will drive you to invent on their behalf.”

So, even though Amazon ticks these boxes today, Bezos and his team fully recognize that what got them here is probably not good enough to get them to their desired future state, so they are continuously looking to optimize, evolve, and disrupt their total customer experience.

We see this as a continuously evolving process of making things work – quickly – then setting about to automate, optimize, and make experiences better. And to keep making them better. And finally, by institutionalizing these activities, to deliver a connected customer experience that drives lifetime value.

Figure 1.7: Experience is Constantly Evolving





IMPERATIVE TWO

**TAKE OWNERSHIP OF
IDENTITY**

take ownership of identity

Understanding customer journeys and delivering great experiences

Customer centricity has never been more important to businesses, but all are faced with an identity challenge. Brands have a common vision of right time, place, person, and message delivered in real time across the customer journey, while also providing more effective, hyper-personalized service and commerce. But this vision is only as good as a company's ability to know who it is really talking to at every touchpoint.

At the same time, unprecedented changes are taking place around US privacy regulations, beginning with the 2020 rollout of the California Consumer Privacy Act (CCPA). Due to the influence of consumer privacy concerns, big marketing tech players like Google, Apple, and Facebook are deprecating third-party cookie-based tracking and data use for targeting. They're building their walls higher, enticing marketers to use their versions of identity for audience creation, targeting, and measurement. Marketers are witnessing the collapse of the open third-party cookie as the long-standing currency of the digital marketing and media ecosystem.

As this is playing out, new winners have emerged by placing person-based identity and hyper-personalization at the center of their businesses to drive sustainable, personalized value exchanges with customers. Companies like Amazon, Netflix, Uber, and Airbnb have transformed how brands are built and the ways that commerce and service are delivered, spawning a direct-to-consumer revolution across almost every industry. And today's person ID-based media ecosystems, such as AT&T and Warner Brothers' Xandr and Verizon Media (Verizon, AOL, Yahoo), are giving rise to a new generation of brands that are cookie-less from the start. These companies and many others are developing identity using PII-based identifiers from subscriptions, service, and content consumption as one ID at a person level. Their hyper-personalized approach to customer engagement is winning the battle for the person ID among cross-screen content, commerce, targeting, and measurement. For instance, thousands of content elements factor into personalized recommendations (e.g., Netflix, Amazon) and also for targeted advertising.

Marketers today have an opportunity to take ownership of identity at the person level and make this a key advantage over competitors. To do this, they must build their own "private identity graphs," versus relying on walled-garden players like Google and Facebook or the quickly fading third-party cookie-based events across the open web. Done properly, a marketer's private identity graph can unify an organization around the customer, from marketing and media to commerce and service. This leads to better insights, segmentation and modeling, advertising, personalization, and analytics. We believe identity is not only the linchpin of marketing, but at the heart of how businesses must operate. How do you take advantage of the changes taking place, future-proof your organization, and win?

- Build a private ID graph
- Use data clean rooms for person-based analytics
- Maximize addressable targeting

Build a private ID graph

According to a recent Winterberry Group study, the identity market will increase 188 percent in the US over the next five years, from \$900 million in 2018 to \$2.6 billion by 2022.¹ Over the past few years, marketers have grown more comfortable with utilizing their first-party data in combination with identity resolution or ID graph suppliers to fuel their people-based ad campaigns, site personalization, and analytics. Today's ID graphs are presented to marketers much like a "public utility grid," with a simple and tidy proposition: input your first-party data (e.g., CRM lists) and we will match it to a person who can be reached. The quality and effectiveness of these services are presented via an easy-to-understand metric known as "match rate." A brand or publisher sends in a file of known individuals and the ID graph sends back a rate at which it can link those consumer IDs (email addresses, for the most part) to a cookie or a device. The bigger the match rate the better, right? Not necessarily. If you crack open what is perceived as a homogeneous and tidy set of email-to-cookie or device ID pairs arrayed one-to-one, you might find matches built using math that counts every combination of a person and device in a household or building. Or you may discover linkages between emails and cookies as old as 90-120 days counted the same as those 15 days old or less. And often, linkages make no sense, in some cases representing botnets (i.e., a single cookie associated with 1,000+ people).

"Public identity graphs" are constructed primarily out of third-party relationships, using cookies and other identifiers across thousands of websites to establish linkage with consumers. This has worked well until now, but going forward, the pool of high-quality matches available will become increasingly scarce, as third-party cookie linkages get blocked and sources of third-party identity creation dry up, due to challenges like privacy regulation and browser changes.

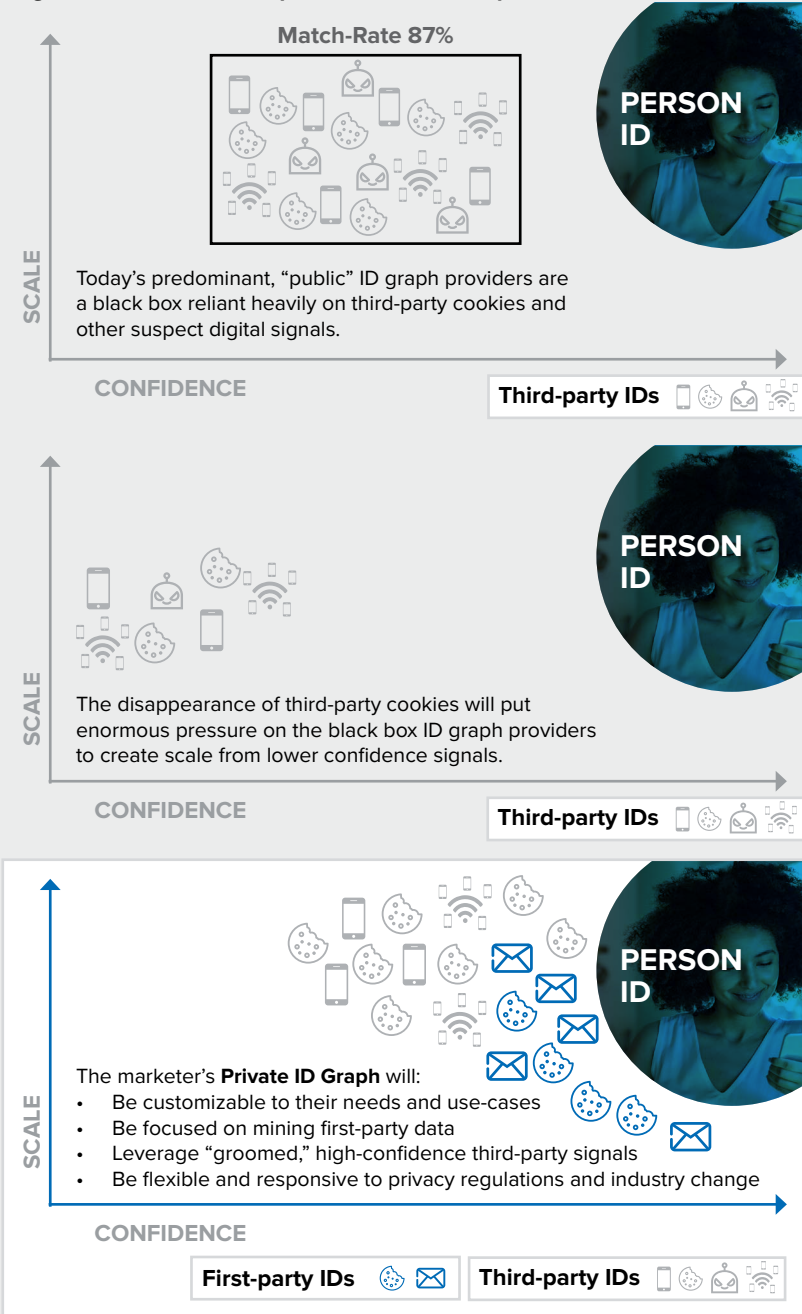
A marketer's private identity graph is created from a PII-based record of a consumer at the center, with all disparate consumer

¹Benes, Ross. "Why Marketers Struggle to Consistently Identify Their Audiences." eMarketer, August 22, 2018. <https://www.emarketer.com/content/why-marketers-struggle-to-consistently-identify-their-audiences>.

IDs resolved to a master person ID. Person match confidence is the metric used to evaluate the quality and accuracy of identity. This connects prospect and customer touchpoints back to a known person ID across channels. PII-based records that sit in the CRM organization are linked with digital identities, such as first-party cookies and device IDs from website, app visits, and media exposure. A private identity graph owns its linkages across marketing platforms and media publishers with the transparency and controls to decide what level of person match confidence is best for certain use cases. For instance, a one-to-one best person match confidence (e.g., email matched to email) enables hyper-personalized audience targeting to highly qualified prospects in media. Contrast this with the matching of that same audience at a one-to-four person match confidence (e.g., email to a third-party cookie ID match), which would not enable hyper-personalization because the individual could be the child in the home or the spouse of the individual. A marketer's private ID graph can also create identity from second-party media partners that share in the graph. For instance, visits to a publisher's pages can recognize logged in or high recency visitors and through data sharing agreements with high person match confidence (ex: email to email), help the marketer resolve what normally would be an unknown, unidentified audience to a known person ID able to be reached with 1:1 messaging, measured at a true reach and frequency level, and tied to a transaction event.

The use of a private ID graph in targeting and measurement drives improved marketing efficiencies and effectiveness, as well as the ability to understand the customer and extend reach across other channels, like outbound email, personalized service, and more (see Figure 2.1). In fact, media alone achieves 25 percent average efficiency gains from elimination of wasteful impressions and greater than 20 percent ROI improvements from the ability to close the loop of transaction events and trim down cost per action across brands. This is the payoff of hyper-personalization.

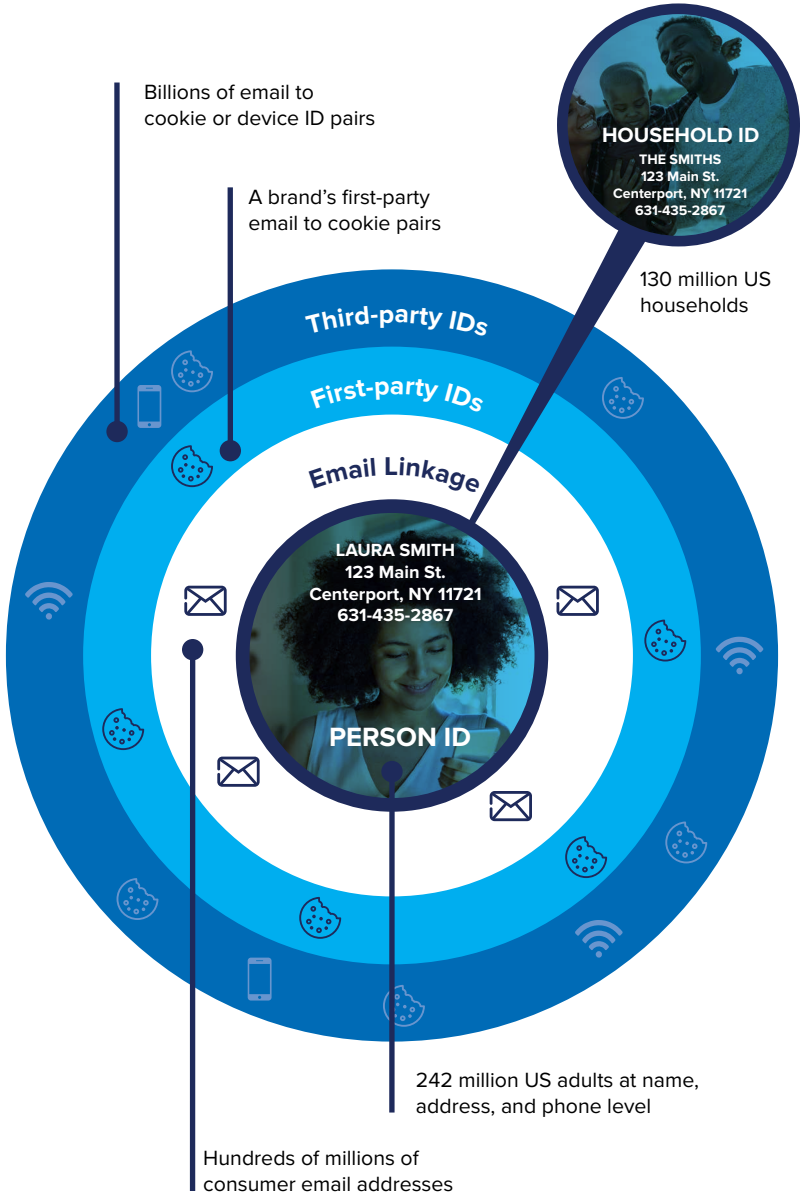
Figure 2.1: Private ID Graphs vs Public ID Graphs



The steps businesses need to take in building their private ID graphs require organizational change and collaboration. Identity must be a well-funded and executive-supported initiative. It must have a clear owner who sits closest to functions such as data science and customer analytics, modeling, and measurement. It must focus on accuracy and quality of data about customers and prospects. It must also be connected to technology organizations making enterprise marketing and advertising tech decisions that can make or break people-based enablement.

- **Engage with a trusted identity resolution provider that builds identity from the center of a PII-based record.** Ensure there's the utmost focus on identity hygiene and person match confidence, rather than identity built from third-party cookie and device-based events with limited visibility into how a match rate is achieved. Also ensure that identity providers abide by all local-market laws and regulations regarding consumer privacy.
- **Decide on how the organization will source the highest-quality, person-based, third-party data from providers and ensure that it is resolved to your person ID.** Your identity strategy should be a future-facing, people-based data strategy. Your customer interactions and prospecting efforts across channels will rely on this, because identity decoupled from third-party data will get messy. Each data provider will come to the table with a separate version of data that will challenge the integrity of the person ID that you're trying to resolve.
- **Ensure that your private ID graph can take CRM, digital experience and commerce, and media exposures and resolve these events back to your master person ID.** This will help build your private ID graph with the highest person match confidence possible and strengthen your organization's focus on the creation of its customer and prospect value exchanges and cross-journey experiences (Figure 2.2).

Figure 2.2: Components of a Person ID that Maximizes “Person Match Confidence”

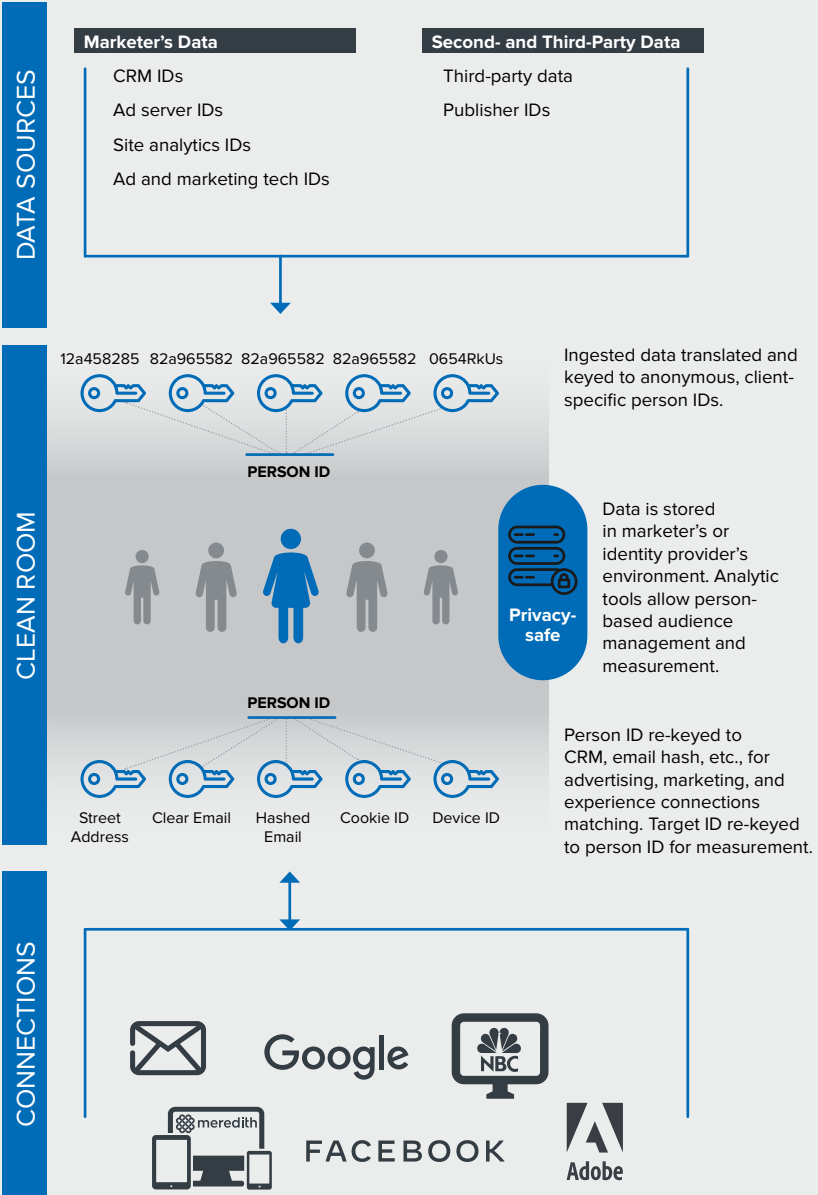


Use data clean rooms for person-based analytics

In order to get the greatest value from their private ID graphs, businesses must enable a central “data clean room” within their organizations. Here, all identity-based records and events that have been resolved to their master person ID, as well as all data appended (e.g., CRM records, PII-sourced third-party data, etc.), can be accessed by analytics teams through analytic tools that sit on top. Marketers will need to ensure that this data environment can extract PII from its universe of anonymous person level IDs. This allows data to be analyzed, segments and models to be built, and marketing, media, experience, and commerce touchpoints to be measured at the finest grain of identity possible, with local market privacy regulations in mind.

There’s an important distinction between a data clean room powering analytics that leverage a private ID graph and a traditional data lake or warehouse (see Figure 2.3). The data clean room utilizes a full universe of a consumer population as a basis of identity and data versus just an organization’s customer population. This can be a key advantage for marketers as they, in effect, can treat the entire population (with their customer population as a sub-set) as if it’s their CRM database. Implemented properly, a data clean room can create and deliver people-based audiences at identity levels required for CRM programs (e.g., email addresses, street addresses for direct mail). They can also create anonymized IDs of these same audiences that can link to channels like media for ID matching, targeting, and person-based measurement and to martech and adtech platforms for real-time personalization and decisioning.

Figure 2.3: A Data Clean Room that Leverages a Private ID Graph



Maximize addressable targeting

Organizations that bridge their CRM and customer experience activities with media will achieve success by maximizing addressable targeting opportunities and delivering a total customer experience (Figure 2.4). To do this, marketers will need to understand how the martech and adtech platforms and media publishers they activate through either create their own versions of identity and targeting data or accept private ID graphs in support of targeting (Figure 2.5). The latter is increasing as an offering (e.g., from marketing cloud providers, customer data platforms (CDPs), and media publishers). Marketers will need to get closer to the way platforms and publishers treat identity inputs like private ID graphs, and if platforms don't have this, marketers should push for it and work hard to integrate this capability.

As the cookie dies, industry pressure will naturally help marketers when asking publishers for matching at email-to-email levels (high person match confidence, or when they are seeking a deep dive into how they accept and match audiences and derive matches to their universe of IDs. The reason why major media organizations and platforms like Adobe and Warner Bros. and AT&T are now accepting person ID is that the more they enable the capability of hyper-personalization, the better they can serve marketers who are aiming to reach individuals with better performing content. Also important is the granularity of the data that platforms and media publishers give marketers back as an ID for measurement. Within privacy guidelines, marketers should ask for a two-way relationship of identity matching. First, an individual audience list into the platform or publisher for targeting, and second, an audience list at that same integrity of identity back from the platform or publisher. This approach allows you to understand reach and frequency, conduct performance measurement, and glean insights on engagers at a person level.

Figure 2.4: End-to-End Process that Maximizes Addressable Targeting

Data

Third-party data sources, first-party CRM, and digital data resolved and linked to person ID.



Clean Room

Privacy-safe analytics environment and tools. Data securely keyed and re-keyed to person IDs.



Identity

PII-based person ID; all US consumers and households.

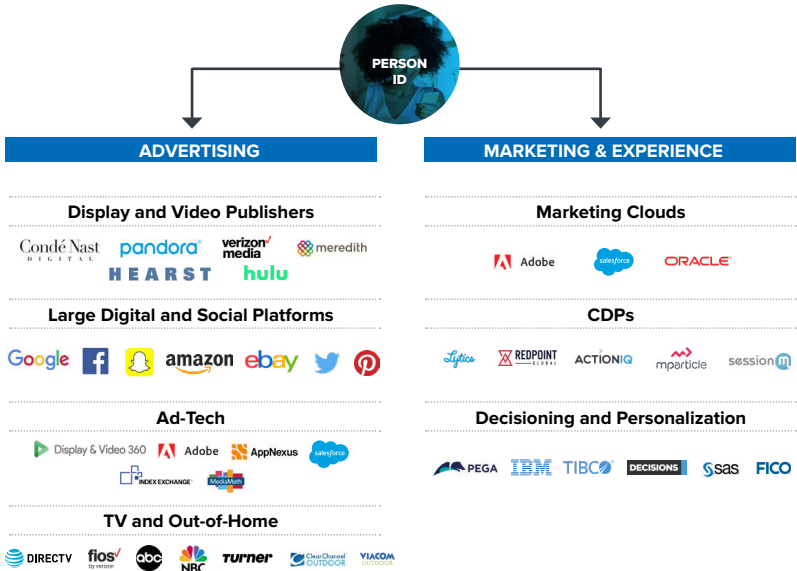


Connections

Person ID graph connections. Interface for audience creation, addressable sizing, and audience delivery.

Person IDs/data into clean room for person-based segments, models, and measurement.

Figure 2.5: Activation Connections Use a Private ID Graph to Drive Highest Confidence of Person Matches



In summary

Leveraging identity as a key business advantage for organizations is a challenge to accomplish, but if done right, it will drive efficiencies and effectiveness across marketing and media programs. It will help you understand customers and deliver value to them across their various experiences and transactions with your brand. The ability to solve for identity across an enterprise will also drive better informed product development and higher value service engagements from the strength of person-level insights and a clear picture of the customer journey. Getting closer to customers has never been more important. Building a private ID graph, enabling data clean rooms for analytics, and maximizing addressable targeting will create new winners in people-based marketing and experience for years to come.



IMPERATIVE THREE

**ENABLE AGILITY THROUGH
STRATEGIC SOURCING**

enable agility through strategic sourcing

Calibrating the marketing resources mix

Realizing the vision of hyper-personalization and the total customer experience will require a robust supporting data and technology infrastructure and a thoughtful reconsideration of your current marketing operations to realign your people, skills, and processes. Because it's a complicated process and there's no quick fix, not every company will take on this challenge. But the few who invest in the effort to optimize their marketing organization will also be building an advantage that will be difficult to replicate.

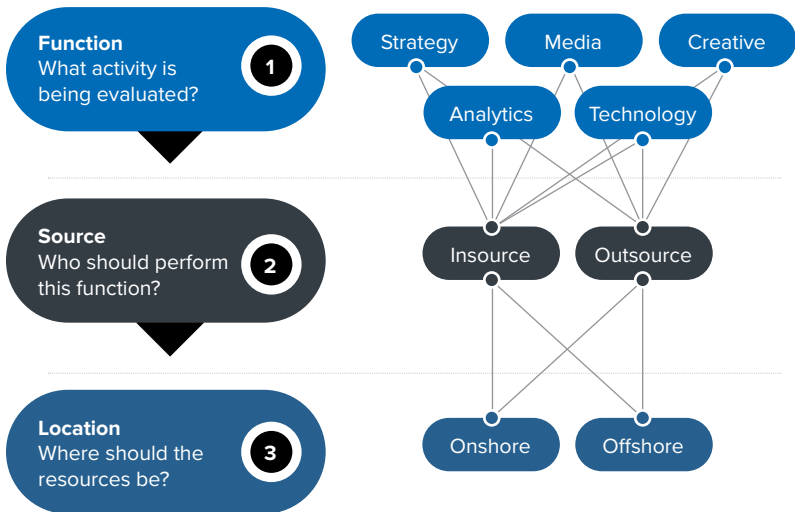
And of the many decisions around organizational and operating structure, one of the most complex is whether to insource or outsource. It seems like every few years the pendulum swings again – from the previous mad dash to outsource and offshore as much and as quickly as possible to the more recent flurry of interest in bringing marketing and media services back from external partners and standing up in-house agencies.

Today’s initiatives are being driven by more than just cost, but also strategic priorities, including:

- **Agility:** Greater speed and flexibility in execution
- **Accountability:** Transparency in returns on marketing investment
- **Innovation:** Differentiation through new processes and offerings

This is not an either/or decision about bringing everything in-house or relying exclusively on external partners. There is a continuum of possible combinations across three interconnected components (Figure 3.1), and it begins with identifying the function and activities that are being evaluated across strategy, media, creative, analytics, and technology. Next is determining whether the activities are best suited to be performed in-house or outsourced to external partners, as well as how much should be moved to the new model. Finally, there’s the question of location and whether the work will be done onshore or offshore.

Figure 3.1: Components of Strategic Sourcing Decisions



Function: Identify which activity is being evaluated

More and more leading brands are moving marketing capabilities away from agencies and inside their organization. According to research by Forrester and the In-house Agency Forum, 64 percent of companies have in-house agencies today, a 52 percent increase since 2008.¹ Seventy-five percent of in-house agencies reported growing in size over the past two years. And more than half employ at least 50 full-time employees. Similarly, a recent ANA study concludes that the number of companies with in-house agencies has grown substantially.²

- In 2018, 78 percent of companies polled said they had an in-house agency function – up from 58 percent in 2013 and 42 percent in 2008.
- 44 percent of study respondents established an in-house agency within the past five years.
- 70 percent of respondents have moved at least some established business formerly handled by external agencies in-house over the past three years.

The real situation is much less clear-cut. In fact, the ANA found that 90 percent of marketers who have in-house agencies continue to work with outside shops. And a broader scan of marketing related services sourcing shows that there is no dominant pattern in who is performing these activities – whether in-house, by an agency, or a combination of both.

In recent surveys about sourcing choices across 30 different marketing services, there is a slight skew toward in-house only (41%), but agency as the sole provider (24%) or both agency and in-house (35%) were also common.³ Marketing strategy activities were the most frequently cited as developed in-house only. And despite all the headlines about brands setting up in-house media buying, media continues (for now) to be the most frequently cited service provided exclusively by agency partners.

¹ "Rethink The In-House Agency Hype," Forrester blogs, November 2018

² "Twelve Top Takeaways from ANA In-House Agency Report," ANA, October 2018

³ Digital Marketing Institute "20/20 Vision" A Marketing Leader's View of Digital's Future" Nov 28, 2018 and NewBase, "The Evolving Marketer 2018"

To begin the process of evaluating the right sourcing mix, first identify the functional area and activity(ies) of focus (Figure 3.2). For each of the five main areas of strategy, media, analytics, creative, and technology, there are a number of activities that can be performed in-house, by an agency partner or shared between the two. And it's a two-way street that's not just about bringing work in-house. In some cases, there might be activities that are owned by your internal team that would benefit from the support of external partners.

Figure 3.2: Marketing Functions and Activities



So, which activity should you start with? Some criteria for activities that may warrant a different approach to sourcing:

- Area with rapid rate of change/innovation
- Diminishing or flat return on investment
- Increasing external vendor/labor costs or internal headcount
- Ongoing issues with execution
- Challenges with staffing at the right level and/or at the right skills

Source: Determine who should perform this function

As a general rule, any strategic capability that represents a core competency should be kept in-house. A core competency refers to skills, knowledge, or expertise that's difficult to imitate and provides an advantage over competitors. In the context of marketing activities, that would typically include your portfolio, branding, and customer strategies. But even in those cases, it's common for companies to engage external partners in times of change or to provide a broader marketplace perspective. This leaves most marketing activities open for sourcing considerations.

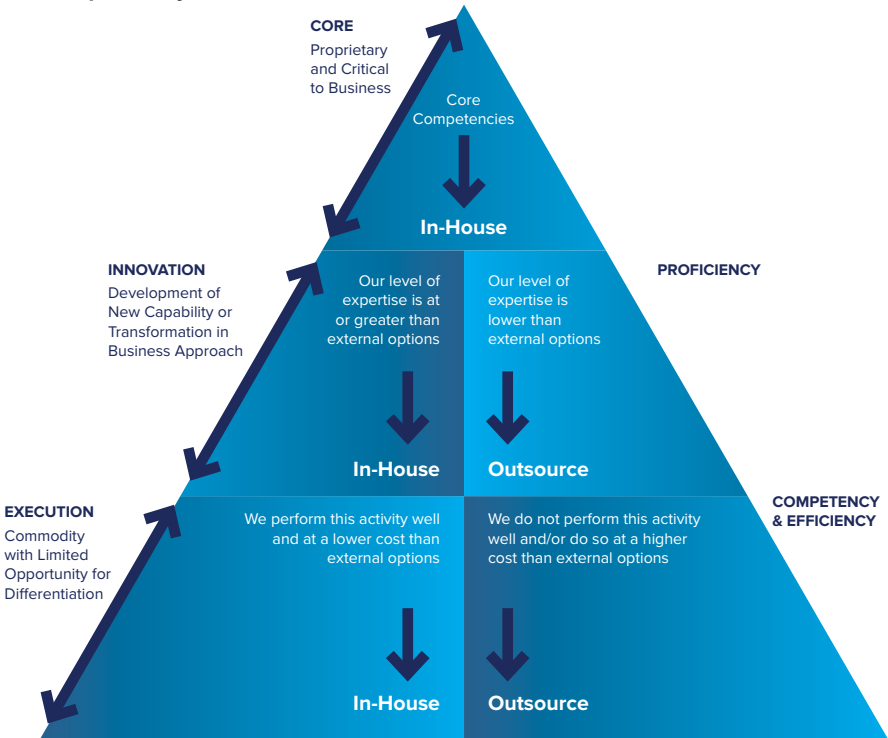
If your company is innovating and developing a new capability, the main consideration should be proficiency and whether you have a high degree of expertise in this area. In the majority of these situations, companies will benefit from the input of external advisors who can provide a broader market perspective and are likely to have more exposure to and experience with emerging topics.

When it comes to execution of ongoing activities, such as campaign execution, analytics, and platform maintenance, the main focus should shift to competency and efficiency. Simply put, can you perform that activity as well as (but ideally better than) external options and do so more cost effectively? If so, keep the activity in house but if not, outsourcing will likely be the best route (Figure 3.3).

After filtering activities through this initial lens, there will be a few that fall decidedly into the in-house versus outsource camp and likely many others where the answer may be less clear cut. The assessment of whether you are able to perform an activity "better or as well as" external options, whether for innovation or execution activities, has a number of related considerations.

Figure 3.4 summarizes the requirements to consider in those cases where a more nuanced review is warranted. These criteria include how easy (or difficult) it is to get things done internally,

Figure 3.3: Sourcing Options Pyramid

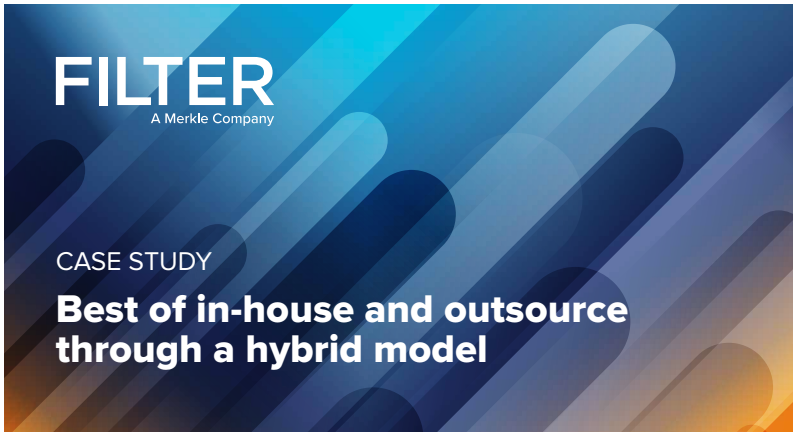


such as availability of resources with the requisite expertise, as well as the level of efficiency of internal processes and procedures. Cost also comes into play for both options. On the one hand, a desire to reduce external vendor costs may result in a decision to bring work in-house. But just as often, brands have constraints on internal headcount and need to rely on external partners to provide incremental capacity. Finally, there may be some industry or firm-specific considerations, such as the volatility of demand for marketing services or the need to maintain executional control in a highly regulated industry.

Figure 3.4: In-House vs. Outsource Evaluation Criteria

Evaluation Criteria	Better Fit for In-House	Better Fit for Outsourced
Core competency/source of competitive advantage	+++	
Need a high degree of control	++	
Availability of internal resources with requisite skills	++	
Desire to reduce vendor costs	++	
Need to quickly scale team up/down		+++
Access to expertise in new/emerging topics		+++
Desire to reduce overhead costs		++
Circumvent cumbersome internal processes		+

After the sourcing decision is made, you will need to address how much of the work will be done in-house or outsourced. While there are many circumstances where it makes sense to bring a specific activity completely in-house or fully outsource, there are just as many scenarios where using both in-house and outsourced resources for an activity may make the most sense. For example, a mixed staffing model would be a natural interim step for companies who want to gradually move activities toward a full in-house or outsourced model. Or in some cases, a hybrid team comprised of external resources sitting within internal teams may become a longer-term solution. This approach is increasingly favored by companies to maximize the speed and depth of brand, business, and culture assimilation and significantly streamlines communications and coordination.



Combining the flexibility of outsourcing and the integrated working model of an in-house team, Filter, a Merkle company, specializes in standing up hybrid staffing models where expert teams are embedded within a client's organization. One such case is a leading global athletic brand that was embarking on a new direct-to-consumer strategy. To support this ambitious, multi-regional initiative, the brand needed to dramatically scale and up-level its multi-channel campaign capabilities. But instead of growing its internal teams, the goal was to act smarter and restructure the way outside agencies, FTEs, and in-house partners were leveraged.

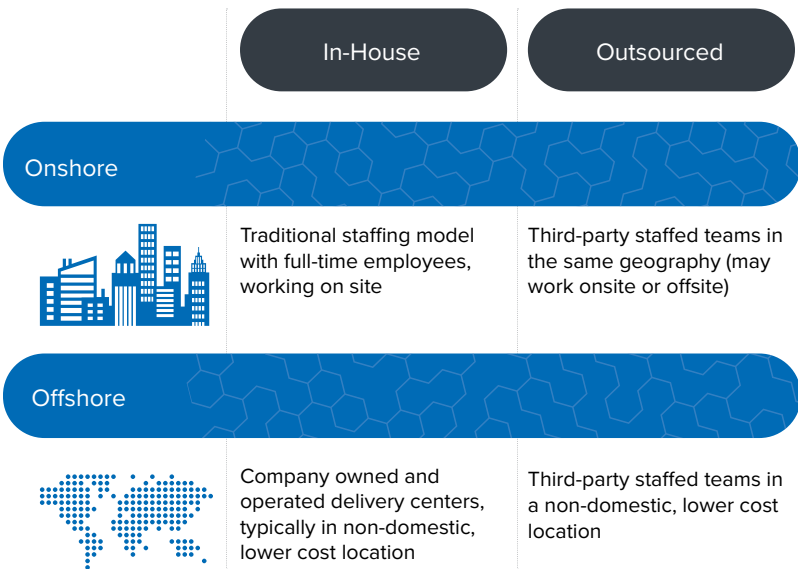
Under this model, Filter integrated teams of designers, writers, producers, and channel specialists on-site, within their Global Digital Brand organization. Based on the success of this approach, Filter later added teams of content strategists, retail specialists, and other digital brand experts, and today works with more than a dozen different digital marketing stakeholders across the organization.

These efforts have accelerated the client's DTC strategy with campaigns and content that deliver greater impact at faster speeds, while providing the client with the flexibility needed to quickly ramp up/down specific areas based on business needs. For FY18, the client credited the DTC program for driving virtually 100 percent of its growth, with a 9 percent revenue increase in Q4, followed by a 10 percent increase in Q1 of 2019.

Location: Decide where the resources should reside

The final consideration is the location of resources. This is relevant whether you have decided in-house or outsource as your preferred staffing option. While the trend toward offshore has slowed in recent years, it is still on the rise.⁴ Often “outsourced” and “offshore” are used interchangeably but who does the work (your company or a vendor) and where the work is done (domestic or non-domestic) are two separate matters (Figure 3.5). One caveat is that the in-house/offshore may not be the best choice when only a small number of resources are required, due to the effort and cost of coordination.⁵

Figure 3.5: Onshore and Offshore Options



Cost savings historically had been the main impetus to offshoring and it continues to be a valid reason to consider this option. However, in light of rising global labor costs, regulatory complexities, and the communication challenges of working with remote teams, the overall fit of offshoring to your needs should be carefully weighed. Obviously, offshore would not be an option if physical proximity or real-time communication are requirements. Additional factors to consider are the type of skills required and the size of the team you’re considering. For marketers, marketing technology and analytics related functions continue to be strong fits for offshore. Other marketing activities that many companies opt to perform offshore include creative production, secondary research, and competitive monitoring.

Requirements	Better Fit for Onshore	Better Fit for Offshore
Need for physical proximity	++	
Complex legal/regulatory considerations	++	
Need for real-time communication	+	
Require a small number of resources	+	
Require STEM expertise (science, technology, engineering, math)		++
Reduce labor costs		++
Access to large pool of resources		+

⁴HfS Research in conjunction w/KPMG “State of Operations and Outsourcing” 2014, 2016, and 2018

⁵Discussion of offshore will also encompass the “nearshore” approach, where the team is located in a nearby country, typically less than a three-hour time difference between the contractor and the rest of the team. In the case of the United States, this would mean working with staff in Canada or Mexico, or perhaps Central or South America.

In summary

Ultimately, the optimal team structure will be one that's unique to your firm. To determine the right resource mix for your marketing organization, here are some guidelines:

- Keep activities in-house if they are core to your business or if your internal team can perform them at a comparable or higher level of effectiveness and efficiency.
- Consider a hybrid approach where external teams are co-located with internal resources.
- Fit and value should be more important than cost management when deliberating changes to your resourcing model.



CONCLUSION



The very definition of marketing is in the midst of a meaningful change, because of rapid shifts in consumer behavior. Forces like the direct-to-consumer business model are taking the need for personalization to a new level. Netflix, Uber, Dollar Shave Club, and their ilk, have materially changed customer expectations around the ways they interact and engage with brands.

CMOs find themselves navigating these forces, while at the same time adjusting to increased privacy concerns and regulations. The CMO is in the driver's seat of a major pivot in the marketing approach that must be carried out across the entire organization. Hyper-personalization means targeted, relevant experiences at every encounter, from marketing to sales to service and beyond, encompassing the brand as a whole. Consumers consider all of these touchpoints part of the connected customer experience, and the role of the CMO is evolving to influence it.

You'll only succeed at delivering upon a connected customer experience if you start with the customer, master identity, and create agile working environments.

CONTRIBUTORS

The 2020 Marketing Imperatives were developed by a distinguished team of Merkle thought leaders:

David Williams, Craig Dempster, Matthew Naeger, Richard Lees, Gerry Bavaro, Margie Chiu, and Neil Gissler.

ABOUT MERKLE

Merkle is a leading data-driven, technology-enabled, global performance marketing agency that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 30 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The agency's heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive people-based marketing strategies. Its combined strengths in performance media, customer experience, customer relationship management, loyalty, and enterprise marketing technology drive improved marketing results and competitive advantage. With 9,000+ employees, Merkle is headquartered in Columbia, Maryland, with 21 additional offices in the US and 29 offices in EMEA and APAC. In 2016, the agency joined the Dentsu Aegis Network. For more information, contact Merkle at 1-877-9-Merkle or visit www.merkleinc.com.

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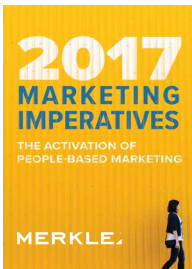
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The Rise of the Platform Marketer



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Connected CRM



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Blueprint for CMOs