2 BIONIC BRANDS

KEY THOUGHTS

“BIONIC BRANDS” ARE THE SEAMLESS INTEGRATION OF TECHNOLOGICALABILITY AND HUMAN INTUITION

TECHNOLOGYGIVES BRANDS “SUPERPOWERS” TO ANTICIPATE AND BETTER MEET CONSUMER NEEDS

THE MARKETING MIX AND IT’S FOUR P’S ARE VARIABLES AROUND A CORE PROPOSITION

DIFFERENTIATION COMES FROM ADAPTIVE, RESPONSIVE MARKETING, NOT A FIXED POSITION

In the 70's the world was introduced to Steve Austin, the $6 Million dollar man. He represented a vision of the bionic man, where technological ingenuity and the human spirit worked together, perfectly in tune and synchronized to act without hesitation. His bionic eye and limbs were able to augment and enhance his human abilities without conflict or distortion.

We may not yet have achieved the ability to embed technology to this degree but we cannot deny that almost every consumer is increasingly living in technological symbiosis. Information technology is now so seamlessly and effortlessly embedded into our lives that like Steve Austin we have become dependent on our super sense and live digitally augmented lives. This has fundamentally changed how we socialise, plan activities and spend our time. If a time traveller from the 70's landed in downtown London today they would be astounded at the almost magical ability that modern humans have to know if it will rain, where their friends are right now or even how much any product costs, right now. You don't need Steve's bionic eye to see through buildings, you can simply look at an app on your phone and know that the corner table at Balthazar is available. Collectively we have become a bionic society and we are engaging with bionic brands. Ray Kurzweil makes the exciting provocation that we added art, culture and society to the human experience when we developed our frontal cortex. Just imagine how society will be transformed as our minds merge seamlessly with the cloud!

HOW DATA DO?

Science fiction has the strange habit of becoming science fact with utopia or dystopia being a matter of perspective. The pervasive use of customer data will influence not only what we know but also how we decide to act and respond to the world. To some this can seem like a horror scenario. For others it is a wonderful vision of efficiency and opportunity. Unlike the $6Million man however, the feats and abilities brought by technology will not be awe inspiring. In the most part it will be invisible and mundane. The greatest trick of the seamless integration of technology into brand strategy and delivery, is that it will be "invisible" to the consumer.

The $6Billion dollar acquisitions may not be the norm yet but increasingly the digital marketing movers and shakers are buying technology to create and facilitate bionic brands, at a massive scale. Pervasive data collection and analysis is integrated into every step of the customer journey without leaving a trace on the consumer's perception of the event. Data is shared and executed against with seamless effect. Machine learning, AI algorithms and embedded sensors are shaping responsive and adaptive brand experiences in ever more spheres, some of which were considered off limits not too long ago. Facebook's investment in beacon technology to drive more local and specific content to users is just one example of how businesses are seeking to activate their extended neural network.

WHAT DO YOU DO WITH DATA?

Data Source	Actions / Impacts
5 years ago	
1 →	
2 →	
3 →	
Now	
1 →	
2 →	
3 →	
In 5 years	
1 →	
2 →	
3 →	

THE UNCANNY VALLEY

It is good to remember that business happens first and foremost between people and even the most advanced and at times autonomous systems we create around us, are still only a mirror to ourselves. At its core what we aspire to and seek out is a human interaction as the model for a brand experience. A human sense of intimacy, respect and intuition still sets the benchmark for the interaction we seek in brands no matter how smart they become technologically. As technology has expanded the scope and reach of human interaction, we have become even more sensitive to what is lacking and where technology gets in the way of delivering a sense of human connection. We accept that business has become "bionic", but we want the new combination of technology and human interaction to recognise our own unique and individual needs. Bionic brands need to deliver a "human" experience at a scale that "technology" can provide. In order to achieve this, the brand response has to be in sync and reflect what you would expect from a human interaction.

The example of Breakr (the marketing company behind the Alex from Target fiasco) is a cautionary example of how badly things go wrong when the mask of immediacy and human experience is lifted to reveal the workings of the data machine.

When something that is thought of as intuitive and human is revealed to be the result of data manipulation. When Breakr claims to "connect fans to their fandom" the normal activity that has functioned for centuries without intermediation is considered fair game in the data gravy train. And when people found out that what they experienced as spontaneous and "real" actually was orchestrated and "fake" the ultimate damage to a brand can be far worse than the short term gains. As with all the marketing capabilities being gained through technology, transparency is key to ensuring that the investment in audience and consumer experience is celebrated and not ridiculed.

In the eternal wisdom expressed to Peter Parker by his dying uncle: "with great power must also come great responsibility." The responsibility to develop a clear, pro-active data and technology strategy is not only a must in order to manage a bionic brand but an obligation towards clients and consumers. Taking charge of the development and evolution of your brand's data strategy ensures that the power will be harnessed towards a shared aim. A fragmented and uncoordinated kludge of systems and inter departmental initiatives only perpetuates and accelerates the Frankenstein like discombobulationwe have all encountered with airline call centres and mobile phone company help desks (not that these two industries are in any way better or worse than others).

> "Innovators change the lens through which we see the world."

MARK BONCHEK, CHIEF CATALYST OF THINKORBIT & FOUNDER OF SHIFT ACADEMY.

CLOUDED JUDGEMENT

The challenge is that the complexity of running a bionic brand affects all aspects of the business. A key attribute of the bionic brands is that every variable in the marketing mix is truly a variable. Specific customer data is increasingly affecting not only the marketing messages of "Promotion" but also the "Price," "Place," and even the most analogue of "Products". Everey aspect of your competitive strategy can be reduced to a system judgement on an individual scale.

A great example of just how far the bionic brand can go is the Teatreneu Comedy club in Barcelona. Starting off as a scheme to circumvent the local governments tax on theatre tickets they installed facial recognition systems. These now identify how often an individual theatre goer laughs. The price in other words is set directly by the interaction of the punter with the product. A real time responsive pricing system that has shifted "value" from being a promise to being a practical and measurable pleasure.

CONNECTIVE ISSUE

The deeper consequence of building a bionic brand is that Sales, Marketing, Product development, Finance, Sourcing and Distribution and even HR are in some way affected and responsible for a seamless and coordinated consumer relationship. "Digital" can't be added or painted on at the last interface, it needs to be "baked in" from the onset. The reason why you still get spam mails from desperate brands, offers for products you'll never use and receive two substantially different price offers for an Economist subscription is simply because the systems that have organically developed in fragmented organisations cannot deliver a seamless and relevant interaction with the consumer. For a large part organisations are limited in their adoption of the true potential of technology because of Conway's law:

> "Organisations which design systems…are constrained to produce designs which are copies of the communication structures of these organisations"

M. CONWAY, 1968

As long as organisational structures are fractured fiefdoms, often competing for budgets and influence, their ability to seamlessly apply the potential of technology will be limited. Brands and the consumer experience they offer, are lagging behind the potential that technology can deliver. The reality of a bionic business is no longer a technological constraint, it is organisational design and culture that are getting in the way. The old adage attributed to David Ogilvy that half the advertising is wasted, you just don't know which half, still holds true in many instances, but for very different reasons. As we have become more sophisticated in our measurement of advertising exposure and conversion, it has become clear just how much needs to measured. With sales, logistics and marketing communications looking at the consumer through different lenses, the degree of overlap and contradiction can be just as big a liability as not measuring at all.

HOW BRANDS ARE SPENDING

Marketers are investing in the customer experience to drive business advantage and profitable revenue growth.

- Connecting better with customers is the top challenge for marketers.
- 18% of the marketing expense budget is spent to support the customer experience in 2014.
- The highest marketing technology investment in 2014 is for customer experience.
- Customer experience is the top innovation project for 2015, just edging out product innovation.

Marketing budget remain healthy in 2014, and are planned to grow in 2015.

- Marketing expense budgets average 10,2% of revenue in 2014.
- In 79% of companies, marketing has a budget for capital expenditures.
- Marketers are managing a P&L, and generating revenue from digital advertising, digital commerce and sale of data.

Marketing spending reflects the blurring line between digital and traditional marketing.

- 68% of organizations have a separate digital marketing budget.
- Digital advertising leads digital marketing spending in 2014, and is tied with mobile marketing for the largest increase in 2015.
- Two-thirds of companies are funding digital marketing via reinvestment of existing marketing budgets.

SOURCE: PRESENTATION FOR CMO SPEND SURVEY 2015:EYE ON THE BUYER (=315),GARTNER,OCTOBER 2014.

C.P.YOU

A bionic brand grows from a bionic business and one of the key barriers to full adoption of the potential that technology brings, is human uncertainty and our inability to let go of old management paradigms. Breaking this habit will not be easy. Mid to senior level manager have built careers on a legacy of making the “right” choices. Looking at reports, evaluating the presentations from their employees and then choosing the right course of action. If the organisation’s data strategy has not been designed and coordinated from the top however, the keyhole perspective that proprietary systems and reports deliver will only perpetuate their idea of what “right” is. By taking a department neutral view of the whole business as one bionic being, the emphasis can shift from being “right” – the selective perspective that supports one points of view and motivation for a bonus – to be “real” – actionable, integrated and based on broad perspective.

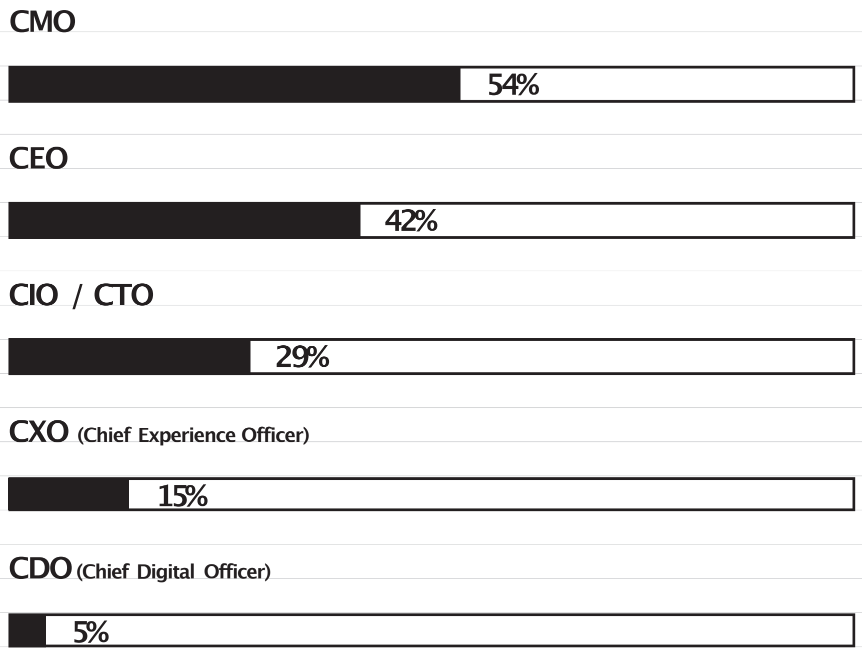
“These organizational changes have been challenging —as is always the case when you knock down silos, shift resources, and push the culture in new directions. But the payoff has been demonstrable and rapid.”

MARYKAY KOPF, CMO AT ELECTROLUX GROUP AND FRED GEYER, SENIOR PARTNER AT PROPHET.

DEMANDING DIGITAL TRANSFORMATION

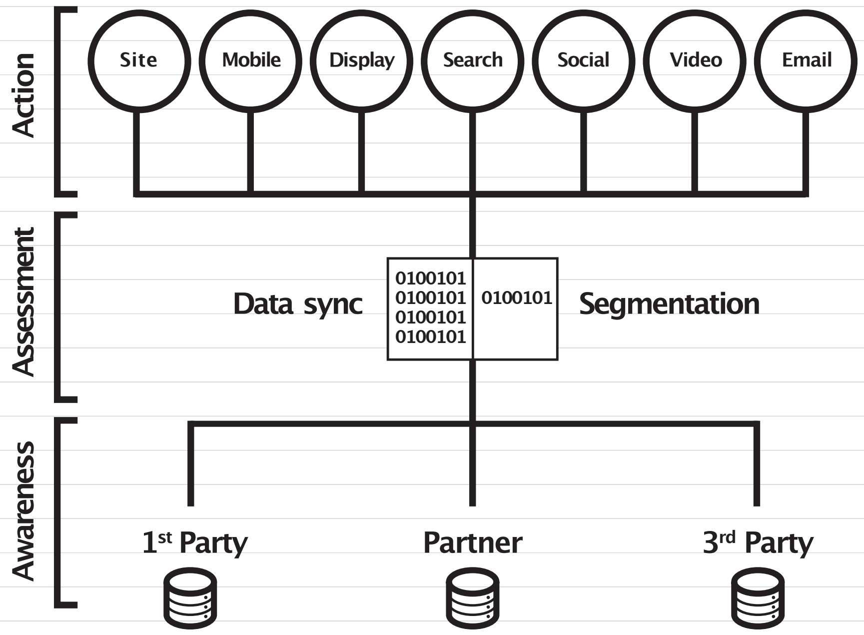
EXECUTIVE CHAMPIONING
Digital transformation efforts

What executive roles champion and support digital transformation within your company? Select all that apply.



SOURCE: ALTIMETER GROUP DIGITAL TRANSFORMATION SURVEY, 2014.N-59.

DATADRIVEN MARKETING



This perspective makes being data and marketing technology literate, absolutely essential. Especially against the background that soon the CMO will be spending more on outsourced technology services than the CIO is. For it's IT requirements your company is entrusting millions of pounds, dollars or euros to someone who most probably has an engineering degree. Most marketing executives only have a superficial knowledge of the technology they absolutely depend upon. Yet, in most cases there is no scrutiny of the robustness of the platforms, their compatibility and development roadmaps. How secure is that data you are hosting on an American server? Will the EU regulator feel comfortable that you are compliant to privacy laws?

The depth and reach of marketing IT related questions fall far outside the scope and remit of most marketing degrees. And the budgets at risk are staggering. Gartner[1] estimated that roughly a third of marketing spend is on IT and related technology services. Deutsche Bank puts the spend on "incremental digital services" at $320 Billion globally. This is compared to the estimated $195 Billion being spent on the actual online ads. When you consider that the average spend on IT for most large companies is only 3.6% of revenue it is easy to see how the behemoth of IT spend outside the company systems can cause havoc on data standards and security. Compounding the issue is that the IT department and Marketing department are often competing for budget, and atmosphere that is not the most conducive for smart spending decisions.

INTEL OUTSIDE

Bionic brands though are not simply a function of the amount of technology involved. The way in which technology works and

1 http://www.forbes.com/sites/lisaarthur/2012/02/08/five-years-from-now-cmos-will-spend-more-on-it-than-cios-do/

is integrated into the company is changing substantively. Using the analogy of telecommunications and its impact on personal communication helps illustrate this.

The first "electronic" intervention in personal communications was the telegraph. A whole network was built to shift data from point A to point B at lightning speeds (compared to a man on a horse). To make this system work however the message had to be simplified (due to bandwidth constraints), coded into a machine language (Morse code) and then handed over to trained professionals who were able to squeeze your message through the system. At the other end the recipient was removed from the loop and only made aware of the message through a manual delivery.

Engaging with consumers as a "bionic brand" is as removed from the legacy ways of integrating technology into business as the telegraph is removed from modern mobile communications. Most legacy systems are limited in their scope and impact by methods and approaches that still resemble the days of telegraph communications. The manual entry of data into arcane databases that can only be accessed and utilized in limited ways reduces the broad adoption of data into business practice. The complexity of coding languages slows the process as much as the use of Morse code slowed down the transmission of messages through copper wires. As we move towards a more semantic web and a broader use of natural language it becomes easier to not only partake but also shape how technology fits into the daily running of a business. The immediacy and intuitive ease of mobile communications points towards the future of what a brand can become.

Neil Postman suggests using the following 7 questions to interrogate every new technology:

1. **What is the problem to which this technology is a solution?**
2. **Whose problem is it?**
3. **What new problems might be created by solving the original problem?**
4. **Which people and what institutions might be most seriously harmed by this new technology?**
5. **What changes in language are being forced by these new technologies?**
6. **What sort of people and institutions gain special economic and political power from this new technology?**
7. **What alternative uses might be made of a technology?**

In many instances the capture and analysis is beginning to happen in real time and makes a certain degree of responsiveness possible. Where the interaction with the consumer happens through a digital medium, the interaction in and of itself creates a rich data stream that adds to our understanding of their interests and behaviour. If the universe and brand building existed only in these narrow slithers of experience it would be easy to construct a model that was bespoke and intuitive around every consumer. The world is far more complex than this though and offline interactions and the legacy of ERP systems is creating bottlenecks and "data fractures" where online and offline behaviour intersect.

The legacy of ERP systems have created a dependency on "document based" reporting systems. Similar to the telegraphic systems described earlier, the document based systems create additional steps in the data chain that are required simply to make the system run, they do not in and of themselves add value to the manager or his team. In many cases they make it even harder to see what is going on. The document dependency is like a tax on the system, slowing down responsiveness and reducing connectivity.

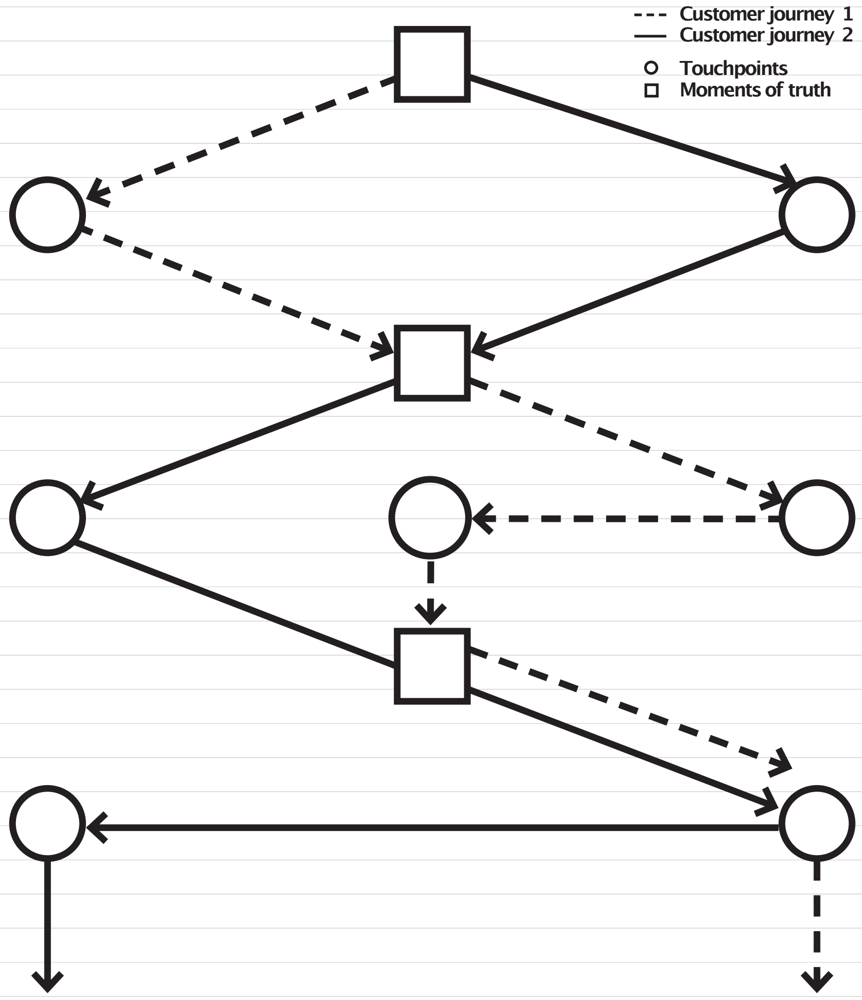
SAP as the leading ERP provider is working hard to address this. Hasso Plattner announced the radical simplification of their accounting systems through initiatives like HANA. Through the use of heuristics the documentation need is radically reduced. As more objects in the chain become intelligent, object to object interactions will obviate the need for the superficial layer of reports and documents that suck up so much of management time and focus.

MAKE IT SO

Closing the loop between "what happened" and "what needs to happen" doesn't simply make the competitive response more effective, it will reduce the friction and loss of time that often disrupts the consumer experience. The quality of this experience will however depend on the quality of data that feeds the system. This is a crucial aspect so let's look at it in more detail.

Not all data were created equal. Some data are more relevant and pertinent to the decisions that need to be made. If we view the organisation as a bionic business, the data would be the instructions being sent through the nervous system. If bad signals are being sent, the business will respond in the wrong way. Just like a person who suffers from Parkinson's cannot coordinate their movements and struggle with speech, a business with a disrupted data flow or indiscriminate data will seem incoherent and confused. Whereas we know to show empathy and consideration towards people with such disabilities, a disabled company does not get or deserve the same patience and consideration, and rightly so.

CUSTOMER JOURNEY



A customer journey should not be conceived a linear process. Individual consumers may have very different sequences of exposure and enter the journey from very different points. Adaptive marketing adjusts the exposure according to the individual consumer's journey.

So what is the data diet that feeds decision making? And how can we improve this diet to create healthier and smarter brands? A lot of it depends on where the decision gets made. What exactly is the decision node. If the decision is being made by a person, their decision will be heavily influenced by person experience and bias. Prof. Daniel Kahneman in his book "Thinking fast, thinking slow" explains in great detail how our own bias is often completely hidden from us. Intuitive and emotive thinking trumps logic every time and we spend a lot of time finding "rational" reasons for the decisions we make. The data that feeds such decisions are therefor difficult to judge and understand. Everything from personal pressure to get a promotion to the unintended consequences of procedure and policy will bias and distort the decision making process. This is why so many companies try and shift decision making into a more "rational" and predictable computer system.

"How can I eliminate the sources of potential bias, and leave just the data, so we can make better decisions."

BEN TREYNOR, VP OF TECH AT GOOGLE

A rules based decision making system holds the promise of delivering a consistent and aligned impact across different geographies, touchpoints and demographies. The right algorithm should be blind to personal bias. As Nate Silver[2] however rightly points out: "Before we demand more of our data, we need to demand more of ourselves". Humans build the algorithms and their bias is inherently "baked in". This is often overlooked and often experienced when a customer agent falls back on: "I am sorry I can't help you, the system won't allow it".

DATA DIETS

So if the decision making algorithms are biased, what about the data? Traditionally business data has been generated all along the value chain. Production and supply chain data is critical to ensure that the retail interface does not suffer out of stock problems. Failure rates in the production line are a really good indicator of issues that may affect consumer experience later on when the product is actually in use. Warehousing FIFO and LIFO data are critical to manage product quality and freshness. Shrinkage and losses must be calculated in and a good ERP system will be able to add that data in. There is point of sale merchandising and presentation data which can be mapped to shelving and merchandising plans to calculate throughput at shelving cost scenarios. Transactional data can be mapped to loyalty programs and other factors such as geography and demography to provide insights about product uptake and promotional costs.

Marketing has traditionally struggled to get a foothold in this value chain. With survey data or qualitative research data it was difficult to map actual events to individual consumers. The person you spoke to in that dark one way mirrored room seldom was the same person (both literally and figuratively) than the person standing in front of the Tesco shelf.

In this regard marketing has often played a paradoxically peripheral role in the C-suite. Paradoxical because in the original definition of marketing, it should be central to defining the entire organisation's "go to market" strategy, including strategic choices about the product definition, positioning vis a vis completion and even where and how the product gets sold. Over the years though the discipline of marketing has been

2 Nate Silver, The Signal and The Noise, Why So Many Predictions Fail —but Some Don't. Penguin Press, 2012

marginalised and has become synonymous with "communica-tions". The data gathered to define advertising and promotion campaigns was often considered too fluffy or not directly related to actual events and decisions. The hard data of sales and finance ruled the day. As the nature and practice of marketing analytics has gained in sophistication, marketing as a discipline has come to the fore.

LEAD BY EXAMPLE

Marketing data is unique in the organisation. All other gener-ated by business activities will tell you either where you have been or where you stand. Production, distribution and sales data are by their very nature post hoc, after the fact reports on what has happened. Financial data is the same and the attempts to make it predictive, is often little more than a forward projection of historical patterns. Current marketing data as gathered through multiple touchpoints on media devices and mobile phones however are based on real consumer behaviour and preference as it occurs. The ability to model and predict consumer behaviour is now incredibly accurate and this means that Marketing data can more robustly and convincingly show real strategic value. Marketing generates leading indicators for business performance and as such should be far more deeply integrated into strategic planning.

This shift in the role of marketing is so profound that a number of players, especially in the tech industry, refuse to call it by its name, preferring the terms "growth hacking". Growth hacking however is nothing other than Marketing, come of age. Done well, the real time reporting on consumer behaviour, in the context of competitive activity can be used to guide the rest of the organisation through strategic choices. No other discipline in the company can be as accurate and as useful in guiding investment choices around manufacture and distribution models. The closer and more robust the integration of marketing data to the rest of the organisation is however, the more agile and adaptive a brand can be in its offering and ultimately value to the consumer.

As an ambition this is easy to buy into, and most managers will agree that it is a great idea. The promise of utilising marketing data to its full potential though falls flat in the face of self inflicted "data fractures". Most analytics packages are now extremely good at following click streams and applying models to best guess the consumers behaviour as long as they are in the public domain. Cookies, social media measurement's natural language abilities and robust data crunching abilities allow a company to follow an individual user, often both online and offline as they progress towards adopting and promoting a brand. As soon as the consumer however logs in and makes use of the company's proprietary systems however the transparency and comparability falls flat. Inter departmental conflicts and incompatibility means that different product groups cannot work together to increase lifetime value or even promote sen-sible incentives.

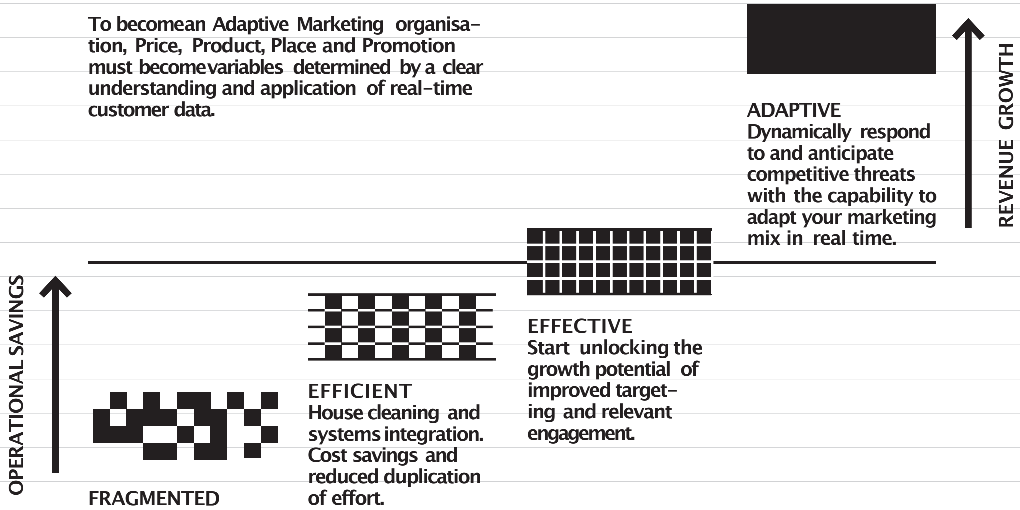
By fracturing mobile and web, by splitting out social from advertising the company is making it harder for itself to see the consumer in high definition. The self imposed data fractures are often the dysfunction of a corporations' "nervous system" that leads to unpredictable and erratic behaviour. To create fluid and intuitive interactions with consumers, the brand has to look at its data flow on a holistic level, creating a system that shares and informs all parts of the business seamlessly.

ADAPTIVE PATH

Does a business, becoming more like a coordinated bionic being, change the way it engages with consumers on a content level as well? Should you think differently about campaigns and the way they generate interest and engagement? What does the journey towards fully adaptive, almost intuitive marketing look like?

Just as local eco-systems are slow to adopt to global climate change, the rising tide of technology has not raised all brands equally. The learning curve can be steep and is often dictated by the amount of legacy a company needs to let go of before they can fully embrace a new paradigm. Lets take a look at this evolution and how you can accelerate your company's progress along the trajectory.

CAPABILITY PROGRESSION



FRAGMENTED

Marketing has gone through various waves over the last decades. From being an unknown, not even recognised natural activity of the market vendor to the almighty Mad Men portrayed in the TV series, it has been more or less in the focus of a CEO over the years. As scientific management started shaping the process of strategy, and measurement was forced into every corner of the business, marketing started slipping. Opinions and attitudes were simply too complex and the chatter of choice to flighty to

follow. Slowly marketing started slipping down the influence grease pole. This loss of influence has also led to a fragmentation of the marketing mix. In particular advertising agencies have been affected. Where once they were able to control the whole range of services dictating a brand's impact and presence in a market, they now have to fight for small, specialised pieces of the mix. When media, one of the biggest sources of revenues for agencies, went out the door it was a freefall as they scrambled for new revenue sources. Traditional advertising agencies also started loosing their grip on brand strategy as the big business consultants understood the value they could add by shaping CEO's point of view on their brand's future.

This fragmented approach to marketing is reflected in the fragmented view that a company now often has on it's market and its success. If every department in the company is using a different service or framework to segment and measure the market, it becomes impossible to compare progress and success across geographies and segments. When the product development team are using trend agencies and buying into market studies that have quantitative data based on demographics it can be hard to reconcile with the marketing team's behavioural and qualitative data. The retail sales numbers and loyalty card data are often stored on different databases and use different parameters to the data being used by the account management team who may be on a cloud based sales support service. The internal ERP system may be very good at accounting the flow of cash and inventory inside a closed system but cannot line up with predictive data and market intelligence gained from incompatible vendor data.

The fact is that the flood of data that a company can now harvest from consumers' online lives often create the illusion of accuracy just because it break down a picture in greater and greater resolution. But resolution is not accuracy or even relevance. The beautiful stories often told through masterful data visualisations often lead to greater noise in the system when they are not integrated into a more coherent data strategy. One click on a banner ad can now generate more than 200 autonomous protocols with different data vendors and intermediaries as cookies connect with commission engines. Every online screen is sliced and diced into a myriad interpretations as the real time value of an individual prospect if juggled through campaign management systems and publisher inventory optimisers. As a marketer you can now be told an awful lot of detail about the minutiae of shifts in online behaviour. Yet somehow the increase in data and the aesthetics of data tables do not really provide better decisions if they come from a fragmented understanding of both the market and the consumer.

From an executive perspective this fragmentation has many inherent risks and costs. Different departments will be duplicating efforts or even working at cross purposes because their data are not connected or relating to an underlying logic. Polished presentations create the illusion of certainty as things appear more solid and thought out than they are. Forgetting that every perspective on consumer data is in essence an edit, an extract that is trying to tell its coherent version of events.

If you as the CEO were able to use Neo's (from the Matrix) ability to see through the surface you wouldn't see orderly lines of green code raining down in structured lines, it would be a stitched together patchwork of rainbow data coming together in convenience, not clarity.

As an international brand the complexities of cross border segmentations and culturally defined lifestyles lead to even greater fragmentation. Organisational culture can quite often embed and reinforce the fragmented view of the world. When budgets are allocated on the differentness of various markets, the perverse incentive is to exaggerate the differences. How many meetings have you sat in where the US marketing team and the EU marketing simply cannot agree on a campaign strategy because their consumers are simply just too different to be understood in the same way? How many attempts have you made to create a global segmentation strategy that respects the needs and aspirations of tier 3 markets and makes full use of digital and technological advances across the board? The sheer complexity of consumer demographic and behavioural variables leads to a desire for simplification. Breaking the challenge into smaller bite sized chunks in order to allocate accountability and action accordingly. If insight is to lead to action it can often only do so in the limited walled garden of national or fragmented perspectives on the market. You are eating the data elephant in bits and bytes.

This frustration has led to massive investments from the global brands like Unilever and P&G over the past years to consolidate and streamline their data strategies. Getting rid of the duplication and inefficiencies seems like a no brainer and the cost benefits can be quickly calculated. So why does the frustration with fragmentation seem so persistent? One reason is because of the pace of technological change and the pressure this puts of marketers to try and eke out even the smallest advantage over the competitors. When you don't know which horse is going to win the snapchat/instagram race you back both horses. With small breakout agencies trying to establish a leadership advantage in exploiting some new aspect of social media marketing or adaptive website design, marketers are relying on a more fragmented base of suppliers. Each with their own proprietary systems and applications. Ironically the race to the future is exacerbating the legacy problems. Incompatible data bases and systems, uncoordinated rushes at the market in "campaigns" that bare no similarity than some arbitrary hero image. The bragging rights of being the first to do XYZ at Cannes, the currency of currency comes at the cost of cohesion.

From a consumer's perspective however the fragmented view on the world that brands hold on to leads to a sub optimal experience. From their perspective the shop assistant and the call centre employee are working for the same company and they should be understanding them as a consumer as the same person. They don't care that their purchase history has not been uploaded into your CRM database. From their perspective they have given you all you need to know to help them. By asking them again and again to answer the same questions you are not only irritating them, you are insulting their individuality and value as a person. Reminding them of the faceless bureaucrat who only understands the data they see on the form in front of them, oblivious to the human request coming from across the table. Measured from this perspective, a fragmented data strategy is a recipe for rebellion.

EFFICIENT

At first sight a drive towards more efficiency looks like a no-brainer so it can be frustrating when you realise just how far your company is from sharing resources and building on shared infrastructure and platforms. The fact is though that every company gets the results and operations it deserves. There are very specific and compelling reasons why a company persists in running in an inefficient way.

Hidden beneath the surface can be perverse incentives to keep things separated. Fear and lack of trust between departments can hinder the collaboration and sharing needed to bring departments together operationally. The first step towards a more digitally enabled organisation however is to look at improving the efficiency of its systems.

Efficiency in this context simply asks the question: "are the systems we have in place doing the things they are supposed to do in the best way possible?" Whereas individual departments can often believe they are being efficient, a lot of it comes down to how they measure the outcome of their investments in technology and consultants. Where they draw the boundaries of their impact. Something that may look efficient at a small scale may be massively inefficient on a broader scale.

The following example illustrates this. A shift manager at a hotel gets a complaint from room 211. The air conditioner is broken and the room is too hot. You need to immediately fix this problem. The shift manager calls a local repairs firm and they come and fix the problem for €300. By the afternoon the guest is happy and the shift manager feels rewarded in their "pro-active" attitude to customer service.

Now look at the situation from the hotel manager's point of view. "Goodness me, we have spent thousands on technicians to come in and fix our air conditioning units! And just look at how many individual complaints this generated over the year. It's time to throw out the old window units and install a centralised system".

And what would your perspective be as the CEO of the hotel chain? Perhaps "We need to look at running more sustainable and cheaper hotels. Let's bring in an architect to design 'green' buildings, getting rid of air conditioning completely. The savings in repairs and electricity will pay for themselves in a few years and the boosted brand value will bring in new customers".

What looks like an efficient solution at one level can in fact be expensive and get in the way of delivering overall customer value when you look at the business more holistically. If you are to bring your organisation on the journey towards being more adaptive and responsive, it is important to create the platforms and mechanisms for looking at efficiency at an organisation wide, cross departmental level. If IT expenditure is fragmented into small pockets and hidden behind sub-contractor agreements you'll quickly find yourself in a situation where you are sustaining the very things that stand in the way of more efficiency.

Efficiency starts from the perspective of understanding the "jobs that need to be done" and then looking at all the parts of the business that are trying to do the same job. The LEAN operations movement has gained a lot of traction over the last few years specifically because it reduces business back to the core basics of adding customer value and ensures there is no duplication of efforts. If what you are doing does not in some way contribute to what the customer is willing to pay for, it will be eliminated.

A focus on efficiency can be great in terms of clearing the fog of clutter. Once you are able to contrast and compare results across divisions on a common foundation, it becomes easier to make critical business decisions. A focus on efficiency however has it's limitations. For the most part, the mandate for IT investments to improve "efficiency" derive their mandate from a perspective of reducing costs. No CEO however has ever become the darling of the stock market by only demonstrating an ability to cut costs. In theory you can cut 100% of your costs by simply closing shop. The true challenge in business leadership is to deliver growth in revenue. Efficiency is not enough, the business needs to deliver impact and for tis to happen it needs to be effective.

EFFECTIVE

The fundamental shift in the organisation when you move from being focused on efficiency towards looking at effectiveness is a move from being internally focused to being externally focussed. What is your dent in the universe? What will people miss when you are gone? The complexity and steps you need to take in order to deliver a certain outcome are largely irrelevant if they do not translate into a desired "out-come".

How you measure success is essentially a function of where you draw the finish line. In this regard, defining business success is intimately related to how other people experience and consume your product. Do they care enough about you to wait for an online delivery? Do they think you are important enough in their life to warrant the diversion of their laboriously earned salary? Will you add value in their lives beyond the immediate cost? Was the experience of such a nature that they will tell others to buy you?

As an organisation this focus requires a high degree of coordination and dialogue between the various business functions. Sales and Marketing cannot afford to operate in isolation if you want to align towards a clear consumer impression. Where the product is found and experienced plays an important role alongside what features you offer and how the sale is financed.

Effectiveness also means understanding your impact relative to the efforts of your competitors. How does what you offer stack up against your main rival? Who is entering the market to offer substitute value or even make your product redundant? 'Effect' does not happen in a vacuum and an informed organisation is in a better place to predict competitive response and position their offering accordingly. The transition from "efficiency" to "effectiveness" therefor requires the inclusion of external data and benchmarking in decision making. Understanding competitive pricing is a start and most probably the easiest metric to track. The advance of social listening and other real time sentiment trackers however make it possible to understand how consumers feel and talk about not only your brand but your competitors and the industry.

A word of caution though. This benchmarking does not however mean tracking and matching competitive spend on IT investments Euro for Euro. The old "share of market/share of voice" metric is massively misleading as it only reflects the input, and not the outcome of marketing spend. How the money is spent and what it achieves is more important than what it is being spent on. Simply setting a target of spending x% of revenue or spend on IT investment is a simplistic reduction of the challenge. Understanding what needs to be done and how to develop intelligence and analysis ahead of the competition is crucial.

The more capable a brand becomes in understanding market dynamics and outcomes, the greater the urge will be to respond to this knowledge. Just knowing that social media is expressing a negative sentiment is nothing but frustrating. You have to develop mechanisms and the capability to make use of this knowledge. To take action in real time and take advantage of real opportunity. This means becoming adaptive.

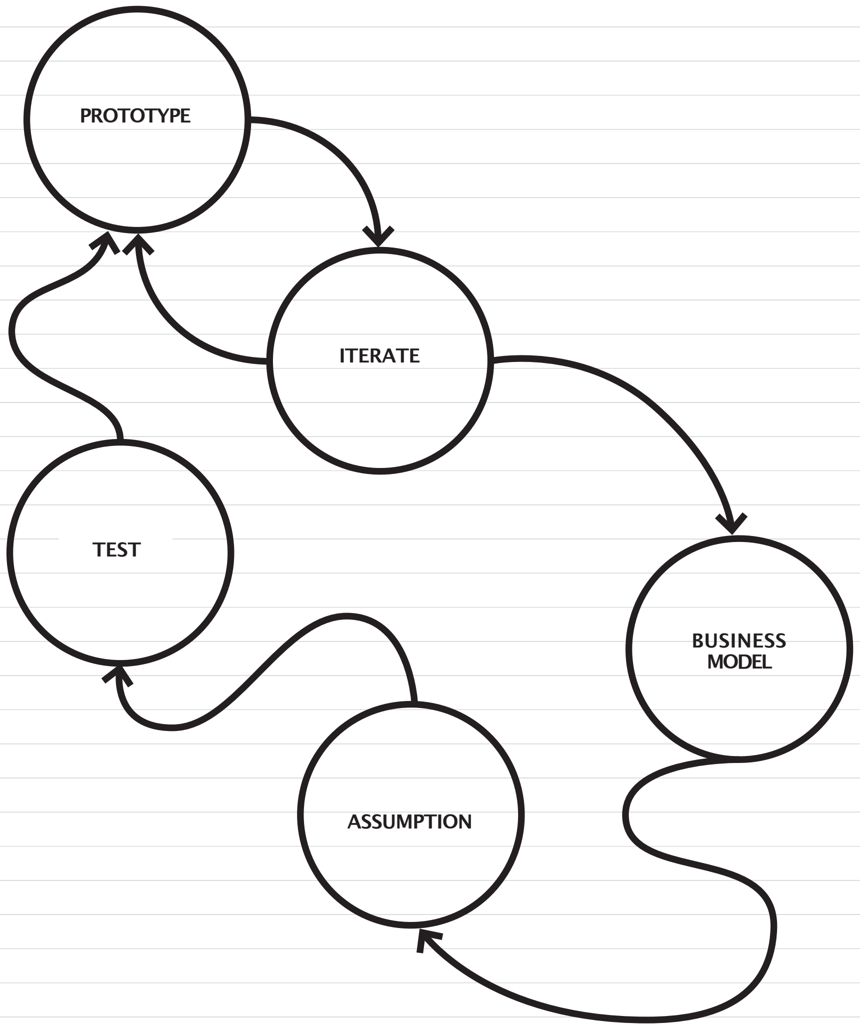
ADAPTIVE

Enter the bionic brand. This image accurately sets up the expectation of how awreness should turn into action. The goal of being an adaptive marketing organisation however does not mean that you deliver a knee jerk reaction to every impulse you receive. The human body receives far more data than what we are aware of or act upon. If we were to respond to every tiny niggle and adjust for every small imbalance with conscious effort we would not be able to move from the spot. It fact we may tear ourselves apart as one set of instructions fights against another. The action and behaviour in the marketplace is dictated by a larger organising principle on where you want to get to and what you want to achieve. The value of information is then measured in its ability to support or hinder achieving this goal. Data absolutely needs to be contextualised against goals.

To put it clearly, if you do not know what your organisation will do differently based on a set of information, then it is just noise. If the data doesn't relate to action, it is clutter. If the action doesn't relate a defined objective you either need to clarify your objectives or rethink the action.

"Why are we doing this"? and "How does it add value"? should be constant filters on the marketing process. This is where it gets messy. Too often the answer to these questions has been "Because that is the way we have always done things". Marketing technology however provides the ability to give an up to the minute perspective on whether or not long held assumptions are true. The reason why companies like Uber and Air BnB hire economists is exactly to ensure that business decisions are based on current micro-economic parameters. For Air BnB for instance, understanding if a consumer is a browser or a buyer fundamentally changes how they present their offering. A browser sees more ads on the page to entice them with more options. The potential buyer however sees a less cluttered page so they may focus on the offer in front of them. This understanding drives real differences in the revenue model from different users. The decision about what to serve the user is based on such data as the time distance between clicks measured in milliseconds.

DISCOVERY DRIVEN PLANNING



Discovery driven planning first identifies the assumptions of a business model and then seeks to test them as a low cost/risk prototype. Defining the core Value Proposition is an iterative, evidence based process.

The adaptive marketing organisation tests its assumptions and adapts its behaviour accordingly. Understanding the value for instance of a metric like "customer churn rate" can prompt a company to change its pricing model to a subscription model to better understand real time defection dynamics. The old model of paying one price up front and leaving the consumer on their own to figure put the full value of what they purchased seems positively primitive when in-app purchases, variable pricing models and SAAS models can bring economic exchange into real time value creation. By seeing how the consumers vote with their wallets in real time a brand can adapt its offering with greater precision.

In essence we are living in a period beyond the "constant Beta" excuses for prototyping and iteration. At its core the idea of a single product commanding a single price has lost its currency. Prototyping and iteration of the value proposition does not require any excuses anymore. The consumer is starting demand that you learn and respond to their inputs in real time. If a consumer tweets that their luggage is lost and they hate the airline, the airline had better be able to respond as close to real time as possible. In this scenario the consumer doesn't care if you are conforming to your internal rules on product quality, they are measuring you by the standards set by the best players in the market. Keep asking yourself, what would you do if google offered your product for free? Do you know how to monetise a relationship beyond a fixed definition of product and price? What are the different scenarios for creating value?

FAST FORWARD

As a manager and CEO the prospect of this journey should be a liberating and exciting mission. Releasing creative energy by imagining an engagement with your consumers that redefines how they appreciate your unique qualities and special approach to meeting their needs. The adaptive marketing organisation, a bionic brand, has the potential to develop customer intimacy at an unprecedented level. The flipside can be terrifying though. If you cannot dictate the value of your product or even the tight confines of product description, it becomes essential that you don't digress into a "all things to all people" loss leader. Consumers quickly learn and respond to weak spots in your customer retention strategy and are eager to play out providers to get special incentives and better negotiated deals to make sure they keep playing in your pen.

Collaboration and co-creating can also bring alienation and disappointment when a group of consumers see their designs and ideas rejected in favour of others. With over ten years of experience in co-creation with consumer groups, Johann Fueller from Hyve AG highlights the steps a company must take to ensure that the renewed intimacy and co-operative attitude of the marketing department does not create false expectations.

When SPAR in Austria took steps towards including consumers in their shopping bag design competition a small group within the 2500 strong consumer community grew militant when their ideas were not incorporated. They took to twitter and posted negative comments.A terrifying prospect for the goodnatured product manager who wanted to be more inclusive in their marketing approach. Being adaptive means being able to expect negative as well as positive responses from real, emotional people.

The illusion of greater intimacy through engagementsets a higher standard and the brand manager must be able to put their action where their tweet is. As tough as it feels, retreating from this level of inclusion is far more fateful than riding it out and building deeper trust along the way. You will disappoint some people, you will loose some consumers but in the end you'll be able to tell the difference between good and bad choices.

"…in industry after industry, the high cost of acquiring customers renders many customer relationships unprofitable during their early years. Only in later years, when the cost of serving loyal customers falls and the volume of their purchases rises, do relationships generate big returns. The bottom line: increasing customer retention rates by 5% increases profits by 25% to 95%. Those numbers startled many executives."

FREDERICK F. REICHHELD AND PHIL SCHEFTER, BAIN & CO.

Adaptive organisations are set up for this long term dance of retention. A fire and forget marketing campaign tells you nothing about the long term value of a conversion. It tells you little about the ROMI of browsers versus buyers and it certainly can't inform design choices about the customer interface and product experience.

SCORING ON SKILLS

So what are the skills an organisation must learn in order to turn your brand into an adaptive and well oiled digital savant? Is there an approach that is clear, simple to communicate and helps you to avoid the pitfalls along the way? Can you apply something that makes it easy to communicate not only to your staff but also to your investors that you are on the right track towards building a bionic brand? In the next chapter we take in in depth look at the skills and capabilities, plotted out in a simple process to guide you and the team.

WHAT CAN YOU DO TODAY?

What are the consequencesof this chapter on your business? What immediate steps can you think of to take advantage of these developments?

	WHAT	WHO	WHEN	✓
1				☐
2				☐
3				☐
4				☐