The Digital Transformation of Marketing

How marketing executives can increase the expertise of their teams on a step-by-step basis
CONTENTS

1. Digitalisation is changing marketing 04
2. Study design 06
3. Results 08
4. What marketing directors should prepare for in the future 15
5. Bibliography 16
6. About the authors 17
Digitalisation is Changing Marketing

Today’s digital marketing communication has nothing to do with the advertising of the past. Last year, global spending on internet advertising overtook the amount spent on TV advertising, the leading medium of classic communication, for the first time. For 2019, media experts are predicting a 13 percent increase for internet advertising amounting to 205 billion dollars. That is equivalent to a 37 percent share in global media expenditure. For marketing directors, however, digitalisation means much more than just using additional communication channels. It is associated with two important phenomena which are set to change the organisation of the marketing department: on the one hand, the more demanding requirements of the customers regarding the dialogue with companies, and on the other, the availability of data from digital channels.

Such more demanding requirements of the customers regarding the dialogue with companies are based on the use of social media. On the one hand, they lend the voice of consumers an extensive reach; on the other, companies have to respond rapidly and follow the communication in cyberspace attentively to be able to recognise and counteract storms of protest at the right time. Conversely, it is also necessary to strengthen brand advocates who are active in the internet. In terms of marketing professionals’ daily work, that means moving away from a 20-second commercials and towards a multimedia brand experience!

Communication in the digital era has become sophisticated. Marketing managers have to create a considerable amount of advertising means for a variety of channels. Then there’s the dialogue with the customer. Their enquiries relate to all conceivable topics, and ignore the classic division of labour between sales, marketing, customer services and PR. Accordingly, these departments have to collaborate closely when responding and make rapid decisions, as the customer expects to receive prompt feedback.

Interaction and transaction are also merging: where once there were just advertisements, it is now possible to go shopping as well. Billboards feature QR codes and it’s just a few clicks from the landing page to the buy button. And the same is true in reverse: major e-commerce platforms such as sears.com offer companies advertising space.

The merging of advertising and shopping means marketing is moving closer to sales. Marketing directors are increasingly judged on how they support sales.

The key asset for marketing managers is data. The media behaviour of customers on digital channels reveals a lot about their requirements. It is possible for value added service or even new business models to be developed on their basis.

To lever this data, companies don’t just require up-to-date marketing technology. They also have to create the organisational conditions in their marketing department to be able to make full use of the performance capacity offered by the technology.

That includes the correct form of collaboration, not just between the departments that have contact with customers, such as marketing, sales and customer services, but also with the service providers in the marketing department. Advertising, media, event, digital or performance agencies, call centres and fulfilment partners in the print industry account for a considerable share of the services provided in the area of marketing. And because the increasingly sophisticated tasks have seen the demand for process-, organisational- and IT know-how increase, management consultants have come into play. The work of the service providers should be organised so that they support their client in the best possible way.

Both the organisation of the marketing department as well as the collaboration with its service providers depends on the connectivity of the target group and the digitalisation level of the company. This was the outcome of our study.

We understand digitalisation to mean the creation of products or services using IT with the objective of increasing a company’s added value, and as a last resort, by changing the business model. It is changing the requirements relating to marketing directors, their employees and as a result, external service providers.

The cause of the new requirements are three attributes of digitalisation:

1. Diversification of the channels and end devices: Digitalisation has now arrived in every area of our lives. Many people have a variety of digital end devices to which the marketing director should send a consistent message and a consistent brand image.

2. Sector-spanning innovation pressure: Customers adapt their aspirations to the services that are standard in other sectors. In other words, from the customer’s perspective, the communication module in a car should be able to do the same things that a smartphone can. The same applies to marketing and the technology, which means marketing directors are consistently under innovation pressure.

3. Abundance of data: Because advertising and sales are increasingly taking place on a digital basis, there is an increasing amount of information about customers and prospective customers. Marketing directors should use this information to address their target group on an individual basis, because it is only possible to grab the customer’s attention if they are relevant to them in the respective situation. Marketing directors also have to collect and analyse data. All three attributes require more flexibility from marketers and higher degree of speed during the daily work. To achieve this, the marketing department has to undergo fundamental change.

Communication departments must reinvent themselves, as today’s silo structures – marketing and advertisement versus classical product PR and corporate communications – will increasingly overlap.

Jochen Sengpiehl,
Marketing Director at Volkswagen

On a day to day basis, working with specialists rather than frequently changing teams works very well. It makes the coordination processes more efficient.

Jens Lemon,
Director of Marketing Communication at BMW Germany

To ascertain the way in which the new framework conditions are changing the requirements of marketing departments and their collaboration with external service providers, between January and July 2018, we carried out an online survey of 64 marketing managers. The study participants were responsible for budgets and in most cases staff and worked together with external service providers. The companies they represent are among the top brands in Germany. Most of those surveyed are members of the German Brands Association (grouping important brands such as Procter & Gamble, Nestlé and Beiersdorf).

The questionnaire covered the digitalisation level of their own company (self-assessment) as well as the requirements relating to external service providers, particularly their products and services.

The participants were firstly clustered on the basis of the characteristics of their company (number of employees, turnover and sector), and this cluster was then specified on the basis of a decision-making tree with the two following dimensions. Their relevance resulted from an upstream analysis:

1. Connectivity level of the customer: The use of different digital end devices for communication (including social media), information and shopping.

2. Digitalisation level of the marketing department:
   - The use of digital processes (digital work flows) and tools (such as Jira or Confluence for the project management, Brand Maker for the marketing management, and the marketing-, sales- or service cloud of Adobe or Salesforce for the interaction with customers).
   - Collaboration and connectivity beyond the boundaries of the departments which come into contact with the customers (marketing, sales, customer service).
   - A central database, for example, a uniform customer dossier (Golden record) for all departments and distribution levels.

The results enabled the characterisation of the marketing departments and their locating in a matrix based on the two dimensions. We call the matrix the TRIM matrix (Transformational Impact on Marketing). The TRIM matrix organises the marketing departments according to their level of digital maturity:

- Digital Leaders
- Digital Cocooners
- Digital Observers
- Digital Starters

Figure 1: Participants according to sector

Figure 2: TRIM matrix for the classification of marketing departments based on the digitalisation level of their work processes and the connectivity of their customers

4 The TRIM matrix was largely developed by Christoph Euler and Christopher Jung.
5 The size of the quadrants depends on the dispersal of the marketing departments that are attributable to the cluster. To delineate the clusters as clearly as possible, the limits of the quadrants aren’t necessarily at zero.
Marketing departments in the groups of Digital Cocooners (mainly marketing departments from the foods sector) and Digital Observers (mainly the automotive and consumer goods sector) have a middling digitalisation level, although this is slightly more so in the case of Digital Cocooners. Overall, both groups are relatively inhomogeneous. The spread is wide, as can be deduced by the size of the quadrants of the TRIM matrix.

The Digital Starters group is more homogeneous, by contrast. They have a considerable need to catch up in relation to digitalisation, although their customers obviously have lesser expectations due to the relatively low level of connectivity. The participants in this group come from a wide variety of sectors.

In contrast, Digital Leaders, which are mainly marketing departments in the media and in publishing companies, have a strongly connected target group. This requires an appropriately highly digitalised marketing department. Compared with the other groups, Digital Leaders stand out clearly in terms of both dimensions.

In the following, we will characterise all four groups, provide recommendations for action and highlight the anticipated developmental path. Since we make a point of discussing the collaboration with agencies in the recommended courses of action, in figures 3 and 4 we describe the differing agency models.

**Digital Starter**

**Characteristics**

A marketing department which is in this phase of development has a low digitalisation level. The marketing team barely follows any digital trends and is yet to have developed any awareness for the digital transformation. The departments in the company that come into contact with customers don’t work together, but for themselves only. The low digitalisation level of the work processes means virtually no data can be collected or used. As the customers are connected to a limited degree there is less data that can be gathered and no demand for dialogue-based or real time communication. Therefore, the tasks in the area of marketing aren’t as sophisticated. The communication is based primarily on classic media, accompanied by online advertising if required. In this phase, with external service providers, experience has shown that the marketing director doesn’t seek a direct exchange with specialists, but leaves their coordination to his or her agency.

**Recommendations for action**

Internal collaboration:

- Create the awareness for the digital transformation in your team.
- Develop the digital expertise of your employees through training in the areas of digital workflows and marketing technology, for example.

Collaboration with external service providers:

- Use a full-service agency. It usually covers all the channels of communication which are to be used in this phase.
- Leave the operational management of the agency to the account executive at the agency.

**Developmental path**

The further development depends on the customers’ behaviour: if the connectivity level fails to increase on a permanent basis, the marketing director should focus on the further development of his or her team to reach the level of a Digital Cocoener. To this end, s/he should also consider the service providers who provide process-based and organisational know-how. In this respect, the involvement of a management consultant alongside the agency is recommended. Experience shows that they will have a considerable understanding of the business model of the company.6

If the connectivity level of the customer increases, by contrast, the tasks of the marketing department will become more sophisticated. Developments will then occur in the direction of the Digital Observer. To accompany matters, the use of a lead agency is recommended. It doesn’t just play a key role with the creation, but on behalf of the marketing director, also coordinates the other specialists who may be appointed. These include IT service providers, for example, who make the customer data usable for the company. The lead agency shapes the digital communication for the connected customers.
The Digital Transformation of Marketing

Figure 4: Advantages and disadvantages of the forms of collaboration

**Full-service agency**

- Advantages
  - Integrated communication can be implemented easily on the basis of a clear division of tasks
  - Account executive relieves the marketing director
  - Transparent

- Disadvantages
  - High costs
  - Risk of dependency

- These days, no agency is able to serve all genres of the media equally well

**Agency holding**

- Advantages
  - High expertise
  - Direct access to specialists

- Disadvantages
  - High-cost management
  - A tendency to high costs

**Specialist roster**

- Advantages
  - High creativity
  - Assignable performance contributions
  - No filter through coordinating entity

- Disadvantages
  - High coordination outlay, especially if the agencies are in competition with each other
  - Does not encourage collaboration
  - Makes integrated communication more difficult

**Consultant-led agency model**

- Advantages
  - Relieving the burden of the agency management
  - Strategy know-how and change management
  - Impartial

- Disadvantages
  - Higher costs as a lead agency
  - Doubts surrounding the brand management expertise

**Consortium**

- Advantages
  - Less coordination work for the marketing director
  - Encourages collaboration

- Disadvantages
  - Cannot be used in complex projects
  - Limited stability, unless the collaboration is encouraged through the mutual assessment of the cooperation, for example

**In-house agency**

- Advantages
  - High implementation speed
  - High transparency

- Disadvantages
  - May not be impartial
  - Possible weakening of creativity

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7 All figures relating to agencies and their forms of collaboration with the marketing department (fig. 3 and fig. 4) are based on N.N. (2018) and Roth Observatory.
Digital Observers

Characteristics

The core processes are yet to be digitalised and the workflows of the departments that come into contact with customers do not interface seamlessly. The digital know-how in the marketing team remains low, such as knowledge of the relevant marketing automation tools, for example. Due to the relatively low digitalisation level, almost no measures are implemented with which customer data can be gathered.

Recommendations for action

Internal collaboration:

- You interface the workflows in your marketing department.
- You gather and analyse the customer data. You break down silos and create transparency for your employees.
- You train your employees in marketing technology so that they can manage digital agencies professionally.

Collaboration with external service providers:

- Turn your advertising agency into a lead agency. This means that it doesn’t just play a major role in terms of the creation for the classic media, but also coordinate the digital communication on behalf of the marketing director.
- If required, also hire a digital agency.

Developmental path

When developing into Digital Leaders, Digital Observers need to address two tasks: the digitalisation of their processes and the management of the data. To achieve this, the marketing department has to change.

To be able to manage the task of both the digital communication and the organisational changeover on an equal basis, we recommend the consultant-led agency model in which a management consultant takes the place of the lead agency. Consultants can better fulfil the organisational changeover of the marketing department because they have more experience in the issues surrounding process and organisational consulting as well as data governance. IT experts ensure that the customer data becomes usable for the company.

Digital Cocooners

Characteristics

The company has digitalised its work processes. It supports the interdisciplinary collaboration, or is currently working on breaking down departmental boundaries. Customer data are consolidated, but not yet used for the real-time communication with customers. This is because the connectivity level of the customer is low. For this reason, Digital Cocooners are not yet able to make use of the full potential of the communication with the customers. Marketing automation techniques cannot yet be tried out with the customers. The tasks in the area of marketing have a low level of complexity due to the lesser connectivity of the customers.

Recommendations for action

Internal collaboration:

- Prepare for real-time communication, as the connectivity level of your customers will increase in the foreseeable future.
- Train your employees in the area of marketing automation.
- Prioritise the implementation of digital projects with your own employees. The low level of connectivity of the customers means that it is only necessary to use a few channels. The marketing team is itself able to master this.
- Accelerate the decision-making processes in the customer communication.

Collaboration with external service providers:

- Work directly with specialists instead of with a coordinating agency.
- An IT consultant can support you in making the available data usable and in handling the data and technology you may subsequently need for the real-time communication.
- If you have to implement detailed content on a regular basis, you could create an in-house agency with your own specialists only.

Developmental path

With the increased connectivity of the customers, the development of the Digital Cocooners to Digital Leaders has been mapped out. In this respect, you need to be able to communicate on a real-time and multichannel basis. We recommend supporting your own specialists with external creative staff, e.g., in the form of the specialist roster. Firstly, because the increasing complexity of the marketing tasks will soon exceed the expertise of the in-house agency, and secondly, because external impulses encourage creativity. This can be used for the conceptualisation of new products and services based on findings from the customer dialogue.
WHAT MARKETING DIRECTORS SHOULD PREPARE FOR IN THE FUTURE

Digital Leaders

Characteristics

Companies from this group stand out with a high digitalisation level. Their work processes are predominantly digital, which means that they take place without paper and according to defined, IT-supported workflows. Boundaries between the departments that interact directly with customers will be eliminated in favour of a joint customer service. The employees can access detailed customer data and use it for the real-time communication across several digital channels. The marketing communication is exceptionally complex. In terms of the professional nature of their work, Digital Leaders seek direct discussions with specialists.

Recommendations for action

Internal collaboration:
- Monitor your business environment on a continuous basis in order to recognise new trends in the area of digitalisation and respond through further organisational optimisation.
- Develop the data analysis and marketing automation on a continuous basis, by establishing a Data Management Platform (DMP), for example.
- Develop innovative digital services together with sales and customer services based on the customer requirements which you have derived from the customer data.

Collaboration with external service providers:
- Work together with an agency holding.
- Involve the holding according to the tasks of the specialists.

Developmental path

Digital Leaders can develop themselves further by working more closely with agencies or even integrating them in the company in the interests of improving the discussions. The more complex the communication task and the better the knowledge of the agency landscape of the marketing director, the more likely s/he is to choose the specialists s/he needs for his or her projects.

We recommend managing external service providers in a consortium, where they are on an equal footing. In contrast to the specialist roster model, the marketing director is not responsible for the time-consuming coordination with the agency. Instead, the agencies enter into discussions on a regular basis in the consortium. In the case of complex projects, experience has shown that a Project Management Office (PMO) is helpful. It is ideally staffed with a neutral appointee. Management consultants can provide support in optimising the customer-related processes and integrating them with the seamless inclusion of the agencies.

Our study demonstrated that the focal points of the marketing department depend on their digitalisation level and the scope of the customers’ connectivity.

We assume that consumers will continue to connect further in the future. For this reason, the requirements placed on marketing departments are increasing from both a technological and organisational perspective. We do not consider changes in the work processes of the marketing team to be the result of technological change, but as the condition for an optimum form of customer care. These determine the correct form of organisation.

Due to its cumbersome official channels, it is clear that a hierarchical organisation is an obsolete model. Rather, the departmental boundaries between sales, marketing and customer services need to fall so that employees can work together seamlessly in the interests of achieving a superior, i.e., rapid and needs-relevant customer care. This also applies to the collaboration with agencies.

From our perspective, flexibility promises a customer-focused divisional organisation which, in terms of the demand for specific packages of offers, is the primary criterion for the bringing together of marketing tasks in an interdisciplinary team.

In the case of an organisational changeover, the marketing director is able to assume a key role in the company. Being able to access customer data constitutes an information advantage compared with other departments. When s/he succeeds in making this knowledge available for the collaborative development of innovative services on a departmentally-spanning basis, s/he is rightly considered a source of inspiration for the company.

Therefore, through the organisational realignment of their team, transparent customer data and the right marketing technology, marketing directors are better able to focus on what’s important: the breath-taking presentation of their brand. Be creative!

We listen closely to the customer, the decision-making paths are shorter, we can measure the results of the campaigns much more precisely and we can also try out new topics very rapidly.

Johannes Steegmann, Chief Marketing Officer at Rewe Digital

Assess yourself within five minutes!
The Digital Transformation of Marketing

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BIBLIOGRAPHY


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