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2013 Interactive Marketing Predictions

by Melissa Parrish, Nate Elliott, Anthony Mullen, Jim Nail, Joanna O'Connell, Shar VanBoskirk, and Jennifer Wise, February 11, 2013

KEY TAKEAWAYS

The Ultra-Connected Customer Will Upturn Marketing In 2013

In 2013, the ultra-connected customer base will continue to grow at a staggering pace. These customers expect marketers to meet their needs wherever and wherever it matters. Multichannel marketing is now an imperative if marketers wish to connect effectively with this customer.

Targeting Will Bring Out The Best And Worst In Marketers

Targeting will become highly personalized in 2013, improving brand interactions for some customers but also accounting for the delivery of extremely intrusive ads. There is a fine line between using rich data to deliver customized services and messaging and freaking people out. To succeed, marketers must aim for utility and avoid creepiness.

Marketers Will Get Comfortable With Data Discomfort

New kinds of data in new forms will emerge in 2013. As a result, the concept of measurement will change so that merged intelligence and deployment systems will enable adaptive response and big vendors will add text analytics to their suites.

A Disruptive Vendor Technology Landscape Emerges

The rise of the ultra-connected customer will begin to foster extreme technology innovation from which marketers will benefit. Advertising and direct marketing vendors will converge, and innovative startups will focus on location-based predictive modeling.

Start Moving Toward An Adaptive Marketing Confederation

Marketers cannot execute in a vacuum in the age of the ultra-connected customer. A successful marketing organization will require interactive marketers to partner closely with customer experience colleagues and treat customer intelligence teams as part of their own team.

2013 Interactive Marketing Predictions
The Ultra-Connected Customer Will Upturn Marketing

by Melissa Parrish, Nate Elliott, Anthony Mullen, Jim Nail, Joanna O'Connell, Shar VanBoskirk, and Jennifer Wise
with Christine Spivey Overby, David Truog, and Elizabeth Komar

WHY READ THIS REPORT

In 2013, the ultra-connected customer base will grow at a staggering pace, destabilizing marketing as you've come to know it. This report identifies the changes you'll see in your customers' expectations, your abilities, and the way your organization is structured and explains how you can succeed in this new age.

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Forrester used data from the North American Technographics® Online Benchmark Survey (Part 2), Q3 2012 (US, Canada) in preparing this report.

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The Always Addressable Customer
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THE ULTRA-CONNECTED CUSTOMER WILL UPTURN MARKETING IN 2013

At the end of 2012, 42% of US online adults were accessing the Internet multiple times a day from multiple devices and locations.[1] Forrester calls this type of ultra-connected person "the always addressable customer" because, as a marketer, you can reach her individually, at any time, whenever she experiences a need you can fulfill. She has new attitudes toward technologies and, as a result, new interactive relationships with brands.[2]

In 2013, this ultra-connected customer base will continue to grow at a staggering pace, destabilizing marketing as you've come to know it. In the next year, you must make substantial changes to meet your customers' needs, especially in your approaches to multichannel programs, targeting, data, and vendor relationships.

Cross-Channel, Multichannel, Omnichannel: An Imperative By Any Name

Always addressable customers want their needs met wherever and whenever it matters. The fact that you plan and act in channels doesn't matter to them. The spike in the numbers of ultra-connected customers means you can't afford to delay the reset to your marketing strategies and process. That's because in 2013:

- **Almost half of online adults globally will become always addressable.** The always addressable customer didn't emerge over time, as many customer types have — she startled everyone out of complacency. In 2010, consumer technology adoption was too low to classify ultra-connected customers as a bona fide trend. But by Q3 2011 — the first time Forrester could quantify the rise — 38% of online US adults were *already* always addressable.[3] Just a year later, it's 42%. And it's not just a US phenomenon: In Western Europe, 37% of online adults are always addressable today. By the end of 2013, we predict that nearly half of online adults globally will be always addressable, fueled by the increased adoption and utility of tablets, smartphones, and other devices. These customers demand personalized, relevant attention, designed around their needs and wants rather than around your marketing channels. If you don't change the way you think about engaging these customers, you will quickly lose relevance.

- **Personal technologies and smart objects will bring offline channels online.** The race is on to retrofit the physical world for digital addressability, and a few brands are already creating wonderful experiences beyond point-and-click. Diageo, in tandem with Evrythng in Latin America, digitized its whisky bottles for Father's Day, allowing gift-givers to attach a personal video message to the bottle itself.[4] Prototyping with the physical world will be exciting and enlightening for brands and consumers in 2013, but the majority of brands don't yet have the processes and skills in place to capitalize on it. Look for innovations from industries where connecting the online and offline worlds has precedent, such as retail. For example, The Stop & Shop Supermarket Company now innovates with mobile apps that personalize the in-store shopping experience. Those of us with long memories may see the link between these efforts now and Stop & Shop's early pilots with smart shopping carts in the early 2000s.[5]

Targeting Will Bring Out The Best And Worst In Marketers

As companies adjust to deliver on the needs of their always addressable customers, some will become better at uncovering just what those needs are — and they'll use that knowledge to their competitive advantage. But advanced targeting will also bring about the very worst, most intrusive ads. We expect that next year:

- **Affinity will enrich basic audience profiles.** The always addressable customer makes connections when she has an affinity for a person, topic, cause, and, yes, brand. Until now, marketers had to simply guess at the strength of these affinities. But thanks to the always addressable customer's liberal use of personal technology, marketers can now know, with some degree of certainty, the emotional affinities of their audience. Rather than place ads next to this relevant lifestyle content, in 2013, marketers will begin to demonstrate how they share these passions with their audiences. For example, Groundswell Award winner Glidden didn't sell paint through its Colortopia website; instead, it provided content and tools for visitors to discover their own styles and unleash their inner Martha Stewarts.

- **Customer context will begin to include more than just location.** Today, behavioral data helps identify in-market customers. In the future, marketers will connect with customers at precise moments when they are most persuadable. How? Social networks, in-context analytics tools such as Apptegic, intelligent devices such as Nest's self-learning thermostat, and smartphones and tablets will reveal contextual insights — including location, mood, or social situation — that affect marketing receptivity.[6] Eventually, this will lead marketers to create customer touchpoint plans informed by data insights and customer journey maps, the latter co-created with customer experience colleagues.[7] But getting there won't be easy. In 2013, expect an upsurge of well-executed, location-based targeting. Marketers who excel at richer, more complex contextual targeting will be those who have created a culture of innovation and are staffed with calculated risk-takers.[8]

- **Some marketers will forget to be wary of the creepiness factor.** As Target learned earlier this year, there's a fine line between using rich personal data to deliver customized services and messaging and freaking people out.[9] As contextual targeting gets more interesting in 2013, marketers will have to restrain themselves from getting so excited by what they *can* do that they forget to consider what they *should* do. Some marketers will fail. Marketers lacking both a disciplined approach to innovation and a direct marketing heritage will be the likeliest to make mistakes this year, attempting to leapfrog their competitors by pulling these new targeting levers without fully appreciating the implications. The bigger problem? Governments around the world started taking notice of privacy concerns and breaches in 2012, which means that corporate blunders will get even more press and popular notice in 2013.

Marketers Will Get Comfortable With Data Discomfort

As these changes occur, marketers must incorporate new metrics — not just data about interactions on new devices but new kinds of data in new forms. As a result, the concept of measurement will change so that:

- **Merged intelligence and deployment systems will enable adaptive response.** The traditional model of siloed and simplistic channel-focused campaign measurement will start losing the battle as some savvy marketers embrace advanced attribution tools such as Visual IQ's and data management platforms (DMPs) such as Blue Kai's to glean rich campaign and audience insight. The data output of these systems will increasingly drive real-time changes to media campaigns as the links tighten between "intelligence" systems — such as DMPs — and "deployment" systems — such as demand-side platforms (DSPs). In some cases, the gaps will fall away altogether. Cases in point? Adobe's and Google's increasingly integrated stacks.

- **Big vendors will add text analytics to their suites.** As marketers push to address wider portions of the customer journey, web analytics tools will have a choice to make. In 2013, large brands will test text analytics to discern and act on customer "tone" and intent — something web clicks alone can't provide. For example, the largest online car retailer in France used Yseop not just to listen to consumers but to dialogue, reason, and create unique offers and product descriptions across web, mobile, and print ads — increasing conversion rate to 5%.[10] With some analytics heavyweights such as IBM and SAS already possessing strong text analytics capability, we expect the chasers, including Adobe and Webtrends, to build out their analytics suites by acquiring text analytics pure plays such as Lexalytics.

A DISRUPTIVE VENDOR TECHNOLOGY LANDSCAPE EMERGES

In 2013, the rise of the always addressable customer will begin to foster extreme technology innovation from which marketers will benefit. As strategies to engage these customers emerge, new vendor relationships will form to meet new demands.

- **Advertising and direct marketing vendors will converge.** Dissimilar vendors — such as email service providers, data management platforms, and web analytics tools — purport to provide comprehensive online marketing suites. Yet today's marketing platforms support advertising *or* direct marketing, not both. For example, leading bid management vendors support multiple biddable media, but none connects with the always addressable customer through non-media touchpoints such as messaging.[11] In 2013, improved device and ad formats will enable marketers to brand through context-rich messages or create nuanced paths-to-action through paid ads.[12] This will force campaign management and media buying vendors together. We expect small players to move first. Already, Responsys has ad-serving partners, and Rio SEO has acquired capabilities to advertise to social influencers and optimize content for mobile visibility.

- **Innovative startups focus on location-based predictive modeling.** The rich contextual data made available by mobile devices — including location, time of day, and mobile behaviors — already excites marketers who are integrating geotargeting into their ad strategies. But that's just the tip of the iceberg. Forward-looking vendors are cropping up to enable sophisticated, predictive ad targeting and modeling — such as Sense Networks' predictive analytics platform, which uses real-time location and behavioral data to build segments that inform predictive targeting. The result is targeting that goes beyond reaching the customer already outside of your store to instead sending relevant ads to someone who is likely to be there soon — attracting additional customers and extending mobile targeting's influence across the customer life cycle.

RECOMMENDATIONS

START MOVING TOWARD AN ADAPTIVE MARKETING CONFEDERATION

In the age of always addressable customers, marketers can't execute in a vacuum. Marketing increasingly plays a role in the customer experience, and even product, rather than just in advertising, messaging, or engagement. Over the next 10 years, this will mean moving from marketing as we now know it to what Forrester defines as an adaptive marketing confederation:

A flexible structure and culture of working with marketing staff, partners, and systems that enables brands to respond quickly to their environments to align customer and brand goals.[13]

In 2013, you'll succeed if you:

- **Partner closely with customer experience colleagues.** By now, you should know that you'll need to align tools and processes to present a unified brand experience. But if you're hoping to eventually create customer touchpoint plans, you'll also need to get familiar with customer journey mapping. Rely on your customer experience teams to train you on this discipline in 2013 and to help you figure out how to turn those journey maps into targeting opportunities.

- **Treat customer intelligence teams as part of your own team.** Most of the innovations in marketing next year and into the future will be driven by data: big data, new data, contextual data, and types of data we haven't even thought of yet. You can't succeed if you continue to think of customer intelligence colleagues as the men and women who create spreadsheets for you. To successfully engage the always addressable customer, you must uncover customers' affinities and needs. Customer intelligence professionals will help you do that.

SUPPLEMENTAL MATERIAL

Methodology

For the North American Technographics® Online Benchmark Survey (Part 2), Q3 2012 (US, Canada), Forrester conducted an online survey fielded in May and June 2012 of 30,978 US and 2,032 Canadian online adults ages 18 to 88. For results based on a randomly chosen sample of this size (N = 30,978 in the US and N = 2,032 in Canada), there is 95% confidence that the results have a statistical precision of plus or minus 0.6% of what they would be if the entire population of US online individuals ages 18 and older had been surveyed and plus or minus 2.2% of what they would be if the entire population of Canadian online individuals ages 18 and older had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the adult US and Canadian online populations. The survey sample size, when weighted, was 30,549 in the US and 1,905 in Canada. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that this was an online survey. Respondents who participate in online surveys generally have more experience with the Internet and feel more comfortable transacting online. The data is weighted to be representative of the total online population on the weighting targets mentioned, but this sample bias may produce results that differ from Forrester's offline benchmark survey. The sample was drawn from members of MarketTools' online panel, and respondents were motivated by receiving points that could be redeemed for a reward. The sample provided by MarketTools is not a random sample. While individuals have been randomly sampled from MarketTools' panel for this particular survey, they have previously chosen to take part in the MarketTools online panel.

ENDNOTES

[1] Source: North American Technographics Online Benchmark Survey (Part 2), Q3 2012 (US, Canada).

[2] Forrester defines the always addressable customer as someone who owns and personally uses at least three connected devices, accesses the Internet multiple times per day, and goes online from multiple physical locations, at least one of which is "on the go." For a full discussion of these customers and the addressability framework we use to engage them, see the September 26, 2012, "The Always Addressable Customer" report.

[3] Source: North American Technographics Online Benchmark Survey (Part 2), Q3 2012 (US, Canada) and European Technographics Consumer Technology Online Survey, Q4 2012.

[4] Diageo also allow customers to check in to their physical bottles, where each one has a unique digital ID — akin to the idea of a unique web page. Source: "Diageo Case Study," Evrythng (http://www.evrythng.com/customers/diageo-case-study/).

[5] Back in 2004, Stop & Shop worked with IBM to launch and in-store "Shopping Buddy": touchscreen computers on shopping carts that let shoppers do everything from access their loyalty card information to order deli selections they could pick up on their way to the cash register. Source: Kelly Shermach, "IBM Builds High-Tech Grocery Cart," CRM Buyer, November 16, 2004 (http://www.crmbuyer.com/story/38173.html).

6 Interaction management tools have long used context — such as call reason — as a factor in optimizing inbound offers. As consumers increasingly adopt social, local, and mobile applications, the enterprise marketing landscape must shift to address customers' context: in-store or out, inbound or outbound. See the February 14, 2012, "Revisiting The Enterprise Marketing Software Landscape" report.

7 Context will open up new opportunities to influence purchase decisions, increase conversions, and drive sales, but only if real-time data is available, content and information are properly tagged, and the proper relationships and road maps are in place with key partners. See the May 1, 2012, "The Future Of Mobile eBusiness Is Context" report.

Customer journey maps are foundational tools that support companies' efforts to improve customer experience. See the July 27, 2012, "How To Get Value From Customer Journey Maps" report.

8 Organizations are naturally resistant to change, particularly ones that require adopting experimental interactive technologies. But interactive marketers can help their organizations adopt interactive innovations by applying Forrester's four steps: 1) Identify relevant innovations; 2) showcase expected benefits; 3) win critical stakeholders; and 4) plan for implementation. See the July 27, 2011, "Inspiring Interactive Innovation" report.

Further, acquiring and retaining top talent is tricky because hiring practices don't align with candidate habits and culture — and competition for interactive skills is fierce. Forrester advocates a three-stage cycle to attract and retain great interactive talent while also building relationships that will yield fruit for you even after an employee moves on. See the October 27, 2011, "How To Hire And Retain The Best Interactive Marketers" report.

9 Source: Kashmir Hill, "How Target Figured Out A Teen Girl Was Pregnant Before Her Father Did," *Forbes*, February 16, 2012 (http://www.forbes.com/sites/kashmirhill/2012/02/16/how-target-figured-out-a-teen-girl-was-pregnant-before-her-father-did/).

10 Stock cycles were also greatly improved, and new markets and capacity opened up. This unique dialogue model doesn't use templates for segments of customers to find the right text for an individual — instead, using artificial intelligence (AI) dialogue profiles unique to each customer, it has a one-of-a-kind conversations. Source: Yseop (http://www.yseop.com/EN/home.html).

11 We had high expectations for this category because of the maturity of paid search as an advertising vehicle and because of the huge client budgets managed using these platforms. However, our inaugural study of bid management software providers finds a still-shortsighted set of vendors. See the November 16, 2012, "The Forrester Wave™: Bid Management Software Providers, Q4 2012" report.

12 Unlike SMS, push-based notifications allow for longer messages, encryption, multimedia, and a path to action within applications. This allows marketers to simply deliver information or spur consumers to action by taking them into the application. A retailer might offer a special deal, while an airline might facilitate a quick check-in. See the August 15, 2012, "The Future Of Mobile Messaging" report.

13 Digital media, channels, and tools are integral to customers' lives, but companies have consistently lagged customers' rapid pace of change. Traditional marketing organizations that employ top-down decision-making and channel-siloed structures simply can't adapt to a world with myriad channels and devices, where consumers expect a seamless experience across all touchpoints and where customized, responsive

relationships replace static brand images. Interactive marketers must help their colleagues construct a new confederation among three key functional areas. This confederation must work fluidly, push authority to the customer interface, and carve out a place for customers in marketing strategy, management, and operations. See the November 14, 2012, "Organize For The Always Addressable Customer" report.

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