

2023 CUSTOMER EXPERIENCE IMPERATIVES

Scaling Up: Designing Tomorrow's Experiences Today



Foreword

Welcome to the eleventh edition of the Customer Experience Imperatives, Merkle's annual thought leadership series built to help brands keep pace with an ever-changing marketplace – and ever-growing consumer expectations. Coming out of the residual effects (and persistent threat) of the pandemic, brands are now faced with the unpredictable economic headwinds of a potential recession, along with the watchful eye of consumer privacy regulation. Efficiency in your marketing programs is even more important than ever. We encourage you to pause and reflect before you make any monumental investment decisions. The stakes are high, and the next steps you take could have a big impact on your business!

Last year's Imperatives laid out our vision of a customer data value exchange, set a course for using measurement as a catalyst for change, and examined the value of brand loyalty in a customer experience economy. As these concepts have continued to develop over the past year, there has been a lot of noise in the advertising and marketing landscape, with competitors vying for your audience's attention, while countless agencies promise to elevate the customer experience.

Rather than add to the clutter, we want to help you enter 2023 with a well-articulated approach to customer experience as your North Star – to go beyond “customer experience” as a general idea, and think about how you want your customers to feel when interacting with your brand. How your brand makes their lives tangibly better or easier. How you solve their unique need or deliver what they want.

My hope for the 2023 Customer Experience Imperatives is that they give you the ideas and inspiration you need to harness the opportunity of an inspired customer experience strategy that can be executed while simultaneously weathering these challenging economic times. The time and effort you invest this year will help you strengthen the customer relationships that continue through thick and thin.

Michael Komasiński
Global CEO, Merkle



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Most brands have come to understand that their success is directly connected to the consumer.

Executive Summary

Even as the immeasurable challenges of the past few years wane, times are anything but “normal”; in fact, that word has taken on a new definition. Many of the technology and policy changes that were made by businesses in response to extended periods of lockdown have now become standard practice. And as consumers realize the lengths to which brands can and will go to accommodate their needs, expectations will continue to surge.

Most brands have come to understand that their success is directly connected to the consumer. There is a real and persistent gap between the experiences that brands believe they are delivering for their customers and the experiences that consumers believe they are receiving from brands. The solution to closing this experience gap isn't to blindly invest in more technology, more people, or more marketing. It's about investing smartly as part of a larger plan. You can scale your programs – and close the gap – by prioritizing CX alignment across your organization. Everything flows from there.

Building on the themes defined in our 2022 CX Imperatives, which were designed to improve your organization's readiness for delivering the total customer experience, this 2023 edition will focus on helping you scale your delivery of a complete, personalized customer experience and build lasting relationships that will weather the uncertainties of the future.

You can't have a successful business transformation without a commerce transformation.

Imperative 01

Future-Proof Your Organization

Before investing in technology and people, your organization must have a shared vision for how these investments will translate to customer value. From the data that informs it to the technology that delivers it to the people who build and manage it, your CX investments must align to a clearly articulated vision for the customer experience. Each piece of technology in your CX tech stack requires human input and the skills to support it. Each piece of data gathered must be stored in a central, cloud-based environment. The people who build your CX organization and sell its vision must have the technical and marketing acumen to pull it off flawlessly, profitably, and with an ethical lens that will set your brand up for the future.

Imperative 02

Reimagine Your Data and Tech

Your organization will be challenged to activate new and augment existing data and technology with an

eye toward your customers' future. Take a fresh look at your brand's vision for CX; the missing ingredient in your ability to realize that vision may be more about data strategy than resources. It's time to explore new avenues to connect with your customers. Ask them about their preferences and listen to the answers. Use what you learn to tailor the experience, stimulate brand loyalty, and strengthen relationships over time. Your progress will be best judged based on that consistent, personalized CX than by intermittent splash appeal.

Imperative 03

Make Every Experience a Path to Commerce

The past few years in the business world have been dominated by the pursuit of CX transformation. And in these times, you can't have a successful business transformation without a commerce transformation. Brands are tasked with finding innovative revenue streams, creative ways of allocating their marketing budgets, and even revised organizational structures to try and live up to today's elevated and ever-growing level of consumer expectation. This transformation is not a destination, it's a journey upon which every experience is a pathway to a commerce experience. So innovation must start at the foundational level, and success requires the entire organization to embrace a mindset of constant learning.



01

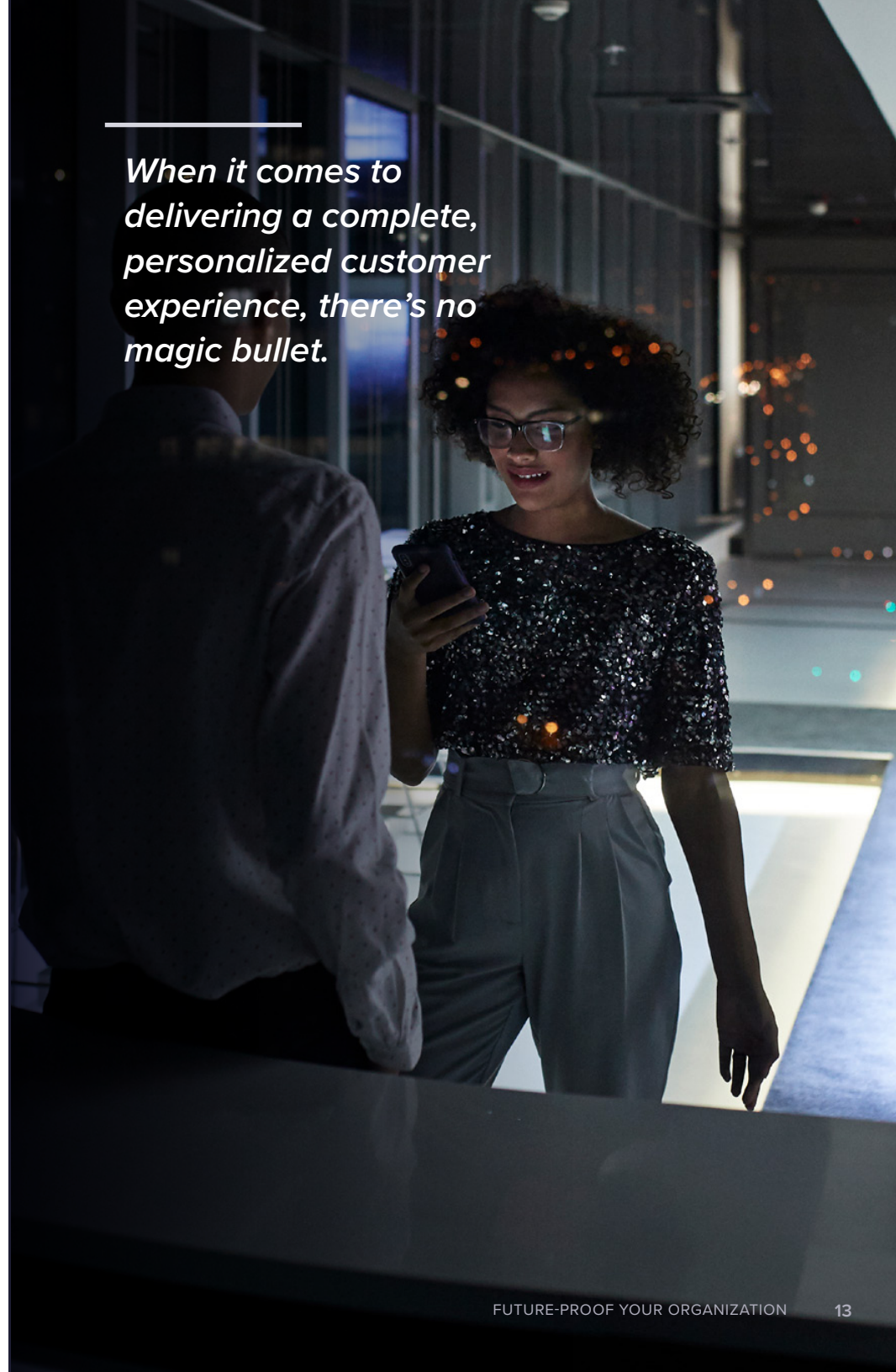
Future-Proof Your Organization

Customer obsession. Two words that today's brands know intimately. The focus on being customer obsessed is so potent that it has spawned hundreds of technologies, companies, and, predictably, complexities. As with many things, it is easy to say and not so easy to practice.

When it comes to delivering a complete, personalized customer experience (CX), there's no magic bullet. Technology that supports CX has gotten smarter and more efficient, but no single product can solve every brand's needs. Despite what marketers may tell you, nothing is turnkey; CX cannot be fully automated. There are, however, pieces of technology and supporting processes and skillsets that can help you realize the full potential of CX at your organization. Some are foundational building blocks that are essential to any modern brand's CX; others are ancillary pieces or nice-to-haves that help you grow your business.

Before you invest in technology and people, your organization must have a shared vision for how these investments will translate to CX gains. The focus should always be on how an investment will tangibly benefit a customer – whether it's today or in the future. While this may seem simple, there are too many examples of companies that buy technology or invest in teams without first considering their customers – their needs, their wants, and the ways in which they'd like to engage with brands.

When it comes to delivering a complete, personalized customer experience, there's no magic bullet.





In this Imperative, we'll discuss how to set up a CX organization with the following guiding principles.

Your CX investments must align to a clearly articulated vision for customer experience.

01

Each piece of technology in your CX tech stack requires human input and the skills to support.

02

Your data is stored in a central, cloud-based environment.

03

The people who build your CX organization and sell its vision have technical and marketing acumen.

04

Practicing ethical AI now will set your brand up for the future.

05

CX Transformation Is a Balancing Act

We'd all love to have our CX infrastructure and processes ticking like a well-oiled machine – one that allows for engaging customers at scale with personalized moments. Technology unlocks opportunities for scale and automation; people bring strategy, creativity, and vision. To turn CX orchestration into an industrialized process, companies often place too much confidence in technology and de-emphasize the human-led strategy that allows the tech to deliver on its promises.

If you view CX as an assembly line, you have the elements that remain immutable, the ones that are flexible, and the people who ensure everything is working properly. Pushing this analogy further, the assembly line must be designed by someone who can describe what it will produce. You would never build something as complex and intricate as an assembly line without knowing that at the end of the line, there's a car versus a box of cereal. Similarly, you'd never start to build a tech stack without knowing exactly which experiences you aim to deliver and to whom.

Your CX infrastructure needs to enable:

Customization



Integration with best-fit tech, (e.g., martech, adtech, business intelligence, etc.)



Built-in testing



Real-time optimization



Connected-cloud architecture



The human element to support this infrastructure should enable:

Mapping technology's value to a shared vision of successful CX

01

Informing the technology of which data to ingest and how it should be segmented

02

Optimizing the technology

03

Identifying audiences

04

Mapping of next best experience

05

Designing creative, content, and messaging to engage a customer in an orchestrated moment

06

Start by Owning Your Data

If there's one takeaway from this Imperative, it's this: own your data in a cloud-based environment.

Everyone feels the weight of data deprecation caused by the looming loss of third-party cookies and other tracking mechanisms. It isn't enough to have a plan without a goal. You must make sure you're actioning on your plan – and that you're taking the long view of how your data will be leveraged as changes continue to roll out across platforms and technologies. A piece of technology that is indispensable to a future-proofed data strategy is a cloud data warehouse. See Figure 1.1 for how this could look.

It has become essential to own your first-party data in a secure environment that's accessible to all parts of your organization, easily integrated with other technology, and supported by personnel trained in maintaining, optimizing, and articulating data's value to other departments. Too often, first-party data is housed in different locations or siloed within organizational channel teams, such as email, social, and call center, without sharing valuable insights among each other. Merkle's Customer Engagement Report found that “Less than a quarter [of CX, marketing, and IT decision makers] have migrated all customer data to the cloud” and “Only 24 percent manage all their campaign data in a central repository.”¹

¹“Customer Engagement Report: Q3 2022.” Merkle, September 2022.

*Own your data
in a cloud-based
environment.*


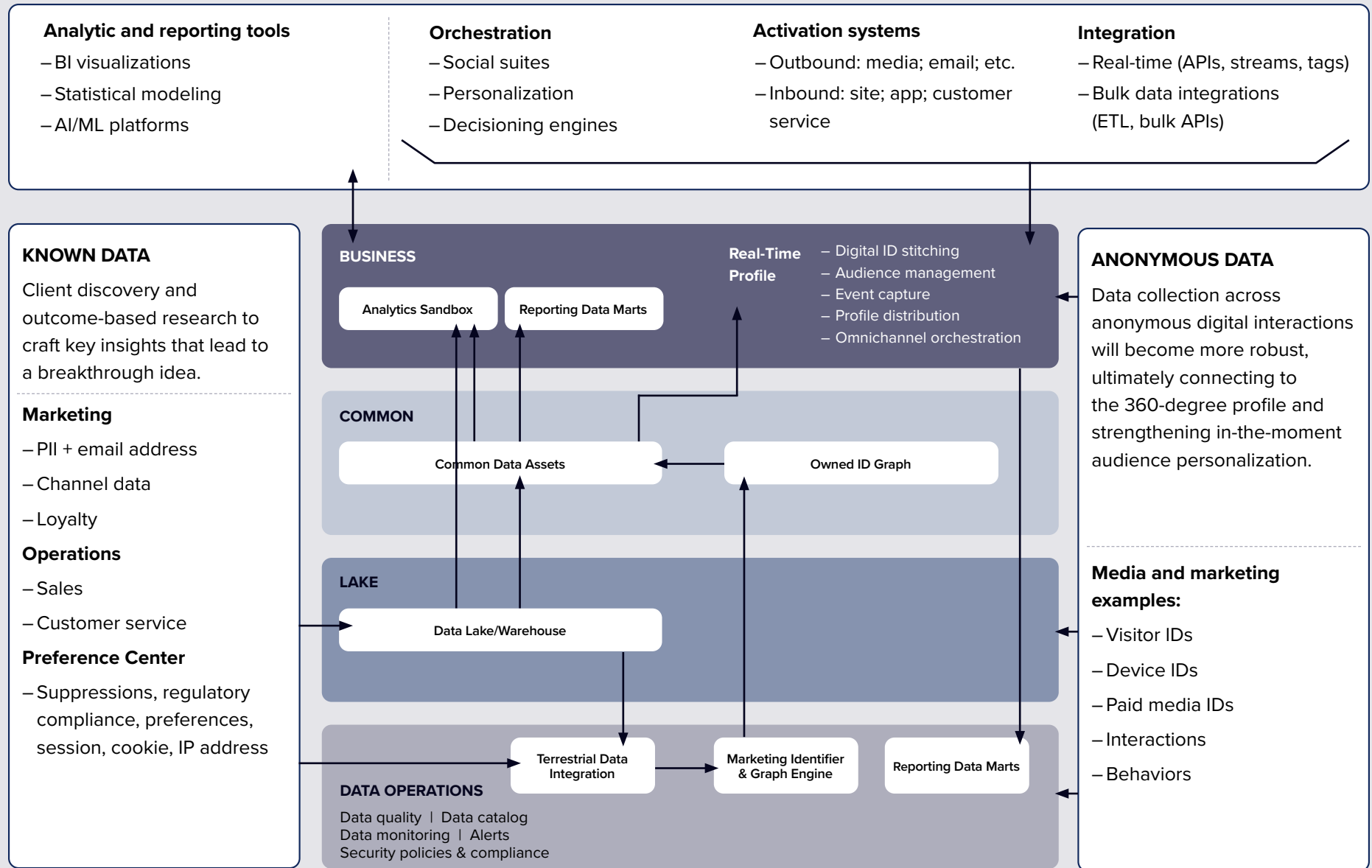


Figure 1.1

Owned Modern Data Platform Example



Why centralization is so important:

- Customer data has applications across the business, regardless of how it was ingested. For example, call center data can benefit marketing strategy, but marketing would never see this if only looking at data ingested through marketing channels.
- Putting data in silos perpetuates a disconnected business, and siloed businesses rarely deliver great CX.
- While different regions may use data for varying applications, a centralized repository helps enable a center of excellence – a practice that supports CX adoption across an organization.

Why a cloud-based environment is important:

- The cloud allows for real-time accessibility to any amount of data, irrespective of location.
- Real-time accessibility improves the ability to share, automate, safeguard, and empower data across connected technology and channels.
- Cloud-supported technologies help democratize data-driven decision making across an organization and support data governance practices.



Once you have your cloud data warehouse in place, other essential pieces of tech, such as identity resolution, personalization engines, content management, and digital asset management tools, can be seamlessly integrated. What's right for your business will depend on your vision for customer engagement – what it looks like and how it feels to a customer.

IT people benefit from speaking marketing's language, and vice versa.

Take a Hard Look at Your Organizational Structure

How you build your CX tech stack has as much to do with your employees as it does with tech itself. Technology is only as good as the people who manage it.

A deterrent to integrating and activating tech effectively is a siloed business. While many business leaders are trying to break down silos across their organizations, these divisions still exist. Fragmentation across a business can bleed into its CX. Take, for example, an international organization where each region houses its own data on localized servers and each department has limited access to other departments' data. A customer could receive conflicting or redundant messaging from sales, marketing, and customer service – messaging that's also inconsistent with other regions' branding. This is generally not a company's aspirational state of being.

When the C-suite agrees on its vision for CX, silos start to break down. When every department sees the value

in a tech investment, the resources needed to support that tech will usually follow suit. For example, consider a customer data platform (CDP). CDPs are popular, and if you're a brand that doesn't already have one, you're likely thinking about implementing one. But if a CDP sits with marketing alone, it will only ingest data from marketing channels. There may be a lack of technical expertise in the form of a data scientist or architect to define which data streams to ingest. If the value of a CDP is not clearly articulated from the outset (e.g., "connect with customers in a new way"), it will sit there and operate less than optimally for the organization and its goals.

One way to get around sunken tech costs is to employ people who can bridge the gap between technical, back-end information and the ability to collaborate across an organization. IT people benefit from speaking marketing's language, and vice versa. Having people on your teams who can translate a strategic CX vision into a technical reality helps to bridge gaps and build trust across the teams. As you're hiring, consider skills that suggest familiarity, if not hands-on experience, with roles outside of those prescribed by a job title. And, as we'll discuss next, technical and data expertise that spans departments at an organization is an integral piece to using customer data safely and fairly.

CX Strategies Go International

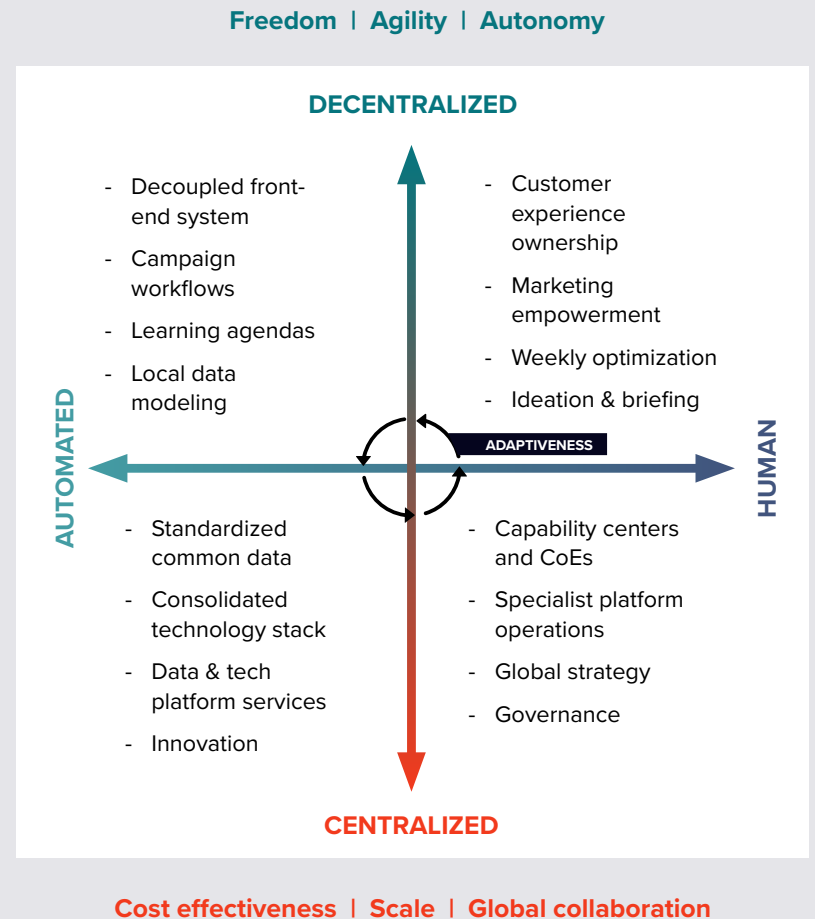
Scaling your business becomes a complex exercise when considering different languages, privacy regulations, cultures, and availability of skills. Sometimes CX technology and expertise don't benefit from centralization, and that's okay. The pieces that should be centralized, like your first-party data and vision for CX, help form a center of excellence that varied regions can access for best practices, data governance, and brand consistency.

Decentralized processes and technology enablement offer multinational businesses more freedom and agility. This can be beneficial in addressing nuances specific to regions (e.g., customer preferences, industry regulations, distribution models), but only if a brand's identity, customer strategy, and brand strategy remain consistent. Figure 1.2 illustrates an example of how this could look.

Partners with consultative services can help you determine what to centralize and what would be best suited remaining within regional teams. If your specific region lacks the skills to translate technology into CX gains, it's helpful to create a team of technically minded staff who can serve as a global center of excellence for all new investments.

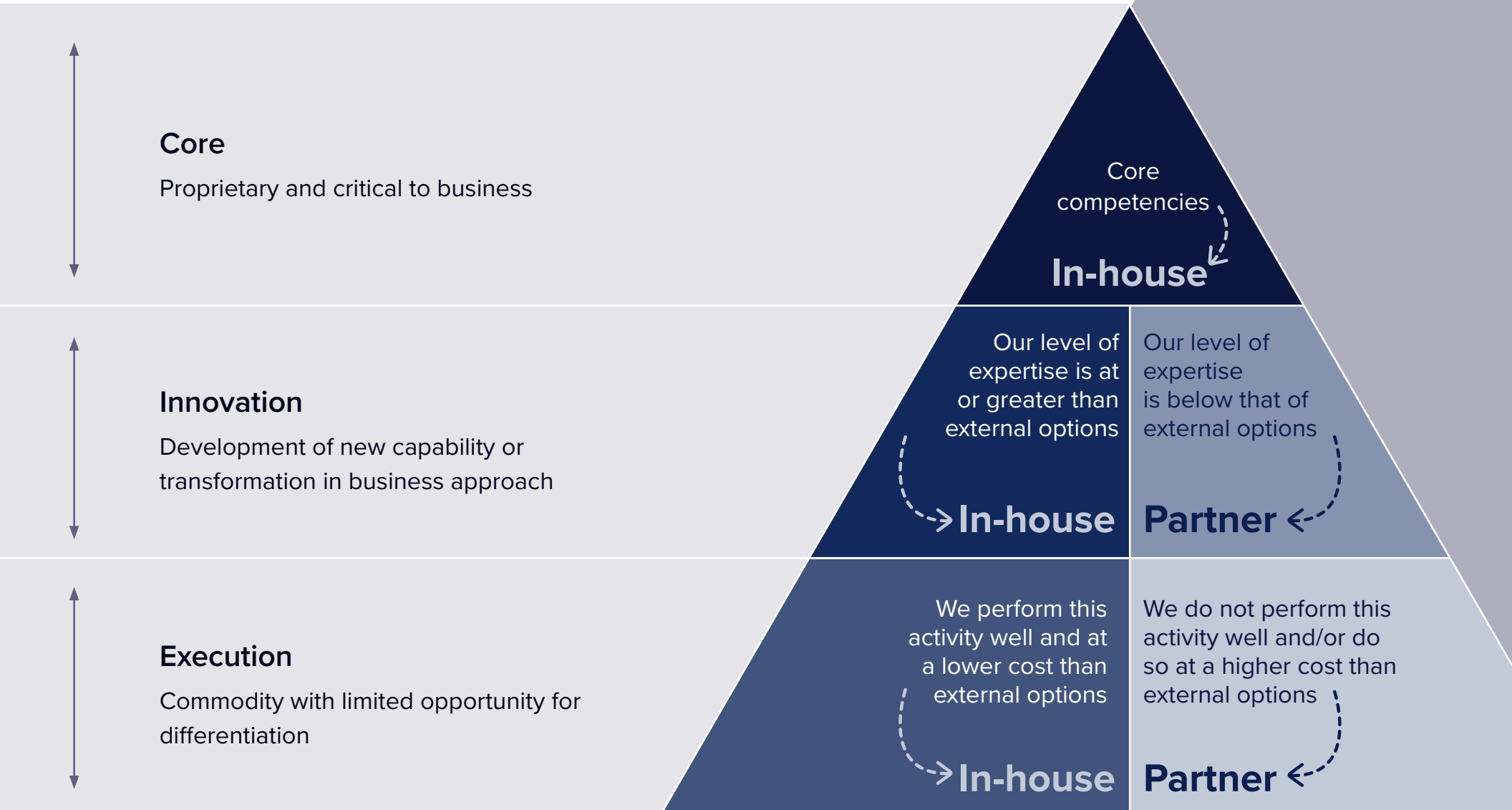
Figure 1.2

Determining the right split of global and local for multi-market brands



Relatedly, determining the split between in-housing and outsourcing staff can come down to availability of skills and expertise (Figure 1.3).

Figure 1.3
Finding the right staffing mix between in-house and partners



Ethical AI: Why it Matters Now

Technologies that use artificial intelligence (AI) to automate customer experience delivery must be met with a skeptical, interrogating set of eyes. The promises of AI-led automation and optimization are exciting and groundbreaking. Relieving humans of the burden of manually optimizing CX frees up time for strategy and innovation. But AI can produce unwanted bias by targeting or ignoring audiences in negative ways.

Today's consumers are discerning. They're increasingly civically, environmentally, and equity-minded, and they want brands to connect with them transparently. As we discussed in last year's CX Imperatives², consumers want to form meaningful connections based on shared values. The easiest way to lose a consumer's trust is through unethical or biased marketing practices, even if they're unintentional.

Ethical AI refers to the practice of “[establishing] guidelines and practices to ensure that artificial intelligence is used in a way that respects fundamental values, such as individual rights, privacy, non-discrimination, and non-manipulation.”³ Even if you've never heard the term, any AI usage is bound to produce unintended consequences without proper oversight. There should always be a review of AI and a focus on how unchecked algorithms can impact your brand – and the ability to adjust as needed.

The easiest way to lose a consumer's trust is through unethical or biased marketing practices, even if they're unintentional.

²“Shaping Customer Relationships in the New Age of Experience.” Merkle, 2021.

³“Embracing Ethical AI.” Merkle, 2022.

As discussed earlier, data deprecation has and will cause profound shifts in the way brands target consumers. When activating first-party data, it's wise to interrogate your strategies. If you've set your AI to target a specific set of consumers based on demographic information, the algorithm can perpetuate the targeting of an audience that, at best, reduces your pool of potential customers and, at worst, unfairly biases those audiences to the detriment of others who could benefit from your product or service.

Bias can also present itself outside of marketing scenarios. One example is hiring. AI can be used to sift through thousands of resumes, opening the possibility of placing a higher preference on specific attributes over others. With the understanding that ethical AI implicates all aspects of a data-driven business, consider forming an internal data team tasked with ensuring customer data is used equitably and fairly.

It's inevitable that AI-driven tech will soon need to reckon with privacy regulations. Seeking to eliminate bias from data activation now is imperative to hold up your end of the value-exchange bargain with consumers, protect your brand, and grow your business.

Examples of AI Bias:

You're a pharma brand whose primary audience falls into a specific age group. Without human intervention, AI could only target that age group, leaving out customers who may need your product but fall outside the target cohort.

Consumers may be put off by your brand if they're being targeted with outdated, low quality, or sensitive data. Incomplete audience profiles often lead to embarrassing mistakes in advertising.

AI-driven image recognition has historically underperformed when determining subjects who are young, Black, and female.⁴

⁴"Racial Discrimination in Face Recognition Technology." Harvard University, 2020.

A woman and a man are looking at a tablet together in a dimly lit office setting. The woman is on the left, and the man is on the right, wearing glasses. The background is blurred with bokeh lights.

02

Reimagine Your Existing Data and Tech

Last year's Imperatives⁵ explored how brands can create a value exchange with customers through data: consumers' willingness to provide brands with valuable data increases when they receive relevant information or offers in return.

All companies have customer data, whether it's online or offline, anonymized or personally identifiable, segmented or unstructured. IDC predicted that by 2025, the amount of global data created will have increased tenfold from 2012, from 6.5 zettabytes to 64.5 zettabytes. Despite the prodigious amount of data created, only about two percent of it is stored. And the data that is stored is primarily unstructured.⁶ That's a lot of data that's unused and not providing value. On the flip side, brands are exploring new ways to engage with consumers that produce more first- and zero-party data – information with high fidelity and low susceptibility to data depreciation. The push-pull of figuring out what to do with underutilized data and its supporting tech, while seeking better, more instructive information about your customers, can be challenging.

The pandemic helped supercharge brands' innovation, often in response to customer behavior that necessitated new ways to generate revenue.



The CX organization described in the first Imperative enables the innovation needed to scale your vision. In this Imperative, we'll examine how to activate and augment existing data and technology with an eye toward your customers' future:

Data strategy, not resources, may be the missing ingredient to realizing your CX vision.

01

It's important to explore new avenues to connect with your customers.

02

Asking your customers for their preferences can stimulate brand loyalty.

03

You should judge your progress on customer experience versus splash appeal.

04

⁵“Shaping Customer Relationships in the New Age of Experience,” Merkle, 2021.

⁶“What's the real story behind the explosive growth of data?” Ulrike Hack, September 2021.

Use What You Have

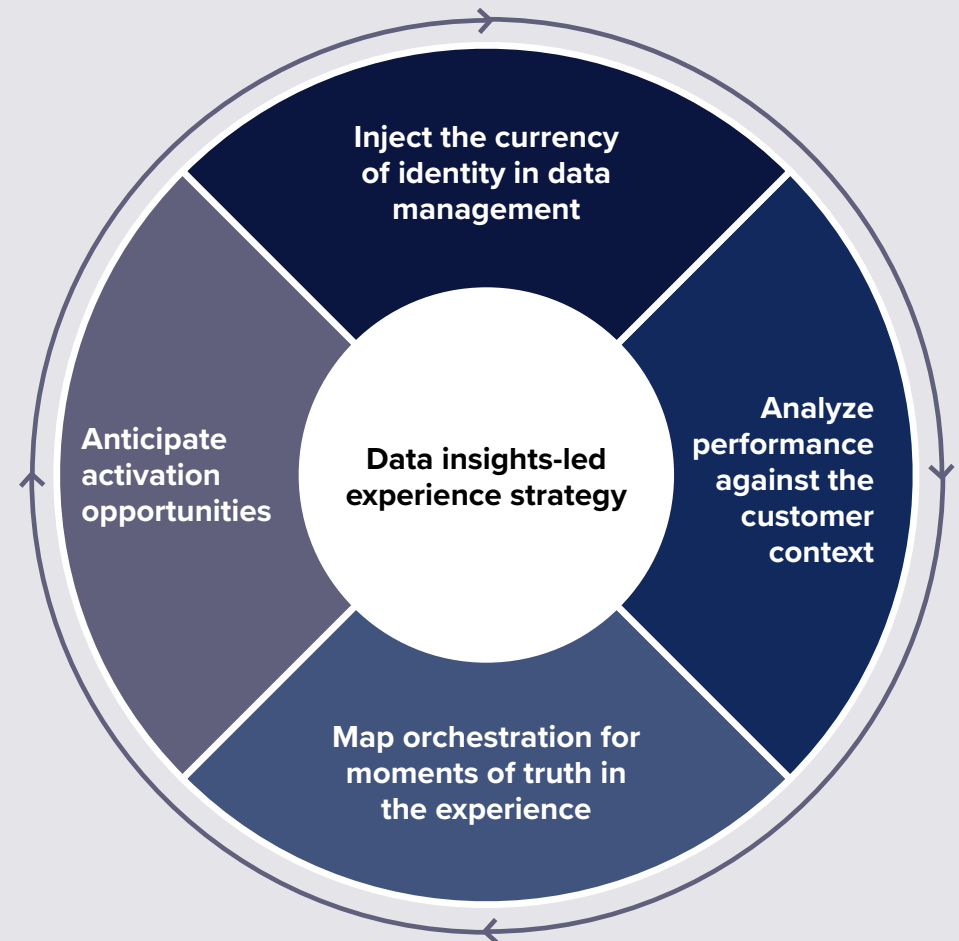
Sometimes it's helpful to shop your own closet: take stock of what you have and what still fits before investing in the new. As with your technology investments, gauging the value of your data should always be rooted in the customer experience. You may have troves of unstructured data, such as images, videos, and audio recordings. These can prove useful if you have the strategy, technological resources, and skills to process them. But in the absence of mature data competencies at your organization, the data you need to deliver personalized moments may already exist – structured or semi-structured – in your CRM, on your website, in your apps, and in online and offline channels. The key is to cohere this data into usable insights. Identity resolution solutions, such as Merkle's [Mercury](#), can take the data you own, reconcile and bolster it with second- and third-party data, and build a cookieless private identity graph for cross-channel targeting, personalized marketing, and accurate measurement.

“Injecting the currency of identity in data management”⁷ helps keep the focus of data collection and management on unification, orchestration, and hygiene – elements of a data strategy that enable a clearer understanding of your customers. You may already have the ingredients to make identity-led CX a reality but lack the prioritization and corresponding allocation of resources to execute (Figure 2.1).

⁷“Mastering Identity & Insights with Adobe.” Merkle, 2022.

Figure 2.1

Phases for mastering identity and insights



65 percent of surveyed retailers found that offering insights exclusive of media buys adds value to their vendor relationships, up 13 percent from 2021.

Retailers and Brands Can Unlock Value with Retail Media Networks

Retailers and brands can unlock new sources of revenue and insights through retail media networks (RMNs). A retail media network is an advertising network comprising a retailer's or ecommerce business's digital properties. The definition of a RMN can arguably be expanded to include the monetization of first-party data, insights, and out-of-home or in-store tactics that were previously held by retailers' merchant organizations.⁸

RMNs can help retailers recoup some of the margin and revenue lost to rising prices. Many RMN operators are now decoupling media from data, offering insights to brands who wish to tap into valuable first-party data. According to Merkle's latest Retail Media Research Report, 65 percent of surveyed retailers found that offering insights exclusive of media buys adds value to their vendor relationships, up 13 percent from 2021.⁹

You don't have to be a big-box brand to operate an RMN; many specialty retailers have jumped into the game, offering advertisers exposure to niche audiences. The demand is there – brands are eager to access rich insights and privacy-safe, contextually relevant environments in which they can engage customers. And brands don't have to advertise with retailers that sell their products. There's been significant growth of non-endemic brands working with RMNs that sell related products (e.g., fashion brands advertising with beauty retailers or travel agencies partnering with theme park companies). In fact, 81 percent of surveyed US retailers partner with non-endemic brands, and another four percent are considering it.⁹

As discussed in the first Imperative, mapping a vision for your retail media, including the technology, partners, and skills needed to deliver business outcomes is necessary before attempting to build or partner with an RMN. RMNs are becoming increasingly competitive in the ad products they offer to brands, often requiring multiple partners and technology platforms. Rather than a deterrent to entering the space, this competitiveness and explosion of activity should encourage retailers and brands that need a proven opportunity to innovate.

⁸ "The Evolution of Retail Media Networks," Merkle, 2021.


⁹ "Retail Media Research Report," Merkle, 2022.

Commerce Isn't Just for B2C

As we'll discuss at length in the third Imperative, every experience should be a commerce experience. This statement is inclusive of business-to-business (B2B). Spurred by shifting customer expectations and accelerated by the pandemic, B2B brands are rethinking the ways in which their products and services are sold. "B2B" doesn't have to be synonymous with long, laborious, and uninspiring paths to purchase.

Millennials and Gen Z – more digitally savvy B2B audiences – are moving into positions of leadership, and the need for self-service and automation has impacted the status quo of B2B sales. This commerce transformation is an opportunity for B2B sales organizations and their supporting functions. When set up and implemented properly, a B2B commerce ecosystem fuels CX via both technology and data-informed human relationships. New forms of commerce enhance, rather than stifle, salespeople's jobs.

B2B organizations that wish to undergo commerce transformations benefit from examining the technology they already have and determining whether and how to connect them to execute a CX vision. Integrating customer data from various channels (e.g., media platforms, email service providers, commerce platforms, content management systems, supply chain and



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enterprise resource planning solutions, and customer service platforms) enables B2B brands to deliver the personalization their customers expect and, in return, optimize their CX orchestration via technological and human-led processes. Centralization also illuminates the pieces of the puzzle that are missing and may benefit from additional investments.

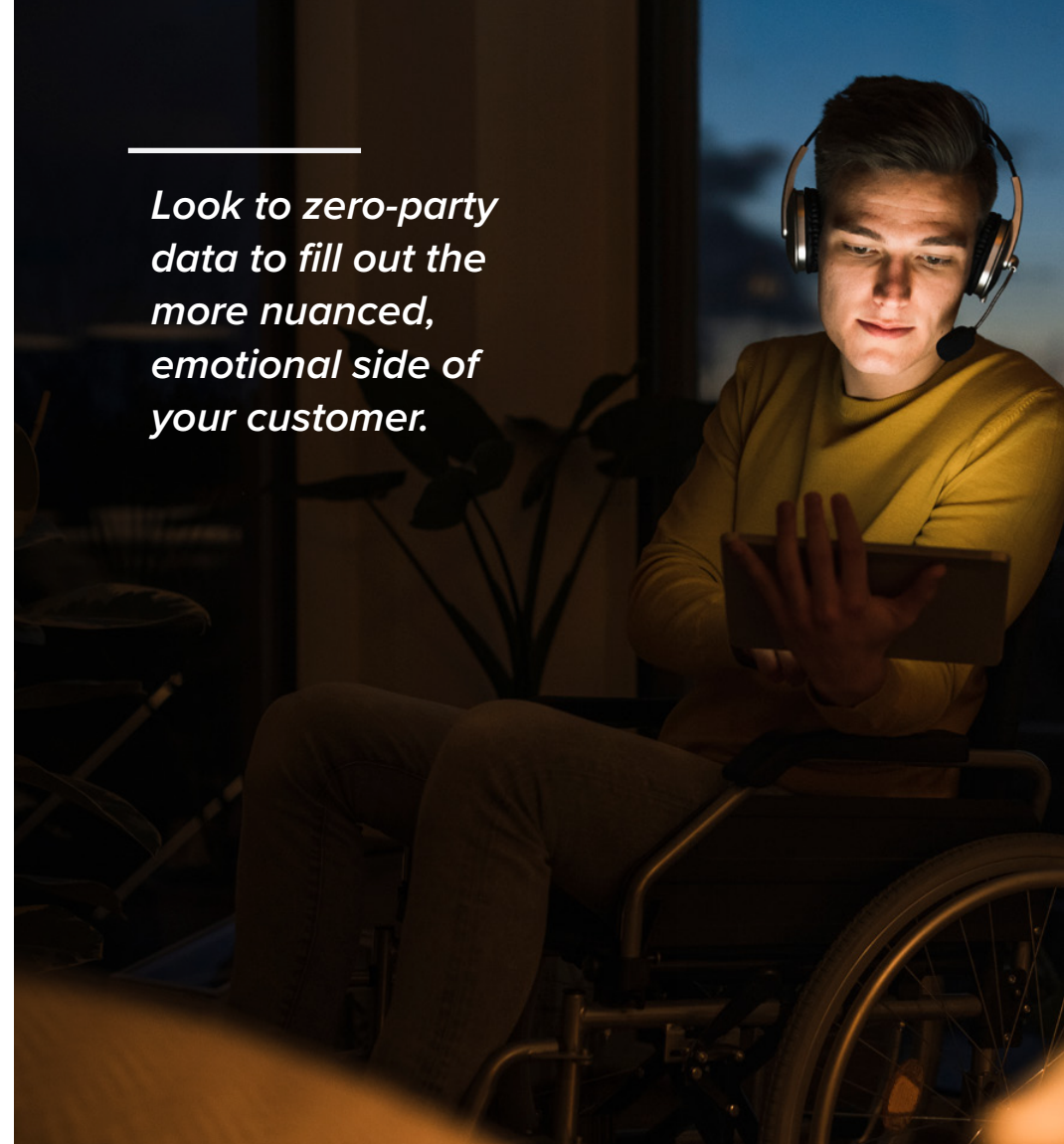
Collect Zero-Party Data to Increase Brand Loyalty

Zero-party data, or data that a customer willingly gives over to a brand, is a way to connect with your audience on an emotional level. As discussed in last year's Imperatives¹⁰, consumers are more likely to be loyal to brands with whom they share an emotional connection. Loyalty goes beyond repeated transactions. It's a long-term relationship driven by shared values, transparency, trust, and open dialog – a relationship that ultimately helps improve your CX.

Look to zero-party data to fill out the more nuanced, emotional side of your customer – information that expands beyond PII, demographic, and behavioral information. If I'm a 37-year-old woman living in Portland, OR, and I've bought your product, what do you really know about me? It is safe to assume that I won't want variations of the same experience ad infinitum. My preferences will most certainly evolve over time.

Asking your customers about their preferences¹¹ and weaving those preferences into an ongoing dialogue will help you cultivate brand loyalty and more effectively weather external impacts to your brand. This practice can manifest in surveys, social media polls, website visitor preferences – any engagement that allows known customers to provide feedback on their preferences and

Look to zero-party data to fill out the more nuanced, emotional side of your customer.



emotions. And here's where we beat the centralized data drum again – zero-party data cannot be siloed from the rest of your data strategy. It, like everything else we've discussed thus far, requires a vision of how it will add value to deliver a well-articulated customer experience.

¹⁰ "Shaping Customer Relationships in the New Age of Experience." Merkle, 2021.

¹¹ "Listening to the Customer: Leveraging Preferences in Marketing." Spiceworks, May 3, 2021.

Innovation Can Be the Culmination of Small Changes

Innovation doesn't have to be splashy to be effective. It's tempting to jump on new technology in hopes that being an early adopter will give you a competitive advantage. Innovation comes with risks, but you don't have to throw a bunch of metaverses and AI tools on the wall to see what sticks. As we discussed in the first Imperative, a plan to show value needs to accompany any new investment.

Ask yourself the following questions when trying something new:

Does this innovation create an opportunity for me to engage my customers in a differentiated way?

01

Can I innovate with the data, technology, and personnel I already have?

02

Are there breaks in my CX journey that I need to fill?

03

Are there things I wish I knew about my customers?

04

Examples of Innovating with Purpose

- A **food supplier** that traditionally sold through wholesale channels to hotels, stadiums, and other venues went direct-to-consumer (DTC) during the pandemic, allowing customers access to the brand.¹²
- **Streaming services** like Disney+ and Netflix are planning ad-supported subscription tiers to appeal to consumers looking for less expensive options.¹³
- **Chinese liquor giant Moutai** opened an ice cream shop and corresponding e-store app, iMoutai. The launch was hugely successful and allowed the brand to tap into new audiences.¹⁴

If you face budgetary constraints, look to your partners. Oftentimes, partners will be willing to take on some of the development costs of a new project if they can extract value too. And if you're lacking inspiration, your partners can help build your vision.

¹² "How B2B Sellers Became DTC Brands During the Pandemic." AdExchanger, June 2020.

¹³ "Disney reaches over 205 million subscribers across its streaming ecosystem." Insider Intelligence, May 2022.

¹⁴ "Official Moutai-infused ice-cream recorded exhilarating sales." The Drinks Business, June 2022.

General Tips:

- **Set aside 5-10 percent of your CX budget** for pure innovation projects.
- **Test and learn, test and learn, test and learn.** When implementing new tech, you can test on data puddles to see if the tech makes sense for your organization on a larger scale.
- **Keep an eye on the competition.** Actively monitoring your competitors keeps you from becoming complacent in your CX strategies.
- **Treat experience with wariness.** This can apply to employees or your vendors – just because someone or something has had continued success doesn't mean a different tactic won't surpass those results.
- **Innovation can come from throwing out** processes or technologies that *don't* work.

Viewing innovation through the lens of your customers – how they evolve, what they tell you about their preferences and how you want them to feel after interacting with your brand – will keep you from chasing quick gains at the expense of a future-proofed, flexible CX ecosystem.

*View innovation
through the lens of
your customers.*



A photograph of two young women with long dark hair and glasses, wearing dark leather jackets. They are standing outdoors at night, illuminated by blue and purple ambient light. Both women are smiling and looking down at their smartphones. The woman on the right is holding her phone with both hands, while the woman on the left is also looking at her phone. The background is dark with some out-of-focus lights, suggesting an urban or festival setting.

03

Make Every Experience a Path to Commerce

Transformation has been one of the biggest areas of focus in marketing over the past few years, and brands have taken it to heart. Organizational leaders are identifying and pursuing new revenue streams, rethinking their internal structures, and repositioning their marketing budgets. But another word should also be at the center of marketers' lexicon: adaptation.

Brands have faced a number of pitfalls on their journey to transformation. Some are not bringing their tech stack and commerce programs along for the ride. And you cannot have a successful business transformation without a commerce transformation. Others can't transform at all because they're focusing their time and energy on manual basics that barely keep them afloat. Even more are expanding the reaches of their programs to contain new, shiny revenue streams but fail to bind them together with a cohesive strategy.

There's a perception that transformation is finite, but adaptation is constant and endless. And given the current situation brands find themselves in – inflation and other economic factors around the world, the lingering presence of COVID, and geo-political issues around the globe – they must approach their 2023 financial decisions with caution while looking to get the most out of their investments. Meanwhile, consumer expectations continue to rise (Figure 3.1).

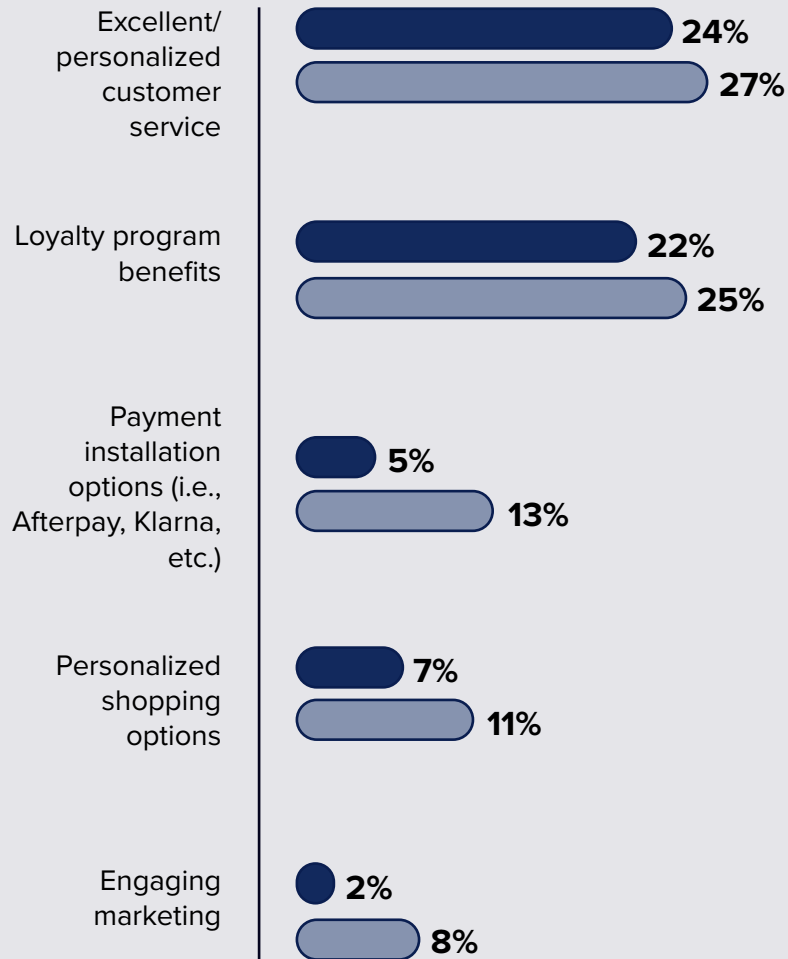
You cannot have a successful business transformation without a commerce transformation.

Figure 3.1

Consumer expectations continue to rise

QUESTION

Out of the following options, what do you think should be a top priority for retailers? Please select your top three.



Source: Merkle 2022 Consumer Experience Sentiment Report

In this imperative, we will dive into these challenges and how to begin approaching a solution for sustained growth. Everything discussed will ladder up to three key statements that must be at the forefront of your mind moving forward:

Every experience is a pathway to a commerce experience.

01

Innovation must start at the foundational level.

02

Success requires a learning mindset.

03

You won't find many who disagree with these statements. But making them a reality is not always easy, and if you come at transformation from the wrong angle, it will be nearly impossible to succeed. It is the nuances that complicate these statements, and the following three themes will help get you on the right track.

Place Commerce at the Center of Your Transformation

Since 2020, when COVID shut down the world and changed consumer behaviors, many brands have been scrambling to alter and upgrade their commerce programs as quickly as possible. The platforms and strategies that offer nimbleness and agility are standing out, while the large monoliths – massive, all-encompassing platforms that are less easy to move and change – are losing steam.

Now is the time to approach commerce with composability, connecting the pieces together with a cohesive digital transformation strategy. Don't think of your program as one massive system. Scale your program by building the right products, solutions, and strategies on top of each other so there is a clear relationship and purpose for each.

As mentioned earlier, you cannot change your business without also changing your tech stack and strategy. They are interconnected. Which is why a composable approach makes sense. You need a program that can evolve and shift with the changing landscape alongside your business. This is not solely the work of the tech stack. A true commerce transformation – as part of a larger digital transformation – requires data

You cannot change your business without also changing your tech stack and strategy. They are interconnected.

centralization and activation, organizational design, change management, content scaling, and more.

Transformation is not intended to be easy. But it is intended to grow and scale, if done correctly. How do you start approaching such a daunting task?

Begin at the foundation

One of the biggest challenges for brands when it comes to conversations around commerce is how to prioritize their initiatives. CMOs and other decision makers are being inundated with new, innovative approaches to solve their problems. Social commerce, headless commerce, and the metaverse are just a few of the areas in which commerce is continuously expanding and opening doors, but knowing which door to pick isn't always clear.

In order to successfully transform your commerce and your business, you need to start at the foundation.



Step one

Elevate the level of your reporting and organizational planning so that your teams can make sound decisions and work collaboratively toward the best outcomes. When your data is collected and analyzed holistically, rather than from a siloed perspective, it is full of information to help you understand how to shift and enhance your operations.

Step two

Focus on the basic integrations between your systems. If the middleware and various “plumbing” components of your tech stack aren’t working together as one, any innovation mentioned above is immediately limited.



Step three

Remember that each market requires its own approach. There has been a misconception that, unlike brick-and-mortar stores, shopping online was basically the same no matter where you were. In fact, an online experience in the United States, the UK, Australia, Spain, and China are all quite different. You have a wide breadth of regulations, resources, approaches, and levels of innovation from one country to another. Global brands must recognize that each region is unique and be agile enough to tailor the experience and logistics (shipping, fulfillment, etc.) to each region.

This will get you off the starting line and in motion for positive change. Making the most of that change comes in the next two sections.

Take a Total Commerce Approach

Today's consumers have high expectations from the brands they engage with. The rate of innovation has increased so quickly that the bar for expectations continues to rise at blazing speeds toward experiences that are frictionless, comprehensive, and "always on." Not only that, but these elevated expectations mean it's much more obvious, and detrimental, when brands fail to live up to them. Consumers can tell when experiences are siloed and repetitive, and their patience for those kinds of experiences is limited. We call this a total commerce approach, because all of your content and channels have to work together to drive action and engagement, but not necessarily just at the point of transaction (Figure 3.2).

Figure 3.2
All Experiences are
Interconnected



The urgency and importance are clear. And while it sounds great, it can be incredibly challenging to execute. There are many reasons why every brand doesn't deliver moment-based personalization at every touchpoint. Here are three challenges that you will likely face in the next year:

01 **Scale and resources**

Personalized, omnichannel journeys require countless versions of creative and content, which is a major lift for any in-house team, regardless of size.

02 **Competition**

Competition – both in the marketplace as well as internally – is enough to keep any CMO up at night. Internally, the battle for channel attribution and competition of customers, along with balancing retail and marketplace partnerships, makes for a high-wire act to navigate.

03 **Global alignment**

Larger, global clients may be wary to commit to a total commerce approach because it can be associated with centralization. Meanwhile, we are seeing more and more enterprise companies moving to a decentralized approach where brands are setting up regional ownership to allow for greater agility and speed to market.



Automation is key

Even some of the largest organizations still rely on manual work to launch personalized experiences and journeys. But there's no way to get creative and innovate if the majority of time is spent manually executing basic processes. As budgets and resources are being tightly monitored, automation is a smart cost-saving measure to free up valuable resources to focus on other aspects of your commerce and marketing.

Tell your brand story

How the majority of brands compete for engagement with consumers is by offering impactful experiences, and that starts with their brand story.

Most consumers don't engage with a brand just to buy a product. They want more. That could be what your brand stands for or does for them – do they like being non-conformist? Trendy? – but it's also what they get along with the purchase.

Say you're in the market for a new mountain bike. You can buy one from a big, general commerce site, and it will come in the next few days, and you'll be ready to go. But bike brands would rather entice you to buy directly, by touching on all of the emotions and interests outside of the purchase itself. After purchasing from a brand, you may receive content around how to optimize

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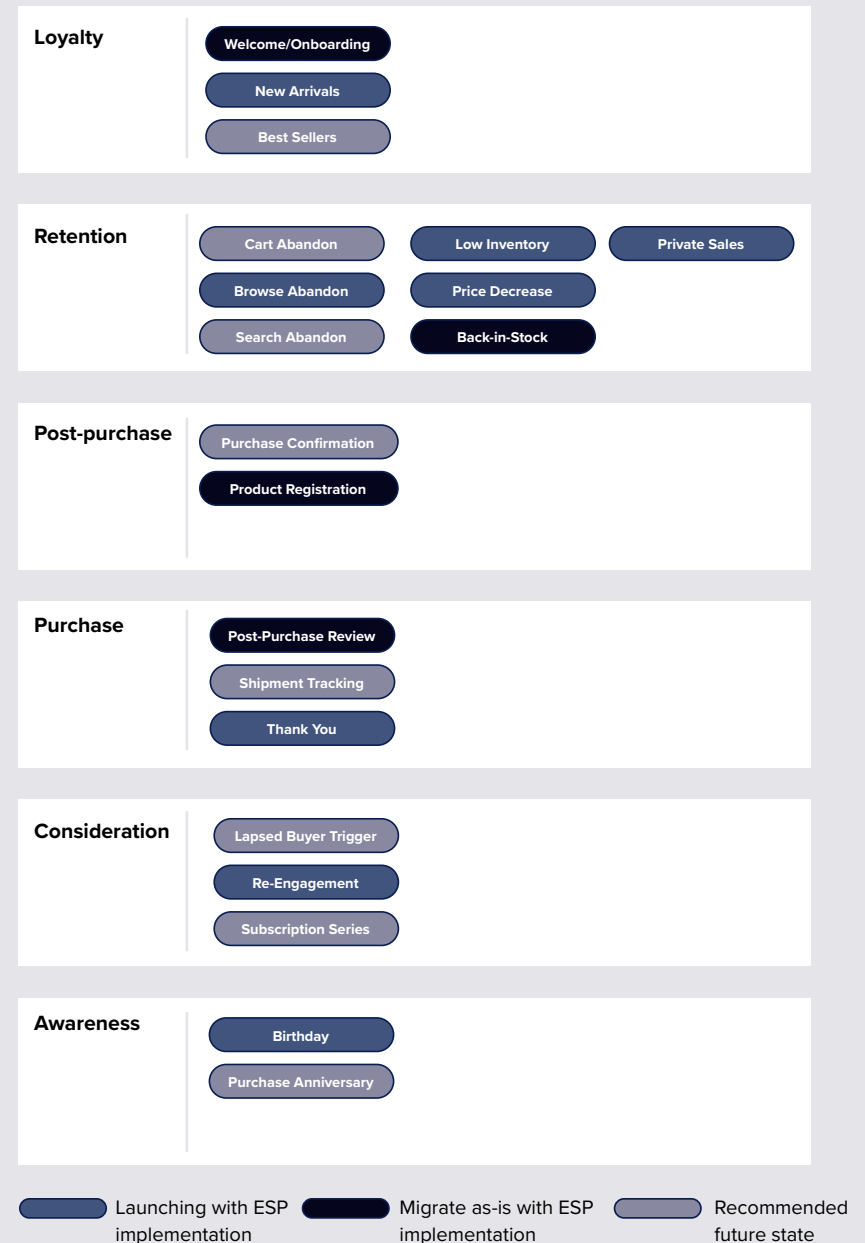
the bike to fit your body and needs, testimonials and videos from those in your community (along with the opportunity to share your own), and accessories that help you track and share your progress. And the biggest differentiator is likely the addition of a loyalty program. The rewards from a brand's loyalty program could provide biking enthusiasts with a superior value. In this value exchange, the brand benefits by forging a direct relationship with you.

Don't just focus on the sale

When the brand story permeates everything from the top down and at a personalized level, companies are able to create an emotional connection that is more powerful than just what the brand sells. As you'll notice, this is done without doubling down on your products or the deals themselves. And that's critical. Because no one wants to be in a relationship where it feels like one side is always wanting something and never giving anything else in return.

Your content marketing, social media, paid media, etc. should be working toward getting a consumer closer to the action you want them to take and not just exist for the sake of entertainment. And timeliness is a critical component. Total commerce is driving consumers toward a transaction when intent is the highest, regardless of the channel or platform they are on (Figure 3.3). Take social commerce, for example. Being able to check out and purchase a product immediately in your feed, rather than clicking through product listing pages, is capitalizing when intent is at its peak.

Figure 3.3
Recommended CRM touchpoints





Focus on fulfillment

Arguably the biggest challenge in all of this surrounds fulfillment. Not only have many commerce sites set the bar extremely high in this area, but consumer habits are also adding to the complexity. Shoppers are engaging from more channels than ever – and engaging both in-store and online throughout their journey. What they expect is consistency, but how they engage from one moment to the other may not be consistent. Fulfillment and customer service are two areas to get right in order to set your brand apart, and they're also where consumers will leave if it's not smooth and easy. Not only must your physical and digital properties be aligned; they should also be fused together. Providing the conveniences of digital in brick-and-mortar stores is becoming just as important. Can your customers buy online and pick up in a store or buy in a store after trying something on or seeing it in person and then have it delivered to their home?

Mitigate infrastructure conflicts

While no two internationally operating companies are alike, there are some best practices that can mitigate the eternal conflict when it comes to the commerce infrastructure and related investments. Organizations want to avoid having to maintain a plethora of various commerce systems in different markets that all follow their own trajectory and provide a user experience that can be drastically different from country to country. Especially with today's mobile and connected consumers, this is extremely important. Instead, putting a general technology guideline in place that focuses on 1-2 key technology partners – while allowing for regional and market-specific localizations – has proven to be a most effective approach to managing investments and consumer expectations.

De-Risk Your Approach to Commerce

As it has likely become clear, delivering what consumers are asking of your brand – and what we’re recommending here – is no small task. There is also not just one way to approach your commerce transformation. As mentioned earlier, DTC strategies, social commerce, the metaverse, marketplaces, and more allow brands to branch out far and wide, and some of these approaches are likely good fits for your organization.

The issue is those innovative, creative avenues get so much attention that it’s easy to skip past the fundamentals of your commerce program. These new commerce trends are definitely worth considering, but it’s the fundamentals that allow those innovations to shine and succeed as promised.

This sentence is broken out on its own to amplify our plea that if you take nothing else away from this imperative, let it be this: innovation and creativity are rewards for doing the fundamentals well.

Then, once you’re ready to dive into the newer avenues to stand out, there has to be a greater purpose and strategy involved. Just like how a brand’s content can’t be purely for the sake of entertainment, brands can’t

Innovation and creativity are rewards for doing the fundamentals well.

afford to invest and venture down these new roads without a plan. Each new strategy should generate a clear action that a consumer should take, and the value exchange must be clearly articulated. An experience should never be for the sake of impressions or clicks alone.

“De-risking your approach” means taking your marketing and commerce ideas and rigorously testing and experimenting to find what is driving ROI. And the word powering this, which too often gets overlooked, is optimization.



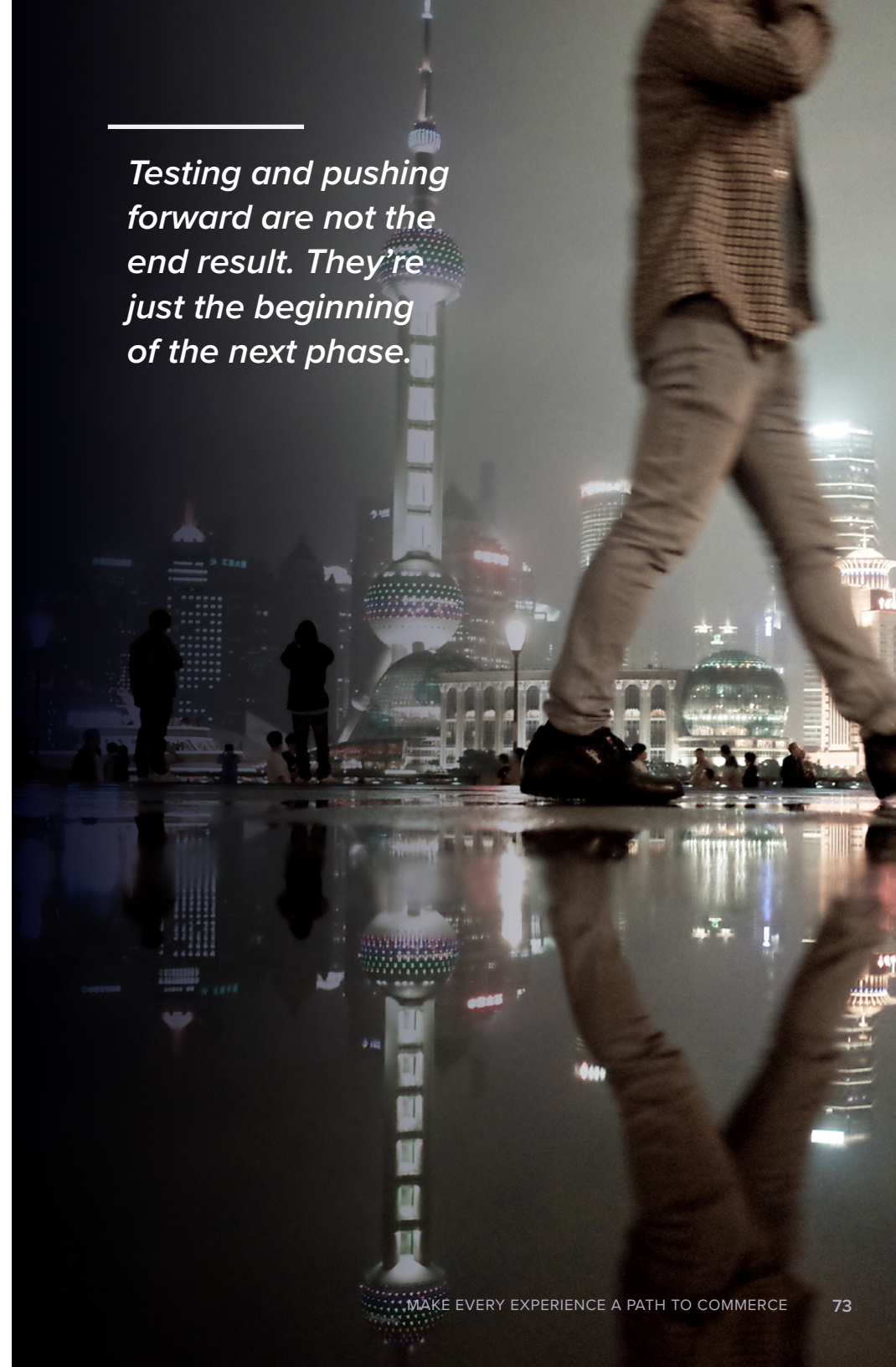
Optimization: testing is the beginning, not the end

The job is not done when a company invests in a new platform or tech stack. Even a top-of-the-line solution in January 2023 is going to be somewhat out of date a year later if you refuse to do anything with it over that time span. Marketers and company executives have to look at a transformation as an investment that requires constant refinement and advancement.

This is greater than an outside platform or strategy. Continued, sustained success requires an organizational mind-shift to becoming a learning organization. Testing and pushing forward are not the end result. They're just the beginning of the next phase. The second an organization becomes complacent is the second a competitor passes you by.

And given the external economic and financial factors staring brands in the face in 2023, optimization is also going to be much more business friendly. Optimizing to get the most out of your platforms and assets is going to be more cost-effective than replatforming, and budget constraints are one of the key challenges holding back a C-suite from evolving.

Testing and pushing forward are not the end result. They're just the beginning of the next phase.



Don't throw away the roadmap

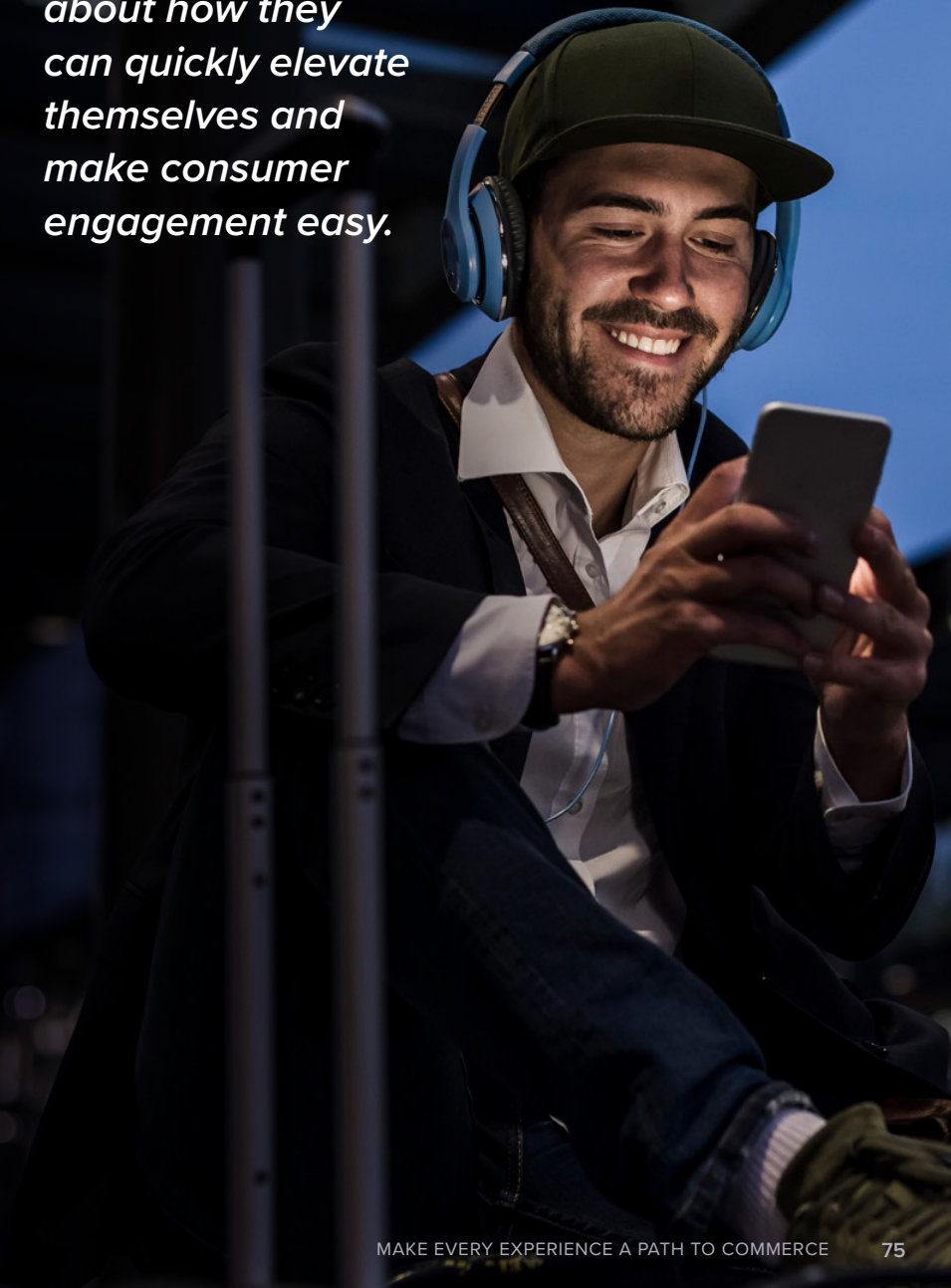
The importance lies not just in the fact that your organization is growing and improving, but also how that growth is taking place. Many brands make an investment in their commerce transformation that then leads to a burst of growth, but if nothing is done to sustain it, within a couple of years, that growth line may be trending back down.

This is where innovation is key. Brands need to be constantly thinking about how they can quickly elevate themselves and make consumer engagement easy to ensure their investments don't run out of gas. But for that to happen with purpose, brands need a roadmap to show not only the end goal 3-5 years in the future, but also what milestones need to be met along the way.

Every time you test and optimize, document those learnings and identify how they fit into or alter your roadmap. And again, go back to your basics. Measure the ROI of your strategies and clean up everything that's tactically causing a lack of conversion, constantly test and learn in order to evolve, and align everything you do to your roadmap to stay on a consistent path for growth.

If every experience leads to a commerce experience, every effort should be taken to make that experience as impactful as possible.

Brands need to be constantly thinking about how they can quickly elevate themselves and make consumer engagement easy.



Conclusion

The challenge of making meaningful connections with your customers shouldn't feel insurmountable. While there will always be new ways to engage and deliver on your audience's expectations, they don't need to come with an exorbitant price tag. We hope this year's Imperatives have given you an appreciation for the priorities that enable you to execute great CX versus the ones that don't. Your pursuit of scale in your customer experience is bound to encounter hiccups from time to time. You will invest in the wrong things or send the wrong message; just like in your interpersonal relationships, you won't always get it right. Strive for simplicity by removing the things that add friction or cloud your relationships with customers. This will allow your brand to operate as a living, breathing entity, capable of empathy and poised to make a meaningful impact on people's lives.

About Merkle

Merkle, a dentsu company, is a leading data-driven customer experience management (CXM) company that specializes in the delivery of unique, personalized customer experiences across platforms and devices. For more than 30 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. The company's heritage in data, technology, and analytics forms the foundation for its unmatched skills in understanding consumer insights that drive hyper-personalized marketing strategies. Its combined strengths in consulting, creative, media, analytics, data, identity, CX/commerce, technology, and loyalty & promotions drive improved marketing results and competitive advantage. With more than 14,000 employees, Merkle is headquartered in Columbia, Maryland, with 50+ additional offices throughout the Americas, EMEA, and APAC.

For more information, contact Merkle at 1-877-9 Merkle or visit www.merkle.com.

