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Digital

Holiday shopping in uncertain times
Autonomous marketing uses digital power
to keep retailing personal

Here comes the 2020 holiday shopping season—and in place of the traditional autumn efforts to forecast whether it will be an up year or a down one, retailers know only that it will be an unprecedented one. Fortunately, they have access to unprecedented capabilities.

Because of the COVID-19 pandemic, brick-and-mortar shopping will be a shadow of its usual self. Black Friday? Predawn doorbusters? Not this year. That's a sharp acceleration in a long-established trend, and most retailers have e-commerce channels in place. But the challenges of 2020 demand more

than just an enlargement of existing online options. It's time to take digital marketing to the next level, because that's where consumers are waiting to use it.

That's because there's more to shopping than transacting. E-commerce offers the ability to make purchases, but it doesn't offer the personalization or the experience that goes along with strolling through a mall or department store. Along with the doorbuster markdowns, 2020 will also lack the decorations, the music, and the traditional holiday mall photo. Retailers like to make sales, but they love to build relationships.

Now they need to do that with people who are sitting at home. Now more than ever, the consumer will be looking for exceptional creativity, with a high emphasis on digital storytelling. Each brand that can create compelling digital narratives that speak to the customer's soul will be a winner in the current era of shopping. The way to do that in a digital world is through autonomous marketing—a fully automated marketing process that uses machines and data instead of humans to drive decisioning. This approach is fueled by data, powered by artificial intelligence, and ready for its moment.

Putting data in **control**

Autonomous marketing uses predictive capabilities to personalize customer relationships in real time with content, recommendations, fulfillment, and even purchase follow-up that anticipate people's needs. It helps make the right decision in the moments that matter to keep customers for life. Gartner predicted this approach would drive more than half of all marketing messages by 2023—and it made that prediction almost a year before COVID-19 sped up the timetable.[1]

The good news for retailers is that to harness the power of autonomous marketing, they don't have to spend months or years building new capabilities and platforms from the ground up. Like many digital tools, autonomous marketing can benefit from as much or as little outside support as a retailer wishes to use: for help designing it, building it, running it, or a combination of the three. The benefits can accumulate over time, including quick wins that may even unfold in time to influence 2020 holiday shopping performance.

COVID-19 has forced an inflection point in a trendline that was already clear: Retail consumers' needs are changing. The details emerged in Deloitte's 2020 holiday retail survey, in which most respondents say at least half of their purchases are influenced by convenience,[2] and the new patterns of interaction amid the pandemic are changing what convenience means to people.

As in other parts of life, there is a "new normal" in shopping, and with it, new opportunities to make commerce personal. There's no question retailers have already pivoted in response: Many have stepped up with offerings such as same-day delivery, curbside pickup, and the ability to buy online and pick up in-store.
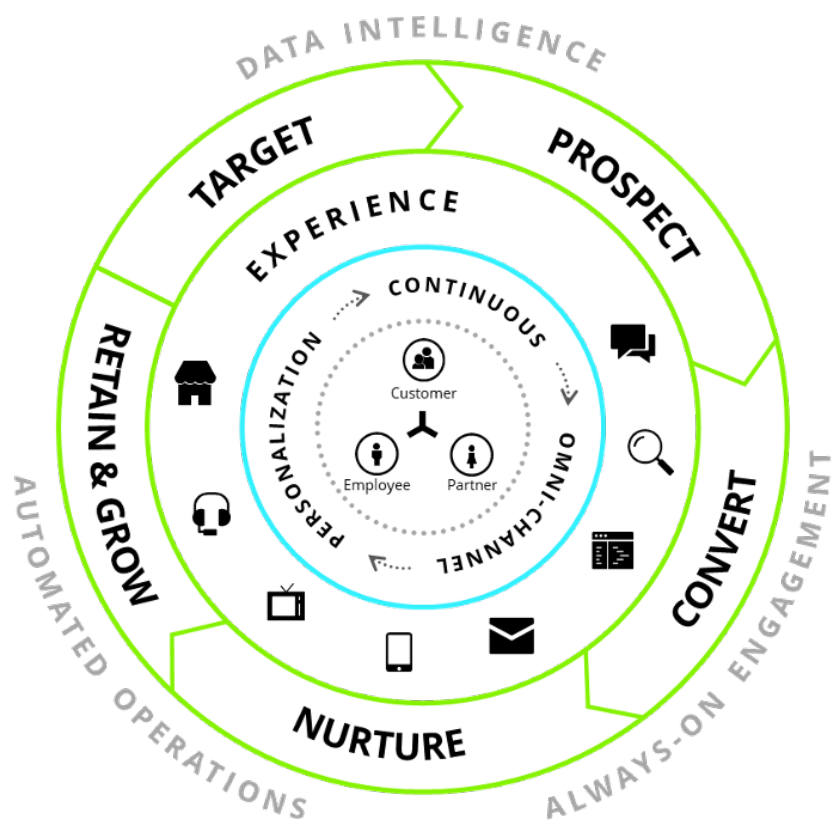
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But as these options become more common, the competitive advantage retailers derive from them depends more and more on how "sticky" they can make them so customers keep coming back. The value proposition of a service enhancement depends on a combination of factors, including price, quality, category depth and breadth, and the way customer service influences the experience people come away with. Learning what works comes back to data and knowing the customer's attitude. Using the data to drive the message, the data should also identify the channel within which the customer will be most receptive. As you prepare your personalization, it is important to develop a channel strategy in conjunction with the data-driven activities. Artificial intelligence and machine learning technology

solutions can be the portals to consumer convenience, real-time product availability, channel preference, and the kind of responsiveness that fosters personalized service and relationships.

Retail marketers achieve personalization by using decisioning engines that drive the right product at the right time, with the right content in the right message, based on data from customers, from the market, and from macro trends. The messages consumers see determine where they land and how they interact with retailers and experience those interactions. All of which retailers can measure and fine-tune—and automation gives them more options they can execute more quickly and precisely.

And make no mistake, consumers are still consuming: Depending on scenarios, Deloitte forecasts a holiday retail season that either matches last year's or grows by as much as 3.5 percent.[3] The same forecast expects e-commerce to grow by 25 to 35 percent. This challenging period isn't a body-blow to marketing, but a new age in its history, and we are approaching a crossroads in the standard retail business model. Will consumers return to physical stores and malls in large numbers? Will the nature of retailing evolve? Either way, brands are changing their products and services to meet customers where they are. They need to change the way they manage their customer relationships for the same reasons.

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Moments of **uncertainty** in the marketing funnel

Think about the ways a retailer allocates marketing spend and other efforts to get consumers into and through the marketing funnel. As public policymakers have put it, there are "known knowns" and "known unknowns" in the ways this discipline is changing.

What we know is that retailers need to be more digital, not only because of COVID-19 restrictions on face-to-face interaction but in answer to consumer preferences that have been building for years. It's always been true that acquiring customers costs more than retaining ones you have, but now those acquisition costs are rising even more steeply. In addition, the cost of satisfying both new and existing customers is also rising in a way that can hurt margins—for example, because heightened expectations for convenience have led to curbside pickup and other costly fulfillment methods. To respond to these pressures, retailers need new thinking on how to find customers, and more effective and efficient ways to serve and retain them.
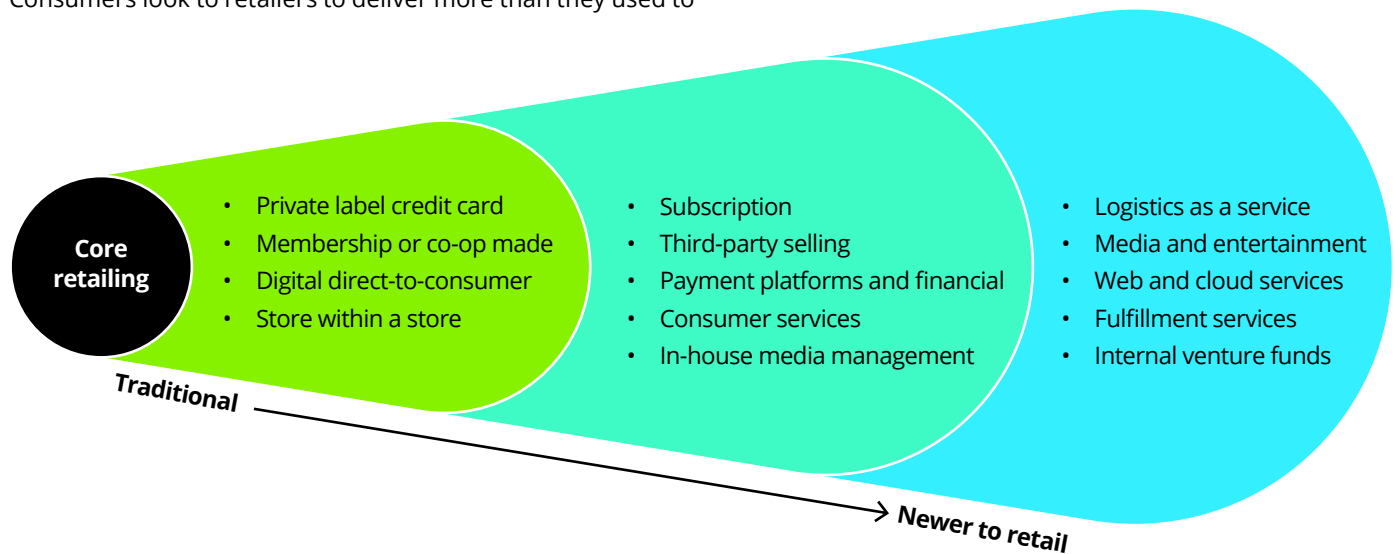
What remains to be determined is the right mix of techniques. If the marketing spend needs to be restructured, what's the new structure? Right now, investments are pivoting to a greater reliance on social media, on "walled garden" environments, and on innovation. Because so much is in flux, it's important to approach this change with a "test and learn" attitude. There are many new tools to try. Retailers who can more quickly learn which ones work for them and which don't can adjust to what they learn, and if they preserve their agility, they can make their channel spending more effective.

Some of these realignments will take time to bear fruit. But because of the nature of digital and AI—and because there are implementation options that make it possible to put some changes in place with minimal ramp-up time—there are some moves that can still influence performance for the 2020 holiday season. What are some of the steps marketers can take?

More to marketing:
Consumers look to retailers to deliver more than they used to

Core retailing

Traditional
- Private label credit card
- Membership or co-op made
- Digital direct-to-consumer
- Store within a store

- Subscription
- Third-party selling
- Payment platforms and financial
- Consumer services
- In-house media management

- Logistics as a service
- Media and entertainment
- Web and cloud services
- Fulfillment services
- Internal venture funds

Newer to retail

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Mapping the way forward

It would be ideal if there was a "2020 Post-COVID Digital Marketing Instruction Manual," but in reality, the industry needs to write that as it goes. While kids are writing down their holiday wishes, retailers have some list-making of their own to do. What can retailers do now to make autonomous marketing fulfill its potential?

The first thing on the wish list is to have the retailer's offerings at the top of the customers' lists—and the channels to buy them in the easiest part of the customers' toolboxes. To make that happen, marketing needs to move away from mass marketing. In its place, autonomous marketing offers the ability to develop an ecosystem that not only focuses

on individual marketing and relationship-building, but makes it an automatic process. With that goal in mind, the rest of the retail wish list falls into place:

Agile capability

Autonomous marketing combines real-time marketing—the ability to be there in the moments that matter for customers—with experience management concepts that pinpoint the customers who offer the most value and cement a retailer's relationships with them for the long term.

Retailers who win on real-time customer experience do so by building effective systems to automate engagement. The key to that is not only to have data, but also to use it—to link consumer identity data with all interactions and touchpoints so the retailer can present a consistent face and experience across channels. In a commissioned study conducted by Forrester Consulting on behalf of Deloitte, companies had 17 different technology applications using customer data and an average of 28 different data sources for generating customer insights and customer engagement. Only one in four had an omnichannel campaign history and a record of using it effectively.[4] **Building on that foundation of data, automated machine learning uses advanced analytics and decision platforms that can make those customer interactions not only timely and consistent, but also personalized and responsive.**

More cost-effective: Do more with less
Companies can reduce marketing inefficiencies by simplifying processes and organizations
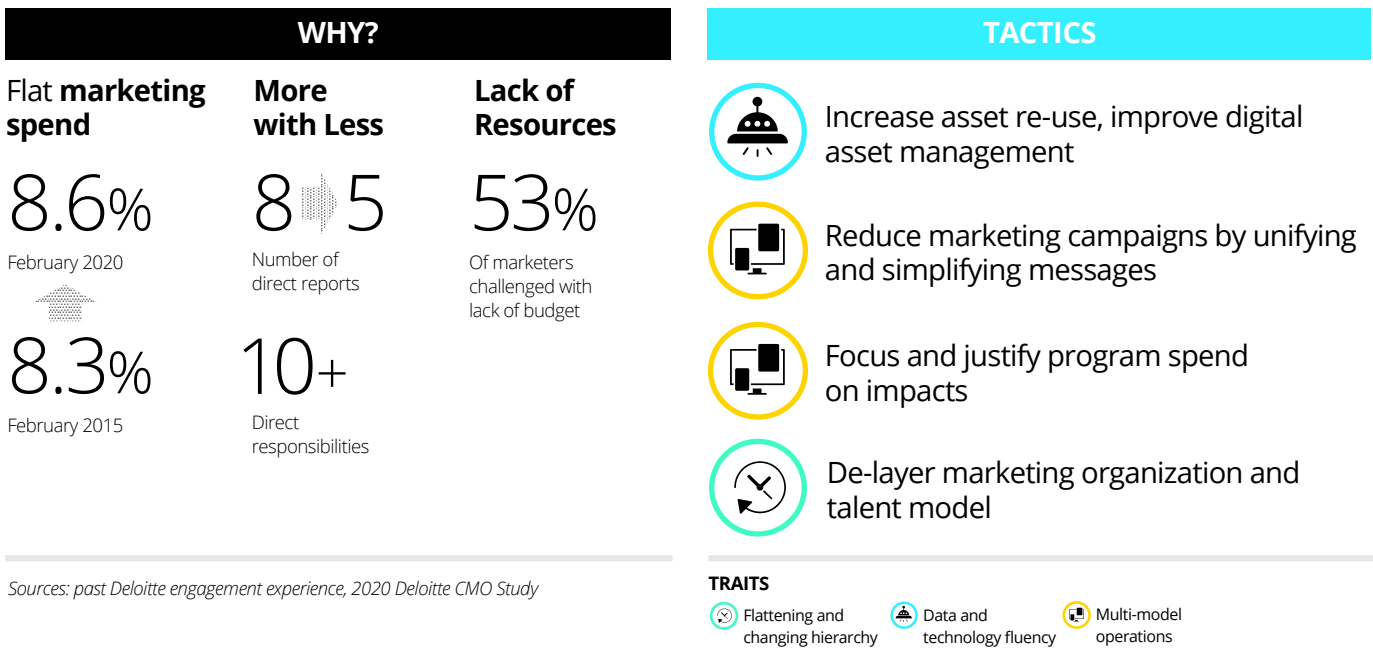
WHY?		
Flat **marketing spend**	**More with Less**	**Lack of Resources**
8.6%	8 5	53%
February 2020	Number of direct reports	Of marketers challenged with lack of budget
8.3%	10+	
February 2015	Direct responsibilities	

Sources: past Deloitte engagement experience, 2020 Deloitte CMO Study

TACTICS
Increase asset re-use, improve digital asset management
Reduce marketing campaigns by unifying and simplifying messages
Focus and justify program spend on impacts
De-layer marketing organization and talent model

TRAITS

Flattening and changing hierarchy   Data and technology fluency   Multi-model operations

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Decisioning automation

Personalization like this, at the scale of a major retail operation, can't rely on human interaction. It needs to be automated in ways that respect and mimic human outreach. Almost two-thirds of consumers (62 percent) feel they have a relationship with a brand,[5] and more than half (56 percent) want virtual experiences to feel more human.[6] To be at the top of each customer's buy list, a retailer needs to deliver the right message at the right time through the right channel. Multiply that by millions of potential customers, all of whom are hearing from competitors at the same time, all of whom are empowered to make purchasing decisions in an eyeblink, and it's clear this is a job for machines.

Tools that automate the collection of detailed consumer intelligence can address this need by monitoring faster, more granular, and connected data and insights that answer cross-enterprise questions across customer behaviors on a regular basis.

Think of this process in terms of three pillars: data, decisioning, and delivery. Personalized data drives the triggers for a retailer to take action. Decisioning engines carry out segmentation and predict behaviors. Machine-learning driven data triggers, whether developed through data science, orchestration tools, or marketing orchestration tools, can automate decisioning for personalized delivery. And delivery uses new

channels to keep consumers in a retailer's digital environment, the way an attractive layout or holiday décor used to keep them from wandering out of one store and into a competitor's.

Those capabilities don't emerge fully formed; they evolve, and they need to contribute as they grow. Building test-and-learn capabilities into everyday marketing planning makes that possible. **When a retailer relies on data-driven decisioning to make marketing and creative choices, it can pivot quickly to make the most of effort and resources. It can test new channels and markets without making a deep or lasting investment in any of them.**

Faster: Respond in near real-time
Companies can increase agility by bringing content creation and sourcing in-house

WHY?			TACTICS
Importance of **real-time marketing**	Rapid change in **new technologies**	**Agility and adjustment**	Build in-house agencies
88%	63%	69%	Automate repeated processes through MarTech
Of marketers say that real-time marketing is important	Of CMOs find it difficult to keep up with technology changes	Of B2B marketing leaders say that conditions change too quickly for annual marketing plan adjustments	Componentize and repurpose content
			Collaborate through "pods" based on projects (e.g., campaigns) instead of function

Sources: past Deloitte engagement experience, 2020 Deloitte CMO Study

TRAITS

Flattening and changing hierachy — Data and technology fluency — Real-time and on-demand — Morphing team structure

Flexible operating model

The operational structure that underpins marketing technology capabilities can take a variety of forms. One possibility is to assign the responsibility to a pod service model in which a dedicated team has a fixed capacity to drive change but a flexible scope to apply it where and when the organization needs it. In contrast, a shared service model establishes a common base of human and operational resources that teams and internal client resources across the organization can draw upon as required.

Then there are options that extend beyond the company's four walls. A traditional managed service approach outsources marketing capabilities to an external service provider, perhaps because it has specialized capabilities the retail organization doesn't, or because there are gaps in the team.

A more nimble approach can be the as-a-service model that relies on the specialized capabilities of a third party while retaining control over how they're managed and deployed. **This kind of service architecture represents an approach that can quickly stand up automated marketing capabilities for established retailers.**

Better: Up the relevancy
Value-driven, real-time, and personalized engagement in moments that matter

WHY?			TACTICS	
Rise of **content marketing**	**Personalized preferences**	Resurgance in **brand marketing**		Maximize customer interactions through scalable "personalization" architecture
70%	77%	60%		"Test and learn" through MarTech measurement and attribution
Prefer learning about a product through content vs. ads	Of digital natives expect a personalized web experience	More likely to purchase from a brand that they connect to		Engage in brand storytelling through content and native marketing and amplify

Sources: past Deloitte engagement experience, 2020 Deloitte CMO Study

TRAITS

⊘ Flattening and changing hierarchy   ⬙ Data and technology fluency   ⬙ Dynamic skill requirement

Making it happen

The challenge is already defined: How do you sell more in a changing landscape without creating a whole new budget to build marketing technology? The answer is to rely on digital technology someone else has already invested in creating, and to use only as much of it as you need.

Quick wins

Taking a build- and learn-as-you-go approach to automated marketing, especially with third-party support, offers advantages because it can begin delivering benefits quickly. These quick wins may start small, but they can help propel a retailer down the path that will lead to larger and larger benefits and, eventually, a truly autonomous marketing approach.

Minimum Viable Product

With the process under way and quick wins beginning to accumulate, the next step is to move toward a minimum viable product (MVP)—an approach to automation that adheres to the retailer's ecosystem and specific needs, so it can deliver not generic benefits but ones tailored to the company's long-term vision.

Mature, but still flexible

Over the long term, a retailer's autonomous marketing program can mature into a long-term vision. Making the solution future-proof is a dynamic process that starts with embracing autonomy, then focusing that capability on key areas: messaging, programmatic media, nimble decision-making, and the constant ability to learn and grow through the quick wins and MVP phases.

In real-world applications, Deloitte teams have found that one global retailer used social data and machine learning to achieve a 94 percent improvement in qualified new site visitors. A major sports franchise that used existing data and machine learning saw a 54 percent increase in email generated revenue.

The path to this outcome can include several critical steps:

1
Start with an assessment and plan. A cross-functional team can create a use case-based plan that takes into account people, process, and technology.

2
Build a customer engagement system. A real-time, cloud-based approach can include a customer data platform, a decisioning platform, and a delivery platform.

3
Test into machine learning. A full funnel that focuses on acquisition and retention can use content to further improve performance.

4
Stay ahead of government and industry regulation. "Run with the machine" instead of falling behind in working with bespoke environments and tech partners.

5
Organize all assets for effectiveness. Build with a focus on in-housing and autonomous services.

Happier holidays **ahead**

The fate of the 2020 holiday shopping season is mostly written, even if we have yet to read how it plays out. And there are some steps retailers can take now to bring the power of autonomous marketing to bear even in a few weeks' time.

But the course of this year-end experience will also serve as a check on the future. The ways consumers address their holiday desired amid growing digital channels and lingering health concerns will be an indicator of longer-term trends to come. By a few months from now, retailers will know a great deal more about where their industry is headed and what they have to do to prosper in it.

Thanks to the growing power of data and artificial intelligence, however, they can move forward knowing they have options. They can explore those options more freely and boldly knowing that flexible delivery model options let them take much of the investment and commitment out of the picture. **What retailers do in the late autumn of 2020 may not change this season dramatically, but it can set the stage for customer relationships for years to come.**

How Deloitte can help

A service provider for capabilities like autonomous marketing needs to satisfy a dual mandate: It must take burdens outside the organization, but keep control inside it. Deloitte Digital can engage to the extent a retailer wishes, whether in an advisory capacity, as a full as-a-service provider, or anywhere in between. Our Operate Services provide the option of letting Deloitte function as a de facto extension of the host organization, in both traditional and hybrid areas of responsibility.

For a deeper exploration of the methods that make agile marketing work, the Deloitte Insights article "Diffusing agility across the organization" discusses the ways several real-world brands used new approaches to keep up with marketplace conversations.

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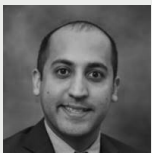
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Endnotes

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2. "2020 Deloitte holiday retail survey: Reimagining traditions - October 2020."
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