

Cosmetics and Fragrance Marketing and Management Master's Degree Program

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Capstone 2013 White Paper **DIGITAL MARKETING**

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Introduction

With the birth of advertising in the 1880s, beauty marketers practiced Marketing 1.0 – product-centric marketing with a mass approach to communication based on a “one to many” model for maximum efficiency (Kotler, P). Over the next 30 years, as more competition entered the marketplace, beauty marketers focused on building relevant, emotional connections between brands and consumers. This new form of marketing was an evolution and marked the dawning of Marketing 2.0. However, in both Marketing 1.0 and 2.0, marketers were talking at consumers not with them. Media channels available at the time never allowed anything beyond talking at consumers. Now, the dawning of the digital age has changed the “social contract between brands and consumers.” (Keller, A.) The expectation of the relationship between brands and people has become far more intimate. We have entered the age of Marketing 3.0 – the age of human-centric marketing. In this new marketing era, the goals of a marketer remain consistent – marketers must tell stories to create meaningful connections between brands and people (see Figure 1). What has changed in this new era are the significant amount of touch points, ease of access, and speed of action that marketers can utilize. In the era of Marketing 3.0, the lines between channels are blurring and the connectivity between brands and consumers is 24/7. As technology continues to evolve, communication touch points will be interactive, interconnected, zero-friction, and on-demand. To be effective, marketing can no longer be done in silos – marketing campaigns must tell stories across platforms, not just in them. This requires a new framework to help marketers continue to build brand affinity with

their consumers. Enter the m^3 model.

m^3 model

The m^3 model is a framework to help marketers navigate the human-centric world of marketing 3.0. The model is defined as: **micro-Targeting + micro-Engagement = micro-Marketing** (see Figure 2).

micro-Targeting = using advanced predictive analytics to cultivate deep human understanding of individual consumers.

micro-Engagement = constant, on-demand, two-way communication between brands and consumers where and when consumers want it.

micro-Marketing = creating campaigns with the illusion of personalization that combine the learnings from micro-targeting with the continuous access of micro-engagement to serve up the right content to the right individual, at the right time (see Figure 3).

The m^3 model helps brand marketers to more effectively communicate with consumers by leveraging new advances in technology and redefine success with new measurement indicators. To optimally structure a marketing organization to execute the m^3 model, there must be changes within the marketing team and with its cross-functional partners. All teams involved in bringing the product to market and bringing the brand to life must commit to the model to reach success.

Evolution of Media

One of the consequences of the evolution of the digital landscape has been the change in what consumers expect from brands. Consumers expect brands to understand them, engage with them, and to reflect values that they can connect with on a personal level. This new, high level of interactivity and connectivity is made possible by advanced technology and the evolution of traditional media channels.

In the worlds of Marketing 1.0 and 2.0, brand communication was “one to many” – assets developed for generic target groups run on traditional, static channels. In Marketing



Figure 1



Figure 2

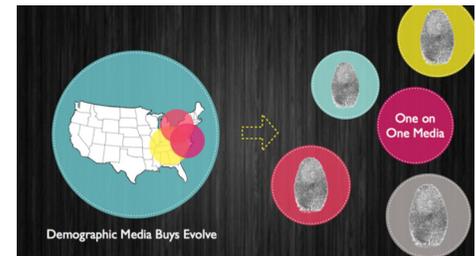


Figure 3

3.0, brands can engage in a “one to one” approach to communication with individual consumers in an on-demand, zero-friction environment through the use of advanced media platforms.

Successful brands in this environment will create flexible communication which responds and adjusts to consumer feedback in real time. This feedback is made possible by advanced analytics tools that collect and interpret the vast amounts of data that individual consumers generate within the digital space. Brands will have a deeper understanding of consumers that will allow them to predict the desires and aspiration of individuals. With this learning,

enabled by new technology, brands can be both predictive and reactive, delivering a humanized brand experience for their consumers.

The practice of **micro-Targeting** is the first step in executing these new experiences effectively. Using the data generated by consumers, brands can focus their strategies on individuals that are the most valuable for them. Additionally, data analytics will result in insights that can inform asset development and campaign strategy. From there, brands can use this data to help form their **micro-Engagement** strategies, and the new media touch points available to engage with consumers where they want, when they want, at the moments that matter most. Information gained from these engagements will be used to optimize future engagements in real time, resulting in communication that is increasingly effective at each consumer interaction. The evolution in media channels and technology makes **micro-Marketing** possible and will enable micro-Targeting and micro-Engagement tactics to result in effective micro-Marketing campaigns. In the era of Marketing 3.0, all media is interactive and personalized. There is no distinction between “digital channels” or “social media.” All media is digital and all channels are social. This is already beginning to happen with the evolution of smartphones and smart tablets. The critical shift for marketers is to ensure that their marketing campaigns can adapt to these new media opportunities, resulting in seamless, on-demand, personalized campaigns, increasing an individual consumer’s brand love and loyalty.

The shift from traditional to new media does not mean that traditional channels such as print and TV should be removed from marketing plans (Millward Brown). These traditional channels will also be part of the evolution of media and they too will become ‘smart,’ interconnected and interactive, collecting data and feedback on individual consumers that brands can leverage in their new campaigns. To achieve interactivity and personalization, brands will create ad templates with multiple versions for different consumer groups and, through the use of advanced algorithms, can create a seemingly personalized campaign, resulting in the right content delivered to the right individual every time (Whittlake, E.). Agencies like Media Mind are already beginning to make this a reality for marketers. However, to take communication to a micro-Marketing level, marketers will need to use advanced monitoring tools to collect data from consumer engagements across all touch points and quickly optimize assets for maximum

effectiveness (see Figure 4).

In order to make m^3 a reality, brands must brief their creative agencies differently, focusing on flexibility and adaptability. If flexibility is included in the briefing process from the beginning, these ad templates will not seem like a distant concept; instead, they will be an achievable reality. By incorporating the creative agency, the digital minds, and the analytical experts at the point of conception of the media campaign, it will ensure the creation of a fully integrated, completely seamless, entirely zero-friction campaign across multiple platforms.

Evolution of Measurement

The evolution of success measurement is critical in effectively executing the m^3 framework into strategic brand management. In a world where marketing campaigns are constantly monitored and optimized in real time, success metrics must evolve to embrace this new mindset. Brand marketers must shift their focus away from traditional return on investment (ROI) metrics, such as reach, gross ratings points (GRPs), and click-through rate. These metrics are static and historical in nature, largely because the channels in which they were developed did not allow for real time optimization, only post-launch evaluation. In the m^3 model, the new metric is Return on Learnings (ROL) (see Figure 5). This represents a major shift in marketing success measurement, and is a necessary next step to ensure successful marketing in the m^3 model. It has been widely discussed by business experts and beauty industry leaders that marketing attribution enables stronger budget allocation and bigger returns (Google Analytics). Imagine if a brand could monetize the attribution path of a consumer to understand how each engagement works independently or together within the context of a plan to drive value for consumers. Soon you will no longer need to just imagine this, as this technology is in development already. To capitalize on this opportunity, brands need to reallocate resources to ensure a stronger focus on analytics to better work with the data they currently receive from consumers. Armed with information on where consumers are entering and exiting the selling model, marketers can change the way they do business (Fast Company). With this new ROL approach, and the necessary analytics tools to support it, marketers will be able to track unique consumer value over her lifetime and understand the most critical points that drive future sales at the individual consumer level (see Figure 6).

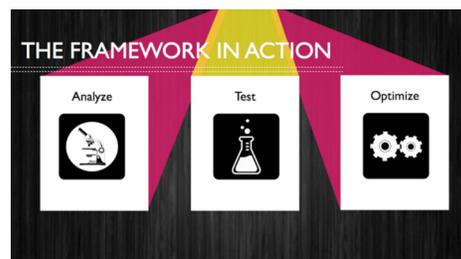


Figure 4

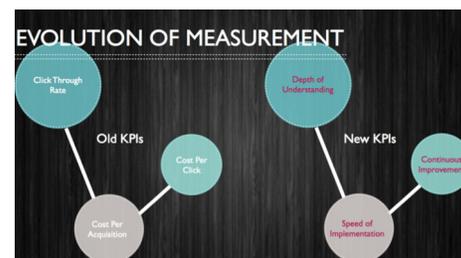


Figure 5



Figure 6

As a first step for today’s marketers, there are several new Key Performance Indicators (KPIs) associated with ROL that need to be included in their success measurement plans. These include:

- Depth of understanding
- Continuous improvement
- Speed of implementation

These new ROL metrics should be monitored in real time, on an ongoing basis. Through specific data analytics programs, brands will be able to determine how these KPIs translate into retail sales (Blur Group). In the end, the ROL model is still focused on increasing sales, yet does so in a manner that is closer to the consumer than the traditional ROI model and therefore results in greater lifetime value – a more important KPI.

Evolution of Management

To maximize the execution of the m^3 framework, organizations must develop three capabilities within their management and human resources structure to ensure success:

- Talent
- Marketing culture
- New business units

Talent: First and foremost, organizations

must hire the right talent. As Kevin Kells of Google states, in Marketing 1.0 and 2.0, marketers were hired based on their capability to be “both good general managers and good brand builders.” At that point in history, the capabilities required to do both jobs were relatively similar. The standard marketer was a businessperson with a “jack of all trades” mentality and an eye for creativity. This is no longer enough in the era of human-centric marketing. For marketers to embrace micro-Marketing and Return on Learnings, they need to evolve as well. Furthermore, it is increasingly unlikely that the capabilities required of a good brand builder would be found in one individual alone (CMO.com). Rather, these capabilities are found in multiple individuals who have specialized areas of expertise. As a result, the new model recommends organizations create m^3 marketing teams comprised of individuals with the following capabilities:

- **Communications Experts** – Brand marketers who own the essence of the brand and help drive brand strategy via smart channel marketing and execution choices.
- **Content Craftsmen** – Individuals with backgrounds in content publishing that have experience in community management and journalism.
- **Data Analytics** – These are professionals who aid in mining insights via micro-Targeting tools and analysis (Godin, S.).

Currently, many brands already have experts with these capabilities on their teams; however, it is very likely that these individuals are employed by partner organizations, such as PR agencies, social listening partners, and creative agencies, and are not on the internal brand team. It is recommended that beauty marketing organizations bring these capabilities in-house. This also requires beauty organizations to update their traditional marketing job descriptions and rethink the skills required of a marketing professional compared with those of an effective businessperson/qualified general manager – individuals still critical to business success.

Marketing Culture: For this new talent pool to successfully execute the m^3 framework, organizations need to embrace a new marketing mindset. Given the nature of the beauty business, the cultural mentality can sometimes be risk averse, with a focus on ensuring perfection across all areas of the business. The risk of a mistake in the production of beauty products has grave consequences in the context of a consumer’s health and well-being. If this culture permeates the m^3 function, m^3 marketers will not be able to do their jobs effectively. m^3

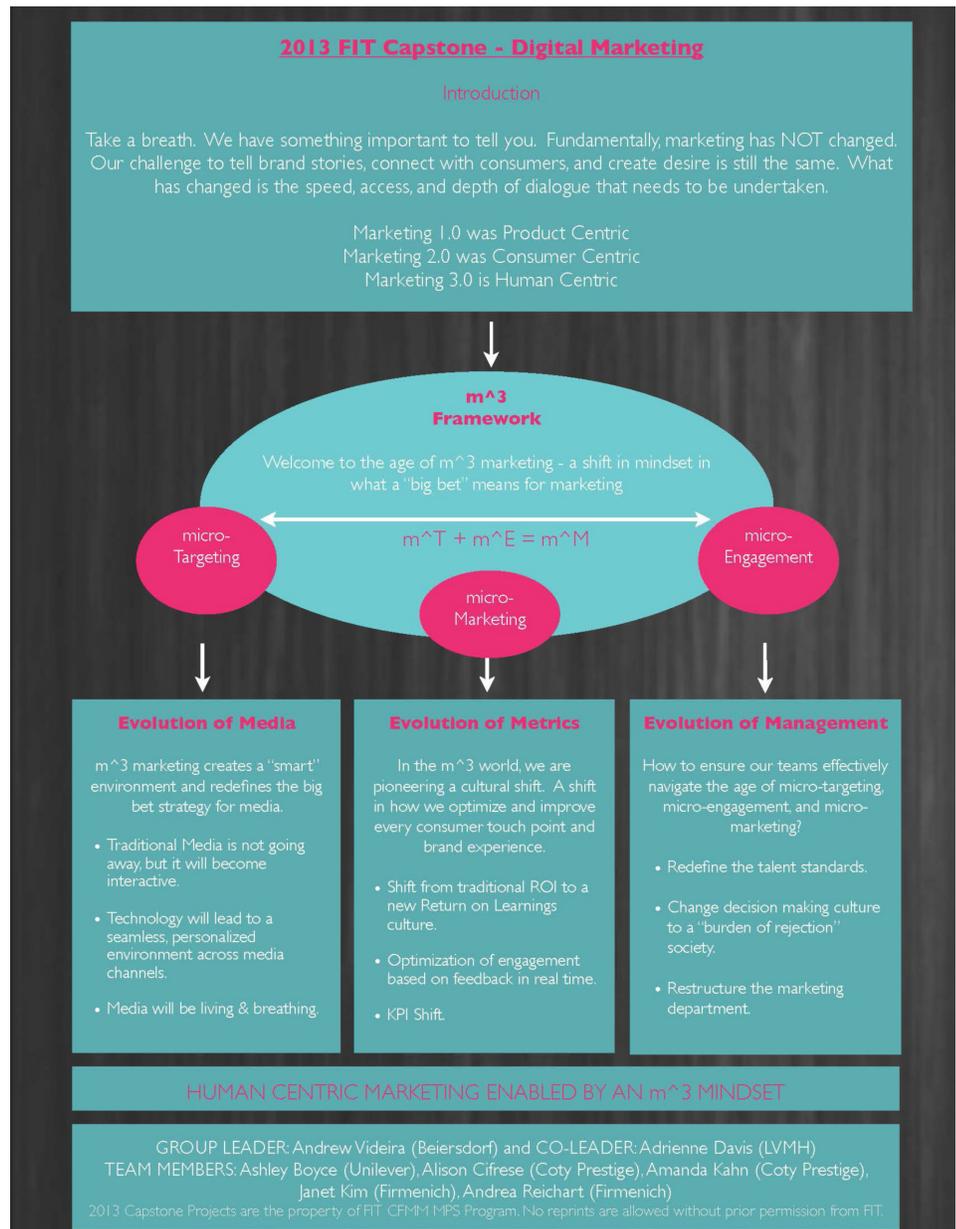


Figure 7

marketing requires that organizations embrace a new set of values to cultivate a functioning m^3 hub. These include:

- **Speed of reactivity to consumers** – With constant feedback and monitoring in the m^3 framework, the level of consumer understanding a brand will have for their consumer will be significantly deeper than today. This level of understanding minimizes the risk in executing new ideas with speed and increases the likelihood of success.
- **Learnings** – High value must be placed in improving communication via learnings through ideation, iteration, and optimization.
- **Experimentation** – Organizations must be comfortable with experimenting in new media, new channels, and new ideas.

- **Decision Making Culture** – A shift from a “burden of approval” to a “burden of rejection culture” must be embraced.

This last criteria, the decision making culture, requires each team member to understand their individual role and responsibility. In the m^3 model, marketers move forward with decisions quickly unless they hear a rejection from a key decision maker, instead of waiting for approval. This is a significant step-change, but will result in far more successful marketing given today’s fast-paced world. By embracing these values, the organization will be prepared to embrace the m^3 model internally.

Organizational Structure: To ensure that m^3 marketers are able to effectively do their jobs in this new mindset without impacting

other functions, such as product development or operations which require a more risk averse culture, organizations may need to consider some internal restructuring. Given the risks associated with a rapid-response model in the health and beauty category, it is recommended to separate product development and business management – two critical functions – from the new m³ marketing group. Organizations should create separate “hubs” of expertise, each with a clear specialty. As long as each hub adheres to the values and standards set forth by management for their hub in this m³ model, each group will be working towards the same goal (Google Research Studies). Communication should flow freely between the m³ marketing group and these other hubs (product development, operations, etc.) to facilitate learning and to maximize the success of each hub of expertise. In this new structure, the integrity of the business comes first; once the m³ model and mindset are embraced by the organization, anything is possible.

Conclusion

In the era of Marketing 3.0, marketers must continue to act as constant storytellers across the never-ending number of touch points that exist between brands and their consumers. They must tell these stories seamlessly, across multiple platforms. Using the new m³ framework, brand marketers can micro-Target, micro-Engage, and micro-Market to the consumer to more effectively communicate with her and redefine the meaning of success. To ensure the optimal level of success, marketers must make changes on all fronts of their business. Media must evolve from a “one to many” press conference style to a “one to one” friendly conversation where advertising has the illusion of personalization. Measurement KPIs must move into the world of Marketing 3.0 and shift from the traditional ROI (Return on Investment) to the more modern and flexible ROL (Return on Learnings). And management must also make changes – developing their talent, marketing culture, and organizational structure to successfully fit within the m³ framework. With the m³ framework in mind, marketers can approach the era of Marketing 3.0 with their eyes wide open and the knowledge that they are moving their business towards the future, and doing so with a model that will set them up for success (see Figure 7).

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Interviews/Personal Discussions

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