

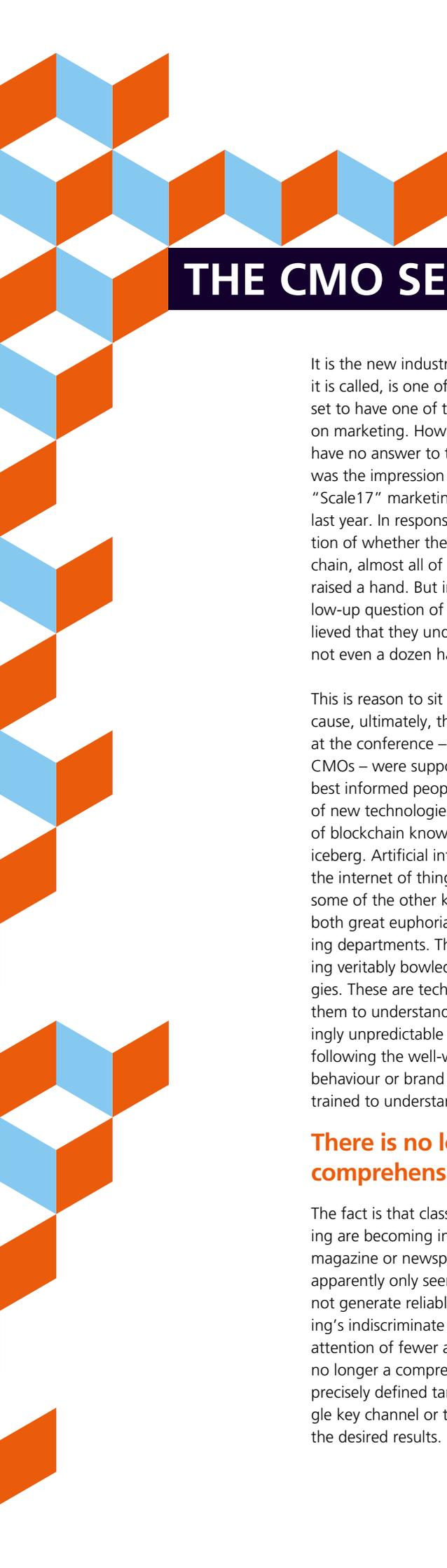
STRÖER

ROCK STAR



CMO

How marketers will take
the lead in 2018



THE CMO SETS THE TONE

It is the new industry buzzword: blockchain, as it is called, is one of the technologies that is set to have one of the longest-lasting impacts on marketing. How? Most marketers currently have no answer to this question. At least, this was the impression during one episode of the "Scale17" marketing conference in autumn of last year. In response to the moderator's question of whether they were aware of blockchain, almost all of the audience members raised a hand. But in response to the follow-up question of who in the audience believed that they understood the technology, not even a dozen hands went up.

This is reason to sit up and take notice. Because, ultimately, the roughly 500 participants at the conference – seasoned marketers and CMOs – were supposed to be some of the best informed people in the industry in terms of new technologies! However, this latent lack of blockchain knowledge is just the tip of the iceberg. Artificial intelligence, virtual reality, the internet of things and big data are just some of the other keywords that are causing both great euphoria and confusion in marketing departments. The CMOs of today are being veritably bowled over by new technologies. These are technologies that will help them to understand the behaviour of increasingly unpredictable consumers who are not following the well-worn patterns of consumer behaviour or brand loyalties that marketers are trained to understand.

There is no longer a comprehensive media plan

The fact is that classic advertising and influencing are becoming increasingly difficult. The magazine or newspaper advertisement that is apparently only seen by five to ten readers will not generate reliable sales. Television advertising's indiscriminate approach is capturing the attention of fewer and fewer viewers. There is no longer a comprehensive media plan for precisely defined target groups, nor will a single key channel or the famous last click lead to the desired results.

The sheer immensity of the number of products available, the fractured media landscape and the diversity of potential shopping channels are having a massive impact on user and consumer behaviour and hence, of course, on the role of the CMO as well.

Only 10% of CMOs pull the strings

But only very few CMOs feel well prepared to face these challenges. Only 6% of German CEOs and CMOs believe that their companies are doing enough to train and prepare future CMOs. This was one of the results of the CMO Study 2017 carried out by Facit Research in collaboration with Serviceplan Consulting. Only 10% said that the CMO was at the heart of the measures needed for a successful transformation, although 65% of those surveyed saw this as the CMO's clear responsibility. The knowledge that has been accumulated about digitalisation and technology is still in the minds and on the computers of external service providers. Agencies, technology companies, Facebook, Google – they are all at the ready to provide the answers to brand and marketing questions. This is not always to the benefit of the companies and, in times of increasingly strict data protection – such as in the ePrivacy Regulation – is unacceptable in any case.

There is a clear, increasing need for marketing and media to be managed in-house. Companies finally have to implement the long-heralded collaboration between the different disciplines – a collaboration that will overcome any vanities with one joint goal: to develop forward-thinking solutions. CMOs have clear ideas about how they can regain control of marketing as a whole. So far, they have only been audience members at the concert being put on by agencies, technology providers and marketers, but they are now set to become rock stars and bandleaders. They will set the tone and everybody else will follow them.

CONSUMER ON THE MOVE

Where is my customer?

Customer journey versus media plan

The golden age of television seems to have passed: in September 2017, gross advertising investments plunged into negative territory for the first time – only by 0.2%, but because Nielsen does not take discounts into account in its statistics, the leaks in the advertising coffers of television marketers are actually much bigger. This slump seems inevitable. For years, there has been a decline in the net reach of television stations due to the fragmentation of television. And there are fewer and fewer viewers watching their favourite shows around the fire at home, as they are increasingly watching them online on digital mobile devices whenever they want.

Daily newspapers and magazines reveal a similar picture. Circulation and reach figures for most publications are continuously declining. The result: advertisers have to invest more and more money into media to sufficiently reach their target groups. But they do not seem daunted: with EUR 4.6 billion in net advertising spending, television had an advertising share of 22.7% in 2017 according to the latest Zenith forecast, and daily papers were not as doomed as people like to say they are, with EUR 4.4 billion and a share of 21.5%.

Always on, but often on the move

However, this does not reflect the reality of the customer journey, simply because consumers certainly do not spend nearly half their time watching television or reading the newspaper. Humans are becoming more mobile and are changing channels and mobile devices at will. They are looking at products on their smartphones, comparing the results they save on their tablets in the evenings and, finally, buying products the next day on their desktops or in brick-and-mortar shops. But it is not just the number of shopping channels and different media that is growing; the range of products available has gone through the roof as well. The product the customer bought yesterday might no longer be interesting tomorrow. Brand loyalty is on the decline. Always-on consumers have a



myriad of opportunities to compare, and they choose whatever they see at the right moment.

This is why the classic media plan for a target group between 14 and 49 years of age and a household income of over EUR 2500 is long gone. But it is still being practised in many German marketing departments. However, communications strategies that take it as their starting point are doomed to fail. Following the customer journey in real time and addressing consumers on the move are becoming the most important elements of customer retention and sales success. The crucial question for CMOs is: at which touchpoints are we reaching consumers and how can we provide them with the perfect message right at that point? Sophisticated media and content marketing strategies are more important than ever before.

There has long been an awareness of the problem, but marketers still lack the resources to deal with it: in the CMO survey carried out by Serviceplan, only 23% of marketing executives confirmed that the opportunities to establish more valuable customer relationships currently being presented by the digital transformation were being fully exploited. The more complex the customer interactions are, the more touchpoints there are, which makes the role that technology has to play all the more crucial. In future, marketing departments will have to assume the task of monitoring the entire customer life cycle. Expertise and technologies however, currently seem to be the Achilles hell of CMOs.



TECHNOLOGY

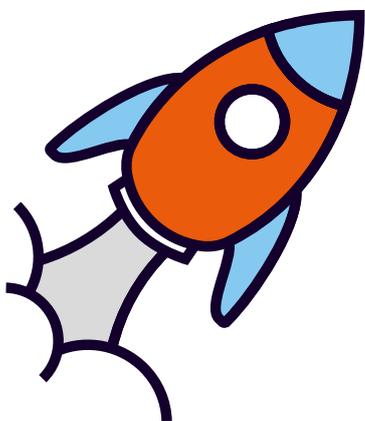
How technology is setting the pace

AI is now indispensable

In 2029, machines control the world. Humans have to bend the knee to artificial intelligence (AI) that is millions of times smarter than they are. We are familiar with scenarios like this from sci-fi films like Terminator, but this is a future that will probably never come to pass. On the contrary, it is machines that serve human beings – and they do us good. Artificial intelligence can provide invaluable support, especially in marketing. The best example of this is OTTO: a self-developed algorithm reduces the multitude of product reviews to customer-friendly snippets. Users only read the aspects of the review that are actually relevant to them. One of the technologies behind this feature is artificial intelligence. An algorithm automatically recognises which are the most important aspects of the review and identifies the tonality. The online shopper can then filter reviews by key topics that are important to them such as “price” or “sustainability”.

In real time and on the basis of data alone

This is just one example of how AI can simplify the work done by marketers. Soon, everyday company life will be unthinkable without intelligent algorithms and machine learning. Seven out of ten marketing executives are currently working with AI technologies or are making plans to do so. According to KRC Research, around 55% are convinced that artificial intelligence will have a more significant impact on the marketing industry than social media did. Why? Because it is making



More than
55%

of companies believe that AI will have a more significant impact on marketing than social media

63%

of consumers think that brand loyalty depends on the brand experience



life easier for marketers, which is easy to see. Artificial intelligence is allowing marketers to gain better insights into their customers. Algorithms are giving digital brains the ability to filter out, aggregate and analyse relevant data. In this way, AI is generating a knowledge base that continues to grow, improving the accuracy of predictions – and, with it, the added value for the customer as well.

While the EU attempts to protect consumer data from any kind of access by companies with the ePrivacy Regulation, consumers have long since grown accustomed to taking advantage of the convenience that comes with data analysis. Personalised websites, product recommendations, logical, coordinated storytelling across all of the available channels, cross-channel integration during buying decisions – these are all elements that the customer appreciates and that influence the customer experience and brand loyalty. This was shown by the Adobe study “Reinventing Loyalty”, according to which almost two thirds of German consumers (65%) primarily stay true to brands that specifically customise the customer experience to meet their preferences and needs. For 63% of local consumers, brand loyalty depends not least on how consistently the brand experience plays out across all channels.

In terms of sophisticated media and content marketing strategy, there is no longer any way around meeting the customer interactively in real time on a range of different channels. Tech and big data are helping marketers to manage these complex interdependencies. In the new era of digitalised customer focus, they are essential to the work done by CMOs, who will not be able to master the flood of data that they require to do their work without technological support.

DATA & ANALYTICS

How CMOs are becoming controllers

Algorithms are becoming essential

This is why investing in technology and tools is at the top of the agenda for advertisers. 74% of those surveyed said algorithms were essential to media planning. Over 50% of companies, so say the results of the annual member survey carried out by the German Advertisers Association OWM, want to invest primarily in technology and data in 2018. Investing in tech & data – this also means upgrading when it comes to programmatic marketing. 59% of global digital display advertising is now being processed automatically, according to the latest Zenith forecast. The agency estimates that this figure is currently 34.5% in Germany and it is set to climb to 41% by 2019.

The trend towards programmatic advertising, as the CMOs surveyed by Ströer confirmed, will extend above all to TV and digital out-of-home advertising.

However, computers will not yet be taking over the jobs of marketing executives. Technologies and artificial intelligence help with routine and repetitive tasks; they store knowledge and connect it. For CMOs, in principle, this means nothing other than a digital employee mastermind who will give them more time to carry out the more crucial aspects of their work. This automated support will actually mean that marketers will take on even more responsibility as a result, because it will provide them with unprecedented knowledge that they will be able to use to make more informed decisions and, ultimately, to help marketing and media departments to achieve better results.

CMOs are the masters of data

Algorithms will be the better media planners. Marketers will dictate strategy but, at the end of the day, machines will generate the best media plans, more accurately and more quickly than a human brain ever could. The main condition for successful marketing in the digital age will therefore be in-depth "data intelligence". This relates to the challenge of properly collecting, purchasing, aggregating and intelligently utilizing data.



74%

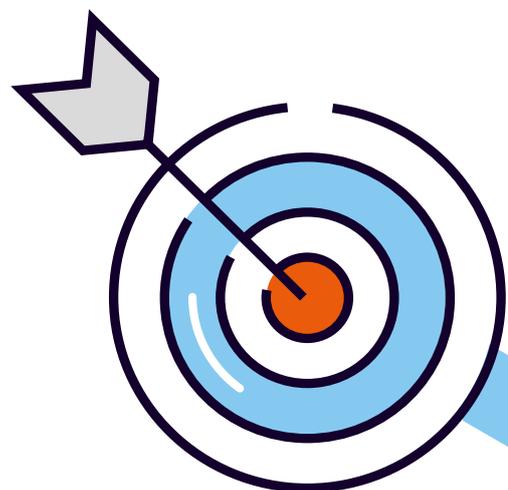
of OWM members believe that algorithms are essential for media planning

But central data intelligence also means that there needs to be a rethink in the highest echelons of marketing departments and company management and that their understanding of target groups and the accompanying operationalisation need to be completely reconceptualised.

This applies in particular to EU data protection regulations. 49% of those surveyed by the OWM said that the ePrivacy Regulation was the biggest challenge they were currently facing. The new regulation makes it almost impossible to collect anonymised user data. The only ones who will benefit from the stricter new regulation are companies that already have very direct access to their users and manage their data independently. Many companies are already aware of this issue: 39% of the marketers surveyed by Ströer analyse their data themselves.

50%

of companies want to invest in technology and data



QUALITY & TRANSPARENCY

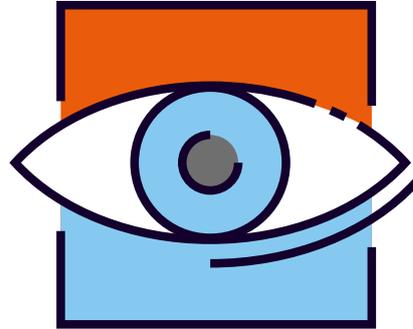
Why CMOs have to take the lead

Quality checks remain a perennial issue

Brand safety, proof of advertising efficiency and performance, and transparency in the media business – for years, these have been perennial issues when it comes to the challenges of marketing communications. Companies want quality controls and proof of effectiveness, the Ströer survey concludes. But they are still investing in precisely those marketers who are least willing to show their hand. It will be almost impossible to force American internet giants like Facebook, Google and Amazon – who are not bound by any German provisions relating to quality or data protection – to provide any kind of real transparency as long as marketing and media executives keep throwing advertising money into walled gardens indiscriminately.

Providing proof of efficiency across media, as envisaged in the OWM/OMG initiative, is still just an attempt to square the circle. The interests of the various media are too different and the KPIs they are based on are too diverse for there to be any serious cross-media comparison.

This means that it will be essential for companies to carry out quality controls and measure advertising efficiency themselves. The first basic prerequisite for this is creating transparency within the company itself. Speed and flexibility are crucial for effective marketing. Previous structures have often led to each department having to do its own thing. The information silos that this creates often make it impossible to disseminate data quickly, especially content, across different platforms.



What can be said of internal organisation also applies to the overall use of data, technologies and analytical tools. If the objective and the future are supposed to be about marketing as a whole being based on the collection and use of data, the logical consequence is that these processes will need to be orchestrated within the company itself. But this is not yet a reality: as the digital transformation has hurtled in, most major advertisers have been relying largely on external service providers for the increasingly complex specialist disciplines.

Trend towards in-house solutions

A first counter-movement is taking shape: marketing executives are increasingly asking themselves how much they can do in-house, and how they can develop their own expertise and retain control over their data and technologies. In media purchasing at least, there is an increasing trend towards in-house solutions and programmatic bookings. 27% of OWM members are already using models like these. 20% are in the implementation phase, while 17% are already planning it, according to a survey of OWM members. Telekom has even gone a step further: it wants to do without with the services of media agencies throughout Europe. The telecommunications company is hoping that this radical step will provide more efficiency, transparency and flexibility, allowing it to react to changes in brand and market communications in real time. Companies like Zalando and OTTO have established their own technology stacks for performance marketing and programmatic advertising.

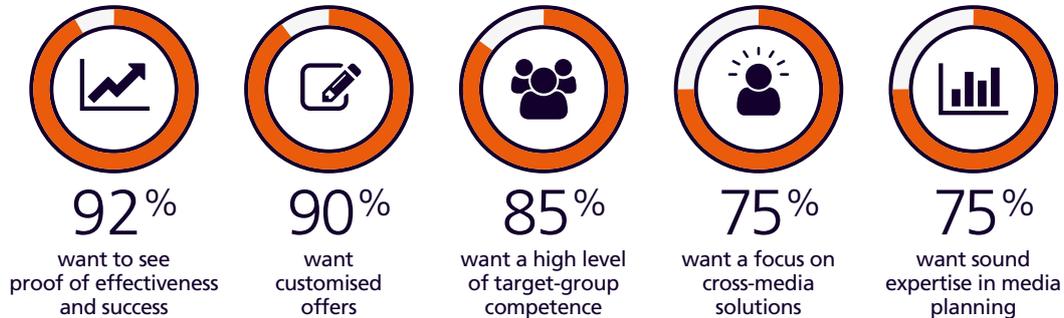
In an age where companies are placing increasing value on collecting as much data as possible and analysing it exclusively, the outsourcing model is becoming more and more unappealing – especially in marketing. Media agencies and external technology service providers are not being made redundant, but they are increasingly providing their services as managed services, where the CMO has the lead. The marketers of the digital transformation orchestrate work between internal departments and external service providers. They are the bandleaders that get all of the other instruments in tune.

27%

of companies
organise their media
purchasing in-house

CMO WISH LIST 2018

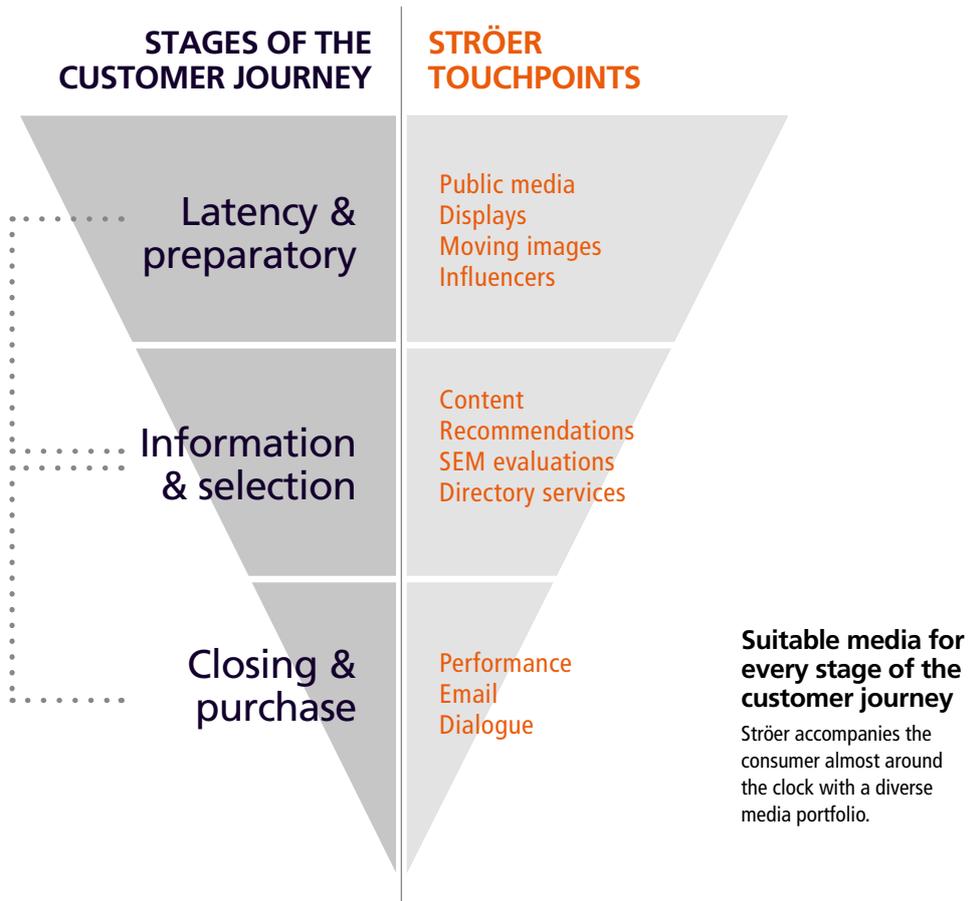
What marketers want from their marketing partners



EXPERTISE AND CUSTOMER INSIGHTS ARE ESSENTIAL

What inspires the marketers of today and what do they need to do their work? This is what Ströer wanted to find out from its marketing partners. In collaboration with the IFH Institute of Trade Research, the multimedia marketer surveyed 680 marketing executives from amongst its top customers to seek the answers. The results corresponded with the claims that the German Advertisers Association OWM has been repeatedly bringing to the industry's attention. At the top of the list of priorities are quality and transparency. 92% of those surveyed

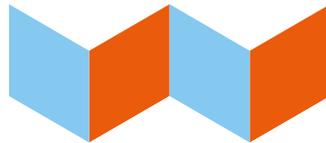
wanted their marketing partners to deliver proof of effectiveness and success. Moreover, for three quarters, sound expertise in media planning was essential. This included competence in digital media as well as comprehensive expertise and insights into the customer journey: 85% called for better target-group competence. Also in demand: a contact partner for the entire media portfolio and an accompanying focus on cross-media solutions. For 75%, the latter was an important or very important aspect of working with a marketing partner.





Advertisers are no longer talking to us about cheap gross reach, but about advertising impact and data analytics that really help to reach their target audience in the customer journey."

ROBERT BOSCH, CMO STRÖER - HORIZONT 41/2017



Consumer on the move: Ströer reaches 92% of the German population with 74 million touchpoints – everywhere and around the clock.

Technology: 150 developers and specialists = a cross-media full-stack solution comprising DSP, SSP, DMP and adservers – open, transparent and customised.

Data & analytics: 65 billion points of contact for transaction data per month + 30 million anonymised user profiles in cooperation with companies like OTTO = in-depth data-based information about social demographics, consumer behaviour and purchase intentions as well as the data-based targeting of 50 million unique users.

Quality & transparency: cross-media marketing portfolio with a fully monitored inventory = brand safety guaranteed.

We do not have any fake news or ad fraud, and the success of our services can be quantified via Meetrics and Batch. Our technology T.IM. (Transparent Impression) also guarantees maximum transparency and flexibility for visibility objectives.

WE HELP YOU ...

on your journey to becoming a rock star and look forward to talking to you.

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