



Lessons of 21st-Century Brands

Modern Brands & AI Report

October 2018



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Marketing Overview

It is a process to allow an organization to focus resources on the greatest opportunities to increase sales over other competitors. It includes short term and long term activities of marketing that has to do with the analysis of a company's situation and contribute to its objectives. The objectives will be based on how you gain sales by acquiring and keeping customers.

A marketing strategy helps convey effective messages with the right kind of marketing approaches that will maximize your sales outcome and marketing activities.

Product Categories	Profit per Year				
	2013	2014	2015	2016	2017
General tools	+920.82	-13.9	+920.82	+7207.75	+80.82
Health & Medical	-13.9	+82.94	+237.74	-229.00	-13.9
Art Supply	+82.94	+920.82	+82.94	+237.74	+82.94
Kids & Baby	+920.82	+7207.75	+20.659+	-13.9	+920.82
Kitchen wear	-229.00	-229.00	+7207.75	-13.9	-229.00
Fashion	-797.75	+82.94	-13.9	-229.00	-229.00
Furniture					

Introduction

The upstarts are winning. Brands that came into the world as digital renegades in the 21st century are disrupting age-old businesses and the behemoths that have held dominant sway over them—and they're doing it by building close relationships and shared communities with modern, fast-moving audiences.

The key question for analog-born businesses trying to survive in this direct economy is this: How exactly are these digitally mature brands using data and applying artificial intelligence (AI) to reach their customers directly and grow?

The qualities that make a modern and mature brand no longer have much to do with size or history or capital; success today is more about finding pain points or passions that resonate with customers—and building relationships with them in the digital language they understand. The new model is about customer intimacy as an essential—indeed, the essential—component of the brand. Connecting with a lifestyle and mindset now drives marketing and new product designs, often for age-old standards like razor blades, eyeglasses, mattresses, bicycles, baby products, and even art. Humans have been making these things for hundreds—and even thousands—of years. Now they come direct to the door.

The lesson—the wake-up call, in fact—for brands struggling with an analog mindset in a digital world is to get super smart about data. There is no reason such a business can't wise up and be digital and direct, at least to some degree. Our research and reporting for "Lessons of 21st-Century Brands" unwraps the actions and attitudes of successful direct marketers as a how-to guide for any business looking to improve its relationships with customers and prospects or to wholly transform their efforts into a well-oiled digital machine.

The Forbes Insights/Quantcast research driving this e-book was built on the hypothesis that most brands today are not extracting insights from data and utilizing AI optimally to understand their audiences, reach and influence customers, and measure the impact of their marketing investments. Indeed, the results show that organizations across the board—direct and traditional—can unlock growth by being modern, intelligent marketers.

We have created two useful tools:

1 The 21st-Century Brand Maturity Scorecard:

A survey-generated model that identifies key questions related to audience insights, targeting, and measurement—allowing marketers to assess their current levels of digital adoption. ^[1]

2 The Brand/Future Road Map

A list of best practices that brands can take to improve their maturity in each area of the marketing life cycle.



Methodology

The research in this e-book is based on a survey of 504 high-level marketing executives conducted by Forbes Insights, in partnership with Quantcast, in May 2018. The survey included top leaders—primarily CMOs (20%), heads of marketing (16%), heads of digital (10%), and CDOs (8%)—across a spectrum of industries, including media and entertainment (13%), technology (12%), telecommunications (11%), automotive (11%), and financial services (10%). Survey participants work at a cross-section of traditional brands with an e-commerce presence (33%), traditional brands with little or no e-commerce presence (32%), direct brands with a physical presence (32%), and a small selection of direct brands with no physical presence (3%).

Key Findings

- AI will play an increasingly important role in marketing efforts for both direct and traditional brands. Marketers believe that AI will be most useful in delivering more precise measurement (72%), real-time awareness of customers' and prospects' needs (55%), deeper behavioral segmentation (53%), and messaging themes that drive engagement (52%).
- Marketers see AI deepening their relationships with customers and prospects. Eighty percent say AI technology will enable them to focus their time on strategy by removing some of their day-to-day tasks. It will refine the online customer experience (58%) and generate targeted, personalized messaging (55%).
- Among the digitally savvy leaders uncovered in the survey, most came from the Asia-Pacific region (43%). Other regions lagged significantly—22% of leaders were from North America. Only 11% were from Latin America.
- AI is already playing a key role for many marketers, but it remains an emerging technology yet to be tapped by most businesses. Sixty-seven percent report seeing benefits from the technology, but only 30% see AI as important or critical in their marketing efforts.
- Marketers overwhelmingly say that first-party data generated directly by a brand is more effective than third-party data purchased from a data vendor. Eighty percent say first-party data is effective in driving campaign results and ROI, while half that many believe third-party data is effective at driving results.

^[1] Forbes Insights assigned a score for each response to a series of questions in these three areas based on how executives indicated their organizations approach AI and analytics in their marketing efforts. Marketers who stated that they are embracing AI in each area, using first-party data, and effectively measuring their campaigns receive the highest scores.



Mature brands that are embracing AI and effective campaign measurements in their marketing experience higher growth.

To understand the characteristics and qualities of digitally mature brands, we developed a Maturity Scorecard model of leading and lagging organizations based upon the responses to key questions related to audience insights, targeting, and campaign measurement.

20%

of leaders grew revenue 15% or more last year

6%

of the rest of the organizations surveyed grew revenue 15% or more last year

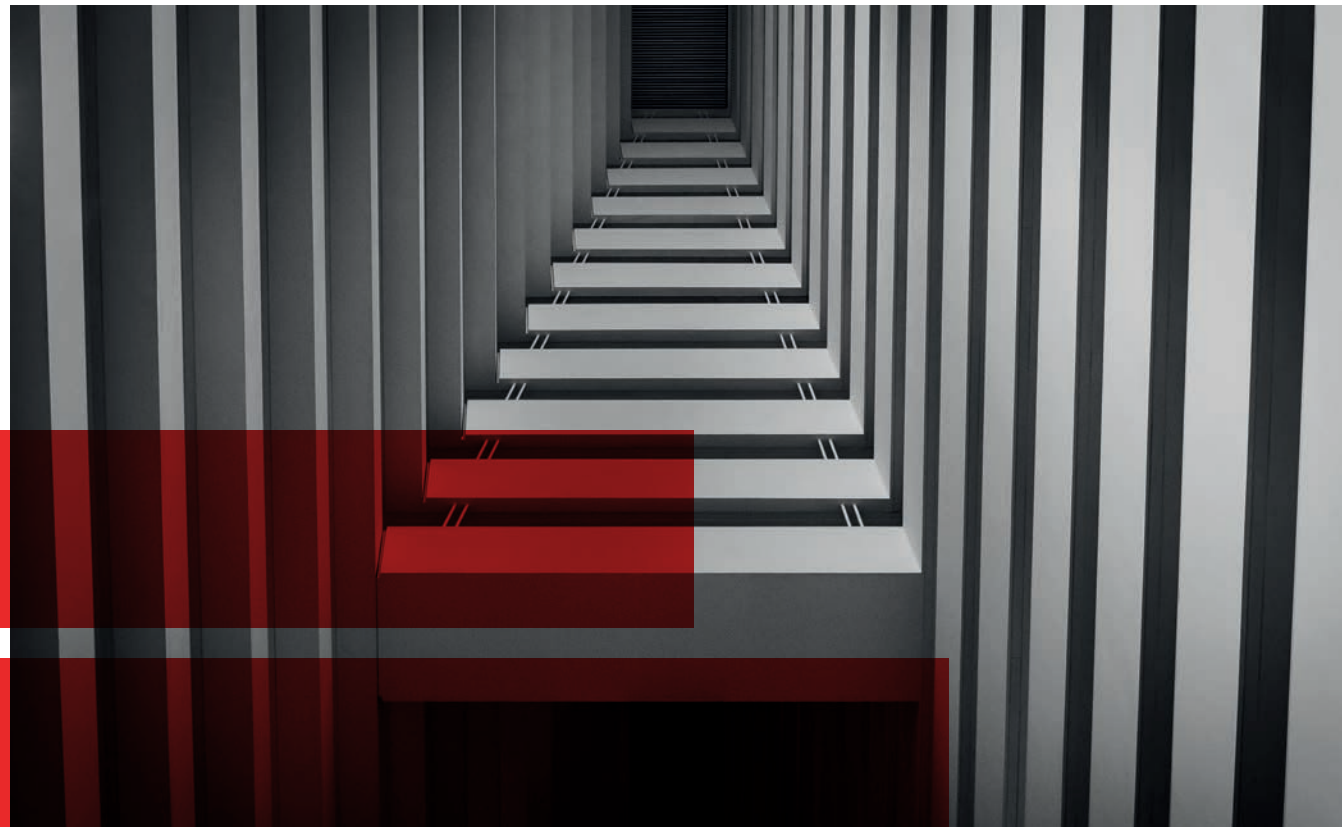
16%

of organizations qualified as leaders who are using high-quality data effectively to advance their businesses

17%

of organizations qualified as laggards who are failing to capture data and extract useful audience insights





The Genius of the Mature Brand

Being a leading brand is all about being modern—and being modern means having effective two-way conversations with customers.

It's about slipping into their lifestyles and responding to their needs and desires, growing and changing as they do, even before they do. Mature brands are built around these continuous conversations.

Connecting with an audience today is all about embracing and managing data effectively, especially the first-party data collected in these natural, digital relationships. Mature brands are able to engage at an intimate level because they also embrace digital tools such as AI to their fullest extent.

Expert Views

All three of the direct brands that talked to Forbes Insights for this report—4moms, Solé Bicycles, UGallery—are upending age-old businesses by crafting products and services around pain points, with a tenacious focus on the customer experience and direct communication.

"Improving the experiences for customers has led us to where we are today," says Gary Waters, CEO of 4moms, which was founded in 2005 to solve real pain points for parents by developing innovative baby gear. Its flagship products include the mamaRoo, an infant seat that bounces up and down and sways side to side just like a parent would when soothing their baby. "Baby gear hadn't changed much in terms of their core functionality for well over a decade. Our pillars of innovation, design, and technology led to the creation of products that are different than what's on the market. We've been able to create a new generation of baby gear that has greatly improved the overall customer experience."

Ingredients of Success

Being mature about data and technology is not necessarily unique to the youth or revenue of the brand or even being born with a direct business model.

As seen in Figure 1, businesses across a range of qualities can be leaders. Yes, 42% are direct brands, but the rest (58%) are traditional brands with or without an e-commerce component. On the flip side of the coin, the vast majority of the laggards (68%) are traditional brands. Only a third of laggards are direct brands (32%).

Digital leaders have a dominant goal—measuring and understanding their audiences with greater precision, as shown in Figure 2. Not surprisingly, they are also much more focused on increasing their engagement with customers and building their brands than the laggards are. These businesses are all about being human.

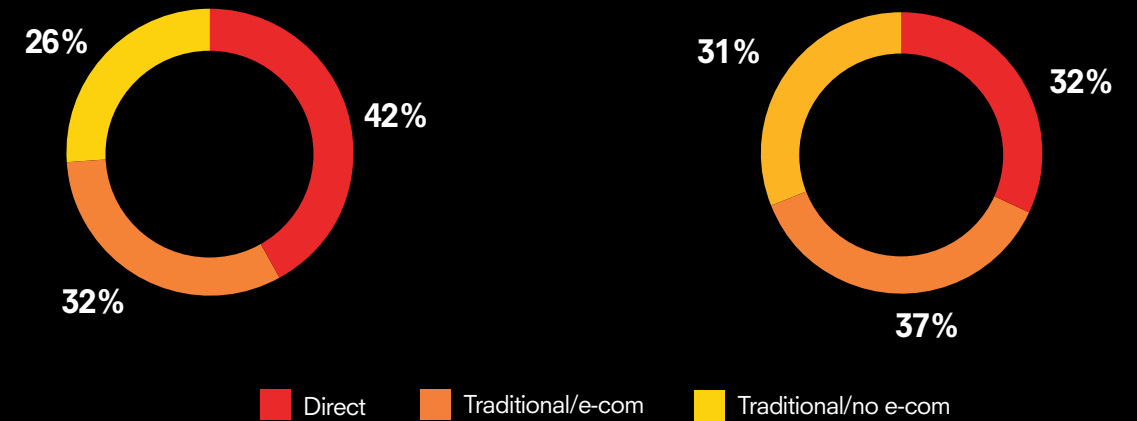


Digital Leaders & Laggards

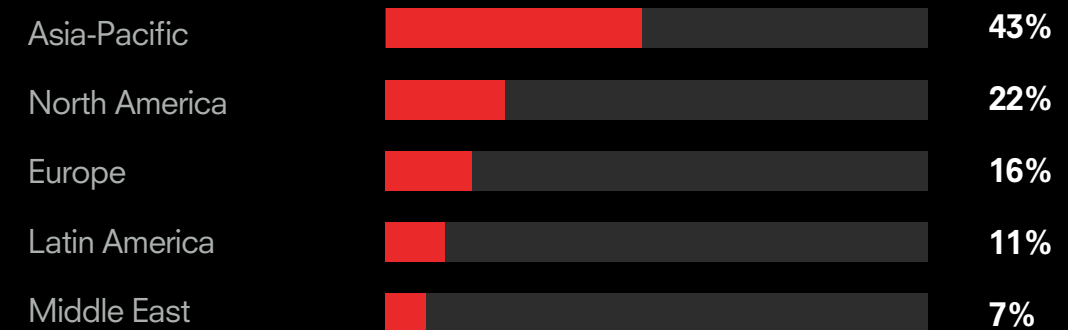
Figure 1.

Leaders

Laggards



Regional Spotlight: Leaders are most likely to come from APAC (Asia-Pacific)



Among Leaders:

47%

are from organizations with less than \$500 million in revenue

42%

are from organizations with \$1 billion or more in revenue

35%

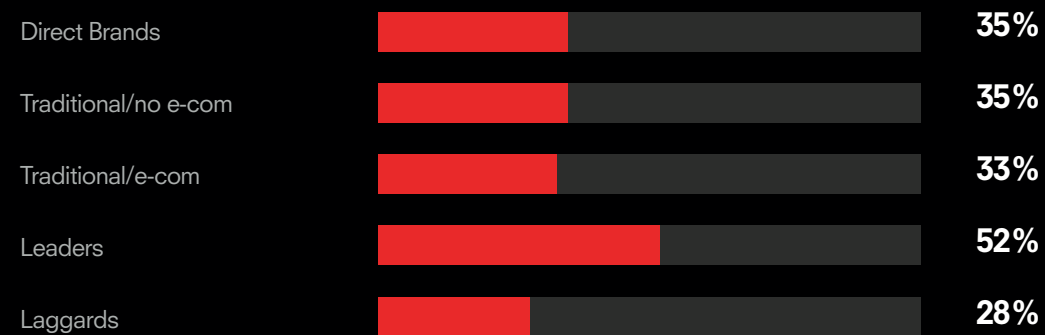
have been in business less than 10 years—33% have been in business over 15 years

Goals

Figure 2.

The following marketing goals are critical to our company.

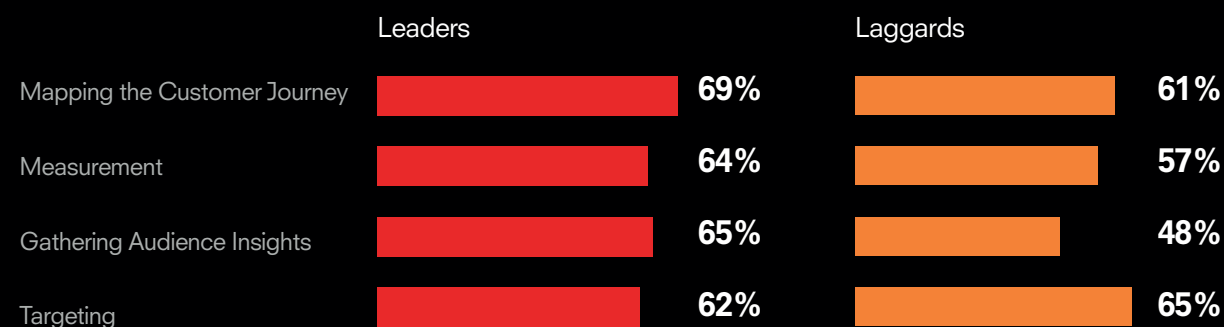
Measuring/understanding our audience with greater precision



Increasing customer engagement with the brand



Which marketing goals are most challenging to your organization?



The Power of Data

It's no surprise that direct brands overwhelmingly see the importance of high-quality, digital data (Figure 3). Laggards are way behind—only 18% of them see the importance of being digital. That one result, though hardly surprising, actually speaks volumes about what it takes to succeed in today's marketing world. Be digital or die.

Digital marketing is more effective than offline marketing, plain and simple. A look at Figure 4 shows that leaders find digital pathways more effective in building customer engagement with the brand (a dominant goal from Figure 2) and reducing customer costs than offline marketing. Targeting and measurement spring directly from digital, trackable sources. And effective campaigns with emotional relevance tailored to the individual customer or prospect spring from those two capabilities, as we'll see in the "Special Brew" section.

"We've always had the advantage of collecting good information," says UGallery's Farkas. "Being an online company, everything is trackable. In our early days, we had to figure out what we wanted to monitor because huge data sets can be overwhelming. But we've gotten really efficient at that over time, and it's given us more reach."



Selling Emotion

UGallery is a shining example of a direct brand building a unique and personal experience for its audience, both artists and collectors around the globe. The online art gallery started up in 2006 (interestingly, just as social media platforms emerged) to connect artists to a world of collectors, completely upending the traditional dynamic in which art is sequestered in a single physical location (a gallery).

"We don't see ourselves as another aggregator website that just puts everything up on the site in random order," says Alex Farkas, co-founder and gallery director of the company UGallery. "We want to automate our marketing and communication, but we're also really conscious that we're selling an emotional, one-of-a-kind product. Every piece on UGallery is unique, so a big part of our effort is still the human influence of how we curate—making incongruous connections between the artwork that we show."

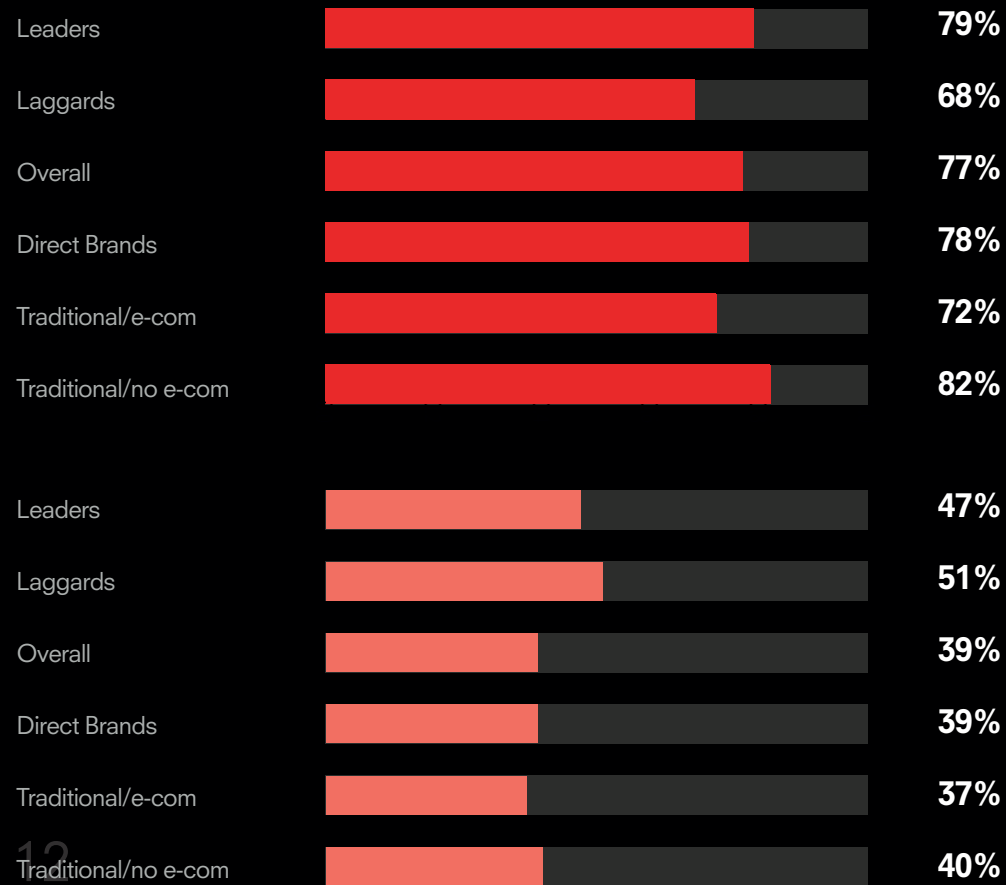
Digital vs. Offline

Figure 3.

How important is digital versus offline data to your organization? ("extremely important")



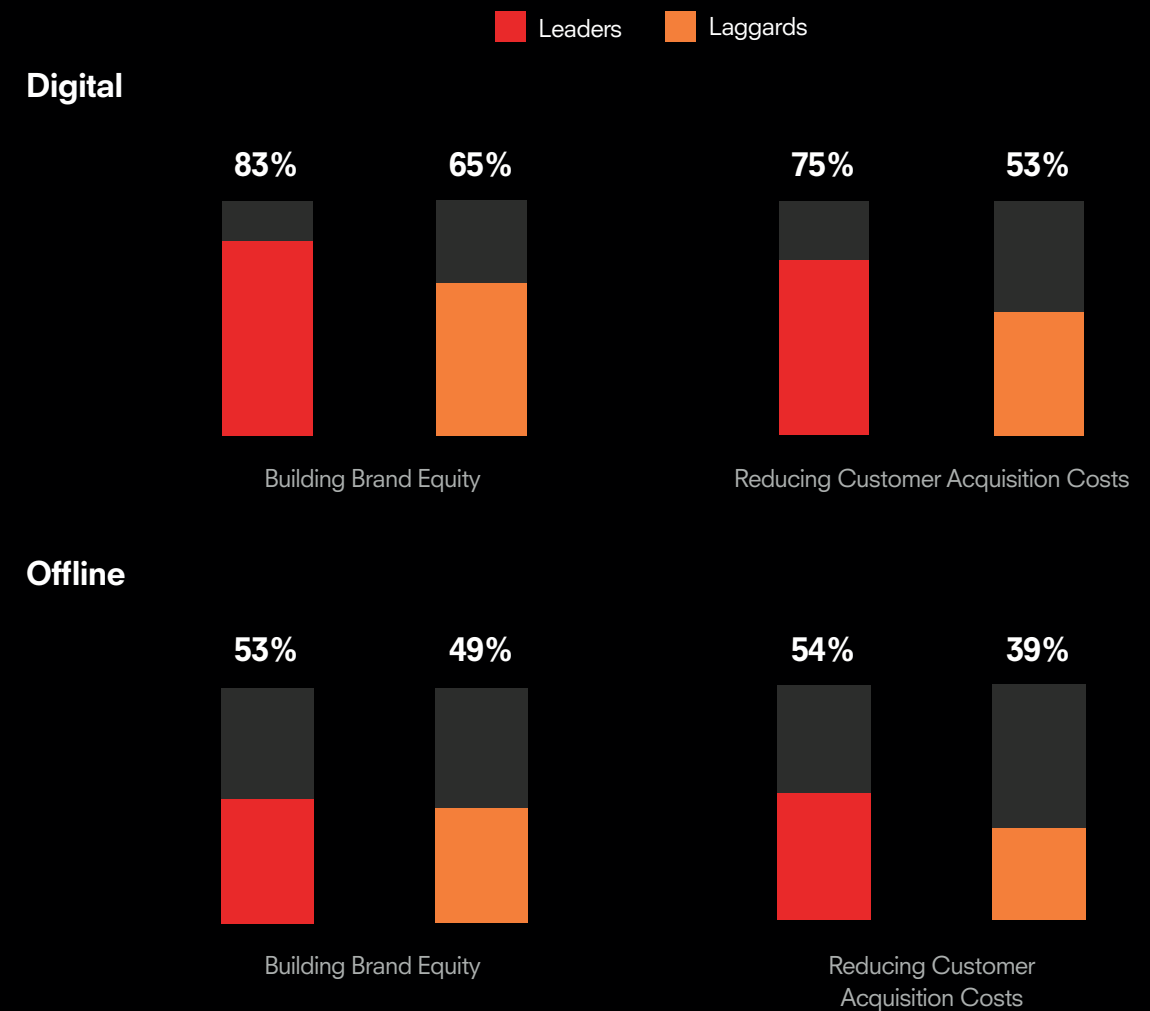
How important are digital versus offline campaigns to your overall marketing efforts? ("important" or "extremely important")



Effectiveness

Figure 4.

How effectively have your digital and offline marketing efforts contributed to the following: ("effective" and "highly effective" combined)



The Special Brew: Audience Insight & Measurement



All the data in the world from whatever source will do little if a brand is unable to extract audience insights and measure the results of campaigns. In a very real sense, having the capability to perform these essential tasks is the key to survival today; it's the way to get more precise in messaging—and, as a result, achieve greater customer intimacy.

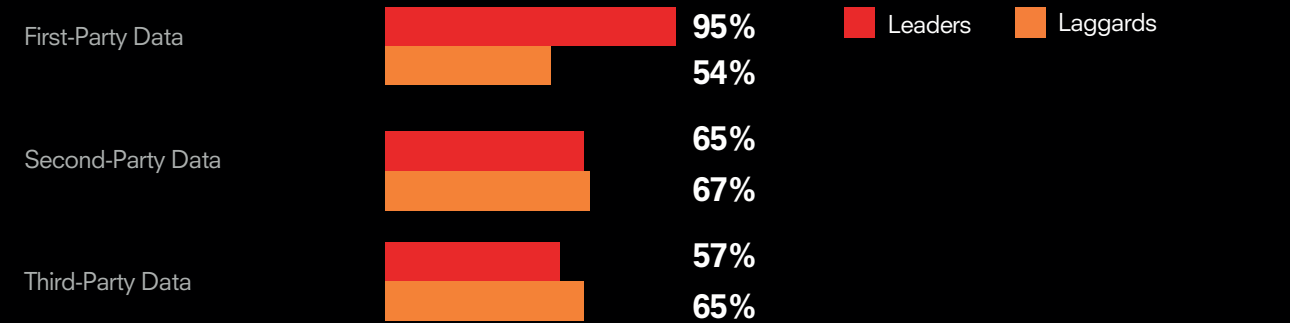
The Forbes Insights/Quantcast survey shows how far ahead digitally direct leaders are in this space. As seen in Figure 5, leaders use their first-party data to effectively target their audiences; third-party data plays an insignificant role in targeting. Laggards, on the other hand, have got things backward—they're not using first-party data effectively and rely mainly on third-party data.

Interestingly, also seen in Figure 5, brands across business types are using first-party data, which underscores the fact that any business can become digitally savvy and effective. Leaders are also much better at measuring ad and campaign impacts across key metrics.

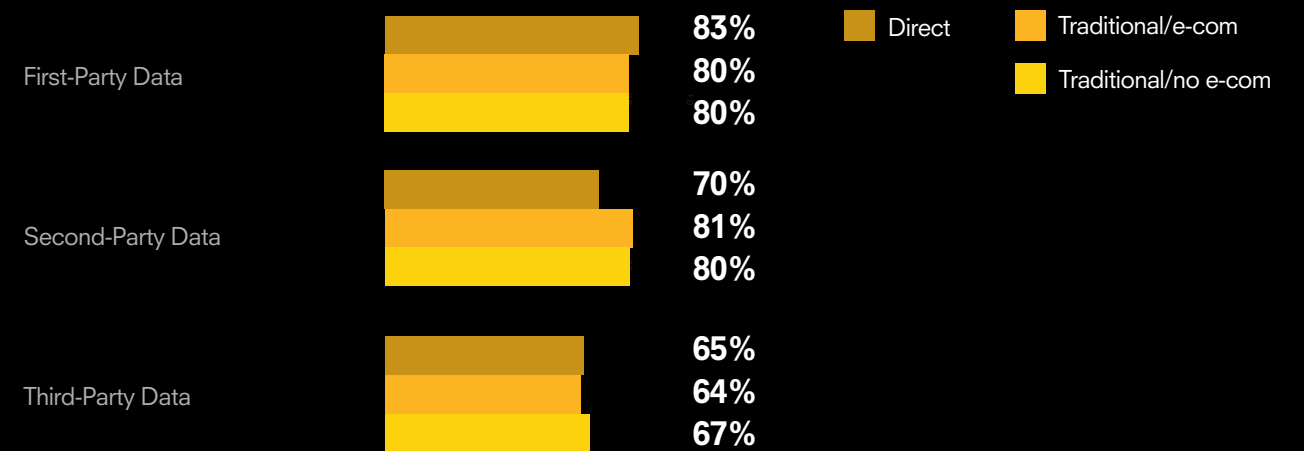
Targeting & Measurement

Figure 5.

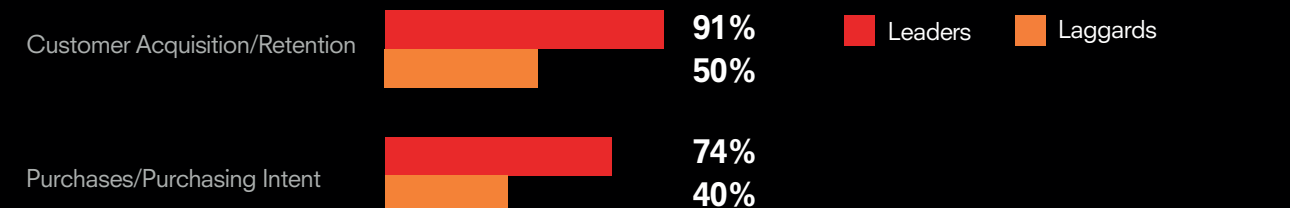
How effectively does your organization target a relevant audience using the below: ("effectively" or "highly effectively")



By business type:



Our organization measures ad and campaign impacts on the following areas effectively.



Up Close and Personal: Connecting Directly with Customers and Prospects



The impact that strong targeting and measurement can have on a brand is immense. These capabilities open the door to the heart and soul of an audience.

Solé Bicycles is one direct brand aiming straight at that emotional core. “We’re constantly testing and changing that journey from site to checkout, and we’re finding little wins to help increase conversion,” says Jimmy Standley, president of Solé Bicycles, which he and a group of friends started in 2010 as a response to the heavy price tags from big brands for fixed- and single-gear bikes, which range from \$1,000 to \$2,000. The company ships partially assembled bikes to the door for about \$400, depending on the design and add-ons. “We were coming in from more of a leisure standpoint with the product and then really focusing on the branding, the colors, our partners, and where we sell our bikes,” Standley says. “That helped us carve out a niche for ourselves as one of the first lifestyle-based bicycle companies. We’ll do customer surveys and ask customers straight up for answers and information. That’s proven to be some of the most powerful data.”

UGallery connects the value of first-party data to the storytelling at the heart of its marketing strategy. “One thing that we’ve been so successful with, in speaking to our customers, is using data to create storytelling in a personal and playful voice,” Farkas says. “We can do this because we see when a customer first engaged with our site, how often this person opened our emails, the click-through, and what they’re clicking on. That informs everything from on-site language to emails to direct mailers. People respond well to it. Art is such a personal and emotional experience. For us, it’s important to play that up.”

The Forbes Insights/Quantcast Maturity Scorecard

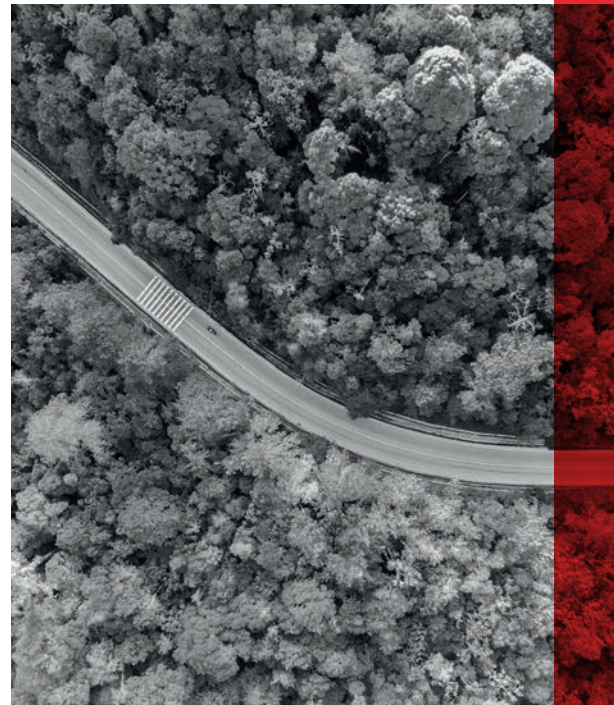
Forbes Insights formulated a scorecard among the organizations surveyed to determine the qualities behind a leading brand. Here are the factors and scoring that went into our classification:

Marketers were asked about the ways their organizations approach AI and analytics and the degree to which they use and value three core metrics: audience insights, targeting, and measurement.

Forbes Insights assigned a score to each response based on how these executives view their organizations’ marketing operations and how common a response was across all organizations surveyed.

Among those embracing AI in the three core metrics, the usage of first-party data and effective campaign measurements received the highest scores and were grouped together to identify the leaders.





The Brand/Future Road Map

Be digital.

Sure, a good old-fashioned direct mailer or an outdoor ad can still be effective on a certain slapdash level, but you'll never be able to gather precise insights—to measure and target an audience—without being digital; it enables you to follow footprints directly to your customer's door and gives you reach.

Talk with your audience.

The word "with" is vital. You're not talking to them. Consider the difference between giving a speech to an audience and getting off the stage to mingle directly with the crowd, shaking their hands and getting to know them personally.

Get data smart.

You can't have a meaningful conversation without making the right connections—and the way to establish those connections and create great storytelling is with high-quality data captured from activity such as browser and site behavior to social media.

Mix it up.

There is no one channel or method to be mastered. A big part of the art of marketing is finding the special sauce that customers savor—and AI plays a part in freeing human talent to cook up creative campaigns.

AI Is The Secret Sauce In Modern Marketing

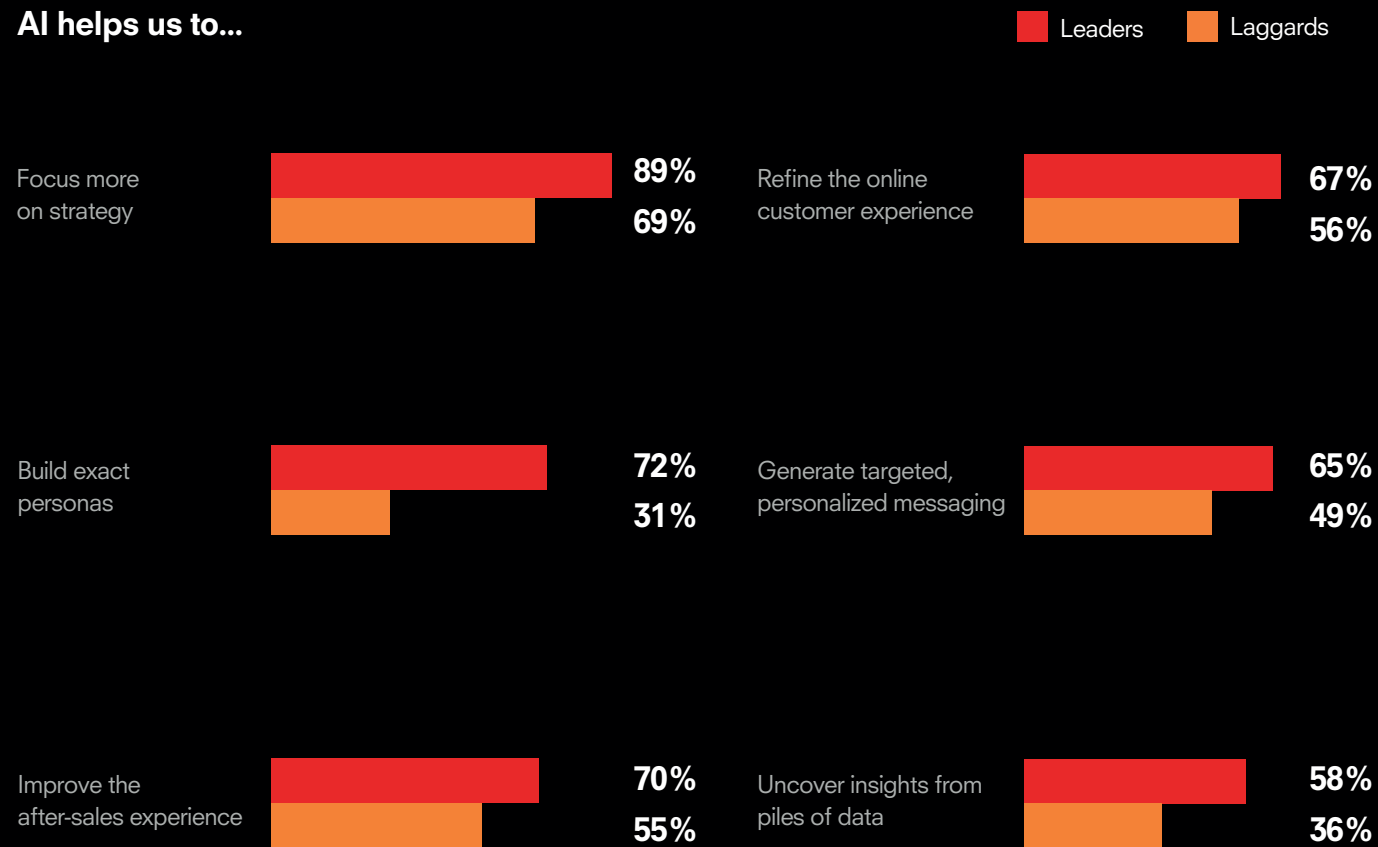


Where does AI come into play? The technology is a platform of audience behavior, a gateway into the needs and desires of customers down to a highly segmented level. It gives a brand the vocabulary to speak directly to its audience and see what it got right or wrong, getting better and better as it collects more and more high-quality data. As seen in Figures 7 and 8, almost three-quarters (74%) of leaders are seeing results from AI in their marketing efforts. Ultimately, this kind of precision enables real growth.



Figure 6.

In which of the following ways do you expect AI will be helpful in deepening your organization's relationship with customers?



+ + + + + + + +

+ + + + + + + +

Figure 7.

To what degree are you seeing benefits from deploying AI in your marketing efforts?

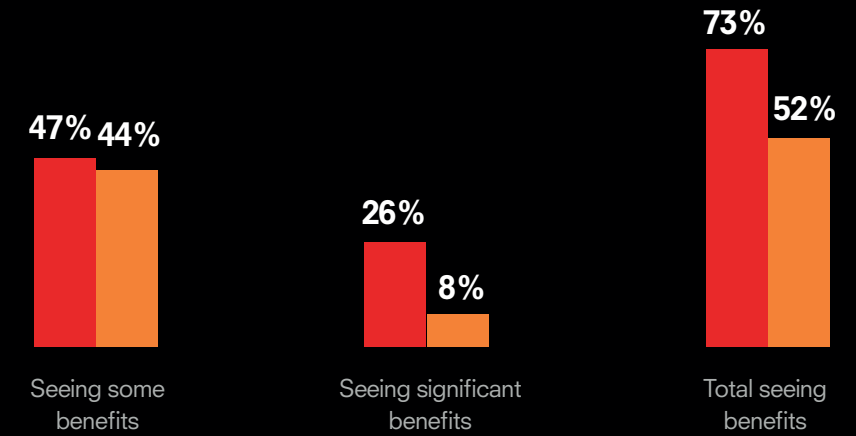
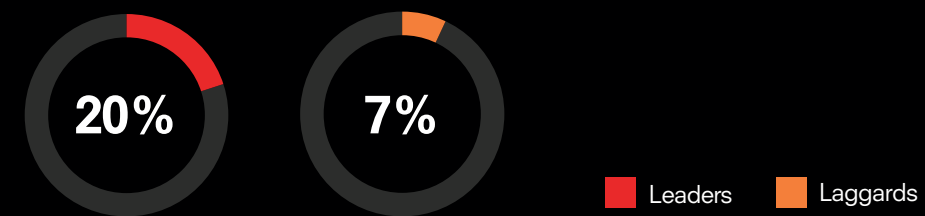


Figure 8.

Our organization's growth has been 15% or more over the previous fiscal year.



AI in UX

The user experience is, of course, central to any digital business—and it's a focus of all three brands that spoke to Forbes Insights.

"Our ultimate goal is to make AI a seamless part of the experience," UGallery's Farkas says. "When people come to the site, they intuitively have a better experience because for years, we have implemented our own search algorithm, which factors overall user preferences, popularity, ranking of certain types of artists, how long art has been on the site, and more."



AI in Targeting

Smaller companies—and even bigger, older brands—sometimes don't have the specific in-house expertise to deploy AI. Partnerships are vital. 4moms is deploying AI through a firm specializing in AI-driven analytics, which takes first-party data and second-party data from the company's retail partners to extract insights that help 4moms target prospects expecting a child. "They take this narrow sliver of a market and basically extrapolate key markers—browsing behavior, purchase behavior, the content these prospects are seeking out—to expand our targeting. There are only so many people pregnant at a certain time."

AI in Outcomes

Leaders stand out from the laggards in how critically they value AI in executing their marketing strategies (Figure 9)—25% of leaders say AI is critical in carrying out their marketing strategies, versus just 2% of laggards. This may well be a key to their success—they know that data is the lifeblood of their businesses, and they know that AI is the tool to generate the analysis and the insights they need to produce better content recognition and recommendations, to propel sales, and to retain or acquire customers.

"We recently launched Art Connector, a true recommendation engine," says Farkas. "It looks at multiple factors—including colors of artwork, subject matter, price point, and customer likes—as they engage with the site and like artists. AI can organize art in a way that makes sense both from a data standpoint and from the more emotional and human side of the art and gallery process. I definitely see AI as being significant to the future of e-commerce in a lot of categories."

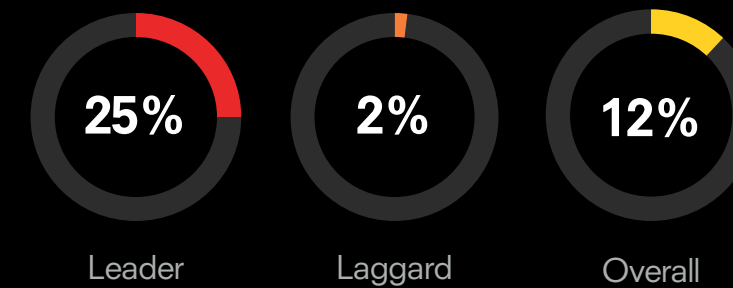
63%

of executives surveyed said that not having a partner with enough expertise was keeping their organizations from implementing AI in their marketing efforts

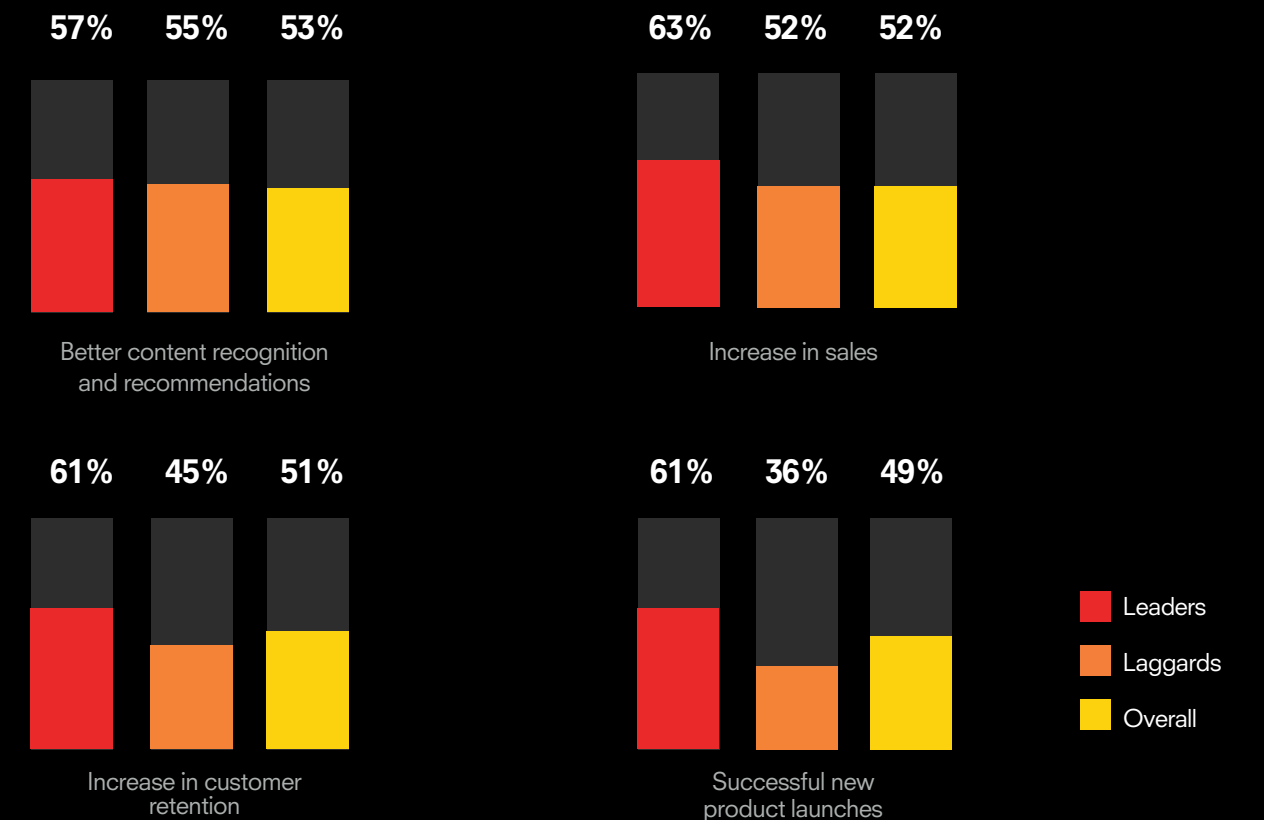
AI in Marketing

Figure 9.

AI technologies are critical in carrying out our marketing strategy.



What business outcomes have you realized through the use of AI in your marketing efforts?



The Future Is Direct

The lessons of 21st-century brands are clear: focus on online data, and get sophisticated about your targeting and measurement capabilities by forming partnerships with marketing specialists that can bring AI into the fold.

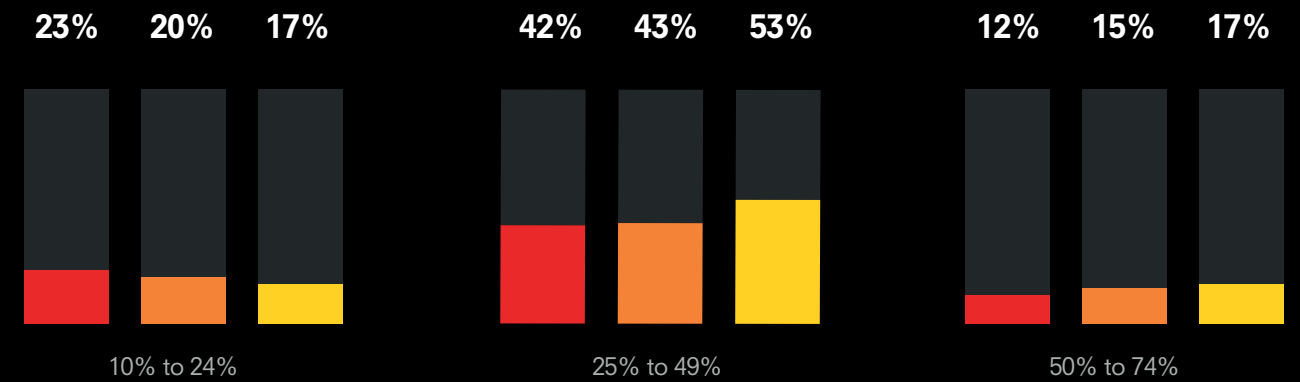
Digitally mature brands take control of the messaging and content that springs from their data-driven, direct relationships with customers and prospects. A big, old brand born in the analog world can pivot—the social platforms are there to become more direct in customer relationships; the data from behavior across the open web is there to mine.

Survey results show that brands plan to dive enthusiastically into AI across the board in the next three years, as seen in Figure 10. Fifty-three percent say they will be increasing their spending on AI by 25% to 49%—and almost a fifth (17%) will boost their commitment by 50% to 74%. In this aspect, laggards are in line with the leaders, but they don't see the change, or the benefits, coming down the pike as clearly as leaders do.

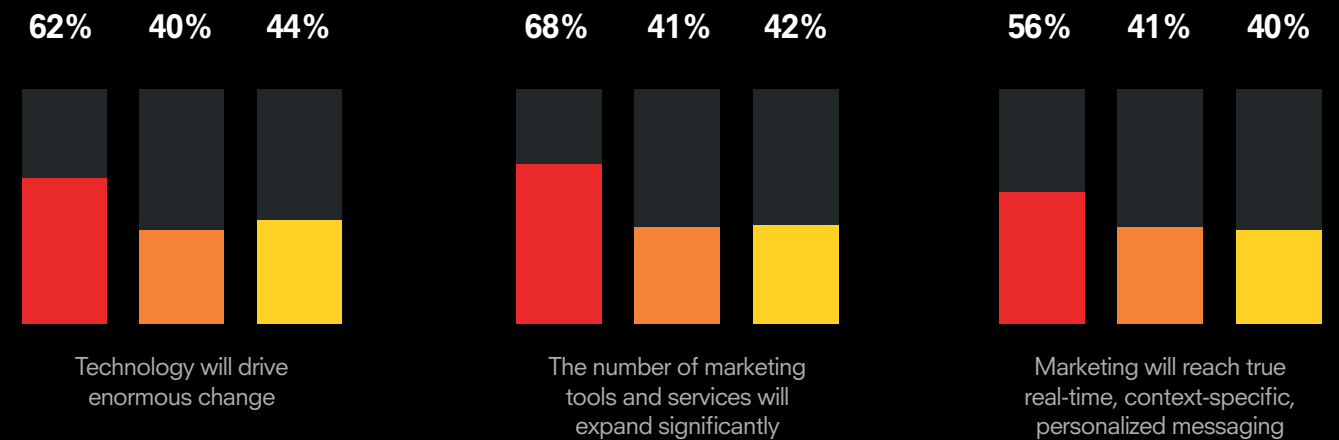


Figure 10.

How much do you plan to increase your spending on AI-related initiatives in the next 2-3 years?



How do you see marketing evolving in the next 2-3 years?



- Leaders
- Laggards
- Overall



The passion your customers have for your products creates a desire for them to have a relationship with you.

Being a leading brand is all about attitude, simply seeing the enormous opportunity in an industry, and generating first-rate data. "We were very deliberate in going into an industry in which we felt modern technology hadn't been applied," says Waters of 4moms. "We went into what was a sleepy space and created more innovative products to help make parents' lives easier. The larger lesson is that you can apply this attitude in an industry that you're trying to address and take advantage of the massive wave of declining costs and the ability to reach folks cost-effectively. It's a self-reinforcing system, if you're able to get it right. The passion your customers have for your products creates a desire for them to have a relationship with you."

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