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PART ONE

The Steady Drumbeat Of Change

No matter the strength or persistence of change signals, humans and organizations will resist change until well past the tipping point. Humans and organizations often need glaring, burning risk to make change. But what happens when there is no burning platform? What if there is steady corrosion of value of the current model — a corrosion that will undo the platform just the same?

This is, broadly, today’s threat to companies. And it is a challenge aimed squarely at marketers struggling to adapt to changing consumer behaviors:

54% of consumers are always seeking to experiment in any market.

66% of 18- to 34-year-old consumers have made at least one purchase from a direct-to-consumer (DTC) brand, such as Dollar Shave Club, HelloFresh, and Stitch Fix.

46% of DTC consumers are enrolled in a subscription.

95% of DTC consumers plan to buy from a DTC brand again.
The DTC behaviors are not limited to retail: This scenario played out as Netflix compelled consumers to shift affinity and spend away from cable’s high-margin entertainment business; as Airbnb changed the way travel dollars are spent; and as Dollar Shave Club shifted 16% of unit share away from Gillette.

These dynamics conspire to reduce customer affinity and share of wallet that slowly eats into the P&L. It is also a strong market signal that marketers need to pay attention to and respond to.
The Complex Customer

Customers — human beings — are not simple. They have core behaviors that stand the test of time: the necessity for individuality and identity; a need for belonging and community; a desire for tools to make life better and easier; the ability to distinguish when an institution is working for and with them — or simply seeking something from them; and a knack for making decisions emotionally rather than logically.

But societal and market dynamics change the shape and nature of these core characteristics — creating paradoxes and complexities that marketers need to understand.

Consumers are:

Skeptical of institutions, including traditional brands. Customers are increasingly skeptical as to whether government institutions or traditional brands are truly working on their behalf — they likewise suspect that the perceived rigidity of established brands is a signal that companies are devoted to their business model but apathetic to customers.

Willing to experiment with new and novel brands. Consumers’ skepticism is not universal; 54% of customers are willing to experiment with new brands, particularly with those that connect authentically with their sense of identity and purpose and have found better ways to deliver experiences.
Cautious when offering their personal data for better experiences. Customers have not seen enough return from the value exchange and worry that their privacy concerns are being trivialized. Worse, continued privacy woes from the likes of Facebook feed into concerns that big brands don’t care about the individual.

Willing to invest in the emerging personal digital twin (PDT) dynamic. Companies’ business models — their working algorithms — are optimized for business outcomes independent of value to the consumer. In part, that is the requirement of operating at scale. Customers are showing increased interest in zero-party data models — data created and managed by the customer — that are formalized as PDTs. This reverses the algorithmic model, moving it from business algorithms to individual algorithms that are optimized for personal objectives, filtering content that is counterproductive to the individual’s goals, and identifying opportunities that support achieving them.

No longer as loyal as they once were. It is debatable how loyal customers actually are; it can be argued that customers trade transactional repetition (“loyalty”) for discounts and perks. Forrester’s Customer Experience Index (CX Index™) shows a drastic 20-point difference in sentiment when customers judge the quality of the overall service and sense that they are rewarded for their loyalty. The majority of scores show that less than 50% of customers believe their loyalty is rewarded.

Open to participating with brands. When brands connect, customers are willing to participate. Forrester’s data reveals that customers are increasingly willing to advocate for brands and contribute to beta programs, as long as the brand authentically connects to the customer’s sense of identity and purpose.
Increasingly tribal. As society becomes more polarized and partisan, customers are choosing sides — and want brands to do the same. Customers want as much clarity on what brands are for as on what they are against and will respond to antagonism marketing.

Steadfast stewards of their identity and lifestyle. Forrester’s Consumer Energy Index includes a measure of whether consumers make decisions as individuals or as members of a group (tribe) and shows that they do both — acting as part of tribes representing different communities, causes, and belief systems but also selecting brands that align with their personal lifestyle.

Customers are complex and nuanced. They are multidimensional and don’t fit into clean personas. Customers are also in motion — the data here is merely a snapshot in time. The larger view tells us these dynamics are marching forward and will force marketers to understand customers at a micro-level and triangulate among the paradoxes and complexities on an ongoing basis.
PART THREE

A Changing Market Context

Marketers are not only challenged by a more complex, nuanced customer but also by a more complex and dynamic market that can disrupt and complicate the classic relationship that brands enjoyed with customers.

01
THE EMERGENCE OF IDENTITY STEWARDS.
Zero-party data and PDTs will move from idea to reality. The complicating factor is the complexity and time needed for customers to be active stewards of their PDT. This is already creating market opportunities for those trusted to provide a form of identity and “algorithmic fiduciaries” to protect and govern the customer’s PDT.

02
THE WAR FOR CURATION.
Digital platforms — both commerce and social platforms — already have a disproportionate share of customers’ attention. Beyond identity stewards, there is also a growing battle for who will curate customers’ preferences, experiences, and information. The winners will have a profound impact on the choices customers see and a profound impact on brands dependent on curators providing access.

03
PURPOSE-DRIVEN ECOSYSTEMS.
Whether driven by regulation (e.g., the PSD2 directive that brought open banking to Europe) or market opportunity, purpose-driven ecosystems are emerging that change the value delivered to customers and how brands create and commercialize partnerships.

04
FURTHER DESTRUCTION OF INDUSTRY LINES.
Industry lines protected the established and aging way of doing business. Established brands should expect fuzzy industry lines — and to compete and partner with firms that operate by a different set of strategies and rules, are more nimble, and defy conventional models.

05
AI INTERFACES.
AI will underpin or activate most customer experiences in the future. In the near term, AI is a high-risk and high-reward proposition, as well-publicized missteps have proven. Companies have no choice but to stay apace with the market, but some marketers will take steps that will prove to be too fast and too far, putting customer trust and their brand at risk.
PART FOUR

The Path Forward

Companies and leaders have seen these dynamics unfold, and most have taken some steps to adapt. But it’s a question of the magnitude and pace of change needed to catch up and adapt in sync with a fast-moving market.

The change program is both straightforward and hard. Move marketing from being optimized for gaining the next customer and driving the next transaction to optimizing strategy, operations, and algorithms to work on behalf of complex, nuanced customers. Marketers are now charged with:

01

Anticipating the market and mobilizing leadership.

You need to see, interpret, and predict the impact of a wide range of market forces. More importantly, you must be able to tell the hard truth to the CEO and business leaders across the enterprise who may be uncomfortable and resistant to these realities.

02

Revitalizing purpose and brand.

Marketers can energize both employees and customers with a purpose and brand authentic to its mission. A purpose-driven organization compels employees thirsty for meaningful work and customers seeking to better identify with brands.
03

Freeing up capacity and headspace to empathize with customers.

Marketers have not reaped the full value of marketing automation platforms, and days are spent on repetitive, sometimes tedious tasks that can be addressed through greater automation. The goal is partly efficiency — but the real prize is freeing up time and headspace for empathy, a crucial and often undervalued step.

04

Getting the data house in order.

Data is fuel for marketing, but most marketers (and the enterprise broadly) struggle with data debt due to a lack of data governance. Make this investment in concert with the CIO and business leads; it is an important initiative to complete now and an imperative as you start to move on AI.

05

Testing AI operations.

At some point in time, you will exploit AI to deliver experiences; at that point, you are taking on new risks with the promise of new rewards. Beyond the excitement of AI, marketers have a deep responsibility to be stewards of customers and the firm. At a minimum, marketers will need an automation framework to manage the portfolio of automation efforts. And take the time to test not only the technology but also, more importantly, the end-to-end operation — or you’ll create untenable risk for your brand.

06

Quantifying tribes before jumping into the fray.

Forrester predicts that CMOs will be tempted to jump into the social and outrage fray. Most will fail because they do not fully understand the economics of alienation. Model the impact of different scenarios and, and recognize that once you take a side, the market will do what it will do and you are no longer in control.
The current marketing model is becoming increasingly irrelevant and unable to make a difference to customers or to growth. Unfortunately, there is no big bang or burning platform that will force your or your company’s hand. Instead, it will be the steady loss of relevance and appeal.

So start now to give yourself as much time on the clock as possible to maximize your chance to drive change, growth … and personal legacy.

07

Remaking the value exchange.

Customers don’t see enough experience value. The abuse of customer data has made customers more aware, skilled, and skeptical. Remake the value exchange, both in terms of the experience value and by being true stewards of customer privacy.

08

Recognizing that customers are human beings.

Marketers’ core role is to connect with human beings — regardless of if you work at a B2C or B2B firm. The looming crisis in marketing is due to an ongoing trend: Marketers are losing connection with the individual human being and are instead relying on things like personas that abstract the human being. Remove that opacity, and remake the relationship with your customers.
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