Converge = Marketing + Technology

1 The Collision of Media, Technology, and Creativity

What is convergence? A little disambiguation, to borrow a term from Wikipedia, is in order. As a quick glance at that community-built encyclopedia will tell you, the concept of convergence holds meaning in fields from computer sciences and telecommunications, to economics, accounting, and sociology, to biology, mathematics, and logic. Convergence serves as the name of a Goth festival, an information technology (IT) show in the Philippines, and a Mexican political party. It's served as the title for several works of literature and music. Convergence, it's clear, means a lot of things to a lot of people. Its popularity reflects the era we live in, an epoch in which boundaries are made to be destroyed, in which unfamiliar ideas are brought together.

> Today, more than ever, the traditional boundaries between politics, culture, technology, finance, national security, and ecology are disappearing.
> —Thomas Friedman

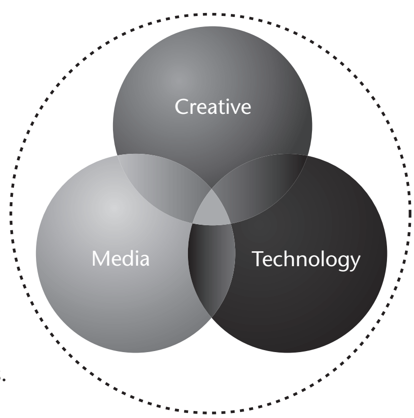
There are strong forces at work here. The Internet has made communications cheap, instantaneous, and global. Inexpensive airfare and shifting international labor markets have uprooted millions, leaving them to bring their cultures and practices to new places, forging new, hybrid cultures. As *New York Times* columnist Thomas Friedman wrote years ago, "Today, more than

> The world feels smaller, yet it's no less complex.

ever, the traditional boundaries between politics, culture, technology, finance, national security, and ecology are disappearing." Friedman's point was that technological advances, chief among them the growth of the Internet, had globalized the world in a way that companies and nations had yet to understand. Boundaries between countries, once rigid and unyielding, had become permeable if not frail. The world feels smaller, yet it's no less complex.

Within the business world, competition isn't as clear-cut as it once was. Rivals once easily identified now appear as "frenemies," both adversary and collaborator. Friends like Google and Apple go to war overnight. A similar dynamic has occurred within individual businesses, even as they try to fight against it. It plays out in a lot of ways, but nowhere are the stakes higher than in how consumer experiences are created. This is where convergence comes in.

What we mean by convergence is the coming together of three irresistible forces—media, technology, and creativity—to meet an immovable object: the enterprise (Figure 1.1). We're only at the beginning of understanding these dynamics, but we do know one



Bringing together disparate disciplines and skills to drive business and marketing results.

FIGURE 1.1 Convergence in Marketing

thing: Businesses have to change themselves quickly and dramatically if they want to survive and thrive. They need to rethink how they communicate with customers, the experiences they create, and how they're set up. The key, as we'll explain throughout this book, is to fully recognize the collision that's occurred and remake the company to deal with it.

The villain throughout this book is the silo. In ordinary parlance, a silo is a structure that contains a single item, usually grain. In business, writes David Aaker in *Spanning Silos,* a silo is "a metaphor for organizational units that contain their own management team and talent and lack the motivation or desire to work with or even communicate with other organizational units." He wrote, "Spanning silos, in my view, is the marketing challenge of our time." That was in 2008.

> The villain throughout this book is the silo.

In the subsequent five years, the challenge is the same but the details have changed. Aaker was mainly concerned with how country and product silos hurt a business's attempts to efficiently create consistent marketing around the world. We'll take this in a different direction by focusing on how functional silos that separate tech from creativity and creativity from media are preventing brands from providing product and marketing experiences that consumers want and need. Aaker was concerned about the failure of integrated marketing communications, that is, programs that yoke together the various marketing disciplines in a unified way. We're concerned with a grander kind of integration that combines persuasive brand storytelling with powerful technology channels. We're focused on turning marketing itself into a product and service that customers need and want, the very thing that silos deny.

For decades, businesses could quite easily compartmentalize themselves as they tackled the challenges presented by media, technology, and creativity.

Let's look at how each discipline was handled in the traditional schema compared it to how it exists now.

Media

THEN: For decades there were two flavors of media: bought and earned. Paid media was something that could be bought every year in a showy event called the television upfront, when the TV networks put together a splashy party to roll out their new shows and get buyers to commit billions of their clients' ad dollars ahead of the coming season. The deal making was handled by specialist media-buying agencies that, through the aggregation of many big advertiser budgets, wielded great clout in the marketplace and thus could command scale discounts. Earned media, on the other hand, was attention won through public relations (PR) strategies that persuaded news reporters to write favorable articles about a company and its products.

NOW: The one-way communications model that used TV ads and PR to persuade consumers to buy your product is dead. Each consumer is a small, independent media company capable of publishing in multiple channels. The reputation of your brand rests on the whims of consumers. The communications landscape is reinvented every few months and, as a result, that glacial upfront process in which media is bought many months in advance makes little sense. PR agencies and departments struggle to organize around a communications ecosystem in which the consumer voice has been unboxed and amplified.

Technology

THEN: Technology was the back-end world of servers and intranets, traditionally the domain of the chief information officer (CIO) and the chief technology officer (CTO), each with very different responsibilities. Considered mere infrastructure, technology was noticeable mainly when it wasn't working and was more associated with the cost of doing business than innovation. Offshore systems integrators were hired to handle large-scale technology operations. IT organizations built and protected large-scale production and online systems such as travel-booking inventory managment, financial transactions, and manufacturing products.

NOW: No longer just a cost, with the right mind-set, technology can be a source of innovation that can lead to better products and better marketing. Data, application programming interfaces (APIs), and cloud computing are not just back-end concerns, but affect how brands are built and communicated. Technology helps identify better customer segments and optimize the stories that those customer segments are told. The chief marketing officer (CMO) and CTO now have new tools that were not available in the past to get their jobs done.

Creativity

THEN: Marketing communications were planned and executed through top-down processes. Highly paid art directors and writers fashioned themselves as the sole repository of creativity. Technology or media played a role in this process as distribution channels for ideas created on Madison Avenue. Go watch a few episodes of *Mad Men* to see how it was done.

NOW: Creativity is no longer the exclusive province of marketing and creative departments. Great ideas might come from crowdsourced creative platforms like Victors & Spoils, from an iOS developer, or from your consumer, who is using social media to give you an easily accessed, always-on suggestion box for your product or brand. Technology and media don't just disseminate creative ideas, they inform them.

For a long time, perhaps until the beginning part of this decade, it was easy enough to think of media, creativity, and technology as three distinct biomes. The CMO didn't need to be conversant with server technology. The CIO wasn't concerned with marketing. And marketing agencies didn't need to be concerned with the technology that supported its advertising ideas or the media budgets that disseminated them. There was a very linear chain, from planning and strategy, to creative brainstorming, execution, and production, to distribution through the media, whether bought (ads) or earned (PR).

All that has changed because the consumer has changed.

Sony Ericsson predicts that there will be more than 3 billion smartphone subscriptions by 2017, increasing data traffic to 15 times what it is today. That means a little less than half the world will be walking around with a level of computing in their pocket that would have been unthinkable just 15 years ago. Meanwhile, continual improvements in software development make all of this computing power easier for people to use.

Now consider the plights of those once easily organized silos. Technology is media. Media is creativity. Jumble it up any way you want. Like the famous Möbius strip, you can't tell what's what anymore. The only thing that matters is the quality of the consumer experience. Companies more and more are realizing that your consumer experience is the strongest reflection of your brand.

Consider these real-world examples:

- Convergence has changed how people browse and shop, and smart brands are responding by creating an omnichannel experience. Tesco Homeplus, the South Korean operation of the U.K.-based grocer Tesco, created a virtual store in subways, where images of food were projected on walls and laid out like actual stores. Each item had a quick response (QR) code so commuters/shoppers could use their smartphones to scan the item and have it delivered right as they got home. The program gave Tesco Homeplus the lead in online sales, which grew 130 percent and helped close the gap offline with market leader E-Mart, despite not having as many stores. And if you're thinking that won't scale or won't work in the United States and other countries where the wireless infrastructure isn't as good, try this: The online grocer Peapod, after successful pilots in Philadelphia and Chicago, recently announced plans to open 100 virtual stores in Boston, New York City, Washington, DC, and other locales.

FIGURE 1.2 Tesco Homeplus Putting the Customer Front and Center

Tesco Homeplus made it easy for folks at train stations to restock their fridge from their cell phones.

- Brand stories are now told in a way that takes advantage of popular social platforms. A movement toward open APIs gives third-party developer communities the opportunity to layer all kinds of innovation onto existing platforms and is changing the face of marketing and commerce. American Express has worked with Twitter, Facebook, Foursquare, Zynga, and other digital giants as it builds out its concept of social currency, a kind of social-media-age twist on its loyalty programs that links merchants and consumers through social media. Meanwhile, Nike has released the API for the Nike+ FuelBand, its personal fitness device, allowing developers to add NikeFuel features to other platforms (Figure 1.3).
- Much like APIs, data is playing a greater role in how companies fine-tune their targeting and storytelling strategies. Target offered a classic example in 2012, when it became known that the retailer was aware that a teen girl was pregnant before her

FIGURE 1.3 NikeFuel Inspiring a New Generation of Quantified Selves

Nike's FuelBand and company-native applications make it easy for folks to monitor and track being fit.

> family was. By sifting through customer-buying habits, a Target data scientist was able to find correlations between women who bought large amounts of lotion or supplements and those who ended up on the baby registry. Thanks to that way of thinking, the company is able to get to mothers early in their pregnancy and win them over with coupons.

Although these examples span the world and the business community, there is a common thread running through them. They are technologically enabled experiences that create value for consumers. Whether saving time in the case of Tesco Homeplus, money in the case of American Express, or health in the case of Nike, they are far from the world where marketing is interruption. And they are just as far from a world where marketing is just cost.

To put yourself in a position to create these kinds of experiences, you have to reject some timeworn ideas and practices that put marketing in one part of the operation and technology and media in another. You have to bring all three together in a way that makes sense for the consumer. Put simply, you have to embrace convergences and reject silos. This is delicate business because, in deconstructing these silos, you're challenging the status quo that has made companies successful for many decades.

Building the Renaissance Organization

Think back just five or six years. How many of the products and concepts that are part of our world today weren't even around? As recently as 2007, there were very few popular phones with global positioning systems (GPS). There was no App Store, no Instagram, Pinterest, Foursquare, or Spotify. Facebook had a paltry (for them) 70 million users. You couldn't buy a phone with Android on it. Today, Facebook has celebrated its billionth customer, more than 10 billion Apple apps have been downloaded, and Android is the most popular mobile operating system by market share. It's mind-blowing how far we've come in such a short period.

Yet that pace of change we feel as consumers is rarely mirrored in businesses that serve up the experiences. Much of this has to do with how large companies are organized. Generally, businesses are still stuck in organization silos, with archaic incentive plans tied to rigid profit-and-loss (P&L) centers. And within P&L silos there are departmental silos. We freely admit that we even struggle with this at Razorfish, with all of our global regions and practice areas.

Of course, it doesn't have to be this way. The most valuable company in history is Apple. Guess how many profit and loss centers it has? One. To match its straightforward product and pricing approaches, Apple has an extremely simple organizational chart that has, as *Fortune* writer Adam Lashinsky put it, "none of the dotted-line or matrixed responsibilities popular elsewhere in the corporate world." Only the chief financial office (CFO) has a P&L. As Lashinsky writes, "It's a radical example of Apple's different course: Most companies view the P&L as the ultimate proof of a manager's accountability; Apple turns that dictum on its head by labeling P&L a distraction that only the finance chief needs to consider. The result is a command-and-control structure where ideas are shared at the top—if not below."

Another result of that way of doing business is a seamless experience for the consumer as he or she travels from the website to a physical store. Select your new Mac online and pick it up at the store. Don't like the new iPad that you bought on Apple.com? Then you can either ship it back or take it to the nearest store. Apple doesn't care, unlike many retailers who will only accept in-store returns at the location where the item was purchased. Chances are that many of those companies have their physical stores reporting up through a different P&L than does the online store. The respective business leaders aren't incentivized to work together to create that reliable, uniform experience across the points where consumers interact with the brand. In the world of omnichannel commerce that we'll examine later, where the customer can make purchases from more and more touchpoints, these businesses are setting themselves up to fail.

The problem is that too many companies are essentially showing their organizational chart to consumers. They're letting their back-end organizational biases shape how consumers interact with their brand, rather than the other way around. This is why startups can be so effective in disrupting existing businesses. Their success is typically a result of an orientation that begins with the consumer and her wants and needs. Everyone at the startup is marshaling toward that. There is no org chart to get in the way of consumer experience and the associated journey.

We just offered Apple as an example of an enterprise whose success to some degree hinges on a lack of P&Ls that inspire fiefdoms and self-interest rather than cooperation and collaboration. Now we'll use Apple as an example of what you shouldn't do.

Take a look at Apple.com. As part of a minimal, functional design that leads the way easily to its products, you'll see photographs of its products, maybe some video. You might think those images are chosen or approved by the executive who oversees the online store. Nope. Throughout the company, images are the bailiwick of the graphics arts department. When Ron Johnson was retail chief, he had no say over inventory. That was then–chief operations officer, and now-CEO, Tim Cook's department. "Specialization," writes *Fortune*'s Lashinsky, "is the norm at Apple, and as a result, Apple employees aren't exposed to functions outside their area of expertise."

We'd respectfully submit that for the many, many companies that aren't Apple this sort of functional ghettoization is no better than creating several competing P&Ls and is still probably the wrong way to do business. Apple can get away with it because it's achieved a best-in-class status and, for a long time at least, it had a visionary, one-of-a-kind business leader making top-down decisions on all parts of the business. This, as we're sure you'll agree, is not business as usual. Your company is probably not helmed by a consumer and product visionary with insight into every bit of your product and marketing experience. Your CEO probably doesn't want weekly meetings with the ad team. Nor does the CEO want to change the price of a major new product at the last minute.

This is why the Apple approach likely won't work for you.

Every organization needs specialists and experts, but in the place of environments where everyone fills one role and thinks about nothing besides that role, there needs to be cross-fertilization, a coming together of various fields, disciplines, personalities, and cultures. *The Medici Effect,* a 2006 book by Frans Johansson, catalogs success stories where just this sort of cross-fertilization happens. He writes, "When you step into an intersection of fields, disciplines, or cultures, you can combine existing concepts into a large number of extraordinary new ideas."

His examples are culled from cooking, the arts, and even the business world. He tells of Corning's history of innovating in glass that touches everything from Edison's lightbulb to casserole dishes that won't crack when you move them from the freezer straight to the oven. The head of the glass research group considers her main responsibility to get the right person for the right job, so she maintains a creativity room where people can talk about whatever they want. One time, she invited a theoretical physicist working quietly on quantum mechanics to join an actual product team. His work, Johansson writes, "suddenly was able to have a greater impact on Corning's bottom line than anything he had done in the past eight years."

The key is to remove what he calls "associative barriers" that block us from finding intersections where creativity happens. Johansson again: "A person with high associative barriers will quickly arrive at conclusions when confronted with a problem since their thinking is more focused. He or she will recall how the problem has been handled in the past, or how others in similar situations solved it. A person with low associative barriers, on the other hand, may think to connect ideas or concepts that have very little basis in past experience, or that cannot easily be traced logically."

Removing associative barriers by exposing yourself to other cultures ("tech, meet marketing; marketing, meet tech!") and reversing assumptions, will take you to those intersections where creativity happens. This is a wonderful model for the world in which we live and it's one that brands and their partners have to get used to.

The problem is that enterprises, in well-meaning but ultimately misguided bids for efficiency, organizational simplicity, and accountability, have erected and maintained some of the highest associative barriers you'd ever want to see. These barriers are the silos that quash collaboration and cocreation, ensure fiefdoms, and cause delays and discord.

The Five Principles of Convergence

Throughout this book, we'll look at many ways in which successful brands are using technology to create brilliant experiences for their customers. Although the brands will vary wildly in category, size, culture, and age, ranging from icons like Mercedes-Benz to relative newbies like Moosejaw Mountaineering, a thorough look under the hoods will reveal that they all stay true to a set of principles that have set them up for success in the digital age. We call these the five principles of Convergence.

The first principle is customer centricity. Here the company is not beholden to some age-old organizational chart but structured around the customer journey, with individual accountability for each part of that journey. Strategy is based on data from actual consumer activity, not abstract gut feeling. And that data dictates not only what experiences are served but where, when, and how. Customer-centric brand communications engage the consumer in social ecosystems and through open APIs, and customer-centric retail experience is omnichannel, giving consumers the same experience whether they're in-store, online, or on the phone.

The second principle is the rejection of silos. Realizing that marketing, technology, and creativity are no longer discrete problems, converged enterprises are working toward enabling better collaboration among functions. Technology is no longer a support function. Marketing is no longer just about campaigns. The organization has senior roles like chief digital officer and chief marketing technologists, filled by experts who catalyze innovation throughout the organization and foster collaboration. Internal account management is used so that marketing people have clear lines of communication with tech and vice versa.

This brings us to our third principle. Companies taking advantage of convergence act like start-ups. That doesn't mean free sushi lunches for all employees or ping-pong tables or other Silicon Valley window dressing. Instead, it's an approach to technology and organizational structure. Enterprise deploys—or at least experiments with—cheap, fast, and flexible tools like cloud computing, social media platforms, and open APIs. There are product managers who are accountable for particular aspects of the consumer experience, just like Facebook has tasked someone with oversight of its newsfeed. This outlook is vital to creating brand experiences that engage customers over the long term. These organizations employ Agile methodology, rapid prototype new products, and services.

The fourth principle is a cross-disciplinary mind-set. As described above, this is about looking for intersections where innovation can occur and removing associative barriers. The trick is to get a wide variety of expertise around the table and incentivize collaboration among functions and disciplines.

The fifth principle is to think of your brand as a service. For many companies, this presents a mind-set/culture change. You're no longer in the business of selling stuff; you're filling customers' needs. You're creating an always-on ecosystem, not just a series of campaigns based around a calendar of product launches. Nike is the classic example with its ecosystem of fitness apparel, gadgets like FuelBand and services like Nike+ that immerse the user in Nike innovation and create an end-to-end fitness solution. In evolutionary terms this makes the old line of trainers that could be marketed with a slogan and a celebrity ad campaign look like a knuckle-dragging caveman.

While no company has mastered all of these principles, any company that's now succeeding has adopted at least a few of them. As we move through the book, you'll see how these principles are the bedrock of innovation in our age.

Convergence Catalysts

- Identify and break down silos, the enterprise version of associative barriers. Map your organization to the consumer experience with individual accountability for each part of the customer journey.
- Use product managers, not marketing managers. It's no longer about throwing a message out into the world and hoping that you interrupt the right person at the right time. Marketing has become about service, about utility, and much of it is technology enabled.

- Inspire cross-disciplinary thinking. Just as Corning realized the egghead sitting quietly in the corner could bring insight to the creation of new glass products, you too need to embrace diversity of all forms in your organization.
- Insist on collaboration, both within and outside the organization. The future is about partnerships. Ask yourself, how are you working with social and mobile platforms, with media companies, with your own consumers and could you improve?
- Make time to understand technology. While you don't need to learn how to write code, you do need to understand the limits of the technologies you're using and dive deep into technologies you're not using, especially around the cloud and data.

Oh, and there's one more item to put on your to-do list. Last but far from least, you have to understand the figure at the center of it all: the consumer.