

A Forrester Consulting
Thought Leadership Paper
Commissioned By MediaMonks
September 2020

The Next Phase Of Digital Transformation Is Brand Virtualization

Reenergize Customer Value And Relationships
By Rapidly Adapting Brand Experiences To
Virtual Lifestyles

Table Of Contents

- 1 Executive Summary
- 2 Brand Virtualization Is The Next Strategy To Produce A Competitive Edge
- 4 Wielding The Virtualization Advantage Requires New Skills And Expertise
- 5 Firms That Embrace Brand Virtualization Will Succeed
- 7 Key Recommendations
- 8 Appendix

Project Director:

Ana Brzezinska,
Market Impact Consultant

Contributing Research:

Forrester's CMO professionals
research group

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Executive Summary

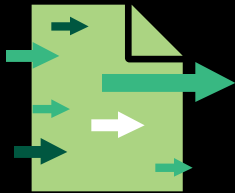
Digital transformation as a business strategy is primed to undergo a profound evolution, set against the backdrop of years of generic systems integration, evolving agency/marketer dynamics, and consumer's rapid adoption of digital technologies. The COVID-19 pandemic has accelerated consumers' embrace of digital behaviors and brands' need to meet consumers in their virtual lifestyles. Firms must replace their incremental approaches to digital transformation initiatives with a new way of reenergizing marketing and customer engagement.

MediaMonks commissioned Forrester Consulting to evaluate the next stage of digital transformation for brands. To explore this topic, Forrester surveyed 366 global marketers with responsibility over digital transformation, content personalization, and/or customer experience in North America, APAC, and EMEA.

We found that savvy brand and agency decision makers recognize they must reenergize their marketing and customer engagement efforts with next-level digital transformation. Firms that leverage brand virtualization to differentiate traditional customer experience (CX) approaches build customer loyalty. When customers have a great brand experience, their intentions to stay with a brand longer, buy more from that brand, and recommend that brand all increase. In this way, CX has a direct bottom-line impact on brands' revenue.¹

KEY FINDINGS

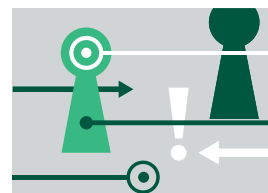
- › **The next frontier for digital transformation is brand virtualization — meeting customers where they are with differentiated, digital environments.** Brands have begun the virtualization journey with new digital events; however, true brand virtualization requires complete digital environments where consumers can interact with brands how and when they prefer.
- › **Virtualization requires companies to rethink how they build their marketing and CX teams.** Simply having the right tools and/or frameworks in place isn't enough; companies must refocus their internal marketing teams to be focused on long-term KPIs and engage with partners that can help build unique digital experiences.
- › **Businesses will thrive when they meet and interact with their customers in safe, unique, virtual experiences.** Any company's successful rebound from the coronavirus-induced economic crisis rests in establishing the vision, priorities, and partnerships necessary create next-generation, virtual brand and customer experiences.



Brand Virtualization Is The Next Strategy To Produce A Competitive Edge

Traditionally, virtualization connotes translating analog experiences into a computer-generated simulation of reality. However, brand virtualization is far more than *translating* in-person experiences into digital ones: Brand virtualization is *creating* distinct, digital environments in which customers can interact with brands.

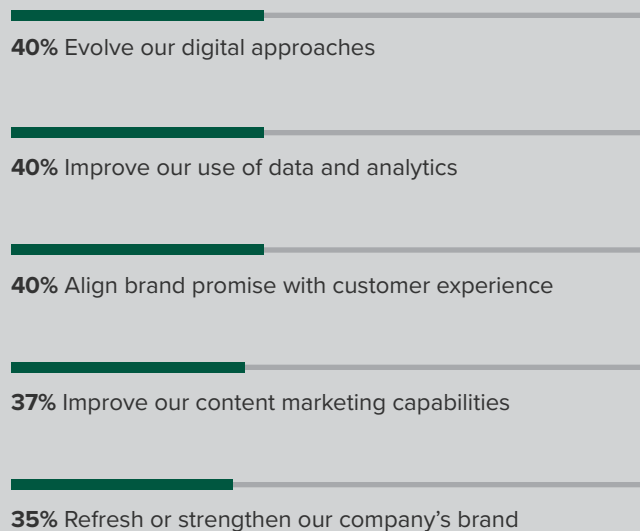
- › **Digital experiences are a top goal for brands; COVID-19 has only increased urgency for this focus.** When asked about their marketing plans pre-pandemic, marketers noted evolving their digital approaches, improving their use of data and analytics, and aligning their brand promises with customer experience as their top goals (see Figure 1).
- › **With the pandemic, brands are doubling down on digital experiences.** Nearly two-thirds of marketers noted that their top goal for the remainder of 2020 is accelerating their digital experience (DX) initiatives. COVID-19 has upended marketing; in the rebuild, teams are reskilling and refocusing on creating unique digital experiences to differentiate their brands and increase brand loyalty.
- › **Marketers are listening to their customers when reframing their goals.** Buyers are quickly adopting new technologies (38%), prefer digital experiences over in-person experiences (36%), and are ready to adopt virtual experiences (32%). With these priorities in mind, many brands acknowledge that virtualization will be a key component of their digital transformation efforts.



Brand virtualization is creating distinct, digital environments in which customers can interact with brands.

Figure 1

“Thinking back to January 2020, which of the following were your organization’s top marketing initiatives over the next 12 months?” (Select up to five)



“Where are you refocusing your efforts for the rest of 2020?” (Select top five)



Base: 366 global marketing managers and above with responsibility over digital transformation strategy/efforts at their organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of MediaMonks, August 2020

› **Decision makers see virtualization as the next stage of digital transformation.** Digital transformation — or the capabilities brands develop to help clients harness digital assets, skills, and ecosystems to continuously improve customer outcomes, drive revenue growth, and increase operational effectiveness — is an evergreen priority for top companies. Six of the top seven activities brands are focusing on as part of their digital transformation efforts center on expanding digital experiences (see Figure 2). The COVID-19 pandemic has accelerated the need for virtual brand experiences and has revealed the opportunity for brands to create unique capabilities that blend human needs, brand purpose, and digital experiences.

Figure 2

“Which of the following goals/activities are included in your company’s digital transformation efforts?”

(Select all that apply)



Base: 366 global marketing managers and above with responsibility over digital transformation strategy/efforts at their organizations
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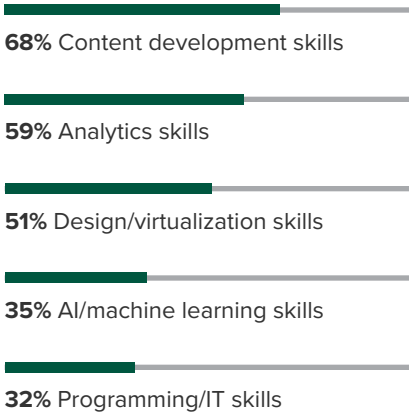
Wielding The Virtualization Advantage Requires New Skills And Expertise

Virtualization applies to all aspects of the brand; brands will only flourish if they meet their customers in the digital environments to which they naturally gravitate. However, many brands are struggling to build a long-term digital transformation and virtualization plan and to hire and retain the right skill sets for evolving their marketing teams.

- › **During the early phases of the coronavirus, brands were focused primarily on translating their in-person events into digital events.** For many brands, events were the low-hanging fruit to virtualize because there was an immediate need to: 56% of decision makers reported shifting in-person events into digital ones. However, this was a double-edged sword; while digital events are great proving grounds for virtualization, they are not true, deep virtualization. True brand virtualization is not about simply *translating* a brand experience, interaction, or touchpoint into digital; brand virtualization requires strategic rebuild of marketing efforts. The pandemic has popularized the term “virtualization,” but many efforts are just a small step. This presents opportunity as most brands are now recovering from panic mode and looking to deeper virtualization.
- › **To be successful, brands must refocus their approaches to customer experience in a digital-first world.** To build virtual experiences, marketing teams must consist of analysts, strategists, and technologies to move from vision to execution with a clear brand perspective and cohesive effort. However, only 25% of decision makers strongly agree that their marketing teams have all three skill sets working harmoniously in-house. And only half of teams recognize this gap; most are still primarily hiring for traditional skill sets, such as content development and analytics (see Figure 3).
- › **Digital experience marketing is one of the most shared marketing functions with outside partners, further highlighting the skills gaps within companies.** When internal teams and external partners aren’t speaking the same language, digital experience efforts will falter. Underscoring this further, 40% of marketers noted that hiring and retaining the right talent is their second biggest marketing strategy challenge.
- › **However, simply having the right teams and partners in place isn’t enough.** True brand virtualization is about rebuilding your marketing strategy and roles from the ground up and refocusing efforts across the organization to best meet customers on their terms. It’s critical that brands prioritize KPIs that establish the long-term health of their marketing efforts, rather than just quick wins. Currently, only 23% of marketing leaders strongly agree that they are able to use analytics to understand how marketing’s performing, and only half reported their firms are using customer lifetime value as a key KPI to track their success.

Figure 3

“When hiring new marketers, what are the top technical skills you look for?” (Select up to top three)



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 Source: A commissioned study conducted by Forrester Consulting on behalf of MediaMonks, August 2020

Firms That Embrace Brand Virtualization Will Succeed

Despite global turmoil brought about by the COVID-19 pandemic, marketers are doubling down on their next stage of digital transformation: a virtual brand and business experience. In fact, COVID-19 has only accelerated their digital experience initiatives as it's shed light on gaps in brand experiences. The pandemic has made clear winners in the brand "CX race" as it exposed which companies could quickly accelerate new digital transformation efforts while others were left spinning their wheels with a lack of agility and inability to put ideas into motion.

- Marketers recognize that they must reorient the way digital tools support customers within their daily lives.** Digital transformation is a critical component of customer experiences today and will only continue to increase in importance. Seventy-seven percent of marketers recognize that the digital transformation efforts of the past have allowed them to provide superior customer experiences; 76% recognize that these efforts have set them up for success after the COVID-19 pandemic; and 72% recognize that the next step for these efforts will be focused on virtual experiences (see Figure 4).

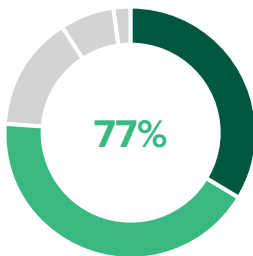


59% noted that COVID-19 has had a significant impact on their companies' plans to **increase investment in virtualization.**

Figure 4

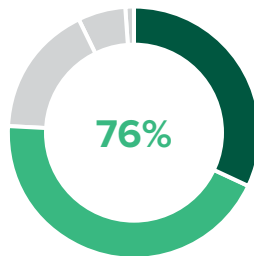
"Please state your agreement or disagreement to the following statements."

My organization provides **superior customer experiences** because of our **digital transformation efforts.**



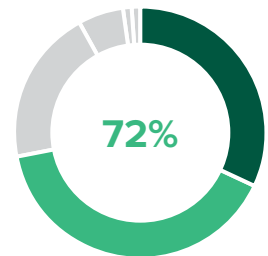
Strongly agree
 Agree

Our **digital transformation efforts** before the **COVID-19** pandemic have **set us up for success** after it.



Strongly agree
 Agree

The **next phase** of transformation will focus on **virtual experiences.**



Strongly agree
 Agree

Base: 366 global marketing managers and above with responsibility over digital transformation strategy/efforts at their organizations
 Source: A commissioned study conducted by Forrester Consulting on behalf of MediaMonks, August 2020

- › **Moving forward, digital experience offerings and omnichannel digital experiences are marketers' top priorities.** Over half of marketers noted that their top priorities for 2021 and 2022 are investing in digital experience offerings and building a new generation of digital platforms for customer-facing systems in every channel. The coronavirus has crystalized the need for digital experiences for customers wherever they are interacting with brands; in fact, nearly 60% of marketers noted that the pandemic has had a significant impact on their companies' plans to increase their investment in virtualization.
- › **Specifically, virtual reality, virtual event production, and virtual content production are top investments.** Businesses will thrive when they meet and interact with their customers in safe, unique, virtual experiences. Any company's successful rebound from the coronavirus-induced economic crisis rests in establishing the vision, priorities, and partnerships necessary create next-generation, virtual brand and customer experiences.

Key Recommendations

Digital transformation as a business strategy is evolving beyond a systems integration implementation to connect disparate platforms and systems to a data-fueled, creative endeavor to produce differentiated, digital engagements for customers to experience brands. Forrester's in-depth survey of 366 global marketing decision makers yielded several important recommendations for how firms can virtualize distinct brand experiences:



Ethically leverage customer data and analytics to power next generation experiences.

Achieving a digital business requires understanding customers needs, targeting consumers with appropriate content, and producing relevant digital experiences. Achieving these objectives hinges on effectively and responsibly harnessing customer data, especially as the phasing out of third-party cookies brings renewed focus on first-party data. Privacy, transparency, and data stewardship are essential. Consumers must give permission to collect and share their data, and they must understand what data is being used and how and whether it is being stored safely. Brands and their partners must invest in analytics and data sciences to ethically make the most of data.



Elevate production resources to deliver brand-worthy experiences.

Acquiring and keeping customers with next-generation digital experiences requires investing in production resources worthy of representing your brand and capable of shaping the digital expression of brand emotion. Computer-generated imagery (CGI) studios, AI-powered production scale, and remote production capabilities are critical to executing in the current and post-COVID-19 world. Brands must select partners that offer the production heft to virtualize their brand experiences, develop or stitch together virtual ecosystems including marketing and entertainment platforms.



Consolidate events, DX, and marketing automation initiatives.

Using brand virtualization to maintain consumer engagement and attention requires a series of touchpoints that starts with virtual events and continues with digital experiences (apps, mobile, web, social, and commerce), marketing automation (email) and broader ecosystems (entertainment, social commerce and streaming). Unify these programs and budgets to deliver sustained commercial impact and growth. Brands must select marketing partners structured to deliver omnichannel solutions in digital marketing channels and virtual ecosystems



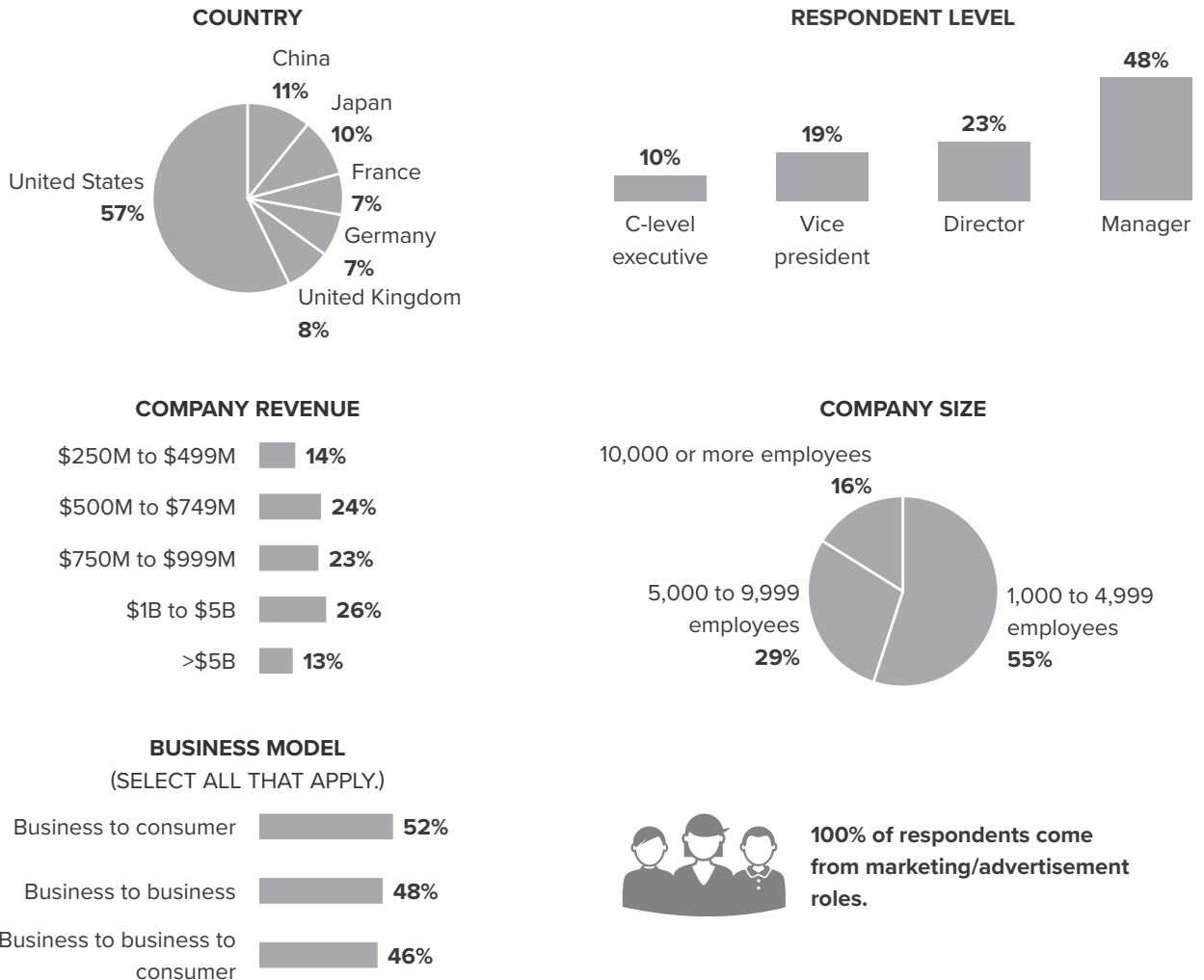
Hire or retrain employees for a digital-first mindset.

Executing customer-first programs requires understanding and mastering the virtual lifestyles of today's consumers. Marketing and partner teams must possess the skills and experience to develop digital-first strategies, concepts, and executions. Brands must staff, train, or hire partners that think in the virtual worlds in which their brand and work must occupy.

Appendix A: Methodology

In this study, Forrester conducted an online survey of global marketing managers in China, Japan, France, Germany, the UK, and the US to explore digital transformation strategy/efforts at their organizations, in light of COVID-19. Survey participants included decision makers across all industries and business models (B2C, B2B, and B2B2C). Respondents were offered a small incentives as a thank you for time spent on the survey. The study began in July 2020 and was completed in August 2020.

Appendix B: Demographics



Base: 366 global marketing managers and above with responsibility over digital transformation strategy/efforts at their organizations
 Note: Percentages may not total 100 because of rounding.
 Source: A commissioned study conducted by Forrester Consulting on behalf of MediaMonks, August 2020

Appendix C

ENDNOTES

¹ [Source: "Why And How To Lead A CX Transformation," Forrester Research, Inc., October 29, 2018.](#)