THE QUEST FOR CONNECTED COMMERCE

Avoiding The Efficiency Trap

BY BRYAN GILDENBERG

INTRO – THE QUEST FOR CONNECTION AND CONVERSION THROUGH COMMERCE

CONNECTED COMMERCE THAT CONVERTS

This phrase and others like it have dictated the commerce narrative for a significant piece of the 21st century. The promise embedded within this is that connection is the key to conversion, and that digital technology is the key to connection.

This conversation is almost always framed within the context of critical technological enablers that have dominated the tech space like "hyper personalization" powered by "first party data" and the promise of "1:1," "seamless" and personalized commerce. All aimed at the promise of delivering the exact right message to the exact right person. Conversion is driven through this exact connection.

At the same time, the rise of retailers as media networks has accelerated this convergence of connected commerce and shoppable advertising. As Amazon continues to expand its Prime Video ad portfolio and with Walmart's recent acquisition of Vizio, the idea of connected commerce is becoming increasingly tied to the idea of shoppable television advertising, with ads personally targeted to your preferences that are identified through the retailer's robust data sets to understand your shopping interests. Here, conversion data is used to fuel stronger and more meaningful connection to shoppers at the top of the marketing funnel.

The desired outcome of all this is a marketing ecosystem that is both more efficient <u>and</u> more effective. Below we unpack how the journey towards this more effective and efficient world is caught in **"the efficiency trap,"** and what brands, retailers and their partners can do steer clear of this trap.

THE STATE OF EFFICIENCY AND EFFECTIVENESS
The Efficiency Trap

To borrow the great Peter Drucker's famous quote: "Efficiency is about doing things right. Effectiveness is about doing the right things."   Embedded within this simple quote is a powerful notion for enterprises trying to master efficiency and effectiveness together ,which is **it is always easier to measure and prove that a chosen thing was done according to the rules (i.e. a thing was done right), than it is to measure and prove whether the right thing was done.** This truth can lead marketing into an "efficiency trap" – where **the quest for connected commerce that converts turns into a sub-optimized sequence of dismissible and distracting messaging.**

"**EFFICIENCY** IS ABOUT DOING THINGS RIGHT.

EFFECTIVENESS IS ABOUT DOING THE RIGHT THINGS."

OPTIMIZATION SLIDES INTO "SUBOPTIMIZATION"

Today's marketing world has an extreme focus on efficiency. And the way efficiency is being interpreted today has 3 major differences from marketing efficiency in the pre-digital world:

1 **Biddable granularity** and the optimization of very small things. Today's ad buying process and measurement technology all aim to evaluate every transaction in a self-contained way encapsulated by the ROAS on that specific activity. This can lead to a variety of problems that are known as "**suboptimization.**" Suboptimization was popularized by manufacturing process professors in the 1950s and refers to the difference between optimizing individual parts of the process and optimizing the whole. One of the risks of granular measurement is a suboptimized total outcome. And, like in any game situation, the algorithms powering this bid optimization are all focused on the same outcome, which over time will make this process more expensive for advertisers.

2 **Transaction-centric metrics** – this suboptimization isn't just at a measurement level but at a strategic level as well. This strategic dilemma reflects a parallel problem to one commercial teams discovered in the 1990s: The best way to "optimize" trade spend was to run as many promotional activities as possible. This quickly led to retail environments that were visually cluttered and to promotional plans that were damaging to brand equity. The events shoppers respond to most are not necessarily the things that enhance a meaningful connection with shoppers or deliver the best medium and long-term results for the brand.
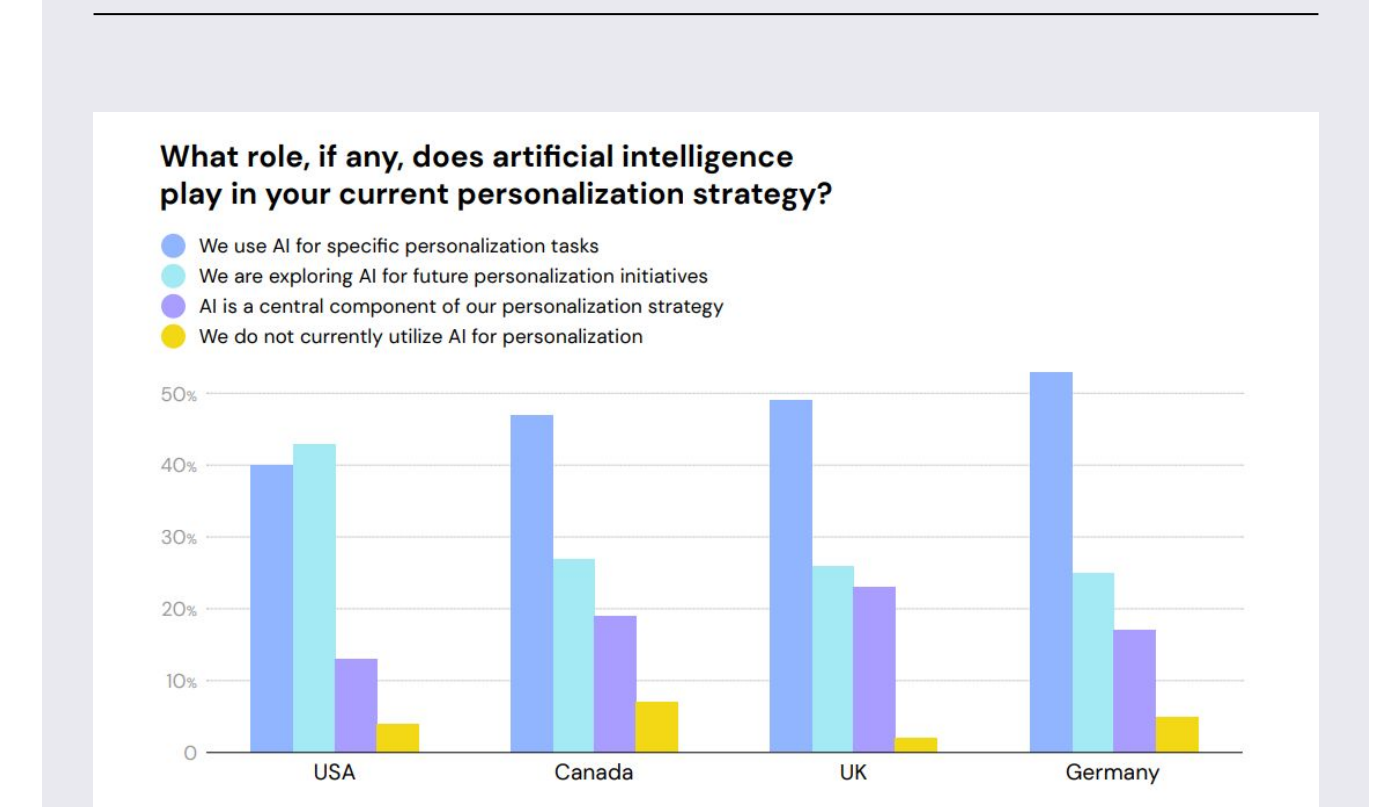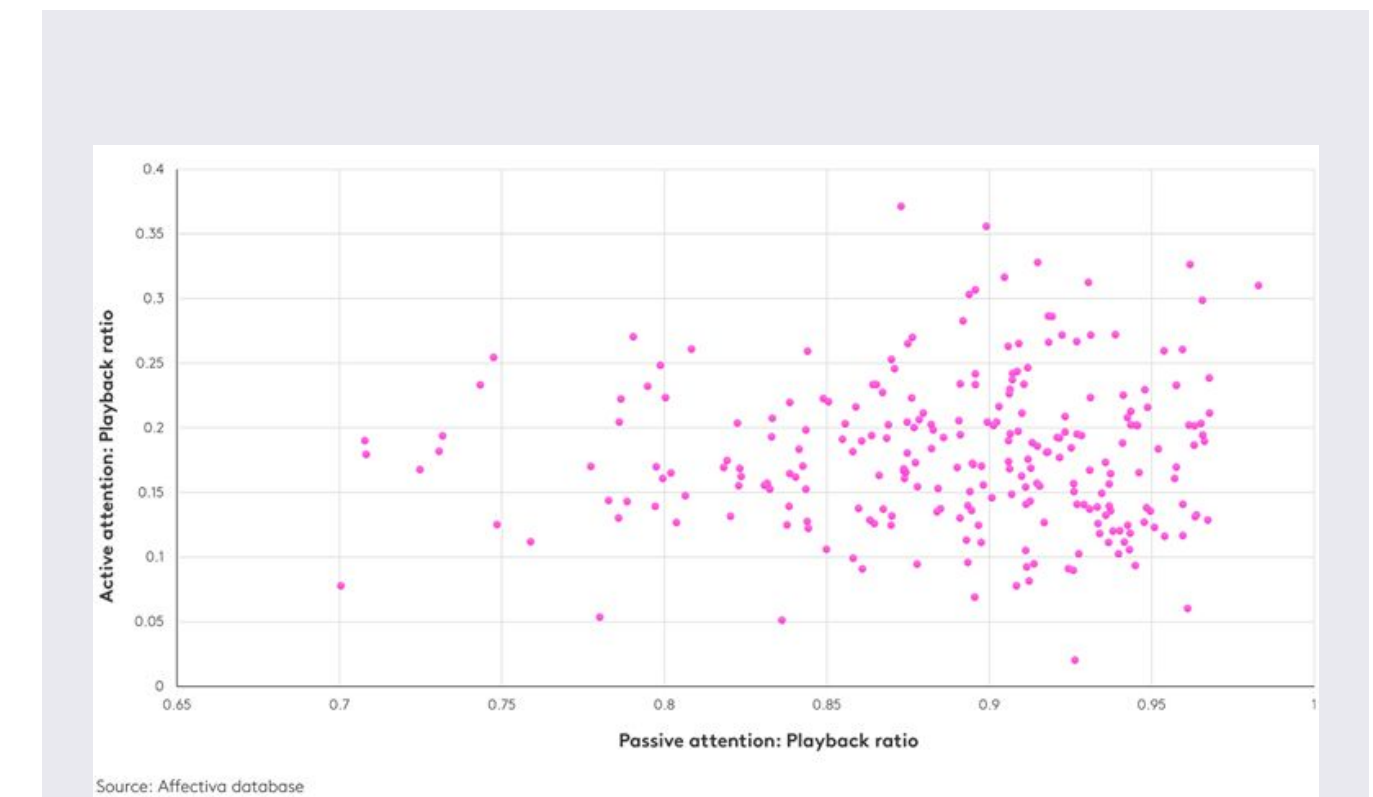
3 **Cost-centricity** – granularity coupled with a media approach that rewards a transactional returns metric in a granularly biddable world runs the risk of overfocusing on the denominator in that equation rather than the numerator. This means that it can lead to the single most common application of personalization and granularity to determine who NOT to talk to, in order to produce the same results at a lower cost. ROAS, in this context, needsto be paired with other metrics that force the conversation to flip from cost-based efficiency to yield-based effectiveness.

WHERE EFFECTIVENESS SLIDES BACK TO EFFICIENCY

1 **Relevance is effective, placement is efficient.** Flipping the script from efficiency to effectiveness immediately runs into some of the limitations of effective personalization, which is still often rooted in rudimentary retargeting efforts. Personalization that references back to previous activities – including the cliched retargeting examples that happen when you say, buy a washing machine and then receive promotions for months afterwards trying to sell you a washing machine – have become emblematic of confusing personalization and relevance. **Placement is often a poor proxy for relevance.**

2 **Attention is effective, viewability is efficient.** Too often, the measure of effectiveness is viewability – did the ad get into the consumer's viewing space? This approach to effectiveness has the virtue of being provable yet also serves to de-emphasize the quality of the creative narratives that make up the communication. In fact, viewability is really more of an efficiency measure than an effectiveness one. As measurement techniques improve, brands like Haleon are using attention increasingly to calibrate their media strategy (their recent work through Amazon's DSP proves a strong correlation between recall/purchase intent and attention). But even in a recent piece in AdExchnager, the focus still lives in the shortcomings of attention as an efficiency metric, though it unquestionably yields more effective outcomes. This recent study from Kantar/Affectiva reveals that there is about a 0.0% correlation between watching (passive attention) and engaging (active attention). **Viewability is a provably irrelevant proxy for attention.**

3 **Personalization is effective, automated generic content creation is efficient.** The promise of AI to both understand you better and to generate, without human intervention, content you would probably prefer more than a standard piece, is enormous. Today, as the graphic from Talon One's 2024 Personalization Survey reveals, the majority of companies are in exploration mode or piloting specific personalization tasks in AI. The risk from this type of content is less about brand risk than monotony. To quote marketing influencer Amy Jo Martin: There's a "greater risk of drowning in a sea of sameness in unfamiliar water than in getting eaten by a shark!" **AI-powered content is an emerging but unproven effectiveness tool.**

Source: Affectiva database

What role, if any, does artificial intelligence play in your current personalization strategy?
- We use AI for specific personalization tasks
- We are exploring AI for future personalization initiatives
- AI is a central component of our personalization strategy
- We do not currently utilize AI for personalization

THE QUEST FOR EFFECTIVENESS IS A
"CON" QUEST...

To that end, a variety of "con"s play into how marketers should be thinking about a future beyond granularity, biddably optimized individual marketing transactions that somehow add up to much less than the sum of the total, optimized parts. Brand "conquesting" is obviously a term that gets used to describe a specific marketing strategy, but today, that notion can be expanded to a quest for 3 other critical "con"s that enable connected conversion to truly take place.

From Personalization to Context

To create meaning, who you are is often nowhere near as important as where you are, when it is, what you're doing or why you're there. The quest for relevance in effective marketing will be powered by context, and the great thing about context in a commerce arena is that it is often way easier and less granular to solve for than a truly personalized solution.

For instance, there are 325 million people in the US. There are probably 10 need states in a convenience store that are truly important, and a 22 year old Latino lower-income man and a 57 year old affluent woman may have more commonalities in those 10 need states than they have differences.

THE CON QUEST
ESTABLISHING THE RIGHT CON DITIONS FOR GROWTH
RIGHT CON NECTION
RIGHT CON TEXT
RIGHT CON TENT
RIGHT CON VERSATION

CONNECTED COMMERCE THAT CONVERTS WILL DO SO CONTEXTUALLY

From Viewability To Content-Centricity

The marketing world is going to be facing an upheaval in the years to come, as AI and distributed content generation change the relationship between marketers and the content that powers connection to their brands. More and more of that content will be created outside of their direct control – and the new paradigm for this will be what Confluencer Commerce calls a "Content Penetration Model – The New CPM."

Brands will need to radically re-understand the important attributes of their architecture and learn how to socialize those attributes consistently so that the content creation ecosystem reinforces their brand story in the most beneficial way. Sometimes this takes the brand in new directions. For instance, last year Alka-Seltzer changed their overt brand positioning by listening to their shoppers' content about the brand. Because Alka-Seltzer was being overtly promoted as a hangover cure, the brand leaned in and repackaged and remessaged a line extension aimed at that specific need state.

CONNECTED COMMERCE IS CONTENT-CENTRIC AND CONVERSATION-POWERED

From AI-Powered Targeting to AI-Powered Conversation

This conversation with consumers isn't just about brand/product inspiration, but in order for connection to be truly effective there needs to be a 2-way relationship between the brand and the consumer. Consumers say they want a personalized experience all the time, but there are few really good explorations of what that means. Today, these AI conversations are largely brought to life through chatbots, the ability to tailor an experience to a relatively pre-determined set of problems.

But today, brands can create more fun ways to connect. Mondelez in India, for instance, borrowed the voice patterns of actor Farhan Akhtar so that consumers can say everything from "I love you" to "I want a raise," borrowing the voice of one of India's most famous stars. AI here is used to capture the playfulness of the brand equity in an easy and engaging way.

❯ Marketing today is characterized by a quest to use technology and data to drive efficiency and effectiveness

❯ The quest for efficiency is **suboptimized** by an ecosystem framed by biddable granularity, transactional dependence and cost-centricity. These measures are often aimed at creating a better ROAS by figuring out who not to advertise to, which builds part 1 of the efficiency trap – a return maximization approach overfocused on cost.

❯ The quest for effectiveness is searching for relevance, attention and AI powered engagement but caught on placement, viewability and tactical personalization. These measures often take the marketer away from effectiveness and back to efficiency and constitute the second part of the efficiency trap – a quest for effectiveness that gets pulled back to efficiency by the gravitational pull of provability.

❯ The real quest is a "CON" quest – for genuine connection and natural conversion.

❯ The three critical new CONs yield this genuine and natural connected conversion:
- Context
- Content
- Conversation

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ABOUT
BRYAN GILDENBERG

Bryan Gildenberg is an industry expert, keynote speaker, and advisor on the commerce landscape. With over 25 years of experience helping retailers, brands and their trading partners adapt to and win in the changing retail world, Bryan is a trusted subject matter expert on both physical and digital retail, including retail ecommerce. Bryan leads the North America business for Retail Cities.

Bryan is a frequent speaker at industry conferences and private events, and his perspective has been featured in dozens of media publications and news outlets such as CNBC, the BBC and Fox Business. He is co-host of the popular podcast as well as The Gildenberg Omnicomment, a weekly perspective on omni-channel strategy.

Bryan spent over 20 years as Chief Knowledge Officer for Retail at Kantar, the world's leading marketing data and analytics company. He also served as SVP of Commerce for Omnicom's retail marketing agencies.

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