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Implementation of multi-channel marketing in a digital environment

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

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ABSTRACT

The digital world along with new communication devices and platforms is changing consumer patterns. The growing role of the digital environment in consumer behaviour provides companies with exploding volumes of data and new methods to interact with customers. Not only does this transformation revolutionise consumer markets, but it also induces major changes in industrial marketing practice.

Although multichannel marketing is being increasingly used by organisations as a result of its revenue and cost benefits, its implementation is complicated by the diversity of channels in a digital environment. This descriptive study seeks to understand what are the major challenges faced by organisations in the implementation of multichannel marketing in a digital environment. It also try to identify whether these South African organisations have developed plans or solutions to address these challenges.

Data was collected using a web survey, it targeted business leaders and specialist in a variation of industries across South Africa. This survey was done to assess the relevance of each challenge for the organisations and the implications of digitisation on a company's marketing activities.

The results reveal that “online targeting”, adjusting “organisational capabilities” and “business models” are the biggest improvement opportunities for companies. These findings show an immediate need towards are the integration of channels with real-time analytics and the ability to act on those insights. Management need to invest in integrated channels' architecture through the deployment of systems required to deliver ideal customer experiences while empowering the organisation's employees.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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14 January 2015

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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Research problem

Consumers today are more empowered than ever before; social networking, blogging, and the availability of digital devices, such as tablets and smartphones have enabled consumers to connect with one another, discuss brands and products and interact with brands quickly and easily. Digitisation has transformed consumer behaviour with important consequences for firms, products, and brands (Lipiainen, 2014; Wymbs, 2011). The changing marketing communication environment naturally challenges companies to adapt to the requirements of digitisation as well as to adopt new methods and tools to communicate with and reach, meet, and serve today's customers (Lipiainen, 2014). This transformation has not only revolutionised consumer markets, but has generated major changes in industrial marketing practice. According to the Accenture Interactive New Report, "CMOs: Time for Digital Transformation or Risk Being Left on the Sidelines," based on survey responses of nearly 600 executives in 11 countries conducted between November 2013 and January 2014, 78% Marketing Executives believe corporate marketing will undergo a fundamental transformation over the next five years due to the use of analytics, as well as digital and mobile technologies. However, a similar number of respondents (79%) believe their company will not be a fully operationalised digital business within the same period of time. Marketing executives are actively driving the digital vision as more than one third of the executives surveyed expect digital spending to account for more than 75% of their marketing budgets within five years, and 41% believe their spending on digital marketing will increase by more than five percent next year alone.

The pertinent issue that was evident from the abovementioned report was that only 62% of survey respondents, however, believe that their company currently provides a good customer experience. Though marketing managers are experimenting with advertising and promotional strategies in social and mobile media, the industry has yet to develop a set of best practices to guide decisions (Leeflang, Verhoef, Dahlström & Freundt, 2014; Day, 2011). According to

Parker (2014), Stone and Woodstock (2013) and Day (2011), companies have to improve their ability to build long lasting customer relationships, as well as design and deliver branded customer experiences, and make use of multiple channels, including an increased leverage of digital channels. Lipiäinen (2014) and Wymbbs (2011) added to this debate by emphasising that marketing departments need to ensure that their efforts are aligned with their organisations' strategies and desired outcomes in order to avoid becoming overwhelmed by the wide range of digital advertising options.

Modern interactive marketing demands a more profound understanding of customers and their behaviour and how they like to interact with the company, and seeks to determine the ability to deliver personalised experiences that consumers find useful and engaging (Stone *et al.*, 2013). One strategic issue for marketers is to determine the successful implementation of digital and social media in the purchase-decision process (Lipiäinen, 2014; Järvinen & Karjaluoto, 2014). Essentially, marketers need to discover the point at which people turn to social media as a tool for helping them manage their product and service purchases. Bagaturia and Johnson (2014) emphasised that consumers enter the purchase path at various points, depending on whether they first engage with a brand, research a product, or hear about a product from their social networks. According to Leeflang *et al.* (2014) research findings have indicated that more than 90% of all consumers read online reviews before they buy products and 67% of all purchases of consumer goods are based on user-generated content. As a consequence this leads to other marketing orientations, such as customer engagement (Leeflang *et al.*, 2014). The use of social media has created a tremendous increase in customer insights, including how customers interact with each other and the products and services they consume. Today's definitions of social media are relative; for consumers it is a way to connect and share contents with friends and like-minded people (Chen, Fay & Wang, 2011; Lesidrenska & Dicke, 2012; Smith, 2011), while for business, social media denotes a method that enables companies to tap into what people are saying about brands, products and/or services, and it further enables marketers to participate in the conversation, remain open to new ideas and then use these insights to ultimately make better business decisions (Bagaturia *et al.*, 2014; Chen, Chen & Xiao, 2012; Lesidrenska *et al.*, 2012).

The digital world along with new communication devices and platforms is changing consumer patterns (Järvinen *et al.*, 2014; Devale & Kulkarni, 2012). The growing role of the digital environment in consumer behaviour provides companies with exploding volumes of data and new methods to interact with customers (Parker, 2014; Stone *et al.*, 2013). Not only does this

transformation revolutionise consumer markets, but it also induces major changes in industrial marketing practice. Digital media has introduced an ongoing reproduction of content, consumer networking and an expansion of media from news and entertainment to almost any technology that has a digital interface with people (Devale *et al.*, 2012). The amount of data available in the world has been exploding and 'big data' is estimated to become a crucial basis for competition, productivity growth, innovation and consumer surpluses (Parker, 2014; Stone *et al.*, 2013). As a result of the increasing volume and detail of information captured by enterprises, the rise of multimedia, social media and the internet will stimulate growth in data for the foreseeable future (Parker, 2014). According to Stone *et al.* (2013) companies that have invested in the single view of the customer strategy have experienced significant benefits by using a multi-channel marketing approach, which involves data integration and sophisticated analytics to generate customer insight with the primary intention to improve customer segmentation and to target marketing campaigns more effectively.

Despite vast changes in the available technology, marketing managers' mind-sets still need to adapt to the opportunities that multi-channel marketing presents. Due to a confirmed silo mentality amongst business channels, digital marketing is approached the same way as traditional marketing, rather than perceived as an activity on one channel that triggers communication on another (Stone *et al.*, 2013). Spiess, T'Joens, Dragnea, Spencer and Philippart (2014) indicated that customer data is "owned" by separate departments that exist as disengaged silos. Each business department has a partial view of its own customer touch-points, and lacks a structure in which to piece together the entire end-to-end customer view across all customer touch-points. Furthermore, the immensity of data that exists across organisations creates technical challenges to the goal of determining the actions that result in customer experience. Conversely, Spiess *et al.* (2014) and Wymbbs (2011) demonstrated that the rapidly emerging digital economy is challenging the relevance of existing marketing practises and the redesign of the marketing curriculum should be consistent with the business needs of this century. Reibstein, Day, Wind (2009) emphasised the growing gap between the priorities, interests and standards of academic marketers and the needs of marketing executive.

Although multichannel marketing is being increasingly used by organisations as a result of its revenue and cost benefits, its implementation is complicated by the diversity of channels (Valos, 2008; Leeflang *et al.*, 2014; Valos, Polonsky, Geursen and Zutshi, 2010; Truong and Simmons, 2009; Neslin and Shankar, 2009; Heitz-Spahn, 2013). Leeflang *et al.* (2014) suggested that although multichannel marketing is important, organisations are still finding it difficult to achieve

the optimal mix of channel types. In addition Valos (2008) and Neslin & Shankar (2009) mentioned that the complexity of implementing multichannel marketing requires internal structures, processes and organisational culture to be reconfigured. The pressure to provide this flexibility will rapidly increase the number of customer touch-points an organisation has with its consumer. Organisations need to be prepared to address these challenges with a creative mix of traditional retailing, emerging technology, and innovative customer channel strategies (Spiess *et al.*, 2014; Stone *et al.*, 2013).

The digital marketing research field that specifically focuses on measuring the benefits of digital marketing implementation has emphasised the importance of viewing digital marketing as an integrated function of marketing rather than a separate one (Truong *et al.*, 2009; Neslin *et al.*, 2009; Heitz-Spahn, 2013; Leeflang *et al.* 2014). However, digital marketing has also been described as a new approach to marketing rather than merely adding to traditional marketing that are boosted by digital elements (Järvinen *et al.* 2014; Devale *et al.*, 2012; Rowley 2008 Lipiäinen, 2014). These two perspectives focus on how marketing should reconcile with the rise of the digital communication environment and may at first seem to be contradictory but in fact, these perspectives examine the influence of digitisation on marketing at different levels. Researchers who view digital marketing as an extension of traditional marketing (Truong *et al.*, 2009; Neslin *et al.*, 2009; Heitz-Spahn, 2013; Leeflang *et al.* 2014, Valos *et al.*, 2010) are actually examining digitisation from a usage perspective and view digital marketing in terms of its tools and the environment. Whereas the other point of view focuses on strategic level aspects that require fundamental changes (Järvinen *et al.* 2014; Devale *et al.*, 2012; Rowley 2008, Lipiäinen, 2014) that the culture of digitisation has triggered.

Furthermore a great deal of attention has been focused on the impact of digital media or opportunities that digital marketing presents. This includes the effects on business and revenue models, consequences of new digital channels, and the increasing prevalence of data. Additionally, there are an increasing number of quantitative studies that have investigated specific research questions relevant to digital marketing. Griffy-Brown, Chun and Koepfel (2011) focused on 'using customer-facing technology to create new business value' while Simmons and Truong (2010) investigated the 'perceived intrusiveness in digital advertising' and Spiess *et al.* (2014) analysed big data to improve customer experience and business performance. There is however, little attention on the challenges companies are facing when attempting to move into the digital realms of marketing. For example, in their study Leeflang *et al.* (2014) discussed the challenges for marketing in the digital era; this research started with a

qualitative phase in which all major challenges were identified. The study then formulated the most important digital marketing challenges and performed an online survey. One important extension to this approach would be to expand it by considering other challenges identified in previous research and literature, while also testing the relevance of these challenges in the South African context. Further testing of these challenges, considering control variables such as size of the company and the industry they serve is important. Kaplan and Haenlein (2010) as well as Chiu, Hsieh, Roan, Tseng and Hsieh (2011) also quantified some emerging issues but their studies were limited in scope as they only discussed a few important issues. Beyond these, qualitative studies have been used to identify multichannel marketing implementation difficulties; these include studies performed by Valos (2008); Valos *et al.* (2010) and Neslin *et al.* (2009).

Similarly to academic discussion, management consulting also influences companies by urging them to update their business ideology to suit the digital age. In order to stay competitive, companies must stop experimenting with digital formats and should commit to transforming themselves into full digital businesses (Lipiäinen, 2014). This does not mean companies must physically transform their business into an 'online' form, but that businesses should intellectually accept digital developments and transform the company mind-set to align with the digital age (Järvinen *et al.*, 2014; Lipiäinen, 2014). Although online sales will continue to experience large growth, the major growth opportunity is the online channel's potential to influence sales in other channels (Järvinen *et al.*, 2014; Lipiäinen, 2014; Valos *et al.*, 2010; Neslin *et al.*, 2009).). Leeflang *et al.*, 2014) contributed further in this debate by stating that companies need to understand the value of digitisation for their business, even though transforming a business to exploit the digital age and meeting the demands of today's digital and social customers remains a major challenge for most organisations.

After many years of digital marketing research, the area still seems to lack theoretical consistency, and a comprehensive understanding seems to be absent. Some researchers have claimed that there is a widening gap between the increasing complexity of markets and companies' marketing abilities to respond to new demands with innovative and complex thinking (Leeflang *et al.*, 2014; Day 2011; Lipiäinen, 2014). Leeflang *et al.* (2014) and Day (2011) suggested that the evolution of the Internet is the force behind the widening gap, while it is also the best source of solutions in both business and consumer markets. However, it remains unclear how solutions brought about by the Internet have been and can be transferred to the reality of companies' marketing initiatives. A comprehensive understanding of how marketing is adapting with digitisation is required to help companies respond to the requirements of today's

digital customers.

There is certainly a need for further exploration on the impact of new technologies on both large and small organisations as they seek to better manage key stakeholder relationships, in particular those with customers. A new theory or approach is required that addresses channel implementation difficulties managers face as they attempt to combine traditional and new digital channels while transforming an organisation to deliver multichannel marketing.

1.2 Research objectives

The fundamental question this research sought to answer is: *“What are the major challenges faced by organisations in the implementation of multichannel marketing in a digital environment?”*

The main objectives of the research were:

- Objective 1: To gain an understanding of each of these challenges.
- Objective 2: To assess the relevance of each challenge for the organisations.
- Objective 3: To determine whether organisations have developed solutions for these challenges.
- Objective 4: To identify the gap in plans to address the challenge.

1.3 Research aim

This research aimed to contribute to existing literature on digital marketing from a company perspective. By creating a clear representation of a company’s marketing approaches in the digital age, the usage of digital tools and the factors that influence the operationalisation of digitisation, the research also sought to increase the understanding of the implications of digitisation on the company’s marketing activities. The research hopes to further assist

companies to participate more effectively in digital development and stay competitive when facing the digital eruption.

The study has identified and quantified challenges based on extensive pre-studies amongst marketing academics, including theoretical insights and emerging research directions for marketing science. In following this approach, the most prevailing challenges experienced by organisations were assessed while establishing whether their chosen solutions in addressing these challenges are being implemented. This research presents greater understanding of the vital piece of the marketing capabilities gap in today's digitalisation of markets (Leeflang *et al.*, 2014), while also providing a practice-based road map for future research on digital marketing.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The previous chapter introduced the theme of how the digital world along with new communication devices is changing consumer behaviour and interaction. It outlined the relevance of the subject for business in South Africa and beyond, as well as motivation for this study, while observing that the literature on digital marketing has emerged from a largely developed world prototype. This chapter will review the theory base on how this revolution has transformed consumer markets but also induces changes and challenges in the marketing practice, allowing for the formulation of more detailed research propositions about what are challenges faced by organisations in the implementation of digital channels.

The rising digitalisation results in important challenges for marketing executives. Marketers are confronted with increasing complex and rapidly changing markets that are beyond their control. Based on the study by Leeflang *et al.* (2014) the increasing prevalence of digital media and tools in marketing has presented the most dominant change for organisations. The ability to interact with and serve customers differently through these multichannels is by far the most dominant change (Valos *et al.*, 2008; Chiu *et al.*, 2011; Kaplan *et al.*, 2010; Hennig-Thurau, Malthouse, Friege, Gensler, Lobschat, Rangaswamy & Skiera, 2010). This transformation may create a serious challenge for organisations that have constructed a sophisticated infrastructure to send messages to target audiences through media channels but do not have the mind-set or the technical expertise to master data analysis and modelling of the digital media world.

The literature review undertaken identified the vital factors influencing the growth of digital marketing. The approach used feedback from senior marketing executives in the study by Leeflang *et al.* (2014) as well as investigating qualitative studies by Valos (2008); Valos *et al.* (2010) and Neslin *et al.* (2009). Leeflang *et al.* (2014) identified ten digital marketing tensions that can be interpreted as either opportunities or threats. These were classified into three themes or categories, namely:

1. Business strategy and customer insights:

- Digital revolution and business model.
- Customer insights.
- Stifling creativity and innovation.

2. Go-to-market operations and execution:

- Social media and brand health
- Online targeting
- Price transparency
- Automated interactions
- Online metrics

3. Organisation and capabilities:

- Talent gap
- Organisational challenges

The qualitative studies by Valos (2008); Valos *et al.* (2010) and Neslin *et al.* (2009), appeared to be in agreement with Leeflang *et al.* (2014) concerning the 10 digital challenges that have been identified as the most prevailing challenges experienced by organisations during the implementation of multichannel marketing. However, while drawing further from the existing strategic, digital and channel literature to identify significant digital marketing challenges, two more challenges emerged that could readily be included in theme 2 that comprise of: ‘Go-to-market operations’ and ‘execution’. These are **Cross-channel free-riding** and **Mobile devices**. In their research, Heitz-Spahn (2013); Chiu *et al.* (2011); Valos (2008) and Neslin *et al.* (2009) argued that in multichannel environments, consumers can move easily among different channels, as they engage in cross-channel free-riding behaviours by switching to another provider’s channel to purchase after evaluating product information on still another provider’s channel. Cross-channel free-riding erodes profits and is one of the most important issues that firms face in a multichannel era (Chiu *et al.*, 2011; Heitz-Spahn, 2013). Several studies (Dhar & Varshney, 2011; McNaughton & Light, 2013; Hennig-Thurau *et al.*, 2010; Ktoridou, Epaminonds

& Kaufmann, 2008) shared the same sentiment regarding the adoption of mobile devices as a channel of marketing communication, and that is that mobile advertising can become more pervasive and profitable, but not before addressing crucial technical and business challenges. Mobile devices create opportunities to deliver new services to existing and prospective consumers (Ktoridou *et al.*, 2008). As content delivery becomes faster, more secure and scalable over wireless devices, there is a wide stipulation that mobile commerce will exceed e-commerce as the method of choice for digital commerce transactions (Ktoridou *et al.*, 2008; Dhar *et al.*, 2011; McNaughton *et al.*, 2013).

2.2 Business strategy and consumer insights

Challenge 1: Digital revolution and business models

Day (2011) described business models as tools that should showcase the methods an organisation can employ to create value for customers and how the organisation is then able to capture economic profits. Leeflang *et al.* (2014) added that business models are specified systems of interdependent structures and processes that enable organisations to create value for customers and value appropriation for the organisation as well as its stakeholders. Many alterations to business models affect both value creation and value appropriation and the models' underlying strategies (Leeflang *et al.*, 2014).

Although digital tools provide new, tempting options for communication, it is important to remember that technology is only a tool (Lipiäinen, 2014). As stated by Leeflang *et al.* (2014) information technology does not provide competitive advantage for companies. On the contrary, competitive advantage arises from a strategic understanding of the best way to use information technology (Day, 2011).

Market orientation is concerned with understanding both existing and dormant customer needs and, hence, can generate competitive advantage in a dynamic setting such as the digital environment (Lipiäinen, 2014). Additionally, Mulhern (2009) stated that customer service has evolved as these activities have come closer to the company core. Boundaries between internal

and external company environments have been blurred and customers have become a part of the value creation process. Furthermore, this evolution has prompted the invention of the term customer centricity (Spiess *et al.*, 2014; Lipiäinen, 2014), which incorporates a market-oriented point of view to create competitive advantage and display the strategic requirements of interactivity and a customer focus influenced by digitisation.

Organisations manage their business using business support systems that are reliant on traditional database and business intelligence tools. These technologies are applied to the data in each organisational silo and are configured to create reports aimed at solving organisational problems (Spiess *et al.*, 2014). Very often customer centric data is left unanalysed, and data within the organisational silos are not correlated (Spiess *et al.*, 2014). New technologies designed to analyse data on a massive scale have emerged with a buzzword label “big data” technology. Mulhern (2009) argued that data mining, business intelligence systems and relational databases are assisting companies to quickly identify purchase patterns and compute the probability of a customer purchasing a specific item. Furthermore, consumer portfolios, with conclusive, relevant demographic and purchase data about each customer are produced in order to derive a customer lifetime value to the firm.

However other researchers have argued that the outcome of decision-making authority is fragmented across channels, and this mitigates against a coherent and consistent customer experience (Valos *et al.*, 2010; Neslin *et al.*, 2009). This could have unpredictable consequences for customer expectations and evaluations of the service quality. According to Mulhern (2009), Dholakia, Kahn, Reeves, Rindfleisch, Stewart and Taylor (2010), customers are therefore likely to evaluate service positively if the interface defines the customer’s role in an approach congruent with the customer’s knowledge, capabilities and self-image. Valos *et al.* (2010) contributed to this debate by acknowledging that the introduction of digital channels does not generally reduce the number of traditional channels, thus resulting in a greater number of channels to manage as a result increasing implementation complexity. Therefore digital channels increase the probability of making strategic errors and losing competitive advantage (Valos *et al.*, 2010). Furthermore, Valos *et al.* (2010) and Leeflang *et al.* (2014) indicated that the digital revolution threatens existing business models; their arguments are that changes in business models affect value creation and operational excellence for value appropriation and customer efficiency for value creation. Leeflang *et al.* (2014) added to this argument by explaining that the integration of digital technologies into existing business models are the most important strategies to address the challenges of the prevalence of digital tools and

technologies that might be threatening existing business models .

Challenge 2: Customer Insights

Customer insight provides organisations the ability to improve customer segmentation and to target marketing campaigns more effectively. It is a data analysis process that aims to provide meaning to contrasting fields, for example: identifying potential clients, predicting responses or behaviours of existing customers, calculating the cost of maintaining a relationship and cross selling predictions (Devale *et al.*, 2012). Organisations are therefore enabled to focus on the needs, wants and resources of customers as the starting point of the planning process (Valos, Ewing & Powell, 2009; Neslin *et al.*, 2009; Dholakia *et al.*, 2010). Companies investing in single customer view strategies through a multichannel marketing approach involving data integration and complex analysis to generate customer insight are reaping these benefits (Stone *et al.*, 2013; Dholakia *et al.*, 2010). Stone *et al.* (2013) and Leeflang *et al.* (2014) have however identified a concern in that, while the concept of the single customer view is seen as a useful aspiration, changes in technology and markets demonstrates that not all companies see it as completely achievable or desirable. Despite the increasing popularity of big data, these data also have intrinsic problems, for example size, volatility, lack of structure, missing data, as well as more (Leeflang *et al.*, 2014). All researchers seem to be in agreement that the challenges include capturing, curation, storage, searching, sharing, transferring, analysing and visualisation of the data (Valos *et al.*, 2009; Neslin *et al.*, 2009; Dholakia *et al.*, 2010; Leeflang *et al.*, 2014).

In today's digital environment, big data has presented many opportunities to follow consumers' journeys, from awareness or orientation of a product to purchasing the products (Leeflang *et al.*, 2014). Both Chaffey (2010) and Leeflang *et al.* (2014) agreed that efficient tracking of customers' journeys is an essential requirement to optimise advertising campaigns and budgets. Data analysis of these customer journeys has become an important attribute for marketing executives as they follow customers when these consumers seek information, compare products and ultimately make the decision to purchase the product (Stone *et al.*, 2014; Day, 2011). Many retailers are building a culture of customer data driven decision-making through Customer Relations Management systems (CRM), into every level of their companies (Leeflang *et al.*, 2014). For example, Tesco has created a powerful data collection engine by combining data obtained from loyalty cards, scanners, websites and additional market research (Leeflang *et al.*, 2014). This concept of social CRM I urges companies to engage customers in collaborative conversations. Lipiäinen (2014) suggested that customer engagement offers a

new perspective on CRM that includes a more strategic method for companies to view customer and stakeholder relationships. Lipiäinen (2014) raised the idea of customer centricity and 'being customer led' to a more strategic level - as part of the overall philosophy of a company. However, creating a balanced experience for customers is a challenge in producing effective media channels (Chaffey, 2010; Neslin *et al.*, 2010; Valos *et al.*, 2009). There are a great many factors that need to be considered; often specialists who are involved with refining these channels will have different views regarding the most effective method to execute. For example, strategists, visual designers and business analysts all have different perspectives on appropriate content, layout and visual design. Chaffey (2010); Neslin *et al.* (2009); Valos *et al.* (2009) contributes that most companies cannot balance these viewpoints, which could be achieved through the use of customer personas throughout the user centred design process.

Mulhern (2009) also confirms that there is a dis-connect between customer insight research and the planning processes of most organisations because of the requirement to integrate organisational silos. By providing a continuous flow of information about the consumer, digital marketing provide the opportunity for more detailed and continuous monitoring of customer insight. Specifically, because the customers differ on various characteristics depending on their channel usage and the movement of consumers between offline and online modes for different products or for different stages of the purchase process (Neslin *et al.*, 2009; Valos *et al.*, 2009; Dholakia *et al.*, 2010).

Challenge 3: Stifling creativity and innovation

The move towards digital media has greatly improved the availability of consumer databases by providing data in real time; it provides continuous streams of data that provides unending flow of information (Mulhern, 2009). There is a sense of general agreement that integrated marketing communication has distinguished itself as a practice that uses evidence –based decision making (Liao, Chen & Tseng, 2009; Mulhern, 2009). The limitations in the availability of consumer databases have continued to diminish as a result of retail shopper databases (Leeflang *et al.*, 2014). Big data is considered an important source of innovation as companies are striving towards developing new products or improve customer service processes using various data sources (Leeflang *et al.*, 2014). In addition, there has been a lot of research conducted by businesses and academic groups that support the view, that predictive analytics

or business intelligence can provide organisations with a deeper understanding of their customers (Liao *et al.*, 2009; Mulhern, 2009). Combining this with accurate customer segmentation, companies will be guaranteed to develop and implement more targeted upsell and cross sell campaigns and ultimately boost customer lifetime value (Liao *et al.*, 2009).

The history of a relationship between marketing and technology has not always been a favourable one (Leeflang *et al.*, 2014). Despite such a clear and compelling value creation, real-time digital Big Data presents a threat that also has a potential to erode long-term brand equity because of its tendency to cultivate a short-term decision mind-set (Fulgoni, 2013). Fulgoni *et al.* (2013) argues that tight integration can hamper innovativeness, and in an environment where innovation defines competitiveness, it may be worthwhile not to implement on too close an integration. Leeflang *et al.* (2014); Mulhern (2009); adds to this debate by arguing that the overreliance on data or predicted facts can stifle creativity and innovations and that there is also reluctance from managers to religiously use fact-based decisions as it may compromise out of the box thinking. Leeflang *et al.* (2014) further explain that, although creativity and innovation may be negatively affected in more data driven environment, it does not imply that there are no innovations. It is the degree of innovativeness that is being affected (Leeflang *et al.*, 2014).

2.3 Go to Market operation and execution

Challenge 4: Social media and brand health

Since its inception, social media has offered opportunities to initiate and measure social interrelations amongst customers (Chen *et al.*, 2012). It has created a platform for consumers to publicise their personal evaluation of purchased products and therefore facilitating word of mouth communication (Leeflang *et al.*, 2014). Additionally, social media has offered opportunities to create trust and to reach a large audience easily and at a lower cost (Bagaturia *et al.*, 2014) and the effects of social networks on customer retention and adoption have been determined in multiple studies such as (Nitzan & Libai, 2011; Yoganarasimhan, 2012). Social media has been viewed as a way of creating value added content for customers and tool to

monitor negative customer feedback, however one potential danger is when the company does not succeed in engaging customers and the customer will be enraged (Kaplan et al., 2010; Hennig-Thurau, Hofacker & Bloching, 2013). Within the social media environment, customers can easily become value destroyers instead of value creators for the organisation (Leeflang *et al.*, 2014). Despite concerns from all levels of society about the impact of such technologies and the behaviours they may cause as indicated by Kaplan *et al.* (2010) and Hennig-Thurau *et al.* (2013) the benefits to the customer of being connected through social media have been recognised. Especially the overcoming of distance and enablement of continuous and convenient interactions through connectivity and personal engagement (Chen *et al.*, 2011; Lesidrenska *et al.*, 2012 & Smith, 2011).

A lot has been written on the potential benefits for companies who engage in social media, especially with focus on brand management as in (Barwise & Meehan, 2010; Gaines-Ross, 2010). However Ritson, (2010); Leeflang *et al.* (2014) and Kaplan et al. (2010) argues that the value of social media for most organisations remains uncertain, demonstrating that for many established brands social media does not represent a significant communication tool as it has limited penetration to the broader target audience. Given the phenomenal growth of social media and its ability to facilitate continuous and convenient interaction, it is obvious that it is set to become increasingly more important in the way organisations do business into the future (Durkin, 2012; Ritson, 2010). The attempt to engage customers in brand building through social media introduces weaker control (Bagaturia *et al.*, 2014). The advantage here is that social media may create brands that are more preferred by consumers as brands are more based on consumer preferences, however the lack of control could be detrimental on strong brands (Bagaturia *et al.*, 2014). The question is, how social media can be adopted in a way that build issues of trust and commitment with customers and to enhance quality in those networked relationships (Leeflang *et al.* 2014). Moreover, how are the risks associated with such engagement as damaging feedback from dissatisfied customers can be minimised in a more formalised marketing effort.

Challenge 5: Online targeting

Traditionally internet users were the younger generation, as a result, many decision makers may feel that transitioning to more digital channels may instigate that older people may have

problems with using these channels and may therefore these target segments may not be optimally served. However, in the study by Leeflang *et al.* (2014) it is demonstrated that the vast majority of the market has adopted online media, and older people now exhibit similar online buying habits as young people, and represent the fastest growing segment of the population. Nevertheless, there is a shared concern by Leeflang *et al.* (2014) and Chiu *et al.* (2011), there are a bias in targeting older people and the digital marketing efforts of organisations typically targets younger customers segments with very minimum amount targeted to the older generation.

Self-efficacy is a strong predictor of behaviour (Chiu *et al.*, 2011). Moreover, it influences customer choices and behaviours, which often depends on how efficacious a customer feels towards an option. According to Chiu *et al.* (2011) self-efficacy is a person's judgement of their capabilities to arrange and implement courses of action required to acquire designated types of performances. Furthermore, when a person's perception is that they are unable to perform a task, they will not engage in the behaviour, even if they acknowledge that it is the better alternative (Chiu *et al.*, 2011; Dholakia *et al* 2010; Neslin *et al.*, 2009). Additionally, successful previous experience results in the most influential factors in promoting a sense of personal self-efficacy (Chiu *et al.*, 2011). Therefore previous use of related technology increases perception confidence and capability, and people with more internet experience have lower barrier to learning how to use multiple channels effectively.

Leeflang *et al.* (2014) adds to this debate by indicating that companies need to instigate programs that help these specific segments to use digital channels, which may increase the perceived ease of use and reduce access barriers. Chiu *et al.* (2011) contributes to this recommendation by emphasising that if consumers recognise that their reference groups employ multiple channels to complete a transaction and gain maximum utility, they should be more confident to adopt the similar behaviours.

Challenge 6: Price transparency

The increase in price transparency can be an opportunity for organisations that have been able to evolve their business model in a way that offers the best value to their customers (Chaffey, 2010; Leeflang *et al.*, 2014). However, there is factual evidence that this price transparency in effect can have very strong consequences for organisations, especially in the current tough

economic times (Ou, de Vries, Wiesel & Verhoef, 2014). According to Leeflang *et al.* (2014), some researches have illustrated that prices of insurance companies available for comparison on websites have decreased, while prices of those that are not on websites have remained the same. Fulgoni (2014) contributes to this argument by acknowledging that by using search queries or comparison-shopping engines consumers effortlessly and quickly navigate their way to the lowest price available for any product. As much as this is terrific for the consumer, it presents enormous pressure on companies' and manufactures' profit margins, leading to what some critics have called "a pricing race to the bottom" (Fulgoni, 2014).

There is a growing trend in the financial industry and that is the implementation of third party price aggregators comparisons, which they aim, will highlight the company's price advantage. Another strategy is the forward integration of companies as they either develop their own aggregators or take over existing ones. The advantage is that the company can be more informed about online customers and competitor activity. Unfortunately, it also poses a concern that these price comparison engines are not authentic, as they are no longer independent and forms part of a larger financial institution (Ou *et al.*, 2014; Leeflang *et al.*, 2014).

In a digital environment, price may not be necessarily perceived as an indicator of quality or value for information. Although (Hendrix, 2014) identifies price as one of the key drivers of digital content value, additional drives featured are interactivity, appeal, accuracy, timeliness and completeness. Furthermore, while price may be related to the cost structure, the two have a complex relationship (Rowley, 2008). Due to high levels of innovation in a digital environment, digital products lead to an ever-changing pricing landscape with unstable reference points and volatility in price levels (Rowley, 2008). Dhar *et al.*, 2011 adds to this debate by establishing that pricing for location-based services displays a major challenge to all the players in the mobile ecosystem including customers, companies and advertising agencies. Additionally, how much the customer is willing to pay for the location-based services and how to attract them with promotional offers with bundled services in the mobile environment are not yet tested (Dhar *et al.*, 2011). It is therefore evident that content providers that have made plans to generate revenue through location-based advertising and promotions to their channels will face some serious pricing challenges. As consumers look for simplicity, transparency and value for the charges they pay for these services, the prices for location-based services will significantly affect the adoption of these services and create consumer demand (Dhar *et al.*, 2011).

Challenge 7: Automated interactions

Digital marketing is empowering customers to be more active in the creation and advancement of the products or brands, customers want to have input in all aspects of a product even its promotion (Durkin, 2012). Marketing executives need to ensure that they align their techniques in a way that they can positively engage these vocal customers. According to Leeflang *et al.* (2014) automated interactions and online migrations present cost saving opportunities, however there is a view that they can introduce brand reputational risk from customer resistance and dissatisfaction, as they may feel forced to use the new channel. The traditional pushed advertising approach is no longer effective, organisations are identifying ways to pull customers to their websites and thus into a relationship (Rowely, 2008; Chen *et al.*, 2011; Truong *et al.*, 2010). Media understanding must occur early in the process along with consumer insight and market research, because in this digital world consumers have numerable access points (Mulhern, 2009).

Realising that increasing efforts to present consumers with relevant content will develop stronger relationships with customers, who will ultimately build favourable brand image and strengthen market share, marketers are placing greater importance on refining and optimising their communications effort (Rowely, 2008; Chen *et al.*, 2011; Truong *et al.*, 2010). Devale *et al.* (2012) share the same sentiment by stating that organisations need to develop a deeper understanding about customer value in digital content industry both generally and in the context of specific sectors. In their study Baron, Brouwer and Garbayo (2014) confirmed that high-impact digital advertisements, which often feature large and interactive formats, are more effective than standard displays as they break through the clutter to leave a branded impression. Additionally, it is important to give the consumers more than what you take, by making sure that if you interrupt consumers you give them something of value in return (Baron *et al.*, 2014). However, some researchers suggest that the debate around customer value is due to be subjective and ambiguous, because the concept of value evolves over time (Rowley, 2008; Durkin, 2012). Nevertheless, there seem to be some agreement that, the essential nature of information means that the value of digital content is contextual, and value is determined by how the digital content is used or derive customer experience (Liao *et al.*, 2009).

Most researchers are of the view that there is still a growing concern that some customers find pop-up advertisement intrusive and therefore annoying, they cited that customers have developed negative attitudes towards digital marketing activities they consider intrusive (Smith,

2010; Leeflang *et al.*, 2014; Truong *et al.*, 2010; Baron *et al.*, 2014). From the brand perspective, negative effects caused by pop-up advertisement can lead to lower brand attitudes and a tendency by consumers to avoid over time (Truong *et al.*, 2010). According to Baron *et al.* (2014) one must consider their objectives when selecting the appropriate high impact format; organisations must align the right format to their marketing objective. As their study indicated, full- screen take overs performed better for awareness building, whereas canvas display formats drove user engagement and consideration (Baron *et al.*, 2014).

Kumar, Zhang & Luo (2014), introduces a new twist to this debate by indicating that consumers can enthusiastically interact with companies by joining their email programs voluntarily while proactively downloading their mobile applications, and following their social media account. They are therefore arguing that customers are not reluctant to receive marketing communication messages if they are first asked for their consent (Kumar *et al.*, 2014). Permission based advertising develops a channel for two-way interaction and engagement, which is considered vital for the companies' value creation (Kumar *et al.*, 2014). Companies always desire to increase customers' opt-in rate and decrease their opt-out rate in their attempt to maximise return on investment (Kumar *et al.*, 2014; Truong *et al.*, 2010). In order to achieve these objectives, companies would benefit from understanding what makes customers willing to grant permission to companies, what triggers them to withdraw, and how to influence their decisions (Kumar *et al.*, 2014).

Challenge 8: Online Metrics

There is a spreading perception that online measures are not easily translated into financial models and they are difficult to align or compare to traditional metrics (Zenetti, Bijmolt, Leeflang & Klapper, 2014). One specific challenge is the company's inability to identify what the relative contribution of a specific measure was on sale in its respective channels. The management of change related to acquisition presents an overlap, since the rate of change of new techniques and changes to existing techniques as well as the measurements methods makes it difficult to assess return on investments (Chaffey, 2010). Abou Nabout, Skiera, Stepanchuk & Gerstmeier, (2012) cited that online marketing cost are only paid when there is a click on the link of the website while in traditional marketing a negotiated amount is paid for an advertisement. According to Fulgoni (2013) previous research data has showed that more than 80 percent of

internet users do not click on any advertisement in a month, and that there is no relationship between clicks on display advertisement and the effectiveness of the advertisement. The most important finding was that, even without a click, display campaigns can increase site visitations, brand search queries and both offline and online sales (Fulgoni, 2013). Fulgoni (2013) further argues that, clickers demographically skew towards younger and lower income audience that are not generally favoured by marketers, therefore optimising against clicks can be a misleading metric. Leeflang *et al.* 2014 also agrees that the click might reflect the consumers' immediate reaction to an advertisement, but however ignores the impact of frequency of exposure and can lead to short term errors when trying to build long term brand equity.

Other researchers have a different view, and imply that data will bring major boost in the financial metrics used in marketing (Mulhern, 2009; Daj & Chirca, 2009; Valos et al, 2010). The agreement is that the dominance of measures such as brand awareness and attitudes will provide financial metrics such as incremental profit, return on investments and customer value. However, marketing will be held increasingly accountable in the future; evaluation will focus less on "soft" measures such as attitude, awareness and intention to buy but rather "hard" measures such as sales, profitability and actual behaviour (Valos *et al.* 2010). This also introduce another interesting challenge as mass advertisement will have a much lower elasticity than search engine advertising, as mass advertising focus on creating awareness thus playing a role at an early phase of the sales funnel (Leeflang *et al.*, 2014). On the other hand customers use search engine advertisement in a much later phase, specifically during the search phase with direct goal towards sales conversions (Abou *et al.*, 2012). Chaffey (2010) and Mulhern (2010) also adds to this debate by agreeing that the result must not be linked to awareness or attitudes alone but should measure what is relevant for the financial results and projections of the organisation.

Challenge 9: Mobile devices

Mobile devices have transformed from a basic phone device to a multifunctional device that can store and play music, surf the web and stream video files and retrieve emails. According to Ktoridou *et al.* (2008) many industries stand to benefit from mobile technology, for example in the financial services, mobile has evolved to a full banking solution with services such as access to accounts and bill payment using handheld devices, brokerage services and trading.

Additionally, in other industries such as telecommunication and retail , bill payments, reward programs, shopping and account review from a handheld device are increasingly used (Ktoridou *et al.*,2008). Marketers are increasingly exploiting these attributes in order to offer current and prospect customers new exciting and useful services while developing new ways of growing revenue.

Recent developments in mobile technology, including the introduction of smartphones and tablet devices, have provided significant new techniques for communication. Mobile advertising provides significant opportunities for management; it allows organisations to connect directly with individual consumers in real time without spatial or wiring constraints (Truong *et al.*, 2010; Dhar *et al.*, 2011; McNaughton *et al.*, 2013; Hennig-Thurau *et al.*, 2010). Location-based services have attracted a large amount of attention due to their perceived potential to transform mobile communications and the potential for a number of highly personalised and context-aware services (Dhar *et al.*, 2011; McNaughton *et al.*, 2013). Location based services are the key enabler for a number of applications across different domains ranging from tracking and navigating systems, directory services, entertainment, emergency services and various commerce applications (Dhar *et al.*, 2011; McNaughton *et al.*, 2013.). Ktoridou *et al.* (2008) emphasises that mobile acts as a content delivery and direct response vehicle within a cross media marketing initiative, offers real value as a marketing communication tool because of the immediacy and level of penetration of the population. Furthermore, Dhar *et al.* (2011) displays that the mobile device is an omni channel surpassing fixed lines telephones and internet connections. The attributes inherent to mobile marketing are to generate a significant potential for this innovative form of commercial communication, personalisation, ubiquity, interactivity and localisation Ktoridou *et al.* (2008). According to Dhar *et al.* (2011) a number of surveys have predicted billions of dollars in revenues for mobile advertising. The mobile advertising market is ready for this tremendous growth as it continues to exploit some of its appealing features of mobile devices such as, portability, personalisation, instant access, wireless- mobility, location aware and finally context-aware (Dhar *et al.*, 2011).

However Truong *et al.*, 2010; Dhar *et al.*, 2011; McNaughton *et al.*, 2013; Hennig-Thurau *et al.*, 2010 all agree that advertising in the mobile environment is still in its infancy and is not well established like the internet. McNaughton *et al.*, 2013; Dhar *et al.*, 2011; Truong *et al.*, 2010 all agree that potential benefits offered by mobile technologies in meeting the needs of the customers, there remain many challenges which must be addressed before fully realising the benefits. Additionally, the greatest danger of mobile technology revolution is that the excitement

over these new technologies will result in focus in technology alone instead of the true end goal, which is communication (McNaughton *et al.*, 2013; Dhar *et al.*, 2011). Therefore, technologies and applications must be based on the individual's need and skills with the goal of supporting communication activities. Efforts are also required to ensure that the widespread adoption of mobile advertising does not marginalise those with the most complex need but are unable to access mainstream technology (McNaughton *et al.*, 2013). Dhar *et al.*, 2011; McNaughton *et al.*, 2013 pointed out several challenges to be addressed and they are; developing acceptable standards for mobile advertising, addressing security and privacy concerns, enriching users with rich multimedia content, providing end users with value added location –based services along with performance guarantee.

Challenge 10: Cross-channel free-riding

The rise in the variety of marketing channels has introduced complexity in the consumer purchasing behaviours. Chiu *et al.* (2011); Heitz-Spahn, 2013 reveal that customers may use services in one channel but purchase from another store, whether in a same or different channel. Thus one company may engage in the activities necessary to sell the products, but a different lower-priced company may enjoy the final sale. Free-riding therefore erodes the motivation of any company to invest in promotions of its products (Chiu *et al.* 2010). Furthermore, researchers are of the view that free-riding behaviours also erodes profits and is one important challenge facing companies in the multi-channel era (Chiu *et al.*, 2011; Heitz-Spahn, 2013; Neslin *et al.*, 2009). If a customer stay with the same company across channels, for example search online for product information and then purchase in store, multi-channel companies have a direct advantage over one-channel competitor (Chiu *et al.* 2011). However, if customers switch retailer after gaining search information, they engage in free-riding behaviour (Chiu *et al.*, 2011; Heitz-Spahn, 2013).

In a multichannel environment, the free-riding problem has become more complex because consumers pursue hybrid utilities through various channels (Chiu *et al.*, 2011; Neslin *et al.*, 2009). Consumers expect that organisations provide products, communication messages, prices and delivery formats that serve their individual needs. Chiu *et al.* (2011) and Heitz-Spahn (2013) argue that for a company to survive in a multichannel environment, they need to recognise multichannel customer behaviours. Researchers suggests that companies should increase

channel synergy by integrating their different channels, when customers are dissatisfied with one channel, they may reject the company completely (Chiu *et al.*, 2011; Heitz-Spahn, 2013; Neslin *et al.*, 2009; Valos *et al.*, 2010; Hennig-Thurau *et al.*, 2013). Therefore multi-channel integration must be viewed as the mutual support of or interchangeability between offline and online channels (Chiu *et al.*, 2011). Additionally, companies can also encourage customer stickiness by providing customers with more options and service opportunities, in a way that their familiarity with the company decreases the likelihood that they will switch and increase the chances for business success (Dholakia *et al.*, 2010).

As we pointed out, organisations may find value in adopting a more active, customer centric view of their channels by carefully managing each of their various dimensions. Specifically, an important managerial challenge is the constructing of integrated strategies across multiple channels (Dholakia *et al.*, 2010). Existing research considers resource allocation and implications for a single organisation. However, a number of customers switch organisations when they switch channels (Chiu *et al.*, 2011; Neslin *et al.*, 2009). Therefore, the understanding of the magnitude of this phenomenon is important for managers and is likely to provide a different and more accurate assessment of the value of adding a particular channel into their organisations' assortment.

2.4 Organisation and capabilities

Challenge 11: Talent gap

Digital technology has influenced the marketing environment to change dramatically resulting in consumers gaining and using significant market power, creating a fundamental shift in the dynamics of marketing (Verhoef & Lemon, 2013). Employees must learn traditional marketing skills in this new context and develop new mental models associated with the coevolution of consumers and business in this socially mediated world (Wymbs, 2011). In his research Wymbs (2011), he demonstrates that the emergence digital economy is challenging the relevance of existing marketing principles. In addition Wymbs, (2011) suggest the development of a new curriculum that will provide marketers with the skills to analyse buying behaviour implications associated with the changing power relationship between customers and organisations,

exponential growth of interactions between customers and organisations and the use of experiments instead of market research to gain customer insight. Reibstein *et al.* (2009) also contribute to this theory by emphasising the growing gap between the interests, standards and priorities of academic marketers and the needs of marketing executives. Durkin (2013) recognises that as part of marketing effort, competency is an important consideration for all organisations engaging in social media. To what extent is the competency of organisations to manage both push and interactive communications through social media? In larger organisations there seem to be a perception that “digital is different” and this can prove a disservice to the organisation as it is perpetuated and calculated to the culture of the company. Digital efforts therefore become separated from “traditional marketing” and this can create a disconnected customer communications, and create issues in managing customer relationships effectively (Verhoef *et al.*, 2013; Durkin, 2013).

According to Leeflang *et al.* (2014), the demand amount for analytically trained people far outweighs the supply in the market; there is gap of between 50% and 60% relative to the projected 2018 supply and there are also gaps related to building analytical capabilities. Verhoef *et al.* (2013) also illustrated that companies hire employees with excellent quantitative and analytical skills, but unfortunately these individuals lack a strong marketing background, which often results in problems in the interface between marketing and analytics. Some researchers have noted that some organisations remain seriously challenged because their talent base might not have the qualitative research strength, and therefore may prove to be unsuitable for the data driven, computational world emerging in digital media (Chaffey, 2010); (Verhoef & Leeflang 2009). Leeflang *et al.* (2014) published research that explained that while marketing executives have an appreciation of the importance of such issues, they currently lack the competencies and skills to manage this rapidly changing environment and are unable to respond accordingly.

Challenge 12: Organisational tension

The means and modes of interactions between people and organisations have changed, however people and the cultures they are part of remains the same. One of the most important distinctions of integrated marketing communication compared to traditional marketing is the inclusion of multiple stakeholders in communication planning. Cross-stakeholder integration

incorporates the interests and desires of different stakeholders in the way organisations manage communication (Mulhern, 2009). The organisation becomes concerned when a structural change becomes a prevalent issue when companies become more digitally equipped (Leeflang *et al.*, 2014). The general agreement is that, employee engagement is crucial for these organisations; it is a real opportunity to turn employees into brand advocates (Daj *et al.*, 2009; Spiess *et al.*, 2014; Durkin, 2013). Keeping employees informed reinforces each company's dedication to their long-term strategies and potential to take this opportunity to make a lasting impact.

Arriving in an era where marketing should be pervasive and managed across functional boundaries, the tension between marketing and other departments may be present (Leeflang *et al.*, 2014). Chaffey (2010) maintained that obtaining and evaluating quality information from the operational departments, and working with internal IT employees, can present significant challenges. Chaffey (2010) also recommended "digital channel governance", which refers to overall management of resources for digital marketing within an organisation. Additionally, governance also emphasises the way resources such as stakeholders, infrastructure, finance etc., are structured as teams' and individuals' skill-sets are determined within teams within the organisation. However, the remaining uncertainty is that if marketing becomes everyone's responsibility, while nobody feels responsible, it could lead the organisation to less coordinated marketing strategies (Verhoef *et al.*, 2009)

Stone *et al.* (2013) added to this debate by explaining that because of the way marketing has been portrayed in the strategic literature, some companies find that their ability to make the best use of digital and interactive marketing is hampered by the relationship between marketing and the complement of the organisation. Sales, marketing and service have been relegated to the status of "downstream activities, undertaken only after goods and services were produced (Stone *et al.*, 2013). However marketing departments are now educating all different divisions in organisations, Leeflang *et al.* (2014) suggested that organisations must be organised in a way that deconstruct traditional silos and bureaucracy in businesses to develop greater ease of communication within different departments.

2.5 Conclusion

While some researchers argue that integrated marketing is more complex, it is evident that it is more necessary than ever before as a result of proliferation of customer contact points (Leeflang *et al.*, 2014). Other authors have indicated that companies are not implementing integrated marketing communication well and they are at a “crossroad” (Valos *et al.*, 2010). Marketers’ general objective is to create value through acquisition and retention of customers in the most economical fashion. There is an urgent need for digital marketing to provide both technological platforms to integrate marketing communication, while simultaneously providing the technical tools for decentralised decision-making. The benefits of integrated marketing communication must be tackled with the challenges it presents in integrating digitally with other activities of the organisation, data management and accountability in its use.

The seduction of technology and the associated devices has blinded organisations to the real marketing-led opportunities and risks associated with the adoption and deployment of these new channels. The future of advertising agencies can be seen as having both opportunities and threats (Valos *et al.*, 2010). These agencies will face threats, if they do not actively adapt to changes presented by digital marketing or if they fail to develop a strong presence in the industry and are regarded as experts in this vital area of marketing. Otherwise, the opportunities are endless, as long as advertising agencies and marketing departments can become valued business partners that can offer advice on both integrating and measuring diverse online media.

CHAPTER 3: RESEARCH PROPOSITIONS

3.1 Introduction

The previous chapter discussed the literature on how the increasing digitalisation of marketing leads to important challenges for organisations, as they are confronted with increasing complex and rapidly changing markets that are beyond their control. Subsequently, twelve challenges currently faced by marketing executives were identified and were categorised into three important themes:

- (1) Business strategy and customer insights.
- (2) Go-to-market operations and execution.
- (3) Organisation and capabilities.

This chapter presents the three propositions that were investigated in this report. Propositions are defined as a statement about an observable concept that may be judged as either true or false (Cooper & Schindler, 2014).

3.2 Research proposition one

Challenges associated with 'business strategy and customer insights' are the most important for organisations to address in the implementation of multi-channel marketing and these include:

- Digital revolution and business model.
- Customer insights.
- Stifling creativity and innovation.

3.3 Research proposition two

Challenges associated with 'go-to-market operations and execution' are the most important for organisations to address in the implementation of multi-channel marketing and these include:

- Social media and brand health.
- Online targeting.
- Price transparency.
- Automated interactions
- Online metrics.
- Mobile devices.
- Cross-channel free riding.

3.4 Research proposition three

Challenges associated with 'organisation and capabilities' are the most important for organisations to address in the implementation of multichannel marketing and these include:

- Talent gap.
- Organisational challenges.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The previous chapter explained the research propositions that were tested in this research report. These propositions focus on the challenges related to *business strategy and customer insights, operations and execution* as well as *organisation and capabilities*, and they are faced by organisations in the implementation of multi-channel marketing in a digital environment. This chapter explains the methodology that was used to test the propositions outlined in Chapter 3.

There have been many debates regarding the distinctions between qualitative and quantitative research, however due to the complexity associated with the research, the fundamental components of a successful research project includes the ability to determine what methodological approach is best suited to answering a specific research question (Cooper *et al.*, 2014). When compared to qualitative research, quantitative research is usually acknowledged as a deductive approach, where the focus is on using data to examine theory (Saunders, Lewis and Thornhill, 2012). Overall, a quantitative approach may be most beneficial when examining relationships between variables, and measuring them numerically to analyse them using statistical technique (Saunders *et al.*, 2012).

4.2 Research design

Research has meaning without proper validation, details about the planning and execution of the research, being critical components of research design, are therefore presented in this chapter. Saunders *et al* (2012) states that systematic research incorporate specific methods to collect data, consideration on the significance of the results obtained, and an explanation of any limitations experienced. The primary focus of research should be to increase knowledge of a particular topic in order to help solve relevant problems.

According to Saunders *et al.* (2012) descriptive research aims to gain an accurate profile of events and it may be an extension of a piece of exploratory research. This method is therefore appropriate for this particular research as it is an extension of an exploratory study conducted by Leeflang *et al.* (2014), and there is a body of knowledge that exists that relates to digital marketing and responses. According to Saunders *et al.* (2012), a descriptive study attempts to discover the answers to the **who, what where and how** questions. This study was quantitative in nature, and sought to gain a more profound understanding of **who** has implemented digital marketing strategies, **what** the challenges are that organisations face in the implementation of digital marketing and **how** far they are with plans to address the gaps in formulating solutions.

The study generated characteristics of each challenge by specifically questioning the significance of each challenge in terms of the implementation of multichannel marketing in a digital environment. Subsequently respondents were requested to classify up to five important challenges. The research further secured information regarding the gaps in plans to address the challenges, essentially discovering the presence of actionable 'solutions'. The respondents were asked whether there are solutions in place to address these problems. This process was outlined as (1) plans to address challenges were already in place, (2) plans were developed but not yet implemented, (3) plans were being developed, and (4) plans were not developed thus far. The bivariate relationship between digital challenges and solutions to the challenges may be of great interest and valuable for future management decisions. The cross-tabulation between the importance of a challenge and the gaps in the plan to address the challenge may suggest that the degree of effectiveness in addressing the challenge is related to the level of importance of that particular challenge. It is important to emphasise that these findings do not imply a causal relationship; the task was to determine whether the variables are independent, and if they are not, the variables' strength and magnitude of the relationship were then determined.

A pre-existing web-based survey tool with the questions designed for the purpose of this study was used to conduct the research. This survey was selected in order to determine the challenges that are faced by South African organisations during the implementation of digital channels. A database with names and email addresses of South African managers and executives across all industries in South Africa was acquired. The survey was also randomly disseminated to Managers and Business leaders from listed companies in South Africa. The advantage of using the web-based survey method is that it is quick and efficient. Another reason for using a web survey was that the respondents are presumed to have some experience and

knowledge of digital platforms and are being regarded as being more receptive to the implementation of digital marketing strategies.

Taking into consideration that the objective of this study was to describe the characteristics of the relevant phenomenon, an explanatory study was considered unsuitable as this type of research identified the cause and effect relationship between variables (Saunders *et al.*, 2012). Another alternative was to employ an exploratory study which is designed to research new phenomena, or where the research problem is uncertain and requires exploration (Saunders *et al.*, 2012). Accordingly these two types of methods were rendered unsuitable for this research, as this particular research's objective was to gain an accurate profile of the challenges faced by organisations in the implementation of digital multichannel marketing.

4.3 Unit of analysis

“A unit of analysis is the kind of case to which the variables or phenomena under study and the research problem refer, and about which data is collected and analysed” (Hussey & Hussey, 1997, p. 66). In order to answer the propositions stated earlier, the unit of analysis for the research was the perceptions of executives, business leaders and management regarding the challenges experienced in the implementation of multichannel digital marketing within organisations.

4.4 Population

According to Hussey *et al.* (1997) a population is an accurately defined set of people or a collection of items under consideration. Essentially, the population is a “complete set of group members” (Saunders *et al.*, 2012, p. 132). The population of the study comprised of senior management and executives from organisations of all sizes and across all industries in South Africa. The study focused on companies operating in South Africa due to the location of the researcher and her network of contacts. The rationale for selecting this population was that unlike traditional marketing, where marketing executives would have likely been the preferred

respondents, digital marketing is a phenomenon that requires associations across the entire organisation. Therefore business leaders and management are suitable for this subject that requires alignment across the whole organisation.

4.5 Sampling frame

A sample frame refers to a list of all sample units in the population (Cooper *et al.*, 2014). When conducting a telephone survey for example, the sampling frame could include all the telephone numbers in a particular city. A database with names and email addresses of executives, managers and business leaders across South Africa was acquired and the researcher also randomly selected qualifying individuals within South African organisations. This sample was selected for practical reasons. This was the most effective way of sampling the population of business leaders across all regions in South Africa, given that there were time constraints in executing the completion of this questionnaire. The sampling frame comprised of business leaders, marketing executives, channel managers, Sales executives and data analysts and specialists who had either experience or displayed interest concerning information technology, marketing and distribution of solutions to the end consumers.

4.6 Sampling method

Probability sampling is commonly used for survey research strategies where inferences from the sample need to be made about a population to answer the research questions and meet its objectives (Saunders *et al.*, 2012). According to Saunders *et al.* (2012) the benefit of survey research when a probability sample is used is its ability to generalise to the population sampled. A random sample could represent a population with a reasonable amount of accuracy, as long as proper procedures are followed the results can be extrapolated to the whole population (Creswell, 2009). However if there are mistakes in the sampling process, then this cannot be extended to the population and the research would not be valid (Creswell, 2009).

The research used a stratified random sampling method to extract data from a primary data source. This method was appropriate because it divided the population into significant strata or a number of attributes, which ensured that the sample was more likely to be representative (Saunders *et al.*, 2012). The population was divided into mutually exclusive strata that included business leaders, marketing executives, channel managers, sales executives and data analysts and specialists as the sampling frame required. After the population had been divided into appropriate strata, simple random selection was implemented in each cluster (Saunders *et al.*, 2012).

4.7 Data gathering

A web-based self-administered survey was developed on SurveyMonkey™. Surveys allow researchers to derive comparable data across subsets of the selected sample so that similarities and differences can be established (Cooper *et al.* 2014). Furthermore, survey conclusions are projectable to large and diverse populations when these are combined with statistical probability sampling for the selection of participants (Cooper *et al.* 2014). This research therefore used email with a hyperlink to the online survey as the medium of communication, which expanded geographic coverage at a very economical cost when compared to other methods. The design of the questionnaire included tick-boxes for efficiency and was easy-to-use; an indicator displayed how many questions still required to be answered in order to prevent the respondents from cancelling before completion. The survey was very quick to complete in an attempt to minimise response errors generated by lethargy. The data was exported automatically by SurveyMonkey™ into an excel spreadsheet; thereby minimising manual coding of the data, although some coding still had to be done.

There are a number of non-sampling errors that may have occurred from flawed features in the execution of this research (Creswell, 2009). The possible errors that may have occurred are misrepresentation, non-response errors such as “non-contact” and “refusal”, response bias which include “deliberate falsification” and “unconscious misrepresentation” and administrative errors in the data processing (Creswell, 2009). A non-response bias was a critical problem that this research faced, this problem is particularly frequent in emails and web-based surveys as

failure to complete the questionnaire and refusal to answer the survey would jeopardise the results.

4.8 Data reliability and validity

Reliability is a necessary precondition of validity, and it is concern with precision and accuracy. For quantitative research to be regarded as reliable, it must indicate that if it were to be carried out on a similar group of respondents in the same context then the results will be alike (Saunders *et al.*, 2012). Validity is the meaning that subjects gives to data and inferences drawn from the data that are important, it therefore attaches to accounts and not to data or methods (Creswell, 2009).

The researcher's supervisor analysed the questionnaire, and provided input and feedback. Pilot surveys were sent out to friends and colleagues within the marketing and information technology space, and their feedback was requested. The feedback obtained from both the supervisor and colleagues was analysed, and changes were made to remove any biases and complex statements. This evaluation was taken within the limitations of the web-based survey as previously discussed.

4.9 Data analysis

The study began with descriptive analysis and this was followed by inferential data analysis to reach the conclusion on the findings. Descriptive analysis enabled the researcher to gain an overall impression of the data collected (Creswell, 2009). The aim of descriptive analysis was to describe the data by investigating the distribution of score on each variable, while determining whether the scores on different variable are related to each other (Williams, Sweeney & Anderson, 2012). Inferential data analysis employs statistical model of probability, of which the normal distribution is very critical because the justification for conclusions is bound up with the theory of probability and statistical distribution (Williams *et al.*, 2012). The inferential analysis

implemented therefore results in the presentation of tabulations, correlations, regression analysis, factor analysis and the use of statistical graphs (Creswell, 2009).

Quantitative methods concentrate on numerical results and attempt to limit the influence of human factors. Large scale, formalised questionnaires were distributed by email and the responses were statistically analysed. The questionnaire consisted of demographic questions, categorical questions and Likert scale questions that were used to collect the data for analysis. All data analysis was done using SPSS version 2.0 statistical software and MS Excel.

The first data analysis in this study was to validate and classify the identified marketing challenges according to their perceived importance. The Likert scale had five rating options as ordinal measures, namely: **Strongly Disagree=1, Disagree=2, Neutral=0, Agree=3 and Strongly Agree=4**. Question 7 formed the Likert scale question where respondents were requested to rate whether they agree or disagree with statements relating to identified challenges with the aim of testing the importance of challenges. These questions were used as proxies that represented the identified challenges. The weighted mean/average as a measure of central location was used as a representative value for the distribution of response ratings. Then challenges were rated according to the calculated weighted average provided by the proxy group of questions representing that challenge.

A weighted average is defined as a mean that is calculated by assigning weights to observed variables (Williams *et al.*, 2012). The weights used were the number of respondents of each question and the observed variables were the average ratings for each question.

The formula for a weighted average is:

$$\bar{x}_w = \frac{\sum_{i=1}^n (w_i \cdot x_i)}{\sum_{i=1}^n (w_i)}$$

where as

\bar{x}_w is the weighted mean variable

w_i is the allocated weighted value

x_i is the observed values.

The second analysis examined whether a relationship existed between answers given on identified challenges (question 7) and whether there were gap in plans to address the issues around the implementation of digital marketing. Question 8 in the questionnaire asked whether respondents had plans in place to address the challenges. The question had four categories with assigned codes i.e.: **Plans to address are already in place=1, Plans are developed but not yet implemented=2, Plans are being developed=3 and Plans are not developed thus far=4.** Cross-tabulations and scatter plots were used to summarise data to reveal the relationship between two variables (Williams *et al.*, 2012). A pivot table/cross-tabulations was used to summarise frequencies/counts of how respondents rated the challenges and their selected category on plans to address these challenges.

A scatter plot with a trend line was also used to test the relationship of the responses given in Question 7 to the responses given in Question 8. A scatter plot is a graphical representation of the relationship between two variables and the trend line approximates or suggests the kind of relationship that exists (Williams *et al.*, 2012). The trend line depicted which ratings in Question 7 were associated with a specific category in Question 8.

4.10 Research limitations

This research had the following limitations:

- Self-administered surveys do not collect a large amount of information and the research cannot probe deeper into the topic.
- The study only assessed the challenges identified in companies within South Africa, with the increasing adoption of digital in emerging economies it may have been beneficial to interact with business leaders from these countries with similar demographics
- Some of the respondents did not have sufficient knowledge on the digital marketing subject.

- Only the respondents that had an interest in the subject of digital marketing answered the survey, therefore increasing response bias.
- Digital marketing activities in South Africa may largely be carried out in conjunction with other organisations such as advertising agencies, these organisations may play a large role in operationalising an organisational digital marketing strategy, and thus it may be beneficial to understand these organizations perceptions of the subject.

CHAPTER 5: RESULTS

5.1 Introduction

The previous chapter explained the methodology used to test the propositions outlined in Chapter 3. This chapter presents the findings extracted from the questionnaire that was disseminated, and had a total of eight questions, with Question 7 and Question 8 having 36 sub-questions and 12 sub-questions respectively. The questionnaire that was sent received a total of 56 responses/respondents, which is considered to be the sample size.

5.2 Profile of the respondents

The ages of the respondents ranged from 25 to 54. There were a total of 20 females and 35 males (See Table 1 below).

Table 1: Age of respondents

Age	Response Percent	Response Count	Gender	Response Percent	Response Count
18 to 24	0.0%	0	Female	36.4%	20
25 to 34	50.0%	28	Male	63.6%	35
35 to 44	44.6%	25			
45 to 54	5.4%	3			
55 to 64	0.0%	0			
65 to 74	0.0%	0			
75 or older	0.0%	0			

The respondents consisted of 12 business leaders, 12 marketing executives, 2 channel managers, 1 sales executive, 2 data analysts and 25 individuals from “other” professions (see Table 2 below). These professions included finance personnel, a commissioned officer, research and development associate, engineers, an academic, an entrepreneur and a process improvement specialist, amongst others.

Table 2: Current position of respondents

What is your current position (last position if unemployed)		
Answer Options	Response Percent	Response Count
Business Leader	22.2%	12
Marketing Executive	22.2%	12
Campaign Manager	0.0%	0
Channel Manager	3.7%	2
Sales Executive	1.9%	1
Data Analysts	3.7%	2
Other (please specify)	46.3%	25

The industries that were represented by this sample included four individuals from the energy sector, five individuals from the mining sector, four individuals from the construction/industrial sector, two individuals from the logistics sector, 13 individuals from the financial sector, seven individuals from the retail sector, two individuals from the healthcare sector, one individual from the telecommunications sector and 18 individuals from other sectors that included non-profit organisations, manufacturing, aerospace, and public sectors, amongst others (See Table 3 below).

Table 3: Industry of respondents

Industry	Response Percent	Response Count
Energy (oil, gas, other)	7.1%	4
Mining	8.9%	5
Construction/Industrial	7.1%	4
Transportation/Logistics	3.6%	2
Financial Services/Banking	23.2%	13
Retail	12.5%	7
Healthcare	3.6%	2
Media	0.0%	0
Travel & Leisure	0.0%	0
Telecommunication	1.8%	1
Other (please specify)	32.1%	18

It is also important to note that some of the respondents did not answer all of the questions in the questionnaire, which resulted in missing values in the collected data. A count of all missing values was performed for each question on the questionnaire; this expresses the number of degrees of freedom for each question. Degrees of freedom in statistics are defined as random variables which are available for analysis (Wegner, 2012). Appendix 1 shows the number of missing values per question. The percentage values indicate the response rate for each question.

In the literature review twelve challenges faced by marketing executives were identified. These challenges included: online targeting, organisational challenges, digital revolution and business models, customer insights, talent gap, automated interactions, mobile devices, stifling creativity and innovation, social media and brand health, online metrics, price transparency and cross channel free-riding. These challenges were further categorised into three important themes:

- (4) Business strategy and customer insights.
- (5) Go-to-market operations and execution.
- (6) Organisation and capabilities.

This chapter aims to examine these three propositions by specifically asking whether each challenge is significant in the implementation of multichannel marketing in a digital environment and therefore the analysis tested the presence of plans or solutions to address these challenges.

5.3 Method of results assessment

The respondents were asked to validate and categorise the identified marketing challenges according to their perceived importance. The Likert scale had five rating options as ordinal measures, namely: **Strongly Disagree=1, Disagree=2, Neutral=0, Agree=3 and Strongly Agree=4**. Question 7 in the questionnaire captured the attitude of respondents towards marketing challenges in order to validate the identified challenges, as respondents rated whether they agreed or disagreed with statements relating to identified challenges with the aim

of testing the importance of challenges. These statements were used as proxies representing the 12 identified challenges. Three statements for each challenge were grouped to represent the identified challenge. The calculated weighted average of the combined statements was used to rank the importance of the challenges. Weighted average scores that were in the range of 3 and 4 meant that respondents perceived that the proposed challenge was indeed a challenge therefore valid and weighted average scores that were in the range of 1 and 2 meant that respondents did not perceive the proposed challenge as valid. Weighted average scores were classified according to their closeness to the range of 3 and 4.

Since the aim of this study was to validate and classify the identified marketing challenges, the questionnaire sought to determine the opinions of respondents with regard to marketing challenges, therefore respondents who felt neutral (neither agreed or disagreed) when presented with questions that identify challenges were given a rating score of zero, since their selection did not depict any opinion on marketing challenges. Essentially, all respondents that answered “neutral” in any of the sub-questions of Question 7 were removed when the data was classified to identify marketing challenges. The assumption was that the respondents that selected “neutral” did not understand the statement or they have no prior experience relating to the challenge represented by the statement.

5.4 Research proposition one

Challenges associated with ‘business strategy and customer insights’ are the most important for organisations to address in the implementation of multi-channel marketing and these include:

- Digital revolution and business model
- Customer insights
- Stifling creativity and innovation.

5.4.1 Ranking of challenges in proposition 1

The table below shows the responses for each statement associated with challenges used to test the first proposition. Neutral responses are also captured as well as the total number of respondents who did not choose to be neutral on the subject matter.

Table 4: The responses on statements relating to challenges for proposition 1

Challenge	Question7	Sub-Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total Count	Total count after removing neutral response
Digital revolution and business models	7.2	Digital revolution is threatening existing business models.	4	10	7	21	14	56	49
	7.6	The introduction of digital channels into traditional channels increases management complexity.	2	8	10	26	10	56	46
	7.10	Decision making authority being fragmented across channels prevents a coherent and consistent customer experience.	3	10	10	22	10	55	45
Customer insights	7.5	Creating a balanced experience for customers is a challenge in producing effective media channels.	0	2	7	37	10	56	49
	7.21	There is a disconnect between customer centricity and the planning processes of most organisation.	1	4	11	25	14	55	44
	7.36	Companies are finding it difficult to identify the different customer characteristics or needs at different stages of the purchasing process.	2	14	16	16	7	55	39
Stifling creativity and innovation	7.7	The over-reliance on data or predicted facts can stifle creativity and innovations.	5	15	9	23	4	56	47
	7.8	The integration of different channels can hamper innovativeness.	11	31	4	8	1	55	51
	7.9	The use of fact-based decisions through data analytics may compromise out of the box thinking.	5	20	8	18	4	55	47

The tables below shows three statements associated with a particular challenge in proposition one, each of these statements were first measured independently. The calculated weighted average of the combined statements was then used to rank the importance of a particular challenge.

Table 5: Weighted averages for each statement relating to customer insights

Customer insights			
Rank		N	Mean
		Statistic	Statistic
1	Creating a balanced experience for customers is a challenge in producing effective media channels.	56	2.77
2	There is a disconnect between customer centricity and the planning processes of most organisation.	56	2.52
3	Companies are finding it difficult to identify the different customer characteristics or needs at different stages of the purchasing process.	56	1.92

Table 6: Weighted averages for each statement relating to digital revolution and business models

Digital revolution and business models			
Rank		N	Mean
		Statistic	Statistic
1	Digital revolution is threatening existing business models.	56	2.55
2	The introduction of digital channels into traditional channels increases management complexity.	56	2.43
3	Decision-making authority being fragmented across channels prevents a coherent and consistent customer experience.	56	2.33

Table 7: Weighted averages for each statement relating to stifling creativity and innovation

Stifling creativity and innovation			
Rank		N	Mean
		Statistic	Statistic
1	The over-reliance on data or predicted facts can stifle creativity and innovations.	56	2.14
2	The use of fact-based decisions through data analytics may compromise out of the box thinking.	56	2.09
3	The integration of different channels can hamper innovativeness.	56	1.83

The table below demonstrates the results from proposition one, and according to the combined weighted averages of statements from each challenge, *Digital revolution and business models* was ranked as the most significant or important challenge. Customer insights was rated the second significant challenge and creativity and innovation coming last for proposition one.

Table 8: Classification of most important challenges in proposition 1

Rank	challenge	weighted average
1	Digital revolution and business models	2.44
2	Customer insights	2.40
3	Stifling creativity and innovation	2.02

5.4.2 Identifying gaps in plans to address the challenges

This section intended to test whether there is a presence of actionable ‘solutions’ for challenges themed according to business strategy and customer insights, as per research proposition one. The gaps in plans to address the challenges were therefore identified.

The pivot /cross-tabulation tables were expressed as a percentage of total count.

It is also important to note that the R-squared of the linear trend line that tests the strength of the relationship has low values due to the small degrees of freedom from missing values, (see missing values section). The R-squared is a measure that increases with degrees of freedom, (Wegner, 2012).

Table 9: Digital revolution and business models

Digital revolution is threatening existing business models.	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	2.17%	0.00%	2.17%	0.00%	4.35%
Disagree	6.52%	2.17%	8.70%	2.17%	19.57%
Agree	6.52%	8.70%	23.91%	6.52%	45.65%
Strongly Agree	17.39%	4.35%	6.52%	2.17%	30.43%
Grand Total	32.61%	15.22%	41.30%	10.87%	100.00%

Of those that strongly agreed that digital revolution is threatening existing business models, 17.39% said that plans to address are already in place, 4.35% said plans are developed but not yet implemented, 6.52% said plans are being developed and 2.17% stated that plans are not developed thus far.

Of those that agreed that digital revolution is threatening existing business models, 6.52% said plans to address are already in place, 8.70% said plans are developed but not yet implemented, 23.91% said plans are being developed and 6.52% said that plans are not developed thus far.

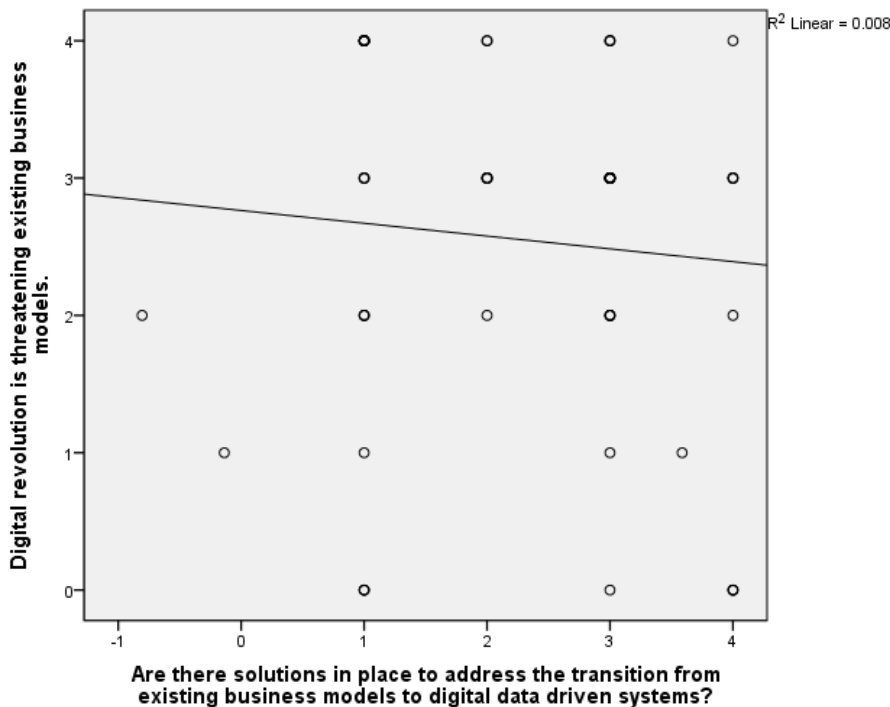


Figure 2: Scatter plot regarding responses for “digital revolution is threatening existing business models”

The trend line shows a negative relationship between the rate given the challenge and the gap in plans. i.e.: High values in rates in Question 7 were associated with low values in question 8 category code or vice versa. For example, if respondents agree or strongly agreed with the challenge statement then they either said Plans to address are already in place or Plans are developed but not yet implemented.

Table 10: Customer Insights

Companies are finding it difficult to identify the different customer characteristics or needs at different stages of the purchasing process.	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	5.13%	0.00%	0.00%	0.00%	5.13%
Disagree	12.82%	5.13%	7.69%	10.26%	35.90%
Agree	2.56%	12.82%	7.69%	17.95%	41.03%
Strongly Agree	5.13%	5.13%	0.00%	7.69%	17.95%
Grand Total	25.64%	23.08%	15.38%	35.90%	100.00%

Of those that strongly agreed that companies are finding it difficult to identify the different customer characteristics or needs at different stages of the purchasing process, 5.13% said plans to address are already in place, 5.13% said plans are developed but not yet implemented, 0.00% said plans are being developed and 7.69% stated that plans are not developed thus far.

Of those that agreed that companies are finding it difficult to identify the different customer characteristics or needs at different stages of the purchasing process, 2.56% said plans to address are already in place, 12.82% said plans are developed but not yet implemented, 7.69% said plans are being developed and 17.95% stated that plans are not developed thus far.

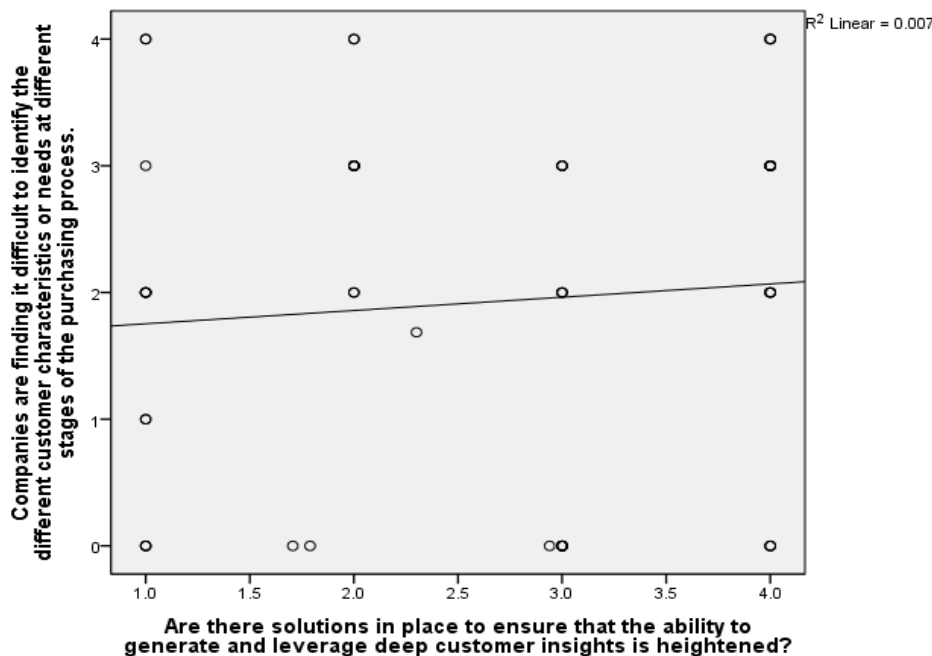


Figure 3: Scatter plot regarding responses for “companies are finding it difficult to identify the different customer characteristics or needs at different stages of the purchasing process”

The trend line shows a positive relationship between the rate, given the challenge, and the gap in plans, i.e.: High values in rates in Question 7 were associated with high values in Question 8 category codes, or low values in rates in Question 7 were associated with low values in Question 8 category codes. Essentially, if respondents agreed or strongly agreed with the challenge statement then they either said that plans are being developed and not yet implemented or that plans are not developed thus far.

Table 11: Stifling creativity and innovation

The introduction of digital channels into traditional channels increases management complexity.	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	2.38%	0.00%	0.00%	2.38%	4.76%
Disagree	0.00%	0.00%	7.14%	9.52%	16.67%
Agree	2.38%	7.14%	11.90%	33.33%	54.76%
Strongly Agree	0.00%	0.00%	11.90%	11.90%	23.81%
Grand Total	4.76%	7.14%	30.95%	57.14%	100.00%

Of those that strongly agreed that the introduction of digital channels into traditional channels increases management complexity, 0.00% said plans to address are already in place, 0.00% said plans are developed but not yet implemented, 11.90% said plans are being developed and 11.90% stated that plans are not developed thus far.

Of those that agreed that the introduction of digital channels into traditional channels increases management complexity, 2.38% said plans to address are already in place, 7.14% said plans are developed but not yet implemented, 11.90% said plans are being developed and 33.33% stated that plans are not developed thus far.

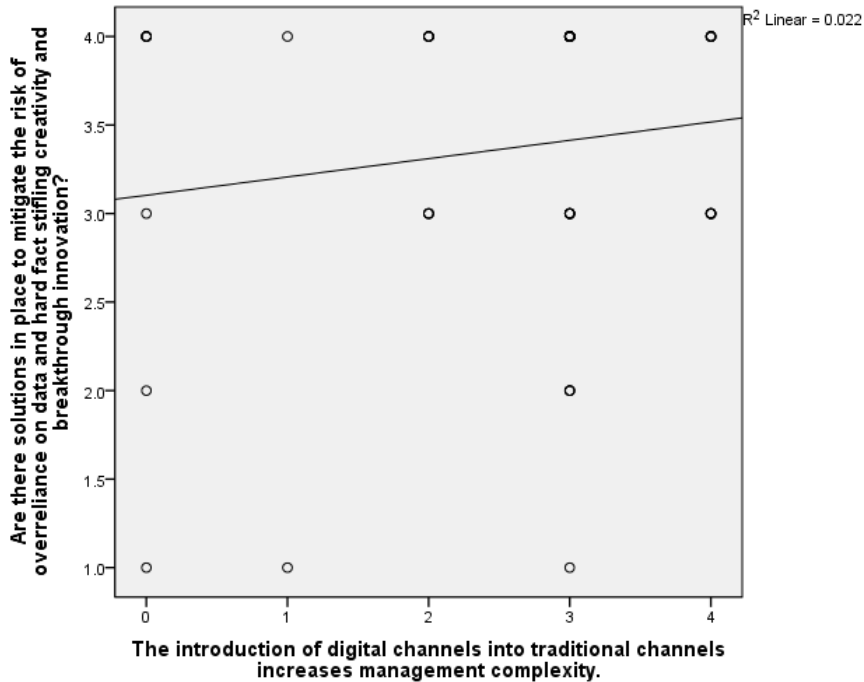


Figure 4: Scatter plot regarding responses for “introduction of digital channels into traditional channels increases management complexity”

The trend line shows a positive relationship between the rate for the specific challenge and the gap in plans, i.e.: High values in rates in Question 7 were associated with high values in Question 8 category codes, or low values in rates in Question 7 were associated with low values in Question 8 category codes. Essentially, if respondents agreed or strongly agreed with the challenge statement then they either said plans are being developed or plans are not developed thus far.

5.5 Research proposition two

Challenges associated with ‘go-to-market operations and execution’ are the most important for organisations to address in the implementation of multi-channel marketing and these include are:

- Social media and brand health

- Online targeting
- Price transparency
- Automated interactions
- Online metrics
- Mobile devices
- Cross-channel free riding.

5.5.1 Classification of challenges in proposition 2

The table below shows the responses for each statement associated with challenges used to test the second proposition. Neutral responses are also captured as well as the total number of respondents who did not choose to be neutral on the subject matter.

Table 12: The number of neutral responses on statements relating to challenges for proposition 2

Challenge	Question7	Sub-Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total Count	Total count after removing neutral response
Social media and brand health	7.1	Social media does not represent a significant communication tool.	25	18	2	9	2	56	54
Automated interactions	7.3	Customers avoid or ignore automated interactions over time.	2	9	16	20	9	56	40
Social media and brand health	7.11	Social media has limited penetration to the broader target audience.	8	22	8	13	4	55	47
Online targeting	7.13	Customers that previously used digital technology have increased perception and confidence towards digital channels.	0	1	7	33	14	55	48
Cross-channel free-riding	7.14	One company may engage in the activities necessary to sell the products, but a different lower-priced company enjoys the final sale.	1	6	17	26	4	54	37
Online targeting	7.15	People with more internet experience have lower barriers to learning how to use multiple channels effectively.	1	2	3	31	18	55	52
Online metrics	7.16	There is difficulty to align online metrics to traditional metrics in order to assess the return on investment	0	16	16	19	3	54	38
Price transparency	7.17	Digital products have unstable reference points and volatility in price levels.	2	16	18	14	3	53	35
Price transparency	7.18	Aggregators are not authentic as they are no longer independent and form part of a larger financial institution.	1	7	25	20	1	54	29
Automated interactions	7.19	Customers find automated interactions and pop-up advertisement intrusive and therefore annoying	1	4	6	23	21	55	49

Automated interactions	7.20	Customers have developed negative attitudes towards digital activities.	3	24	15	9	4	55	40
Online metrics	7.22	Measurements for digital channels are not easily translated into financial models.	2	11	13	22	7	55	42
Mobile devices	7.23	Excitement over the mobile device technologies results in focusing in technology alone instead of the true end goal, which is communication.	2	8	12	27	6	55	43
Online metrics	7.24	Online measurement methods and techniques make it difficult to assess return on investments.	6	18	13	13	5	55	42
Mobile devices	7.25	Advertising in a mobile environment is still relatively new.	6	12	12	23	2	55	43
Price transparency	7.26	Due to high levels of innovation in a digital environment, digital products lead to an ever-changing pricing landscape.	1	9	11	28	5	54	43
Mobile devices	2.27	Creating relevant and value adding applications and technologies for mobile phone devices and iPad remains a concern for most companies.	0	8	15	25	7	55	40
Cross-channel free-riding	7.29	Customers will search for product information in a digital channel of one store but purchase from another store whether in same or different channel.	1	6	16	29	3	55	39
Online targeting	7.30	Transitioning to more digital channels may induce that older people may have problems with using these channels and therefore these segments are not optimally served.	2	8	11	26	8	55	44
Cross-channel free-riding	7.32	With customers freely moving from one company's digital channel to another company's digital channel the motivation of any company to invest in promotion of its products in these channels erodes.	4	20	12	17	2	55	43
Social media and brand health	7.34	Social media is associated with a great risk of damaging feedback from dissatisfied customers.	4	12	7	23	9	55	48

The tables below shows three statements associated with a particular challenge in proposition two, each of these statements were first measured independently. The calculated weighted average of the combined statements was then used to rank the importance of that particular challenge.

Table 13: Weighted averages for each statement relating to stifling creativity and innovation

Stifling creativity and innovation			
Rank		Statistic	Statistic
1	The over-reliance on data or predicted facts can stifle creativity and innovations.	56	2.14
2	The use of fact-based decisions through data analytics may compromise out of the box thinking.	56	2.09
3	The integration of different channels can hamper innovativeness.	56	1.83

Table 14: Weighted averages for each statement relating to automated interactions

Automated interactions			
Rank		Statistic	Statistic
1	Customers find automated interactions and pop-up advertisement intrusive and therefore annoying	56	2.94
2	Customers avoid or ignore automated interactions over time.	56	2.07
3	Customers have developed negative attitudes towards digital activities.	56	1.68

Table 15: Weighted averages for each statement relating to cross-channel free-riding

Cross channel free-riding			
Rank		Statistic	Statistic
1	Customers will search for product information in a digital channel of one store but purchase from another store whether in same or different channel.	56	2.03
2	With customers freely moving from one company's digital channel to another company's digital channel the motivation of any company to invest in promotion of its products in these channels erodes.	56	1.85
3	One company may engage in the activities necessary to sell the products, but a different lower-priced company enjoys the final sale.	56	0.83

Table 16: Weighted averages for each statement relating to mobile devices

Mobile devices			
Rank		Statistic	Statistic
1	Excitement over the mobile device technologies results in focusing in technology alone instead of the true end goal, which is communication.	56	2.22
2	Creating relevant and value adding applications and technologies for mobile phone devices and iPad remains a concern for most companies.	56	2.15
3	Advertising in a mobile environment is still relatively new.	56	1.93

Table 17: Weighted averages for each statement relating to online metrics

Online metrics			
Rank		Statistic	Statistic
1	Measurements for digital channels are not easily translated into financial models.	56	2.13
2	Online measurement methods and techniques make it difficult to assess return on investments.	56	1.83
3	There is difficulty to align online metrics to traditional metrics in order to assess the return on investment	56	1.82

Table 18: Weighted averages for each statement relating to online targeting

Online targeting			
Rank		Statistic	Statistic
1	People with more internet experience have lower barriers to learning how to use multiple channels effectively.	56	3.09
2	Customers that previously used digital technology have increased perception and confidence towards digital channels.	56	2.86
3	Transitioning to more digital channels may induce that older people may have problems with using these channels and therefore these segments are not optimally served.	56	2.31

Table 19: Weighted averages for each statement relating to price transparency

Price transparency			
Rank		N	Mean
		Statistic	Statistic
1	Due to high levels of innovation in a digital environment, digital products lead to an ever-changing pricing landscape.	56	2.31
2	Aggregators are not authentic as they are no longer independent and form part of a larger financial institution.	56	1.41
3	Digital products have unstable reference points and volatility in price levels.	56	0.98

Table 20: Weighted averages for each statement relating to social media and brand health

Social media and brand health			
Rank		N	Mean
		Statistic	Statistic
1	Social media is associated with a great risk of damaging feedback from dissatisfied customers.	56	2.41
2	Social media has limited penetration to the broader target audience.	56	1.94
3	Social media does not represent a significant communication tool.	56	1.71

The table below demonstrates the results from proposition two, and according to the combined weighted averages of statements from each challenge, *Online targeting* was ranked as the most significant or important challenge. *Automated interaction* and *mobile devices* were rated the second and third important challenges, while *social media*, *online metrics*, *price transparency* and *cross channel-free riding* were the least important challenges for proposition two.

Table 21: Classification of challenges according to weighted averages

	Challenge	Weighted average
1	Online targeting	2.75
2	Automated interactions	2.23
3	Mobile devices	2.10
4	Social media and brand health	2.02
5	Online metrics	1.92
6	Price transparency	1.6
7	Cross channel free-riding	1.57

5.5.2 Identifying gaps in plans to address the challenges

This section intended to test whether there is a presence of actionable ‘solutions’ for challenges themed according to *go-to-market execution and operations* as per research proposition two. The gaps in plans to address the challenges were therefore identified.

Table 22: Social media and brand health

Social media does not represent a significant communication tool.	Plans to address are already in place	Plans developed but not implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	19.15%	8.51%	8.51%	10.64%	46.81%
Disagree	6.38%	2.13%	2.13%	21.28%	31.91%
Agree	0.00%	8.51%	2.13%	8.51%	19.15%
Strongly Agree	0.00%	0.00%	0.00%	2.13%	2.13%
Grand Total	25.53%	19.15%	12.77%	42.55%	100.00%

Of those that strongly disagreed that social media does not represent a significant communication tool, 19.15% said plans to address are already in place, 8.51% said plans are developed but not yet implemented, 8.51% said plans are being developed and 10.64% said plans are not developed thus far.

Of those that disagreed that social media does not represent a significant communication tool, 6.38% said plans to address are already in place, 2.13% said plans are developed but not yet implemented, 2.13% said plans are being developed and 21.28% plans are not developed thus far.

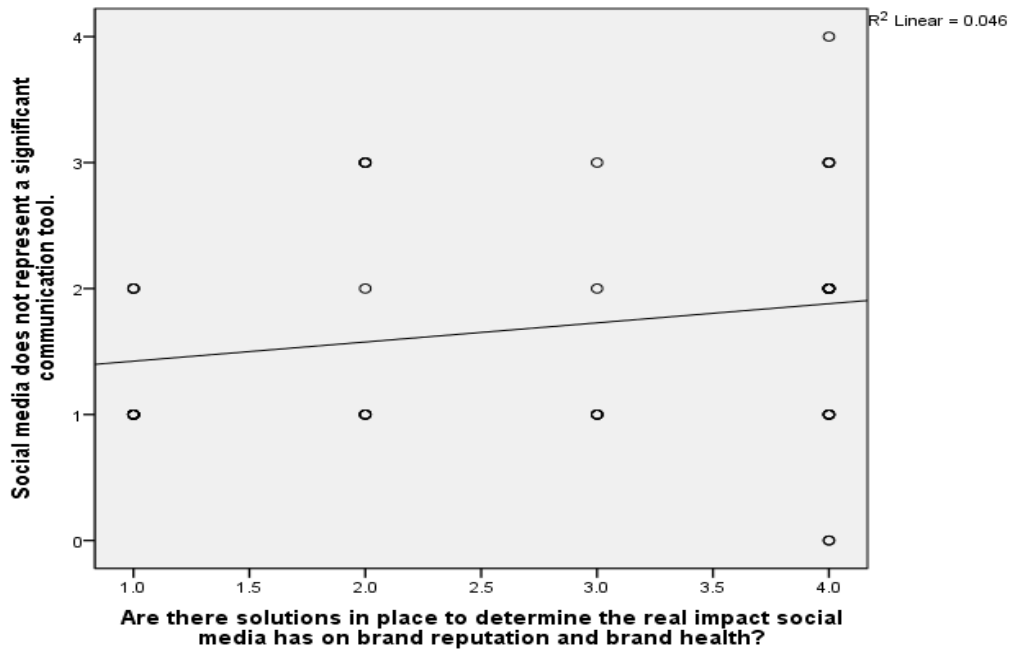


Figure 5: Scatter plot of responses to the question “social media does not represent a significant communication tool”

The trend line shows a positive relationship between the rate of the specific challenge and the gap in plans, i.e.: Low values in rates in Question 7 were associated with low values in Question 8 category codes. Essentially, if respondents disagreed or strongly disagreed with the challenge statement then they either said plans to address are already in place or plans are developed but not yet implemented.

Table 23: Online targeting

People with more internet experience have lower barriers to learning how to use multiple channels effectively.	Plans to address already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Disagree	0.00%	2.33%	0.00%	0.00%	2.33%
Agree	20.93%	11.63%	2.33%	30.23%	65.12%
Strongly Agree	6.98%	0.00%	6.98%	18.60%	32.56%
Grand Total	27.91%	13.95%	9.30%	48.84%	100.00%

Of those that strongly agreed that people with more internet experience have lower barriers to learning how to use multiple channels effectively, 6.98% said plans to address are already in place, 0.00% said plans are developed but not yet implemented, 6.98% said plans are being developed and 18.60% said that plans are not developed thus far.

Of those that agreed that people with more internet experience have lower barriers to learning how to use multiple channels effectively, 20.93% said plans to address are already in place, 11.63% said plans are developed but not yet implemented, 2.33% said plans are being developed and 30.23% plans are not developed thus far.

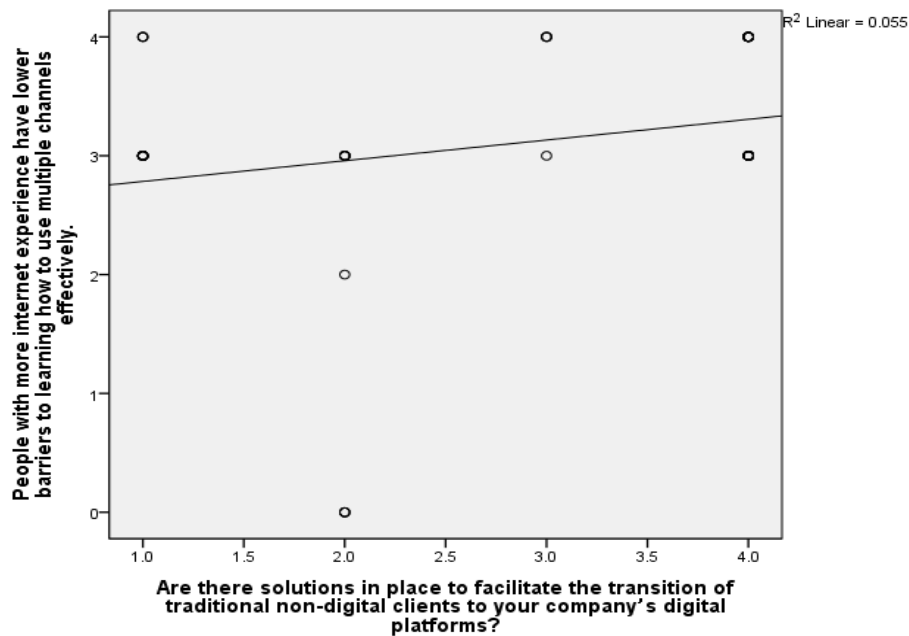


Figure 6: Scatter Plot of responses for question “people with more internet experience have lower barriers to learning how to use multiple channels effectively”

The trend line shows a positive relationship between the rate of the specific challenge and the gap in plans, i.e.: High values in rates in Question 7 were associated with high values in Question 8 category codes or ;low values in rates in Question 7 were associated with low values in Question 8 category codes. Inasmuch, as respondents agreed or strongly agreed with the challenge statement then they either said plans are being developed or plans are not developed thus far.

Table 24: Price transparency

Due to high levels of innovation in a digital environment, digital products lead to an ever-changing pricing landscape.	Plans address already place	to are in	Plans developed but not yet implemented	are but yet	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	0.00%		0.00%		0.00%	3.57%	3.57%
Disagree	3.57%		3.57%		3.57%	10.71%	21.43%
Agree	7.14%		10.71%		3.57%	35.71%	57.14%
Strongly Agree	3.57%		0.00%		7.14%	7.14%	17.86%
Grand Total	14.29%		14.29%		14.29%	57.14%	100.00%

Of those that strongly agreed that due to high levels of innovation in a digital environment, digital products lead to an ever-changing pricing landscape, 3.57% said plans to address are already in place, 0.00% said plans are developed but not yet implemented, 7.14% said plans are being developed and 7.14% said that plans are not developed thus far.

Of those that agreed that due to high levels of innovation in a digital environment, digital products lead to an ever-changing pricing landscape, 7.14% said plans to address are already in place, 10.71% said plans are developed but not yet implemented, 3.57% said plans are being developed and 35.71% said plans are not developed thus far.

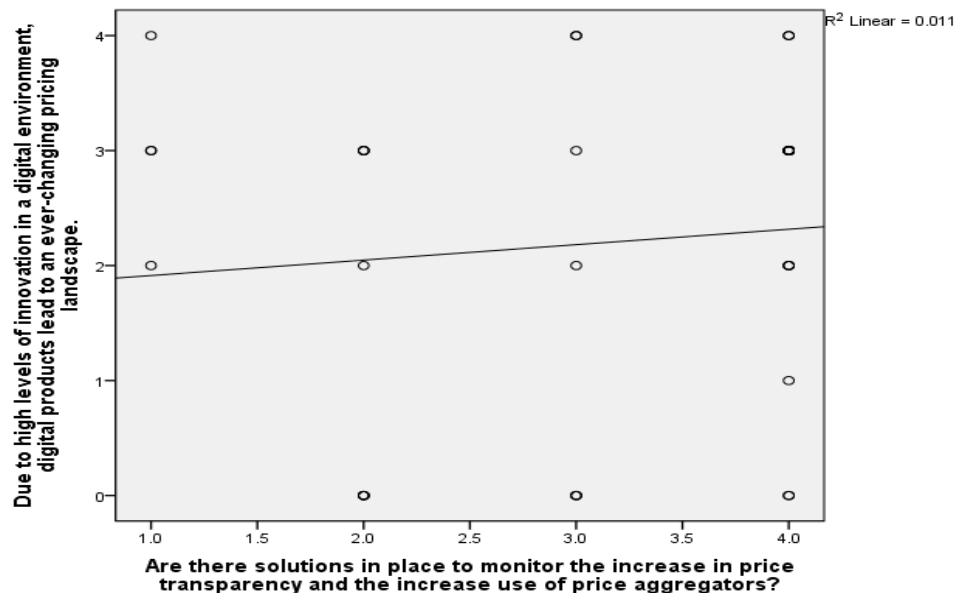


Figure 7: Scatter plot of responses to question “due to high levels of innovation in a digital environment, digital products lead to an ever-changing pricing landscape”

The trend line shows a positive relationship between the rate of the specific challenge and the gap in plans, i.e.: High values in rates in Question 7 were associated with high values in Question 8 category codes or low values in rates in Question 7 were associated with low values in Question 8 category codes. Essentially, if respondents agree or strongly agreed with the challenge statement then they either said plans are being developed or plans are not developed thus far.

Table 25: Automated interactions

Customers find automated interactions and pop-up advertisement intrusive and therefore annoying	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	2.33%	0.00%	0.00%	0.00%	2.33%
Disagree	0.00%	2.33%	2.33%	2.33%	6.98%
Agree	6.98%	6.98%	11.63%	23.26%	48.84%
Strongly Agree	4.65%	4.65%	9.30%	23.26%	41.86%
Grand Total	13.95%	13.95%	23.26%	48.84%	100.00%

Of those that strongly agreed that customers find automated interactions and pop-up advertisements intrusive and therefore annoying, 4.65% said plans to address are already in place, 4.65% said plans are developed but not yet implemented, 9.30% said plans are being developed and 23.26% said plans are not developed thus far.

Of those that agreed that customers find automated interactions and pop-up advertisements intrusive and therefore annoying, 6.98% said plans to address are already in place, 6.98% said plans are developed but not yet implemented, 11.63% said plans are being developed and 23.26% said plans are not developed thus far.

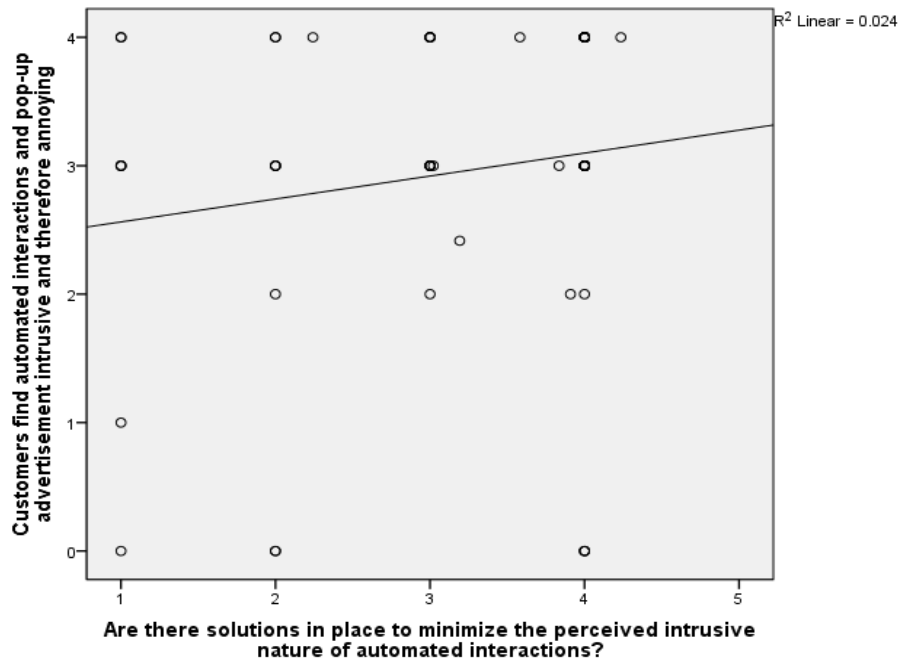


Figure 8: Scatter plot of responses to question “customers find automated interactions and advertisements intrusive and therefore annoying”

The trend line shows a positive relationship between the rate of the specific challenge and the gap in plans, i.e.: High values in rates in Question 7 were associated with high values in Question 8 category codes or low values in rates in Question 7 were associated with low values in Question 8 category codes. Inasmuch as respondents agree or strongly agreed with the challenge statement then they either said plans are being developed or plans are not developed thus far.

Table 26: Online metrics

There is difficulty to align online metrics to traditional metrics in order to assess the return on investment	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Disagree	11.76%	8.82%	17.65%	5.88%	44.12%
Agree	0.00%	11.76%	2.94%	35.29%	50.00%
Strongly Agree	0.00%	0.00%	0.00%	5.88%	5.88%
Grand Total	11.76%	20.59%	20.59%	47.06%	100.00%

Of those that strongly agreed that there is difficulty to align online metrics to traditional metrics in order to assess the return on investment, 0.00% said plans to address are already in place, 0.00% said plans are developed but not yet implemented, 0.00% said plans are being developed and 5.88% plans are not developed thus far.

Of those that agreed that there is difficulty to align online metrics to traditional metrics in order to assess the return on investment, 0.00% said plans to address are already in place, 11.76% said plans are developed but not yet implemented, 2.94% said plans are being developed and 35.29% plans are not developed thus far.

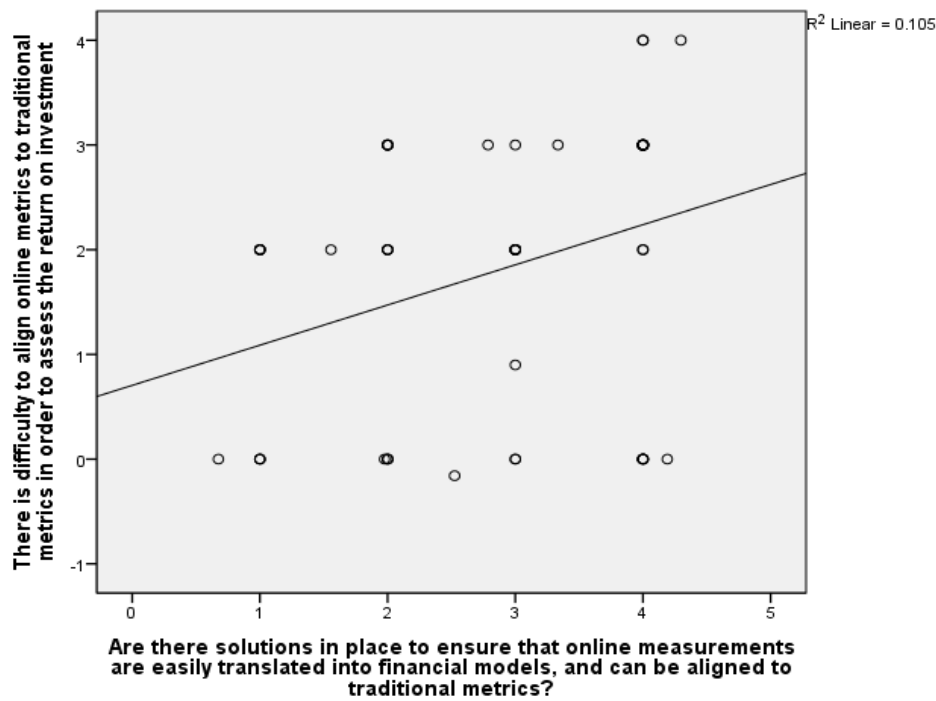


Figure 9: Scatter plot of responses to question “there is difficulty to align online metrics to traditional metrics in order to assess the return on investment”

The trend line shows a positive relationship between the rate of the specific challenge and the gap in plans, i.e.: High values in rates in Question 7 were associated with high values in Question 8 category codes or low values in rates in Question 7 were associated with low values in Question 8 category codes. Essentially, if respondents agree or strongly agreed with the challenge statement then they either said plans are being developed or plans are not developed thus far.

Table 27: Mobile devices

Excitement over the mobile device technologies results in focusing in technology alone instead of the true end goal, which is communication.	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	2.63%	0.00%	0.00%	0.00%	2.63%
Disagree	2.63%	0.00%	7.89%	10.53%	21.05%
Agree	10.53%	7.89%	15.79%	28.95%	63.16%
Strongly Agree	2.63%	2.63%	5.26%	2.63%	13.16%
Grand Total	18.42%	10.53%	28.95%	42.11%	100.00%

Of those that strongly agreed that excitement over the mobile device technologies results in focusing in technology alone instead of the true end goal, which is communication, 2.63% said plans to address are already in place, 2.63% said plans are developed but not yet implemented, 5.26% said plans are being developed and 2.63% said plans are not developed thus far.

Of those that agreed that excitement over the mobile device technologies results in focusing in technology alone instead of the true end goal, which is communication, 10.53% said plans to address are already in place, 7.89% said plans are developed but not yet implemented, 15.79% said plans are being developed and 28.95% said plans are not developed thus far.

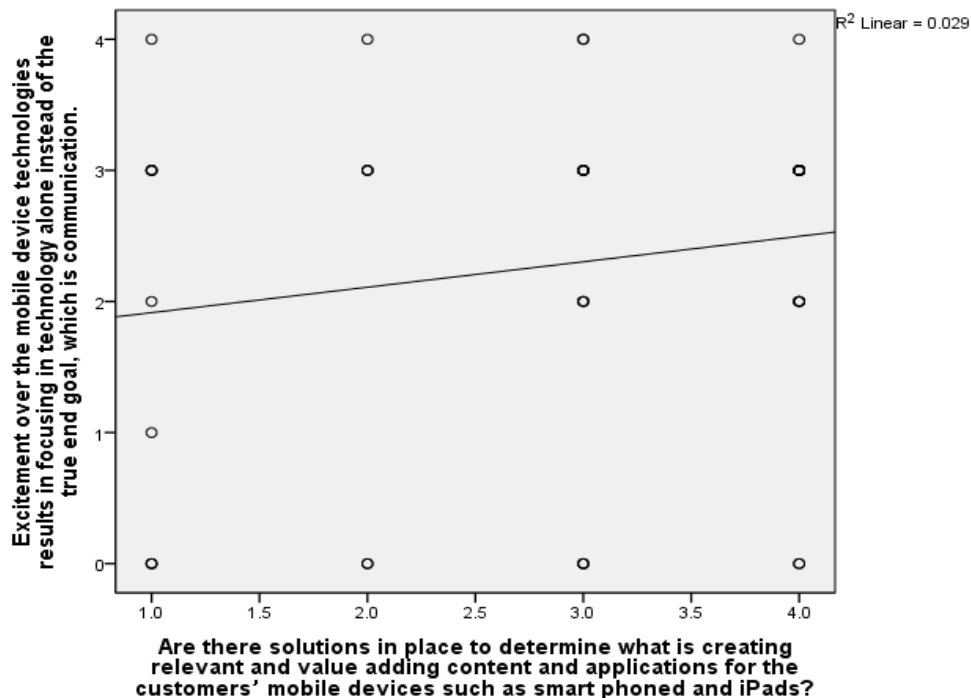


Figure 10: Scatter plot of responses to question “excitement over the mobile device technologies results in focusing in technology alone instead of the true end goal, which is communication”

The trend line shows a negative relationship between the rate given the challenge and the gap in plans. i.e. High values in rates in Question 7 were associated with low values in question 8 category codes or *vice versa*. Inasmuch as respondents agreed or strongly agreed with the challenge statement then they either said plans to address are already in place or plans are developed but not yet implemented.

Table 28: Cross-channel free-riding

Customers will search for product information in a digital channel of one store but purchase from another store whether in same or different channel.	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	3.03%	0.00%	0.00%	0.00%	3.03%
Disagree	0.00%	3.03%	3.03%	9.09%	15.15%
Agree	0.00%	3.03%	18.18%	51.52%	72.73%
Strongly Agree	0.00%	0.00%	0.00%	9.09%	9.09%
Grand Total	3.03%	6.06%	21.21%	69.70%	100.00%

Of those that strongly agreed that customers will search for product information in a digital channel of one store but purchase from another store whether in same or different channel, 0.00% said Plans to address are already in place, 0.00% said plans are developed but not yet implemented, 0.00% said plans are being developed and 9.09% said plans are not developed thus far.

Of those that agreed that customers will search for product information in a digital channel of one store but purchase from another store whether in same or different channel, 0.00% said plans to address are already in place, 3.03% said plans are developed but not yet implemented, 18.18% said plans are being developed and 51.52% said plans are not developed thus far.

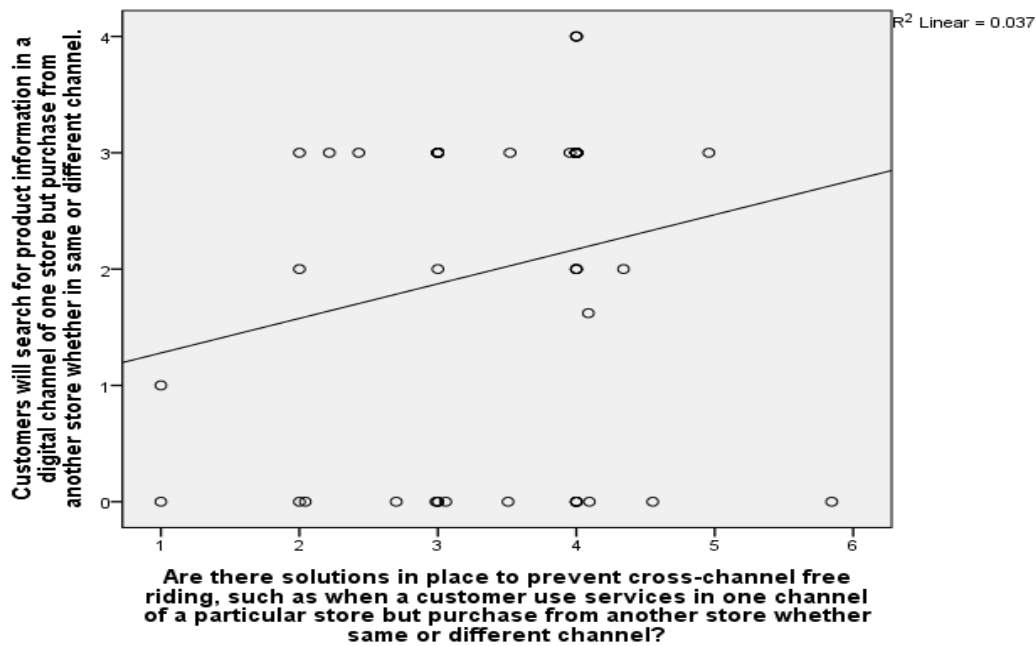


Figure 11: Scatter plot of responses to question “customers will search for product information in a digital channel of one store but purchase from another store whether in same or different channel”

The trend line shows a positive relationship between the rate of the specific challenge and the gap in plans, i.e.: High values in rates in Question 7 were associated with high values in Question 8 category codes or low values in rates in Question 7 were associated with low values in Question 8 category codes. Essentially, if respondents agree or strongly agreed with the challenge statement then they either said plans are being developed or plans are not developed thus far.

5.6 Research proposition three

Challenges associated with ‘organisation and capabilities’ are the most important for organisations to address in the implementation of multi-channel marketing and these include:

- Talent gap
- Organisational capabilities.

The table below shows the responses for each statement associated with challenges used to test the third proposition. Neutral responses are also captured as well as the total number of respondents who did not choose to be neutral on the subject matter.

Table 29: The number of neutral responses on statements relating to challenges for proposition 3

Challenges	Question7	Sub-Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total Count	Total count after removing neutral response
Talent Gap	7.28	The talent gap is identified as an organisation hire employees with excellent analytical skills, but unfortunately lack strong marketing background.	3	5	16	25	6	55	39
	7.31	The emergence digital economy is challenging the relevance of existing marketing practices as the power moves away from companies to customers.	0	3	8	30	14	55	47
	7.33	There are gaps in the interface between marketing and analytics.	1	7	12	27	8	55	43
Organisational Challenges	7.4	Lack of certainty around responsibilities, could lead the organisation to less coordinated marketing strategies.	1	3	5	35	12	56	51
	7.12	We are arriving in an era where marketing should be pervasive and managed across functional boundaries.	0	3	9	28	15	55	46
	7.35	Tension between marketing and other departments may be present, if marketing becomes everyone's responsibility.	5	15	14	12	9	55	41

The tables below shows three statements associated with a particular challenge in proposition tree, each of these statements were first measured independently. The calculated weighted average of the combined statements was then used to rank the importance of that particular challenge.

Table 30: Weighted averages for each statement relating to organisational challenges

Organisational challenges			
Rank		N	Mean
		Statistic	Statistic
1	Lack of certainty around responsibilities, could lead the organisation to less coordinated marketing strategies.	56	2.86
2	We are arriving in an era where marketing should be pervasive and managed across functional boundaries.	56	2.74
3	Tension between marketing and other departments may be present, if marketing becomes everyone's responsibility.	56	1.92

Table 31: Weighted averages for each statement relating to talent gap

Talent gap			
Rank		N	Mean
		Statistic	Statistic
1	The emergence digital economy is challenging the relevance of existing marketing practices as the power moves away from companies to customers.	56	2.76
2	There are gaps in the interface between marketing and analytics.	56	2.31
3	The talent gap is identified as an organisation hire employees with excellent analytical skills, but unfortunately lack strong marketing background.	56	2.03

The table below demonstrates the results from proposition tree, and according to the combined weighted averages of statements from each challenge, *Organisational capabilities* was ranked as the most significant or important challenge while *Talent gap* was rated the second significant challenge for proposition tree.

Table 32: Classification of most important challenges in proposition

Rank	Challenge	Weighted average
1	Organisational capabilities	2.51
2	Talent gap	2.37

5.6.1 Identifying gaps in plans to address the challenges

This section intended to test whether there is a presence of actionable ‘solutions’ for challenges themed according to *organisation and capabilities* as per research proposition tree. The gaps in plans to address the challenges were therefore identified.

Table 33: Talent gap

The emergence digital economy is challenging the relevance of existing marketing practices as the power moves away from companies to customers.	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Disagree	0.00%	0.00%	0.00%	4.76%	4.76%
Agree	7.14%	7.14%	14.29%	35.71%	64.29%
Strongly Agree	2.38%	0.00%	11.90%	16.67%	30.95%
Grand Total	9.52%	7.14%	26.19%	57.14%	100.00%

Of those that strongly agreed that the emergence digital economy is challenging the relevance of existing marketing practices as the power moves away from companies to customers, 2.38% said plans to address are already in place, 0.00% said plans are developed but not yet implemented, 11.90% said plans are being developed and 16.67% said plans are not developed thus far.

Of those that agreed that the emergence digital economy is challenging the relevance of existing marketing practices as the power moves away from companies to customers, 7.14% said plans to address are already in place, 7.14% said plans are developed but not yet implemented, 14.29% said plans are being developed and 35.71% said plans are not developed thus far.

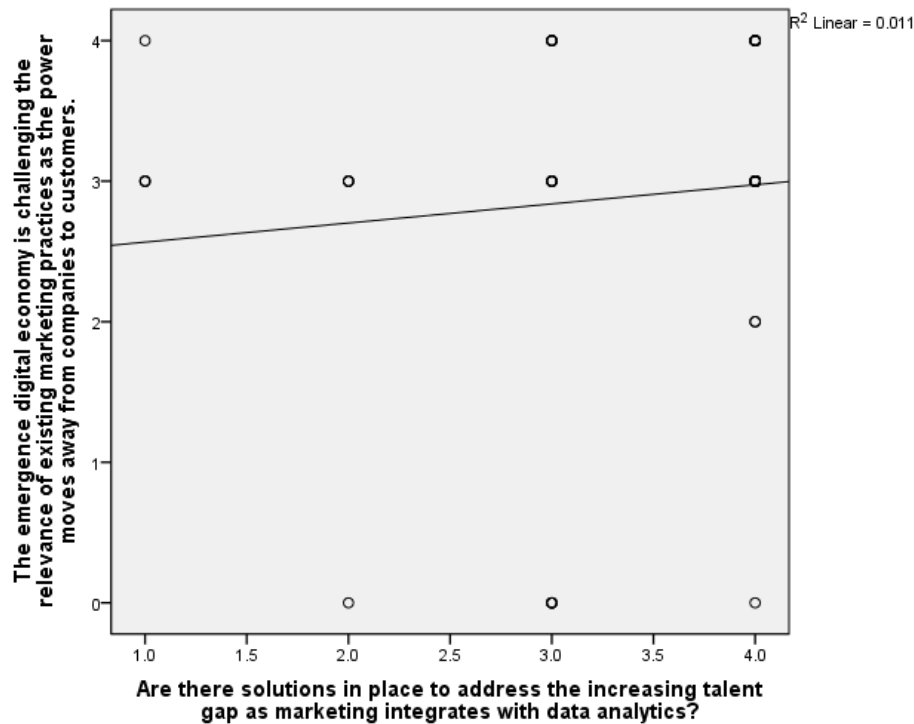


Figure 12: Scatter plot of responses for question “the emergence digital economy is challenging the relevance of existing marketing practices as the power moves away from companies to customers”

The trend line shows a positive relationship between the rate given the challenge and the gap in plans, i.e.: High values in rates in Question 7 were associated with low values in Question 8 category codes or *vice versa*. In as much as respondents agreed or strongly agreed with the challenge statement then they either said plans to address are being developed or plans are developed but not yet implemented.

Table 34: Organisational challenges

Lack of certainty around responsibilities, could lead the organisation to less coordinated marketing strategies.	Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far	Grand Total
Strongly Disagree	2.27%	0.00%	0.00%	0.00%	2.27%
Disagree	0.00%	2.27%	2.27%	2.27%	6.82%
Agree	2.27%	9.09%	13.64%	38.64%	63.64%
Strongly Agree	0.00%	2.27%	9.09%	15.91%	27.27%
Grand Total	4.55%	13.64%	25.00%	56.82%	100.00%

Of those that strongly agreed that lack of certainty around responsibilities, could lead the organisation to less coordinated marketing strategies, 0.00% said plans to address are already in place, 2.27% said plans are developed but not yet implemented, 9.09% said plans are being developed and 15.91% said plans are not developed thus far.

Of those that agreed that lack of certainty around responsibilities, could lead the organisation to less coordinated marketing strategies, 2.27% said plans to address are already in place, 9.09% said plans are developed but not yet implemented, 13.64% said plans are being developed and 38.64% said plans are not developed thus far.

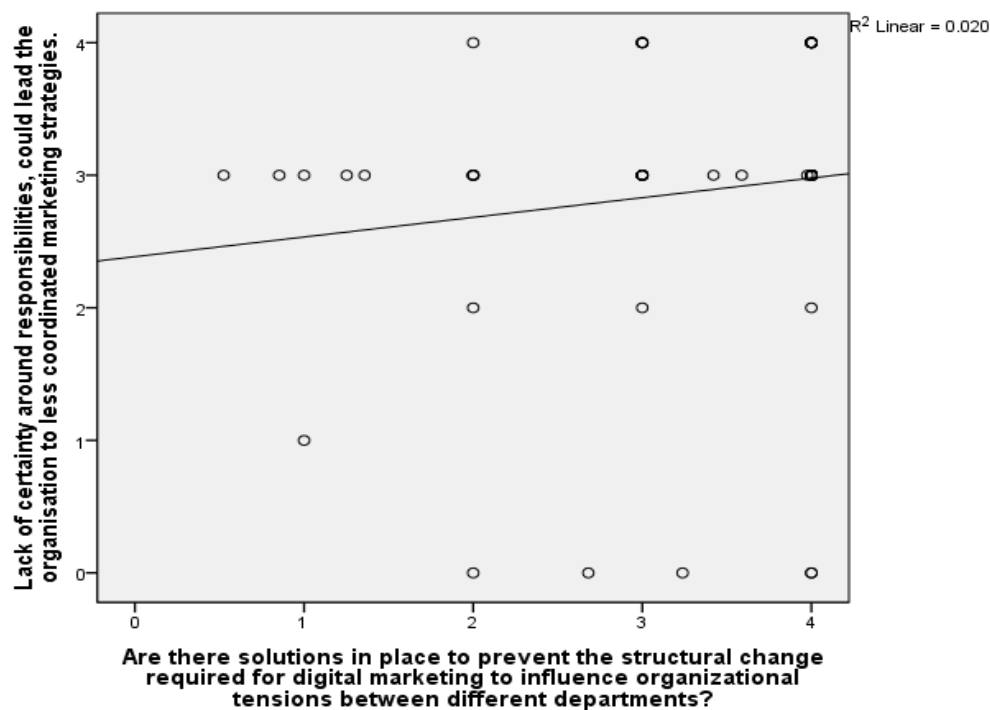


Figure 13: Scatter plot of responses for question “lack of certainty around responsibilities, could lead the organisation to less coordinated marketing strategies”

The trend line shows a positive relationship between the rate given the challenge and the gap in plans, i.e.: High values in rates in Question 7 were associated with high values in Question 8 category codes or low values in rates in Question 7 were associated with low values in Question 8 category codes. In as much as respondents agreed or strongly agreed with the challenge statement then they either said Plans are being developed or Plans are not developed thus far.

5.7 Conclusion

The overall ranking of the challenges based on the weighted average response rates were:

Table 355: Overall ranking of the challenges

Rank	Challenge	Weighted average	
1	Online targeting	2.75	Most important challenges
2	Organisational challenges	2.51	
3	Digital revolution and business models	2.44	
4	Customer insights	2.40	Sizeable challenges
5	Talent gap	2.37	
6	Automated interactions	2.23	
7	Mobile devices	2.1	Moderate challenges
8	Stifling creativity and innovation	2.02	
9	Social media and brand health	2.02	
10	Online metrics	1.92	Least important challenges
11	Price transparency	1.60	
12	Cross channel free-riding	1.57	

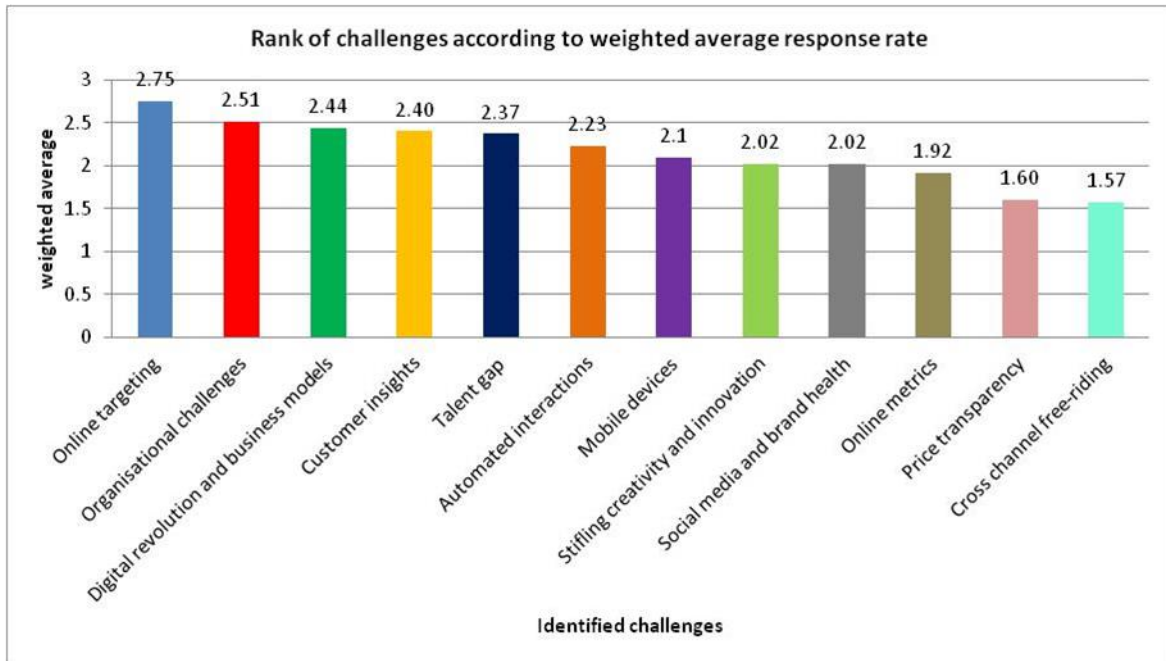


Figure 1: Classification of challenges according to weighted average response rate

According to the results of the top 5 challenges rated as the most significant were;

- **Online targeting** – Challenge associated with ‘go-to-market operations and execution’ from research proposition 2
- **Organisational challenges** – Challenge associated with ‘organisation and capabilities’ from research proposition 3
- **Digital revolution and business models** – Challenges associated with ‘business strategy’ from research proposition 1.
- **Customer insights** – Challenge associated with ‘business strategy’ from research proposition 1.
- **Talent gap** - Challenge associated with ‘organisation and capabilities’ from research proposition 3

Digital revolution and business models was rated one of the most important challenge to be addressed by organisations, and was the only challenge whose importance or significance demonstrated a links with regards to the rate in which organisations are developing the solutions. 33% of the respondents said that plans are already in place, 41% said that plans are being developed while 15% said plans are developed but not yet implemented. This result indicated that as the perception on the significance of this challenge increases, organisations are also increasingly investing in the ‘solutions’ to close the gaps in their plans to address this challenge. However, the rest of the data indicated that South African organisations are very much behind in closing the gaps in plans to address digital challenges. Even when the challenge was rated as one of the most significant challenge, most of the respondents indicated that their organisations do not have plans in place to address these challenges.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The previous chapter presented the results from the research process, in which three propositions derived from the literature concerning the challenges faced by organisations in the application of digital marketing strategies were examined through a survey of business leaders employed in companies across industries in South Africa. This chapter discusses the findings in relation to previous research on the implementation of multi-channel marketing in a digital environment.

Each of the three propositions tested were broadly supported by the data; the results were both concurrent with the literature on many levels while some points contradicted the literature. Each of the propositions is discussed separately below, with the intention to gain a more profound understanding of each of the challenges faced by organisation while assessing the relevance of each challenge for the organisation. The analysis further determines whether organisations have developed solutions for these challenges and assesses the gaps in plans to address these challenges.

6.2 Discussion of Research Proposition One

Research Proposition One is concerned with establishing whether the challenges associated with 'business strategy and customer insights' are the most important for organisations to address in the implementation of multi-channel marketing and these include:

- Digital revolution and business model.
- Customer insights.
- Stifling creativity and innovation.

6.2.1 Digital revolution and business model

The data concurred with the literature in identifying that many business model changes affect both value creation and value appropriation and its underlying strategies (Dholakia *et al.*, 2010; Leeflang *et al.*, 2014). Offering customers the ability to search and buy online requires organisations to re-specify their business models. The integration of digital technologies into existing business models and adopting current business models to new or disruptive technologies was ranked third, making it the most important challenge to be addressed in the implementation of digital marketing.

The literature reviewed on digital marketing argued that outcomes of decision-making authority are fragmented across channels does not mitigates a coherent and consistent customer experience (Spiess *et al.*, 2014; Lipiäinen, 2014; Neslin *et al.*, 2009). The data concurred with this idea, showing that most companies feel that digital marketing is a disruptive force that has an overwhelming impact in transforming business models. This also concurred with Leeflang's (2014) contention that the integration of digital channels into existing business model are very important strategies to address the threat disruptive technologies might have on the existing business models. The data remained consistent with the literature as the majority of the respondents agreed that the introduction of digital channels into traditional channels increases management complexity (Valos *et al.*, 2010). Many organisations face these digital challenges because of their very fast adoption of new free digital services. As a result this could have unpredictable consequences on the customers' lifetime value for companies.

Elements of a new business model emerge from finding innovative ways of meeting these needs as well as probably enhancing the current features in the existing business models. Furthermore, a holistic approach of combining the characteristics of these industry models that are complimentary to each other and adapting these characteristics to suite the local markets also reveals further features of an emerging business model. Digital orientation enables a complete transformation of the operating business model, while providing a seamless brand experienced for today's tech-savvy, multi-device-owning customer. Interestingly, only 33% of the surveyed respondents indicated that their online and offline analytic capabilities are completely integrated across all functions. The reality is that challenges still exist for all companies that seek integration between offline and online channels.

The data however did not fully support the results of the study performed by Leeflang *et al.* (2014) in that Leeflang *et al.*'s study established digital revolution and business models as a

moderate challenge and marketing executives in that study indicated that their companies have developed effective solutions to manage the integration of business model with digital channels. The data from this research study however, indicated this as one of the most important challenges the organisations face in the implementation of digital channels, while the plans to address this challenge have not yet been fully implemented. It is therefore evident that these models are functioning primarily in the developed economies and are not directly translatable into South African markets that operate under different demographics and economic conditions. It is important that South African companies become equal by studying the developed markets business models and therefore adaptations, combinations and additions to these models that would better serve the local markets can be found by identifying attributes of the afore-mentioned business models that fall short of meeting local needs.

6.2.2 Customer insights

The results from Chapter 5 confirmed that South African managers and business leaders believe that in a digital environment, the ability to generate and leverage deep customer insights is one of the sizeable challenges to be addressed as this was classified fourth. In most organisations both the end-users and strategic decision makers often struggle to make sense of the data they are collecting and generating. As the volume of data continues to increase ascendingly, the ability to collect it from a multitude of sources has greatly improved; the real issue has become how to transform all of this data into usable information. The data from the respondents also concurred with the literature from Lipiäinen, (2014) and Stone *et al.* (2013) by indicating that creating a balanced experience for customers is a challenge in producing effective media channels. Chaffey (2010), Neslin *et al.* (2010) and Valos *et al.* (2010) supported this view by establishing that often specialists who are involved with refining these channels will have different views on what is effective. Organisations are analysing thousands of records from social media, online advertising, and overall marketing trends, and they are attempting to correlate that information with actual offline point of sales data and are unfortunately encountering unstructured data and data that normalises poorly.

The literature review remained consistent with the data collected in this particular research study, as 87% of the respondents agreed and strongly agreed that, there is a disconnect between customer centricity and the planning processes of most organisations (Mulhern, 2009). The question remains: How can data drive strategic planning and tactical decision-

making in an accurate direction from the executive boardroom all the way to specific lines of business? It is evident that when big data is meaningful and insightful, it can assist organisations to make better and faster decisions. However, it is still one of the greatest challenges faced by organisations today because of the volume of records, lack of structure and data is often aggregated from sources that were never meant to be merged and joined to generate insights.

Whilst the two issues on customer insight that are mentioned above emerged most decisively between the literature and data, only 58% of the respondents felt that companies are facing difficulties in identifying the different customer characteristics at the different stages of the purchasing process (Neslin *et al.*, 2010; Valos *et al.*, 2010; Dholakia *et al.*, 2010). This could be as Leeflang *et al.* (2014) pointed out, that technical analysis of customer journeys has become a salient feature for most organisations, as they follow customers when they seek information, compare products, and ultimately take decisions to purchase the products. Efficient tracking of a customer's journey is a fundamental requirement to optimise advertising campaigns. For example, companies like Amazon that systematically analyse traditional data are evidently outperforming their competitors.

In Leeflang's *et al.* (2014) research, customer insights was ranked the first largest challenge, and had the most developed plans. However the respondents from this particular research study classified customer insight fourth, making it a sizeable challenge to address for South African companies. From the data it is evident that South African companies are lagging behind because as much as customer insight is ranked as a sizeable challenge, plans to close the gaps are not yet fully addressed. Understanding the customers' buying and decision-making processes may assist companies to create strategies for engaging with these customers in digital platforms. This does not mean companies should neglect their traditional media, but rather use online platforms to increase the prospects of garnering the attention of the customer in a more fragmented market. The literature reviewed strongly demonstrated that companies that engage and collaborate with their customers through Social CRM have invested in comparatively more strategic methods to view their customers and stakeholder relationships (Stone *et al.*, 2013; Dholakia *et al.*, 2010; Devale *et al.*, 2012).

The point of efficient digital channels is to ensure that they are effective as well, and an organisation that has been successful at this will empathise with customers, evolve marketing initiatives to engage as well as share and help customers, rather than target, capture and convert them. Additionally, engaging customers in an ongoing dialogue instead of individual transactions and treating customers as a continuous relationship that covers the

whole spectrum of sales, service, retention and loyalty will raise the idea of customer centricity to the organisation's overall strategy and culture.

6.2.3 Stifling creativity and innovation

The results from the data and the literature review reflected a concern that the over-reliance on data and hard facts can stifle creativity and breakthrough innovations. This was classified eighth, making this tension a moderate challenge for South African companies. It was also evident that South African managers and business leaders are divided in their view related to the influence digital marketing has on creativity and innovation.

From the data it was observed that only 57% of the respondents felt that for South African organisations, creativity and innovation may be somewhat reduced in a more data driven environment. This concurred with the literature from Fulgoni (2013) that despite the opportunities presented by real time digital data, there is a threat that it can potentially erode long-term brand equity because it promotes a short-term decision-making mind-set. To support this view, Leeftang *et al.* (2014) indicated that data is a proven determiner of very marginal innovations such as line extensions, but does not however contribute significantly on radical innovations as they are less determined by data. Companies that have focused their energy on breakthrough innovations are successful, and above all leverage a range of inputs beyond quantitative data.

However there were still a few respondents who agreed with Fulgoni (2013); Liao *et al.* (2009) and Mulhern (2009) that predictive analytics or business intelligence can provide organisations with a more profound understanding of their consumer purchasing behaviours. Interesting, though, is that these days big data is also considered an important source of innovation. For example, Wal-Mart contracted with Hewlett Packard to construct a data warehouse with a capacity of storing 4000 trillion bytes of data. This represented every single purchase record from their point of sales terminals, with about 267 million transactions each day at their 6000 stores worldwide. By applying machine learning to this data, they could detect patterns that indicated the effectiveness of their advertising campaigns, their pricing strategies as well as attempting to better manage their inventory and supply chains.

Mulhern (2009) argued that the use of fact-based decisions through data analytics may compromise out-of-the-box thinking. Only 53% of the surveyed respondents agreed and strongly agreed with this argument that companies are compromised in developing new

initiatives and innovations as intuitions and creativity becomes less relevant. The issue here is that the “creative” employees may be demotivated as they feel less influential in their organisations, and they leave their organisations to seek more entrepreneurial and stimulating environments. Organisations and their IT departments specifically must alter their definition of users; this must also include customers, partners, statisticians, internal end users and executives. Importantly, when IT departments are asked to implement predictive analytics solutions, they are in actual fact being asked to provide an ecosystem of platforms and tools that are suitable for every user covered by this new definition, allowing them to make better decisions faster and efficiently.

In the study by Leeflang *et al.* (2014), the data-innovation dilemma was concluded to be a less relevant challenge, and organisations did not develop plans to address this challenge. This current research study however revealed that as much as this challenge is not a priority, it is still a moderate challenge that needs to be addressed. The data also revealed that 31% of the respondents’ organisations have developed plans to address these challenges, while 57% felt that plans were not developed thus far. These findings confirmed that In South Africa there is a belief that although creativity and innovation may be negatively affected in a data driven environment, it does not however imply that there are no innovations. The literature reviewed argued that the integration of different channels can hamper innovativeness (Leeflang *et al.*, 2014) this is however not true for South African organisations as 82% of the respondents disagreed and strongly disagreed with this notion. Predictive analytics and business intelligence is considered an important source of innovation as companies are investing in product development while improving customer service processes using various data sources. Realistically IT departments can only support a finite number of tools and it is likely that others in the organisation will desire to analyse aggregated data that spread through the organisation, a task made much more difficult with unfamiliar data management and analytics tools.

6.3 Discussion of Research Proposition Two

Research Proposition Two is concerned with establishing whether the, challenges associated with ‘go-to-market operations and execution’ are the most important for

organisations to address in the implementation of multi-channel marketing and these include:

- Social media and brand health.
- Online targeting.
- Price transparency.
- Automated interactions
- Online metrics.
- Mobile devices.
- Cross-channel free riding.

6.3.1 Social Media and Brand Health

Social media was ranked ninth, making it a very moderate challenge that South African organisations have to deal with. Not all challenges associated with the implementation of social media to the organisations' digital platforms are viewed as a major concern in a South African context. This is consistent with literature review; from those who are advocates of social media there is the opinion that despite all the concerns social media presents the realised benefits of the customer being connected (Nitzan *et al.*, 2011; Yoganarasimhan, 2012; Chen *et al.*, 2013). According to Bagaturia *et al.* (2014) social media has presented opportunities to develop trust and to reach larger audiences at a much lower cost.

The data garnered from this research study revealed that 80% of the respondents disagreed and strongly disagreed with the statement that social media does not represent a significant communication tool. This is in contrast with the literature, where both Leeflang *et al.* (2014) and Kaplan *et al.* (2010) argued that the value of social media for most organisations remain uncertain. Organisations need to be aware of the changes to the delivery of brand and product images. Unlike traditional media such as television, radio and print messages, social media is more about the frequency of the contact with the message and not the frequency of the message. Frequency nowadays is concerned with how often the company is reaching and conversing with the customers and building those relationships. The question that remains to be answered is: How can organisations effectively engage with these social

communities, since some researchers have indicated that social networks rejects promotional campaigns (Ritson, 2010; Leeflang *et al.*, 2014 and Kaplan *et al.*, 2010). The effects of social media can be complicated, because the effect of these social networks also depends on the type of contact between customers and the social networks change over time. The literature reviewed concerning social media urges that social media has limited penetration to the broader target audience (Ritson, 2010; Leeflang *et al.*, 2014; Kaplan *et al.*, 2010); this statement was tested, and 64% of the respondents disagreed and strongly disagreed. However many researchers concurred with the data, stating that social media has managed to overcome distance while enabling continuous and convenient interactions through personal engagement (Chen *et al.*, 2011; Svetlana *et al.*, 2012; Smith 2011). To be successful in this regard, organisations have to enhance their abilities to measure and understand their social media efforts. This will enable organisations to better understand their social data to make more informed decisions and drive more impactful results.

The literature is consistent with the data in that 67% of the respondents agreed and strongly agreed that social media presents a significant risk of damaging feedback from the customers. All researchers appeared to be in agreement with this statement, with Bagaturia *et al.* (2014) and Leeflang *et al.* (2014) reiterating that the attempt to engage customers in brand building through social media presents weaker control. Social network conversations are more likely to have negative opinions about the brands. The unfortunate reality is that whatever is said in social networks environment—whether good or bad—disseminate much quicker. This presents a challenge in that marketers do not have an understanding of how to develop strategies and tactics to counteract negative publicity, as this has negative effects on the brand's reputation. Monitoring social networks is important in order for companies to react to any negative publicity. However many companies are ill-prepared to deal with negative feedback and interfering may fail as company representative who respond may be considered as tools of propaganda.

In the research done by Leeflang *et al.* (2014), the role of social media in managing brand health is considered one of the most important challenges and is ranked second. The main concern is that although social media is taking control of the brand reputation, organisations are struggling to measure its real impact. Leeflang *et al.*'s study further established that, 74% of the respondents surveyed are minimally using social media for marketing initiatives. Many companies also demonstrated that even when plans exist, they are not frequently implemented. This is in contrast to South African organisations ranking social media and brand health ninth, and this may demonstrate that organisations are willing to take the risk maybe because the perception is that, the benefits social media present far outweigh the

threats. Organisations are at a crossroad, the South African respondents acknowledged that social media is an important platform, but have little understanding and experience in managing these conversations effectively and are unsure about how to take advantage of the opportunities it presents.

6.3.2 Online targeting

The study ranked online targeting as the first most important challenge for organisations in the implementation of multi-channel marketing in a digital environment. Online channels, more specifically social networks' usage has increased in popularity among the younger generation, however this should not assume that the older generation has not been attracted to this medium. In the literature review, Chiu *et al.* (2011); Dholakia *et al.* (2010); Neslin *et al.* (2009) established that, there is a bias in targeting older people as organisations directs their digital marketing efforts to the younger audience. This particular research study's data also indicated that a majority of South African companies feel that while the buying power of the older generation far outweighs that of the younger generation, the so called "millennials", they are still unable to successfully attract them to their digital mediums. However it is interesting that previous research has established that 79% of the older generation regularly use the internet, while less than half use smartphones to check emails and go online. Though a majority shop online and engage in social media, from a computer. It is therefore important to accept that the older generation segment is quite large and diverse; companies should specifically target the segment that is most likely to purchase, or be interested in the services. Additionally, companies should identify which communication channels will efficiently reach this audience and develop messages that will appeal to them.

The data strongly concurred with the literature, as almost all respondents agreed that customers that previously used digital technology are more confident in using these technologies. Chiu *et al.* (2011) used the theory of self-efficacy to demonstrate that when a person's perception is that they are unable to fulfil a task, they will not engage in that behaviour. The data also remained consistent with the literature from Chiu *et al.* (2011); Dholakia *et al.* (2010) and Neslin *et al.* (2009), as a majority of the respondents felt that people with more internet experience have lower barriers to learning how to use digital channels more effectively. This is a sad reality in South Africa, as the literacy rate is low and the majority of the population does not have access to basic needs; as a result online technologies are only an idea far from reach. However, companies must begin to invest in simple and secure online processes; this can make it easier for this target group to find what

they need on websites and should be able to purchase products with the fewest clicks possible. While keeping in mind that e-commerce is growing at an accelerated rate year-on-year with many major consumer brands and chains not yet having devised comprehensive online retail strategies, maybe a solution to penetrate this segment is through integration of both online and offline channels.

In the study by Leeflang *et al.* (2014), online targeting was perceived as the least important challenge for organisations, the perception was rather that online media have been adopted by the vast majority of the market. According to Leeflang *et al.*'s study, one can assume that in developed markets older consumers have been observed adopting similar online buying habits as the younger consumers. In South Africa this definitely is not the case, as much of this has been identified as the first most significant challenge, with only 49% of the respondents indicating that plans to address this challenge have not been developed, while 14% said plans are developed but not yet implemented. The problem could be that many South Africans currently have no access to the internet, which makes it more challenging for companies to adequately target their consumers online. According to the report by World Wide Worx (2012) at the end of 2012 South Africa had approximately 8.5-million internet users. This growth brings Internet penetration in South Africa to approximately 17%, maintaining a high growth rate fuelled by the explosion of smartphones in the South African market. Despite rapid growth South Africa still lags significantly behind the largest Internet user bases of Africa. Nigeria, with 45-million users, has 29% penetration, Egypt has 21.6-million users and a 26% penetration, Morocco has 15.6-million users representing 49% penetration and finally, Kenya claims 10.4-million internet users, which equates to 25% penetration. In all these African countries, the high Internet penetration is a consequence of heavy use of the Internet on cellular phones, but it should be borne in mind that physical infrastructure of Internet access is less developed in these countries, and quality of access is relatively poor. Similarly, access infrastructure in South Africa is also still limited to major urban areas, although this is being addressed by the implementation of new fibre grids by several network operators.

6.3.3 Price Transparency

According to the data results, price transparency is ranked eleventh, making it the least important challenge for organisations. It is however important to emphasise that the statements pertaining to this challenge had an alarming number of “neutral” responses, which may indicate that some of the respondents did not understand the questions.

There is a general sense of agreement between literature and data, as more respondents concurred with Leeflang *et al.* (2014) and Ou *et al.* (2014) that price aggregators are not authentic as they are no longer independent and form part of a larger organisation. This is in contrast to Chaffey's (2010) view that price transparency can be an opportunity for organisations to evolve their business model in a way that will offer the best value for its customers. It has been observed that price aggregators are increasingly being adopted by many financial institutions. This however still poses significant challenges for insurance companies, especially for their traditional business models. Adapting to aggregator distribution and online consumer behaviours has impacted core operations and caused particular issues in areas such as pricing, branding, product design, cross-selling strategies, customer retention and systems integration (Fulgoni, 2013). The reality is that the insurance industry is growing rapidly with new brand launches, with the emergence of new channels and entrants from direct insurers through to corporate partners. Resultantly, consumers are much more willing to utilise online insurance brands and have relatively low levels of brand loyalty and highly price sensitive consumers view the internet as a low cost channel. Price is widely regarded as the single most important factor for the majority of South African consumers when choosing an insurance provider, regardless of the product and channel. However, as much as the data has indicated this the least important challenge, Ou *et al.* (2014) argues that price transparency can have very strong consequences for organisations, especially during the current difficult economic times.

The data concurred with the literature that high levels of innovation in the digital environment and digital products lead to ever-changing pricing landscape (Rowley, 2008). However, the respondents' perceptions of the statement "digital products have unstable reference points and therefore instigate volatility in price levels" remained unclear. Nevertheless, Hendrix (2014) mentioned that as much as digital content value is the major determiner of price, there are still other important drivers to consider, such as interactivity, timeliness, accuracy and completeness. There is a great uncertainty when it comes to establishing an optimum pricing strategy, or even the levels that are acceptable to the customers. Organisations have an important role in assisting the formulation of the notion of value as customer experience of the content is influenced by all the stakeholders in the value chain, this includes the contribution from the customers as well, and essentially, on their learning and skills. Organisations should therefore develop pricing strategies that are sensitive to the way in which customers create and use value with digital content; essentially pricing strategies require customer value perspective as opposed to producer or marketplace perspective. It is also important to recognise that consumers are accustomed to a weak connection between

quality and price for digital content, because they receive digital content free at some point of use.

This study is consistent with the results from Leeflang *et al.*'s (2014) study; South African companies identified price as the least important challenge to be addressed by their executives. Furthermore both studies indicated that their organisations have not yet developed plans to address this challenge. As much as price transparency can introduce challenges for some companies, neither of these studies supported that debate. However, the impact of price aggregators has been more evident in the insurance industry where customer retention plays a pivotal role in insurer profitability, and insurers have long sought ways to improve customer loyalty. Efforts have always been hampered by the fact that, in comparison with other industry sectors, there are relatively few opportunities to develop a relationship and interact with the customer over the policy lifecycle. It is possible to conclude that both studies did not have enough representation from the insurance industry in the respective studies.

6.3.4 Automated Interactions

Automated Interactions were ranked sixth, and are perceived to be a sizeable challenge that South African organisations need to address. The literature reviewed from Rowely (2008); Chen *et al.* (2011) and Truong *et al.* (2010) indicated that customers find automated interactions and pop-up advertisements intrusive and therefore annoying. The data from this study concurred with this statement as 90% of the interview respondents either agreed or strongly agreed with this perception. According to Leeflang *et al.* (2014), as much as automated interaction provides cost saving opportunities, there is a greater risk of damaging brand reputation from customer resistance and dissatisfaction. It is estimated that consumers are exposed to more than 5,000 brand messages each day and they do not have the time or energy to process most of them. Resultantly, the consumer has become increasingly savvy at deflecting disruptive advertising. Companies have to learn that if they desire people's attention, they must give something more valuable; consumers value brands that are useful more than brands that are merely interesting. The most successful brands are those that are becoming truly user-centric and designing services that help make people's lives better. Advertising is most effective when it is part of a value exchange and as consumers are aware of how much their attention is worth to marketers, they expect to be rewarded in return. These rewards include being compensated with loyalty programmes, free content or useful tools that solve problems.

The data also concurred with literature, by indicating that negative effects caused by pop-up advertisement can lead to lower brand attitudes and tendency by consumers to avoid them over time (Truong *et al.*, 2010; Baron *et al.*, 2014). As consumers use technology to bypass advertisements online, in television and on the radio, advertisers respond by developing new techniques to ensure that advertisements are noticed. The result is an evolution of increasingly sophisticated intrusive advertisements. For example, with pop-up blockers and other technologies that limit the effectiveness of traditional pop-up advertisements, advertisers and technology companies develop more attention-grabbing—and some would argue more effective—advertising formats for the Internet. The trade-off between perceived intrusiveness and usefulness may help explain the success of products such as Google's AdSense, which generates about one third of Google's advertising revenues. AdSense allows advertisers to place very plain-looking adverts that are identical in appearance to Google's search adverts on websites with closely matched content. Previous research has indicated that making advertisements that are more visually striking could be counterproductive or culminate in being a wasteful expenditure. More generally, the viable routes to online display advertising success could be placing resources into increasing the visibility of advertisements or investing resources to target advertisements to prime contexts.

Although the respondents acknowledged the potential for backlash from such intrusive actions, the very existence suggests that such advertisements may be effective. This was further supported by the data that confirmed that approximately 68% of the respondents disagreed and strongly disagreed with the statement that customers have developed negative attitudes towards digital activities (Smith, 2010; Leeflang *et al.*, 2014; Truong *et al.*, 2010; Baron *et al.*, 2014). A possible explanation for why consumers view only some advertising as irritating is the concept of intrusiveness. This result demonstrated that consumers may be willing to tolerate contextually-targeted advertisements more than other adverts because they potentially provide information; however, making such adverts obtrusive in nature may increase perceptions of manipulation. Additionally, there has been a few studies that established that Generation Z or “millennials” lead the pack when it comes to the adoption of technology, outpacing their Generation X counterparts in nearly every digital activity. Gen X-led organisations need to ensure that their brand experiences align with the Millennials' tech-led lives and that digital is not simply an afterthought in the brand. Although many Millennials understand that targeting has become the natural order of things, some still believe that targeting on their phone is an invasion of privacy. Brands should ensure that the targeting they engage in feels useful and light, to avoid being labelled invasive in the planning process.

In the study by Leeflang *et al.* (2014), automated interactions are considered to be a moderate challenge and these interactions have signalled that they have developed effective solutions. In South Africa, however, it seems that the country is lagging behind with only 14% of interview respondents who indicated that they have solutions to address the challenges that automated interactions and pop-up advertisements present. This becomes a huge concern, because the literature has established that careful monitoring of the effects of automation on customer satisfaction and online experience are strategic to defending brand health (Leeflang *et al.*, 2014).

6.3.5 Online Metrics

In the study by Zenetti *et al.* (2014), it was established that there is a growing perception that online measure do not have financial impact, and that they are not easily comparable to traditional metrics. Furthermore, online metrics were classified as a sizeable challenge, and it was indicated that organisations are however still lagging behind in terms of solutions. According to the data results from the survey questionnaires, online metrics was ranked tenth by South African business leaders, making it one of the least important challenges for organisations to address. Two separate statements that addressed the issue regarding the difficulty of translating online measurements into revenue or return on investment had very conflicting results. The first statement most respondents agreed with that online measures are not easily translated into financial models, and then again disagreed on the next statement. This indicated that they may have not understood one or both statements. However, a great deal of literature has supported this view that online metrics are not an effective financial indicator even though it is not clear where South African organisations stand. For example, Chaffey (2010) mentioned that there is an overlap in managing the change of the new techniques and changes to existing techniques, while Leeflang *et al.* (2014) and Fulgoni (2013) agreed that click advertisement ignores the impact of frequency of exposure and can lead to errors when attempting to build a brand. Companies often wonder what the relative contribution of a specific measure was on sales in its respective channel because companies are attracted to multiple online and offline media and channels as well as to online and offline stores. Organisations need to invest in solutions that analyse the data on a more aggregated level. One method companies have adopted is the 'last-click' method with the sale being attributed to the last medium used. The challenge with this approach is that the customer journey is ignored, because consumers are usually confronted with multiple stimuli, and only the final part of the journey is observed.

The data concurred with literature in that there is a difficulty in aligning online metrics to traditional metrics in an attempt to assess return on investment (Zenetti *et al.*, 2014). According to Leeflang *et al.* (2014); Mulhern (2009); Daj *et al.* (2009) and Valos *et al.* (2010) organisations must develop universal metrics that will enable them to measure the effectiveness of digital channels with traditional channels in order to have a direct comparison of the financial outcomes between these channels. It has been observed that search engine advertising and paid search engine advertising has proposed a new mind-set to metrics, and these metrics must be adopted to compare the effectiveness of digital channels and traditional channels. In search advertising, advertisers are able to connect the online adverts to the specific online order it generated by matching cookies. The combination of targeting, pay-for-clicks and sales tracking make the sales impact of search advertising highly measurable. This creates strong feedback loops as organisations track performance in real time and rapidly adjust their spending.

Search adverts are triggered by specific keywords. For example, consider a company selling health insurance for families. Some of the search phrases related to health insurance could include “health insurance”, “family health insurance “and “South African health insurance”. The companies can also specify that an advert must be shown only for the phrase “family health insurance”. Further, these adverts can be geography specific, with potentially different adverts being served in different locations therefore enabling the company to obtain a high level of targeting. Search advertising is sold on a “pay for performance” basis, with companies bidding on keyword phrases; it also conducts an automated online auction for each keyword phrase on a regular basis, with the set of adverts and their order being decided on by the outcome of the auction. Organisations only pay the search engine if a user clicks on an advert and the payment is on a per-click basis. By contrast, online display advertising is typically sold on the basis of impressions, so the advertiser pays even if there are no behavioural responses.

6.3.6 Mobile Devices

Mobile devices were ranked seventh, pointing out that in the South African context organisations perceive the challenges associated with this technology as a moderate challenge. This could be a result of an increasing adoption of mobile devices such as smartphones and tablets. According to World Wide Worx, a technology research company continent became the world’s second largest continent in terms of mobile phones use, reaching 616-million users and overtaking both Western Europe and North America, while

Asia-Pacific remains the largest mobile-using region to date. The implications are astonishing on the surface as it appears that more than half of all Africans use mobile phones. This subsequently means that at least half of the population of Africa has access to voice and text communications. The impact will increase significantly in the coming years and will be charged not only by increasing awareness of the significance of the Internet by both businesses and governments, but also by rapid growth in the number of Internet users. This growth will be stimulated partly by the smartphone explosion currently taking place in South Africa. Mobile networks report 63-million active accounts, accounting for cellular penetration of 126%. World Wide Worx, additionally, affirmed true individual penetration to be about 80%, with 40-million South Africans using phones. These users represent the future potential of Internet growth in South Africa and a broader market penetration for organisations. Around 10-million cellular phones are sold in South Africa every year, and it was expected that, by 2013, smartphones would account for at least five million sales. Smartphone users, in turn, eventually become Internet users; a trend that already began in South Africa in 2010. Beneath these numbers, however, lurks the reality that consumer adoption of mobile transacting has been slow when compared with the rate of mobile phone subscribers in South Africa.

The data strongly concurred with the literature that was reviewed that organisations are struggling to develop relevant and value-adding applications and technologies for mobile devices (Ktoridou *et al.*, 2008). This is consistent with the view that the potential benefits offered by mobile technologies in meeting the needs of the consumers will only be realised once the challenges associated with it have been fully circumvented (McNaughton *et al.*, 2013; Dhar *et al.*, 2011; Truong *et al.*, 2010). New investments and developments within the mobile sphere will ensure that digital marketing develops. Previous research by McNaughton *et al.* (2013) has indicated that students learn better in groups; this increased learning effectiveness was a result of interaction and collaborative learning on mobile phones. Financial institutions are embracing mobile technology and South Africa has observed many innovations being invented in this industry. For example, in the life insurance space, companies have developed mobile applications to help people develop healthy new behaviours and habits, as part of a wider brand strategy review. The application allows users to determine a goal (such as “go to the gym every day”) and then commit to a loved one that they will reach it. The application then sets daily reminders to keep users motivated and lets them share their goals with friends through Facebook and Twitter. Organisations are increasingly exploiting these attributes in order to offer both current and prospective customers new and exciting and useful services while developing new ways of growing revenue. While mobile technology offers tremendous benefits to customers, it also presents

significant challenges and risks to consumers. Consumer education and outreach should ensure that customers understand what the service offers, how to operate these services and that the consumers understands the best ways to use the service. It is critical to educate the consumers on the suitable use of the service offered and this, in turn, will enhance consumer protection.

A majority of respondents concurred with the literature reviewed that the excitement of these mobile device technologies merely creates hype and ignores the true end-goal, which is communication (McNaughton *et al.*, 2013; Dhar *et al.*, 2011; Truong *et al.*, 2010). The data also concurred with the literature that was examined in Chapter 2, that advertising in the mobile environment is still in its infancy and is not as established as the internet. Additionally, McNaughton *et al.* (2013); Dhar *et al.* (2011) and Truong *et al.* (2010) signalled that there are several challenges that still need to be addressed and that efforts are required to ensure that the widespread adoption of mobile advertising does not marginalise those with the most complex need but are unable to access mainstream advertising. Some of the challenges pointed out in literature by McNaughton *et al.* (2013); Dhar *et al.* (2011) and Truong *et al.* (2010) were developing acceptable standards for mobile advertising, addressing security and privacy issues, enriching users with rich multimedia content and providing value-added location-based advertising. It was therefore not a surprise that 42% of the survey respondents indicated that their organisations do not have plans in place to address the challenges associated with mobile devices, 29% indicated that plans are being developed, and a mere 18% indicated that plans are already in place. It cannot be ignored that in South Africa, mobile connectivity is considered expensive and not always in reach for all demographics. For instance high premiums paid for content services may have an impact on the frequency of use and the price of mobile devices—especially those with smart technology--is high and out of reach. Furthermore, these problems are exacerbated by expensive airtime and lastly many companies still fail to create awareness around access and desirability of their features.

6.3.7 Cross-channel free-riding

The data broadly concurred with literature that the rise of multichannel marketing has introduced complexity in the consumer purchasing behaviours. The majority of the respondents were in agreement with the literature that was reviewed that customers will search for product information in a digital channel of one store but purchase from another store that has a lower-priced service or product (Chiu *et al.*, 2011; Heitz-Spahn, 2013).

Dholakia *et al.* (2010) indicated that the most urgent managerial challenge is to construct integrated strategies across multiple channels, and these must be viewed as the mutual support of, or interchangeability, between online and offline channels (Chiu *et al.*, 2011). Furthermore, the literature reviewed in Chapter 2 emphasised that the increase in channel synergy may assist in the prevention of customers rejecting the company completely when they are dissatisfied with one channel (Chiu *et al.*, 2011; Heitz-Spahn, 2013; Neslin *et al.*, 2009). Previous research has continuously indicated that consumers would use a combination of the company websites, mobile devices, and kiosks to complete a transition (Chiu *et al.*, 2011; Heitz-Spahn, 2013). The pressure to provide this flexibility will rapidly increase the number of customer touch points a company has with customers. Organisations must be prepared to address these challenges with a creative mix of traditional platforms, emerging technology and innovative customer channel strategies. If organisations want a better understanding of the free-riding phenomenon amongst their multichannel consumers, they should investigate shopping motives related to cross-channel free-riding.

Cross-channel free-riding was ranked twelfth, making it the least important challenge to be addressed in the implementation of digital strategies for organisations. This could be because South African organisations are realising that focusing on this growing audience is important because multichannel customers are dramatically more valuable to companies than single-channel customers. There is clearly an opportunity for organisations to achieve growth through a strategic combination of offerings that stretches across offline and online channels. Simplistically, the needs of the evolving customer require the ability to buy anything, anytime, anyplace. However organisations must monitor the consistency of their brand and messaging as they deliver across multiple channels. Additionally, the majority of the respondents also did not agree with the statement that, with the customers moving freely from one company's digital channel to another company's channel (whether digital or not), companies tend to be discouraged from investing in these channels. This contradicts the literature that was reviewed, where Chiu *et al.* (2011) pointed out that cross-channel free-riding therefore erodes the motivation of any company to invest in promotions of its products. Moreover, Heitz-Spahn (2013) and Neslin *et al.* (2009) demonstrated that cross-channel free-riding behaviours decrease profits, and this is one of the most important challenges faced by organisations in the multichannel environment. It is possible that South African organisations are realising that leveraging the power of multichannel campaigns requires having the ability to determine the communication preferences of each customer and to have solutions in place to deliver compelling content through those channels. Whether a customer prefers online or offline mediums, being able to meet the customer's delivery preferences

are quickly becoming an expectation rather than an option. Another consideration is ensuring the ability to integrate and coordinate communications across all channels.

The data from the online survey also revealed that 70% of the respondents felt that their organisations do not have plans in place to address the challenges associated with free-riding, which could be attributed to the perception that this is, in fact, not an important challenge. Nevertheless, organisations have long realised the value of offering multiple channels to reach their customers. Although many organisations have an online channel presence today, most have kept those channels separate for years without any major or obvious negative impact on their revenue or on their customers. As the market pressures increase, many organisations have turned to the high growth rates of online and direct channels to help maintain revenue and improve market share.

6.4 Discussion of Research Proposition Three

Research Proposition three is concerned with establishing whether the challenges associated with 'organisation and capabilities' are the most important for organisations to address in the implementation of multi-channel marketing and these include:

- Talent gap.
- Organisational challenges.

6.4.1 Talent Gap

Talent gap was rated fifth, making it a sizable challenge to be addressed by organisations during the implementation of multi-channel marketing. It became apparent that in South Africa the impact of digital technologies is now felt not only in the IT department, but across the entire organisation, creating a huge demand for digital skills. The data concurred with literature, as almost all the respondents indicated that the emergent digital economy challenges the relevance of marketing practices as the power shifts to the consumer (Verhoef et al., 2009). The important difference between digital marketing and traditional marketing is that digital technologies are inherently measurable, allow for conversations to be targeted and facilitate the development of a relationship between customers and

companies, whereas traditional marketing is infinitely more oriented towards mass communication. Digital marketing provides a critical bridge between customer digital touch points and digital conversations networks that companies use to provide relevant content to the consumer.

There was consistency between the literature that was reviewed in Chapter 2 and the data garnered from the survey, as 74% of the respondents agreed and strongly agreed that there are gaps in the interface between marketing and analytics. Verhoef *et al.* (2009) mentioned that companies hire employees with excellent quantitative and analytical skills but unfortunately these individuals often lack a strong marketing background. Wymbbs (2011) suggested the development of a new curriculum that will provide marketers with the skills to analyse buying behaviour implications. The change in the business environment has definitely created a need for digital marketing education. Historically, market research studies would take months for organisations to complete; while presently companies like Amazon can place features on websites that are able to tell within hours how customers respond. Experiments are becoming more pervasive and persuasive as information technology improves and testing becomes economical and faster, resulting in massive changes for corporate cultures that will embrace speed. The inclusion of a Digital Marketing major subject into the Marketing curriculum will provide students with relevant educational background consistent with the emerging environment that promotes competence in the emerging field of Digital Marketing and a capacity for a career success.

Despite the skills shortage, only 10% of the respondents indicated that they are investing in developing digital skills, while only 26% said the plans are currently being developed. This is consistent with the study by Leeflang *et al.* (2014), where the talent gap was also considered to be a sizable challenge but only 4% of that study's respondents articulated that they have capabilities to manage these gaps. Even though hiring more analytically skilled people is a strategic asset, many companies are still forced to outsource analytically complex tasks. Many companies are training their employees on-the-job in order to develop successful fact-based marketing propositions. Future employees will need to combine excellent digital specialist skills with deep functional business knowledge. They should be comfortable with short delivery cycles and be able to operate across silos and within cross-functional teams. They need to ensure they are ahead of the technology curve and in roles where they can add value beyond what digital technology generates.

In the literature that was reviewed, Durkin (2013) recognised that marketing efforts should be directed at developing competencies for organisations to manage both push and interactive communication. The survey respondents also recognised this and most agreed that when

hiring new employees there is usually a gap between excellent analytical skills and marketing background. This skills shortage is creating a 'war for talent', where companies have to compete for the best talent with new categories of players. Searching for the best talent is no longer limited to localised skills in certain departments. In this case, the talent war is manifest across the entire organisation. The important questions are: Do organisations include digital skills as a vital component in their workforce plans? Are HR departments equipped and skilled to bring innovative solutions to bridge the digital skills gap? How are digital 'gurus' developing digital skills? Companies seem to be overly cautious and conservative in their acquisition of digital skills. While companies are increasingly using multiple methods to source digital skills, they still rely heavily on traditional methods such as training, recruitment and outsourcing. Conversely, very few companies use innovative methods such as targeted company acquisition or an incubator approach. While traditional methods definitely need to be considered, other inventive avenues present many untapped opportunities. There have been many success stories of companies that have used innovative approaches, such as acquiring companies and engaging start-ups through incubation.

One of the common challenges that most organisations have faced in the past is how technical teams and business teams speak different languages. In today's digital world, this will prove to be a significant obstacle. The proliferation of digital tools and technologies across functions means that marketing employees have to learn sufficient technical skills. Simultaneously, the technical engineer should be ready to speak the business language in order to be synchronised with their marketing and product counterparts. In the long-term, there is a requirement for an evolved professional who is equally comfortable with business and technology.

6.4.2 Organisational challenges

Organisational challenges were perceived to be one of the most significant challenges for the implementation of digital marketing. This received a rank of second evidencing that most South African organisations believe that winning digital consumers is an enterprise-wide responsibility, requiring contributions from functions and areas across the entire organisation. Nowadays digital marketing is no longer the role of only the marketing department, and companies such as Procter & Gamble and Unilever have shown that companies can succeed by combining talent, assets and insights to operate in a fundamentally different way. These companies have used new organisational structures and

operating models geared toward making the most of investments in serving digital consumers.

According to Leeflang *et al.* (2014) and Verhoef *et al.* (2009), lack of certainty around responsibilities could lead to an organisation with less coordinated marketing strategies. The data concurred with this statement, as most of the respondents recognised that evaluating quality information from operational departments and working with IT employees can present significant challenges due to lack of accountability. Chaffey (2010) suggested a “digital channel governance”, this means that in order to approach digital excellence companies must define then disseminate and finally embed digital practices in all teams. This progression is typical for innovative and digitally driven companies, as traditional businesses do not provide an effective or efficient platform for companies to compete with the digitally savvy players. Traditional governance and delivery processes must change to enable higher levels of responsiveness.

In the literature reviewed, it is stated that humanity is arriving in an era where marketing should be pervasive and managed across functional boundaries (Chaffey, 2010). Almost all the respondents agreed and strongly agreed with this statement, as organisations need to remain focused on the fundamental goal of continuously enhancing the customer experience through improved organisational collaboration and technological enablers. Moreover, the deconstruction of silos, cross-channel process integration and a consolidated customer experience all require a strategy that goes beyond customer facing outputs to address the issues of developing skills and recruiting the right talent. There is no need to formulate a centralised digital organisation as all teams are digital by definition. Leeflang *et al.* (2014) alluded to the tension between marketing and other departments that might be present if marketing becomes everybody’s responsibility. The data from the surveyed respondents showed a division in perceptions amongst South African business leaders, which could be attributed the awareness that integrated business models require inclusion of multiple stakeholders in communication planning. Daj *et al.* (2009), Spiess *et al.* (2014) and Durkin (2013) all emphasised this point by establishing that employee engagement is crucial, especially the engagement that turns employees into brand advocates. Leading digital companies do not have separate digital teams as digital is embedded within all teams. Digitally driven companies that are on a journey, should primarily build a digital centre of excellence to establish a cross-functional support model to nurture and develop digital expertise to establish a foundation for digital engagement before moving towards an embedded model.

In the study by Leeflang *et al.* (2014), organisational challenges were ranked as a moderate challenge and many companies had gaps in their plans to reduce these challenges. Interestingly the study identified that the problems usually occur in the cooperation between marketing and product development, the participation of marketing in cross-functional tasks, customer service, strategy development and customer communication. In South Africa however, as much as the business leaders have rated this the second most significant challenge, organisational challenges are still lagging behind with the solutions to close the gaps which are inherent to digital marketing. Only 5% indicated that there are plans in place to address these challenges while 25% indicated that plans are being developed and 14% of the respondents indicated that plans are developed but not yet implemented. South African organisations need to strive towards a digital culture that embeds knowledge, rewards innovation and recruits digital expertise in conjunction with organisational culture consisting of shared beliefs, norms, and values. It is typically modelled by the leadership team and formed over years of interaction between the employees in the company. The culture must be embedded through exploitation of digital channels for all employees and enabled by tools that drive collaboration and engagement across internal teams and external partners as well as customers.

6.5 Conclusion

The survey results demonstrated that while most marketers have not yet committed to thinking of their companies as digital businesses, they are definitely on board with digital channels, investing in them and achieving more results. Based on this current study the top five major challenges identified for this digital era were:

1. Online targeting
2. Organisational challenges
3. Digital revolution and business models
4. Customer insights
5. Talent gap

Interestingly, online targeting, customer insights and talent gap are closely related. The three challenges involve the underlying capabilities of analysing data. Additionally, these challenges provide companies with a more profound and more practical understanding of

how marketing can contribute towards customer value as a digital perspective transforms the enterprise. Companies need to therefore integrate channels with real-time analytics and then act on the insights garnered. However, the lack of investment and alignment with digital strategy is a concern as it means that companies still have a long way to go before they can resolve their digital skills issue. Organisations must exploit different platforms for acquiring skills while also accelerating the pace of skills development. Organisations need to understand that traditional skills and approaches are not going to help them in the digital age.

Organisational challenges and business models are also closely related as they typically have the responsibility for innovation integrated into collaborative business and across all functional teams. The teams are jointly responsible for incubating ideas, and working together to develop them and bring them to life. Business leaders must aim to attain an enterprise-wide digital ecosystem and the role of marketing within it while directing the creation of multi-channel, personalised experiences for each customer across the brand. The solution South African organisations are to select a few channels now, offer more than one experience and begin to test and learn. The next step will be to review the data and shift the tactics and technology if necessary, while ensuring collaboration across the business remains consistent throughout this journey.

From proposition 3, the challenges associated with 'organisation and capabilities', which are talent gap and organisational challenges, seemed to be the most important for organisations to address in the implementation of multichannel marketing as both were in the top five challenges identified for the digital era in South Africa. The lack of advanced technical skills in mobile, analytics and social media is not the only challenge that companies face, these organisations also need to progressively complement technical skills with business acumen. The true potential of digital skills is realised when these are combined with a strong understanding of the business. For example, the real value of data analytics is derived from the organisation's ability to operationalise these insights. This requires combining data expertise with strategic and creative thinking, collaboration and communication skills. It is therefore unsurprising that there is a growing demand for individuals who possess technical skills along with business strategy and leadership

CHAPTER 7: CONCLUSION

7.1 Introduction

The previous chapter discussed the research findings in the context of the existing literature that was reviewed to determine the challenges faced by organisations in the implementation of digital marketing. This chapter summarises the findings of the research questions and relates these to the primary reason for this research, as stated in Chapter 1, and further connects the salient points to the literature reviewed and presented in Chapter 2. This chapter then concludes the research report with recommendations to business, and the implications for the future investigation.

7.2 Main Findings

The research found that all three propositions were relevant in explaining the challenges of multichannel marketing in a digital world. The overall ranking of the challenges were:

1. Online targeting
2. Organisational challenges
3. Digital revolution and business models
4. Customer insights
5. Talent gap
6. Automated interactions
7. Mobile devices
8. Stifling creativity and innovation
9. Social media and brand health
10. Online metrics
11. Price transparency
12. Cross channel free-riding

When analysing the top five challenges it becomes evident that the main challenges faced by organisations in South Africa are the integration of channels with real-time analytics and the ability to act on those insights. From an internal perspective it is often competing or

contradictory departmental targets and objectives that present the largest barrier to delivering an integrated customer experience. Moreover, the research also presented some interesting findings such as digital challenges experienced by organisations in South Africa that are not always similar in relevance when compared to developed economies. The main concern is that South Africa is lagging behind in terms of solutions to address these challenges. Even when the challenge is considered to be the most relevant to address, the current study found that not enough efforts have been invested in the solutions.

Online targeting is a major challenge for South African organisations; however in developed countries it is as dire a challenge because online media have been adopted by a vast majority of markets. Unfortunately, demographic factors also contribute to the reluctance of adopting these channels. South African companies have to learn from these developed economies that have instigated ease of use as one way of removing the access barriers. Consumer education is crucial in developing these segments, as it may take years before new Internet users gain the confidence and experience in the medium to become active participants in the Internet economy. Given the fact that, for most organisations, the Internet functions as an enabling tool for communications, collaboration and transactions, it could well be described as the quiet engine of the South African economy.

To become a leading digital organisation, South African business leaders have the responsibility for innovation integrated into collaborative business departments. Organisations must aim to promote a consistent and standardised digital knowledge base; this model uses resources more effectively by uniting and developing specialist expertise. Traditional governance, and delivery processes must change to enable higher levels of responsiveness. As business leaders invest in hiring talent with skills in analytics, both mobile and digital, they must integrate them in a way that produces different outcomes. Talent needs to be empowered to work together across the organisation in new operating models that recognise the primacy of digital marketing and the importance of customer experience. Organisations should have a clear roadmap that helps them maintain tight connections between customer strategy, organisation capabilities and technology in order to avoid being left behind.

South African organisations are increasingly drowning in data about their customers and their purchasing behaviours, however the real challenge they still face, is to transform this data into useful business intelligence tools to drive strategic business decisions. The integration of traditional business models to digital business models is not merely concerned with sending consistent messages across the entire organisation's channel. It is about identifying demonstrable connections and causal relationships between activities in one

channel and displaying results in another. Organisations need to invest more of their resources in the use of complex analytics techniques, as this will be pertinent in delivering enhanced channel efficiencies and customer satisfaction. To have a competitive advantage, organisations have to discover how to drive fact-based insights back into their core management processes in near real-time, making their organisations highly responsive to the shifting demands of the market.

In the literature, social media was identified as the most significant challenge faced by organisations. Most of the marketing executives felt that as they attempt to develop social media platforms to promote positive word-of-mouth, they instead receive many adverse reactions and negative word-of-mouth. Many companies seem to be struggling with how to deal with the social media environment as it is in extreme contrast with the traditional methods of marketing pursued by companies. Interestingly, South African business leaders embrace social media, they believe that there are opportunities to gain feedback, to have conversations with customers as well as managing their marketing campaigns. However, the issue of negative publicity is also a concern for South African organisations as the fear of losing control of the brand to the customers was found to be one of the main challenges. Nevertheless, as much as word-of-mouth discussions on social media can damage the brand, South African business leaders do not perceive social networks as a major threat.

In emerging economies, like South Africa, mobile technology has the potential to become the single most transformative tool for development. This platform's ability to eliminate the boundaries of time and space is always going to be a vital tool in the digital society to propagate alternative discourses, stimulate debate and change perceptions and attitudes. The merging of video, audio and data onto mobile phones has helped develop collaboration and sharing amongst users of these phones. However, many South African business leaders felt that mobile devices lack critical technology or tools, which can be a chief barrier to digital integration. Furthermore, automated interactions, especially on mobile devices, are still perceived as an invasion of privacy. Brands should ensure that the targeting they engage in feels useful and light, to avoid being labelled invasive. Other limitations, specifically to South Africa, could be that these handsets are not able to accommodate this technology, low and unstable bandwidth, and the cost associated with this bandwidth. Organisations must focus their investments and developments within the mobile sphere in order to ensure that mobile digital media grows and develops.

7.3 Management Recommendations

In their digital journey, management need to establish the organisations' digital strategies definitions and alignments. They must first determine what they want to achieve and how to align this with their business units and IT strategies. Agreements concerning the process and criteria they will use to prioritise possible initiatives and make investment decisions need to be made. In order to encourage desired behaviours, incentives for employees and managers across different channels and functions must be aligned while measurable results against which they can track progress must be identified.

Management need to invest in integrated channels' architecture through the deployment of systems required to deliver ideal customer experiences while empowering the organisation's employees. It will be important for management to evaluate traditional systems' ability to meet future needs, while identifying gaps and alternatives. How easily will new systems integrate with existing infrastructure? These integrated communication strategies will be especially important, for effectively targeting the older segment as well as those with limited internet experience. Beyond this, organisations may implement programmes that can assist these specific segments to use new digital channels, and to perceive access barriers that can be reduced dramatically.

The most successful brands are those that are becoming truly user-centric and designing services that help make people's lives better. Management should become aware that marketing campaigns are most effective when they are part of a value exchange. Consumers are actively engaged and they expect to be rewarded for it, they expect to be compensated with loyalty programmes, free content or useful tools that solve problems. Importantly though, management have to distinguish the value of this compensation. They need to understand that adding value means different things to different cultures. For example, according to the Accenture Interactive New Report, "CMOs: Time for Digital Transformation or Risk Being Left on the Sidelines," in Brazil, 57% of consumers endorse TV, radio and print advertisements as the most influential source of advertising. Brazil remains more receptive to advertising than any other market because they still have a cultural affinity to traditional advertising.

To prioritise investments accordingly, management should ensure they have an understanding of the preferences and profitability of their strategic customer segments. Furthermore, they should develop the infrastructure and expertise needed to conduct promotional and cross-selling initiatives that successfully make use of cross-channel

customer data. What this programme will require is the development of integrated customer databases. Organisations will therefore be able to transform how they do business by harnessing that data at individual or household levels to drive automated channel activities based on sophisticated predictive modelling and other technology enabled mechanisms.

In order to minimise the risks presented by social media, management and their organisations have to foster a positive culture and train employees on the proper use of social media. This will not only minimise potential damage, but will leverage the organisational brand positively. Keeping the employees engaged and making them aware how they fit into the corporate culture will ensure that damaging feedback is managed before it spirals out of control. Those organisations that have invested heavily on social media must monitor their sites continuously and vigilantly, while responding quickly with a consistent message.

7.4 Organisational Recommendations

In today's world of connected customers and increasing competition, what becomes vital is the organisation's ability to analyse their cumulative effects instead of the traditional individual effects. More importantly, organisations need to be aware that people, processes and technology alone is not enough but instead that the culture of the organisation ultimately determines the ability to be successful in terms of customers' perceptions. Leading digital organisations have the responsibility for innovation integrated into collaborative business departments. All teams must be jointly responsible for incubating ideas, and working together to develop them further to bring them to fulfilment. Such organisations have to establish structures that continuously develops creative teams to run and sustain the end-to-end process and all employees should be actively encouraged to take part in the innovation process.

Most organisations in South Africa do not have a Human Resources (HR) function that is actively involved in digital skills development; the observation is that senior leadership, IT divisions, functional teams and employees are at the forefront of digital skills development. Organisations need to make sure that HR is the main determiner of this transformation of skills. This lack of investment and alignment with digital strategy is problematic because it means that companies still have a long way to go before they can resolve their digital skills challenges. Apart from the investment focus, a talent shortage of the magnitude that

organisations face today requires a more proactive approach on the part of organisations. Management needs to exploit newer platforms for acquiring skills while also accelerating the pace of skills development. They need to understand that traditional skills and approaches are not going to help them in the digital age.

7.5 Future Research

Based on the main findings and the recommendations above, further research should explore the following aspects:

- In-depth analysis and research on the digital marketing implementation models which can help reduce experimentation approaches used by organisations and encourage them to take full advantage of the new media.
- This research can be done as a portion of longitudinal study to determine whether organisations have spent more time planning, monitoring and managing digital channels than that which was done during this research. In a few years they can investigate other findings such as, whether companies have embraced digital marketing more and have invested more in resources such as people and technologies.
- A comparative study of the role of Digital Marketing used in different countries and industries in order to comprehensively explore multichannel marketing in a digital world. This study could use a qualitative approach like focused group discussions to gain an in-depth analysis.
- A study on the digital marketing avoidance tendency among customers and how these can be handled to fully engage customers. This can be analysed in the context of customer value and digital content.
- A case study approach can be done to investigate corporations that have successfully adopted a digital marketing culture, and have filtered it throughout the entire organisations' systems, procedures and people.
- An investigation on how mobile devices engage with traditional and digital channels within organisations and the tools that provide mobile collaboration. This research can focus on the emerging countries, or more specifically Africa, where mobile technology has influenced the adoption of online media.

- A longitudinal study can be done to examine what consumers' behaviours can be obtained on questions such as pull or push advertising and the influence of word-of-mouth on their peers. The behavioural changes of customers when collaborating with a brand by providing feedback and co-creating products or brand elements may increase the relationship between an organisation and consumer, and this should be explored further.

7.6 Conclusion

Digital channels are proving pivotal to how an entire organisation competes, innovates and enhances the customer experience. High performing organisations have demonstrated that digital marketing's potential stretches beyond simply being classified as a new distribution channel. Digital marketing represents a wave of transformational opportunities and challenges that comprise the ecosystem in which we live, work and play. In this digital world, technology is changing the game and consumers are making and breaking the rules.

In order remain relevant and enhance their competitive advantage, organisations must develop a customer-focused digital orientation. Business leaders should prioritise a superior and relevant customer experience while aligning the organisation, its processes and technology to power it. Customers are demanding a relevant and delightful experience at all times and across all channels. An approach that focuses on continuously delighting consumers, reorienting the business and activating the platforms that are utilised will remain desirable. Digital, analytics and mobile marketing are disrupting both the marketplace and the role of marketing, and leaders who deconstruct the silos and collaborate across the organisation will put their companies in the forefront of digital leadership and customer experience.

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APPENDIXES

APPENDIX 1: NUMBER OF MISSING VALUES

Question		Missing	
		Count	Percent
Question 1	Age	0	0.0
Question 2	Gender	1	1.8
Question 3	Position	2	3.6
Question 4	Role	0	0.0
Question 5	Industry	0	0.0
Question 6	Size	1	1.8
Question 7	Q7_1	0	0.0
	Q7_2	0	0.0
	Q7_3	0	0.0
	Q7_4	0	0.0
	Q7_5	0	0.0
	Q7_6	0	0.0
	Q7_7	0	0.0
	Q7_8	1	1.8
	Q7_9	1	1.8
	Q7_10	1	1.8
	Q7_11	1	1.8
	Q7_12	1	1.8
	Q7_13	1	1.8
	Q7_14	2	3.6
	Q7_15	1	1.8
	Q7_16	2	3.6
	Q7_17	3	5.4
	Q7_18	2	3.6
	Q7_19	1	1.8
	Q7_20	1	1.8
Q7_21	1	1.8	
Q7_22	1	1.8	
Q7_23	1	1.8	
Q7_24	1	1.8	
Q7_25	1	1.8	
Q7_26	2	3.6	

	Q7_27	1	1.8
	Q7_28	1	1.8
	Q7_29	1	1.8
	Q7_30	1	1.8
	Q7_31	1	1.8
	Q7_32	1	1.8
	Q7_33	1	1.8
	Q7_34	1	1.8
	Q7_35	1	1.8
	Q7_36	1	1.8
Question 8	Q8_1	3	5.4
	Q8_2	4	7.1
	Q8_3	7	12.5
	Q8_4	7	12.5
	Q8_5	10	17.9
	Q8_6	18	32.1
	Q8_7	7	12.5
	Q8_8	8	14.3
	Q8_9	8	14.3
	Q8_10	15	26.8
	Q8_11	7	12.5
	Q8_12	9	16.1

APPENDIX 2 : LETTER OF CONSENT

Consent letter

As part of the MBA program at the University of Pretoria's Gordon Institute of Business Science (GIBS), I am conducting research on challenges faced by organisations in the implementation of multichannel digital marketing. The questionnaire should not take more than 15 minutes and will help us understand each of these challenges, and further assess the relevance of each challenge for the organisation. Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. By completing the survey, you indicate that you voluntarily participate in this research. If you have any concerns, please contact me or my supervisor. Our details are provided below.

Researcher Name: Buhle Simelane

Email: buhlesi@gmail.com

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Research Supervisor Name: Meena Ambaram

Email: Meena.Ambaram

Phone: 082 888 9563

Signature of researcher: _____

Date: _____

Signature of participant: _____

Date:

APPENDIX 3: SURVEY QUESTIONNAIRE

Survey Questionnaire

Please indicate the following details about yourself.

1. Age

20 - 30	
30 - 40	
40 – 50	
50 <	

2. Gender

Male	
Female	

3. Current position (last position if unemployed)

Business Leader	
Marketing Executive	
Channel Manager	
Sales Executives	
Data Analysts	
Other (Please specify) :	

4. Level most accurately describes you current role

Administration/Clerical	
Specialist/Professional	
Supervisor/Junior Manager	
Middle Management	
Senior Management	
Other (Please specify) :	

5. Industry sector of your current employment

Energy (oil, gas, other)	
Mining	
Construction/Industrial	
Transportation/Logistics	
Financial services/Banking	
Retail	
Healthcare	
Media	
Travel & Leisure	
Telecommunication	
Other (Please specify) :	

6. Company size

Small (0 – 1000)	
Medium (1000 -5000)	
Large (5000 <)	

7. Please select the appropriate rating for each statement related to the most important or pressing issues for marketing and business leaders to address in the implementation of multichannel marketing in a digital environment.

	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
7.1	Social media does not represent a significant communication tool.	<i>Social media and brand health</i>				
7.2	Digital revolution is threatening existing business models.	<i>Digital revolution & business models</i>				
7.3	Customers avoid or ignore automated interactions over time.	<i>Automated interactions</i>				
7.4	Lack of certainty around responsibilities, could lead the organisation to less coordinated marketing strategies.	<i>Organisational challenges</i>				
7.5	Creating a balanced experience for customers is a challenge in producing effective media channels.	<i>Customer Insights</i>				
7.6	The introduction of digital channels into traditional channels increases management complexity.	<i>Digital revolution & business models</i>				
7.7	The over-reliance on data or predicted facts can stifle creativity and innovations.	<i>Stifling creativity and innovation</i>				
7.8	The integration of different channels can hamper innovativeness.	<i>Stifling creativity and innovation</i>				
7.9	The use of fact-based decisions through data analytics may compromise out of the box thinking.	<i>Stifling creativity and innovation</i>				
7.10	Decision making authority being fragmented across channels prevents a coherent and consistent customer experience.	<i>Digital revolution & business models</i>				
7.11	Social media has limited penetration to the broader target audience	<i>Social media and brand health</i>				
7.12	We are arriving in an era where marketing should be pervasive and managed across functional boundaries.	<i>Organisational challenges</i>				
7.13	Customers that previously used	<i>Online targeting</i>				

	digital technology have increased perception and confidence towards digital channels.					
7.14	One company may engage in the activities necessary to sell the products, but a different lower-priced company enjoys the final sale.	Cross-channel free-riding				
7.15	People with more internet experience have lower barriers to learning how to use multiple channels effectively.	Online targeting				
7.16	There is difficulty to align online metrics to traditional metrics in order to assess the return on investment.	Online metrics				
7.17	Digital products have unstable reference points and volatility in price levels.	Price transparency				
7.18	Aggregators are not authentic as they are no longer independent and form part of a larger financial institution.	Price transparency				
7.19	Customers find automated interactions and pop-up advertisement intrusive and therefore annoying	Automated interactions				
7.20	Customers have developed negative attitudes towards digital activities	Automated interactions				
7.21	There is a dis-connect between customer centricity and the planning processes of most organisation.	Customer Insights				
7.22	Measurements for digital channels are not easily translated into financial models.	Online metrics				
7.23	Excitement over the mobile device technologies results in focusing in technology alone instead of the true end goal, which is communication.	Mobile devices				
7.24	Online measurement methods and techniques makes it difficult to assess return on investments	Online metrics				
7.25	Advertising in a mobile environment is still relatively new.	Mobile devices				
7.26	Due to high levels of innovation in a digital environment, digital products lead to an ever-changing pricing landscape.	Price transparency				
2.27	Creating relevant and value adding	Mobile devices				

	applications and technologies for mobile phone devices and iPad remains a concern for most companies.					
7.28	The talent gap is identified as an organisation hire employees with excellent analytical skills, but unfortunately lack strong marketing background.	Talent gap				
7.29	Customers will search for product information in a digital channel of one store but purchase from another store whether in same or different channel.	Cross-channel free-riding				
7.30	Transitioning to more digital channels may induce that older people may have problems with using these channels and therefore these segments are not optimally served.	Online targeting				
7.31	The emergence digital economy is challenging the relevance of existing marketing practices as the power moves away from companies to customers.	Talent gap				
7.32	With customers freely moving from one company's digital channel to another company's digital channel the motivation of any company to invest in promotion of its products in these channels erodes.	Cross-channel free-riding				
7.33	There are gaps in the interface between marketing and analytics.	Talent gap				
7.34	Social media is associated with a great risk of damaging feedback from dissatisfied customers.	Social media and brand health				
7.35	Tension between marketing and other departments may be present, if marketing becomes everyone's responsibility.	Organisational challenges				
7.36	Companies are finding it difficult to identify the different customer characteristics or needs at different stages of the purchasing process.	Customer Insights				

8. Please indicate whether your company has plans in place to address the issues around the implementation of digital marketing.

		Plans to address are already in place	Plans are developed but not yet implemented	Plans are being developed	Plans are not developed thus far
8.1	Are there solutions in place to address the transition from existing business models to digital data driven systems?	Digital revolution & business models			
8.2	Are there solutions in place to ensure that the ability to generate and leverage deep customer insights is heightened?	Customer Insights			
8.3	Are there solutions in place to mitigate the risk of overreliance on data and hard fact stifling creativity and breakthrough innovation?	Stifling creativity and innovation			
8.4	Are there solutions in place to determine the real impact social media has on brand reputation and brand health?	Social media and brand health			
8.5	Are there solutions in place to facilitate the transition of traditional non-digital clients to your company's digital platforms?	Online targeting			
8.6	Are there solutions in place to monitor the increase in price transparency and the increase use of price aggregators?	Price transparency			
8.7	Are there solutions in place to minimize the perceived intrusive nature of automated interactions?	Automated interactions			
8.8	Are there solutions in place to ensure that online measurements are easily translated into financial models, and can be aligned to traditional metrics?	Online metrics			
8.9	Are there solutions in place to determine what is creating relevant and value adding content and applications for the customers' mobile devices such as smart phoned and iPads?	Mobile devices			
8.10	Are there solutions in place to prevent cross-channel free riding,	Cross-channel free-riding			

	such as when a customer use services in one channel of a particular store but purchase from another store whether same or different channel?				
8.11	Are there solutions in place to address the increasing talent gap as marketing integrates with data analytics?	Talent gap			
8.12	Are there solutions in place to prevent the structural change required for digital marketing to influence organizational tensions between different departments?	Organisational challenges			