Digital Decoupling
A Capability Multiplier in the Marketing Equation

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Digital Decoupling: 
A Capability Multiplier in the Marketing Equation 

Most, if not all, marketing teams are facing a common challenge: to do more with less. There is the need to reach more markets and more customer segments, more quickly and more precisely—and all without a comparable expansion of marketing budgets or headcount. This is driving a need for innovative and cost effective marketing practices and none more so than in the area of digital content development and distribution. Given this imperative, the practice of digital decoupling—where marketing and brand teams separate and work with different partners to complete creative and production activities—is fast becoming a best practice.

Yet, some organizations are just now assessing whether digital decoupling is the right move for them. Marketers need answers to questions such as, “What’s the business case for digital decoupling?” and, “What are the key success factors for selecting the right service provider now and in the future?”
The Right Formula

Surprising as it may seem, digital decoupling has been around for nearly 20 years. Like many services made possible by the digital revolution, the initial benefits of digital decoupling were twofold: significant cost savings resulting from moving production of digital work to lower cost locations and improved efficiency gained from having a dedicated team with deep digital production capabilities to serve clients. Both of these benefits were critical as more brands sought to reach markets around the globe.

Did the savings really make much of a difference? Yes it did, as global brands were able to save as much as 30-60 percent using the digital decoupling approach. For a brand with an annual marketing budget of US$10 million, the magnitude of savings allowed brand teams to stretch their budgets and expand their reach beyond what a traditional agency-based delivery system could deliver. The ability to redeploy a sizable chunk of such a budget became more critical as multichannel marketing opportunities expanded.

Perhaps even more important than cost savings, however, is the industrialized process that leading digital production service providers offer agencies and brands. Many brands need a ‘production factory’ that continuously and consistently executes digital campaigns once creative work is complete. The hand-off from creative agencies to production providers make sense, as most agencies do not have staff that could be dedicated to operational management. The ‘Factory model’ of digital decoupling allows brands and agencies to standardize key processes related to core components of digital campaigns, from email to Web design and maintenance.

Many companies that first leveraged digital decoupling to capture cost savings and relieve a temporary staffing crunch, expanded their use of digital production services once it became clear that an industrialized model could simplify the overall complexity of managing multichannel campaigns.

For example, a global pharmaceutical firm was concerned by the rising cost resulting from duplication of marketing operations across multiple agencies as well as prolonged campaign, build and execution cycles. To meet these challenges, the company designed and operationalized new processes and global standards for campaign activities. The global rollout of these processes and standards allowed the company to save US$15 million in the first year of operations and reduced the average project lifecycle for digital marketing campaigns by more than 30 days.

Companies use external digital services providers for different reasons. Some brands see the digital decoupling model as a way to gain short-term access to pinpoint capabilities, while others look to a partner to deliver savings. A growing number of brands view the model as a way to simplify and standardize production processes. As the complexity of marketing increases, digital decoupling provides a way to streamline and maintain lean backend marketing operations, allowing brand teams and agencies to stretch their budgets to reach more customers, more cost effectively.
Divide and Conquer

Unlike some terrestrial ecosystems, the digital ecosystem continues to grow and thrive. The ‘always on’ hyper-connected consumer is extremely comfortable using digital channels—from mobile apps to research product features and compare prices while on the go to completing their purchase through a website or fan page. Purchases in some consumer product categories are now predominantly digital books, music and videos may soon be joined by fashion, food and travel. The increasing digitization of consumer life and expansion of nodes in the digital ecosystem mean that many brand teams must have ‘digital first’ strategies, and need top-flight digital capabilities to execute those strategies.

The conundrum is that, in many markets, the need for top-flight digital services and talent actually outstrips the supply, and developing and staffing a digital organization can be prohibitively expensive for most agencies and companies—assuming the talent could be found. One way to close the gap between demand and supply is for brand teams to use a layer of digital operations services that can help them navigate the expanding digital ecosystem and implement processes to better manage digital marketing operations (Figure 1).

At first glance it might appear that digital services providers are narrowing an agency’s or marketing brand teams’ brief, perhaps in a bid to replace them. In reality, digital services providers enable core marketing goals such as increased customer engagement and activation, and are more correctly positioned as collaborators, not competitors. Digital decouplers give marketing and brand teams access to a more extensive range of digital solutions, platforms and other scalable technology that most marketing organizations or agencies don’t have the capital to buy or the expertise to develop at the same pace.

Marketing organizations are turning to digital services providers to solve the digital capability gap. However, many still struggle with how to operationalize those capabilities and ensure that their global brands, markets and teams can use them. What is emerging as a best practice is the establishment of a centralized service layer that connects marketers with the capabilities needed by them. Gaining access to, but not having to invest in, advanced technology platforms is a key benefit to working with digital services providers, especially in quickly evolving spaces like customer analytics and mobile solutions. Yet, the services layer should extend beyond technology and digital expertise to include training protocols, disciplined governance and standards processes, outsourcing expertise, and superb project and account management.

Of course, marketing organizations in need of a global operating model will also need a provider that has an operating footprint that mirrors or, better yet, is larger than that of the brand and has a presence in key regions where there are proven pools of prospective employees with digital expertise. For example, major content production service hubs are in Costa Rica (voted the number one outsourcing market in Latin America), the Philippines (Manila), and Eastern Europe. All of these regions and markets have made heavy investments in education and development of ‘digital capital’ to support outsourcing operations such as those provided by digital services providers.

Finding the right digital services partner and standing up a working operation takes focus and time from agency and brand teams. Like all relationships, knowing what to look for from a partner, and being able to identify ‘deal breakers’ are critical factors to consider.

*Tholons 100 Top Destination Ranking for Out Outsourcing Services*, 2013 index.
Magnificent 7: Key Success Factors to a Productive Digital Decoupling Relationship

As digital decoupling has taken hold, seven components standout as critical to making the relationship a successful one.

1. Success Criteria
   Key objectives, time to market, cost, quality, timetables to achieve

2. Governance Model
   Internal ownership and structure, mandate to utilize

3. Change Management Plan
   Key stakeholders buy-in, including vendors, communication plan with necessary training and meeting schedules

4. Onboarding Plan
   Channel, training, market/region and brand considerations, pilot and transition plan, key milestones

5. Process Playbook
   Documented workflow process, interaction model, meeting schedules, status reporting, and handover points between stakeholder parties to include marketing, external agencies, IT groups, project management systems

6. Finance and Contracting Model
   Centralized operating fund, brand charge back model, bundled SOW

7. Service Level Agreements
   Turnaround time, quality, customer satisfaction criteria, reporting format, frequency and governance

The Art of Collaboration

Can agencies and digital decoupling providers really collaborate? Won’t they continually be jockeying for most-favored provider status with clients? Our experience is that agencies and digital production service providers need each other, and only by collaborating to offer complementary skills can they present their shared client with the most effective and cost efficient menu of services. For example, a Minneapolis-based agency serving a major car manufacturer looked for a decoupling solution to provide Web production and maintenance services to augment its teams capacity and technology skills. The agency continues to lead creative development and strategy for the client, and frequently travels to Costa Rica to meet with their dedicated digital production team for technical strategy planning sessions. What makes this relationship work is the clear demarcation of roles and ongoing and open communication between the agency, the on-shore account management team, and the near-shore point of contact.
The Sum of the Parts

The complexity of marketing will deepen and the digital options will continue to expand. Industrialization and automation look set to accelerate in the future and will be cornerstones of the new marketing delivery model. The era of the 'personalized marketing campaign' has already begun, with more segments of consumers expecting highly personalized and customized messages. And with it comes vast increases in the volume of marketing touchpoints to track, assess and refine.

According to Accenture’s 2012 CMO Insights survey,1 reconciling consumer demands and expectations of personalization, with the pragmatic desire for efficient marketing delivery, will stress even the most sophisticated in-house marketing operations. In this hyper-segmented environment, marketers will need services like digital decoupling and access to the most advanced analytics solutions and tools to achieve consumer relevance at scale. Brands and agencies will need to spend the vast majority of their energies defining a brand’s unique value proposition, and developing ‘customized creative’ that resonates with discriminating and attention-challenged consumers. Top quality creative marketing and brand management skills will be more valuable than ever, which means that brand and marketing teams will need to count on digital service providers for top quality marketing operations management. To deliver results, providers will need to invest in and deliver on four key dimensions:

- **Speed.** The lifecycle of technology solutions will undoubtedly grow shorter, and innovations will come from a wider variety of sources. Neither company marketing teams nor agencies can keep up with retraining or re-staffing their teams to make optimum use of new platforms. Consider how quickly mobile marketing solutions evolved both in terms of consumption patterns, (there are now more smartphones in the U.S. than people) and in content, moving from simple text-based messages to mobile apps with superior production values and integrated with social platforms. Digital services providers are in the business of offering clients the latest platforms and services, and they will continue to evolve and invest in them.

- **Agility.** Digital production houses and services providers offer greater flexibility to marketers because they can more easily integrate content from a buffet of best in class creative partners. Brand teams and agencies, which are generally agnostic about delivery and production services, can leverage the technology infrastructure of services providers to store and make it accessible for delivering the most compelling content from several creative teams.

- **Focus.** Digital services providers play a critical role in maintaining order in the digital ecosystem. With production houses taking responsibility for process standardization, governance and operations, creative teams can stay focused on what they do best.

- **Scale.** Because the future marketing ecosystem will have more players than ever, marketing operations providers are needed to help manage this complexity across all stages of the marketing cycle. Digital services providers invest in the assets that they can cost-effectively deliver, track and optimize targeted marketing campaigns. The level of automation and industrialization anticipated in marketing operations of the future to achieve global scale will rely in part on the capabilities of software designers and engineers, which runs counter to the creative focus of agencies.

Over the next decade, brand teams, agencies and digital services providers will need to collaborate more closely than ever, and divide and conquer marketing challenges if they are to satisfy the demands of individual consumers. Each party will need to contribute specific skills and assets because few (if any) single organization could develop them on its own, much less maintain them at a high level. With each skill set equally indispensable, the future of both marketing, and marketing operations services providers, looks bright.

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The Multiplier Effect

There is no secret that a massive shift is underway into digital. Today CMOs feel less prepared to meet their marketing objectives and 50 percent of them are set to double their digital marketing budget allocations over the next year. And more than half of significant sales growth companies are relying on organizational transformation to meet their business goals.

What does that mean for digital marketing operations?

By adopting the new marketing model companies may expect to save at least 40 percent in execution and faster speed to market, while having access to best-in-class technology assets and operations management. These third-party providers can serve as valuable extensions of marketing organizations in helping companies extend their marketing reach and achieve their business goals. Leading companies will seize on the opportunity to establish partnerships with digital services providers to streamline and standardize their marketing operations to ensure that they have a proven scalable model to support brand growth over the next decade.

3 Ibid.
4 Ibid.
To learn more about the full potential of digital decoupling contact:

Donna Tuths
Donna.m.tuths@accenture.com

Brent Trimble
brent.m.trimble@accenture.com

Pooja Ojala
pooja.l.ojala@accenture.com

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