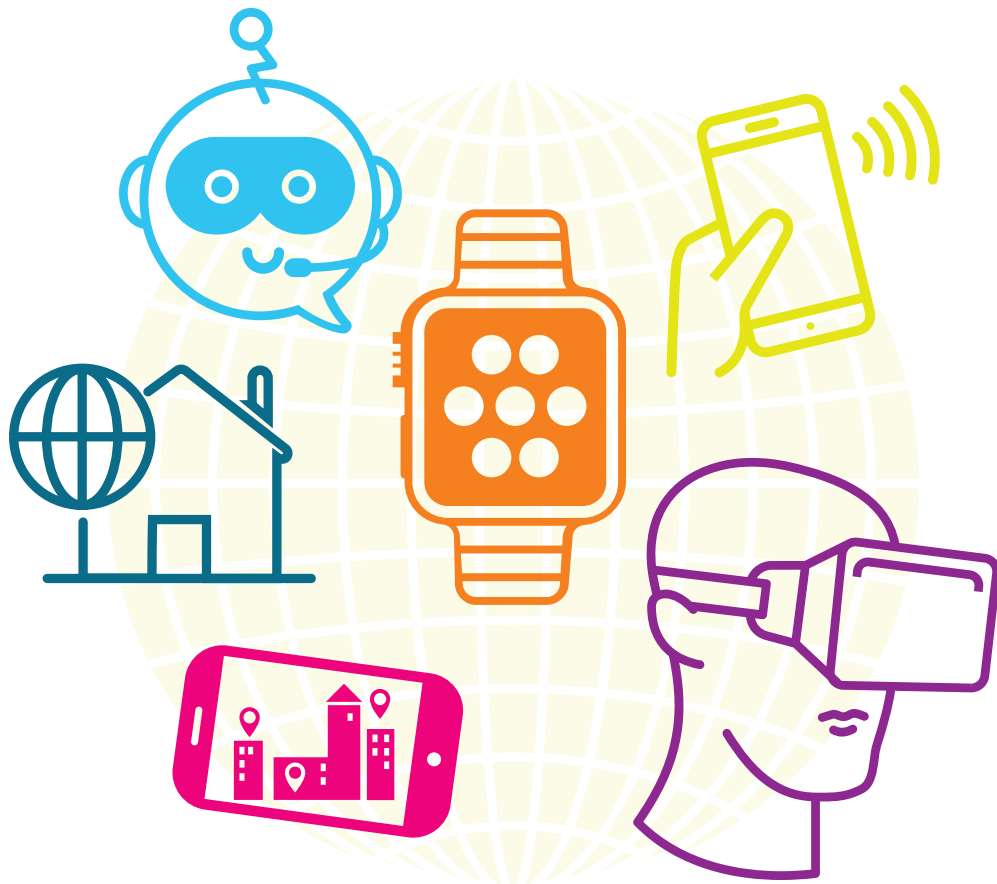INCITE GROUP

The State of
Digital Product

—

2018

Welcome to Incite Group's State of Digital Product report.

The number of connected devices that consumers use has increased and now includes a wide spectrum of devices such as mobile, tablets, desktop, conversational interfaces and wearables.

Consumers are more informed than ever before with more available options and demand a seamless connected experience across their customer journey.

Heads of product, innovation, marketing and UX from brands need to figure out ways in which they can utilize these technologies and the data they collect to deliver a seamless and personalized experience.

This report digs into what your peers across the digital spectrum see and what they say is happening right now in the industry, as they share their take on the state of digital product, marketing, and UX strategy with Incite Group.

More than 1000 senior product executives and experts shared instructive insights on the state of digital products from the unique vantage points of product management, marketing, design and innovation. They hailed from across the digital spectrum: B2C, B2B, media, agencies and more. They weigh in on what's working now in tech and more importantly, offer a roadmap of where they're heading next as digital disruption continues.

The respondents to this sweeping survey shed light on strategy shifts such as how chief product officers change focus from primarily mobile to holistically looking at product across multiple platforms including mobile, tablets, desktop and voice assistants.

Just how much are digital product executives focusing on artificial intelligence (AI), personalization and innovative technology? The surprising and enlightening results lie straight ahead.

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Mobile Evolution

Has traditional mobile product now evolved to include all digital product?

Yes	**70.5%**
No	**29.5%**
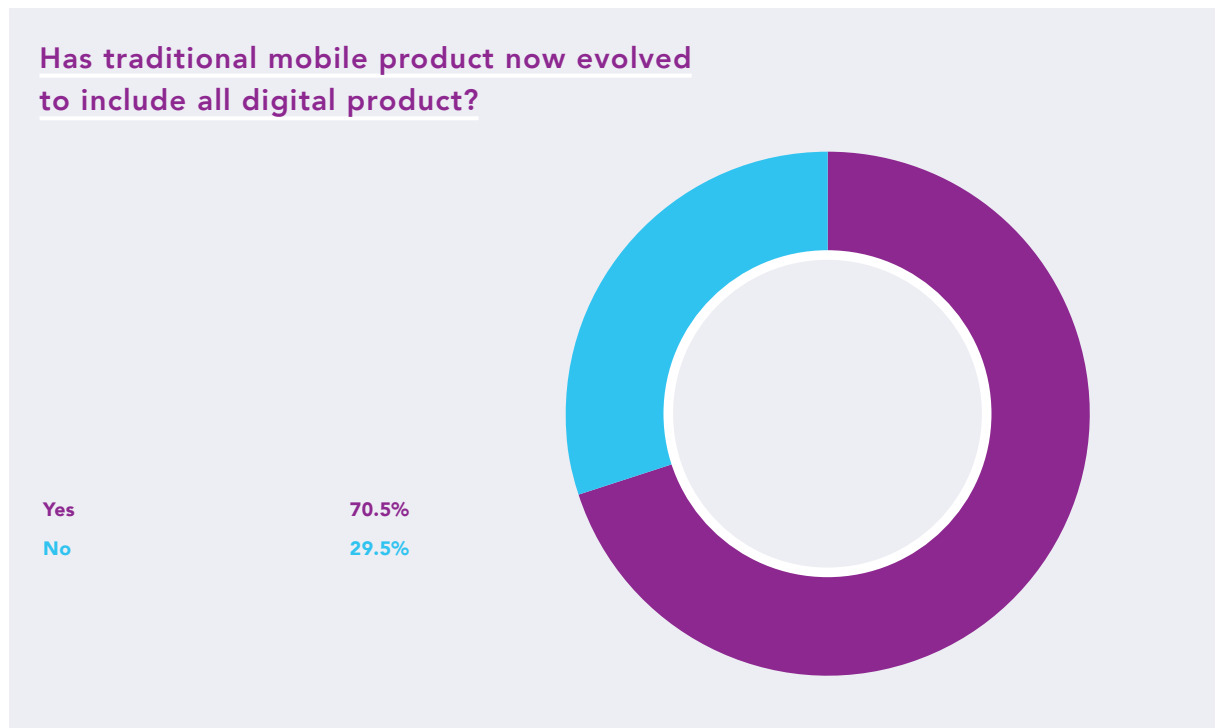
So, what does that mean? It means incorporating and utilizing as many tools as possible to improve and enhance experiences. And also increased cooperation between different departments that create and market digital product to consumers.

That doesn't mean that all tools in the digital toolbox are created, or used, equally. In fact, the Incite Group survey uncovered some interesting findings as to how digital product execs forecast the growth prospects of different devices, technology, and experiences.
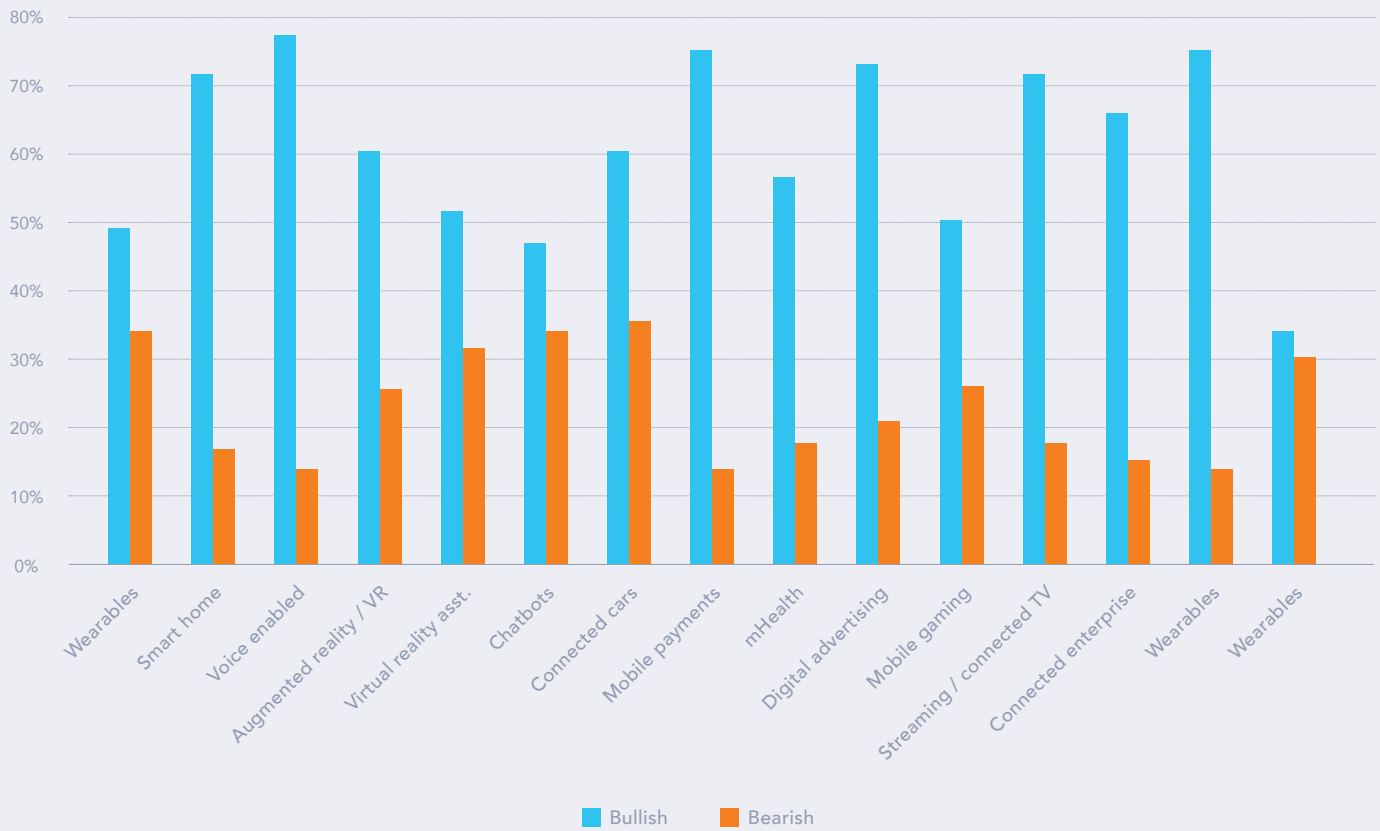
The usual suspects led the list with the most bullish outlooks: AI/Machine learning, voice assistants and mobile payments all were endorsed by three-fourths of respondents. And these platforms also had some of the biggest spreads between bullish and bearish outlooks.

These three were ranked the most bullish by digital product experts in 2017.

The two platforms with the highest bearish growth forecasts were wearables and chatbots, although both still had slightly higher bullish tallies. They were two of the three most bearish a year ago.

Beacon technology was among the three most bearish outlooks in 2017 and this year it had the narrowest bull-bear spread, with just 33% bullish growth votes compared to 30% for bearish (which was also the third highest bearish total). This actually marked an improvement from last year's survey when the bears outnumbered the beacon tech bulls.

Growth prospects

The chart shows Bullish (blue) and Bearish (orange) percentages for the following categories:

Category	Bullish	Bearish
Wearables	~49%	~34%
Smart home	~72%	~17%
Voice enabled	~77%	~14%
Augmented reality / VR	~60%	~26%
Virtual reality asst.	~52%	~31%
Chatbots	~47%	~34%
Connected cars	~60%	~35%
Mobile payments	~75%	~14%
mHealth	~57%	~18%
Digital advertising	~73%	~21%
Mobile gaming	~50%	~26%
Streaming / connected TV	~72%	~18%
Connected enterprise	~66%	~15%
Wearables	~75%	~14%
Wearables	~34%	~30%

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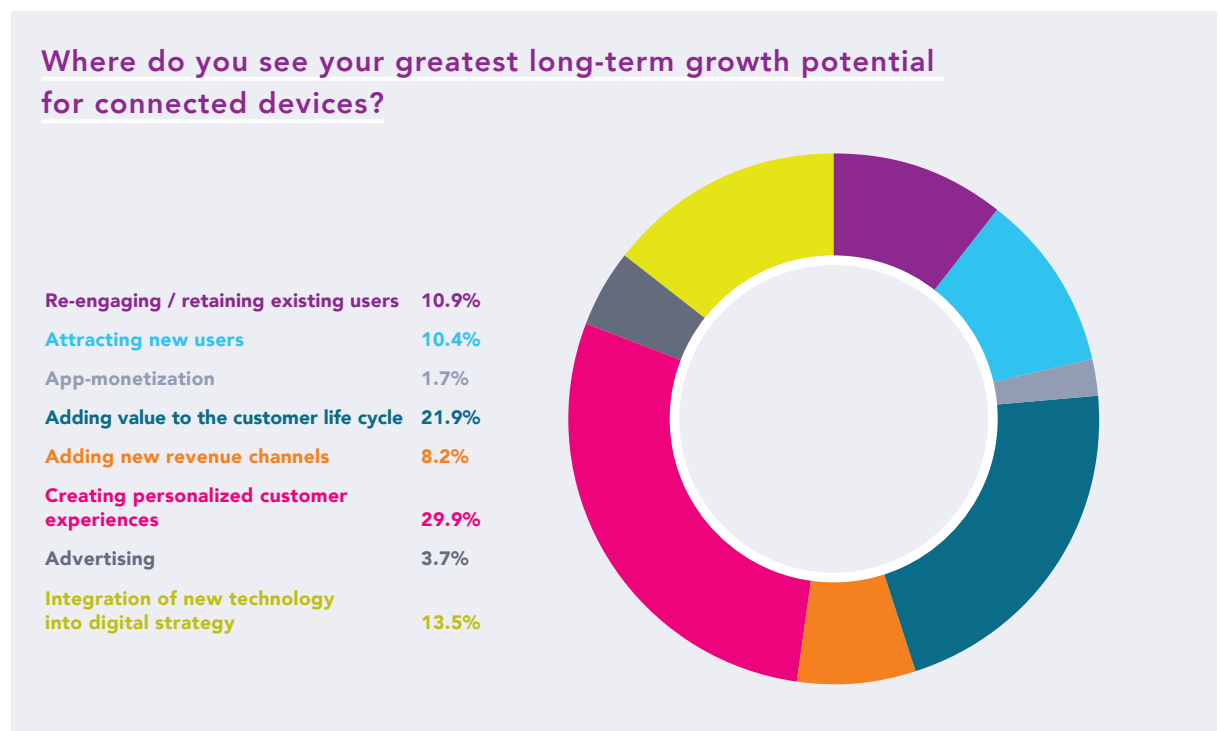
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Here Comes the Future

The survey then asked where respondents see the greatest long-term growth potential for connected devices. Creating personalized customer experiences garnered the most votes, with nearly 1/3 of those answering selecting it.

The next most popular answer was adding value to the customer life cycle, with a little more than1/5 of the vote. Integration of new technology into digital strategy, re-engaging/ retaining existing users and attracting new users rounded out the top five responses.

Where do you see your greatest long-term growth potential for connected devices?

Re-engaging / retaining existing users	10.9%
Attracting new users	10.4%
App-monetization	1.7%
Adding value to the customer life cycle	21.9%
Adding new revenue channels	8.2%
Creating personalized customer experiences	29.9%
Advertising	3.7%
Integration of new technology into digital strategy	13.5%

Nonetheless, the executives responding to the survey still cited mobile apps, mobile web pages, and virtual assistants as the most significant channels for developing connected products over the next 18 months.

How significant will the following channels be for the development of connected products over the next 18 months?
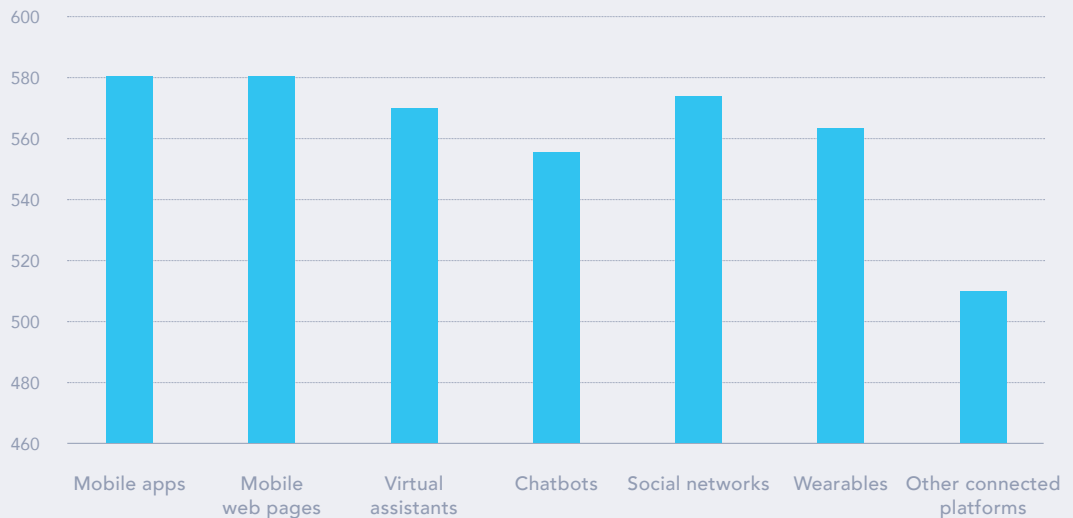
Top Three Challenges for Product Teams

When asked to name the top three challenges facing product teams, these same execs named some two dozen different issues. But one stood out as far and away the most cited and highest ranking: understanding the customer. This was also the most pressing product team problem a year ago.

This year's clear number two issue is personalizing/ contextualizing users' product experience, which was also near the top last year. 2018's number three issue is creating a consistent brand experience—which was much less of a concern among respondents in 2017's survey.

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**What are the top 3 challenges currently facing product teams? (select 3 options)**

Challenge	Score
Understanding the customer	~378
Personalizing/Contextualizing users' product experience	~288
Creating a consistent brand experience	~285
Re-engagement and retention	~260
Onboarding new technologies	~258
Monetisation strategy	~248
Audience growth	~222
Integrating new technology into digital product (voice, chatbots, AR/VR)	~187
Designing for different demographics	~160
Product discoverability	~148
Fragmented OS environment	~147
Managing artificial intelligence	~133
Integrating mobile into the wider environment	~125
Working with 3rd-party development agencies	~110
Product testing	~62
Maximizing Apps Capabilities	~60
Utilizing progressive web apps	~20

SCORE   0   50   100   150   200   250   300   350   400

Clearly digital product execs are keen to crack the code for personalizing and contextualizing experiences, making use of past interactions with apps or brand touchpoints and purchase histories, but few respondents this year indicate they have been successful as two-thirds said they are not able to do it yet.

This is a reversal from last year's survey, in which a full 53% of respondents answered in the affirmative.

Are you currently able to offer a personalized/ contextualized experience to users of your digital product?

Yes	**39%**
No	**61%**
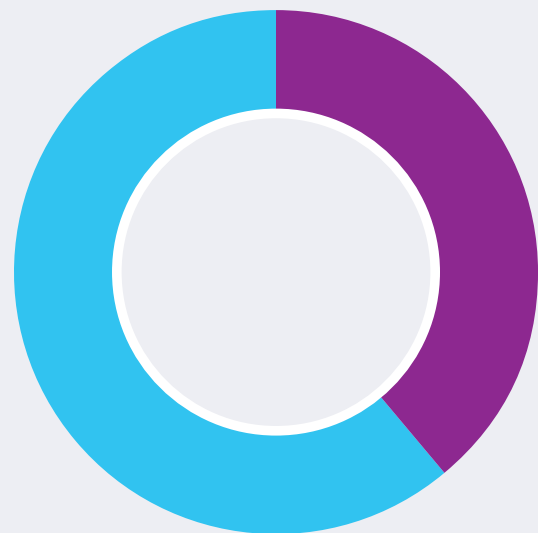
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The Personal Touch

Those executives who said their digital product does offer personalized/ contextualized user experiences offered some insights into what they are doing.

You mentioned that you are able to offer users a personalized experience. Which of the following sorts of context are you able to build in?
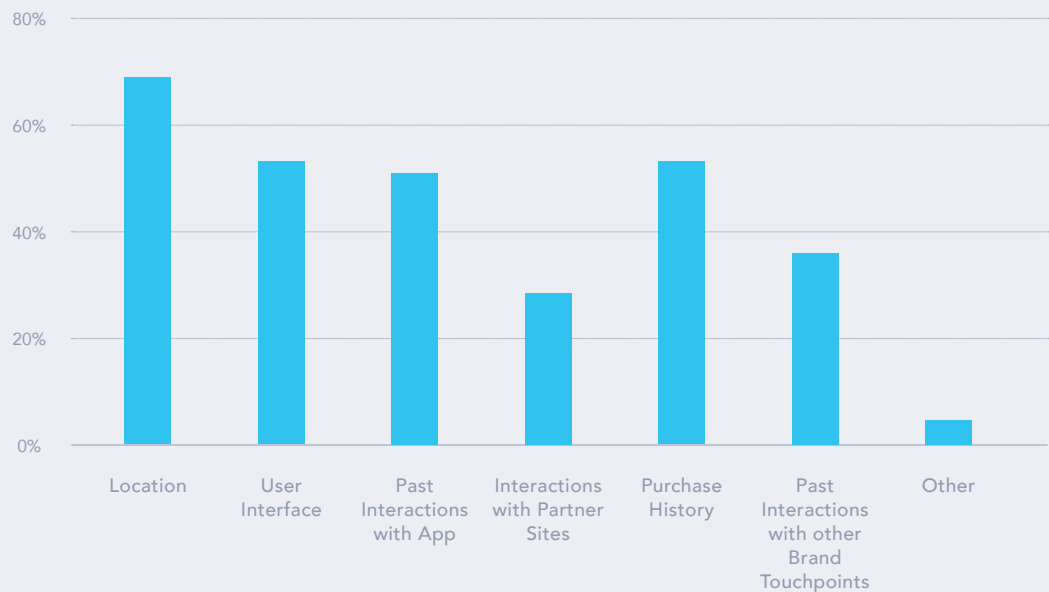
More than two-thirds (69%) offer location context, while just more than half of respondents selected user interfaces (53%), followed by purchase history (52%) and past interactions with the app (51%).

Those four types of context finished in that exact same order in last year's questionnaire.

The next most popular feature was past interactions with other brand touchpoints (38%) and interactions with partner sites (29%).

Top Tools and Technologies for Digital Strategies

When asked the top tools and technologies for digital strategies, survey respondents were allowed more than one answer. Cloud computing took top honors, followed by machine learning and AI, then usage-based analytics.

Which of the following tools/technologies are you currently using or planning to leverage?
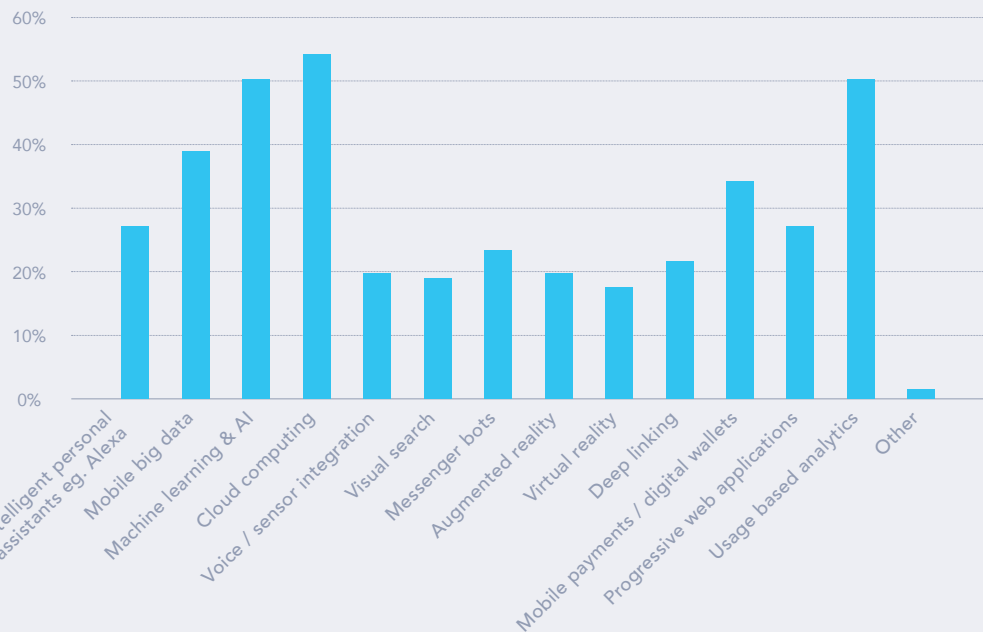
Those answering were then asked about whether they are currently using these tools or technologies and if not, what their timelines are for deployment.

As far as current usage goes, cloud computing and usage-based analytics again led the parade with mobile payments/ digital wallets finishing third. Meanwhile machine learning/ AI and mobile big data were popular answers above, but they have not yet been deployed as widely yet as executives are planning.

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You mentioned that you already use, or are planning to use, these technologies. What are your time scales for deploying them?

Legend: ■ Currently Deployed ■ Within 6 Months ■ 6–12 Months ■ 12–24 Months ■ 2 Years +
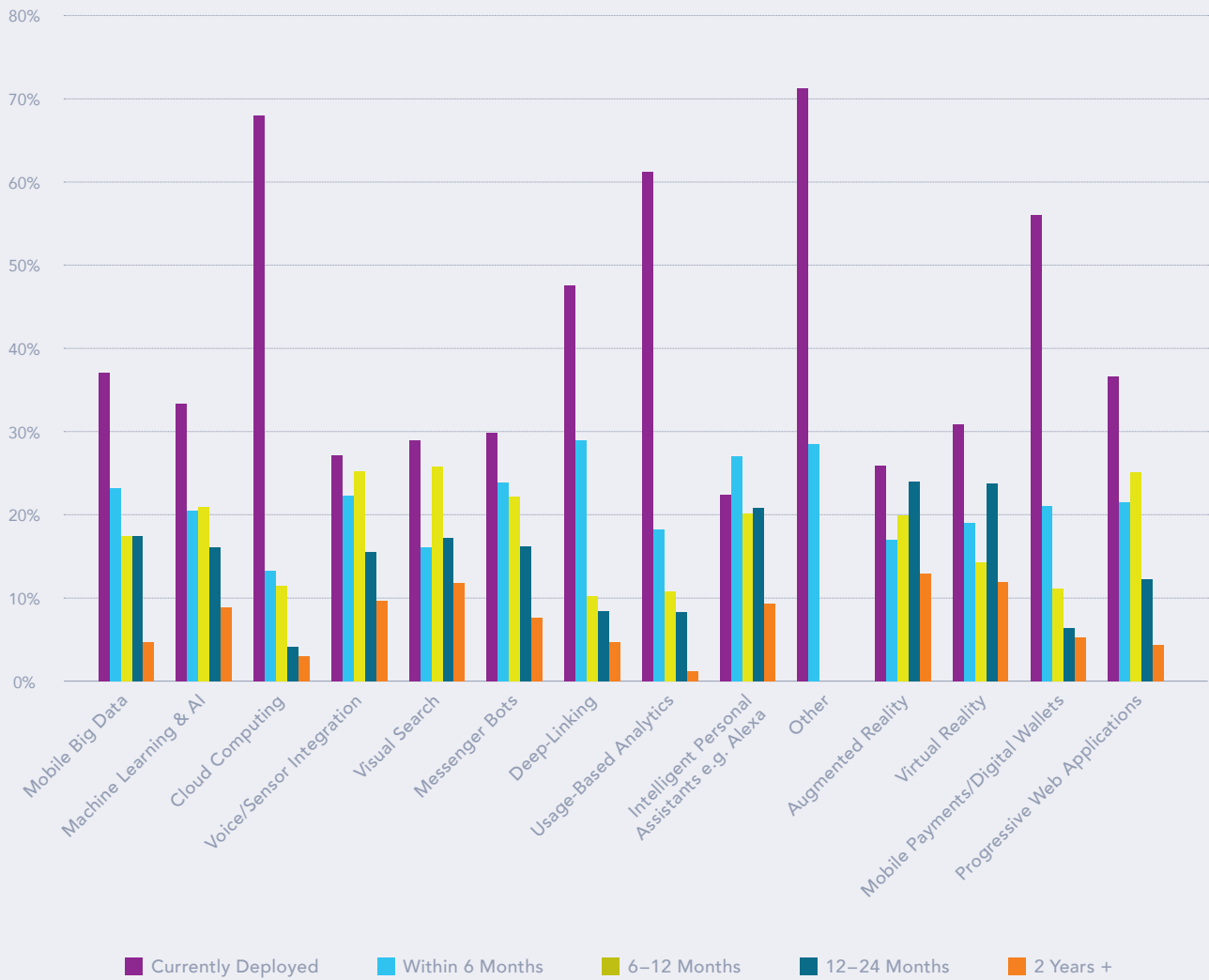
As for which of these tools are coming online in the next six months, more respondents see deep-linking and intelligent personal assistants being deployed than any of the other options.

More long-term and perhaps not surprisingly, virtual and augmented reality captured the most votes for tools that would not be implemented until 12 to 24 months down the road.

AI: Beyond the Hype

AI continues generating endless buzz and hype, with applications across the whole product cycle, so we asked product pros how they are currently utilizing AI in their digital strategy.

AI is all the buzz at the minute, with applications across the whole product life cycle, how are you currently utilizing AI in your digital strategy?
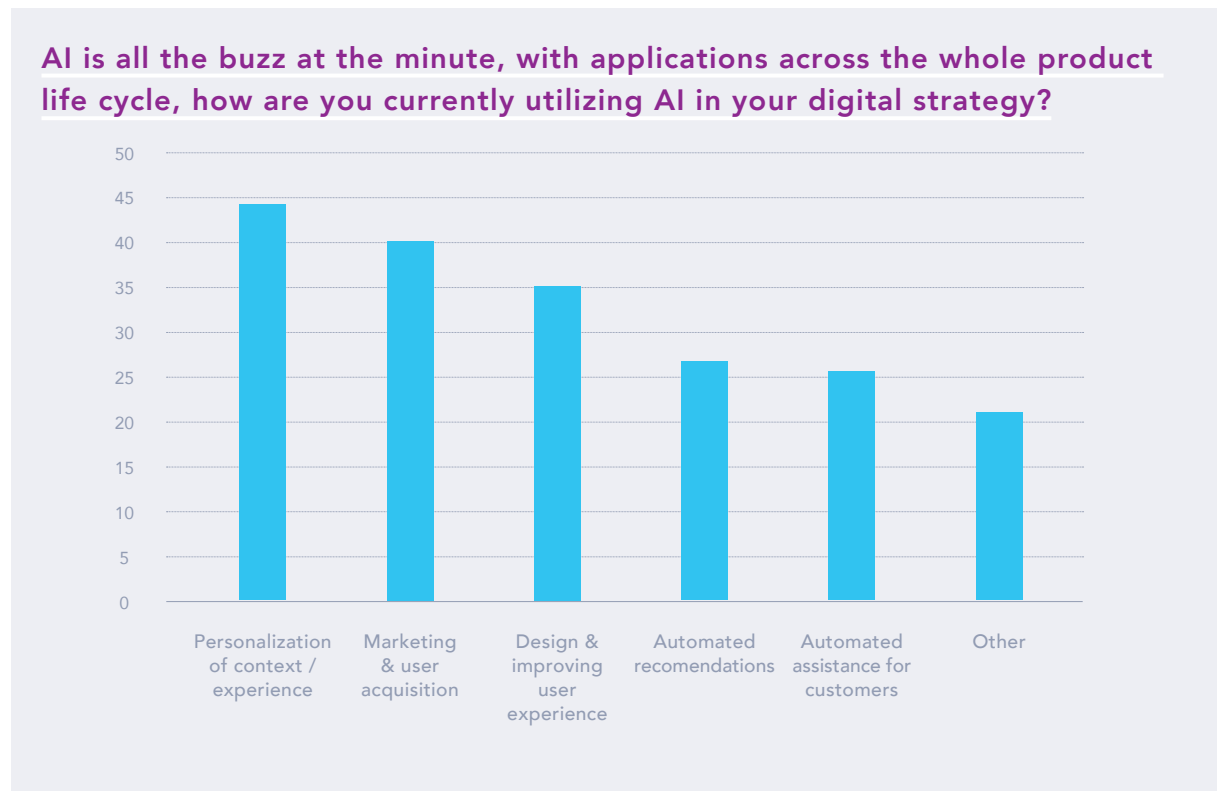
Personalization of content/ experience took top honors, which continues the trend of customization across brand interactions and digital product.

Next was marketing and user acquisition, and in third, design and improving user experience. Those were followed by automated recommendations and automated assistance for customers.

Greatest Challenges for UX

Given the proliferation of connected devices and the heightened consumer/ user expectation for seamless integration across those platforms, it's no wonder that survey respondents overwhelmingly selected creating a consistent user experience across platforms as the greatest challenge they face.

What are your greatest challenges in UX?
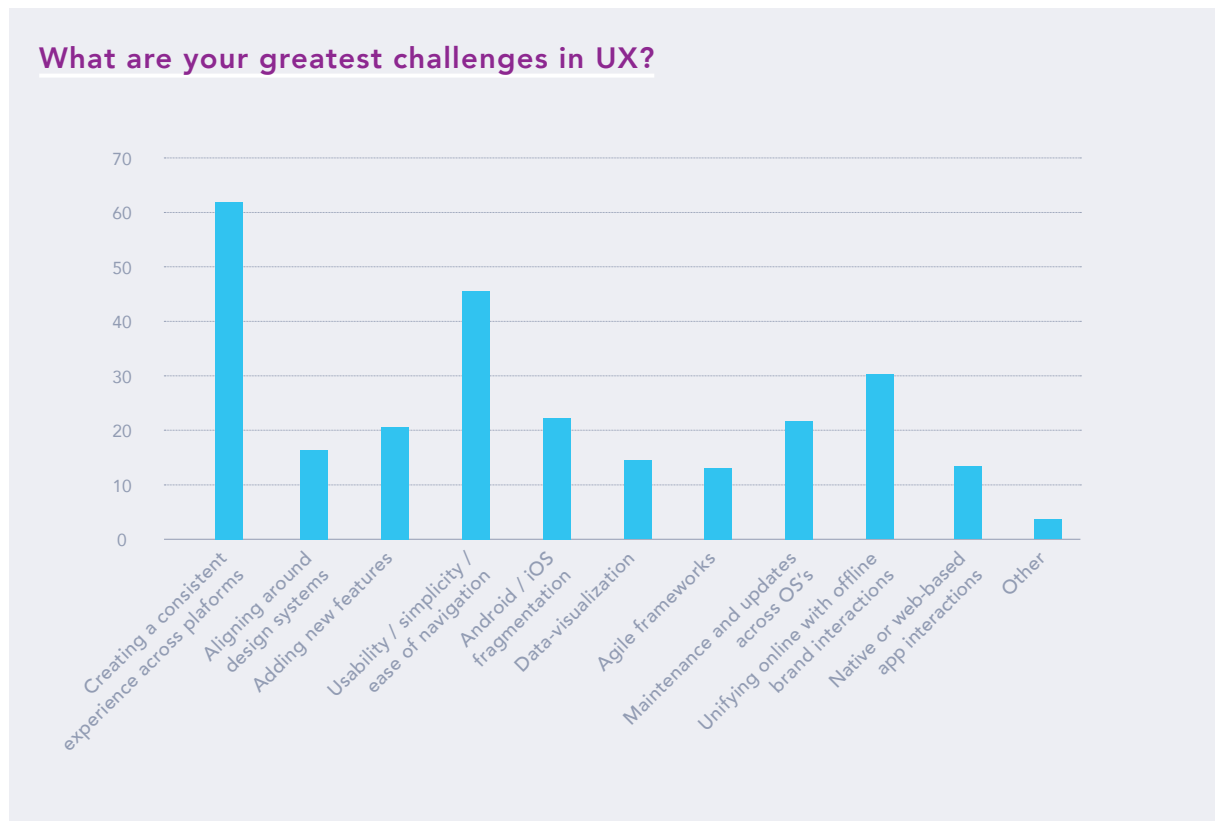
The other challenge that clearly struck a chord is the ease of navigation for the customer experience. This ties into the greater problem of experience continuity and seamlessness. However, those two changed places from the prior year suggesting that perhaps creating smooth sailing for users is less problematic now than making that experience transfer seamlessly to other platforms. Of course, it could just indicate a greater focus on the consistency of experience.
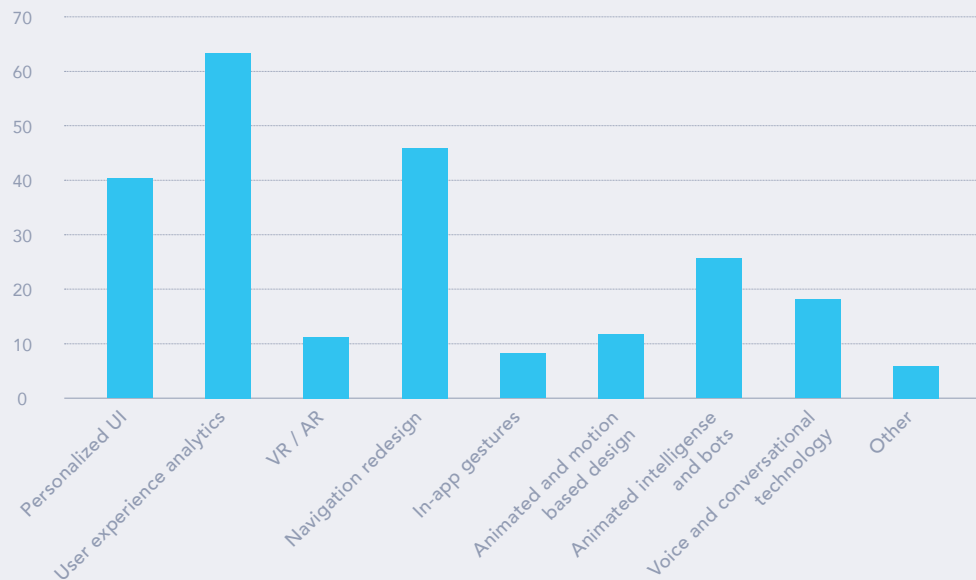
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It's also little surprise that the third biggest issue for digital product pros is unifying online with offline brand interactions—tying the real world experience to the virtual one.

Which of the following UX features are you currently focusing on?

Continuing with this theme, user experience analytics was far and away the consensus choice for the user experience on which respondents are currently focusing. Nearly two in three executives responding selected that answer, followed by navigation redesign in a distant second place and then personalized user interface. These answers were consistent with 2017's most important features and stayed in the same order of importance.
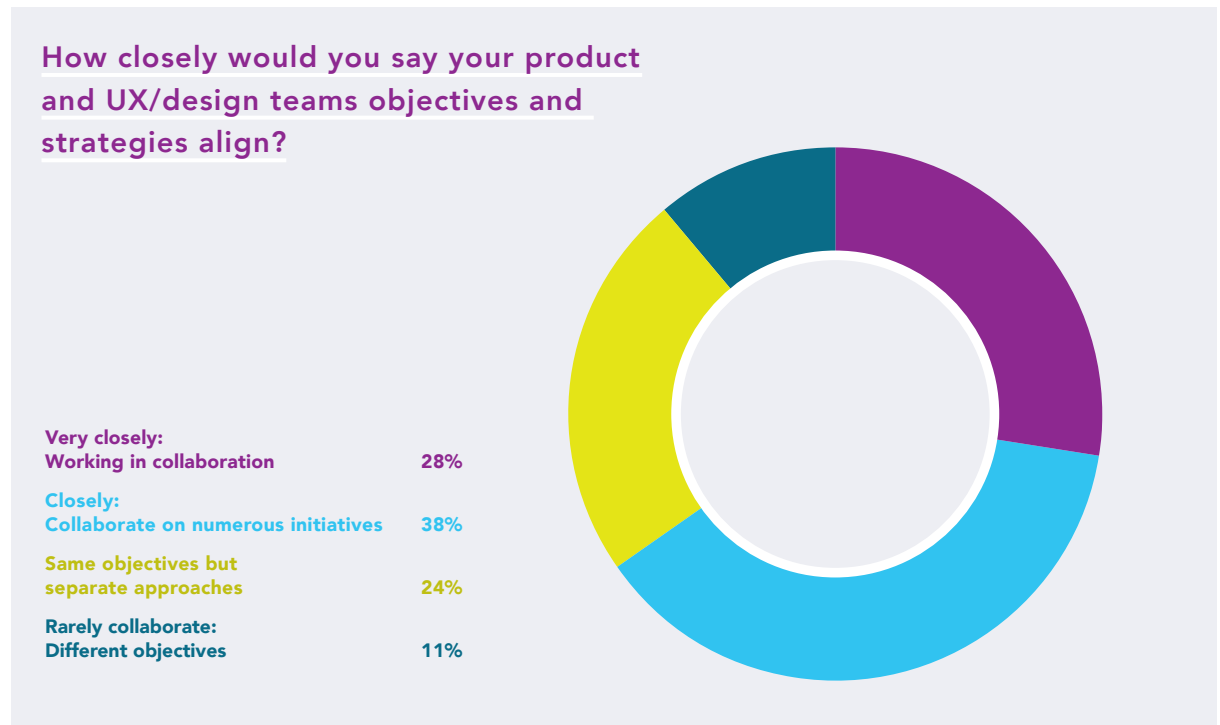
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Collaborating on Products and Design

Of course one key to creating and maintaining that seamless customer experience is getting the product and design teams on the same page. Actually a substantial number of the digital product execs queried said that those two teams are collaborating closely.

How closely would you say your product and UX/design teams objectives and strategies align?

Very closely:
Working in collaboration   28%

Closely:
Collaborate on numerous initiatives   38%

Same objectives but
separate approaches   24%

Rarely collaborate:
Different objectives   11%

A full two-thirds of respondents said the two departments work closely or very closely. Still nearly a quarter of respondents said the two teams have the same objectives but are using separate approaches, while one in ten said the silos are intact and they rarely work together.

Digital Marketing Presence and Outlook

Once the product is designed and the technological tools are deployed, the marketing team takes over to make sure users and consumers are identified, reached, and remain engaged.

The survey found most digital product firms have a dedicated digital marketing team, while only about one-third do not.
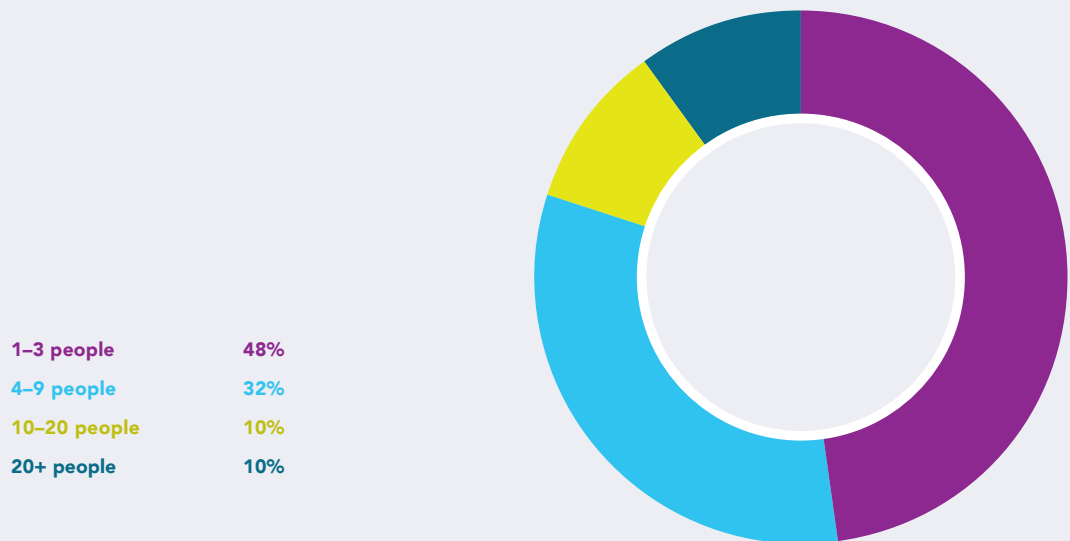
Do you have a dedicated digital marketing team?

Yes	63%
No	34%
Not sure	3%
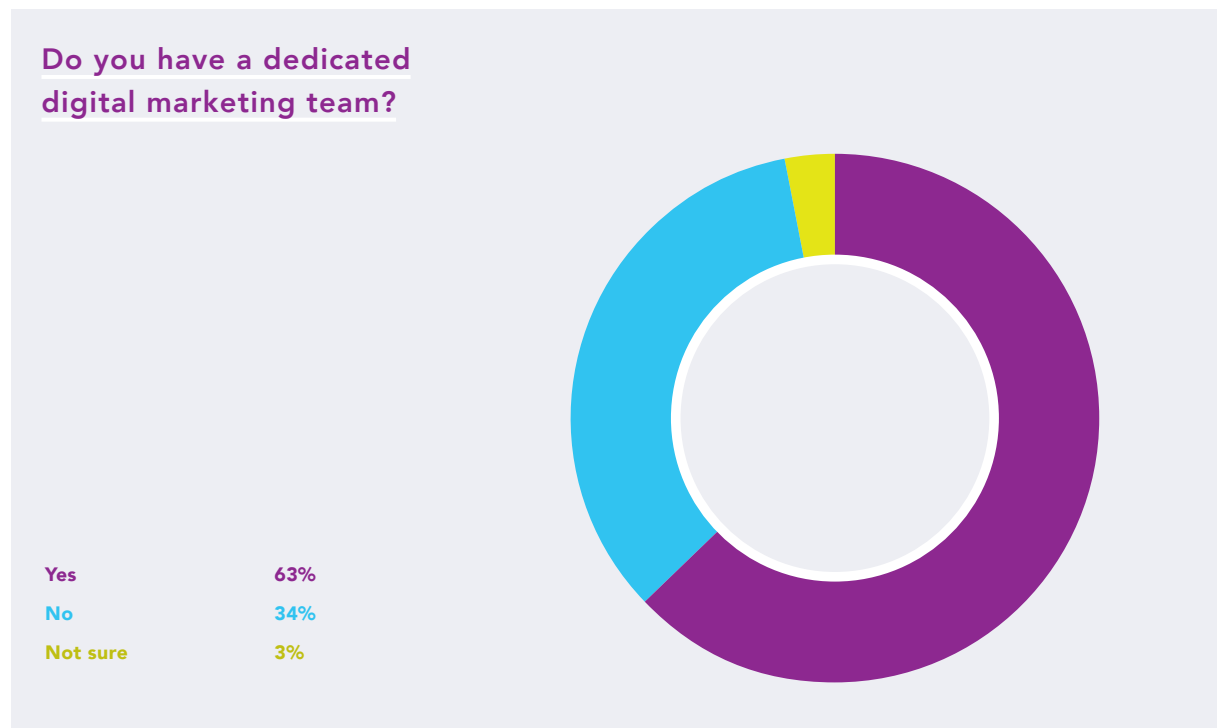
In past years the survey had queried primarily about mobile marketing teams, but it had become clear as that number diminished sharply over the past two years that firms were incorporating and integrating mobile with other platforms to create a more holistic digital strategy.

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You mentioned that you have a dedicated digital marketing team – how big is it?

1–3 people	**48%**
4–9 people	**32%**
10–20 people	**10%**
20+ people	**10%**

Those answering affirmatively in this year's survey that their firm does have a dedicated digital marketing team were then asked about the size of the department. It's clear that among these respondents that the digital marketing groups were small, with the lion's share in single digits.

In fact, nearly half of these firms reported just one to three people on the digital marketing team.
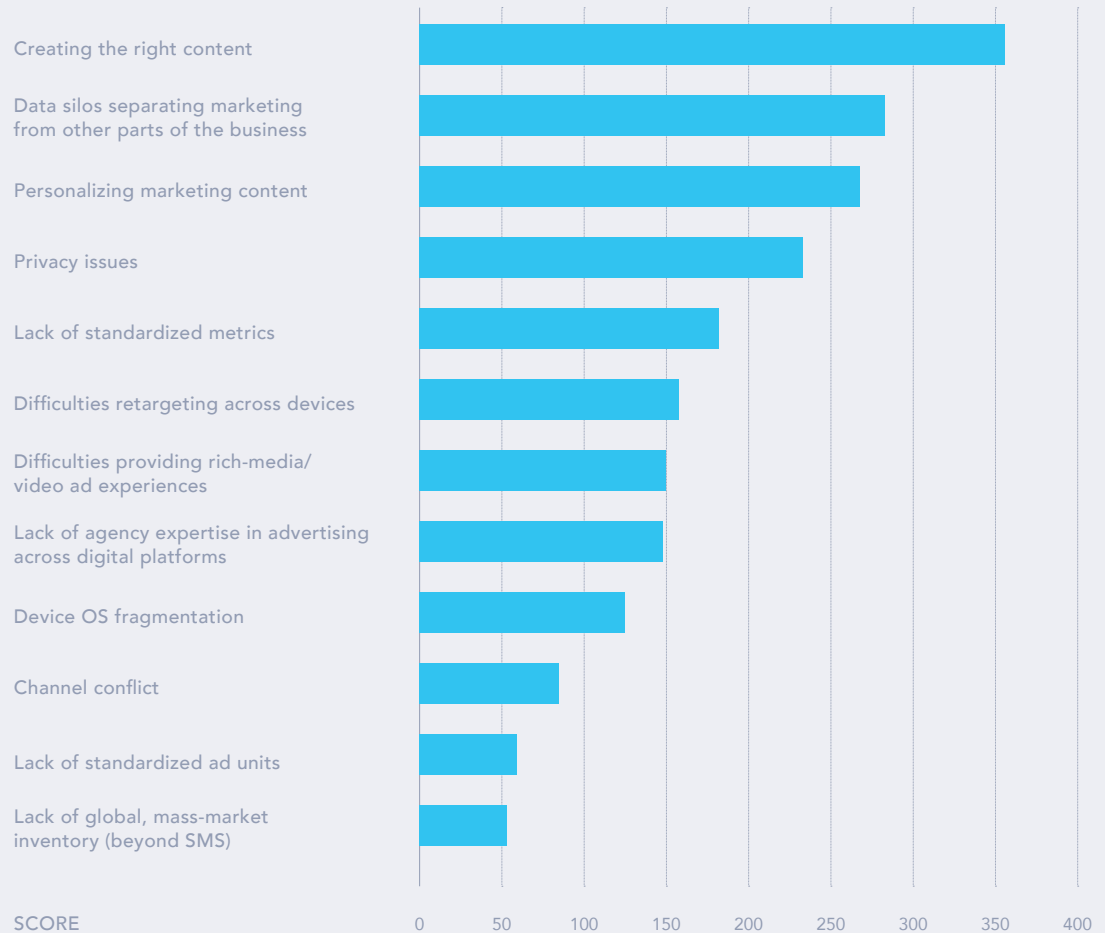
Just 10% of execs reported their teams consisted of more than 10 employees; the same amount that said theirs featured more than 20.

Marketers' Mounting Challenges with Connected Devices

The survey asked what marketers rank as the three biggest challenges they face with connected devices. Far and away the most popular response as the biggest problem is creating the right content. A distant second but clearly still an issue is data silos separating marketing from other parts of the business. Personalizing marketing content was third, followed by privacy issues and fifth: lack of standardized metrics.

The least important or difficult challenges among respondents included lack of global, mass-market inventory (beyond SMS), a lack of standardized ad units, and channel conflict.

What are the 3 biggest challenges marketers face with connected devices? (select 3 options)

Challenge	Score
Creating the right content	~355
Data silos separating marketing from other parts of the business	~285
Personalizing marketing content	~265
Privacy issues	~235
Lack of standardized metrics	~185
Difficulties retargeting across devices	~155
Difficulties providing rich-media/video ad experiences	~150
Lack of agency expertise in advertising across digital platforms	~148
Device OS fragmentation	~125
Channel conflict	~85
Lack of standardized ad units	~60
Lack of global, mass-market inventory (beyond SMS)	~55

SCORE   0   50   100   150   200   250   300   350   400

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Digital Advertising Activity Objectives

When asked about objectives for digital advertising activities, a large majority of survey respondents (84%) cited their main function as increased brand awareness. There was a jump in responses for brand awareness while increasing engagement slipped to second this year, even though the response rate of 74% held steady from 2017.

Two-thirds of mobile marketers replied their activities should drive more sales, which was markedly higher than a year ago when less than half of executives selected it. Content marketing and customer relationship marketing also tallied votes from over half of respondents.

What have been the objectives of your digital advertising activities to date?
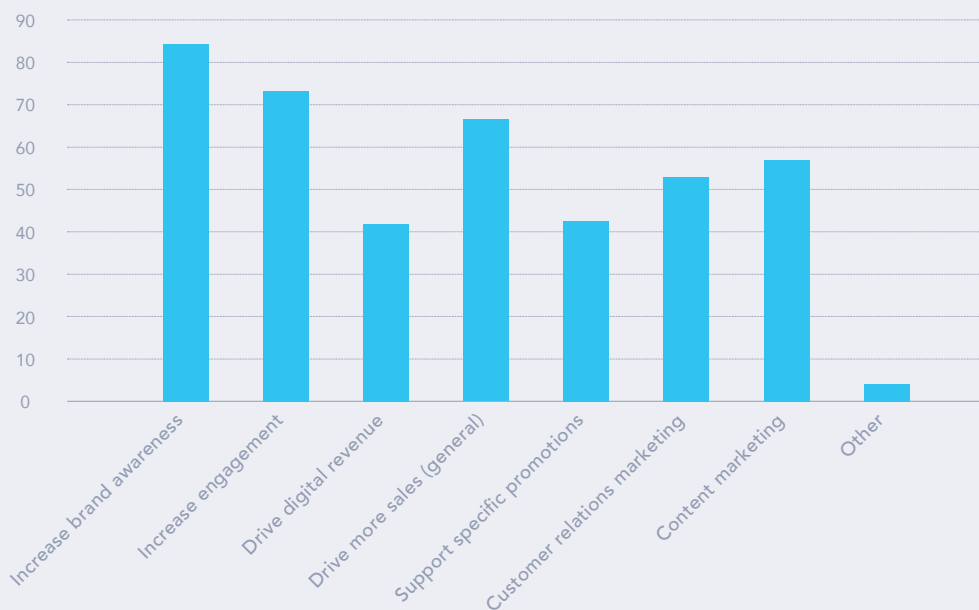
Methodology

This report is based on the responses of more than 1000 in-house product, UX design and marketing executives. They answered a wide range of questions about the state of digital product, user experience and engagement.

The extensive survey of the digital marketplace includes respondents from around the world and a wide variety of positions and expertise within product, design, marketing and strategy and innovation among other areas.

Who Responded?

The lion's share of respondents self-identified as working for brands. B2B brands tallied the most responses, followed by consumer brands with agencies the third most popular response.

What type of business do you work for?
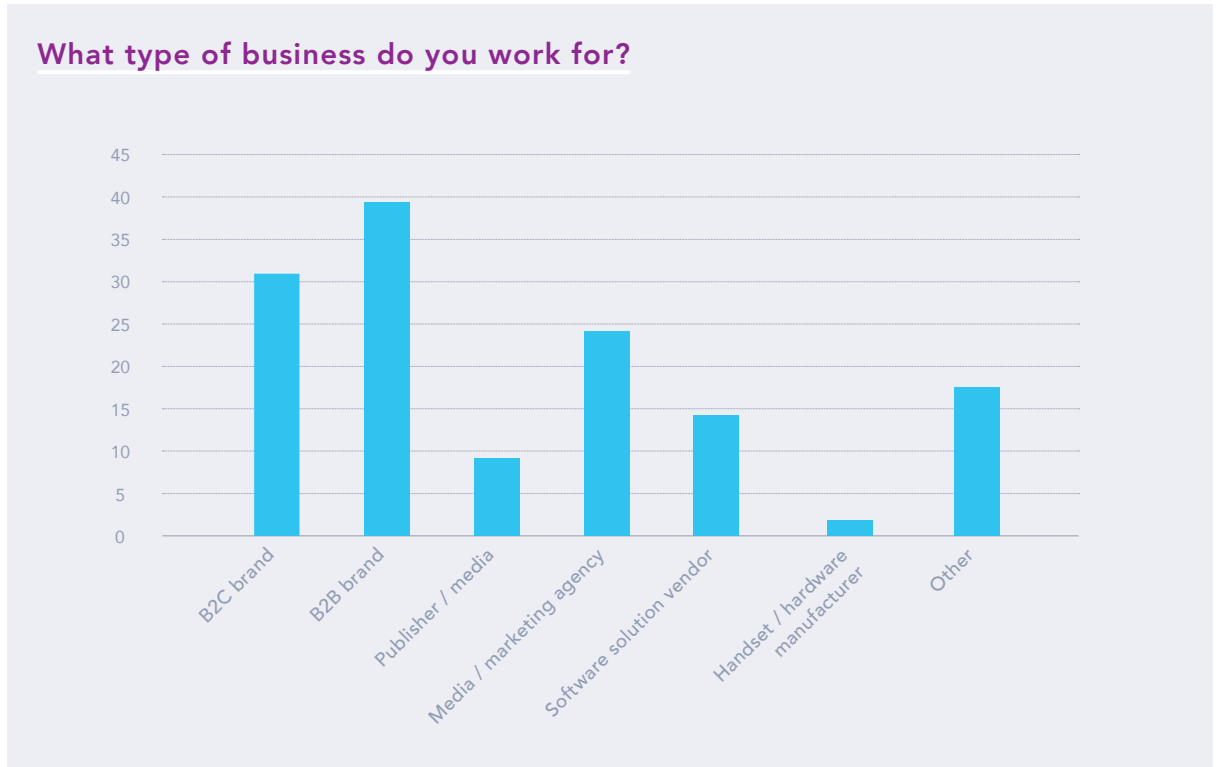
The survey also asked across which digital platforms respondents' companies currently operate. Desktop and mobile finished in a dead heat with 90% of survey completers selecting them. Tablets were a close third with 77% while conversational interfaces, smart TVs, and wearables were much less popular. With such a wide array of platforms identified, the evolution from mobile-first to product-first is clear to see.

## Across which Digital Platforms does your company currently operate?
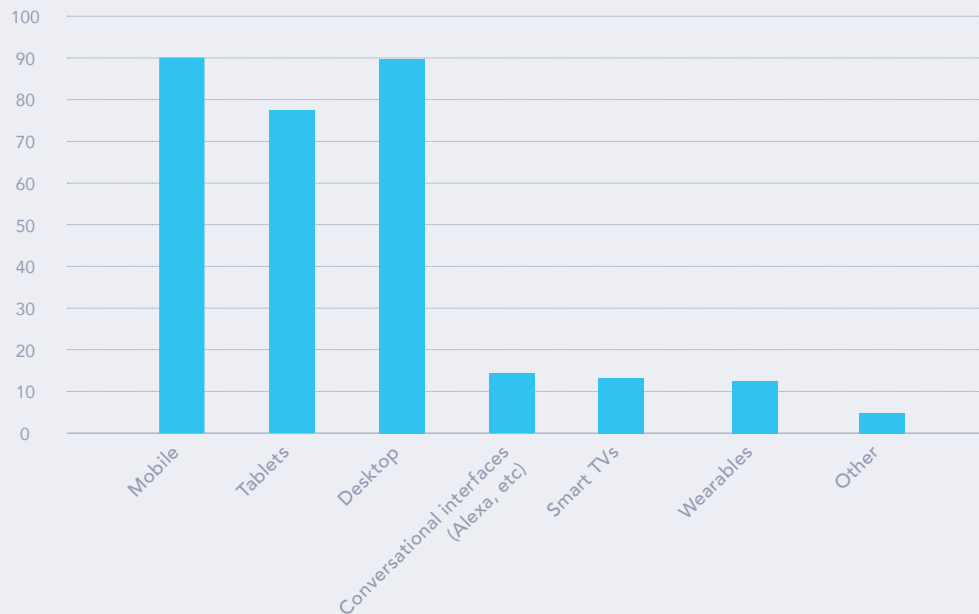
More than two-thirds of respondents (71%) selected marketing, advertising, and engagement when describing their field of expertise. More than half of those answering the survey chose strategy and innovation (more than one answer was allowed), followed by product management and development (41%). Data insights/analytics (36%) and user experience design (23%) were the other two options that tallied significant response rates.

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What fields of work are you involved in?
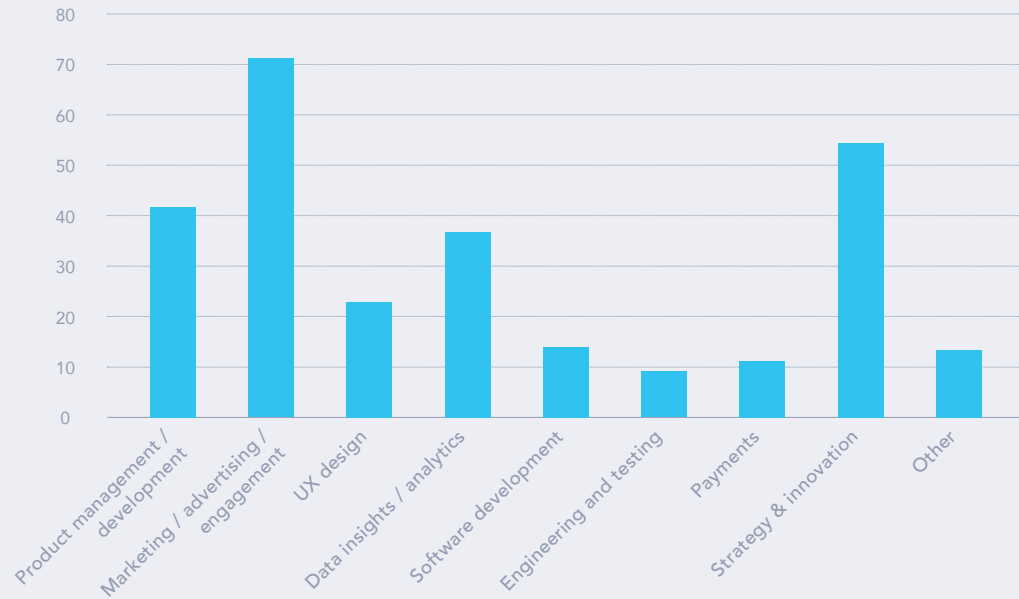
Drilling down farther, three quarters of survey responders chose marketing/ advertising/ engagement to describe their department and daily job functions. Strategy and innovation came in second with 54%, while product management/ development was third with 45% selecting it. Data and analytics (39%) was next followed closely by digital (38%) and then user experience/design (29%). IT, finance, and engineering rounded out the other most popular answers.

Internally, which departments/ functions do you work closest with?
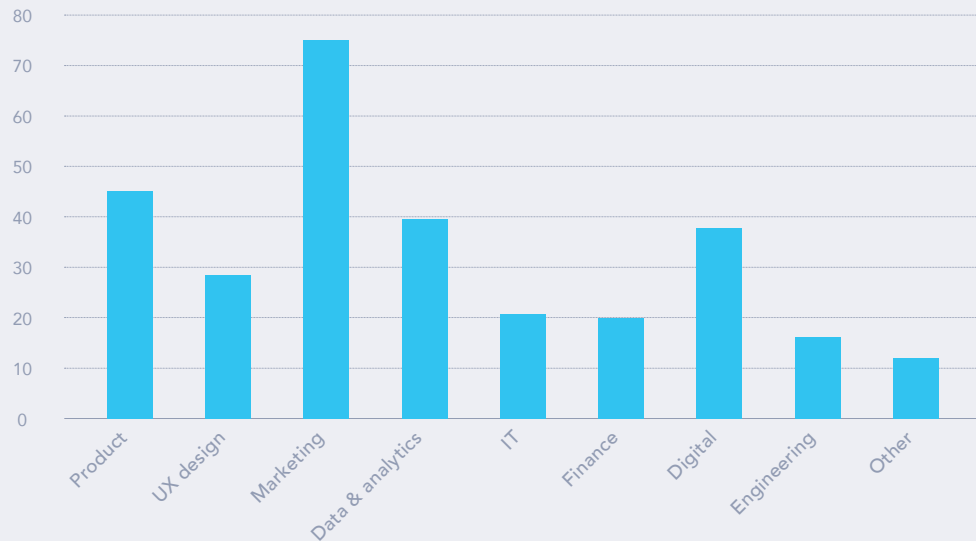
Not surprisingly, some three-fourths of respondents identified marketing as the internal department or function with which they work most closely. Product was a distant second at 45%, followed by data and analytics, then digital and UX/design was fifth.

This profile was very similar to the 2017 survey results with all five in the same position.

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Externally, which types of Technology Partners do you work with?
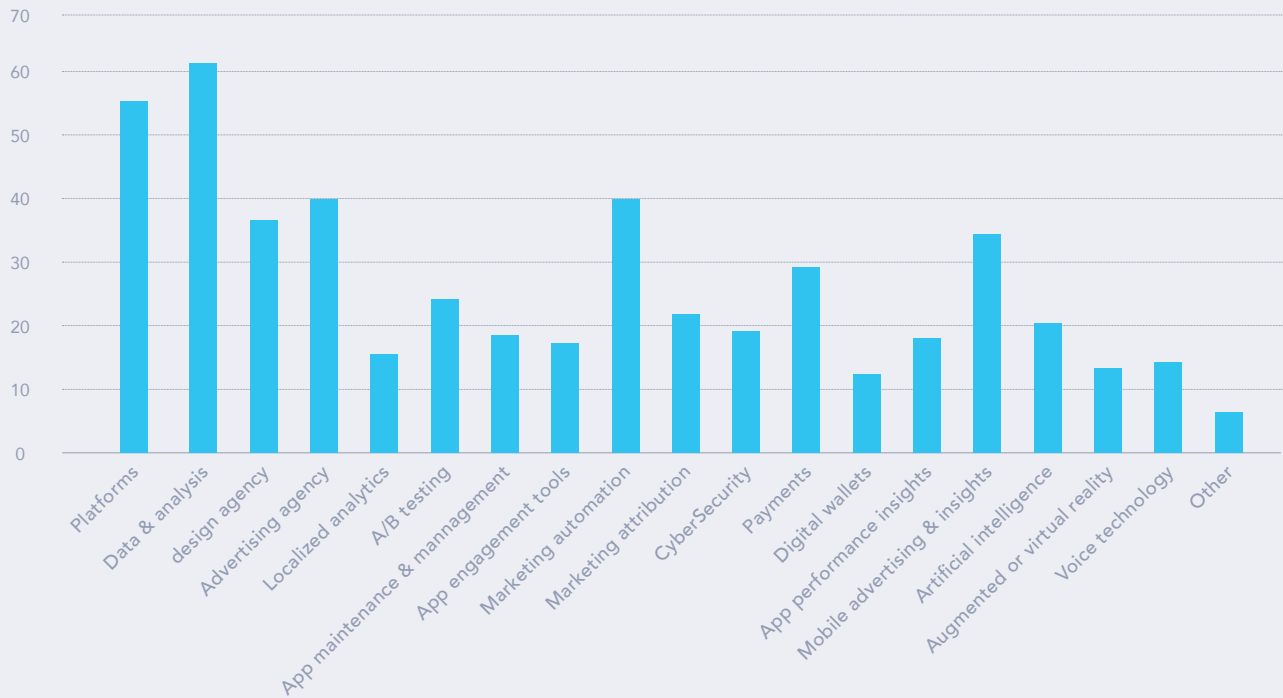
As far as outside technology goes, there were clearly two areas of major interaction: data and analytics and platforms. The other areas that captured large amounts of votes include marketing automation, advertising agencies, and design agencies.

On the other end of the spectrum, voice technology, augmented or virtual reality, and digital wallets tallied far fewer.

Conclusion

There has been an evolution in the thinking of mobile-first thinking, mobile is now seen as part of wider digital product and overall strategy. This Incite Group survey finds mobile product executives expanding their outlook to encompass a broader view that includes all digital product, this view is confirmed by the fact that over 70% of respondents support the statement that mobile product is now a part of digital product.

Respondents continue to view AI/machine learning, voice assistants and mobile payments as areas of predicted growth, two of which, indicate a strong push to automate and personalize customer experiences and brand interactions.

Further to the previous point, the elusive quest for personalizing experiences is still seen as the number one long term growth prospect for connected devices by those surveyed. However, with around 61% of participating organizations unable to offer personalized experiences there is still clearly work to be done before brands can satisfy market demand for personalized experiences.

No matter what platform or technology is employed, the executives taking part in this survey identified a unanimous challenge to overcome: Understanding their customer.

To secure that holy grail, product and design teams are working in closer alignment. Tools such as usage-based analytics and AI/machine learning placed highly when participants were queried on what tools and technologies they were using and planning to leverage, suggesting a desire to better understand the consumer.

To achieve these lofty goals and meet the stiff challenges outlined by product professionals, it is clearly imperative that digital product, design, and marketing colleagues work together to ensure the vision, design, and execution of strategies are in sync.

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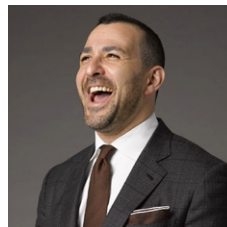For more information please visit: **events.incite-group.com/oms**

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