

A **new model** for marketing

The proliferation of brands and channels is forcing companies to restructure their marketing efforts significantly.

Mae West once said, “Too much of a good thing is wonderful.” Today’s chief marketing officers would hardly agree. McKinsey’s Marketing & Sales practice recently spoke with more than 40 CMOs from a range of companies around the globe. Their biggest concern, they told us, is that an explosion of customer segments, products, media vehicles, and distribution channels has made marketing more complex, more costly, and less effective.

Evidence of the new proliferation lies all around us. Consider the growing fragmentation of customer segments. Modern society is at once more multicultural, because of immigration, and more divided, because income groups have polarized into rich and poor. Both trends create additional and more distinct customer segments. At the same time, intense competition and hunger for growth have pushed, and supply chain innovations have allowed, today’s companies to target ever more demanding customers within ever smaller segments. The product and service options available to customers of consumer industries from packaged goods to financial services have therefore doubled or even tripled.

As sub-brands and line extensions multiply, so do the messages and the media required to sell them. Twenty years ago, big companies used one advertising spot on three television networks to reach 80 percent of the US population; now they need up to 20 messaging and media programs to get the same reach. Marketers do benefit from some of the new communications vehicles, but since few of them are scalable as yet, marketing programs have become complex and difficult to measure.

Finally, distribution channels such as the Internet, product resellers, big-box retailers, and third-party telesales providers have become important for companies that sell to consumers and businesses alike. Many telecom providers, for instance, require up to four channels to reach their diverse customer base. The increasing number

of channel choices further fragments their sales efforts while escalating the potential for channel conflict.

All of these factors, taken together, have dramatically pushed up the complexity and cost of managing a marketing program just when boards and CEOs have been pushing their chief marketing officers to improve the return on marketing expenditures. No wonder more than half of the CMOs we talked with said that a major restructuring of marketing models will be needed to solve this Rubik’s Cube of segments, products, channels, and media in a profitable way.

The new model will force companies to change many of their marketing paradigms. Although customers will still come first, for example, no marketer can meet their every need. It will be necessary to focus on a few of the available customer segments and to serve them with fewer brands, lest an ever growing number raise complexity costs all the way from product development to promotion. In “Making brand portfolios work,” Stephen J. Carlotti Jr., Mary Ellen Coe, and Jesko Perrey discuss ways marketers can develop a segment-driven approach to building stronger, more distinctively positioned brands—and increase the return on marketing outlays.

Marketers must also address the overall cost of serving consumers and businesses. In the article “Steering customers to the right channels,” Joseph B. Myers, Andrew D. Pickersgill, and Evan S. Van Metre argue that proliferating distribution options have given many companies less control over the way they do business with the people who buy their products and services. In the future, these companies will need to reshape when and where they interact with customers.

Rethinking brand portfolios and tackling channel migration are of course just two of the challenges that the proliferation of segments, brands, messages, media, and channels poses for marketers. As our discussions with CMOs around the world continue, we look forward to exploring further aspects of those challenges and to sharing our findings with you here.

David C. Court
Director, Dallas office