

Marketing & Sales

Building a habit of disruption in marketing

To be successful, creative disruption must be a constant process.



***Agile marketing** increases speed, transparency, and customer satisfaction. But making your marketing organization responsive and personal isn't a simple matter. Marketing and technology need to work together to enable better decisions and better customer experiences. Moritz Hahn, senior vice president at Zalando, offers perspectives on how to get marketing and technology to work together to disrupt marketing again.*

McKinsey: What prompted the change in how Zalando conducts marketing?

Moritz Hahn: Ten years ago, when we started Zalando, the way we did marketing was really

disruptive. It made us really successful. But a lot of tech innovations means that things change on almost a daily basis. It was very risky not to change the marketing department, and we realized we needed to disrupt marketing. We figured out that we actually had to combine tech and marketing. It was actually only two years ago that we combined tech and marketing into one team..

McKinsey: What steps did you take to embed tech into marketing at Zalando?

Moritz Hahn: We embedded the tech teams into marketing because we wanted algorithms to help us with our millions of day-to-day decisions,

Sidebar

Digital's challenge and opportunity

Niccolò Pisani, assistant professor of international management at the University of Amsterdam, highlights the changes digital has imposed on marketing.

McKinsey: How deeply has digitization affected the marketing function?

Niccolò Pisani: We live in a world where digitization has profoundly changed the way companies operate. This is particularly true in marketing. Whereas, at first, marketers treated digital as just one more channel to proactively manage, it soon turned out that digitization was going to redefine the marketing function and therefore the roles and competencies that today's marketing teams need to cover.

McKinsey: What are the key opportunities and challenges facing marketers in today's digital environment?

Niccolò Pisani: Digitization has given companies the opportunity to greatly enhance the interaction with more-empowered customers while also collecting a vast amount of data on customers' purchasing behavior. It has also made customer journeys inherently more complex, as the number of touchpoints with customers has dramatically increased.

Teams now have the possibility to use an extremely wide array of technological tools in the deployment of their digital-marketing activities. The challenge for companies is to choose the right kind of marketing-technology infrastructure for their business needs and use it to create a data-driven culture that

embraces experimentation and continuous learning.

McKinsey: Has digitization reduced the need for human insight in marketing?

Niccolò Pisani: One of the greatest threats for companies is to become focused on marketing technology at the expense of human insight. Companies need marketing executives today as much as they did in the past. What digitization has done is to radically transform the competencies that marketing executives must possess. Marketing executives are the only ones to decide which critical business issues the chosen marketing-technology infrastructure should tackle.

Niccolò Pisani is assistant professor of international management at the University of Amsterdam. This interview was conducted by **Miriam Heyn**, a partner in McKinsey's Berlin office.

such as when and how much marketing money to invest. These algorithms then had to execute on all those millions of day-to-day decisions. We first had to automate all the marketing processes. Our second step was to rigorously A/B test. With a randomized control group and a test group, we were able to isolate the impact of each euro invested in marketing. This brought the magic of machine learning to the game, as it let us see causal inferences on a day-to-day basis in millions of decisions.

In the beginning, the machine-learning system took time to catch up with the more classical way of doing marketing. But now we can see that it brought us to a completely different growth path than we were on before. So if you put together automation and A/B testing, you have the two most important ingredients for a machine-learning system: learning and decision making.

Over time, this machine becomes better and better; it learns and learns.

As an example, in the past we had a couple of thousand creative assets on Facebook. Nowadays, we have up to millions of creative assets on Facebook at any given point in time. This is possible because we can automate not just content creation and uploading but also the routing and

bidding for the placement of the different creative assets as well. As a result, we can deliver a personalized marketing experience to almost every individual customer.

Of course, on top of automation and A/B testing, we also needed to excel on the classical marketing performance topics, such as data tracking, attribution modeling, or steering.

McKinsey: What has your experience at Zalando taught you about the digital marketing transformation?

Moritz Hahn: It's hard work. To lead an organization through this change requires leadership. In the beginning, in particular with machine-learning systems, you don't see the benefits immediately. You have to go through a time when the performance benefits aren't apparent. With machine-learning systems, the results come at a later stage. This makes leadership and a commitment from the top of the organization extremely important.

I think we also learned that we have to constantly disrupt ourselves from the inside. Disruption can't be a one-time endeavor. The ability to disrupt from the inside is true agility and will help us to continuously evolve our business.

Moritz Hahn is senior vice president at Zalando. This interview was conducted by **Miriam Heyn**, a partner in McKinsey's Berlin office.

The author wishes to thank Jörn Küpper and Mary Meaney for their contributions to this interview.

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