

Discussions in digital: What's a marketing ecosystem and what does it mean for marketers?

Marketing ecosystems are creating new professional opportunities—and making new demands. Here's how today's marketing leaders are adapting.

Diane Esber, Brian Gregg, and Brian Goffman



Marketers are no strangers to managing complex relationships and campaigns. But as digital ecosystems (of vendors, platforms, agencies, business, etc.) expand and the lines between sectors blur, marketers are rethinking how to build value and their own roles. In our latest Discussions in Digital podcast, Brian Gregg, a senior partner who coleads the marketing service line, explores how marketing leaders can make ecosystems work for them. Participating in the discussion are David Morgan, CEO of Simulmedia, Brian Goffman, vice president and senior solutions-group leader at McKinsey, and cohost Dianne Esber, who coleads McKinsey's West Coast Consumer Tech practice. This is an edited transcript of their conversation.

Darwinian battles in the marketing ecosystem

Brian Gregg: The term “ecosystem” has really taken off in the digital world recently. How do you define it?

David Morgan: For the customer, it's the media companies that intermediate between them and the businesses that want to make contact with them. For marketers, it's typically agencies or contract services that do the intermediation. What's happened in the digital world—where you didn't have established supply chains—are hundreds or thousands of companies in between that are intermediating them.

Brian Goffman: For publishers, things have gotten increasingly consolidated. There was an early Web where anybody could put up banners and be successful. Then the shift to mobile was a pretty dramatic change. But Facebook, LinkedIn, and eventually others navigated it. Snapchat is kind of a native mobile product. But even when you look at the traffic or the time spent on mobile apps, it's really consolidating, and the big players are only getting bigger. So that part of the ecosystem is truly Darwinian, in that the winners are sitting at the top of the food chain.

One ecosystem I'm really interested in, and I think is not yet well understood, is the voice ecosystem in the home. Voice-recognition technology was a real sleeper, a kind of call-center optimization and cost-cutting move that didn't work very well. But these systems are now truly mind-blowing in what they can do, and the penetration rate and growth rate is off the charts. So you're going to have multiple voice-based ecosystems in your home, and they're each trying, to some extent, to own your home. They're also trying to own the channel into your retail.

I think the complexity of that ecosystem, even as a leader of your own individual ecosystem, is incredibly difficult, and that makes a consistent message very, very challenging. That said, the payoff for doing it right is gigantic.

The ecosystem of talent: In-house vs. external

Dianne Esber: One question we hear a lot concerns the proliferation of players helping different companies navigate ecosystems and address these challenges. In the old days, you had one primary agency or a few partners, but now you're dealing with 50, 70, or 100 different players helping with small pieces of that ecosystem.

So you need to decide if that's the optimal setup. And if not, how do you decide strategically who to partner with in the biggest ways, and what to bring in-house?

Brian Goffman: I like to think of it as a barbell strategy. The companies you have to work with are evolving into very large players and very small players. The very large players are names like Google, Facebook, and increasingly, Amazon. If you don't work with those companies, whether you're trying to reach consumers or B2B, frankly, you're not going to reach your volume targets.

On the other hand, you also need to work with the small players, because they're innovating fast. So I

would combine the two. In order to do that, you have to do three things. First, you have to have somebody in charge of technology. Second—and this depends on whether it's B2B or B2C—you have to have some form of operations group, because there are so many systems to run. It could be in IT, but if so, you'd better have a very close partner. The third part is the creative, and I'm a big fan of having creative in-house, and—although it doesn't work with the agency model—a mix of outside and inside creative capabilities can really lead to breakthroughs.

David Morgan: If you're going to produce a unique product that carries the essence of your brand and understands your consumer, you actually need to build your own content factory. Once you have the capability to create different types of content, you're going to be watching it, you're going to be optimizing it, and you're going to be changing it faster than you can change product. It will actually lead to customer insights and future product development.

Dianne Esber: But I wonder, Brian, why you think there's some strategic advantage to having creative in-house. Many players find it effective to have a small internal team working on a piece of the business, but they find it hard to get big creative strategic moves from their internal team. How have you thought about that battle?

Brian Goffman: If you look at the disruptors, they all drove their own creative in their own marketing programs and they were winning that way, at least early on. Once they got really big, maybe that shifted. But in almost every case, they had in-house technology and in-house creative in their marketing programs.

Brian Gregg: So what does this agency of the future look like?

David Morgan: You're not going to do business with a company that's essentially a merchant bank. You

actually want people to take some risk with you, to stay with you for the long haul. In the '60s and '70s, when we saw some of the first full-service agencies grow up, they were very much aligned with that thinking. That was certainly what David Ogilvy was doing. But fundamentally, the holding companies were not designed to create customers for their customers. And that's a problem.

Marketing departments as CEO incubators?

Brian Goffman: You're seeing a lot of product technologists coming into marketing and viewing a lot of what they're building as products. [That's because] you also have concepts like agile taking over marketing, and that's the way products get built in an agile environment. If you look at some of the best companies, like Netflix, which is truly a fantastic marketer and also extremely good at operating its marketing campaigns, you see both amazing creative and also great operations. That doesn't happen without technology.

The other thing to bear in mind is that you're actually experimenting with the technology, which gives you the ability to work with start-ups that are often kind of raw. So you need somebody on your team who can adapt that technology and help them implement it.

David Morgan: I think there are two big technology issues. The first is that marketers now need to include technology in their portfolio and operations. We're talking about a different kind of marketer than one who entered the workforce 30 years ago. This is a person that's more like a chief operating officer, a future CEO. This is someone who actually is going to control the product, who makes things and is responsible for their delivery. It's become a position that's more likely to serve as a CEO incubator. You wouldn't have incubated a CEO in marketing 30 years ago, unless you were just a pure marketing company.

The second issue is that marketers must untether their technology choices from the enterprise's technology choices, which means there will be some unavoidable outsourcing. Otherwise, they become slaves to the CIO, who's been taught the wrong approach.

The next generation of marketing rock stars

Brian Gregg: You're all bringing up this idea of new capabilities and that what got you here might not be what gets you to the next level. But then the question becomes, "How do I get the talent?"

David Morgan: Well, I think you have to be honest with yourself and your people first, which means, you are what you are. And you have to decide which people need to remain focused on doing their current jobs, because that's paying the bills. Then you're going to have to decide how you're going to attack the future, and that may have to be done separately.

When it comes to attracting talent, everyone always waves the money issue. I'm based in Manhattan, though I've done business in the Valley here for 20-plus years. I've got employees here, employees there, and in other cities, and I find that first and foremost, the great talent comes to work for the problems they get to solve.

Brian Gregg: Where are the outstanding marketers of the future going to come from?

David Morgan: Well, I'd say the digital-first companies are creating a whole new breed. Two or three years ago, I would probably have given you a different answer. I'd have said legacy brands that have, quite frankly, immigrant talent with technical degrees. They were incredibly creative. But the digital-first brands are really crushing it. Look at companies like Expedia. Or HomeAdvisor, which came out of nowhere four or five years ago and is now

focused on acquisition and growth.

And now you can't even name the best marketers, because they're not celebrity marketers who go out and speak on the circuit all the time. The super-successful marketers of today and tomorrow are actually home doing the business. How many chief operating officers are on the circuit?

Brian Goffman: Well, one characteristic is they're doers and leaders. So going back to the technology example, they're coders who can also lead a team and be an architect. If you're just one or the other, you're not going to make it as a senior marketer. You have to know some of the nuts and bolts of how these systems work, not just the results, and manage up. I like the idea of the digital natives, but I also think there are amazing people coming out of other places that you wouldn't necessarily expect.

I'm a big fan of an operating model that allows smaller teams to innovate in different ways and optimize for effectiveness rather than efficiency. A lot of big companies tend to orient themselves around eliminating people and duplication, which means you can't have a bunch of small teams trying to do similar things. But the reality is it's an ecosystem, and the winner will rise to the top. A lot of the companies that innovate quickly have small teams going after big ideas, and if they see two that are doing well and need to be merged, they merge them.

CMO challenge: Control of the marketing scorecard

David Morgan: Here's something else I think is really critical. One thing anybody in an existing marketing role knows is that, historically, you had control of insights, analytics, and information about what you did. Your agency never told the CEO or anyone else something before you were told. You had the results of all the campaigns and all the polling. You had all

the information other than merchandising, and you had it first.

But now we've disconnected that. The analytics exist external to marketing, in customer analytics and marketing analytics. And if there's one thing a marketer should be aware of today, it's that the scorecard on how they're doing is going to be known by everybody else in the organization the moment it happens, and if they don't make sure to see the scorecard at the same time, they'll lose—because in the past, marketers created a metric that was entirely in the vendors' favor. Now they're going to have to deal with a metric that has to do with what their shareholders want. ■

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