

McKinsey Global Survey results

## What marketers say about working online

*Marketers agree that digital tools and technologies are valuable, though many of their companies struggle to measure the financial impact and capture customer data.*

**Digital media and online tools** remain a largely untapped resource for companies, according to a recent survey of marketing executives.<sup>1</sup> Most respondents agree that their online presence is important and that digital tools provide their companies with a major opportunity, but few are taking the structural steps required to benefit from selling online or engaging consumers through new technologies such as social media. Indeed, most respondents indicate that companies are still trying to figure out how digital media can meaningfully improve their bottom lines. The survey asked marketing executives from around the world about the digital tools and channels their companies use and expect to use, the challenges they face and actions they have taken in response, and the metrics available to assess performance online.

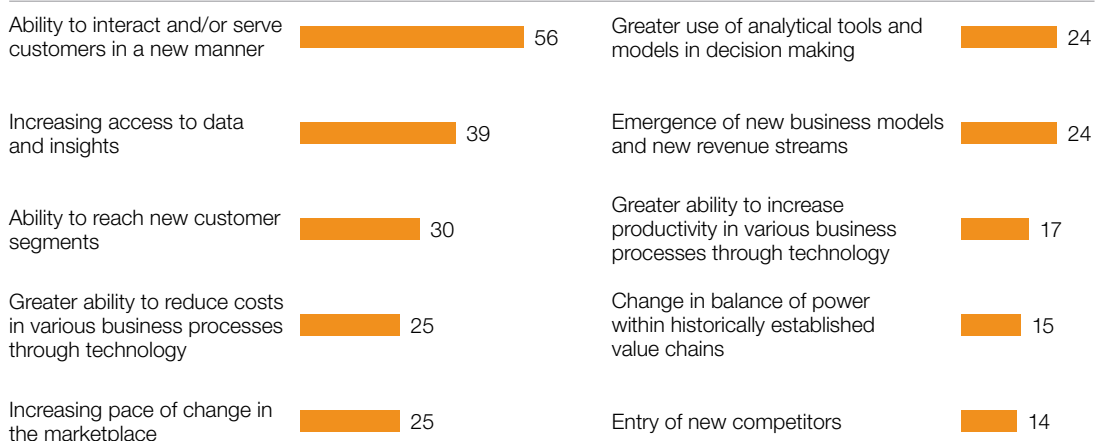
<sup>1</sup> The online survey was in the field from October 11 to October 21, 2011, and garnered responses from 792 marketing executives representing the full range of industries, regions, titles, and company sizes. The data are weighted by the contribution of each respondent's nation to global GDP to adjust for differences in response rates.

The most pressing competitive challenge marketing executives identify is producing and using customer insights, and respondents hope to use data to drive sales and customer engagement. But they also say their companies often have only basic customer information—despite the tremendous increase in data available to them in recent years—and they report difficulties in measuring the impact of online tools and channels. Respondents also say they lack the internal leadership and resources to develop better analytical capabilities and, as a result, better information and insights about customers.



Jean-François Martin

Exhibit 1

**Interacting with current customers**% of respondents,<sup>1</sup> n = 777**Digital-related marketing changes with biggest impact on respondents' companies in the past 2 years**<sup>1</sup> Respondents who answered "other" or "don't know/not applicable" are not shown.**The state of play online**

Marketing executives overwhelmingly agree that an effective online presence is very or extremely important for staying competitive—81 percent of them say so. And more than half of respondents say that over the past two years, the increasing prevalence of digital media and tools has changed their companies' ability to interact with and serve new customers (Exhibit 1). Notably, about half as many cite either the ability to reach new customer segments or the emergence of new business models as one of the greatest effects of digital media's pervasiveness. Overall, these tools seem to be creating little competitive differentiation. Just over half of respondents, for example, say their companies and competitors earn about the same share of revenue from online sales, with almost equal numbers of other respondents estimating shares above and below.<sup>2</sup>

Strong majorities of executives say that to connect with consumers today, their companies most often use two digital channels: their company home pages and e-mail. Looking ahead, however, there's a clear shift in what respondents believe their companies should be

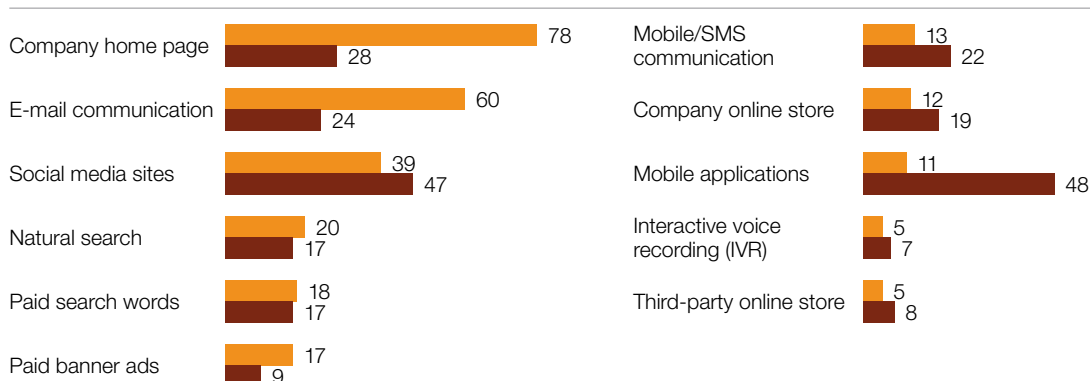
<sup>2</sup>Fifteen percent cite revenue higher than competitors, and 17 percent lower; another 16 percent don't know.

Exhibit 2

**Home page today, mobile apps tomorrow**

% of respondents,<sup>1</sup> n = 777, by time frame

**Digital tools that respondents' marketing departments use, and should use, most often to reach customers**



<sup>1</sup> Respondents who answered "other" or "don't know" are not shown.

using in two to four years (Exhibit 2): a broader range of tools, especially mobile applications and social media platforms such as Twitter and Facebook, while far fewer respondents say their companies should use their home pages and e-mail most often to communicate in the future.

Though less than a majority say their companies use social media most often today, responses show that most are experimenting: nearly three-quarters of respondents say their companies currently use social media to achieve business objectives in some way. One-quarter of these respondents say these platforms are important tools, and 46 percent say their companies use some social-media tools to complement other marketing efforts.

Organizationally, a majority of executives (54 percent) say their companies have responded to the increasing prevalence of online tools and e-commerce by seeking to integrate them into existing business models. However, nearly one-third have established separate teams or departments to manage online opportunities. The finding that large shares are taking quite different approaches suggests that marketers are still struggling to figure out what will work best at their own companies. However, it's notable that respondents also report few process problems (for example, insufficient coordination) between marketing and other departments that hurt their companies' overall business. Only 18 percent, for example, report major problems in cross-functional task forces at their companies, while another 18 percent say the same about



strategy development—the highest share among all internal processes we asked about. Half say there are no cross-functional problems involving marketing in consumer communication.

### Marketers' online challenges

The most important digital-related challenge for marketers and business leaders—ranked first by the largest share of respondents—is generating and leveraging deep customer insights (Exhibit 3). The good news is that more respondents say their companies either are taking or

Exhibit 3

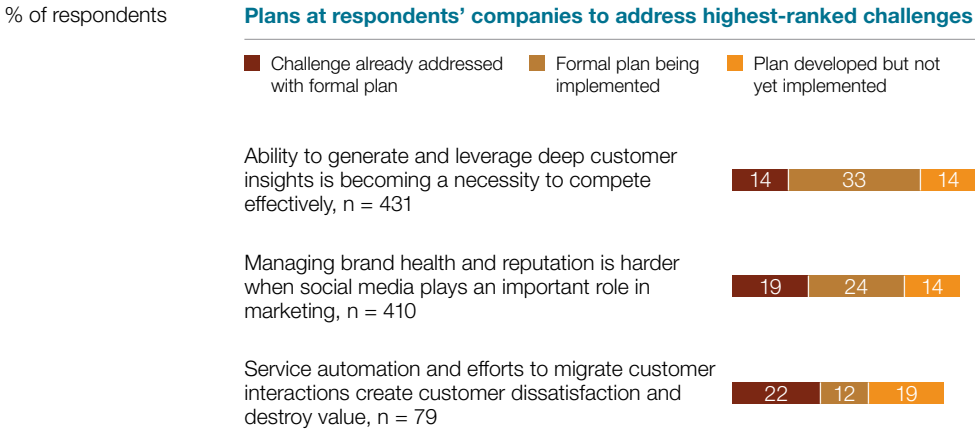
### Ranking challenges

#### Most important digital-related challenges for marketers and business leaders

|                                                                                                                                                          | Ranking of top 3, where 1 = the most important                                             |                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                                                                                                                                          | Average ranking<br>(out of 3)                                                              | % of respondents<br>ranking given challenge<br>as most important,<br>n = 752 |
| Ability to generate and leverage deep customer insights is becoming a necessity to compete effectively                                                   |  1.57 | 32                                                                           |
| Managing brand health and reputation is harder when social media plays an important role in marketing                                                    |  1.90 | 22                                                                           |
| Service automation and efforts to migrate customer interactions create customer dissatisfaction and destroy value                                        |  1.95 | 3                                                                            |
| Marketing and related departments face significant talent gap in analytical capabilities                                                                 |  2.06 | 8                                                                            |
| Increasing prevalence of digital tools and technologies threatens existing business models                                                               |  2.06 | 8                                                                            |
| Online price comparison tools impede companies' ability to set optimal prices                                                                            |  2.07 | 3                                                                            |
| Difficult to assess effectiveness of digital marketing, since online and traditional metrics aren't comparable                                           |  2.08 | 11                                                                           |
| An overreliance on data and facts stifles creativity and breakthrough innovation                                                                         |  2.19 | 3                                                                            |
| Pervasiveness of marketing activities causes organizational challenges (eg, unclear accountability and incentives, changes in decision-making processes) |  2.22 | 5                                                                            |
| Too often, digital marketing efforts target only younger customer segments                                                                               |  2.25 | 3                                                                            |

Exhibit 4

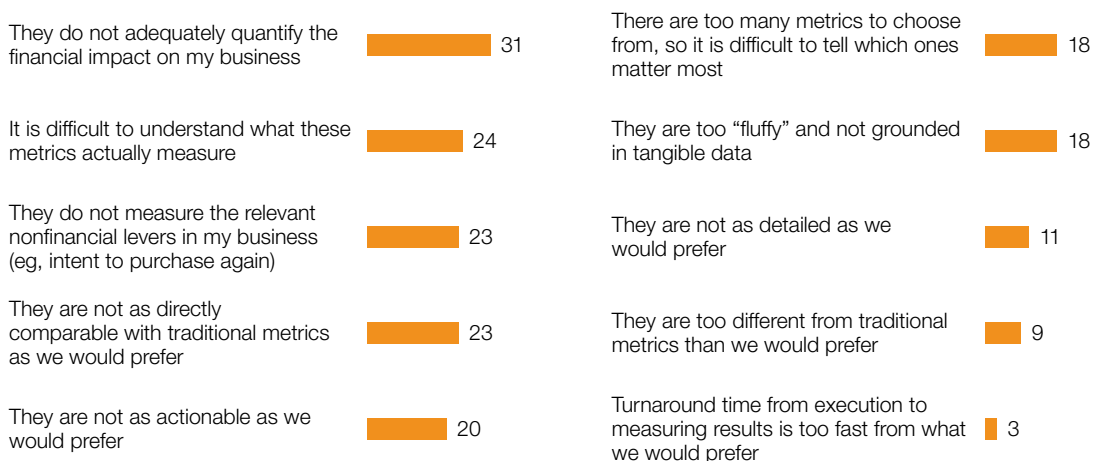
Active responses



plan to take action on some of the higher-ranked challenges compared with those they ranked lower (Exhibit 4). Notably, many companies seem to want to do it themselves: on many of these challenges, more respondents say the best approaches involve developing internal capabilities rather than relying on external resources. For example, of respondents who say managing brand health and reputation is an important challenge, 49 percent say creating content or services for customers on social-media sites and forums would help in addressing it, while just 14 percent cite the hiring of third-party service providers to manage online brand interactions.

Though measuring the effect of online tools isn't the most-cited problem, other responses indicate that many marketers continue to struggle with developing the right metrics and translating insights into actions that influence consumer behavior. Nearly one-third of

Exhibit 5

**Struggling with online metrics**% of respondents,<sup>1</sup> n = 777**Challenges with common online metrics**<sup>1</sup> Respondents who answered "other" or "don't know" are not shown.

respondents say existing digital metrics don't quantify the financial impact of those tools or channels on the business (Exhibit 5), and of the executives whose companies are using social media, almost half say quantifying the impact adequately is difficult. In addition, there is little consensus about how price transparency affects annual revenues: 38 percent say the increased transparency associated with online tools and e-commerce has not reduced their companies' revenues this year, 8 percent say it has, and 27 percent don't know.<sup>3</sup> Even looking solely at revenues from online sales, which should be straightforward to measure, 18 percent of marketing executives say they don't know what share those sales were of total revenues last year; another two-thirds say such sales accounted for 10 percent or less of their companies' annual revenues.

<sup>3</sup> Small shares also cite reductions in revenue from less than 1 percent (5 percent of respondents) to more than 30 percent (1 percent of respondents).

<sup>4</sup> For example, see Georges Desvaux and Baudouin Regout, "Older, smarter, more value conscious: The French consumer transformation," [mckinseyquarterly.com](http://mckinseyquarterly.com), June 2010.

Finally, few respondents say their companies most frequently try to reach customers aged 51 and older through online tools or channels. This is notable because other McKinsey research has shown that older consumers are wealthier than younger ones and quite active online.<sup>4</sup> This likely indicates a growth area for many companies.

### Marketers and big data

Congruent with the importance respondents place on leveraging customer insights, 71 percent say data-driven customer insights will be very or extremely important to their companies' competitiveness during the next two to four years—but just 4 percent say their companies now have the required analytical capabilities to manage their businesses more effectively (Exhibit 6). Marketers most frequently say they hope to improve sales or customer engagement through analyzing data: 43 percent and 42 percent, respectively. (We know from other work that companies hope to use technology to help consumers throughout their decision journey: triggering the impulse to buy, raising awareness of brands to ensure they are considered for purchase, and providing information as consumers evaluate product options.<sup>5</sup>)

<sup>5</sup>See David Court, Dave Elzinga, Susan Mulder, and Ole Jørgen Vetvik, "The consumer decision journey," mckinseyquarterly.com, June 2009.

Exhibit 6

### Resource constraints on analysis

% of respondents,<sup>1</sup> n = 777

#### Analytical challenges to managing business more effectively at respondents' companies, next 2–4 years



<sup>1</sup>Respondents who answered "other" or "don't know" are not shown.

Right now, though, executives report a fairly unsophisticated use of data: 38 percent say their companies have basic demographic information on each customer, while only 18 percent say their customer data include detailed information such as interests or attitudes. Respondents also report that typical marketing decisions are most likely to rely on internal sales data, information that has long been available to marketing departments and likely what managers are most comfortable working with. Fewer than 20 percent say typical department decisions use either quantitative or qualitative consumer insights.

### Looking ahead

- Most companies are struggling to define an online business model to drive competitive advantage, despite being well aware of the importance of digital media and its potential to foster customer engagement and loyalty. That's partly because there's no single solution: companies need to consider factors such as the extent to which digital operations should be integrated within existing commercial functions, whether it should be centralized or regionally based, and how much online activity should be standardized rather than tailored by geography, product, or service.<sup>6</sup> Yet even though one size does not fit all, companies need to begin searching for what works for them.
- Few companies are taking full advantage of the opportunity presented by exponentially increasing volumes of customer data. Insights derived from how consumers behave and interact online can inform everything from product development and innovation to sales processes, but it requires a commitment to gathering, analyzing, and deploying data much more effectively than most companies currently do.
- The race is far from over. While companies recognize the potential of digital tools to drive customer engagement and sales, few have seized the opportunity: only 14 percent of respondents say the effects of digital tools in marketing have included the entry of new competitors. Yet it's only a matter of time before disruptive competitors that skillfully use digital tools quickly emerge, and incumbents need to take aggressive action before a lot of current value is destroyed. ■

<sup>6</sup> See Tom French, Laura LaBerge, and Paul Magill, "We're all marketers now," [mckinseyquarterly.com](http://mckinseyquarterly.com), July 2011.



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