Building capabilities in digital marketing and sales: Imperatives for consumer companies

As they embark on their digital journey, companies should focus on a handful of essential skill-building and organizational decisions.

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Advances in digital technology are reshaping the world of marketing and sales. The potential for real-time connectivity with customers, especially through social networks, has generated seemingly endless possibilities for personalized products, services, and communication. In response, some marketing and sales teams at consumer-packaged-goods (CPG) companies have ramped up digital spending: Unilever, for example, doubled its digital-marketing budget between 2009 and 2011, and by 2012 had allocated 13 percent of its overall marketing budget to digital channels. P&G now markets several products exclusively via digital channels.

Yet even seasoned CPG executives within marketing and sales confess they don't fully understand consumers' digital behaviors or know the best ways to use digital channels and tools. Many executives—from chief marketing officers (CMOs) to brand managers—say their staff lacks some of the skills necessary to capture the full potential that digital platforms can offer. How can CPG companies develop the capabilities they need to achieve sustained excellence in digital marketing and sales?

Drawing on our independent research, in-depth interviews with 30 CMOs and brand managers at a dozen leading consumer companies, and our extensive experience working with CPG organizations around the world, we have identified seven imperatives for CPG companies seeking to systematically build digital capabilities.

Keiko Morimoto

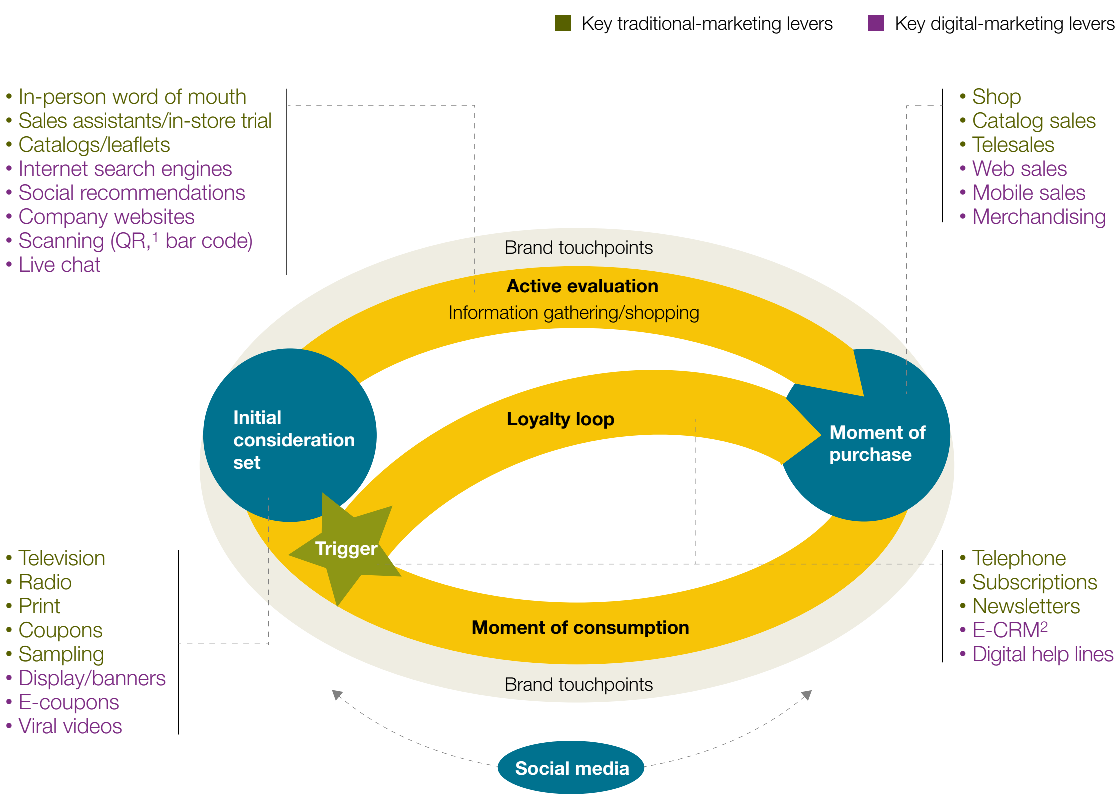
Collectively, the imperatives address strategic vision, both "hard" and "soft" organizational challenges, and operational processes—thus constituting a comprehensive approach to digital success. Unlike other approaches—which either have a narrow focus or presume a level of digital savvy that might not yet exist in some organizations—our approach can help CPG companies build their digital capabilities from the ground up and across the entire marketing and sales organization.

1. Integrate digital activities into the overall strategy

A digital-marketing plan shouldn't be designed on its own and simply tacked on to the overall marketing and sales strategy; digital and traditional media planning should be fully integrated to reflect the integrated, multichannel nature of the "consumer decision journey" (Exhibit 1). Integration requires strong signaling from management teams—bold, visible moves that highlight digital marketing and sales as

Exhibit 1

Digital media can affect every part of the consumer decision journey.



[1]Quick response.
[2]E-customer-relationship management.

priorities for the organization. One such move might be to set ambitious spending targets. One CPG company has set its digital-spending target at 10 percent of the overall marketing and sales budget—well above its actual spending of approximately 2.5 percent. CPG companies can also pilot high-profile digital campaigns. In 2010, Pepsi opted not to air TV commercials during the Super Bowl, investing instead in an all-digital corporate-social-responsibility campaign called Pepsi Refresh. While the campaign did little to boost sales, it sent a strong signal to Pepsi's marketing and sales teams about the importance of digital activities.

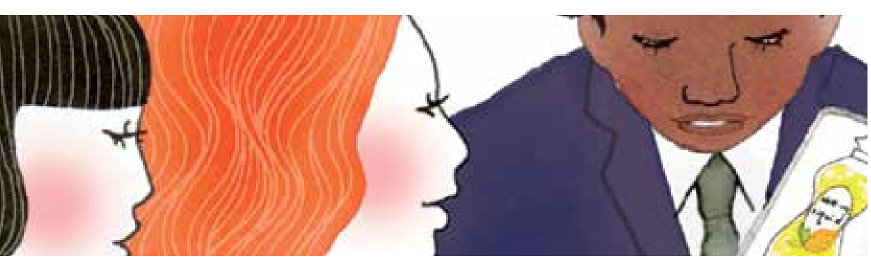
Integrating digital activities into the broader strategy can be challenging if companies don't yet have strong digital capabilities: organizations might feel they lack the digital-strategy skills to conceive a company-wide plan or feel cautious because they have little historical data and experience from which to draw. Building the right skills is crucial, as we discuss below, but companies shouldn't wait until they have the perfect set of skills in place. Getting started on the digital-marketing journey and creating a path to digital excellence will help build momentum.

2. Create new roles and develop new skills

As digital activities become more important, CPG companies are creating new roles in their marketing and sales teams: for example, chief content officers take charge of content development, "data whisperers" manage and interpret vast amounts of information, community managers monitor and respond to social-media buzz, and e-commerce experts oversee online sales. But companies must be careful not to create new positions in title only—the people in those roles must have the right skills. And because competition for digital experts is fierce, companies must distinguish among digital activities that require new hires, those that could be handled by employees with additional training, and those that should be outsourced.

Hire experts to oversee strategic activities in-house

Some digital activities that have traditionally been outsourced—such as customer-data analysis and digital-content creation—have recently taken on increased strategic importance. Companies should therefore consider moving them back in-house, which can strengthen brand control and enable faster action and course correction. As part of its digital marketing and sales strategy, one luxury-goods company decided to integrate advanced digital technologies into the in-store experience—showing live feeds of the company's fashion shows on giant TV screens and allowing shoppers to interact with the store's digital content on their tablet devices, for example. To create this type of immersive digital experience for its in-store customers, the company needed complete control over its digital activities—which meant moving them in-house.



Many companies find that they need entirely new skills and new talent profiles for some digital activities; training the current staff isn't a realistic option. In a 2011 McKinsey survey, global executives more often cited "hiring experts from outside the organization" than either "training current employees" or "outsourcing" as a tactic that would most help address their companies' analytical talent gaps. And 50 percent of the CMOs we interviewed believe recruitment of data analysts will be critical to their success.

That said, the talent of digital experts tends to be highly specialized, and CPG companies should be creative about building digital capabilities more broadly among current staff. An employee-exchange program between Google and P&G offers a case in point: since 2008, a rotating group of about two dozen employees has been attending one another's business meetings. P&G employees gain actionable insights about digital consumers and a better understanding of how to reach them; Google, in return, gains closer ties to the world's biggest advertising spender.[1]

Outsource tasks that others can do better, faster, or at lower cost

CPG companies may still choose to outsource nonstrategic capabilities or activities that third parties can offer at a higher quality, at a more rapid pace, or at a lower cost. Examples could include data management or development and maintenance of certain software programs and applications (such as digital payment systems or clickstream tracking).

Although outsourcing isn't a new concept, there are new complexities in the context of digital marketing and sales that make vendor management more time-consuming and resource-intensive. For one, there are many more vendors to manage, simply because of the ever-expanding range of digital activities. Contracts are often shorter in duration because of the "test and learn" approach required in digital teams. The abundance of real-time data means marketing and sales departments interact with vendors much more frequently. They also tend to switch vendors more often because the market is highly dynamic and has many small, specialized service providers. CPG companies should take these factors into account when making decisions about which activities to outsource.

3. Rethink the way digital activities are organized

CPG companies must not only decide which digital activities to execute and whether to outsource them—they must also be deliberate about how and by whom in-house digital activities are done. We've seen three models work well: a central operative team can handle organization-wide execution, a central "catalyst" team can guide local teams on execution, or fully empowered local teams can implement plans independently in their markets (Exhibit 2).

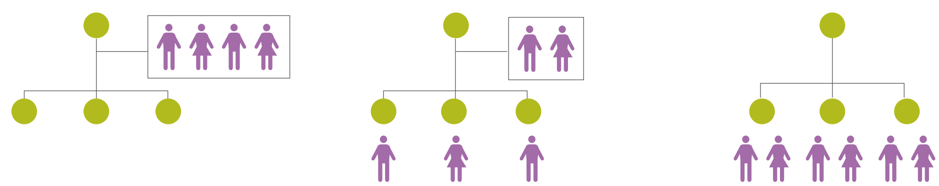
Companies should weigh the pros and cons of each model, but in general, our view is that activities such as developing the digital strategy, defining brand-equity guidelines, and conducting global agency negotiations should remain centralized, while digital activities that require daily intervention (customer service, for example) should be managed locally to ensure maximum relevance and speed.

CPG companies can learn from digital organizations outside their industry. Dell, for instance, uses the catalyst model for its social-media

[1] See Ellen Byron, "A new odd couple: Google, P&G swap workers to spur innovation," online.wsj.com, November 18, 2008.

Exhibit 2

Companies typically use one of three models in setting up digital activities.

	Central operative team	Central team as a catalyst	Local teams
Structure			
Roles	• Central team performs digital tasks on the ground	• Central team disseminates best practices and guidelines • Local staff is responsible for execution	• Local markets are fully responsible for actions to be done
Pros and cons	• Deep knowledge development within center of excellence, but only applicable when local differences can be ignored	• Combination of central expertise and guidelines with local execution, but enforcement of guidelines remains a challenge (blended responsibility)	• Close and fast to market, but uneven delivery due to little coordination
Examples	• Search-engine marketing	• Social media	• Customer service

activities. The company established a Social Media Listening Command Center, which tracks more than 20,000 Dell-related topics in 11 languages. Dell also created Social Media and Community University, which offers Dell employees worldwide a range of courses on social-media policies and processes. Only graduates of the university can blog and tweet as official Dell representatives. The company estimates the university has trained between 5 and 10 percent of employees.

Companies must also decide where to situate digital activities within the larger organization. Some CPG companies establish a digital subdepartment in the marketing and sales group; others create a separate digital department for each brand.

4. Establish rapid-response mechanisms

Speed is key in digital marketing and sales. Customers who make online inquiries expect a response within an hour, and 88 percent say they're less likely to make a purchase if their question goes unanswered.[2] Companies should create a comprehensive plan for responding quickly to online events, from customers' questions to public-relations crises.

[2] *The Consequences of Ignoring Your Customers: A Survey of Consumer Expectations for Customer Service on Social Media Platforms*, Conversocial, December 2011.

Marketing and customer-facing teams are best positioned to identify emerging online threats and must be trained to react in a way that protects both the company and the brand. Three levers can equip companies to respond to crises quickly: systematic monitoring, anticipation, and organizational readiness.

Systematic monitoring. A company must monitor online discussions about itself, its brands, and its products—and it needs well-defined teams, tools, and processes for doing so. One company we interviewed, for example, monitors YouTube for videos that could damage its reputation. Recently, a video that put company employees in a bad light went viral. Because it had monitoring systems in place, the organization became aware of the problem immediately and was able to quickly post its own YouTube video in which a senior executive detailed the company's response. Social-media employees, without further guidance from the corporate office, continued to respond to customers' online inquiries and comments.

Anticipation. Companies should define response plans before a threat actually arises. McDonald's offers a strong case for this type of preparation: when the company encouraged its customers to use the hashtag "#McDStories" to tweet their positive experiences with the brand, the campaign was hijacked by customers who posted derogatory tweets. McDonald's quickly pulled the hashtag; it was promoted for less than two hours. Within an hour of pulling #McDStories, negative tweets about the company decreased from 1,600 per hour to a few dozen per hour. According to a statement from McDonald's social-media director, "With all social-media campaigns, we include contingency plans should the conversation not go as planned."[3]

Organizational readiness. Social-media activities can be managed by a centralized group (which limits the need for coordination and helps keep tighter control of messaging) or through decentralized teams. If companies opt for the latter model, teams must have clear guidelines and well-defined decision-making and escalation processes. Organizational readiness can sometimes be about responding to crises, but it can also help capture unexpected opportunities. When the lights went out during the 2013 Super Bowl, cookie manufacturer Oreo, which had set up a command center to respond to social-media buzz in real time, sent out its now-famous "You can still dunk in the dark" tweet. The instant ad got more than 15,000 retweets and 20,000 Facebook "likes" in a matter of hours, and Oreo's Instagram following ballooned from 2,000 to 36,000.

5. Leverage big data and analytics

As of late 2012, computers around the world generated an estimated 2.5 exabytes of data each day. In theory, big data and advanced analytics can offer useful insights, but CPG companies are just starting to leverage them. Big data and analytics can help CPG marketing and sales organizations in five distinct ways.

Driving product innovation. CPG companies can use big data and digital platforms to develop and test new products and track the impact of product launches in real time. Kraft, for instance, invited a small number of consumers from key target groups to join its online communities. Members help test

[3] Gus Lubin, "McDonald's Twitter campaign goes horribly wrong," businessinsider.com, January 24, 2012.

A consumer-goods company discovered that its digital campaigns had nearly as much sales impact as its TV ads, with less than one-fifth of its TV budget.

products and alert Kraft to product ideas. The company introduced Nabisco 100-calorie packs—packages with measured portions of popular snacks—after identifying two trends in online discussions: the need for portion control and the idea of snacking as a reward. Nabisco 100s generated $100 million in sales within a year of launch.

Developing customer insights. CPG companies can use information from digital channels to generate insights from—and about—customers in real time. Gatorade's Mission Control Center, for example, monitors and analyzes consumers' online comments about Gatorade products. Five employees use data-visualization tools and dashboards to understand consumer preferences, get ideas about new products or innovative uses for existing ones, and optimize the landing pages of Gatorade's websites.

Increasing sales. Big data can help drive sales conversions. A European CPG company recently applied advanced analytics to consumer data to refine its retailer-specific assortments. By understanding which SKUs were selling well in which retail formats and determining which SKUs to swap in and out to best meet consumer preferences, it achieved 10 percent sales growth in a low-growth category.

Informing pricing decisions. Companies can use information about market trends and competitors' moves to inform their own pricing choices. Amazon has developed a computer algorithm that adjusts its prices throughout the day based on competitors' prices.

Collaborating with business partners. Big data can help companies increase efficiencies with suppliers and other stakeholders. One major big-box retailer, for example, uses a sophisticated software system to share inventory information and product prices with suppliers in real time, ultimately saving the company several million dollars each year.

As a first step in its big-data journey, a company can choose a single area where a focused investment in big data and analytics can prove the business case quickly. Early successes can create strong support and buy-in for larger, longer-term big-data efforts.[4]

6. Measure and manage digital performance

According to a 2012 McKinsey survey, 91 percent of companies don't believe social media significantly affects sales. Indeed, measuring social-media return on investment (ROI) isn't easy: the industry has yet to adopt standard metrics, and unlike search-engine marketing, social-media campaigns don't lend themselves to straightforward ROI calculations. Because these campaigns are relatively inexpensive, some leaders don't think that measuring their ROI is worth the trouble. But robust ROI measurements are critical if marketers are to make the most of digital platforms.

Some promising measurement tools are emerging. Marketing-mix modeling (MMM), for example, is an established tool that quantifies the sales impact of each type of marketing activity. An enhanced MMM methodology incorporates a metric called "Social GRP," which calculates the value of social-media buzz.[5] Modeled on the gross-rating-point system widely used to measure the impact of TV advertising, Social GRP quantifies the value of "earned media"—publicity that a company hasn't paid for, such as tweets or blogs about a product. MMM is even more powerful when combined with insights about which digital touch-points are most influential in every stage of the consumer decision journey.[6] Based on such insights, a consumer-goods company discovered that its digital campaigns had nearly as much sales impact as its TV ads, but its digital-marketing spending was less than one-fifth of its TV budget. The company subsequently tripled its digital budget.

In addition to using new analytic tools, we recommend that CPG companies create and monitor a dashboard of key performance indicators (KPIs). To make sure they're measuring the right things, they should calibrate how specific metrics relate to business results. For example, how does the number of clicks on a certain page correspond to a product's sales? Companies can then track the six to eight metrics most closely correlated with sales (Exhibit 3). The KPI dashboard should be recalibrated at least semiannually.

7. Foster a mind-set of rapid testing and learning

Building digital capabilities is a long-term undertaking that can bear fruit only in an environment that encourages testing and learning. In our experience, five factors are necessary to create such an environment. First, the organization must quickly generate a critical mass of experience: it must get large numbers of people involved in digital projects and create and track many data points from which to learn. Second, it must tie incentives to test-and-learn processes; Nestlé, for instance, gives out internal awards for best practices. Third, CPG companies need systematic methods for testing their digital efforts. A/B testing can help here: it exposes users to different scenarios

[4] See Peter Breuer, Lorenzo Forina, and Jessica Moulton, "Beyond the hype: Capturing value from big data and advanced analytics," *Perspectives on retail and consumer goods*, Spring 2013.

[5] See Rishi Bhandari, Jonathan Gordon, and Andris Umblijs, "Getting beyond the buzz: Is your social media working?" FT.com, October 2012.

[6] See David Edelman, "The consumer decision journey explained," mckinseyon marketingandsales.com, March 2013.

and presentations (such as different wording of the same offer), allowing marketers to analyze which one delivers the best results. Fourth, employees must have access to experts who can share the full portfolio of best practices and offer tactical advice. And finally, CPG leaders must allow space for failure—a critical part of the rapid-learning process. Marketers accustomed to the "TV campaign" culture are often risk-averse; leaders must act forcefully to change that.

There are many ways to create effective, accessible networks of digital experts and information. Aside from formal interactions (for example, Coca-Cola's quarterly meetings of marketing directors) and formal project teams, some companies create easy access to expertise through knowledge portals that serve as a repository for best practices. Others offer job-rotation programs designed to help strengthen the links among different markets. In some cases, CPG

Exhibit 3

Top management should focus on only a few key performance indicators.

ILLUSTRATIVE

Low
High
Selected for dashboard

	Define measurable digital metrics	Determine and calibrate relationship to business results: Sales impact	Statistical significance[1]
Display advertising	Ad impressions	1%	
	Clicks	3%	
Search	Search volume	5%	
	Search visibility	3%	
	Impressions	4%	
	Clicks	5%	
Social	Number of friends/followers	0%	
	Buzz volume	2%	
	Engagement	2%	
	Sentiment	4%	
	Social GRP[2]	6%	

[1]Based on marketing-mix modeling.
[2]Gross rating points.

companies might appoint organizational "integrators"—at P&G, for example, a group of internal digital experts advises teams throughout the company on advertising topics and best practices.

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Digital activities are an increasingly important part of any marketing and sales strategy. The ability to harness the power of digital platforms will soon become table stakes. By acting on these seven imperatives, CPG companies can accelerate the development of digital capabilities in their organizations and begin to tap into the immense opportunities in the digital arena.

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