

Consumer Packaged Goods Practice

Six governing considerations to modernize marketing

Legacy structures and operations are keeping companies from taking full advantage of technology.

by Patrick Guggenberger, Miriam Lobis, Patrick Simon, and Kai Vollhardt



Most chief marketing officers (CMOs) understand that the utilization of data, analyses, and algorithms to personalize marketing drives value. Concept tests are becoming more efficient, customer approaches are being accelerated, and revenues are quadrupling in certain channels (Exhibit 1). All the evidence suggests that marketing functions should invest in, collect, and analyze available data to support their decision making.

No wonder, then, that one in three CMOs is driving a digitization initiative with high personal involvement, according to a McKinsey survey.

Despite notable successes, digital marketing has often stalled in a trial phase for years in many companies. Why is that? We find that the managers responsible often blame it on culture and legacy behavioral patterns (Exhibit 2). These soft factors lie far ahead of technical issues, such as IT infrastructure and data availability, which is not surprising. It is easy enough to buy a new server for the customer database, and even new customer-

relationship-manager software is quickly installed. But how does one change the attitudes and behaviors of those who use the technology?

Based on our experience from a multitude of digital engagements, modernizing the marketing organization to unlock the full potential of the digital revolution requires business leaders to address six considerations.

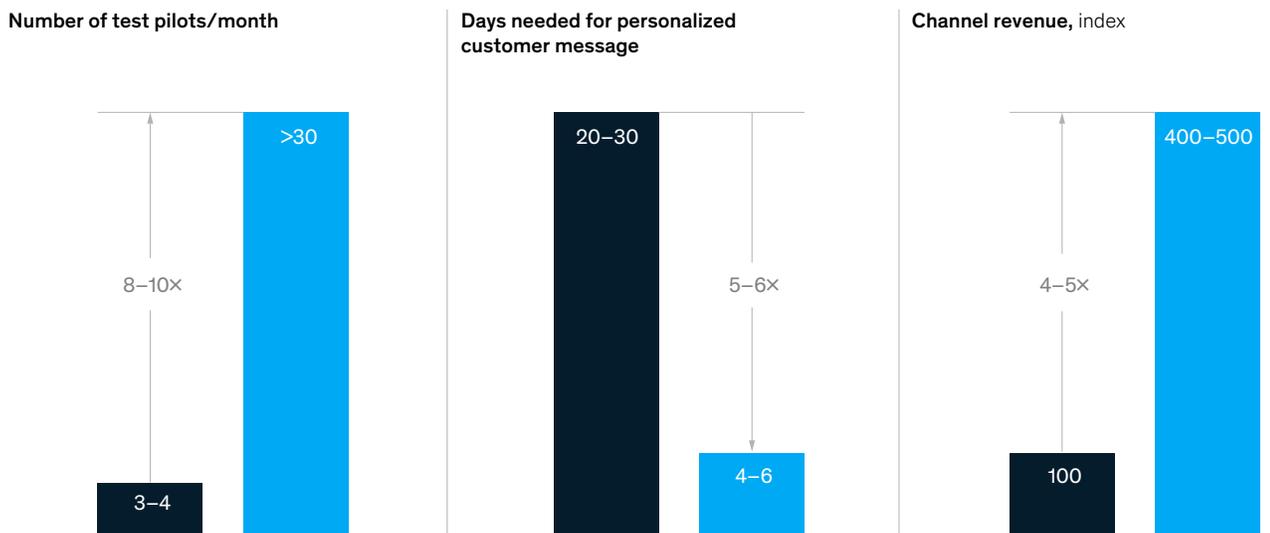
1. How to centralize guidance and oversight

Until a few years ago, marketing in many companies was for the most part a national or even regional affair. While the general brand positioning and communication guidelines were laid down centrally, specific concepts and individual campaigns were usually developed locally. However, centralization is increasing, and the localization of advertising media and the activation thereof is losing importance. In fact, some local marketing functions are becoming more of an extension

Exhibit 1

The value of digitization in marketing is quantifiable.

■ Before digitization ■ After digitization

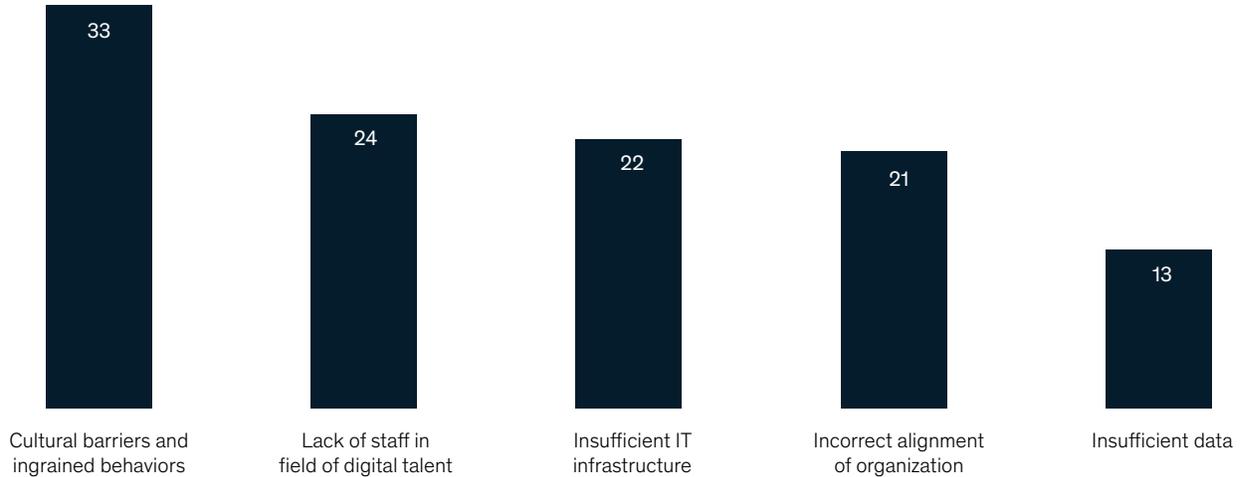


Source: McKinsey analysis

Exhibit 2

Digital transformations usually fail because of soft factors.

Most important challenges to meeting digital priorities, % of responses (n = 2,135)



Source: McKinsey Digital Survey, 2016

of the headquarters, and this trend is expected to continue. Why? Data-driven personalization is overtaking local market expertise. Leading consumer-goods companies are using ever-greater data volumes and artificial intelligence to tailor marketing content, A/B tests, and activation of media to ever-smaller customer groups. And thanks to directly linked success metrics, they can even constantly monitor the returns on investment of individual activities and take targeted measures to tweak and increase them.

2. How to bring together marketing and IT (heart and brain)

Up to now, collaboration between marketing staff and IT specialists has been limited to specific projects, company excursions, or the yearly holiday party. Those times are over. To develop personalized contents on a large scale and target consumers around the world, much tighter interaction is required between functions—between the heart

and brain. To make that work, responsibilities and reporting obligations should be focused on specific projects and processes rather than on functional reporting lines.

3. How to build collaboration and agility

In the age of digital marketing, a person's development potential and willingness to change teams are at least as important as his or her formal qualifications and experience. That's because the half-life of training curricula and specialist know-how is constantly declining as new tools and approaches are being developed.

In order to keep up with the rapid pace and changing requirements of digital marketing, the teams involved must alter how they work, as well. A large consumer-goods company has identified the following five key success factors to stay ahead of the skill game:

- **Small teams.** A small team of highly motivated professionals is better than a huge department that does just the minimum. By keeping teams small, the people involved remain clearly accountable to one another.
- **Competition that inspires.** Teams that compete encourage each other to achieve peak performance as they strive to outperform one another.
- **New key performance indicators for more entrepreneurial spirit.** If marketing teams are measured against their contributions to the outcomes, their mind-sets also change. This means measuring the team against the same metrics (for example, revenue generation and profitability) as the rest of the organization, which can be done through proxies, such as lead generation and the cost of acquisition for realized sales.
- **Overall responsibility instead of division of labor.** Teams that are accountable for the overall end result reach goals faster, as they are incentivized to remain engaged in the entire process, from the idea generation to implementation.
- **Courage to defend personnel changes.** A well-versed, old-school marketing professional is not necessarily the first choice for digital marketing—perhaps a change is needed.

One large e-commerce company has mostly given up on classical marketing functions, such as brand strategy, communications planning, and campaign management. Instead it has set up a community for data-driven marketing. Strategists, creative designers, and data specialists work closely together, and different people roll on or off the team depending on momentary requirements. In such a setting, the CMO has the flexibility to reallocate capacity and skills quickly to the most promising growth opportunities, leading to increased responsiveness and proximity to the customer at all times while increasing employee satisfaction through diversity of responsibility and increased accountability.

4. How to reinvent HR to meet talent demands

Digital marketing is entirely reliant on the right talent. In addition to a profound understanding of customer needs and clear brand values, confident mastery of new technologies—from program environments, such as Hive and Spark, to cloud-based applications—is becoming increasingly important. In fact, even though they are a rare species, technology experts are no longer “nice to have” but are, arguably, necessities to successful marketing functions when looking forward. In this war for talent, traditional HR processes often cannot keep up with the shifting needs of the business, and companies must take a more diverse talent approach, including the following efforts, to remain competitive:

- **Internal recruiting.** Often there are more suitable candidates among a company’s own staff than some HR managers think. Pioneers of digital marketing make targeted searches for talent of this kind in their own ranks, especially in the IT department, offering them attractive incentives and conditions.
- **External recruiting.** Competition for top digital talent is merciless and is being pursued globally. To get the best people, successful players rely not only on appealing tasks and good pay but also on flexible employment models and attractive career paths.
- **Internal skill building.** Few companies will be able to hire everyone they need. The entire organization has to take ownership of the new digital mind-set. Leading companies are therefore making targeted investments in training programs on topics such as data utilization and personalization, making them available across functions and geographies. For existing employees to develop their skill sets in parallel with the expected shifts in marketing, companies will need to use more tailored training, such as formal in-person trainings and modularized online-learning options.

One international consumer-goods company developed rigorous expert tracks that gave internal and external technical talent both a long-term development perspective and the opportunity to have an individual impact by leveraging their expert knowledge in a nontech function. While most roles were recruited from within the company, individual positions were successfully filled externally through an extensive process involving nontraditional recruiting channels, such as tech conferences. Once in the new expert roles, continuous training and professional-development opportunities were provided to boost motivation and effectiveness on the job.

5. How to build flexibility into resource planning

In our experience, 35 to 40 percent of current job profiles in marketing are fundamentally affected by automation. Its effects are noticeable at least partially in a further 20 to 25 percent. The placement of digital ads, for example, can be largely automated after defining parameters such as target group, relevant key words, and budget. At the same time, extra capacity may be needed in data analysis and personalization. To accommodate for the new and rapidly changing requirements of the future, companies must not only continuously upskill their employees but also make resource planning and allocation within the marketing function more flexible. And automation is only just moving out of its launchpad, according to the McKinsey Global Institute, foreshadowing more change in required skills to come.

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6. How to make cultural change a continuous task

Many employees perceive the switch to data-driven marketing as a threat. It is clear that ways of working will change, old processes will change, and jobs will change—or even disappear—while others will be created. To counter this inherent fear, it is necessary to win the underlying culture battle. This is not an easy one and definitely not one that happens overnight. To make this journey easier for employees and increase the odds for success, managers often rely on a stepwise change to roles and processes rather than on a big bang. In addition to sponsorship and guidance by senior marketing leaders, setting aside time to adjust to change is often underestimated but crucial.

A leading e-commerce company, for example, has dissolved its central martech department and distributed its specialists to individual teams. This move reinforced the cultural shift from reporting to respective departments to sharing responsibility for a team and leveraging expertise where it is needed. These teams are measured by the success of the product or service—incentives that reinforce the collaborative culture and have led to a surge in new ideas by newly empowered employees.

Modernizing marketing is a process that relies on multiple factors for success. Only by understanding what these are and by focusing on how to address them can marketers hope to get real value from digital.