

Marketing & Sales Practice



Powering Growth through Digital Advantage

The new marketing and sales agenda for CEOs

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The digital revolution is fundamentally changing the way companies market and sell their products. Yet few companies have taken the steps necessary to enable their marketing functions to excel in this new environment.

The evidence that change is upon us is clear. Online sales have grown tremendously in recent years, even as the overall economy has slumped. B2C online sales increased by 18 percent p.a. from 2006 to 2010, and B2B online sales increased by 27 percent p.a. from 2006 to 2008.

Moreover, a majority of executives expect digital channels to be important to their organizations. In a recent survey of more than 100 Chief Marketing and Sales Officers, 72 percent said online and digital marketing will be important or very important for the future success of their companies. Sixty-six percent felt the same way about e-commerce and multichannel sales. These executives also expect their companies to triple spending on digital marketing within three years and foresee a huge jump in online sales.

Companies will have to engage customers through an increasing number of channels and customer touch points while maintaining a consistent brand identity and customer experience. To succeed, CEOs should shape their marketing and sales agendas around three interrelated objectives:

- Winning the consumer decision journey
- Mastering multi-channel sales excellence
- Organizing for digital leadership

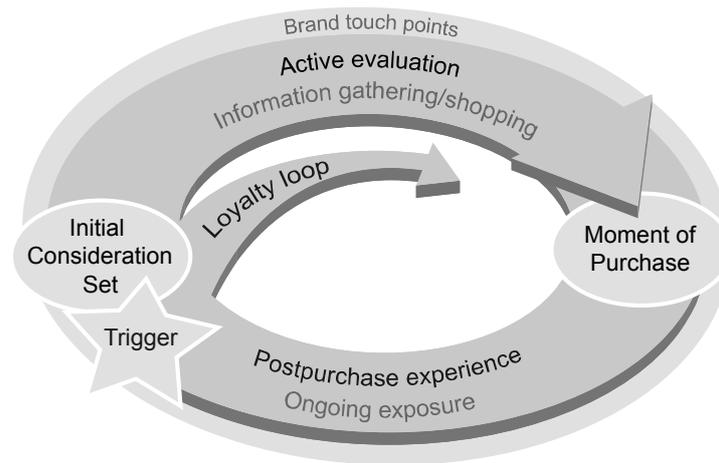
Winning the consumer decision journey

Marketers have long used the famous funnel metaphor to understand consumer touch points. According to the funnel, consumers start the purchasing process with many brands in mind, and then systematically narrow them down until they arrive at a final choice. But the metaphor fails to capture the shifting nature of consumer engagement in the current environment.

The consumer decision journey (CDJ) provides a more nuanced view of how consumers engage with brands in the digital age, starting with the recognition that consumers take a much more iterative path as they determine which brands to purchase.

At different points along this journey, brands engage in four different contests. First, they jockey for a position in the consumer's initial consideration set. Second, they try to stand out as consumers evaluate the brands now under consideration. Third, they strive to be purchased. And fourth, they seek to form a bond with the consumer before the next decision journey begins.

The consumer decision journey has 4 key battlegrounds



SOURCE: McKinsey

Exhibit 1

Social media has made the fourth phase particularly important, because it is during this phase that consumers are most likely to communicate opinions that influence other consumers who are on the journey themselves. Our research shows that consumer-driven marketing—word of mouth, online forums, and print reviews—matters more in the evaluation and purchase stages than traditional, company-driven advertising.

Unfortunately, most companies under-invest in the points on the journey that matter most to consumers. We found that companies typically allocate 70 to 90 percent of their marketing budgets to advertising and retail promotions that target consumers at the consideration and purchase stages, even though consumers are often more heavily influenced during the evaluation and post-purchase stages.

When the funnel metaphor reigned, communication was one-way, and management focused on “working media spend”—the portion of a marketing budget devoted to what are today known as paid media (channels that run traditional ads, such as print or online newspapers). More importantly, the return on investment at these later stages is higher because consumers go on to influence others.

In the digital age, marketers must also consider owned media (the channels the brand controls, such as websites) and earned media (customer-created channels, such as communities of brand enthusiasts). And an increasing portion of the budget must go to pay for the people and technology required to create and manage content across an array of channels.

Mastering multi-channel sales excellence

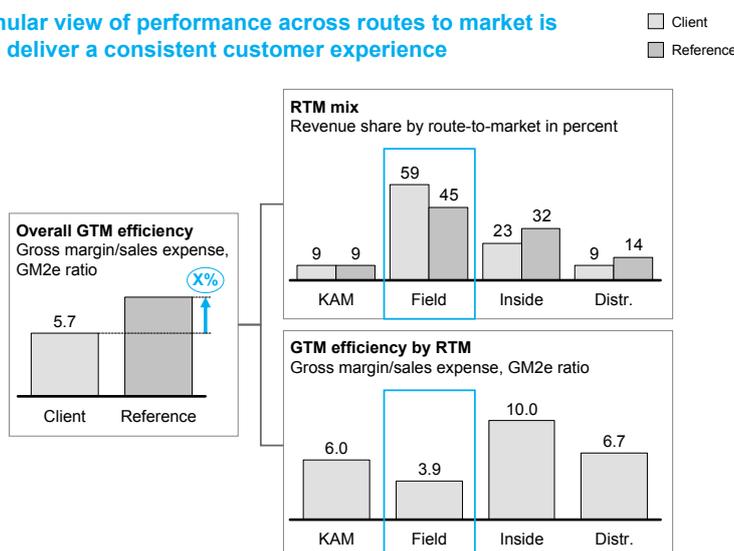
With the increased access to unprecedented amounts of information about products and prices and ability to share their experiences with others, the balance of power is strongly shifting in favor of consumers.

Companies must take steps to coordinate messaging and delivery across multiple channels so that consumers enjoy a consistent experience of a given brand, regardless of where they encounter it. Companies should also develop approaches to use the data they collect about customers to test and learn new offerings, and create content that will engage them. And companies should mine content created by others for insights into consumers and their own brand.

To deliver seamless and consistent customer experience, sales organizations should gain a very granular view of overall performance across different routes to market (key accounts, direct sales, indirect sales, or inside/Web sales, etc.) and the critical drivers of this performance within each of them (such as sales force productivity, back-office support levels, and management spans and layers).

Businesses must pull four performance levers to get more out of their sales resources. First, they can fine-tune their portfolio of sales channels or routes to market (RTM), tailoring them for different customer segments and selling situations. Second, they can increase the return on investment of these RTM by ruthlessly eliminating activities that don't add value and thus improve sales productivity. Third, they can optimize the pre-close of sales – centralizing services, such as bid preparation and quoting, to raise productivity and quality. And finally, they can improve end-to-end sales operations by minimizing handovers and eliminating unnecessary workflow complexity. In McKinsey's experience in more than 40 case studies, actions like these could boost sales efficiency by 10 to 30 percent without jeopardizing revenue growth.

A granular view of performance across routes to market is key to deliver a consistent customer experience



SOURCE: McKinsey GTM Reference Model

Organizing for digital leadership

Companies will need to take a relook at the entire business model in order to succeed in the digital space. Today, for example, the traditional boundary between marketing and sales, has become blurred. This transformation will involve establishing new structures, metrics and processes to ensure marketing and sales is adequately linked with all the areas of the business that could contribute to the company's ability to understand and engage with consumers.

CEOs should consider three new important organizational levers for digital leadership:

- Take marketing beyond the marketers. Each component of the organization – from finance to operations – should view itself as part of an “engagement engine” that informs product, service, and customer interactions. Three month, structured and linear market research efforts are replaced by more test and learn approaches in order to keep pace. This enables the company to engage their customers across proliferating media and interactive channels on an on-going basis – and on the rapid time cycles digital media demands.
- Enhance marketing and sales as the publisher and content driver. Marketers are generating an ever-escalating volume of content, often becoming publishers on a global scale. They create videos for marketing, selling, and servicing every product; coupons and other promotions delivered through social media; and applications and decision-support tools. Our research shows that in companies where the marketing function takes on the role of publisher-in-chief, consumers develop a clearer sense of the brand and are better able to articulate the attributes of specific products.

Digitization entails an overhaul of the entire business model

Leverage digital consumer insights/behaviour... > **... harness state-of-the-art technologies ...** > **... and translate into Digital Marketing Business Model** >



- Harness marketplace intelligence effectively across the business. As more touch points become digital, opportunities are increasing to collect and use customer information to understand the consumer decision journey and knit together the customer experience. More advanced marketers are using digital channels to involve consumers in strategic marketing and product development efforts to an unprecedented extent. They can communicate with consumers in new ways, sell in new ways, service their customers in new ways, and obtain insights about their customers in new ways. These developments affect every aspect of marketing and sales work: product development, pricing, communication, multichannel management, and customer relationship and lifecycle management.

Questions

- Has the way you allocate your marketing investments changed sufficiently to reflect today's increasingly interactive marketing environment?
- Is your company becoming a multimedia, interactive publisher of content as we move into an era of owned, earned, and paid media? If so, how are you building the organizational muscle to excel?
- Are you taking the right actions quickly enough to put in place the elements of digital marketing expertise you feel necessary – and is your organizational governance set up for it?

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