

# Discover, Design, Deliver:

## 3D Marketing for Above-Market Growth

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### THE OVERVIEW

Big Data and large global organizations have created so much complexity that businesses often struggle to bring good ideas to the marketplace profitably. Compounding the complexity is an anemic growth environment in advanced economies.

To deliver above-market growth in today's market, organizations need:

1. Excellent capabilities around the three "D's": using data to **discover** insights; "translating" insights into the **design** of products, strategies, or services; and finally, **deliver** them effectively to the marketplace.
2. Processes, structures, and tools that tightly connect these capabilities to optimize their cross-functional performance.

As companies focus on building individual capabilities within the organization, they need to see the bigger picture: how these capabilities work together to bring the best insights to the frontline and the best intelligence from the frontline back into the core of the company.

## FINDING GROWTH TODAY

Global growth in advanced economies has slowed to a trickle. European GDP in 2013 was down 0.3 percent from the previous year, and US growth was still anemic at 1.6 percent. Earnings growth for S&P companies has declined to levels last seen in 2008. Fifty percent of companies have met cash flow goals through cost cuts, but going forward, that won't be enough to fulfill stock market expectations.

Companies have been most successful at finding growth by acquiring new companies and tapping new markets (i.e. products, segments, geographies). Key to understanding where opportunities lie is understanding that averages lie. Analysis of broad segments inevitably leads to broad averages that don't expose the often significant and profitable pockets of growth. By digging into the data, companies can find healthy growth at the geographic (e.g. zip codes) or demographic (e.g. Hispanic mothers) level. Pursuing a micromarket strategy starts with creating an "opportunity map" of potentially lucrative hot spots by tapping internal and external data sets from a variety of sources and using sophisticated analytics to build a picture of future opportunity, not historical reality.

With the strategy in place, companies then need to focus on the practical steps they can take to drive *organic growth* that can win market share in the next 12 to 24 months. That growth comes from **discovering** superior insights into customers, **designing** great products and offers, and then **delivering** them to the market flawlessly.

We have found that companies with that profile perform two to three times better than the market in terms of revenue growth<sup>1</sup> And while only 14 percent of companies in a separate survey believe they have the right investment levels across their capabilities, almost two thirds of that group has much greater confidence in their ability to beat the market compared to those that aren't investing effectively.<sup>2</sup>

1 McKinsey Commercial Capability Assessment Tool (CCAT), 10,000 respondents from 193 locations in six B2B sectors  
2 McKinsey Quarterly survey, 614 respondents from around the world, November 2013

## BUILDING THE 3 D'S: DISCOVER, DESIGN, DELIVER

To redress those issues and unleash an organization's potential to achieve above-market growth, companies need to excel in three areas:

### Discovery

*Discovery entails building a data advantage by pulling in relevant data sets, analyzing the data at high speed, turning it into relevant business insights, and then delivering those insights to the decision makers so they can take meaningful action. The discovery needs to be based on a thorough understanding of today's customer decision journey. Only 30 percent of companies believe they understand their customers' needs and have a clear sense of where growth will come from.<sup>3</sup> Effective discovery requires excellence in:*



- **Advanced Analytics.** Big Data is opening the way to significant growth. Companies that use it effectively have 6 percent higher profits than their peers. However, 70 percent of companies don't think their Big Data analytics programs are working well.<sup>4</sup> Companies need to be creative at using data, developing effective models that can predict behavior *and* optimize engagement, and transforming the organization with simple tools. In our survey, we found that more than two thirds of companies admit their Big Data analytics do not deliver valuable insights about their customers. What's needed is a customer-service mentality in the advanced-analytics team by treating the frontline like customers, meeting with them regularly to discover the insights they need, and delivering them in a way they can use.
- **Consumer Decision Journey analysis.** When considering a product or service, customers today increasingly interact with a brand in multiple ways— they see an ad on TV, check out the website, or speak to a salesperson. B2B customers, in fact, use six different channels for prospecting, on average.<sup>5</sup> More than half of all customer journeys, in fact, involve multiple interactions across multiple channels. Developing deep understanding of one's customers requires a detailed map of their journey and awareness of where the battlegrounds are for your brand.
- **Connecting the data to the organization.** Despite all the investment in Big Data, many

3 *ibid.*  
4 *ibid.*  
5 "Megatrends for Sales Organizations: Today and Beyond," McKinsey. Hugo Sarrazin, Lareina Yee. Presented at Dreamforce, November 2013



organizations end up delivering irrelevant or complex analyses that can't be implemented. Successful companies hire “translators,” people with specific skills that allow them to operate seamlessly among various organizational groups. Companies also need to have a clear view of how the solutions will be implemented. For sales organizations, for example, it is critical to mask the complexity of the analytics to keep it simple for the frontlines so they can act on the insights.

## Design

*Design involves the creation of business strategies, processes, pricing programs, products, and experiences that the brand delivers to customers. Design strategists start with learning what customers care about, how they truly behave, what their needs are, and what influences them. Fed by a continuing stream of insights, strategists in business units rapidly learn what is and is not working, innovate new solutions, assess their economics and feasibility, and then work with the frontline on implementation. Effective design requires excellence in:*



- **Strategy.** Clear strategies are based on a deep understanding of the customer and a clear view of growth opportunities. One global industrial conglomerate suffered from widespread risk aversion, and as a result, it had no significant investments in new product launches. To address this, it elevated the role of marketing strategy and created a more disciplined, customer-driven approach. A 22-item diagnostic of its marketing capabilities revealed that its analysis of consumer behaviors and trends was weak. The company then committed to grounding all strategy development on detailed consumer insights, which were captured regularly in a growth playbook that helped the company differentiate between compelling and poor investments. By linking the strategy to these insights, development cycles were shortened and there were more successful launches. Business units using the new approach grew two to four times more than their peers.
- **Branding.** Poor brand cohesion can create significant headwinds for a business. Almost 40 percent of marketing and sales executives admit they don't fully understand their brands' strengths and weaknesses.<sup>6</sup> Without that clarity, companies have a difficult time articulating a vision that provides a “true north” against which to measure any strategy, a vision that motivates employees and binds the organization across the **discover-design-deliver** functions. Disney, on the other hand, has a highly developed sense of brand and builds a sense of common purpose — “We create happiness” — into every level of the organization, starting with the

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<sup>6</sup> McKinsey Quarterly Survey, loc.cit.

first day of training for every new recruit at every level. That's the kind of brand cohesion that helps bind the organization across functions.

- **Performance management.** Managers need clear metrics to make decisions and adjust strategies that benefit the overall business rather than just a single function. For example, instead of getting a bonus for creating a particularly complex data model, an analyst could be rewarded for a model that supports good product-development decisions. One large conglomerate needed to mobilize 500,000 employees around a new, customer-focused initiative. It mapped customer and operational performance metrics along each step of the customer journey by demographic segment, prioritized these metrics according to their relevance for customer satisfaction and market performance, and conducted root analyses to define improvement initiatives on the frontline. The scorecard provided guidance on strategic direction, served as the basis for employee incentives, and increased employee engagement across the organization.

## Delivery

*Delivery is all about getting the right offerings to individual customers across a complex range of online and offline channels. Orchestrating the delivery of products and offers across marketing and sales channels requires operational excellence and organizational agility in:*



- **Multichannel customer experience.** When considering a product or service, more than half of customers today increasingly interact with a brand across many on- and off-line channels. Creating excellent customer journeys not only increases customer satisfaction but also boosts revenue up to 20 percent and reduces service costs by an equal amount. Since customers often interact with different parts of the organization during their journeys, delivering effective customer journeys requires developing strong connections between functions to smoothly “hand off” the customer from one point to the next. Breakdowns frequently occur between points managed by different functions. Rectifying those breakdowns requires teams from different functions to come together to redesign a better end-to-end process.
- **Sales.** The best sales organizations are keenly attuned to their customers. With more than 35 percent of B2B pre-purchase activities happening online, for example, companies are shifting sales resources to digital to understand latent and explicit customer demand.



## CONNECTING THE 3 D'S

When coach Herb Brooks put together the US ice hockey team for the 1980 Olympics, he didn't choose the best players; he chose the best players who played best together. He then relentlessly trained them, and the result was the "Miracle on Ice," when the US team beat its Soviet archrivals and went on to win the gold medal.

A similar approach lies behind the 3D model, which places equal emphasis on individual and team excellence. As companies build capabilities in specific areas, they also need to have an eye towards how to fine-tune the entire organization to take advantage of those capabilities. Without that double vision, companies risk creating unparalleled expertise in one isolated area and adding both cost and complexity to an already taxed organization.

Over the past 10 years, many insurers, for example, have created sophisticated and detailed customer segments using attitudinal insights. These efforts have generated plenty of data, but insurers have found it hard to extract value from that data because it is often too complicated for the thousands of frontline agents to use. In fact, the resulting complexity has had the reverse effect of reducing selling time for agents, who must spend more time learning new processes and trying to make sense of the data. In other words, the discovery capability was not aligned with the delivery capability.

That breakdown surfaced in our most recent survey, in which almost 50 percent of companies said their customer database doesn't help them make decisions. In addition, fewer than 20 percent said that the way they capture insights contributes directly to sales effectiveness. That's a shocking waste of time and resources, and also a good illustration of the disconnect that happens all too frequently within an organization, with very real repercussions.

The truth is that only a paltry 6 percent of companies have developed fully integrated teams whose members engage with each other during projects across functions and over an extended period of time. The result: the links in the corporate value chain are often flimsy at best and broken at worst.

Companies need to break away from a "capability excellence" mindset and instead focus on developing "throughput excellence." Investment in any capability

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should be weighed against the organization's ability to deliver on the value resulting from that investment.

Philips Healthcare recognized the value of an integrative approach and put together a "Great Marketing Plan" that focused on a single product or segment. It created a 15-page blueprint laying out what the various parts of the organization needed to do and how they needed to work together to bring the product to market, from segmentation to pricing to channel to point of sale. "Marketing is the integrator in that complete end-to-end chain," says Deborah DiSanzo, CEO of Philips Healthcare. "You could have the best R&D in the world. You could have the best operations in the world. You could have the best finance in the world. But if you don't have a world-class marketing enterprise, your solutions won't meet the market."

## "3D" PRICING

Given the complexity in managing pricing across SKUs, customers, transactions, and locations, pricing managers too often make pricing decisions based on past experience and gut feeling.

A third of companies in our survey, for example, believe their pricing is not informed by competitive intelligence, highlighting a big breakdown between insights discovery and pricing delivery.<sup>7</sup> The result is broad pricing changes that take little account of individual customer sensitivities or fail to maximize margins.

**Discover:** Setting the best prices is not a data challenge (companies generally are already sitting on a treasure trove of data). It's an analysis challenge. Good analytics should move beyond the basics and help companies identify how factors that are often missed — the economic situation, product preferences, sales rep negotiations, etc. — reveal what drives prices for each customer segment. Because of the scale of the pricing data, automated systems are necessary to identify narrow segments, determine what drives value for each one, and match that with historical transactional data. These factors allow companies to identify and set prices for targeted "clusters" of products and segments based on hard facts.

<sup>7</sup> *ibid.*

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**Design:** The temptation is to rely on a single tool to spit out all the answers, but the real world doesn't often work that way. In B2B industries, for example, pricing managers need to layer their experience and insights onto the analysis to determine the likelihood of a customer agreeing to a price. Marketers need to design pricing guidelines that take into account market pressures and incorporate into the guidelines insights and experience from the frontlines.

**Deliver:** Pricing is in many ways a Big Data opportunity, but reaping the rewards depends on making the insights easy for the frontlines to use. One cargo airline developed a complex model that took all the frequently changing dynamics of the cargo industry into account, as well as opportunities for different negotiation strategies based on supply and demand. But that wasn't the win. The company then took all that complexity and hid it behind a simple "dashboard," which it gave to the salesforce. This dashboard provided simple guidelines on flight capacity, corresponding pricing, and competitor options. The result? A 20 percent boost in share of wallet.

## WHERE TO BEGIN: CONCRETE STEPS TO ACCELERATE GROWTH

Transforming an organization to deliver above-market growth is no trivial task. However, we have found a set of specific actions companies can take to begin the process and see some early benefits:

- **Find the weak links.** Evaluate how your discovery, design, and delivery capabilities support each other. Focus on identifying "leakages" where breakdowns occur because one group is isolated from the insights or processes of another. Work to create connections between the decision makers, the teams who generate the insights that inform the decisions, and the people on the frontlines who will implement the decisions. Some of our clients have started to build bridges between teams in each of the 3D's through targeted crash projects in areas such as upgrading the customer experience or planning the launch of a new product.
- **Ensure data-analysis projects have frontline members on the team.** For example, if the goal is to assess marketing ROI, analysts should be supported by someone who buys media and can explain how pricing works. Conversely, the media buyer can learn more about the cost-effectiveness of alternative media channels they should consider. Similarly, when finance sets prices, a sales manager should be part of the team to help explain how customer negotiation works and provide feedback on pricing recommendations. This connection also allows the sales manager to better understand the margin structure the company wants to attain.

- **Review key performance indicators (KPIs).** Performance evaluation should be explicitly tied to how well any individual or unit contributes to the success of the entire process. For example, data-analysis effectiveness should be measured against the outcome of the decisions or actions that are based on it. Did marketing spend become more effective? Did pricing changes improve total margin? Or did they sacrifice market position? Such considerations should become the basis of the company's compensation model, so that employees are rewarded not just for the quality of their work but also for their ability to help the overall process succeed.

While 50 percent of companies expect their rate of growth to exceed their competitors', weaknesses in **discovery, design, and delivery** capabilities and the necessary linkages across them put that goal in doubt.<sup>8</sup> To meet their own expectations for above-market growth, companies need to develop 3D Marketing approaches where all three Ds are working in harmony.

Effective 3D Marketing is essentially a balancing act that requires getting into the guts of the organization to align people, processes, and capabilities. Companies succeed by linking their analyses and decisions to the frontline realities—and making sure the frontline understands the logic behind the decisions. Otherwise, like the two-headed "push-me-pull-you" llama in Doctor Doolittle, they end up working at cross purposes.

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