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Discussions in digital: Coping with the new normal between marketers and marketing agencies

Changing consumer behaviors and the ever-shifting digital frontier are demanding new marketing capabilities and new ways of working with agencies.

Which marketing capabilities should a company develop internally, and which should be outsourced? That question weighs heavily on marketers as new technologies and consumer behaviors launch wave after wave of disruption. In our latest Discussions in Digital *podcast, cohosts Brian Gregg, a senior partner in McKinsey's San Francisco office and coleader of the marketing service line, and Dianne Esber, coleader of McKinsey's West Coast Consumer Tech Practice, explore these questions with Michael Miller, VP of creative experience and social media at T-Mobile; Vivek Bellore, VP of digital marketing at E. & J. Gallo Winery; and Sarah Armstrong, a partner in McKinsey's Atlanta office, who leads McKinsey's work in agency and partner management. The following is an edited transcript of their conversation.*

Defining the state of play
Brian Gregg: Before we look to the future, I'd love your take on the biggest shift in the past year or two that defines how we got here, where marketers and marketing agencies are all trying to figure out the new normal.

Vivek Bellore: Everyone who was responsible for marketing and connecting to the consumer and driving demand became overoptimized to a very specific set of metrics: How am I driving down the cost of my media? How am I making that more efficient? How am I getting one big piece of creative? And how do I use it within those systems?

As those systems changed, the participants didn't. We're now in a whole new world that's moved away from media and into experience. "Experience" is a terribly overused word, but if you look at the heart and soul of marketing activity, a lot of money, time, and the CEO's and CMO's attention have been focused on things like, "Where am I spending my media dollars?" and "How am I getting that to be extremely efficient?"

Now that's starting to shift. You see these new titles, like "chief experience officer" and "head of user journey," right? The customer decision journey is now becoming more and more prevalent in many places, which means you're optimizing toward different things and different outcomes. Not many people know how to go about it, what the metrics are, or what success looks like. Everyone's scrambling to figure that out.

Sarah Armstrong: When you think about the shifting capabilities that are required today, you actually have to think back to the generation of marketers who grew up with a certain set of capabilities and were very successful with them for a really long time, and then in a fairly short period of time, the game changed. A combination of marketers and agencies realized that the capabilities that had made them successful for a generation or two were not going to make them successful for the next generation or two. We're in the midst of that right now, a little bit of a generational shift that's happening both to marketers and agencies.

You also need to determine what core capabilities you need, as a marketer or agency, to connect with consumers, because their expectations have completely changed. Everyone is playing catch-up in terms of what they actually need in order to deliver on this whole new experience.

Dianne Esber: I also think that the new world means one agency is unlikely to be able to do everything. All of a sudden, our ecosystem has exploded, and that adds complexity for our marketers, but also for our agencies and how they partner with others to play well in the sandbox.

Navigating the complexity of the new landscape
Brian Gregg: We're facing 40 to 50 marketing channel options and hundreds if not thousands of

potential consumer audiences. How do you navigate that without getting overwhelmed?

Michael Miller: We deal with that complexity every single day, but we have to tell stories in unique ways that are very simple. With social and digital, we actually have the opportunity to tell one story at a time. We can optimize and sequence those points over a period of time with potential or existing customers.

While that exponentially increases the amount of content you have to create, it also provides a specific focus to the stories you want to tell or the things you want to talk about. That's because we can tell a very specific or unique narrative in a very brief way and then move on to the next one, and the next one, and the next one.

Brian Gregg: Vivek, would you do anything differently to add to the simplification objective that marketers may have these days?

Vivek Bellore: Complexity is great, but being complex is bad, right? So you really have to figure out how to develop a system. I've spent a lot of time thinking about how we orient ourselves for systems, how our agency partners are building systems, and what the operating systems are between our internal and external teams and management. The goal is a system people can use to take that complexity, embrace it, and deliver something that feels exceedingly simple to a consumer.

Identifying critical capabilities

Brian Gregg: If you had to pick the single most important capability that a marketer needs in order to grow in this day and age, what would you put your finger on, Sarah?

Sarah Armstrong: I think that right now it's data management and analytics, which certain businesses have at the core of what they do while others lack them significantly and are playing catch-up. So there's kind of the tale of two companies out there these days. There are those that have data, know their data, understand what they have, and understand the power of their data and the need to manage it actively and internally as a marketer. And then there are those who are saying, "Oh wow, this is a whole area I need to figure out."

Michael Miller: I absolutely agree you've got to have the data. You have to be able to understand all of this content you're going to create and figure out how you're going to get it to the right people and make sure it's powerful and meaningful to them. So it's not only the data, but the people who understand it. You've got to be able to see into the numbers and understand if there's an opportunity or an insight there. Maybe there's something you can uncover that your competitors aren't doing or thinking about.

Vivek Bellore: The data matter. You can learn so much from them. But there are two things I put in front of the data. The first is that you have to have a sensibility and a sensitivity to culture. Culture trumps your data every time, right? If you can latch onto the right cultural trend at the right moment and milk it for all it's worth, then you're onto something.

The second thing, which I think is directly connected to the data piece, is comfort with ambiguity, which actually allows you to make your data useful. You tell yourself, "I think my data are telling me something. I don't have an answer. But I can come up with half an idea that's worth testing, getting out there. The data are going to come back to me, and I'm going to be comfortable with this little space of the unknown that's actually where the opportunity is." And if an organization and the system you're managing know how to take that ambiguity and start to define it on your company's terms, with a mix of your company's data and syndicated data, you're really going to get somewhere.

Build muscle in-house or outsource?

Brian Gregg: One of the biggest questions that keeps coming up is figuring out which of those capabilities ought to be in-house. Sarah, let's start with you on this one.

Sarah Armstrong: That's a fundamental question a lot of our clients are struggling with right now. I think it starts with identifying the capabilities that a marketer is looking to have in general. What are the core capabilities for their specific business? Then it's a discussion of what they want to bring in-house. Where do you want to put your resources, your time and your efforts, to actually double down?

When you commit to bringing those resources in-house, it's for a period of time. There's a longer-term commitment that's saying, "This is a muscle we want to build internally that we're not going to shift to tomorrow, because we think it's important for us to have it within the DNA of our organization."

Vivek Bellore: I agree with a lot of what Sarah said.

You also have technology questions, right? "What am I trying to solve here with technology? How long an investment am I making? Do I have the commitment from my IT partners to be able to manage and support that ecosystem?" So you start adding these layers together.

Then you ask yourself, "Well, do I want to be responsible for all that? And is that a reasonable ask, not just of me but of my teammates, managers, and project leaders?" Then you have to decide whether, if you do all that, will you actually be that much better than you would be with a great agency relationship.

Michael Miller: We've built our own content studio on campus. We've got about 100 people in there right now. It does foster a different kind of mentality for the team when we really have the ability to explore and create and try new and different things. But it also creates a space where it's safe to say, "Okay, this is one thing that we really can do ourselves. And we're going to do it and we're going to keep doing it." It gives us an opportunity to do a lot of that work ourselves.

That said, we also work with some of the best partners in the industry, large and small, and we need to reach out to those outside partners who can help us think about something completely different. I think that's the balance we're trying to strike. It's not one or the other.

The hybrid model

Brian Gregg: It doesn't sound like it's a binary choice of outsource or insource, right?

Sarah Armstrong: We would call that a hybrid model, which is where a large portion of the world is potentially going.

If you take social as an example, the social listening centers that the Coca-Cola Company set up around the world were a combination of full-time employees, embedded agency talent, and contractors. It was literally a designed model to make sure that there was the best of those three talent pools working on our social media agenda. It's a really interesting dynamic for marketers to think about because it's a fluid talent model, a combination of people in-house, agency talent, and maybe some contractors in a mix where everyone's working together for the same purpose and the same objective.

But the integration of talent and capabilities to deliver marketing work is a fundamental capability that many organizations underappreciate today. Being able to integrate across capabilities is actually a very unique talent.

Getting agencies to collaborate

Brian Gregg: What's the most constructive conversation you'd say marketers could be having right now with their agencies?

Dianne Esber: What you often see is people have really strong relationships with individual people or individual agencies. But getting everyone aligned, making it really feel like one team even though there might be ten, is pretty tricky.

Sarah Armstrong: I think the concept of collaborating across agencies these days is one of the most challenging things to ask agencies to do, because most agencies that want to collaborate with an agency sitting next to them are also competing with that agency relative to the capabilities that they could jointly provide. It's almost challenging their DNA to ask them to collaborate with someone that, technically, they're competing with. You're asking them to do something that's fundamentally hard for them, because they're trying to build muscles in places that will make them relevant in the next three, five, ten years.

Defining the agency of the future

Brian Gregg: What are the markers or the characteristics of that successful marketer and marketing agency that we will be talking about two, three years from now?

Sarah Armstrong: The agency of the future is going to be a balance of individuals. Some will be full-time employees, some will be embedded agency talent, and then there's the freelance and contractor culture that's continually coming in and out the door that allows the breadth of thinking and talent to be diverse. While agencies are already doing that, it's probably not as transparent to clients as it should be. It's all about how those three talent bases work with a client on a given piece of business in a very fluid structure. And those three pieces of the talent puzzle will just continue to evolve.

Vivek Bellore: I feel like the answer is getting back to the creative side, because so much of the technical side of agencies—like the value of aggregation that they provide and bringing together different media outlets—that's going to go away.

Another thing I keep harping on is how much communications are going to shift from media planning into experience and surface design. I think that's because the future of brands isn't just going to be a message, right? The future of the agency has to be the future of brands, and brands are going to be wrapped with more services, more technical features maybe, true product quality, craft, and other layers that might come along with it, like partnerships. So you move in that direction, where brands are servicing the consumer more and interrupting them less. ∎

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