

Marketing & Sales Practice

Why every business needs a full-funnel marketing strategy

Full-funnel marketing is not just a campaign strategy; it's a total shift in how marketing works.

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You could say that marketing has a split personality. On one side is traditional brand building, driven by TV ads and other broad-reach vehicles. Many old-guard marketers who have risen through the ranks excel at this. The other side is performance marketing, or the data-driven measure of online activity. The young guns of marketing who have grown up in the digital age dominate this discipline.

For many companies, this split is inhibiting growth aspirations. Budget and impact conversations often become contentious: performance marketers tout their ability to drive clicks while brand builders argue for longer-term investments, although they often struggle to demonstrate the near-term value their teams generate. In recent conversations with two dozen top marketing executives, less than a fifth report having a very strong understanding of how their brand-building campaigns are performing. “It’s tough to measure either the short-term or long-term impacts of brand campaigns,” says one marketing executive. “We attribute increases in sales to them because of correlation, not necessarily causation.” This is troubling for CMOs because 83 percent of CEOs look to marketing as a growth engine for the business.

Brand building’s measurement problem has obscured its importance. As a result, many CMOs shift too much of their marketing spend toward the easy-to-justify capture of customers at the bottom of the funnel at the expense of the less tangible generation of customer demand and attention at the top. This skew toward bottom-of-the-funnel campaigns has significant implications for long-term value: data from three large marketers in media and apparel retail industries indicate that customers who have an emotional connection to a brand tend to be more loyal and valuable over time than those who arrive at a site because of a generic keyword search or social media ad.

To redress this imbalance, leading organizations are moving toward “full-funnel” marketing, an

approach that combines the power of both brand building and performance marketing through linked teams, measurement systems, and key performance indicators (KPIs). By adopting full-funnel marketing, companies can become more relevant to their customers, develop a fuller and more accurate picture of marketing’s overall effectiveness, and generate more value without having to spend additional marketing dollars. This approach isn’t just about doing more across each stage of the funnel. It’s about understanding how each of the stages impacts the others for a complete customer experience—how media spend on addressable TV, for example, can boost the impact of personalized emails, or how social-media ad campaigns can drive online and in-store visits.

In our experience, a thoughtful and data-driven full-funnel marketing strategy can drive significant value. By shifting greater media allocation to areas with higher returns and employing test-and-learn optimization for demand-generation campaigns, marketers can achieve a 15 to 20 percent lift in marketing ROI. Additionally, many marketers have found that incorporating both brand building and performance elements in a campaign often increases the overall return on ad spend compared with spending on performance channels alone.

Why now

While the idea of full-funnel marketing has been around for years, most companies have been unable to overcome the organizational and technological barriers to actually implementing it effectively. There are several reasons why now is a critical time for marketers to lean into full-funnel marketing. For one, performance-marketing returns have recently plateaued or declined, thanks to inflation in digital-media costs and customer saturation in some highly targeted ad markets.¹ In addition, widely available automation tools have commoditized the

¹eMarketer Forecast Database, eMarketer, February 11, 2021, [emarketer.com](https://www.emarketer.com).

execution of performance marketing, making it difficult to secure a significant competitive advantage.

Driving full-funnel marketing is particularly necessary given the dramatic changes in customer behavior seen during the COVID-19 pandemic. This year, more than 60 percent of consumers tried a new shopping behavior in response to economic pressures, store closings, or changing priorities, one-third of whom experimented with a different brand of product. Our data make clear that customers' expectations of brands are shifting, with many citing a brand's purpose as a key reason for buying. This wave of data on new behaviors has provided marketers with a windfall in terms of developing a better understanding of what their customers want and how they make decisions across the entire funnel, offering an opportunity to both win new customers and ensure the loyalty of existing ones.

Four essentials of full-funnel marketing

The contours of a full-funnel marketing program will be different for different marketers across the spectrum. But whether CMOs are launching a new product or brand, repositioning a legacy brand, or simply trying to drive in-quarter sales, they will want to embrace four common and essential elements:

1. Brand-building measurement

Traditional TV ads, the backbone of many brand-building campaigns, have long suffered from a tracking problem. They offer the potential to reach large numbers of consumers and elicit powerful emotional responses, but their inflexibility prevents marketers from collecting detailed insights on how exactly the campaigns are impacting consumer behavior.

This is starting to change. Consumers are increasingly moving toward internet TV and digital streaming services, including audio. These options allow marketers far greater visibility into who is seeing their ads and allows them to show different ads to different

households that are watching or listening to the same program. This trend has accelerated during the pandemic. Some 33 percent of consumers in Europe and 41 percent in the United States say they have begun or increased their usage of online streaming channels this year.¹

In addition, many new measurement approaches to brand campaigns have taken off in recent years, allowing marketers to move beyond such coarse methodologies as brand trackers and reach/frequency metrics:

- **Addressable TV and audio.** Even for linear TV viewing, set-top boxes and smart TVs can now provide visibility into who has viewed particular ads, via content-recognition technology that works with unique IP addresses. This enables advertisers to establish a much more direct link between ad exposure and consumer actions.
- **Digital 'brand lift' surveys.** Unlike traditional brand trackers, these surveys, often on mobile devices, allow marketers to measure upper-funnel metrics, such as brand awareness and favorability, on a near-real-time basis and tie them to specific ad exposure at scale. They can also isolate the impact of ads by separating recently exposed populations from unexposed groups.
- **Attribution tools.** Using ad logs, these tools correlate the specific time and location in which a cohort of consumers sees an ad with the actions those consumers take. For instance, in the minutes after a TV spot airs in a particular geography or is seen by a particular demographic, do search queries, website visits, or social-media mentions increase? Unlike qualitative surveys, these "correlated outcomes" don't suffer from discrepancies between consumers' stated and actual behavior.

¹McKinsey & Company COVID-19 Europe Consumer Pulse Survey 6/18–6/21/2020, n = 5,645, across Italy, France, Germany, Spain, UK, and Portugal, sampled and weighted to match European general population 18+ years; McKinsey & Company COVID-19 US Consumer Pulse Survey 7/30–8/2/2020, n = 2,024, sampled and weighted to match the US general population 18+ years.

2. A unified set of KPIs

Linking KPIs between channels and stages of the funnel to actual business results, such as conversions or leads, allows companies to better understand the real impact of their marketing and then create messages that will elicit the best responses. For instance, if unaided brand awareness is increasing, what effect, if any, is that having on website traffic or digital purchases? Are brand-building efforts leading more consumers to make branded search queries, which have a lower cost per click than generic product-category searches?

This unified view also helps marketers figure out how different touchpoints throughout the funnel affect each other and to identify the metrics that matter most. If brand-building campaigns, for example, are leading to more website conversions or branded search queries, these are clear signs that investing in more brand building will likely pay off. Only when marketers have linked KPIs can they identify the interactions most tightly tied to business value and start making smart decisions to adjust or rebalance their marketing spend.

3. An updated media mix model for integrated spending

Many marketers now rely on media mix models (MMM) to measure the impact of their campaigns and determine how much money they should spend on different types of advertising and marketing. While MMMs have proven useful for making allocation decisions, they fall short in a number of ways. Because they require long look-back periods to estimate the impact of each type of spend, they aren't responsive to short-term changes, such as shifts in campaign performance, or changes in shopping behavior due to external factors, such as those we are seeing today. They also don't get very granular in their spending recommendations and can fail to capture the nuances of actual channel behavior. For example, a model may recommend spending increases for paid search ads on branded search terms even though a brand is already showing up in close to 100 percent of results.

MMMs also don't offer granular data on which channels or platforms should get credit for

customer conversions. Some 30 percent of marketers admit to being held back by these difficulties, including those with budgets of more than \$500 million.

To make MMMs more reliable and better suited to a full-funnel marketing strategy, organizations need to modernize them with additional inputs, such as those from incrementality tests and multitouch attribution (MTA) models. Doing regular incrementality tests, which involve running a structured experiment with a control group of consumers who aren't shown ads, can provide a cleaner verification of a particular channel's performance, as well as insights that are closer to real-time and more granular data on campaigns. This helps marketers assess the true impact of their efforts and adjust the attribution for a channel accordingly. Recent technology and analytics advances have made such incrementality tests simple and inexpensive, although they are time consuming to run at scale across channels.

Advances in analytics have also helped improve the process of determining where credit for a customer conversion should go in MTA models. Combining this with audience-propensity scoring helps further define how valuable a particular channel or tactic is. If a campaign on a particular social-media platform, for instance, converts consumers who already have a high propensity to purchase, that channel would be assigned a lower "incrementality multiplier."

4. A full-funnel operating model

Full-funnel marketing requires a complete top-to-bottom integration of the function; it can't simply be tacked onto existing daily processes. That starts with rethinking how work gets done across functions. While the transformation of an operating model requires changes across almost all elements of the marketing function, four areas are the most important to get right:

- *Incentives for full-funnel performance.* To help make measurement rigor a core part of marketing's culture, marketers should be held accountable and rewarded for their ability to

deliver on well-defined engagement or revenue goals. These should be based on both a unified set of KPIs tied to full-funnel performance, such as total brand awareness and total visitor traffic, and KPIs that measure incremental value, such as extra traffic coming from A/B testing or additional revenue driven by brand campaigns according to the MMM.

- **Cross-functional collaboration.** Full-funnel marketing can't be done effectively without close collaboration among all stakeholders, including brand managers, performance-marketing leaders, analytics marketers, and finance. To ensure productive interaction, some companies have created weekly huddles, where insights are shared from across the funnel and decisions are made jointly on everything, including KPIs, spending levels, and which audiences to target.
- **Deeper collaboration between media agency and partner.** Marketers often have an incomplete understanding of what their agencies actually do and what value they are accountable for. Correcting this involves not just more active agency management but also closer collaboration. This includes ensuring that the

marketers, not the agency, own their user-level data, insisting on collaboration for rapid testing and iteration, and pushing media companies to create integrated ad buys that leverage their brand-building and performance-marketing channels.

- **Adoption of test-and-learn capabilities by brand marketers.** The dynamic, rapid test-and-learn capabilities common to performance-marketing teams need to be extended to mid- and upper-funnel teams. Brand marketers can use these methodologies to rapidly test personalized creative and to optimize the videos or other consumer content ads that are delivered alongside, a tactic shown to be highly effective.

Full-funnel marketing is not just a campaign strategy; it's a total shift in how marketing works. It demands close team collaboration to harness the complete range of marketing capabilities to increase the impact from all campaigns. Most importantly, it allows the CMO to provide the C-suite with a much richer and more complete picture of how exactly marketing is driving growth.

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