

## Experimenting without risk at the Digital Marketing Factory

**In an experiential-learning center in Munich, marketing and sales professionals gain hands-on experience with digital-marketing tools and methods.**

**Jürgen Schröder and  
Dennis Spillecke**

The Internet's growing importance has created great opportunities—and some concern—for businesses. At McKinsey's recent Chief Marketing and Sales Officer Forum, attended by representatives from about 150 companies from multiple industries, 72 percent of participants stated that digital media is crucial to their companies' continued success. But a similar number—80 percent—said they felt unprepared for the digital challenge.

To bolster their digital skills, some companies are sending staff to training programs that give participants hands-on experience with digital-marketing tools and techniques. One such program is the Digital Marketing Factory (DMF).

Established in 2011, the DMF is located at the McKinsey Capability Center in Munich, an experiential-learning environment that houses capability-building programs for several functional areas including product development, pricing, and customer service.

Numerous companies—including a consumer-electronics retailer and a company that operates airport stores—have sent employees to the DMF. Participants can choose from two training programs: a one-day workshop targeted at board members and heads of marketing and sales or a two-day workshop for operational managers and employees that includes additional content on applying digital tools.

DMF training includes a discussion of online customer behavior and a strategy session that provides a general overview of digital media. The centerpiece of the DMF is Vinoya, a real online merchant that sells more than 4,000 international wines to customers throughout Europe (Exhibit 1). McKinsey founded Vinoya specifically for use in the DMF and continues to own the brand. During each training session, up to 20 participants collectively act as Vinoya’s chief marketing officers—they have a budget, design the company’s online strategy, and assume responsibility for driving online traffic and sales

for the duration of the session. Workshop exercises vary depending on audience needs, but all participants focus on mastering operational and strategic tasks. Examples of workshop challenges include the following:

*Building a display ad.* DMF trainees may be tasked with creating targeted display ads on Facebook for Vinoya’s “Wines that Rock” collection, an assortment named after famous bands from the 1960s to the 1980s. As they would with any campaign, participants must first determine the target customers for the collection—

Exhibit 1

**Online wine retailer Vinoya was created for use in the Digital Marketing Factory.**

The screenshot shows the Vinoya website interface. At the top, there is a logo for 'VINOYA WINE FOR ME ...' with the tagline '4000 Weine aus aller Welt'. A search bar is located in the top right corner. Below the logo is a navigation menu with options: HOME, WINE, STYLE, SPARKLING, TOPICS, GIFTS. On the left side, there is a 'Range' section listing various wine categories such as Red (1844), White wines (823), Rosé (95), Sweet (48), Tingly (231), and Port / Sherry (413). The main content area features a promotional banner for 'Wines that rock!' with the text 'Für Weinliebhaber und Musik-Fans' and 'Entdecken Sie 3 außergewöhnliche Wein-Kreationen!'. Below this banner are three wine bottles with band-themed labels: Pink Floyd, The Police, and Rolling Stones. Underneath the banner is a section titled 'Red wines with an excellent price / benefit ratio' which displays a grid of four wine products with their respective prices and per-liter costs.

| Red wines with an excellent price / benefit ratio  |  |  |   |
|--|--|--|---|
| <p>La Motte Millennium 2009</p>  <p>€ 16.80<br/><small>(Price per liter: 22.40 EUR)</small></p> | <p>Salvador Poveda Toscar Monastrell Tinto 2008</p>  <p>€ 4.50<br/><small>(Price per liter: 6.00 EUR)</small></p> | <p>Salvador Poveda Toscar Crianza Tinto 2005</p>  <p>€ 4.95<br/><small>(Price per liter: 6.60 EUR)</small></p> | <p>Sartori Regolo Rosso Veronese IGT 2008</p>  <p>€ 40.95<br/>€ 9.95<br/><small>(Price per liter: 13.27 EUR)</small></p> |

for instance, baby boomers or music lovers—and then select a picture and slogan for an online banner ad. They also learn to boost the impact of their ads through proper placement; for example, they might arrange to have their ads appear on the Facebook pages of Pink Floyd fans or people born between 1945 and 1964.

*Improving search-engine marketing.* For this task, participants might be asked to write a Google text ad for the “Wines that Rock” collection. Since these ads are short—generally 20 words or fewer—participants must create succinct but compelling messages that incorporate keywords and follow other best practices such as highlighting discounts and product features that

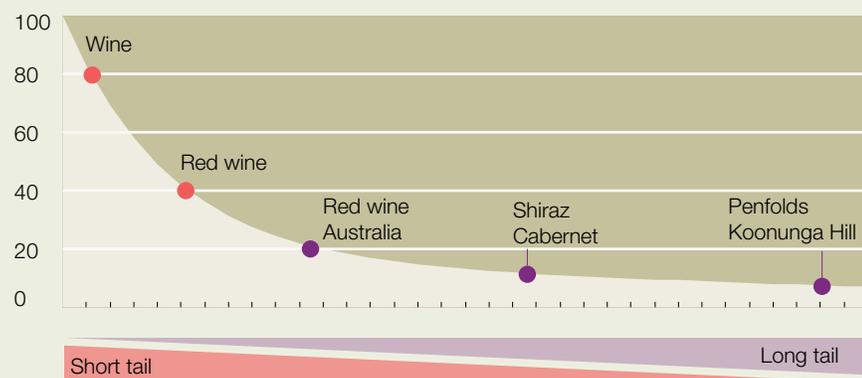
provide differentiation from competitors. Another part of the task is to select keywords that will prompt the ad to appear on Google’s results page and decide how much to pay for each click. Many participants initially select generic words or phrases such as “red wine,” which generate many clicks but few sales. DMF instructors teach them to favor more specific search terms, such as “Shiraz Cabernet.” While fewer consumers type in such phrases, those consumers are more likely to make a purchase than people who search for more general terms. In fact, our analysis showed that 80 specific phrases (such as “Penfolds Koonunga Hill”) delivered the same number of new customers as “wine” but at 2 percent of the marketing cost (Exhibit 2).

## Exhibit 2

### Companies benefit from the long tail when choosing keywords.

#### Search volume of different keywords on Google

Indexed to 100



|                   |      |   |       |
|-------------------|------|---|-------|
| Clicks per day    | ~940 | → | ~1.5  |
| Cost per click, € | ~4.1 | → | ~0.67 |
| Conversion        | <1%  | → | 8%    |
| Cost per order, € | 410  | → | 8.40  |

Source: BVDW; Google; Phaydon; McKinsey analysis

*Using social media effectively.* During this exercise, DMF instructors may ask participants to imagine that they must respond to a disparaging claim about Vinoya that is generating negative comments online. Trainees post a response on a Vinoya Facebook page open only to DMF participants. They then discuss whether their own companies are prepared to respond to similar criticism. Do they have a tool for monitoring online chatter? Could they respond rapidly, before a remark goes viral? Do they have a social-media manager who can direct overall efforts and take the lead when problems arise? And because social media can play an important role across the entire value chain, DMF training features case examples and best practices related not only to marketing

and sales, but also to product development and customer service.



Although its original focus was display advertising, search-engine marketing, and social media, the DMF—in response to demand—recently introduced new courses on a variety of topics, including digital sales and customer-life-cycle management, affiliate marketing, Web analytics, and mobile marketing. The goal of each session is to equip participants with practical digital-marketing skills that they can apply as soon as they return to the office. ○