

The dawn of marketing's new golden age

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Marketers are boosting their precision, broadening their scope, moving more quickly, and telling better stories.

Science has permeated marketing for decades. Fans of the television drama *Mad Men* saw a fictionalized encounter when an IBM System/360 mainframe computer physically displaced the creative department of a late-1960s advertising agency. In reality, though, the 1960s through the early 1990s witnessed a happy marriage of advertising and technology as marketers mastered both the medium of television and the science of Nielsen ratings. These years gave birth to iconic advertising messages in categories ranging from sparkling beverages (“I’d like to buy the world a Coke”) to credit cards (“American Express. Don’t leave home without it”) to air travel (“British Airways: the world’s favourite airline”).

Until recently, marketers could be forgiven for looking back wistfully at this golden age as new forces reshaped their world into something completely different. These new trends include a massive proliferation of television and online channels, the transformation of the home PC into a retail channel, the unrelenting rise of mobile social media and gaming, and—with all these trends—a constant battle for the consumer’s attention.

The resulting expansion of platforms has propelled consistent growth in marketing expenditures, which now total as much as \$1 trillion globally. The efficacy of this spending is under deep scrutiny. For example, in a survey of CEOs, close to three out of four agreed with the following statement: marketers “are always asking for more money, but can rarely explain how much incremental business this money will generate.”¹ Chief marketing officers (CMOs), it appears, don’t disagree: in another recent survey, just over one-third said they had quantitatively proved the impact of their marketing outlays.² Paradoxically, though, CEOs are looking to their CMOs more than ever, because they need top-line growth and view marketing as a critical lever to help them achieve it. Can marketers deliver amid ongoing performance pressures?

In this article, we’ll explain why we think the answer is yes—and why we are, in fact, on the cusp of a new golden age for marketing. At the core of the new era are five elements that are simultaneously familiar and fast changing. The first two are the *science* and *substance* of marketing. Leading marketers are using research and analytics to shed light on who buys what, and why; who influences buyers; and when, in the consumer decision journey, marketing efforts are likely to yield the greatest return. That understanding, in turn, is making it possible for marketers to identify more effectively the functional benefits that customers need, the experiences they want, and the innovations they will value.

But this isn’t just another missive on the power of big data. Organizational *simplicity* is fueling *speed*, and *story* is pulling things together while inspiring both the customer and the organization. Happily, the story just seems to get better as creative minds express themselves

¹ For results from a survey of 600 CEOs and decision makers conducted by the Fournaise Marketing Group, see “73% of CEOs think marketers lack business credibility: They can’t prove they generate business growth,” FournaiseTrack, June 15, 2011, fournaisegroup.com.

² See “Chief marketing officer optimism at four-year high; proving the value of marketing remains elusive,” blog entry by Christine Moorman, The CMO Survey, August 27, 2013, cmosurvey.org, for results from a survey of 410 CMOs, conducted by Duke University’s Fuqua School of Business with the American Marketing Association and McKinsey & Company. For a further discussion of measuring marketing ROI, see Jean-Hugues Monier, Jonathan Gordon, and Philip Ogren, “How CMOs can get CFOs on their side,” Harvard Business Review, November 25, 2013, hbr.org.

through digital means, and it then echoes and expands through social media and user-generated content. As you'll see, the emerging new rules for marketing extend well beyond data and analysis, crucial though those are, and even transcend the marketing organization itself.

Science

Advances in data, modeling, and automated analysis are creating ever more refined ways of targeting and measuring the returns on marketing investments, while generating powerful new clues about why consumers behave as they do. Long gone is spending guided mostly by intuition and focus groups. Instead, organizations are seeking greater precision by measuring and managing the consumer decision points where well-timed outlays can make the biggest difference.

Big data is a term that's often used to describe this transition. But it's not just big data; it's also big research. A major consumer company investigating the decision journey for its products recently undertook a consumer study, collected through online surveys, on a massive scale and at a speed that would have been unimaginable in the days of mall-intercept interviews. The project, which involved more than 10,000 surveys over the course of a month, uncovered material differences between how the company and consumers were thinking about the category, while also explaining what drives choice at each stage of the journey. These insights are now being used to change brand strategy, product-portfolio design, and marketing campaigns. The potential impact runs into billions of dollars in additional revenue.

While much recent marketing science has played out in the measurement and targeting of advertising and promotion expenditures, many consumer companies are increasing their focus on in-store behavior: how promotions, traffic flows, and physical engagement with products affect sales. Capturing and analyzing data on such issues has become more feasible in recent years thanks to low-cost sensors that can be embedded in products, as well as the ability to capture and analyze huge amounts of unstructured data from store videos—and even to track shoppers' eye movements.

The impact goes beyond marketing and product teams. Marketing science is boosting the precision of real-time operating decisions. At a major hospitality company, marketing analysts are able to get a read on the performance of a particular property or category over a weekend and then drill down on individual customer segments to assess how to make improvements. If the data show that a profitable segment of weekend travelers are shortening their stays, the company can create special offers (such as late checkouts or room upgrades) to encourage repeat business.³ Or consider how one industrial-products company revamped its highly fragmented portfolio of more than 500 SKUs sold to customers in a diverse set of industries. Prices varied widely even for the same products, without any clear reasons as to why, hindering efforts to manage margins. An analytical tool that could scan 1.3 million transactions helped the company redraw customer segments, identify products with opportunities for pricing flexibility, and recommend new prices. Ultimately, it reset about 100,000 price points.

More scientific marketing means that CMOs and other senior leaders need enhanced analytical skills to exploit data possibilities more fully and stay ahead of the whirl of developments. One CEO we know believes it's time to create a position—marketing technology officer (MTO)—that's rooted both in technology and domain knowledge. Knowing what can be automated, when judgment is required, and where to seek and place new technical talent are becoming increasingly central to effective marketing leadership. That is intensifying the war for specialized talent as traditional marketing powerhouses bid against high-tech companies for needed skills.

Substance

As more advanced marketing science and analytics take hold, they are making it increasingly natural for marketing to go beyond messaging and to shape the substance of the business, particularly the experiences of customers, the delivery of functional benefits, and the drive to develop new products and services. Armed with information about customers and a company's relationships

³ Peter Dahlstrom, Chris Davis, Fabian Hieronimus, and Marc Singer, "The rebirth of the CMO," *Harvard Business Review*, August 5, 2014, hbr.org.

Five elements that catalyze great marketing

01

Sc

Science



Advances in data, modeling, and analysis allow precise measurement and management of customer decisions and more targeted spending.

Marshal big data and analytics for insights into choices along decision journeys.

Use data from sensors and video that track in-store behavior to improve merchandising.

02

Sc

Substance



Marketers can directly shape the business by evolving the customer experience and the development of products and services.

Harness consumer desires and needs to provide functional benefits—from auto safety to shopping convenience.

Make the case for customer care initiatives and for consistency in the customer experience.

03



St Story

The ways to tell a story are morphing continually, drawing on richer digital interactions and more powerful communications tools.

Learn to relinquish control of stories as customers interpret and modify them on social media.

Understand how to best access creativity given talent scarcity and evolving relationships with advertising agencies.

04



Sp Speed

Consumer preferences, market dynamics, and product life cycles change with stunning velocity in a digital economy.

Develop the management skills and organizational clout to bring cross-functional teams together swiftly.

Achieve a shared vision with product developers to facilitate a speedy response to market changes.

05



Si Simplicity

Complexity is the enemy of speed and leading marketers are seeking greater simplicity.

Reduce or eliminate hierarchies, silos, communications gaps, and redundancies within the organization.

Simplify working relationships with advertising and other media agencies.

with them, the CMO is well-positioned to help differentiate its products, services, and experiences.

That's good, because digital innovation, transparency, and customer-centricity have raised expectations across the board. In automobiles, as sensor technologies proliferate and onboard computing power increases, consumers are now starting to expect that collision-avoidance and digitally-enabled safety systems will become part of manufacturers' offerings. (Luxury carmakers already are making sophisticated safety options part of their marketing story.) In retail, brands like H&M, Topshop, Uniqlo, and Zara have harnessed the consumer's desire to have it all by bringing mass-market prices to the colors, fabrics, and designs of high fashion. Simultaneously, Amazon and other digital players are pressuring brick-and-mortar retailers, which are responding both by retooling their supply chains to enable faster restocking and one-day delivery and by creating new advertising messages around the in-store pickup of online orders.

Marketers are well placed to help their organizations meet the rising bar by, for example, making the case for customer-care initiatives and for consistency in the customer experience. A better one became the heart of a marketing campaign at European energy supplier Essent, a subsidiary of RWE. To ensure that the company delivered on the promise, the CEO named the chief of marketing to lead the initiative. Among the successes: making customer onboarding less cumbersome by cutting process steps from seven to two. Marketing also took the lead in efforts to create new products that customers wanted. The CMO led a cross-functional team of sales, IT, and product development to produce Essent's smart, Internet-connected E-thermostat, for instance. Some of its functionality was cocreated with customers.

Similarly, marketing has taken a leadership role in designing and setting standards for Daimler's highly digital customer-experience brand, "Mercedes me." The digital platform provides customers with automated appointment booking, personalized financing, a chance to cocreate ideas, access to maintenance data from sensor-enabled automobile diagnostics, and even quick access to Daimler's car-sharing and taxi services—for use on business trips, for example. (See "Marketing the Mercedes way," forthcoming on mckinsey.com, for more on the role of marketing at the company.)

These efforts and many more like them are extending marketing into the guts of the business, and most would not have been possible just a few years ago. The power of today's digital tools and the scientific approaches they make possible are not only enabling a more substantial role for marketing but also giving it opportunities for real-time impact.

Story

Even as marketing reaches new heights with technology-enabled measurement, the importance of the story hasn't diminished. But ways to tell it are morphing continually as the stuff of storytelling encompasses richer digital interactions, and mobile devices become more powerful communications tools. In this world, creativity is in greater demand than ever.

Google's "Dear Sophie" advertisement is an example of the modern art form. It tells the story of a father writing to his daughter as she grows up, with the narrative demonstrating how Google search, Gmail, and YouTube can be new channels of human connectivity.⁴ (For more on how Google seeks to connect, see "How Google breaks through," forthcoming on mckinsey.com.) P&G's "Pick Them Back Up" spot for the Sochi Olympics (part of the ongoing "Thank You, Mom" campaign) is another moving story. It dramatizes the moms who were there for their kids throughout the years of hard training, who picked them up when they fell, and who deserve celebration as the unsung heroines. It's hard to watch these commercials and not tear up, at least a little.

Chanel's recent launch of the new No. 5 perfume offers a good window on how stories are evolving beyond traditional video. Over a decade after their first collaboration, creative chief Karl Lagerfeld has again partnered with film director Baz Luhrmann to produce a short film on a woman whose lifestyle embodies the brand. Their latest effort—"The one that I want"—stars model Gisele Bündchen and features the perfume, along with clothing and other Chanel products. Beyond the film itself, a series of YouTube videos extend the campaign

⁴ Google, "Dear Sophie" video advertisement, BBH New York and Google Creative Lab, 2011, youtube.com.

with shorts on the making of the film, interviews with Luhrmann on both projects, behind-the-scenes footage from Chanel’s studio, and more.⁵ All of this is designed to amplify the lifestyle message of the fragrance’s launch in a way that traditional TV or print couldn’t accomplish.

New media also dictate that marketers relinquish control of the story as digital interactions with customers become more frequent. Customers want to interact with stories and modify them on social media. Following the kinds of story rules that once made board members and CEOs comfortable is no longer feasible. Social-media programs are consuming a larger share of many marketing budgets. A number of major consumer companies are using interaction centers to monitor and participate in social-media conversations as they develop, sometimes including the promotion of discussions on corporate social-media channels.

Agency-management issues also are an important piece of the puzzle. Talent scarcity, evolving digital storytelling, and perceived institutional rigidities have opened new debates about the best ways to access creativity. Some companies, like Chanel, are enhancing their control over the story with supplemental digital content. Other global marketing leaders are bringing in-house more of their story muscle, particularly when it involves lighter message content for social media. Agencies are responding. Many are acquiring more digital talent and working to break down silos to overcome perceptions that they are actually geared to bigger productions and may lack the digital and story skills to handle new content in an agile, integrated way. All this is very much in flux, suggesting that leaders who aren’t asking fundamental questions about the roles of (and fit between) agencies and internal marketing teams stand the risk of being left behind.

Speed

In a digital economy, marketing is no longer a “batch” process but a continuous one. Consumer preferences change with stunning

⁵ Chanel, “The one that I want” campaign video advertisements, Bazmark, 2014, youtube.com/chanel.

velocity, as do the dynamics of markets and product life cycles. This culture of urgency means that marketers need a new agility, plus the management skills and organizational clout to bring other functions together at a higher clock speed.

How speed is achieved, of course, will vary by company and industry. A number of CMOs we know are setting the terms of how functional units should collaborate and spelling out what the entire organization needs to know to get new products to market at a stepped-up pace. In these cases, marketing becomes the glue across the organization, providing oversight and coordination.

To speed up its digital tempo, Nestlé's marketing organization launched digital-acceleration teams. These specialists train business units and functions in the skills needed to be effective in digital marketing and social communications. Nestlé's country units have adopted the approach, as well, allowing them to adapt the digital training to local market conditions, while adhering to core, company-wide standards.⁶

At Google, lead times for new products are continually shrinking. Internal teams are attuned to putting products in front of consumers and then, in real time, to bringing back insights in a cycle of testing, learning, and iterating. Marketers are central to this process: they work to develop close relationships with product-development teams in order to inject their knowledge of user needs into how products are developed. That helps create a vision of the product from the user's eyes, and one that engineering teams are eager to create. Achieving that shared vision between product developers and marketers is a key element of speed in formulating new products and features. The time-to-market benefits of better information and more fluid collaboration extend to a wide range of companies, sectors, and business functions. Consider, for example, how data and collaboration are increasing the speed and agility of B2B sales teams. (For more, see "Do you really understand how your business customers buy?," forthcoming on mckinsey.com.)

⁶ See Pete Blackshaw, "How digital acceleration teams are influencing Nestlé's 2,000 brands," interview by Michael Fitzgerald, *MIT Sloan Management Review*, September 22, 2013, sloanreview.mit.edu.

Simplicity

Complexity is the enemy of speed, which is a big reason why a number of leading marketers are reforming their organizations. Too often, expanding geographic footprints, product proliferation, and new arrays of channels and digital specialties have led to complex hierarchies, silos, communication gaps, and redundancies. But these can be tamed.

For example, one telecommunications company realized that a cumbersome organizational structure was getting in the way of delivering the top-notch customer service that the CEO had designated as a strategic priority. He created a unit combining existing call centers and a newly formed social-media customer-care group. The leader of the unit reports directly to him. Proximity to the top of the company allows the new team to collaborate more smoothly across the organization, while signaling the importance of the customer experience.

Many consumer marketers are using technology to reduce complexity. They are embracing internal social-media platforms to encourage the generation and sharing of ideas, which helps speed up problem solving across the organization. Daimler, meanwhile, reorganized its marketing and sales departments around the idea of the “best customer experience.” It created a new customer-experience function bundling several headquarters functions into one that maps the entire customer journey, with the goal of locking in a consistent brand experience throughout the world.

Simplifying working relationships with advertising and other media agencies is another goal for many marketing organizations. Trade-offs abound: specialist agencies have expertise in new digital-content formats and delivery channels, but they aren’t always full-service shops. Larger agencies offer more services, but the strengths of many still lie in traditional media. Marketers building teams of employees with strong skills in digital content and delivery are bringing more activities in-house, but bulking up can create complexity and slow things down. And of course, simplicity can’t come at the expense of great creative output.



In our work with global marketers, including many leading-edge practitioners, we are seeing significant progress in each of these five dimensions. As you think about the implications of science, substance, story, speed, and simplicity for your organization, we suggest that you ask yourself five questions:

1. Are we taking advantage of the science of data and research to uncover new insights, or are we working off yesterday's facts, assertions, and heuristics?
2. Do we fully exploit the power of marketing to enhance the substance—that is, the products, services, and experiences—we offer our customers, or are we just selling hard with a “me-too” mind-set?
3. Do we have a clear brand story that echoes through cyberspace, or do we feel that we aren't quite capturing hearts and minds?
4. Have we created simplifiers within our organization, or have complex matrices become a logjam?
5. Are we faster or slower to market than our competition?

Although this may seem like a lot to handle, the rapid changes and fast-breaking opportunities facing marketers in the 21st century suggest to us that the best ones will have good answers to all of these questions. In our opinion, those that do will not only enjoy above-market growth, they will define the next golden age of marketing. ○

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