

## **MARKETING CAPABILITIES IN THE DIGITAL AGE**

SPEECH BY RICHARD RAWLINSON AT THE CMO OF THE YEAR AWARD CEREMONY, FRANKFURT, 19 NOV 2009

The previous speakers have reminded us how far and how fast the media world has changed. In October 08, Twitter had 3.5 million unique users. In the past year, that has grown 17 times, to over 58 million. Facebook has 411 million unique visitors, Google is approaching a billion. In the US, it took 127 years for newspapers to generate \$20 billion / year in ad revenue, 75 years for radio, 37 years for broadcast TV, 25 years for cable and only 13 years for online media. The revolution is upon us, digital media are no longer experimental and they are the catalyst for innovation in media, in advertising and in customer relationship management.

This is a revolution. It is a revolution because these media are very different. The point is not that they are electronic, nor that they are digital, but above all, that they are two-way. Marketers are spending less on the one way media of print, TV, and direct mail, and more, much more, on media that build relationships and consumer advocacy – digital, mobile, but also PR and events. In a recent UK survey of marketers, asking which marketing tools had the best RoI, twice as many named CRM compared to anything else. And among those UK marketers, advertising had far and away the worst reputation for RoI.

In their relationship with the consumer, these new media are much more continuous. There is less of the intermittent blasts of TV advertising, more of regular daily contact and feedback, from millions of consumers. That does not mean marketers step back, rather they engage in a different way. As my friends at Diageo put it, it is like going from the bowling alley, where the marketer takes a big black ball and rolls it down a long alley to try and hit the ninepins, to a pinball machine. The pinball marketer constantly flips the levers to keep the ball in play, as it bounces from one consumer to another. It's a game full of action, with plenty of noise, demanding constant attention, where the marketer is a participant, but cannot determine the conversation.

This is a revolution because what marketers want is changing. They want new things from their media, from their agencies, from their organizations, and from themselves.

Integration is key. Outstanding marketers pull all the media together, both traditional and digital. Now famous campaigns like Dove's Campaign for Real Beauty – the campaign that challenged the consumer to rethink beauty stereotypes – are based around talkability – keeping the consumer talking, thinking and actively developing their relationships with the brand. For Dove, outdoor posters featured photographs of real women, plucked from the streets. The Dove Evolution viral film reached more than 21 million viewers in the US alone, and spread globally in a few hours. Consumers were invited to judge women's looks by voting a box, and they responded in droves, online and via SMS - some simply wrote on the posters.

Marketers tell us that that level of integration is pretty hard to find in the agency world. Indeed, on our view, the whole marketing system of media, media buyers, agencies and clients, formed around the world of commercial TV, is hugely challenged – and that is obvious from the media statistics.

In our own extensive surveys of US advertisers, conducted jointly with the Association of National Advertisers, over 80% of marketers tell us that their top priorities are cross platform: collaborating with many more marketing providers, working with new partnerships, and more agencies. And there are plenty of companies now building their own “private label” marketing assets – their own websites, electronic tools and databases. Marketers are getting in to media. Leading marketers are bringing much more work, and much more capability, back in house – and we think that makes sense. It is a revolution, and clients have to drive it, by radically changing how they manage marketing, and by doing more of it themselves. You can’t outsource your revolution.

Measurability is better in this new media, potentially at least. At a minimum, you do know that someone out there is clicking something, that there are some signs of response. That measurability has helped digital media grow in the recession, when every media assumption is under scrutiny, for its flexibility, value and quality.

Still, there are no easy, simple solutions to the measurement challenge, and by and large, the digital world has not yet realized the potential. Indeed, in a world of continuous relationship management, many of the traditional event-based, campaign oriented measurement approaches will have to change. In the same surveys, over 80% of marketers tell us that the top two capabilities they need to develop are consumer insights and behavioural targeting.

If you look at the companies leading the digital revolution – companies with particularly successful digital strategies or strong organizational commitment to digital marketing – you see systematic differences in how they approach measurability. Compared to other companies, they are twice as likely to use predictive modelling to design their mix; twice as likely to use some form of digital dashboard; twice as likely to add an analytics department and the specialists that go with it. These leading companies will have more capability in-house and they will work more closely with media companies and media planners, and less with the classic agency of record. And above all, they are more focussed on consumer advocacy and engagement, not just on awareness and impressions.

What does it take to lead such a change? Well, first of all, it is just that – leadership, not management. The ability to envisage a future that is quite different, to inspire an organization to reach for it, and to drive innovation and change. For many marketers, frankly, that is a tall order. 50 years of dominance by commercial TV, and the whole system around it, have led to intellectual and organizational sclerosis. For years, too many marketers cruised comfortably in familiar territory, innovating only within very narrow constraints, and often resisting the accountability and performance ethic that drives corporate success.

I put this point strongly, even to this audience of marketers, but look at the figures. This time, they are from Booz & Company’s annual survey, tracking CEO arrivals and departures in the largest 2,500 companies worldwide. Of the 360 new CEOs last year, 56% had experience in operations, 36% in finance, 30% in strategy and planning – and only 24% in marketing and sales. For a CEO, marketing has been the least

likely of these functional backgrounds. I think that says something about how the function has been perceived by the senior leadership of corporations.

But in the future, the marketing leadership needed to cope with the new marketing environment will be quite different. You can't work within the system, you have to invent a new one. You can't run away from measurement, you have to use the new sea of data to achieve it. You can't depend on your agency, you have to invent your own media and build your own marketing business. You can't outsource your advertising, you have to in-source your revolution.

The successful marketing leaders of today will be those that overcome the organizational and industry challenges and build a very different future. Their organizations will need to be structured quite differently. They need to become good at creating new marketing assets and managing a network of new and old media. They need to develop advocacy and consumer relationships, not just choose campaigns.

Marketing people will be different, too. More analytical and quantitative, for sure. More commercial and ROI oriented. Better at and more involved in contracting and deal structuring. Less focussed on organizational power, control, responsibility and fear of failure than the marketers we have known in the past. More innovative, integrative and collaborative, more comfortable in a fluid environment, more focussed on innovation and impact.

If they can do all that, marketing leaders will transform their organizations. In doing so, they will show the qualities of imagination, commercial acumen and leadership that boards look for from their CEOs. I bet those CEO succession statistics will look very different in 10 years time! And there are no better examples than the marketing leaders that we honour tonight.