

Marketing & Sales Practice

Modern marketing: What it is, what it isn't, and how to do it

To drive growth in the digital age, marketing needs to modernize a specific set of capabilities and mindsets.

by Sarah Armstrong, Dianne Esber, Jason Heller, and Björn Timelin



What does “modern marketing” mean to you?
 We can all probably think of a clever digital campaign, an innovative app, or some inspired creative work shared across multiple channels.

While these examples contain some of the hallmarks of modern marketing, in our view it is much bigger than that. Modern marketing is the ability to harness the full capabilities of the business to provide the best experience for the customer and thereby drive growth. In a recent McKinsey survey, 83 percent of global CEOs said they look to marketing to be a major driver for most or all of a company’s growth agenda.¹

Delivering on this promise requires a whole new way of operating. Marketing departments need to be rewired for speed, collaboration, and customer focus. It’s less about changing *what* marketing

does and more about transforming *how* the work is done. Based on successful cases we’ve seen, we estimate that making this change can unlock 5 to 15 percent of additional growth and trim 10 to 30 percent of marketing costs.

Where to start

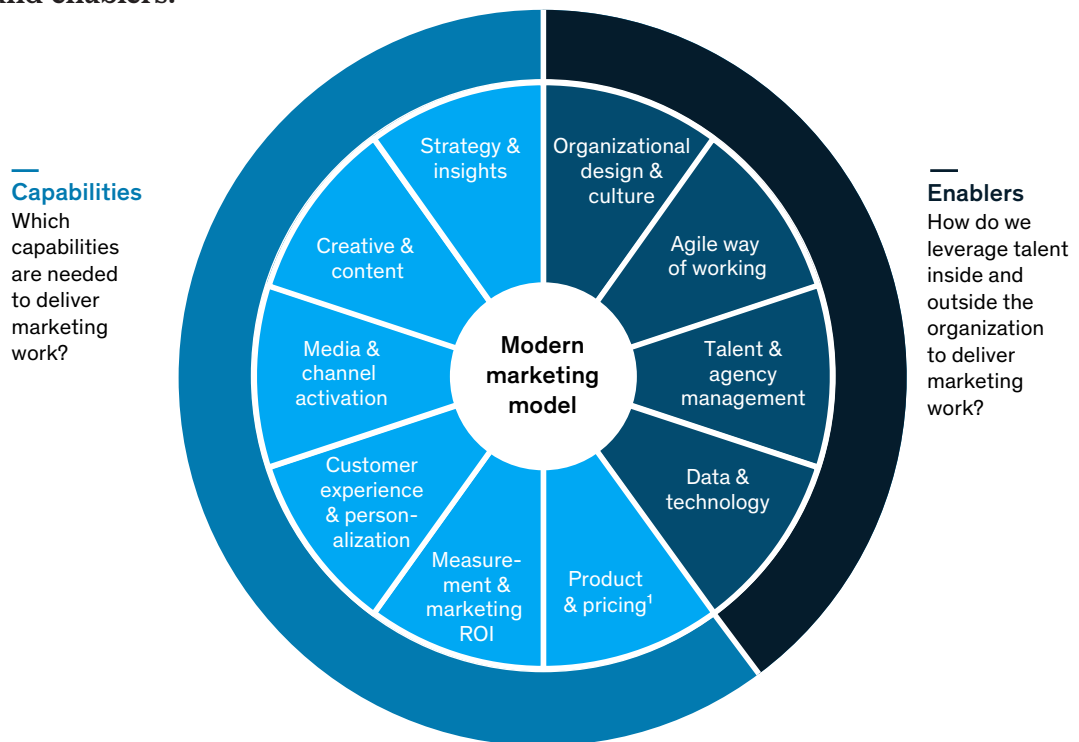
In our experience, most senior leaders understand that marketing has to modernize, but they are less sure what specifically that means. Too often, they focus on a handful of initiatives or capabilities and then grow frustrated when the promised value doesn’t appear.

For this reason, it’s crucial to have a clear view of what constitutes a model for modern marketing (Exhibit 1). While each of these components is familiar, we have found that the clarity of seeing

¹Julien Boudet, Biljana Cvetanovski, Brian Gregg, Jason Heller, and Jesko Perrey, “Marketing’s moment is now: The C-suite partnership to deliver on growth,” June 2019, McKinsey.com.

Exhibit 1

To deliver on growth, modern marketing requires updated capabilities and enablers.



¹ Capability may not fall directly under marketing organization, depending on organizational structure.
 Note: Variations to the modern marketing model may exist for consumer-packaged-goods and B2B sectors.

them organized into a cohesive model gives leaders a better sense of how to track all the elements and how they should work together.

That clarity is crucial as leaders develop plans and programs to modernize each of the capabilities and enablers (Exhibit 2). The traditional way to create content, for instance, is to roll out periodic, one-size-fits-all campaigns that can be modified only to a limited extent. On the other hand, a modern

marketing organization has systems that allow for large volumes of messages and content to be constantly created, monitored by performance analytics, and then adjusted as needed. Take personalization. It used to mean broad offerings and experiences across large consumer segments. Today, the goal is to leverage data from all consumer interactions to creatively deliver as much relevant one-to-one marketing as possible.

Exhibit 2

Modern marketing requires revamped capabilities to meet marketing’s new rhythms and demands.

Key elements	From	To
Strategy & insights	Limited insights and lagging indicators	Brand vision and strategy informed by real-time insights that are integrated into operations and the front lines
Creative & content	Periodic and intuition-driven campaigns	Always-on content driven by analytics and data, dynamically curated, and augmented by AI tools
Media & channel activation	Channel-activation plans managed in silos and optimized episodically	Rapidly iterated activity utilizing unique attributes of each channel, tied to a 360-degree view of the customer journey
Customer experience & personalization	Several broad offerings across large customer segments	Customer experience that is data driven and personalized, leveraging unified customer data across all interactions to allow for purposeful communications
Measurement & marketing ROI	Limited ability to measure impact	Holistic, customer-level ability to measure all or most components of marketing investments
Product & pricing	Marketing disconnected from product	Working hand-in-hand with product to activate consumers by building a cohesive experience and using analytically driven pricing
Organizational design & culture	Business- and product-centric	Organization designed around customer-centricity and expanded breadth of marketing’s role in driving growth; advanced operations in place to execute
Agile way of working	Annual planning and multiple handoffs	Highly empowered, cross-functional agile teams focused on rapid test and learn
Talent & agency management	Overreliance on agencies and organic talent development	Strategy to attract, retain, train, and upskill talent, and to manage an interconnected agency ecosystem with best-in-class expertise
Data & technology	Sparse data, and technology and marketing managed separately	360-degree customer data at the absolute core of a seamless customer journey, across which an integrated marketing-technology stack connects “signalized” data

■ Capabilities ■ Enablers

While most CMOs we know have made progress toward developing modern marketing organizations, many are discouraged by a lack of progress. We have found that the core issues are the absence of a commitment to the full suite of changes necessary and a lack of clarity about

dependencies. Without that understanding, we find that teams tend to naturally gravitate to working on things they know best or are most excited about, ignoring other elements. This creates blind spots in the transformation process that lead to delays, frustration, and,

Sidebar

Modern marketer: Rebecca Messina

Rebecca Messina, former CMO of Uber and Beam Suntory, discusses what it means to be a modern marketer.

What should CMOs keep in mind as they think through their modern marketing model?

CMOs should keep in mind that they are leading a journey and that this evolution will continue. Help your organization see milestones big and small, and help people get comfortable with the idea that they may never be “done.” For marketers, being modern is about being current and relevant, and the organizations we are building, like our brands, have both a timeless and timely nature.

What are the two or three essential capabilities for CMOs to focus on?

The capability focus for each CMO will differ by business and/or industry. That said, there are three critical capabilities that I believe should transcend industry and be a focal point for CMOs to become modern marketers:

1. Strategy and insights. Strategic direction and insights are the fuel the team needs. They provide partners, agencies,

and internal cross-functional teams with the clarity they need to do their best, most differentiated work. If they are weak or not aligned with business strategy, the teams will burn resources in changing direction often.

2. Talent management. As leaders, we must create the conditions for others to thrive and ensure that our teams are well selected, motivated, rewarded, and developed. That will help us put the best teams in place and empower them to do their best work every day.

3. Data and technology. Whether your team is best in its class or at the start of its journey, you have to stay sharp about data and technology. Playing catch-up here is very hard.

What advice do you have for CMOs making the transition to modern marketing?

No marketer, I hope, wants to “sit still,” but change or evolution toward the unknown can be daunting for teams that have operated with a certain model for a long time. Start somewhere and keep the team grounded in what is familiar, while showing them the path to what is new

and what you expect of them in terms of capability development.

What is most exciting to you about the transition to the modern marketing model?

This is a very exciting time to be a marketer. We can do things we have never done before, faster than ever, and we can measure and understand more than ever about the effectiveness of our plans. Above all, we are privileged to have a new level of potential consumer understanding. It's our duty to respect it and use it to bring empathy to our work.

What pitfalls should CMOs watch out for as they move into the modern marketing world?

The pitfall is falling in love with data and automation and letting that replace our creativity, our imagination, and our empathy. Those are some of the most unique attributes that a marketing team can bring to the business. We can fall into the trap of being so excited about all that we can now measure and automate that we can easily lose sight of that core capability of marketing. The magic is in bringing these worlds together.

ultimately, a loss of value. Modernizing marketing capabilities, for example, requires an upgrade of four key operational enablers. But a successful transformation won't succeed without three mindset shifts that provide a foundation for change.

Mindsets: Thinking like a modern marketer

Before embarking on a modern marketing transformation, there are three mindset shifts that are necessary to enable change.

1. Unifier mindset

To drive growth, marketing leaders must work collaboratively with diverse areas of the company, from sales and product innovation to finance, technology, and HR. In fact, our research has shown that CMOs (or those in a similar role, such as chief growth officer or chief customer officer) who function as “unifiers,” leaders who work with C-suite peers as an equal partner, drive greater growth than those who don't. Unifier CMOs adopt the language and mindset of other C-suite executives, articulate how marketing can help meet their needs, and ensure that they understand marketing's clearly defined role. Moreover, this creation of productive, collaborative relationships doesn't end at the C-suite. Marketing leaders should role model—and set expectations for—how each member of the marketing team should collaborate seamlessly with colleagues in other functions.

2. Customer-centric mindset

Putting customers first is not a new idea, of course. What's different today is that marketers have unequivocal evidence that meeting customers' needs creates value and delivers competitive advantage. Modern marketers must also be aware of the challenges of complexity and scale they must meet to achieve customer-centricity. They involve commitments to several elements: a design-thinking approach to solving customer pain points and unmet needs; a centralized data platform with a unified view of customers, culled from every possible touchpoint; the continuous generation of insights from

customer-journey analytics; the measurement of everything consumers see and engage with; and the hiring and development of talented people who know how to translate insights about customers into experiences that resonate with customers.

The first step is to realize that customer segmentation goes deeper than you think. The best marketers are developing capabilities for efficient engagement across numerous microsegments. By doing this, marketing organizations can better understand the motivations and behaviors of their most valuable customers. They can also organize their efforts around acquiring more of them and creating greater loyalty.

3. Return on investment (ROI) mindset

Digital channels and improvements in analytics and data science now make it both possible and necessary for marketers to be accountable for delivering value across all channels. To operate with an ROI mindset, everyone needs to operate as if the money they are spending is their own. This means closely monitoring investments, putting in place standards to identify those not generating value, and creating a culture of accountability in which underperforming investments are scrapped. Such financial rigor will not only help marketing fulfill its mandate as a growth driver; it will also build credibility with the CFO, unlock additional investment, and demonstrate marketing's value to the entire company. One streaming company, for example, has built into the core of its culture continuous A/B testing of hundreds of variants of its website and apps and measuring their impact on viewing hours and retention. To support this, each product team has its own embedded analytics talent.

Enablers: Operating like a modern marketer

To modernize marketing's capabilities, marketing organizations need to upgrade four key underlying operational enablers.

To operate with an ROI mindset, everyone needs to operate as if the money they are spending is their own.

1. Organizational design and culture: Turning mindsets into behavior

To support modern marketing behavior, companies can take a number of practical actions, including the following:

- *Incentivize group success.* Since delivering value to the company is a cross-functional team sport, marketing organizations need a culture focused not just on individual achievement but on shared goals, team performance, and accountability. This means changing how marketing organizations reward, acknowledge, and evaluate talent, such as the inclusion of cross-functional team key performance indicators (KPIs) tied to individual compensation. Top talent should also feel a sense of purpose and motivation, derived from an environment that delivers energy and enthusiasm. None of this happens by chance.
- *Elevate consumer insights and analytics.* Because customer-centricity and ROI mindsets are critical for modern marketers, customer insights and analytics can't be support functions within marketing. In a modern marketing organization, they will have a prominent and visible role and a leader who reports directly to the CMO. This serves as a reminder that the voice and behavior of the customer must be at the center of everything and that no marketing activities should be executed without the backing of relevant insights and the ability to measure performance.
- *Turbocharge marketing operations.* Marketing operations is a backbone function, essential for a modern marketing organization to move with speed and flexibility. To make sure that marketing spending, technology, and processes are all managed to deliver maximum impact and efficiency, the best companies have installed a marketing operations lead, also reporting to the CMO. In some cases, marketing operations will exist as a shared service or central function across marketing. In other cases, it will be distributed across numerous operating units to provide autonomous execution capabilities. We've seen marketing operations provide a 15 to 25 percent improvement in marketing effectiveness, as measured by return on investment and customer-engagement metrics.² One global financial-services company, for example, figured out that by accelerating the delivery of IT-dependent functions to marketing, it was able to generate an extra 25 percent of revenue. That was worth \$100 million per year.³

2. Agile marketing at scale: Getting serious about moving beyond pilots

By far the biggest change to marketing's organizational design is the shift to agile.

As a decentralized, cross-functional model, agile is critical for operating with speed. Even the most digitally savvy marketing organizations have experienced revenue uplift of 20 to 40 percent by shifting to agile marketing.⁴ Small teams of people, called squads, work in the same place and have decision-making authority to execute highly

²David Edelman and Jason Heller, "How digital marketing operations can transform business," July 2015, McKinsey.com.

³Jason Heller and Kelsey Robinson, "Meet your new MOM (Marketing Operating Model)," March 2017, McKinsey.com.

⁴David Edelman, Jason Heller, and Steven Spittaels, "Agile marketing: A step-by-step guide," November 2016, McKinsey.com.

Where are you on your journey to modern marketing?

Answer options below define the most advanced (Level 5) and least advanced (Level 1) marketing activities.

	Question	Level 1	Level 5
Strategy & insights	What is your approach to brand strategy and customer insights, and how has it changed over the past several years?	We refresh our brand strategy every two to three years. Primary research and focus groups are used to generate insights that are loosely translated by frontline marketers.	We refine our brand strategy at least annually, and all marketers fully understand how to activate traditional approaches plus advanced analytics and real-time sources of insights.
Creative & content	How do you manage creative and content strategy, production, and optimization?	We focus on creating several core campaigns. We do not have extensive variations of creative or content, in part because we have not figured out an efficient way to do so.	We have an effective content supply chain, are able to create versioning and transcreation. We use AI tools to augment our content production and optimization.
Media & channel activation	How are you delivering your messages to customers across paid-, owned-, and earned-media channels?	Each media channel is planned and managed independently by specialized teams, sometimes with little to no interaction.	We plan and execute omnichannel with defined strategies of how channels work together; we also generate and amplify earned media through paid and owned activities.
Customer experience & personalization	How are you delivering relevant and personalized experiences to various customer segments?	We deliver several broad experiences across large customer segments, with limited personalization.	Experiences are customer-centric and personalized across channels and the customer life cycle, steeped in a deep understanding of customer needs and pain points.
Measurement & marketing ROI	How are you measuring and optimizing your marketing activities and media spend?	We don't measure holistically, periodically running media-mix models, and for digital, we measure last-touch attribution and reallocate media dollars approximately quarterly. Each campaign has clearly defined KPIs.	We use customer-level omnichannel MROI analytics, enhanced with third-party data, and we optimize campaign parameters on a weekly basis. We have automated dashboards at various levels of granularity for different stakeholders.

Where are you on your journey to modern marketing?

	Question	Level 1	Level 5
Product & pricing	How have the voice of the customer and advanced analytics influenced product development and pricing strategies?	We are a product-centric organization, and our products and pricing decisions are largely isolated from our key consumer insights and go-to-market capabilities.	Our product portfolio is evolving based on active consumer insights and analytics. Pricing is driven by a combination of research and analytics within operational constraints.
Organizational design & culture	How are the culture and organization model evolving to support the modernization of your marketing capabilities?	Our marketing organization and culture have not changed significantly beyond adding new digital capabilities.	Our culture has changed significantly to nurture modern marketing talent, and our organization model elevates and emphasizes functions such as analytics, consumer insights, and marketing operations.
Agile way of working	How have your day-to-day marketing processes changed to drive speed, experimentation, and measurable results?	Our teams are structured by function with managers who ensure key processes and quality control are followed. It often takes many weeks, sometimes months, to get campaigns out the door.	Our teams employ agile principles to operate cross-functional teams that have relative autonomy and are able to execute and scale tests in weeks or even days.
Talent & agency management	Do you have a clear point of view on which marketing capabilities should be in-house versus outsourced and how they should be managed and incentivized?	We have not reviewed our talent/agency resource model in the past two years and do not match marketing resources to business outcomes (eg, revenue, customer growth, customer lifetime value, etc.).	We have a clearly defined model for which capabilities are insourced, and we reevaluate this often. All resources, internal and agency, are held to the expectation of specific business outcomes.
Data & technology	How are you managing and integrating marketing and advertising technology to drive marketing outcomes?	Marketing technology is owned and managed by IT, and core advertising-technology capabilities are owned and managed by the agency. There are gaps and sometimes a lack of transparency.	Marketing defines the use cases and works closely with IT to architect and manage the martech stack and unified customer-data platform.

time, engagement in another. Instead of the traditional approach, where IT takes the lead in data management, marketing leaders should work with IT leaders to develop a shared vision for how data will be accessed and used. This starts with the CMO and CTO/CIO collaborating closely on a business case and road map and then rallying the needed support from across the organization.

Because the pace of change in the marketplace continues to accelerate, becoming a modern marketing organization must be a “now” priority. Leaders unsure about the need to move aggressively toward this new model might bear in mind a character in Ernest Hemmingway’s novel *The Sun Also Rises*, who is asked how he went bankrupt. “Two ways,” he answers. “Gradually, then suddenly.”

Sarah Armstrong is a partner in McKinsey’s Atlanta office, **Dianne Esber** is a partner in the San Francisco office, **Jason Heller** is a former partner in the New York office, and **Björn Timelin** is a senior partner in the London office.

Copyright © 2020 McKinsey & Company. All rights reserved.

⁵Brian Gregg, Jason Heller, Jesko Perrey, and Jenny Tsai, “The most perfect union: Unlocking the next wave of growth by unifying creativity and analytics,” June 2018, McKinsey.com.