NAVIGATING UNCHARTED WATERS

4 Important Lessons

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While there are a veritable deluge of marketing blogs, surveys and whitepapers published these days, one I continually find insightful and actionable is the semi-annual Duke CMO Survey. This survey, conducted by Duke's Fuqua School of Business and supported by the American Marketing Associating and Deloitte is conducted twice yearly. Founded in 2008, it is the longest-running non-commercial marketing survey; the February 2017 survey is the 18th they've released.

The Duke survey enables marketers to understand key trends that are emerging and how marketing is evolving. Unlike the many trends prognostications, these are fact-based trends occurring now (and many questions now have a decade worth of data). Importantly, the sample is senior marketers who set marketing agendas and budgets. The most recent survey included 388 senior marketers, 94.9% VP-level or above. The link to the general site with historic results and commentary is below:

https://cmosurvey.org/

The most recent February report has 11 chapters covering a range of topics: marketplace dynamics, firm growth strategies, marketing spending, financial and marketing performance, social media, mobile, jobs, organizations, leadership, marketing analytics and marketing excellence awards.

https://cmosurvey.org/results/february-2017/

While there is a plethora of interesting topics covered in this report, this blog will be focused on the evolving marketing investment priorities and the challenges presented by those new priorities.

EVOLVING INVESTMENT PRIORITIES AND CHALLENGES

Marketers are feeling relatively bullish, with marketing budgets expected to increase 10.9% in the next 12 months, the largest such increase since February 2009. These projected increases are driven by a few factors. One driver is likely the marketers' increasing optimism in the economy – with 42.5% more optimistic about the economy's performance in the next quarter, which represents a 39% increase compared to the same question in February 2016. This general optimism also extends to expected customer outcomes (e.g., acquisition, purchase volume, price per unit, etc.) for their specific companies with marketers expecting increases in all 6 of the different outcomes surveyed.

The increase in marketing budgets will be focused almost exclusively on digital marketing vs. traditional advertising (although it is projected to increase slightly, its first increase of any level in 5 years).

Specifically, areas of increased marketing investment include social media marketing, mobile marketing, and marketing analytics.

An interesting conundrum about these particular areas is that they are areas where marketers are admittedly facing many barriers and have yet to attain much success. ***Success and capability development in these areas are indeed Uncharted waters for many marketers.*** One is left with the impression that marketers feel almost obligated to continue to pursue these new and evolving areas, despite the clear challenges and ambiguous path ahead.

Social Media Marketing

Take social media marketing for example. Marketers report that in the next 5 years, social media will comprise almost a fifth (18.5%) of their marketing budgets, which represents a 43% increase over today's levels. For B2C products, it will represent 25.5% of their marketing budget, almost a 75% increase. Marketers report that they will be counting on this increased spending to deliver against their most fundamental marketing objectives: brand awareness/building – 46.1% of marketers surveyed; acquiring new customers – 31.4% of those surveyed (the most highly rated uses of social media).

This dramatic increase in social media marketing is a little paradoxical given their difficulties to-date. In rating the contribution of social media to their company performance, marketers gave it only a 3.1 on a 7-point scale (where 1 = not at all and 7 = very highly). This perceived level of contribution has been flat for the past 3 surveys. Survey questions illuminate some of the potential challenges they face: integrating customer information across channels, linking social media efforts to their marketing strategy and quantifying the business impact of social media. Clearly, for social media to have a cost-effective impact on business performance, successful marketers are going to need to accelerate their capability development.

Mobile Marketing

The story is pretty much the same for mobile marketing. Mobile marketing is projected to increase to 11.6% of the marketing budget in the next 3 years (more than a doubling from today's 5.1%). However, like social media, companies have yet to achieve much success with mobile. Mobile marketing's overall contribution to their a company's performance rates a lowly 2.7/7 (where 7 = very highly contributes). And across 6 different marketing objectives, mobile marketing's performance consistently scores lower than a 4.0 on the 7-point excellence scale. Even more disheartening, the performance has declined for every objective over the past year.

(Note: The Duke CMO survey most recent edition did not address potential barriers to mobile marketing – like they did for social media marketing. This would be a useful addition to future surveys.)

Marketing Analytics

Analytics is perhaps the key to unlocking the success of both social media and mobile marketing. The digital exhaust produced by each of these channels are ripe for leveraging and cause for future optimism. The data from the survey corroborate this, with the spend for analytics as percent of marketing budget projected to increase 376% to 21.9% over the next 3 years. But as is the case of evolving media channels, analytics also has presented its share of challenges. In terms of the effectiveness of marketing analytics, the CMO Survey unfortunately shows absolutely low levels and modest declines over the past 5 years on two key metrics: 1) used for marketing decisions and 2) contribution to the company's performance.

Two key deficiencies are highlighted as analytics biggest barriers: lack of process/tools to measure success and lack of qualified people to link analytics to the marketing practice. Given the universally accepted importance of marketing analytics, it's surprising that only 34.9% of companies formally evaluate the quality of their marketing analytics efforts.

BUILDING CAPABILITY ACROSS SOCIAL, MOBILE, AND ANALYTICS.

While these findings suggest many opportunities for capability development, I will focus on four that I believe are particularly powerful and salient, starting with those that are more specific, tangible and short-term and proceeding to those that are more long-term and more organizational and philosophical.

1. Establish formal programs for evaluating marketing analytics.

It's unusual that, while many companies have formal programs for evaluating and grading their marketing partners and agencies, they lack similar protocol for their marketing investments and marketing analytics. And it is especially surprising when one considers the many reports and case studies demonstrating the significant benefits of marketing analytics when properly deployed. Additionally, without formal evaluation programs in place, marketers will continue to struggle to integrate and leverage new forms of marketing. Not only would such programs pay for themselves many times over, but without them, companies are throwing money away.

In a future blog, I will outline what a formal Marketing Analytics Evaluation Program should measure, how it might be deployed and the potential benefits.

2. ***Rethink how they teach and instill marketing knowledge and capabilities, short- and long-term.***

Marketers' ability to effectively leverage social media, mobile and analytics is a microcosm (albeit a significant one) of the broader issue of how a company develops marketing knowledge and capabilities.

The Duke CMO survey included an interesting question about companies marketing knowledge investments and the expected percentage change in the next 12 months. The table below itemizes the 4 areas of investment and the changes over the past 3 years.

	Change next 12 months	Change since '14
Developing knowledge about how to do marketing	6.6%	113%
Marketing research and intelligence	5.3%	20%
Marketing training	2.7%	13%
Marketing consulting services	2.7%	50%

It is telling that marketers appear to be moving away from traditional knowledge investments (MRA, training, consulting) and instead are beginning to prioritize how they actually do marketing.
As companies conceptualize how they do marketing, they need to do so across a number of different dimensions and levels. A potential hierarchy of marketing knowledge could include the following:

1. General understanding of terminology and mechanics involved with various marketing practices;
2. Generic principles about what drives effectiveness;
3. Brand-specific recommendations and optimization;
4. Leverage and combine the 2nd and 3rd levels to develop a playbook of quantified rules-of-thumb that guide ongoing decision-making processes.

While it's an oft-repeated cliché, companies need to establish a learning culture. It's not enough to teach the tool or technology de jour, they need to instill formal processes for marketing sensing so that they continually identify and integrate new approaches, tools, etc. into their training protocols. Too often companies rely on a static approach to training and marketing content.

Finally, while the CMO Survey questions are interesting, they do suggest a somewhat artificial distinction between the respective categories. In the future, progressive companies will not look at the elements of "marketing knowledge investment" as mutually exclusive. Instead, they will combine and co-mingle them to create customized capability development programs for their work force (broadly defined). For example, a portion of their marketing research and intelligence budget will be devoted to developing proprietary knowledge about how to do marketing for their categories and brands. And marketing training and/or marketing consulting services can be then leveraged to instill those principles and practices into their workforces.

And by workforces broadly defined, I'm not just referring to marketing and analytics professionals. The more companies can train and empower key members of their core business teams (e.g., management, finance, product development, etc.) the more the entire team will be aligned and moving in the same direction. This could also extend to key external partners, such as agencies, media companies, data providers, analytic suppliers, etc.

3. ***Companies need to simultaneously embrace both a more aggressive and more disciplined mindset to campaign & execution development.***

Traditionally, marketing interactions and communications have centered around a core idea designed to appeal to a broad swath of a brand's current and potential audience. These ideas were carefully crafted and nurtured and then thoughtfully "rolled out" across a variety of channels, often in limited versions of the idea and would run for relatively lengthy periods of time.

The newly available channels and tools will make this approach obsolete. Marketers are increasingly capable of creating individually-tailored messages, distributing multiple versions cost-effectively, measuring the effectiveness of different alternatives and adjusting both messaging and media plans in real-time to optimize performance.

To succeed today, marketers must learn to be comfortable with discomfort. They need to acknowledge that they can't predict which ideas and executions (and channels) will resonate before launch, instead that they need to get into marketplace nimbly and see how consumers interact with their messages and offers. Marketers in this new environment need to be both aggressive and disciplined. They need to be aggressive (and creative) in how they create products, communications and experiences with their consumers or customers. And they need to be disciplined in how they structure experiments across a range of factors and measuring and optimizing results in real-time.

4. ***The future of marketing will likely involve new operational models and partners, and characterized by different working relationships with those partners.***

The traditional operational model was relatively bifurcated. Company employees wrote briefs outlining marketing objectives, set budgets and investment levels, and managed agencies who executed most of the work. The agencies developed the campaign idea, created the various executions of that idea across channels and then planned and executed the media against those plans.

Responsibility for measurement and optimization has always been somewhat ambiguous, when done at all. Sometimes analytic companies would do the measurement, sometimes it was done internally, sometimes agencies assumed responsibility. The nature of the metrics would vary widely, from standard exposure (reach, frequency), communications (recall, ad awareness, branded awareness), effectiveness (lift, ROI, occasionally but not very frequently penetration and trial) to brand measures (awareness, salience, equity, attributes, emotions, etc.). Formal evaluation efforts will need to focus on <u>all of these</u> metrics.

As both the economy and marketing landscape changes significantly, companies will want to explore alternate working models. Talent is increasingly the driver of success in the evolving economy, yet the battle for talent is fierce. There is a worldwide shortage of professional workers, in particular there is a data scientist shortfall. The talent – especially millennials – have different career goals and expectations than those generations that preceded them. They yearn for more control, more flexibility and divergent experiences. In the future, competing effectively for talent will require models that appeal to those motivations.

For example, the “gig” or “on-demand” economy continues to grow (currently about 40% of the workforce has been involved in what is called the alternative or independent workforce). Progressive companies will learn to leverage and benefit from these evolving workstyles.

In a future blog, I will discuss the respective benefits for talent and companies in this new gig or work economy. Properly executed, leveraging this new environment can be a significant source of competitive advantage for companies. Companies can enjoy many benefits from these new working arrangements: perhaps most importantly, they will have access to talent they might not ordinarily attract, they can make fixed costs variable, they can better plan and staff around peak periods (e.g., annual planning periods), etc.

SUMMARY:

Technological innovation and its subsequent impact on the marketing landscape are quickly changing both the tools that marketers rely on and the traditional rules of marketing. And in the face of these changes, marketers are increasingly called up to navigate Uncharted waters. Just as marketers are changing their tools, they also need to rethink how they approach marketing broadly: their internal processes, their capability development and training efforts, their partnerships and how they evaluate and optimize all of those components working in conjunction. Winners in the future will be the ones who master both the aggressiveness and discipline necessary to navigate these changes.