

Mastering digital marketing

The era of the traditional marketing campaign is ending. In this interview, McKinsey's David Edelman explains what companies get wrong when it comes to digital marketing and the changes needed to better engage consumers.

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Few business functions have been as profoundly disrupted by digitization as marketing. The era of expensive campaigns pushing products through mass media has been upended, as consumers, empowered by information, are demanding more and more from the companies they choose to form relationships with. In this interview with McKinsey's Luke Collins, David Edelman, coleader of McKinsey's global digital marketing strategy group, explains the state of digital marketing, what companies get wrong and what they should be doing, and the role of senior leaders in pushing their organizations to master the art of digital marketing. An edited transcript of Edelman's remarks follows.

Interview transcript

Most companies think in terms of campaigns. They periodically want to get interest in the marketplace, so they come out with something they want to promote, whether it's on a quarterly, monthly, or maybe weekly basis. The reality is, though, that at any given time you're only pushing out something to those customers for whom that one thing is relevant. But most people sell a lot of things and could be a lot of different things to many different people. And what digital allows you to do is flip that model around and say for almost anybody, "There's something about what we have to offer that should be connecting with them."

A different marketing model

There's this broad array of ways that people have been taking the virtual phone into the physical world and using that to navigate better and to be dramatically more empowered. They're learning more about not just price but about where things come from, what reviews are, what really is the difference between this one and that one, maybe seeing whether or not something might be better for them versus something else.

What digital allows you to do is have something for everybody and use the data that you have about an individual in a particular moment—because of the search term that they use, or because of where they've been looking on your website, or due to the social engagement they've had with your brand—to categorize them differently and have something for each of them. But that means *having* something for each of them and creating that range of content and offers. So instead of just having 2 or 10 things that you're pushing out, it could mean having 100 things, 100 content objects, 100,000 different variants of your offers. That's a very different model of marketing than saying, "OK, what should our campaign be? What do we need to promote? Let's work with the agency. Let's eventually come up with creative. Let's come up with a target group of customers, and let's just get this thing out and push it to them." Digital is faster. It has a lot more complexity. And it's more like agile development in software, where you've got this fast-turn, constant iterative testing. It's just applying that into the marketing discipline.

What companies get wrong

There are particular challenges that come up, stumbling blocks that we see repeatedly, that you *can* actually get around. And one of the first is—just starting with data and discovery—the dream that you’re going to have an integrated customer-data warehouse. That is a dream that, for many organizations, can take years to put together. And it’s going to be very hard. As you’re putting it together, things are going to keep moving. So it’s not something that you should be waiting for. It’s waiting for Godot.

Instead, you should be thinking about—for a limited range of things that we think are going to be the highest value, for a particular range of segments—what is the data we need just for that, and can we create a lightweight way of bringing that together?

The second challenge is organizational impediments to getting people to work together. So much of this now is about the customer’s journey. They’re on a cross-channel journey where they’re going to touch your mobile site, use their laptop, talk to somebody over the phone, go into a store. It’s all one journey. And you’ve got to be able to look at that in its totality and get people to work together and acknowledge the fact that these channels are all going to have different roles.

The last part is working through what it takes to test and learn. We’ve seen a lot of companies saying, “Well, we don’t have the budget to do that many variations of a web landing page.” Or “We don’t really see how we can get approvals that fast through compliance, and through our legal folks.” It starts with just an attitude and leadership, saying, “We are going to work this through and going to work together as a team to try to get these obstacles out of the way.”

One of the best ways to do that is through small-scale pilots. Pick a small geography, a specific segment of customers, a few products—a small-scale, contained base, and start with a test and learn to improve things within that. Understand: What are the challenges? What are the policies you’ll be up against? What are the processes? What data do you, and don’t you, have? Start building that muscle before you scale more broadly.

What companies should do

When we work with clients, it’s interesting how much they tend to focus on big tools and systems and large-scale algorithm development, when a lot of this is about smart decisions, organization issues, and process design.

We find a need to be ruthless about prioritizing: What data do we really need? Let’s focus on getting that together and work on it. Then, from a design perspective, let’s get the right people in the room, with the right incentives so they’ll work together and have shared common goals; and they’ll be in a setting where it’s comfortable to work together, where they’ve got the right project team, with the right leadership behind them that’s supporting the fact that they’re doing this—instead of everybody out for themselves. And, then, working through all the obstacles that hinder rapid-cycle test and learn, and accepting the fact that you’re going to be out there constantly testing things.

Those three things—prioritizing the data; getting the right people from different functions to work together; and working on that rapid-cycle test and learn—are really what you’re trying to drive toward. If you can build those muscles, you can apply that to whatever stuff digital’s going to throw your way. And there’s always going to be new digital stuff.

Now, you still need the right technology backbone, and you need to have the capabilities underneath it to be able to move the data to different channels and to be able to even take your prioritized data and bring

that together. I'm not minimizing the technology challenge here. For many companies, they do need to make some pretty high-stakes decisions about their technology stack, whether it's getting data, analyzing it, building their models, content management, getting it out to market, measurement and optimization on the back end. That whole stack does need to be thought through.

And for many companies, there are a lot of breaks in that: The systems aren't open. They're locked into older technologies. And nobody's really focusing on that whole end-to-end set of decisions. So there is something that you need to do technology-wise, but it needs to emerge from the sense of what it is that you really want to do from a customer-management perspective.

The challenge for senior leaders

I work with a lot of senior leaders in different industries, helping them steer their way through some kind of digital transformation, whether it's from a functional perspective as a chief marketing officer, or whether it's from a general business-manager perspective. And there are definitely certain kinds of patterns that I see in terms of how a lot of senior leaders need to recalibrate their mind-set.

One of the first things is recognizing that digital isn't just this added thing. It's not just one more channel. It's different. It's about changing the way you're operating, because it is about using data, faster cycle times, more interactivity with more empowered customers. And that is going to change a lot of what's going to happen underneath that senior leader.

So one of the first things that I think senior leaders need to do is get out there and actually see what people are doing more often. Too many people are just in their office, very internally focused, with all the complexities of their calendars. And you've got to break them out, get them out there, and see how somebody's using Facebook in a store to ask people about whether their product is good or not.

The second thing is looking across your team, getting the team to work together more in a cross-functional mode, and setting the expectation that it is going to have to be a more team-oriented approach toward problem solving, toward getting stuff out the door, toward hastening cycle times. You've got to think, as a senior leader, "What are the things that are preventing my channels, or my products teams, from working together, and what can I do to role model or change the incentives to get people to solve the problems in a more integrated way?"

The third thing that we see is asking more from the data that you have and recognizing how much more the data is going to actually drive a lot of the decision making, a lot of the ways you're handling customers, and many of the value-added services themselves—recommendation engines, for example. It's challenging your teams to say, "It's not just 'What is our product strategy, what is our customer-experience strategy?' It's also, 'What is our data strategy? How are we getting more information about our customers? How are we going to use that information to drive value? Is that going to lead our customers to do more business with us so that we can then gather more information back?'"

Information and data is going to be a critical source of advantage, and it's pointing your spotlight on how your organization is going to compete to get the best data—because that's going to drive a lot of the insights. That's a different perspective than many senior executives realize they need to take on a day-to-day basis.

About the authors

David Edelman is a principal in McKinsey's Boston office and coleads McKinsey's global digital marketing strategy group. **Luke Collins** is a member of McKinsey Publishing and is based in the Stamford office.