

BCG

THE BOSTON CONSULTING GROUP

Google™

The CMO Transformation Agenda

Winning in Digital Marketing



The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not-for-profit sectors in all regions to identify their highest-value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with 82 offices in 46 countries. For more information, please visit bcg.com.

Larry Page and Sergey Brin founded Google in September 1998. Since then, the company has grown to more than 50,000 employees worldwide, with a wide range of popular products and platforms like Search, Maps, Ads, Gmail, Android, Chrome, and YouTube. In October 2015, Alphabet became the parent holding company of Google. You can read more about Alphabet's mission at <https://abc.xyz/>.



THE BOSTON CONSULTING GROUP



The CMO Transformation Agenda

Winning in Digital Marketing

Fredrik Lind, Dominic Field, Raj Sandhu, David Ståhlberg, and Johan Eriksson

February 2016

AT A GLANCE

It's a whole new game for chief marketing officers (CMOs). Digital technologies and innovative retail businesses have totally transformed consumer behavior.

THE TRANSFORMATION AGENDA

Digital transformation for marketing organizations means a complete overhaul of how they plan, operate, and measure success. Transformations are complex. By adopting a clear methodology, companies can flip the odds in their favor.

FUNDING THE JOURNEY

CMOs need to free up capital and demonstrate early progress through successful near-term initiatives.

WINNING IN THE MEDIUM TERM

Transformations are ultimately about establishing new sources of growth and profit. CMOs can take action in multiple areas.

BUILDING THE RIGHT TEAM, ORGANIZATION, AND CULTURE

To ensure the enduring success of the transformation, the CMO will need to devote considerable time to putting in place the right team, organization, and culture.

IT'S A WHOLE NEW game for chief marketing officers (CMOs), and the challenges couldn't be bigger or more complex. The combination of digital technologies and innovative retail businesses has totally transformed consumers' shopping behaviors. Online commerce accounts for 7.3% of global retail sales today and will exceed 12% by 2019. It's where much of the growth will be found. Much more important, wherever consumers choose to buy, the traditional linear purchasing funnel has morphed into a web of online and off-line touch points and influences because consumers switch seamlessly among channels, using the medium and format that suit them best at the moment. B2B purchases are following suit. More than 70% of B2B researchers start their research with a generic search, and a buyer's decision process now entails an average of 12 steps.

The long-standing brand-building power of traditional media is waning as digital channels snatch viewers' time and attention. Netflix accounts for more than one-third of prime-time U.S. video traffic; 37% of people worldwide watch video online daily.

And the game keeps changing. While companies are building strategies for desktops and laptops, consumers are switching to mobile devices and apps as their primary tools for going online. Social media is a major force—brands get built overnight on a whim and a prayer that “go viral”—or so it often seems. Technical and analytical skills are the new gold standard for marketing talent; long-time capabilities built over several decades are poorly suited to the digital world. (See the sidebar “About This Report.”)

CMOs have two options: turning digital marketing into a competitive advantage or allowing it to become a competitive disadvantage. There's no room in between. CMOs who want to win need to completely rethink their strategies, their tools, and their organizations. In many cases, they need to transform the way they approach their roles. Here's a game plan for adapting to the digital age.

The New Role of the CMO

The role of the CMO today is more complex than ever before. Traditional skills, such as creativity and brand building, although still important, no longer suffice. The roles of the CMO and chief technology officer (CTO) or chief information officer are blurring. In the digital world, the ownership of areas such as product experiences, the customer journey, and analytics crosses functions as readily as consumers switch channels.

CMOs have two options: turning digital marketing into a competitive advantage or allowing it to become a competitive disadvantage.

ABOUT THIS REPORT

By enabling entirely new ways of engaging consumers as well as new channels of communication and consumption, digital technologies are reshaping the marketing function. Chief marketing officers today require very different capabilities and structures than were needed in the past—capabilities and structures that are far from simple to acquire or easy to develop. To make the transition to a digital world, therefore, many companies will need to undertake a full transformation of their marketing functions.

On the basis of their extensive experience in transformations and digital technologies, The Boston Consulting Group and Google have combined their knowledge to provide CMOs with a transformation framework that equips them to drive maximum value from the marketing function in the digital age. It also provides a roadmap for the transformation journey, including scoring early wins and generating the necessary funds, as well as developing the capabilities and building the culture, team, and organization needed for long-term success.

Marketing has become much more of a science, requiring technical, data-crunching abilities. A few of the ways the role of the CMO is evolving include the following:

- From developing brand equity to shaping the customer journey
- From producing 60-second spots as the center of a multichannel campaign to overseeing campaigns with channel-specific content and experiences
- From using traditional media channels with long production and launch cycles to managing a fragmented ecosystem of channels, some of which allow real-time, two-way dialogue
- From overseeing a marketing team with general branding, advertising, and business backgrounds to developing a team of marketers with digital and technological expertise
- From managing a few relationships with large agencies to coordinating a large stable of talent inside and outside the organization

These are tough transitions, especially for executives who do not have technical backgrounds and must learn to feel at home in areas where they have little experience or an underdeveloped frame of reference. The Boston Consulting Group's research of large-company CMOs found that many struggle in the same areas related to strategy, capabilities, organization structure, and culture.

For example, even though plenty of company marketing budgets have shifted heavily to digital, CMOs still worry whether they are spending enough in digital channels, and they are concerned that budget decisions often are not made analytically on the basis of hard data about what's working. (With good reason: separate BCG

research of 165 companies in the S&P 500 found that about one-third spend more on advertising than on capital expenditures, though with far less rigor.)

CMOs also worry about not having the right capabilities (either in-house or externally), and again their apprehension is well founded. Research in 2015 found that on BCG's 100-point Digital Capabilities Index (DCI) (with 100 indicating best practice), the average digital-skills score for all marketers was 57. Although a few companies ranked higher than 70, the majority fell squarely into the 55-to-60-point range. Moreover, companies face the biggest shortfalls in some of the most critical capabilities—skills related to mobile, video, and testing, for example—which will only increase in importance in the next several years. (See *The Talent Revolution in Digital Marketing*, BCG Focus, September 2015.)

Organizational and cultural issues are further sources of concern. Functional silos create communication and execution challenges. Data integrity, ownership, and accessibility are thorny issues involving multiple corporate functions. Responsibility for key components of the marketing strategy—social media, for example—often resides in other departments or functions. Marketers need to consciously develop greater agility throughout their organization. To succeed in the fast-moving digital environment, they need to centralize the right activities, create the right structures, and redefine role and talent management. Company cultures evolve much more slowly than the marketplace. CMOs recognize that their world is changing quickly around them, making organizational inertia with respect to digital channels all the more frustrating.

These issues are all interrelated and cannot be resolved in a piecemeal fashion—a big reason why many marketing organizations need to undergo a transformation.

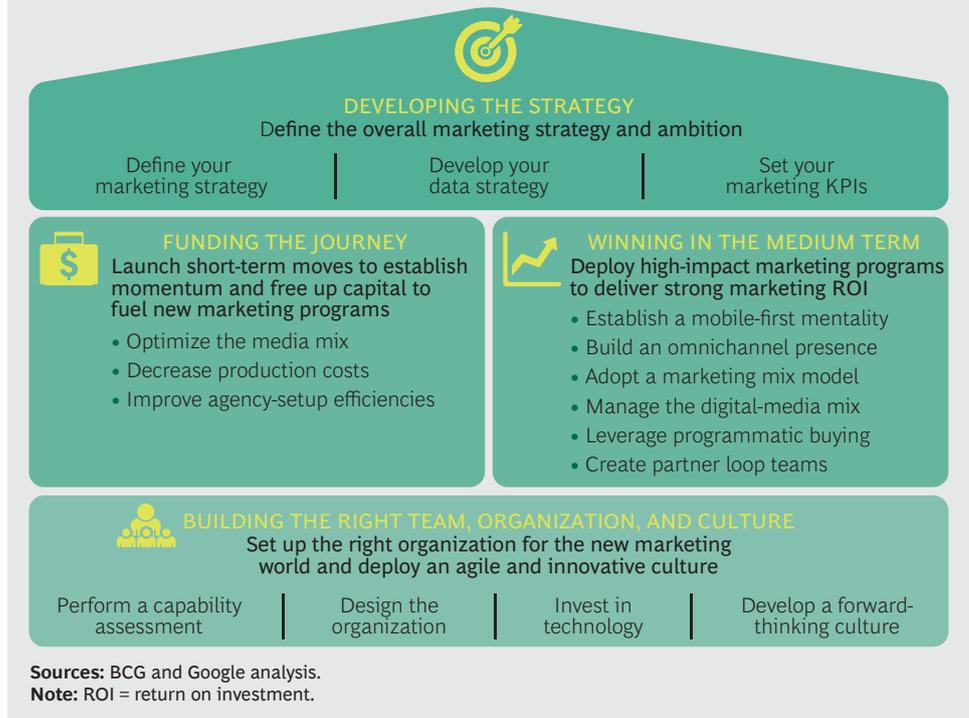
The Transformation Agenda

Transformation means enduring change. Digital transformation for marketing organizations means a complete overhaul of how they think, plan, operate, and define and measure success. A transformation is not an incremental change but a fundamental reboot that enables a marketing organization to achieve a sustainable, quantum improvement in performance. Because of the comprehensive nature of transformations and the need for companies to implement them quickly, transformations are complex endeavors, and the majority either fails to fully capture the potential value or exceeds the time allotted to embed new behaviors and processes. Yet by adopting a clear methodology, companies can flip the odds in their favor.

There are three interconnected steps: funding the journey, winning in the medium term, and building the right team, organization, and culture. Within each step are specific activities designed to improve the digital capabilities of the marketing function and move the transformation forward. Success in each step depends on the others: you can't win without funding, and you are unlikely to get the time necessary to build the team and organization without notching some early wins. The prerequisite is developing an overarching strategy to serve as a guide and demonstrate success at each stage—as well as to maintain the effort, energy, attention, sequencing, and focus on execution needed to pull it off. (See Exhibit 1.)

Marketers need to consciously develop greater agility throughout their organization.

EXHIBIT 1 | A Clear Methodology for Transformation Helps Ensure Success



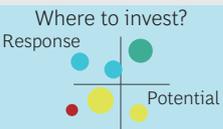
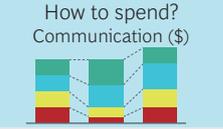
Developing an Integrated Strategy

An integrated strategy lays out a company’s digital ambition and level of investment commitment. The key question is how far does a company want to try to go—and how fast. Is it a player in the new game, a fast follower, or does it have aspirations to be a leader? What does it see as its own digital end game—a competitive capability or a unique, fully integrated omnichannel offering? Part of the answer may lie in the amount the company is willing (or able) to invest to support its ambition and desired pace of growth. Investments need to be calculated by category, brand, and market. The strategy will determine how far and how fast the company moves through the phases of digital maturity.

Defining the Marketing Strategy. The basics of a digital-marketing strategy involve deciding where to invest, how to spend, and how to execute. (See Exhibit 2.) But, today’s omnichannel purchasing journey makes marketing campaigns and media planning far more complex than they used to be. As consumers spend more time and more money online, and digital-media spending approaches half of some companies’ budgets, brands need to learn how to use online and mobile media not only to close sales at the end of the consumer purchasing journey but also for brand building and consumer engagement during the prepurchase phases and advocacy building in the postpurchase phase.

Breaking the purchasing pathway down into unique “consumer touch points”—normal activities that take place throughout the day of potential customers and that can be intercepted by both online and off-line media or engagement—can help

EXHIBIT 2 | A Digital Marketing Strategy Needs to Be Analyzed on Multiple Levels

	FRAMEWORK	MARKETING PERFORMANCE LEVERS	BASIC PRINCIPLES
Strategic	<p>Where to invest?</p> 	<ul style="list-style-type: none"> Portfolio allocation Marketing objectives Targeting focus 	<ul style="list-style-type: none"> Spend according to both the potential and actual responses Align on a few specific objectives Focus on highest-value customers
Tactical	<p>How to spend?</p> <p>Communication (\$)</p> 	<ul style="list-style-type: none"> Level of spending Marketing mix Marketing timing 	<ul style="list-style-type: none"> Spend above the minimum and below the maximum Optimize on the basis of efficient drivers Balance between burst and continuity
Operational	<p>How to execute?</p> 	<ul style="list-style-type: none"> Copy or message quality Process and organization Supplier procurement 	<ul style="list-style-type: none"> Invest in proven executions Make your cost structure variable Pool purchasing for price and quality

Source: BCG analysis.

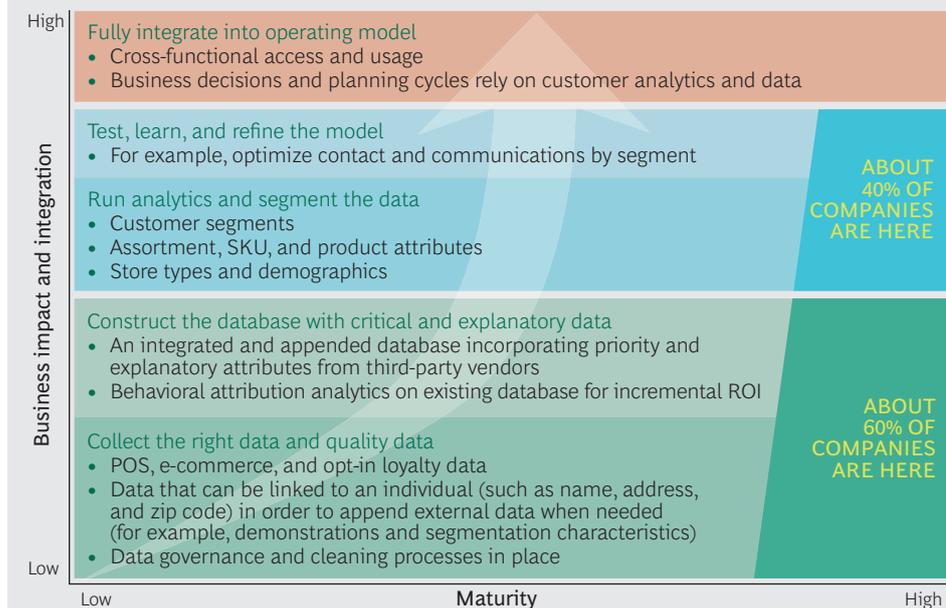
simplify strategic planning. The catch is that in a world in which consumers are continuously bombarded with more media and digital content than they can reasonably take in, the key to success is relevancy—providing the right content delivered through the appropriate channel at a propitious consumer touch point.

To be effective at digital marketing, companies need to do more than simply reallocate brand spending online; they need to focus on reaching the right consumers with the right message at the right touch point. Since there is no one-size-fits-all approach, traditional consumer segmentation and differential approaches do not work. Effective campaigns require a deep understanding of individual consumers rather than consumer types. BCG research has shown that there are considerable variations in behavior patterns and needs even within relatively small categories or segments. For example, two new dog owners with similar incomes and demographic profiles will not only research and buy pet food differently (moving back and forth between digital and physical channels) but also expect digital marketing and offers customized to their individual situations and needs, a challenge complicated in more intimate categories by the need to avoid potential offense.

Developing a Big Data Strategy. The tool that enables companies to build such campaigns is big data. Today’s marketing organizations are awash in data generated from disparate sources such as websites, social media, sales, mobile devices, and customer relationship management (CRM) systems. But a recent BCG survey of more than 70 marketing organizations found that about 60% of companies are not making full use of big data’s potential, and none of the surveyed organizations felt that they had made big data a part of their daily business. (See Exhibit 3.)

This is partly an issue of talent. Companies cannot always find the people they need to put all this data to work. Best-in-class analytics teams are characterized by specialized analytical expertise to generate consumer insights. One new role is that of the “data storyteller,” someone who can effectively communicate data-based in-

EXHIBIT 3 | Smart Marketers Make the Most of Big Data and Analytics



Source: BCG case experience.

Note: ROI = return on investment. POS = point of sale.

sights in the form of stories and narratives that will resonate inside and outside the organization. It can be a challenging role to fill.

Setting Marketing KPIs. With consumers increasingly determining when, where, and how they consume media, marketers need a more consumer-centric framework for creating a marketing strategy and assessing progress. Working with Avinash Kaushik, Google has developed a framework called “See-Think-Do-Care” that, unlike many customer-journey models, starts with what people are doing rather than what marketers would like them to do. Each engagement or touch point is defined by the level of interest the audience is showing in a particular category or product.

At the “see” stage, for example, companies are engaging with consumers who are potential customers but are not yet ready to interact. For a company selling athletic gear, this group might be defined as “everyone who exercises or plays sports.” The “think” stage comes when consumers have started to engage with the category. They might casually browse category-related content or more consciously search out information on various product features and options. They might compare reviews of different running shoes or voluntarily engage with ads about an upcoming new shoe launch. Consumers at the “do” stage are looking to complete a purchase now. They might be trying on shoes in-store, gathering price and vendor information, or even moving toward checking out online. Consumers who “care” are those who have selected a brand and product and completed a purchase.

The Google model is not necessarily linear and the same person might move back and forth among different engagement points. Good marketers are able to pick up

on the intent of a person at any particular point of engagement and create a meaningful connection. Designing an effective digital-marketing program starts with setting a relevant objective for each engagement point and, as important, defining the KPIs to measure progress. (See Exhibit 4.)

Funding the Journey

Transformations take time, and CMOs, like other executives, need to show progress while managing their budgets. Fortunately, there are some quick steps that most companies can take to score some early wins, generate cash to pay for the journey, and buy time with top management.

Media Spending. BCG experience shows that most companies can save 5% to 15% of their current media budgets by working with incumbent media agencies to hit the same performance targets with reduced spending through activities such as TV bundling and reach and frequency optimization.

Agency Fees. Companies can often realize reductions of 10% to 20% of their agency fees by realigning rates to the market and eliminating overhead and inefficiencies.

Ad Production. Marketers can achieve reductions of 10% to 20% by eliminating unnecessary rework, using cost consultants, and implementing triple bidding.

Campaign Process Efficiencies. Digital campaigns are complex. With more than 20 potential intermediaries between advertisers and publishers today, the value chain has morphed into a maze of myriad associations and solutions. A BCG study using lean methodology to map and measure the end-to-end processes of 24 digital campaigns across 15 European advertising companies found potential for significant savings. Those companies that had determined to get their arms around the complexity of the digital world by undertaking a comprehensive approach involving integrated tools and processes had realized staff time savings of up to 33% in their campaign operations. Others that had opted for a more narrowly focused approach

EXHIBIT 4 | An Effective Digital-Marketing Program Starts with Relevant Objectives and KPIs

		OBJECTIVE	HOW	KPIs
SEE	Largest addressable qualified audience	To know about <i>you</i>	Drive <i>awareness</i> ; inspire, entertain, and inform	• Brand awareness
THINK	Some commercial intent	To look for <i>you</i>	Drive <i>consideration</i> ; educate, inform, and inspire action	• Branded queries
DO	A lot of commercial intent	To buy from <i>you</i>	Drive <i>conversion</i> ; enable a seamless purchase	• Conversion rate • Sales • Profit
CARE	Current customers	To come back to <i>you</i>	Drive <i>loyalty</i> ; surprise, delight, and reward	• Repeat rate • Customer lifetime value

Source: Google.

had realized efficiency gains that averaged 12% savings in time expended. (See *Cutting Complexity, Adding Value: Efficiency and Effectiveness in Digital Advertising*, BCG Focus, May 2013.)

Winning in the Medium Term

Transformations are ultimately about establishing new sources of growth and profit.

Progress needs to be succeeded by more progress. It has to happen in the medium term (one to three years) and in the form of a new, digitally aligned business model that racks up gains, demonstrating early headway against the milestones set out in the overarching strategy. Transformations are ultimately about establishing new sources of growth and profit. CMOs can take action in multiple areas.

Establish a “mobile first” mentality. Both research and client experience show that many companies are moving much more slowly than consumers—while marketers strive to develop applications and approaches for the desktop, consumers are using smartphones and tablets as their preferred digital devices. Marketers need to adopt a “mobile first” mentality, meaning that everything they do is targeted first for mobile applications and then accommodated to desktop environments.

Build an omnichannel presence. The brick-and-mortar and e-commerce worlds are converging. Consumers expect to connect with companies at times and through channels of their choice. CMOs need to have a clear view of the role that different channels play for each brand in their portfolios, and the investments they make along the purchasing pathway must be tied to their channel priorities—particularly whether brand mobile apps or websites are active sales channels or whether sales are driven exclusively through (off-line and online) retail channels.

Successful marketers offer their potential customers seamless and integrated interactions with their brands and products irrespective of the device (mobile or desktop), channel (store, app, website, or social media), and intent (looking for category or product information, comparison shopping, or ready to purchase). An optimized omnichannel presence requires powerful data modeling. By applying methods for cross-device attribution, companies can learn the unique role each device is playing toward final sales and profit contribution. “Research online and purchase off-line” analysis studies the impact of early stage online activities so they can be measured. An omnichannel strategy needs to work hand in glove with content strategy—determining what online content should be used to capture the interest of potential customers in the most effective way. An effective content strategy plays across all of the engagement points of the see-think-do-care marketing framework, both building the brand and facilitating the purchase.

Adopt a marketing mix model. A marketing mix model (MMM) is a sophisticated statistical method that can tell marketers what is driving the short-term sales of a brand by using regression analysis to establish a link among a number of inputs (independent variables) and how these relate to an outcome (dependent variable). Consumer goods companies use MMMs to quantify and analyze the impact of particular marketing and promotional activities, as well as competitor activities, on short-term sales. Thanks to digital-technology advances in data availability, processing power, and automation, today’s models enable the analysis of wider and more

granular data sets as well as a higher number of model iterations, all of which increases MMMs’ explanatory power. Marketers can use MMMs to establish effectiveness benchmarks against key competitors and develop spending scenarios on the basis of historic performance.

Manage the new media mix. With a growing array of media options (display advertising, paid search, blogs, e-mail, video, and social media, to name a few) and metrics with which to measure them (such as clicks, shares, view-throughs, page views, impressions, time spent, likes, and comments), marketers need a strategic line of sight to make smart decisions on their media mix. This means setting the objective of each component of the mix and using a model for evaluating the potential contribution of each individual asset.

The simple model for assessing media return on investment (ROI), using Google’s model, is multiplying the number of contacts (reach) by the impact per contact and dividing by the cost per contact. (See Exhibit 5.)

Reach and cost per contact are easier to compare across advertising channels and formats, because they are generally measured by the same currencies. Impact metrics come with bigger variations and are subject to multiple factors, including the following:

- “Viewability” of the media companies are using¹
- Quality of the placement
- Length of the exposure
- Relevance of the audience with respect to the communication objectives
- Ability to tailor communication to audience (through dynamic ads or remarketing, for example)

EXHIBIT 5 | Companies Can Assess Reach and Impact Using This Simple Model

		REACH	IMPACT	KPIs
SEE	All potential customers	Impressions Views Coverage	Engagement Time spent Sentiment	• Brand awareness
THINK	Some commercial intent	Searches Clicks Views	Click-throughs Engagements View-throughs	• Branded queries
DO	A lot of commercial intent	Searches Clicks Site visits	Click-throughs Bounce rate Page visits	• Conversion rate • Sales • Profit
CARE	Current customers	Sign-ups Downloads Visits	Open rate Engagement rate Bounce rate	• Repeat or churn rate • Customer lifetime value

Source: Google.

Good marketers understand that each communication format has different strengths and use a combination of data and judgment to evaluate the quality of one placement compared with another.

Use programmatic marketing (smartly). The potential to deliver relevant advertisements to interested users at opportune times has enticed marketers since the earliest days of the Internet. Programmatic buying of display advertising can extend the benefits of digital advertising by using instantaneous data in a real-time environment to reach individuals with relevant messages. But it's not easy. BCG research shows that although current techniques are often effective, companies that want to achieve significantly better engagement and performance need to employ the latest data-driven approaches—in ways that enhance both relevance and the consumer experience.

On average, the campaigns in the BCG study that employed these approaches achieved a 32% improvement in cost per action (CPA)—the critical metric for most digital campaigns—compared with equivalent campaigns run by the same advertisers that did not use this approach. In some cases, advertisers improved CPA by more than 50%. The tests demonstrated that the use of advanced targeting techniques can drive increased performance across all major metrics, improving action rates for clicks and view-throughs, in addition to CPA, by as much as 200% and reducing cost per click and cost per view by as much as 70%. The advanced techniques employed included search and video remarketing and behavioral analytics, all of which are enabled by programmatic buying. Many advertisers and agencies today leave money on the table because of inexperience with these new capabilities, inconsistent campaign execution, and a fragmented approach to campaign development and delivery. (See *Adding Data, Boosting Impact: Improving Engagement and Performance in Digital Advertising*, BCG Focus, September 2014.)

Companies that are just starting with programmatic marketing—or those that feel they are not getting the benefits programmatic buying can deliver—should take things step by step. It's essential that those responsible for the process, including ultimately the CMO, truly understand what is happening and that programmatic marketing doesn't turn into a mysterious black box. Companies can start by using a single campaign to engage all departments and participants—the marketing and sales departments, the media and creative teams (both internal and at outside agencies), and the programmatic technology owner—in working together to create a campaign on the basis of a “programmatic blueprint,” using the Google KPI framework. (See Exhibit 6.) The exercise puts everyone “in the same room” to create a campaign, test it and learn, and make necessary adjustments together. In doing so, the company raises the programmatic knowledge and capability of everyone involved, enabling it to move toward a “programmatic first” approach across all of its marketing, since everyone from the CMO down understands the process and its potential.

Create partner loop teams. Successful marketing teams use the rich and immediate feedback from digital channels to cut the lead times for campaign planning, activation, tracking, and modification. They design the process for speed and employ continuous campaign iterations guided by actual in-market results as opposed to internal opinions or pretesting.

Programmatic buying of display advertising can extend the benefits of digital advertising.

EXHIBIT 6 | Companies Can Use a Single Programmatic Campaign to Engage All Participants

CONSUMER JOURNEY STAGE	SEE	THINK		DO	CARE
PRIORITY	4	2		1	3
AUDIENCE SEGMENT	(Anyone that could buy from you) Example: people that will own a car at some point in their life	(Anyone starting to consider buying from your industry) Example: people starting to consider buying a <i>new</i> car	(Anyone starting to consider buying from your industry) Example: people starting to consider buying a <i>used</i> car	(Anyone looking to buy from you <i>now</i>) Example: people comparing car insurance options	(Your existing customers)
MESSAGE(S)	[Insert top-level message]	[Insert messaging that makes the USPs tangible]	[Insert messaging that makes the USPs tangible]	[Insert a message that conveys an urgency to act]	[Insert a message aimed at retaining or upselling customers]
WHAT WE WANT PEOPLE TO THINK IN THIS PHASE	Example: Bank X exists and it provides car insurance	Example: There is no fee for the first year when buying a new car	Example: Bank X has the lowest deductible in the market	Example: By ordering within 24 hours, I get three free car washes	Example: Bank X's car insurance has been voted the best by users for three years in a row
KPI(S)	Awareness	Branded searches and direct traffic to site		Sales	Retention or churn
DIGITAL TARGETING AND AD FORMATS	To be determined by channel (for example, targeting so-called similar audiences)	To be determined by channel (for example, targeting remarketing lists)	To be determined by channel (for example, targeting remarketing lists)	To be determined by channel (for example, targeting remarketing lists and direct search-engine targeting)	To be determined by channel (for example, targeting CRM systems)

Source: Google.

Note: USP = unique selling proposition. CRM = customer relationship management.

Campaign loop teams, which include agencies and often publishers, jointly track and adjust campaigns in close to real time. The goals are to maximize ROI through action-oriented campaign follow-ups and improve the quality of the campaign plan with complementing insights. Including publishers or media owners in the team can give marketers the latest information on ad formats, measurement options, and success cases from other markets or industries. Although every loop team is different, they generally include all key agencies (creative, media, performance, public relations, tracking, and research), the advertisers' main media partners, and the core people from its in-house marketing team.

Several factors can help ensure success for partner loop teams:

- **Clear Mandates.** Big organizations are often plagued by unclear decision-making principles or an overemphasis on internal alignment, both of which slow the

process and can prevent even straightforward campaign decisions from being made promptly. A strong partner loop team has the budget owners and key decision makers on board. Underperforming ad formats or media choices need to get cut without delay, and strongly performing assets receive additional fuel.

- **The Right Incentives.** Unclear or unaligned incentive structures sometimes hinder client-agency working relationships. The agencies on the team are also competitors, fighting to win increased business with the client. Clearly designed incentives, openly shared agendas for all parties, and clear rules of engagement help remove potential friction.
- **Strong Processes.** A well-functioning loop team benefits from regular meeting frequency and a recurring agenda format. Campaign planning, review of in-market campaigns, and campaign closeouts should be standard items at bigger meetings. Although such meetings might happen weekly or monthly, teams also need a process for daily dialogue to enable real-time tracking and incremental decision-making. Deciding up front how these regular microinteractions should work (for example, who keeps track, who is informed, and who makes decisions) saves time, confusion, and frustration for all team members.

Building the Right Team, Organization, and Culture

Although there are always exceptions, marketing executives, creative talent, and others who have grown up in the traditional marketing world generally possess limited digital skills. Their instinct is to attempt short-term and incremental improvements rather than take a long-term, disruptive, growth-oriented perspective. To ensure the enduring success of the transformation, the CMO will need to devote considerable time to putting in place the right team, organization, and culture. This is especially true for CMOs who want to make their organizations more agile, with the ability to iterate much more quickly to adapt to rapidly changing conditions, something we believe will become increasingly important in the coming years. (See “The Agile Marketing Organization,” BCG article, October 2015.)

Build the right team. As noted at the outset, few marketing organizations today possess the combination of skills and talent they need to function effectively in the evolving digital world. BCG research shows that although many companies do many things well, they are mostly stronger on skills related to strategy and planning than on those needed for execution. Moreover, although many have good Web-based and social-media skills, when it comes to rapidly advancing technologies and the capabilities that will likely play bigger roles in the future—such as video, mobile advertising, display media, testing, and partner management—most organizations come up short.

As with many things, where you start depends on where you stand, and companies should not try to address all of their digital-skills gaps at once. Nor should they shy away from the time commitment that this kind of step-change involves. Marketers looking to get a comprehensive assessment of their digital-marketing skills and how they compare with those of their peers can participate in the annual BCG-Google Talent Revolution Survey, which was developed with the assistance of more than

The ability to iterate much more quickly to adapt to changing conditions will become increasingly important.

30 advertisers, agencies, and marketing experts to help companies assess what they currently do well and where they can improve.²

Most marketers will find that they need to revamp both their hiring and their learning and developing (L&D) functions. To find talent for newly defined roles, more and more companies are no longer looking at graduates with marketing degrees or people with branding backgrounds. The need for technically proficient and specialized staff is leading companies to new talent pools. Demand is rising for data scientists, PhDs, econometricians, mathematicians, agency managers, and media professionals. Marketers are hiring more people who have worked in nontraditional roles in digital and branded content as well as in media companies.

Marketers also need to rebuild their L&D capabilities. The first question a company should ask itself is whether its L&D plans, as currently constructed, will help it to close the digital-marketing skills gap—or whether they are set up to do only more of the same. Many organizations need to reassess their priorities through an evidence-based approach, one that not only reflects internal requests but also provides an objective assessment of where L&D investment is actually required.

Design the organization. Many companies seek to centralize digital-marketing functions so that they can put in place better controls and create greater efficiencies. But companies often are not strategic enough about *what* they centralize. BCG research found that many companies are leaving savings on the table by not centralizing thoughtfully: they are missing out on creating economies of scale and are unable to take full advantage of best practices.

There is no one-size-fits-all organization structure. Effective companies create a structure that aligns with their major business objectives and then scale that structure. Companies most commonly organize themselves according to one of five potential dimensions, each with important trade-offs. (See the Appendix.) Most marketing organizations are a combination of at least two of these dimensions, with one being dominant. Which one dominates often depends on the size of a company.

Best-in-class companies also look to simplify their management structure at the top and streamline the rest of the organization. They follow seven steps to reduce costs and build a more efficient organization.

- Set clear portfolio-level priorities as a foundation for planning and resource allocation.
- Test the purpose and value of every layer of management.
- Pool and deploy resources dynamically according to the needs of the business.
- Eliminate work that isn't supporting the strategic priorities of the business.
- Do away with work-arounds, shadow work, and unnecessary steps or outputs.
- Clarify roles and decision rights across marketing specialists and brand teams.

Best-in-class companies look to simplify their management structure and streamline the organization.

CMOs and CTOs increasingly occupy much of the same turf.

- Set in place robust people-management programs to enable the success of the new organization.

Invest in technology. CMOs and CTOs increasingly occupy much of the same turf, and as technology’s role in business becomes ever more important, transformations are increasingly underpinned by significant technology programs. Companies need to invest in the tools that can provide them competitive advantage (and avoid finding themselves at a competitive disadvantage). BCG research found that in addition to talent shortages, organizational silos, and ownership issues, CMOs’ greatest struggles are with the lack of technology. As we have observed elsewhere, organizations that systematically strengthen their most critical functional IT capabilities early in a transformation are consistently better at delivering on the promised value. Indeed, an explicit and early focus on the most critical capabilities and the right investments in resources, effort, and management attention can separate success from failure. (See “Getting Fit for Transformation: The Other Strategy Every IT Leader Needs,” BCG article, July 2015.)

The pace of technological change has never been more rapid—a big reason why flexibility has never been more important. Historically, technology investments have often been about acquiring big and cumbersome software packages and systems. In recent years, however, because of the need for flexibility, more companies are using cloud-based systems and applications, such as software-, infrastructure-, and platform-as-a-service, all of which enable users effectively to rent rather than buy the tools they need. Renting reduces costs and makes it much easier to stay current with technological advances. For example, a big European bank intends to improve its flexibility, agility, and ability to innovate through a transition to cloud technologies and a new way of working that is built on standardization, simplification, and trust. (See “Banking on the Cloud: An Interview with ABN AMRO’s Frans van der Horst and IBM’s Piet Bil,” BCG Interview, April 2015.)

Among the cloud-based tools more and more companies are relying on are the following:

- **Collaboration Tools.** Marketing today typically involves a multitude of in-house departments, external agencies, and other suppliers. Teams need collaboration tools that are easy to use, mobile, and easy to share among internal and external participants.
- **Programmatic Technology.** Programmatic technology is composed of different modules. As more and more media is bought through programmatic systems—programmatic spending is expected to exceed \$30 billion in 2019—it’s critical to invest in technology that gives companies the strongest sum of all parts.
- **CRM Systems.** These systems will only grow in importance as digital data becomes easier to act on in a more and more connected world. Ownership of, and ready access to, customer data is an increasingly important competitive advantage.

Develop a forward-thinking culture. In a rapidly changing world, creating a forward-thinking culture becomes an important competitive advantage, and the ability to

innovate becomes an important cultural enabler. Improvements in areas such as customer focus, partner management and collaboration, digital-skills building, and a mobile-first orientation—some of the key goals of a marketing transformation—all require changes to behavior. Behavior, in turn, is shaped by the organizational context in which people work. To improve and align the ways that people behave, companies will often need to revamp their marketing organizations. Accordingly, it's urgent that CMOs move fast in the early stages to generate a high-level view of the target culture and set a North Star to guide the overall transformation. This means a clear description of the target culture—and target behaviors—that can be understood throughout the organization.

On the basis of BCG's client work, we have observed that high-performance organizations and cultures have three characteristics:

- Individuals and teams are engaged in achieving the desired results.
- Individual and collective behavior is clearly linked to the company's unique strategy.
- A work context reinforces the desired behaviors and culture.

If any one of the three elements is not in place, leaders need to actively change the organization and culture—by setting the target culture and then changing the organizational context to reinforce that culture. The aspects include the right leadership behaviors, organization structure, role mandates, people policies, performance metrics and management, rewards and recognition, and the physical work environment. (See *Transformation: The Imperative to Change*, BCG report, November 2014.)

Forward-thinking cultures are defined by the principles on which the company operates—principles that are well understood and adhered to throughout the organization and that guide behaviors that promote innovation, such as an emphasis on speed, well-run processes, or applying technological platforms across the organization. (See *The Most Innovative Companies 2015: Four Factors That Differentiate Leaders*, BCG report, December 2015.) These behaviors are not necessarily specific to digital technology or marketing communication; digital technologies fuel much of the change taking place today, but tomorrow there might be totally different catalysts at work.

Forward-thinking cultures are defined by the principles on which the company operates.

At Google, for example, the operating principles include the following:

- **Know why you go to work.** Good companies have a clear mission. This not only helps attract and retain top-talent but also provides direction and fuel to innovation. Any member of the team should be able to explain the company's purpose in a quick and engaging way.
- **Learn new things.** Learning is too important to leave up to chance. Providing broad learning experiences, including immersive experiences such as having employees work at other companies for a week to learn new capabilities or

having lunches every month with new people in the industry, are important culture-building tools.

- **Trust people.** When employees are trusted to perform with an overload of prescriptive policies, they most often return that trust not only by keeping their word but also by taking a stronger ownership of their responsibilities.
- **Test and learn fast.** Speed is of the essence, as is learning and failing. Innovative companies make both cultural principles that they follow in daily practice.
- **Challenge people.** People respond to well-defined and big challenges by taking ownership.
- **Focus outside in.** It has never been easier to take the customer's point of view. Some marketing organizations make it a "Monday routine" for everyone to spend 30 minutes experiencing the company as a customer.
- **Cooperate.** In an increasingly complex world, cooperation is critical to productivity. Companies can stimulate cooperation by ensuring that everyone in the company knows what others are doing.

At best-in-class companies, a commitment to principles such as these starts at the top, with senior executives who lead by example and reward new ways of thinking and working. Most best-practice companies have leaders who show their commitment by dedicating resources and sending a clear message that innovation and digital channels are important. Increasingly, we see top management going through digital-leadership programs with their entire teams in order to lead by example and seed a culture of continual learning.

At best-in-class companies, senior executives lead by example and reward new ways of thinking.

The New CMO Opportunity

New CMOs have a one-time opportunity during their first 100 days to assess their organization's digital starting point and develop their marketing-transformation plan. Getting it right up front and mobilizing the full team behind an ambitious digital-marketing transformation can achieve a substantial step up in deploying modern marketing strategies and tactics in a digital time.

The new CMO will need to make a quick and clear evaluation of the organization's current digital-marketing strategy and, on the basis of the results, analyze the major capability gaps that exist in the organization and establish the overall baseline of skills and capabilities. The CMO should also identify the key funding-the-journey initiatives that will enable the organization to fuel new growth engines and evaluate and prioritize the core winning-in-the-medium-term initiatives that will drive the digital-marketing transformation. Demonstrating impact in the first 100 days will help increase buy-in from the organization toward the digital vision.

TRANSFORMATIONS ARE NOT for the timid. They take time, stretch resources, and—by definition—upset the status quo. But for many, if not most, marketing

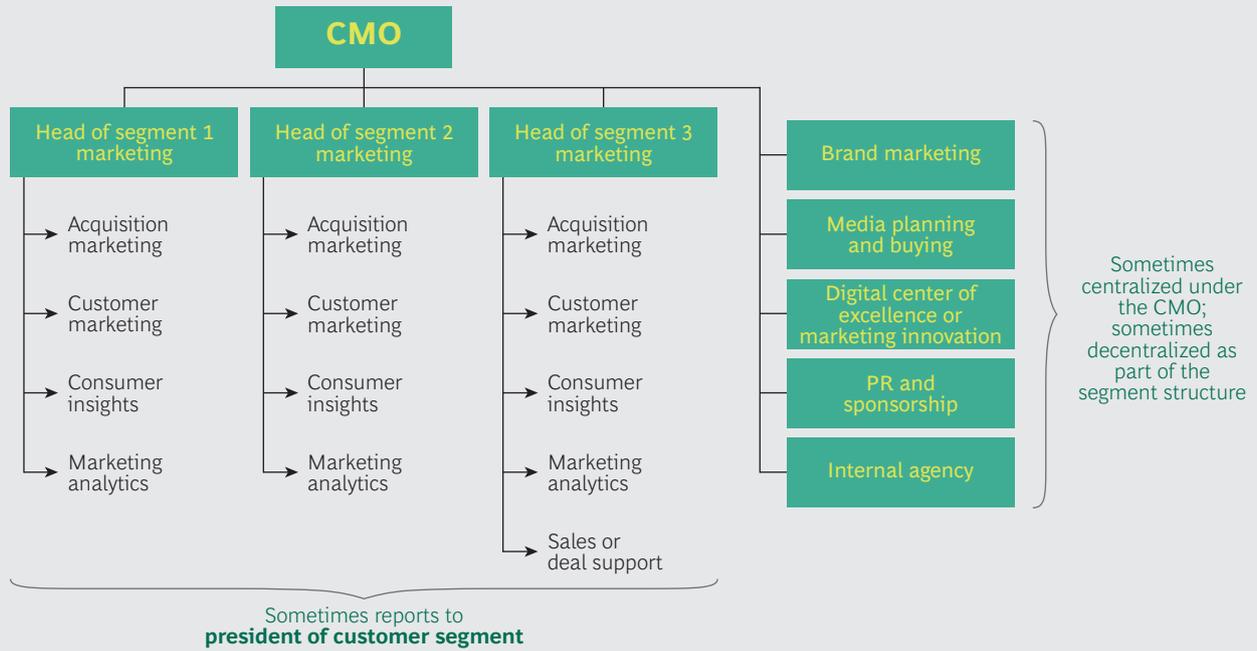
organizations today, failing to make the transition to a digital-first approach that can engage consumers across multiple channels, technologies, and devices is a road to stagnation. CMOs need to look to the future with confidence. More often than not, that means making the decision to transform their organizations so they do not become mired in the past.

NOTES

1. For more on “viewability,” see “Viewability: Measuring Ads That Are Seen,” Google, accessed January 18, 2016, <https://www.thinkwithgoogle.com/collections/viewability.html>.
2. The BCG-Google Talent Revolution Survey can be found here: <http://googledigitalacademy.com/talentrevolution/#trs>.

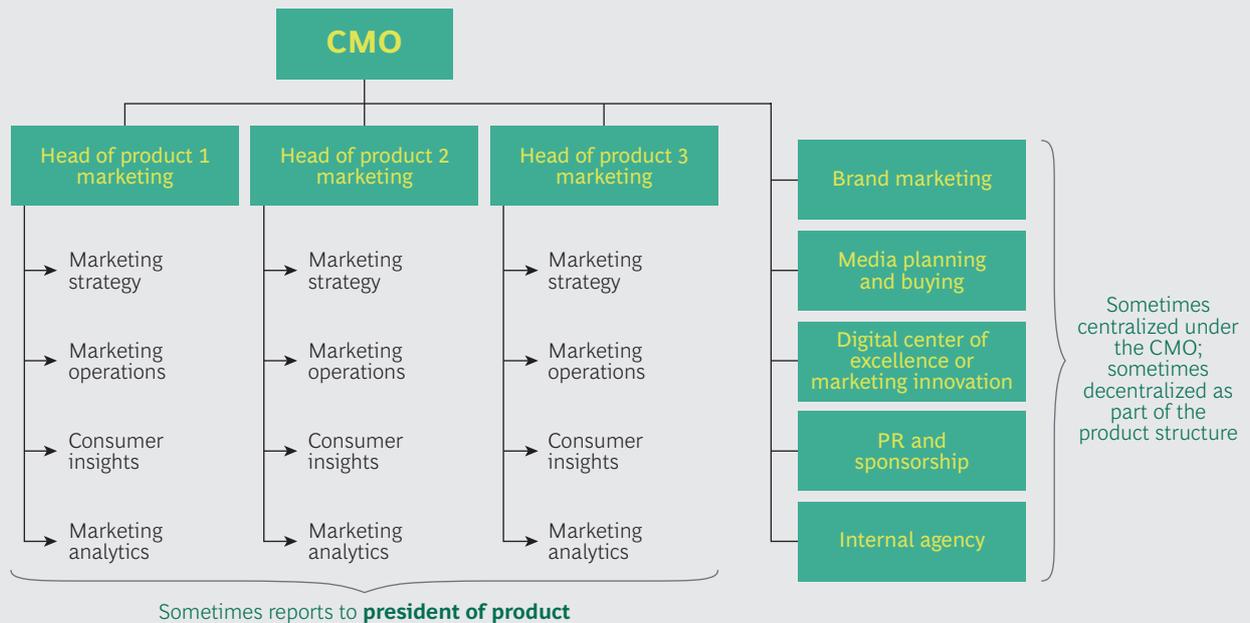
APPENDIX: THE FIVE TYPES OF MARKETING ORGANIZATIONS

The Segment-Centric Organization



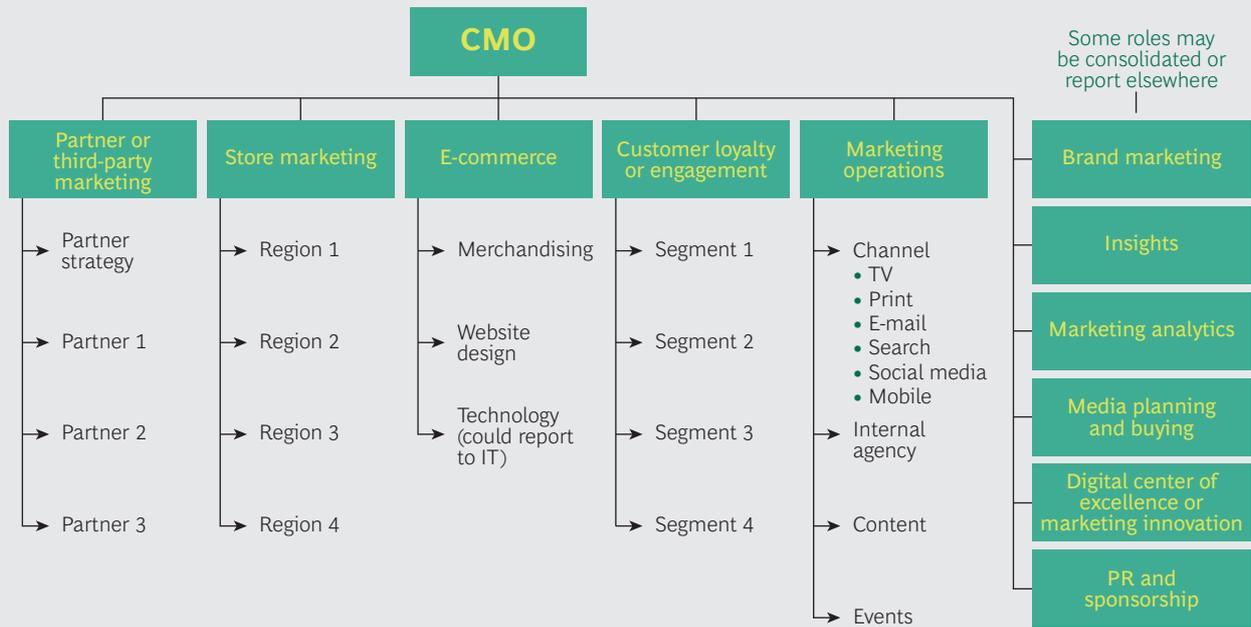
Source: BCG marketing-organization benchmarking study, January to July 2014.

The Product-Centric Organization



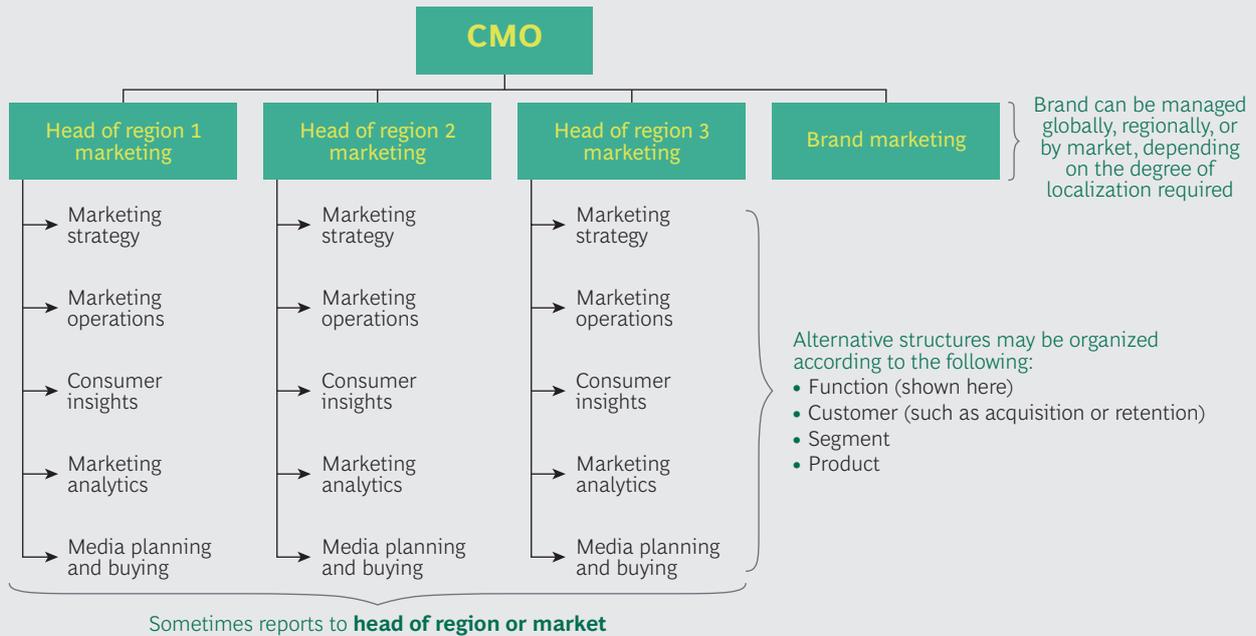
Source: BCG marketing-organization benchmarking study, January to July 2014.

The Channel-Centric Organization



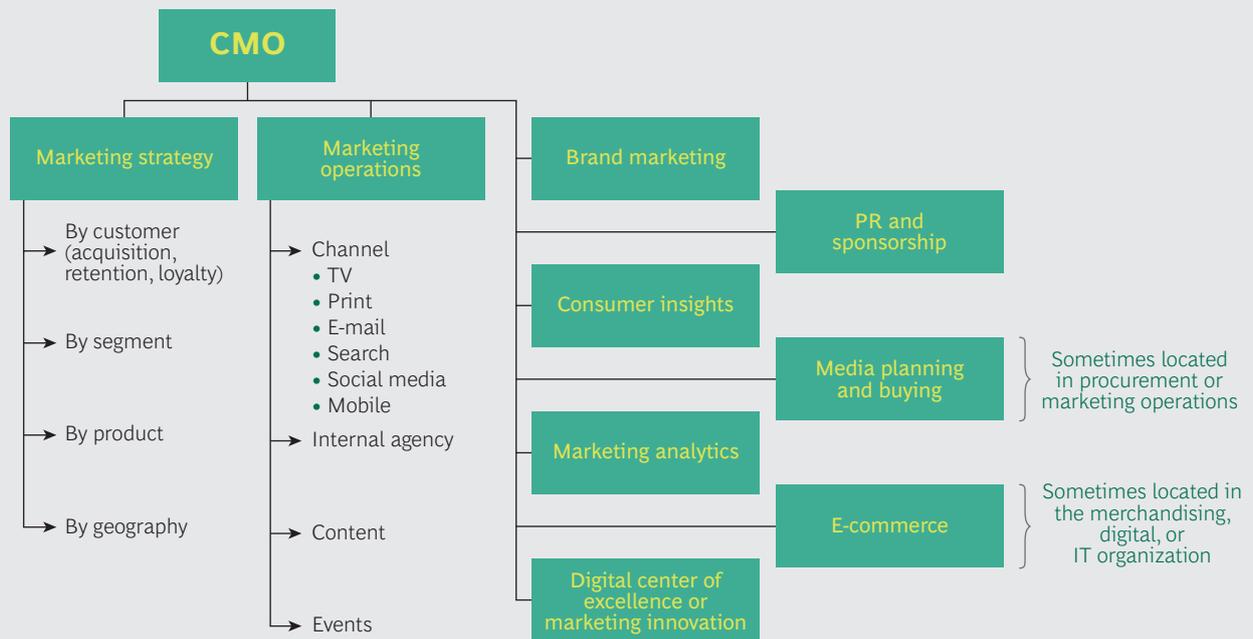
Source: BCG marketing-organization benchmarking study, January to July 2014.

The Geography-Centric Organization



Source: BCG marketing-organization benchmarking study, January to July 2014.

The Function-Centric Organization



Source: BCG marketing-organization benchmarking study, January to July 2014.

About the Authors

Fredrik Lind is a senior partner and managing director in the Stockholm office of The Boston Consulting Group. You may contact him by e-mail at lind.fredrik@bcg.com.

Dominic Field is a partner and managing director in the firm's London office. You may contact him by e-mail at field.dominic@bcg.com.

Raj Sandhu is a project leader in BCG's Stockholm office. You may contact him by e-mail at sandhu.raj@bcg.com.

David Ståhlberg is industry head for Google Sweden. You may contact him by e-mail at dstahlberg@google.com.

Johan Eriksson is branding leader for Northern Europe at Google. You may contact him by e-mail at erikssonj@google.com.

Acknowledgments

The authors thank David Duffy for his writing assistance and Katherine Andrews, Gary Callahan, Kim Friedman, Trudy Neuhaus, and Sara Strassenreiter for their contributions to the editing, design, and production of this report.

For Further Contact

If you would like to discuss this report, please contact one of the authors.

To find the latest BCG content and register to receive e-alerts on this topic or others, please visit bcgperspectives.com.

Follow [bcg.perspectives](https://www.facebook.com/bcg.perspectives) on Facebook and Twitter.

© The Boston Consulting Group, Inc. 2016. All rights reserved.

BCG

THE BOSTON CONSULTING GROUP

Google™