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How to unlock marketing-led growth: Data, creativity, and credibility

Marketing has been on the front lines of the digital revolution, but the landscape has become much more complicated, requiring a focus on growth, data, and new modes of creativity.

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In this episode of the *McKinsey Podcast*, Simon London speaks with McKinsey senior expert Biljana Cvetanovski and partner Jason Heller about the next chapter of marketing, which is focused on digital—across many touchpoints—and the role of the chief marketing officer (CMO) as the architect of a company's growth engine.

Podcast transcript

Simon London: Hello, and welcome to this episode of the *McKinsey Podcast,* with me, Simon London. Today we're going to be talking about marketing: a discipline that, in many ways, has been in the front lines of the digital revolution. Once upon a time, marketing was mostly about brand management and advertising. Now it has become a lot more complicated, and so has the role of the CMO.

As we'll hear, the scope of the role has increased enormously: from being a steward of the brand to, these days, being an architect of growth. So what does the successful marketing organization look like? And what skills do CMOs need to deliver against this challenging growth mandate? To find out, I spoke with McKinsey partner Jason Heller and senior expert Biljana Cvetanovski. Later this month, Jason and Biljana will be presenting their latest research at the annual Cannes Lions Festival. In this conversation, they give us something of a sneak peek. So Jason and Biljana, welcome to the podcast, and thanks in advance for doing this.

Jason Heller: Thanks, Simon. Exciting topic.

Biljana Cvetanovski: Thank you, Simon. Good to be here.

Simon London: So we're going to be talking about the past, present, and future of marketing—big topic. For those of us who don't work in marketing, Jason, could you just start by stepping back and telling us what has changed over the last five to ten years? How has the day-to-day job of a marketer evolved?

Jason Heller: Marketing has been transforming for well over a decade—probably into two decades at

this point. That said, the last five years or so really have seen this monumental shift in several areas. First, there's never been as much data available for better targeting, segmentation, personalization, and analytics. The increased use of first-party data, the growing privacy regulations around it, new approaches to data governance: these are all part of the day in the life of a modern marketer and modern CMO, which was not true five to ten years ago—certainly not ten years ago.

The analytical horsepower required to mine through that data and create actionable insights to unlock new opportunities: it's within reach for everybody. That used to be the heavy lift. It used to be a really bold aspiration to think that you could have such a rich, data-driven marketing practice. Now that's even available to the small- and midsize marketers.

Two years ago, we crossed a tipping point where digital-media spend outpaced TV-media spend. That's not true for every marketer. But it's interesting when you think about digital becoming the primary investment area for media—and this is driven largely by mobile, by the way. The capabilities, and the measurement, and everything that comes along with that need to change within the marketing organization.

With all that being said, consumer loyalty is on the decline. Competitors are even closer. They're one click away from your customers. And so there's a lot of disruption that marketers have to deal with. Marketers and agencies are struggling to keep up with that pace of change. That degree of change—and the response and structure around the response to the change—is probably the biggest thing that's happened in the last few years.

Simon London: So that is, indeed, a lot of change: more data, more digital, more mobile, more opportunity, but less loyalty. So, Biljana, you pick up the thread from here. What does that mean for the role of the CMO?

Biljana Cvetanovski: It has always been part of the CMO role remit to drive growth. But I think it's becoming much more of an explicit capability

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that they're accountable to deliver. There's been a movement from the CMO taking on a more classical role—which may be around advertising, brand stewardship, maybe even customer experience— and leapfrogging elsewhere.

And, increasingly, what we're seeing is that CMOs are not only responsible for delivering on the growth agenda, but they're also more and more accountable for designing and defining what it is that the rest of the organization is moving toward. It's actually a very natural place for the CMO to be. They have access to many approaches to deliver on that growth agenda. That could be everything from building brands to growing loyalty to improving the end-to-end customer experience. What we're finding is that, ultimately, the CMO is being judged on how well they can grow the business.

Simon London: So that's very clear. But just make sure I understand the connection between the context that Jason just described and this new growth mandate for the CMO. What's the connection between the two? What are the cause and the effect?

Jason Heller: Five to ten years ago, the thought of a CMO owning the end-to-end customer experience, even just the understanding of what an end-to-end customer experience was, was really immature. So I think we're at a natural inflection point and evolutionary step in the role of the CMO and the role of marketing in driving growth.

The modern CMO needs to be able to manage their profit and loss [P&L] effectively. They have to have a mind-set of delivering ROI [return on investment] on every investment that they make. They need to transform the operating model to be more agile. Agile marketing is the ability to rapidly test and learn. They need to work in true partnership with the technology organization. They also need to attract and nurture the talent to drive world-class performance. They also need to inspire their peers across the C-suite to have the aspiration and the risk appetite to foster this culture of experimentation, bold creative thinking, and the delivery of growth. None of that is trivial.

Simon London: I guess the next question is, what does it take for CMOs to deliver against this new mandate? What skills do they need? I know this is something that you've been doing some research on, which you will be presenting later this month in Cannes. So Biljana, without giving too much away, just describe the research very briefly and give us some takeaways on what we found.

Biljana Cvetanovski: We spoke to over 200 CMOs and over 80 members of the C-suite and the board—CFOs, chief technology officers, and other executives. What we found is that the ability to reach out and influence across the C-suite is becoming increasingly important. The CMO can't drive the company growth agenda on their own. They really need to build strong working relationships with the rest of the C-suite.

So in our research, we identified three archetypes for CMOs. The most successful archetype has the closest relationship with each and every member of the C-suite. They also work closely with the board. Not only does the CMO have a seat at the table in defining the strategy, they also have broader P&L responsibilities that go well beyond what you might expect for a classical or traditional CMO. So they own everything from the marketing agenda to customer experience to product to pricing and so on. They're also much better at identifying and nurturing talent in house, especially talent that balances creativity and analytics.

Simon London: So the research shows a clear correlation between companies that have this archetype of CMO and the growth rates that they're delivering. Is that right?

Jason Heller: Growth companies are eight times more likely to have this archetype of CMO. Companies with this specific CMO archetype are nearly twice as likely to have high growth than companies that have the other archetypes of CMOs. And, again, we'll be unveiling all of this at Cannes later on this month.

If we tie this back to the work that we led last year, which was the integration of data and creativity, this high-performing archetype is three times more likely to attract what we call "whole-brain talent." These are people who have an understanding and appreciation of reaching across functions—for example, if they're in data-driven roles, reaching across into the creative and content functions, and if they're in the creative and content functions, reaching across into analytics—and really embracing these new capabilities, or at least embracing the capabilities that the other side is doing. They're also three times more likely to have dedicated analytics resources versus their peers, which prevents fighting and competing for priorities for some of the critical analytical capabilities that are required to make that integration happen.

When you have data and creativity living hand in hand every single day in practice, that's what's

actually driving the growth, even more so than having the capabilities. Many companies have those capabilities. Not as many companies are integrating them properly.

Simon London: So just say a little more about this notion of cross-C-suite relationships. What are the critical relationships for a successful CMO to get right?

Biljana Cvetanovski: The critical relationship for the CMO to build is with their CEO. The CMO really needs to focus on making sure that the CEO is clear on their role: What part of the growth agenda will the CMO drive? And the CMO needs to maintain the proximity with the CEO to make sure that the CEO is clear on the activities that they need to champion or support for marketing investment. There's a second critical relationship, and that's with the CFO. We found in our research that only 45 percent of CFOs believe that their CMOs are delivering on their organizational growth agenda.

Jason Heller: The CFO is the gatekeeper for the marketing budget. You need to invest in measurement. You need to be able to articulate clearly what the forecast is of the return on that investment. At the end of the day, the whole role of the CFO is to make fiduciary, responsible decisions about the way that investments are made at the organization. For us, it's really more around marketers needing to get past vanity metrics. Invest properly in the measurement and analytics around investments, so that they come back to the CFO with a credible level of trust that what they're presenting to them is going to happen.

I've heard from CFOs of our clients that everybody has a $100 million business case. Nobody delivers on that $100 million business case. And I have to decide which $100 million business case to invest in every year when I've got 20 of them being presented to me.

Biljana Cvetanovski: Exactly. So CFOs are really looking toward their CMOs to help them translate marketing metrics into the business objectives.

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It's not talking about brand awareness, or reaction to creative campaigns, or what the customer-sentiment analysis is telling them but instead about allowing the CFOs to understand exactly how the metrics will give you predictable and accountable growth. How will they drive the top line? Marketers really need to focus in on, What are the metrics that will really drive the business forward? And what's driving growth?

Jason Heller: Another interesting thing is, from other research, we know that the percentage of board members who have marketing experience or a marketing background is really low. It's on the rise. But you can't fall off the floor, so it's starting from a really low place.

Everybody thinks they're a marketer. Everybody has an opinion. And the interaction model between the CMO and the board is probably quite important as well. I think what we're hearing here is just that should be a level of practical, proactive engagement on the part of the CMO to make sure that the CEO, who ultimately is responsible for the growth of the company; the CFO, who is the gatekeeper to the funding; and the board, who effectively hires and guides the entire C-suite, are fully aligned on what the biggest bets are to drive growth.

Simon London: You mentioned there that the relationship between the CMO and the CFO, historically, can be a little bit tricky. Do we know from the research, are there any other relationships that are standing out as maybe being not quite as smooth as one might hope?

Jason Heller: The interesting one, in terms of a relationship that probably could be improved, is that with the CHRO [chief HR officer]. That was a

bit of a surprise to us. It hints at some pain points related to attracting and retaining top marketing talent, which is a complex endeavor. It's not as simple as going out and recruiting and paying people a competitive compensation structure. It's as much about the value proposition of the organization, the culture, the interaction model with the rest of the marketing organization. We read this as just a struggle to attract talent in general. And that, reading between the lines a little bit, more enablement and empowerment are probably needed at the CHRO level.

Simon London: Jason, you mentioned agile marketing. And I think it's no secret that marketers were some of the first parts of the organization beyond technology to get interested in agile working styles and methodologies. So how far have we come? Is agile commonplace now? Is it broadly adopted across the industry?

Jason Heller: I wish I could say that agile marketing was the rule and not the exception. But that's not the case yet. We are slowly but surely seeing more marketing organizations adopting agile, at least for some of the more addressable, closed-loop parts of their marketing.

One of the challenges is you have a lot of individuals who have been in marketing for ten to 20 years and are really comfortable in a certain way of working. And agile actually upends that—repurposes them to be more operators than managers. There is a change of management that's required there.

But agile marketing is one of the most effective ways of modernizing traditional marketers who have operated in slow, waterfall processes for their

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careers. When you pit, again, creative content, media, analytics, technology, and marketing ops together in a team, that's where the magic really happens. It makes it possible, for example, to create and launch tests in a matter of days versus a matter of months.

Now that's not true in every channel. That's not true for every client. There are scale implications there. But this is where the rubber meets the road in terms of the operational reality of how to drive growth more effectively.

Simon London: The other thing that's interesting to me here is that we've talked quite a lot about digital, analytics, the growth agenda, business cases, and so on. We haven't really talked about creativity. Yet when you think about the big brands we all grew up with, they were built on the back of these iconic, memorable, creative campaigns. What's the role of creativity in this new world? Does it even matter?

Jason Heller: Brands still matter. Creativity still matters. And like all things, technology has evolved the way that we develop, deliver, and improve upon the creative ideas and, honestly, the way that we create connections with consumers: emotional connection, that creativity, certain messaging and imagery, and the way that we engage consumers. That all is still as relevant, if not more relevant, where we have less consumer loyalty than we have before.

You see creativity thriving in the inspiring work that we see at Cannes every year. A couple of years ago, and in partnership with Cannes, we looked at

16 years of Cannes Lions award data. We created an index of companies that had a trajectory of wins at Cannes—not a direct correlation between winning an award and economic impact, but more the trajectory of creativity. Creativity is a very subjective topic. So if we look at the biggest, most widely recognized award as some proxy to some recognized creativity measure, we're able to see that total return to shareholders, organic growth, and all of these indices were relatively correlated to the number of awards and the trajectory—the longitudinal nature—of the way that creativity was manifested within an organization.

But if we tie this all back to what matters, driving growth, last year's research found that modern capabilities alone are not enough. Rather it was the integration of data and creativity: that was the accelerant. Companies that integrate data and creativity drive twice the growth rate of their peers. There are a few things that they did to facilitate that. Again, it's sort of the theme of this conversation: treating data and creativity as equal partners—hiring and nurturing whole-brain talent who are eager to contribute to that integrated equation.

And the last one, and maybe the most important one, is adopting a new operating model—adopting agile marketing—where test and learn and curiosity are at the core of both the DNA of the organization as well as the day-to-day operating model.

Simon London: Just to be devil's advocate for a minute, it does strike me, as a layperson, that there's a fundamental sort of arithmetic at work here. If the marketing organization is spending

more on data analytics, data science, building its martech stack, and all that good stuff, surely there are going to be fewer dollars available to spend on creative, copywriting, design, big campaigns, and that kind of thing. Is there any truth in that?

Jason Heller: It's a great question. And I don't think it's a zero-sum game. I think that the investments in data and marketing technology, in particular, are unlocking sources of value that didn't exist before. Therefore if you take a P&L approach to this, you get to a point where the investment in marketing execution and the investment in the enablement and instrumentation to unlock new opportunities will require additional investment.

Now in the short term, there are plenty of companies that do make it a zero-sum game because they haven't proven to themselves yet that there's an accountability and a predictive quality to the value that they're going to unlock. But once you get to that point, it's really easy to make the business case that marketing is just managing P&L. And as the investments in technology, data, customer experience, media, and creative increase, as long as they can forecast what comes out of the tail end of that engine, the investments don't need to be a zero-sum game.

Biljana Cvetanovski: And even going beyond budget, there is the old paradigm of how marketers used to build their creative campaigns: maybe one, two, three campaigns throughout the year. What we're actually seeing now is more of a shift toward more iterations of those campaigns. And maybe more experimenting, more segmentation, more always-on campaigns.

You're seeing a proliferation of the amount of the creative or the volume of the creative that marketers are creating. This can present some challenges. Creating those new iterations is not only having an impact on the cost that it takes and the engagement with your agencies, but it also has implications in the type of the agency ecosystem that you build for yourself in order to sustain that.

Simon London: Just double-click on that, if you don't mind. What are the implications for agencies in all of this? Do agencies have a future? And, if so, what is it?

Biljana Cvetanovski: What we're seeing is that marketers are having a much more conscious, deliberate, and structured approach to how they work with their agencies. Over the last few years, we've seen a few shifts.

The first one is an increasing shift toward insourcing, especially in relation to creative and content. That could be very simple creation of quick, cheap, fast, low-risk-type content—for example, creating a new banner ad. We see that being insourced with marketers because it's less time-consuming, less costly, than engaging the agency. But we also see the "in housing," or insourcing, of the big idea—the big, creative idea on which all the campaigns will be based. We see that spectrum, from simple activities to the bigger ideas, being insourced.

The second big shift is around the evolution of the agency ecosystem. If we think about ten years ago, as Jason mentioned earlier, you can count the number of marketing capabilities on one hand. You have creative, you have media, you have PR, you have promotions, and you have design. What you've seen over the last ten years is an explosion in the types of capabilities that you need for marketing. That's everything from programmatic to media planning to ideation—you name it. It has become increasingly difficult for one agency to provide the one-size-fits-all solution for marketers. So we see a tendency toward marketers being very selective, in terms of the ecosystem and choosing specialist agencies to meet their specialist needs.

The third shift that's been happening with agencies is around the emergence of joint ventures, of partnerships. This could be something as simple as tying more closely the incentive structure for an agency to the success or performance of the marketers or the organization. But we're also seeing the opportunity where agencies are investing in or cocreating the

intellectual property of some of their clients. So they are building close relationships and tying together their performance metrics.

Jason Heller: And let me just add to that. Agencies are in the process of reestablishing trust with their clients. There's been a lot of controversy around transparency in the agency world. As a recovering agency executive, myself, I still see agencies as being as relevant as ever, maybe even more so to help clients navigate a really complex world around them.

Most clients are still working with agencies. I think they will continue to do that, despite the rise of insourcing. Agencies are not going away. But there is a crossroads, where we are right now, where agencies just have a lot of trust to reestablish with their clients.

Simon London: We've talked a fair bit about the rise of data-driven marketing: test and learn, personalization, all of this good stuff. Yet on the other side, we have consumers increasingly nervous about who they give their information to and how it's being used. We've got tightening regulation around how data can be collected and deployed, GDPR [General Data Protection Regulation] being the poster child for that. Is this all having a chilling effect on the world of marketing?

Biljana Cvetanovski: Data-privacy regulation has had three major implications on marketing.

First, marketers require the explicit consent of consumers. This really limits their ability to use the data. And sometimes they've been building their databases over a number of years. It really reduces the impact and the value of the assets that they've been able to create over the last few years.

The second implication is that the climate is forcing marketers to rethink the value exchange with the consumers and customers. It used to be just a checkbox that you could tick, and now marketers need to really push their thinking to say, "What is the value? What's the value add if a consumer checks the box? And what's the value add of them joining my database?"

The third implication is that there's far less third-party data available in regulated markets. And that's just a knock-on effect of the general, overarching privacy laws.

Jason Heller: One of the most important pieces there is this need to create the value exchange with consumers. This is a really good thing. Marketers now need to take the time to think about the customer experience, the value exchange, and how we're actually going to create the value for consumers, which means better experiences and more value created for the marketer. I feel like we're going to come out of the end of this with much better capabilities in how we engage with consumers in general.

Simon London: So marketers, maybe, had gotten a little bit lazy in how they were collecting data and figuring out what they could do with it? Is that fair?

Jason Heller: I think that's right. I'd argue that marketers were not fantastic at using data when they had blanket permission, because they, effectively, were just banking that permission for some later day when they figured it out. Now they don't have the permission at all. And so it's really holding marketers to a higher standard of figuring out how to deliver the right experiences to consumers.

Simon London: Let's end by looking forward. If you think about the big challenges facing marketers over the next two to five years, what are they? Biljana, maybe you start. What would you put in that bracket?

Biljana Cvetanovski: I think the first one is really building in the growth leadership mind-set: building in that culture—and making sure that they're building the collaboration with their C-suite peers and the rest of the organization but also making sure that they have clarity of role and metrics and making sure that they're really robust in terms of how they think about the business organization.

The second big challenge is around measurement. It's incredibly important as marketing is stepping more explicitly into the role of driving the growth

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agenda. If you want to be accountable, then you must make measurement a priority.

Simon London: But isn't that something that's been a priority every year for the last 20 or 30 years? This whole business of trying to measure your marketing ROI is not a new challenge, right?

Biljana Cvetanovski: Simon, you're right. Marketing effectiveness and measuring marketing ROI have been around for a long time. What has made it more complicated in terms of measurement is what we talked about earlier, which is the proliferation of different channels—the proliferation of touchpoints.

Simon London: And as you mentioned earlier, I guess the execution of creative across all these different touchpoints and channels is a challenge as well.

Biljana Cvetanovski: And that's exactly the third challenge. There's been a lot of discussion around the need for digital-first content. But most companies are still repurposing their content from traditional channels. So this is a lost opportunity for reaching your consumer in a more mobile, tailored way. It's a missed opportunity in engaging your customers in a deeper way—in the touchpoints where they want to be reached—and really creating these personal experiences across all the addressable channels.

Simon London: Jason, what comes to mind for you if we think about challenges for the next few years?

Jason Heller: I'm going to shift us from challenges, to maybe end us on a bit of an inspirational note. I think the next phase of digital and marketing transformation is really a move from doing to being—a move from companies doing agile marketing to companies being agile marketing organizations, a move from doing things that are customer centric to being customer-centric organizations, a move from doing analytics to becoming data driven. It needs to be in the DNA of the organization. That's what creates the performance-oriented culture that can deliver the accountability that we've talked about, the predictable growth to the organization. That really is something new.

Simon London: So we are out of time for today. Jason and Biljana, thank you so much for doing this.

Jason Heller: Thanks for having us.

Biljana Cvetanovski: Thank you, Simon.

Simon London: And thanks, as ever, to you, our listeners, for tuning in. If you want to read more about marketing, growth, and the role of the CMO, there's a ton of good stuff on McKinsey.com. Or in the spirit of mobile first, you can download the McKinsey Insights app, which you'll find on the Apple or Android app stores.

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