Meet your new MOM (Marketing Operating Model)

Jason Heller and Kelsey Robinson

To drive revenue growth in the digital age, new data shows that marketing leaders are upgrading data-collection technology, collaborating closely with IT, and focusing on test-and-learn agility.

Given their access to one-click shopping, same-day delivery, instant search results, and ubiquitous media, consumer expectations are sky high. Their message to businesses is paraphrased by Veruca Salt in *Charlie and the Chocolate Factory*: "I want it, and I want it now." In fact, consumer expectations of near-real-time interactions and services jumped to number one on the Association of National Advertisers (ANA) 2016 survey of business disruptions,[1] up from sixth place in 2015.

---

1 This discussion is an independent McKinsey & Company fact-based analysis of the ANA survey and incorporates insights from McKinsey's Marketing & Sales Practice. The survey was conducted online in October 2016. The 217 respondents were self-qualified in roles of marketing director, VP and CMO / marketing leadership. Respondents were drawn from the ANA Survey Community, the overall ANA membership, and supporting partners. Not all respondents provided answers to all questions in the survey; as such, the base varies from question to question, and subsets of the full respondent set are used in certain places in order to provide rankings and comparison.

Technology is a crucial element in enabling marketers to meet those expectations. But technology is only a partial answer, as any marketer whose tech spend has produced less than optimal results can testify. To drive revenue growth and improve customer experience, technology has to enable more efficient data collection, foster cross-functional collaboration, and support test-and-learn agility. It needs, in short, to underpin a new Marketing Operating Model (MOM).

An effective MOM is the engine that drives continual growth. One global financial-services company, for example, figured out that by accelerating the delivery of IT-dependent functions to marketing, the business was able to generate an extra 25 percent of revenue. That was worth $100 million per year. Conversely, for every week delayed in deploying a capability developed by IT, the business lost an estimated $2.8 million in incremental revenue.

The new Marketing Operating Model (MOM)

At a high level, an effective MOM is made up of three parts:

Integrated consumer data: Collecting data isn't the issue—companies have plenty of it. It's not uncommon, for example, for marketing, customer care, transaction/order, technology, and store operations to all have distinct sets of data on a single consumer in multiple databases and tables. The challenge is weaving all the available data into an accurate and complete profile of the individual consumer. Failing at that can blunt the impact of even the most ambitious data-collection efforts.

Decision making: With a complete customer profile in hand, companies can "score" customers based on specific criteria of value-creation potential, allowing marketers to prioritize which messages, offers, and experiences to deliver at which points in the decision journey. A set of business rules and regression models, increasingly based on machine learning, helps to prioritize and match specific messages, offers, and experiences to specific customer scores.

Distribution platforms: Marketing-technology platforms are the last mile of the process. They integrate the customer scores and use them as triggers to deliver the right message to the right person across all addressable channels. Equally important, the platforms track the responses, conversion, and value created so that the MOM can learn and adjust.

The real value of the MOM comes not just in building out these three elements but in getting them to work together. When running effectively, the data inform the decisions on the best messages or offers, and the customer's feedback becomes new data, which is then fed into the MOM.

How to build up your MOM

The best-performing companies are investing in marketing technology (martech) thoughtfully, working more closely with IT in a more agile way. At the same time, some clear shortfalls are

exposing fault lines that could severely undermine how effectively businesses can meet their customers' expectations and build ongoing business value.

Technology: Martech to serve the business

It isn't a big surprise that 73 percent of top-performing companies—those whose revenue generation outperforms the market—have increased their martech spending an average of 16 percent in the past year. But is all that technology really helping?

Significantly, we found that 49 percent of companies that outperform the market feel they have the tech tools they need, compared with only16 percent of their poorer-performing peers. This highlights the importance of focusing a company's technology spend on the company's unique goals. In our experience, marketing leaders who have a well-defined sense of the problem they want to solve or the opportunity they want to exploit get a better return on their technology investments.

Overall, martech—or, more specifically, how it's implemented—still has a long way to go until it provides the value it promises. From the survey, we found that the top focus of martech is in informing marketing strategies (63 percent) but then there's a steep drop off. The next-highest area of focus is in using automation to execute and manage campaigns (41 percent), or to upgrade customer-relationship management (37 percent).

Collaboration: the marketing/IT partnership

The most effective marketing and IT collaborations are built on specific and conscious decisions and on implementing policies to support them; making marketing a checkbox on IT's to-do list just doesn't work. An astonishing 45 percent of the executives surveyed, however, say marketing and IT are not working together at their companies in any significant way. In the overwhelming majority of cases, marketing is still reliant on IT to implement and configure its technology, whether systems are used on premise or in the cloud.

Committed leadership is necessary to create and model a culture of active collaboration, such as joint priority lists and action in concert. Fortunately, leadership is increasingly moving in the right direction. Almost a quarter of respondents either have a joint-venture model or a full tech presence embedded in marketing and reporting to the chief marketing officer (CMO).

Doing this requires specific agreements between the CMO and CIO that delineate budget sharing, reporting structures, and incentives. The key is removing ambiguity so that people know how to work—and how to work together. In practice, understanding the benefit of tighter collaboration to the bottom line is a big motivator, while putting in place solid practices that support meaningful collaboration creates a structure for working together.

At one large high-tech company, for example, marketing developed an inventory of all martech assets to start a productive discussion about which would be managed and supported by IT and which by marketing, and who should be included in decisions on any changes. The team then defined and prioritized business use cases and their requirements, which made it easier to define

a governance model that ensured both builders and users of IT architecture and infrastructure clearly understood each other's requirements, constraints, and intended use.

Agility: Cross-functional talent and continuous improvement

Top performers are 3 percent more likely to be hiring new people than their peers. But it's how new talent is used that makes the difference. Ideally, marketing tech supports colocated teams that work quickly and flexibly across relevant functions (e.g. legal, sales, operations, procurement). Often called a war room, this kind of cross-functional working group allows the right people to make decisions quickly.

The other core tenet of agility is devotion to a test-learn-and-iterate method of working vs. long cycles of analysis to find a "perfect" answer. Successful MOMs apply constant optimization to a range of business priorities, from customer acquisition to complex site personalization or personalized marketing. Companies who do it at scale run at least five tests per week and combine a complex range of first- and third-party data. One team at a European bank ran a series of systematic weekly media tests and reallocated spending based on the findings. The result was a more than tenfold increase in conversion rates.

Marketing tech's role in supporting this agile approach relies on infrastructure and systems that can help marketers to capture, aggregate, and manage data from multiple sources; make decisions based on advanced propensity and next-best-action models; automate the delivery of campaigns and messages across channels; and feed customer tracking and message performance back into the system.

Many organizations will focus on the complex data and infrastructure component, but the best ones plan ahead for staffing. They pull together dedicated, cross-functional teams working in the same location who take insights that analytics develop then a/b test them, measure the results, and adapt the product or service in rapid, repeated cycles.

▼ ▼ ▼

Looking ahead, we find that marketers are building up a new MOM. Marketers say the primary focus of their future investments will be personalization or campaign-management tools (42 percent) and content marketing platforms (41 percent). Top-performing companies are also significantly ahead of their peers in dedicating teams to analyze possible disruptions and their impact.

As companies build up their new MOM, they need to keep one eye on the system and one eye on their customers in order to be able to adapt as needed. Understanding how technology fits into the MOM and serves the business will likely define the difference between successful and less successful companies.

Jason Heller is a partner in the Digital McKinsey Practice based in New York City, and **Kelsey Robinson** is a partner in the Marketing & Sales Practice in San Francisco.