



# DIGITAL MARKETERS RACE TO MEET THE NEEDS OF A NEW ERA

By Alannah Sheerin, Shilpa Patel, Anthony Oundjian, and Henry Leon

**A** LOT OF WHAT HAPPENED in digital marketing departments in the first part of this year was reactive—the things you do to survive. But as the lockdowns give way to reopenings, CMOs are again focusing on a broader set of challenges and going beyond the short-term changes necessitated by COVID-19.

Consumers' accelerating move online has encouraged a sense of heightened opportunity and a recognition that brands must be smart about how they use their customers' data. Respect for privacy is paramount, and regulations loom ever larger.

One area that demands attention is the collection, management, and activation of first-party data—the data that brands collect directly from consumers. This data has the advantages of being differentiating, having high relevance, and being consistently high quality (since it comes from the source). But especially now, with the new behaviors that consumers are exhibiting, its value depends on its being organized and up to date.

Smarter use of first-party data will enable brands to simultaneously capture the increase in online sales and stay ahead of emerging privacy regulations. Such use will be a key part of brands' efforts to increase their digital marketing maturity in this unique year and into 2021.

## Now: Rethink Customer Experiences and Accelerate E-Commerce

The world has changed dramatically in the months since the World Health Organization declared COVID-19 a pandemic. One effect has been an almost overnight shift to online media. About half of all consumers increased their use of social media and online videos in March and April, when they were first staying home, according to a multicountry survey by GlobalWebIndex. Online sales in many product areas surged, taking the place of in-store sales.

In the industries that are seeing increased e-commerce activity, the initial advantage has gone to brands whose technology and

data tools have allowed them to change their messaging quickly. Many of these companies are also using first-party data in sophisticated ways to deliver relevant and helpful messages to prospects and customers at every stage of the purchasing funnel. In some cases, this has widened the advantage of the top-performing companies.

The COVID-19-related sales increases come at a time of increased regulatory scrutiny. The 2016 General Data Protection Regulation in the European Union (enforceable since 2018), the 2017 Consumer Data Right in Australia (parts of which are still being implemented), and the 2018 California Consumer Privacy Act (in force since January of this year) show where things are heading. Many brands have stayed ahead of these regulations and already use data in ways that increase customers' sense of trust.

As basic a step as asking customers for permission to use their data before actually using it can be vital to reinforcing the two-way value exchange that is inherent in first-party data. In a two-way exchange, the customer gains useful information, assistance, and offers, and the company gains the ability to deliver a better customer experience.

In addition to finding ways to interact with customers more effectively, some brands may want to enter into mutually beneficial business plans with online retailers. Another adaptation that brands should make in their bid to capture more online sales involves focusing ads and messages on products that aren't prone to stock-outs. The most advanced companies may want to react to search trends and other information in real time, switching their ads and marketing in response to shifts in consumer demand.

### Next: Make Better Use of Data and Collaborate Across Functions

Because industries are recovering at different times in different geographies, there can be no one-size-fits-all approach. Com-

panies must look for the signs of recovery that are relevant to them.

Here again, first-party data is often the right starting point. The most sophisticated marketing departments connect data from offline interactions, such as the footfall in or near a store and call-center activity, to other data sources to generate insights and inform their actions. For example, one European retailer is looking at a combination of its own website traffic, search trends, and aggregated mobile data to figure out when to open and which stores to open first.

In addition to signaling a return of demand, first-party data can help brands measure the effectiveness of their marketing activities.

Actionable measurement is one of the most important ingredients of digital maturity, but few companies do it well. By *actionable measurement*, we mean the ability to pinpoint at a granular level the ROI of specific marketing expenditures. Actionable measurement is about making marketing decisions on the basis of where an extra \$1 in marketing spending will have the most impact, versus just pouring money into places where consumption is already happening. Actionable measurement can indicate where a push to activate demand will pay off.

Becoming better at using data isn't strictly a technical capability. It also has an organizational component. This is a company's ability to use test-and-learn tactics to figure out what helps it acquire and retain customers. The tests employed can be of limited duration—as little as eight weeks. The results can show whether the company should scale up initiatives or drop them.

Another component of good data use is cross-functional collaboration. To make better use of data, digital marketers need to get ideas that come from outside their departments—and sometimes from outside their companies. A consumer health company in the US is already doing this. The company's traditional focus has been

on getting people to buy when they are already in a store. Since the pandemic hit, however, the company has been building out its digital presence through new hires (including people versed in analytics and in creating digital ads) and by soliciting ideas from outside the health realm.

### Future: Get to a More Advanced Point on the Digital Marketing Maturity Continuum

When it comes to their digital marketing capabilities, most companies still have a long way to go. Our ongoing benchmarking of brands bears this out.

Only 2% of the companies in our global benchmark fall into our most advanced category. We call this category “multimoment” because the companies in it can deliver relevant content to consumers at every point of the purchase journey. (See Exhibit 1.) The vast majority of companies are at earlier stages along the continuum toward digital marketing maturity: either the relatively early “emerging” stage (60%) or the somewhat farther-along “connected” stage (29%).

CMOs whose companies have been hit hard by COVID-19 may consider this an unlikely moment to be thinking about their long-term digital marketing agendas. But it is precisely the time to be planning for the intermediate and long terms. The pan-

dem has *forced* companies to be more nimble and flexible. There’s a chance now to institutionalize some of that responsiveness and to prepare to meet the future.

What should CMOs focus on changing? First, digital marketing departments should start using agile teaming to get work done and adopt a fail-fast culture. (Many already do that.) And second, brands should enter into strategic partnerships to gain access to special skills they don’t currently possess.

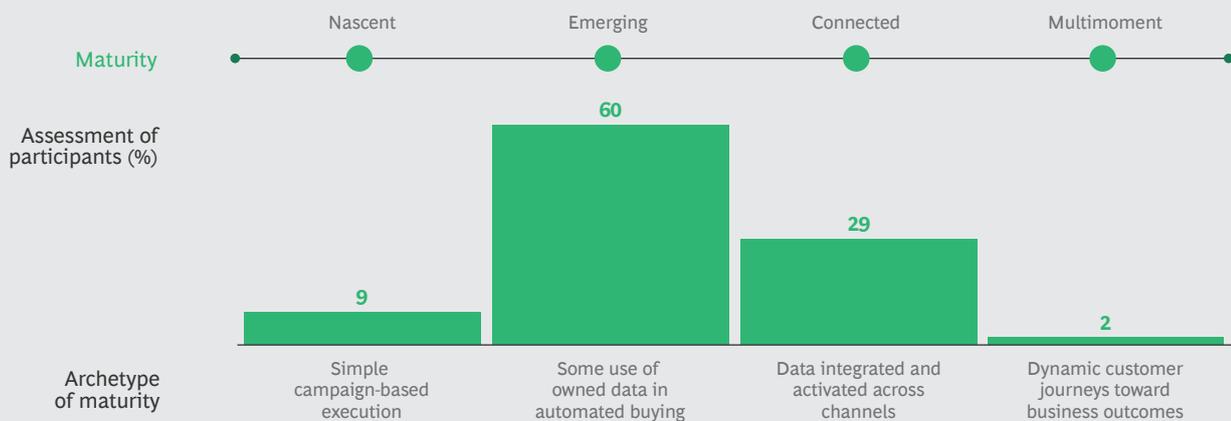
On the technical side, the next year may be an opportune time to develop new capabilities in the use of real-time data. This may not be realistic for every company, but it is for companies that have encountered fewer disruptions or that have access to outside expert technical partners. Some companies may also want to invest in new marketing technologies to gain an advantage in automation and to improve their ability to provide high-quality customer experiences.

Making these moves can yield significant benefits. Our analysis shows that in every industry, being more mature in digital marketing leads to higher levels of online sales. (See Exhibit 2.)

### An Urgency to Change

Chief marketing officers started 2020 with a sprawling agenda and concerns about

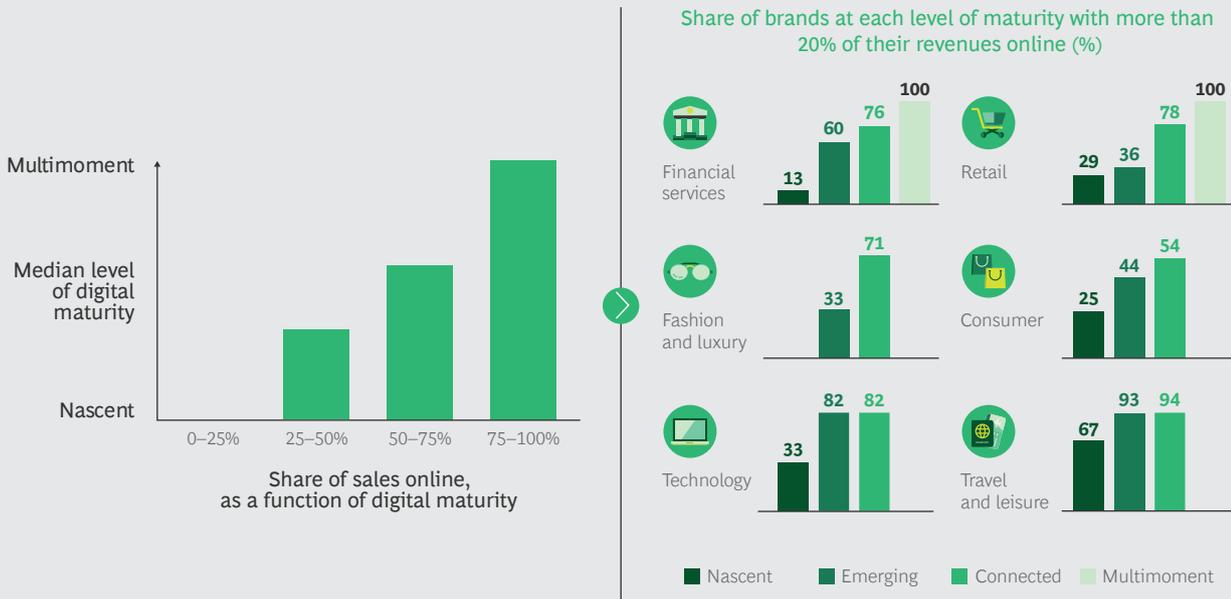
EXHIBIT 1 | Most Brands Have Not Achieved Full Digital Marketing Maturity



Source: BCG Digital Marketing Maturity Study, May 2020.

Note: The benchmark is continually expanding. The percentages above reflect data from 585 companies all over the world.

## EXHIBIT 2 | More Digital Maturity Means Higher Online Sales



**Sources:** Digital maturity assessment benchmark, 2020; BCG analysis.

**Notes:** The categories of digital marketing maturity, from least to most mature, are nascent, emerging, connected, and multimoment. Percentages of online sales are self-reported.

which partnerships they should pursue, how they could make their work processes more agile, and how they could strengthen their technical capabilities. The coronavirus diverted attention from these priorities.

By now, it's clear that the pandemic hasn't actually changed the CMO agenda; it has just added urgency to it, owing to the heightened opportunity and risk that didn't

exist in the pre-COVID world. This is the time for CMOs to ensure that the customer they had yesterday will still be their customer tomorrow. It's also the time for them to capture new customers through improved digital experiences. The chances of success will be much higher for CMOs who systematically develop their company's digital marketing maturity. Those who haven't been doing that before should start now.

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