

Why Most CEOs Are Failing Marketing's New Math Test

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Old economic assumptions have a habit of outliving the conditions that created them. Marketing is a prime example. Most CEOs of consumer packaged goods (CPG) companies recognize that the era of using mass media to generate mass demand is over. Yet many still view their marketing budgets through the lens of that bygone era, when size virtually guaranteed market share, and leaders simply accepted, often without hard evidence, that the money they spent on marketing was actually delivering a return.

That blind faith is now untenable. Look no further than the breakfast aisle. Small, insurgent brands that moved swiftly to capitalize on changing consumer tastes for cereals and granola bars saw their market share leap 10.8 percentage points between 2021 and 2025, while incumbent brands lost more than 12 percentage points.

The humble granola bar is just one example of how a big marketing budget and sheer scale no longer guarantee growth. To defend and increase market share, CPG CEOs must ensure their marketing function evolves as economic, competitive, and emerging technology forces converge to rapidly reshape consumer behaviors.

More than half of Gen Z and Millennial consumers and over 40% of those 45 or older research and compare options before making a purchase, according to BCG surveys. The pathways they follow to purchasing decisions are also proliferating, from five touchpoints a decade ago to more than 15 today—a dramatic fragmentation that demands far more content to service.

AI is dramatically accelerating these shifts. Large Language Models (LLMs) give consumers powerful new tools to research, scrutinize, and compare brands, while answer engine optimization (AEO) and generative engine optimization (GEO) increasingly determine which CPG brands gain visibility. The velocity of change is staggering. In the year ending July 2026, LLM search traffic surged nearly 150%, with much of that growth concentrated in the last five months of that period.

But the same technologies rewriting marketing's economic equation also give CPG brands new tools to tilt the balance in their favor. Agentic marketing can dramatically lower the cost of creating content and operating across an expanding array of channels, compress campaign cycles, sharpen resource allocation, enhance personalization, and help companies innovate faster and smarter to drive growth.

Small, insurgent, agentic AI-native brands like David Protein or Poppi are scaling at lightning speed with lean teams and grabbing market share in the process. (See the sidebar “David Protein’s and Poppi’s Lesson for CPG Goliaths.”)

– David Protein’s and Poppi’s Lesson for CPG Goliaths

Since launching its first protein bar in 2024, David Protein has become one of the fastest-growing brands in its category, reaching \$100 million in annual recurring revenue in one year and national distribution in two. AI is the rocket fuel propelling that momentum. By embedding AI in research, creative development, and marketing, small teams can do the work of much larger ones. For example, David Protein has produced a huge volume of social and launch content with a team of just 10–20 people, compared with the 50–100 people a brand of its scale might have typically deployed.

Poppi tells a similar story. The brand grew 38-fold in four years while using AI to bring more marketing work in-house. Rather than relying on a production agency and large specialist teams, Poppi uses AI to streamline production, copywriting, research, performance optimization, and measurement, with each function requiring just one full-time employee.

Incumbents, though, can be just as nimble and bring decades of accumulated intelligence to the ring. But they must put that advantage to work without losing control of it. Applied poorly, AI can lock companies into today's technologies while eroding the proprietary know-how, human judgment, and autonomy that set them apart. Applied strategically, it can amplify those strengths while preserving both human judgment and the flexibility to adopt better technologies as they emerge. (See the sidebar "The Agentic Advantage Starts with Measurement.")

– The Agentic Advantage Starts with Measurement

It is no coincidence that leading agentic marketing organizations are prioritizing measurement, supported by a robust intelligence layer, as an early investment priority. By codifying the KPIs that matter, the way they measure impact, as well as their brand guardrails and operational rules, they cut down campaign cycle times and, importantly, democratize measurement. One entertainment company decreased the time to launch and measure a campaign by 90% and tripled ROI. Meanwhile, a global auto OEM saw 100% effectiveness gains while also increasing the CFO's confidence in the numbers.

For CEOs, the implications of marketing's new economics go way beyond greater productivity. AI gives them something they have historically lacked: greater clarity on what their marketing dollars are actually producing, which investments are driving growth, and where the next marketing dollar spent is likely to generate the greatest return.

The Trouble—and Opportunity —with Marketing Tribbles

One of the most memorable episodes of Star Trek involves adorable, furry creatures called Tribbles that reproduce at an absurd rate. As they multiply, they quickly overwhelm the USS Enterprise, consuming food supplies and causing all sorts of mayhem. But the same creatures also prove unexpectedly useful when they give the crew a strategic advantage over their enemies.

AI is to marketing what Tribbles were to the Star Trek crew: it introduces new challenges by accelerating complexity, but it also makes that complexity more manageable and easier to translate into competitive advantage.

The trouble starts when marketers have to feed an ever-expanding web of pathways. A typical CPG consumer journey today may involve searching social media sites for influencer reviews and recommendations, asking an AI agent to compare product features, prices, and Reddit reviews, and visiting a physical store, all before making a single purchase. Every additional pathway in that journey puts additional strain on each marketing dollar, diluting returns as more touchpoints require more content and more specialized expertise to service them.

To put this into perspective, a large-cap CPG company that used to create 500 assets a year must now create somewhere on the order of five to six million to meet its customers where they live.

This is precisely where yesterday's assumptions about marketing economics can lead CEOs to value-eroding conclusions. If they look only as far as today's P&L, they may see that marketing costs are going up while growth is going down and respond by slashing the marketing budget. But treating marketing as a cost to contain is an outdated management reflex that could destroy its potential to become a growth engine for the enterprise.

Four Dynamics Changing Marketing's Equation

Rather than slash marketing budgets, CEOs should invest in developing AI capabilities and targeted expertise to dramatically lower the cost of some activities while substantially increasing returns on others. Four dynamics rewriting the marketing equation illustrate why:

Content volume is exploding while unit costs are collapsing. Marketing departments must produce exponentially more content than in years past. AI is turbocharging this demand but also slashing the cost of supplying it by making it possible to produce tailored content cheaply on an industrial scale. For example, a highly contextualized and personalized product shot for a beauty item that cost \$4 to produce two years ago now costs four cents.

Humans, agents, and agencies are dividing marketing work differently. In a world awash in AI-generated content, the ultimate currency is human creativity and judgment. To get the most out of people while tapping the industrial scale AI can generate, marketing must move humans up the value chain. Agents can accelerate marketer productivity, creating space to apply higher-value, future-ready human skills. That requires being deliberate about which decisions agents can own and which should remain in human hands, especially where brand judgment, strategic trade-offs, and accountability matter most.

Roughly a third of Chief Marketing Officers (CMOs) in a recent BCG survey are already pairing AI agents with human oversight and redesigning workflows around this model. That means no more siloed specialists for email, paid media, websites, and other channels. Instead, a human strategist orchestrates campaigns end-to-end, while AI agents execute across content creation, activation, and optimization.

As agents take on more, what they draw on becomes increasingly important. Companies must retain control of the unique intelligence that informs their marketing, such as brand guardrails, strategic priorities, accumulated knowledge, and marketers' tacit expertise. The challenge is to make that intelligence available to agents without tying it so tightly to any one model, platform, or vendor that it becomes difficult to switch.

Marketing's redesign extends to agencies as well. Companies will still need them for elite, creative work and specialized expertise, such as identifying the right influencers and optimizing content for LLMs. Incentive structures are also being recalibrated. Agencies are moving away from compensation based on a percentage of ad spend and toward value-based models that allow them and their clients to share AI-enabled productivity gains.

Marketing dollars are generating different returns. As the dynamics between people, content, and agencies shift, the focus of marketing budgets changes. Some costs, notably content creation, plummet, while others increase: think applications, cloud computing, and token spend.

This demands a sharper view of where to invest every marketing dollar to drive greater returns. Agentic AI can accelerate the ROI of media and customer activation by improving the speed and quality of execution while lowering costs. For example, agentic AI can improve ROI threefold by radically accelerating campaign speed and quality, while lowering costs.

That reframes how CEOs assess the budget their CMOs request. The question is no longer simply whether to spend more or less, but where the next dollar will generate the greatest return. To find the answer, companies will need measurement tools that can guide allocation in real time, rather than simply telling marketers what worked after the fact.

AI is changing both sides of the growth equation. AI changes what marketers can know about consumers and how quickly they can turn those insights into growth while also changing how consumers decide what to buy.

Marketing departments do see this change happening. In BCG's annual global survey of 300 CMOs, nearly all said AI was driving an end-to-end transformation of their function. But more than two-thirds had yet to move beyond the basics.

They need to get moving. AI can help marketers get their arms around multiplying touchpoints to develop better positioning and personalized consumer experiences. It can also help them innovate faster and more efficiently by identifying emerging trends earlier and even signaling opportunities to create new services around CPGs.

But the information advantage does not belong to marketers alone. Consumers also have access to AI, and they are increasingly using it. A recent BCG survey of 13,000 consumers across 12 markets globally found that nearly a third of shoppers use AI somewhere along their purchase journey—a threefold increase in just 18 months. Approximately 20% use it routinely, and 13% ultimately buy products the AI recommends.

This has profound implications for how CPG brands are found and judged. If a brand is not visible enough to LLMs, consumers increasingly won't find it. But being found is only half the battle. LLMs don't merely respond to a prompt with a shortlist of products; they also evaluate them by drawing on resources from across the web. That includes unflattering reviews and conversations brands don't control, which can unravel a carefully crafted campaign message if the product doesn't live up to the promises marketing made.

Fortunately, AI can also reveal which promises have been broken. Armed with these insights, marketers can craft more robust narratives that stand up to scrutiny. They can also work with other areas of the enterprise to close gaps between product promise and performance.

What Tomorrow's Growth Asks of CEOs Today: Five Questions to Guide Their Thinking

It's not the CEOs' job to redesign marketing. But they do need a sufficient grasp of the transformation their CMO is leading to ensure the right capabilities are funded, old assumptions are challenged, and investments are focused where they can drive the greatest returns. The following five questions can help them get there:

1. Are we using AI to spend less or grow more?

Leading organizations make bold changes to realize productivity gains from AI and fund the journey, but they also focus clearly on the capabilities that ultimately drive growth.

CEOs therefore must determine where to invest to get the most growth from every marketing dollar.

2. Do we have a trusted way to measure the impact of marketing?

Supporting a marketing transformation should not be a leap of faith. The new economics of marketing should deliver more accountability, not less.

The goal is not simply better reporting; it's using AI to bring together fragmented signals to identify which investments are driving incremental growth and test where the next dollar could work the hardest.

This does come with a reality check. While marketing ROI will become more knowable, it will never be perfectly knowable. For this reason, not every marketing activity should be forced into the same ROI calculation. (See the sidebar "Upper-Funnel Brand Investment Can and Should Be Measured.")

– Upper-Funnel Brand Investment Can and Should Be Measured

Upper-funnel brand investment can and should be measured, but against leading indicators of future purchasing behavior, such as consideration and mindshare. Mid- and lower-funnel spending, by contrast, can increasingly be measured against sales and conversion, where modern marketing science can

connect investment to outcomes far more precisely.

For companies that have not already established a measurement foundation, one can be put in place quickly. CEOs, CFOs, and CMOs can align on core measurements for gauging brand health—a scorecard spanning awareness, consideration, trial and conversion, sales and marketing share, and marketing ROI. Within six months, that scorecard should be deeply embedded in the day-to-day operations of the full marketing organization, with real-time insights and proactive alerts enabling teams to optimize campaigns and marketing actions while they are still in market.

Importantly, while agencies and technology partners are critical to execution in the age of AI, this continuous measurement capability should remain within the organization.

3. How are we reshaping major end-to-end processes to capture greater value from every marketing dollar?

It is not enough to deploy point solutions and AI tools and call it progress. Capturing the full value of AI will require changes that cut across traditional processes and budget lines, as the technology becomes embedded in workflows and reshapes the roles of humans within them.

Companies will need to make explicit choices about which decisions agents own, which remain with humans, and where human oversight is essential. That will require new internal capabilities, a shift in the talent mix toward more scientists, evolving agency relationships, and far closer coordination between marketing and technology.

The CEO needs to understand how these pieces fit together. When their CMO requests budget for new AI investments, the CEO should weigh it against potential AI-driven gains across the organization, rather than treat it as a standalone increase in marketing spend.

4. How are we building unique competitive advantage with agentic

marketing that our competitors cannot replicate?

The right AI investments can help companies know more about their customers and act on that knowledge sooner. But advantage comes from combining AI with decades of accumulated institutional knowledge, IP, and experience that competitors cannot easily replicate, while ensuring those proprietary assets remain firmly in the company's control.

For example, a large, global CPG company built an insights agent on top of its raw data to generate campaign briefs. Initially, its outputs were only 50% accurate, little better than a coin toss. But after the company codified how its best marketers developed briefs, the quality checks they applied, and how they answered key questions, accuracy rose to more than 90%. The tool is now reliable enough to save 3,000-plus marketers' weeks of effort each year, while enabling everyone to produce briefs at the level of the company's top talent.

5. Are we investing in the customer journey that's emerging, or the one we already know?

Leading-edge marketing functions today will already be structuring product data so AI systems can easily understand and surface it, optimizing content to provide clear, extractable answers and ensuring it is authoritative enough for LLMs to retrieve, cite, and recommend. They will also be laying the foundation for agentic commerce, where an AI agent can span the journey from product discovery through purchase on a user's behalf.

For decades, CEOs could afford to take marketing's returns largely on faith. Now they can't, nor do they need to. AI is changing not only what marketing can do but how clearly companies can see what is driving growth and where marketing dollars can deliver the greatest returns. But capturing that opportunity will require CEOs to jettison old assumptions about marketing as a cost center and start building it into the enterprise's next growth engine—one that puts AI to work at scale without surrendering the unique intelligence and human judgment that give the company its edge.

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