

How brands win in the digital economy

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**CMO Survey
2018**

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Foreword



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It's a huge pleasure to launch our 2018 CMO Survey. This research, encompassing the views and inputs of 1,000 CMOs and C-level marketing executives around the world, gets to the heart of the challenges and opportunities facing marketers today. Amid huge levels of debate and soul-searching about the state of marketing, and particularly the impact of digital technologies, this report provides a snapshot of CMO sentiment. It also sets out some of the key areas that we believe will be critical if brands are going to be successful in the context of the digital economy.

My own view is that there has never been a more exciting time to be a marketer. Despite some of the more negative headlines, marketing works. But it just works differently from before. To help set some context, I believe three areas of change are particularly important to understand.

First, while the fundamental principles of marketing have not changed, in terms of the tools and capabilities with which brands can execute their strategies we've seen huge disruption. The speed of growth and the variety of new channels through which brands can engage consumers is astonishing. But many brands are guilty of letting the tail wag the dog—of allowing a short-term preoccupation with digital detract from long-term brand-building. As with any innovation, these tools need to be considered in the context of a brand's long-term strategy and as part of an integrated marketing mix that address all phases of the consumer lifecycle.

Second, the increasing volumes of consumer data have put marketing at the apex of the firm's growth engine. With terabytes of data flowing into the marketing function, there is an unparalleled opportunity to spot new opportunities for revenue growth. However, capitalising on that will place new demands on marketers—both in terms of handling data responsibly as well as developing the skills to help separate data from insight.

Third, marketing is now fundamentally a two-way, continuous dialogue with consumers, where most brand interactions are initiated by consumers themselves. Rather than simply pushing messages out of the door, marketers must engage in a conversation of far greater complexity and, usually, less control. Being able to develop creative experiences that attract consumers to you, on their terms, will be essential if brands are to remain relevant.

In a demand-led economy, it's those brands that are best at reorienting their business and operating models around the consumer that will win. That can take time and money, both of which are in short supply—CMOs identify a lack of long-term investment as the key challenge to delivering their strategy. Breaking this cycle of short-termism and communicating better the business value of long-term brand investment will be critical to embracing the potential of disruption and winning in the digital economy.

I'd like to thank those CMOs who took the time to share their views with us and I look forward to continuing the conversation over the coming months and years.

The speed read

- We believe that there has never been a more exciting time to be a marketer. Digital technologies may be arming marketers with new tools to deliver their strategy. But it is the deeper shift towards a digital economy that demands a more fundamental resetting of a brand's long-term strategy than many appreciate.
- To help understand how brands can win in a digital economy, we conducted a global survey of 1,000 CMOs and senior-level marketers from across ten markets and across industry sectors.
- Our analysis shows marketing in flux, but by no means finished. Most CMOs expect their budgets to increase over the next 12 months. But the composition of that spend is changing. Those able to adapt quickly enough to the realities of the digital economy will be the winners.

Barriers to entry are being eroded

- Digital technologies have helped erode barriers to entry and create the conditions of near-perfect competition between producers and consumers. In this demand-led economy, growth is emerging from unexpected quarters as brands step out of their traditional industry.
- Within this context, CMOs are in a unique position as the 'growth antennae' of the business, turning consumer insight into the next commercial opportunity. Reflecting this, two-thirds of CMOs see driving business growth as their primary role.
- How can CMOs support business growth? Primarily by securing long-term consumer relationships (70%) and finding new sources of revenue (63%).

Data is unlocking new growth—and risk

- Data is the enabler that allows businesses to identify new growth opportunities. If you have the data, you have the advantage. Over the next 2-3 years, CMOs see the ability to use data to reach real people, rather than proxies or customer segments, as the number 1 strategic opportunity.
- However, a data breach or misuse of consumer data is also the number 1 strategic risk, identified by a third of CMOs globally. Furthermore, 60% of CMOs believe that the European Union's General Data Protection Regulation (GDPR) will make it harder to build a direct relationship with consumers.

Competition for consumers is intensifying

- While the ways in which brands can reach consumers are becoming more diverse and tech-driven, the challenge is that many consumers are simply not that interested in 'traditional' forms of advertising.

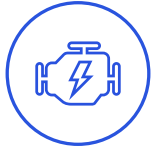
- CMOs confirm that engaging is the most challenging part of the consumer lifecycle for businesses to deliver against—both today and in the future. Why? Increasing levels of competition (56%); consumers' intolerance for advertising (46%); and information overload (44%).
- As competition intensifies for consumer attention, how can brands capitalise on moments of interaction that will be increasingly rare and most often initiated by consumers themselves?

Capitalising on consumer attention

- The answer lies in creating a model of consumer interaction where each touchpoint provides a potential route to a transaction, requiring all elements of the marketing machine to be aligned in real time. How can brands create these perfect moments of marketing? Five ingredients stand out:
1. **Create experiences:** Creating ideas and campaigns that connect emotionally and endure will be critical if brands are to attract consumers to them, rather than pushing more traditional messaging to them. 71% of CMOs believe this to be the case.
 2. **Target real people:** 79% of CMOs believe that the use of data to target real people rather than proxies will be important to maximising the value of consumer relationships over the next 2-3 years. Adapting to a fluid regulatory environment and flexing capability across people-based, device and panel data will be key.
 3. **Rethink media:** The definition of media is changing and has moved beyond distribution channels alone. CMOs also choose to define it more broadly across technology (48%), content (44%), distribution channels (41%) and data (38%). Each of these provides a potential source of consumer insight and a more holistic way of using media to reset strategy. But, while CMOs agree that value from media investment lies in sales growth (identified by 76% of CMOs), as yet a far smaller proportion are using this insight to reset their strategy.
 4. **Close the brand commerce gap:** Maximising the potential value of consumer engagement requires brands to ensure that each point of interaction can potentially result in a sale. More than two-thirds of CMOs say that integrating brand engagement and commerce/conversion will be an important way of engaging consumers over the next 2-3 years.
 5. **Embrace authentic brand purpose:** Nearly 70% of CMOs said that connecting their brands to social impacts was an important way to engage consumers. As younger generations take an active interest in the social and ethical performance of brands in their decision-making, this capability will only increase in importance.

But a number of challenges need to be addressed

- While the key ingredients of success in the digital economy are emerging, there are a number of challenges that will need to be overcome if this potential is going to be fully realised. A handful emerge from our survey:



Making marketing an innovation engine

Only one third of CMOs see their primary role as leading disruptive innovation—and only a slightly higher proportion see their role as delivering business transformation. These activities will likely need to grow as priorities if brands are going to reorient themselves quickly around the needs and wants of the consumer, reassessing their strategy and changing the business accordingly.



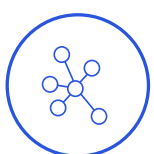
Securing long-term investment

Nearly half of CMOs identify securing long-term investment as the biggest challenge to delivering their marketing strategy. CMOs find themselves managing competing imperatives—not least, the need to deliver short-term results while also building a long-term brand proposition. Shifting the focus back to long-term, sustainable brand health will be needed to help engage consumers and deliver consistently.



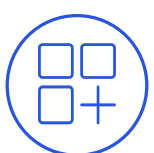
Managing the data deluge

While there is more data available today, 61% of CMOs believe it is harder to extract insight from it. This places a new emphasis on skills and capabilities, particularly in such areas as data science. Brands are currently focusing on 'build' versus 'buy' strategies to engage consumers better through data, including making better use of existing data (57%); hiring specialist talent (52%) and developing training programmes for existing employees (48%).



Harnessing the ecosystem

The way in which brands engage with external partners and suppliers is changing. For example, 52% of CMOs will bring more marketing capabilities in-house over the next 2-3 years, while one third will reduce the number of marketing agencies they work with. Building internal capability while also marshalling an increasingly diverse set of service providers will be equally important.



Working better with marketing agencies

CMOs believe that an explicit focus on efficiency and cost reduction is the weakest area demonstrated by the marketing agencies they work with—followed closely by their ability to provide fully integrated solutions across all elements of the marketing mix. This finding speaks to the need for agencies to reduce complexity for brands while also maintaining a clear eye on the competitive cost pressures they face.



1. Marketing in turmoil?

2018 has generated plenty of gloomy headlines for marketers within global brands. It seems like marketers and brands are facing unprecedented challenges as the digital economy continues to disrupt the way we engage with consumers. Many commentators have judged that the traditional marketing funnel is fundamentally broken—at both ends. There are doubts about the effectiveness of advertising mediated through digital media platforms and even questions about many of the assumptions by which marketers have navigated for many years. We've seen high-profile consumer packaged goods companies radically pulling back how much they spend on ads, the impact of ad tech, big consultancies entering the industry and advertising fraud and brand safety.


To understand the changing dynamics of marketing in a digital economy, we surveyed 1,000 CMOs and C-level marketing executives around the world (see page 35 to learn more about the respondents). Their insights help put the current debates surround marketing into broader context and underline the need to take a longer view on the impact of the digital economy.

Consumer goods companies are pulling back spend

The past year has seen a number of big name consumer goods brands make public commitments to cut marketing spend in response to slowing market growth, increased competition and investor pressure. Unilever, which has a €7.5 billion marketing budget, has announced that it will halve the number of agencies it uses globally and cut the number of ads it produces by 30%. Procter & Gamble has decided to halve the number of agencies it uses while Nestlé has similar plans. While our analysis of future marketing budgets (see page 10) suggests that these examples are not representative of companies as a whole, nevertheless they have been instrumental in fueling a debate about how to increase the effectiveness of marketing spend.

Ad tech is growing in power

In an economy in which data increasingly means the power to target and tailor, power is flowing towards those companies which can collect more. Google and Facebook represent about [60% of the US digital ad market](#) and have captured about [90% of the growth](#) in spending, as brands look



to leverage their ability to reach consumers. While there have been concerns raised about the dominance of their market position and the effectiveness of digital media spend, many CMOs see building a good relationship with ad tech companies as an opportunity and central element of their future strategy.

Concerns about digital media effectiveness

Powerful voices have decried the lack of transparency in media supply chains, lack of common standards, unreliable measurements, and new forms of fraud such as using bots to bump numbers. They, and others, have brought into the open a number of discussions about measurement and effectiveness. Overall, this has helped fuel a lack of trust in digital media. However, as our analysis shows, CMOs continue to see digital media platforms as a key element of their marketing strategy.

Management consultancies are entering the fray

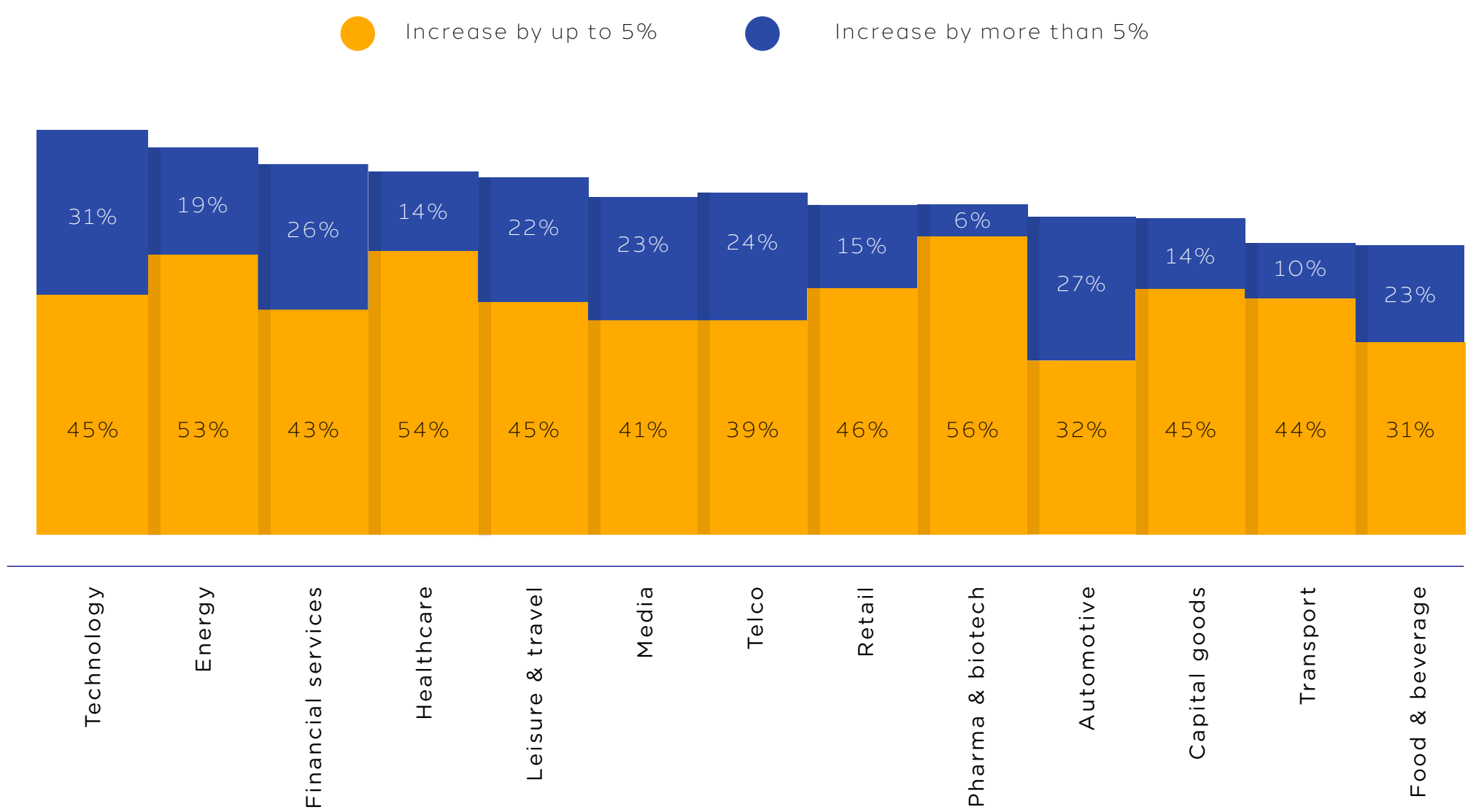
In 2017, for the first time ever, four management consultancies entered Ad Age's ranking of the 10 largest agency companies in the world. In that year, the marketing services units of Accenture, PwC, IBM and Deloitte had a combined revenue of \$13.2 billion. That was only a little less than WPP, Omnicom, Publicis Groupe, Interpublic and Dentsu. As these companies continue to acquire, they look set to be more significant features on the marketing services landscape.

Overall, marketing budgets look positive

Despite the headlines about marketing budgets at larger consumer goods companies being scaled back, it seems they aren't representative of the wider trend. Most CMOs, in fact most sectors, are expecting their budgets to increase over the next year (see Figure 1), with the technology sector leading the way. More than 40% of CMOs expect their budgets to increase up to 5% and over one fifth expect them to increase by more than this. Companies of all sizes said the same thing: that they're expecting to have more money to spend. And broadly speaking, respondents at bigger companies are more likely to expect their marketing budgets to increase than those at smaller companies. Geographically, even in markets facing an uncertain economic future, CMOs are bullish. For example, in the United Kingdom, 73% of CMOs expect their budgets to increase over the next year, despite lingering uncertainty about the terms of the UK's departure from the European Union.

Figure 1: Most CMOs expect positive growth in marketing budgets over the next 12 months

How would you expect your marketing budget to change over the next 12 months?
(% choosing each option by industry sector)



Source: Dentsu Aegis CMO Survey 2018

The composition of this spending, however, is changing. This report paints a picture of brands in flux. There is considerable rethinking going on, even about the purpose of marketing itself. The rules of the game are changing. Marketing is not dead—it just works differently from before, and success requires different skills, strategies, and attitudes. How so? And what do brands need to start doing differently? To answer these questions, the next section will look at how digital technologies are profoundly changing the context in which marketing operates and making it harder to engage consumers; section 3 identifies the key capabilities that will be needed to engage consumers; section 4 highlights some of the challenges that brands still face if they truly want to thrive in the digital economy; and section 5 offers some conclusions as well as practical questions for CMOs to take away and reflect on.

2. Digital trends disrupting marketing

There has been much debate in recent years about the impact of the digital economy on marketing. Some commentators accuse brands of embracing digital for digital's sake. Others suggest that brands have not embraced digital enough. Our view is that the digital economy has fundamentally changed the market dynamics in which brands operate—and that this will accelerate in the future. Before asking how to use emerging digital technologies such as virtual and augmented reality to engage consumers, the larger question brands must address is how they ensure long-term brand health within an economy that is being transformed by digital. Some of the key trends that this transformation has generated are explored below.

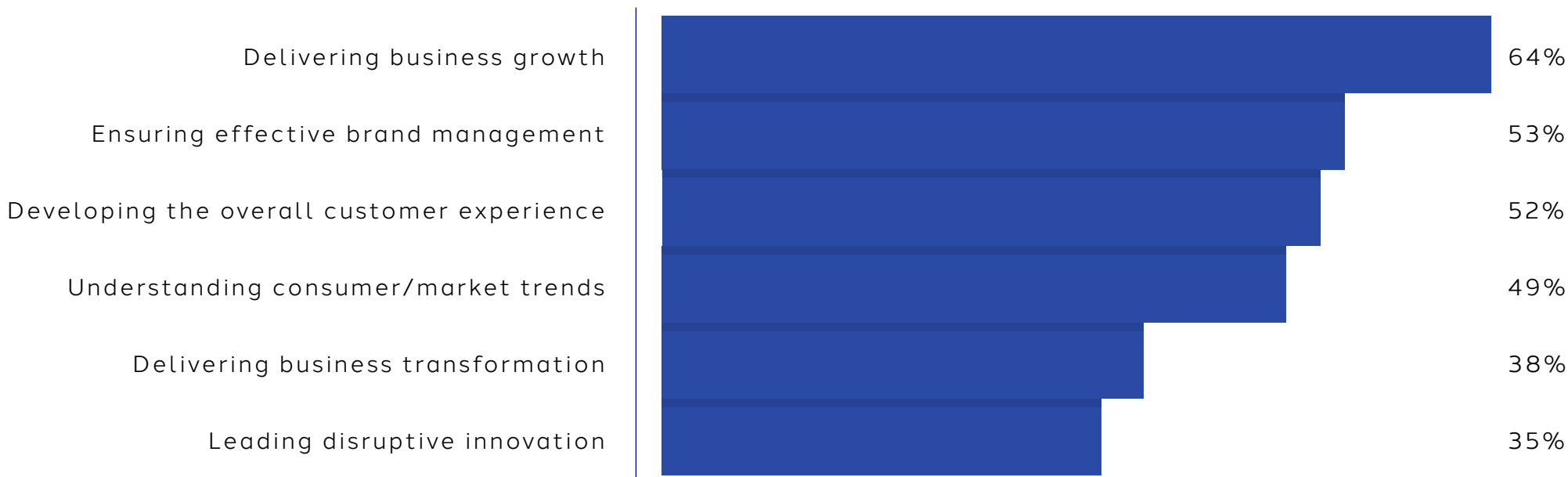
Digital erodes barriers to entry

Digital technology has helped erode barriers to entry, disrupt incumbents and eviscerate information asymmetries, creating the conditions of near-perfect competition between producers and consumers. This means that growth is coming from unexpected quarters as brands step out of their traditional industries into adjacent sectors. For example, technology companies such as [Apple](#), [Google](#) and [Uber](#) are now making forays into the healthcare industry.

In that context, it is perhaps not surprising that CMOs see the primary role of marketing as being about growing the business (see Figure 2). After all, this has always been its main objective. But, in recent years, many brands have perhaps become distracted from this mission by the rise of multiple digital tools and online marketplaces. As a result, many brands have since appointed Chief Growth Officers to join the C-suite, either alongside or instead of the CMO, to ensure that this critical role does not get lost in the noise and complexity of the digital era. As competition intensifies, the role of marketers as the growth antennae of their organisations will only gain in importance. However, not all CMOs agree. For example, in the telco sector, CMOs see the main role of marketing as developing the overall customer experience, with business growth some way down the pecking order.

Figure 2: CMOs see delivering business growth as the primary role of marketing

What do you see as the primary role of the marketing function within your organisation? (% ranking in top 3)

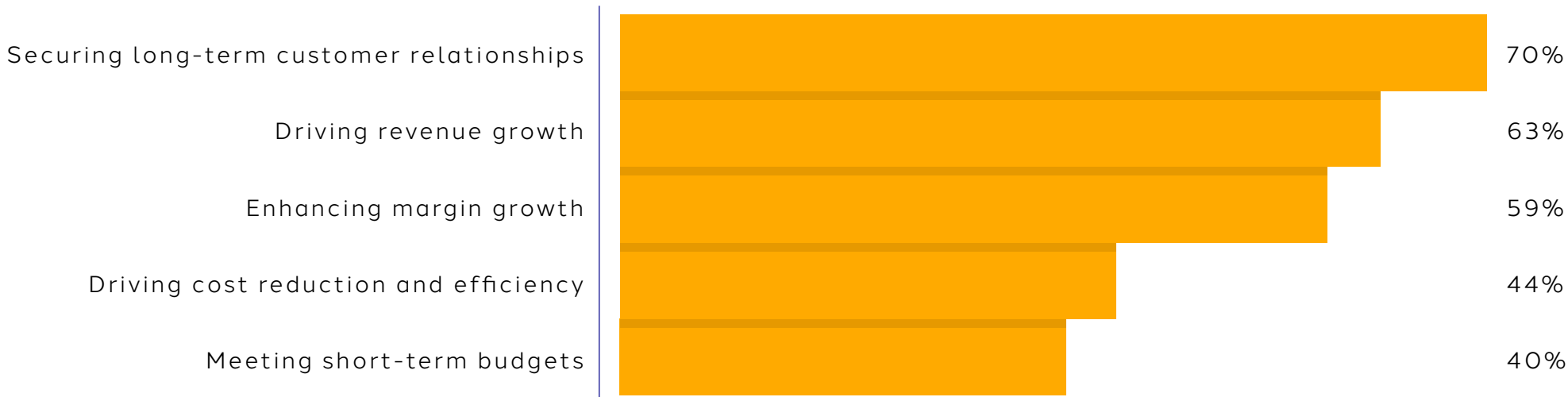


Source: Dentsu Aegis CMO Survey 2018

In terms of supporting business growth, a higher proportion of CMOs said their role was about securing long-term customer relationships (70%) than about driving revenue growth (63%—see figure 3 below). The trend is particularly marked in fast-moving consumer goods sectors where customer switching is easiest, such as the food & beverage and technology sectors.

Figure 3: Securing long-term customer relationships is primarily how CMOs support business growth

What do you see as the primary role of the marketing function in supporting business growth? (% ranking in top 3)



Source: Dentsu Aegis CMO Survey 2018

Data unlocks new growth opportunities

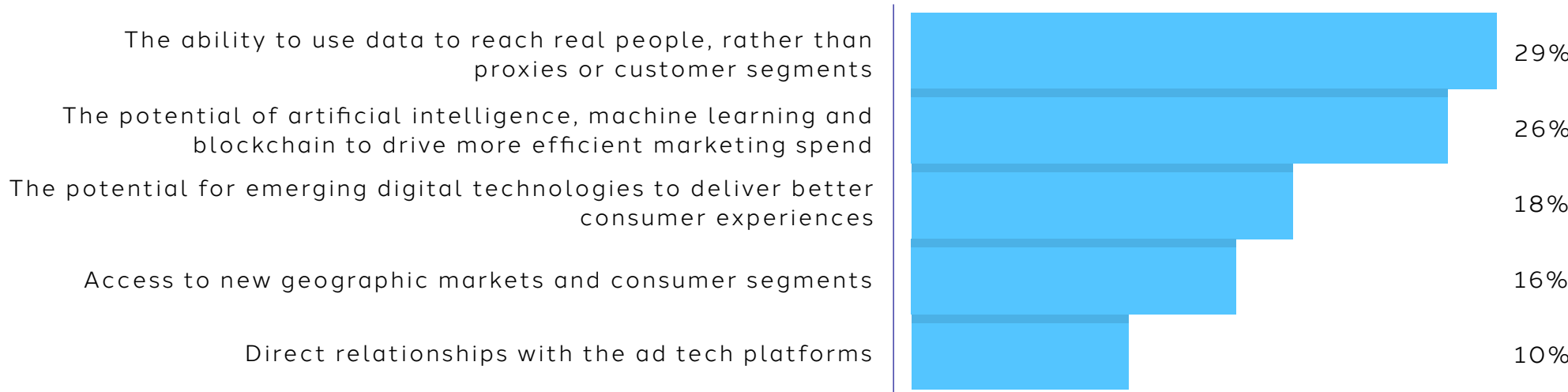
The volume and precision of consumer data continues to grow. But the ability to draw actionable insight from that data is what really makes the difference. It enables brands to build up a more accurate picture of consumers and helps them meet consumer needs more effectively.

People-based marketing, in other words marketing that enables brands to direct all marketing messaging to real people (in addition to devices and customer segments/panels) in a more personalised and relevant way, has emerged as a major area of focus for global brands in recent months. And it looks set to be a significant source of growth in the future. Over the next 2-3 years, CMOs see the ability to use data to reach real people, rather than proxies or customer segments, as the number one strategic opportunity (see figure 4).

The ability to act upon this does differ by industry, though. For CMOs in the energy, financial services and tech sectors, the number one opportunity is the potential for artificial intelligence, machine learning and blockchain to deliver more efficient marketing spend. [Salesforce estimate](#) that just over half of marketers currently use artificial intelligence, with an additional 27% expected to incorporate the technology by 2019.

Figure 4: Using data to reach real people is the #1 CMO strategic opportunity

What are the biggest strategic opportunities you foresee over the next 2-3 years?
(% ranking number 1)



Source: Dentsu Aegis CMO Survey 2018

But data is also a key source of risk

With the increasing volume and sophistication of data-led marketing solutions comes a downside risk. Headlines over the last year have been full of stories of data breaches and use of customer data in ways which have unnerved customers and policymakers alike. Data may be the big marketing opportunity of our times—but the strategic risk that concerns marketers most, by some margin, is a data breach or misuse of consumer data (see Figure 5).

Figure 5: A data breach is the #1 strategic risk for CMOs

What are the strategic risks that worry you most over the next 2-3 years?
(% ranking number 1)



Source: Dentsu Aegis CMO Survey 2018

A fluid regulatory context

To add to CMOs’ concerns, the regulatory context surrounding people-based marketing is complex and changing rapidly. Our survey was conducted in the weeks leading up to the European Union’s General Data Protection Regulation (GDPR)

coming into force on 25 May 2018. But even before this date, concerns about the legislation were keenly felt. 60% of CMOs believed that data protection regulation such as GDPR would make it harder to build a direct relationship with the consumer, with CMOs from Financial Services particularly likely to believe this (see figure 6).

Figure 6: Most CMOs believe data protection legislation will make it harder to build a direct relationship with the consumer

Data protection legislation (e.g. GDPR) will make it harder to build a direct relationship with our consumers (% agreeing by industry sector)



Source: Dentsu Aegis CMO Survey 2018

Since GDPR came into force, other jurisdictions have followed suit. Late in June 2018, California enacted what is regarded as the most stringent data protection regulation in the United States. Other states may follow suit. Overall, the impact of these developments is likely to have a ripple effect around the world. Why? Because faced between a choice of having different data protection policies and practices for consumers in certain parts of the world (which could be costly) or choosing to adopt more stringent standards on a global basis, many companies may choose the latter.

In the near term, legislation has contributed to a climate of growing caution among brands and publishers in the weeks and months since our survey was conducted. Many are now more risk-averse when it comes to sharing data. The media ecosystem as a whole is taking time to work through the ramifications of events in Europe and California. Longer term, however, the direction of travel is clearly towards accessing the best fidelity of data. Brands must continue to flex their data capabilities across people-based, device and customer panel data, both to respond to a more fluid regulatory environment and to exploit fully the clear opportunity that data presents to drive better insight, efficiency and effectiveness.

There is a proliferation of new marketing players

Just as the digital economy has helped open up industries to new entrants and competitors, so too the traditional marketing world has been challenged by new, tech-enabled insurgents. Some of the biggest tech companies in the world—Google, Facebook, and Baidu—are also media companies. According to Credit Suisse, Facebook and Google now account for one fifth of all global ad spend. Ad tech startups are also making their presence felt, with many developing competitive, niche value propositions. Meanwhile, management consultancies are entering the ad industry through the high-profile acquisition of a number of marketing services agencies.

Reflecting these trends, more than half (54%) of CMOs are planning to increase their own investments in digital media platforms over the next two or three years. Nearly half plan to increase the number of marketing specialists they retain, while almost one third are planning to increase their work with management consultancies (see Figure 7), underlining the changing dynamics around the marketing industry and growth in tech-enabled platforms and startups.

Figure 7: Most CMOs plan to invest more in digital platforms and bring capability in-house

How will your partner/supplier approach change over the next 2-3 years?
(% selecting each option)



Source: Dentsu Aegis CMO Survey 2018

Despite scare stories about the demise of the traditional marketing agency, only one third of CMOs say they will reduce the number of external agencies they will work with. However, this trend, coupled with the popularity of in-housing marketing capabilities, does speak to the cost pressures facing brands and the need to demonstrate effectiveness of marketing spend.



Competition for consumers is intensifying

One of the most challenging trends facing marketers within global brands is the creeping realisation that often consumers don't really want to see advertising—at least not in its traditional form. As well as the spectre of [Facebook shifting its algorithm](#) to downplay commercial content, we've encountered increasing evidence that consumers are overloaded with information.

One possible cause of consumers' rising intolerance for advertising could be their own increasing power. Today, it's easier than ever for them to find only the product information they need rather than commercial messages about it. And they can do it only at the time when they need it. With 91% of people regularly [reading reviews online](#) and 80% of millennials only [buying after reading](#) a review, consumers may be less responsive to paid messages than ever.

Almost half of all CMOs say that consumers' intolerance for advertising is one of the key barriers they expect to face when building relationships with consumers in the next two to three years (see figure 8).

Figure 8: CMOs see a battle for consumer attention emerging

What are the key barriers you face when it comes to building better relationships with consumers over the next 2-3 years? (% ranking in top 3)



Source: Dentsu Aegis CMO Survey 2018

At 56%, increasing levels of competition are the biggest barrier to better consumer relationships, according to CMOs. With more and more brands competing to build relationships with consumers, the ability to do something different and stand out from the crowd is critical. In the next section, we'll look at how brands can do this.

3. Capitalising on consumer attention

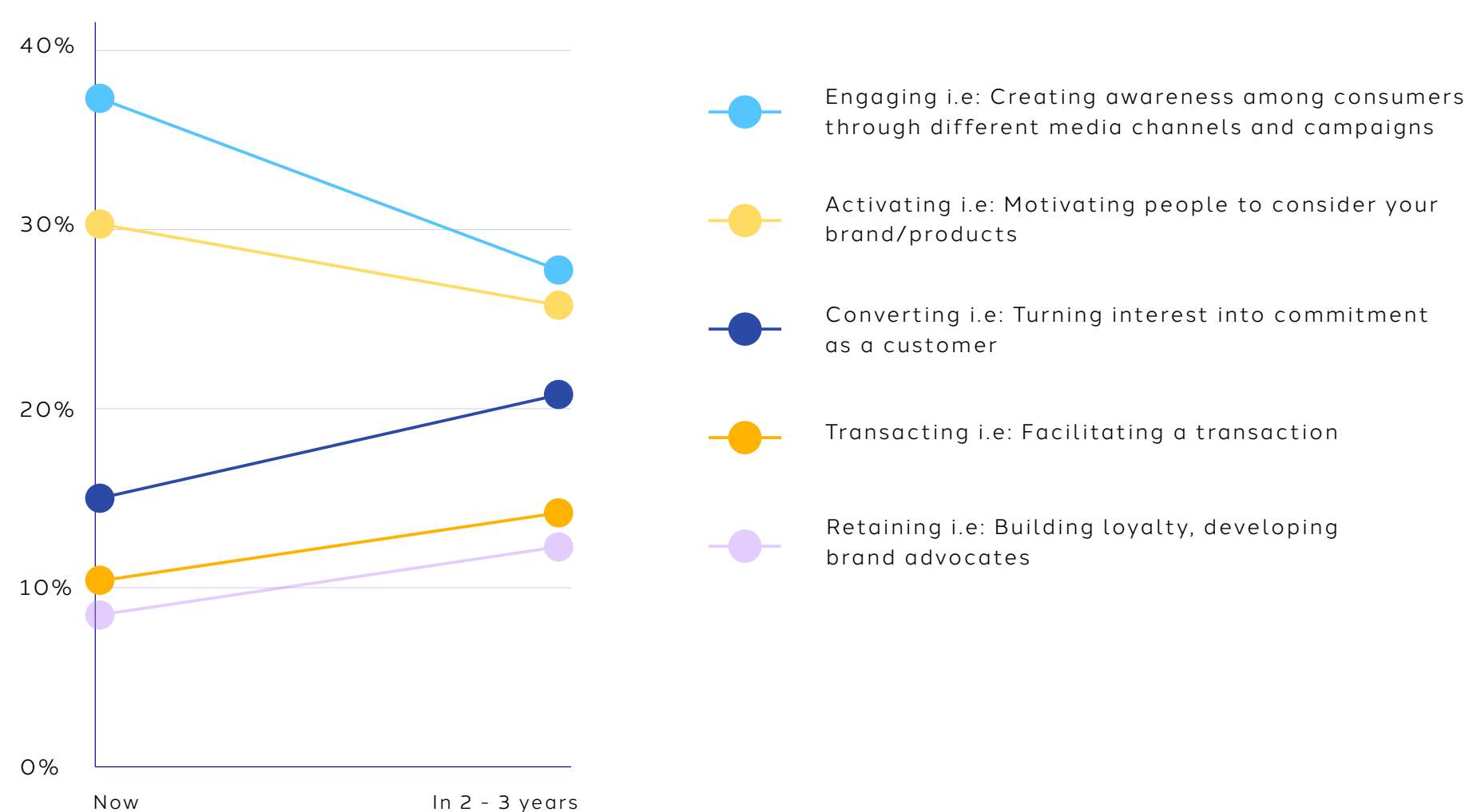
Brands are faced with increasing levels of competition for consumer engagement. As the internet has reduced barriers to entry, consumers have had access to greater choice in many markets. Combined with almost frictionless switching and substitution options, increasingly transparent pricing, and the opportunity to buy anywhere at any time, the landscape has become easier for new, digitally enabled entrants to challenge incumbent companies, even if they have smaller marketing budgets. No wonder CMOs name increasing competition as the primary challenge they face. It is possible to succeed in this environment. But it means brands will have to do some rethinking.

Perfect moments of marketing


Against this backdrop, it should come as little surprise that most CMOs say that the part of the consumer lifecycle which they find hardest both today and in 2-3 years is engaging—creating awareness among consumers through different media channels and campaigns (see Figure 9).

Figure 9: CMOs recognise that capitalising on consumer engagement will get increasingly hard

Which phase(s) of the consumer lifecycle do you think is the most challenging for your business to deliver against (a) today and (b) over the next 2-3 years? (% ranking number 1)



Source: Dentsu Aegis CMO Survey 2018



That converting, transacting and retaining are to become more challenging speaks to the overall lifecycle that CMOs envisage. While there may be a near-term focus on reaching as many consumers as possible, in future that will need to turn into ensuring that they become loyal, paying customers. But it also perhaps speaks to the need to consider each phase of the consumer lifecycle not sequentially, but simultaneously.

Today, potential customers are discovering brands from targeted adverts on social media platforms like Facebook and Twitter, from news stories which link directly to brand sites, or online in other ways. As soon as they arrive at a brand site, potential consumers expect both to be inspired and to be able to make a purchase. The gap between brand inspiration and commercial interactions has closed. Today, the focus is on creating perfect moments that delight, inspire and activate audiences, potentially provoking them to buy online, in the moment.

This is a different approach from old assumptions about how marketing works: that an advert raised awareness of a product, and only then would a consumer think about where they had to go to buy it. Instead of pushing messages out on their own terms, today consumers get messages when and how they want to, which will often be a platform on which they can make a purchase in response to the moment of discovery. This puts the onus on brands to ensure that their sales machine is ready to go at that point, to maximise the value of that interaction.

How can brands stay relevant?

This hyper-competitive environment will be a reality for the foreseeable future. Given that, what should brands do differently to compete? The good news is that plenty of brands and marketers are figuring out strategies to compete in this new environment. Here are five.

1. Create experiences

One of the reasons it's so hard for an ad to stand out is that consumers know what an advert is. And it's not automatically something which gets their attention because the rules of the game are so well established. To secure attention, you have to break those rules.

One of the ways some of the most forward-thinking marketers do that is by using creativity and technology in new ways. In the past, discussion of creativity remained within relatively well-defined parameters such as the copy, the artwork, and the story. Today, creativity also entails questions about which media to use, which technology to use, and how to combine them to deliver innovative and memorable brand experiences. Augmented, virtual and mixed realities, alongside the internet of things, are expanding the creative canvas. Integrated solutions are enabling more personal, engaging and immersive experiences. Within this context, marketers must work on creating experiences as well as ads.

For example, KFC has been in China for 28 years, but recently undertook a project to digitise its 5,000 restaurants in the country. It partnered with Baidu, WeChat and Alibaba payment services to allow customers to stream music by scanning codes from their food tray, preorder meals, and play games. The objective was to create a memorable moment that delighted the customer.

Today, creativity is about what people see, feel, touch and experience about a brand. The ability to connect emotionally with consumers can help brands cut through the noise. 71% of CMOs recognise that generating ideas that connect with people emotionally are what will make them stand out and maximise the value of consumer engagement over the next two to three years.

2. Target real people

One of the most striking findings of the survey was the excitement around the ability to target specific individuals, not just proxies or segments. Data now enables marketers to get a rich understanding of their target market as individual people. Not only can this significantly improve conversion rates, it also increases the relevance of ads that people see. For example, [Castle Chevrolet used Facebook](#) ads to target users technology (15%) and food & beverage (14%) their showrooms as well as those who lived near Castle's top competitors. The ads featured a map showing exactly how close Castle's dealerships were to the audience. The three-month campaign provided an eye-watering 23x return on advertising spend.

As consumers grow weary of traditional ads and are rightly intolerant of messaging that is not tailored to them, the vast majority of CMOs (79%) agree that effective use of data to target real people, not proxies, will be important to maximising consumer engagement over the next 2-3 years. Of course, this capability represents a very different approach to marketing for many CMOs. But the good news is that the majority of CMOs say they have the influence they need over their company's data strategy (see figure 10). It looks like the need to use the right data to build relationships with potential consumers as individuals is understood across the C-suite.

Figure 10: Most CMOs believe they have sufficient impact on their company’s data strategy

As a marketing leader, I have sufficient impact on the direction and delivery of our data strategy (% respondents agreeing)



Source: Dentsu Aegis CMO Survey 2018

3. Rethink media

The concept of media is evolving beyond distribution channels. A broadly similar proportion of CMOs see media as encompassing technology, content and data alongside the more traditional distribution channels (see figure 11). This speaks to the broader set of touchpoints through which brands can reach potential customers but also increases the richness of insight that they are able to derive from them.

Figure 11: CMOs now have a broader definition of ‘media’

How do you define ‘media’ within your organisation? (% selecting each option)



Source: Dentsu Aegis CMO Survey 2018

One implication of this broader concept of media is that it opens up new sources of value to the business. Today, the clear majority of CMOs measure the value of media in terms of sales growth (see Figure 12). For example, M.Gemi, a direct-to-consumer luxury footwear brand, [increased sales by 20%](#) following the introduction of weekly previews of new styles on Instagram Live. Many brands also see brand enhancement as key source of value, alongside cost reduction and reach/frequency. M.Gemi saw traffic to its website increase by 51% following introduction of the product sneak peaks.

A far smaller proportion, however, see the value of media in strategic planning. Moving forward, we might expect this to increase as marketers realise that the value of media is not just in outward broadcasting. It is also in the inbound messages and data it generates. Online strategies generate data which offers an exceptional level of insight which can be used to plan subsequent strategies and reinvent the business around the needs of the consumer. Sales growth will always be key—but marketers who fail to use an increased set of insights to contribute to strategic planning will be missing a trick.

Figure 12: CMOs see the value of media in sales growth—but strategic planning is a big opportunity

How do you measure the value you derive from your investment in media?
(% ranking in top 3)



Source: Dentsu Aegis CMO Survey 2018

4. Close the gap between brand and commerce

One key way CMOs are finding to stand out and create those precious moments is by creating interactions which unite the moment of inspiration and engagement with the moment of conversion. ‘Brand commerce’ unites the two.

CMOs are moving from pushing out messages on their own terms to accepting that consumers are receiving their messages when and how they want to, so the conversion ‘machine’ has to be ready at that point. In other words, once your creative work has created that magic moment of discovery, the opportunity to buy needs to be aligned to maximise the value of that interaction. For example, apps such as [Markable](#) enable users to take a picture of any outfit and, using image recognition software, purchase the outfit with the click of a button. And [Snapchat has partnered with SeatGeek](#) to enable in-app ticket buying, so that if you see content for a particular show that you like you can buy tickets there and then.

This ability to turn spur of the moment engagement into a commercial transaction is at the heart of brand commerce. It’s perhaps no surprise, then, that more than two thirds of CMOs say that integrating brand engagement and commerce/conversion will be important in the next 2-3 years. This view is particularly prevalent in the energy sector, where more than 80% of CMOs believe brand commerce will be key.

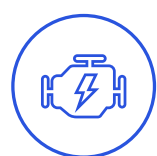
5. Embrace authentic brand purpose

Brands can also increase consumer engagement by embracing brand trust and transparency, and aligning themselves with their positive social impact. Unilever's Paul Polman has demonstrated this with brand sustainability, and brands like Ben and Jerry's and the Body Shop have been doing it for years. Nearly 70% of all CMOs said that connecting their brands to positive societal impacts was an important way to engage consumers. Only 13% disagree. The consensus is that in an attention-light world, brands can garner attention and loyalty by tapping into target consumers' strong feelings about social, political, and economic issues. Needless to say, such moves are fraught with risk. Consumers punish any signs of inauthenticity or opportunism. But the opportunity is large. Done right, this alignment can build incredible brand loyalty and drive consumer engagement.

For example, global drinks brand Smirnoff developed a campaign that addressed the issue of gender equality, focusing in particular on female representation in the [electronic music scene](#). The results of the campaign showed the value of tapping into the social zeitgeist: in the United States, purchase intent increased by 14.6% and in the United Kingdom unaided brand awareness increased by 17.8%.

4. Bridging the gap

There are clear routes that marketers can take to maximise the value of attention and reorient their businesses around the consumer. But building these capabilities isn't straightforward. To do so effectively and build a more future-proof strategy that can help deliver long-term brand health, companies need to take action on a number of fronts.



Making marketing an innovation engine

Firstly, brands need to start thinking about marketing not just as a way to grow the business, but as a way to change the business. In recent years, traditional business models in everything from taxis to razors have been disrupted. Marketing a slightly upgraded product in a way which gives them an emotive punch is at the heart of many of these innovations. In short, marketing can drive disruptive innovation. Companies like Dollar Shave Club have disrupted established business models in the shaving and grooming sectors, as Uber has done with urban transportation. While these brands' success is due largely to their business models, the emotional affinity they've built with their customers is down to their marketing. Ten years ago, nobody would have imagined that a technology company could make taxis cool. These brands demonstrate what marketing can achieve when it thinks disruptively.

Many companies have responded to innovators such as these with a sense of urgency about the need to become disruptive innovators themselves, even if only to avoid being the target of similar disruption in their sectors. However, it seems that this attitude has some way to go before it becomes the new normal. Only about one third of CMOs see leading disruptive innovation as marketing's primary role and agreement on this question varies significantly by industry (see Figure 13).

Figure 13: CMOs from the telco, energy and tech sectors are most likely to see disruptive innovation as part of marketing’s primary role

What do you see as the primary role of the marketing function within your organisation? (% ranking ‘leading disruptive innovation’ in top 3)



Source: Dentsu Aegis CMO Survey 2018

For example, CMOs from the telecommunications, energy and technology sectors see leading disruptive innovation as a key role of marketing—speaking perhaps to the high levels of innovation already being witnessed within those sectors. At the other end of the spectrum, CMOs from transportation sector are the least likely to see disruptive innovation as a primary role of marketing, reflecting the challenges of breaking new ground in such a high-legacy sector. Geography also appears to be a factor: nearly half of CMOs in the United States cite disruptive innovation as a key role, while only a quarter of CMOs from the United Kingdom agree.

The marketers who think and act disruptively will be critical to keeping pace with the consumers of tomorrow. Companies which don’t reorient themselves around the consumer will be overtaken by those which do.

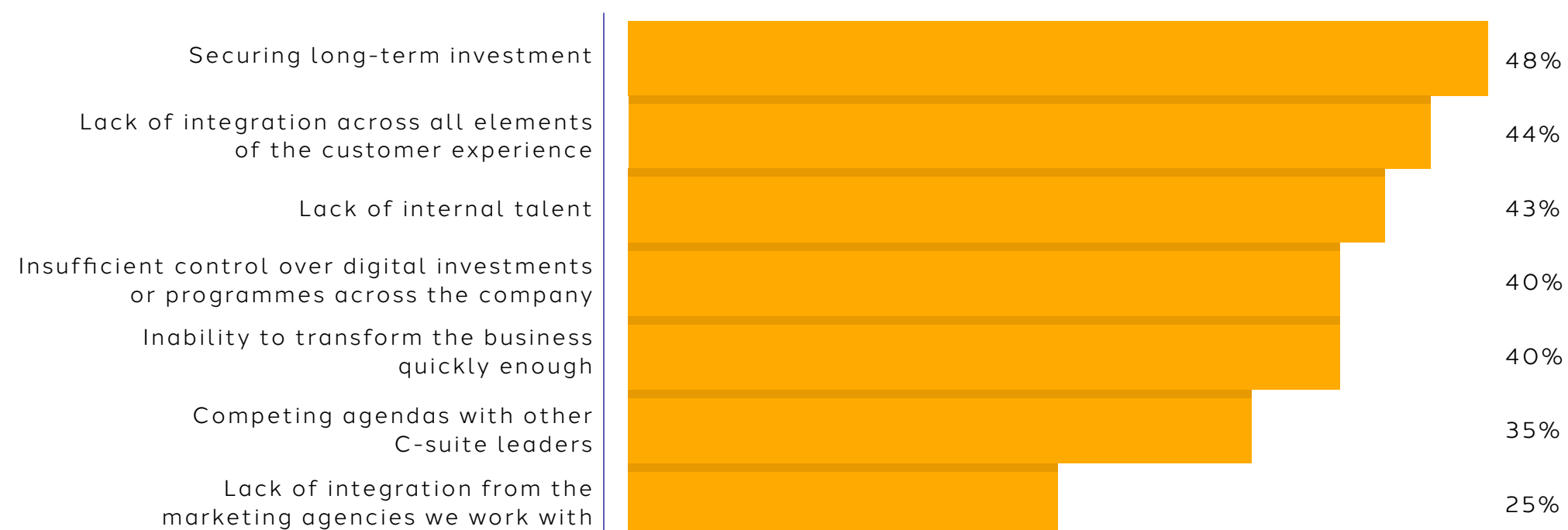


Securing long-term investment

The second part of the strategy successful marketers will take to win is making sure their departments have the budget to innovate, experiment creatively and technologically, and build emotional connections with their potential customers. Securing this kind of long-term investment is a challenge. Nearly half of all CMOs say it is a serious concern (see Figure 14) and represents the biggest obstacle they face in delivering their marketing strategy.

Figure 14: Securing long-term investment is the biggest challenge CMOs face to delivering their strategy

What are the key internal challenges you encounter to the delivery of your marketing strategy? (% respondents ranking in top 3)



Source: Dentsu Aegis CMO Survey 2018

The challenge of securing long-term investment is felt most acutely by smaller companies—53% of marketers from companies with revenues of under \$1 million identify this, the highest proportion out of the different revenue cohorts. Finding better ways to communicate to the board the long-term value of marketing investment must be a key priority if CMOs are going to break the cycle of short-term budgeting.

For all companies, this challenge may also be exacerbated by the fact that [CMOs tend to have a shorter tenure](#) than any other member of the C-suite, averaging just 4 years in the United States, for example, compared to 8 years for the CEO and 5 years for the CFO.

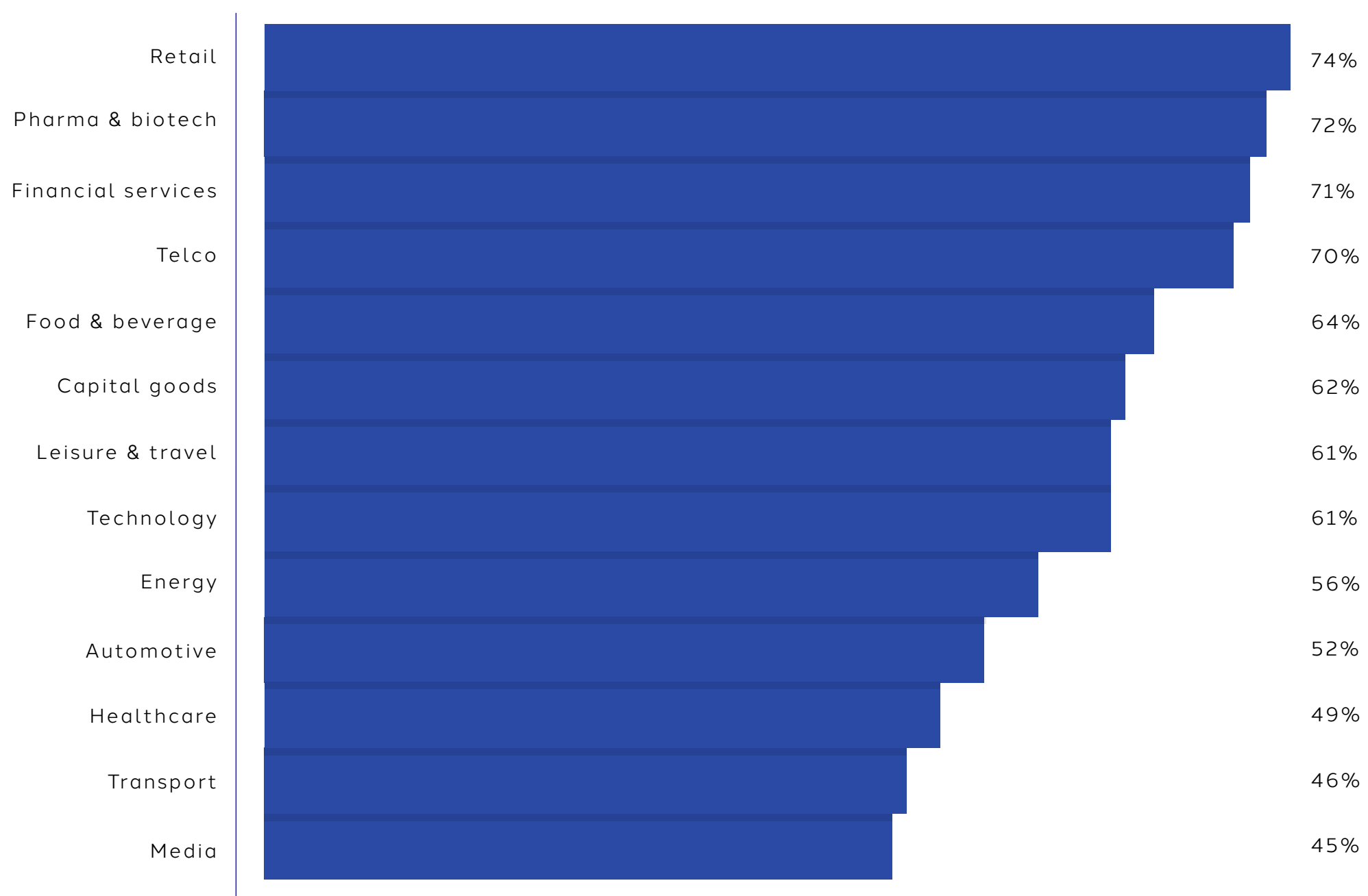


Managing the data deluge

Third, successful marketers will learn or hire the skills they need to make the best of the deluge of data to which they now have access. Today, it is easier than ever to gather a great deal of data on target markets. Access to data is increasingly moving from being a source of competitive advantage to being a basic necessity. That in turn moves the source of competitive advantage to other skills such as knowing what data to ask for in the first place, the ability to derive a meaningful interpretation from it and to generate exceptional creative content based on the insights it provides. Nearly two-thirds of respondents agree that although there is more consumer data available today, it is harder to extract insight from it. This is particularly acute in the retail sector and other consumer-facing industries (see Figure 15).

Figure 15: CMOs from the retail sector are the most likely to struggle to extract insight from data

There is now more consumer data available, but it's harder to extract insight from it (% agreeing)

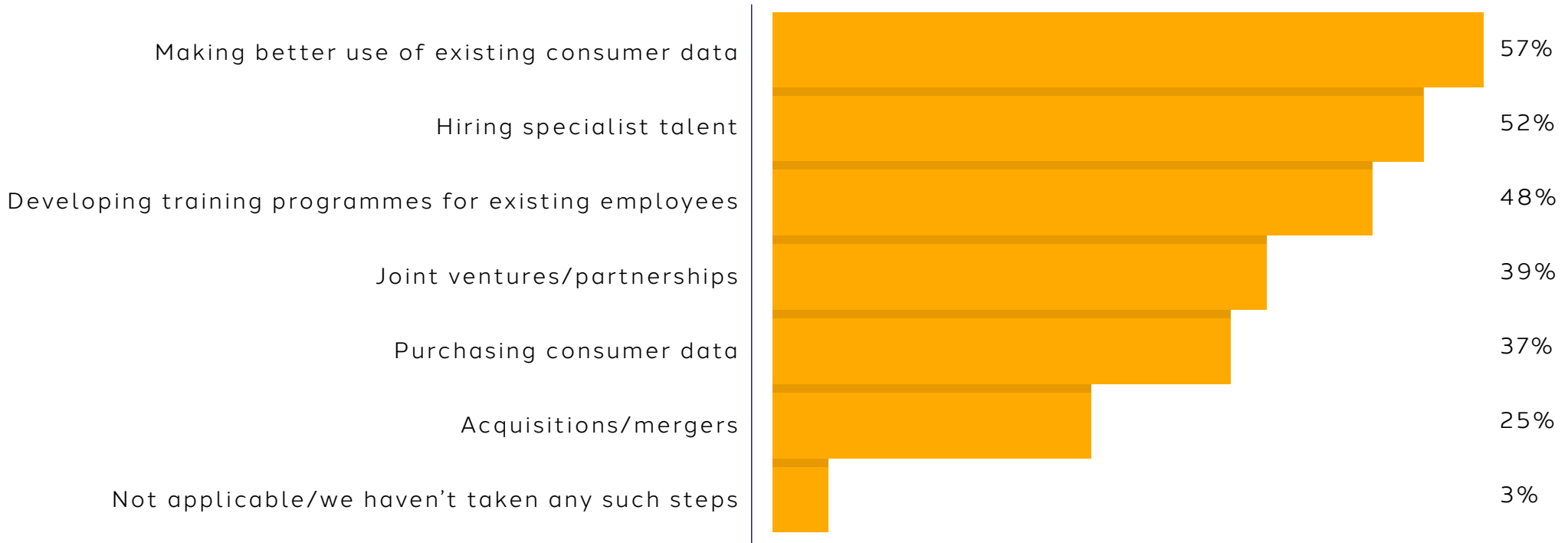


Source: Dentsu Aegis CMO Survey 2018

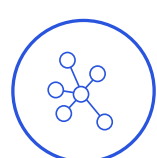
Unsurprisingly, more than half of global CMOs are working on making better use of their customer data. About half say they are dealing with the data deluge by hiring specialist talent or developing training programmes for existing employees (see Figure 16). In the coming years, the deluge of data to which marketers have access will be a risk, but it will also hold out the opportunity of targeting the right consumer at the right time with a message which both resonates and converts them into a customer.

Figure 16: CMOs report that they are focusing on ‘build’ rather than ‘buy’ data strategies

What steps are you taking to increase your ability to utilise data in order to target consumers more effectively? (% choosing each option)



Source: Dentsu Aegis CMO Survey 2018

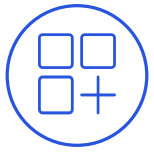


Harnessing the ecosystem to access the best skills and capabilities

A third of CMOs say they intend to work less with external marketing agencies over the next 2-3 years. It's likely that these clients will bring some of these responsibilities back in-house. Just over half say they are considering doing so in the years to come. This trend is most noticeable in the telco and automotive sectors. The sectors least likely to do so are food and beverages, and the leisure and travel sector.

At the same time, though, nearly half of CMOs intend to work more with specialist marketing contractors over the next 2-3 years, which will likely constitute smaller startups and organisations. And more than half plan to invest more into digital media platforms, especially in the financial and retail sectors.

The marketing ecosystem around brands is changing. CMOs are striving for the optimal configuration of capabilities, both within and outside the boundaries of their company. This shift puts the CMO in the role of orchestrator, undertaking and being responsible for a variety of different partnerships and relationships with organisations of varying size and experience. It also will require significant levels of internal development as some marketing activities are brought back in-house. The challenge for CMOs will be to recalibrate all of these resources quickly in response to rapidly changing dynamics, while also maintaining a long-term view of how best to unlock business value and innovation.

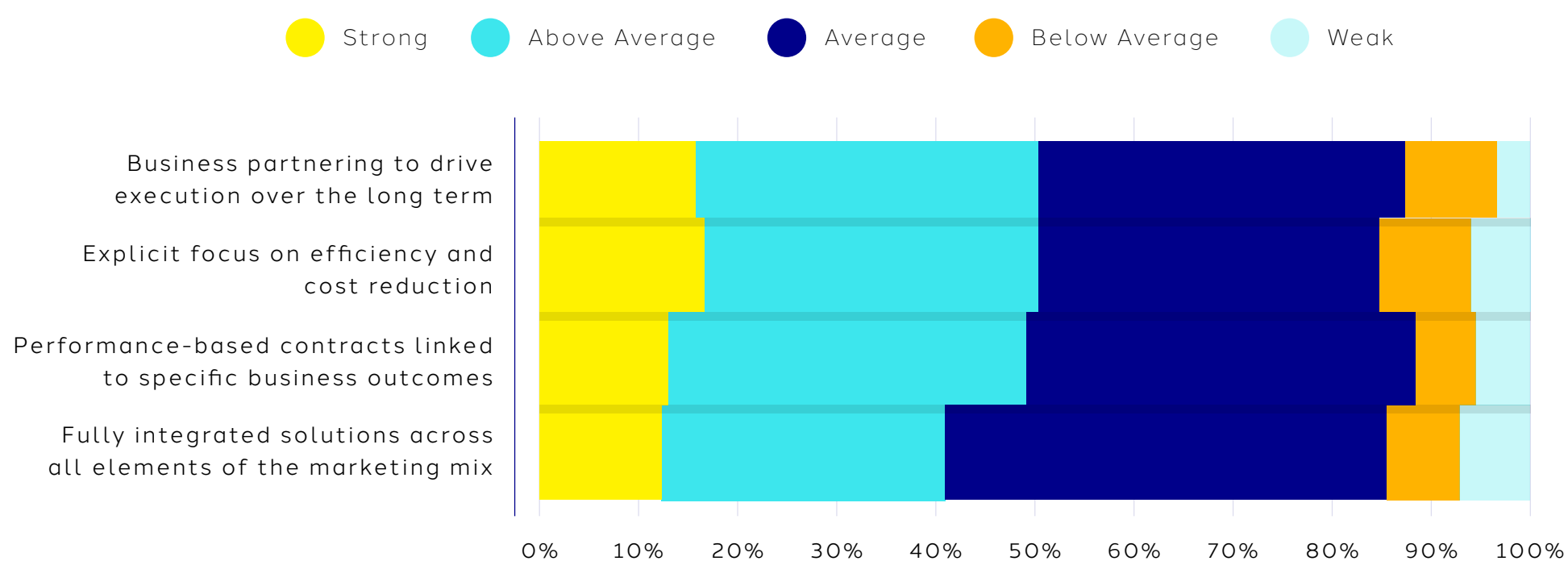


Rethinking how to work with marketing agencies

In terms of how brands work with marketing agencies, overall CMOs are fairly positive about how well agencies demonstrate key attributes that are needed for a successful partnership. The only area where the majority of CMOs are not positive relates to the ability of agencies to deliver fully integrated solutions across all elements of the marketing mix (see Figure 17). Performance varies by industry, though. Nearly two-thirds of CMOs from the financial services sector believe that their agencies are above average or strong when it comes to providing integrated solutions—by contrast, just 31% of CMOs from capital goods companies agree. Explicit focus on efficiency and cost reduction is also an area of concern, with CMOs in the automotive and health care sectors in particular reporting weak agency performance. As agencies and brands both adapt to digital disruption and shifting industry contexts, figuring out new ways of working together will be essential.

Figure 17: Providing fully integrated solutions and focus on efficiency are the weakest attributes of the marketing agencies CMOs work with

As far as the marketing agencies you work with are concerned, how well do you think they demonstrate the following attributes? (% choosing each option)



Source: Dentsu Aegis CMO Survey 2018

5. Conclusions

That the digital economy is disrupting marketing is self-evident. But it is the depth of that disruption that many risk under-estimating. The digital economy is not just about digitising products and services. It is fundamentally changing the economic context in which brands operate—eroding barriers to entry, collapsing information asymmetries, stoking competition and putting the consumer firmly in control.

The transition to this demand-led economy is happening at such pace that many brands are struggling to keep up. This does not mean that brands don't matter—far from it. They matter now more than ever before. It's just that the way they will win in the future is very different from today.

Our survey paints a picture of a cadre of CMOs who are not just resilient, but also creative, confident and, in some cases, bullish about the future of marketing. The good news is that the key elements of future-proof marketing are emerging. Creating perfect moments where experience and transaction combine, all in real time and at the behest of the consumer. The bad news is that there remains a number of hurdles to overcome. Not enough CMOs see disruptive innovation as a core element of their role. Data protection regulation is seen as a barrier to building better consumer relationships, rather than a lever that can help engender trust. And securing long-term investment remains a critical barrier for CMOs' plans as they find themselves under pressure to deliver short-term returns.

Future success lies in creating perfect moments that short-cut the traditional marketing funnel. This means constantly realigning business and operating models around changing consumer needs, reinventing marketing as a driver of innovation. It means building new capability and marshalling a wider marketing ecosystem. And it means combining overcoming perceived trade-offs between the short and long term, or the tactical and the strategic.

A complex future demands an integrated marketing machine that works in harmony. Marketing isn't dead, as some doomsayers have declared. But it will work differently in the future. Understanding how and evolving in response is essential if brands are to win in a digital economy.

Ten questions for CMOs

- 1** Am I leading disruptive innovation across the business, not just within the marketing function?
- 2** Am I leading a process of constant business transformation around the consumer?
- 3** Do I have the right configuration across the marketing ecosystem to maximise the value of in-house and external capability?
- 4** Am I measuring a combination of long-term brand health and short-term business growth?
- 5** Do I have sufficient capability to extract game-changing insight from increasing volumes of consumer data?
- 6** How do I use our consumer data to increase the impact of creative experiences?
- 7** Are we set up so that every appropriate consumer touchpoint can result in a transaction?
- 8** Am I using media as a tool of strategic planning, in addition to increased sales/reach?
- 9** Am I using authentic brand purpose as a driver of increased consumer engagement?
- 10** How do I decide which emerging digital technologies will drive meaningful consumer engagement?

Annex: About the Respondents

Role

Of the 1,000 responses we received, around 70% are from the C-suite. About 10% of the respondents are Vice Presidents of Marketing, and 20% are the Heads of Marketing.

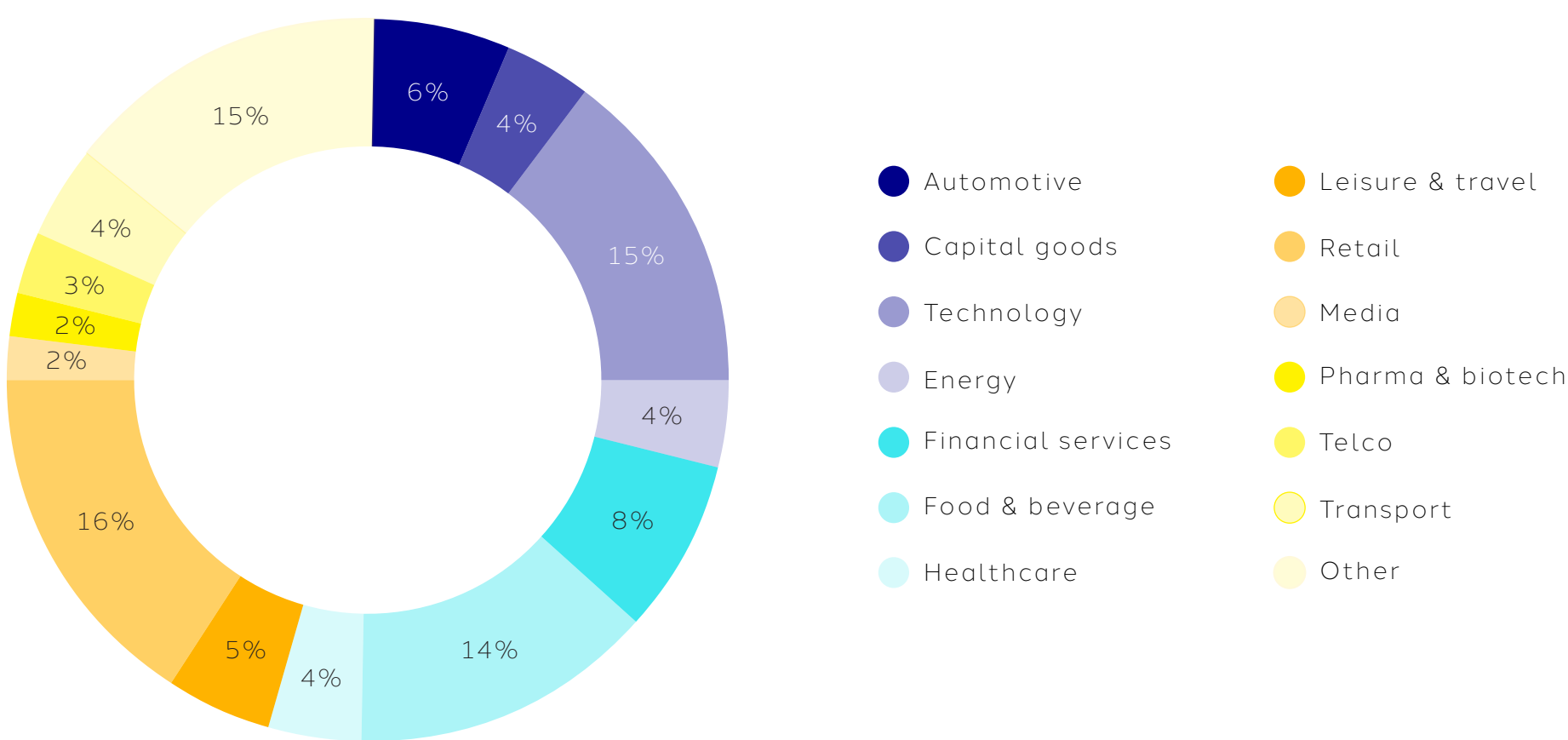
Responsibility

Of our respondents, 68% say they “have most of the responsibility for making decisions about marketing.” About a third (32%) say they share that responsibility.

Sectors

Retail (16%), technology (15%) and food & beverage (14%) are the most well represented of the 13 industry sectors from which we drew our sample of marketing executives (see Figure 18).

Figure 18: Survey respondents by industry sector



Source: Dentsu Aegis CMO Survey 2018

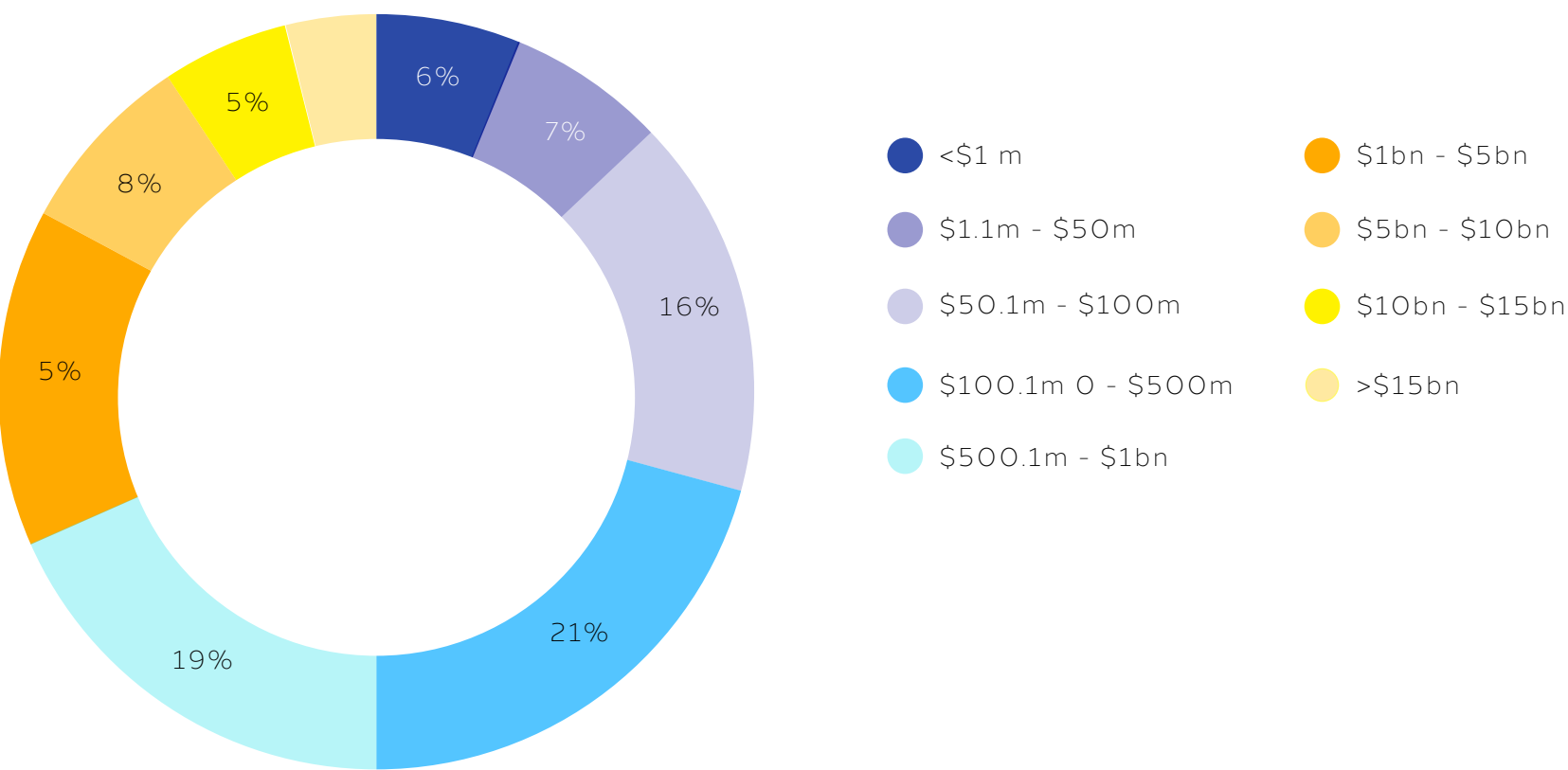
Geography

We ensured that there was an equal mix of respondents from each country we surveyed. Each of the following represent 10% of respondents: Australia, China, France, Germany, Italy, Japan, United Kingdom, United States, Russia, Spain.

Revenue

Firms whose annual revenues are greater than \$1 billion constitute nearly one third of our respondents. Those with revenues between \$500 million and \$1 billion make up nearly 20% of respondents with a similar proportion from firms with revenues between \$100.1 million and \$500 million (see Figure 19).

Figure 19: Respondent breakdown by company annual revenues

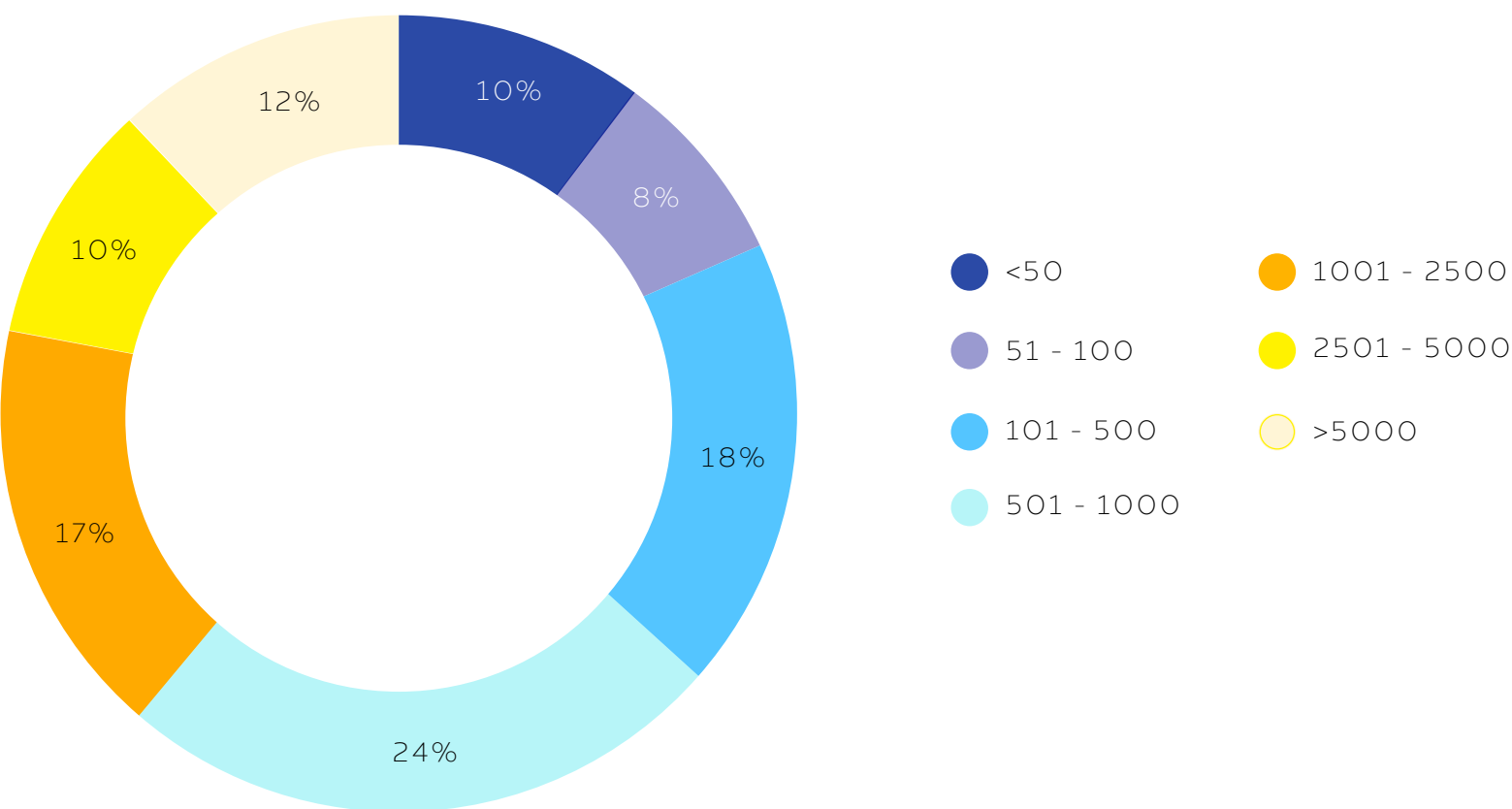


Source: Dentsu Aegis CMO Survey 2018

Employees

39% of respondents are from companies with more than 1000 employees; just under a quarter of our respondents employ 501 to 1000 people (see Figure 20).

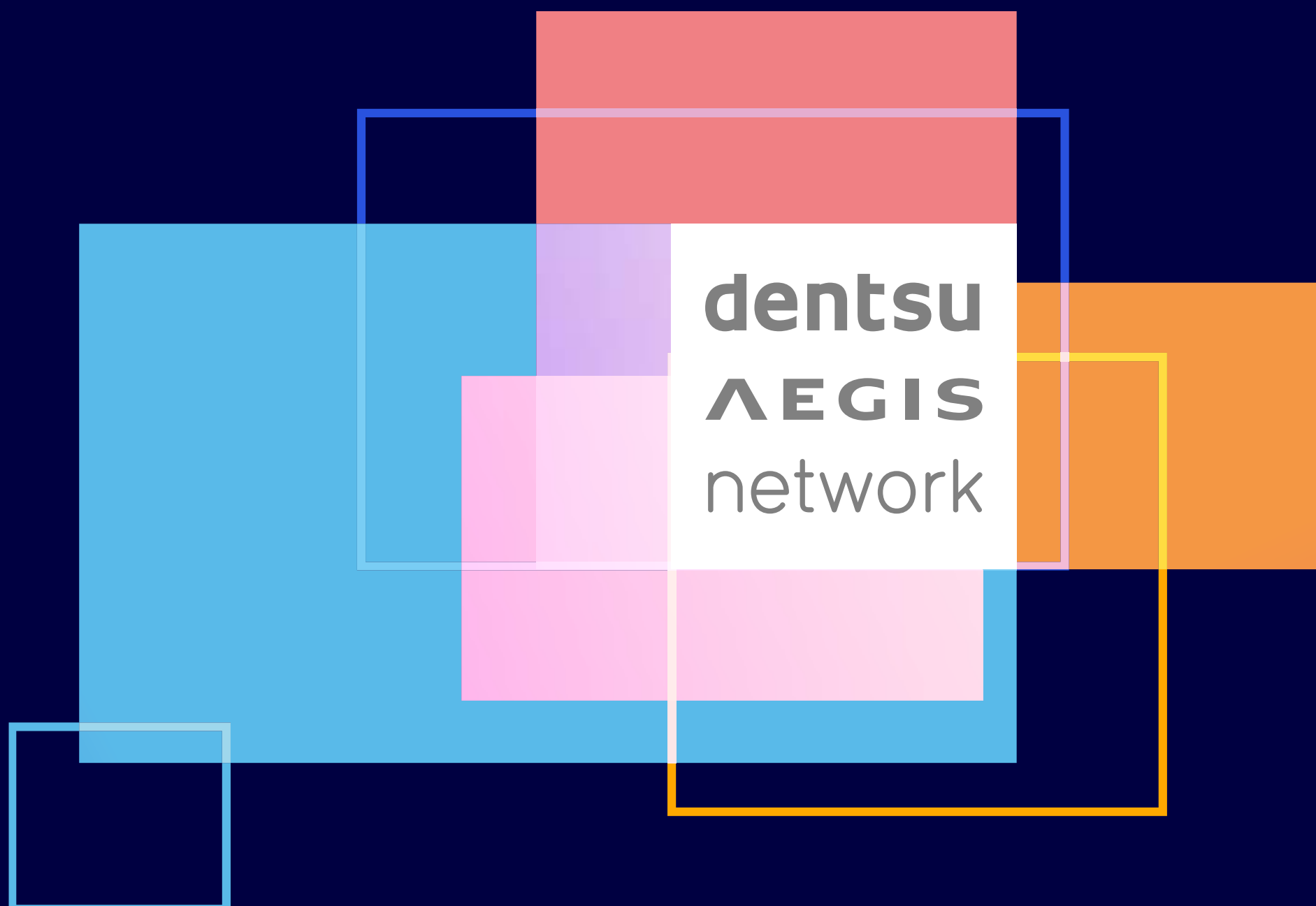
Figure 20: Respondent breakdown by company employee headcount



Source: Dentsu Aegis CMO Survey 2018

For further information please contact

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About Dentsu Aegis Network

Part of Dentsu Inc., Dentsu Aegis Network is made up of ten global network brands—Carat, Dentsu, dentsu X, iProspect, Isobar, mcgarrybowen, Merkle, MKTG, Posterscope and Vizeum and supported by its specialist/multi-market brands. Dentsu Aegis Network is Innovating the Way Brands Are Built for its clients through its best-in-class expertise and capabilities in media, digital and creative communications services. Offering a distinctive and innovative range of products and services, Dentsu Aegis Network is headquartered in London and operates in 145 countries worldwide with more than 45,000 dedicated specialists.

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