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Challenges and solutions for marketing in a digital era

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ABSTRACT

Internet usage continues to explode across the world with digital becoming an increasingly important source of competitive advantage in both B2C and B2B marketing. A great deal of attention has been focused on the tremendous opportunities digital marketing presents, with little attention on the real challenges companies are facing going digital. In this study, we present these challenges based on results of a survey among a convenience sample of 777 marketing executives around the globe. The results reveal that filling "talent gaps", adjusting the "organizational design", and implementing "actionable metrics" are the biggest improvement opportunities for companies across sectors.

Introduction

Wharton Professor George Day identified the widening gap between the accelerating complexity of markets and the capacity of most marketing organizations to comprehend and cope with this complexity. Although the forces of market fragmentation and rapid change are everywhere, we believe that Internet usage is the main driver behind the widening gap (Day, 2011). The 1990s being the decade of e-commerce, the early part of the 21st century has become the era of social commerce (Fader & Winer, 2012). The role of "digital marketing" is confirmed in a study by IBM consisting of interviews with CMOs (IBM Institute for Business Value, 2011). These CMOs formulate the following four biggest challenges: (1) explosion of data (sometimes also called big data), (2) social media, (3) proliferation of channels, and (4) shifting consumer demographics.

Three of these four biggest challenges correspond to digital marketing developments. The Internet has become one of the most important marketplaces for transactions of goods and services. For example, online consumer spending in the United States surpassed USD 100 billion (already in 2007), and the growth rates of online demands for information goods, such as books, magazines, and software, are between 25% and 50% (Albuquerque, Pavlidis, Chatow, Chen, & Jamal, 2012). Other anecdotic evidence that stresses the importance of the Internet as a transaction channel comes from Amazon where on the peak day, November 26, 2012, customers ordered more than 26.5 million items worldwide across all product categories, which is a record-breaking 306 items per second (Cheredar, 2012; Clay, 2012). Digital music sales in 2011 exceeded physical sales in the United States for the first time in history (Fisch, 2010). Besides B2C and B2B markets, online C2C markets have emerged with considerable success. Examples are LuLu, eBay, and YouTube. The rise of online use for communication is also quite substantial from around 10% in 2008 to over 20% in 2013. Newspapers and magazines have lost share in this period (Marketing news, May 2013, p. 16).

The number of Internet users in 2011 was over 225 million users in North America and more than one billion in Asia (Business Monitor Intelligence, 2012). Worldwide, there are about one billion monthly active users of Facebook. Two years after the introduction of Facebook, there were already 50 million users (Fisch, 2010). In the USA, Brazil, Europe, and India more than 70% of the population is member of at least one social media network. In India, the population is on the average a member of 3.9 networks. In Brazil, this number is above 3 and in the USA and Europe around 2 (Van Belleghem, Eenhuizen, & Veris, 2011). In 2011, more than 50% of social media users follow brands on social media and companies are increasingly investing in social media, indicated by worldwide marketing spending on social networking sites of about USD 4.3 billion (Williamson, 2011). Managers invest in social media to create brand fans who tend to have positive effects on firm word of mouth and loyalty (de Vries, Gensler, & Leeflang, 2012; Dholakia & Durham, 2010). There are 32 billion searches on Google every month and 50 million Tweets per day. It is expected that more than 115 million people in the United States will create online content at least monthly in 2013 (Albuquerque et al., 2012; Zhang, Evgeniou, Padmanabhan, & Richard, 2012). As a consequence, brand managers no longer control the messaging they use to create brand strategies (Deighton, 2007; Fader, 2012; Moe & Schweidel, 2012). Moe and Schweidel (2012) maintain that this new

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environment for organizations/marketers is not without risk. Several researchers have shown that posted product ratings and reviews become increasingly negative as rating environments mature (Godes & Silva, 2012; Moe & Schweidel, 2012; Moe & Trusov, 2011). Research findings suggest that more than 90% of all consumers read online reviews before they buy products and that 67% of all purchasers of consumer goods are based on user-generated content. Approximately, consumers read at least four reviews before making a purchase (Godes & Silva, 2012; Kee, 2008). Importantly, these reviews play a key role in purchase decisions (Godes & Silva, 2012; Kee, 2008). Hence social media content creates empowered customers who are more led by other customers than by advertising. As a consequence, this will lead to other (marketing) orientations such as customer engagement (van Doorn et al., 2010). The use of social media also creates a tremendous increase in customer insights, including how consumers are interacting with each other and the products and services they consume. Blogs, product reviews, discussion groups, product ratings, etc. are new important sources of information describing how customers collect information, use that information, and how that information is used in their decision-making, shopping behavior, and post-purchase behavior (Mayzlin & Yoganarasinhan, 2012; Onishi & Manchanda, 2012). Hence, at least in principle, we are able to follow customers in their customer journeys (Lemke, Clark, & Wilson, 2011).

The digital revolution in society and marketing creates tremendous challenges for firms. Prior literature within marketing has mainly conceptually discussed the impact of the digital revolution. This involves the discussion on the effects on business and revenue models, consequences of new digital channels and media, and the increasing prevalence of data (see Table 1). The majority of these studies only discuss theoretical and practical consequences of the digital revolution. Beyond that, there is an increasing number of quantitative studies investigating specific research questions relevant in digital marketing, such as the effect of user-generated content on shareholder value (Tirunillai & Tellis, 2012 and a special issue of Marketing Science with introduction by Fader and Winer (2012)) or models to analyze new big data (e.g., Feit, Wang, Bradlow, & Fader, 2013). There are, however, only a few studies that indeed aim to quantify the importance of challenges within practice. For example, recently IBM has quantified some emerging issues (IBM Institute for Business Value, 2011). Their study is, however, limited in scope, as they only discuss a few important issues, while we aim to study the presumed importance of more challenges, which are also based on an extensive pre-study among marketing academics. Beyond that, we also complement this quantification of challenges with a discussion of theoretical insights and emerging research directions for marketing science.

We aim to identify and quantify the major challenges for digital marketing in this study. Surveying 777 marketing executives from the US, Europe, and Asia, we quantitatively assess the importance of these challenges. In addition, we identify potential solutions firms have developed to proactively act on these challenges. In doing so, we can also assess the most prevailing tensions. In this way, we contribute to a better understanding of an important part of the marketing capabilities gap in today's digitalization of markets (Day, 2011) and provide a practice-based road map for future research on digital marketing.

The outcomes of our study reveal that the following three potential challenges are most important for "digital" marketers:

- The ability to generate and leverage deep customer insights;
- Managing brand health and reputation in a marketing environment where social media plays an important role;
- Assessing the effectiveness of digital marketing.

An exploration of the possible interventions for addressing these challenges reveals that the biggest improvement opportunities for companies across sectors are:

- To fill the gap between the supply and demand of analytically trained people in marketing ("talent gap");
- To redesign organizations so that they are (more) accountable and have clearer incentives and decision-making processes that account for the three key trends in digital business, and
- To create actionable digital metrics.

Methodology of our study

This research started with a qualitative phase in which we aimed to identify the major challenges in today's marketing. We performed expert interviews with leading marketing scientists at the EMAC conference in Ljubljana in 2011, McKinsey clients, and McKinsey experts to define tensions in marketing. The results of this qualitative phase clearly suggested that today's marketing challenges are digital. We then formulated the most important "digital" marketing tensions and performed an online survey among readers of the McKinsey Quarterly, i.e., using the McKinsey Quarterly panel. Only these readers were approached that have self-identified them as sales and marketing executives of their respective companies across the globe. Given that we use the McKinsey Quarterly panel, the used sampling method is a convenience sample with its inherent limitations. In total, 3743 executives were approached in our survey conducted in October 2011. We excluded respondents that did reply "don't know" to at least half of the questions in the questionnaire. This resulted in 777 usable responses (response rate 20.8%). Almost 78% of all responding firms were located in either Europe or North America. The sample consisted of firms from multiple industries, including professional services (19.4%), financial services (11.2%), high-tech and telecom (16.7%), manufacturing (15.5%), and other industries (37.1%). The firms operated both in Business-to-Business (54.8%)

Table 1
Selective Overview of Prior Literature on Consequences and Challenges of Digital Revolution.

	Main Challenges in Digital Marketing			
	New Media and Channel Challenges	Analytics/Big data	Business Models	This Study
Conceptual/theoretical discussion	Neslin and Shankar (2009), Winer (2009), Deighton and Kornfeld (2009), van Bruggen, Antia, Jap, Reinartz, and Pallas (2010), Shankar, Venkatesh, Hofacker, and Naik (2010), Bolton et al. (2013), Hennig-Thurau et al. (2010), Kaplan and Haenlein (2010)	Kumar et al. (2013), Davenport (2006), Davenport et al. (2012), Davenport and Patil (2012)	Sorescu et al. (2011), Berry et al. (2010) and Rigby (2011)	Empirical study survey among 777 marketing executives across the globe to assess the importance of specific digital challenges and the extent to which firms have solved these challenges. This is combined with a theoretical discussion of these challenges and suggestions for future research for marketing research.
Survey among firms	IBM	IBM	IBM	