



# Digital marketing and the mind of the CMO

**A**S adoption of digital media and devices surges, companies are investing billions of dollars in digital marketing. The rising importance of digital media, marketing, and commerce is elevating the importance of the chief marketing officer (CMO) as strategist, innovator, and buyer of advisory services and technology.

Marketing spending  
has followed customers  
to digital channels

Growing adoption of digital devices and media is forcing businesses to update their marketing strategies. US adults now spend more time each day with digital media than watching conventional television.<sup>1</sup> By 2014, there will be more mobile devices in the world than people.<sup>2</sup> These trends have intensified the battle for people's fragmented attention as businesses try to reach, engage, sell to, and serve customers across offline and digital channels. This battle is driving strong growth in spending on digital marketing.

Digital marketing is the set of systems and processes that businesses use to interact with customers over digital channels such as the web or mobile devices, and to measure, manage, and optimize those interactions. Digital marketing activities include creative design; content creation and management; marketing automation; customer and campaign analytics; e-commerce; and web, search, email, social, and mobile marketing.

The funds committed by big consumer goods companies to digital marketing suggest the importance of digital channels today. For example, Unilever increased its digital advertising spending by 40 percent last year, allocating about 35 percent of its US budget to digital.<sup>3,4</sup> P&G spends a third of its US advertising budget on digital media.<sup>5</sup> A significant share of this spending is on paid media, and some spending is on services related to marketing and advertising activities and subscription-based technology services. Overall, digital marketing spending now represents more than 2 percent of company revenues and is expected to increase by 9 percent this year, while IT spending, at 3 percent of revenues, is flat.<sup>6</sup>

## Digital marketing is transforming the role of the CMO

The growing importance of digital channels is making the role of the CMO more strategic; the greater measurability of those channels is making the CMO more accountable. This has enabled CMOs to make a more compelling case for their strategies, tactics, and budgets to the rest of the C-suite—one of the reasons that the average tenure of CMOs has doubled since 2006.<sup>7</sup>

CMOs have become increasingly important buyers of technology, often in partnership

with the CIO, and their need for strategy- and operations-oriented services grows. The high-stakes issues and challenges they increasingly face include:

- **Shaping strategy:** Digital marketing is already a central pillar of strategy in sectors ranging from e-commerce to media and entertainment to consumer products. In a growing number of sectors, strategy is becoming inseparable from digital marketing strategy.
- **Revamping operations:** Rapidly evolving digital tools and practices require operational agility and new governance models.
- **Mastering analytics and performance accountability:** The proliferation of new channels, marketing techniques, and analytical methods centered on big data create new expectations for analytics expertise and performance measurement.
- **Redesigning organizations:** The shift to digital is blurring the line between marketing and sales. Marketing organizations are increasingly carrying revenue responsibilities, affecting reporting lines and incentive systems.
- **Building technology infrastructure:** A CMO's success rests on a high-quality, adaptive technology infrastructure.

CMOs value partners who understand the new challenges they face and who bring a broad perspective and comprehensive, interdisciplinary solutions.

## Investment is flowing into digital marketing technologies

To meet growing demand for digital marketing solutions such as campaign management, social media monitoring, and customer segmentation and analytics tools, enterprise software vendors have invested over \$20 billion to acquire digital marketing technology companies such as Eloqua (acquired by Oracle for more than \$800 million), ExactTarget (acquired by Salesforce for \$2.5 billion) and Neolane (acquired by Adobe for \$600 million). Meanwhile, the pipeline of new digital marketing technologies continues to flow, propelled by venture capital investment of more than \$1 billion in 150 startups since 2012.<sup>8</sup>

## Serving the digital CMO

To keep pace with the technology- and data-intensive role of the digital CMO, marketing and advertising agencies have been enhancing their technology capabilities by acquiring or partnering with IT consultancies. IT consultancies and strategy firms have been

buying digital agencies and marketing technology firms. Publicis and Omnicom, two large marketing and advertising groups, recently announced their intent to merge to better provide digital marketing services and compete more effectively with digital giants such as Google.<sup>9</sup> And CMOs and CIOs are working ever more closely together to ensure that marketing strategy and technology strategy are in alignment. In an extreme example of this, one company recently took the step of appointing its CIO as its new CMO.<sup>10</sup>

## The digital strategist

As the line between strategy and digital strategy continues to fade, corporate strategists need to have a keen understanding of the impact digital channels and analytics on all business functions, not just the marketing function. They should expect to work closely with CMOs and CIOs. And they should know that data-rich digital channels make it easier than ever to measure the effectiveness of strategic choices.

# Endnotes

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