strategy&

# *The marketer's dilemma*

# The new capability agenda for marketers and their partners

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# *Executive summary*

**The media and marketing ecosystem** is being reconfigured and transformed by digital developments. Brands find themselves operating in a quickly evolving environment in which new combinations of technology, experiences, and content are rapidly replacing traditional advertising. These developments are creating a major dilemma for the leading marketers, which control more than US$500 billion in advertising budgets. In a world of proliferating choice and supply, where do marketers focus time and resources so they can engage target users most effectively and efficiently? Many marketers are actively formulating answers to this question. They know they need different skills and ways of working to catch up to changes in users' media consumption. They also know they need new partnerships to design the content and distribution methods required to engage them. Given these developments, marketers' chief interlocutors — media (publishers) and marketing service providers (agencies) — will have to evolve substantially to remain relevant. Media companies need to create new advertising products, rethink their content distribution strategies as social media and mobile grow in significance, and use data to slice and dice their audiences in ways that deliver more targeting value for their customers. Finally, marketing service players must shift to focus more on content and intellectual property development, evolve from a services supplier to a strategic business advisor, and accelerate marketers' ability to move from experimentation to scale across as much of their customers' marketing and media mix as is feasible.

# The marketer's dilemma

Digital video. Social media. Native advertising. Programmatic. In-app advertising. Messenger advertising. These are just a few examples that were not meaningfully present in the modern marketing repertoire just a few years ago. Today's marketer has more options to reach her target audience than ever before. And yet, it has never been more difficult to earn the attention and engagement of that user. We call this conundrum the marketer's dilemma. This has become especially acute because three major developments are actively reshaping the capability requirements of marketers, media publishers, and marketing service providers such as agencies.

- First is the massive move in content consumption to the small screen of the mobile device. U.S. adults are spending about 25 percent of their 12 hours of daily media consumption on a mobile device. Television still leads in terms of time spent (about one-third of the total). But with the rise of video viewing on mobile and of multitasking while viewing the big screen, watching television is no longer a television-centric experience.[1]

- The rising generation of consumers, which finds traditional sources of influence less meaningful, identifies with YouTube phenomena far more intensely than it does with movie stars and television actors. When *Variety* commissioned a poll asking youths ages 13 to 18 to name the figures they find most influential, the top five were all YouTube talent; the online comedy team Smosh was number one.[2]

- Consumers also are becoming less willing to pay attention to traditional advertising messages. A recent Harvard Business School study showed that the percentage of ads getting high attention has decreased dramatically, from 97 percent in the early 1990s to less than 20 percent today.[3] With technology ranging from ad blockers to DVRs available to more and more users, and the increasing amount of high-quality content offered in ad-free to ad-light subscription environments, there is little doubt that new approaches are required.

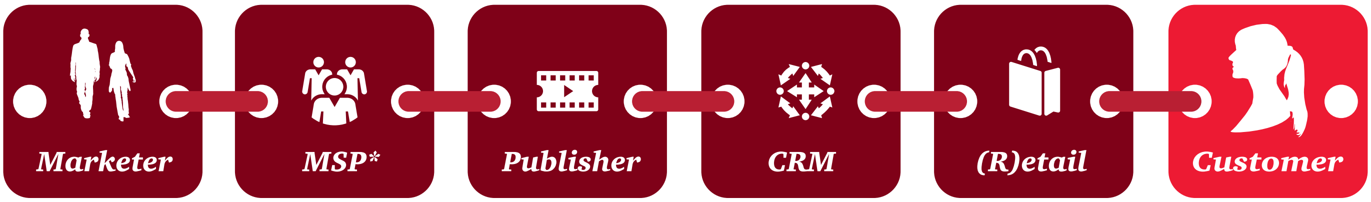
Thanks to these trends, and the technology that is powering them, the traditional linear advertising and marketing value chain is collapsing into a dynamic and complex ecosystem. In the well-established value chain, each player — the marketer, the media publisher as the main supplier of advertising inventory, the agency as the primary marketing service provider, and the end consumer — had a clearly defined role (*see Exhibit 1, next page*). Work flowed linearly between a series of controlled touch points, from a television campaign that pushed mass messaging out to the consumer, to the eventual transaction at a store.

In the new marketing ecosystem, the customer takes center stage and dictates where she can be found and how she wants to receive messages, content, or information from brands in exchange for her attention. The touch points have expanded as marketers have added their own direct-to-consumer (DTC) e-commerce channels and have diversified media spending into new opportunities such as content marketing. These touch points are "always on," meaning marketers can continuously listen to consumers' signals and respond in relevant ways.

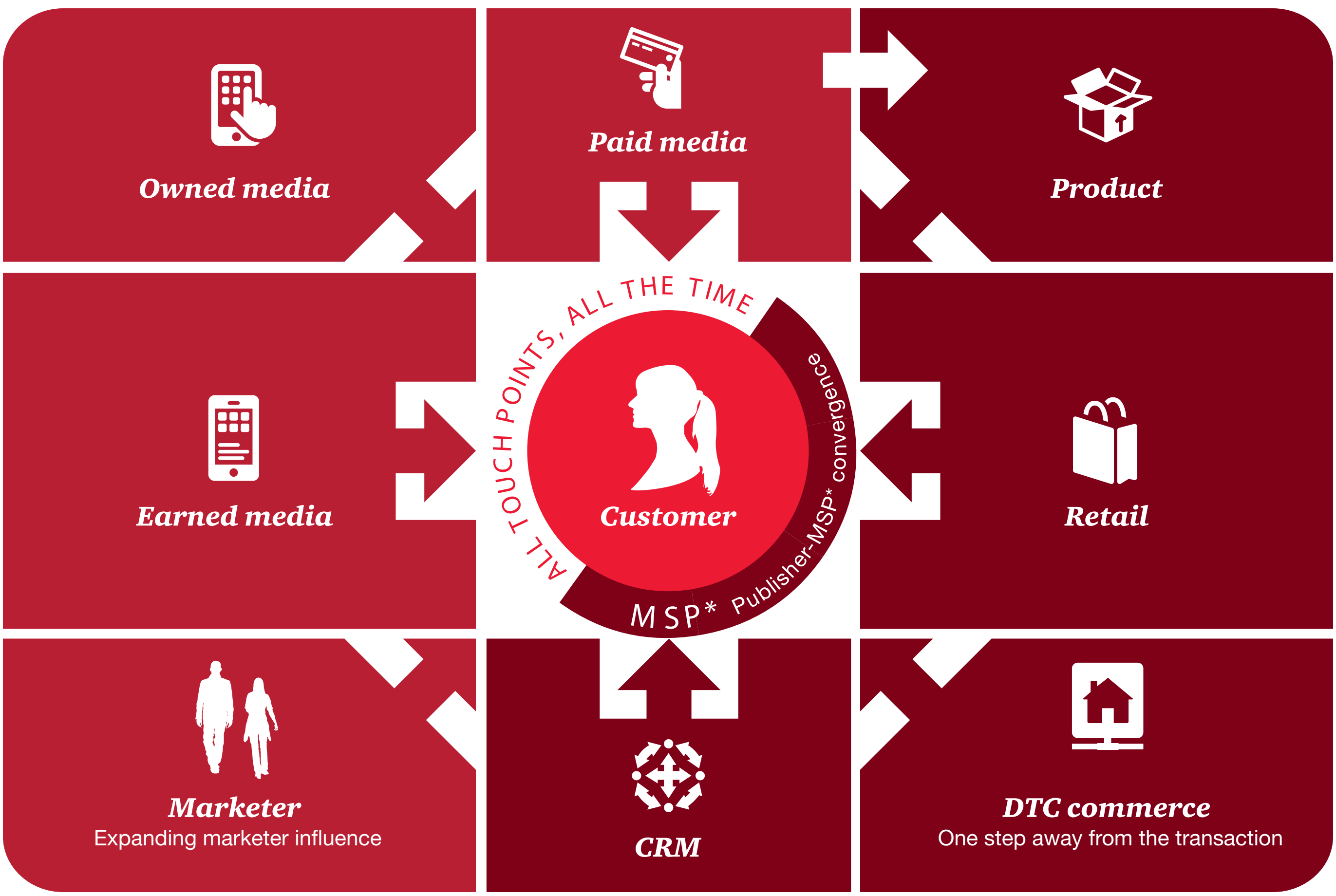
Consider the following scenario. A consumer sitting at home on a Sunday afternoon may see an email ad on her smartphone from a yoga apparel company. She opens the company's mobile app and browses through a few items. Twenty minutes later, she is targeted by an ad for a pair of yoga pants in her Facebook feed. She ultimately clicks through to the company's website to make a purchase. What used to be a drawn-out "funnel" has collapsed into a hyper-accelerated, more targeted, and more interactive path to purchase.

*Exhibit 1*
**Traditional marketing value chain vs. new customer-centric marketing ecosystem**

Traditional marketing value chain




New customer-centric marketing ecosystem




* Marketing service provider

Source: Strategy& analysis

# *Changing marketer needs*

The new ecosystem has changed the fundamental calculus for marketers. It used to be how to move methodically from awareness to purchase in the classic marketing funnel. Now, every interaction with a customer is an opportunity not only to move that customer toward a transaction, but to drive the transaction at the very next step. "Everything is one step away from purchase," as one chief marketing officer (CMO) put it. This change is placing new pressures on — and expanding the role of — senior marketers. Former distinctions between the upper funnel of brand advertising and the lower funnel of direct response marketing, between marketing and sales, matter less and less. The new calculus: to engage *and* convert as precisely, promptly, and personally as possible. Even if her expanding influence isn't always evident in organizational reporting lines, the CMO, who has long been at the forefront of dealing with the impact of digital, is finding her informal influence rising over a converging system of customer experience touch points.

During the past six months, Strategy& conducted a series of in-depth interviews with CMOs and senior marketing executives from a broad variety of sectors such as consumer packaged goods, technology, media, hospitality, and retail. Our conversations focused on their changing priorities, their strategies to cope with growing marketing and media complexity, and their expectations for an increasingly converging landscape of vendors, media channels, and partners.

So what can help solve the marketer's dilemma? In this brave new world there is no longer a one-size-fits-all model for marketers to follow. But marketers can take certain steps to reimagine their marketing capabilities system so that it is ready for the future. In our interviews, five key themes emerged with respect to the critical capabilities that marketers need to navigate the new ecosystem. At the same time, marketers' chief interlocutors — media companies (publishers) and marketing service providers — will have to evolve substantially to remain relevant. Media companies need to create new advertising products, rethink their distribution strategies as social media and mobile grow in significance, and use data to slice and dice their audiences in ways that deliver more targeting value for their customers.

For their part, marketing service players must shift to focus more on content and intellectual property development, evolve from a services supplier to a strategic business advisor, and accelerate marketers' ability to move from experimentation to scale across as much of their customers' marketing and media mix as is feasible.

### *Firsthand insights*

As marketers seek to develop a rich understanding of who their customers are, how they behave, and what they want and need, big data has emerged as a powerful enabling capability. Indeed, the Interactive Advertising Bureau (IAB) and Winterberry Group call out "cross-device audience recognition" and "sophisticated analytics to target audience members" as the top two areas commanding marketers' attention in 2016.[4] But often, "little data" about a customer's previous interactions is more useful in determining how to optimize the experience to make the next transaction more likely. Marketers need to identify the critical handful of behavioral signals — historical and predictive — that best enable them to connect today and tomorrow with their marketing targets, and distill them into action-oriented marketing initiatives.

*Going direct to consumers increases brands' control over their stories and experiences.*

The best way to get a meaningful understanding of your customer is to go directly to the source. As a senior marketer at a beverage company put it, "If [you] can form a direct relationship with the consumer, even if you can't transact directly, the relationship is the holy grail." To that end, established marketers like Gillette and Luxottica are emulating digital natives like Warby Parker or Harry's, which sell directly to consumers. Developing one-on-one relationships can create a virtuous circle of familiarity. Knowledge of site usage and consumption can lead companies to develop an improved customer experience. The sharpened insight into existing customers' habits and preferences can be turned into more granular segmentation and more effective targeting of messages to new customers. Armed with data on its own consumers, a furniture marketer may know that women ages 45 to 55, who have shared posts about their kids' Ivy League college admissions on Facebook and bought a new car more than four years ago, are its most likely potential buyers. Television is already moving in this direction, as networks are using their first-party data.

To get to know their customers better, marketers need to start building direct-to-consumer capabilities. That's happening. According to the Economist Intelligence Unit, the percentage of manufacturers selling directly to consumers is expected to grow 71 percent over the next year to more than 40 percent of all manufacturers.[5] Beyond gaining access to consumer data, going direct to consumers also increases brands' control over their stories and experiences. From an economic perspective, relying less on retail middlemen can free up funds to invest in other critical digital capabilities. But to execute DTC strategies correctly, marketers need to reduce silos between marketing and other operating functions — especially sales and customer service, for example — and become more integrated.

### *Integrated brand experiences*

Time was, a marketing department would push a major television advertising campaign out the door and then sit back and take a breather. But in a nonlinear world, every marketing action has to be connected to several other potential actions — and it has to be no more than one step away from the point of sale. As the CMO of a major consumer technology company put it, "We never do an isolated marketing activity. Everything is about integrated campaigns." For 2016, this CMO's company is focused on "creating experiences across all passion points, music, video, retail experiential zones, digital avatars, and social."

To foster integrated brand experiences, marketers can start by identifying the key moments in a customer's experience and then focusing on and investing in those moments. As a guidepost, Maryam Banikarim, CMO of Hyatt, suggested that marketers focus on the brand's purpose. In the new ecosystem, customers, particularly millennials and other young groups, expect a brand to have a purpose, express it in all its touch points, and stay authentically true to it. For Hyatt, the purpose of the organization — "to care for people so they can be their best" — goes far beyond messaging to serve as the integrating principle for all aspects of business operations. A purpose allows you to "think beyond the narrow confines of your particular industry" to uncover new, unconventional ideas to touch consumers' lives, Banikarim said. For example, Hyatt started a partnership with Khan Academy to expand hospitality training into open source life skills training to allow students to set and reach higher goals. Companies will have to invest in training the entire organization to embody the purpose of the organization, and then develop the right metrics to assess progress.

*Marketers can identify the key moments in a customer's experience and then focus on those moments.*

The need for integrated, branded customer experiences will make the pendulum in marketing organizations swing back from the trend toward extremely specialized disciplines and job titles ("director, paid media" or "director, shopper marketing") toward a more generalist role focused on the experience in a holistic manner. Indeed, in more ways than one, the chief marketer's job is becoming that of "integrator-in-chief." She must integrate the digital and the physical, social sites and mobile apps, with the in-store experience. These experiences expand beyond the traditional confines of marketing into the sales function (i.e., retail). To enable such efforts, companies must build bridges between the silos that exist in the organizational structure, in technological enablers, and across all media platforms. A joint Econsultancy and Adobe study in July 2015 found that nonintegrated tech platforms and organizational structure are among the leading obstacles to consistently integrating marketing activities.[6]

### *Breakthrough content*

Capturing consumers' attention with marketing messages is difficult. But young consumers are more than willing to engage with brand-promoting content on social media platforms if it is entertaining or informative and shareable. Actor Cody Johns, for example, posts snaps, Vine videos, or tweets on behalf of brands like Coca-Cola and American Eagle to reach a powerful number of fans. (Johns has 356,000 Twitter followers and 626,000 followers on Instagram, and his vines have been looped more than 1.4 billion times.) As they seek such compelling content, marketers are increasingly turning away from the purveyors of "traditional" advertising campaigns. Agencies, as one CMO told us, "don't do content marketing well." Instead, marketers are turning directly to publishers. Eva Barrett, global head of marketing communication at Philips, said, "We are now working directly with publishers because that's how we create the best content.... We're bringing the journalist into our business.... They're able to then create incredible stories that are relevant to our audience." And they are turning to digital-native individuals, like Cody Johns, and to digital-native companies, many of which are hybrid media–product companies, that bring valuable capabilities to the table. In 2008, when spirits company Diageo launched a cocktails-focused content marketing website, it was created and run by an agency. Diageo has since evolved the site, which forms part of the core of its DTC marketing efforts. But it is now shaped and run by a digital media firm.

### *Experiments to gain return on investment*

CMOs face increasing pressure to demonstrate return on investment in marketing activities. Sixty-one percent of CMOs surveyed by Duke's Fuqua School of Business reported feeling pressure from the CEO or the board to prove the value of marketing.[7] Yet the CMOs are also expected to be entrepreneurial and experiment with newly emerging platforms (e.g., Snapchat) and formats (e.g., sponsored tweets or Facebook Live video-casts). As Lisa Baird, CMO of the United States Olympic Committee, put it, "You're testing and learning constantly. You're in a flow."

As marketing becomes more technologically intensive, marketers must experiment with the latest campaign technologies, which often require avant-garde, "best in breed" micro solutions. For marketers contending with an increasingly large number of channels, it can become daunting to decide where to allocate marketing dollars. But the proliferation of channels shouldn't simply lead to more marketing; it should lead to *smarter* marketing. In today's marketing ecosystem, investments have to be prioritized to optimize return. To do so effectively, companies must develop an approach to portfolio optimization that can inform and shape their marketing decisions. Coca-Cola famously has an approach that focuses 70 percent of resources (e.g., time, energy, effort, or money) on "tried and true" investments that have a history of working; 20 percent on scaling experimental investments; and 10 percent for truly new endeavors. Marketers will need to devise their own approaches based on factors such as the original investment budget, industry, size of the organization, and objectives.

The right marketing mix will differ in strategies for Warby Parker and Coca-Cola. But the principle of portfolio management, as it applies to marketing, remains. If something works, it must be analyzed and scaled up as much and as rapidly as possible; if the return is minimal, it should be discarded. CMOs must execute these experiments at the same time they streamline the technology infrastructure that supports marketing. And it all has to happen quickly and become part of an ongoing, rapid cycle of experiments and measurement.

*The proliferation of channels shouldn't simply lead to more marketing; it should lead to* smarter *marketing.*

### ***Trust but verify***

In a seeming paradox, transparency and the availability of data and metrics coexist with a high and rising level of distrust. Marketers distrust what they regard as a nascent, unregulated "Wild West" of digital advertising, as well as established intermediaries and partners. Marketer concern about fraud is very high for most digital formats; for instance, 60.7 percent of marketers are very or extremely concerned about viewability of mobile video.[8] And for good reason. According to a study by Google, an astounding 56 percent of the digital ads that are served are not actually ever seen by a human.[9]

The distrust of new digital intermediaries — advertising technology platforms matching marketer demand for audiences with publishing inventory — appears to have also spread to marketers' long-established partners: agencies of record. Discomfort inspired by troubling reports of agencies receiving "kickbacks" from media companies[10] contributed in part to the so-called Mediapalooza of agency reviews in 2015, when an estimated $30 billion or more of agency-placed media spend went up for grabs in a competitive agency re-selection process.[11]

In light of these developments, marketers need to trust but verify. Already, large ad platforms like Facebook are adding optional guarantees that ensure, for example, 100 percent in-view impressions. As well, there are new technology solutions such as Moat, which provide anti-fraud analytics as a service. Marketers are well advised to assure themselves, using these methods and proactively asking their partners for transparency, that their money is efficiently spent. And internally, they need to build up a process for reviewing the information on a regular basis (*see Exhibit 2, next page*).

*Exhibit 2*
**New marketer needs**


Source: Strategy& analysis

# *The media response*

In the face of these developments, all players in the marketing and advertising ecosystem need to build new capabilities now to benefit from the dynamic changes and bolster their position.

Media, the publishers that receive a large chunk of advertising spending, need to maintain their market share while capitalizing on the opportunity to work more intensively and directly with marketers in new ways. To do so, they have to build the following three critical capabilities.

## *Ad product innovation*

In response to blocking behaviors and the demand for nondisruptive ads, native advertising has grown rapidly. Thanks to their core capability of content creation, media companies are uniquely able to tap into the growing business of branded content. Many media firms have launched branded content studios as new business units. Cable networks like CNBC have started their own global marketing agencies,[12] and publishers like BuzzFeed excel at developing custom-branded content for their marketer clients. The T Brand Studio of the *New York Times'* regularly develops custom, immersive journalistic reporting on behalf of, or sponsored by, major brands such as Philips. The *Atlantic* expects native ads to account for 75 percent of revenue in 2016.[13] But branded content and native advertising have been plagued with the problem of scale. Many media companies have not yet figured out how to produce native advertising at cost-efficient volumes that would allow them to scale these nascent businesses. And given ever-evolving consumer preferences, today's version of native advertising is unlikely to remain the most engaging ad product indefinitely.

To combat complacency and ensure continued relevance and a seat at the marketer's table, media companies will need to invest in continually rethinking branded content. What will an ad look like five years from now? How do we develop a portfolio of ways for brands to interact with their customers? Hearst Corporation's *Cosmopolitan* magazine recently saw a new type of ad on its Discover media channel on Snapchat. Ads for Lancôme and Target allow users to shop for products directly from the ad, without having to leave Snapchat.[14] The ads run 10 seconds and include a call to action to swipe up to shop the ad. E-commerce ads might be one such product that scales better than native advertising yet meets marketer and user needs.

Investment in infrastructure and technology architecture will enable media companies to instill innovation in branded content products. The *Washington Post* serves as an example of how capability building in technology and infrastructure can make continuous ad innovation happen. Since it was acquired by Amazon.com founder Jeffrey Bezos in 2014, the *Post* has created a team dedicated to ad product innovation (Red), placed engineering teams in the newsroom to address tech-related questions as they arise, invested in technology (e.g., in-memory content caching, embedded analytics), and launched FlexPlay, a video format powered by proprietary technology that offers interactive functionality and compelling display options.[15]

### *Distribution beyond "O+O"*

Consumers now seek out content first and foremost on platforms. Consider video. For many U.S. viewers, the websites of the big three television networks — NBC.com, CBS.com, and ABC.com — have been replaced by the big three digital video platforms. In March 2016, Internet users reported that the three most widely used video platforms were YouTube (80 percent), Facebook (64 percent), and Instagram (25 percent) — the last also owned by Facebook.[16] Yet, in a study published by eMarketer in August 2015, 76 percent of publishers said they use their company's owned and operated (O+O) sites as the primary channel to distribute branded video content.[17]

To demonstrate that they offer the reach that marketers are seeking, media companies will need to develop a comprehensive approach to distributing content across both O+O channels and third-party channels. As Marta Martinez, senior vice president of AOL Advertising, put it, "Now content has to go find the consumers wherever they are — on their mobile devices, on the social networks, sometimes on the run, sometimes [with time for a] very deep and engaging story."

In the example of Snapchat, Target, and Lancôme above, *Cosmo* benefits from an innovative partnership with a third-party platform. *Cosmo* is able to offer its advertisers access to the (young and valuable) Snapchat audience in an innovative new type of content and commerce integration. The only way to alleviate concern about the potential for lost revenues is to proactively develop partnerships to enable revenue-sharing models. Media companies with a television DNA should leverage their existing capabilities in content distribution negotiations with multiple platforms, including established players like Facebook and new entrants such as Verizon's Go90, to maximize the potential monetization of their content on third-party platforms. Publishers with a print origin or digital natives need to develop these same capabilities now.

### *Segmentation*

Though many media publishers have lost the battle for reach to the major platforms, they still retain the capability to create unique content experiences for a loyal audience. Thus, they need to play a quality-over-quantity game and prove that their audiences are more engaged, more likely to recommend and share, and more likely to consider a purchase. Nick Blunden, global managing director at the Economist Group and publisher of *1843* magazine, put it this way: "We've reached the point now where...consumers push back against the constant bombardment of marketing messages.... We've got to think about creating quality and that quality has to be rooted in the consumer." The better the publisher understands its unique user base, the more value it can bring to the table and deliver personalized content to the audience. All of this allows the company to deliver a highly engaged audience to the marketer. Once media companies have a distinct view of their audience, they can use that knowledge to reinforce their other capabilities in the areas of content creation and branded content. A capability based on customer understanding and content development cannot be easily replicated in the marketplace.

But our understanding of demographics has changed. And Dean Aragon, global vice president brand and CEO of Shell Brands International, cautioned publishers to catch up: "Content segmentation is lagging behind media segmentation." Traditionally, demographics consisted of gender, age, and location (e.g., males, ages 18 to 49, New York City). Today the notion of demographics has evolved dramatically, including interests (e.g., music, sports), life events (e.g., engagements), and community/connectivity. And we have also learned that interest in a product is not necessarily driven by age group. The real value in aggregating data points around interest is ultimately to understand *taste*. And when media companies can start to *predict* what consumers will like, they can build a strong competitive advantage that benefits both marketers and the platforms with which they are partnering. For example, the streaming music company Spotify lets users create their own playlists; some 1.5 billion user-generated playlists were reported in November 2015.[18] This type of user-generated content is another way in which companies can become better informed on consumer taste and preference. Spotify collects user data in an effort to develop a "taste profile," which can then inform the Spotify Discover Weekly playlists it generates.[19]

At the launch of PwC's Global Entertainment and Media Outlook 2016–2020 in New York in June 2016, Donna Speciale, the president of ad sales for Turner Broadcasting, predicted that within three to five years, 50 to 60 percent of television advertising inventory would be sold based on a much more granular audience segmentation — perhaps even with audience guarantees. Television companies, for which this would represent a tremendous change from the status quo, must adapt their data capabilities and improve the skills of their research and sales staffs to gain an in-depth understanding of who engages with which programming (*see Exhibit 3,* *see next page*).

*Exhibit 3*
## Capability implications

### Media/publisher

**Segmentation**

*Example:*
NBC Universal's Audience Targeting Platform

**Ad product innovation**

*Example:*
The *Washington Post*'s Team Red

**Distribution beyond "O+O"**

*Example:*
Viacom's partnership with Snapchat

### Marketing service provider/agency

**A new kind of creative: Content + IP**

*Example:*
Adobe's Audience Marketplace data exchange/co-op

**Strategic advisory**

*Example:*
Vice–Samsung collaboration for Samsung's Galaxy launch

**Experimentation at scale**

*Example:*
WPP's IOT tool kit in partnership with Intel

Source: Strategy& analysis

# *New capabilities for marketing service providers*

Agencies arguably face the most change in the new marketing ecosystem. Marketers are pressuring the agency with media reviews; media companies are positioning themselves as a critical partner; and technology vendors are crowding into the agency space from the left, and consultancies from the right. Agencies need to redefine their roles to prevent getting squeezed in the middle. In the face of new competitors encroaching on their core business, agencies have refused to stand still. As Sir Martin Sorrell, chairman of the world's largest agency holding company, WPP, told *strategy+business*, "The majority of our revenues — media, digital, and data — comes from stuff Don Draper wouldn't have recognized 30 years ago."[20] Beyond taking actions to expand in emerging markets, the big five agency holding companies — WPP, Omnicom, Publicis Groupe, Dentsu, and IPG — will have to invest in three key capabilities that will help strengthen the role of the marketing service provider in the new ecosystem: developing a new kind of creative; strategic advisory; and experimentation at scale. Meanwhile, other marketing service providers, such as advertising technology companies, must focus on a differentiating capability like new technology or access to unique audiences — or else risk being acquired or forgotten.

*Agencies should move toward being either more of a studio or a data mart.*

***A new kind of creative: Focus on content and intellectual property***

To continue to use their core capability in creativity as a competitive advantage, while meeting evolving marketer demands and enhancing client retention, agencies should move from a services-based model toward one that rests on proprietary content and intellectual property. That is to say, they should move toward being either more of a studio or a data mart. Both paths require new capabilities to be built in partner business development, and development and production resources, as well as the monetization and what we call the "productization" of IP.

Agencies can invest in content via IP ownership or licensing. They could aggregate their own creators, redefine "creative" into "content," and monetize proprietary IP. Alternatively, agencies can move into the studio business — building a studio for consumers, for brands, and as a service for creators, à la Maker Studios. As a “minimum viable strategy,” agencies should look to build critical relationships with key makers and creators. If financial resources permit, they could make acquisitions or investments in talent firms with existing relationships or create shows and bring advertisers into them. WPP, for example, has taken minority-stake investments in Indigenous Media, Vice, Fullscreen, Refinery29, and Bruin Sports Capital.

Agencies could also explore an IP-based model that centers on high-value data, particularly first-party data, as well as on productized analytics capabilities that allow marketers to add value to their data. Buoyed by their size and scale, agency holding companies could invest to build alternative data environments that stand up to the rich e-commerce environments like Amazon. Such an environment would go beyond the demand-side or data management platforms agencies own today. It would aim to provide the best, most complete, and deepest view of a brand’s target customer segment, how it behaves, and what it wants. Agencies could aggregate new, high-value assets such as transaction data, shipping data, mobile phone usage, and first-party data from brands to create a differentiated, productized data platform that provides value beyond what each third-party data provider can generate. Alternatively, they could build a data cooperative for, and with, advertising clients, playing a central coordinating role between brands. Marketing technology firm Adobe has initiated such an endeavor with its Audience Marketplace data exchange, co-op, and data partner network.

### *Strategic advisory*

As multiple new entrants crowd into the agency’s core space of media advisory and execution, agencies, too, should take a step back to reconsider how they can help clients navigate today’s increasingly complex ecosystem. They can do so by becoming more of a strategic advisor to marketers. They could see their role not only as broker-connector or central coordinator, but as solving some of the big, hairy problems that marketers face. To do so, agencies will have to adopt a consulting model with honed skills in strategy versus tactics. “We’re coming out of the tactician’s age into a strategist’s age,” as Dan Khabie, global CEO of the digital agency Mirum, put it. “We need to help clients think through what is really their strategic opportunity for their business.”

One such problem that marketers need help thinking through? How to create integrated branded experiences along the end-to-end customer journey. When Samsung partnered with Vice to position the Galaxy S4 more prominently with young consumers, Vice eschewed a traditional visual campaign and activated a variety of channels to develop a comprehensive experiential campaign: a platform on its Thump channel, original content such as music videos, editorial, and a launch party that featured Samsung devices. The campaign generated more than 11 million impressions in social media and more than 1.8 million views of original video content. The campaign also earned significant praise.

To create such campaigns, multiple specialist disciplines must work together. A branding agency needs to collaborate with an in-store retail experience design shop, and a media-buying firm with experts on social influencers and PR specialists. Many holding companies are taking initial steps down this path by building virtual internal client teams and establishing select cross-agency centers of excellence. However, we believe that such efforts will likely be insufficient. Agencies will have to move to new structures that bridge industry verticals, geographies, and functional specialization while putting clients at the center and allowing for horizontal collaboration. Strategic consultancies can provide a helpful blueprint. As an example, Strategy& is organized by industry verticals that, ultimately, span geographies. Within each vertical, one partner holds the ultimate responsibility for one client relationship; for large clients, this role is supported by several partners from different functional "horizontals" (e.g., strategy consulting or tax advisory) also taking lead roles in ensuring client satisfaction. For each assignment, project teams, many times encompassing several horizontal specializations, service the client's specific requirements.

*Agencies should plug into any gaps to help marketers test and scale new channels and methodologies.*

### *Experimentation at scale*

Much of marketing — e.g., media management, digital experience building — requires scale and expertise that is too expensive and too fast-moving for marketers to in-source, except for the most sophisticated and largest of them. One of the future roles of the agency will be to fill this need for experimental scale. As marketers feel overwhelmed with the rapid innovation that is required of them, agencies should plug into any gaps to help marketers test and scale new channels and methodologies.

Though no longer experimental by any means, mobile marketing is one area with which many marketers still struggle. When asked by Forrester in the third quarter of 2015, only 13 percent of marketers said "mobile is systematically integrated in our marketing approach."[21] Agencies can play a significant role in shepherding marketers' ongoing transition into a mobile-first world. They can do so, for example, by seeking partnerships with location-based data providers to build data sets they can then share with their marketing clients.

Retailers are showing tremendous interest in Internet of Things (IoT) applications. For example, Diageo uses IoT technologies like smart tags to let consumers personalize the bottle of whiskey they have purchased as a gift by adding a unique video message.[22] Additionally, these technologies can be used along the supply chain to improve operations. Though the cost of connectivity is tumbling, few retailers can create the architectural scale to build out the necessary combination of hardware, software, and real-time data on their own and in-house.

Finally, agencies, particularly those in a holding company network, have the scale to do so. They can turn the network into a real strategic advantage, instead of merely an effort to expand the agency's footprint. For example, WPP has launched an IoT tool kit in partnership with Intel that covers emerging technologies like face and gesture recognition, Bluetooth location beacons, and touch cards that can store a code or verify a customer's ID. By building experimental, cross-disciplinary "labs" containing the rudimentary, "minimum viable product" combinations of infrastructure, data and consumer insight, use cases, apps, and project management capabilities, agencies can fill a much-needed role as a central innovation hub for marketing experimentation. The most aggressive agencies will seek to become extensions of their clients' product development and R&D teams and will build new products and businesses for them. Done at scale across many marketers at the same time, this fills an important marketer need and forms a continual "hook" that allows agencies to maintain a critical seat at the marketer's table.

# Conclusion

Solving the marketer's dilemma will not be easy — for marketers or the companies that provide products and services to them. The innovations that are delivering greater insight, engagement, and connectivity for marketers are the same powerful forces that are disrupting established playbooks for building audiences and the business models for monetizing them. These forces are also blurring the boundaries and value chain roles among marketer, agency, and publisher. It is for these reasons that solving the marketer's dilemma will drive a significant realignment in how marketers engage with users and how marketers choose their agency, publisher, and technology partners.

Winning in the "flow" with users — where every brand is just one user interaction away from purchase — requires both new strategies and new approaches to execution. And although the precise formulas for success will differ from industry to industry and even from player to player, the winning direction is becoming clearer every day. Many marketers will bring more capabilities in-house. They will prioritize their spending with those providers (whether they are publishers, agencies, technology companies, or consultancies) that deliver the most effective solutions to their brands combined with the least executional complexity. They will seek out differentiated partnerships with those innovators that bring the necessary creativity in user experience and breakthroughs in business model to cut through the clutter.

In short, these winners will embrace the marketer's dilemma not just as a rationale to reimagine their marketing capabilities. They will view it as a strategic opportunity to strengthen their overall businesses; gain advantage over their competitors; and clarify their purpose to users, customers, and partners. Here, the famous Latin proverb does indeed ring true: Fortune does favor the bold. For while some hesitate, many tinker incrementally, and others cling to outdated approaches, the winners will be those that, in contrast, embrace new models and approaches, demonstrate that they can execute them rapidly, and learn and perfect them by doing.

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