accenture

Strategy | Consulting | Digital | Technology | Operations

Institute for
High Performance

Building the Just-in-Time Marketing Organization

By Joshua Bellin and Paul F. Nunes

High performance. Delivered.

We have all heard the saying that over half of the money spent on advertising is wasted – if only it were possible to now which half. But the actual amount of unproductive marketing investment is even more disturbing. According to an Accenture survey of Chief Marketing Officers, fewer than 20% of the individuals that marketers reach are actually the right customers. The rest are individuals who, marketing executives themselves know, will never actually consider – much the less, buy – their product. On a cost-per-consumer-reached basis, this represents an estimated hundreds of billions of dollars being misspent annually.

But that percentage is not consistent across all companies. We found that some companies are cultivating a new approach to marketing, They are actively building marketing organizations that reach the right consumer with the right message or offer – at just the right time. It's no coincidence that these companies are, consequently, also boosting the quality of their marketing – and enjoying stronger growth as a result.

Executive summary

How much does it cost a company when inaccurate projections of customer demand lead it to overproduce? What does it cost when a company misses the mark on quality? Is it possible to improve on both—that is, to reduce the excess while simultaneously improving quality? These questions, first asked decades ago by manufacturers, are highly relevant to marketing today.

Back then, unsold inventory was the problem. Today, it is production of marketing output that goes unused. In both cases, the changing nature of the customer is the driver. Consumers today are better and more immediately informed, and have the ability to rely on the opinion of millions of other consumers, not just a handful of friends and family. Consequently, mass marketing, the strategy of producing extensive marketing content aimed at reaching the broadest possible audience, is proving less and less successful.

With this challenge in mind, the Accenture Institute for High Performance set out to understand the most common sources of marketing waste, and to quantify its magnitude and business impact. What is the actual amount of advertising that is effectively missing the mark, and what is the resultant level of underperformance costing businesses?

We then sought to uncover and study organizations that are more efficient than their peers when it comes to making the most of their marketing dollars. Do more effective marketing practices have a direct impact on a company's performance? If so, how exactly are these companies designing and implementing these marketing approaches to achieve better business results?

Our survey of 532 chief marketing officers in 11 countries and 10 industries looked at precisely these questions. Through this and other research, we uncovered some surprising facts.

- Fewer than 20% of the individuals that marketers reach are the right customers for the product or service on offer. Extrapolating from estimates of global advertising spend, this amounts to hundreds of billions of dollars being misspent each year worldwide..

- A few companies manage their marketing investments more effectively and efficiently than their peers—and they are experiencing better marketing and overall financial performance as a result.

- These exemplars did not accomplish all this through simple fixes (such as merely spending more on analytics or being "more digital"). Rather, they reconfigured their marketing operating models; for example, by embedding analytics and digital talent throughout their marketing organization to integrate digital and traditional marketing initiatives.

On the whole, companies are wasting monstrous sums of money trying to be all things to all people. A few have figured out a much better approach that produces demonstrably better results. Rather than simply throwing money at technology and big data, they are embracing specific tactics and capabilities that are at the heart of a more efficient, and also more effective, marketing strategy.

We call this approach just-in-time marketing. In this report we lay out some of the principles to making it work.

Marketing overproduction and obsolescence

Marketing chiefs have long sought to build the broadest possible customer awareness through advertising. Yet, growing evidence suggests that this strategy makes little sense in the digital age. The reason is that "awareness marketing" now has a shorter shelf life in terms of its relevance to consumers. Marketing content gets old fast today—making overproduction of advertisements and other output more costly and increasingly wasteful.[1]

What explains the decline in value of companies' efforts to create product or brand awareness? First, consumers today are in the know—already "very much aware of the market," in the words of an Indian retailer's CMO who took part in our study. Rather than simply using brand names as proxies for quality, consumers can now gather and assess near-perfect information about any product or service that interests them.[2] To do so, they routinely use social media, visit sites posting detailed reviews and tap into price-comparison apps on their mobile devices—all activities that spell the decline of brand loyalty.[3]

Accenture research corroborates the effect of this development on consumer loyalty: 56 percent of the consumers in a study we conducted reported that the number of brands they consider before making a purchase has increased significantly over the past 10 years, while 46 percent said they are more likely to switch providers today compared to 10 years ago.[4] Although marketers have continued spending heavily on their brands, they have failed to reverse this trend.[5]

Second, the competitive environment has changed. It is now characterized by the sudden, explosive appearance on the market of offerings that are better and cheaper than anything else. Accenture calls this effect Big Bang Disruption. In this environment, existing products and services become outdated and even obsolete at a more rapid pace than ever before. Consequently, consumers have grown used to getting better, cheaper and more convenient offerings, and they are not concerned about staying loyal to a single brand to provide them.[6] A digital marketing executive at a Brazilian media and entertainment company told us that the reason she spends so much time improving the company's marketing output is "to reach an increasingly more selective public."

To succeed in this environment, companies need to think differently about what purpose they want their marketing investments to serve and how to manage these investments as effectively and efficiently as possible—a key component of just-in-time marketing. Rather than overproducing broad awareness-building content that underperforms, they should use just-in-time marketing to produce only the marketing outputs that are required, at the exact moment of customer need or latent desire, with the right message or offer that will generate a sale. (See "From manufacturing to marketing: What is a Just-in-Time approach?" page 10)

Missing the mark

Results from our CMO survey reveal that, across industries and geographies, companies often reach the wrong customers at the wrong time. Indeed, the vast majority of marketing spend is directed toward uninterested or "out of the market" consumers (see "About the research" page 11). Little wonder, then, that less than half of the CMOs in our survey reported being very satisfied with the value-for-money of their marketing approaches.

The problem's magnitude is even worse than the saying about half of advertising spending being wasted. As noted, our analysis reveals that, in fact, more than 80 percent of marketing spend is directed at the wrong customers.

To arrive at this number, we asked CMOs to estimate the percentage of individuals their marketing reaches whom they consider "in-market" for the product or service on offer. In-market customers are those who are engaged in the purchase cycle—even if in the early stages—have identified a need or desire for the offering and have the means to make a purchase. By contrast, out-of-market customers neither need nor desire the offering, are incapable of being receptive to offers or are unable to make a purchase.

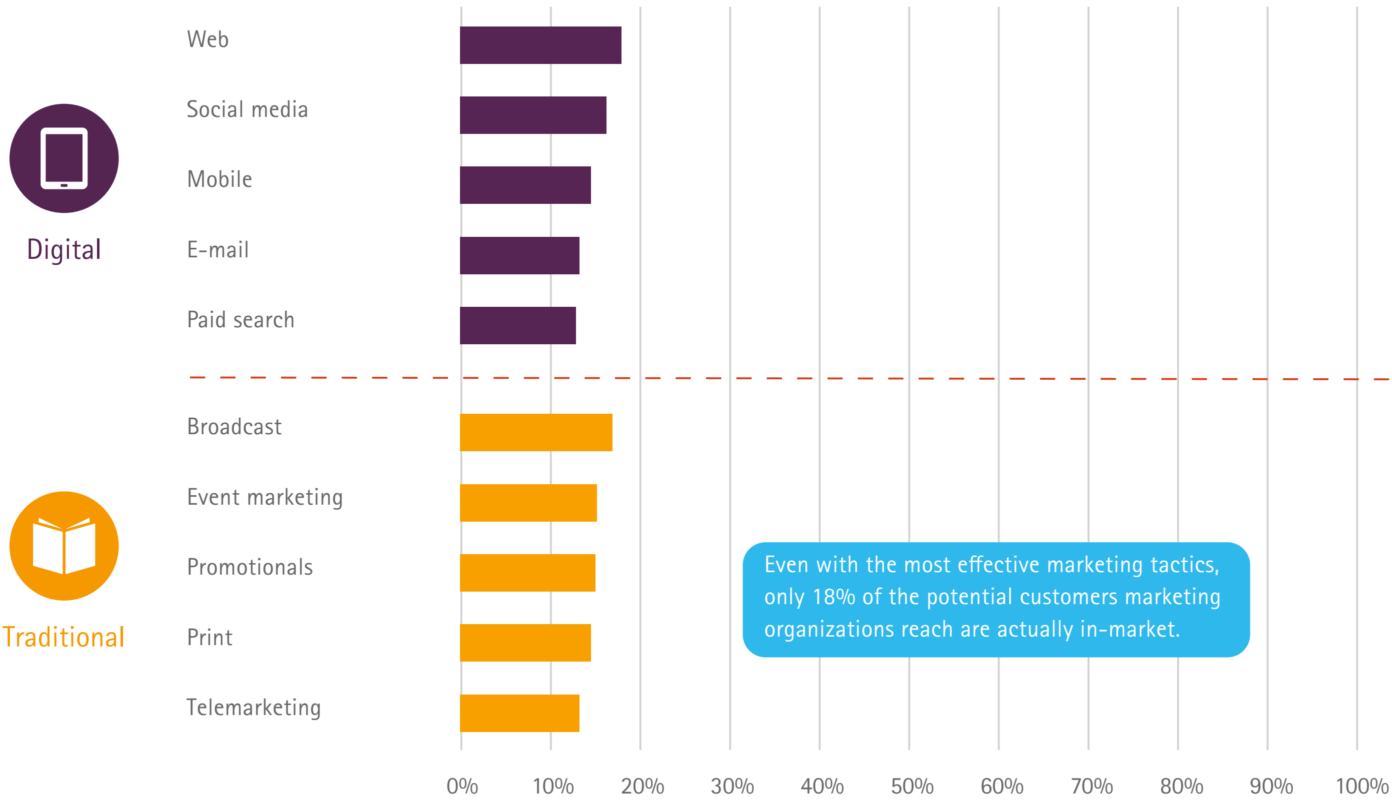
On average, survey participants report that the share of individuals they reach who are in-market is slightly less than 20 percent—and that was for channels they considered the most effective today, including Web, social and broadcast. For other channels—digital and traditional alike—the numbers were lower still (see Figure 1). The upshot: Even in the best-case scenario, more than 80 percent of individuals reached are out-of-market.

Looked at another way, this level of inefficiency represents nearly half a trillion dollars wasted globally per year on marketing to people and businesses that almost certainly will not make a purchase. Companies around the world collectively spent an estimated US$600 billion on advertising in 2015; if less than 20 percent of that reached in-market customers, up to hundreds of billions of dollars has potentially been wasted on those who are out-of-market.[7] That is the magnitude of trapped marketing value waiting to be unlocked.

Figure 1: Reaching the wrong customers

Accenture research shows that even in the best channels, only 18 percent of customers reached are the right ones.

As a percentage of the total number of customers reached by each channel, estimate how many are in-market.



Leading the pack: Just-in-time marketers

Marketing chiefs should not accept the status quo as unchangeable, however. Our research found that a few select companies are remarkably good at reaching the right customers, with the right messages, at the right times. And they are doing so by excelling at certain marketing competencies.

Who were the leaders and how did we identify them? We identified a top tier of companies that reported having deep knowledge about their customers, having the right capabilities to reach customers through the right channels, and being agile enough to vary their messaging as needed. These are three attributes that our research shows to be the cornerstone of a just-in-time approach.[8] Few CMOs reported that their marketing departments definitely possessed any of these attributes, let alone all three.

This finding highlights the exceptional nature of the top tier, which we are confident in calling just-in-time marketers (see Figure 2). Industry and sector do not matter: The exemplars in our study are distributed across different industries, and they include business-to-business (B2B) and business-to-consumer (B2C) companies.

When we looked more closely at the just-in-time marketers in our sample, we found that they exhibit "waste-conscious" attitudes and mind-sets that set them apart from other companies. For example, they are far more likely than their peers to dedicate themselves to driving inefficiencies out of their marketing efforts. As the CMO of a large UK-based retailer told us: "Over the long term, these inefficiencies can cost money and customers. So I make sure to put a lot of effort in to fix this." More succinctly, the CMO of an Italian hospitality group referred to this trapped marketing value simply as "useless costs."

Figure 2: Who are the just-in-time marketers?

A few companies in our survey reported significantly higher degrees of customer knowledge, greater abilities in reaching customers through the right channels and more agility in varying their messaging as necessary. We call these companies just-in-time marketers.

1. Customer knowledge

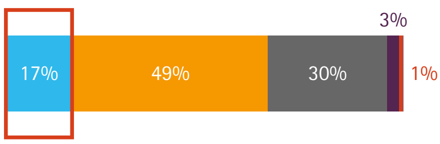
We have the ...

Consumer data needed to plan and execute effective marketing strategies

2. Channel capability

We have the ...

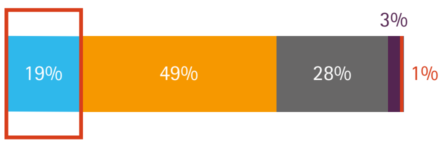
Marketing infrastructure needed to optimally communicate and execute value propositions



3. Real-time marketing flexibility

We have the ...

Marketing mix that tailors value propositions at the right price, the right time, and in the right channels



Definitely yes | Mostly yes | In some respects | Mostly not | Definitely not

These companies also report better marketing outcomes today. For instance, they are more satisfied with their ability to insert the right message at the right time. And, in addition, they are more confident in their ability to further improve their marketing effectiveness and efficiency in the future.

Ultimately though, strong marketing capabilities, waste-conscious mind-sets and even superior marketing outcomes mean nothing if they do not translate into a tangible and sustainable business performance advantage. Here, too, just-in-time marketers set themselves apart: our research shows that they significantly outperform their peers on both one-year and three-year revenue growth (see Figure 3). Clearly, just-in-time marketing is delivering a competitive advantage to the relatively few companies that have dedicated themselves to this approach.[9]

Rethinking marketing operations

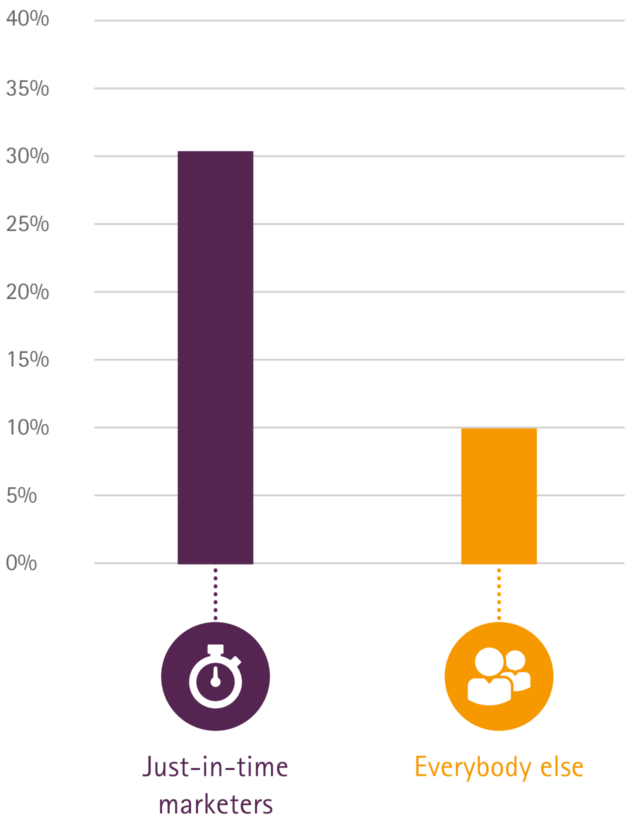
That just-in-time marketers have different capabilities than the rest is clear. The question now is: how do they build and sustain these capabilities? In other words, what, if anything, are just-in-time marketers doing differently than their peers in terms of marketing strategies, investments and approaches?

All marketing organizations are made up of the same basic nuts and bolts—including talent, organizational structures, processes and technology platforms. But how these components are combined—what Accenture calls the marketing operating model[10]—can vary substantially across businesses even within industries. Our survey finds that just-in-time marketers execute in notably different ways than their peers when it comes to their operating model—and other CMOs can learn a lot from them.

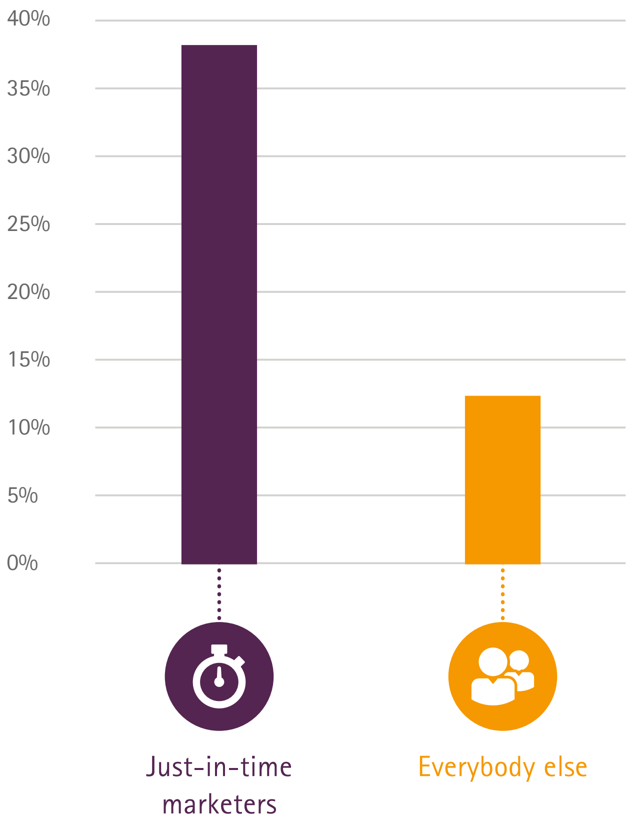
Figure 3: The just-in-time performance advantage

Just-in-time marketing improves marketing outcomes and helps companies beat their peers on one- and three-year revenue growth.

% reporting greater than 26% 1-year growth than peers



% reporting greater than 26% 3-year growth than peers



For a start, they do not isolate digital marketing efforts from the rest of their marketing organization—by, for example, setting up dedicated (and sometimes isolated) teams for mobile, social, analytics or digital customer experience. Rather, they build bridges between their digital and traditional marketing initiatives. In fact, 58 percent of the just-in-time marketers in our survey described their digital and traditional marketing initiatives as "very highly integrated," while only 19 percent of their peers reported the same (see Figure 4).

To achieve that degree of integration, just-in-time marketers make sure they have the right mix of digital and analytics skills throughout their marketing organization. They embed people who possess these talents in all their marketing teams—whether those teams are focused on specific campaigns and promotions, customer segments or product or service categories. In addition, they use dedicated centers of excellence to make digital and analytics capabilities readily available to all their marketing endeavors.

It turns out to be an approach that few others take—and an important point of differentiation. As the CMO of a Chinese retail chain conceded, "The major barrier to the efficiency and effectiveness of our marketing output is the lack of technical personnel."

Figure 4: Integrating digital and traditional marketing initiatives through talent

Just-in-time marketers report higher integration of their digital and traditional marketing initiatives than their peers. They achieve this integration by embedding digital and analytics talent throughout their marketing organization.

Freedom with technology

Just-in-time marketers also differ from their peers in how they manage another aspect of the marketing operating model: technology investments. In our study, 56 percent of the just-in-time marketers said they independently choose or invest in their own IT solutions, while only 14 percent of their peers reported the same (see Figure 5).

This does not necessary mean just-in-time marketers implement "shadow IT" behind the backs of unwitting CIOs. It may instead mean the opposite: that the CIO-CMO relationship has grown more collaborative. In such relationships, the CIO helps marketing organizations implement tools and technologies that support just-in-time marketing practices.

The findings suggest that having a rigid technology infrastructure may help explain why so few companies have succeeded in adopting just-in-time marketing. Supporting this theory, when we asked our survey respondents to reflect on the greatest barriers to managing their marketing investments more effectively and efficiently, many of them cited lack of the right technology for the job.

Unlocking trapped marketing value

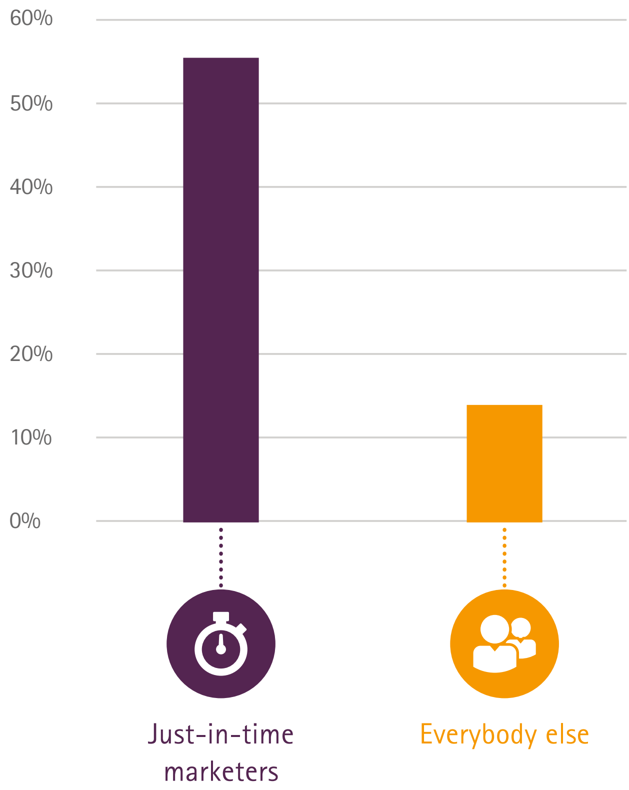
There are no easy fixes to the wasted-marketing-dollars challenge. But that should not stop CMOs from taking the necessary steps now toward building a just-in-time marketing organization.

By adopting just-in-time practices, marketing executives can unlock the tremendous value (literally the hundreds of billions of dollars that companies currently waste) that has been trapped by outdated awareness-building approaches. And, this value will not only accrue from simply shedding unnecessary expenses. Just-in-time marketers, because they can engage the customer at the exact moment of latent need, enjoy a more sustainable competitive advantage. In an ever-more competitive marketplace, that is the hidden value waiting to be realized.

Figure 5: IT independence: the missing ingredient?

Just-in-time marketers are more likely to report "complete" independence in making technology investment decisions.

% reporting "complete independence" when it comes to making IT investment decisions



From manufacturing to marketing: What is a just-in-time approach?

In the early twentieth century, manufacturers, concerned about managing costs, focused on achieving economies of scale. To that end, they relied on long-term planning, designed products for the broadest appeal and often produced more than market demand required. The result? A constant stream of excess inventory.

Eventually, this single-minded drive for scale began to hurt: Companies churned out products with too many defects, and they could respond only slowly to changes in consumer demand. Costs soared (owing to all that inventory sitting in warehouses), and profits plummeted (as companies scrambled to fix or replace shoddy goods).

After World War II, Japanese manufacturers developed a different way of doing things. With Japan's economy in shambles, business leaders knew they could not count on strong domestic demand to justify maximal production. That led some organizations (notably large automotive makers) to implement just-in-time (also called "lean") manufacturing approaches. Japanese leaders kept inventory at a minimum by producing only what customers demanded, at the required time, to the exact specifications requested and to the highest level of quality. Observers outside Japan took note of the results, and many around the world eventually adopted "lean" practices.

Like mass manufacturing in its heyday, marketing organizations often produce "excess inventory"—content which proves to place the wrong messages with the wrong consumers at the wrong times.

A just-in-time approach can help solve marketing's inventory crisis—if CMOs apply three lean-manufacturing practices:

Kanban

This is a set of processes that focuses production on demand-driven "pull" rather than top-down "push." It ensures that creation of new marketing content is always calibrated to meet actual marketing needs.

Kaizen

This term roughly translates as "continuous improvement." It steers the organization to consistently enhance processes and practices aimed at eliminating waste and boosting product quality.

Total Quality Management

TQM seeks to detect defects early in the process of producing something, to minimize mishaps during customers' interactions with the company.

These three principles of just-in-time manufacturers point to the new reality facing marketing today: that success depends more on quality than on quantity, and that efforts should be calibrated for better targeting rather than for wider reach.

About the research

The Accenture Institute for High Performance surveyed 532 chief marketing officers between September and November 2015. Our goal was to quantify marketing inefficiencies and identify marketing attitudes and behaviors in response to these inefficiencies. Participating CMOs represented companies headquartered in 11 countries and 10 industries, all with reported revenues of more than US$1 billion. We identified leading marketing organizations based on three self-reported measures: degree of customer knowledge, ability to reach customers in the right channels and agility in varying their messaging as necessary. By comparing the actions of leading marketing organizations with their less effective peers, we found factors that most contributed to the leaders' success.

References

1. Paul F. Nunes and Joshua B. Bellin, "Just-in-time marketing: Executive summary," 2015. https://www.accenture.com/t20151106T210102__w__/us-en/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_21/Accenture-Just-in-Time-Marketing-Executive-Summary.pdf#zoom=50, accessed January 4, 2016.

2. James Surowiecki. "Twilight of the Brands." *The New Yorker,* February 17, 2014. http://www.newyorker.com/magazine/2014/02/17/twilight-brands, accessed December 22, 2015.

   See also: Itamar Simonson and Emanuel Rosen. Absolute Value: What Really Influences Customers in the Age of (Nearly) Perfect Information. Harper Business, New York, 2014.

3. Paul F. Nunes and Joshua B. Bellin, "Reclaiming the battlefield of consumer influence," *European Business Review,* September 20, 2012. http://www.europeanbusinessreview.com/?p=2416, accessed December 22, 2015.

4. As a result, potential revenue from changes in United States consumer spending patterns and brand-switching rates has swelled by 29 percent since 2010 to US$1.6 trillion in 2015 according to Accenture research. See "U.S. 'switching economy' up 29 percent since 2010 as companies struggle to keep up with the nonstop customer, finds Accenture." News release, January 21, 2015. https://newsroom.accenture.com/subjects/strategy/us-switching-economy-up-29-percent-since-2010-as-companies-struggle-to-keep-up-with-the-nonstop-customer-finds-accenture.htm, accessed December 22, 2015.

5. "US digital ad spending estimates, by industry and objective." *eMarketer* via MarketingCharts.com, May 2015. http://www.marketingcharts.com/online/share-of-digital-ad-spend-spent-on-branding-by-industry-in-2015-54939/, accessed December 22, 2015.

6. Lawrence Downes and Paul F. Nunes, Big Bang Disruption: Strategy in the Age of Devastating Innovation, Portfolio Penguin, Boston, 2014.

7. "Advertisers will spend nearly US$600 billion worldwide in 2015." *eMarketer*, December 10, 2014. http://www.emarketer.com/Article/Advertisers-Will-Spend-Nearly-600-Billion-Worldwide-2015/1011691, accessed December 22, 2015.

8. Paul F. Nunes and Joshua B. Bellin, "How to gear up for Just in Time Marketing," 2015. https://www.accenture.com/us-en/insight-outlook-gear-up-just-in-time-marketing.aspx. Accessed Jan 4, 2016.

9. The Accenture analysis finds that no other company trait (industry, size, location, international footprint, etc.) predicts better performance as strongly as our measure of just-in-time marketing capabilities.

10. "Banking on digital: Enabling a digital first mindset." Accenture Interactive, 2013. https://www.accenture.com/us-en/~/media/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Technology_7/Accenture-Interactive-Banking-Enabler-Digital-Operating-Model.pdf, accessed December 22, 2015.

Authors

Joshua Bellin

Research fellow
Accenture Institute for High Performance
joshua.b.bellin@accenture.com

Paul F. Nunes

Global managing director
Accenture Institute for High Performance
paul.f.nunes@accenture.com

Contributing Author

Ivy Lee

Thought leadership research specialist
Accenture Institute for High Performance
ivy.lee@accenture.com

About the Accenture Institute for High Performance

The Accenture Institute for High Performance develops and communicates breakthrough ideas and practical insights on management issues, economic trends and the impact of new and improving technologies. Its worldwide team of researchers collaborates with Accenture's strategy, digital, technology and operations leadership to demonstrate, through original, rigorous research and analysis, how organizations become and remain high performers.

About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 373,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

16-0215