

# Marketing Challenges

2023

What the global marketing industry thinks about the challenges it faces, and what needs to be done about them.





"There is a real desire to deploy great creativity for growth, but a sense that uncertainty is holding us back."

Spencer Fox, VP LIONS Advisory LIONS State of Creativity Study 2023

"Against a backdrop of unrelenting social and economic pressures, marketing leaders look toward a future where smarter marketing leads to deeper, more valuable connections between customers and brands."

Gartner, 2023



# Executive Summary





From the state of the world to the payback from direct marketing:
Five key takeouts.

1

#### Today's marketers must navigate a complex web of challenges

Today, marketers face a whole range of challenges which make strategic planning more challenging and investment decisions more risky. Some challenges, like economic uncertainty, are global and inexorable. Others, like marketing effectiveness, are within the power of marketers to do something about – IF they know how to do it, and if they have the necessary resources and support.

2

#### 92% find it difficult to tie creativity to commercial return

It is a problem felt across business sectors, and a significant issue for all but the very biggest of companies. It puts our industry at a major disadvantage when it comes to making the case to the board for continued investment in difficult economic times.

3

#### 80% of marketers see five major challenges to developing strategy

Biggest of all is the task of selling plans to the C-Suite, cited by 83% and ranked as the most challenging. Together, these five challenges put multifaceted pressure on marketers' technical, organisational, diplomatic and persuasion skills. 4

# Over 80% struggle to evaluate vast quantities of incompatible data

A combination of large amounts of hard and soft data from multiple sources, combined with inadequate processes for dealing with them, makes it hard to prepare and present a coherent business case.

5

#### Channel usage is strongly linked with the ability to calculate ROI

The result is two groups of channels. There are highly measurable, high-usage channels like DM, social media and television; and there are less measurable, lower-usage channels like experiential, Metaverse and PR. There is an opportunity to expand the role of measurement.



# Introduction





# The Challenges for Marketing in 2023 and beyond

Grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference.

#### Report Authors

Mark Stockdale, Partner (Head of Strategy & Consulting) The Effectiveness Partnership Warwick Cairns, Strategy Partner The Effectiveness Partnership

Gurdeep Puri, Founding Partner The Effectiveness Partnership In collaboration with LIONS and WARC, June 2023

# Marketing in an age of disruption

'May you live in interesting times.' It is said to be a curse in the guise of a blessing. Or a blessing in the guise of a curse. Some see it as a crossroads at which the choices we make can take us one way or the other. But whichever way you look at it, in our industry and in our world in 2023, we most certainly live in the most interesting of times.

They are challenging and uncertain times for all of us, on all sorts of levels. Because right now, whatever market we are in and whatever businesses and audiences we serve, we find ourselves faced with any number of unexpected and disruptive events that continue to shake up our understanding of what we do, and our strategies for doing it.

#### An industry facing challenges

Today, we feel the continued economic consequences of pandemic lockdowns. We see political instability and war in Europe disrupting supply chains and distorting markets.

And we're beginning to taste the sweet and sour flavour of AI, which, on the one hand, opens up extraordinary new possibilities for all of us, while on the other hand bringing with it the potential

to decimate white-collar employment throughout the 'developed' world. Or so some say. The result is a renewed pressure on budgets. After a brief uplift, marketing budget as a percentage of company budget has fallen back to pre-Covid levels, with yearly spending growth slowing by 72% (Source: CMO survey 2023).

#### What marketers think

Some of the challenges we face as an industry are within our power to do something about. Others are driven by factors far beyond our control. And some, perhaps, are a mixture of the two.

But there are opportunities too, for those prepared to take them. In particular, there is a move towards expanding the use of strategic and long-term measurement to guide campaign planning and channel choice and to better manage consumer relationships.

So it is time to look at the impact on the world's marketers. How we see the challenges ahead of us, and what we think must be done about them.

The findings, drawn from professionals across the world, are explored in the pages that follow.



# The Survey





In May 2023 LIONS, WARC and The Effectiveness Partnership came together to survey global marketers' perceptions of the challenges facing our industry today.

The survey posed seven questions, covering different aspects of the five areas marketers must successfully navigate to produce commercially effective work in today's world.

If you are a brand marketer, it's worth asking yourself the same questions, and comparing your response to the results of the survey. The issues they cover are crucial for driving effectiveness in your organisation in a world of unpredictability and disruption.

For details of sample size and composition, see the Appendix

- External challenges facing marketers
- Tying creativity to commercial return

- Developing marketing plans
- Evaluating campaigns
- Judging the effectiveness of channels













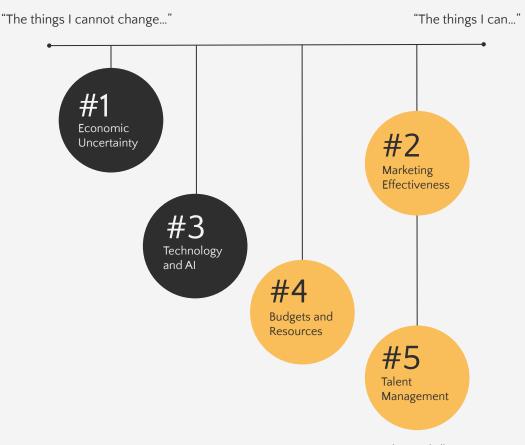
#### Challenging times for marketers

Marketers face a whole range of challenges. Some of them are global in scale and inexorable in their power. Others are within the power of marketers to do something about - IF they know how to do it, and if they have the necessary resources and support available to them

Those are actually very big 'ifs'.

#4, Budgets and Resources, will often depend on your ability to make a persuasive case to the Board for more funding. Which in turn depends on your ability to prove #2, Marketing Effectiveness, and demonstrating that increased investment is justifiable in the light of #1, Economic Uncertainty.

Given that these are things many marketers say they struggle with, It's not always easy!





Digging deeper into marketers' concerns reveals a complex web of interconnected challenges.



# #1 Economic Uncertainty (mentioned by 72% respondents)

Marketers are concerned by political instability and unrest, and by the prospect of inflation and global recessions, with consequent spiralling prices and industry layoffs.

## #2 Marketing Effectiveness (mentioned by 64% respondents)

Many marketers feel daunted by the task of measuring effectiveness and return on investment. Yet without the ability to master this they fear a loss of impact and relevance within their organization and, externally, growing threats to their brand reputation.

## #3 Technology and AI (mentioned by 61% respondents

As technology advances, marketers face the task of Integrating and adapting their businesses to keep up. But the rapid pace of change also gives rise to fears about constantly playing catch-up while avoiding investing too heavily in expensive 'white elephant' technologies that are rapidly superseded. In the background, meanwhile, there is growing uncertainty about the impact of AI on their markets – and their jobs.

## #4 Budgets and Resources (mentioned by 53% respondents)

The reality of tough times is that marketing budgets are often the first things to be cut. There's also pressure to prioritise short-term revenue generation over long-term brand growth, and a battle to justify marketing investment in a downturn.

## #5 Talent Management (mentioned by 51% respondents)

Marketers are concerned with hiring, developing and retaining talent, by the task of nurturing leadership skills and the need for effective management of partners.





# Creativity and Commercial Return







#### find it challenging to tie creativity to commercial return

The vast majority of global marketers -75% - say they find it always or frequently challenging to prove the commercial value of what they do. A further 16% say they find it sometimes challenging.

This puts our industry at a major disadvantage when it comes to making the case to the board for continued investment. in difficult economic times.

#### 92% Challenging



8% Not Challenging

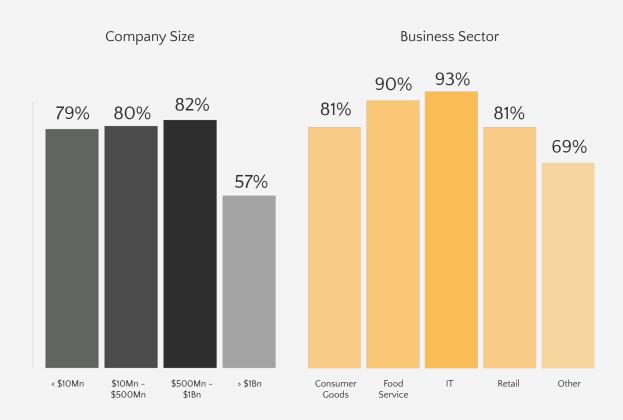




### A significant challenge for most organisations

Irrespective of company size or sector, proving the commercial benefit of creativity is a major headache for the majority of marketers.

Only a handful of the very largest organisations rarely or never struggle to relate creative to ROI.











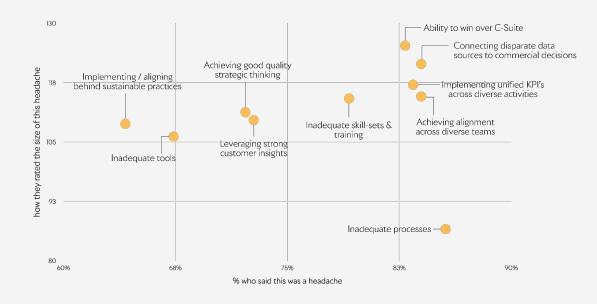


# The 5 big strategy challenges

When it comes to developing marketing plans, five big challenges are cited by around 80% of global marketers:

- #1 Ability to win over the C-Suite
- #2 Connecting disparate data sources to commercial decisions
- #3 Achieving alignment across diverse disciplines
- #4 Implementing unified KPIs across diverse activities
- #5 Inadequate skill-sets and training

The combination of these five tasks puts multifaceted pressure on marketers' technical, organisational, diplomatic and persuasion skills. No wonder we find it so hard!



# Other Strategy Challenges

More generally, the headaches Marketers face when developing strategy touch on many of the same issues they shared when thinking about their business in the coming year – talent, resources, macro-economics, technology, etc.

But of the 'other headaches' mentioned by marketers, the most important cluster lies around linking marketing strategy to business strategy. This is either because of a lack of clarity in either business strategy itself, the marketing role within it, or some combination of the two.

#### **RANKING BY MENTIONS**

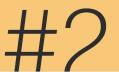






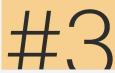
- Unclear business strategy
- Weak linkage of business vs marketing strategies
- Reconciling short-term sales vs long-term ROI
- Rest of Business being obsessed with the 'latest shiny object' rather than strategic needs

#### MARKETING LINKAGE WITH BUSINESS NEEDS



- Downwards pressure on marketing budgets
- Lack of high-quality, proven advice / guidance
- Understaffed
- Margin pressures due to inflation

#### **RESOURCE CONSTRAINTS**



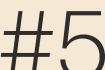
- Fragmentation teams working in silos
- Teams being increasingly focused on day-to-day business instead of long-term planning
- Lack of rigor (internally / externally) just 'getting by' even if well trained (workload pressures)

#### TEAM MANAGEMENT



- Finding, hiring and retaining talent
- Endemic problems of 'doing the same thing but expecting different results'

#### TALENT MANAGEMENT



- Rate of technological change
- Regulatory landscape
- Uncertain macro-economic outlook

#### MACRO ISSUES

# Evaluating The Effectiveness of Marketing Activities







# The biggest evaluation headaches

As channels multiply, data proliferates and processes become ever more complex, marketers increasingly struggle to connect the various kinds of measurements available to them. This makes it hard to prepare a coherent, single-minded case for the Board.

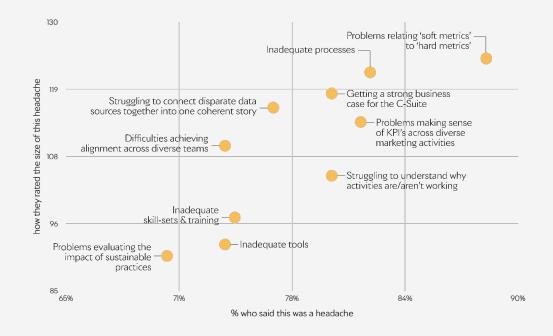
The biggest evaluation headaches are:

#1 Relating marketing metrics to commercial ones

#2 Inadequate processes

#3 Getting a strong case for C-Suite

#4 Making sense of diverse KPIs



#### Other evaluation headaches

There is a clear link between evaluation headaches and strategy headaches. This is perhaps unsurprising when so much strategic planning relies of data to inform it. Without, good quality data and strong analytic capabilities, creating a robust marketing plan becomes all but impossible.

However, it's worth noting that a key theme to emerge through these comments is how the evaluation of marketing activities is perceived and used by other stakeholders beyond the marketing department.

#### RANKING BY MENTIONS







- Tying marketing outcomes to an overall business strategy (nb. even if can calculate ROMI)
- Discounting other factors from marketing outcomes to prove business impacts
- Skepticism amongst other stakeholders about commercial value of marketing (especially

#### MARKETING LINKAGE WITH BUSINESS NEEDS

- Access to sufficient expert resource (internally and/or externally) for evaluation rigor
- Evaluation techniques too complex and/or 'black box' for stakeholders

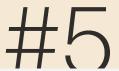
#### CAPABILITIES

- Too much / too little / the wrong sort / poor quality
- · Challenges of navigating 'data soup'

#### DATA

- Fragmentation teams working in silos
- Lack of rigor (internally / externally) just 'getting by' even if well trained (workload pressures)

#### **TEAM MANAGEMENT**



- Unrealistic expectation of 'big results'
- Poor objective setting not linked to consumer / marketplace realities
- Over-optimistic / naïve interpretation of results

#### LACK OF REALISM





# Ability To Evaluate Channel Effectiveness





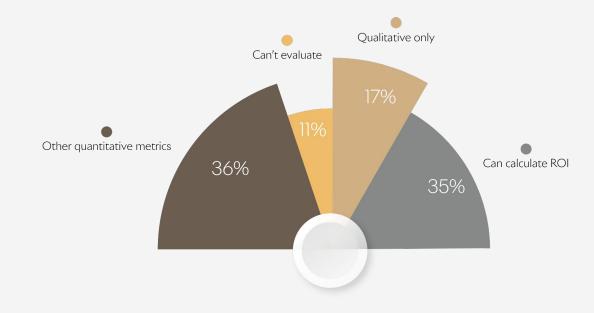


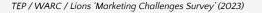
#### Channel evaluation

Roughly a third of Marketers can calculate return on investment (ROI) for at least one of the channels they use, and another third use quant data (but can't calculate ROI).

The final third either cannot evaluate their channels at all or only rely on a purely qualitative assessment.

#### How do you evaluate the channels you use?





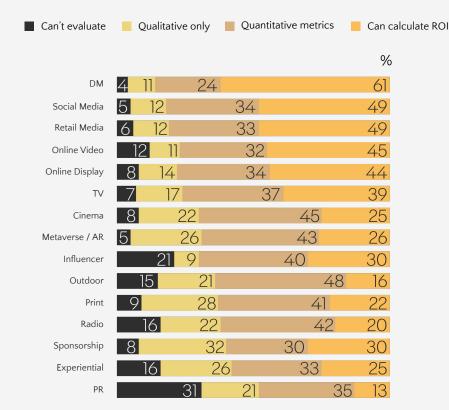
#### In more detail...

The ability to evaluate quantitatively or calculate ROI varies dramatically by channel from DM (85%) down to PR (less than half).





#### How do you evaluate the channels you use?







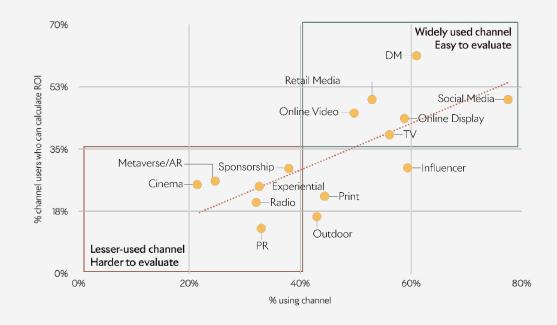
#### The two kinds of channels

In general, channel usage is strongly correlated with the ability to evaluate it. If Marketers can't show the return generated by a channel, they're less likely to use it.

- · High evaluation, high usage; These include Social Media, DM, Retail Media, Online Display and TV.
- Low evaluation, low usage; These include Experiential, Metaverse and PR.

The question is, are marketers are blinding themselves to additional opportunities by avoiding channels that are harder to measure? Is better measurement a better answer?

#### How do you evaluate each of the channels you use?





# In Conclusion





# We live in a changing world.

Marketing has never been easy. Today it is becoming harder still, as markets, industries and consumer culture are reshaped by an accelerating succession of disruptive events and technologies.

From the ghost-town streets of lockdown life to the unknown trajectory of AI entering our lives and businesses, it is true to say that few generations have ever experienced so many waves of transformation in such a short space of time.

Within our industry, within the space of a few short years, we have seen budgets contract, expand and then contract again. We have seen new channels open up and old ones fall out of favour. Increasingly our ability to measure and plan has struggled to keep up.

In some cases it is the lack of actionable data that hinders us. In other cases it is a scattergun oversupply that makes it so hard to see the wood for the trees.

The result, as this survey shows, is that a shocking 92% of all marketers find it hard to calculate the commercial return generated by the work they do.

It makes us vulnerable. It makes us easy to cut down or cut out in times of contraction and recession.

But it doesn't have to be that way.

Marketing is not alone in being challenged by the pace and scale of change. These things affect everyone, everywhere.

As marketers it is our job and our skill to understand and to communicate. Of all industries. we have perhaps the greatest potential to help our colleagues and audiences navigate the way forward.

By embracing the opportunities of today's technologies, by expanding the scope and competence of our focus on measurement, and by instilling a culture of effectiveness throughout our organisations, marketing can help turn the biggest of challenges into the greatest of opportunities.









#### The Effectiveness Partnership (TEP)

The Effectiveness Partnership is a transformation agency designed to help brands and agencies bounce back better through embedding a culture of effectiveness. For over 13 years TEP has been making clients more successful through designing effective strategies, mentoring more effective ways of working, and overseeing executions fuelled by insightful evaluation.

We bridge the gap between the creative world of ideas, inspiration and possibility, and the logical world of analysis, data and reality - maximising the value of creativity.

TEP's products include brand consultancy, culture triages, strategic navigation and mapping, research and analysis, and a host of upskilling programmes. We have helped drive commercial success in the UK, Europe, Middle East, US and Canada for multinational brands through to local start-ups; and for agencies of all skills and sizes

We can help you unlock the value of creativity and transform the effectiveness of your organisation.

#### LIONS

At LIONS, we have over 65 years of evidence that creative excellence moves people, businesses and society forward. Our International Festival of Creativity has been championing creative excellence since 1954 with the goal of providing the definitive benchmark for creativity that drives progress.

LIONS | The Home of Creativity is the destination for anyone who believes in the power of creative possibility and wants to aim higher and push forward. Our purpose is to drive progress through creativity and provide those in the business of creativity with all they need for their journey to creative excellence, at whatever stage they are at and wherever they are: insight and inspiration, encouragement and connection, milestones and magic. LIONS goes beyond the International Festival of Creativity at Cannes, we provide all-year-round support to all professionals in every step of their creative journey, having unparalleled expertise and a community that comprises the world's leading brands, agencies, media platforms and technologies, making us able to inform, develop.

#### WARC

At WARC, our purpose is to save the world from ineffective marketing by putting evidence at the heart of every marketing decision.

We believe that effective marketing is based on facts and not opinions. Since 1985, we've brought confidence to marketing decisions through the most trusted research, case studies, best practice, data and inspiration.

Today, we help 75,000+ marketers across 100+ countries. Our clients include the world's leading brands, advertising and media agencies, media owners, research companies and universities including the top five largest agency groups and top five largest advertisers in the world.

theeffectivenesspartnership.com

lionscreativity.com

warc.com

# Appendix: The Sample

Survey fielded from 10th May until 7th June

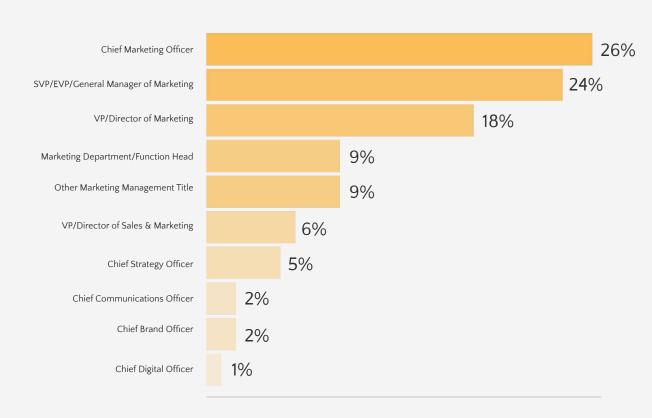




## Senior marketers

Total sample of 187 Marketers in brand-owner organisations.

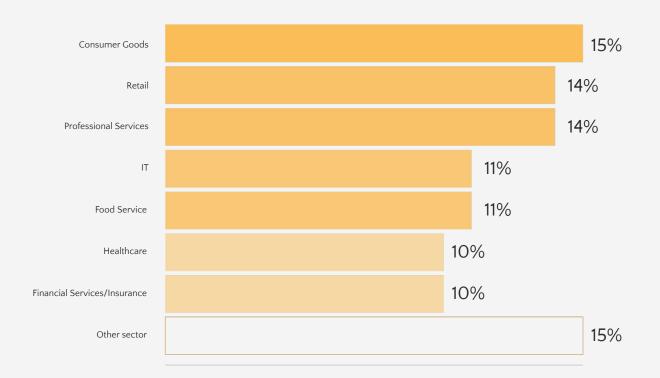
Skewed to senior Marketers (50% CMO or equivalent level).





#### 7+ sectors

Wide spread of main marketing sectors.

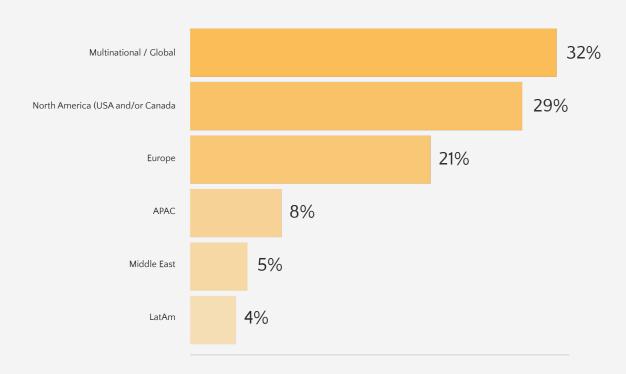






#### Global reach

Predominantly multinational brand-owners, with good representation in North America and Europe, and a spread of other geographies.







### \$ to \$\$\$

Wide spread of company size, in particular amongst larger businesses.

