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MARKETING & CUSTOMER

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MARKETING
& CUSTOMER

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2024 OUTLOOK

How effective B2B marketers are changing their tactics

CMOs are learning the value of giving potential clients actionable insights rather than the hard sell. Building relationships this way requires more preparation time, but it's likely to be well spent

Sally Whittle

When IT firm Antavo, a provider of technology for corporate loyalty programmes, polled potential clients earlier this year and asked them if they were planning to upgrade their schemes, 90% said that they were.

That was 21 percentage points up on the equivalent figure from Antavo's 2022 survey. Yet, despite their apparent keenness to buy new IT, they've generally been slow to make such purchases, reports the firm's marketing director, Eva Bacsi.

"The decision-making process has gotten longer and customers are more cautious about investing in technology that needs planning and resources, because of the expected downturn," she says.

B2B marketing teams can't afford to get complacent, then, especially as the economy continues to falter. The International Monetary Fund's latest *World Economic Outlook* report forecasts that global GDP growth will decline from an already disappointing 3% this year to 2.9% in 2024, for instance.

"It's never been more important for B2B marketers to be talking to customers – and as soon as possible," stresses Richard Cook, founder and MD of Champion Communications, a B2B marketing agency. "Your buyers are in a state of ongoing chaos. They're looking to make decisions that are potentially quite risky and they can't afford to get them wrong, because their rivals will probably get them right."

The consensus among marketing chiefs is that now – not two or three months hence – is the time to talk to B2B buyers, who often look to vendors to help them optimise their spending, mitigate risk and seek out a precious competitive advantage.

This isn't just good news for marketing teams. Research evidence indicates that buyers benefit too. A McKinsey & Co study suggests that firms seeking an edge over their competition are more likely to achieve it by continuing to invest in certain functions during a downturn.

For its part, Antavo remains committed to investing in marketing and product development despite the deceleration in sales.

"We've seen before that downturns happen and new business slows," Bacsi says. "But then things recover and, if we don't keep moving and talking to customers, we won't be in the right place to succeed when demand returns."

LeoPatrizivia GettyImages

In Q1 2024, Antavo will publish its annual *Global Customer Loyalty Report*, which is based on data insights derived from the 300 million transactions completed on the firm's platform and interviews with 600 business leaders. Such research helps the company to build relationships with existing and potential clients, while also giving it useful information about the problems they're facing.

"It's vital for us to maintain an educational tone to the content we put out, rather than sending a hard sales message," Bacsi says. "This work helps us to understand where the gaps are in the market and then develop messages and features that meet those needs."

IT services firm Equal Experts is refining and targeting its marketing messages in a similar way, as its head of global marketing, Samantha Dixon, explains.

"We do see budget constraints, but we also see nervousness about not being able to keep pace with progress, especially in things such as data, sustainability and AI," she says. "We're looking to maximise the return on our marketing investment by focusing on channels such as digital, but also on technologies that we know address those pain points."

Early planning also helps firms to make the most of their marketing expenditure, says Dixon, who adds: "Obviously, budgets are constrained from a marketing perspective, so now we're taking time to plan digital investment and how we shift our messaging for those platforms."

Kunal Mehta is global head of marketing, communications and brand at dsm-firmenich, a health and nutrition firm. He explains that his company is focused on "solutions-based marketing", which is based on understanding customers' problems and providing bespoke solutions, rather than leading with a particular product or feature. By its nature, this sort of marketing takes longer, so the work needs to start earlier.

"This is about focusing on how we can help, leading the way and helping customers to stay ahead of the curve. Then we follow this up with messaging from the sales team," Mehta says.

Longer sales cycles demand a fundamentally different kind of marketing engagement, according to Cook.

"If you put yourself into your buyer's shoes, they're working remotely and the person in the vendor's business development team is also working remotely. There are fewer opportunities for face-to-face meetings," he says. "The buyer is increasingly reliant on information from B2B vendors. But, at the same time, there's so much more of it to sift through. Marketing leaders need to show empathy and understanding – those relationships have never been more important."

Not all this engagement will translate into sales, of course, but the work is still valuable, Cook stresses.

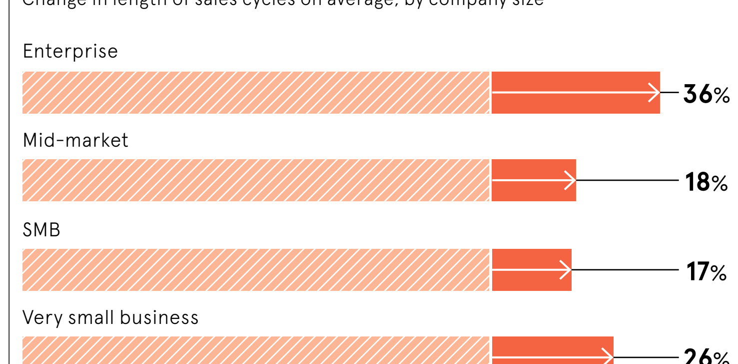
"Even if the customer isn't ready to do business, having the conversation means that you're able to learn and build a relationship," he says. "That helps to refine your thinking and planning."

At dsm-firmenich, the company's goal in engaging with customers through early marketing is to serve as a trusted guide to them during uncertain times.

"We need to stay ahead of the curve to show customers what's coming next and how it can help to address their challenges," Mehta says. "Whether you're talking about sustainability or how AI might be used in our industry, customers are looking to us as a beacon to lead them – and that's exciting."

SALES CYCLES ARE GETTING LONGER

Change in length of sales cycles on average, by company size



Theory Ventures, 2023

INSIGHT

'Marketers have a chance to double down as the eyes and ears of their businesses'

Aditya Kishore, insight director at Warc, sets out the opportunities and risks the profession will face in 2024. It's set to be another highly disruptive year

Nearly two-thirds (64%) of marketers surveyed by the World Advertising Research Center (Warc) for its latest annual *Marketer's Toolkit* report believe that worries about the economy will have a significant impact on their strategies next year. They also predict that inflation and the cost of living will continue to be serious concerns.

Despite this, they are more bullish about their business's prospects in 2024, with 61% of respondents holding higher expectations than in the previous year's survey.

That should translate into advertising dollars. Warc expects global ad expenditure to grow by 8.2% next year, topping $1tn (£800bn) for the first time, thanks to general election spending in several countries and big-ticket events such as the Paris 2024 Summer Olympics.

The *Marketer's Toolkit* identifies five global trends that will shape activity in the sector over the next 12 months. Producing this resource is a four-month process that uses Warc's proprietary GEISTE (government, economy, industry, society, technology, environment) methodology to examine the trends through six lenses. It includes a survey of 1,400 marketers globally and interviews with marketing chiefs. This year's research identified these five trends.

1 Preparing for the age of polarisation

With high-profile brands caught in the crossfire, there are signs that businesses are reluctant to engage with social issues. Companies will benefit from putting a crisis blueprint in place, as any firm could inadvertently stumble into controversy in today's minefield of social issues.

2 Unlocking the potential of generative AI

GenAI has huge marketing potential but will make the media landscape murkier. Deepfakes and made-for-advertising sites are set to abound, especially with elections due in several nations. Brands must be proactive to avoid reputational damage.

3 Masculinity in crisis

Young men in the West, especially those from marginalised backgrounds, face growing barriers to socio-economic inclusion. In their search for identity, some are drawn to toxic role models online. Brands need to adjust their advertising and influencer selection strategies to reflect emerging models of masculinity, as public awareness of these issues will grow and lead to a backlash.

4 Sportswashing changes the game

Sports retain a unique power to attract large live audiences. That has yielded increasing competition for fresh content, media rights and sponsorship opportunities. It has also attracted significant investment from controversial sources. Brands have more spaces to play in, but they also face new risks.

5 Sustainability is coming home

Many firms lack agreed metrics and a clear view of their supply chains; so they fear accusations of greenwashing. To counter this, marketers can adopt sustainability initiatives locally to build credibility.

The *Marketer's Toolkit 2024* focuses on the trends for the coming year. But other, longer-running marketing initiatives are still required, as are strategies for continuing trends that Warc identified a year ago, such as approaches to branding and pricing during the cost-of-living crisis.

As one tumultuous year seems to inevitably follow another, marketers have a chance to double down as the eyes and ears of their firms. They sit at the top of a pile of real-time consumer data and insights. By understanding emerging trends and finding critical pools of opportunity that can drive growth, marketing can become a core strategic and business-planning function.

Visit warc.com to download a free sample of the Marketer's Toolkit 2024

Aditya Kishore
Insight director, Warc

CUSTOMER EXPERIENCE

Making it personal

A tailored WhatsApp from a brand can be seen as a building block for loyalty – or creepy and intrusive. Getting it right is the difference between winning and losing with customers

Oliver Pickup

Personalisation is seen by many as the holy grail of marketing. The ability to target messages at customers in a relevant and timely way is, so the theory goes, meant to lead to less waste, more engagement and better return on investment (ROI).

This personalisation has been supercharged by the shift to digital marketing. It offers brands the chance to know more about their audience and tailor messages accordingly. But, given the rise in data privacy awareness and the demand for the best possible customer experience, determining the best strategy for a business can be challenging.

Deliver the right message on the best digital channel at the perfect time and customers will feel valued and that the brand understands them and their needs. One misstep, though, and brands risk being perceived as creepy or spammy.

A recent report by cloud communications platform Twilio, unironically released on Halloween, reveals how fine the line that modern marketers must walk in order not to be ghosted by spooked customers.

The research surveyed more than 2,000 people and found that 41% of UK consumers are open to receiving messages from brands on personal channels such as WhatsApp if they are "hyper-personalised". Yet more than half (57%) of those surveyed still have privacy concerns about their personal messaging apps being used for marketing purposes.

Evidently, marketers must tread with care, says Sam Richardson, customer engagement expert at Twilio. "Customers want brands to reflect their personal communication preferences as well as respect their boundaries. It is possible to achieve that delicate balance, using the right approach."

The research suggests that the only way this personalisation works is when communications are precisely configured to match each customer's needs and preferences, ensuring the right message reaches them at the perfect moment.

Richardson says it is this personalisation that "fuels the 'customer flywheel'". The more that brands personalise interactions, the more meaningful their engagements with their customers.

"With greater first-party data gleaned from these interactions, brands can deepen that relationship further and truly get into that inner circle," he adds.

Creating personalised communications that do genuinely feel personal to the person receiving them is difficult, however. SurveyMonkey's *The State of CX* report, published earlier this year, highlights a stark contrast between how companies view the success of their personalised experiences and how customers feel about them.

While 86% of customer experience professionals believe their customers receive tailored, individualised treatment, customers reported a different reality. Just 8% of consumers said they feel they receive a bespoke, custom-made experience every time, while a concerning 10% reported they never enjoy personalised customer journeys.

This discrepancy suggests that most companies are mistaken about the level of personalisation they provide. Simply adding a customer's name to a message no longer cuts it, says Marcus Oughton, global head of digital commerce at footwear retailer Clarks. Communications need to be precisely tailored to customers' unique interests and contexts.

"There needs to be a value exchange between the brand and the consumer," believes Oughton. "It's about surprising and delighting customers… but the frequency and relevancy of the communication far outstrips the actual content."

Oughton shares how Clarks has started incorporating SMS communications into its marketing mix. This strategy is most effective, he says, when timed around key seasonal sales spikes. For example, a text message about an abandoned cart will be much stronger when combined with deals around the back-to-school peak. An SMS push notification is also harder to ignore than, for example, an email.

"We're seeing that lots of consumers are turning off email notifications on their phones, but over 70% of our consumers purchase via mobile devices, so this seems to be the logical step of how we drive that connection," says Oughton.

But not everyone is convinced by the value SMS can bring. Anirban Bardalaye, chief product officer at ecommerce personalisation firm Bloomreach, points out that SMS messages are much more expensive than email. Further, interacting with SMS "can be a pretty vanilla experience, so companies might use it for transactional messages." It is not, Richardson notes, the right medium for conversation, but rather for one-way communication.

James Rose is head of UK, Ireland and North America for Lovehoney, a sexual wellness company. He learnt the potential drawbacks of SMS communications the hard way. Given the intimate nature of the products, he reveals how the company's short-lived SMS strategy turned out to be a big turn-off. "Shoppers certainly don't want us referencing information they may have intentionally or unintentionally shared during their previous interactions," he says of the ditched approach.

The key to good personalisation, says Bardalaye, is less about the channel and more about delivering a consistent experience across the channels used to reach customers. This means selecting the appropriate methods, mapping each strategy and coordinating them to create a seamless customer journey.

Twilio's Richardson laments brands that "apply blunt instruments without really understanding what their customers want" and stresses that strategy must come before tactics. She advises that focusing on what customers want to know, not what brands want to sell, is paramount. "You need to build that relationship."

WhatsApp can help in this area – and is already enriching brand-consumer relationships in South America, Asia and the Middle East. "It's second nature in those regions," says Richardson. "We are a bit behind in Europe, and it doesn't really feature in the US."

Ultimately, she says, a robust data infrastructure is central to any successful communications strategy and unlocks the ability to segment users and tailor messages precisely. Having clean, well-organised customer data is step one. Step two is being able to query it intelligently to surface insights.

"Often email is the right channel, but with better data and artificial intelligence, brands can be much better at personalisation. After all, email won't break, and it's not invasive," she says.

> Focusing on what customers want to know, not what brands want to sell, is paramount

Commercial feature

Marketing's role in driving innovation and growth

The most innovative brands grow faster than their peers. And, according to experts at a roundtable discussion hosted by Raconteur, the marketing function has an important role to play

"Cut through the noise' may be a well-worn marketing imperative, but it's arguably more important than ever. As attention spans dwindle, news cycles shorten and rivals pop up from all angles, few companies can afford to be complacent.

To innovate and grow, companies need to push the boat out and do something notable – whether that's developing a unique product, finding an innovative way to reach their audience or tackling an important social issue. Often it's those brands that develop a joined-up strategy to cover all of these areas that make the biggest impact.

Raconteur recently invited three senior marketing professionals to discuss how brands can stay at the forefront of innovation, and why marketing has a crucial role to play here.

Staying at the forefront of innovation

Ben Carter is the global chief customer and marketing officer of Carwow, an online marketplace for trading cars. As a scale-up that's pivoted with the market, he says that Carwow is no stranger to innovation. The company has transformed from a review site to a lead generation site to a business that enables customers to sell a car directly from their driveway.

"The industry is still far behind, with only 2% of car sales done online at the moment in the UK," he says. "So, there are these industries that are ripe for disruption and transformation. And that's what's great about being a marketer in those types of industries where you are literally driving consumer change."

So, how can brands develop a culture of innovation? Kristen Cavallo, CEO of creative advertising agency MullenLowe Global, says that organisations are what they celebrate. "At MullenLowe, we talk about having a spirit of positive dissatisfaction and those terms are put together on purpose because the dissatisfaction is what motivates you to ask 'why?' or 'what's next?'"

She explains that big disruptions to the status quo don't come from the major players who are already winning the game by the rules they defined. "You need the revolution to come from the sidelines. It's usually someone asking the question: 'Could this be better? Could it be different?' And then those brands move the whole category forward and change everything."

Victoria Gold is marketing director for Just Eat in the UK and Ireland, another company that knows first-hand how innovation can disrupt an industry. "We've definitely been on a journey," she says. "We were the original market disruptors moving food ordering offline to online. And over the last six years, in particular, that market has grown massively. It's become more competitive, dynamic and complex, and food delivered on demand is now the norm."

Demonstrating Cavallo's point about pushing the category forward, Gold explains that the company has constantly developed the customer proposition to keep one step ahead. This has also included opening up new categories in grocery, as well as in retail more broadly. "We've really innovated and step-changed our marketing engine according to that," she says. "So looking at our data, our tech and targeting capabilities, and evolving our marketing and media mix to show up with the right customer proposition on the right channels at the right time."

A new recipe for success

As an agency lead, Cavallo gets a broader insight into brand innovation and has seen just how valuable the right advertising strategy can be. "It's funny because I think advertising has been around for so long that people don't always give it credit for innovation," she says. "But the ways we reach people have changed massively. Consumer motivations have changed too."

Cavallo explains that awareness was originally the most accurate predictor of success. Then, it shifted to preference. Now, the most accurate predictor of sales success is relevance and talk value.

Naturally then, given its unique capacity to respond quickly and capture the cultural zeitgeist, the marketing function can have a crucial role to play in the potential success of a business. "You can try something new in the morning and you can return the next day and already see the impact," Carter says.

Cavallo agrees that there is great value in an innovative marketing team that's unafraid to work fast and experiment, adding that there's little risk in this approach if the brand stays true to itself. "I believe marketing is one of the strongest tools that a client has in their arsenal. And I don't think most of them are wielding it like the sword that it is," she says. "Our timelines are much faster with little downside. If you try something in a tweet and it falls flat, that's rarely fatal. There should be a lot more experimentation because the downside is relatively minimal."

However, Gold stresses that firms must strike a balance between keeping their finger on the pulse and maintaining a strategic focus. The challenge lies in "capitalising on opportunities in the here and now, but also ensuring that we keep building that longer-term brand vision, so that we can evolve constantly and drive the desired behavioural changes among consumers".

Carter adds: "Marketing's role is to continue to not only innovate and to make sure that we are relevant in all channels but also make sure that we don't leave the customer behind."

Shaping the narrative

The right advertising can buy time between product innovations by communicating where a brand is headed, according to Cavallo. "Tech brands are famous for talking about innovations that they will do later. This means they often get the credit even if they weren't the first to do it," she says.

This can have a significant impact on brand impact, perception and value. "Every year Fast Company does an issue of the most innovative brands in the world, and this year several of the top ten companies were there because of their marketing, not necessarily because they changed their products," says Cavallo. She gives the example of Tiffany's, which, despite selling a product that is essentially millions of years old, found itself at the top of the innovation list for celebrity advertising campaigns.

Gold and Carter both agree that product and marketing teams need to work carefully together on innovation. Gold believes that the secret to success today is a joined-up strategy, where departments are innovating in sync to solve customer problems and provide the most seamless end-to-end customer experience. "This is going to be a challenge for lots of brands, but I think there's a huge opportunity there," she says. "Those that can do it the fastest will probably grow the quickest."

So how do brands ensure they're always ahead of the curve? "It's not about innovating once and then calling it a day. It's about leaning in all the time," says Cavallo. Successful brands understand that it's not about a one-off innovation, but a perpetual commitment to pushing boundaries, collaborating strategically and experimenting fearlessly.

> I believe marketing is one of the strongest tools that a client has in their arsenal

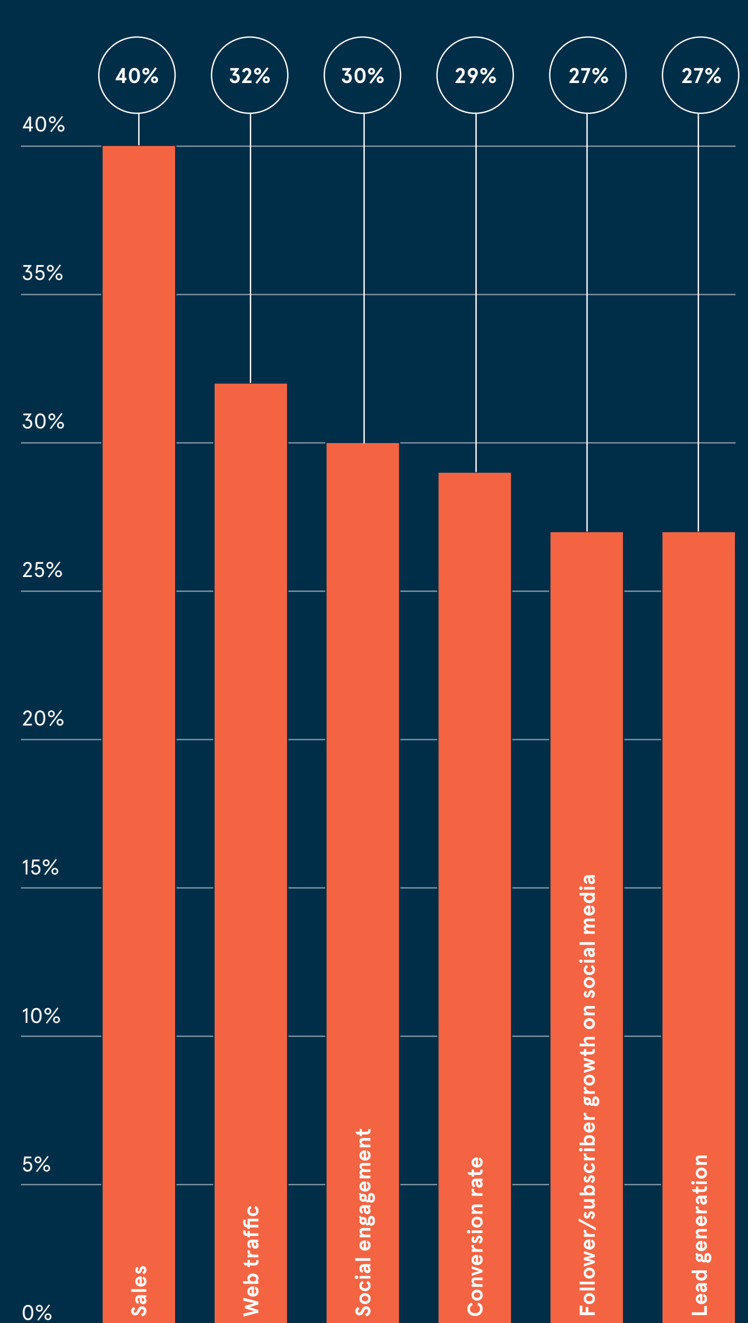
MEASURING ROI IN MARKETING

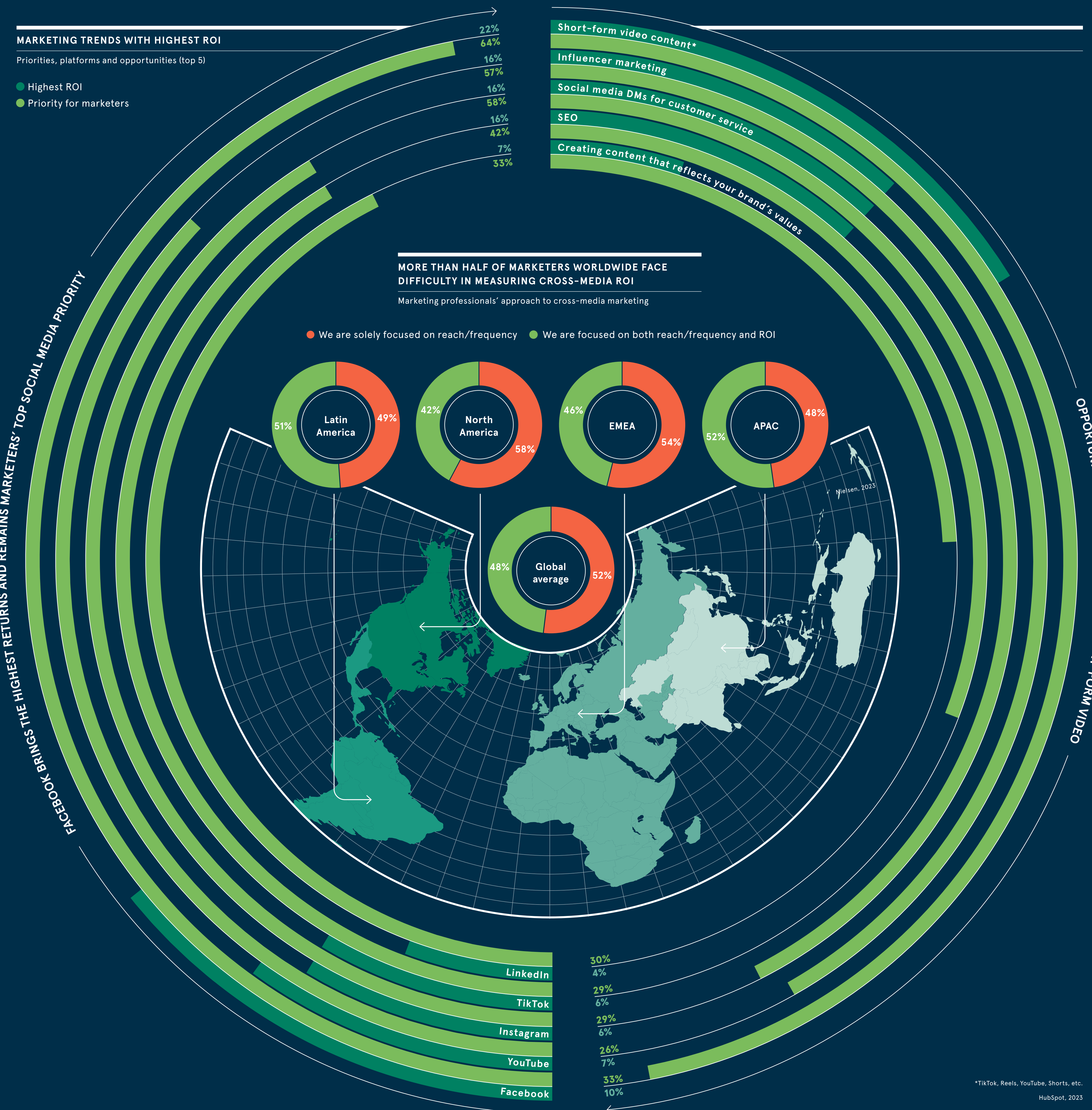
According to research by Nielsen, despite ongoing macroeconomic concerns 64% of marketers worldwide expect their marketing budget to increase in 2023. But because many marketing budgets have been immune to this year's spending cuts, it is now more important than ever that marketing directors can demonstrate the effectiveness of their spending. So how do marketing teams measure return on investment? And which channels and strategies have proved most valuable?

SALES IS THE KEY FOR MEASURING MARKETING ROI

HubSpot, 2023

Most important metrics for measuring effectiveness of marketing strategy

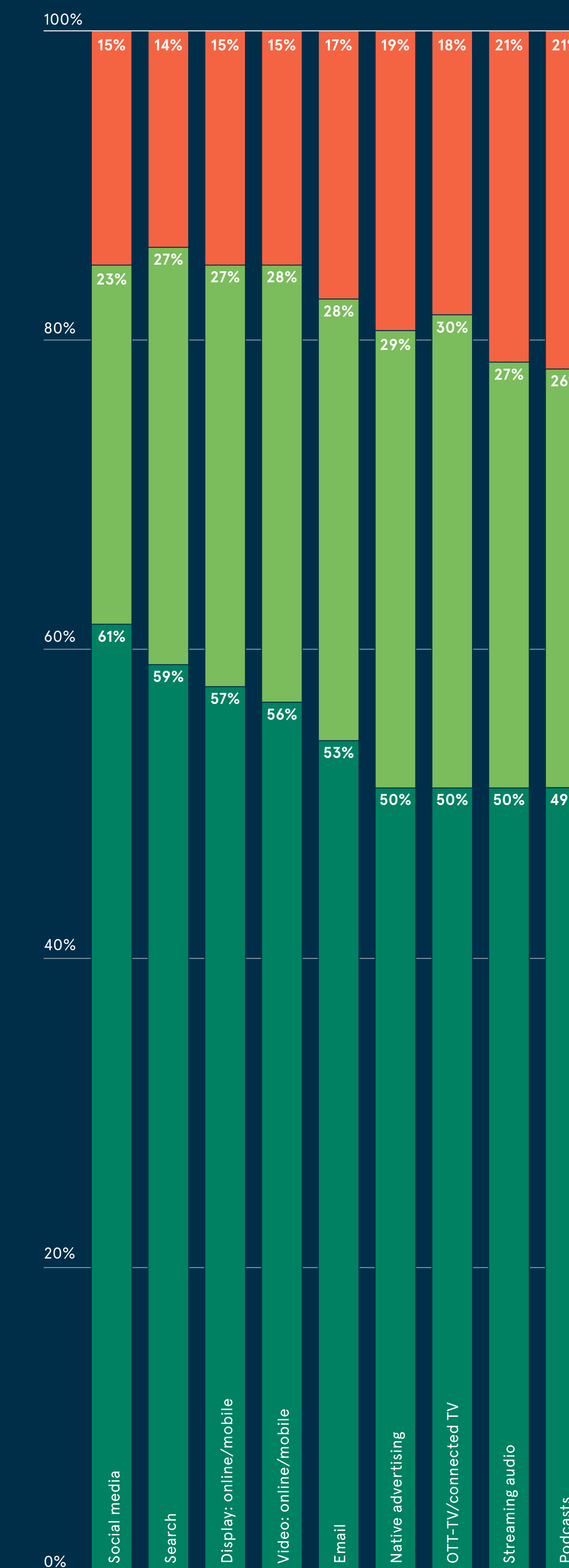


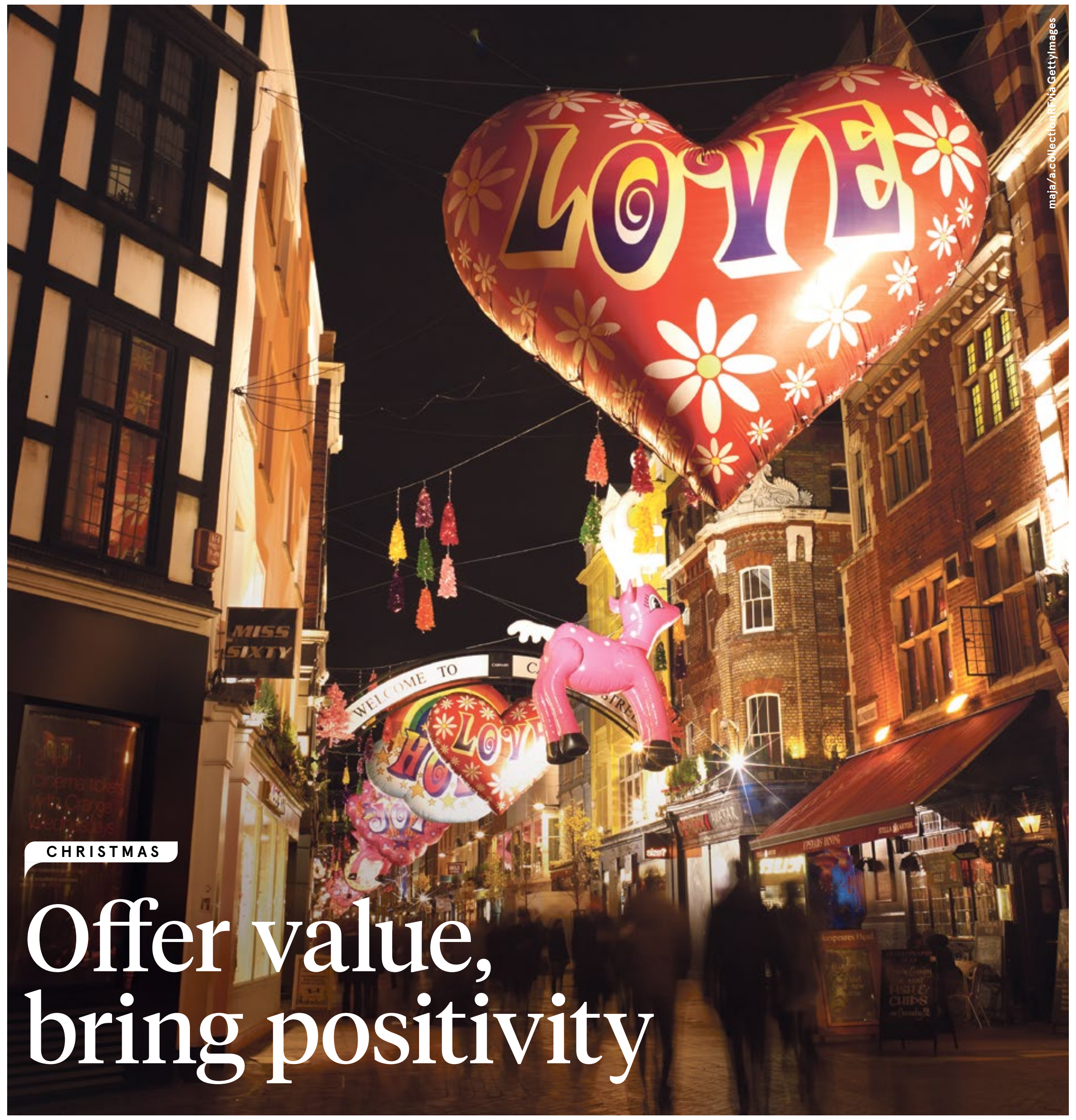


HOW CONFIDENT ARE MARKETERS IN THEIR ABILITY TO MEASURE RETURNS?

Nielsen, 2023

Confidence in ROI measurement by channel




maja/a.collectionRF via GettyImages

CHRISTMAS

Offer value, bring positivity

Instead of slashing prices, brands would do better to reassure cash-strapped shoppers that what they're spending their money on is worth it

Rohan Banerjee

The UK remains in the throes of a cost-of-living crisis. According to new research from the business consultancy Retail Economics, the mix of rising fuel prices, energy bills, mortgage rates and food has contributed to households having around £3bn less to spend this Christmas, compared with last year.

This is already beginning to bite. Data from the Office for National Statistics shows retail sales volumes fell by 0.9% in September, compared with the previous year. Mild weather was partly to blame, but so too were consumers cutting back on their non-essential spending.

The reality is that consumers are not feeling optimistic either about their own financial prospects or those of the wider economy. GfK's monthly barometer shows consumer confidence dropped by nine points to -30 this month. People's confidence in their own financial situation over the next 12 months dropped six points to -8, while their confidence in the national economy dropped eight points to -32.

This is feeding through to Christmas spending. Customers are starting shopping earlier in an attempt to spread costs. Marks & Spencer, for example, says 50% of shoppers have already started preparing for the festive period and it has experienced a 22% increase in Christmas food orders compared with a year ago.

What, then, should businesses – particularly those that rely on this period for their annual profits – be doing? One strategy is to cut prices and up promotional offers in an attempt to boost sales.

But GfK's client strategy director Joe Staton believes companies should resist the "historical temptation" to immediately lower prices. "It risks undermining brand equity," he explains and can often be self-defeating if they mean stock is sold at a loss.

Instead, he suggests, firms should focus on achieving value over volume. "If you start to sell your product for a much cheaper price, you risk the perception of that product changing," he says.

Indeed, as M&C Saatchi's chief strategy officer Sophie Lewis quips: "Apple never does sales. There's a lesson in that."

That doesn't mean businesses shouldn't use promotions as a sales driver, but that price cuts are not always the answer. There are other levers to pull, for instance offering extended warranties, gifts or vouchers for future spending. And Jeremy Stern, the chief executive of branding agency PromoVeritas, says companies should also be wary of taking a one-size-fits-all approach that could see money left on the table.

~~"Companies need to have some segmentation in their market research. If you go in too heavily on discounts, you *actually* risk missing out on the income from some consumers who may have been able or willing to spend the full price," he says.~~

Although consumer confidence might generally be low, Stern argues, the usual underlying sentiment about Christmas endures. Indeed, while GfK's barometer shows the numbers are strongly negative, they are better than last year when the score was -47.

Last year, sales (excluding fuel) in the three months to the end of December increased 3.6% as price increases offset volume sales that declined by 6%.

Consumers, however, have now been living through more than a year of high inflation, while mortgage increases are being felt by more people. There is also war in the Middle East and Ukraine, as well as ongoing concerns around climate change making many anxious and concerned for the future.

Amid that, it's important businesses remember that people want to celebrate Christmas and will likely see it as an opportunity to put this year behind them and hope for a better 2024.

"For advertisers and marketers, it's important that Christmas is presented as a time of joy," says Stern. "For every cloud there is a silver lining – and it's vital that businesses tap into that sentiment."

Staton agrees, advising companies to focus on a more positive message in their advertisements and promotions, as well as showing how they are helping consumers navigate a tricky economic situation. Trying to focus on value will also be key, he says, pointing to Asda's recent Taste Match campaign, which invited customers to try to tell the difference between its products and those of luxury food retailers such as Harrods and Fortnum & Mason.

"What Asda did was very clever," he reflects. "Rather than focus on, say, 49p sprouts, they framed their £1.99 chocolate as being 'as good as anything you'd find in Fortnum's'. And if people can't tell the difference, that's a real positive for them, to be grouped in with those top-quality brands."

Although he may advise companies against lowering their prices, Staton does not diminish the challenges of the cost-of-living crisis, nor dispute the need for firms to "justify" the amounts they are asking people to pay.

"If you're going to ask someone to pay a lot of money [for an electronic device, for example], then you've got to think about what you can offer them for that price... Can you offer free installation or free delivery? Can you offer a long-term guarantee or insurance?"

> Apple never does sales. There's a lesson in that

As consumers become increasingly conscious of their electricity bills, he adds, firms which stock more sustainable and energy-efficient products are more likely to appeal. "If someone is looking at where to buy a major domestic appliance, [energy efficiency] might well factor in," he says. "They're not just thinking about the upfront cost, they're thinking about the long term."

For Stern, one way of making a greater number of products more accessible to a wider range of consumers without compromising on cost is to use hire-purchase schemes. "I can see more companies adopting a Klarna-style model," he says. "Interest-free credit will be a big thing, but you've got to be careful that you don't encourage people to get into debt. The payment plan has got to be thought out carefully."

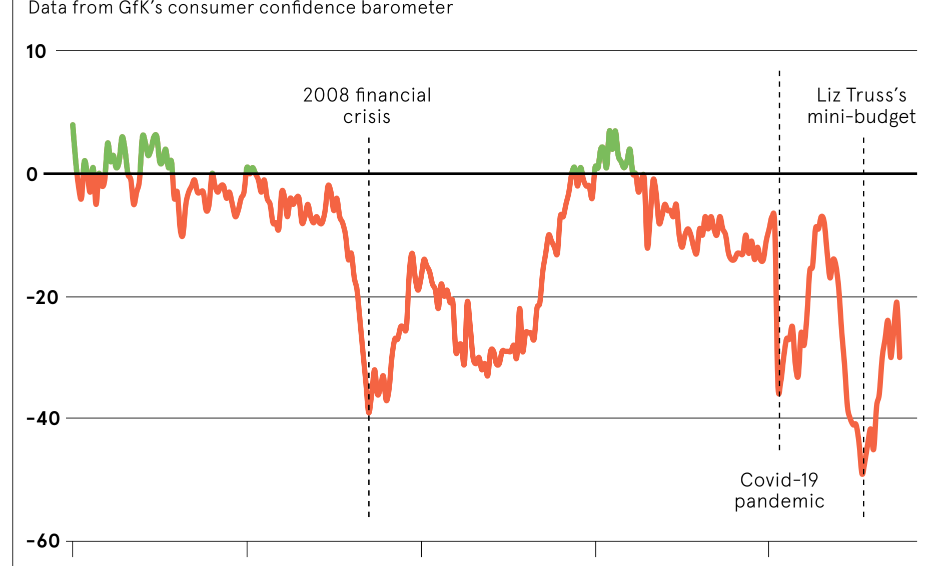
Stern also feels it is important for companies to reward loyal customers. In the lead-up to Christmas, retailers that operate a membership scheme could be at an advantage if they offer spending incentives. A prize draw, he suggests, "could boost consumer engagement."

Ultimately, the cost-of-doing-business-crisis and the cost-of-living crisis run in tandem. For Lewis, "quality, rather than quantity" is the watchword for both companies and consumers alike in 2023.

And, against the backdrop of low consumer confidence, the most successful companies will be the ones that adopt a long-term strategy, rather than indulging in short-term, gimmicky flash sales.

CONSUMER CONFIDENCE IN THE DOLDRUMS

Data from GfK's consumer confidence barometer



GfK Consumer Confidence Barometer, 2023

INSIGHT

'In 2024, marketers must go forth and illuminate'

Rachel Letham, head of content and communications at The Marketing Society, sets out why talent, innovation and technology are at the top of marketers' agenda for next year

As we come to the end of another challenging year, the well-known saying, "Change is the only thing that is constant" rings truer than ever. The Marketing Society recently held its 2023 global conference in central London – a day for top marketers from around the UK to come together.

The event featured a diverse range of incredible speakers from different walks of life whose ideas, experiences, failures and triumphs had the power to inspire others to think and act differently – and to find ways to navigate change.

The theme was "Changemakers illuminate", a fitting motif to embrace and take through into 2024.

Illuminate can mean two things: both physically lighting and enlightening. As marketers we must do both. Often seen as key change-makers in business, marketers have the power to light a path for organisations to navigate, as well as to enlighten people by sharing your message, product or service as clearly as possible.

Under this theme, each conference speaker described their own journeys of enlightenment with stories and insights that provided useful lessons for the year ahead.

1 Get the best out of your talent

You don't have to have a traditional business background to understand how to get the most from your people in challenging times. For Katharine Birbalsingh CBE, headteacher of the Michaela Community School in London's Wembley Park, consistency, clarity, courage, honesty, and belief are vital to effectively leading a team and bringing them with you on your journey.

What rings true in the classroom works in the boardroom too.

2 Innovation

Marketers often have the biggest strategic and executional accountability for growth within a business. Guy Middleton, global breakthrough innovation director at drinks giant Diageo, explained that while organisations are good at core innovation, for 2024 the search is on for breakthroughs to next-level growth; innovating outside your category to transform capabilities, experiences, and business models.

Next year will be the time to seek out opportunities to collaborate with other departments and go outside of your comfort zone. This was echoed by manufacturer General Mills' Ben Pearman and eBay UK's Eve Williams. Leaving your comfort zone will provide you with valuable learnings and allow new ideas to take shape.

3 Technology and AI

Artificial intelligence will continue to advance apace. For marketing teams to work symbiotically with their tech teams Richard Godfrey, CEO of software development agency Rocketmakers, says tech needs to be adopted thoughtfully to create good brand experiences; not just because it's cheap or easy.

As marketers we need to build a different relationship with AI, working closely with tech experts to find a common language and bridge the gap between the functions.

With her extensive experience in business – from startups to global corporations and government bodies – Baroness Martha Lane Fox reinforced the need for diversity and inclusion. Marketers must take every opportunity to ensure teams are diverse in gender, ethnicity and socioeconomically.

Those who chose to hire only in their own image will fail to learn anything new and certainly won't remain relevant to customers. Amid all the current and upcoming change, marketers must focus on purpose, be open and listen to diverse voices, expect and embrace change.

As next year shows all the signs of being another unpredictable one, it's up to us as marketers to illuminate what is happening to our customers and the wider world. We must galvanise people and organisations to act, bringing new ideas to change the way we do things and paving the way for sustained success.

So, in 2024, marketers go forth and illuminate.

Rachel Letham
Head of content and communications
The Marketing Society

Inside Creative House via Getty Images

STRATEGY

New model agency: ditch set fees to win business

In times of economic uncertainty and heightened competition, agencies are looking for new ways to bring in clients. Do the rewards of a payment-by-results model outweigh the risks?

MaryLou Costa

Performance marketing agency Kinesso believes it has the edge over the competition, thanks to a bold leap it's taken. It's moved to a payment-by-results model.

Working with select clients, contracts have been agreed where the agency's payment terms are directly tied to its results as part of a revenue share agreement – a huge shift from the usual flat-rate retainer model.

The risk is high but so are the rewards, says Chloe Hawking, UK&I CEO. She describes the outcome so far as "wildly successful" and is confident of transitioning more of the agency's clients towards this way of working. Not only does this model reconstruct how the agency is paid, but it also liberates how teams work, which is what marks the difference between simply feasible and actually lucrative.

"It's the perennial debate of realising efficiency and value on the client's side, versus battling increasing pressure on gross margins due to digital skills gaps, inflation in salaries and restricted client terms on the agency's side. There's only a downward trajectory on old models so we wanted one that allowed more agility," Hawking explains.

"Legacy models are historically fixed and don't allow the agency to bring in whatever talent is needed to achieve the client's goals. We didn't feel that was a sustainable model for us, so we wanted to shift our thinking and challenge that traditional convention."

The power of the proverbial carrot is clearly working, as Kinesso clients engaged in a payment-on-results model have seen "unprecedented growth", Hawking reveals, fuelled by teams' drive to achieve the revenue goal. They're incentivised to go beyond responding to a brief around the agency's core digital channel work and use their initiative to suggest things like how to improve the client's overall sales process.

"It pushes teams to go further and it changes the client-agency dynamic," Hawking says.

The latest industry statistics validate Kinesso's move. A recent survey by the World Federation of Advertisers showed that 74% of marketers believe the next three years will bring a shift to outcome- or output-based agency payment models. Meanwhile, Forrester insights show that pricing and value are the main factors in 33% of agency terminations, with 30% of marketers wanting different pricing models.

"Something's got to change. There's so much pressure for growth in a tougher economic climate. You need that deep partnership and that 'in it together' level of commitment to achieve the growth that both agencies and clients are looking for," Hawking reflects.

But does this exponential growth come with a cost? In an industry notorious for long hours and a high-pressure culture, leading agencies admit to a 32.4% churn rate in 2022, up from 26% the year before. While Hawking doesn't necessarily believe it's a harder way of working, brand strategist Zoe Scaman is wary of that carrot turning into a stick.

Scaman worked under a payment-by-results model between 2010 and 2011 in her role as a communications strategist for Naked Communications' Coca-Cola account in Australia. She recalls it being successful at the time, particularly for the ripple effect it had in attracting other clients to the agency. But she is concerned that it's going to squeeze already overloaded agency talent further.

"One of the easiest ways to make up margins is to get more out of your talent and without necessarily paying them more because there are limited things agencies can do about other overheads," says Scaman, who now runs her own consultancy, Bodacious.

"I think payment-by-results is just going to make it 10 times worse. Agencies will expect people to juggle twice as many accounts because it's a 'pay-for-performance' model. They'll need to make sure they're covering their costs, so they're going to try to squeeze as many accounts under one account director as possible, which is then going to drive that person into the ground."

> It's a big change in the dynamic of the partnership. You become business partners, not just agency and client

It's also potentially dangerous, Scaman adds, as so much of a client's business performance is outside the agency's control. "Do you have any influence over trade negotiations? Over distribution? Over manufacturing? Over product quality?"

Similarly Josh Harris, managing director at brand strategy and creative agency Neverland, has worked under payment-by-results models but found the effect on individual team members was more stick than carrot, which had an adverse effect on the work.

"There was a malice attached to it which almost conditioned the agency to do things just to meet the expectation, as opposed to push for something that was bigger and might be better. I think some people within the business might have felt that there was little point risking anything for greater gain, as we stood to lose more if we didn't meet the expectation," Harris recalls.

"It is risky because your growth models are based around certain numbers and you're staffing to safely deliver against that level of work based on those forecasted projections. In a payment-by-results model, it's difficult to give everybody proper job security. If you fall under the target, you're left in a position where you can't survive unless you either apply the same logic to people's pay as you do to a client bonus structure, or you will have to make savings in other ways."

The only way around that, Harris concedes, is to have such close client relationships that it fosters a detailed understanding of the KPIs – something Hawking is confident is in play at Kinesso. "It truly links to the business outcomes that the client needs to achieve," she confirms.

Other factors in Kinesso's favour are its scope of work being largely digital – such as search, social, ecommerce and website experience – and the breadth of it. Both Scaman and Harris agree that a payment-by-results model lends itself more to this type of marketing agency than others that are more creative or singularly focused.

> You need that deep partnership and that 'in it together' level of commitment to achieve the growth that both agencies and clients are looking for

"It would become a challenge if you look after one specific area and are having challenges with attribution because you have to be able to prove that what you did has led to the results," Hawking clarifies. "The breadth of our services allows us to partner with clients holistically. That means we have fewer concerns about attribution because we provide a range of services that led to that total revenue in that period – that's why this model has probably not been successful in the past."

Hawking is realistic that this solution won't work for all clients and those that take the leap with them are committing to a huge internal shift. "There's a huge amount of analysis and scoping to work out whether it would be a viable offering for a client. It's not going to work in all cases," Hawking acknowledges.

"It's a big change in the dynamic of the partnership. You become business partners, not just agency and client." And like any successful partnership, it only works if there is transparency and trust.

HOW BRANDS MEASURE MARKETING EFFECTIVENESS

Share of marketers using the following metrics to gauge marketing effectiveness

Conversion rates	52%
Customer acquisition	51%
Click-through rates	49%
Brand awareness	48%
Leads generated	47%
Direct return on investment	45%
Help to deliver business outcomes	38%
Campaign views	35%
Customer retention rate	32%
Net Promoter Scores	31%
Brand recall	30%

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