

Analysis

THE CMO CHALLENGE: EXITING THE COMFORT ZONE

To be effective, marketers need to up their game, take on the new media, and be prepared to be adventurous, extending their influence over many of the critical business growth drivers, says Michael Dunn.



The continuing struggle that marketers face when it comes to maximizing – or even measuring – the effectiveness of marketing investments is showing no sign of abating. And that is likely keeping many marketers from advancing to the next level.

In Prophet's recently unveiled 2006/2007 Best Practices Study: "The Effectiveness Imperative," 84% of respondents admitted that marketing return on investment (MROI) is not well understood in their businesses. As one respondent shared, "we're still learning exactly how to measure effectiveness."

Marketing effectiveness is an increasingly critical issue to corporate decision makers. Pressure is mounting on marketers to drive growth as evidenced by performance against business metrics – market share, sales and revenue, margin, and shareholder value.

Marketers know that to meet that challenge, they must understand the optimal interplay between all kinds of marketing efforts and levers. At issue is how traditional and emerging social media tactics perform separately and against each other, and then, when factors like price variations are inserted in the mix. They must learn to better evaluate ROI of marketing spend on a more holistic basis, as well as against business measures.

The 2006/2007 Best Practices Study revealed a variety of barriers to creating more effective marketing organizations and initiatives. Conducted in late 2006, it surveyed more than 100 senior marketers with businesses in the United States, United Kingdom, and Germany. Nearly half the respondents work for businesses of between \$1 billion and \$9.9 billion in revenues – 60% of them employ 5,000 or more employees.

Owning the four Ps – or not

The study showed that not understanding MROI isn't the only factor that's holding marketing back. It's a general lack of influence over many of the critical business growth drivers that separates marketers, who own strategy in terms of marketing communications, from Marketers, whose purview extends fully into all of the four Ps.

Marketers fully get and agree on the most important activities driving business growth. Topping the list, 72% of respondents said, is execution of business strategy, followed fairly closely by improved customer experience, at 64%. New products also ranked high, at 52%.

Yet, they admitted to playing a minimal role in areas of the business most closely aligned with customers, and

which are, as a result, critical to sustained business growth. Well over one third of study participants said they have no involvement in either customer service delivery or in pricing. Almost half said they were not involved in activities to enhance sales force strength. Instead, the vast majority laid claim to a classic MarCom sphere of influence – advertising, online marketing, promotions, for example, along with marketing and brand strategy.

This critical gap between marketers' knowledge of what it takes to create solid business results, and their actual level of influence over those levers that bring about growth, poses a significant risk to both the brand promise and the overall customer experience. For the fact of the matter is that the best strategy and the most creative advertising cannot sufficiently forge the kinds of customer relationships or drive the material impact expected of today's marketing leadership and their organizations.

Exiting the Comfort Zone

Another factor that prevents marketers from fully measuring up to the call for improved effectiveness is their fear of departing from the comfort zone of what they know – traditional media – to figure out how to best use and measure the new media that is increasingly controlled by the consumer. This arena includes Internet-based marketing, viral marketing and social marketing, among others.

It's not that marketers don't see the evolving importance of new media moving forward. More than half of respondents to our study said it would play a critical role in the future marketing mix. But for now, more than one third admitted, "I do not understand how to best use and leverage new media to meet my business objectives."

And they may never catch up, if short-term spending patterns are any indication. The vast majority of respondents indicated that their 2007 marketing spend was focused on traditional advertising in traditional media, accounting for an average of 27% of their budget allocation. Meanwhile, only 13% of their budgets were earmarked for non-traditional media advertising.

This is problematic when consumers – their customers – are tapping into new media a lot more aggressively than marketers are leveraging it. Statistics show, for example, that the average person spends 23% of his or her 'media time' online. And an incredible 70% of media consumers use multiple formats simultaneously.

Meanwhile, when asked to rank the spectrum of tactics in their toolbox, whether traditional or new, only one-third considered them to be effective as a group. How they know for sure, however, is the issue: Over 54% of respondents indicated that no marketing activity was measured consistently.

Yet, participants showed that part of the general reluctance to depart from traditional media might lie in

the 'devil you know' syndrome. Among those that do employ metrics, the most measured activity is print advertising and promotion, at 54%, followed closely by sponsorships and events (53%), and television advertising (52%). Interestingly, some of the most

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measurable activities – loyalty and customer relationship management programs and Internet banner advertising – were among the least measured, by 39% and 36%, respectively.

Given the lack of consistent measurement, it's a small wonder that MROI is such a mystery to the overwhelming majority of marketers participating in our study and the businesses they represent. When asked why metrics were so elusive, 57% said they had neither the right models nor the right analytic tools. Forty nine percent cited insufficient market data and research.

The Case for Empowered CMOs

It's time for that situation to be rectified. Nearly 75% of respondents ranked marketing effectiveness as one of their business' top three strategic priorities. Nearly one third said they have been charged to deliver.

But the ability to do so requires a different sort of marketing leader than has typically characterized the function in the past. Our term is for it is the 'Empowered' CMO. Such leaders are disciplined thinkers who ably balance development of big, breakthrough ideas that set the general direction of a flight plan along with the ability

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to land the plane. They are strategic thinkers with a relentless customer focus. They're also expansive thinkers, particularly relative to marketing's role in driving business growth. Through effective investment and ROI measurement, they are able to prove marketing's value to the organization. And they're entrenched at the strategy table – with the CEO solidly in their corner.

By ascertaining respondents' degree of influence over the four Ps of marketing, we were able to break out those who qualified as Empowered CMOs. It showed that

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these individuals are more likely to have greater executive and organizational support. They control more critical growth drivers, for example – 60% (versus 40%) of the non-empowered CMOs were primary decision-makers for product development, with some 50% (versus 25%) for pricing. They’re also more likely to be accountable for revenue (67% versus 15%), margin (57% versus 10%), or volume (58% versus 10%).

We also found that Empowered CMOs behave differently and are more forward-thinking. The study found that 12% of empowered respondents’ budgets were allocated to new media, for example, compared with 9% of more traditional marketers. And they are more willing to depart from historical measurement approaches to try in-market experimentation to test out the effectiveness of their tactics. Some 52% of empowered respondents (versus 27%) use ‘test and learn’ to measure their television advertising, while 63% (versus 29%) use it to test out loyalty programs.

Embarking on the Effectiveness Path

To answer the call for growth, marketers must take a series of steps that will ultimately help transform their roles and the influence their organizations wield as effective contributors to the top and bottom lines. These include:

- **Anticipate customer needs.** Marketers must stay ahead of the curve on trends and developments that are shaping customer choices. It’s critical, for example, to be far more collaborative with customers than has ever been the case in the past. How? It starts by paying more attention to what they say and do – monitoring blogs and other social media, for example. It also requires marketers to be open to more innovative research techniques designed to yield more fruitful insights and improve the customer/brand relationship.
- **Think Marketing.** A more expansive perspective on how all four Ps of marketing affect business economics is what separates Empowered CMOs from more traditional marketing leadership. This is what will lead marketing to become a greater influencer of the business agenda.
- **Test and Learn.** An experimental, test-and-learn culture lets marketing prove out various tactics on a smaller scale that offsets financial risk. Unlike the

historical modeling on which marketers have heavily relied, this approach allows the mixing of new initiatives, new media, and the optimal blending of new with traditional customer outreach. It also demands a sharp focus on balance between short, and long-term, objectives.

- **Build a scorecard.** Marketers must become accountable for their actions, and that requires systematic and consistent measurement of key initiatives. Over time, the ability to better build a case and own up to outcomes will result in a more effective marketing organization.
- **Take risks.** Marketers need to break free of their cocoons of comfort with traditional tactics and techniques and learn to take risks. The new media realm is ripe with opportunity, but until they learn to experiment with it, marketers will find themselves in the uncomfortable position of playing catch-up with their customers.

The creation of more effective marketers and marketing organizations that employ the optimal mix of strategies, tactics and metrics to drive business success is not just a ‘nice to have,’ but a ‘must have’ in today’s environment. By understanding the challenges to achieving marketing effectiveness and responding to them in a measured, forward-thinking and customer focused way, marketers can ensure a win/win for all involved over the long haul. □

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