



Today's most noteworthy chief marketing officers are turning mere organizations into powerhouses.

BY MICHAEL DUNN

PowerSwitch

There's a reason why many consider Microsoft's Mich Mathews a marketing standout, and why she has lasted far longer than the average chief marketing officer (CMO).

Since 2002, Mathews has been charged with transforming Microsoft's global marketing organization from a reactionary and insular function to an internal powerhouse, more strategically focused on the customer and the value that the software giant's brand represents on the broader technology front.

EXECUTIVE briefing

In many of today's leading corporations, marketing is front and center in driving solid business performance—based on a heightened understanding of and responsiveness to the customer. Leading the charge are empowered CMOs, who have developed a more expansive influence, range of responsibilities, and view of marketing's capabilities in the broader business scheme. Discover the thinking, qualities, actions, and results that have earned them this status.

That focus reflects CEO Steve Ballmer's recognition of (1) the need to get closer to customers and (2) the leadership role marketing must take to achieve that. Mathews' responsibility: Develop deeper insights into customer behaviors, and help the organization respond to the implications at every customer touch point.

More than anything else, Mathews is trying to bring about a mind-set change in Microsoft's engineering culture—to ensure that its 6,700 employees understand and uphold the brand's unique value propositions. The odds of success are good; she's empowered.

Defining Characteristics

What is an empowered CMO? More to the point, how do senior level marketers realize the kind of stature that empowerment implies (i.e., being key corporate decision makers who wield extensive influence in shaping the company and propelling its financial performance)?

Senior marketers—regardless of their official titles—who have attained this status have greater reach, broader responsibilities, and expanded license to deliver. They see themselves as strategic thought leaders with a particular emphasis on the customer, as do their C-level peers. Such individuals bring a different, more expansive view of marketing's role in shaping customer perceptions and behaviors; they understand it's about far more than external messaging and communications tactics. And they are well-aware that for marketing to demonstrate its value to the organization, marketing effectiveness and investment must be inextricably intertwined. Indeed, their reputations hinge on the ability to demonstrate return on investment.

Typically but not exclusively, these senior marketers operate within large, complex organizations—spanning multiple geographies and boasting multiple brands in their portfolios. Frequently, those businesses have grown through acquisition, but are now aiming to reach the next level of expansion organically. This means their assets must work harder than ever to drive business performance. To a significant extent, achieving that objective falls to an empowered marketing organization: its customer knowledge and insights, solid working relationships within other disciplinary arenas, mastery of new levers, and more strategic orientation. It can't happen without strong leadership.

Finally, the most notable senior marketers in this camp almost universally have a chief executive in their corner—

someone who gets it and is a very public proponent of a more expansive, influential, and results-driven marketing organization. For Mathews, it has been Ballmer. For noted General Electric (GE) marketing executive Beth Comstock, it has been CEO Jeffrey Immelt.

A Widened Perspective

Probably the biggest challenge for senior marketers who seek greater influence in their organizations is adopting a mind-set that goes beyond the traditional and largely tactical thinking characterizing marketers in many businesses. Those who want to serve as strategic partners to CEOs and other members of the C-suite must be viewed as both drivers and enablers of business growth. This requires the successful integration of business, brand, and marketing strategies.

Larry Light—who retired in 2005, after three years as the global CMO of McDonald's—played a pivotal role in the fast-food giant's turnaround. Part of his efforts were directed toward establishing a “cool” factor with young adults, through the “I'm lovin' it” campaign and related initiatives (e.g., its sole sponsorship of MTV's *Advance Warning*, focusing on emerging musical talent around the globe). But Light also understood that the task of rebuilding a brand goes beyond such traditional marketing tactics. His broader marketing agenda encompassed the overall offering of McDonald's—from menu and price to geographical presence—in the interest of better supporting the business' longer-term growth strategy. And successor Mary Dillon, former Quaker Foods president, has ably picked up his baton. She continues to work with consultant Light in carrying on with expanded strategic undertakings, such as the McDonald's Balanced Lifestyles initiative.

The need to take on a more prominent and strategic role is not lost on forward-thinking marketers. In late 2005, Prophet and IDG Research conducted a study on marketing's role in propelling business growth. The approximately 300 senior-marketer respondents understood that broad, customer-focused issues are crucial aspects of business performance. They ranked less-than-traditional marketing arenas such as “customer service and delivery” and the “customer experience” as “most critical” growth drivers (31%). On the flip side, a paltry number of respondents gave the nod to each of the traditional marketing standbys of advertising and promotions (1%).

But here's the irony: In translating that insight into actionable strategy, they seem to fall short. A significant percentage of

respondents admitted they don't play a role in the levers closest to the customer, such as customer experience (18%), customer service (33%), pricing (43%), and sales force strength (45%).

The empowered CMO has gone a long way toward closing that gap.

Customer Insights

The most successful businesses and their CMOs understand that marketing should "own" the customer. This means it's involved in:

- identifying the right (i.e., most profitable) customers through segmentation research.
- getting the right customer insights through creative research techniques.
- translating those insights to in-market activity—whether across traditional marketing vehicles such as advertising and promotion, evolving channels such as new media, or areas formerly out of marketing's purview such as the in-store experience.

Empowered CMOs recognize and demonstrate that data can fuel creative thinking, rather than ruling it. And they're confident enough to sometimes make decisions that seem contrary to what the research indicates.

Substantial research went into the "Easy" rebranding of Staples. Under the helm of marketing vice president Shira Goodman, this granddaddy of office superstore chains tried to

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discover what most differentiated it from competitors such as Office Max and Office Depot. In many cases, what customers revealed helped steer the effort's direction. Although shoppers expected good prices, the customer experience was more important: employing helpful and courteous sales associates, keeping merchandise in-stock, and having items placed so they are found quickly and easily.

But in some instances, optimizing the customer experience required less leveraging of what shoppers (i.e., the data) said and more application of insights based on what they did. For example, the bulk of Staples' customers are small-business and home-office owners who shop fast for office supplies. To make it easier for them to get in and out, the chain revamped its entire store layout so items such as ink cartridges and paper

are in the front, near the cash registers. Typically, such items are placed in the back of the store, to prompt customers to make impulse purchases of other items found along the way.

Bridges Across Silos

The customer insights that marketing brings to the table should provide a solid entryway to other functions in the organization—ones that intend to reap the benefits of greater customer centrality.

Many engineering-driven businesses are finding that an empowered marketing organization can effectively partner across multiple disciplines. It uses its knowledge as a calling card, to help avoid mistakes from a too-insular and too-internally focused perspective. Microsoft, for example, has admitted to paying the penalties for its past silo approach. In the '90s, the customer virtually didn't play a role in the development of its Windows Small Business Server—a product that fell flat because it was too difficult for its generally nontechnical users, and too expensive. Marketing's role was after the fact: touting its features and productivity gains, which were less germane vis-à-vis the larger drawbacks. However, with marketing's increasing empowerment, today Microsoft staffers are teamed with engineers as products are developed. This ensures offerings are in line with customer expectations and needs.

The empowered CMO knows that encouraging all other organizational disciplines to bear their skills—in guaranteeing that business objectives are met—is as important as marketing's insights. For example: Information technology's (IT's) involvement is critical, and not just for enabling marketing to dig deeper (and with increasing sophistication) in its ongoing quest for customer knowledge. It is also key to helping the organization more effectively and creatively tap into the many possibilities that the Internet—and other tech-powered customer channels—represents.

Empowered former Amazon CMO Alan Brown (now CMO of Nuveen Investments) was central to driving the company's dedication to closely monitoring customers' dynamic behaviors. The purpose was ensuring that Amazon lived up to its mission: "to be the most customer-centric company in the world." Of course, the alignment of IT and marketing there is vital, given the company's role as a dot-com leader. To this end, powerful algorithms allow Amazon to translate its shopping data into personalized Web pages, with predictive book recommendations and notifications. It also created "1-Click" checkout technology and a "Search Inside the Book" feature, which lets customers look at book contents. Thus, each shopping experience is unique, fresh, and inviting.

Similarly, human resources (HR) adds considerable expertise to the mix. With its audience of internal employees, HR's

work is truly cross-functional and companywide. Because a brand's strength lies in not only its communication but also its delivery, HR is an essential conduit for influencing employees—through programs such as recruiting, new employee orientation, training and development, and performance evaluation and compensation.

Driving Business Results

The empowered CMO is willing to do what it takes to more effectively pull all the levers influencing the customer experience—not just the ones that marketing directly and obviously affects. Sometimes that means taking calculated risks and making difficult trade-offs, as he or she applies insights for solidifying the customer's relationship with the brand: determining what will be meaningful and effective.

This is the kind of thinking that pushed executive vice president Yvonne LaPenotiere into the ranks of the empowered, as she led a major rebranding initiative for Radisson Hotels & Resorts. Considerable customer research showed that customers put a high value on the quality of their stays, and at the top of their lists was the ability to get a good night's sleep. LaPenotiere knew that a critical customer touch point was the bed. If Radisson didn't get that right, then all the messaging around its new brand positioning would be for naught. As a result, she diverted several million dollars from her advertising budget to buy Sleep Number beds for a test market. The move was a strong signal, inside and outside the company, of Radisson's commitment to the optimal customer experience. And the payoff was a huge, 60% increase in customer satisfaction ratings—a gain that no advertising campaign could have come close to creating.

Of course, that trade-off was based on LaPenotiere's knowledge that she was accountable for demonstrating a payoff. And that payoff had to be articulated not in the "soft" terms that many still expect of marketing, but the black-and-

white terms—ones that justify marketing's existence to the financial and operations teams. In fact, the year after its launch, the rebranding was solidly linked with a gain of 5.6 points in Radisson's revenues per available room, and a jump of 10% in revenues and 18% in profits of Radisson's parent company (Carlson Hotels Worldwide).

These days, accountability is no longer strictly in the financial team's bailiwick. The availability of extensive customer data, advances in analytical systems, and synergies from marketing and finance collaboration make the empowered CMO more equipped than ever to respond in detail to questions such as:

- How much would we have to spend to reach critical scale?
- What marketing initiatives will give us the most bang in new markets?
- What's the return on investment for these marketing spends?

Ultimately, the CMO who understands accountability is going to achieve a major turnaround in perceptions: from marketing as a cost center/support function to marketing as a profit center that contributes to the bottom line, just like the business units.

The Winner's Circle

As personally and professionally challenging as it is to develop the perspective of an empowered CMO, and earn its status, the rewards are there.

For the individual, it's not just the satisfaction of beating the longevity odds; many people find themselves moving to positions of greater responsibility. LaPenotiere has parlayed her expansive view and impressive track record into the position of Carlson Hotels Worldwide president. At the end of 2004, Orbitz CMO Michael Sands moved into the CEO's seat. And Comstock's efforts as corporate vice president of communications were rewarded in late 2005, when she was named president of digital media and market development (accountable for driving NBC Universal's digital strategy).

For the organization, the empowered CMO—whom an empowered marketing function generally supports—goes a long way toward creating the kind of business and brand alignment marking true success. Sustainable growth and shareholder returns are the long-term objectives today, but they're difficult to accomplish in a complex and competitive marketplace. This puts a premium on marketers who can prove their mettle. ■

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November/December

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