New challenges to marketing’s mandates

Scott Davis, Prophet, argues that marketers need to take a broader view of their role if they are to contribute successfully to business growth.

It takes a marketer to recognize the blessing and the curse that lies behind the saying: ‘May you live in interesting times.’

Today’s interesting times are marked by dramatic societal changes, and the breath-taking technological breakthroughs that are instrumental in pushing them have opened a vast spectrum of opportunities, challenges and demands on the marketing profession.

In this rapidly evolving environment, the number of levers that must be pulled to reach the customer is growing rapidly. Technology has not only helped fuel this expansion, but opened up the vistas in expanding marketing’s ability to tap into the possibilities more creatively and effectively than ever before. It enables a richer understanding of customers’ expectations of, and interactions with, a brand, giving the business deeper insights into ways to better harness the relationship to create business growth. It creates the means for more personalised, one-on-one interactions and experiences with the brand.

But the pressure is also on marketing to think more strategically in light of all these changes: about how to marry the art and science that come with the job more effectively; about ways to demonstrate its relevance and expand its role outside its traditional sphere of influence; about how marketing can quantifiably contribute to the business’s long-term success.

A study recently conducted by Prophet shows that senior-level marketers at leading US businesses understand all this. Yet it also revealed troubling gaps between this understanding and their ability to influence the changes and direction required to meet their ultimate mandate of driving business growth.

**Disconnects may hold marketing back**

More than 300 senior-level marketers participated in Prophet’s 2005 State of Marketing survey on how marketers contribute to business growth. Overall, findings indicated a savvy group on top of current trends reshaping marketing and creating new imperatives. The majority:

- put the overall customer experience far ahead of specific marketing communication tactics like advertising and promotion in terms of their importance to the business
- ranked new and existing products and services as being more critical than improved marketing and branding in drawing in customers
- agreed nearly unanimously on the need for better-integrated business, brand, and marketing strategies in order for business growth goals to be achieved.

Despite such forward thinking, however, the study found indications of worrying misalignments and disconnects that may block marketing from gaining deeper influence in the organisation and more effectively support, if not drive, the growth agenda.

In defining business growth, for example, respondents cited top-line revenues as their highest priority, with bottom-line profits fairly close behind. Yet nearly 50% of the respondents believed their CEOs consider profits a higher priority; only 25% of them believed top-line revenues were a key CEO focus. (In fact, the Conference Board recently found that CEOs rank top-line growth as their top challenge in 2006, followed very closely by profit growth.)

From the marketer’s perspective, that explains the common use of brand portfolio strategies such as brand extensions as a means of boosting revenues. But on the flip side, senior management, focused on the bottom line, could argue profits are more rapidly created through cost-cutting and reduced marketing investment. To achieve closer alignment, marketing must do a better job of understanding, creating and delivering on the kinds of customer-focused growth strategies that grow revenues while also improving returns on marketing investment.

The study also uncovered a disconnect between marketers’ views of the most critical business growth drivers and their admitted lack of influence over many of them. Nearly one-third of respondents ranked customer-centric activities — customer service and delivery, sales force outreach, and the overall customer experience — as the most critical contributors to business growth. Business and marketing strategy trailed distantly, and the traditional marketing communication stand-bys of advertising and promotions were each cited by a mere 1% of participants (Figure 1).

Yet nearly 20% claimed no influence over the customer experience, a full 33%, no role in customer service. Even more alarming, 43% lacked influence over pricing, and 45% over sales. And 20% of respondents also admitted to failing short in forging relationships with their counterparts in human resources and information technology, two areas critical to enabling brand-driven growth. An improvement over the past, this is still troubling given HR’s importance in equipping employees to deliver on the brand promise, and IT’s role in creating and enabling new customer-centric capabilities.

The most worrying disconnect, however, revealed itself in terms of marketing’s influence in the highest reaches of the business. While 88% of respondents had ‘visited’ the corporate strategy table, fewer than one-third...
claimed a permanent seat there (for example, had an ongoing role as decision maker). Small wonder, then, that while fully 99% ranked the effective integration of business, brand and marketing strategies as critical to driving business growth, only 11% said their organisations had achieved this successfully (see Tables 1 and 2).

**Addressing key challenges will help bridge gaps**

What’s telling in the survey results is marketers’ recognition of today’s new customer-centric order, where a strong brand – one that is critical to business growth – is built as much or more on the customer’s actual experiences with a brand as it is with messaging around it. None of this negates the need for the traditional communication tactics or strategies. It just makes it even more imperative that marketing adjusts its approaches for the times, working closely with non-marketing touchpoints to ensure that the customer’s relationship with the brand remains solid.

Increasingly, this means that for marketing to seize upon and make the most of the opportunities this environment presents, it must maintain an underlying focus on addressing three challenges to its ultimate success: maintaining market superiority; doing more with less; and managing increasingly complex customer touchpoints.

**The superiority factor**

Face it: it’s a jungle out there. Whether it’s established businesses flexing their muscles or newcomers intent on grabbing their share of the pie, there’s always someone trying to chip away at your base with flashier messaging and more aggressive spending. And on the other side of the coin are consumers, savvier than ever about their purchasing options in the face of the exploding range of information channels, and more inclined than ever before to seek out the best deal.

Standing out is the issue, and it must be on a more substantial basis than messaging or price. What’s more meaningful in the long run to customers – and to the stability of the business – is a superior product or service delivery. Here, marketing must show its prowess in understanding and leveraging its knowledge of the customer and what motivates the customer’s relationship with the brand. It’s marketing that brings the insights that must be leveraged across the customer touchpoints – whether they are owned by the sales team, customer service or business operations – to ensure the business attains and maintains its superiority.

Virgin, one of Britain’s most respected brands, more than gets this, having built itself into more than 200 entities – from the well-known airline to women’s lingerie – on an outstanding reputation for customer service and satisfaction.

More than anything, it considers itself in the ‘experience’ business. It delivers, almost flawlessly, by keeping a close pulse on its customers and responding to their tastes and needs with offers that, at once, offer value, are of good quality, are usually incredibly creative, and just plain fun.

For example, in a bid to distinguish its UK/US flights on more than the typical basis of price and schedule, Virgin Atlantic, last year, started naming certain flights to play up exclusive customer experiences. Its Miami to London flight, ‘The Trance Atlantic’, boasts seats that become flat beds, massage, and a shower and a shave upon landing in the ‘revival lounge’ – capped by a free limousine service. This is supported by more traditional marketing initiatives, like print ads, cab toppers and billboards.

But, as Virgin recognises, the cleverest campaigns, conducted at any touchpoint, are not sufficient, in and of themselves, to set the standards for a brand’s superiority. If the organisation isn’t prepared to equip employees at every level to get not only what the brand stands for but what’s required of them to uphold it, it’s all for naught.

Marketers don’t influence right levers

<table>
<thead>
<tr>
<th>Most critical aspect</th>
<th>Marketer plays no role</th>
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<tbody>
<tr>
<td>Business strategy</td>
<td>19% 12%</td>
</tr>
<tr>
<td>Customer service</td>
<td>16% 33%</td>
</tr>
<tr>
<td>Customer experience</td>
<td>15% 18%</td>
</tr>
<tr>
<td>Sales force</td>
<td>11% 45%</td>
</tr>
<tr>
<td>Marketing strategy</td>
<td>10% 2%</td>
</tr>
<tr>
<td>Product development</td>
<td>7% 23%</td>
</tr>
<tr>
<td>Pricing</td>
<td>5% 43%</td>
</tr>
<tr>
<td>Distribution</td>
<td>4% 41%</td>
</tr>
<tr>
<td>Brand strategy</td>
<td>3% 12%</td>
</tr>
<tr>
<td>Brand portfolio strategy</td>
<td>3% 17%</td>
</tr>
</tbody>
</table>

Key to influence is collaboration

<table>
<thead>
<tr>
<th></th>
<th>Very/ moderately successful</th>
<th>Below average/ not successful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board/executive team</td>
<td>91%</td>
<td>9%</td>
</tr>
<tr>
<td>Sales force</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>Finance</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>Human resources</td>
<td>79%</td>
<td>21%</td>
</tr>
<tr>
<td>Information technology</td>
<td>76%</td>
<td>24%</td>
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naught. Marketing must captain the development of internal communications, training and branding strategies to guide this evolution.

UBS is a case in point. When it undertook its huge strategic shift in adopting a single corporate brand strategy, it recognised it was imperative that the rationale was understood internally and that buy-in was secured at all reaches of the company. Marketing’s role as internal change agent was seen to be as critical, if not more so, as the external campaign that came later. Responsibilities ranged from helping train employees in understanding their roles and expected behaviours in upholding the brand, to developing specific on-brand messages for them to use in supporting the brand on a day-to-day basis. Equipping the organisation to deliver on the brand promise has certainly paid off, helping UBS become a top-50-ranked global brand with a value over $6 billion.

**When financial resources are scarce**

Then there are the economics of capturing the hearts, minds and wallets of customers. Brand portfolios are mushrooming – some by over 50% in the last five years. Advertising costs are up sevenfold since 1980. Marketing costs are averaging 15% of revenues, and management is demanding greater accountability from marketing, demonstrated by better marketing return on investment.

Especially since so many of the traditional marketing levers aren’t creating measurable returns, it should be a given that the marketing spending patterns of the past must be altered. All customers are not created equal. And that’s the basis on which marketers should be directing their attention, messages and budgets.

Rather than the expensive chase for new customers, for example, resources are better applied to identifying the most profitable and actionable segments of current customers, and developing communications strategies around the experiences that will be most effective in driving the right attitudes, behaviours and results.

This has been KitchenAid’s emphasis in recent years in studying its 10,000-customer database to focus on one segment: the ‘home enthusiast’ who values brand and quality, is proud of her home and is a passionate cook. The result has been a special, high-end line of products coupled with its TLC (Total Legendary Care) programme, offering a dedicated customer support phone line, free personal product demonstrations, and an exclusive mini-magazine with special savings, chef advice, recipes and kitchen trend articles.

By going beyond functionality to emphasise experience, KitchenAid’s appliances have been elevated above commodity status to help drive business growth. Marketers following such a path may also find that as their programmes demonstrate measurable business results, they’re increasing the odds for their budgets to be increased in the interests of maintaining these efforts.

**Managing expanding touchpoints**

Studies show that in the last 20 years, the number of media touchpoints has skyrocketed by a factor of 14. Meanwhile, consumer response to traditional media is deteriorating: 70% of viewers will happily TiVo to avoid commercials. It’s forcing marketers to retreat from the conventional A&P mix to create a richer brand experience that will keep customers engaged.

Two companies that effected such shifts in order to differentiate their touchpoints outside the traditional ones are mobile carrier O2 and Philips. O2 cut back on advertising and moved to highly personalised direct marketing, augmented by more personal one-on-one customer time, achieved through substantial increases in staff. It has also focused on activities like the provision of battery chargers in its stores to help out people whose phones have died. As a result, customer churn has declined in the face of increased satisfaction. Philips similarly reduced advertising investment in lighting to focus on staffing up with trained specialists at retail locations. They mingle with shoppers to offer non-pressured advice on ways to use lighting as a design element. The trial programme was rolled out worldwide after generating an ROI that was twice that of other marketing options considered.

It’s not just the pre-sale touchpoints that must be better managed: many businesses are also asking marketers to focus more on the post-sale experience. The goal should be to maintain ties with qualified leads while also deepening the organisation’s understanding of how the customer perceives the brand after the sale has been completed. Hewlett-Packard is one that routinely conducts email surveys to gauge customer satisfaction with technical support, with follow-up surveys conducted when more personalised services (as through its Geeks on Call) have been rendered (Figure 2).

Today, perhaps more than ever, marketing must call on all the resources and capabilities in its arsenal to continue to demonstrate its relevance and prove its worth to the organisation as a whole. It’s not enough that senior marketers understand the implications of changing times for their role, mandate and challenges in powering the profitable growth of the business. They must hone their insights and find ways to fix the gaps between intentions and influence that hinder their success and limit the potential of their organisation.

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