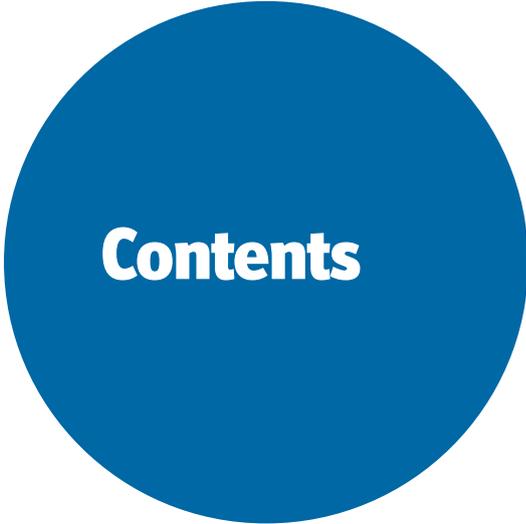


Outside looking in

The CMO struggles to get
in sync with the C-suite

A report from the Economist Intelligence Unit



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About the report

Outside looking in: the CMO struggles to get in sync with the C-suite is an Economist Intelligence Unit report, sponsored by SAS.

The Economist Intelligence Unit bears sole responsibility for the content of this report. The findings do not necessarily reflect the views of the sponsor.

The paper draws on two main sources for its research and findings:

- A global survey—conducted in July 2012—of 389 executives. The respondents are based in Western Europe (40%), North America (27%), Asia-Pacific (24%), Latin America (6%), Middle East/Africa (2%) and Eastern Europe (1%); a total of 42 countries are represented. Respondents include marketing and non-marketing professionals from 19 industries, such as financial services (14%), consumer goods (11%), IT/Technology (8%) and manufacturing (8%).

- A series of in-depth interviews with senior executives from major companies and other experts listed below.

Steve Cannon, CEO, Mercedes-Benz USA

Leontyne Green Sykes, CMO, IKEA US

Brett Henry, vice-president commercial and marketing, Abacus International

John McDonald, vice-president marketing, Americas, British Airways

Greg Welch, consultant, Spencer Stuart

We would like to thank all interviewees and survey respondents for their time and insight.

The report was written by Rob O'Regan and edited by Gilda Stahl.

Introduction

“
The CMO occupies the perfect chair to serve as the disciple for the customer internally.”

Greg Welch, consultant,
Spencer Stuart

Chief marketing officers (CMOs) have a problem. It is not their average tenure, which according to Spencer Stuart, a global executive search firm, is actually trending up after years of lagging behind more-established C-suite positions. It is a problem of perception. Nearly two decades after the CMO title first nudged its way into the C-suite, many organisations still have trouble defining the CMO's role and responsibilities.

Part of the issue may be that the CMO oversees what is arguably the broadest and most dynamic mix of disciplines among all C-suite positions. The scope of the CMO's role ranges from traditional marketing functions such as brand advertising, market research and communications to emerging areas like customer analytics and social media. While this far-reaching portfolio presents an opportunity for CMOs to increase marketing's influence across the organisation, it also highlights their greatest challenge: getting everyone to agree on marketing's priorities.

A global Economist Intelligence Unit survey, sponsored by SAS, found that many organisations are misaligned on marketing's mandate, particularly its contribution to areas outside of the

function's traditional purview, such as product development, retail and customer service. Leadership teams are especially out of sync, with gaps between the CMO and the rest of the C-suite spreading uncertainty across the entire organisation.

“The reality is that a CMO must satisfy a number of audiences: consumers, customers, management, shareholders, regulators and board directors,” says Greg Welch, a consultant with Spencer Stuart. “When you take this into account, combined with the fact that the CMO role often varies by industry, it is not surprising that you see a disconnect when asking about top priorities.”

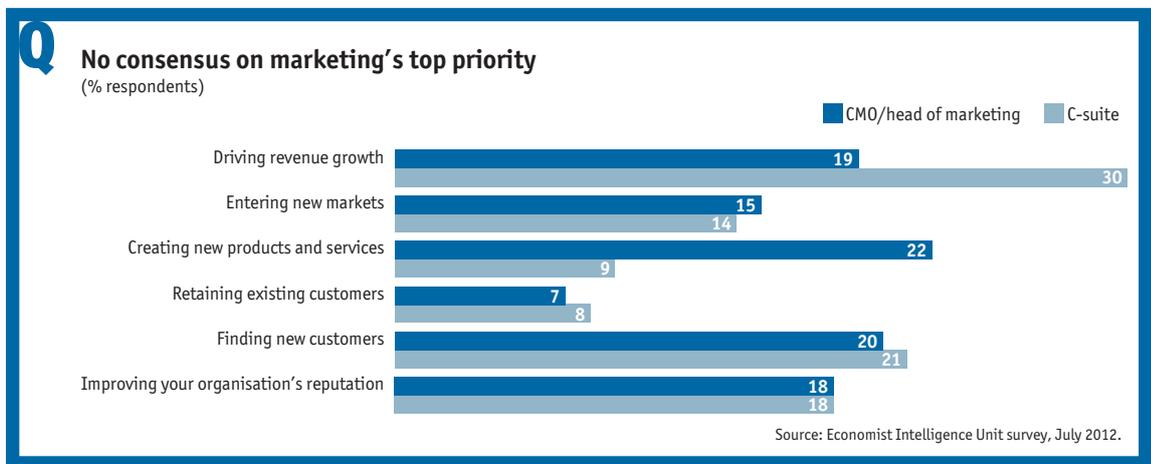
Filling these gaps in perception is not easy; some are deeply rooted in an organisation's culture and processes. But the CMO has a potentially critical ally in its quest: the voice of the customer. For many marketing leaders, success will be determined by their ability to align the marketing function—and the entire organisation—around delivering a superior customer experience across all engagement channels. “The CMO occupies the perfect chair to serve as the disciple for the customer internally,” says Mr Welch. ■

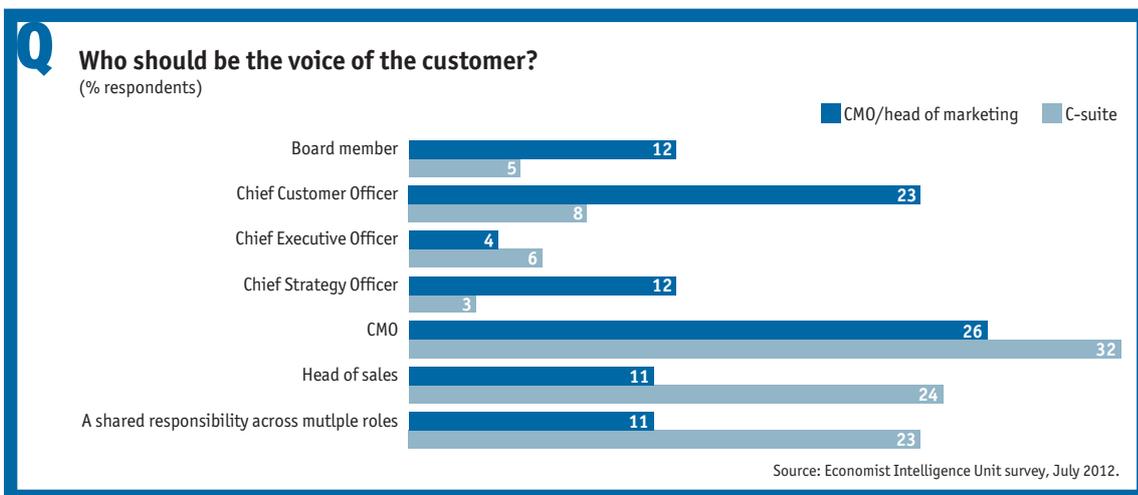
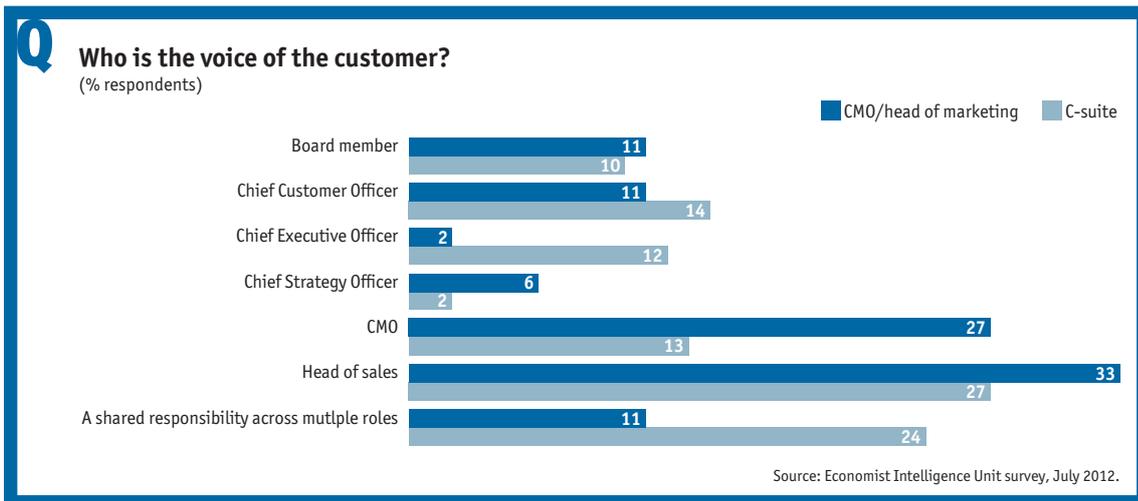
1 A disconnect between the CMO and the C-Suite

For any leadership team, forging consensus on strategic priorities is a critical step towards building a successful business. However, our survey uncovered a disconnect between CMOs and the rest of the C-suite over marketing’s priorities. Non-marketing executives—including the CEO, CFO, CIO, other functional heads and board members—see marketing’s top priority as driving revenue, by a wide margin over finding new customers (30% to 19%). For CMOs, however, marketing’s priorities are creating new products/services and customer acquisition; driving revenue ranks third.

More troubling, perhaps, is that no single objective captures a clear majority as a marketing priority, even among the CMOs themselves. These and other results suggest that for many organisations, marketing’s mandate is muddled at best:

- **Cross-functional contribution.** Who benefits the most from marketing programmes? CMOs believe marketing is delivering significant business value to product development, followed by customer service and sales. Among the rest of the C-suite, those rankings are reversed, with sales seen as the primary beneficiary of marketing initiatives.
- **Return on marketing investment (ROMI).** Half of CMOs say marketing can track the value of marketing investments across different functions and channels, but fewer than 40% of non-CMOs in the C-suite believe marketing has this capability. The two sides also disagree on which metrics are best for tracking ROMI: the majority of the C-suite likes customer satisfaction, while sales leads are the top metric for CMOs. And while 55% of CMOs say their





marketing investments outperformed those of their peers over the past year, just 41% of the C-suite agrees.

- **Customer insight.** More than two-thirds (67%) of CMOs say their company has a clear understanding of its customers’ tastes and needs, but just over half of their C-suite peers agree (52%). More than a quarter of CMOs believe they are the “voice of the customer” at their organisation, while only 13% of other C-suite executives see the CMO in this role.
- **Customer engagement.** According to CMOs, the most effective channel for customer engagement is e-mail. The rest of the C-suite views face-to-face interaction as the best engagement channel.
- **Internal barriers.** Asked to list the barriers that

most impede marketing’s ability to deliver more value to the organisation, three emerge among C-suite respondents: marketing’s limited ability to demonstrate return on investment (ROI); difficulties in hiring skilled marketing talent; and marketing’s inability to turn data into actionable insights. CMOs’ top three barriers are: hiring and retaining talent, the lack of a strategic role for marketing and a limited ability to demonstrate ROI.

Reviewing these results, one can see the conundrum: CMOs believe they are constrained because the rest of the organisation does not consider marketing to be strategic; the C-suite believes marketing has not earned the right to be more strategic because it is ineffective at demonstrating the value of its investments. ■

2

CMOs are swimming upstream

CMOs' perceived constraints reflect how they view their own role within the organisation. More than one-quarter of C-suite executives believe the CMO should play a leading role in developing a customer engagement strategy, but only 17% of CMOs see themselves as the leader of customer engagement. Seventy percent of CMOs believe they should play a lead or key role in selecting new markets to enter, compared with 56% of their C-suite peers.

Incredibly, one-fifth of CMOs say they are only consulted on marketing strategy, but don't take the lead (and 3% say they play no role at all).

What's going on here? Many CMOs say they are not getting the support they need from the rest of the C-suite, which apparently doesn't feel their pain. But even more seem to be questioning their own abilities: fully half of all CMOs say their ability to play

a more strategic role is limited by a lack of relevant skills among marketing executives. And nearly half (46%) say there is a disconnect over what marketing should be delivering. Twenty-eight percent of CMOs say a lack of senior management support for marketing investments impedes marketing's ability to deliver more value; only 17% of other C-suite executives agree with that assessment.

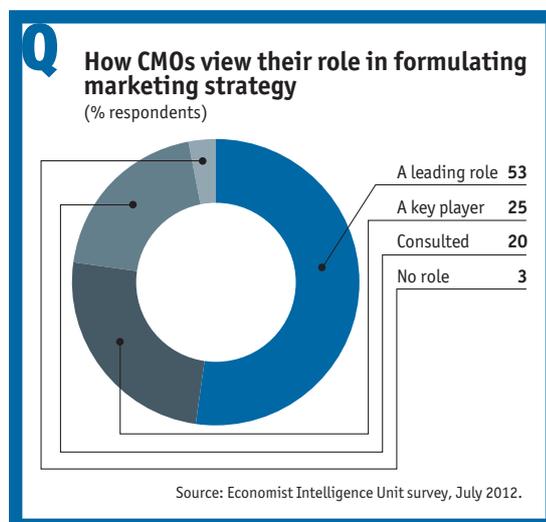
If nothing else, these results indicate that CMOs need to do a better job convincing their C-suite colleagues that marketing is a significant contributor to business value. Perhaps this is why CMOs view communications skills and team-building as two of the three most important skills they need to succeed (along with customer insight). Eighty percent of CMOs see communications expertise increasing in importance (compared with 59% of the C-suite) and 69% say team-building will become more valuable. CMOs rate these types of internal organisational skills higher than functional expertise, even in emerging areas such as social media and data-driven analytical capabilities.

Team-building and general communications capabilities speak to a need for CMOs to have a broad base of skills, beyond traditional marketing expertise, that allows them to work smoothly with multiple constituents across the entire organisation.

"The ability to work cross-functionally is extremely important," says Leontyne Green Sykes, CMO of IKEA US, a home-products company that

“The ability to influence someone, less with marketing speak but in terms of how we are contributing to the business, is a critical skill.”

Leontyne Green Sykes, CMO, IKEA US



Rebooting around customer experience

Chief marketing officers (CMOs) stand a better chance of increasing their internal influence—and changing lingering doubts about marketing’s strategic contribution to the business—if marketing can consistently deliver insights and tools that benefit others across the organisation, from salespeople to call centre agents to merchandising teams.

At Mercedes-Benz USA, aligning the organisation around a superior customer experience has been the focus of Steve Cannon since he took over as CEO in January 2012. The goal is to close the gap between the Mercedes-Benz brand promise—“the best or nothing”—and the company’s overall customer satisfaction ratings, which Mercedes-Benz benchmarks against all luxury brands, not just other automakers in its category.

Investments in customer experience programmes have been large—such as the

formation of a dedicated customer experience team—and small—like providing Mercedes-Benz dealers with iPads equipped with custom apps and videos. “By putting those interactive tools into the hands of our dealers’ sales staffs, they can do a better job articulating the product and brand promise,” says Mr Cannon. “It is not about the new technology—it is about the impact of the technology on the customer experience.”

Even though the group’s general manager (GM) reports directly to Mr Cannon, he believes strongly that marketing must take the lead in driving the customer experience across all touch points. “It is all marketing, all the time,” he says. “Every single customer experience is a brand moment of truth. If we create an aspiration through our advertising, and a customer walks into a store that does not deliver on that promise, that reflects on marketing.” ■

“Every single customer experience is a brand moment of truth. If we create an aspiration through our advertising, and a customer walks into a store that does not deliver on that promise, that reflects on marketing.”

”

Steve Cannon, CEO, Mercedes-Benz USA

designs and sells ready-to-assemble furniture. “One of the reasons we have been successful is that we are partnering with other parts of the business. The ability to influence someone, less with marketing speak but in terms of how we are contributing to the business, is a critical skill.”

Ms Green sees a general trend towards marketers who bring a more balanced mix of functional, business and analytical skills to the table. “In the past, we were much more structured as specialists,” she explains. “But we now have more general marketers than specialists. Even if you are developing creative, you still need to understand the business and the impact of what you are doing on our overall objectives.”

Other emerging skills are more tangible, particularly across the broader marketing organisation. Abacus International Pte Ltd, a Singapore-based provider of travel solutions and services in 31 Asia-Pacific markets, is investing in new training programmes for its product marketing teams, with an emphasis on hard skills such as user interface design, search engine optimisation and business process engineering.

“A lot of these skill sets were not out there ten years ago,” says Brett Henry, Abacus’s vice-president of commercial and marketing. “Having an industrial engineer who can uncover real customer problems and translate them into a product offering is how business is done now.” ■

3

Closing the gaps—with customer insights as the bond

Mr Henry's example underscores the opportunity for CMOs to close the gaps of perception about marketing that our survey uncovered. The key lies in connecting customer insights to strategic business innovation across all channels and functions.

There is plenty of work to be done. C-suite executives give generally lower ratings than CMOs on their firms' customer-friendliness, including their organisation's use of social media and mobile channels to reach and engage with customers effectively. There is little agreement about who is and who should be the voice of the customer, with none of the seven choices garnering more than one-third of responses. More CMOs see the head of sales filling this role than they do themselves. And nearly as many CMOs say a "chief customer officer"—a relatively obscure title—should own the voice of the customer.

Some organisations are creating new groups to drive home the importance of a customer-driven approach to business. Mercedes-Benz USA, for example, has spent much of the past year integrating its customer experience initiatives

under a centralised group that reports directly to CEO Steve Cannon. Previously, customer experience programmes were fragmented across the organisation, which resulted in a lot of inefficient spending.

"We discovered that we were sending out 5 million surveys a year," says Mr Cannon, who served as the company's CMO for five years before being elevated to the role of CEO in January 2012. "Everyone had good intentions, but there are not enough resources anywhere to analyse these data, transform them into intelligence and turn that intelligence into actions."

Creating a dedicated group charged with optimising the customer experience across the entire organisation sent a clear message to the company's 22,000 employees and 358 independent dealers that customer experience was at the top of the strategic agenda.

"The customer experience is first and foremost," says Mr Cannon. "We are focusing more resources than we ever have before on the customer experience." ■

“We are focusing more resources than we ever have before on the customer experience.”

Steve Cannon, CEO,
Mercedes-Benz USA

4

Tying insights to outcomes

Of course, creating effective cross-channel integration requires CMOs to break down the silos that exist between functional groups within many organisations. If marketing can provide a more comprehensive view of how a customer interacts with the business as a whole, it stands to gain more credibility and more influence in driving strategic change.

At IKEA, for example, the marketing team is using customer analytics to help shape the company's strategic business plan. "The ability to share insights has become a large contributor to the marketing organisation being able to drive and influence business decisions," says Ms Green Sykes. "The business planning process is much more integrated than it was previously, and we are driving that integration."

Previously, functional teams worked on their own parts of the strategic plan, then met to bring them together. "Sometimes they fit and sometimes they did not," notes Ms Green Sykes. "What we realised is in order to make great strides, we all needed to be based off the same key objectives regardless of function or responsibility."

The biggest challenge with this process, according to Ms Green Sykes, is ensuring that every group has visibility into the customer and market data that marketing is collecting. This is one area in which CMOs and their C-suite colleagues seem to agree: Both groups gave high marks to investing in

customer relationship management (CRM) as a way for marketing to drive business value. Respondents from across the C-suite also believe investing in customer analytics will be the most important contributor to the business in three years.

For all the talk about data-driven customer insight, marketers are just starting to understand how they should be using the growing repository of information they are collecting through digital media and other channels. "Marketing has only just begun to mine the universal behavioural insights that exist about customers," says John McDonald, vice-president (VP) of marketing for the Americas at British Airways (BA).

BA is taking its own steps towards mining customer insights through its Know Me programme. Launched in February 2012, Know Me is a company-wide effort to enhance the customer experience through deep insights about existing customers' preferences and behaviours. The airline has spent the better part of the past decade integrating its systems to support the effort; a data warehouse now stores 200 separate data sources from different parts of the business to provide a more granular view of the customer, based on the information they have volunteered. As important are the tools that provide staff—from gate agents to cabin crews—with access to the information in order to personalise customer experiences.

"We're bringing together a single customer view

“Marketing has only just begun to mine the universal behavioural insights that exist about customers.”

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John McDonald, vice-president marketing, Americas, British Airways

“
Translating
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behaviour into
commercial
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massively
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”

John McDonald, vice-
president marketing,
Americas, British Airways

so that every part of the business can recognise the individual and cater to his or her specific needs,” says Mr McDonald. “Translating insight about customer behaviour into commercial opportunity is massively important .”

These types of investments are critical to helping marketers demonstrate how data-driven insights create value for the business. The marketing team at IKEA, for example, has used consumer insights to open new doors of

collaboration with the company’s sales, product development, logistics and other teams.

“Three years ago, we were very inward-focused,” notes Ms Green Sykes. “When we started looking at things from the consumer perspective, there wasn’t a strong commitment at first. But when we started showing how we could take these insights, translate them into strategies and then measure the impact from a sales growth or store visit impact, we started getting much more alignment.” ■

5

Conclusion

Key takeaways

- **CMOs and the rest of the C-suite are misaligned on marketing's priorities.**
- **Many organisations are constrained in their ability to create a consistent, multi-channel customer experience.**
- **Success will be determined by the CMO's ability to align the marketing function around delivering a superior customer experience across all channels.**

The role of marketing was once easily defined: create effective mass-market advertising to increase brand awareness and loyalty. It was vague enough to allow marketing leaders to justify investments in “the brand” despite a lack of quantifiable results.

This approach no longer works in today's data-driven, personalised, customer-centric environment. The mass market has been parsed into discrete customer segments that require increasingly targeted messaging. Customers expect to be served through multiple channels, with a consistent experience across each.

The transition is proving difficult for many CMOs

and their marketing teams. Many organisations remain in operational silos, which limit their ability to share data and insights and create a consistent multi-channel customer experience. And cultural perceptions of marketing's role, as our survey clearly shows, continue to inhibit its strategic ambitions.

To address this challenge, CMOs and senior leadership teams need to increase their commitment to investing in the skills, tools and processes required to become more customer-centric and insight-driven. Only then will marketing be in sync with the rest of the business and in a better position to serve as a catalyst of business growth. ■

Appendix: survey results

Percentages may not add to 100% owing to rounding or the ability of respondents to choose multiple responses.

To whom does your CMO or most-senior marketing executive report?

(% respondents)



How strategic a role does the CMO play in your organisation?

Rate on a scale of 1 to 5 where 1 = Highly strategic and 5 = Not at all strategic.

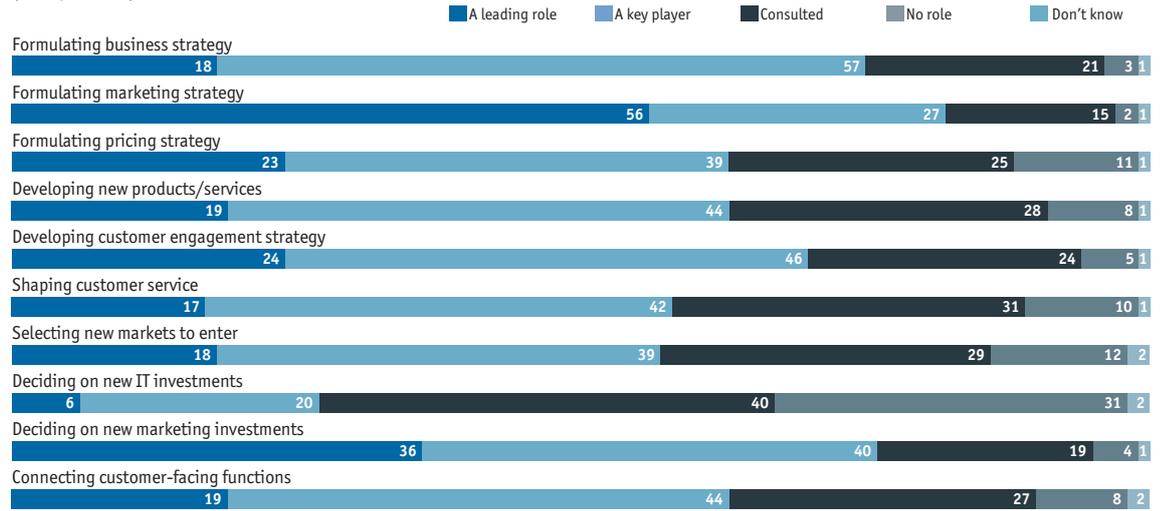
(% respondents)



What role does the CMO (or the most senior marketing executive) play in your organisation with regard to the following activities?

Select the most appropriate response for each activity.

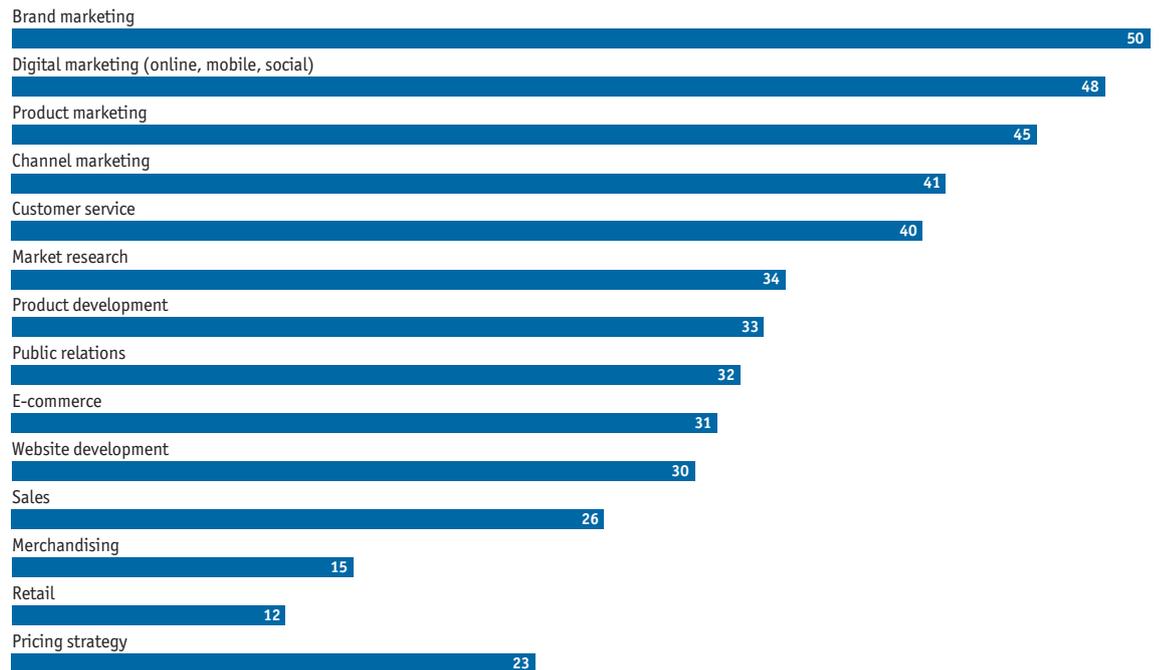
(% respondents)



Over which areas do you expect the CMO's influence to increase in the next 3 years?

Select all that apply.

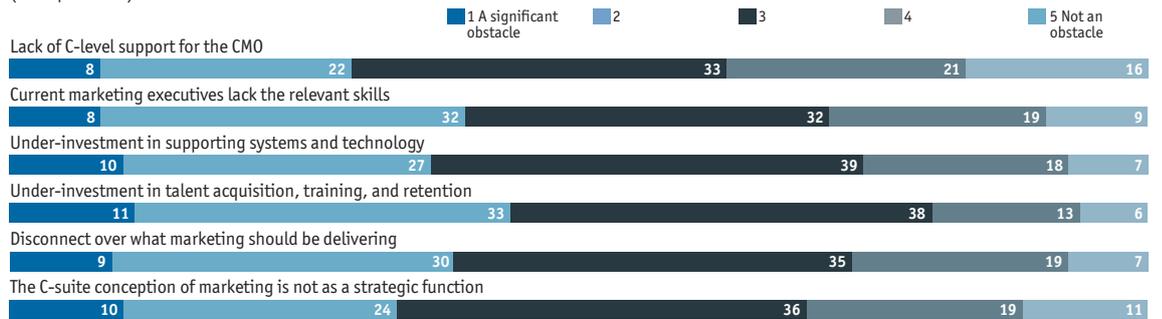
(% respondents)



Please indicate the extent to which the following are obstacles to the CMO playing a more strategic role in your organisation.

Rate on a scale of 1 to 5 where 1 = A significant obstacle and 5 = Not an obstacle.

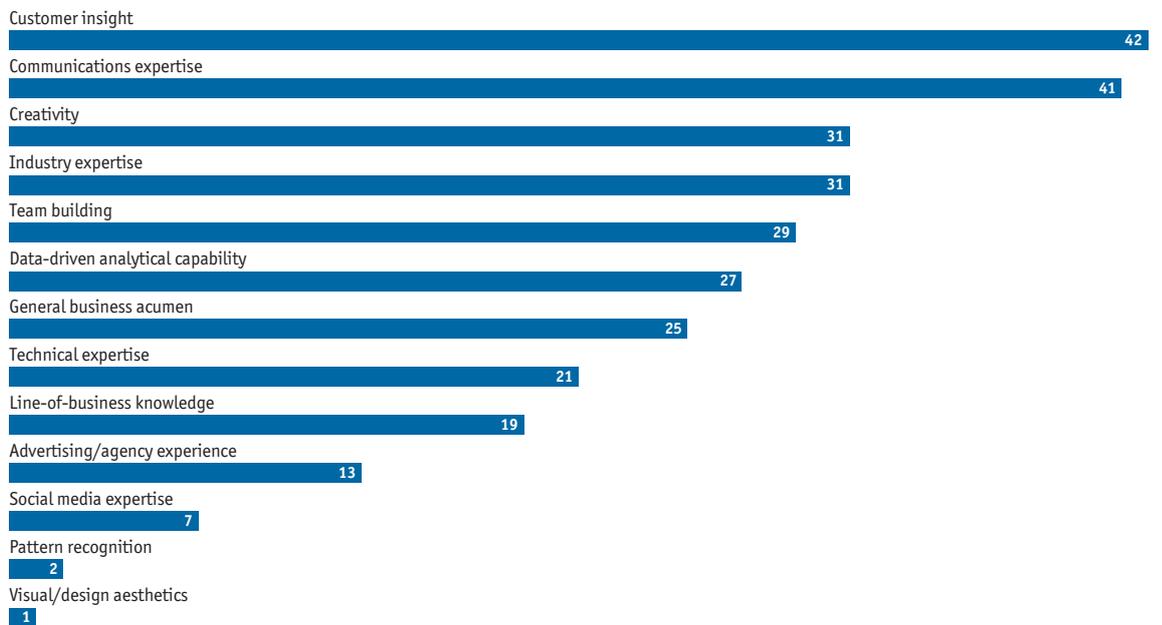
(% respondents)



What skills are most important for CMOs to have?

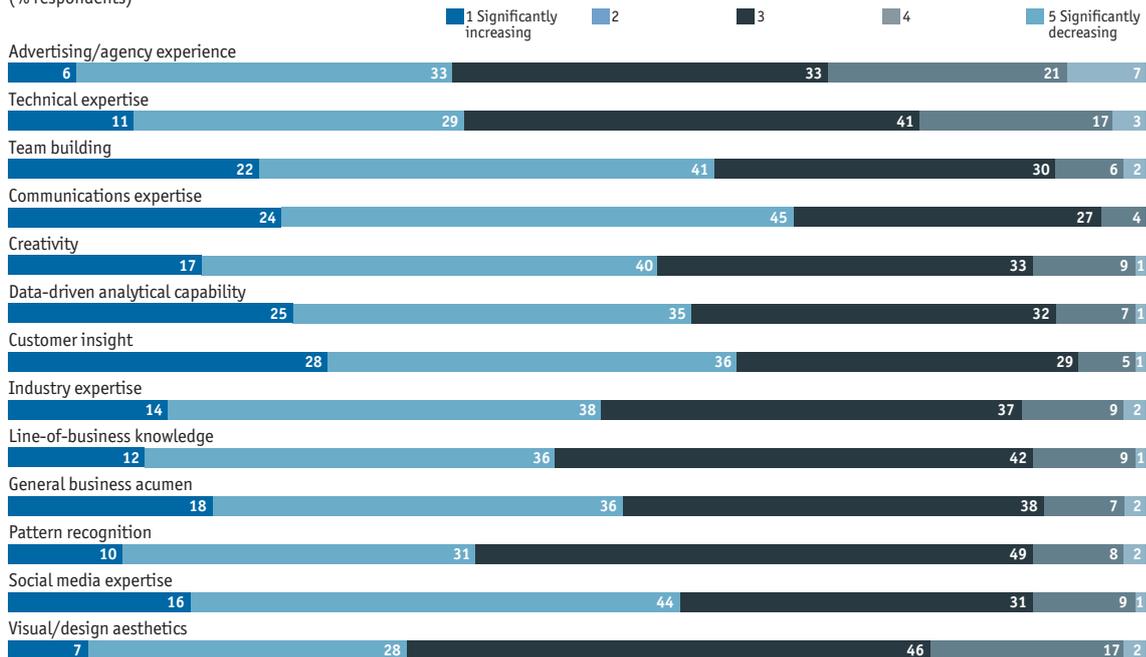
Select the top three.

(% respondents)



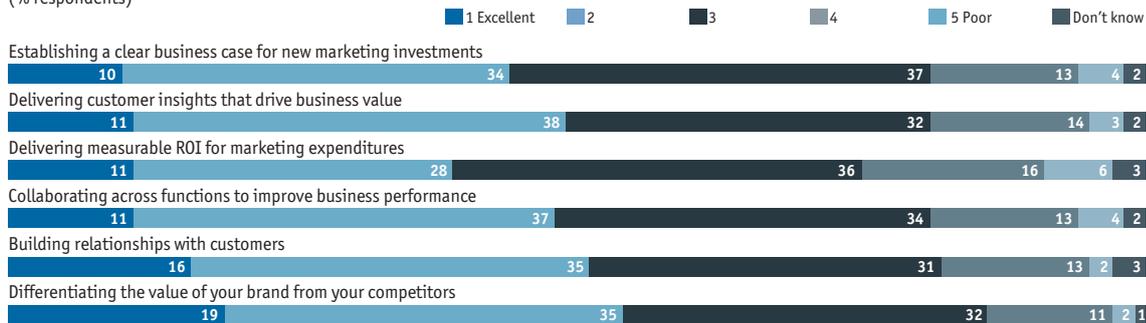
Which skills needed by the CMO are gaining or losing importance?

Rate each skill on a scale of 1 to 5, where 1 = Significantly increasing and 5 = Significantly decreasing.
(% respondents)



How effective is your organisation's CMO in the following areas?

Rate on a scale of 1 to 5 where 1 = Excellent and 5 = Poor.
(% respondents)



Indicate the extent to which you agree or disagree with the following statements.

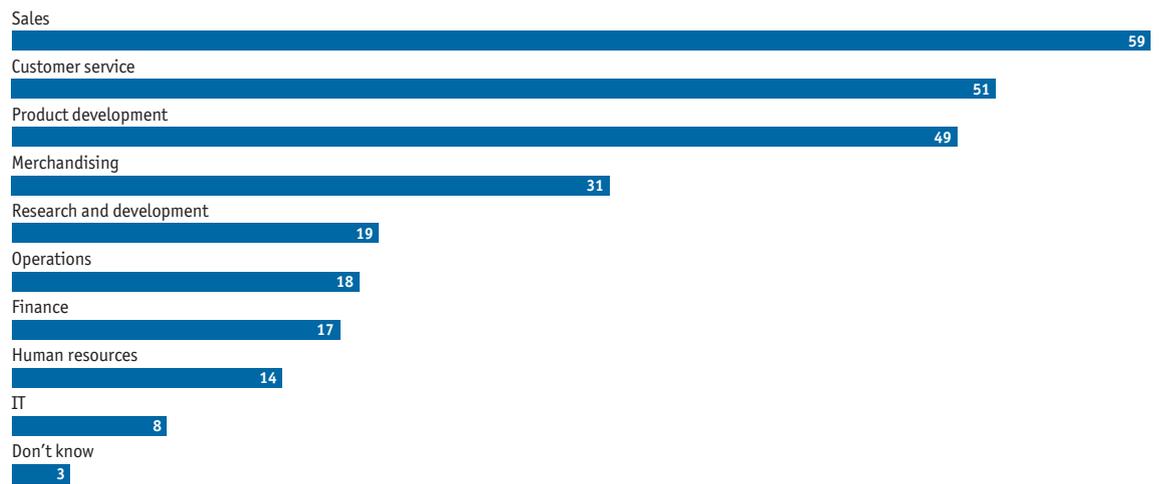
Rate on a scale of 1 to 5 where 1 = Strongly agree and 5 = Strongly disagree.
(% respondents)



In your opinion, to which areas of your business does your marketing function deliver significant business value?

Select all that apply.

(% respondents)

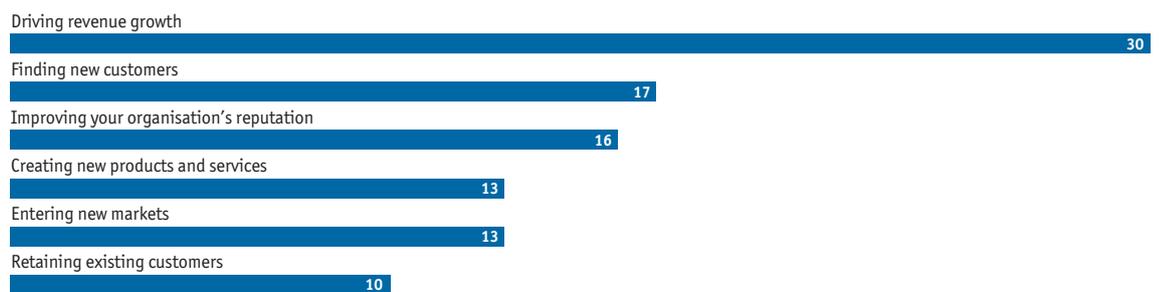
**What are the primary internal barriers that impede marketing from delivering more value to your organisation?**

Select up to three.

(% respondents)

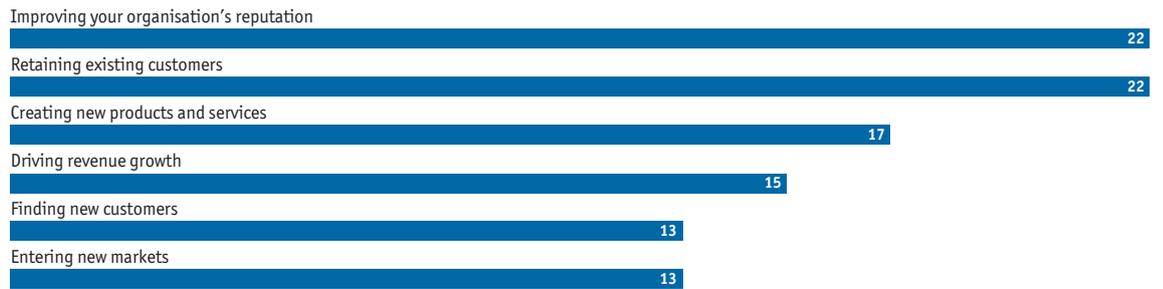
**What should the marketing function's top priority be at your organisation?**

(% respondents)

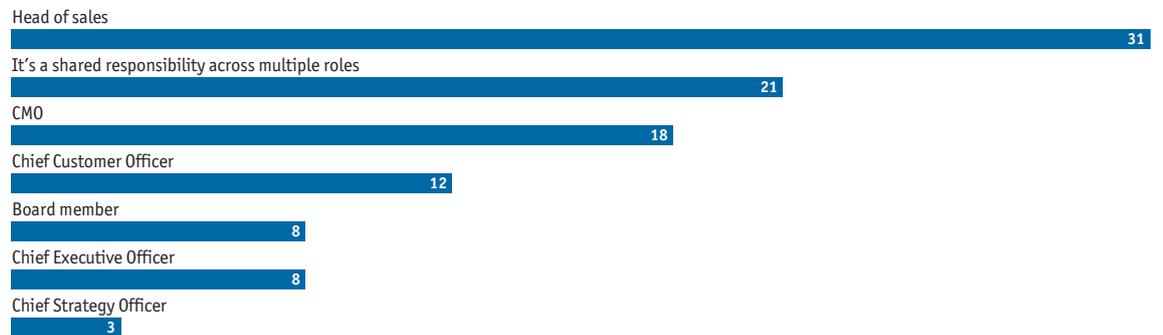


To which area has marketing contributed most in the past year?

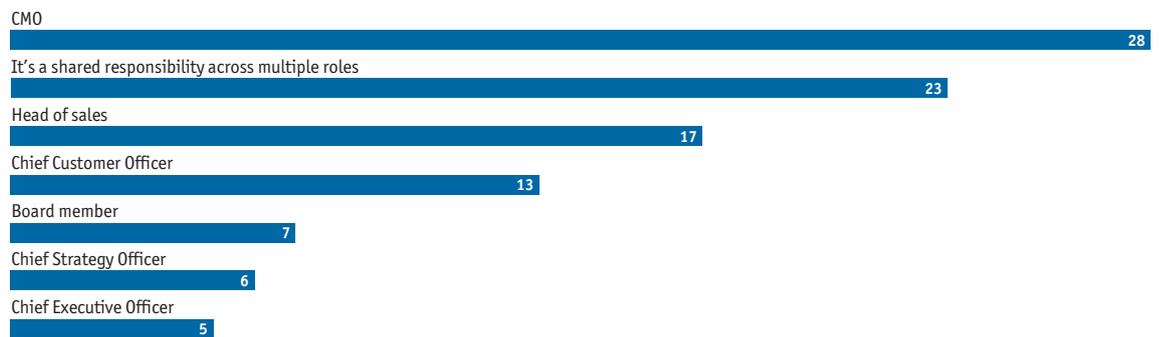
(% respondents)

**Who is considered the "voice of the customer" at your organisation?**

(% respondents)

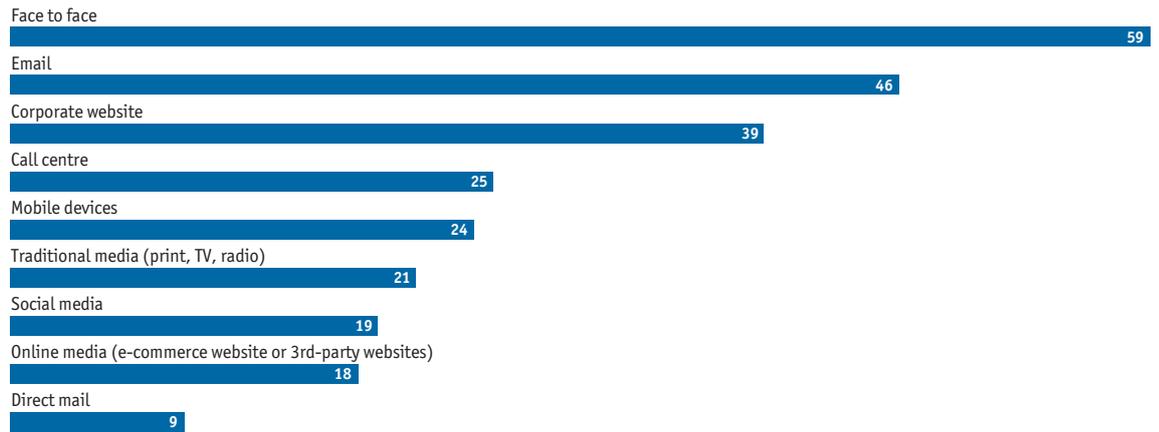
**Who in your opinion should be the voice of the customer?**

(% respondents)



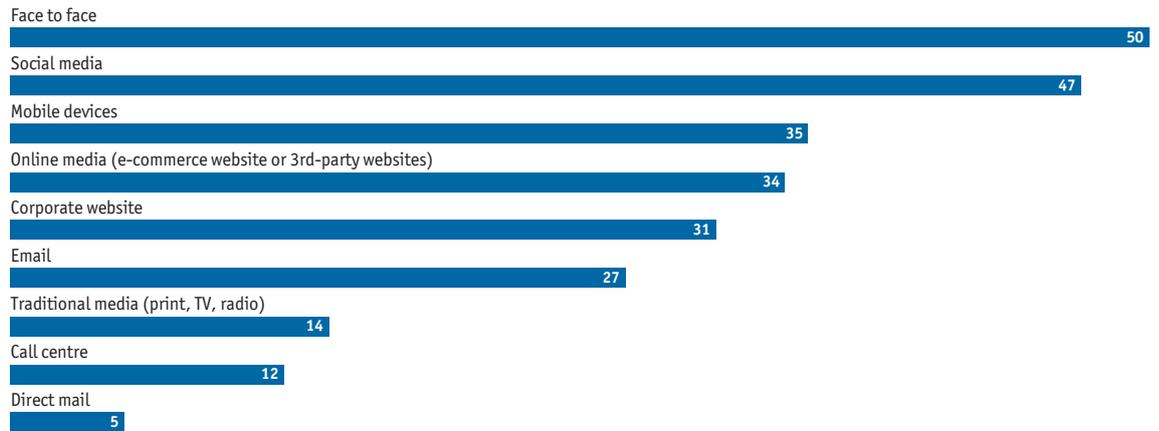
What are your company’s most effective channels for customer engagement?

(% respondents)



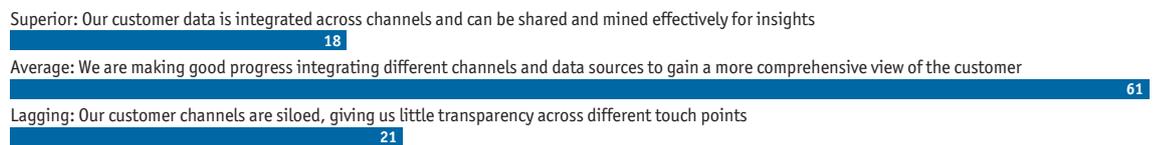
What do you expect the most effective channels will be 3 years from now?

(% respondents)



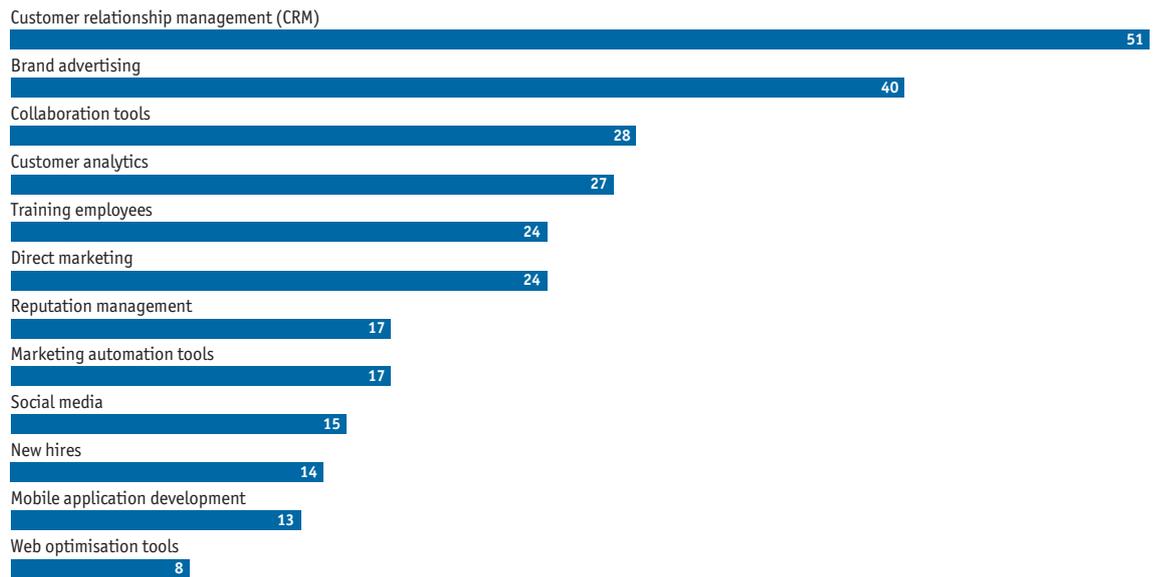
How would you describe your company’s ability to track customer engagement across different marketing channels?

(% respondents)



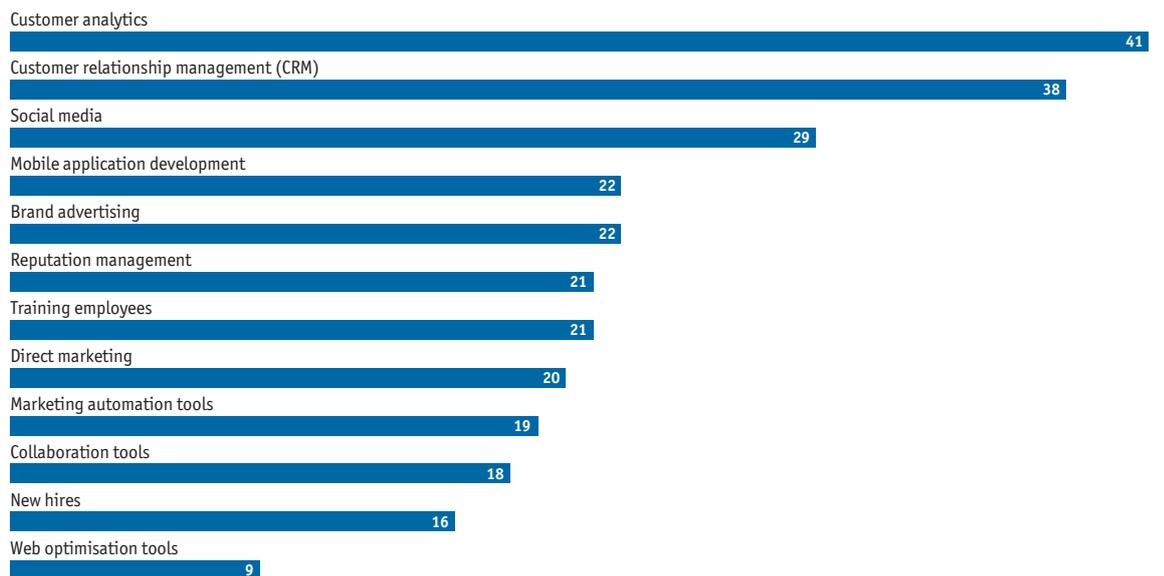
In what areas should marketing focus investments in order to contribute most to your business now?

(% respondents)



In what areas should marketing focus investments in order to contribute most to your business in 3 years?

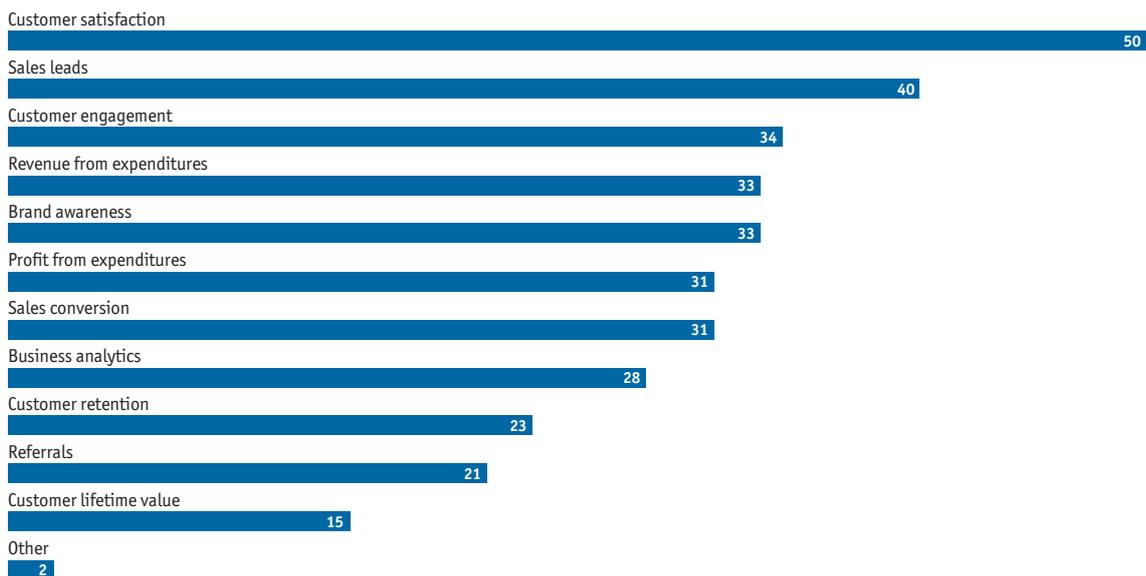
(% respondents)



Which performance metrics does your organisation employ to track Return On Marketing Investment (ROMI)?

Select all that apply.

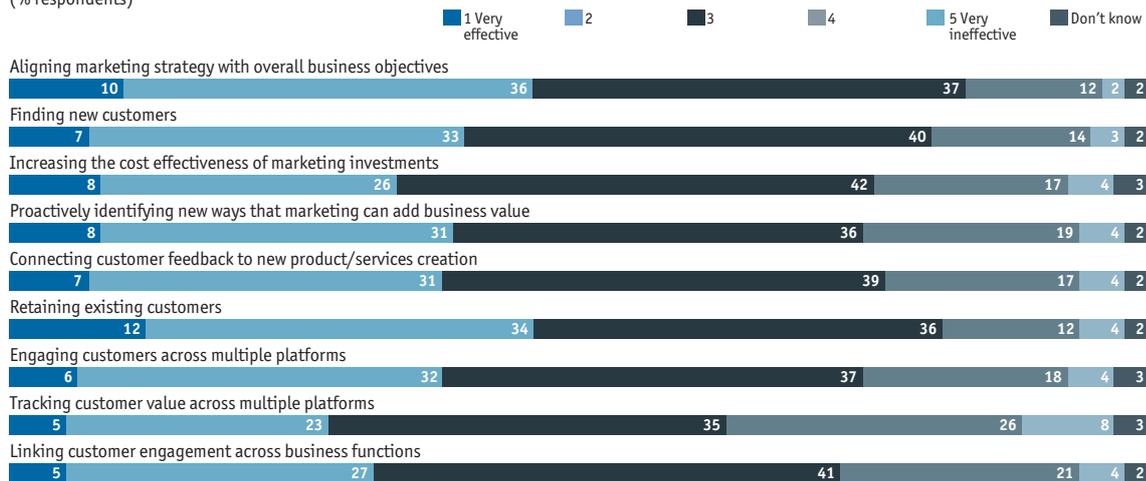
(% respondents)



How effective is your company's marketing function in each of the following areas?

Rate on a scale of 1 to 5 where 1 = Very effective and 5 = Very ineffective.

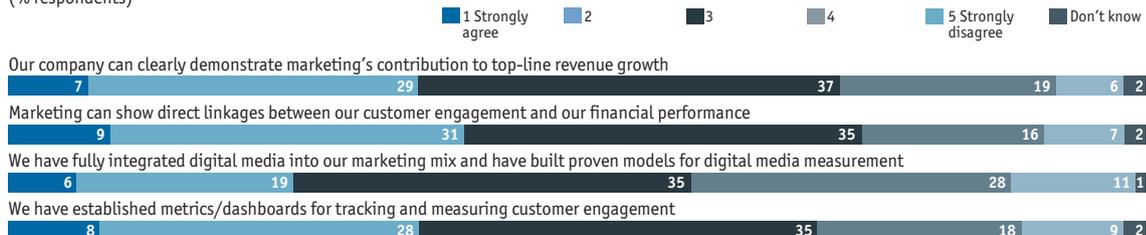
(% respondents)



Please indicate the extent to which you agree or disagree with the following statements.

Rate on a scale of 1 to 5, where 1 = Strongly agree and 5 = Strongly disagree.

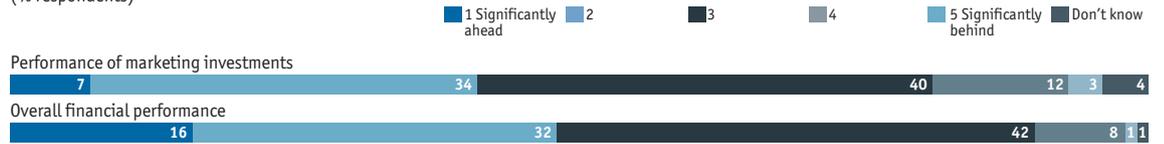
(% respondents)



How would you rate your company's performance in the last year compared with that of its peers?

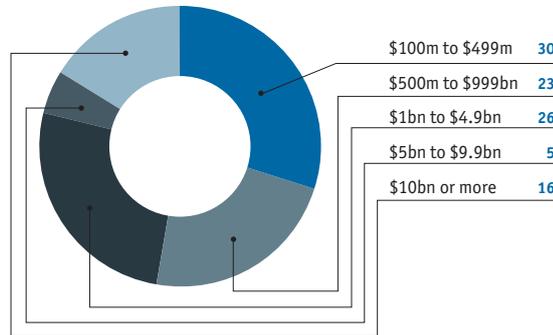
Rate on a scale of 1 to 5 where 1 = Significantly ahead and 5 = Significantly behind.

(% respondents)



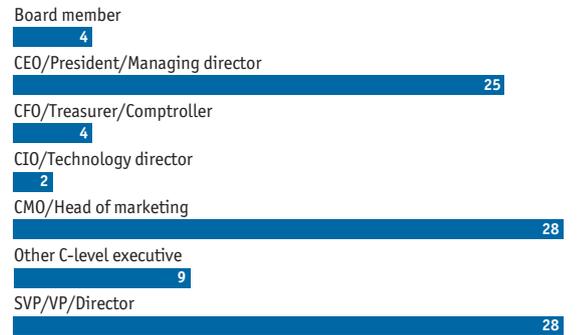
What are your organisation's global annual revenues in US dollars?

(% respondents)



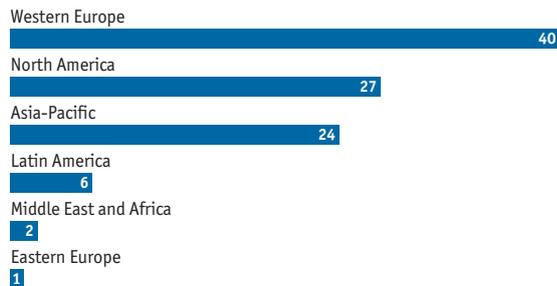
Which of the following best describes your title?

(% respondents)



In which region are you personally located?

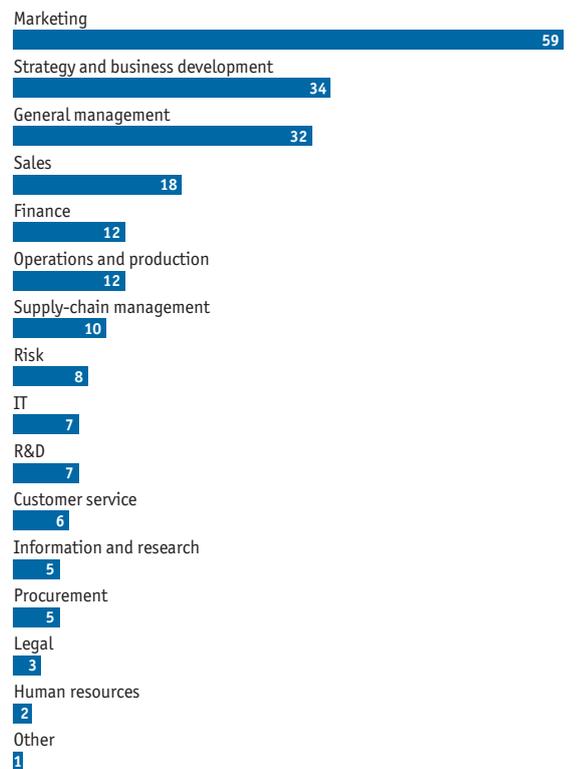
(% respondents)



What are your main functional roles?

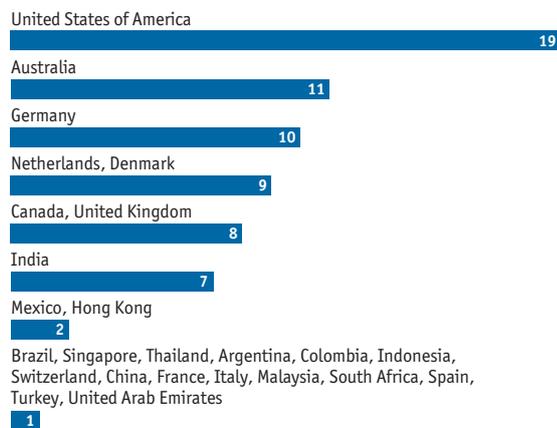
Select up to three.

(% respondents)



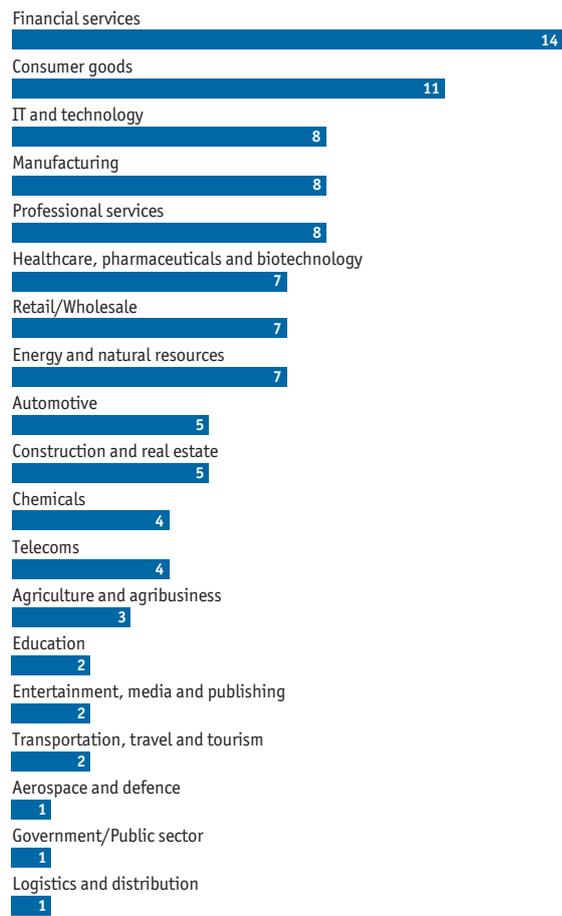
In which country are you personally located?

(% respondents)



What is your primary industry?

(% respondents)



Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.

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