VIEWPOINT
RUTH SAUNDERS

How marketers need to raise their game

Marketers need more boardroom credibility. **Ruth Saunders** advises on how to improve performance

THE AVERAGE lifespan of a company, according to the Standard & Poor's 500, has dropped from 65 years recorded in the 1920s to only 15 years today, showing how quickly established companies can underperform, so much so that it's estimated that by 2030 over 75% of the companies in the S&P 500 will be ones we don't know today[1].

One of the reasons for a company's demise is often its lack of customer-led growth. Strategies for growth tend to differ from company to company – with some focusing on organic growth and others on mergers and acquisitions. But in both cases, strong marketing strategy is pivotal. In *Market Leader* (Q2, 2011), Hugh Davidson identified 12 levers for generating profitable growth, half of which are the primary responsibility of marketing, with marketing contributing significantly to the others. Similarly, in this issue, Terry Tyrrell (see page 28) attributes the failure of many mergers and acquisitions to the poor fit and management of the acquired brands, which is an area where marketing acumen is critical.

So, are marketers sufficiently commercially sophisticated to develop strong growth strategies that the business can deliver profitably? Are they a key driver in the boardroom discussions and decision-making process? Can they galvanise the business to implement the growth strategies successfully?

HOW MARKETING IS SEEN TODAY

To have the impact needed in the boardroom, 93% of senior managers in our 2011 survey said it was very important for marketers to be commercially aware. Yet only 78% of senior marketing managers, 49% of middle managers and 18% of junior managers are perceived to be so.

This lack of commercial awareness has in part contributed to CMOs having the lowest tenure of any boardroom member (28 months versus CEOs at 54 months, CFOs at 51 months and CIOs at 52 months[2]) with such a high turnaround that 50% of all executive searches are commissioned to replace CMOs[3]. Given this, it's unsurprising that only 30% of marketers aspire to the CMO role, with the other 70% aspiring to general management[4]; only 4% of all UK CEOs have a marketing background[4].

Of more concern:

- A recent Research International study showed that marketing's reputation as a discipline has dropped to the bottom of the pile with a huge gap between it and the next worst.
- The CMO Council believes that 'only 40% of CEOs rate their CMOs as strong' with 'nearly two-thirds of CEOs thinking that their marketers don't provide adequate evidence of ROI to gauge marketing's true performance'.
- The Marketing Society's *Manifesto for Marketing* states: 'Many chief executives believe that their marketers are not stepping up to the challenge as they lack the discipline and capabilities to drive profitable growth.'

THE DIVIDE BETWEEN THE BOARD AND MARKETING

To be successful, it is important for marketers to have three key mindsets:

- **A creative mindset** that intuitively understands customers, and builds strong brands, breakthrough innovation and distinctive marketing campaigns for the future.
- **A risk-taking mindset**, with the bigger the innovation or creative leap, the bigger the rewards but also the bigger the risk.
- **A mid- to long-term mindset**, taking time to build and deliver truly breakthrough ideas that will lead to step-change growth.

Yet to protect and manage the company successfully, it is important for the board to have:

- **An analytical mindset** that focuses on growing shareholder value by delivering profitable, sustainable growth.
- **A risk-averse mindset**, optimising the net present value (NPV) of new initiatives, using testing and in-market tracking to course correct quickly when needed.
- **A short- to mid-term mindset**, looking for ways to grow the business now, along a proven timeline and with a proven cost to achieve a proven result.

While these differing mind sets are important for company success, they can create a divide between marketing and the board day to day. CEOs are often frustrated with the following: marketing's lack of financial rigour, especially the difficulty in measuring ROI of new product ideas and in-market activities; desire to take risks, committing huge sums of money to seemingly unproven marketing campaigns; and long-term mind set, often expecting marketing campaigns to take a while to 'take off', rather than delivering the quick wins that the business demands.

BRIDGING THE DIVIDE

'The nature of the deep reform that I believe business must lead is nothing less than a shift from what I call quarterly capitalism to what might be referred to as long-term capitalism (at least five to seven years)… This means changing how we view business's value and its role in society.'
Dominic Barton, managing partner, company, 'Capitalism for the Long Term'

Since marketing's strength is in delivering mid- to long-term growth, boards increasingly need to understand the importance and value of marketing. But this will not happen until marketers themselves have greater credibility. This credibility will come from improving performance in a number of areas including the following:

1. **Developing marketing strategies that are proven to deliver profitable quick wins** that build trust with the board as well as mid- to longer-term business growth – by working closely with cross-functional teams to identify quick wins, select which products, customers, geographies, channels and brands to focus on, and understand the barriers and costs of being customer centric, thus developing value propositions that will deliver profitable growth.

For example, a telecoms company identified that two of its five customer segments were key to its business growth as they bought their biggest-selling profitable products, yet only 30% of the company's spend was directed to this group. Additionally, one of the reasons for these segments dropping out of the purchase process was poor call-centre performance (ie it took a long time to get through, they were sent the wrong information, contact details were difficult to find). Thus, by focusing on improving call-centre performance as well as refocusing spend on the two most important customer segments the CMO was able to deliver quick wins and sustainable growth.

2. **Building a compelling business case** that the board can buy into – one that is structured in an easily accessible top-down way, supported with strong business financials to make it a robust and clear business case.

For example, a financial services company struggled to get board buy-in to a brand name change three times, primarily due to the lack of financial rigour, such as the commercial upside for the business, and the timeline, costs and risks of doing it. By building a strong business case and syndicating it individually with each board member early on, the marketing director got approval when it next went to the board.

3. **Tracking in-market performance to manage risk** – including measuring the ROI of in-market activities and quickly killing underperforming ones, closely tracking in-market performance and quickly course correcting when needed, and continually testing and learning in-market to identify the best performing activities.

For example, when an fmcg company launched a cosmetics brand in a test market, the marketing team went out to the test market area in week one to watch how people shopped at the in-store fixture and to run focus groups to understand how well the advert was working. By doing so, they quickly realised that the on-shelf presence was sub-optimal, and the advertising was poorly branded and so they were able to fix these issues quickly.

CMOs need to have a creative and risk-taking mindset to make the most of big rewards available from taking a gamble on products or marketing plans

It's tougher than ever for companies to grow, and marketing is increasingly important in helping companies achieve this. Yet, marketing teams often struggle to have the commercial impact they need in the boardroom to be successful. To be commercially credible, marketers need to be better at showing how their marketing strategies will build shareholder value, building compelling business cases that the board can buy into and tracking in-market performance to manage risk. ■

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Sources:
1. 'Creative Destruction' by Richard Foster
2. Spencer Stuart Survey, 2008
3. CMO Council
4. Robert Half Survey, 2009