

2009 State of Marketing Study: The Shift

An increasingly tough business environment has raised the veil on a variety of Great Divides that keep marketing and its leadership firmly placed in a small box with a narrow set of responsibilities—even though the need for a more expansionary and visionary role has never been more needed.

Consider just a few of the chasms, like those between:

- The CMO and the CEO (and other C-level influencers) over the concept of brand as a marketing communications device versus a valuable asset to be strategically deployed.
- Corporate and Business Unit Marketing over everything from goals to budgets, sabotaging any hope of developing a broader perspective of strategic capabilities.
- Sales and Marketing and how well they play together (or don't) to drive their shared priority: business growth.

Bridging such divides and elevating marketing to a higher level in the organization requires mind-set and cultural shifts that start with, but are by no means limited to, marketing leadership. But a new study by Prophet, in partnership with the Association of National Advertisers, shows that while marketers from all walks and at all levels understand the need to effect such shifts, they're further away from its realization than they think.

The Prophet/ANA study sought to gauge how marketers are making the shift—how they're moving from tactician to visionary in their quest to live up to their mandate to do more than merely support business growth—but to drive it.

How Marketers View the Shift

In surveying approximately 150 marketers, from director level to Chief Marketing Officer, in business units and corporate, and in large businesses and small, we examined their current roles and their desire and ability to increase their influence in the organization. We asked about the extent and depth of their collaboration with C-level executives and across silos. We explored how well they leverage their ownership of customer insights in support of the growth agenda. And we asked about their expectations for the future as well.

We found that marketers understand the need to shift their perspectives and capabilities to expand their ability to bring about game-changing outcomes in their organizations. But that may be a tough row to hoe: Nearly 60 percent of respondents said significant change was needed in their business' approach to marketing if the function was to shift to a higher, more visionary level, and a quarter said significant change was needed by their team and department.

And the barriers to achieving the requisite changes?



Figure 1: The Shift requires replacing old mindsets with new marketing truths.

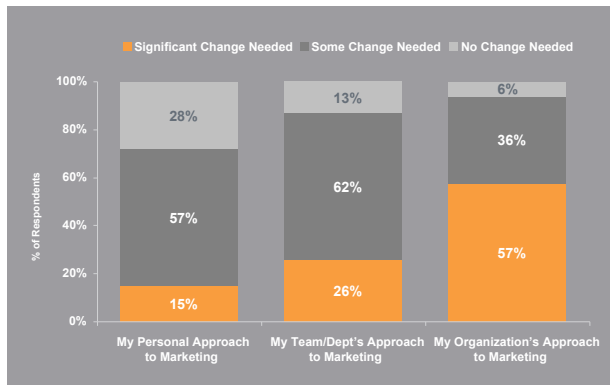


Figure 2: While marketers admit they need to change, they feel others have even greater room for improvement.

Cultural inertia topped the list, cited by nearly a quarter of respondents, followed by budget/resources to put against related efforts (17 percent) and resistance by executive leadership (16 percent) close behind.

Despite it all, when asked how far they have advanced on their own paths toward expanded influence, nearly three-fourths of the group said they had achieved Visionary or leader stature. Yet their behavioral indications, in fact, had almost half performing as tacticians or facilitators.

Despite that, our survey uncovered a group of marketers that has achieved Visionary status—according to their self-evaluations and their behavioral indications. Their actions and words painted the portrait of leaders who, by a wide margin, have balanced short- and long-term perspectives, have successfully collaborated across business units, geographies, and functions, and are overwhelmingly more likely than their non-Visionary peers to be leading the strategic dialog.

What does it take for marketers to evolve to such levels of influence in the organization? As Prophet Senior Partner Scott Davis describes in his book, *The Shift: The Transformation of Today's Marketers into Tomorrow's Growth Leaders*, Visionary marketers have undergone a series of five shifts to achieve a new, higher stature in the business. Our 2009 study confirmed the behavioral realities that distinguish Visionary marketers in living up to this new paradigm—and closing organizational divides.

Shift #1: From Creating Marketing Strategies to Driving Business Impact

The first shift is marked by three key elements that are all tied to driving business impact: using customer insight as a secret weapon, honing a P&L mind-set, and growing credibility and trust internally.

Ownership of customer insights is unique to marketing. The trick is to consistently translate this knowledge into actionable strategies. Walmart, for example, was historically an operations-driven business, which made it a challenge to transition to a place where strategic and tactical discussions were grounded in customer-based intelligence.

But such insights “gave us courage and a convincing hand,” said Walmart’s CMO Stephen Quinn. “And it drove ideas for growth. When we discovered that pharmacy customers routinely broke pills in half because they couldn’t afford their full prescription, we developed the very successful \$4 prescription program. That knowledge gave us the power to define growth in a much more relevant way. The use of insights was more powerful than I had ever hoped.”

A P&L mind-set is also critical to this shift. Visionary marketers don’t necessarily have to own a P&L, and, in fact 64 percent of those who participated in our study didn’t. But the key is understanding how the company makes money, how investment decisions in one area impact others, and how to use that knowledge to bring a view of the top- and bottom-line to the discussion.

Wielding customer insights and that P&L mind-set help solidify the third requirement of this shift: earning credibility and trust, which occurs once a deep understanding of the business and its goals is demonstrated. Combined, these factors have created far more collaborative relationships between marketing and non-marketing leadership. Three-fourths of the Visionary marketers in our survey said they collaborated closely with other business units or P&L leaders; 60 percent with the CEO or COO; and one-third with the CFO.

Shift #2: From Controlling the Message to Galvanizing Your Network

The days of marketers controlling the message and way it’s delivered are long gone. So is the era of the largely

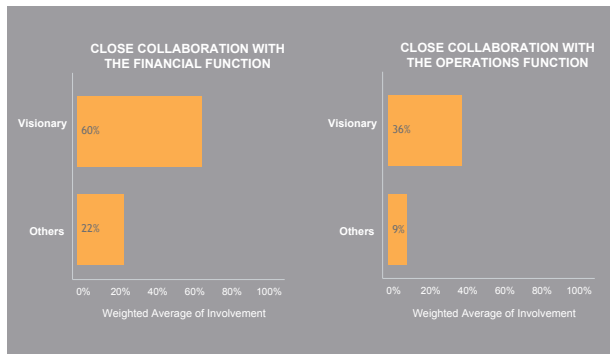


Figure 3: Visionary marketers speak the language of finance and operations.

two-way customer communication marked by the rise of the Internet. Today, we're solidly in the Network Era, and it takes Visionary marketers to understand these new patterns of influence and find ways to drive growth effectively within the context of dramatically different dynamics.

We've gone from control to influence. From communication to engagement and participation. And from closed to open, transparent, and authentic. Nike is mastering this new era. It understands, says Product Director Michael Tchao, that "you're no longer just buying a sneaker. You are joining the largest global running club. We offer the shoes and apparel that help you run longer and faster...our hardware. Our cool 'software' is ways to track your progress. It's a

It takes a while for big brands to relax their control. It's about confidence. With campaigns like "The big taste of America" you can see the fun in getting people to sing about their favorite burgers. We're open-minded to it and I hope we'll be a bit more experimental.

— Jill McDonald, Senior Vice President & Chief Marketing Officer, McDonald's Corp.

very different way to connect with consumers."

Consider the dynamics of this new era:

- **Control to Influence:** The strong correlation between the strength of the brand and the strength of the customer's relationship with it means the customer has always had some level of control. Ceding some of that will not create chaos, but spur growth and loyalty.
- **From Communications to Engagement and Participation:** This dynamic opens the business to myriad opportunities. It can create a legion of brand advocates or open a rich source for innovation and new ideas. It gives access to deeper insights into customer needs and satisfaction with the company and the brand's ability to stretch.
- **From Closed to Open, Transparent, and Authentic:** Your business and brands are already open and transparent as a function of consumer will. How well you embrace the realities of the Network Era will shape your brand's continuing relevance and authenticity.

Shift #3: From Incremental Improvements to Pervasive Innovation

Pervasive innovation is that which comes from anywhere and has an impact everywhere. It's practiced at Best Buy as the impetus for growth, from Geek Squad to Magnolia Home Theater to Reward Zone to its musical instrument store within a store. And marketing must lead the charge. Pervasive innovation doesn't live within a function, is not an annual exercise, and does not necessarily have to fill the growth gap single-handedly.

With the shift toward customer-led innovation, no one is positioned to be more successful in innovation than the Visionary marketer, given the skill sets that have been honed on the journey: an integrated view of the art and science of marketing; the depth of customer insights and trends in the industry, among competitors and in the wider world; the ownership and leveraging of network connections; the collaborative working relationships established across the organization; and the ability to lead the business in growing a customer-centric mind-set.

Brands aren't defined by campaigns anymore, but by the customer ecosystems we nurture to support them.

— Michael Mendenhall, Senior Vice President & CMO, Hewlett Packard

We found that, having honed these skills, 65 percent of Visionary marketers surveyed are now leading the discussions about the reinvention of the business, versus only 21 percent of the other survey participants. Moreover, what's fueling the discussion is the secret weapon they're bringing to the table: Customer insights and analytics are frequently used by 63 percent of Visionaries to guide new product and service development decisions, versus only 47 percent of all other marketers surveyed.

Visionary marketers have followed three key guiding principles to help drive pervasive innovation:

- They are catalysts for growth by virtue of having developed a well-defined strategy that knows no organizational or resource bounds.
- They have powered up with an expansive network populated by partners, customers, suppliers, distributors, industry thought leaders, and even competitors that is regularly enlisted to help drive innovation.
- Finally, they have helped nurture an internal culture that's supportive of a pervasive innovation mind-set.

Shift #4: From Managing Marketing Investments to Inspiring Marketing Excellence

Even before the economic meltdown, the pressure was on marketers to manage smarter and better. The Visionary marketer has, as a result, adopted a new lens as a Marketer, not a marketer.

It's characterized by a shift from seeking budget increases simply "because we increased 5 percent last year" to understanding the need to do more with less, and from avoiding across-the-board cuts to budget reallocations

to high-potential initiatives. The shift sheds the "either/or" of brand building versus demand generation and instead seeks both in the interest of differentiation. It's moved from undisciplined marketing focusing on intent to marketing held accountable for business results. And from traditional marketing measures to utilizing increasingly sophisticated measurement tools.

While traditional marketers think about driving awareness, Visionary marketers focus on driving preference through loyalty. And at the same time, they keep a firm eye on investments needed to meet that imperative, not only today, but in the future and across all of the Four Ps—product, price, place, and promotion.

Visionary marketers tell us this new lens has been possible partially because they've learned to speak the language of finance and operations. Sixty percent of this group collaborates closely with finance, versus only 26 percent of all other marketers surveyed. Another 39 percent, compared to 9 percent, collaborate closely with operations.

Further, that secret weapon of customer insights comes into play in this shift, as well. More than half of Visionaries said they frequently used customer insights to guide decisions on pricing, twice the pace of other marketers. And they were also twice as likely (38 percent versus 20 percent) to use such insights to guide channel strategies.

Shift #5: From an Operational Focus to a Relentless Customer Focus

Effecting a shift away from an operational focus to one that puts the customer front and center to better meet the growth imperative is a process. It starts with fostering a more collaborative, networked approach to doing business internally—not merely in the interests of "playing well with others," but in service of the customer. In the end, the business' internal organization is far less important than how the customer experiences the business.

Yet most businesses are not organized for maximum success from the customer's perspective. Visionary marketers have several approaches to bringing about this shift:

- First, they provide the inspirational leadership it takes to move the organization to align differently, in service of the customer. Over 80 percent of the Visionaries in our survey base, in fact, are leading, if not actively participating, in the executive committee discussion on ways to inspire the talent base. As they have found, this perspective doesn't require a re-organization so much as a mind-set shift to a new way of thinking and operating, accompanied by fresh energy for driving customer-centric growth.
- Second, they position the company and brand in a way that makes it absolutely clear what is promised and what customers can thus expect of every employee and experience. It may be a relatively new positioning or one that is true to the business' original customer-centric history.
- Finally, they have made strides to convince others in the C-suite or on their boards of directors of the need for an internal, customer-centric change. This might require development of a facts-based case.

Are You Ready to Shift?

Making the shift is a major statement, a necessity, a symbol, and a transformation—all at the same time. There is as much importance in the five shifts for marketers as there is for those companies and their executive teams looking for new and better ways to reach their growth aspirations.

“For marketers, making the shift fundamentally means they are given an opportunity to rebrand marketing’s role, function, and overall positioning in the company,” said Davis. “It transforms them from being merely a sales enabler to being a value driver across the enterprise.”

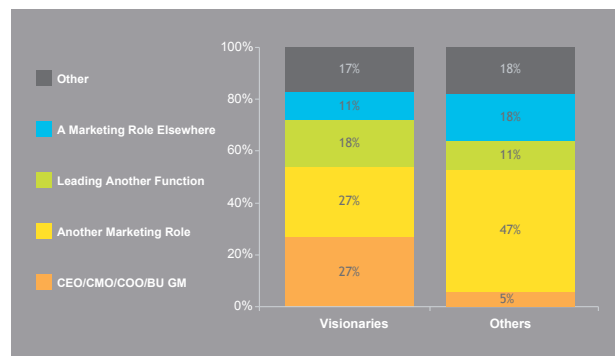


Figure 4: Many Visionary Marketers have their eye on a bigger role going forward.

Making the shift is, not surprisingly, a career changer—a fact not lost on those who have achieved Visionary status. Our study found that over a quarter of them believed their next step would be to the CEO, COO, or a business unit's GM position; lofty aspirations cited by only 5 percent of the rest of the survey group.

For the company that embraces the shift to the fullest extent, it adds a significant weapon to the arsenal that drives organic growth. At the same time, it benefits by deeper customer insight, meaningful revenue and margin streams, and a return on all marketing and sales dollars that goes well beyond traditional means.

And for customers, it means the opportunity to build a mutually beneficial relationship that is relevant, authentic and lasting, and creates depths of loyalty that neither the customer nor the business has previously experienced.

Let the transformation begin. 

Prophet (www.prophet.com) is a strategic brand and marketing consultancy.

This study was conducted in partnership with the Association of National Advertisers (ANA). Founded in 1910, the ANA leads the marketing community by providing its members with insights, collaboration, and advocacy. For more information, visit www.ana.net.