

WEBINAR PRESENTATION

# ***CMO Thought Leaders: The Rise of the Strategic Marketer***

September 13, 2007

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**Today's speakers are the authors of the recently released *CMO Thought Leaders: The Rise of the Strategic Marketer***



**Ed Landry**  
Vice President,  
Booz Allen Hamilton  
New York, New York



**Andrew Tipping**  
Vice President,  
Booz Allen Hamilton  
Chicago, Illinois



**The book explores how leading marketers are grappling with and surmounting the challenges of heightened customization demands, fragmentation of media and markets, growing pressure for returns on marketing investments, and other crucial issues**

# CMO Thought Leaders is a compendium of interviews with chief marketing executives from top-tier global companies

## Participating Marketing Executives

### CPG

Jim Stengel, Global CMO



Cie Nicholson, SVP & CMO



Rob Malcolm, President Global Marketing, Sales, & Innovation



Neville Fielke, CMO (former)



### Auto

Olaf Gottgens, Global Marketing Chief



Mercedes-Benz

### Distribution

Michael Glenn, EVP Market Development & Corporate Communications



### Technology Hardware

Cathy Lyons, CMO



### Media

Beth Comstock, President Integrated Media



Omid Kordestani, SVP Global Sales & Business Development



Cammie Dunaway, CMO



### Telecom

Keith Pardy, SVP Brand Management & Consumer Relations



Jerri DeVard, SVP Marketing & Brand Management (former)



### Financial Services

John Hayes, CMO



Jim Garrity, CMO



Anne Finucane, CMO



# The six key challenges these executives described demonstrate the expanding significance of the role of marketing

## Key Challenges

## What the CMOs Are Talking About

1

### **Put the Consumer at the Heart of Marketing**

- ▶ Knowing what consumers are actually thinking & doing
- ▶ Changing research and knowledge management practices
- ▶ Transitioning the mind-set of a whole organization

*“HP knows the top 10 factors that drive customer loyalty, and it measures them constantly. Corporate marketing can then go back to each business and say, ‘Here’s where you’re falling behind in terms of the customer experience you’re providing, and here’s how it relates to market share and margin growth.’”*

– Cathy Lyons, CMO Hewlett-Packard

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### **Make Marketing Accountable**

- ▶ Marketing accountability on two levels
- ▶ ROI metrics and the marketing dashboard
- ▶ Measuring the impact of new media
- ▶ Developing the measurement capability

*“The most important thing that’s changed in the last 10 years is measurability of what we do... New channels are regularly emerging that allow us to understand what it is we’re doing as it related to acceptability with the marketplace. And we can do it with much faster turnaround.”*

- John Hayes, CMO, American Express

## Six key challenges facing CMOs today (continued)

### Key Challenges

### What the CMOs Are Talking About

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#### **Embrace the Challenges of New Media**

- ▶ Openness to experimentation
- ▶ Balancing the new and the old
- ▶ Pull vs. push

*“...consumers are in control. It’s more than just click the remote capabilities or the ability to do a browse/search on the Internet. Consumers are telling us that they want to be in control of the storytelling. And as part of that desire, they want to engage in advertising in different ways.”*  
- Beth Comstock, President, Integrated Media, NBC Universal

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#### **Live a New Agency Paradigm**

- ▶ Identifying the right agency partners to meet marketing’s needs
- ▶ Creating a new kind of partnership between marketers and agencies
- ▶ Balancing cooperation and competition to get the best ideas

*“[Agencies] need to get more integrated. They need to collapse structures. They need to go digital. Those that are making those changes are turning away business. Those that haven’t adjusted are struggling.”*  
- Jim Stengel, Global Mktg Officer, P&G

## Six key challenges facing CMOs today (continued)

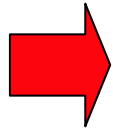
### Key Challenges

### What the CMOs Are Talking About

- |  |   |   |
|--|---|---|
| <p><b>5</b> <b>Recognize the New Organizational Imperative</b></p> | <ul style="list-style-type: none"><li>▶ Balancing generalist and specialist skills</li><li>▶ Driving the training agenda</li><li>▶ Integrating with other functions</li></ul>   | <p><i>“ In marketing, you need to use both halves of your brain... You need to have the analytics. You also need to have the intuition. And you have to be quite flexible at using and leveraging both parts of your brain”</i></p> <p>- Rob Malcolm, CMO, Diageo</p> |
| <p><b>6</b> <b>Remain Adaptable</b></p>                            | <ul style="list-style-type: none"><li>▶ Making adaptability an inherent part of the marketing agenda</li><li>▶ Raising senior leadership awareness of issues and implications</li><li>▶ Driving marketing as an integral, integrated part of the enterprise</li></ul> | <p><i>“ I’ve never worked for the same company for more than two years in a row, because FedEx keeps changing. We have new marketing challenges every day.”</i></p> <p>- Mike Glenn, CMO, FedEx</p>   |

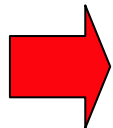
# For the remainder of today's discussion, we will focus on the "Make Marketing Accountable" theme

- ▶ Marketing accountability is a thorny problem for CMO's



- ▶ A Booz Allen and Association of National Advertisers study has shown 90% of marketers across nine industries refer to the measurement of marketing effectiveness as a major challenge

- ▶ Many companies are moving beyond awareness of the issue and are taking action



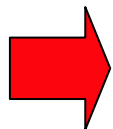
- ▶ "The data that you get from online programs is so rich and is so real-time that your ability to measure ROI is incredible....We measure everything"

**Cammie Dunaway, CMO Yahoo**

- ▶ "We knew we had a lot of dots. We just needed to connect them...All of this helped us evaluate such variables as the relative value for acquiring new customers and retaining existing customers"

**Jim Garrity, CMO Wachovia (former)**

- ▶ However, even leading companies remain intensely focused on getting even better



- ▶ "We understand the elements pretty well. And we're not bad at figuring out how they interplay. But we're not quite where I'd like us to be in terms of projecting specific results."

- ▶ "It is important to stay disciplined (and) hit the accountability issue very hard"

**Jim Stengel, CMO Proctor & Gamble**

# Marketing ROI is a strategic capability that integrates Marketing Effectiveness and Marketing Efficiency

## Marketing Effectiveness

- ▶ Marketing Effectiveness is a **strategic capability** that guides resource allocation
- ▶ **Powerful insights can be developed** from evaluating marketing investment effectiveness that allow better allocation decisions
- ▶ **Getting this right is complicated** as the goals of marketing investments often differ with few direct, simple metrics
- ▶ However, based on an understanding of investment flows and returns, most **marketing investments can be measured and a capability developed** to systematically improve

A 10-30% improvement opportunity in investment returns based on a rigorous analytical capability

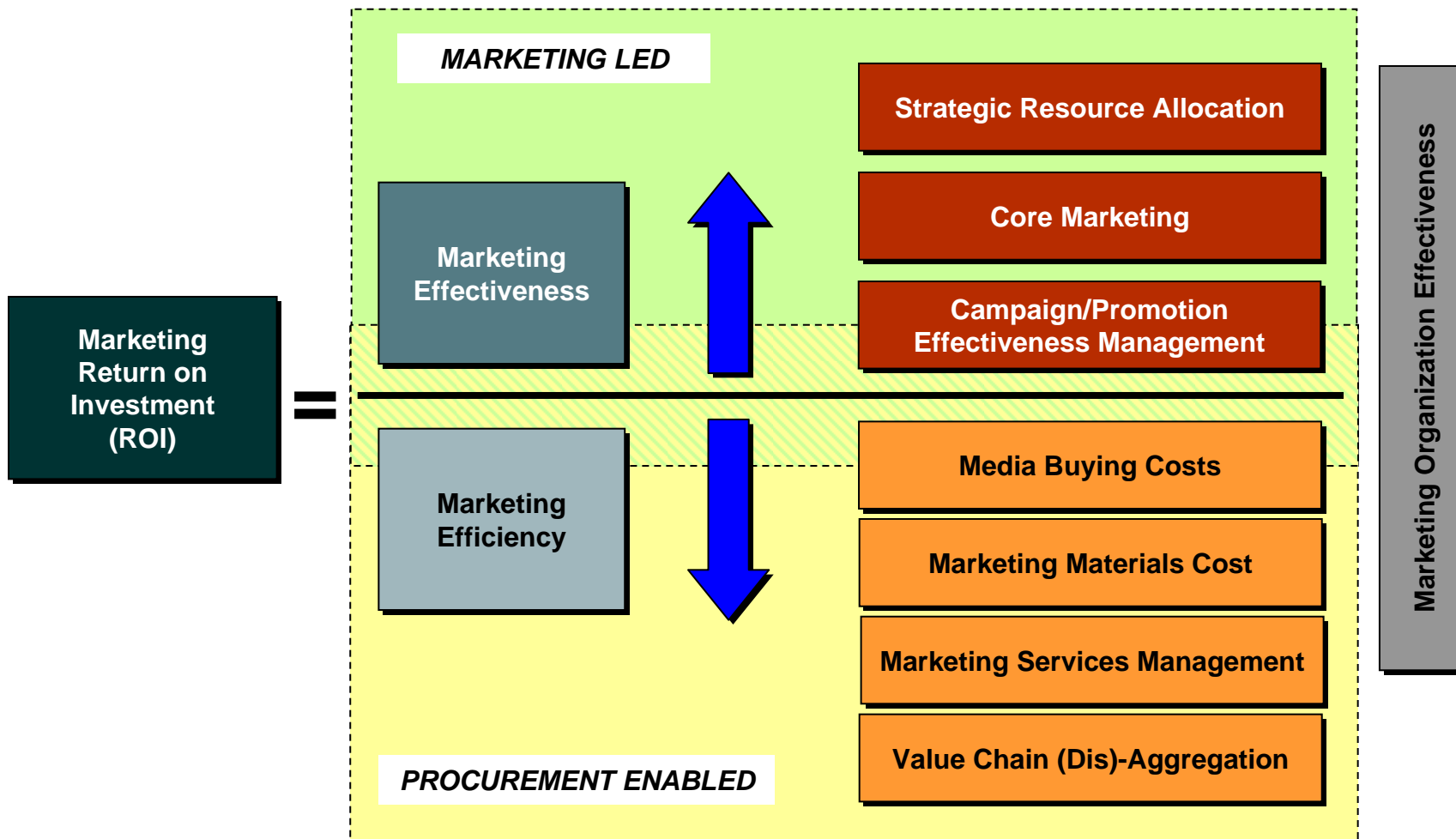
## Marketing Sourcing Efficiency

- ▶ Marketing materials and services can represent upwards of **40-50% of total purchasing cost**
- ▶ Much of this has often **not been addressed**
- ▶ **Organizational challenges have limited the opportunity**
  - Strong local marketing organizations that drive vendor and purchase decisions
  - Resistance to “tampering” with the creative process or relationship-based vendors
- ▶ Some organizations are realizing the benefits of a marketing sourcing capability
  - Painful **headcount reductions not required**
  - **Service can be improved**
  - **Marketing remains in the drivers seat ...** supported by streamlined decision tools

When addressed properly and rigorously, typical savings of 10-25% can be achieved

# At the most fundamental, improving Marketing ROI requires targeting levers that increase returns and decrease investment

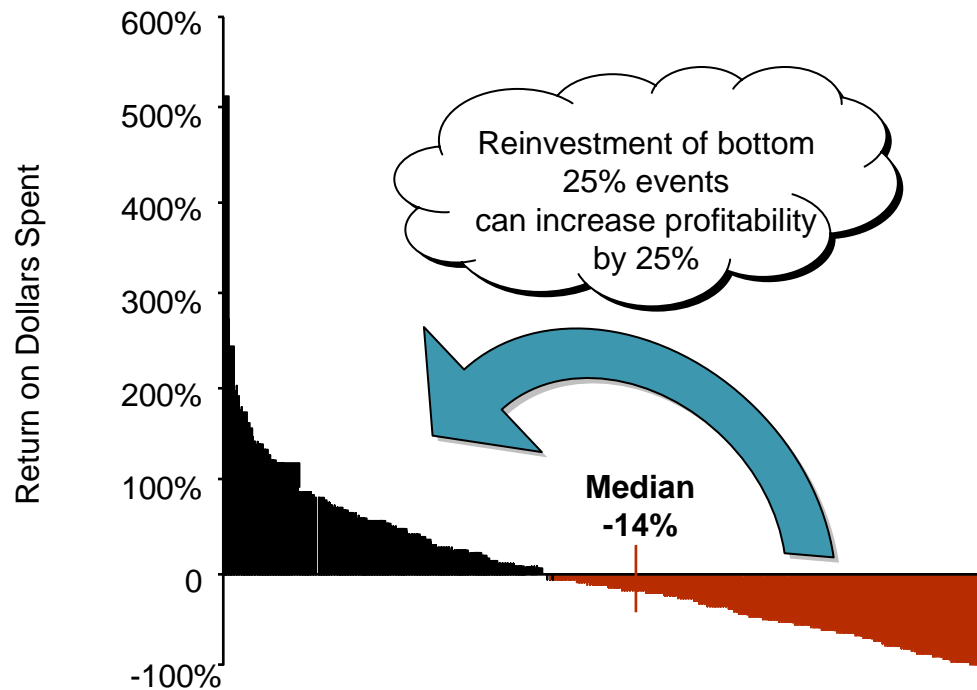
Maximize Marketing ROI



# The idea behind increasing marketing effectiveness is simple: stop doing the bad, start doing the good

CLIENT EXAMPLE

## Return on Marketing Spending

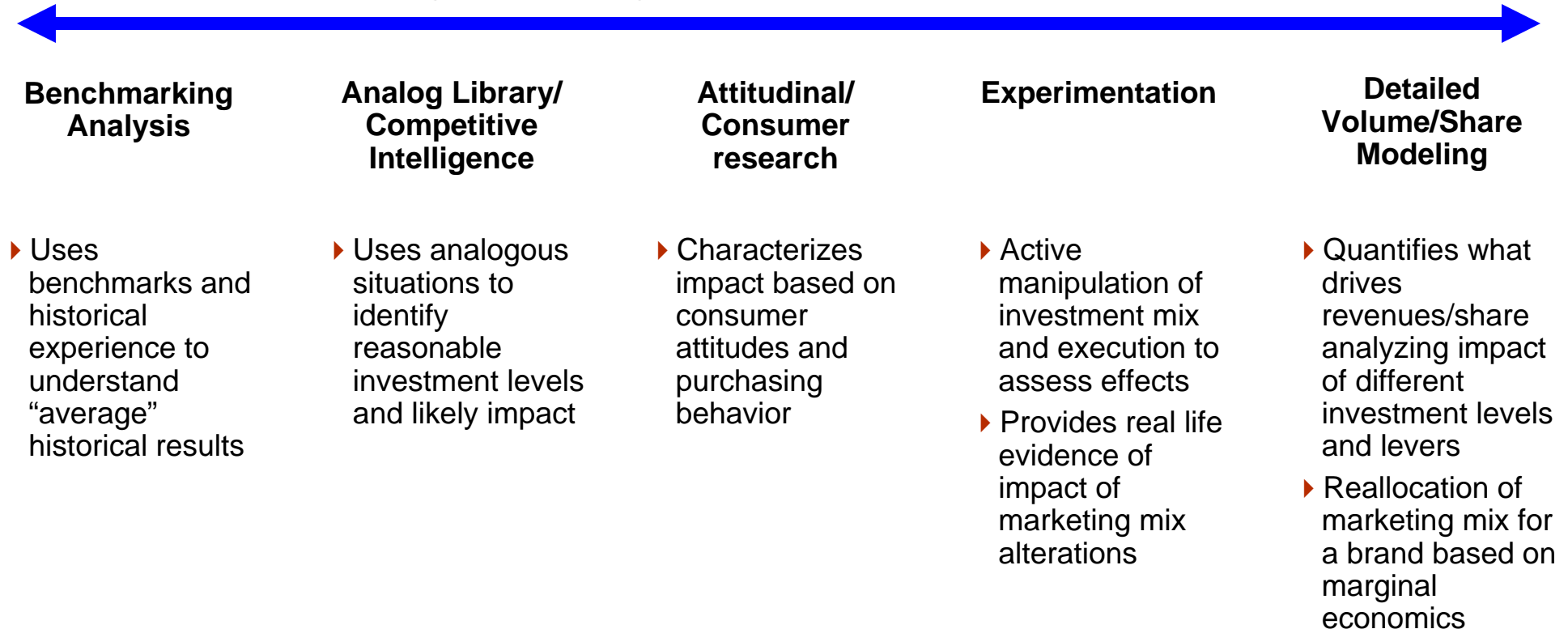


## Key Challenges

- 1 **How to compare?**
  - ▶ Goals of different marketing activities are often different
- 2 **How to measure?**
  - ▶ No simple and direct measurements – often even causal data is lacking
- 3 **How to separate impact?**
  - ▶ Often a number of activities influence volumes – marketing is only one element

# One of the key challenges is to assess the analytical options that can be selected in evaluating effectiveness

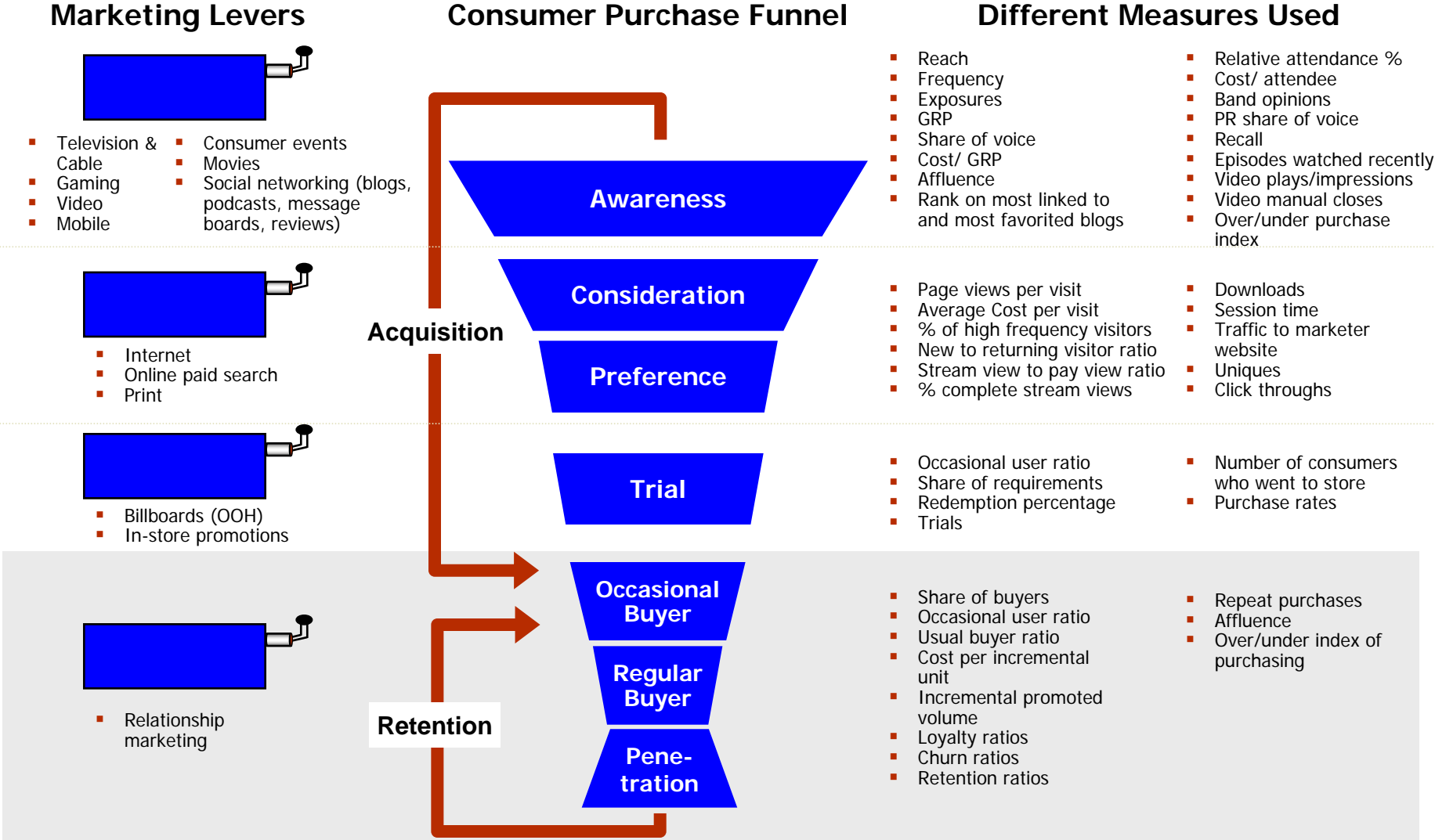
## Range of Marketing Effectiveness Analytical Methods



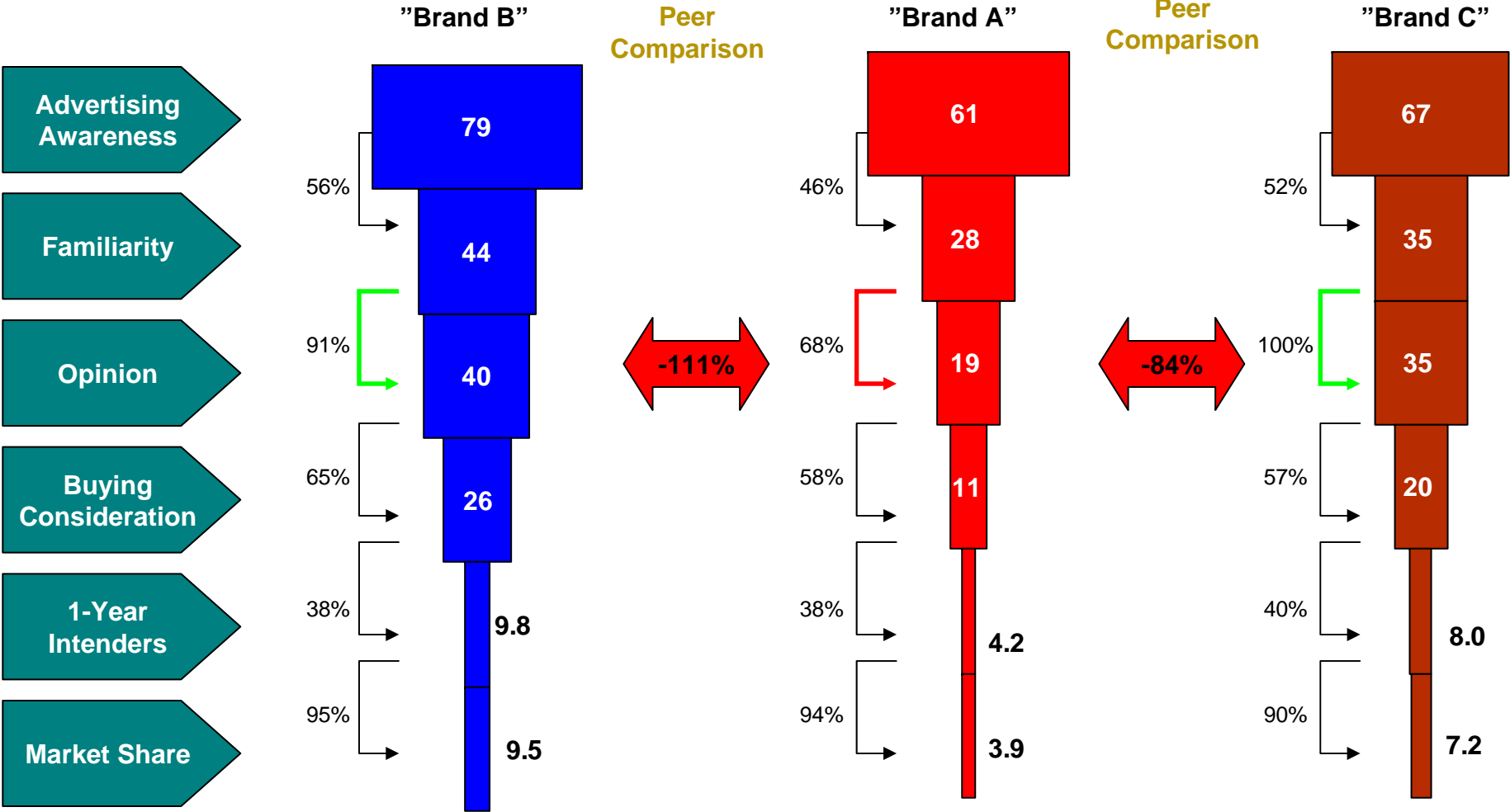
← DATA AVAILABILITY INCREASES

ACCURACY INCREASES →

# The consumer funnel is a useful tool to facilitate better resource allocation decisions

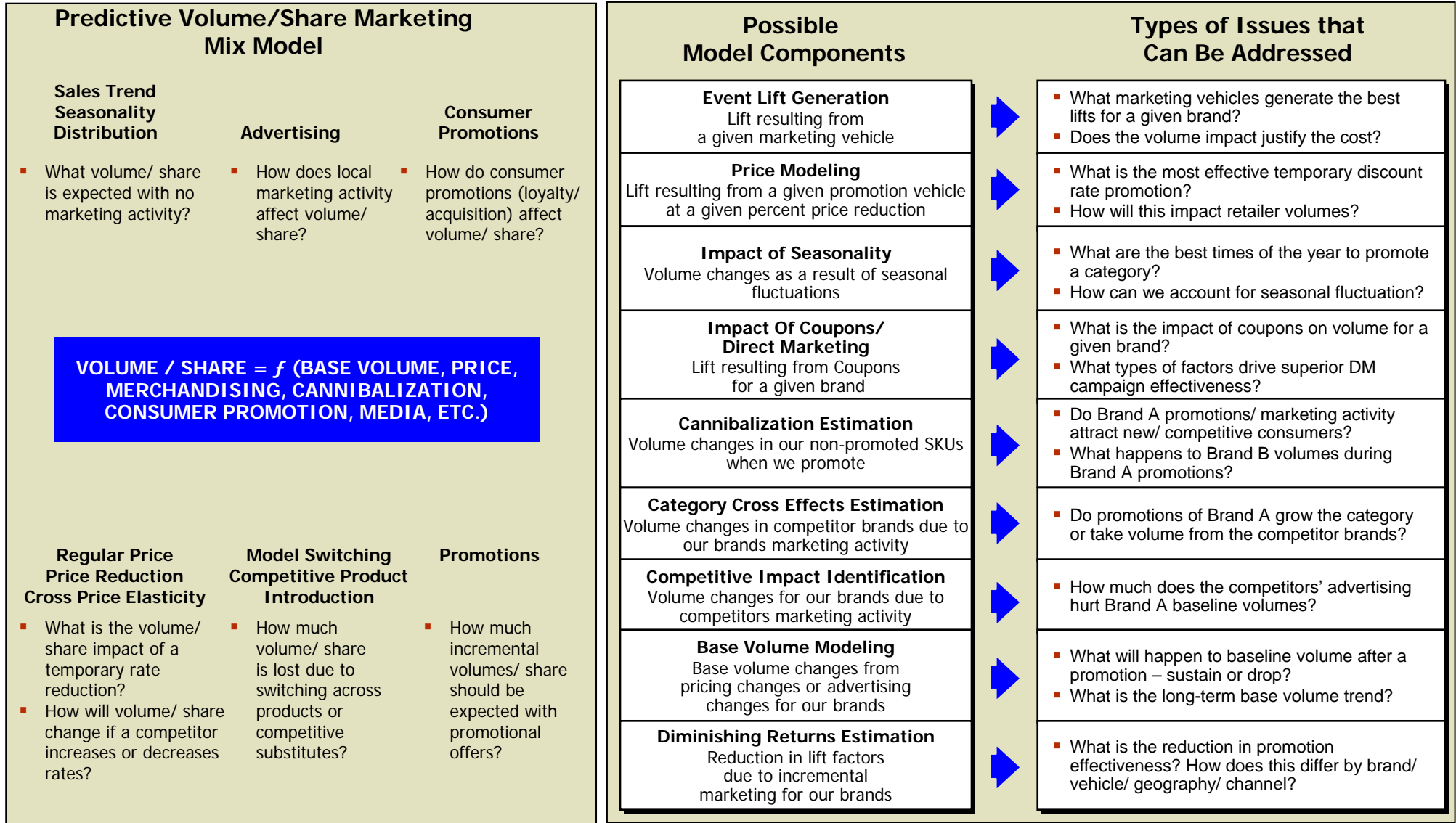


# For example, the purchase funnel can focus investments on the highest impact activities



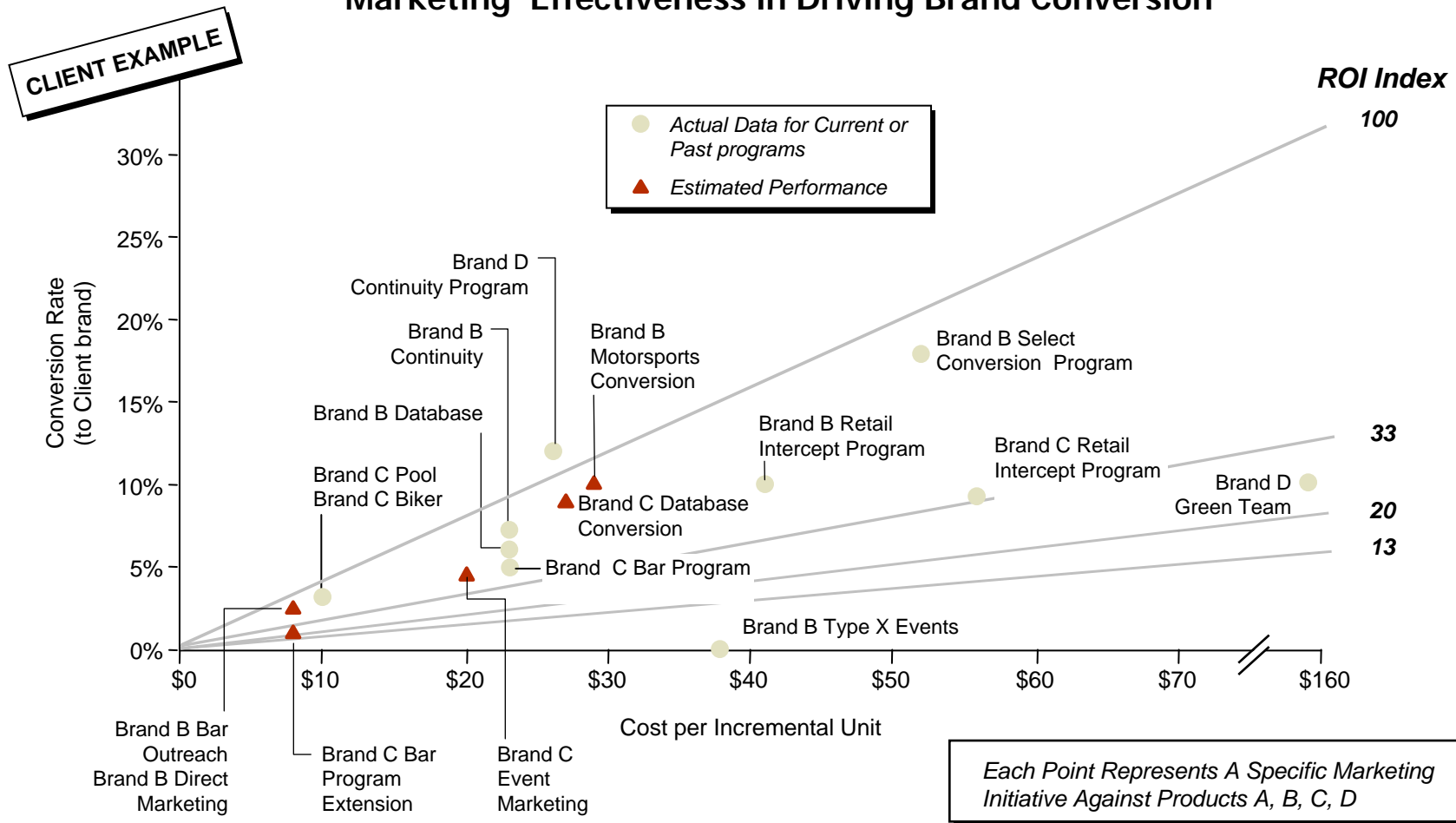
Source: Allison Fisher Uper Funnel 1H 2003; Booz Allen analysis

# Powerful predictive analytical tools are another useful tool that can be developed to evaluate ROI at the activity level



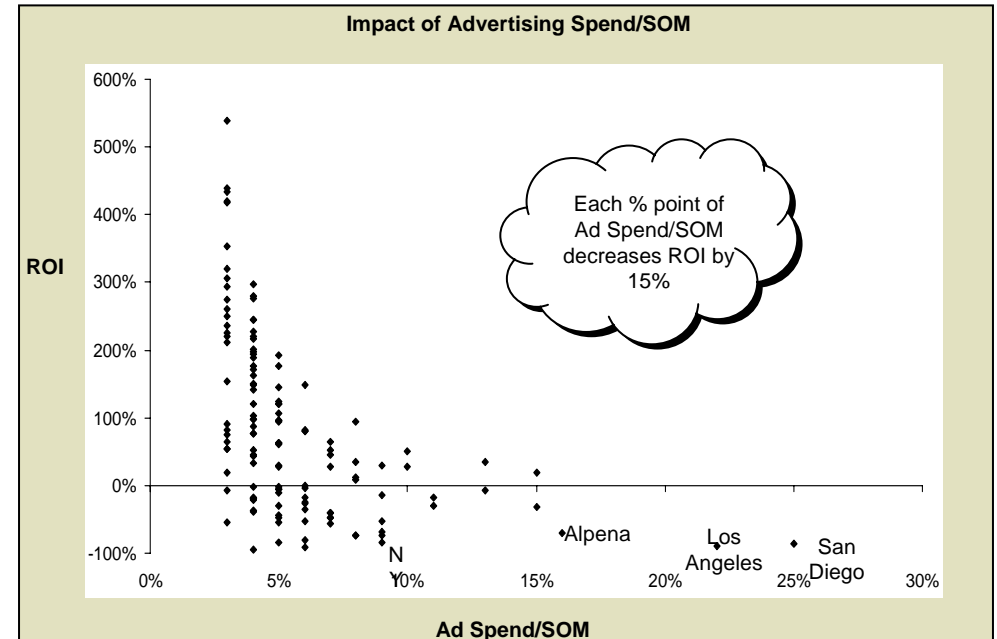
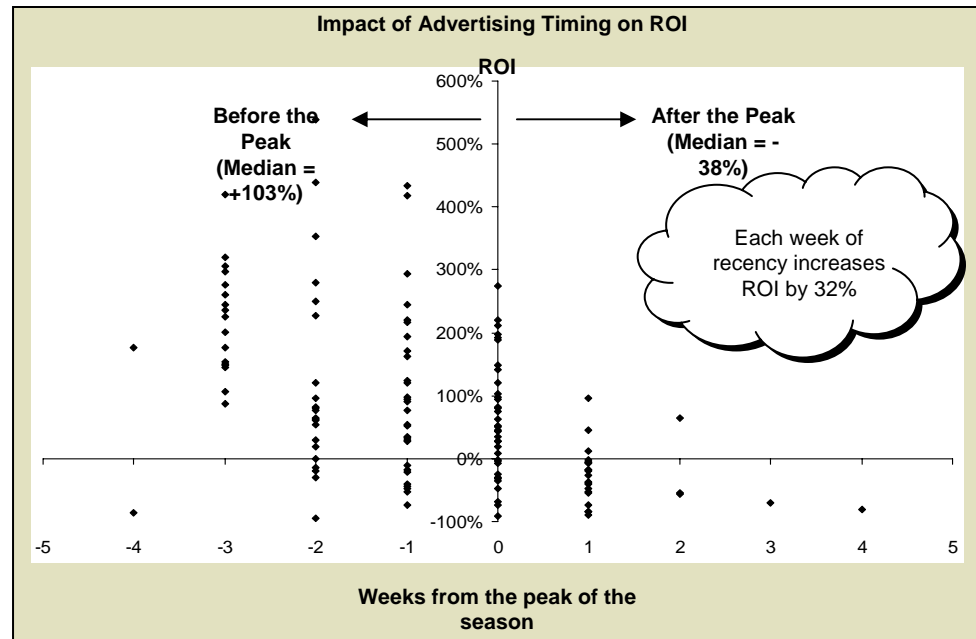
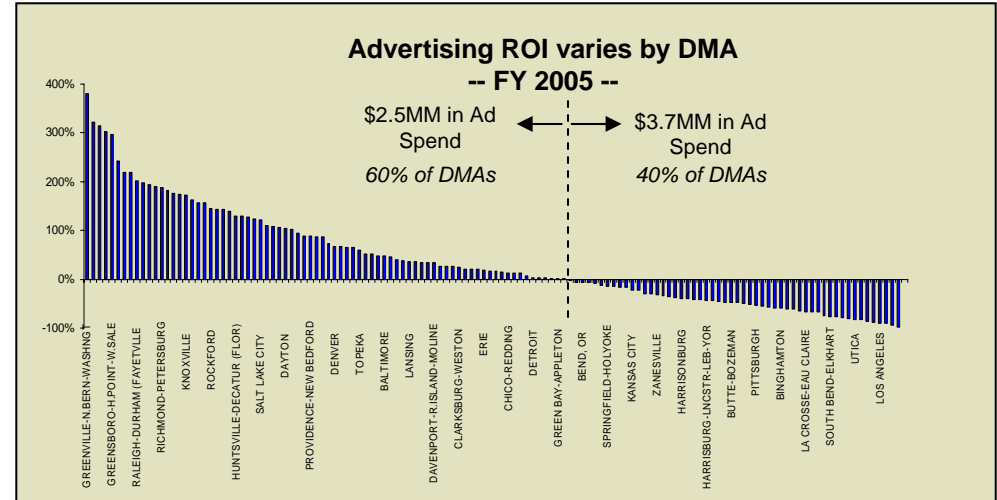
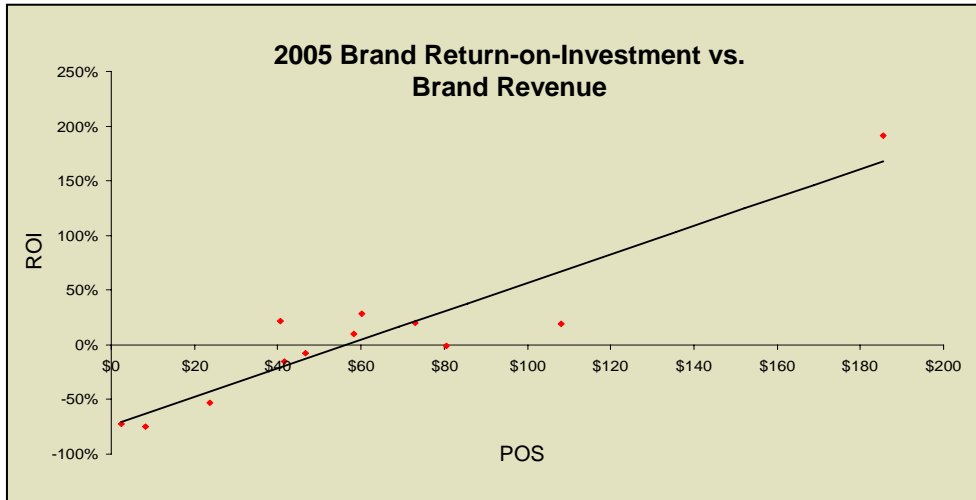
# As a result, marketing effectiveness of different vehicles can be compared by using common ROI metrics

## Marketing Effectiveness in Driving Brand Conversion



Source: Client interviews; Booz Allen analysis

# Different types of ROI analyses foster insights that can be used to inform the resource allocation process



CLIENT EXAMPLE

# Ultimately this yields better planning and identifies specific opportunities to enhance returns

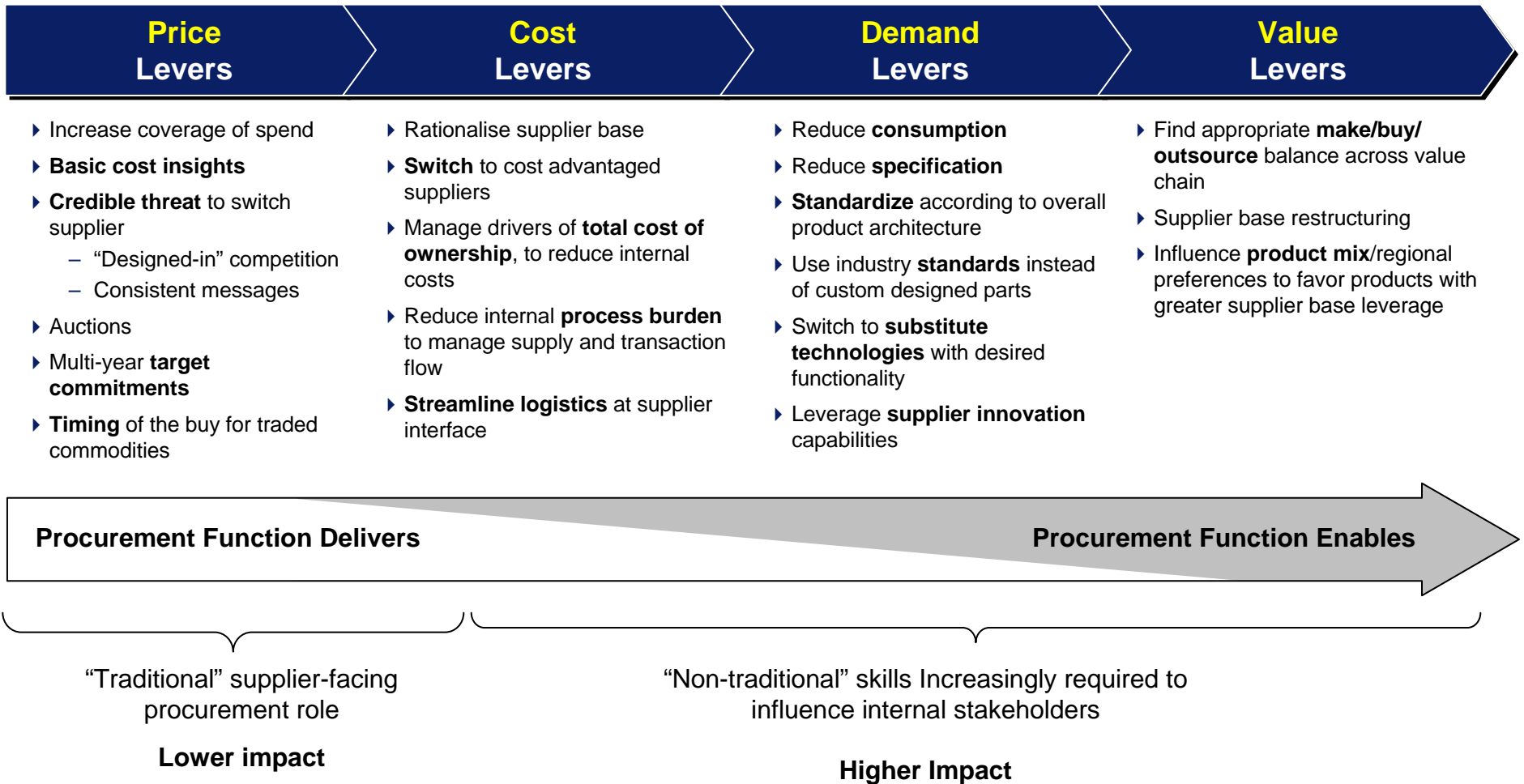
	<u>Total Addressable</u>	<u>Re-Allocation Target</u>	<u>Rationale</u>
<b>Advertising / Media</b>	▶ \$23 MM	▶ \$4-5 MM	<ul style="list-style-type: none"> <li>▶ Re-allocate from poor ROI brands</li> <li>▶ Create flexible media to ensure season timing</li> </ul>
<b>Consumer Events</b>	▶ \$18 million	▶ \$2.5 - \$4.5 MM	<ul style="list-style-type: none"> <li>▶ Eliminate low breakeven events as identified</li> <li>▶ Re-allocate spend to events with high consumer impact – as long as cost per attendee does not exceed \$x</li> </ul>
<b>Promotional Activities</b>	▶ \$22 million	▶ \$3.5 - \$4 MM	<ul style="list-style-type: none"> <li>▶ Align with effective merchandising levers and their combinations (features, displays, etc.)</li> </ul>
<b>Pricing</b>	▶ \$26 million	▶ \$1 - \$2 MM	<ul style="list-style-type: none"> <li>▶ Re-allocate spend to the most effective price promotion programs – discounting as per specific guidelines</li> </ul>
<b>Marketing Spend Re-Alignment by Region (for “Brand A”)</b>	▶ \$80 - \$90 million	▶ \$4 - \$7 million	<ul style="list-style-type: none"> <li>▶ Tighten investment focus on priority markets</li> <li>▶ Re-allocate to higher return markets</li> </ul>
Re-allocate upto 25% of plan resulting in a 15% savings	<b>Overall Re-allocation</b>	▶ \$14 – 22 MM	

# Best practice companies seek to drive marketing sourcing value along a number of dimensions...



- ▶ **Consolidated, preferred vendor base** with clear contractual pricing and terms
  - Transparent and known to all user groups
  - Offering spend leverage, but also selection where needed
  - Segmented supplier roles matching product, demand and technology requirements
- ▶ **Clear value management** across the marketing materials and service value chains
  - Specification “envelopes” clearly defined, linked and managed against supplier capabilities and cost
  - Holistic efficiency (cost) / effectiveness (ROI) approach to manage the marketing mix and spend
- ▶ **Coordinating mechanisms** established to maximize joint brand/BU opportunities – e.g.,
  - Batching of production/print and fulfillment opportunities
  - Coordination of shoots for media production
- ▶ **Decision support tools** developed to provide transparency of trade-offs to user groups
  - Allows decision-making to remain with users...
  - ...while building in the necessary spec and vendor controls to maximize compliance and savings
- ▶ **Measurement and reporting** clearly defined and made transparent across constituencies - Measures linked to key performance elements – e.g., volume allocations, per unit cost trends, vendor performance
- ▶ **Cost targets** clearly defined in marketing budgets and developed jointly with finance, procurement and the marketing

# ...and use several levers to improve efficiency



# If typical organizational challenges can be overcome...

## Typical Challenges in Marketing Sourcing

### Culture

- ▶ Strong entrepreneurial and creative marketing culture – not very conducive to strong centralized direction or coordination
- ▶ “Project-based” environment
- ▶ In instances where buying decisions are critical to the product’s quality, decision-making typically focuses on non-cost attributes and purchasing involvement is limited (e.g., establishing negotiated rates for standard products)

### Organization

- ▶ The buying decision-making and execution is highly fragmented – reducing leverage and scale
- ▶ There is limited sharing of best practices across brands/channels
- ▶ Rules for sourcing are not always known and/or savings are not always transparent to the user
- ▶ Control is highly decentralized and compliance management is poor

### Spend and Process

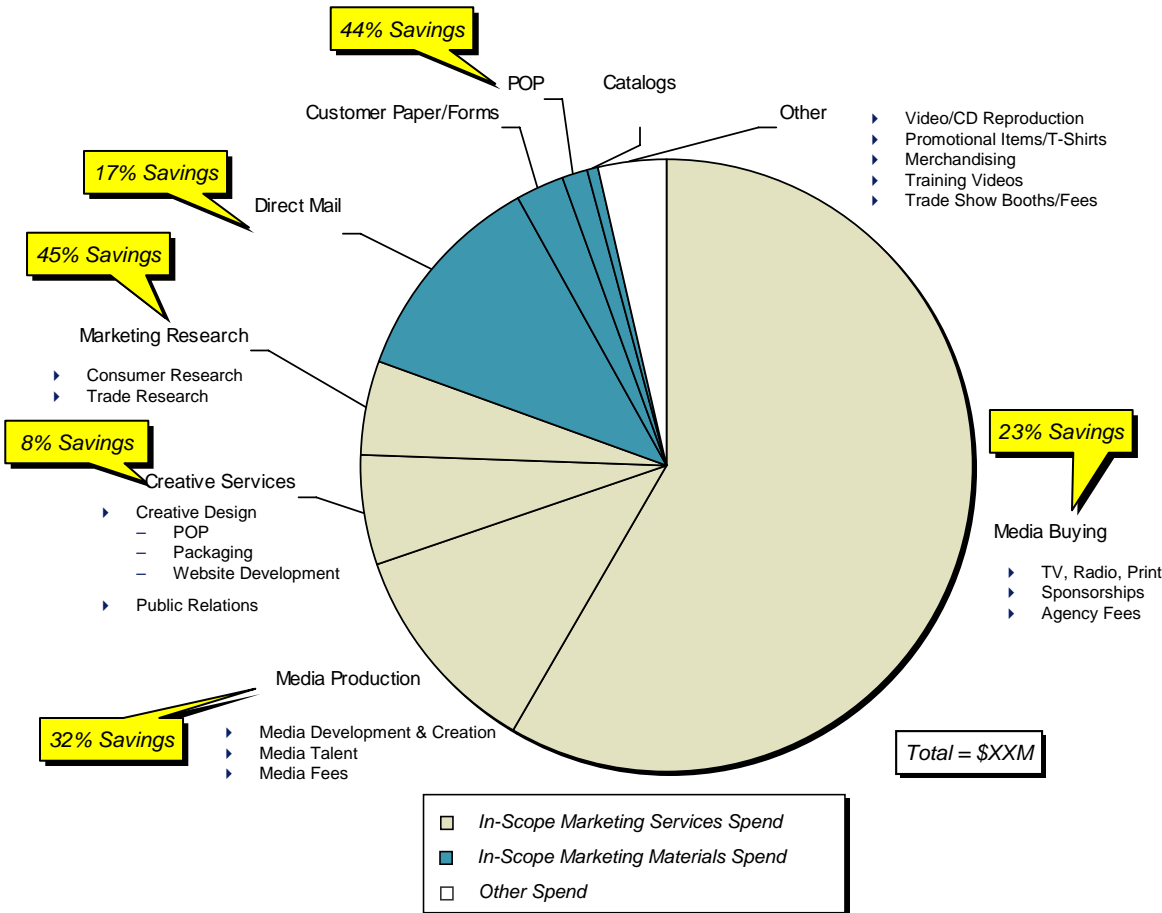
- ▶ The supply base is large and heavily driven by event and venue-specific production demands
- ▶ Rigorous “commercial” methods are not applied consistently to spend categories
- ▶ Limited negotiated rates or preferred vendors exist and compliance management is lacking
- ▶ Procurement is not engaged “beyond the deal” to ensure savings/value capture and collaborate in the planning, vendor management and measurement/tracking processes

### Data, Systems and Tools

- ▶ There is limited visibility into the size and composition of the spend across channels
- ▶ Detailed financial data is often inaccurate and variable - often due to improper coding
- ▶ Limited decision support tools exist to facilitate creative decision making

# ...immediate savings can be realized – dropped to the bottom-line or reinvestment in marketing and the brands

## Marketing Sourcing Savings



CLIENT EXAMPLE

### Built Capabilities

- ▶ Aligned Procurement to the needs of the organization
- ▶ Conducted training sessions for client's organization (hypothesis generation, cost modeling, negotiations, baselining, work planning)
- ▶ Developed skill and competency matrix for all levels of the Procurement organization
- ▶ Worked with client teams to realize cost savings
- ▶ Shared experiences, industry trends, and process knowledge
- ▶ Conducted Procurement "Best Practices" assessment and developed road map to improve

### Increased Collaboration

- ▶ Before this initiative, Procurement was highly transactional and kept at an "arms-length"
- ▶ Through the strategic sourcing process...
  - Executed the strategic sourcing process with Procurement and functional business representatives
  - Conducted joint hypothesis generation sessions
  - Visited suppliers (Procurement and functional groups)
  - Presented documents jointly (Procurement and functional groups) to Senior Management
  - Procurement viewed as a business partner with expertise in the commercial-side
- ▶ At the end of the project, Procurement's involvement was requested by functional groups and at all levels in the organization

## Additional Resources

- ▶ To read the book, *CMO Thought Leaders: The Rise of the Strategic Marketer*, please use the following link:  
<http://www.strategy-business.com/cmoreader>
- ▶ To read the article, “The New Complete Marketer,” please use the following link:  
<http://www.strategy-business.com/press/article/07308>
- ▶ To read the article, “Growth Champions,” please use the following link:  
<http://www.strategy-business.com/press/article/06206>
- ▶ To read the article, “The Better Half: The Artful Science of ROI Marketing,” please use the following link:  
<http://www.strategy-business.com/press/16635507/8235>
- ▶ Slides and Recording: A recording of this event and a PDF of the presentation slides will be posted at:  
<http://www.strategy-business.com/webinars/archive>
- ▶ Interested in receiving more information from Booz Allen’s Marketing Organization or Marketing & Sales teams? Contact Lisa Mitchell at [mitchell\\_lisa@bah.com](mailto:mitchell_lisa@bah.com)

