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Four steps to implementing a shared-services model to capture scale and develop advanced capabilities.

BY EDWARD C. LANDRY, THOMAS RIPSAM,

AND NAMIT KAPOOR

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Four steps to implementing a shared-services model to capture scale and develop advanced capabilities.

by Edward C. Landry, Thomas Ripsam, and Namit Kapoor

In many large companies, the marketing function is decentralized and sprawling, leaving executives without a holistic view of their marketing activities and costs. And those costs can be enormous, not just in dollars but also in lost opportunities: Lack of consolidation and collaboration can frustrate attempts to develop critical new consumer-focused capabilities, such as social media marketing, and interfere with marketers' ability to focus on high-value tasks, such as generating richer customer segmentations.

Some leading companies have developed a strategy to avoid these pitfalls, by reinventing a model that's been in use for years — shared services. Marketers first adopted shared services more than two decades ago with a specific goal: to slash expenses by consolidating the work they had been giving to a number of advertising agencies for research, media buying, and creative development. They soon added direct marketing execution, performance measurement, customer data processing, and lead management to the mix. Today, marketers are taking this model a step further, to build and share more advanced capabilities — including Web 2.0 technologies — that can be leveraged across business units. By creating centers of expertise and scale and freeing up resources that had been dedicated to low-value and often overlapping tasks, companies can deepen their marketing excellence even as they reduce operating costs. This goal is a key imperative for chief marketing officers, who face growing pressure to respond to the digital revolution under increased budget scrutiny. Indeed, some early adopters of this model have achieved efficiency gains of 15 to 20 percent.

Marketing leaders may face resistance. The marketing function is traditionally owned by the business units, geographic divisions, and brands that it serves. Those who try to implement a shared-services marketing model may face concerns about losing "local" knowledge, as well as questions about what services should be shared and how they should be structured. To help executives overcome these obstacles, we have identified four key steps: Develop a baseline understanding of the company's existing marketing services, define a menu of services, design the future model and make the economic case for its adoption, and devise a holistic but practical transition plan.

Step 1: Understand your current model. Marketing leaders need to know how much money they spend, and where they are spending it. But getting a consolidated view can be difficult, because marketing budgets are typically controlled by the business units. In addition, many marketing organizations lack a standard framework for defining all their activities, and, as a result, information on how the function's people are deployed is often scattered and incomplete.

Edward C. Landry
edward.landry@booz.com
is a partner with Booz & Company based in New York. He leads the firm's global marketing and sales service offering and works closely with senior executives on marketing and sales strategy and performance improvement.

Thomas Ripsam
thomas.ripsam@booz.com
is a partner with Booz & Company based in Florham Park, N.J. He helps clients in the consumer, retail, media, and technology industries design high-performing sales and marketing organizations.

Namit Kapoor
namit.kapoor@booz.com
is a principal with Booz & Company based in Chicago. He specializes in formulating shared-services strategies as well as improving the effectiveness and efficiency of sales and marketing functions.

To get a clear picture, we recommend that companies establish an enterprise-wide marketing taxonomy that captures activities across the marketing value chain. The taxonomy should then be used to understand how the various groups are allocating their marketing budget against each of the elements. Clearly defined data collection templates can help in gathering this information consistently. The volume of work associated with various marketing activities should also be captured to help determine the optimal size of the future organization.

By then conducting staff surveys and selected interviews, marketing leaders can discern the more nuanced differences among business units and geographies. This is especially critical when companies are thinking of rechanneling their investments in a particular area while gaining efficiencies in more transactional and commoditized marketing activities.

Step 2: Determine a menu of scalable services. Companies need to consider what the marketing shared-services organization will provide to its internal customers — the business units, geographic divisions, and product lines. Two broad kinds of services should be considered: transactional services and expertise-driven services.

Transactional services are repetitive in nature, and can be consolidated into centers of scale and potentially outsourced or delivered internally from lower-cost locations to reduce labor expenses. Typical activities include media buying, creative development, performance management, customer data management and analytics, market insights and research, trade show management, direct marketing execution, and lead generation. The Oracle Corporation, for example, has centralized its most repetitive marketing tasks in India, and its local staff reports to a senior director in the United States. Oracle uses standardized systems and processes to make the Indian operation accessible to business units around the world.

Expertise-based services require business knowledge and are usually kept in-house or in close proximity to the business units. Typical activities include social media marketing, customer insights, and campaign management. Harrah's, now part of the Caesars Entertainment Corporation, for example, decided to centralize its expert services (Web 2.0 marketing and predictive analytics, among other operations) because they were at varying levels of maturity and had been inconsistently adopted at its casinos and other properties. Now, although the individual units still set their own business objectives, the center of expertise, called Studio One, is the gatekeeper for those services. To impose consistency, Studio One has developed and distributed common tools and templates for the units' use.

Step 3: Lay the groundwork and design the future model. The different roles for corporate headquarters, the business units, and the marketing shared-services group need to be clearly defined. At Royal Philips Electronics, for example, a bold transformation a decade ago included migrating from a business unit–centric marketing model to a centralized operating model in which activities with the highest economies of scale and the longest time horizon, such as branding and customer or market research, reside at the corporate level; activities with high scale and a medium time horizon, such as direct marketing and trade shows, are assigned to the business sector or segment level; and activities with low scale and short-term results, such as campaign execution, are handled locally.

Automation across the marketing life cycle is essential to successfully implementing and sustaining many of the structural and process changes. Because many companies are playing catch-up on the technical front, leading companies are implementing a core customer relationship management system as the foundational tool and then adding bolt-on applications to support specific processes such as marketing ROI analysis and campaign management.

Companies should establish a governance body consisting of senior executives and key marketing stakeholders early on, to ensure executive buy-in and create a model that senior marketers are both invested in and accountable for. The group should be charged with setting the vision and strategy for marketing, and defining the modus operandi and decision rights for various stakeholders. It should review major investments and work with business units and regions to resolve conflicts. The governance body should also instill a pay-for-performance culture with service-level agreements and chargebacks — internal cost transfers to pay for marketing services. High quality and timely delivery are critical in building confidence in shared services among the business units, and a clearly defined service-level agreement between marketing shared services and the business units will help to ensure compliance. Separately, an effective chargeback mechanism provides cost transparency, enables business units to manage demand for shared-services involvement, and encourages spending efficiencies and accountability.

Developing a sound economic case for the model is essential. There are two ways to go about it. One is to obtain buy-in for the concept of developing a marketing shared-services group, set up the organization, and then go after the benefits over time. The other is to be very clear about the economics from the get-go and then manage the marketing shared-services group in a manner that keeps it on track. A solid business case should include an assessment of whether a service should be kept in-house or purchased externally.

Step 4: Devise a transition plan. A holistic but practical road map should start with an end state, and spell out intermediate steps to reach it. The transition can take several forms: Company leaders can begin with a few processes that are rolled out to business units globally, they can choose a region or market to pilot the concept, or they can select marketing services to be offered to a particular business unit. Executives can decide which approach to use on the basis of their business's structure and past experience setting up shared services in other functions, such as human resources or finance.

It is important to minimize business disruption during the transition. Toward that end, the shift to a new model should come in phases that are tied to key milestones (for example, the end of a quarter or a year). The transition team should focus on areas in which implementation is less complex and there is management buy-in. Finally, the rollout plan should be tailored to meet the specific needs of each geography.

By definition, these transitions are top-down affairs. When the chief marketing officer at Harrah's decided to transform its model, for instance, he set up a management group composed of senior marketing leaders from the company's casinos and other properties. A 360-degree performance evaluation was undertaken to ensure full cooperation from all stakeholders. At Philips, the CEO mandated that business units could not opt out. The CMO then went to work, rounding up the disparate marketing elements into a single integrated group.

Implementing a shared-services model following these four steps enables both the corporate center and the business units to concentrate on strategic marketing, instead of just tactical execution. This will be a key differentiator, as the number of customer segments, brands, product lines, and geographies that marketing executives must serve continues to expand. Companies that get the transformation right will find themselves with a competitive advantage that will prove to be a powerful new engine for growth. +

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