

Future tense: The global CMO

A report from the Economist Intelligence Unit
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Preface

Future tense: The global CMO is an Economist Intelligence Unit report, sponsored by Google. The Economist Intelligence Unit bears sole responsibility for this report. The Economist Intelligence Unit's editorial team executed the survey, conducted the interviews and wrote the report. The findings and views expressed here do not necessarily reflect the views of the sponsor. The research drew on two main initiatives:

The Economist Intelligence Unit conducted an online survey in February 2008 taken by 263 senior global marketing executives and CEOs from around the world representing a wide range of industries. To supplement the survey results, we also conducted in-depth interviews with chief marketing officers (CMOs) and other senior corporate marketers worldwide.

The author of the report was Rob Garretson and the editor was Gilda Stahl. Our sincere thanks go to the executives who participated in the survey and interviews for sharing their time and insights.

September 2008

Executive summary

The chief marketing officer (CMO), a title that barely existed 15 years ago, is under increasing pressure to keep pace with rapidly changing digital media and new markets with shifting demands. Global CMOs must determine how worldwide initiatives differ from those executed in local markets, co-ordinate partnerships with complementary organisations, reallocate budgets to address new opportunities quickly and continue to prove their overall relevance to the business. All of this while dramatic changes in technology, consumer behaviour and the media landscape (principally, the evolution from print and broadcasting to digital media) are altering how companies think about delivering their products and services.

Just two years ago, the Economist Intelligence Unit published a report (*The future of marketing: From monologue to dialogue*) that detailed how marketing efforts had shifted from one- to two-way communications with customers. Marketing executives were recognising that merely pushing out messages about their products through static television and print advertisements was no longer satisfying consumers, who were increasingly demanding greater interaction with companies via the web and through e-mail.

In the short time since, even more dramatic developments have occurred. Business's increasing adoption of interactive technologies, eg, wikis, blogs, mashups and other tools that fall under the common heading of "Web 2.0", has enabled consumers to interact with firms as never before. Customers are now co-creating with companies to innovate on products and improve services. Many engage with their favourite brands regularly. For the CMO, this presents an unprecedented opportunity to win loyalty and bring new customers into the fold.

To understand better these developments—and the challenges faced by global CMOs—the Economist Intelligence Unit conducted a global survey of more than 260 senior global marketing executives and chief executive officers worldwide, including in-depth interviews with more than 20 CMOs and top



marketing executives at global companies. Our research reveals that CMOs are focusing on the following:

Global versus local balance. The Internet has not only created a means for mass distribution of information and messaging; it has also drawn together local communities and special-interest groups. As a result, CMOs must balance global brand awareness and consistency with local market relevance. This may require marketing executives to rethink how their departments are structured. A slim majority of survey respondents (53%) cited the most common structure at their organisation as “centralised development of message and strategy with localised implementations of campaigns and marketing mix”, and an only slightly larger majority (59%) identified their marketing budgets as “centralised with decentralised spending/allocation”. Centralising global marketing functions such as advertising development and production can create economies of scale and save money, but must be guided by the needs of the local market and customer insights. At the same time, budgets must be freed up so that regional directors can make appropriate decisions based on market demands.

The connected consumer. Interactive digital media have expanded the sources of information for consumers and businesses, including the ability to exchange data globally. This has intensified competition and made the notion of “breaking through the clutter” a greater challenge than ever. Perhaps as a result, many consumers are reaching out to their preferred brands and engaging more frequently with companies. This enables CMOs not only to engage in dialogue with customers, but to create long-lasting relationships, enveloping consumers in the corporate brand. Of course, this requires consistent messaging to all corporate audiences—investors, employees and government regulators, as well as customers who increasingly have access to the same information.

Rapidly changing marketing tools and resources. The instruments available to marketers have not only expanded into the digital realm, but require new skills. In the past, marketing departments prized the ability to develop a brand image. Now, the ability to communicate the marketing message to consumers through interactive media is critical. Marketing executives and advertising agencies are scrambling to find the talent required for this. At the same time, establishing partnerships with complementary firms is essential to ensure that companies are meeting customer needs and filling gaps in skill sets necessary to expand the customer base.

Relevance to the business. CMOs continue to face questions about the accountability of marketing and the measurability of return on marketing investment. Moreover, while brand-building remains marketers’ top priority (cited by 62% of survey respondents), it is the least measurable aim compared with other marketing objectives. Hence marketers continue to focus more of their budgets on digital marketing, where effectiveness can be measured more precisely in click-throughs, information downloads and other forms of immediate viewer response.

The findings of this report suggest that CMOs and top marketing executives must continue to move beyond traditional advertising, marketing and brand awareness into a more “transformative” role across the enterprise, driving innovation through the business and becoming evangelists of customer engagement. The marketing executive of the past merely pushed the corporate message out to the audience; the CMO of the future must draw the audience into the fold, so that they see themselves not merely as end-users of products, but as valuable stakeholders in the development of the brand.

Introduction

When Martyn Etherington became CMO at Tektronix in 2002, the global maker of test, measurement and monitoring equipment was experiencing a post-Internet bubble hangover. “I counted up all the strategic objectives for the company,” Mr Etherington says. “I remember this number vividly: 102 strategic objectives—and we weren’t even a billion dollars [in revenue] at that time.” He describes spreadsheets littering his office with 4,000 individual marketing activities, not one of which could be linked to any of the firm’s “strategic objectives”. “Just a plethora of activities, but no quantifiable metrics or any way that I could quantify that my function was actually making a difference to the business,” he says. Mr Etherington also found a divide between the sales and marketing organisations: “There were absolutely no common or even shared goals,” he says. And the relationship was “cynical, sceptical, apathetic and underpinned with pockets of hostility”.

Whither the global CMO?

The Economist Intelligence Unit conducted a survey in early 2008 to probe the make-up—as well as the needs—of the global CMO. Here are a number of our findings:

- Thirty-seven per cent of the CMOs we polled rose through the marketing ranks prior to assuming their current position. Others came from general management (20%), sales and finance (13% each).
- The majority of CMOs surveyed (57%) advocate centralised development of marketing strategy, with localised implementation of

marketing campaigns. Most CMOs also say their marketing/advertising budget is centralised, while spending/allocation is decentralised (60%).

- The most important attribute of marketing/advertising vendors, say the CMOs we polled, is flexibility in tailoring services to their companies’ needs (57%). In 12 months’ time, however, the key trait will be the ability to target specific audience subsets (53%).
- Response/conversion rates are the most important measure of return on investment (ROI) for media campaigns, according to 47% of the CMOs we questioned.



Mr Etherington implemented a “get well plan” that included consolidating marketing operations that had been dispersed across the organisation, entailing about US\$9m in efficiencies, and reducing the 102 objectives to about 20, and the 10 different categories of marketing job classifications at the company to three or four. Most important, he instilled a “culture of accountability” that aligned the marketing organisation with sales, including tying compensation of marketers to the performance of their sales peers. These “painful steps” could only be taken with the support of the CEO.

For many companies, transformation is just as painful. Only a decade ago, marketing was viewed mainly as a one-way push to get messages about products and services out to customers. At the start of the new millennium, marketers began to recognise the need to encourage two-way dialogue with customers, gaining important feedback about products and services and improving brand loyalty.

Online marketing tools—from digital advertising that records click-throughs to search marketing that targets consumers by their interests—have eased some traditional marketing challenges. Customers can be more precisely targeted online, and the results of campaigns measured more thoroughly through web analytics. As noted in a 2006 report published by the Economist Intelligence Unit on the future of marketing, “the ability to create a direct feedback loop between a marketing message and a subsequent action taken by a customer is online marketing’s most important innovation”.

Although this remains true, the development and corporate adoption of interactive tools, eg, wikis, blogs and social networks, enables marketers to engage consumers and potential customers, not only at the most opportune times—during the purchase decision-making process—but at all points along the value chain, to the development of the products themselves. Many companies have moved to put customers at the centre of their operations: 56% of respondents to an Economist Intelligence Unit survey “somewhat” or “strongly” agree that their company is highly customer-centric and that marketing functions and sensibilities are interwoven throughout their operations. Furthermore, according to a recent Economist Intelligence Unit report that examined how technology would empower customers over the next five years, nearly one-third (31%) of survey respondents said that their customers were directly connected into corporate product/service design processes via information technology (IT) or communications networks; in five years, 56% of respondents expected this to be the case.

Yet the online revolution is a double-edged sword. Businesses and consumers have myriad sources of information and demonstrate greater sophistication in their purchasing decisions, placing pressure on marketers to substitute the “spin” of traditional branding messages with more comprehensive information. Digital media also make it easier for consumers to research and follow links to competitive products, potentially eroding brand loyalty.

The interactive quality of digital media also has two “edges”. “Now when you push a marketing message out there, something comes back,” says Lauren Flaherty, CMO of a US\$11bn Canadian telecommunications equipment maker, Nortel Networks. “If it’s a great message, if it resonates and it’s real, the boomerang is going to be positive. But if it’s off message and it’s not genuine, or if it’s perceived as being disingenuous, you get slammed.”

Global marketing today must engage all corporate stakeholders with consistent, constant and accurate messaging. At the same time, it must encourage—and be able to respond quickly to—customer feedback and involvement, pulling stakeholders closer to the corporate brand. CMOs and top marketing

Who took the survey?

In February 2008 the Economist Intelligence Unit conducted an online survey to explore the needs of the global chief marketing officer (CMO). A total of 263 executives from around the world participated in the survey.

Of the respondents to the survey, 30% held C-suite

titles. The sample was also cosmopolitan: 35% were based in Western Europe, 29% in Asia-Pacific and 20% in North America, with the remainder coming from Eastern Europe, Middle East and Africa, and Latin America. Respondents hailed from nearly 20 industries and all had annual revenue of US\$500m or more. More detail on the survey respondents and results can be found in the appendix.

executives must remake marketing operations, moving beyond traditional advertising, marketing and brand awareness into a more “transformative” role across the entire business, identifying customer needs and helping to shape product development. To survive and thrive, they must adopt new technologies and champion a corporate culture that makes all stakeholders feel a sense of ownership of the brand. “If marketers rely solely on the old and proven and tested methods to do things”, says Deepak Advani, senior vice-president, e-Commerce, and CMO of Chinese computer maker Lenovo, “they’re not going to survive.”

**Key points**

- It is critical for CMOs to balance global branding with local marketing execution that resonates with customers in individual markets
- The Internet and the development of business intelligence and analytics tools has made it easier for marketers to obtain regional data and determine global trends

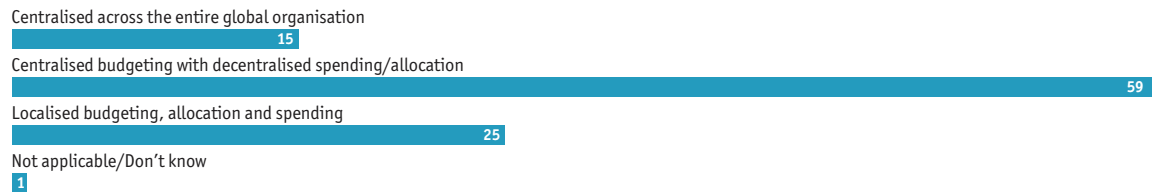
Global versus local objectives

Globalisation has fundamentally changed how companies approach business, and the ramifications have been felt across all areas of the enterprise, including marketing. Consistent global branding is key to developing brand awareness worldwide and strengthening corporate reputation. The Internet has made it easy for marketers to disseminate their messages to a broad audience. At the same time, however, the web creates hyper-local communities and renders the gathering of groups with specific interests easier than ever. Balancing consistent global branding with local marketing execution that resonates with customers in individual markets—both on the ground and in cyberspace—is critical for CMOs.

“The simple phrase I use to capture our model is ‘thinking local, acting global’,” says Rob Malcolm, president of global marketing, sales and innovation for Diageo, the US\$15bn UK-based maker of spirits and beer, with global brands including Baileys, Cuervo, Johnnie Walker, Guinness, Smirnoff, Tanqueray and Crown Royal. Diageo’s approach is the inverse of the “think globally, act locally” mantra cited by other global CMOs. Whereas many companies create branding and global strategies centrally, Diageo allows regional marketers to tailor their strategies to local markets.

Diageo starts with local brand-building, says Mr Malcolm. “We then look for the big connections and big connective tissues, and drive for scale and consistency where there is a competitive advantage.” For example, ten years ago the company’s Johnnie Walker Scotch whisky had seven different advertising campaigns in markets worldwide. “It was showing up pretty much as a dog’s breakfast, or dog’s dinner, depending on what side of the Atlantic you’re from,” Mr Malcolm says. The company and its advertising agency, Bartle Bogle Hegarty, created a global campaign around a simple switch of its iconic “walking man” logo from backward-facing to forward-striding, which Diageo largely credits for nearly doubling Johnnie Walker sales from 8.7m cases in 1999 to 15.6m last year. “Men in every market, no matter what culture, have an innate desire to progress, to succeed, to move forward, and particularly men who were drinking Scotch whisky.”

Which best describes how your company's marketing/advertising budget and spending are managed?
(% respondents)



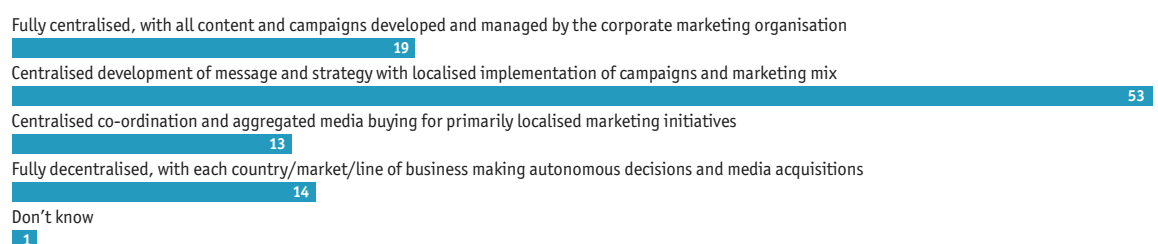
Yet in keeping with its “thinking local” strategy, Diageo implements the global brand message differently in different geographical regions. In the world’s largest market for Scotch exports, the US, Diageo maintains the Striding Man Society, an online club at www.johnniewalker.com, where brand loyalists can register to receive content, exclusive offers and even personalised labels for all five Johnnie Walker variants. Meanwhile, in China last March the company launched a campaign around a series of five online and television films connected by a narrative thread that involves a pact among the male characters to help them achieve their dreams. The campaign, tailored to Chinese consumers, also featured online games, Facebook profiles of the characters and an online graphic novel, while video teasers for the series were sent via text messages to cell phones, as well as conventional ads in elevators and taxis.

Diageo’s matrix of global and regional brand teams is not uncommon. Nearly 60% of survey respondents identified their marketing budgets as “centralised with decentralised spending/allocation”, while 53% cited their organisational structure as “centralised development of message and strategy with localised implementations of campaigns and marketing mix”. Only one-quarter of respondents said their companies used “localised budgeting, allocation and spending”, and a mere 14% identified their organisation as “fully decentralised with localised decision-making”. Like Diageo, most companies eschew extremes of centralisation or decentralisation, but the perfect balance of global strategy and local execution requires thorough testing and constant recalibration.

Shifting organisational structures

Still the trend is towards continued centralisation: while most companies (55%) expect their organisational structure to remain the same over the next year, twice as many respondents believe their marketing organisations will become more centralised (28%) than localised (14%). This may be a result of a tightening global economy, but more likely reflects the fact that the Internet and the development of

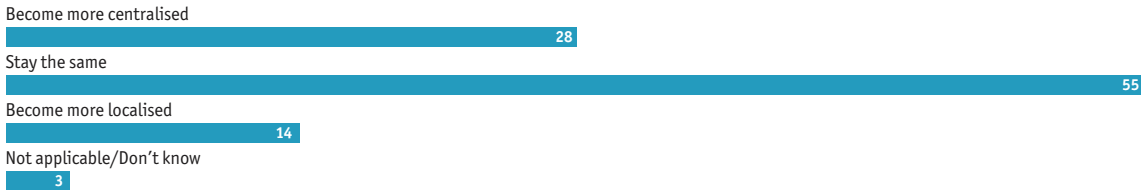
Which of the following best describes the structure of your company's marketing department?
(% respondents)





How do you expect your company's marketing organisation to change over the next 12 months?

(% respondents)



business intelligence and analytics tools has made it far easier for marketers to obtain regional data and determine global trends, empowering them to think more globally about their marketing strategies.

As recently as two years ago Nortel's marketing operations were fully decentralised, which kept the company in tune with end-customers in local markets. But having a clear sense of global operations was difficult, says the firm's CMO, Lauren Flaherty. "When I first joined the company, nobody knew what the global marketing budget was. There was no way to see it because it was siloed out all across the product groups and the regions."

Ms Flaherty reshaped the global marketing organisation, naming four regional marketing heads who reported directly to her with dotted-line responsibility to the regional sales teams to which they had previously reported. On a day-to-day basis the local marketing teams work with their sales colleagues in the regions. Because they report through the regional heads to a global CMO, however, they can't lose sight of brand-building and other longer-term initiatives, she says. "This reporting structure seems to strike a better balance." The result has been greater transparency across the enterprise, she adds.

Survey respondents agree that centralised marketing has clear advantages, among them consistency of message (67%), and greater corporate visibility (32%), simplicity and ease of implementing global campaigns (22%). Yet the benefits of localised marketing are also clear: respondents say this approach rewards efforts that are better tailored to local markets (47%) and better targeted to end-customers (44%), and that it allows more rapid response to market conditions (39%). For example, UK-based GE Healthcare is moving towards greater autonomy for local product-marketing teams as it expands in emerging markets such as China and India, according to the company's CMO, Jean-Michel Cossery. "From the strategy, which is very much headquarters-based, to commercialisation, which is very much local, we are gradually seeing less and less involvement of the headquarters," he says. Because marketing works closely with product development, technology is better tailored to the needs of customers in these emerging markets than when development and marketing were concentrated in the US or the UK. Of course, the right balance between local and central marketing depends on specific corporate objectives.

Key points

- Consumers increasingly use digital media not just to research products and services but to engage the companies they buy from as well as other consumers who may have valuable insights
- Digital media, particularly their extension to mobile devices, have given consumers control over how they engage with advertisers
- Mastering new modes of communication is critical to the marketers driving business innovation

The connected consumer

The rise of social networking and other interactive digital media has transformed how consumers interact with companies—and has created more intense competition for marketing messages. “You’ve got to get really savvy at this, because these are the best-informed, most-connected prospects and target audiences we’ve ever marketed to,” says Nortel’s Ms Flaherty. “And I think it’s going to be a test of who respects that versus who doesn’t.”

And it’s not just consumers swapping recommendations on MySpace or Facebook. Even executives responsible for multi-million-dollar corporate procurements conduct research for their purchases on the web, says Richard McCormack, senior vice-president of marketing for the North American unit of Japan’s Fujitsu Computer Systems. “Print advertising remains important, but we find now that even high-level executives are browsing for information online,” he says. “They’re starting off with search engines, but then move to forums and blogging sites. So you’ve got to get your information out there in all formats now. You’ve got to be more integrated.”

Such shifts in marketing tools and techniques place stress on the culture of many marketing operations, where talents have centred on creative aspects of developing and communicating a brand image, rather than on interactive messaging. Both internally within marketing organisations, and for external agencies and partners, new and evolving skills are critical.

“I think our changes haven’t been driven by anything other than trying to get ahead of these new realities and how people get information, trade knowledge, shape perceptions and form relationships,” says Jon Iwata, senior vice-president of marketing and communications, responsible for the company’s global marketing and communications function, at technology giant IBM. A corporate reorganisation that IBM implemented in July 2008 consolidated three previously discrete functions: marketing, communications and IBM’s corporate citizenship organisation. This reorganisation was largely a reaction to the way businesses and individuals consume—and increasingly produce—information and media.



IBM: The authentic enterprise

Global technology giant IBM sees a transformation under way in business that tests many of the assumptions of the modern multinational corporate model. Globalisation, combined with the web and the resulting ability of customers, investors, media and regulatory bodies to interact with each other, is overturning the corporation's ability to segment audiences and messages, says Jon Iwata, IBM's newly promoted senior vice-president of marketing and communications.

Just as the barriers between corporate stakeholders have dissolved, IBM seeks to remove the barriers between its communications functions. These include marketing, media and public relations, corporate communications and, eventually, the company's "corporate citizenship" function, which is responsible for promoting IBM's corporate values. The integration of marketing and communications under Mr Iwata's stewardship began in July 2008, while the corporate citizenship group will be integrated into marketing and communications in the autumn.

The typical corporate structure, with a sales and marketing organisation to engage existing and prospective customers (largely through advertising) and a separate public relations team to communicate to the public at large through the media—plus other departments handling communications to investors, employees, government regulators and others—is outdated, Mr Iwata says. IBM's reorganisation, in part, attempts to blend the customer insight and

message development capabilities of its marketing organisation with the interactive and multi-audience skills of its communications group. "This is not about another reorganisation at IBM," Mr Iwata says. "This is about rethinking marketing and communications and building a new kind of function, a new kind of capability."

Traditional advertising and marketing approaches have not been rendered obsolete, though. Mr Iwata cites the blending of IBM television advertising during live events, such as National Football League games, with online searches that spike to 10-20 times their normal traffic during the broadcasts. Yet combining the traditional strengths of communications professionals with marketing will be critical to IBM's consolidated organisation. "We have a lot of skills that we can tap into, but we have a lot more that we need to learn rapidly," he says. "I think if you work backwards from the audience you're trying to reach and the channels and methods you've used to try to reach them, it all argues for taking a much more integrated and contemporary approach to the work of marketing and communication."

Among the skills that communications professionals bring to an integrated function, Mr Iwata cites the ability to be accountable for content—eg, media coverage—that they do not control, much like using social networks to deliver marketing messages. Traditional marketing is "all about control" over advertising content, placement and timing, among others. "And that's great except when the world is moving to things that you cannot control. You can influence it. You can participate. But you cannot so easily control it."

[See *The Authentic Enterprise*, above.] "I would say that the velocity of change is at such an intensity that here at IBM we don't talk about the integration of organisations. We talk about the creation of a new kind of capability that does not exist today in any of the three organisations."

This "new capability" is designed to better address consumers who increasingly use digital media not just to research products and services but to engage the companies they buy from as well as other consumers who may have valuable insights. Nortel recently tapped this new interactivity to engage businesses concerned with spiralling energy costs to run corporate data centres. By building an interactive energy calculator deployed on its websites, Nortel allowed visitors to input variables on their own operations and calculate the energy consumption and costs in 49 countries worldwide. Inviting input from bloggers and other websites dedicated to "green IT" helped create viral buzz, and incidentally highlighted the energy efficiency of Nortel's latest product line.

Customer interaction is also moving to mobile devices. Managing casino resorts on four continents and generating 2007 revenue of US\$10bn, Harrah's Entertainment is promoting its properties in Atlantic City in the US to combat the introduction of casino gaming in Pennsylvania. In July 2008 Harrah's launched an interactive slot-machine display in New York's Times Square, allowing passers-by to operate a virtual

slot machine displayed on a video billboard using text messages from their cell phones. "It's a holistic approach of multiple channels," says Harrah's CMO, David Norton, citing the Times Square display as one of several interactive media channels designed to grab people's attention in their everyday lives. "It really is about being more interactive and selling the experience through video." The display enables passers-by to control the video billboard with their cell phones, which then sends players promotional offers for Harrah's Atlantic City casinos via text message.

Digital media, particularly their extension to cell phones and other mobile devices, has given consumers control over how they engage with advertisers, in contrast with traditional media's model of engagement, which relies on "100% interruption" of a captive audience, says Diageo's Mr Malcolm. "If we're not connecting with our target consumers in leading-edge digital markets on mobile, we're not even in their universe."

Driving innovation

Mastering new modes of communication is critical to the marketers driving business innovation, according to the Economist Intelligence Unit's interviewees. "The role of a CMO within a global organisation first and foremost is to drive revenue," says Antonio Lucio, global CMO at Visa, the world's largest retail electronic-payment network. "The second is to provide accountability of all efforts. The third role is to drive innovation through deep consumer understanding."

Visa appointed Mr Lucio as its first global CMO in December 2007 in advance of its March 2008 transition from a non-profit bank-owned co-operative to a public company with a US\$19bn stock offering. "Now we're a public company, and that means a significantly higher level of accountability on each and every item that we do," Mr Lucio says. Marketing is the biggest expense line of the profit-and-loss statement, "so the level of rigour and accountability as a public company on that particular line has been exponentially increased".

Despite the need for greater accountability for marketing dollars spent, Visa and other global companies are at the forefront of digital marketing campaigns. Visa considers many established forms of digital marketing, such as web advertising and e-mail marketing, to be "traditional", and is now allocating a portion of its budget to experiment with emerging digital marketing vehicles that don't yet have proven ROI. One such experiment is a small-business network launched in June 2008 within the Facebook social network. [See *Visa Business Network*, next page.] "The numbers are not there yet for emerging-media vehicles," Mr Lucio admits.

Marketers must deliver ROI, but measuring the return on investments in new-media vehicles remains difficult, says IBM's Mr Iwata. However, he adds, many marketers may be placing too much emphasis on measuring results rather than the low cost of experimenting in the latest new-media initiatives. "People are focused on the 'R' part of ROI and they don't really grasp the 'I' part," Mr Iwata says. "We're going to sort out how to do the R." One reason the "blogosphere" is growing exponentially—as of October 2007, the blog search site Technorati was tracking 108m blogs, increasing at the rate of 175,000 new blogs every day—is that it's virtually free to create one. For example, Mr Iwata compares IBM's substantial investment in building a custom platform to connect IBM alumni with the company and the cost of creating a similar social network within the existing LinkedIn.com social network, which costs nothing.



Although the ability to measure return on emerging digital media such as blogs and social networks remains limited by their nascent state, marketers can ill afford to ignore them.

Visa Business Network

A key advantage of digital media is their ability to monitor viewer/reader response and measure marketing effectiveness in a more detailed manner than their more traditional rivals. Yet social networking, blogging and the like are similar to traditional media in terms of the difficulty in measuring their effectiveness.

"Everything we want to do with search marketing is an easy sale [to corporate executives]. The numbers are there," says Visa's CMO, Antonio Lucio. "But today's non-traditional world of micro-blogging, mashups, freemiums and social software requires much more of a leap of faith."

Yet such "leaps of faith" are critical to keeping pace with the new ways in which consumers access and use information. Visa recently developed a social network within the Facebook social network site, aimed at small-business owners, called the Visa Business Network. Visa is placing an initial US\$2m of advertising on the network, and launched a multimedia marketing campaign in July 2008 to promote the service. The experimental project combines new-media partners such as Facebook, with traditional-media properties, including *The Wall Street Journal*, which contribute articles addressing questions

posed by small-business owners. The network lets small businesses communicate among themselves, sharing ideas and even negotiating deals while providing tips on attracting customers, cutting costs and boosting profits.

The expected return for Visa, which is promoting its brand to small businesses in the hope that they will use its services to process payments by their customers, is unknown, Mr Lucio admits. "The way that the return on investment tools are built today, they are based on history," he says. "This is the beginning of our journey."

E-mail and web advertising has been around long enough to generate sufficient historical data to calculate returns, he says, which helped Visa develop a specific method for calculating marketing return on investment. Not so with the newer forms of digital marketing, like the Visa Business Network. "I need to not only begin to make those shifts that the marketing ROI tools are pointing me to make in the US, from TV to digital, but also to begin to carve a space within my budget so that I can experiment."

Such experimentation requires partners. "It will be humanly and mathematically impossible for companies today to develop everything internally," Mr Lucio says. "Opening up to partners for innovation options is the only way."

Key points

- Effective advertising agencies and marketing partners must abandon the old paradigms and assist clients in embracing new technologies
- Partners can be vital to companies that are growing rapidly overseas; the quickest path to understanding local cultures and markets may be through local partners on the ground
- Partnerships are key to leveraging expertise and skills that do not currently exist in the organisation

Rapidly changing marketing tools and resources

The decades-long shift in media priorities for marketers is evident in the Economist Intelligence Unit's survey results, which underscore the growing demands for customer and stakeholder engagement. Conferences and events (45%) topped respondents' ranking of the most important media for meeting key marketing objectives, outranking magazines (33%), television (30%), newspapers (24%) and radio (10%). Face-to-face engagement is still essential, even as various forms of digital media continue to gain a foothold. All types of digital media are cited by double-digit percentages of respondents as the most important medium: online content sites (24%), e-mail newsletters (22%), search engine enquiries (22%) and online portals (18%).

And the trend will continue. In response to the question of which media will be most important in 12 months' time, all of the digital media increased their percentages—with online content sites being cited by 28% of respondents, search engine enquiries by 25%, e-mail newsletters by 25% and online portals by 21%—while all the traditional and non-digital media showed declines. Social networks—despite uncertain ROI—doubled from only 6% of respondents who currently view them as most important to 12% who expect them to be most important a year from now.

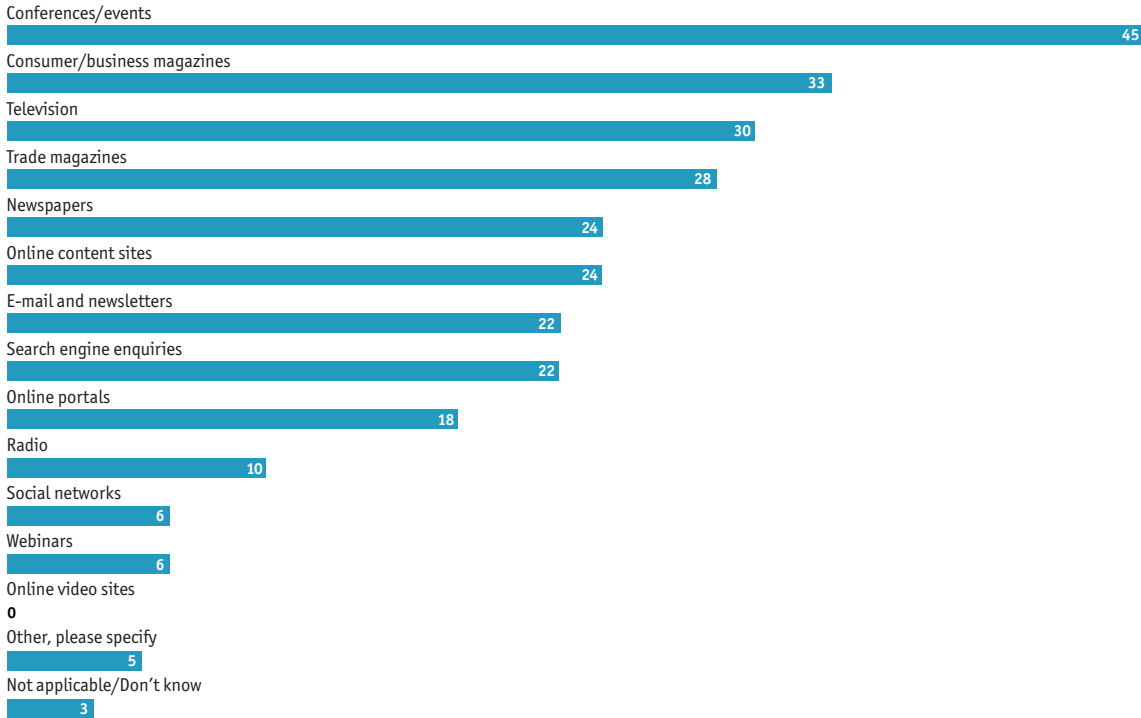
Few companies have had as big an adjustment to make to the demands of the interactive digital age as Kodak of the US, which has all but shed the photography business born in the 19th century and transformed itself into a digital imaging company—a transition that cost the company as many as 30,000 jobs over a four-year span. The Kodak Gallery, with about 60m members, today hosts one of the largest social networks on the Internet in terms of membership, according to Ann Turner, CMO of the Film Photofinishing and Entertainment Group at Kodak. In February 2008 Kodak launched a partnership with Slide Inc, creating a service that enables Kodak Gallery members seamlessly to showcase their Gallery photos on other social network sites, including MySpace and Blogger, with a collective web audience of more than 200m. Says Ms Turner: "We have a chief blogger. Not all



Which of these advertising mediums are most important in meeting your company's key marketing objectives today?

Select up to three.

(% respondents)



companies have a chief blogger.”

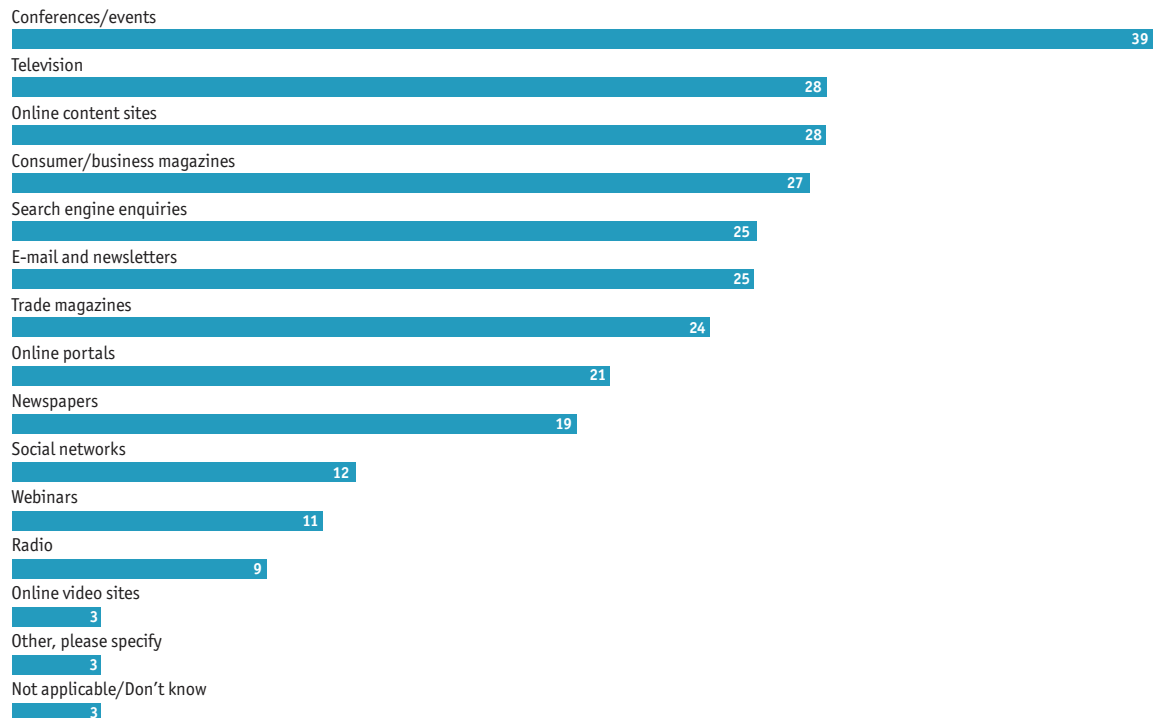
Most companies, particularly those with long-established brands, typically have large marketing organisations and entrenched relationships with agencies and other marketing partners. Not all of these relationships may be suitable in the digital age. According to survey respondents, the most important characteristic of marketing and advertising partners is the ability to target specific audience subsets—a key attribute of digital media (cited by 43% of respondents). Partners that don't bring sophisticated new-media targeting savvy to the table can be a liability, according to the CMOs interviewed. Other top attributes ranked by respondents include flexibility in tailoring services and ability/willingness to integrate global/national/local campaigns and specific audience demographics, both now and when respondents were asked which would be most important in a year's time.

Some long-standing advertising agency partners are still figuring out how to help their clients make the necessary transition. “The marketing agencies and the advertising agencies are really having a rough time, not embracing the new methods, but making money from them,” says IBM's Mr Iwata. Although virtually all traditional advertising agencies tout their new-media skills, some are relying on old-media business models and profit margins. For example, some agencies offer to produce podcasts and YouTube videos for clients, just as they produced print advertising and television spots. Yet they still charge clients tens of thousands of dollars, he notes, for new-media content that costs next to nothing to produce. “And the clients who don't know better say, ‘What a bargain compared to prime-time television.’”

In 12 months' time, which mediums do you think will be most important to your company's marketing objectives?

Select up to three.

(% respondents)



Effective agencies and marketing partners must abandon the old paradigms and assist clients in embracing new technologies, including their low costs. Partners can be vital to companies that are growing rapidly overseas, where the quickest path to understanding local cultures and markets may be through local partners on the ground. Harrah's is a case in point: the casino group has built and acquired its primary brands in the US, but found itself with resorts on four continents after a rapid expansion and acquisition spree, which included the US\$568m buy-out of London Clubs International in 2006.

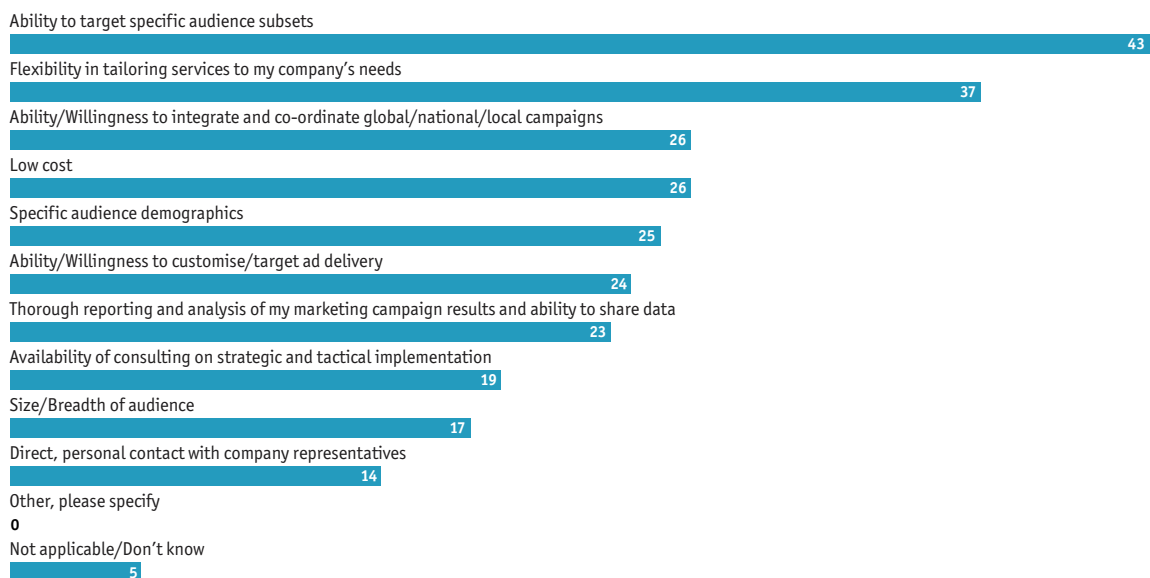
Meanwhile, partnerships are also key to leveraging expertise and skills that don't currently exist inside the corporation. A global advertising agency with a talented local office in Bangalore, India, was crucial to the success of Lenovo's newly consolidated marketing hub there, says the firm's CMO, Mr Advani. The Chinese personal-computer maker improved efficiencies by centralising its advertising development and production. "We're still decentralised in the sense that we have local teams on the ground looking for insights," says Mr Advani. But centralised creative development and production help the company create better, more relevant local advertising: "By consolidating everything we've been able to reuse ideas and creative assets instead of reinventing the wheel every time. This frees up resources to do more localised creative [work] than we could before, for fewer dollars."

The first campaign that emerged from the new hub in India has been universally embraced, he says, even in Lenovo's home market of China, which traditionally runs its own unique campaigns because of its brand leadership there and the more diverse product set available. The new campaign—not coincidentally

**In 12 months' time, which attributes of your company's marketing/advertising vendors do you think will be most important?**

Select up to three

(% respondents)



called “Ideas Everywhere” and promoting Lenovo’s globalisation as a means to produce better products—is being rolled out globally.

Key points

- Although brand-building remains marketers' top priority, it is the least measurable aim against other marketing objectives
- One can rarely determine what triggered a purchase decision or whether that sale would have been made independently from the marketing campaign
- Marketers continue to focus more of their budgets on digital marketing, where effectiveness can be measured more precisely

Relevance to the business

Despite the ascension of the marketing function to the C-suite, many CMOs face questions about the accountability of marketing and the measurability of marketing ROI. Says Deborah Conrad, vice-president of the corporate marketing group at US semiconductor giant Intel: "I could try and get scientific and tell you about revenue and ROI and all of that, [but] at the end of the day it really comes down to 'are we affecting behaviour?'" Even with direct response and digital marketing, where individual transactions can be traced to a specific marketing pitch or advertisement, one can rarely determine what triggered a purchase decision or whether that sale would have been made independently from the marketing campaign.

The job of the CMO has always been tenuous. During a volatile period from the late 1990s to 2004, global coffee giant Starbucks appointed a new marketing head five times in seven years; Coca-Cola changed its CMO four times in six years. This trend is mirrored globally: 63% of survey respondents say that the global marketing head at their companies has served for less than three years. "I firmly believe the reason why there was such a revolving door around marketing is because marketing has become almost irrelevant," says Mr Etherington of Tektronix. "In order for marketing to break free of that relevancy crisis, it has to absolutely track and be accountable for the one and only metric that counts to a business—and that's growth."

Eddie Bowman, global director of marketing at Ernst & Young, the accounting and consulting giant with 130,000 people in 140 countries, agrees. "The world of business is moving at a massive pace, and you need to keep abreast of that to understand how you can be relevant and provide insight into services that are going to respond to that fast change."

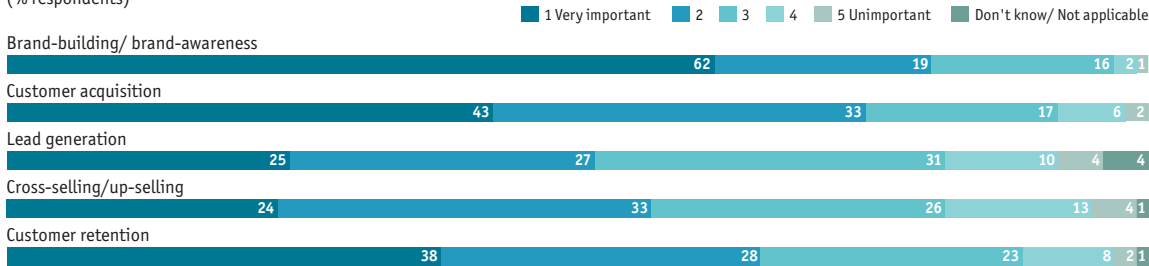
The relevancy crisis for Mr Etherington of Tektronix began when he inherited "the most dysfunctional marketing outfit or any group I've ever had to manage". Besides consolidating the inflated marketing operations and streamlining their objectives and organisational chart, he moved to define the



How important are the following objectives of your company's marketing campaigns?

Rate on a scale of 1 to 5, where 1=Very important and 5=Unimportant

(% respondents)



organisation's success criteria: "We centralised our organisation, centralised our budget and we centralised accountability under one individual." The most arduous process was separating the "needs" from the "wants" in his discussions with the sales organisation. After much analysis and calculation, one of the marketing organisation's goals amounted to five solid sales leads per account manager per month, generated at a marketing cost of US\$400 each or less.

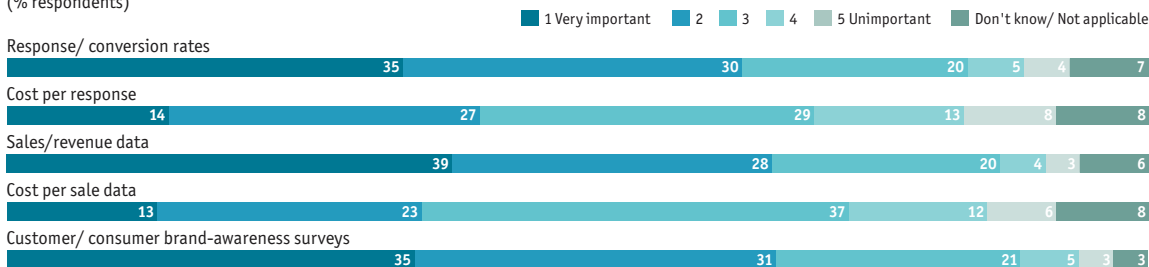
"We started to change the marketing philosophy to what I call an 'outcome-based, aligned to the customer decision-making process, tied to our strategic [sales] objectives' process," Mr Etherington says. This led to a suspension of all advertising for the first year of his tenure, because of the company's inability to measure the return. Surveys of Tektronix customers—largely engineers rather than consumers—found that the Internet, word of mouth and technical articles in trade magazines had the greatest impact on influencing purchases. "Advertising was about number 12 on that list," he says. Tektronix resumed advertising the following year as it returned to profitability and steady growth, hitting US\$1.1bn in revenue in its fiscal year 2007 (the last year it reported earnings as a public company, prior to being acquired by Danaher Corp in November 2007).

The difficulty of measuring the return on "brand-awareness" advertising is illustrated in the survey data. Sixty-two per cent of respondents ranked "brand-building/brand-awareness" as "very important" among the objectives of their companies' marketing campaigns. Yet only 35% of the marketers surveyed rated brand-awareness surveys as a "very important" measure of marketing ROI. Thus although brand-building remains marketers' top priority, it is the least measurable aim compared with other marketing objectives, such as sales lead generation, customer retention and cross-selling, keeping CMOs perpetually in the hot seat.

How important to your company are these measures of ROI for media campaigns?

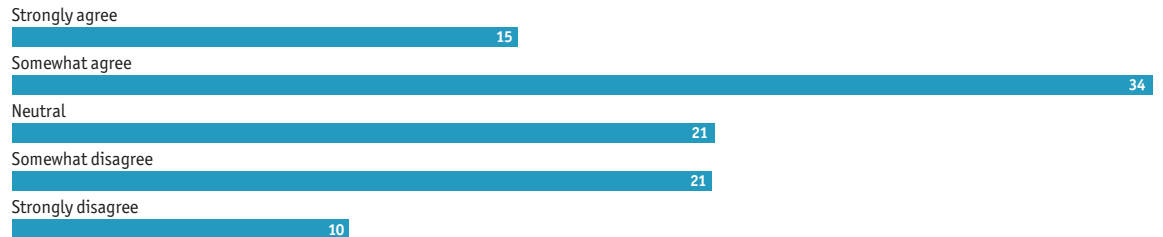
Rate on a scale of 1 to 5, where 1=Very important and 5=Unimportant

(% respondents)



Do you agree or disagree with the following statement? My company's marketing strategy is focused on brand-building at the expense of other initiatives with more demonstrable ROI.

(% respondents)



To ease the pressure, marketers continue to focus more of their budgets on digital marketing, where effectiveness can be measured more precisely in click-throughs, information downloads and other immediate viewer responses. In addition, other metrics such as sales/revenue data and response/conversion rates were cited as “very important” measures of marketing ROI by nearly three-quarters of survey respondents.

Yet nearly one-half of survey respondents agreed with the statement, “My company’s marketing strategy is focused on brand-building at the expense of other initiatives with more demonstrable ROI.” And despite the difficulty of measuring returns, many marketers, particularly in consumer-product businesses, insist that brand-building has a long-term impact on sales and should not be abandoned.

“Branding is a long-term investment,” says Lenovo’s Mr Advani. “It’s difficult for some people to have the necessary conviction to prioritise brand-building investments over tactics that drive short-term lead generation.”



Key points

- Some CMOs are drawing on the previously separate disciplines of PR and corporate communications to build integrated marketing and communications operations
- Successful CMOs are evolving the marketing function into an integrated, strategic component of the business, rather than simply a cost centre

The CMO of the future

Some time within the next three years the first “CMO of the future” will be hired by a *Fortune* 1000 company, predicts Roger Wood, the former corporate vice-president of global marketing at footwear maker Reebok International, and now a senior vice-president at mobile marketing firm Amobee Media Systems. This CMO, Mr Wood says, will be connected to friends of all ages and nationalities, as well as conversant with all media and will know how to oversee marketing strategies that integrate all of them. The relentless pace of globalisation of business will compel future CMOs to be fluent in multiple cultures as well as multimedia, marketers agree.

“I think a cultural sea change is going on in marketing,” says Mike Devereux, executive director of digital marketing/CRM at General Motors of the US. Product managers five years from now, he says, will have a background and education very different from those of today’s advertising executives. For example, search marketing barely existed just four years ago. Now, employing experts in search engine optimisation is common—indeed critical—at large marketing organisations.

Successful CMOs are not only evolving the function into an integrated, strategic component of the business rather than simply a cost centre. They are also drawing on the long-practised but previously separate disciplines of PR and corporate communications to build integrated marketing and communications operations that encourage ongoing dialogue with customers and focus on long-term relationships.

“Marketing executives often tend to focus too much on awareness and winning advertising awards and thinking of marketing as advertising,” agrees Lenovo’s Mr Advani. “One of the key things that marketers need to look at is the business result, and we also need to start looking at branding and marketing holistically.”

The type of integrated communications strategy portrayed by Messrs Iwata and Advani is also advocated by the Arthur W. Page Society, a PR think-tank. The society describes the role of the chief

communications officer (CCO) as “the leader in defining and enabling the authentic enterprise—often acting as an integrator, working across other functions such as human resources, legal, finance, marketing and information technology to develop comprehensive strategies and solutions”. The critical role of marketing, plus research that shows more than one-half of all senior communications leaders report to the marketing chief rather than the CEO, suggests that successful CMOs should be prime candidates to assume the responsibilities of a CCO.

In January 2008 Julie Fasone Holder was appointed to the newly created post of chief marketing, sales and reputation officer at Dow Chemical Co, the US\$53bn chemical maker. Ms Fasone Holder, a 33-year Dow veteran, is now responsible for global marketing, sales and public affairs. Her objective is to exploit the synergies among those disciplines. “This synergy is around marketing with a capital ‘M’, and the number of vehicles it uses to reach customers,” she says. “One is sales, which is your direct channel, and one is communications, which is your indirect channel.”

Dow, which has traditionally sold products largely as raw materials manufactured into other products for consumers and businesses, is becoming a more “market-facing” company, Ms Fasone Holder says. In January 2008 the company announced a US\$11bn plastics joint venture with a unit of Kuwait Petroleum, and in July agreed to a US\$15bn cash acquisition of a rival, Rohm and Haas. These were two key elements of a strategy to develop higher-margin, market-facing businesses, she says, that require the marketing organisation to communicate “not only with our customers but with our customers’ customers”.

To that end, Ms Fasone Holder launched an initiative to integrate elements of Dow’s sales, marketing and communications functions “to develop a more robust digital strategy for the company”. The task force combines e-commerce capabilities from Dow’s customer service organisation, integrated sales and marketing tools from its marketing organisation, and expertise from the communications group that manages the Dow.com website. “We’re bringing all those pieces together to develop one digital strategy for the company,” she says.

Dow hasn’t yet applied the latest “Web 2.0” technologies to its customer communications and marketing efforts, Ms Fasone Holder acknowledges. Yet it has been using such tools internally in recent years and will be applying the experience gained to its digital strategy. For example, the company’s CEO, Andrew Liveris, has been blogging internally for more than a year, and the company maintains a social network to connect current and former employees and retirees. Dow is also combining its integrated sales and marketing tools with Internet search technology, Ms Fasone Holder adds. “We’re looking at what are the models of the future that will let us reach out and capture customer information and have a two-way dialogue with customers instead of a one-way communication.”



Conclusion

The CMO's traditional mission of demonstrating effectiveness, return on marketing investments and relevance to the business persists. However, the democratisation of how information is consumed, produced and disseminated is placing new pressures on—and creating opportunities for—the global CMO to adopt a broader role in engaging all corporate stakeholders. Leading marketing executives must move beyond traditional advertising, marketing and brand awareness to a more transformative role, driving innovation across the entire business. This often entails remaking operations into integrated marketing and communications organisations that work collaboratively across the enterprise to gather, develop and use customer intelligence while blending talent with a nuanced understanding of their business.

There are some important steps to consider as companies move forward. Executives interviewed for this report recommend the following best practices:

Balance global brand awareness with local market relevance. Centralising global marketing functions such as advertising development and production can create economies of scale and save money, but they must be guided by the needs of the local market and customer insights. At the same time, budgets must be freed up so that regional directors can make appropriate decisions based on market demands.

Integrate marketing with other forms of corporate communications. Both the interactive nature of Web 2.0 technologies and the transparency of corporate messages among different constituencies—such as customers, investors, media, regulatory bodies and employees (past, present and future)—demand the integration of various forms of marketing and communications. Businesses can no longer segment audiences and messages as if audiences don't talk to each other.

Adopt new media. In particular, there should be a specific budget for experimentation with the newest Web 2.0 technologies. To remain competitive, companies must engage customers and exploit the interactive nature of digital media to create stronger affinity with their brands among consumers and



other stakeholders. The CMO should have the foresight to anticipate how different constituencies will respond to different events, messages and channels, and should be able to deal with the proliferation of new-media tools and expanded audiences.

Develop new skills, capabilities—and partnerships. CMOs must not only position their companies, but help define them. To do so, they need to understand the fundamental business model, brand, culture, policies and values of the organisation. Equally important in terms of adapting to the evolution of new media are partnerships with vendors whose expertise can be used to get new initiatives to market faster—and more effectively—than a company would on its own.

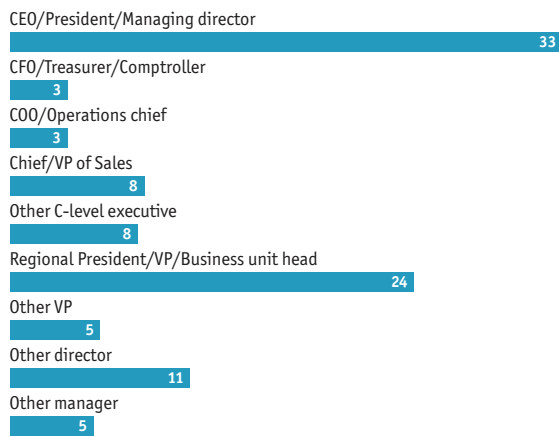
Champion innovation. The need for greater accountability for marketing expenditure is pushing global companies towards digital marketing campaigns with higher returns than traditional media. The interactive nature of the latest digital media vehicles provides the opportunity to develop deeper insights into customer dynamics and allows the CMO to become the corporate champion of customer insight.

The evolution of the role of the global CMO—and marketing in general—will be arduous. But as IBM's Mr Iwata says, "A lot of things that tend to go wrong with the business happen because we are enslaved by past models that worked exquisitely well but have been disrupted. You must commit yourself to adaptation and experimentation—and that comes down to culture change."

Appendix: Survey results

In February 2008 the Economist Intelligence Unit conducted a survey of 263 executives of companies from around the world. Our sincere thanks go to all those who took part in the survey. Please note that not all answers add up to 100%, because of rounding or because respondents were able to provide multiple answers to some questions.

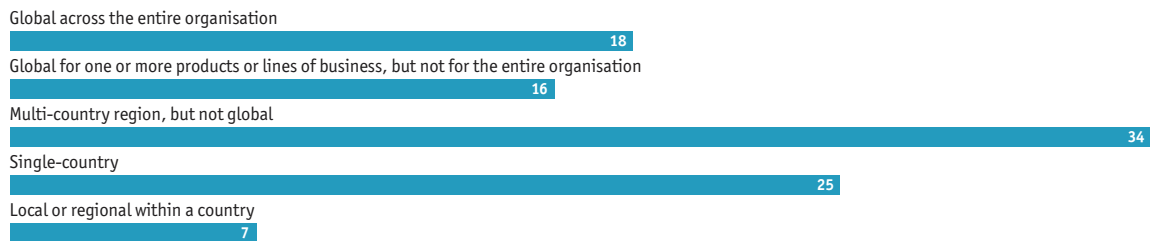
To which of the following positions do you report? (% respondents)



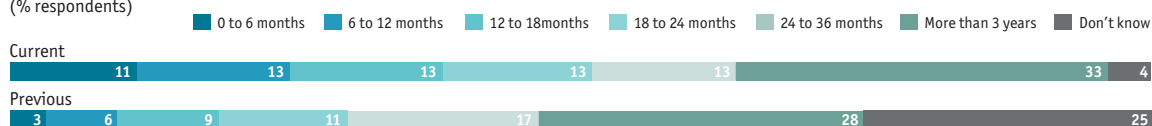
What was your professional background prior to being in marketing? (% respondents)



Which of the following best describes the scope of your responsibilities? (% respondents)



How long has your company's current marketing chief served in the post? And how long was the tenure of the previous marketing head? (% respondents)



Which of the following best describes the structure of your company's marketing department?

(% respondents)

Fully centralised, with all content and campaigns developed and managed by the corporate marketing organisation

19

Centralised development of message and strategy with localised implementation of campaigns and marketing mix

53

Centralised co-ordination and aggregated media buying for primarily localised marketing initiatives

13

Fully decentralised, with each country/market/line of business making autonomous decisions and media acquisitions

14

Don't know

1

How do you expect your company's marketing organisation to change over the next 12 months?

(% respondents)

Become more centralised

28

Stay the same

55

Become more localised

14

Not applicable/Don't know

3

What are the main reasons your company pursues centralised marketing? Select up to two

(% respondents)

Consistency of message

67

Greater corporate visibility into global campaigns

32

Simplicity and ease of implementing global campaigns

22

Lower costs

21

Aggregate buying power/lower unit cost of advertising

18

Easier to measure return on investment (ROI) of marketing campaigns

10

Easier to work with global agencies

8

Other, please specify

3

Not applicable/Don't know

5

What are the main reasons your company pursues localised marketing? Select up to two

(% respondents)

Messaging better tailored to local markets

47

Local campaigns better targeted to end-customers

44

Allows more rapid response to market/competitive conditions

39

More granular marketing more reflective of product/line of business's competitive advantages

25

Lower costs

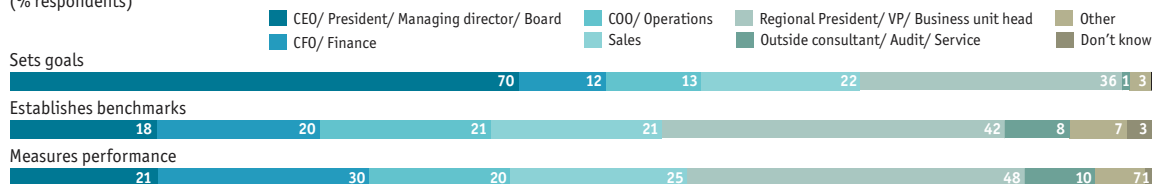
9

Other, please specify

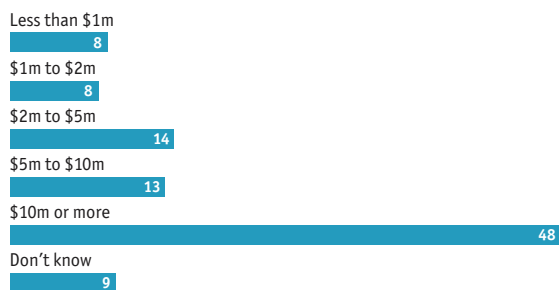
1

Not applicable/Don't know

8

Which of the following positions/departments/organisations set the key marketing objectives, establish the benchmarks, and measure/analyse performance?Select all that apply
(% respondents)**What is your company's global annual marketing/advertising budget, in US dollars?**

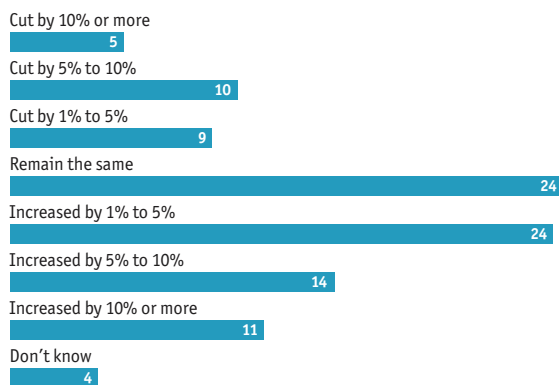
(% respondents)

**Which best describes how your company's marketing/advertising budget and spending are managed?**

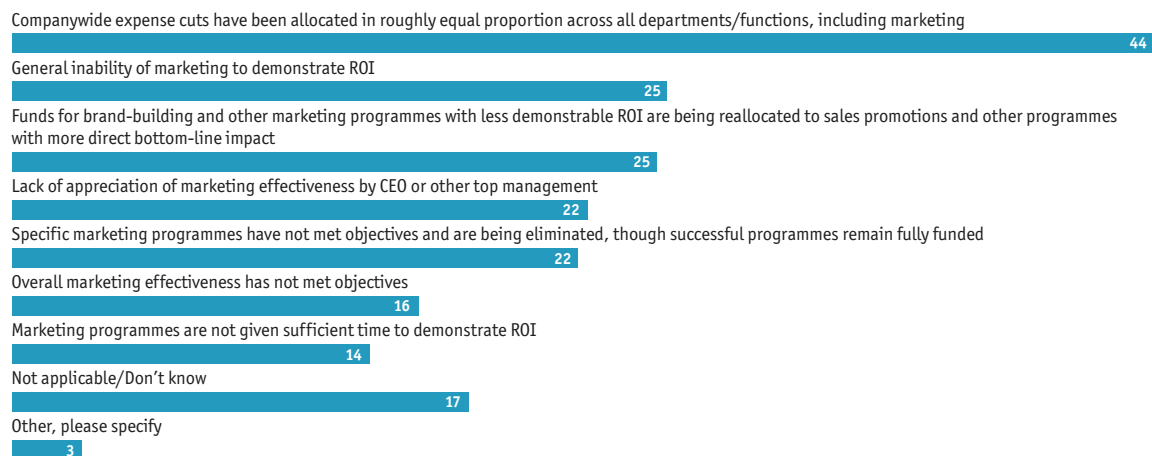
(% respondents)

**I expect my company's marketing budget in 2008 to be:**

(% respondents)



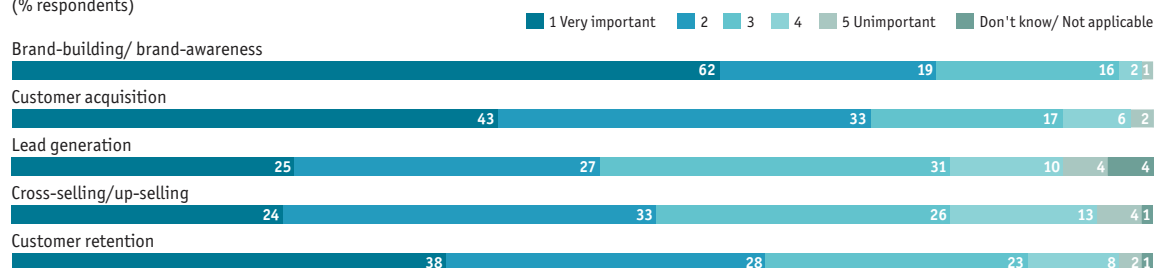
Which of the following describe the reasons for impending or past cuts in your company's marketing budget? Select all that apply
(% respondents)



How important are the following objectives of your company's marketing campaigns?

Rate on a scale of 1 to 5, where 1=Very important and 5=Unimportant

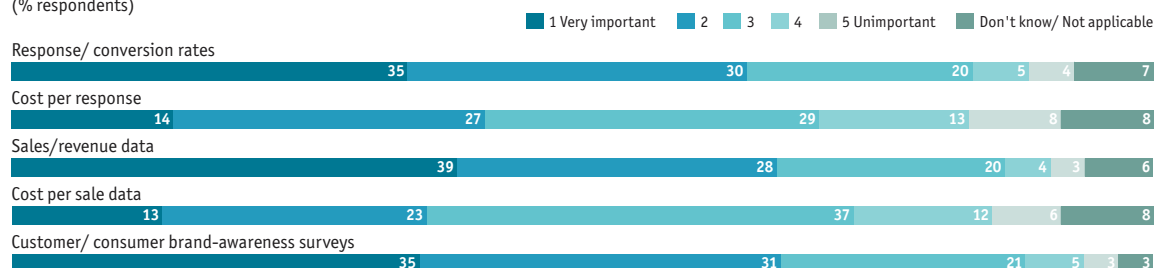
(% respondents)



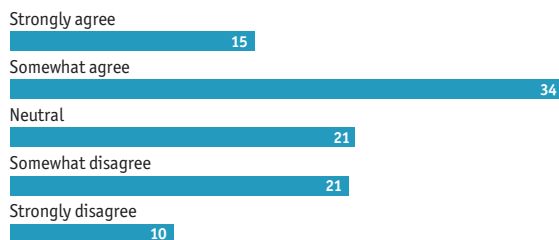
How important to your company are these measures of ROI for media campaigns?

Rate on a scale of 1 to 5, where 1=Very important and 5=Unimportant

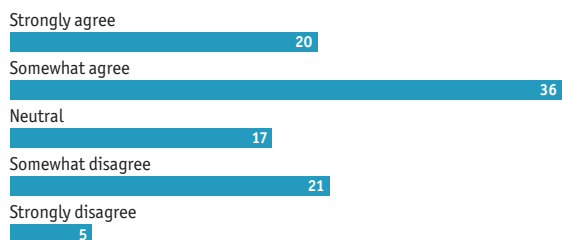
(% respondents)



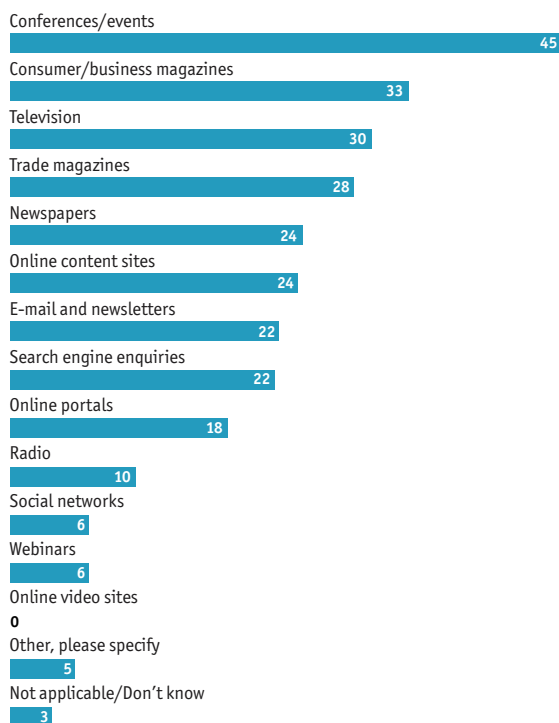
Do you agree or disagree with the following statement? My company's marketing strategy is focused on brand-building at the expense of other initiatives with more demonstrable ROI.
(% respondents)



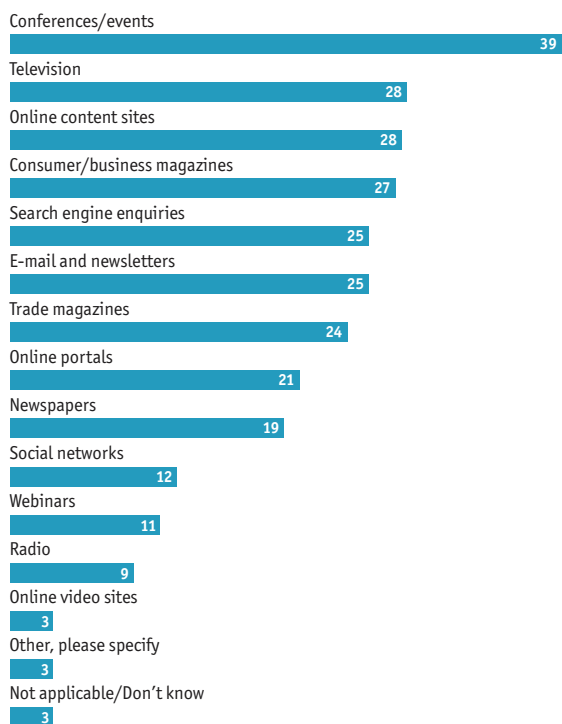
Do you agree or disagree with the following statement? My company is highly customer-centric, and marketing functions and sensibilities are interwoven throughout our operations (eg operations, product development, finance, sales, technology).
(% respondents)



Which of these advertising mediums are most important in meeting your company's key marketing objectives today?
Select up to three
(% respondents)



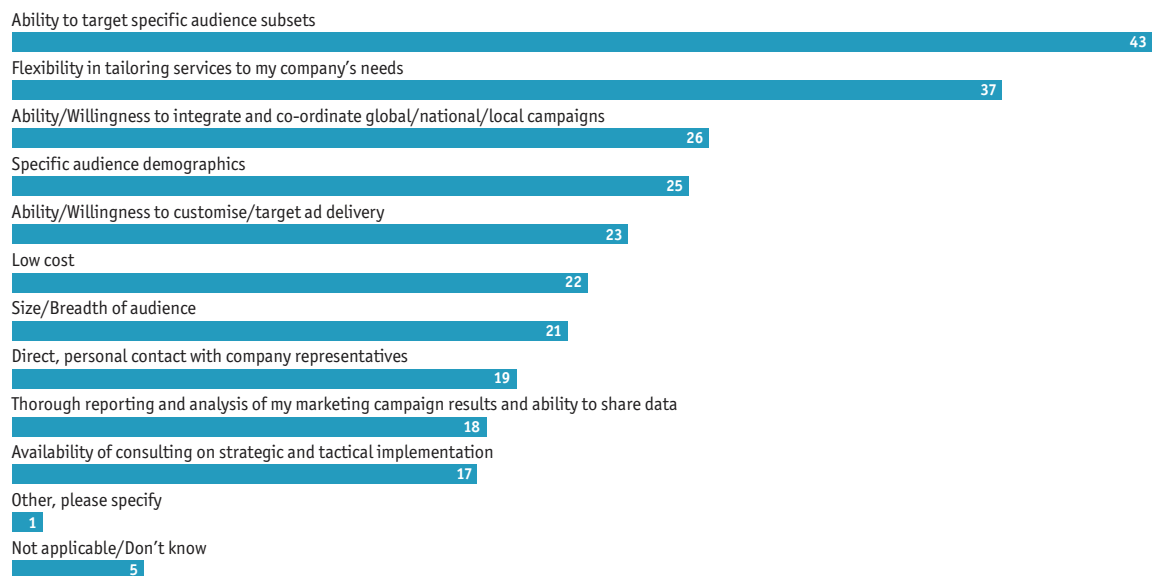
In 12 months' time, which mediums do you think will be most important to your company's marketing objectives?
Select up to three
(% respondents)



Which of the following attributes of your company's marketing/advertising vendors is the most important?

Select up to three

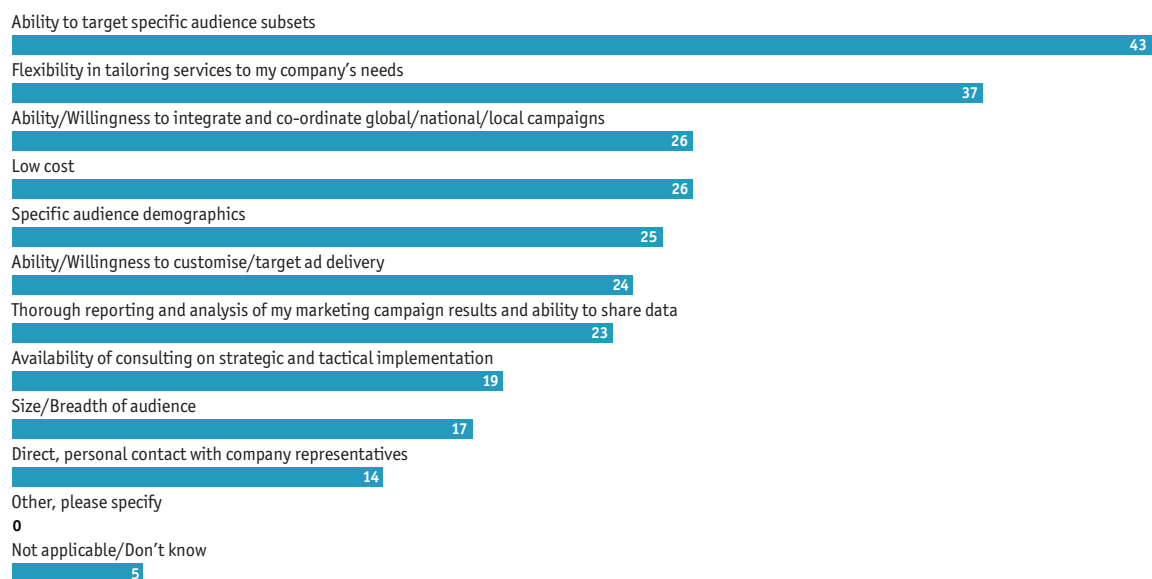
(% respondents)



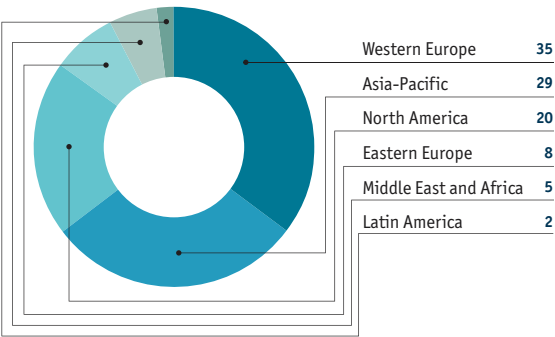
In 12 months' time, which attributes of your company's marketing/advertising vendors do you think will be most important?

Select up to three

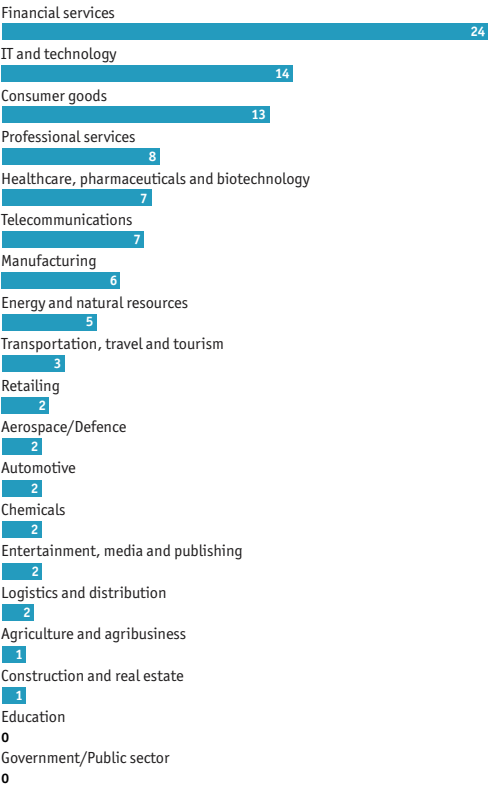
(% respondents)



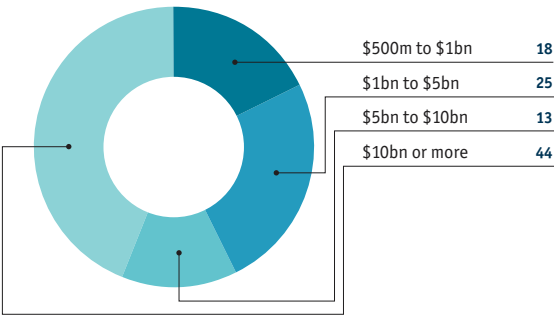
In which region are you personally based?
(% respondents)



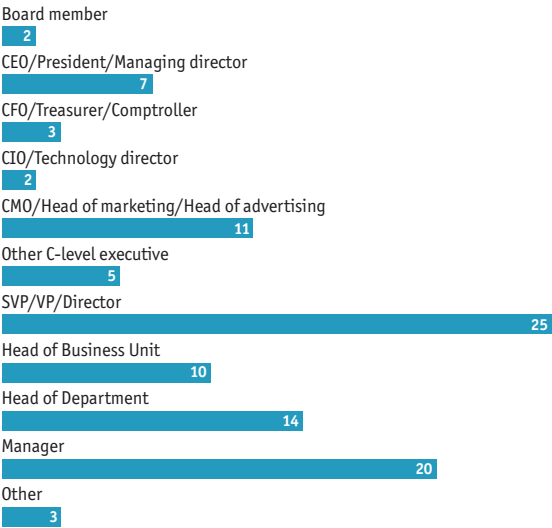
What is your primary industry?
(% respondents)



What are your company's annual global revenues in US dollars?
(% respondents)



What is your title?
(% respondents)



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LONDON

26 Red Lion Square

London

WC1R 4HQ

United Kingdom

Tel: (44.20) 7576 8000

Fax: (44.20) 7576 8476

E-mail: london@eiu.com

NEW YORK

111 West 57th Street

New York

NY 10019

United States

Tel: (1.212) 554 0600

Fax: (1.212) 586 1181/2

E-mail: newyork@eiu.com

HONG KONG

6001, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Tel: (852) 2585 3888

Fax: (852) 2802 7638

E-mail: hongkong@eiu.com