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# CMO Mandate: Adapt Or Perish

by Chris Stutzman

for CMO & Marketing Leadership Professionals



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## CMO Mandate: Adapt Or Perish

The Five Habits Of Highly Adaptive Marketers

by **Chris Stutzman**

with David M. Cooperstein and Corinne J. Madigan

### EXECUTIVE SUMMARY

Three out of four CMOs plan to revamp their organizations for the digital age by the end of 2011. The reason? Their initial efforts to create digital departments and outsource digital capabilities have left their organization in a state of disarray. After speaking with global marketing leaders who have successfully navigated the digital age, Forrester has identified the five habits of highly adaptive marketers. To truly transform the marketing department into a more agile and innovative organization, CMOs must adopt these habits: 1) Accept change; 2) dare the status quo; 3) act continuously; 4) participate personally; and 5) tear down boundaries. Leaders of Adaptive Marketing organizations will grow their business faster, build stronger brands, and create a competitive advantage in both the short term and the long term.

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Forrester interviewed marketing leaders from seven leading brands and three advertising agencies as well as thought leaders from Accenture and the London Business School.

#### Related Research Documents

["Define Your Marketing Innovation Strategy"](#)  
June 11, 2010

["Three Secrets Of Success For Customer Experience Organizations"](#)  
April 29, 2010

["Create An Adaptive Global Organization"](#)  
April 27, 2010

["The Future Of Agency Relationships"](#)  
March 29, 2010

["Adaptive Brand Marketing"](#)  
October 9, 2009

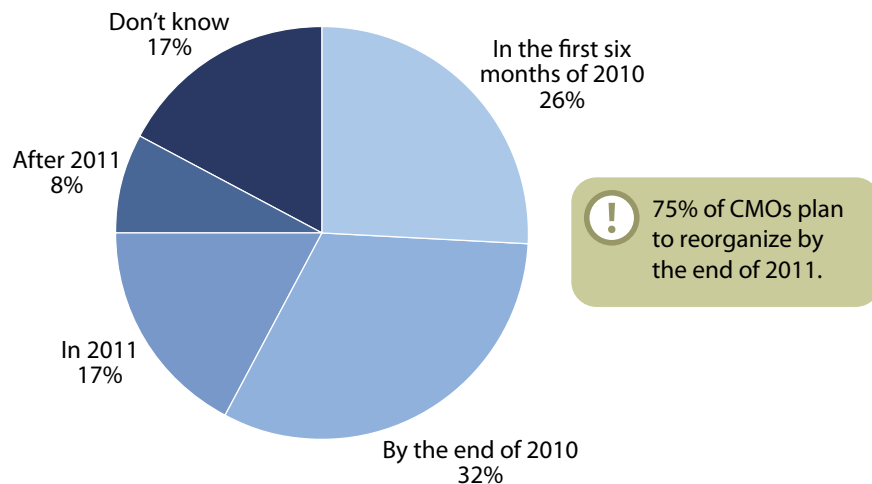
## TECHNOLOGY-EMPOWERED CONSUMERS DISRUPT MARKETING ORGANIZATIONS

Marketers have never been challenged with so much change, so fast. The new ecosystem of interactive media, mobile technology, and digital devices wreaks havoc on a marketer's system of planning and managing, like it did on the world of broadcast and print. In response, they are scrambling to adjust their organizations to try to keep up.

- **Marketing departments are in constant flux.** To break down the traditional organizational silos that prevent marketers from quickly adjusting to new consumer behavior, 62% of marketing leaders have reorganized in the past year, and 84% have done so within the past two years. But CMOs aren't done yet: 75% plan to reorganize before the end of 2011 (see Figure 1).<sup>1</sup>
- **Digital channels force marketers to rethink their approach.** Marketers are realizing that digital capabilities and resources must be fully integrated into their organization and not treated as a standalone department or a competency to outsource. Indeed, 65% of marketing leaders point to digital and social marketing as the primary driver behind their next organizational structure.<sup>2</sup>
- **Marketers labor to implement digital marketing strategies.** In a recent study by Accenture Interactive, 64% of marketers experienced problems trying to implement digital marketing initiatives or related IT projects. This inability to harness digital techniques has created a crisis of confidence — only 4% of marketing leaders feel that they are very prepared to exploit digital marketing opportunities.<sup>3</sup>

**Figure 1** Reorganizing Is A Top Priority For CMOs

### "When do you expect the next reorganization to take place?"



Base: 100 marketing leaders

Source: December 2009 Global Marketing Leadership Online Survey

57245

Source: Forrester Research, Inc.

## The Marketing Landscape Will Be Permanently Altered

As consumers continue to evolve into digital media multitaskers, the rules of marketing will be irreversibly changed. In this new world, there is greater demand to consume media across multiple platforms, causing exponential growth of content — both branded and user-generated — but unfortunately consumers will become more difficult to engage.

- **Online will become the second largest segment of advertising spend.** The pace at which consumers are utilizing online media and engaging with social media has accelerated the flow of advertising dollars into online marketing budgets. PricewaterhouseCoopers recently adjusted its five-year advertising forecast, indicating that by 2014, online advertising will join television as the only channels to exceed \$100 billion in dollars spent.<sup>4</sup>
- **Do-it-yourself technology will accelerate digital media innovation.** The past two decades of digital innovation — from personal computing to the Internet and social media — have been largely driven by the ability of individual inventors to tinker in their garage with cheap do-it-yourself (DIY) computing power. Today, the cost of computing power has declined to the point where everyday employees can create their own media platforms, apps, or, in the case of Best Buy, reinvent customer service. The inspiration for Best Buy's exploration into social media projects, like Twelpforce, started as an experiment by a rogue employee called Blue Shirt Nation, powered by a spare server under his desk and open-source community-building software.<sup>5</sup>
- **The Splinternet will cause digital marketing to get increasingly complex.** Marketers are entering a new chapter of the digital era that Forrester calls the Splinternet. In this new online landscape, it will become increasingly complex and costly for marketers to reach consumers as they 1) connect via multiple devices; 2) spend more time connecting behind password-protected social networks; and 3) use more devices with proprietary content and standards, like the Apple iPhone and Google Android.<sup>6</sup>

## MARKETERS MUST ADAPT OR PERISH

In the future, there will be two types of companies, those that are agile and adapt to consumers' changing media behavior and those that go out of business. Consider this: Of the 500 original companies listed on the Standard & Poor's (S&P's) 500 in 1957, only 17% still remained in 2007.<sup>7</sup> Forrester asserts that Adaptive Brand Marketing is the approach that marketers must take to avoid extinction and thrive in the digital age. Forrester defines Adaptive Brand Marketing as:

*A flexible approach in which marketers respond quickly to their environment to align consumer and brand goals and maximize return on brand equity.*

The only way to become an adaptive brand marketer is to fundamentally adapt the marketing organization. To help CMOs and marketing leaders put this approach into practice, Forrester has

identified the five traits of marketing leaders who have successfully created adaptive organizations. We talked to marketing leaders at some of the world's most successful companies to unlock the secrets behind their ability to grow their business as a result of proactively transforming into digital-era organizations.

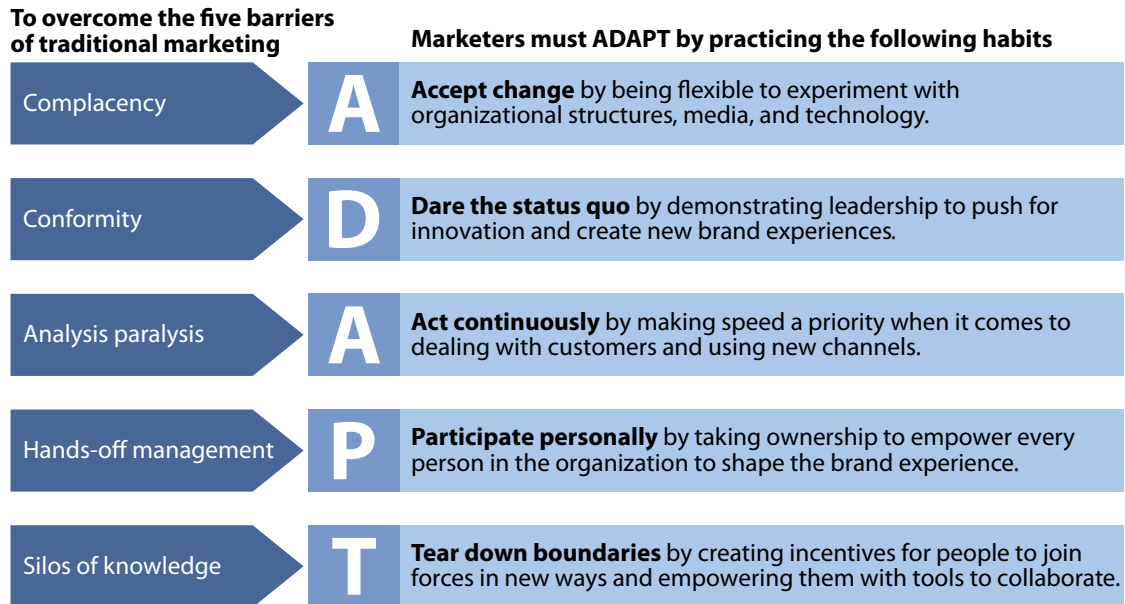
### The Five Habits Of Highly Adaptive Marketers

People who successfully lose weight accomplish this by practicing a consistent lifestyle, not sporadically going on crash diets. Similarly, marketers who want to stop chasing the latest digital craze must adopt a mindset and behavior change. Like a personal trainer, the role of the CMO is to provide guidelines for employees to live by in order to create a healthier, more agile organization.

Highly adaptive marketers confront the barriers to adaptability by practicing these five habits (see Figure 2):

- **Accept change.** Traditional marketers have become complacent about success, assuming that what works today will work tomorrow. Adaptive marketers take a more flexible approach by experimenting with their organizational structure, emerging media, and new technology. This helps them prepare for the unexpected and stay one step ahead of the competition.
- **Dare the status quo.** Traditional marketers don't rock the boat and prefer to conform to "how things are done" in order to build their annual plan. Adaptive marketers challenge the status quo. They act as leaders and change agents who courageously strive to create new brand experiences, encourage innovative thinking, and use technology to their advantage.
- **Act continuously.** Traditional marketers miss out on opportunities by becoming so overwhelmed with new options that it leads to indecision. Adaptive marketers place a premium on speed and action when it comes to using new channels or taking on new customer-facing initiatives.
- **Participate personally.** Traditional marketers live in a world of top-down command-and-control organizations that remain detached from the frontlines. Adaptive marketers get personally involved in new media and marketing innovations in addition to empowering their team to take a personal stake in shaping the brand experience.
- **Tear down boundaries.** Traditional marketers perpetuate silos that stifle creativity and collaboration. Adaptive marketers redefine organizational boundaries by motivating people to join forces in new ways, rewarding them for sharing knowledge, and equipping them with the tools to stay connected with each other.

**Figure 2** Use The ADAPT Framework To Combat The Barriers Of Traditional Marketing



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Source: Forrester Research, Inc.

### UNLEASH YOUR ORGANIZATION'S ADAPTABILITY

CMOs must embody the habits of an adaptive marketer to inspire the organization to live differently. In particular, they must apply new leadership values to help transform their culture, tactics, and technology (see Figure 3). By instilling adaptability into the DNA of the organization, CMOs and marketing leaders will have an internal compass to guide their actions.

**Figure 3** ADAPT Habits Transform The Culture, Tactics, And Technology Of The Organization

	<b>A</b> Accept change	<b>D</b> Dare the status quo	<b>A</b> Act continuously	<b>P</b> Participate personally	<b>T</b> Tear down boundaries
<b>Values</b>	Flexibility	Courage	Speed	Ownership	Collaboration
<b>Culture</b>	Nimble organizations	Responsible risk takers	Quick decision-makers	Empowered employees	Ability to overcome failures
<b>Tactics</b>	Experiment with media options	Establish a new precedent	Use a test-and-learn approach	Use listening platforms	Integrate seamlessly
<b>Technology</b>	Seeks outside innovation	Elevates the customer experience	Applies agile processes	Mirrors consumer adoption	Promotes transparent metrics

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Source: Forrester Research, Inc.

**Accept Change By Being Flexible To Experiment**

Complacency leaves brands vulnerable and seals the fate of companies like Blockbuster as they get surpassed by more forward-looking new entrants like Netflix and Redbox Automated Retail. CMOs and marketing leaders must be the advance warning system of the organization to identify unmet consumer needs and create new value propositions. Here is what marketers must do to help the entire organization accept the new world order ahead of the competition:

- **Keep employees nimble by restructuring roles.** In order for the organization to be agile and adaptive, marketers must rethink the traditional roles and responsibilities of their employees. Marketers can create rotational roles that offer new learning opportunities and career growth. For instance, Procter & Gamble is building its digital DNA from the ground up by transitioning people from a matrix role in digital marketing or eCommerce to the position of a digital assistant brand manager (ABM). By the time these digital ABMs are ready to become brand managers, the entire organization will be digitally minded as a rule, not an exception.

- **Prepare for changes in media by setting aside an ample experimentation budget.** The only way for marketers to learn how to leverage emerging media and technology is to test it out on their brands. Forrester recently learned that 30% of marketers are allocating at least 15% of their media budget to experimentation.<sup>8</sup> That's exactly what Avon has done to expand its brand into new consumer segments. For its Mark brand of cosmetics, targeted at high-school and college women, Avon tinkered with its well-known door-to-door and catalog-based direct sales model, by testing social selling tools like its Facebook eBoutique and iPod app.<sup>9</sup> Avon is also testing its first viral marketing effort in the US through the "Kiss Goodbye to Breast Cancer" campaign.<sup>10</sup>
- **Seek innovation from outside of the company.** Marketers must forge relationships with those at the frontier of new media and technology in order stay relevant. PepsiCo hitches its company to outside innovation through the PepsiCo10, an incubator for ten startups that specialize in social media, mobile marketing, place-based marketing, digital video, and gaming. The program provides the startups with brand strategy advice, media consultation, as well as access to venture capitalists and angel investors. In exchange, PepsiCo gains the leading-edge learning about how to leverage emerging media and technology to engage with consumers.

### Dare The Status Quo With Disruptive Approaches To Media And Technology Innovation

CMOs cannot afford to conform to time-honored marketing strategy in a world of rapidly evolving media and technology. Instead, those marketing leader who have the courage to blaze new trails will gain a competitive advantage by discovering breakthrough strategies and disruptive innovations. Marketers can resist following the herd mentality by taking the following actions.

- **Pursue new brand experiences even when there is no precedent.** Forrester believes that marketers rely too much on marketing communications — ads, public relations (PR), and sponsorships — to build their brand. Instead, they should invest in today's new media and technology options to create more powerful brand experiences. Best Buy has an experiment with shopkick that delivers a location-based shopping experience at retail stores through a consumer's smartphone. Rather than hide from in-store comparison shopping on mobile devices, this app enables consumers to earn and redeem kickbucks when they use the app inside of a Best Buy store to access information about products, tell friends about products, or make purchases.
- **Defy conventional media planning.** The customer purchase funnel has evolved from a linear process to a more cyclical and synergistic one that has major implications for the future of media planning.<sup>11</sup> That's why Ford Motor has been breaking tradition with television-heavy media plans and investing 25% or more in digital advertising, which is almost three times the industry average.<sup>12</sup> One example is the launch of the Fiesta in the US. In 2009, Ford built early awareness for the Fiesta through a network of 100 bloggers who tested the car and wrote about it for their readers. In 2010, Ford added to the Fiesta movement by launching the Fiesta Project, an effort to capture user-generated video. As a result, Ford learned that it could reduce the cost of subsequent launch efforts by as much as 90%.<sup>13</sup>

- **Break down technology barriers that impede the customer experience.** Marketers should prioritize investments in technology based on how much they will affect the brand's ability to improve the customer experience. Avon depends on its 10 million sales reps to be the voice and face of its brand and once relied on dated marketing technology and processes that kept new prospects waiting as long as a week before receiving a follow-up contact. Acknowledging that this pace was no longer acceptable, it is rebuilding its sales force enablement systems from the ground up. The goal is to reduce follow-up time with new leads, enabling Avon to transform its famous offline social networking skills into a sales force of the social era.

### Act Continuously By Creating A Culture Of Action

CMOs and marketing leaders can capitalize on periods of great change, instead of watching from the sidelines, by placing a premium on taking action. To combat analysis paralysis, marketers must:

- **Structure the organization to make quicker decisions.** In a world driven by rapidly changing information, marketers must be built for speed and execution in order to succeed, which requires the right people to have the right information at the right time. That's why CMOs must organize their departments around a holistic view of the customer, instead of the traditional silos of functional expertise, channel, or line of business.<sup>14</sup> Best Buy succeeded where Circuit City failed because it distributed decision-making throughout the marketing department so that tactical decisions could be made without having to run everything up the organizational flag pole. As a result, Best Buy's Matt Smith, vice president of marketing, says that complex customer relationship management (CRM) initiatives like the Reward Zone loyalty program have been able to generate 10 times the number of email campaigns every week.
- **Constantly make adjustments to capitalize on shifts in consumer demand.** Grocery stores and consumer packaged goods (CPG) companies rely on weekly pricing strategies to shift demand from one product to another. But Forrester believes that marketers can go a step further to optimize their pricing models.<sup>15</sup> Every major league baseball team hosts 81 games a season, but not every game is equally appealing to attend. To entice more fans to attend each and every game, the San Francisco Giants broke from the tradition of using one price throughout the season. Instead, it uses a dynamic pricing model, whereby the price of seats for each game is adjusted based on factors such as weather conditions, pitching matchups, and appeal of the visiting team. As a result, the average revenue per seat increased by 7% to 8%.<sup>16</sup>
- **Use an agile process to implement marketing technology.** When it comes to technology-driven marketing initiatives, marketers need to think big, take small steps, and grow rapidly. Razorfish Agile and Accenture Interactive are using an agile technology approach to marketing technology, allowing marketers to see incremental progress through rapid prototyping. For instance, Razorfish launched a new Web site for Ford in stages, rather than waiting until all of the features and functionality were complete. This enabled Ford to learn that its original content about fuel economy was off base because consumers were more interested in learning about

how to keep their cars running longer and buy extended warranties. Ford made the adjustments to content and messaging in the second and third iterations of the Web site and thus generated significantly more leads to dealerships than the initial site did.

### Participate Personally By Giving Everyone A Role In Shaping The Brand Experience

CMOs need to send a top-down message to their organization that it's critical for everyone to become fluent about emerging media and technology, as opposed to delegating it to the resident expert. Here's what marketers need to do to become a hands-on marketing organization:

- **Create a HERO-powered business.** To succeed with empowered customers, you must empower your employees to solve customer problems. Forrester's book, *Empowered*, identifies how companies can cultivate employees who are highly empowered and resourceful operatives (HEROes). To help more workers feel empowered, leadership must encourage individual innovation. For instance, Intuit's management tolerates experiments as long as they align with the corporate strategy to deliver financial solutions to small businesses and consumers.<sup>17</sup> To help more workers act resourcefully, marketers must support them with technology. Sunbelt Rentals, which supplies equipment to construction workers, provided iPhones with an app for inventory and prices to their field reps. As a result, phone calls to its branch office decreased by 30%, while rental rates increased by 3.5%.<sup>18</sup>
- **Turn the brand into an active participant.** Becoming a social brand like Best Buy, Zappos.com, or Whole Foods Market can't be outsourced. It requires the participation of real employees — your brand's HEROes. Gatorade, for instance, recently created the Mission Control Center as a war room for monitoring and reacting to social media insights. The goal of the project is to “take the largest sports brand in the world and turn it into largest participatory brand in the world.” To realize that vision, it has assigned individuals from the brand team as well as the advertising, digital, PR, and media agencies to take part in the brand's social conversation. Mission Control sprung into action for the new G Series performance line when it addressed an issue with leaky packages and released a product locator for consumers who were having trouble finding the new products.<sup>19</sup>
- **Use the technology that your customers use.** Marketers who don't participate in the new technology that consumers adopt will never learn how to capitalize on it. CMOs like Barry Judge from Best Buy (@BestBuyCMO) and Marty St. George (@martysg) from JetBlue Airways are regular bloggers and Twitterers who have become a reflection of their organization's ability to embrace social media. Meanwhile, the CMO of Dunkin' Donuts, John Costello, insists that all key decision-makers actively monitor and react to its 58,000-plus coffee followers on Twitter by providing them with smartphones to quickly access the Twitter feed.

### Tear Down Boundaries By Creating Incentives For Collaboration

To be truly adaptive, CMOs and marketing leaders need to break down the organizational silos that prevent critical information and learning from being shared. Here is what marketers need to do:

- **Hold the team accountable for learning from failures.** Unsuccessful projects usually offer some of the best learning opportunities. Marketing leaders should uncover insights from every new customer experiment, regardless of the outcome. Marketers at Nike launched the Nike iD Web site with the intention of building a sizable new revenue stream by letting consumers customize their own sneakers online. Sales didn't initially meet their expectations, but they discovered an unexpected outcome: Enough consumers were using the customization tool that it turned into a valuable co-creation lab for product innovation. Once customization had reached critical mass, Nike adjusted its approach to eCommerce on the site and just surpassed \$100 million in revenue for the first time.<sup>20</sup>
- **Explore new models of collaboration with external partners.** As CMOs rely on an expanding roster of external marketing partners, they must establish higher expectations for synergy and cooperation. Even before the recession, Ford began integrating its advertising resources in a way that no company had done before. It pooled together domain experts in advertising, digital, CRM, PR, and media from across the WPP network and created a new agency called Team Detroit. The agency operates under one profit and loss to ensure media-agnostic thinking. The client engages in a more face-to-face way because there is less travel and also feels that the agency relationship keeps its freshness by continuously forming dream teams for each project. The work to transform the company is paying off with successful launches of the Fusion, Focus, Fiesta, and Edge, resulting in year-to-date sales that are doubling the category average.<sup>21</sup>
- **Use social technology to disseminate knowledge across silos.** Marketers must embrace the fact that their employees are changing how they consume and engage with content on the job. Verizon Business, under the leadership of Becky Carr, took this challenge seriously and rolled out an entire arsenal of digital and social tools across the organization called vTools. It includes vTube, which broadcasts success stories, training videos, and executive briefings, as well as vConnect, which is an internal community that gives frontline sales engineers unparalleled access to the collective knowledge of thousands of engineers from around the globe.

### HOW TO TAKE THE FIRST STEP TO BECOME AN ADAPTIVE MARKETING ORGANIZATION

To borrow a phrase from Jack Welch, marketers need to “change before [they] have to.” To help CMOs and marketing leaders create a game plan for putting the five ADAPT-ive habits into practice, Forrester has created a self-diagnostic to assess the organization's adaptability (see Figure 4). In an ideal case, this survey should be customized for a company and administered to everyone in the marketing department to get the most complete picture. The results of the self-diagnostic will provide marketing leaders with three actionable insights:

- 1. Gauge the intensity of the effort required.** If the total score is more than 35, the organization is already practicing highly adaptive habits and should concentrate on preventing the company from slipping back into bad habits. If the total score is between 31 and 35, there is room for improvement, and the organization should seek to isolate the areas that require work. If the total score is between 26 and 30, the organization is struggling, and it will require a significant effort to overcome barriers to adaptability. If the total score is 25 or less, a major transformation is required that will likely affect many departments across the entire organization.
- 2. Identify their weak links.** Each question in the self-diagnostic relates to the 10 aspects of the company that should be adaptive — leadership, media, innovation, risk taking, information, processes, roles, customer experience, organizational structure, and incentives. In this way, marketers can easily identify their shortcomings in becoming more adaptive.
- 3. Prioritize their efforts to become more adaptive.** Armed with the knowledge of steps 1 and 2, marketers will be prepared to draw up a game plan for building a more Adaptive Marketing culture. Marketers should refer back to the five ADAPT-ive habits to identify the most relevant and impactful best practices to put into place.

**Figure 4** The ADAPT Self-Diagnostic

<b>“Indicate your level of agreement with each of the following statements.”</b> (Responses on a scale of 1 [strongly disagree] to 4 [strongly agree])	<b>Strongly disagree</b>	<b>Disagree more than agree</b>	<b>Agree more than disagree</b>	<b>Strongly agree</b>
Our CEO is a champion of change.	1	2	3	4
We invest significant time and money to experiment with new media and technology.	1	2	3	4
Our company has recently developed a significant new revenue stream as a result of innovating a product or attracting a new customer group.	1	2	3	4
Our culture encourages people to take calculated risks even when there is no precedent and the results aren’t guaranteed.	1	2	3	4
Individuals have the information they need, when they need it, to make fast and effective decisions.	1	2	3	4
Our processes are designed to be flexible and continuously improve the customer experience.	1	2	3	4
Individuals at all levels are appropriately empowered to take action on their own.	1	2	3	4
We encourage individuals to learn and use new technology to improve the brand and customer experience.	1	2	3	4
Our organizational structure helps, more than it hinders, the ability for people to collaborate and learn from each other.	1	2	3	4
Individuals are adequately motivated to share learning from failures and successes and rewarded for it.	1	2	3	4

More than 35 = your organization adapts to anything thrown at it.  
31-35 = the organization is prepared for change, but there is room to improve.  
26-30 = adaptability is held back by corporate structures.  
10-25 = your organization is inflexible and slow to make changes.

## WHAT IT MEANS

### ADAPTIVE MARKETERS SHAPE THE FUTURE OF MARKETING IN TODAY'S WORLD

Some thought leaders like Freek Vermeulen of the London Business School believe in the long-term value of change for change's sake, because it gives companies a better chance to sustain growth in the face of ever-present competition and disruptive innovation.<sup>22</sup> However, marketing leaders who practice the habits of highly adaptive organizations will see inspired short-term results and leapfrog their competition, as:

- **Creative technology innovations reinvent the brand experience.** Adaptive marketers will rewrite the playbook on how to leverage technology to engage with today's digital consumers. One example of the future of marketing can be seen today in how marketers are transforming yesterday's vending machines into today's brand experience machines. These next-generation vending machines leverage touchscreen technology, 3G wireless networking, and mobile integration to deliver a unique new brand experience. Kraft Foods is testing a digital snack machine that will let consumers get instant access to ingredients and nutritional information, while providing a platform for marketers to deliver targeted interactive advertising.<sup>23</sup>
- **Social media experiments yield cumulative gains for early adopters.** One of the big rewards for experimenting with social media is that it has a cumulative effect. That means that while restaurants like McDonald's play it safe, pioneering companies like Starbucks will gain social momentum with every effort they test, no matter how small. Just recently, Starbucks became the first brand with more than 15 million Facebook fans and is one of nine brands with more than 1 million Twitter followers. To say Starbucks jumped out to an early lead in the quick-serve restaurant category is a gross understatement — McDonald's has the second highest number of Facebook fans, with more than 3.6 million, while Dunkin' Donuts has more than 58,000 Twitter followers.<sup>24</sup>
- **Brands reposition offerings to preempt social media critics.** Adaptive marketers will prevent their brands from stagnating by serving up authentic product innovations that hold up to the scrutiny of their worst consumer critics. Before Domino's embarked on the journey to recreate its pizza from the ground up, it had recorded 58 consecutive quarters of same-store sales growth. It sustained this growth despite a product that tied for last place in a national survey of consumer taste preference and an employee-created viral video prank about tainting a delivery order. Realizing that the brand had dodged two bullets, the CMO didn't want to risk a third product disaster. Instead, he championed change from the product up, believing that the only way a brand like Domino's can exist in the transparency of social media is to let its product do the talking. Four months after the new product and advertising campaign launched, the company recorded a 14.3% jump in same-store sales. The following quarter, same-store sales were still up 8%, and profits increased by 55%.<sup>25</sup>

## RECOMMENDATIONS

## CMOS MUST ADAPT THEIR ROLE IN THE C-SUITE

The groundswell is creating change in organizations from the bottom up. But without clear direction and support from the top, groundswell efforts won't reach their full potential. CMOs are the executives who must step up to embrace this change within their organizations and channel it for market gains and competitive advantage. To do that, CMOs need to seize this unique opportunity to redefine their role among the leadership of the company.

- **Become the CEO's agent of change.** The CEO sets the agenda for adaptive companies like Best Buy and Avon, but these companies also have CMOs who are instrumental in fanning the flames of innovation and change throughout the organization. As the role of the CMO continues to expand across customer-facing initiatives, it will also expand across internally facing projects.<sup>26</sup> CMOs will have a larger role in: 1) building the brand internally by marketing to employees with the same vigor as to customers; 2) identifying the HEROes in the organization; and 3) connecting the dots between marketing, sales, and service to deliver a total brand experience.
- **Build bridges with the CIO.** CMOs must narrow the chasm between IT and marketing departments by working more closely with CIOs to harness groundswell technology and establish a more nimble working relationship by: 1) appointing a chief marketing technologist to stay ahead of emerging technology trends and act as a liaison between IT and marketing initiatives; 2) creating learning laboratories like Unilever where marketing and IT join together to experiment with new technologies together; and 3) harnessing DIY technology that customer-facing employees already use to deliver a better brand experience.<sup>27</sup>
- **Establish new ground rules with the CFO.** CMOs have always been on the hook for measuring the elusive return on investment (ROI) of marketing, but emerging media and technology add new variables that make it harder than ever to quantify. CMOs will develop new guidelines for financial metrics and overcome insufficient funding by: 1) building the business case for increased investment in emerging media and technology experimentation, like the PepsiCo10; 2) adapting metrics to quantify not only the short-term financial ROI but also the long-term financial impact of return on marketing objectives (ROMO); and 3) establishing a holistic picture of the investment in digital skills and resources that are required across all frontiers of the company, beyond just marketing.

## SUPPLEMENTAL MATERIAL

## Companies Interviewed For This Document

Accenture	Dunkin' Donuts
Avon	Gatorade
Best Buy	London Business School

Procter & Gamble

Team Detroit

Rapp

Verizon

Razorfish

Virgin America

## Methodology

Forrester's December 2009 and January 2010 Global Marketing Leadership Online Surveys were fielded respectively to 100 and 101 marketing leadership professionals from our ongoing Marketing & Strategy Research Panel. The panel consists of volunteers who join on the basis of interest and familiarity with specific marketing and strategy topics. For quality assurance, panelists are required to provide contact information and answer basic questions about their firms' revenue and budgets.

Forrester fielded the surveys in December 2009 and January 2010. Respondent incentives included a summary of the survey results and access to a Forrester research report.

Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

If you're interested in joining one of Forrester's research panels, you may visit us at <http://Forrester.com/Panel>.

## ENDNOTES

- <sup>1</sup> Source: December 2009 Global Marketing Leadership Online Survey.
- <sup>2</sup> Source: December 2009 Global Marketing Leadership Online Survey.
- <sup>3</sup> The study (based on a survey of more than 320 global marketing executives and 300 global IT and information systems executives that was conducted from June to September 2010) found that very few marketing and IT executives surveyed for the report believe that their companies are prepared to exploit new digital channels, despite their shared conviction that technology now underpins and shapes the entire customer experience. Source: "Operational Transformation Needed To Align Marketing And IT Groups As Companies Seek Competitive Advantage In Fast-Changing Digital World, Finds Study From CMO Council And Accenture," joint press release by Accenture Interactive and CMO Council, October 4, 2010 ([http://newsroom.accenture.com/article\\_display.cfm?article\\_id=5070](http://newsroom.accenture.com/article_display.cfm?article_id=5070)).
- <sup>4</sup> Source: "Consumer [behavior] drives change; Entertainment & Media players seek new roles in digital value chain," PricewaterhouseCoopers press release, June 15, 2010 (<http://www.pwc.com/gx/en/press-room/2010/E-and-M-players-seek-new-roles-digital-value-chain.jhtml>).

- <sup>5</sup> Many of the social media systems that Best Buy has successfully launched, including Twelpforce, would never have been created were it not for Blue Shirt Nation. The employee-initiated effort opened the eyes of the company's leadership to embrace employees' ideas and innovations. Source: Josh Bernoff and Ted Schadler, *Empowered: Unleash Your Employees, Energize Your Customers, Transform Your Business*, Harvard Business Review Press, 2010 (<http://www.forrester.com/empowered>).
- <sup>6</sup> Forrester asserts that the current online world of standard, similarly formatted PCs and browsers is ending. The Internet will splinter due to the rise of powerful connected devices and the spread of social technologies. See the January 26, 2010, "[The Splinternet](#)" report.
- <sup>7</sup> Fifty years after the S&P expanded to list 500 companies, only 86 remained. The other 414 companies were either acquired, went bankrupt, or were delisted. Source: Mark Hulbert, "Hidden lessons in the S&P 500's 50th birthday," *Market Watch*, March 3, 2007 (<http://www.marketwatch.com/story/on-sp-500s-50th-anniversary-hidden-lessons-for-investors>).
- <sup>8</sup> Source: January 2010 Global Marketing Leadership Online Survey.
- <sup>9</sup> Source: Sara Zucker, "Avon Is On The Mark With Social Networking," *brandchannel*, December 14, 2009 (<http://www.brandchannel.com/home/post/2009/12/14/Avon-Is-On-The-Mark-With-Social-Networking.aspx>).
- <sup>10</sup> Source: Shahnaz Mahmud, "Avon launches 'Kiss Breast Cancer Goodbye' campaign," *Direct Marketing News*, October 8, 2010 (<http://www.dmnews.com/avon-launches-kiss-breast-cancer-goodbye-campaign/article/180660/>).
- <sup>11</sup> More than a century after its first use, marketing leaders still turn to the "marketing funnel" to describe three key aspects of their work: consumer psychology, marketing mix measurement, and the business value of marketing. However, as marketing has grown more complicated over the past decade, the funnel has struggled to continue to reflect reality. Forrester believes the funnel's value as a framework is finished, and a new model — the customer life cycle — provides a better fit with modern marketing, as it puts the customer at the center of the effort, involves the entire brand experience, and describes an ongoing relationship with the customer. Just as the funnel infused every aspect of marketing historically, the customer life cycle will transform how marketers talk and think about their discipline in the digital world. See the October 28, 2010, "[It's Time To Bury The Marketing Funnel!](#)" report.
- <sup>12</sup> Source: David Kiley, "Ford Spending 25% of Marketing on Digital and Social Media," *Bloomberg Businessweek*, October 16, 2009 ([http://www.businessweek.com/autos/autobeat/archives/2009/10/ford\\_spending\\_25\\_of\\_marketing\\_on\\_digital\\_and\\_social\\_media.html](http://www.businessweek.com/autos/autobeat/archives/2009/10/ford_spending_25_of_marketing_on_digital_and_social_media.html)).
- <sup>13</sup> Source: Mack Collier, "Ford CMO Jim Farley: Social media leading to 'massive cost savings' for Ford," *MackCollier.com*, September 30, 2010 (<http://mackcollier.com/ford-cmo-jim-farley-social-media-leading-to-massive-cost-savings-for-ford/>).
- <sup>14</sup> CMOs will upend the organization to align around the customer by creating cross-departmental teams that work together to serve a specific consumer type across product categories, channels of communication, and brands. To accomplish this they will: 1) Identify the strongest consumer groups in the firm's portfolio; 2) manage the intersection of consumer groups and brands; and 3) appoint a consumer group marketing director to arrange all efforts. See the December 14, 2009, "[Marketing Mandate: Connect The Dots](#)" report.

- <sup>15</sup> CMOs will need to partner with the financial staff to explore new pricing models such as: 1) sharing pricing details transparently; 2) making pricing flexible, based on a variable; and 3) asking consumers to name their price. See the June 11, 2010, “[Define Your Marketing Innovation Strategy](#)” report.
- <sup>16</sup> Source: Jerry Beach, “Dynamic pricing pays off for San Francisco Giants tickets,” TicketNews.com, October 4, 2010 (<http://www.ticketnews.com/news/Dynamic-pricing-pays-off-for-San-Francisco-Giants-tickets101004601>).
- <sup>17</sup> Source: Josh Bernoff and Ted Schadler, *Empowered: Unleash Your Employees, Energize Your Customers, Transform Your Business*, Harvard Business Review Press, 2010 (<http://www.forrester.com/empowered>).
- <sup>18</sup> Source: Josh Bernoff and Ted Schadler, *Empowered: Unleash Your Employees, Energize Your Customers, Transform Your Business*, Harvard Business Review Press, 2010 (<http://www.forrester.com/empowered>).
- <sup>19</sup> Source: Adam Ostrow, “Inside Gatorade’s Social Media Command Center,” Mashable (<http://mashable.com/2010/06/15/gatorade-social-media-mission-control/>).
- <sup>20</sup> Source: Mark Brohan, “Nike’s web sales flourish in fiscal 2010,” *internet Retailer*, June 30, 2010 (<http://www.internetretailer.com/2010/06/30/nikes-web-sales-flourish-fiscal-2010>).
- <sup>21</sup> Source: Rich Thomaselli, “Marketer of the Year: Ford Motor Co.,” *Advertising Age*, October 18, 2010 ([http://adage.com/moy2010/article?article\\_id=146528](http://adage.com/moy2010/article?article_id=146528)).
- <sup>22</sup> Source: Freek Vermeulen, Phanish Puranam, and Ranjay Gulati, “Change for Change’s Sake,” *Harvard Business Review*, June 2010 (<http://hbr.org/2010/06/change-for-changes-sake/ar/1>).
- <sup>23</sup> Marketers like Kraft Foods are transforming product transactions into brand moments by creating engaging marketing tactics that are: 1) personally relevant; 2) locally dynamic; and 3) unexpectedly rewarding. See the September 16, 2010, “[The Pop-Up Brand Experience](#)” report.
- <sup>24</sup> As of October 19, 2010, Starbucks was ranked No. 1 among the brand category on Famecount, with 15,647,469 fans and 1,090,689 Twitter followers. Source: Famecount (<http://www.famecount.com/social-network-charts/Brand>).
- <sup>25</sup> Source: Dick Patton, “Good CMOs Facilitate Change, but Great CMOs Drive It,” *Advertising Age*, September 2, 2010 ([http://adage.com/cmstrategy/article?article\\_id=145697](http://adage.com/cmstrategy/article?article_id=145697)).
- <sup>26</sup> The article reports a CEO claiming to care as much or more about the CMO’s ability to engage and persuade internal constituents as about creative or strategic acumen. Source: Dick Patton, “Good CMOs Facilitate Change, but Great CMOs Drive It,” *Advertising Age*, September 2, 2010 ([http://adage.com/cmstrategy/article?article\\_id=145697](http://adage.com/cmstrategy/article?article_id=145697)).
- <sup>27</sup> Another key finding of the report, “The CMO-CIO Alignment Imperative: Driving Revenue through Customer Relevance,” is that marketing and IT executives do not believe that they are highly effective partners, as they struggle to achieve common goals in the race to adopt and keep pace with rapidly evolving digital marketing capabilities. Source: “The CMO-CIO Alignment Imperative: Driving Revenue through Customer Relevance,” The CMO Council, October 2010 ([http://newsroom.accenture.com/article\\_display.cfm?article\\_id=5070](http://newsroom.accenture.com/article_display.cfm?article_id=5070)).

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