



Stepping up to the challenge

CMO insights from the Global C-suite Study

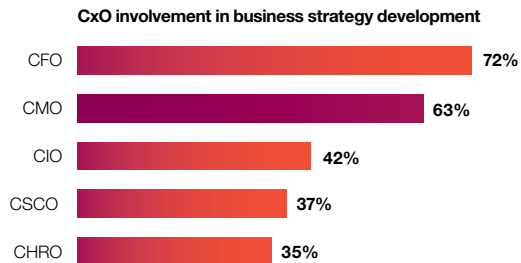
Chief Marketing Officer insights from the IBM C-suite Study

This report draws upon input from the 4,183 CxOs we interviewed as part of IBM's first study of the entire C-suite. It is the 17th in the ongoing series of C-suite studies developed by the IBM Institute for Business Value. We now have data from more than 23,000 interviews stretching back to 2003.

Total CMOs interviewed	524
Japan	83
Asia-Pacific	46
Europe, Middle East and Africa	265
North America	61
South America	69

Figure 1

Rising star: CEOs rely increasingly heavily on CMOs for strategic input



The changing world of the CMO

In the first installment of our Global C-suite Study, we spoke in person with 4,183 top executives from more than 20 industries to find out how they're earning the loyalty of digitally enfranchised customers and citizens. This report focuses on how the 524 CMOs we interviewed are helping their enterprises become more "customer-activated."

The news is both good and bad. On the one hand, CMOs are wielding more power in the boardroom, as CEOs increasingly call on them for strategic input. In fact, the CMO now comes second only to the CFO in terms of the influence he or she exerts on the CEO (see Figure 1).

A growing number of CMOs are also liaising closely with CIOs—with remarkably positive effects on the bottom line. Where the CMO and CIO work well together, the enterprise is 76 percent more likely to outperform in terms of revenues and profitability.

On the other hand, very few CMOs have made much progress in building a robust digital marketing capability. Only 20 percent have set up social networks for the purpose of engaging with customers, for example, even though online input is a crucial part of the dialogue between a company and its customers. The percentage of CMOs who have integrated their company's interactions with customers across different channels, installed analytical programs to mine customer data and created digitally enabled supply chains to respond rapidly to changes in customer demand is even smaller (see Figure 2).

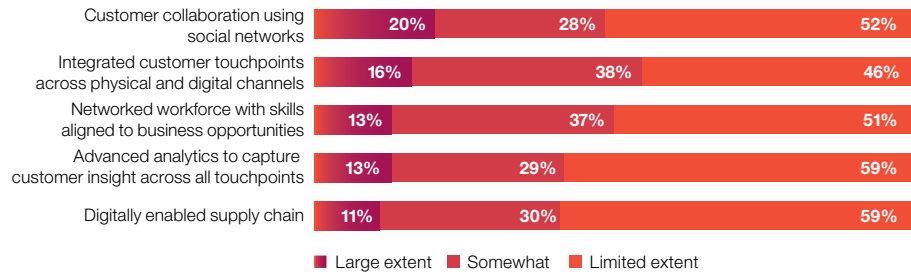
“To succeed in the digital era, you have to be totally in sync with the behaviour and preferences of your customers in a fast-changing landscape. You have to be quick and adaptable.”

CMO, Retail, United States

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Figure 2

Hole story: Very few CMOs have implemented the key components of a digital strategy



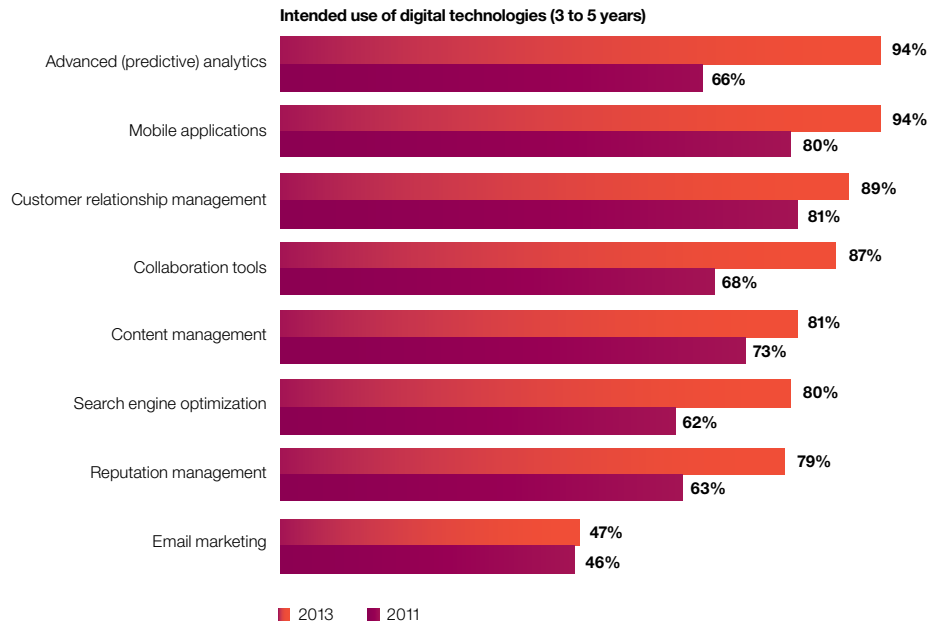
The situation is, if anything, worse than it was when we completed our last Global CMO Study. In 2011, 71 percent of the CMOs we interviewed told us they felt underprepared to deal with the data explosion. Today, a full 82 percent feel that way. Two-thirds of all CMOs also report that they're not ready to cope with social media, which is only marginally less than was the case three years ago.

That's not to say CMOs are ignoring technology's potential. On the contrary, they plan to make even greater use of some key marketing technologies in the next three to five years. Predictive analytics and mobile applications feature particularly high on their wish lists, although customer relationship management and collaboration tools come close behind (see Figure 3). And 74 percent of CMOs intend to partner more extensively in the future to help them realize their goals.

The issue is, rather, that there's currently a huge gap between aspiration and action. And it's questionable whether CMOs are moving fast enough to keep up with the speed at which the commercial landscape is evolving, or whether they need something akin to a turbo boost.

Figure 3

Tools of the trade: CMOs plan to use certain technologies more extensively in the future

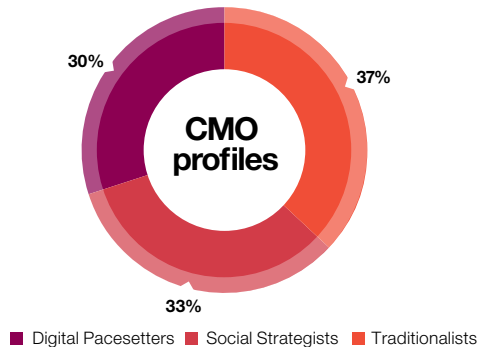


*“We know what we want to do.
Our biggest challenge is creating
the data infrastructure.”*

CMO, Insurance, New Zealand

Figure 4

Marketing troika: CMOs fall into one of three categories



Three distinct profiles

But not all CMOs are the same! In the course of our research, we identified three distinct kinds of CMO, each at a different stage on the path to digital nirvana (see Figure 4).

The Traditionalists are just setting off. They're challenged by the data explosion, the growth in social media and the plethora of new channels and devices; have yet to integrate their physical and digital sales and service channels; seldom engage with customers via social networks; and rarely use analytics to extract insights from the customer data they collect.

The Social Strategists have passed the first few milestones. They've recognized social media's potential as a vehicle for engaging with customers, and they're building the infrastructure they'll need to operate in the social arena. But, like Traditionalists, they haven't yet begun to exploit the opportunities arising from the data explosion and advanced analytics.

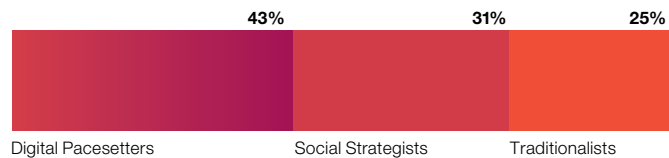
The Digital Pacesetters, by contrast, are much further down the road. They're reasonably prepared for the data explosion and well placed to handle the increasingly heavy social and mobile traffic from a growing range of devices. They're also actively putting the resources required to operate as a fully integrated physical-digital enterprise in place. And they regularly use advanced analytics to generate insights from customer data.

These differences aren't academic. There's a close link between the degree of digital acumen CMOs display and the financial performance of the enterprises for which they work: 43 percent of the outperformers in our study are Digital Pacesetters, compared with just 25 percent of Traditionalists (see Figure 5).

So how do you succeed in the digital world? CMOs told us there are three prerequisites: using data analytics to get a much deeper understanding of customers, individually as well as collectively; designing rewarding customer experiences; and capitalizing on new technologies to provide those experiences smartly and efficiently.

Figure 5

Fine figures: Digital Pacesetters help their companies fare better financially



“We’re focusing on people who want to work the way they live, and enable that work and living experience. We really want to understand customer journeys and how people will buy products in the future. We want to be where they’re going to be.”

CMO, Electronics, United States

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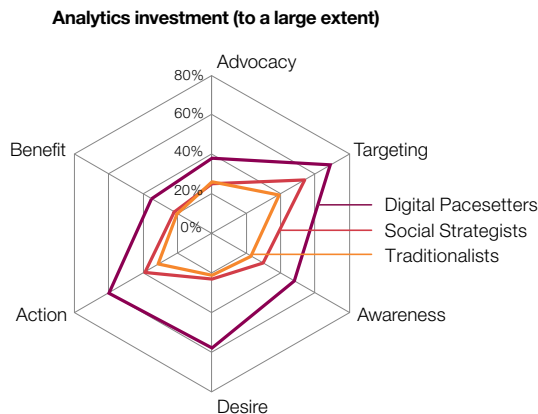
Use advanced analytics for deep customer insight

The most progressive enterprises pay close attention to all the cues that customers provide. They track obvious sources of information such as point-of-sale data, loyalty programs and the like. Then they integrate this data with intelligence from other sources, including real-time conversations on social networks, and use the insights they’ve obtained to inform a wide range of activities. In other words, they embed analytics in their day-to-day routine.

The Digital Pacesetters in our survey lie squarely in this camp. They’ve invested far more heavily than Traditionalists or Social Strategists in capturing and analyzing data during every phase of the customer lifecycle (see Figure 6). And that investment is paying off, particularly in the latter stages of the customer lifecycle (Action, Benefit and Advocacy): outperformers are up to 26 percent more likely to have made significant investments in those areas than underperformers.

Figure 6

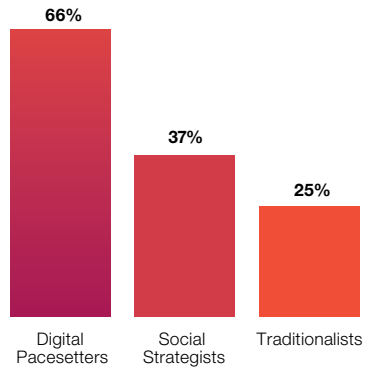
Cash advance: Digital Pacesetters spend more on analytics throughout the customer lifecycle



Digital Pacesetters are also doing much more to extract useful insights from the wealth of data available to them, by combining and integrating data from both internal and external sources (see Figure 7). The primary purpose, as one astute CMO from a leading New Zealand bank explained, is to design and deliver a consistent, positive outcome at every stage of the customer journey.

Figure 7

Inside-outside: Digital Pacesetters are integrating data from all sources in order to better understand customers



“We want to design integrated customer experiences using data as the thread that weaves everything together.”

CMO, New Zealand

“The key thing is the ability to proactively use data to understand the needs of a specific client and customize and present relevant services and products.”

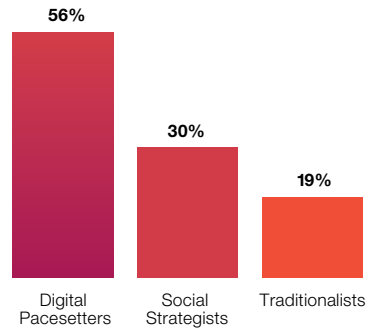
CMO, Banking and Financial Markets, Singapore

The result? Digital Pacesetters typically have a far clearer picture of their customers than other CMOs (see Figure 8). And that feeds through to the figures. Enterprises with a deep understanding of their customers are 60 percent more likely to be financial outperformers.

The smartest CMOs have already spotted the link. “Marketing is a data-driven science. People often see it as a ‘nice-to-have’ because they don’t think it drives the future of the company,” the CMO of a German chemicals company commented. “But marketing is actually about using data to target audiences and create value. It’s about monetizing things.”

Figure 8

Ear to the ground: Digital Pacesetters understand their customers better than other CMOs do



Taking action:

Get the CIO on your side

Work with the CIO to build a secure and scalable cognitive analytics capability within your organization. Analytics is also the CIO's number one priority now. Seize the opportunity to create an infrastructure that can produce *actionable* customer insights.

Invest in analytics

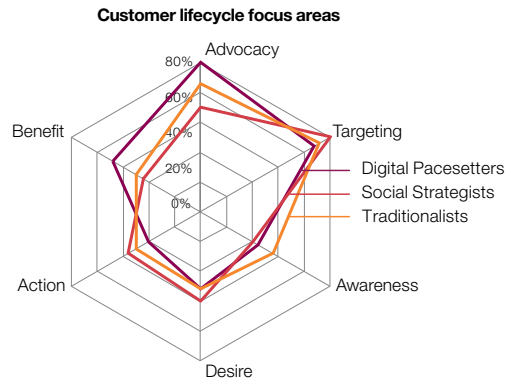
Assess the maturity of your marketing organization and expectations of your customers. Identify which phases of the customer lifecycle are likely to be most important to *your* business in the next few years. Invest in analytics to support the phases you plan to concentrate on, and don't attempt to be all things to all people.

Fuse for clues

Integrate obvious sources of information (point-of-sale data, loyalty programs, etc.) with intelligence from other sources, such as real-time conversations on social networks that mention your brand, products or service. Use the insights you glean to inform a wide range of business and marketing activities, including building better customer understanding across the organization as a whole.

Figure 9

Close links: Digital Pacesetters are focusing on forming stronger bonds with existing customers



Design rewarding customer experiences

Building an infrastructure to extract insights from information is the first step in constructing a customer-activated enterprise. The second is focusing on the customer journey and designing rewarding customer experiences.

Here, too, Digital Pacesetters lead the way: 82 percent expect digital channels to play a bigger role in their interactions with customers in the next three to five years, compared with just 64 percent of Traditionalists and 76 percent of Social Strategists. And they're actively investing in the later phases of the customer lifecycle, where digital channels make the biggest difference.

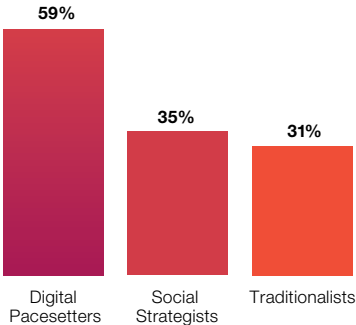
The customer lifecycle has conventionally ended at the point of sale. But in the online world an enterprise can forge lasting connections with its customers by communicating with them regularly and encouraging them to share their experiences. The trouble is, most CMOs still concentrate on sealing the transaction rather than cementing the relationship.

The Traditionalists in our survey are especially concerned with stimulating interest in their products and services, while the Social Strategists are intent on converting browsers into buyers. The Digital Pacesetters, alone, have adjusted their marketing strategies to reflect the change. Their main goal for the next few years is to enhance the overall customer experience and turn customers into loyal advocates (see Figure 9).

That, as the CMO of a French consumer products company pointed out, is no easy task. “We want to orchestrate our interactions with every consumer at an individual level, which means we need to know what messages to deliver, when to deliver them and which channels to use. We also want to position our company in emotional terms, which is quite challenging,” he explained.

However, Digital Pacesetters have a head start. They’re already collaborating with customers to a much greater extent than other CMOs (see Figure 10). And, again, there’s a financial reward for doing so. Companies that invite their customers to play a part in shaping the strategic direction they take and the products and services they offer are 59 percent more likely to be outperformers.

Figure 10
Joint effort: Digital Pacesetters are more willing to collaborate with customers



“Social media is really a different kind of storytelling to influence sales . . . and create new customer experiences.”

CMO, Travel, Germany

Taking action:

Start with the big picture

Create a clear vision, strategy and plan for what you're trying to achieve. Design your activities around those areas that most need improvement: greater insight or understanding; a more consistent experience across customer touch points; deeper relationships with customers; or turning customers into loyal advocates.

Put value first

Think about how the customer lifecycle is changing and how to create value for your customers at every step on the customer journey. Take particular account of the desires and behavior of digitally empowered customers and citizens. Update your customer journey map accordingly. Don't limit your thinking just to "social."

Convert customers into colleagues

Make collaborating *with* customers, as distinct from marketing *to* them, the cornerstone of your marketing strategy. Enable customers to share their experiences with you and with others in the customer community. The goal is to have a two-way dialog—which means relinquishing complete control of your brand, and giving the customer a voice in what your organization does and how it does it.

Effectively execute on the customer promise

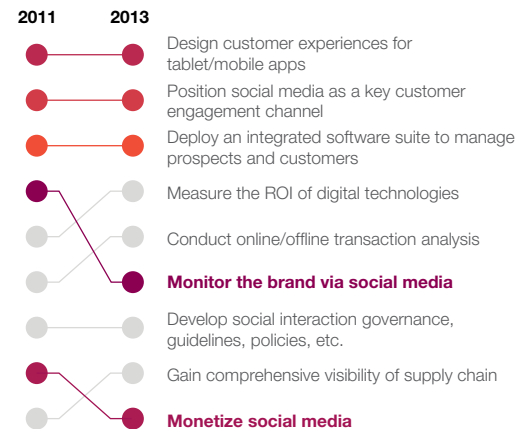
The final criterion for success is being able to use new technologies to deliver first-rate customer experiences. Collectively, CMOs still have the same top goals they had in 2011: to design great mobile apps, engage customers via social media and manage customers effectively. But there are some minor variations among them. Traditionalists and Social Strategists are primarily involved in developing apps, for example, while Digital Pacesetters are more interested in creating consistent cross-channel customer experiences.

What's arguably more surprising is that all three groups seem to have stopped trying to tame social media. They're much less committed to monitoring their brands on social networking sites and blogs than they were in 2011. And monetizing social media has sunk to the bottom of their agendas (see Figure 11). Only a quarter of Traditionalists and two-fifths of Social Strategists and Digital Pacesetters are attempting to make money via social channels. The rest are presumably finding it too difficult or see social mainly as a tool for building awareness and forging connections.

In fact, a significant number of Traditionalists are still wrestling with relatively basic problems such as developing a set of digital guidelines. Social Strategists, by contrast, are more concerned with conducting transaction analysis, while Digital Pacesetters are preoccupied with managing the customer relationship and creating a transparent supply chain to fulfill orders rapidly.

Figure 11

Key goals: CMOs have the same top priorities for managing digital change, but they seem to have given up on taming social media



“What’s the single most important factor for success in the digital world? Connected data presented on a mobile device, effortlessly, beautifully, with stickiness at its core.”

CMO, Retail, United Kingdom

These disparities reflect the degree to which different CMOs have progressed along the digital path. Digital Pacesetters and Social Strategists have made far more headway in implementing an integrated physical-digital strategy (see Figure 12). Digital Pacesetters are also much better equipped to conduct business anywhere, via any device (see Figure 13).

Figure 12

United front: Digital Pacesetters and Social Strategists are miles ahead of Traditionalists in developing an integrated physical-digital strategy

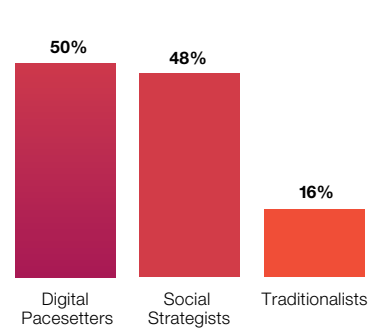
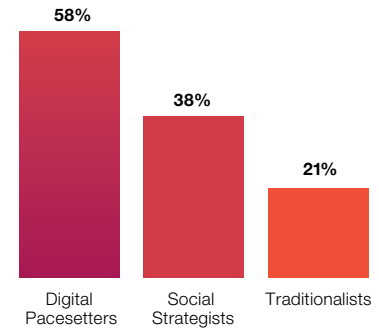


Figure 13

Mobile lead: Digital Pacesetters are better able to conduct business anywhere, anyhow



All three groups face different challenges for much the same reason (see Figure 14). Traditionalists are still working out how to play in the digital sandpit. Social Strategists and Digital Pacesetters are both trying to balance competing priorities — always an issue, given finite resources. But Social Strategists also say it’s sometimes difficult to find the right technologies, whereas Digital Pacesetters have generally passed this stage and are more worried about measuring the return on their investment.

Figure 14

Obstacle course: CMOs face different challenges, depending on how far they’ve gone down the digital path



“The key to success is ‘front-end-first thinking’: designing an integrated customer experience, giving the necessary resources to the people responsible for design and making them accountable for what they do.”

CMO, Banking and Financial Markets, New Zealand

Taking action:

Prioritize mobility

Put serious time and effort into ensuring the mobile experiences you offer are as fulfilling, compelling and sticky as the online and physical experiences you provide. Start with smartphones, then tablets, then other mobile devices.

Move to the future, fast

Accelerate the path to change. Exploit new technologies and new partnerships to deliver superb customer experiences. Gain a solid grounding in analytics (in particular) as well as other enabling technologies such as marketing automation, customer collaboration and relationship management tools.

Connect the dots

Invest in integrated software to manage your relationships with actual and prospective customers and ensure you interact consistently with them, regardless of the channels they use. Digitally empowered customers expect the organizations they engage with to recognize them, understand their individual needs and serve them accordingly.

From word to deed

So CMOs continue to see the world much as they did in 2011—and have many of the same goals as before. They still aspire to treat customers as individuals, to build stronger relationships with those customers via digital channels and to make wiser decisions informed by hard evidence.

As the CMO of a Canadian bank noted, in words many of his peers would probably echo: “We’re increasing the emphasis on the customer: building a better understanding of digital, mobile and social media, drawing insights from knowledge and analytics, and collaborating with technology partners to enhance the customer experience.”

But the gap between desire and daily reality remains as large as ever. And the only way CMOs can start closing the gap is by invoking their growing influence in the boardroom. “Other C-level executives don’t have a deep knowledge of marketing, so they don’t understand marketing as a strategic role,” the CMO of a Brazilian professional services firm explained.

That doesn’t mean the C-suite isn’t willing to learn, though. “You need a collective vision, and you need to focus on the interests of the business as a whole, not just your own area, to create a successful enterprise,” the CMO of a Mexican consumer products company remarked. And most CxOs realize that customer input should be a vital element in shaping this vision; one of the recurring themes in the interviews we conducted was the importance of getting the customer’s perspective. It’s up to CMOs to ensure that the marketing team fulfills its unique function as the crucial link between the customer and the enterprise.

How we conducted our research

This report is the fourth installment in our ongoing Global C-Suite Study, the seventeenth such IBM study to focus on the C-suite and the first to cover six major roles simultaneously. Our aim was to get a better understanding of the opportunities and challenges the members of the C-suite face, and how they are working together to support their organizations.

Between February and June 2013, we met with 4,183 top executives representing a wide range of public and private sector enterprises in more than 20 industries and 70 countries. They included 884 Chief Executive Officers (CEOs), 576 Chief Financial Officer (CFOs), 342 Chief Human Resources Officers (CHROs), 1,656 Chief Information Officers (CIOs), 524 Chief Marketing Officer (CMOs) and 201 Chief Supply Chain Officers (CSCOs).

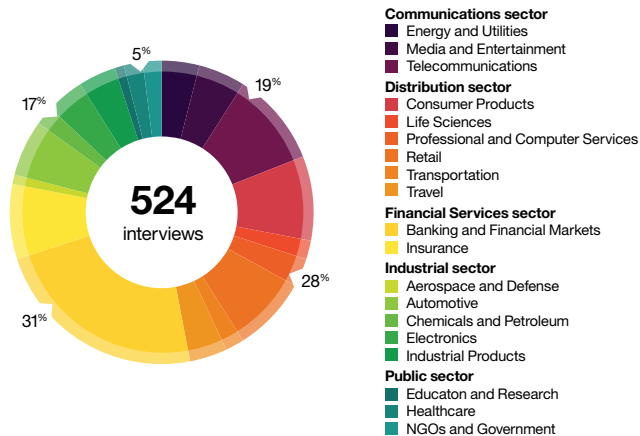
This installment focuses on the responses of the 524 CMOs around the world who participated in our study (see Figure 15).

We normalized the data to eliminate geographic distortions, using actual regional gross domestic product (GDP) for 2012. We also normalized for over-representation of individual roles, using a quota process to randomly select from oversampled CxOs.

Our research includes an analysis of the differences between the responses of CMOs in financially outperforming and underperforming enterprises, based on how they assess their own enterprises. We asked CMOs to rate their organization's three-year revenue growth and profitability relative to that of its industry peers. Eighteen percent of the enterprises excelled on both counts; 34 percent performed poorly on both counts; and 48 percent performed in line with their peers. We classified these entities as outperformers, underperformers and peer performers, respectively.

Figure 15

Sector spread: We spoke with CMOs from more than 19 industries



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IBM Institute for Business Value

The IBM Institute for Business Value, part of IBM Global Business Services, develops fact-based strategic insights for senior business executives around critical public and private sector issues.

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