

The Changing Role of the CMO

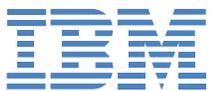
EXECUTIVE SUMMARY

Customers and CMOs: The New Digital Conversation

featuring **Jon Iwata, Elisa Steele and Aaron Davis**

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The Changing Role of the CMO—Customers and CMOs: The New Digital Conversation

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Jon Iwata, Senior Vice President, Marketing and Communications, IBM

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Angelia Herrin (Moderator), Editor for Research and Special Projects, Harvard Business Review

OVERVIEW

The *2011 IBM Global Chief Marketing Officer Study* revealed that marketing professionals worldwide are challenged by complexities related to new technologies, changing consumer demographics, and growing quantities of data. They also are challenged as empowered customers—with access to more information than ever—are taking greater control of business relationships. The panelists agreed that the marketplace is moving faster than the marketing function.

Still, there is also great optimism about marketing, both now and in the future. Marketers are excited about new opportunities in social media and by the use of analytics in marketing. Both provide the potential to differentiate themselves and their organizations. Marketers also are focused on delivering value to customers and their companies, while building not just their company's brand, but its corporate character.

CONTEXT

The panelists reflected on the results of the *2011 IBM Global Chief Marketing Officer Study* and discussed key trends affecting marketing today.

IBM is focused on the intersection of technology and business transformation. To examine how technology is driving systemic change in marketing, the company sponsored the *2011 IBM Global Chief Marketing Officer Study*. This research engaged over 1,700 chief marketing officers (CMOs) from 64 countries in one-hour, face-to-face interviews. Go to www.ibm.com/cmstudy to get a copy of this global report.

KEY LEARNINGS

CMOs feel unprepared to handle evolving technologies, changing demographics, and large amounts of data.

A major finding from this study is that CMOs feel unprepared to handle the complexity that is impacting marketing. The top challenges facing CMOs include the explosion of data, social media, the growth of channels and devices, and shifting consumer demographics.

The nature of data is having a dramatic impact on the way that CMOs look at their jobs. Mr. Iwata made the following observations:

- *Technology is changing where data resides.* Data used to live in the back office. Today, it is moving to new devices like laptops, smartphones, and tablets.
- *Data is no longer structured.* Today huge volumes of unstructured data are generated in real time from tweets, blogs, cameras, sensors, and other sources.
- *New types of data have created skill gaps for marketers.* Most marketers are familiar with structured data, but they now must make unstructured information actionable for their organizations. The increasing use of digital marketing also generates more data that CMOs must interpret and act upon.

“Marketers can earn greater respect if they seize on the data explosion and make sense of it. This gives them greater influence over critical decisions.”

—Jon Iwata

Marketers want to deliver more value to customers and to their organizations.

In the IBM study, CMOs identified three key areas where they want to improve their performance:

1. *Delivering value to empowered customers.* Technological and demographic changes are forcing businesses to understand and serve individuals, rather than entire markets. This is a major shift for most CMOs. Traditionally, marketers have imposed segmentation models on consumers. Now, empowered customers are in control of the business relationship and are declaring to marketers what segment they are in. Marketers are being forced to think about and deliver value in entirely new ways.
2. *Fostering lasting connections with customers.* Many CMOs see customer loyalty as their top digital priority, yet they are still largely focused on transactions, not relationships. Using transactional data for segmentation and targeting reinforces the old marketing model. Marketers must focus more on using digital technologies to build relationships and promote customer advocacy.
3. *Capturing value and measuring results.* All CMOs are under pressure to demonstrate the return on marketing investment. Although tools exist to define ROI and determine the efficacy of marketing programs, many companies are not yet using these tools. To deliver ROI, CMOs in the study felt that they needed significant influence over all four Ps: promotion, product, place, and price.

Effective CMOs actively cultivate corporate character and not just brand reputation.

Looking forward, CMOs must focus on corporate character and behavior, and not just products, services, and brand reputation. Company behaviors are more transparent than ever to customers. Authenticity can only come from within the organization.

To create organizations where the behavior creates the corporate character that is desired, CMOs must become chief collaboration officers, working with human resources, the supply chain, and other functional areas. CMOs are

responsible for leading the conversation about character and closing the gap between what exists (reality) and the character that is desired (aspiration). Employee engagement also is critical. As employee engagement increases, the company culture and character also grow.

While collaboration is valuable and necessary, CMOs must be aware that it can be extremely time consuming. Mr. Davis observed that effective collaboration can take 30% to 50% of a chief marketing officer's time.

Social media has dramatically changed marketing.

Social media has changed the role of both consumers and marketers, and the traditional marketing funnel has collapsed. Customers now have immediate access to vast quantities of data, which transforms them into instant experts. In addition, the experiences that customers want change rapidly. With social media, businesses can deliver the right experience to the right customer at the right time.

The panelists described four new realities facing marketers in today's era of social media:

1. *CMOs can lead the discussion about social media policy.* Different functional areas have different concerns about social media. The CFO may be worried about disclosure, while the general counsel is concerned about data leakage and liability, and everyone is worried about criticism of management.

However, companies cannot simply use social media for listening and then turn it off when they don't like what they hear. Organizations must develop clear social media policies—and that discussion should be led by the CMO. At Schneider Electric, for example, the social media policy has been critical to creating a framework for marketing data. Yahoo! has implemented a liberal social media policy, which advises employees to use good judgment. Since Yahoo!'s product focuses on content consumption, the more that social media is activated, the more traffic is driven to Yahoo!.

2. *Social media requires different marketing skills.* With social media, everything is about personalization. Marketers must analyze the entire lifecycle and identify what matters to customers. This requires teams who can

mine data and determine the gaps that customers have with the brand. Behavior-based segmentation may be possible. Marketers must also be very good at content development.

“With social media, it gets back to mining data and gaps customers have with the brand. Everything is about personalization.”

—Elisa Steele

3. *Quantifying ROI is still unclear.* Ms. Steele noted that no standard method exists for measuring the ROI of social media. It is evolving. In the meantime, however, marketers should not shy away from using social media.
4. *Experimentation should be encouraged.* Despite the growing number of channels available to marketers, some perform better than others. The panelists recommended running experiments to determine which are most effective. Schneider devotes approximately 10% of its marketing budget to experimentation, while Yahoo! modifies its quarterly experimentation budget depending on the team’s ideas. Marketing groups should be encouraged to take risks; this is the only way to succeed with new channels like social media.

Given the proliferation of customer data, marketing teams must have analytical skills.

Customer data is a gift, if it is analyzed properly. Companies that succeed at analytics are able to move from transaction-based relationships to greater levels of customer intimacy.

“Customer data is a gift, if you can unwrap it properly. Customer data allows us to move from peddling to customer intimacy.”

—Aaron Davis

To achieve this goal, the marketing function must have employees who are skilled at math, data, and analysis. Team members who are intensely curious about customer data will uncover new insights. It is also important for teams to use standardized marketing processes. Schneider Electric, for example, designs its campaigns in ways that enable them to compare results years later.

When marketing teams are skilled at analytics, it is easier for the CMO to collaborate at the C-level and to drive acceptance of customer data. Credible customer data leads to better products, faster product launches, and more informed sales teams. Mr. Iwata noted that IBM expects an analytical approach from its business partners, as well as from its employees.

Other Important Points

- **Schneider’s Collaborative Project Portfolio.** With Schneider Electric’s Collaborative Project Portfolio system, companies can work together on energy-efficiency projects. This online system allows customers to share experiences with Schneider Electric, resulting in greater customer intimacy.
- **Analytics and organizational structure.** When developing analytics programs, companies should focus on creating one holistic customer view. At times, complex organizational structures can inhibit creating a single customer view. Having a simple, centralized organizational structure for analytics can be an effective way to deliver this holistic view.

BIOGRAPHIES

Aaron Davis

Chief Marketing Officer, Schneider Electric

Aaron Davis most recently served as Chief Marketing Officer (CMO) and President, North America for APC. In 2007, Schneider Electric acquired APC and formed the IT Business Unit, which includes the APC and MGE UPS Systems brands.

As CMO, Aaron was responsible for global marketing and sales functions for the organization. His responsibilities included global marketing and marketing communications efforts, comprised of branding, advertising, Internet marketing, trade shows, media relations, corporate communications and direct mail, in addition to global sales processes, consisting of pricing, training, sales operations and channel development.

Jon Iwata

Senior Vice President, Marketing and Communications, IBM

Jon Iwata leads IBM's marketing, communications and citizenship organization. This global team is responsible for the marketing of IBM's portfolio of products and services, market development and insights, communications and corporate affairs, and stewardship of the IBM brand, recognized as one of the most valuable in the world.

Jon is a member of the IBM Operating Team, responsible for day-to-day marketplace execution, and the IBM Strategy Team, which focuses on long-term issues and opportunities. He is vice chairman of the IBM International Foundation.

Jon joined the communications function of IBM in 1984 at the company's Almaden Research Center in Silicon Valley. In 1989, he joined IBM corporate headquarters in Armonk, New York. He was appointed vice president of Corporate Communications in 1995 and senior vice president, Communications, in 2002. He assumed his current role on July 1, 2008. Jon holds a B.A. from the School of Journalism and Mass Communications at San Jose State University.

Elisa Steele

Executive Vice President & CMO, Yahoo! Inc.

Elisa Steele is executive vice president and chief marketing officer at Yahoo!. Steele is responsible for the company's global marketing strategy and functions including brand, audience, business-to-business and regional marketing, as well as insights, global communications, policy, privacy, community affairs and related central teams.

Steele has extensive experience leading global marketing at technology companies. Prior to joining Yahoo!, she was senior vice president of corporate marketing at NetApp, where she led the company's brand strategy and execution programs, communications, corporate relations, and integrated marketing functions on a global basis. Before NetApp, Steele led Sun's integrated marketing and merchandising organization, where she was responsible for global go-to-market initiatives, campaign execution, events, online marketing, and installed base marketing. Steele also led several other marketing functions at Sun.

Her professional experience also includes management positions at iPlanet eCommerce Solutions, JavaSoft, and AT&T. Steele holds a master of business administration degree from San Francisco State University and a bachelor of business administration degree from the University of New Hampshire.

Angelia Herrin (Moderator)

Editor for Research and Special Projects, Harvard Business Review

Angelia Herrin is Editor for Research and Special Projects at Harvard Business Review. At Harvard Business Review, Herrin oversaw the re-launch of the management newsletter line and established the conference and virtual seminar division for Harvard Business Review. More recently, she created a new series to deliver customized programs and products to organizations and associations.

Prior to coming to Harvard Business Review, Herrin was the vice president for content at womenConnect.com, a website focused on women business owners and executives.

Herrin's journalism experience spans twenty years, primarily with Knight-Ridder newspapers and *USA Today*. At Knight-Ridder, she covered Congress, as well as the 1988 presidential elections. At *USA Today*, she worked as Washington editor, heading the 1996 election coverage. She won the John S. Knight Fellowship in Professional Journalism at Stanford University in 1989–90.

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