Marketing Strategies

What it takes to be a ‘CMO of the future’

by Ken Bernhardt

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The complexity of the chief marketing officer (CMO) position has risen dramatically. Access to information has created more power for consumers in their relationships with firms. There has been a dramatic increase in the array of media choices, especially those under the Web 2.0 umbrella.

On top of everything else, the pressure to demonstrate return on marketing investment and align marketing expenditures with corporate strategy and sales revenue has made the chief marketer’s job that much more challenging. A study by the CMO Council found that only 40 percent of CMOs received an “A” grade on their performance from their CEOs. It’s no wonder that the average tenure of a CMO is less than three years, according to Spencer Stuart, a leading executive search firm.

The most insightful comments I have heard on the implications of all these changes have come from Rob Malcolm, retired president of marketing, sales and innovation for Diageo Plc, the world’s largest premium alcoholic beverages company. At Diageo, he had responsibility for more than 70 brands in 170 countries with a budget of more than $2.5 billion annually.

Hearing Malcolm speak to the GSU Marketing RoundTable last month triggered my thinking on these issues. I’ll highlight what I think is relevant for Business Chronicle readers. Malcolm maintains that increasingly, the CMO has a leadership function in addition to the marketing function. One of the most important things is for the CMO to get clarity on the role, which can range from merely being a facilitator to being a builder/advocate of the brand to being a strategic partner to the CEO.

Defining the right leadership role and getting senior management’s agreement is the first challenge for the CMO. The successful CMO in the future will be not only a strategic partner in the C-suite, but will become the driver of the corporate strategy, increasingly defining the vision for the future. To become this driver, the CMO must earn the trust of the others in the C-suite, especially the chief financial officer, the chief sales officer and the chief information officer.

Regarding the marketing function role, CMOs must become the voice of the customer inside the company, ensuring that the customer’s needs are represented in all corporate decision-making. They must be the advocate of the brand throughout the organization.

They must be the firm’s external radar, monitoring and reporting competitive activity, changes in consumer buying behavior, and other external factors that could impact the firm’s performance. Malcolm describes this function as “relentlessly scanning for opportunity” to find “transformational insights for future growth.”
The successful CMO will utilize all the environmental scanning to be the champion of innovation and new product development through deep customer understanding. It is important to have the ability to experiment; Malcolm suggests that a set percentage of the budget be dedicated to experimentation. (It was 15 percent at Diageo.) The successful CMO must become the architect of the future.

The CMO must build the marketing capability of the firm, not just the marketing personnel. The CMO must be continuously learning and upgrading. The firm must leverage new media and new technology. It is important to identify talent that is needed to succeed in the future. Malcolm describes two types of talent: “immigrant transition” and “native development.” Immigrant transition personnel have strategic skills but not digital acumen. Native development personnel have digital skills but not strategic skills. Younger managers often are digital natives. The questions for older CMOs are how to recruit these managers, leverage their skills and retain them.

Finally, the CMO will be performance-driven, documenting the return on marketing investments. To accomplish this, the CMO must develop a general manager mentality. This requires knowing the numbers, knowing how marketing delivers value, and achieving alignment with the CFO.

Malcolm advocates identifying a few simple metrics that all agree are the key leading indicators of sales or profit performance. The key here is alignment of goals and measures. He maintains it is important to know what are daily or weekly sales (depending on the industry) to demonstrate having “a finger on the pulse of the business.”

Looking ahead, some things will remain the same. Leveraging consumer insights will continue to be critical. Brands will still matter and it will continue to be important to build trust in your brand. Content will remain king, and delivering a superior value proposition will always be important to the market.

However, many things will be different. There will be nowhere to hide; increased transparency is a given, and everyone will know much faster when things are not working. Increasingly, managers will acknowledge that they don’t have control anymore; consumers are increasingly in control. And increasingly, CMOs are “always on” in today’s 24/7 world.

Success in the future will require experimentation, learning, codifying the learning, and reapplying it. Successful CMOs in the future will not be right-brained or left-brained. They will have to become what Malcolm calls “whole-brained” marketers. In other words, the CMO of this Brave New World will have one foot on the ground and one foot stepping into the future. Bring it on.

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