



# WHAT'S ON THE CMO AGENDA?

An Explorative OC&C Study

2014

# What's on the CMO agenda?

## Agenda

- Context and methodology
- Overview of results
- Detailed findings and verbatim

# OC&C has recently conducted a research programme looking at the key trends shaping the CMO agenda

## OC&C Research

### Primary Research

- We have interviewed 43 CMOs across various global regions , representative of a number of verticals:
  - 18 in B2B Products and Services
  - 25 in B2C Products and Services
- The study was positioned as a ‘CMO Agenda’ study - what are the key trends and issues affecting CMOs today?
- The contacts were leveraged using OC&C’s global network
- Participants were promised a synthesis of the study’s results in return for their time

### Secondary Research

- We have completed a scan of third party research and underpinning datasets to provide context for this study, including:
  - Marketing / advertising databases
  - CMO surveys
  - State of marketing reports
  - Marketing research reports
  - CMO conference materials
  - 3<sup>rd</sup> party articles, blogs etc
  - Company websites, press searches etc
- We have also leveraged the broader global OC&C expertise on key issues and trends in marketing services

# What's on the CMO agenda?

## Agenda

- Context and methodology
- **Overview of results**
- Detailed findings and verbatim

# The macro environment CMOs are operating in is changing materially

## Selected trends impacting the role of Marketing

Continued shift online, but at a headline level change is not as rapid as you might think

Transition to digital is driving vertical integration - brands becoming retailers

Companies, especially retailers are embracing multichannel and its consequences

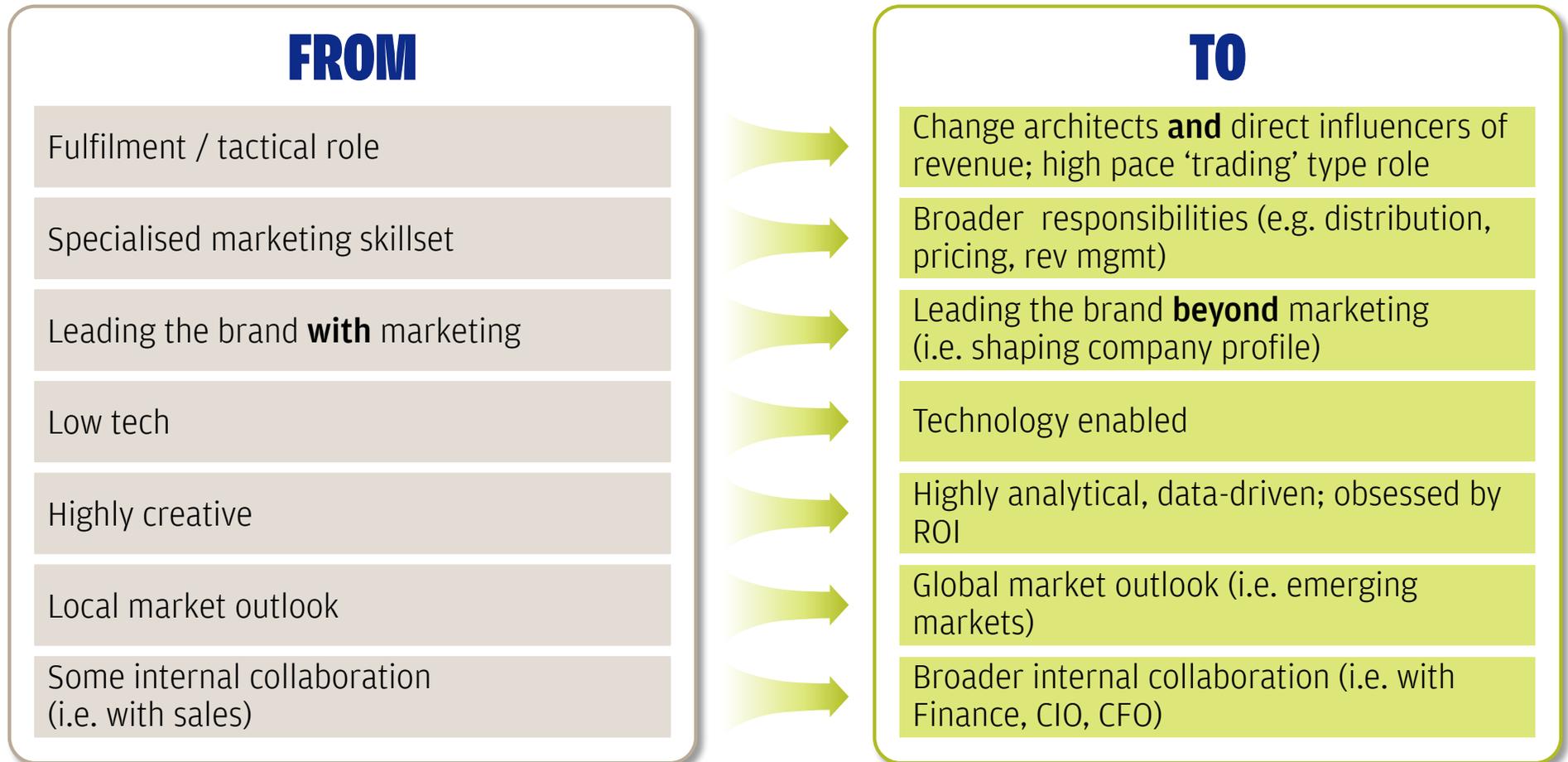
Online is accelerating international strategies enabled by e-commerce

Data is more prevalent and its strategic importance is understood; the push to greater sophistication in how it is used has slowed

Over time, the effect of these changes will be profound

# This increasingly complex marketing environment has led to significant changes in the CMO role

## Evolving CMO role: How is the CMO of today different?

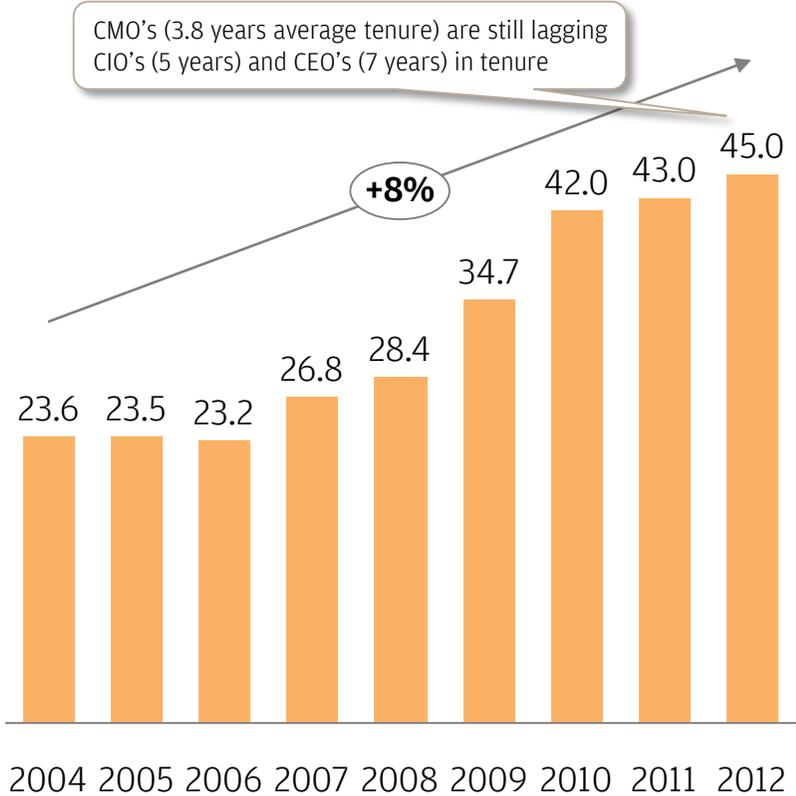


# Broadening of responsibilities and increase in legitimacy has led to increased tenure for CMOs

## Changing tenure and responsibility of CMOs

CMOs' sphere of responsibility, 5 years ago vs. today			
	CMO 5 years ago	CMO today	% CMOs who own today <sup>2</sup>
Brand strategy	✓	✓	86%
Marketing planning	✓	✓	86%
Campaign management	✓	✓	86%
Agency management	✓	✓	77%
Customer insight		✓	71%
Pricing and promotions		✓	31%
Real-time trading decisions		✓	30% <sup>3</sup>
Technology platform		✓	69%

Average CMO tenure, 2004-12, US<sup>1</sup>  
Months



1. Tenure of CMO's in leading US consumer brand companies  
 2. In response to 'which of the following areas are within the scope of responsibility of your marketing organisation?'; n = 191 CMOs  
 3. In response to 'process innovation'

Source: Stuart Spencer, OC&C analysis

# In interviews, CMOs highlight the changing nature of role

## CMO interview feedback: Evolving CMO role

### Representative quotes

“CMOs of the past were about brand, audience, and marketing strategy - they know what makes a good print ad. What is required now and going forward is more about data, algorithms, and analysis. The next CMO is more engaged, hands-on, and highly technical - but also one who can communicate.”

“I used to spend most of my time on longer term brand positioning and strategy, now I change strategy almost hourly with some channels and watch the numbers like a trader.”

“I think that my role is now the most measured role on the exec - a few years back it was the least.”

“I used to work at a management consulting firm before I became a marketing director and now a CMO - that profile is not so unusual now.”

“The creative aspects of the job that the CMO used to do are becoming much less important. Now you more see CMO's who are analytical, who have MBA's, etc. Job description is definitely changing as CMOs are increasingly asked to provide numbers that mean something.”

# The evolving role and digital / multichannel landscape has key implications on where CMOs' focus sits today

## Implications of evolving CMO Role and gearing up to deliver

- Marketing decisioning requires justification to the rest of the business - near-term ROI focus is paramount...
  - Speed and flexibility of operating model are key success factors
  - The fundamentals of brand strategy are perhaps a little unloved
- ...yet they also need to be thinking about and finding ways to fund a strategic roadmap
  - How do they own and master customer data management and find ways to exploit it by better understanding their customers' needs and journeys?
  - How do they apply increasingly sophisticated techniques globally?
  - How do they choose their battles for big data, identifying simple / high impact areas for investment in deep data analytics capabilities?
  - How do they align their departments and organisations to consistently relate to customers across multiple channels ?
  - How do they change their talent mix to do this?
- The marketing world has got far more complex and requires CMOs to master some very diverse skills; tech proliferation makes this worse
- Few agencies / suppliers are helping much!

# Our research identified five key themes on the CMO agenda; our objective has been to get underneath these and understand what actually matters to CMOs

## Objectives of OC&C CMO interview research

### Themes from existing research: CMO agenda



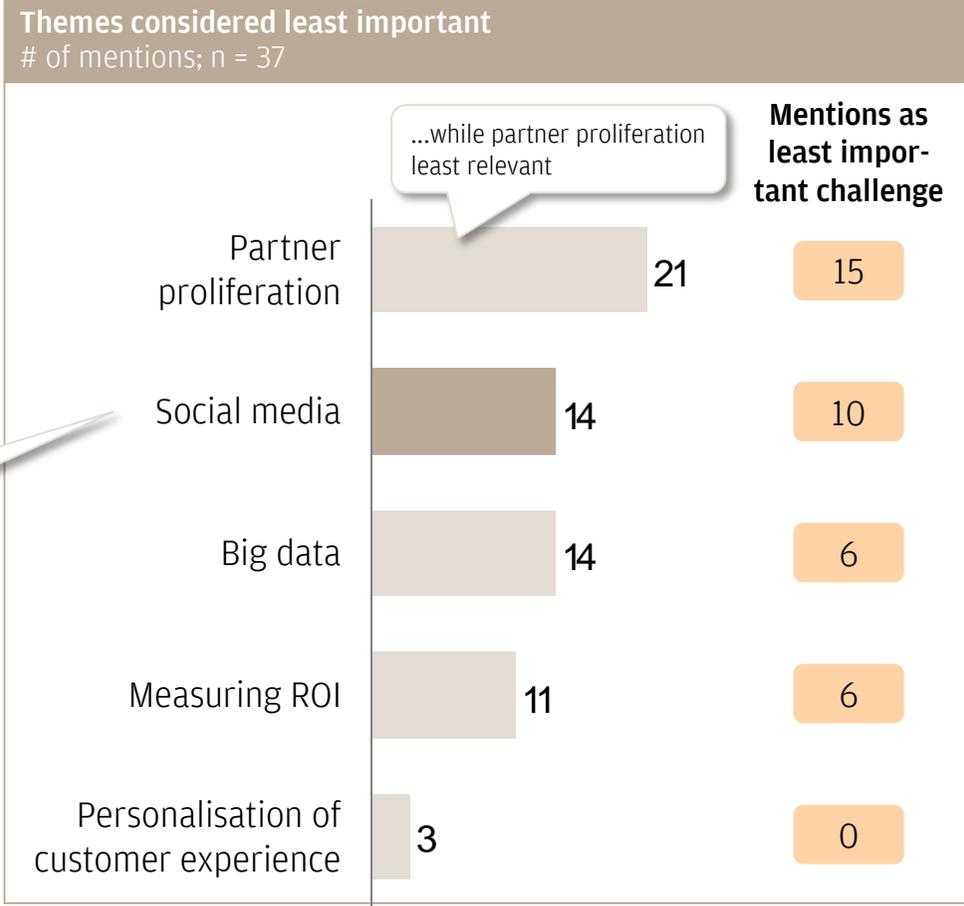
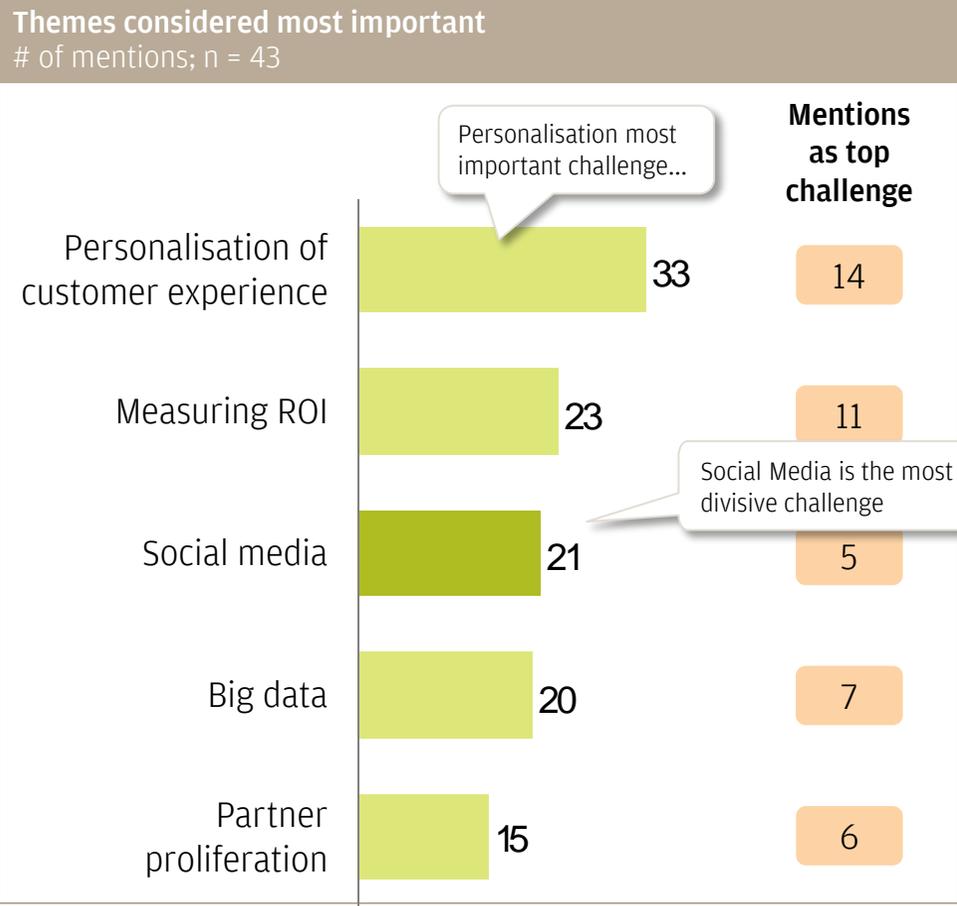
### Objectives of OC&C research

- Which of these five broad themes actually matter to CMOs?
- What specific challenges are CMOs actually facing?
- What specific actions are they taking to overcome these challenges?

# Personalisation emerged as the highest priority area for CMOs, with partner proliferation considered to be least relevant

## Interview feedback: Which themes matter to CMOs?

CMO interview feedback



# Across verticals and geographies, CMOs consistently communicated the same key challenges to us

## Key emerging themes

CMO Perspectives	
1 Personalisation	<ul style="list-style-type: none"><li>• Not able to implement yet; focusing on targeted personalisation initiatives rather than an ‘all singing, all dancing’ approach</li></ul>
2 Measuring ROI	<ul style="list-style-type: none"><li>• CMO now the most measured board member and consequently measurability driving almost all decisions</li><li>• ROI decisions move from econometric models to real-time decisions</li></ul>
3 Big data	<ul style="list-style-type: none"><li>• True ‘Big data’ is impossible at present so targeted calls being made to deliver ‘Small data’ or ‘Big analytics’</li></ul>
4 Social media	<ul style="list-style-type: none"><li>• Everyone ‘checking the box’ but unclear objectives from social – may be just another channel rather than a fundamentally different way of operating</li></ul>
5 Partner proliferation	<ul style="list-style-type: none"><li>• ‘I get pitched to by more vendors than the CTO!’</li><li>• Most offerings don’t feel implementable</li></ul>
Mobile	<ul style="list-style-type: none"><li>• Big potential but not clear on how to execute yet, particularly excited by localisation potential</li></ul>

# What's on the CMO agenda?

## Agenda

- Context and methodology
- Overview of results
- Detailed findings and verbatim

Deep dives





# Personalisation of Customer Experience: Personalisation is top of mind for CMOs and their organisations

## OC&C perspectives on personalisation

Based on OC&C expertise & CMO interview feedback

- Interview feedback suggests that personalisation of consumer experience appears to be top of mind for CMOs – they identify it as their top challenge (vs. other themes identified in research)
- However, the challenge appears to be less about how to engage every customer across every touch-point, this strategy takes an enormous amount of resources and investment, but how to develop more surgical approaches
- Companies face key challenges:
  - Customer data – i.e., understanding behaviour across new channels, collecting and analysing the right input data on customers, seamless integration of data sets (e.g. customer database, ‘browse and buy’ data, loyalty data, etc.), ensuring underlying data quality
  - Internal coordination – i.e., requires significant internal collaboration and planning to provide an integrated customer experience (e.g. coordination between marketing and sales)
  - Getting comfort that ‘next best action’ is, in fact, just that...
- B2B companies face different challenges as customer relationships are more involved and data on customers is more immediate and accessible; key challenge then becomes more about meeting customer expectations – rather than not having enough or the right information on customers



# Personalisation of Customer Experience: ...and are innovating with new high-tech capabilities such as geolocation

## Case study: Meat pack Guatemala

### Hijack Functionality

- Meat Pack is the “trendiest shoe store in Guatemala”, and quickly gathered a cult following with young people, becoming an icon within the ‘sneakerhead’ subculture
- Meat Pack wanted to launch an edgy and innovative marketing campaign which would surprise customers, and thus created Hijack
- Results:
  - More than 600 customers were hijacked from the competitors
  - All discounted merchandise was sold in record time
- In addition, every time a discount was redeemed the person’s Facebook status automatically changed, informing the world about the promotion and generating a viral competitive attitude that spread like wildfire

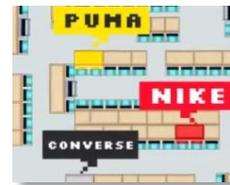
2012 Cannes Lions  
Winner of Bronze and  
Silver in the Mobile  
Category



The customer runs towards the Meat pack store where the count-down stops and they redeem their discount



The app sends a targeted discount to the customer in the form of a countdown which starts at a 99% discount, and decreases by a percentage point every second



GPS on the Hijack app extension registers their location

Customer with Meat Pack app enters competitor shoe store (e.g. Nike)



# Personalisation of Customer Experience: Here's some of what we've heard...

CMO interview feedback

## **A** Structuring and cleaning data is a challenge

- “The amount and nature of data created is challenging - capturing the data is easy but structuring it, defining appropriate uses for it and driving the right actions is extremely difficult to do”
- “We have a lot of partial / internal views we generate on customers but it doesn't translate into an over-arching view of likely behaviour.”
- “We're not doing anything like as much as we'd like on personalisation. The data isn't really in good enough shape and we are worried about consents and data management”

## **B** Combining diverse datasets is complex

- “Creating a tailored, personalised experience is key for us. The issue is our customer database and web analytics are entirely separate, so merging these is a key challenge”
- “We're trying to merge structured and unstructured datasets - its really hard to figure out how to marry these together”
- “We still don't manage to combine these insights into a big picture and to derive new concepts and integrate new insights into our service offering”

## **C** Identifying the right questions to ask

- “In the future, getting the metrics and the tuning right will be very hard. The metrics don't always tell you what you are doing wrong; there are lot of facets of a given communication, 100 things can go wrong, its often very hard to determine which is the key factor that you need to fix”
- “There's no single tool that I've seen that will help me solve that problem. Currently we have to use process of elimination, which is very resource intensive, this needs to change.”

## **D** Implementation

- “Big data has helped us to generate some interesting customer insights - However, we are not connecting the dots to drive our strategy”
- “Our challenges relate to the skill-sets required to drive a leading edge personalisation model - we just don't have and can't get that type of resource easily”
- “Simply attracting the talent to think through how to do this is a big problem”
- “There are few generally iterative propositions in the market - we find it hard to justify a big bang approach”

Deep dives





# Measuring ROI: CMOs are increasingly pressured to justify their spend and face challenges in understanding what actually moves the needle for ROI

## OC&C perspectives on measuring the marketing ROI

Based on OC&C expertise & CMO interview feedback

- Level of ROI scrutiny across the business is increasing; fundamental to how CMOs operate now
- While simple metrics work to measure overall business performance (i.e., profitability, returns etc. for business cases), the key challenge comes to understanding what actually moved the needle with ROI when it comes to marketing initiatives:
- Key challenge around how to use ROI measures for brand (vs. direct) marketing i.e., how do I measure impact of a TV ad?
- Inter-relatedness of campaigns remains poorly understood
- Challenge over whether the measures are the right measures - e.g. How do I understand profitability of a customer delivered via each channel?
- There is a material issue around nature of measures available for different media and extent to which these are comparable
- Operational challenges with closed loop marketing i.e., trackability between advert or offer and telephone numbers or codes continue to exist
- Though metrics online appear to be easier forms of marketing to measure, it is not clear that it is anything more than bias towards greater measurability (i.e., doing initiatives online just because they're measurable)
- Some organisations also indicate they're not nearly as good as the management would like them to be when it comes to ROI in digital / social initiatives
- The days of a 6 monthly marketing plan are long gone. Decisions are made 'live'



## Measuring ROI: Here's some of what we've heard...

### A It's the day job

- “ROI measurement is not an issue - it is “in our veins”, really embedded in our routine. Every marketing program carried out has a specific target ROI, with breakdown per channel, per region etc. Those targets are also tracked in detail.”
- “ROI is something we're very comfortable with this, this is not a challenge currently. We only focus on a key set of attributes and our target market is extremely clear. We just execute and we get there on a quarterly basis with no issue.”
- “If you'd asked me 5 years ago I'd have put it number one, but measuring ROI just isn't a big concern to us anymore. Most competent marketers have figured out how to use the rich models and data sources available to us now.”

### B Measuring real time

- “We love dynamic and nimble channels, it's what we're good at. In some cases we're measuring real time and optimising on an hourly basis.”
- “Speed to market is fundamental and this is actually meaning we are being more nimble and direct which disintermediates some of the traditional agency channels we have used in the past.”
- “We re-jig our spending profile on a weekly and monthly basis. It is just how you need to operate today.”
- “Our marketing plan is dynamic - we don't produce a plan. We iterate live and I'm judged on ROI.”

### C Impact on mix of spend

- “There's a balance to be struck but we have been pushing spend only towards what is measurable.”
- “Econometrics always leads you to short-termism, and only really answers part of the question. You quickly flick into belief and the numbers could drive some bad calls - you can sleep walk into some duff decisions.”
- “There is a real trade off between short term performance and long term brand building. The bias at the moment is towards short term initiatives as they are more measurable.”
- “Relatively speaking it is hard for us to be confident about the value of long term plays. Winning spend to build longer term awareness and consideration is a real struggle.”

Deep dives





# Big Data Management: Big data has led to significant challenges for organisations – and opened up opportunities for third party providers

## OC&C perspectives on Big data

Based on OC&C expertise & CMO interview feedback

- There has been an exponential growth in the amount of data and organisations are facing key challenges in dealing with how to capture, mine, and exploit it:
- The data is often unstructured and hard to interpret for organisations
- Many lack the skills required to manage Big data (e.g. understanding complicated predictive stats models)
- Many rely on the same, historical data sets and are unable to exploit other sources or types of data (e.g. real-time data, publicly available data)
- Few see data as a strategic asset that can be monetised for internal and external purposes
- As a result, many organisations are lowering their expectations and focussing more on ‘browse and buy’ behaviour which relies on a simpler recommendation engines and only works from a partial view of the customer i.e., only understand current visits to the site
- Yet, the organisations that are seeing success in this domain are focused around identifying key triggers of engagement and selectively using data to generate actionable insights (i.e. focusing on ‘small’ and simple data and analytics to drive next steps forward) – instead of lowering expectations
- The perceived potential of these solutions has helped turn Big data into a large and fast growing market (worth \$ 11.2 bn in 2012 and forecasted to grow at c. 33% CAGR, 2012-2017)



## Big Data Management: Here's some of what we've heard...

### A 'My data is a mess!'

- “Big data is important but it is massively over-hyped, when things get a little bit simpler and more straightforward we will probably do more. We've got loads of data but the data is really dirty.”
- “There is a huge focus on data and analytics but there is still an enormous amount of unstructured data people don't know what to do with.”
- “We have to sift through and simplify the data streaming towards us and figure out how to draw insight from it.”
- “I just think big data is bullshit we use data and exploit it....we can talk about the technology but this is a core capability and if you are not doing this as a marketing department you are asleep at the wheel.”

### B 'We need data scientists'

- “We are aggressively trying to build skills and capabilities and realise this may require acquisitions as there is a shortage in the talent pool.”
- “It's hard to find top data scientists that can enable a data-led approach, and even harder to persuade them to work in our industry; we need hedge fund managers and Google analysts but we don't pay as much and are not 'sexy'.”
- “Marketing departments have not recovered their skill base after the slash and burn resulting from last tech bubble bursting. Shrinking budgets and unfavourable HQ locations cause issues when trying to get brains into companies that can drive these strategic initiatives.”

### C Privacy concerns

- “We may see a backlash from a customer perspective against the use of data. Though they appear to somewhat accepting of data, privacy especially when it comes to channels like Facebook and Twitter will become an increasing issue.”
- “In the past few months we've been speaking to vendors who use geolocation, for example. My gut reaction: red flag! There's a big issue around consumer privacy and here in the States, at least, I can see a Big Brother perspective emerging with definite negative impacts over time.”
- “We're frankly really worried about gathering huge volumes of data on our clients and it getting into the wrong hand - the reputational damage would be massive.”

Deep dives





# Social Media Strategy: While all organisations are engaging in social media, most admit they are not particularly effective at it

## OC&C perspectives on Social media

Based on OC&C expertise & CMO interview feedback

- While CMO's mention that social media is relevant to most organisations, interviews indicate that for many it's come down to a 'check the box' approach - i.e., just ensure you're doing something with it
- Organisations appear to be at different levels of adoption when it comes to social media. B2C organisations, partly due to scale and partly due to need, appear to be more advanced with social media than B2B
- Smaller companies tend to be best prepared for challenges of social media, as they can be more agile and responsive to real-time demands
- Thus, most organisations are taking on social media - but are not necessarily strategic about it or know exactly what should be done
- Particular challenges in integrating social media into the fabric of overall marketing
- Also, understanding what key function or objective social media should serve (e.g. engagement channel, customer education, customer service, lead generation etc.)
- For many, the challenge is about how to engage their broader organisation and let their internal experts engage externally - this has risks and benefits!
- A key challenge organisations are also facing is measuring ROI with social media - given this challenge, also more difficult to get the necessary investment and resource behind it



## Social Media Strategy: Here's some of what we've heard...

### A Social is just another channel

- “Fundamentally, social media is just another channel for existing communications but CMOs don't tend to understand this.”
- “We're really trying to grab hold of social media. We're focussing our efforts on content placement as we think this will really support our engagement strategy.”
- “It is tough to keep up with the trends in social but it's basically just another marketing channel and we think it plays more to the rules of other channels than people tend to think.”

### B Concept testing on social

- “There's exciting work on concept testing being done here. Now, agencies can take 6 or 7 campaignable ideas, boil them down to images or one line messages and then just test them on Facebook. CMOs can see interest hotspots quickly, cheaply, and to a high level of granularity.”
- “We don't really see the need to be the innovator here - we are going to wait and see how technologies play out and then enter the game slightly further down the line.”
- “The way you actually do marketing has changed. Shift has been away from paid toward owned media, which is becoming the cornerstone, and even earned, which I would put in the middle. You can take reporters / PR out of the picture and use own media like blogs to create relationships.”

### C Social strategy is still in it's infancy

- “Social is the theme where everyone thinks they have a handle on, but no one is doing it well. The way it's done today is what I call the 'CMO cocktail party appearance' - they hire a 22-year old a couple of years out of school with no business context and put them on Social Media to feel like they have checked the box.”
- “Our biggest gap is that I'm not convinced we have a clear point of view as to what we are trying to accomplish with social media, and unless you have a clear point of view, you're a bit lost out there.”
- “I don't know what the opportunity is, but it [Social media] is an increasing part of our marketing mix.”

Deep dives





## Partner Proliferation: There is a good appetite for taking on strong point solution providers – more established vendors often pitching poorly

### OC&C perspectives on partner proliferation

Based on OC&C expertise & CMO interview feedback

- The environment is very complex and bewildering for CMO's
- Everybody promises the earth and very few can deliver even a small part of it
- They broadly don't trust many of the suppliers and this is inclining them away from end-to-end solutions and towards more niche businesses
- There is little real differentiation between suppliers, particularly at the large end
- The small guys can be very good
- CMO's want to start small and scale fast if its successful
- Media agencies are failing to navigate their customers through the complexity of the environment creating interesting opportunities for other players in the activity chain to play a more advisory role



## Partner Proliferation: Here's some of what we've heard...

### A Complexity of environment

- “Partner proliferation adds a lot of complexity; we tend to use more full service people because otherwise the integration burdens are too high. We do use some highly specialized one off vendors, but we try to fight the proliferation by using agencies that are more integrated.”
- “In the past, in particular in the field of marketing agencies, you had a single main partner which was able to cover the whole chain. But today, there are few partners who can do that so we have a myriad of partners.”
- “The internal complexity of our enterprise as a multibrand-producer is increased by adding management of different partners. The choice of the most suitable partners has become more professional in the past. We partly work with external consultants who help us to determine which provider has the right offer for us.”

### B Everyone does the same

- “I get 30 emails a day from vendors trying to sell me the same thing, so I try to turn the volume off. More annoying rather than anything else.”
- “I genuinely find it hard to differentiate the vendors that come through the door - they almost all try to say their technology is better, but that is not really what is the most important factor for me.”
- “Its amazing how consistently I am pitched a tech solution rather than a solution to my business problems - after a while it kind of washes over you”

### C People sell the dream, not ROI

- “You don't meet many agencies who truly understand what it takes to sell a product rather than just market it. The reality is, we only get paid when we make a sale, and you don't get many agencies who approach it from that mindset, so often you don't think they're really going to help.”
- “I get 5 emails a day with companies trying to sell me all singing all dancing solutions but it's incredibly difficult to see what value we're going to get from this. What I actually want is to start small, build confidence and then build scale. We need vendors to evolve the process with us, and I need to see some sign that they've thought about what value their solution adds for us.”

## How can OC&C help?

### ...A FEW EXAMPLES

- Review of marketing strategy, priorities and spend
- Definition of data-strategy
- Pricing and segmentation
- Organisational re-design
- Efficiency and effectiveness of spent



Fergus Jarvis

Fergus.Jarvis@occstrategy.com

Tel. +44 20 7010 8000

Andreas von Buchwaldt

Andreas.vonBuchwaldt@occstrategy.de

Tel. +49 40 17 56-0