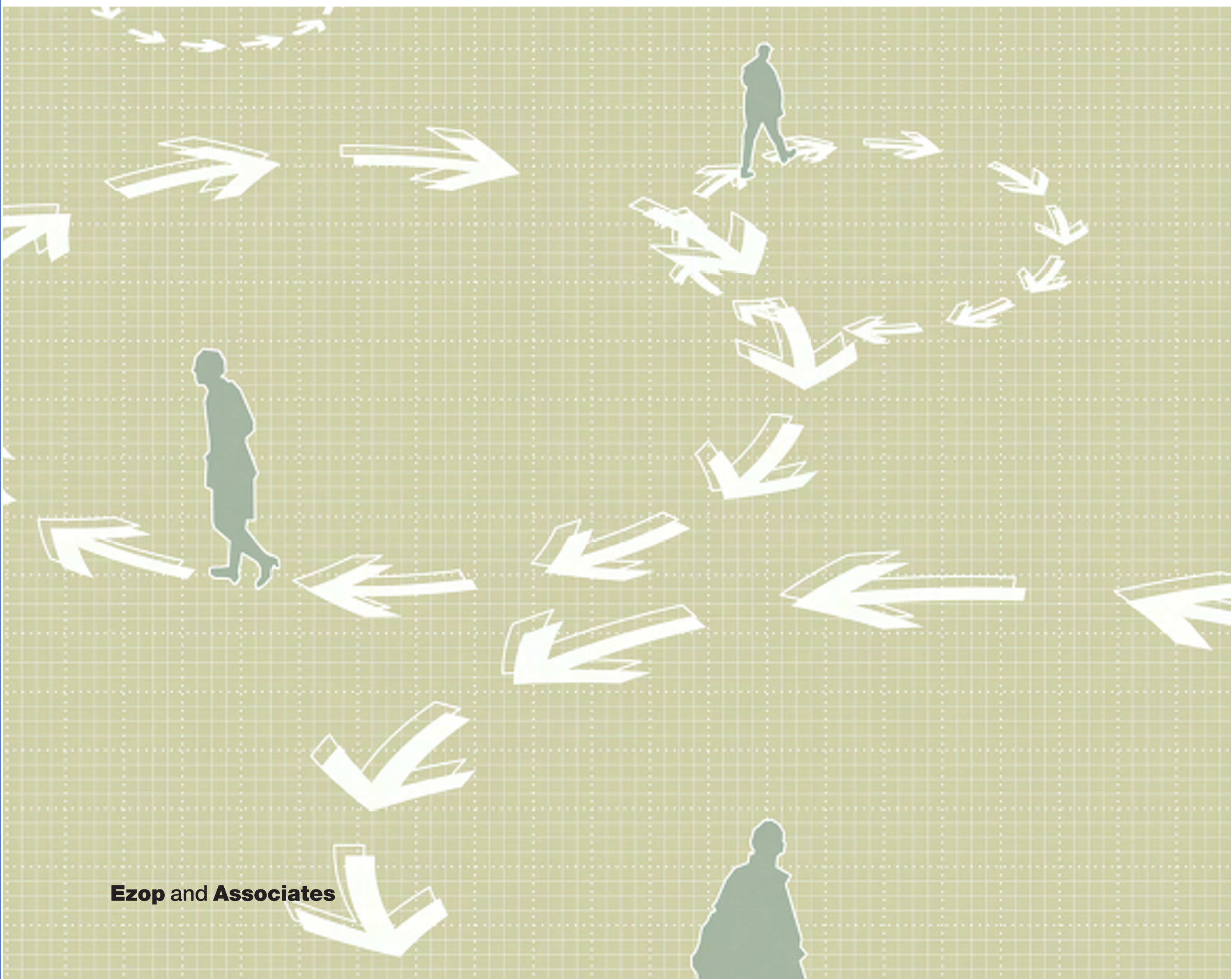
WINNING MOVES®

SPECIAL REPORT

Do Things Change, or Do They Stay the Same?

CMO Success and the Changing Role of Marketing

BY PHYLLIS EZOP



Ezop and Associates

Do Things Change, or Do They Stay the Same?

CMO Success and the Changing Role of Marketing

By Phyllis Ezop

The CMO's role has shown signs of turmoil. But, how does change fit in with the CMO's role?

Average CMO (Chief Marketing Officer) job tenure was a mere 26 months, considerably lower than the short 44 months for CEOs, according to search firm Spencer Stuart's data reported in the media *(e.g., Advertising Age and Business Week*)*. *Advertising Age** said that the CMO function isn't working, and even proposed eliminating the position and dividing its responsibilities over functions like sales, IT, operations and finance.

The CMO's predicament is often attributed to changing conditions, especially new media, consumers skeptical of advertising, and the advent of marketing ROI. But, according to my 20+ years researching business success and failure patterns, there is more to the plight of CMOs. And, history can shed valuable insight.

What History Reveals

Over the years, the CMO's function has been well known for classical marketing techniques, such as consumer packaged goods brand management that is advertising oriented and uses market research. This was augmented by approaches like direct marketing as part of the integrated marketing movement, though some companies had always emphasized direct response or direct sales.

Under the reign of advertising oriented consumer packaged goods marketing, great brands emerged, rose to the pinnacle of success, and remained at the top for years. Appearing to fuel so many powerful brands, classical consumer packaged goods techniques became marketing's gold standard and were perceived as the driving force behind the success of the great brands.

According to my research, however, widespread use of classical consumer marketing was merely one element of what drove the rise and prominence of the great brands. In addition, these brands thrived as markets grew and the economy prospered, and as strong business strategies were adopted. While those great brands prospered, it was often said: "Half of my advertising spending is wasted, but I don't know which half." Yet, virtually no one demanded marketing ROI (Return on Investment) calculations.

Marketing ROIs are more common now and modern technology offers better measurement opportunities. So, more is done to assess marketing effectiveness. And, the numbers often suggest that classical advertising methods may not bring the favorable ROIs achieved with approaches such as more targeted web based media, publicity, or word of mouth. Further detracting from advertising's perceived value in recent times are high profile brands, like Starbucks and Google, which flourished without a traditional consumer packaged goods advertising based approach.

Thus, people start questioning why classical consumer marketing is the gold standard. They say the game has changed. They say more PR, instead of advertising. They say web based direct marketers should now run the show. And, CMOs start scurrying to learn things like search engine optimization. Soon, some folks even start asking why we have CMOs.

"Classical consumer marketing was merely one element of what drove the rise and prominence of the great brands"

Yet, a look beneath the surface reveals something more. Yes, technology changed. And, just like past technological changes, new media warrants a greater role. Yes, generations raised on video games differ from their elders. And, marketing must reflect these changes, just as it did when those who grew up with TV were unlike their older counterparts. But, the parallels with the past are even greater.

According to my 20+ years of research, much of what today's ROIs and web based measurements tell us is not new, but awareness of it is greater. In fact, much of what modern measurements reveal was always true, but in earlier eras of prosperous brand growth and sparser technology, no one paid much attention. Today, there is much greater impetus for and far more capability to use measurements and to find out what they reveal – findings often true for a long time, but that until fairly recently, remained untapped.

Highly visible brands like Google and Starbucks were not the first to eschew advertising. There were always brands that succeeded with little or no advertising. Hershey is a prime example. Going back to its early years, Hershey built its chocolate empire with a publicity focus, not with the kind of advertising used by numerous other great brands emerging around the same time. Though its advertising was not absolutely zero, Hershey did little advertising of its chocolates.

In fact, many years ago, Hershey's publicity focus (as described in the book *Hershey: Milton S. Hershey's Extraordinary Life of Wealth, Empire and Utopian Dreams,* the biography of Hershey's founder by Michael D'Antonio) was a lot like what constitutes the rise of public relations and advertising's decline that we've heard so much about more recently. And with its school for orphans, The Milton Hershey School, a residential school for needy children, Hershey embraced cause related marketing, which has become popular in recent times. Hershey's efforts to develop the ideal community in Hershey, Pennsylvania was also a cause that helped generate publicity. Yet, Hershey did all this decades before modern measurement techniques and marketing ROIs could suggest its advantages.

Furthermore, Hershey's publicity focus supported a business with strong strategic underpinnings. Nonetheless, based upon perceptions of marketing's role in the emergence of great brands, Hershey's publicity focus was overshadowed by its advertising oriented consumer goods counterparts. Classical advertising oriented consumer marketing techniques appeared to be the driving force behind the major brands.

Yet, a closer look reveals that, as was the case for Hershey's publicity, the marketing prowess of those other great brands was accompanied by strong strategic underpinnings. Classical marketing techniques just supported and strengthened growth opportunities arising from strong strategic factors, and the combination enabled those brands to thrive. But, classical marketing techniques alone are no substitute for those strong strategic factors. This parallels what is seen today, where so many strategically weak, but advertising oriented, marketing campaigns and product launches fare poorly and have disappointing effectiveness metrics.

> "Much of what today's ROIs and web based measurements tell us is not new, but awareness of it is greater"

Granted, good brand management is supposed to include marketing strategy. But, too many marketing strategies do not fit patterns that characterize success. The practice of marketing has not necessarily reflected key strategic principles that have just started getting more widespread awareness in recent years. And, compounding the problem, many marketing strategies are developed in environments where overall corporate strategy fails to follow success patterns. Thus, many of today's attempts to drive growth with classical marketing techniques lack strong strategic underpinnings. So, disappointment often looms when ROIs and other effectiveness measures are tracked.

Those strong strategic underpinnings are also essential in another area of marketing that stands out today: word of mouth and the role of consumer comment as an influencer. The internet prominently displays this area in action. Yet, well before its prominence on the internet, word of mouth affected consumer buying decisions. For example, long before the internet, word of mouth could influence what movie to see, what restaurant to eat at, what health care provider to use, or what food is so tasty that you just have to buy it.

Also pre-internet, direct sales with what is referred to as the party plan, like that of Mary Kay Cosmetics, for example, entailed inviting friends to an in-home setting where products were demonstrated and social interaction could influence purchase decisions. So today, the internet is magnifying the importance of a social interaction factor that was there years before, but that received relatively little attention in the past. Now it is much more prominent and visible due to changing technology. Thus, marketing should give it greater emphasis. Yet, even with today's technology, word of mouth and influence via social interaction work best when all is well strategically, just like the success of Mary Kay reflected strong strategic factors in times past.

Repeating Missteps from the Past

It is no coincidence that media reports of short CMO tenure include situations that did not strategically fit the brand. For example, a short tenured retail CMO tried taking a brand farther upscale, away from its traditional price promotions. Yet in the past, other retailers making this very same strategic misstep fared poorly: K-Mart's ill-fitting upscale aims helped pave the way for Wal-Mart to dominate low end markets from which K-Mart had been distracted. Likewise, Wal-Mart's more recent ill-fitting foray into upscale fashions brought disappointment. Furthermore, it is not a coincidence that the short tenure CMO worked for a retailer grappling with creating a national brand via merger, potentially leading to market confusion about the merged entity, and difficulties that could be amplified as the economy downturned.

That said, strategically sticking to price sensitive markets doesn't mean advocating money losing price wars. But, it is intended to avoid the high risk and generally disappointing results associated with overemphasizing markets far different from, in this case much more upscale than, a firm's usual target. That doesn't rule out entering new, far different markets. But, companies choosing to do so must be extremely careful about whether they are making strategically viable moves. Too often, they are not.

> "Many failed marketing efforts repeat common strategic mistakes"

Furthermore, a classical advertising oriented approach will not compensate for the strategic missteps. Yet, many marketers continue to apply classical techniques in ways that fit poorly from a strategic standpoint. Not surprisingly, marketers who do so can often be shown the door, especially in today's environment of greater accountability. And, a deteriorating economy can make the situation more dire, paradoxically rendering good strategy more crucial, while simultaneously making it tougher to get results and easier to see CMOs' jobs vanish.

Highly Publicized Proposed Solutions Not the Answer

But, revolving door CMOs are not the solution. Except for some situations that seem to turn upward automatically if the economy surges, things will not get better as each new CMO tries to squeeze success from classical marketing lacking strong strategic underpinnings.

Neither is the solution eliminating the CMO and dividing marketing functions among sales, finance, operations, and IT. This radical solution proposed in Advertising Age* is a reorganization. Companies often unsuccessfully address challenges with reorganizations. Several reorganizations later, the company may go back to the org chart it had before those reorganizations. Yet, after going full circle, the problem remains unsolved. Nonetheless, if the CMO position must be eliminated, an approach more along the lines of what Proctor and Gamble did can be viable. Apparently acknowledging the importance of strategy, they did not just eliminate the CMO position. They replaced it with an expanded one encompassing not only marketing, but also strategy and innovation. An expanded position like this can have a positive impact if solid strategies are developed, if the innovation is selective, and if classical marketing functions can embrace the right innovations and strategies.

Also not a solution is CMOs scurrying to learn search engine optimization, as Business Week* recently described. While search engine optimization is important, it's not what keeps many CMOs from delivering desired results. Ill-fitting strategy often is. Though, a weak economy can also be a factor.

"Many now believe in advertising's decline, but…it's important not to let the pendulum swing too far"

Still, regardless of changes in technology, in the characteristics of different age groups, or in the marketing environment, many failed marketing efforts repeat common strategic mistakes. Especially in their quest to tackle exciting new markets, classical consumer marketers often give in to temptations to ply their trade in strategically ill-fitting ways. CMOs must strive to resist this urge and CEOs must realize that it will not bring results. Both must work together on strategies that will.

But, approaches for dealing with the situation can fall short. Marketing often strives to take the lead, trying to better educate the CEO about how marketing works and what it can do. This approach can seem especially attractive if the CEO did not come from a marketing background. Yet, it can bring problems if marketing is too tied to classical techniques that are advertising oriented, don't necessarily bring results on their own, and can easily reflect ill-fitting strategies.

There may be situations where an operations oriented CEO realizes where these problems are occurring and can sometimes – but not always – make the strategic decisions to set things right. And, it has been suggested that the CEO should drive marketing. But, a CEO without a marketing background is generally not ideally suited to do so. Furthermore, like CMOs, CEOs in pursuit of growth can also be tempted to support and adopt ill-fitting strategies.

Instead, the CMO and CEO need to work together to ensure a strategy that fits the patterns of success. The issue here is not who drives the process, but that what is ultimately adopted is strategically right for the organization. Both CEOs and CMOs need to understand and uphold this principle.

The Pendulum Swings–Preferably Not Too Far

If this report had been written years ago, back in the mid to early 1990's, it would have reflected the view many hold today, but didn't then. Refuting then conventional wisdom, it would have pointed out that traditional advertising based approaches often don't bring good results and that those relatively ineffective ads are overused. Back then, I was looking at how changes in sales or market share related to ad budgets.

Clearly, there was increased ad spending that did not get strong sales results. That finding was confirmed by what I was doing at the time to study success and failure patterns in the moves companies make to grow. But, back then, most people still advocated traditional advertising based approaches.

Since then, the pendulum has swung. Many now believe in advertising's decline. But, since key patterns of business success endure through time, it's important not to let the pendulum swing too far. Although new media and increased publicity will play a greater role, classical advertising based marketing techniques can be valuable. As in years past, however, these classical consumer advertising oriented techniques are no magic bullet and can't always deliver remarkable results, especially with what often seems like perfunctory use. But if applied strategically, not overdone, and based on careful consideration of appropriateness, they can play an important role in strengthening brands and ultimately contributing to the bottom line. And, patterns from the past can be a valuable guide in this process.

"Patterns from the past can be a valuable guide"

Conclusion

Companies that eliminate or excessively downplay the CMOs role will lose out to rivals who know how to use it strategically. Those who understand that marketing's past track record of successful brand building depended as much upon strategy as upon advertising oriented brand management techniques will stand to benefit. And, adhering to past patterns of success, especially those that marketing often overlooks, can greatly enhance performance.

So finally, do things change or do they remain the same? As always, some things – like technology, characteristics of each age group, and the marketing environment – keep changing. But, the more things change, the more they remain the same. Key strategic patterns of success and the importance of a strong strategy continue to endure through changing times.

*The references for media mentioned in this report are Advertising Age October 29, 2007 and Business Week December 10, 2007.

About Phyllis Ezop

Phyllis Ezop is a nationally recognized expert on the Winning Moves that drive successful business growth. As a strategic advisor, researcher and marketing information consultant, she blends real world experience in Fortune 500 firms and other major corporations (First Federal Savings of Chicago, Allied Van Lines, Quaker Oats, United States Gypsum, Western Electric unit of AT&T) with her 20+ year study of success and failure patterns in business growth initiatives. Frequently interviewed by the media, Ezop's views have been published in *Business Week*, and she has been quoted in *The New York Times,* in *Investor's Business Daily*, in *Harvard Management Update,* in *Advertising Age,* and in various major metropolitan area newspapers. Her quotes and comments have been translated into foreign languages and published internationally.

Ezop's research finds that companies succeed by making a series of what she calls Winning Moves. These growth propelling Winning Moves are based upon powerful patterns that her research unlocked. Her material helps companies to pursue the right growth opportunities, as well as to identify which innovations and changes will propel them forward. Ezop's research indicates that the entire process of selecting target markets and identifying market needs warrants rethinking. And, her study of business growth unveils an entirely new framework for approaching, using, and interpreting marketing research.

A thought provoking speaker, Ezop has addressed discriminating audiences such as University of Chicago Graduate School of Business alumni, students at Northwestern University's J.L. Kellogg Graduate School of Management, and MIT Enterprise Forum. She also taught university courses in new products, market research, and consumer behavior. She served several terms on the Board of Directors of the American Marketing Association's Chicago Chapter, and she has broadened her background into local government, serving on the Village of La Grange Park Zoning Board. With an undergraduate degree in mathematics from the University of Illinois, she holds an MBA from the University of Chicago.

FOR MORE INFORMATION OR TO ARRANGE FOR A CONSULTING OR SPEAKING ENGAGEMENT CONTACT:

Phyllis P. Ezop
Ezop and **Associates**
321 North Catherine
LaGrange Park, IL 60526

Phone: (708)579-1711
ezopandassociates.com