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Introduction

So much has been written about the prognosis for CMOs, much of it negative. It is our view that their future prognosis is not so bleak, but the role and function needs to evolve at a much faster pace. CMOs need no reminding that they have the shortest average tenure of the key C-suite roles¹.

Marketing has been transformed potentially more than any other business function, by the digital age, by changing customer preferences and by the shift in power from the business to the consumer. Today, the modern marketer needs to

connect and focus the business on the customer, but must also understand and drive the marketing technology stack and analytics. They need to be creative and narrative leaders through countless channels, all while organising the business behind their revenue growth and innovation agenda.

With a broadening of responsibilities at a time when the narrative around customer orientation has never been louder, roles such as CDO, CCO and CGO have begun to appear more and more within the C-suite.

In this time of change however, CMOs are often struggling to have their voices heard, with many marketing teams now performing more of a tactical function, rather than customer focused organisation-wide strategy. Their influence at the executive level appears to be diminishing in Australia for a number of reasons.

In this report we consider what the role of the successful CMO will look like in the near future, what many existing CMOs need to do to reinvigorate their role, and how CMOs can raise the quality of marketing within their organisations.

Getting the brand back together

Brand needs to belong to everyone, but CMOs are struggling more and more to demonstrate the true value of a strong brand to their peers

With the advent of voice and hyper personalisation, the role and strength of brand has never been more critical for organisations. As retail and search platforms understand our preferences better than us, and with more and more of these searches or shops moving to be without screens, consumers will have fewer choices to make and what choices remain will be based on a smaller selection of options and information.

What's the ultimate potential outcome of this, as consumers continue to have a more complete data set in purchasing decisions (reviews and product performance)? The most basic role of brand as a mark of trust/quality will be diminished as sceptical consumers trust the wisdom of the crowd over brand messaging. What is certain is that only strong brands, brands with the deepest pockets or highly differentiated products will beat or be able to work best with the platform algorithms: others will need to find other channels of survival.

The issue we face today is marketers are struggling to demonstrate and at times understand the value of brand. A Deloitte/Facebook study last year showed that only 17% of senior Australian marketers believe their most important role is building brand. For most, short-term selling is their main focus or in most cases, the expectation of their organisation.²

"Our primary function is to create demand – get people in the door"

Andrew Knott, former NAB CMO

Marketers are losing the battle for brand for these three reasons:

- 1 Executive understanding:** There is a lack of appreciation of what brand is and its value across C-Suite and senior management. Many still see brand as logo and marketing a 'fluffy' pursuit. In fact, between 30-40% of business value is not captured in management accounting; technology and brand represent the largest proportion of this value.³
- 2 Fortress brand:** Many marketers still put up walls around brand, believing they are the custodians. Excluding the business from the management of brand can only lessen their appreciation and understanding of its importance.
- 3 Lack of transparency and trusting in the wrong brand metrics:** For too many organisations, the right brand measurements are either not in place or not shared with the right people. Many marketers see brand metrics as a reflection of their performance when in reality so many aspects of the organisation impact brand. Brand tracking has not evolved in decades and for most organisations, the results seldom move.

"Only organisations that realise that only the customer matters and centre the business around that will survive. Take the CMO away from the C-suite and the business will be doomed. It's working here because there is one team and one escalation point for marketing and sales. We all own the customer."

Melissa Reynolds, CCO AGL



Brand: What needs to change

Brand is too important today to be owned by just the CMO. Marketers must move from brand protector to brand promoter, encouraging broader ownership and accountability. Anyone who touches product, experience, customer, channels, strategy (effectively all front of house) has a brand responsibility. The term 'brand custodian' is dangerous – marketers now need to help the organisation understand how the brand operates in all domains, their responsibility in delivering that, and how it is collectively measured. Over time, there is a case to be made for the management and promotion of brand to transition into the HR function, making the focus more on how all of the organisation acts and behaves, rather than on what some marketers do. This will be particularly important as brands move from product and service to experiences.

Not understanding the value of brand and the drivers of this value is a huge corporate risk that Directors and the C suite must start to address. The metrics of brand need a significant overhaul globally. Instead of a few individuals tracking a range of out of date metrics, the whole business needs to be across the drivers of brand value for their particular category and where their brand(s) are sitting.

Making marketing accountable

Have digital technology advances actually complicated, rather than simplified attribution?





There is no lack of awareness or acknowledgement across the marketing profession that more needs to be done to be able to understand and predict which combinations of investments are driving which outcomes. This lack of accountability has been the downfall of many marketing teams and budgets. Issues with viewability, transparency of numbers, last click and duplication of attribution across digital suppliers continue to mar the digital marketplace.

Given the size of budget, media continues to be the issue for most marketers but despite nearly everything changing in this field, many media functions and models have not dramatically changed in twenty years. To quote Larry Keeley, "If you're not moving at the rate of change around you you're going backwards" and the complexity in this once straight forward aspect of marketing has not been met with the capability and procedural shifts needed client and agency side. No one has got it right yet because this world is moving so fast.

A focus on rate comparisons and market modelling is missing the enormous value that can be derived by revisiting the entire approach. In a Deloitte Ipsos survey from this year, 58% of CMOs said they can't compare measures across channels, 49% said they had a lack of skills and capabilities within their marketing team⁴. Governance, data mastery (personalisation), brand safety, supply chain efficiency, agency contracting and management, tech stack utilisation (particularly data management platform and digital supply platform integration), optimisation and reporting are areas in which all marketers can make substantial efficacy and performance gains.

The use of more advanced data measures, e.g. variables, bigger data sets and machine learning will move us closer to understanding the impact of investment. These were not in place within most leading organisations we interviewed. At best, we see a sprinkling of econometrics run sporadically. The language of test and learn too was common place, but none interviewed had formalised systematising learning outcomes.

Demonstrating return: What needs to change?

-  Media capability across the industry needs to be overhauled and clients need to promote a culture of experimentation and continual learning in response to the rate of change
-  Better metrics of attribution – if what we measure doesn't capture what happened, don't rely on it to measure performance.
-  Increase the reliance on experienced trained strategic marketers to interpret results and work with analysts.
-  More advanced modelling that learns and builds over the long term and includes the impact of the creative. Attribution is something that needs to be always on, always learning and learning what didn't work is as important as learning what did.

"Accurate attribution is the single largest issue we have as marketers ... digital metrics were held out as our saviour, but instead they have only led to more confusion"

Simon Bell, Professor of Marketing & Director of The Centre for Workplace Leadership, University of Melbourne



Seeking out risky behaviour

Low risk, low reward

Consumers are exposed to up to 4000 brand messages a day, they notice 40, recall at best 4.⁵

Anything that's not exceptional is not noticed. Very little of the work that is being created by marketers is exceptional.

Why do we expect this type of work to drive instant results? It is impossible to stand out and make an impact while being completely safe – the two ideas are incongruent and marketers are faced with a catch 22: be impactful but take no risks. This is amplified by the short-termism driving executive decisions in Australia.

Taking risks: What needs to change?

Improving the marketing product will require a solution to the problem of risk aversion and the creation of lacklustre work. The key to doing this lies in building better trust and promoting creativity and ideas with impact, not just in advertising but within the full marketing product.

Agency partners need to get better briefs and gain the trust of the organisation – which will help management to stop tinkering. Those who understand brand and the creative product and process need representation at a senior level to help with the risk/impact balance.

The agency/client model also needs to evolve over time with the marketing function but these decisions need to start with asking these questions; What is the output and delivery of our marketing function, what roles support this and who is best placed to deliver?

"We have a generation of marketers who have been trained to output work that neither moves nor offends anyone, says only what is expected and is noticed by very few."

Anonymous Agency MD

"70% of US firms are moving to an internal agency model contracting in only highly specialised or technical services."

Deloitte CMO services model lead, US

Getting on stack

Stack investment without marketing op model transformation is doomed to fail

For years, we have seen the major marketers investing in tech stacks (sometimes investing ahead of CFOs) to ensure they didn't miss the digital transformation or the promised advantages of personalisation. But, unfortunately, investing in the stack alone does not deliver the desired transformation. Of all of the marketers we interviewed, all believed there was a lot more that could be delivered from their technology.

Because of a need for rapid, digital specialisation, many organisations have strong demarcations between digital and marketing teams. While this avoids confusion, it inhibits co-operation. It's not practical for a good marketer to not understand digital or data. Neither can a digital marketer get away with not understanding the fundamentals of marketing.

With this legacy approach not working, we are in need of a new marketing operating model. Digital transformation will not be delivered by landing the technology alone – processes, systems, capabilities, culture and behaviours all need to shift for not just the marketing function but also all external partners.

While the personal and corporate risks would appear to be too great for leaders not to act, structural inertia and a lack of digital depth in some marketing teams is holding back this critical transition. External partners too need to play more of an active role in the transition – most are not.



Case Study: The clear personalisation outlier – Netflix

The two clear stand-outs globally are of course Amazon and Netflix but technology alone hasn't driven the gap between these marketers and everyone else, it's a belief that "every dollar spent is an opportunity to learn"⁶. In addition to this philosophy at Netflix we see:

1. Streamlined marketing operations – free up the marketing team to focus on strategy and creative. E.g. automated localisation of assets for international campaigns (~5000 assets per title)
2. Unified campaign platform for creating ads and campaigns across all channels and canvases
3. Automated measurement and optimisation to improve spend efficiency
4. Personalisation engine – personalise the rows and titles on the home screen to optimise what is recommended. Personalise the creative to optimise how it is presented (including multiple different frames/images for the same program for different audiences). Metrics are carefully defined to prioritise engagement over 'clicks'.

Together, these deliver unrivalled experiences customised for the specific needs of each audience. While in many places the experience technology is in place, Australian firms are not yet following this best in class execution.

There is a huge gap opening between those who understand and are embracing the advent of cognitive marketing and those that are resistant⁷. 60% of CMOs feel the role of technology will either stay the same or decrease.⁸ We are so fortunate today to have a clear view of how the marketing function will operate; yet some are avoiding it, others are running away. Clinging on to the old ways is a futile exercise.

The greatest impact we can see on the field over the last ten years is that marketing has become too complex for marketers to manage – the number of variables (audiences, channels, creative versions and messages, performance) cannot be understood by marketers alone. We must embrace the automation (especially in cognitive decisioning) that is coming and let the humans fill in around the machine.

To enable this, within the US in particular, the operating model for marketing has completely transformed. New connections internally and externally deliver the right data-driven insights to drive better and more consistent work and experiments. Legacy marketing roles and functions no longer exist.

The stack: What needs to change?

There are two things to design a marketing function for:

- 1 **Strategy:** Where to play, how to win
- 2 **The engine:** Execution of performance marketing through platforms.

In Australia, to help this transition, agile methodologies need to be adopted to ensure that experts are working in a cross-functional manner, learning from and teaching the organisation. This is a major issue for agency partners. Agile cross-functional teams should be activated against key issues, customer and product agendas as opposed to a defined role.

Marketing resource, like any other investment needs to be allocated to where it will have the most impact. This type of structuring will avoid the type of churn activities that marketing so often get caught up in – tweaking logos, brand assets and positioning, packaging and CX.

Case Study: The re-emergence of direct but with purpose – Tesla

“We won’t advertise, it’s just not what we do”. Easy to say when you’re managing one of the most highly sought-after brands in the world but this confidence influences all aspects of marketing at Tesla. The mantra that not only forces the team to be exceptionally confident in what they do, but creative in how they spend their money, further perpetuating the brand image of the innovators, the clear stand-out alternative in the category.

A glossy ad sitting next to every other ad in the Good Weekend or Wish would do a lot more harm than good. The pulling power of their brand and purpose (to accelerate the global transition to sustainable fuel) enables the conversation to occur through owned channels managed through platforms and events. The role of marketing is to build the CRM, and deliver the right brand building content. Sales naturally follow.



In the US, we are seeing this shift happen.
(Source: The CMO survey, Duke & Deloitte)⁹

Marketing led by marketing teams	Marketing not led by marketing teams
Brand (91.4%)	CRM (39.8%)
Digital Marketing (79%)	NPD and Innovation (33.3% & 30.1%)
Advertising (81.7%)	Pricing (25.8)
Social Media (75.3%)	Market entry and revenue growth (39.8% & 37.1%)

The great talent shortage

The gap between what trainee marketers are learning and what skills are really required is huge, and getting bigger

Only a quarter of executives think they have the skills they need for the fourth industrial revolution and marketing is no exception. Within a study completed by Deloitte and Duke university the most important factor for driving growth within the organisation was 'having the right talent' (35.3%). This is almost twice as important as the next two; 'right operating model' and 'stakeholders aligned'¹⁰.

Why the shortage? Firstly, marketing firms have stopped training their employees. In the past decade, on the job training has fallen. In the US, only 4% of marketing budgets reflect training and development for staff¹¹. The artificial split we mentioned earlier between brand/traditional marketing and digital/campaign-based marketing is also a culprit for this, producing marketers who are not well rounded in the fundamentals. And this shift towards tactical marketing has meant a drain of leaders out of the industry as the job becomes less motivating. Finally, the tertiary education is not preparing leaders properly.

One thing is for certain – the profile of the new marketer is clear:

- Middle brain thinker (one who understands not just the metrics and what drives them). In fact, when asked which skills are most important, 40% of the skills are traditional left hemisphere skills, 60% right hemisphere¹²
- Curious, asks questions and has a high level of empathy
- Embraces and drives technological change even if it threatens what they've done
- Highly collaborative and has the ability to influence all parts of the business founded on a deep understanding of what different functions need and do.

Skills gap: What needs to change?

How do we bridge this gap? By moving beyond designing the functionality of marketing for the marketers. The capability bridge is too great for their bounded rationality. For marketing to take its place as the accountable strategic function it needs to be, we need to build for the machine first and foremost and let the humans complete what the machines can't. Marketing audience strategy, media planning and buying, creative optimisation, serviced design and CX, audience prioritisation all require a level of understanding analytical agility beyond the capability that exists within most firms.

Leadership, growth, collaboration and connection, creativity, and deep qualitative insight generation – this is where we should be focusing the marketers' time and let marketing machine learning or cognitive marketing do the rest.

“We just can't find the people we need – there is a serious shortage of good talent across Australia and the gap is not being filled”

University CMO (former)

Forging a new path as the great connector

If everyone is a brand and customer expert – the unique skillset of the CMO comes into play through connections

As academics and commentators such as Mark Ritson regularly point out – the good marketers have good training – like great accountants or strategists, they have great marketing skills. The role of the modern marketer has to be to be able to communicate and explain the value of these fundamentals to every part of the business. Marketing leaders must be able to speak the language of, and demonstrate value to, the entire c-suite.

The most important function the modern marketer will play within the organisation will be to connect all aspects of the business – product, service, and technology. Marketers are best placed to unite the business behind the customer and brand. They have the skills and the lexicon to be the great connector.

Connection: what needs to change?

The fundamental role of the marketing has not shifted, the five faces of the CMO still need to be:

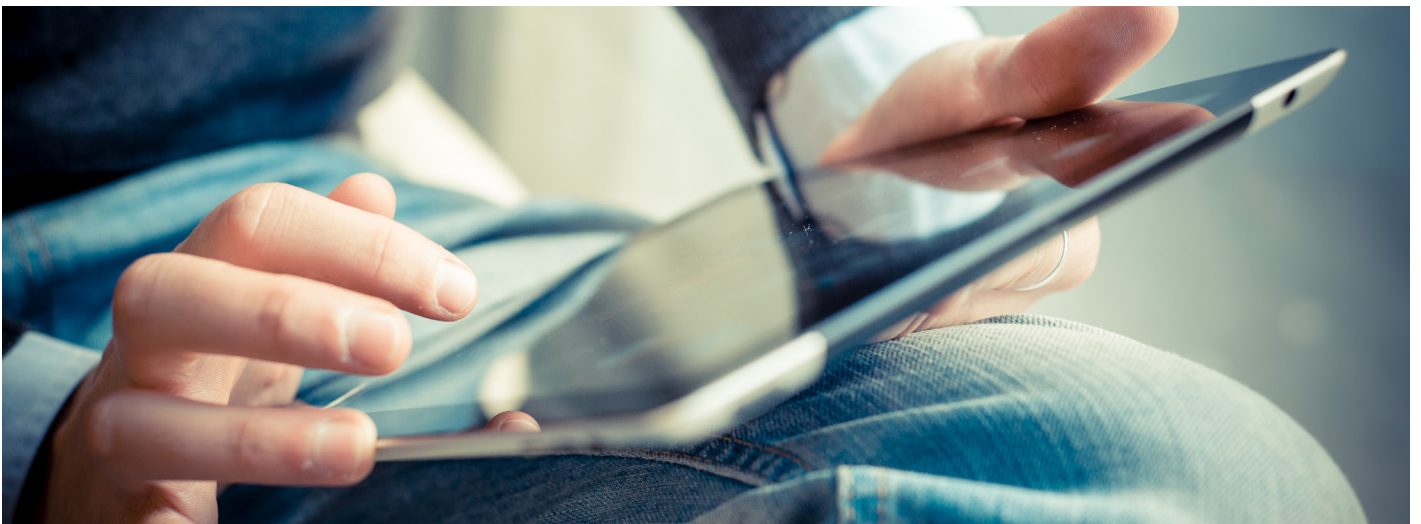
- Growth Driver: Utilise data and insights to deliver superior, personalised customer experiences.
- Customer Champion: Play a leading role in creating and managing a plan to achieve sustainable, profitable growth.
- Innovation catalyst: Create breakthrough customer offerings and advance marketing through new technology platforms, media tools and techniques.
- Chief storyteller: Act as both architect and steward for the brand by creating and telling the brand stories. Develop, preserve and promote the brand's relevance and consistency while evolving its meaning.
- Capability Builder: Is it best to build or outsource the capabilities needed.

“The key challenge so many of us face is how to inspire the whole organisation to deliver brand in the right way”

Siobhan Forbes, Executive Director, University of Melbourne

“I think the profession will be truly successful when we stop needing large marketing departments, when everyone who touches customer thinks as a marketer... we will only be truly successful when not needed”

Simon Bell



Conclusion

Next steps for a revival

As we have seen in the US, the future for the CMO can be bright – they can return to their rightful place as drivers of strategy. To encourage this change in Australia, marketing professionals need to make changes and make them quickly.

For each CMO, the change will be different as the role of marketing evolves differently by organisation. That said, focusing on the following areas will help revive the marketing function for most:

- To get the most out of technology, the marketing model and capability must also change.
- Marketing teams need to better integrate the data revolution into planning and reviews and become more accountable for their spend (including FTE).
- Brand is too important for marketers alone to manage. Marketers must elevate the understanding of brand by speaking the language of the organisation – show the financial asset value and understand drivers.
- The future model must be designed around automation and not the inhibiting humans. Media, personalisation, creative optimisation and audience management are just too complicated for any marketer to manage effectively.
- Agile methods need to be adopted to ensure that experts are working in a cross-functional manner, learning from and teaching the organisation.
- The role of internal agency for larger firms needs to be given serious consideration; the agency and partner model and evolve their role as marketing itself evolves. Marketing data in all its guises is too important to leave to the agency.
- Marketing must regain expertise and trust within the organisation on all things customer – how they research, how they explain changes in behaviour.
- We need to call-out the wasteful work by marketers that is not impactful. The only risk for marketers should be to not take a risk.
- We need to weed-out the 'old-school' marketers – the new model cannot carry them. The terms 'pure' and 'brand' marketers should not be celebrated.
- The CMO role within the organisation will be much more about being the educator and the connector. Only marketing can join all the dots for the CEO.

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What we did

(Methodology)

To get to the bottom of what is really on the minds of CMOs, over the course of six months, the Creative, Brand and Media team at Deloitte:

- Interviewed 20 of Australia's leading CMOs across industries
- Completed a meta review of 10 global quantitative studies.

Our insights from this research, these conversations and our own knowledge of the CMO agenda are explored in this report.

References

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⁷ Cognitive marketing engines will take much of the day to day decisioning away from marketers into a Machine Learning engine.

⁸ State of the CMO, 2017 <https://www.cmo.com.au/state-of-the-cmo/>

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¹⁰ Ibid

¹¹ Ibid

¹² Ibid

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