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Leadership for growth

Marketing in 3D

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Foreword

Marketing needs to be seen as the sourcing and harvesting of cash flow, to underline its importance to any organisation whether they have a Marketing department or not. Marketing works in two stages: the first builds brand equity, in other words the demand for the firm's products, and the second converts brand equity into sales and profits. Therein lies the problem: firms recognise the second stage but have a tough time understanding the first.

Marketing therefore needs to be seen as an issue for the whole firm and especially how they maximise the experience of the brand from the customer's, or end user's, point of view. It is just as important for business to business companies and not-for-profit organisations as for consumer and financial businesses.

Large firms have specialist Marketing departments but measuring their performance depends on the roles their members have been assigned. Some Marketing departments have responsibility for pricing, for example, whereas others do not.

I welcome this Deloitte point of view because it highlights what Chief Executives need to do to improve organic growth for their businesses and the importance of measurement at the successive stages of marketing. Consumer centricity is easy to say but difficult to achieve in large organisations. Market awareness is key to creating improvement in the customer brand experience relative to the increasing competitive pressures of business today. Demands for greater marketing accountability are justified but the measurement systems need to be non-financial as well as financial to encourage, rather than inhibit, marketing creativity.

This is the first of a series of detailed reports.

Tim Ambler

Senior Fellow, London Business School

Leadership for growth

This report has been developed from our recent research into the perceptions of Marketing at the board level, and will address one of our three central findings on leadership.

CEOs understand and appreciate the ‘value’ of marketing, but need to galvanise the wider organisation to fully exploit the benefits in helping to deliver sustainable growth.

We think that CEOs are champions of Marketing’s cause, but they also unintentionally contribute to Marketing’s headaches in execution – especially in the way they set priorities, and align their management teams behind these. This issue will be considered in the following four sections listed below. Potential solutions are then discussed at the end of this report.

Developing this further in our current research, we discovered that 81% of CEOs identified marketing as a key driver of growth. Equally important, we found that a similar proportion of CEOs (85%) identified marketing as crucial to devising strategy. There is no doubt that marketing is firmly on the CEO’s radar as a means to achieving growth targets.

Report sections

- CEOs consider marketing to be a key driver of growth and an important factor in devising strategy
- CMOs are split on whether CEOs fully appreciate the value of Marketing
- Relationships between CFOs and CMOs can be strained and reflect a lack of a shared understanding
- CEOs are unaware of a lack of shared understanding of marketing across the organisation.

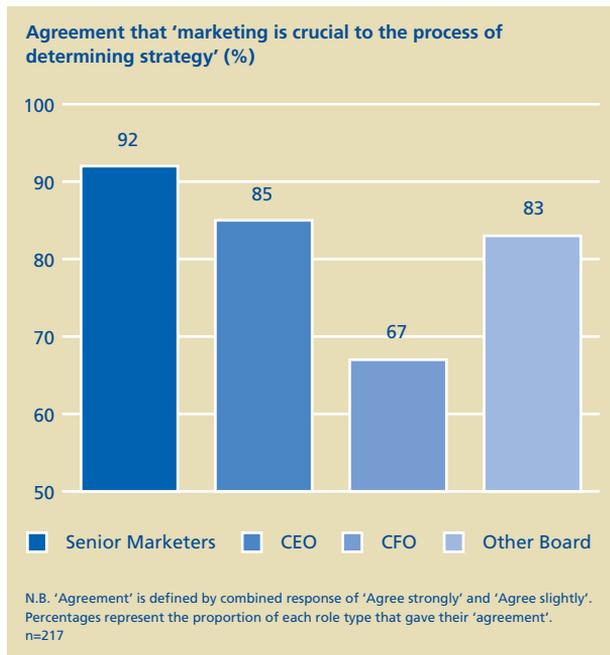
1. CEOs consider marketing to be a key driver of growth and an important factor in devising strategy

Before our most recent study, research undertaken with the Economist Intelligence Unit in 2006 demonstrated that CEOs value marketing as a key driver of growth. The board level respondents to that survey recognised marketing as being more important than all other drivers of growth. We hypothesise that marketing came top of the list of growth drivers because the executive level respondents were more focused on organic means to grow their businesses (customer retention and growth) rather than inorganic means (acquisition and merger).

Agreement that ‘marketing is a key driver of growth for our organisation’ (%)



N.B. ‘Agreement’ is defined by combined response of ‘Agree strongly’ and ‘Agree slightly’. Percentages represent the proportion of each role type that gave their ‘agreement’. n=217



What interested us here is the degree to which the CEO is reliant on marketing in the determination of organisational strategy. Historically, a marketer's ability to determine strategy has not been seen as a core competency requirement.

To examine this further, it should be noted that the profiles of the typical marketer and Chief Marketing Officer (CMO) have changed. A 2006 report from Forrester (**Reinventing the Marketing Organisation, July 13 2006**) demonstrates how over the past five years the importance of creativity – the traditional core skill and responsibility of a marketer – has been usurped by strategic thinking. In line with this finding, CEOs in our survey identified 'strategic planning ability' as the most important skill of the marketer. The CEO of today does not consider marketing to be just about short-term tactics and creative execution, but part of a larger more structured activity, that drives and helps achieve longer-term objectives.

This has serious implications not only for the type of person required for the CMO role, but also the cross-functional understanding of the organisation that is now required. Our research and subsequent steering group discussion identified a siloed approach to marketing skills development, one where only a deep marketing specialist could direct the function.

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“...it could be that the very specialism that enabled an individual to ascend to lead the Marketing function is the greatest inhibitor to obtaining the cross-functional strategic competency that is demanded of the modern CMO.”

However, it could be that the very specialism that enabled an individual to ascend to lead the Marketing function is the greatest inhibitor to obtaining the cross-functional strategic competency that is demanded of the modern CMO.

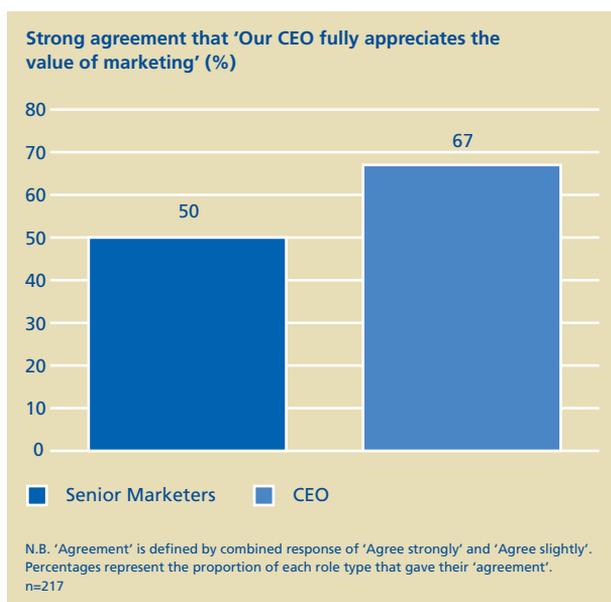
Another challenge arising here is the ability of CMOs to understand and communicate the effect of strategy on the resource requirements of marketing. An insight from our 2006 EIU research was that the majority of organisations are simultaneously pursuing multiple growth strategies – all of which demand marketing resource.

If strategy is fundamentally about making choices, then it is clear from our survey that CEOs are looking to CMOs to rise to the strategic challenge and assist them in prioritising activity. Marketing functions that are ill-equipped to prioritise are also struggling with execution – as they are being asked to take on too much, with inevitable delays and compromised quality – rather than focusing on delivering well against a few strategic priorities.

Whatever the solution here to helping to realise truly effective marketing, there can be little doubt that for their part, CEOs are 'already there' in recognising the importance of marketing in both strategy and growth. The opportunity is there for CMOs to grasp and they should do so in part by demonstrating their ability to think strategically.

2. CMOs are split on whether the CEOs fully appreciate the value of marketing.

Our research reveals that 50% of all Marketers strongly believe that their CEO fully appreciates the value of marketing. What is interesting here however is that half are still to be convinced, despite the prevailing view we have demonstrated amongst CEOs.



There is a sense among marketers that the Marketing function and the broader role of marketing across the organisation has yet to achieve the level of recognition that it deserves with other business functions.

This misalignment is perhaps symptomatic of a relationship that often does not operate well on a peer to peer basis. Research carried out by The Chartered Institute of Marketing in December 2005 revealed that only 11% of FTSE 100 firms have a Marketing Executive on the main board. Marketers see a barrier in career progression as shown by the 35% in our study who still feel that a glass ceiling exists in their organisation. However, our interviews suggest this feeling is founded more on perception than reality, but compounded by a lack of board level interaction and contact with the CEO.

A solution often proposed to assist marketers in their career progression is to develop a more robust accreditation for the profession. Of our marketers interviewed, 67% believed it would be 'a big benefit to marketers to have a formal accreditation for the profession', noting that of the marketers surveyed, only 15% of respondents have formal marketing qualifications.

However, accreditation may only be a small part of the solution. Today's corporate governance regulations require neither an individual responsible for marketing to sit on the board, nor the organisation to disclose any marketing-related metrics in annual reporting.

We noticed a further disconnect between the CMO and CEO when we asked them to indicate what percentage of board discussions are related to marketing. Board level CMOs say that only 16% of board level discussions are about marketing, whereas CEOs believed this to be double at 33%.

“Board level CMOs say that only 16% of board level discussions are about marketing, whereas CEOs believed this to be double at 33%.”

The reason for this can be attributed in part to confusion over what should be categorised as a 'marketing' discussion. A topical example is Corporate Social Responsibility, an area increasingly included in boardroom discussions, but one which often divides opinion over where responsibility should fall. This clarification of role and purpose is perhaps the single biggest factor affecting the Marketing function at this time.*

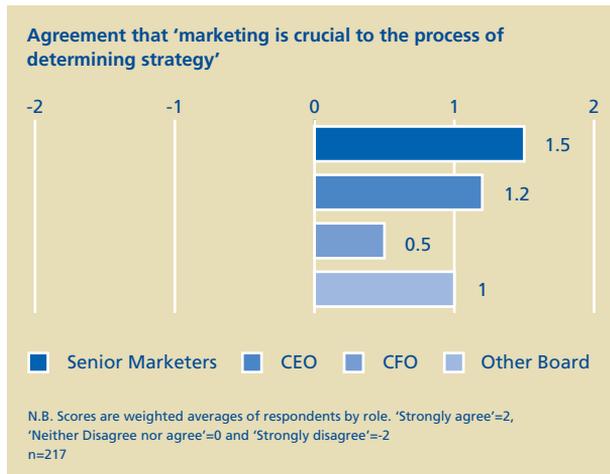
3. Relationships between CFOs and CMOs can be strained and reflect a lack of a shared understanding

Our survey reveals that CFOs hold a lower opinion of marketing's importance. Perhaps nothing is new in that, but increasingly this view is at odds with the wider board.

One-third of CFOs do not believe marketing is a key growth driver or crucial to devising strategy. 75% of the other board members interviewed now believe that marketing is a key growth driver and 83% believe it is crucial to the process of determining strategy.

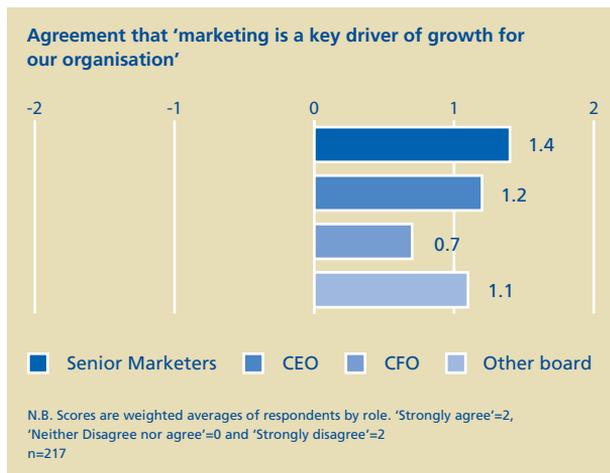
“One-third of CFOs do not believe marketing is a key growth driver or crucial to devising strategy.”

*This will be discussed in detail in the third and final Deloitte paper in mid 2008.



“...for the typical CFO, marketing is a cost centre with little accountability and quantifiable results.”

marketing actually does. In our interviews it has become clear that for the typical CFO, Marketing is a cost centre with little accountability and quantifiable results. The CFO's perception of marketing effectiveness is no doubt entwined with the tangible versus intangible benefits of marketing, such as sales through brand awareness and loyalty through customer experience, which do not readily appear on the CFO radar. However, marketers are in part culpable for the lack of the CFO's understanding of quantifiable results. All too often marketing measures are both tactical and transient in nature. This makes it almost impossible for senior management to align the contribution of marketing to corporate goals and track meaningful change over time.



“...marketers are in part culpable.”

The competing objectives and contrasting approaches of CMOs and CFOs can sometimes lead to a strain in the relationship between the two. This difference in perception is also reflected in the CFO's attitude towards the most important skill for marketers. When asked, the CMO and CEO consider 'strategic planning' to be the most important skill, whereas CFOs rank 'collaborating with sales' as top.

Furthermore, when asked to rate the effectiveness of their organisation's Marketing department, over half of all CFOs (54%) rated it as less than 60% effective. This compares to just 15% of marketers, and crucially 28% of CEOs. CFOs now appear to be isolated from their boardroom peers in their attitude towards marketing.

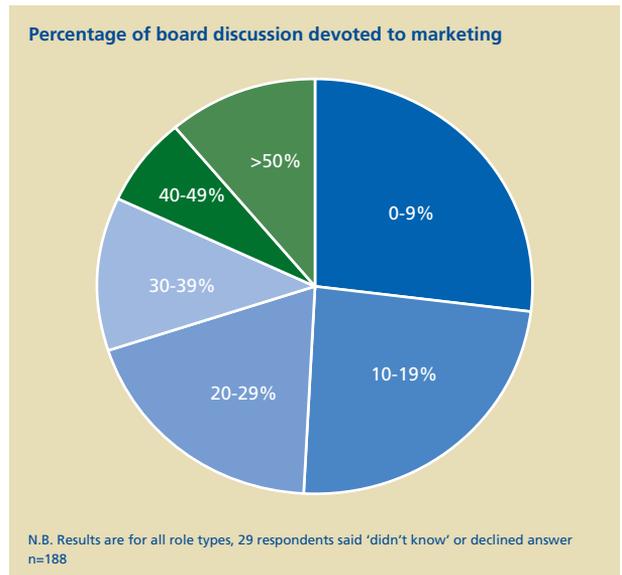
The primary function of the Marketing department, and therefore the chief objective for the CMO, is to generate demand for their organisation's products and services. Critically however, the activities that support effective demand generation can be widespread. From sales promotion, loyalty and customer experience, to tactical campaigns and mass broadcast advertising, the remit of the Marketing function is therefore wide ranging. Perhaps more than any other function within an organisation, the role of Marketing can not only vary significantly, but also has to adapt the most to new market developments.

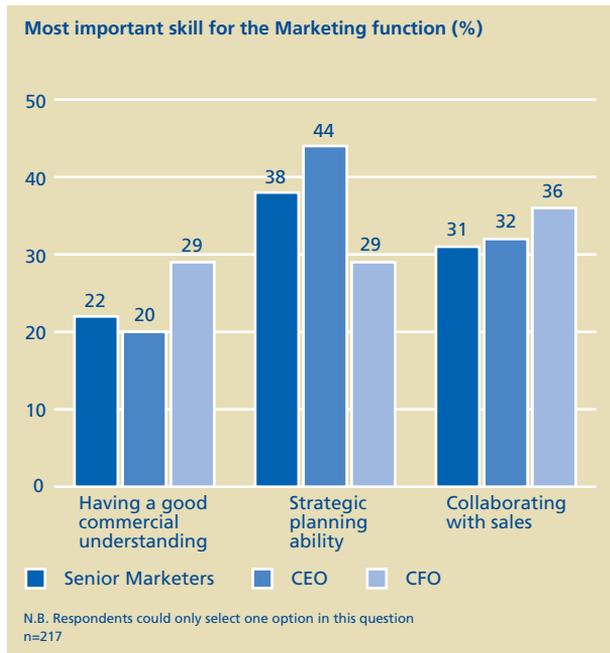
The viewpoint of the CFO is common, long standing and reflects the traditional opposing territories of the two disciplines. The traditional 'black and white' perspective of the CFO, moulded by fact-based numerically driven opinions, has made it harder to gauge a complete understanding of what

Our interviews confirm, however, that many CFOs only consider a relatively narrow perspective of marketing, focusing on sales support and promotions. The CFO's understanding of immediate and in-year contribution is strong – but does not often extend to the longer-term value delivered by marketing activity.

We surmise that these differences between the CFO and other board members are better understood as a lack of a shared understanding of marketing. Simply working with the CFO to redefine or reaffirm the principle roles and activities of the Marketing function would be a start.

The marketing community need to be cognisant that CFOs are dealing with multiple, interdependent issues. Fast-changing expectations from capital markets and boards, more demanding reporting requirements, pressure to reduce costs and on-going operational and regulatory challenges to manage mean they are striving to achieve both improvement in the Finance function's performance and increasingly drive organisational strategy – challenges in many respects that are not dissimilar to those faced by the CMO.



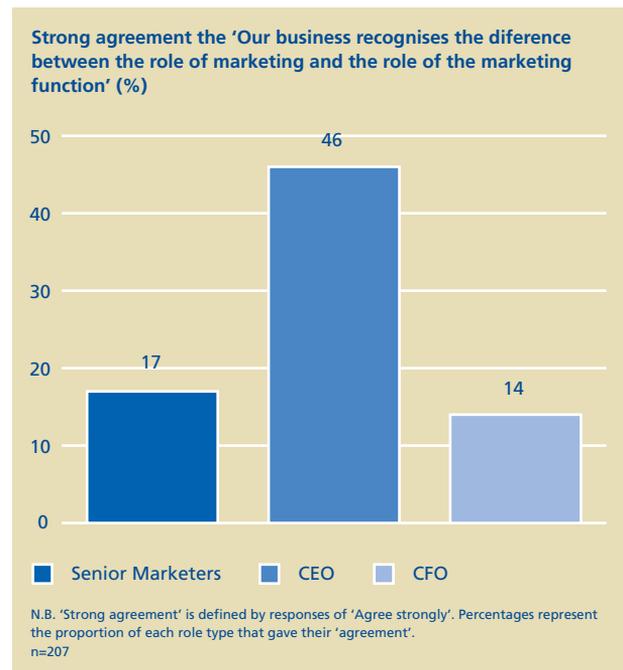


Through qualitative feedback in the research we observed a growing section of the CFO community who are actively working to understand the role of Marketing. We may be seeing the emergence of a new breed of CFOs, a group that see their role as a corporate steward of the numbers, a business operator, a catalyst of change and a growth strategist.

The long-standing CFO-CMO disconnect is therefore not insurmountable. There simply needs to be an engagement with CFOs to understand what elements of marketing they currently value and then effectively address those that they currently do not. However that can only be achieved when we can agree on the role and focus of Marketing, and the required skills, tools and methodologies required to fulfil that role. Most of all they need to agree realistic means of measuring marketing performance, subject of a Deloitte report due for launch in late 2008, and the necessary intermediate metrics to flesh out the business model. Marketing accountability should be explicit and shared between the CMO and CFO.

4. CEOs are unaware of a lack of shared understanding of marketing across the organisation

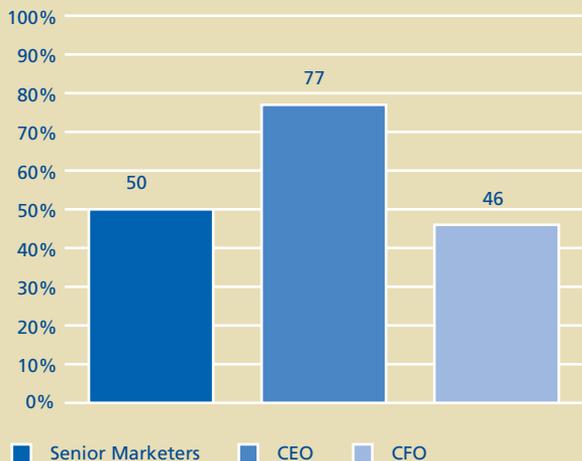
The lack of a shared understanding does not appear to be fully appreciated by CEOs in their organisation. In our survey we asked if the 'difference between the broader role of marketing versus the actual Marketing function is clearly understood within the organisation'. The response from CEOs was that almost half strongly agree. This is in stark contrast to only 17% of CMOs and 14% of CFOs who believe that this difference is clearly understood.



In this context it becomes critical to understand the role of 'marketing', by which we mean the broader concept or philosophy, as distinct from 'Marketing' the management process driven by marketers³.

- **'marketing' as a concept:** A concept or philosophy of customer orientation which must provide a focal point for a company's total activity, at all levels in all departments.
- **'Marketing' as an operational function:** The management process within a company responsible for identifying, anticipating and satisfying customer requirements profitably.

'Complete' or 'a great deal' of agreement across board members on marketing priorities and agenda (%)



N.B. Percentage represent the proportion of each role type that stated there was 'complete' or 'a great deal' of agreement.
n=187

In addition, when asked about the degree of agreement on Marketing's priorities and agenda at the board level', over three quarters (77%) of CEOs concur. In comparison, CMOs (50%) and CFOs (46%) are much less sure of this.

It is clear therefore that at the very top level of organisations, there are often three contrasting opinions of what Marketing is and what it should be doing. This issue is further emphasized by the finding that 70% (non-CEO participants) do not strongly believe the role of the Marketing function is clearly articulated within their organisation.

CEOs can do a lot more to help their organisations be more effective and aligned around marketing. They have a very positive view of marketing, at least in theory, but yet they do not understand that their CMOs fail to recognise this and their CFOs disagree with them. They perceive that the role of marketing is clearly understood across the business and yet, as we have demonstrated, it is not.



How to lead from the top to deliver bottom line growth



It is the role of the CEO, with the active support of the CMO, to galvanise the wider organisation to overcome the barriers identified in our research. In this way, an organisation can fully exploit the benefits of marketing to help to deliver sustainable growth.

CEOs need to take a hard look internally to understand whether their organisation is set to turn the vision and strategy of marketing-driven growth into reality. The challenge falls to CMOs to influence senior management and board members to open and stimulate this debate.

We understand that the challenge of achieving organisational growth is perhaps the most complex of all those facing a company, not least when marketing, a key means of doing so, is itself commonly misunderstood.

Our research has highlighted how important it is for management teams to understand the role of marketing and establish a common language around it to successfully execute a growth strategy. Marketing needs to be measurable and transparent to all, which in turn will build trust of the discipline across an organisation.

Deloitte's experience in helping organisations to overcome the common disconnects between marketing and the rest of the business has led us to develop tools that can be useful in overcoming some of the challenges outlined in this report. Whilst not always the answer, we hope the methods outlined below may prove useful in striving for true marketing effectiveness.

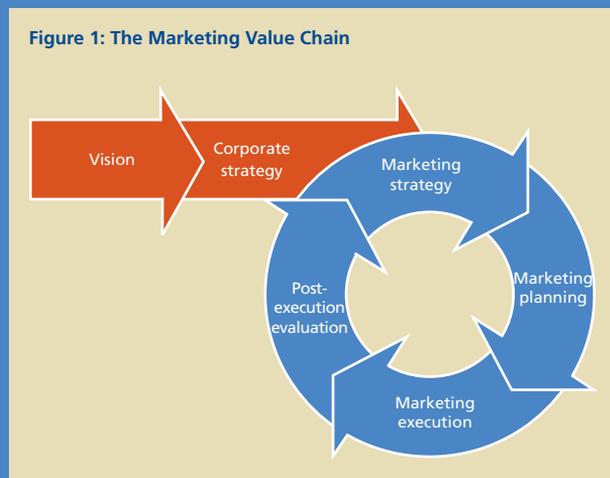
Step 1: Identify drivers of growth

Marketing is tasked with responding to multiple growth drivers – and often opposed growth drivers. Growth drivers can be identified through enterprise value mapping, which enables organisations to link marketing activity to strategic drivers of growth that are then capable of being tracked and measured. This method supports the articulation of marketing's value – in a language that is understandable because it is aligned to organisation strategy.

The Deloitte Shareholder Value Map identifies the key growth levers and also how these link across the organisation. This demonstrates the value of marketing in its own right, and also how Marketing, Sales and other functions must work together to contribute in growth drivers.

Step 2: Align the organisation around growth drivers

Our value-led approach looks at the end-to-end delivery of marketing: Within the Marketing function, across the organisation and also with the third parties (partners, agencies etc.) that are often so critical. We seek to align the organisation across the Marketing Value Chain (see Figure 1.) ensuring clear and explicit links from strategy, through execution and to evaluation to improve future performance.



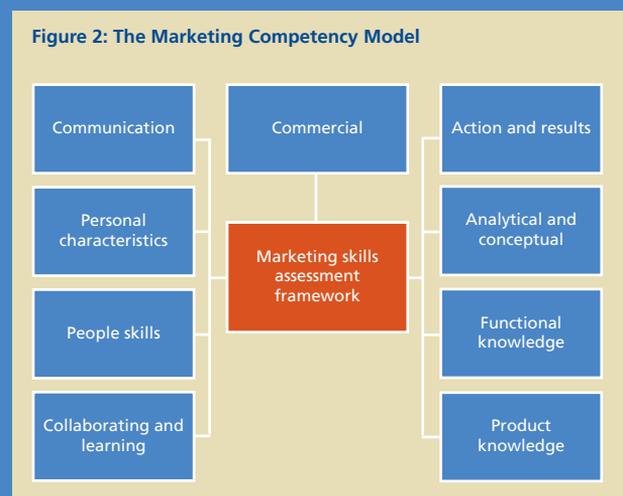
Organisations often find it useful to benchmark themselves against other companies. Our new online tool 'Marketing in 3D Benchmark' has been designed to enable organisations to compare their marketing capability against that of competitors and other industries. The tool consists of a short online survey structured around the Marketing Value Chain which provides an instant report to highlight the relative maturity of key marketing competencies.

The Marketing in 3D Benchmark can help you to identify strengths and opportunities for improvement that can be further explored through more detailed diagnostic analysis. To access the Benchmark simply visit www.deloittemarketingin3D.co.uk

Step 3: Define the competencies to drive growth within the organisation

The findings of the Marketing in 3D research and the Marketing Value Chain have enabled us to develop a Marketing Competency Model to help companies define the skills they need to drive growth.

This model has been designed to address some of the systematic skills challenges for marketing – namely to balance the need to build a specialisation in marketing with a wider appreciation of the value drivers within the organisation.



In keeping with the research, the competency model takes an organisation-wide view of marketing effectiveness. It promotes the need for strategic planning skills within the Marketing function, as well as breaking down functional silos. This is done by encouraging cross-functional skills development, to promote broader commercial awareness and more effective organisational alignment between functions.

This approach can enable organisations to align skills to value drivers, to develop the competencies within the organisation that provide individuals with clear defined career paths aligned to strategic growth drivers.

Visit www.deloittemarketingin3D.co.uk to benchmark your organisation's marketing capability.

Background

When we previously undertook a study of global organisations to identify the drivers of organisational growth we uncovered some unexpected findings.

The board level respondents to that survey placed their faith in marketing above all other drivers of growth including investment in workforce, leadership acquisition, technology and the development of alliances to meet their five year growth targets.

As with so many studies an interesting finding inevitably raises more questions. We decided to explore in greater detail the relationship between marketing and growth. In this research we set out to define:

- What is the role of marketing in driving growth?
- What are the challenges to achieving this?
- What are successful organisations doing to overcome these challenges?

Our priority was to ensure that all stakeholders responsible for driving growth through marketing were consulted. The findings are based on independent, detailed and wide-ranging research carried out on our behalf by market information company, TNS Global.

The project spanned five European countries and involved 217 in-depth interviews.

To ensure we gained a broad based view of marketing effectiveness we extended the scope of the research to encompass the entire senior management team. In total 151 marketers and 66 board level non-marketers completed the survey from both private and publicly-owned organisations.

Of the marketers surveyed, 63% had more than 10 years experience and one quarter had more than 20 years, while 15% held an MBA, one-third had a marketing qualification.

In addition, we established a steering committee¹ to ensure the research covered the broader role of marketing in driving growth. The committee was comprised of senior marketing professionals from a broad set of industry sectors, academics and authors, industry bodies and our own consultants.

This combined approach meant that tangible and practical solutions were extracted from an extremely deep data set² and are articulated here at a high level.

¹ Please refer to page 11 for more information on our steering committee.

² Data was analysed using SPSS software. SPSS Inc. is a leading worldwide provider of predictive analytics software and solutions. SPSS survey and market research solutions, renowned as the industry benchmark for analysis, enable organisations like Deloitte to turn vast quantities of data into actionable results. www.spss.com

Our steering committee



Sir Digby Jones

Sir Digby Jones is a Minister of State at the newly created Department for Business, Enterprise and Regulatory Reform as well as at the Foreign Office.



June Diment

June is Head of Marketing, Market Services, for the London Stock Exchange.



Herberth Samsom

Herberth is managing partner of DDB Amsterdam, the Dutch arm of DDB worldwide, a provider of marketing and advertising services.



Erik-Jan Gelink

Erik is a Director at Telegraaf Media Group, the largest media group in the Netherlands.



Peter Gowers

Peter is President of Asia Pacific for InterContinental Hotels Group PLC (IHG), the world's largest hotel company.



Robert Bryant

Robert is a Partner and Head of the Customer Management team at Deloitte.



Tim Ambler

Tim Ambler is a Senior Fellow of London Business School, one of the world's leading business schools.



Malcolm Wilkinson

Malcolm is a Partner and leads our Marketing Effectiveness team at Deloitte.



Paul McCarthy

Paul is the Managing Principal at IDM Consulting and is a board member of the Institute of Direct Marketing.



Nick Turner

Nick is a Director in our Marketing Effectiveness team at Deloitte.



Andrew Marsden

Former Marketing Director of Britvic Soft Drinks and Chairman of the ISBA executive.

Why Deloitte?

With 11,000 exceptional people across the UK, Deloitte has the broadest and deepest range of skills of any business advisory organisation. Our broad business perspective means we are uniquely placed to optimise the end-to-end marketing value chain. We work with our clients to translate organisational goals into executable marketing strategies, plans and actions. And to deliver this we seek to build the required operating models and develop the underlying capabilities, ensuring shared understanding between Marketing and the functions they must effectively collaborate with to deliver growth. We seek to underpin marketing capabilities by driving value from technology, turning data from information into insight then into action.

To demonstrate the value and impact of marketing on shareholder value we align marketing measures with strategic goals to provide both internal and external metrics of success. Finally we seek to link the value chain by providing marketing controls and spend management to enable continuous learning and reprioritisation of investment.

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