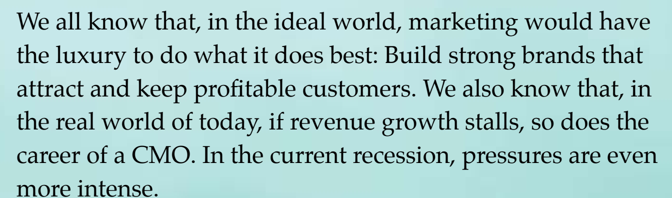
The midst of a recession is a good time for marketers to produce a long-term measurement plan.

By Robert S. Duboff

Taking the Long View



We all know that, in the ideal world, marketing would have the luxury to do what it does best: Build strong brands that attract and keep profitable customers. We also know that, in the real world of today, if revenue growth stalls, so does the career of a CMO. In the current recession, pressures are even more intense.

This tension between building up long-term brand equity over time and needing cash registers to ring today has been playing out for decades, since marketing emerged as distinct from sales—somewhat akin to Eve growing from Adam's rib. It's been a messy process, and the relationship between the functions has not been clear. I believe that greater specification of marketing's role is a key to solving the problem of the pressure put on marketing to be measured in the short-term—as sales should be.

The Problem

A June 9, 2008, *Adweek* article summarized the short-term focus of marketing today, citing a Boston Consulting Group study of marketing and sales conducted for the CMO Council. The executive director of the latter organization summarized: "The problem with most marketers is that they're waiting tables. They're not looking at the menu, creating new menus and, to a certain degree, they're not active in the kitchen

preparing the food. There's a lot of what we call random addictive marketing versus cohesive, well-integrated, multi-level, multi-channeled kinds of campaigns." Consequently, only one-third of these 1,000 executives rated their marketing effectiveness as "extremely good" or "quite effective."

Well-known business authors Don Peppers and Martha Rogers' latest book, *Rules to Break and Laws to Follow* (Wiley, 2008) called the major problem for marketing the "crisis of short-terminism." They state that the key issue in marketers' ineffectiveness is the drive of enterprise leadership to have positive marketplace results soon. They note that "the more impatient a company is for results, the more likely it becomes to engage in behavior that actually destroys value, because the more short-term a company's focus becomes, the more impatient it is for immediate results. You can go ahead and jab at the buttons, but the elevator won't come any sooner."

I believe that marketing's being forced to try (primarily, if not totally) to boost short-term sales has caused these symptoms to appear:

- persistently low hit rate of new products/services
- lack of preparation for foreseeable events (e.g., most companies were unprepared for this downturn in the economy)
- weaker brands with few really differentiated products/services (a growing problem according to those who measure brands' strengths over time).

The result has been lack of confidence in CMOs by CEOs and, consequently, relatively short tenure.

To me, a threshold issue is to define the capabilities and responsibilities of the marketing organization. Without a clear sense of what marketing is supposed to do, how can a business rationally select someone to lead it? We certainly have a pretty good idea of what finance (good controls and accurate measures), human resources (good processes and well-functioning work force) or even information technology (good computing and communication tools) is supposed to do. But what about marketing? And how would you define the main goals(s) of the function? How does its metrics differ from sales'?

Not surprisingly, many organizations have tried to define marketing. Surprisingly, perhaps, the definitions are fairly diffuse. Let's start with the American Marketing Association, which evolved to this definition in 2007:

"Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large."

The Advertising Research Foundation developed its newest version in 2004:

"Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders."

Searching the Association of National Advertising (ANA) Web site provides no definition of what marketing's role is beyond a blog entry deploring a recent survey in which 90% of marketers defined their primary job as being "marketing communicators."

Furthermore, a 2002 survey of ANA members disclosed a wide range of behaviors being pursued, with the notable conclusion that there is not even agreement on what is included in marketing's domain. Most departments have external communications (which may be divided into advertising, PR, media and so on), market research/intelligence/insight/client/customer management if not communications and, if large enough, human resources, finance and/or information technology functions within marketing.

Today's senior marketers are facing an environment quite different from what they were trained in—as is true of their senior outside advisers. As the Dec, 10, 2007, issue of *Business Week* put it, marketers face a "bewildering array of new media options and consumers are better informed than ever." Greg Welch of Spencer Stuart, who is the preeminent figure in CMO executive search, summed it up during an interview: "Marketing is changing at a speed unlike any other position reporting to the CEO."

Add to this mix the spiral of the economy—with severe constraints on investments in new marketing initiatives—and regardless of which factors are causes and which are effects,

EXECUTIVE briefing This article takes up the classic issues of the role of marketing vis-a-vis sales, how to measure the impact of marketing, and whether marketing should be expected to produce positive results from programs and initiatives within a given fiscal year. Against the backup of a recession and data that the average CMO's tenure is not much longer than two years, a four-step program can define the role and expectations for CMOs—including an approach to ROI that balances short-term and long-term needs, and accommodates the differential roles of sales and marketing.

the net result is instability of marketing and, most clearly, current and real challenges to the stability of each CMO.

Tenure Data

Annual research into the CMO tenure is fairly consistent, albeit the basis of the widely quoted statistic (hovering at two years tenure) is perhaps more limited than those who cite it may recognize. The methodology Spencer Stuart uses to develop that most-accepted number is quite interesting. The list starts with *Advertising Age*'s current list of the top 100 advertisers. Then Welch uses his (and his colleagues') judgment each year to list the 100 most relevant consumer goods companies (most of which are on the *Ad Age* list they used as the starting point. Then they research the tenure of the CMOs (i.e., most senior marketers) at those 100. If the position is vacant, that naturally counts as a zero. Thus, the research is quite focused and accurate within the focus of those 100.

Of course, as often happens, the number has been stretched well beyond its meaning, such that headlines simply refer to "CMO tenure"—without noting precisely what has been measured.

However, for the purpose here, the Spencer Stuart research highlights the relatively short tenure of CMOs in the segment that tends to value marketing the most, as shown by the budgets available for that purpose (i.e., consumer goods companies remain at the top of marketing spend, and therefore resources a CMO can use). Thus, if the largest consumer companies have CMOs with relatively short average tenures, this alone justifies inquiry into how tenure of CMOs could be lengthened amid the more general examination of how to improve the function.

Additionally, complementary research reported in *Marketing Management* (Sept/Oct, 2008) by Daniel M. Ladik and William B. Locander suggests the tenure of CMOs is even shorter in businesses other than the big consumer companies.

Regardless of the projectability of the tenure data, the thrust is widely accepted: Marketers do not typically have enough time to develop long-term brand building. More importantly, the balance between long term and short term is off kilter. As noted earlier, the debate began decades ago. Should marketers use short-term devices (e.g., coupons, promotions) or long-term (e.g., brand or image advertising)? Then the issue migrated to types of advertising (e.g., corporate image, branding campaigns vs. product and/or promotion advertising; soft sell vs. hard sell). With the advent of the Internet and the movement to return on investment (ROI) thinking in the 1990s, the debate included using the Internet with its seemingly easily measurable accountability vs. mass media advertising with its never-achieved measurability (and its higher costs).

It seems evident that this debate has a clear winner. The branding/long-term horizon proponents have been defeated. A tautological proof that the short tenure is primarily caused by the enterprise seeing marketing as a short-term producer of incremental revenues is that, clearly, many CEOs feel two years is enough time for a CMO to have proven him or herself. It appears that CMOs are given an extremely short leash to produce results—too short to be able to create/strengthen brand and/or customer equity.

The point is that continuing the musical chairs of CMOs and the concomitant ever-shorter lifespan of any given CMO's initiatives reinforces the short-term trends in marketing programs. In fact, a 2006 "Big Idea" piece from Forrester Research, "Reinventing the Marketing Organization," summarized the situation: "Today's marketing organizations are broken. Three out of four marketing departments have reorganized in the past two years." Unlikely that the two years, 24 months as in the Spencer Stuart research, is just coincidental.

The Impact

Most CMOs undoubtedly have their favorite story about promising programs they launched, which were cut short either because of budget cut demands from above, or because a successor decided to kill it in favor of his/her new initiative. Perhaps the most dramatic instance concerns BMW Films, which has been featured in a Harvard Business School case.

BMW was thriving in the Unites States in the 1980s. It had leveraged its historic fine-engineering positioning into wide recognition as the car for "yuppies," the young winners in what was then called "the new economy." Toward the end of the 20th century, the natural antagonism to these yuppies combined with the start of the dot-com bubble bursting to suddenly make "car of the yuppies" an uncomfortable place to be positioned.

At the same time, BMW had no new models to introduce in the United States for the 2001 season, so there was no "new news" to promote on the product front. The idea arose for a new approach, using the emerging online opportunities. BMW marketing and an outside agency developed the proposal to make several short Internet films, featuring the BMW and made by top directors with real actors (Clive Owens in all of them; Madonna guesting in one). The cost was about $15 million to produce, and another $15 million to promote.

BMW decided to take the risk and launched the program to great fanfare and an enormous number of Internet hits (10 million visitors who registered to view one or more of the films).

A year or so later, with the economy weakened further after terrorist attacks of Sept. 11, 2001, the program was discontinued and the marketer responsible for BMW shifted over to the Mini Cooper—where his willingness to innovate flowered again. The BMW Films site stayed alive for several years and generated hundreds of thousands of visits, even without any promotion at all.

BMW Films won marketing awards, and clearly helped return the positioning of BMW in the United States to performance—where it remains today. But its full power was never exploited—not because of signals it was failing, but through the typical real-world issues of marketing staff shifts and budgetary pressures. It is this type of turnover—cutting seemingly successful programs before they have yielded their complete value—that is the real problem that accompanies the too-rapid turnover of CMOs.

The reason the BMW films did not, and in fact could not, show a positive ROI in the first couple of years is simple logic. The vast majority of those who viewed the films were too young to drive a BMW, much less buy one. (Remember, the dexterity and technology needed to view such a film on the Internet in 2001 was not nearly as ubiquitous among those able to afford a new BMW as it would be today.) Cost of the program was large and known and, while the buzz was good, incremental marketplace results were minimal at best. The decision was to stop the marketing investment, following short-term rules.

It appears that the results on the debate of long vs. short horizons for ROI and accountability are connected with some, if not all, of the indicators of marketing failures listed earlier.

Growth from Knowledge

This connection is well documented in the work of Al Ries and Jack Trout in *Positioning: The Battle for Your Mind* (McGraw-Hill, 1981). If marketing does not have the runway to build differentiated brands that take and hold a position in their category (or create their own category), then marketers cannot do their job. This is because no brand can withstand an attack from its rivals without that strong base and position in the minds of consumers, whether the attack is due to a new feature or benefit, a strong promotion or other effective marketing—however short-lived that might be.

Peter Drucker, often considered the father of modern management, wrote: "Because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: marketing and innovation. Marketing and innovation produce results: all the rest are costs. Marketing is the distinguishing, unique function of the business."

Is this how it works in your business? Is marketing calling any of the shots?

The Role

It is worth noting that despite all the attention the CMO role is receiving, many (in fact most) large businesses have not institutionalized the role. Noting recent estimates that "fewer than 50% of the Fortune 1000 companies have a CMO," Pravin Nath and Vijay Mahajan (*Journal of Marketing*, January 2008), took a comprehensive look at all those businesses with more than $250 million in revenues in 2002, which also report research and development (R&D) expenditures (167 companies). They showed that only one in four had a CMO over the five-year period from 2000-2005, with almost half (41%) reporting that they never had one, and the remaining one-third varying between having one and not having one over that period.

The authors reported that the likelihood of having a CMO positively correlated with R&D spending, having many competitors, having a corporate branding strategy (instead of a mixed or house of brands approach) and having a CEO who came from outside vs. being promoted from within.

At the same time, the analysis found no positive impact on performance from having a CMO vs. not having one, though the authors say that it is "important to note that CMOs do not have a negative impact." This "doing no harm" conclusion may be some consolation for proponents and holders of the role, though fairly faint praise.

I believe that the reason for the finding of no discernable positive impact is because the role (and the function) itself is so ill-defined that it is difficult for CMOs to have a large positive impact. Furthermore, it is the strategy and capabilities of marketing to implement it that needs to be valuable, not simply having a leader who is (or isn't) in the c-suite who is able to last for more than two years on the job.

Even in those businesses that have a true CMO, few allow the CMO to have control over the four Ps that were and are taught in business schools to be part and parcel of marketing. Does the CMO set prices, decide which products/services should be brought to market and how, have responsibility for the places/channels/distribution strategy and execution? How about setting the overall marketing budget?

The Solution

If the problem is the lack of a long enough perspective/leash on CMOs and marketing, the solution seems obvious. However, a clarion call for patience will have little impact in an environment where any public company (and all of its top leadership) has annual, if not quarterly, growth goals they must meet. Furthermore, giving more time to programs and initiatives that will not work is a prescription to even more damage for businesses (though it would produce greater security for CMOs).

A more workable solution contains four elements, some of which can pertain to every marketing organization.

1. CMOs need to have a clear agreement with the rest of the C-Suite on the role, capabilities needed and responsibilities of marketing. I suggest the following definition for marketing: Anticipates the future needs and wants of the target market, so as to deliver value and effectively communicate that value to the target.

Regardless of the precise definition, there needs to be clarity on what the organization is supposed to produce and how to measure impact over what time period.

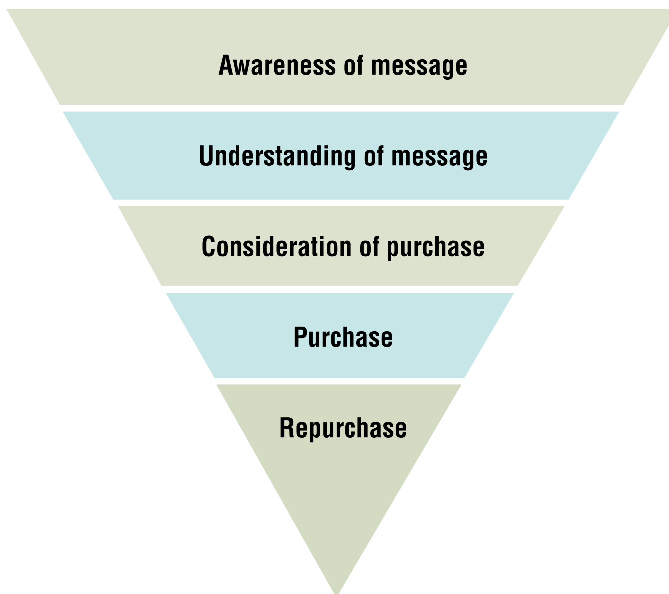
2. At a minimum, marketing needs to provide insight into, and plans to satisfy, the relevant targets on these issues:
   a. What are their selection criteria?
      - For which of these will they pay a premium?

   b. What drives their loyalty?

3. Marketing then needs to connect each major program/expense to these underlying factors to prove (through research if not marketplace performance) that the target(s) are receiving the right message, and that it is working to make intentions stronger—if not producing purchase immediately. The point is that even if marketing is given the longer-term leeway it needs, the function must demonstrate progress on the pathway.

4. Finally, an ROI approach is needed based on a theory of how marketing's work progresses to the (potential) customer. The easiest way is using a funnel that progresses from awareness of the message through to sale/repurchase.

A typical paradigm might be:



A few observations about the importance of this approach:

- When marketing burst on the scene last century, it was taught and fraught with much more academic rigor and "science" than recently. Most importantly, there was always a theory of the case and debate about how marketing (be it advertising, promotion, PR, sponsorship) could actually impact the marketplace. Funnels such as the one shown (above) are a shorthand depiction of the underlying model of how marketing (and sales) really work.

- The funnel approach also allows for delineation of marketing's role (typically the first three steps in the funnel) vis-a-vis sales (typically the latter two), so that enterprises can isolate the effectiveness of each while recognizing the need for them to work together for short-term impact.

- The funnel approach also lends itself to a timeline. How long does it take from message to purchase and repurchase? In some categories with long purchase cycles (e.g., cars, expensive jewelry, new banking relationships), the time from launching a marketing initiative to when significant new sales might occur can easily exceed the average tenure of a CMO.

By delineating a timeline, there can be rational internal discussions and metrics for what should be observed when. This affords accountability at steps along the funnel, such that leadership can check if the marketing is working when incremental short-term sales are not a rational expectation.

- The funnel is quite useful for ROI calculations, pursuant to its depiction of how marketing (perhaps with a hand off to sales) progresses to revenues/profits (somewhat akin to watching a python swallow a pig). Over time, the business can develop generally accurate ratios of how consideration (a research measurement without automatic connection to real-world results) relates to sales (where hard economic numbers come in). For example, a company can observe, over a two-year to three-year period, how much incremental revenues a 40% consideration finding (for a specific target) produces. This will allow that business to assess expectations for a current program, prompting 20% or 60% consideration and amending behavior (e.g., increase the spend or stop the program) accordingly, as well as forecasts. (See *ROI for Marketing: Balancing Accountability with Long-Term Needs*, my 2007 ANA book, for more information on this approach.)

With this knowledge and tools, CMOs can produce a balanced strategy with programs that are longer-term in payout, and others with shorter-term ROI. This should afford the basis for business-like discussions with CEOs and CFOs that recognize the need for some longer-term efforts (e.g., to shift positioning of a brand or patiently develop a market for an innovative product/service), while registering the likely demand of investors for short-term revenue growth. No system is perfect, but this (approach and) discussion can hardly fare worse than the current situation. A July 2008 ANA study showed that 70% of CFOs "don't believe the numbers" that marketing is now using and forecasting and, as a result, two-thirds set marketing budgets as a percent of revenue and/or based on the prior year numbers.

In essence, marketing needs to go back to go forward. The first marketers, fueled by observations such as Drucker's and the advent of mass media and market research, spent much time learning about various levers and how they worked on their specific targets. Now there are even better research techniques available (e.g., neuro-mapping techniques, online panels), but too much focus on mere stimulus-response vs. understanding the effectiveness of underlying techniques and messages. Using these new techniques, marketing can produce even better understanding and, armed with this, be able to pursue the kind of portfolio activities (with monitoring and metrics) that can allow marketing to re-implement the long-term perspective needed to build brands—while also providing some of the short-term revenue that their enterprises require. ■

About the Author

Robert S. Duboff is CEO of HawkPartners, a Cambridge, Mass., consultancy that works at the intersection of marketing and marketing research. He may be reached at rob.duboff@hawkpartners.com.