



## SPENCER STUART CMO SUMMIT

ISOLATING THE MARKETING DNA:  
THE ESSENTIAL SKILLS AND QUALITIES OF THE NEW CMO



The pressures on today's chief marketing officer are well documented and deeply experienced by CMOs, no matter what their industry. CMOs must deftly navigate new frontiers of organizational and market complexity, understand and take advantage of an array of new media options and consumer preferences, and quantify marketing's contribution to top- and bottom-line growth. On top of all this, not only are CMOs facing ever-increasing expectations from their CEO bosses, nearly everyone has an opinion about what marketing is and what it should be doing.

For our sixth annual CMO Summit, Spencer Stuart convened a special group of forward-looking and highly successful CMOs to discuss what it takes for marketing executives to succeed in today's challenging environment. We also surveyed senior marketing leaders and CEOs across industries, receiving more than 200 responses, about the essential CMO attributes, approaches for measuring the effectiveness of marketing and the areas that a CMO must own to be successful.

Hosted in conjunction with *Advertising Age* and the American Marketing Association, this year's event featured the following executives:

**LEE ANN DALY**, executive vice president and chief marketing officer for Thomson Reuters America, previously was executive vice president of marketing for ESPN, where she was responsible for all of ESPN's media businesses. She started her career in advertising.

**BILL MCDONALD**, executive vice president for brand management for Capital One, transitioned into the financial services sector following a long career as a classically trained marketer at companies such as Frito Lay, PepsiCo, Pizza Hut and KFC.

**STEPHEN QUINN**, executive vice president and chief marketing officer for Wal-Mart Stores, formerly was CMO of Frito Lay North America. He also served in a variety of marketing roles, including innovation, brand management, advertising, market research and customer marketing, during his 13 years at PepsiCo.

**MARK-HANS RICHER**, senior vice president and chief marketing officer for Harley-Davidson, previously was director of marketing for Pontiac at General Motors, where he also spent time on GMC and Chevrolet, and worked with consumer brands such as McDonald's, SC Johnson Wax and General Mills while at DDB Needham.

**DR. DAVID J. REIBSTEIN**, the William S. Woodside Professor of Marketing at The Wharton School, moderated the discussion.

## ISOLATING THE ESSENTIAL QUALITIES

Given the challenges marketing leaders face today and the pressure on companies to perform, respondents to our survey rated the ability to impact bottom-line results as one of the most important capabilities of the top marketing executive. Strategic orientation, customer orientation and the ability to influence and work skillfully with peers and subordinates also were critical skills, according to survey respondents. Panelists largely agreed.

To be successful, marketers must be aligned with the CEO, build a sense of teamwork with other senior leaders and, at very large companies, understand and find ways to influence a complex organization, said



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*meant to spur sales in the short term.*

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Quinn. “As a marketer, you’re leading customer advocacy within the organization. At Wal-Mart, we have 2 million associates taking the brand to our customers. Having them embrace the brand is an important part of delivering a consistent message to the customer.” Figuring out the “organization puzzle,” said Quinn, involves looking at how to seed the brand throughout the organization, how to get people behind it and how to energize people so the organization can succeed.

Daly sees her role as the spokesperson for the customer, encouraging the organization to think about its products and services in terms of their “humble mission” in serving customers. Getting the view of the customer right can have a lasting impact on the company. “I often find myself saying to young marketers, and even seasoned marketers, ‘Please stop worrying about owning the P&L, because the P&L

that you own is your relationship with your customer.’ If you can figure out the right ways to measure how the actions of the marketing group have improved the company’s reputation, then you’re more powerful than anybody who runs the P&L.”

McDonald characterized himself as a content-driven CMO, who is hands-on with the company's advertising, Internet and product development initiatives. One of the most important priorities for the CMO, from his perspective, is to keep the marketing team focused on excellence, regardless of the day-to-day pressures. "Never lower the bar. Set a tone with your associates for what is absolutely great marketing, great product innovation, great advertising, great channel initiatives and armor-piercing strategy," he said. "I probably spend more time throwing small fish out of the boat and challenging my folks to be better because that's the nature of the marketplace that's out there."

Consumer focus is critical and is "in the bricks" at Harley-Davidson because of its rich, 105-year history and a portfolio of products that connects deeply with the company's core customers, Richer said. When working with agencies and internal creative teams, CMOs have to be able to guide the creative process, while encouraging creativity in others. "Creativity and vision is an important skill-set for CMOs, but they don't necessarily have to do it all themselves."

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— Lee Ann Daly, executive vice president and chief marketing officer for Thomson Reuters America



Daly agreed about the need to "let great work happen," and noted, "A great creative idea is like a baby chick on Easter morning; if you handle it too much, it's dead by lunch time. But if you let good work happen, amazing things can come out of it."

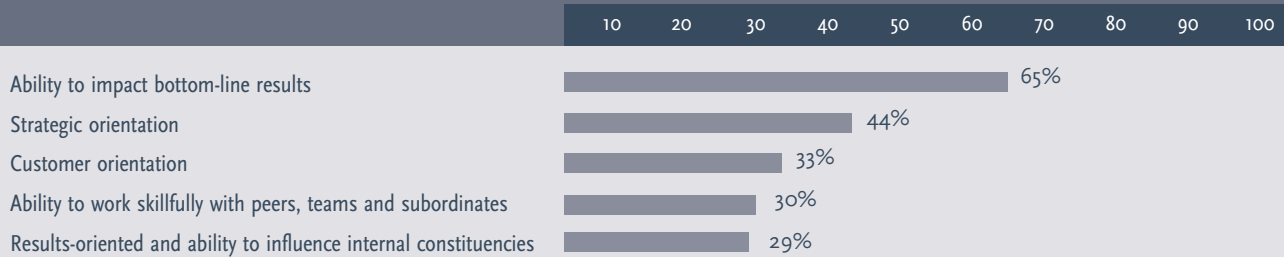
## WHAT THE CEO WANTS

Companies looking for an edge in differentiating their products, building profitable relationships with customers and growing revenue are looking to marketing to play a prominent role in product development and strategic planning for the business. Reibstein asked panelists about what today's CEOs expect from their marketing leaders.

## CMO SNAPSHOT

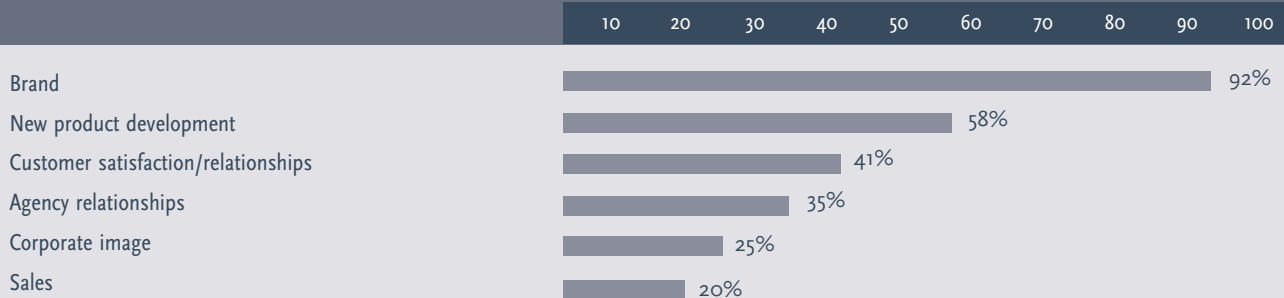
Spencer Stuart surveyed senior marketing leaders and CEOs across industries, receiving more than 200 responses.

### What attributes are essential for a CMO to be successful?\*



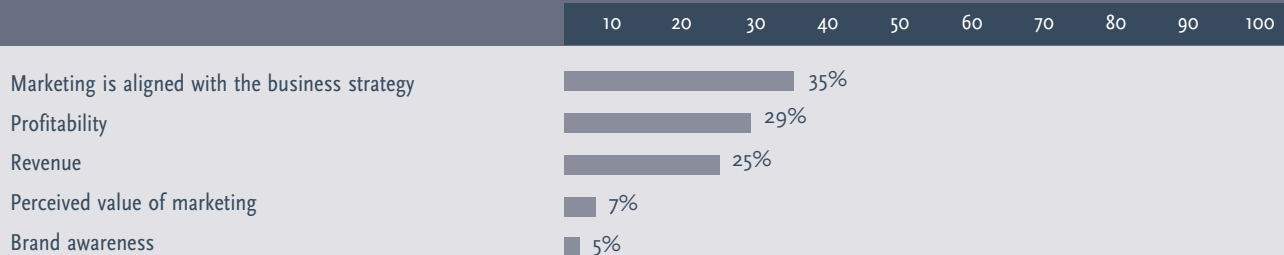
\* Percentages reflect the total number of times the response was ranked as the first, second or third choice by survey respondents.

### What areas must a CMO own to be successful?\*



\* Percentages reflect the total number of times the response was ranked as the first, second or third choice by survey respondents.

### How can the effectiveness of the CMO best be measured?



More than anything, the CEO looks to marketing to champion top-line growth, said Quinn. The strategy differs by company — whether it's launching a new ad campaign, driving innovation or improving merchandising. "If you're a CMO, you want to be in a position where you can really influence the corporate strategy by being seen as the person who has the most ability to drive growth based on the customer."

Vision and excellence in execution are two of the CEO's priorities for marketing at Capital One, McDonald said. But marketing also plays an important role in highly analytic organizations like Capital One as a vocal advocate both for the customer and for the direction the market is headed. "Marketers have to push back in the face of powerful analytics because sometimes the analytics don't tell the story or give only a rearview-mirror perspective, rather than show where the market is going. The CEO wants to be confident that his major functional officers are going to be willing to embrace conflict if it's market conflict."

*"Marketing is evolving to become much more focused on truly, selflessly serving the customer because the customer has a whole lot more power than before, power through information and access."*

— Bill McDonald, executive vice president for brand management for Capital One



As the expert in the customer — through rigorous segmentation, attitudinal research and observation of customer behavior — marketing also is in a position to direct scarce resources to the products and services that customers most value, significantly improving profitability, Daly added.

The focus on marketing's role in driving revenue and improving profitability inevitably raises the question of how to balance marketing investments that support the long-term vision with those meant to spur sales in the short term, Reibstein said. Indeed, our survey revealed little agreement among respondents about how the success of marketing is best measured. Thirty-five percent said marketing's alignment with business strategy is the best measurement, while 29 percent said profitability, and 25 percent said revenue.



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*opportunities for smart CMOs and smart businesses, but the fundamental skills of great marketers won’t change.”*

— Mark-Hans Richer, senior vice president and chief marketing officer for Harley-Davidson

Building support for brand initiatives also requires the CMO to have the backing of a broad range of internal leaders, who often have different degrees of understanding about what marketing does. Quinn finds it helpful to translate the value of the brand to functional leaders. “For the chief financial officer, the brand is premium. For the manufacturing guy, it’s a consistent level of ‘throughput’ in the factory. There are ways of translating what you do into their worlds so that you can build better connections.”

## PREPARING FOR CHANGE:

What are the opportunities and challenges for marketers on the horizon?

For many companies, becoming more effective at addressing diverse global markets is the next challenge, said Daly. Relying on tried-and-true business models won’t work because strategies that have been effective in one market often don’t translate in another. For example, as Thomson Reuters Markets has expanded its wealth management services in Asia, executives have found that the customer service models that are successful in Western markets don’t work. “With wealth growing at a much faster rate in those countries, we really need to figure out how to

deliver the product in the way that customers there want to receive it. If you're not sensitive about whom you're serving, what their expectations are and how they're used to doing things, you're going to miss the boat."

Even in established markets such as the United States, customers are changing, creating challenges for marketers, said Quinn. Companies have to do a better job of understanding the needs and preferences of the customer segments that are growing in size and influence, including various ethnic populations, aging baby boomers and, of course, women. "Seventy-six percent of every sale we make goes to women, and women impact the entire rest of the pie. We have a huge opportunity to do a much better job marketing to them, but also creating an environment where they want to shop and helping them become heroes in their own families."

Technology, too, is changing the marketplace and the customer, who now has much more access to information and more control over the channels, McDonald said. "Marketing is evolving to become much more focused on truly, selflessly serving the customer because the customer has a whole lot more power than

before, power through information and access."

Finally, marketers must learn to tame the explosion in complexity — what McDonald calls the tyranny of the in-basket. "It's easy to set your day around all of the meetings and e-mails. I counsel my people to ask themselves, 'What are the difference-makers today?'"

In the short term, at least, marketers also are operating in a period of economic uncertainty. While this presents many challenges, it also creates possibilities for companies able to identify and invest in innovation and new opportunities, panelists said. Pauses in growth are inevitable, said Richer. "It's what you do with that pause that's the strategic decision you have to make. Are you going to use the pause to sharpen your strategies, to figure out how you're going to capture more market share, to con-

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tinue to invest and to get closer to your customers?”

Marketing can help by encouraging the organization to be counterintuitive in a time of financial crisis; rather than scaling back, companies can invest in the areas that will benefit customers. “During times of financial crisis, the means of first resort typically is to raise prices, cut portions, reduce service and cut the advertising budget. You have to convince people to step up the focus on the customer, because they’re hurting a lot worse than our corporation, and increase the focus on the brand and look for investment opportunities,” McDonald said.

Ultimately, businesses always will face new challenges and have to respond to changing market conditions, but many of the fundamentals of marketing remain constant, said Richer. “There will continue to be all sorts of changes flying at us — new media, new types of distribution, different kinds of customers and different attitudes. Those all will be opportunities for smart CMOs and smart businesses, but the fundamental skills of great marketers won’t change.”



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